



NORITZ CORP.

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NORITZ REPORT 2015

*This report is as of March 2015.

1507-009

Tool No.097654

Corporate Philosophy

NORITZ

Making your life
a happy and safe oasis
with hot water

The Founder's Maxim

お風呂は人の心を
幸せにします
太田敏郎

Bath Makes Us Happy

Noritz was founded as Noritsu Bath Industry in Kobe city, Hyogo, Japan.

The founder, based on his unforgettable experience during the wartime, had a passion about hot water and bath that no one could beat, and did not spare any efforts in trying to spread the bath culture during the postwar period in Japan.

He kept himself in pursuit of developing products that are highly efficient, functional, and moreover, safe and sound to the environment, so that everyone could enjoy bath with reliability.

This was our starting point, which will never fade and remains perpetual until today. This is Noritz DNA.

Making People Happy with Hot Water Life

What we can contribute to our society is to make people happy with irreplaceable hot water.

We believe that this is our social role to play and will never change as Noritz Group.

Corporate Philosophy

Core Values of Noritz Group

- 1- We provide our customers with safe and reliable products.
- 2- We provide our customers with inspirational value.
- 3- We engage in fair and transparent corporate activities.
- 4- We protect the global environment and human lives.

Noritz 3C

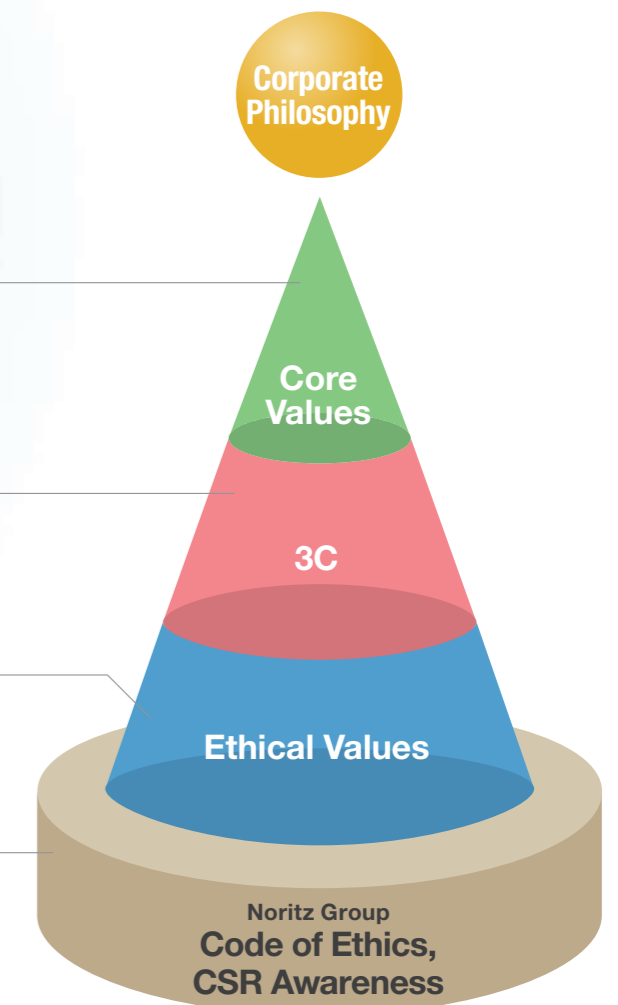
- CHANGING We keep CHANGING.
- CHALLENGING We keep CHALLENGING.
- CREATING We keep CREATING.

Noritz Group Corporate Ethical Values

- 1- Strict compliance and properly informing all members.
- 2- Action supported by high moral and ethical standards.
- 3- Fair business practice.

Noritz CSR Awareness

- 1- To recognize the international guidelines regarding the sustainable development of the society.
- 2- To try actively to serve in solving social issues.
- 3- To cooperate with the local community.



Thought for “hot water” has never changed since the time of foundation. Noritz has been supporting Japanese culture, and now is moving to the next stage.

Ever since its foundation in 1951, Noritz has always kept challenging with the aim of becoming the world No.1 in the “hot water” field. Founder’s maxim “Bath Makes Us Happy” was originally filled with passion to improve standards of living in the postwar recovering period. This thought and passion have been the same for 65 years.

■ Domestic Sales
■ Overseas Sales
- - - Housing Starts

*All these data here are based on the IR disclosure.

1951
Noritsu Bath Industry was established in Kobe, Motomachi, Japan



1956
R&D Center was opened at the Technology Research Institute of Hyogo Prefecture



1962
Akashi Factory was established in Uozumi-cho, Akashi; in-house manufacturing begins

1968
Company name was changed to Noritz Corporation



1984
CI was introduced and corporate logo was changed



1987
Fundamental Research Laboratory was established in Hachioji, Tokyo
• Was listed on 1st Section of the Tokyo Stock Exchange and the Osaka Securities Exchange



1990
Akashi Main Factory and Training Center was established in Futami-cho, Akashi



2001
Business tie-up and capital participation in Harman Co., Ltd. and Harman Pro Co., Ltd.

1993
Joint venture was established in Shanghai, China



2002 Noritz America
Noritz America Corp. was established in California, USA



2004
• Noritz Hong Kong Co., Ltd. was established
• Noritz (Shanghai) Home Appliance Co., Ltd. was established

2005
Noritz (China) Co., Ltd. was established

2009
First gas and kerosene appliance manufacturer to acquire the “Eco-First Company” certification



2011
Eco-product R&D Center was established in Futami-cho, Akashi



2012
Signed UN Global Compact



2013
Capital participation in Sakura Bath & Kitchen Products (China) Co., Ltd., a Chinese housing equipment manufacturer

2014
• Dux Manufacturing Limited, an Australian water heater manufacturer, was acquired
• Harman brand of kitchen instruments was unified as Noritz brand

Global Expansion Begins



1951
Noritsu Bath type A

Never cool bath boiler “Noritsu Bath type A” was released

1961
The first bath tub water heater

Aluminum made bath tub water heater “Type GS” was released

1963
Compact water heater/kerosene boiler

Compact water heater “GQ-4” a kerosene boiler “Type OM” was released

1970
Magicon

“Magicon” a controller that enables turn on/off the pilot light from inside the bathroom was released

1977
Yu-Bic

“Yu-Bic” a gas instantaneous tank water heater with 100V electrical control was released

1979
Yu-Raji

“Yu-Raji” a water heater that integrates instantaneous water heater and bath tub boiler was released

1983
Automatic bath water heater

“GRQ-1600A” a water heater that features automatic bath fill and temperature controller was released

1988
SBL

“SBL” a built-in bath system was released

1989
Estudio

“Estudio” a built-in kitchen system was released

1997
Dry Hot

“Dry Hot” a hydraulic bathroom heater/ventilator/dryer was released

1998
Grasio

“Grasio” a built-in bath system for bathroom renovation, which can extend bathroom space without major construction work was released

2004
Eco-Jozu

“Eco-Jozu” a highly efficient gas water heater was released

2013
Hybrid water/space heater system

“Hybrid water/space heater system” which uses atmospheric-thermal energy and gas to heat water was released

2014
Smart Cooker

“Smart Cooker” that enables flame adjustment by twisting switch was released



Message from the President

With the sustainable development of the society and business, and CSR activities through our business, we are aiming to promote “The Simple Comforts of Life”

President and CEO

国井 総一郎

“To make people happy with hot water life” This is our social role as Noritz Group.

My name is Kokui, the President of Noritz. I believe, as Noritz Group whose main business is manufacturing the water heater, it is our social role to make people happy with hot water life. We are committed to raising our long term corporate value through the sustainable growth. Our Group, which was established in Kobe to promote the bath at home in 1951, is a leading company of gas and kerosene water heaters with 40% share in the Japanese domestic market. Ever since the time of foundation, we have focused on the research and development process, and kept creating outstanding products that have high energy efficiency and achieve both economic efficiency and less-burden on the environment. In this way we have contributed to “an affluent way of life with hot water every day” and created Japanese bath culture. In 1993, we established a joint venture with a local company in Shanghai, China, and launched production of gas water heaters in 1994. In 2002, we introduced our tankless gas water heaters in the U.S.A. Based on proprietary technologies developed in Japan, we are expanding our activities overseas and promoting our Group Vision that we set in 2011, “The Simple Comforts of Life.”

Progress of Medium-term Management Plan “V-plan 16”

In 2011, two years after I was appointed as President, we launched a new six-year medium term management plan “V-plan 16.” Our goal was to achieve Group Vision “The Simple Comforts of Life” a stable management base and sustainable growth, and to form the Noritz Group into an organization whose employees develop confidence and take pride in their work. The annual sales of ¥250 billion and operating income of ¥15 billion were the target figures for FY 2016. In the first three years of our six-year plan, we have achieved continuous innovation in Japan with the current scope of our business and engaged in discontinuous innovation including capital participation in Sakura Bath & Kitchen Products (China) Co., Ltd., a Chinese manufacturer of water heaters. With regard to the figures, we reached sales of ¥200.3 billion and operating income of ¥9.6 billion in 2013 as planned. However, in 2014 sales were ¥218.9 billion and operating income decreased to ¥7.4 billion. Major factor for this profit decline was a decrease in housing starts in Japan following a surge in last-minute demand ahead of consumption tax hike. In addition, entering into photovoltaic

Summary of Medium-term Management Plan “V-plan 16”

Group Vision
The Simple Comforts of Life
 Noritz Group is determined to contribute to the smiles of people and the planet through the pursuit of moving impressions of life.

Brand Message
 エコ*リラ*キレイ
 Ecology_Relax_Clean&Beauty.

Basic Policy

- To strengthen a stable management base and achieve sustainable growth
- To form the Noritz Group into an organization whose employees develop confidence and take pride in their work

To achieve “Growth Strategy”
To achieve “Strong Collaboration”
To achieve “Strong Brand”
To achieve “Strong Team”

Year	Overseas Business Sales	Domestic Business Sales	Operating Income
2010/12	16.0	175.1	7.14
2011/12	13.8	184.4	8.18
2012/12	14.3	187.1	8.83
2013/12	27.2	200.3	9.67
2014/12	49.0	218.9	7.40
2016/12 (Plan)	80.0	170.0	10.0

	Sales	Operating Income
Target	¥250 billion	¥10 billion
Domestic Business	¥170 billion	¥5.5 billion
Overseas Business	¥80 billion	¥4.5 billion

power generation system field disturbed our sales and R&D resources, which caused negative impact on profit. In May 2014, a malfunction was detected with a certain type of the bathroom heater/dryer that our Group manufactured and sold. We hereby apologize for all the problems that we have caused to our customers and the persons concerned. We are now determined that we put more emphasis on safety and security of our products, in order to prevent them from recurring. Looking at such circumstances, we have revised “V-plan 16” taking the domestic market changes and further growth opportunities in overseas market into consideration. In our broad direction, we aim to recover profitability in our strong field in the domestic market, and achieve high growth overseas. Sales target figure shall remain unchanged, but we reallocate growth balance factor more into the overseas market. In the domestic market, we will accelerate the cost of goods reduction, and introduce products that are competitive in both cost and performance. Last December we withdrew from “photovoltaic power generator system for home use” in the renewable energy field and decided to focus our management resources on our strong field. Regarding the overseas market, we will enhance synergies with Sakura Bath & Kitchen Products (China) Co., Ltd. and

accelerate the discontinuous innovation. Overseas sales ratio was set at around 15-20% when “V-plan 16” was launched, but now more than 30% is coming into our perspective. Last December we acquired Dux Manufacturing Limited (Dux), an Australian manufacturer of water heaters. The following information shows the revised plan.

Revised “V-plan 16”

Financial figures of 2016 are revised taking the changing market environment into consideration

	Original as of 2011	After revision	Change vs. original
Sales	¥250 billion	¥250 billion	No change
Operating Income (Operating Income Ratio)	¥15 billion (6.0%)	¥10 billion (4.0%)	¥-5 billion (-2.0%)
ROE	8.0%	5.7%	-2.3%

Reasons for revision

- Withdrawal from the photovoltaic power generator system for home use
- Slow-down of main product growth in the domestic market (Eco-Jozu, fuel cell, etc.)
- Steady growth in the overseas business (acquisition of Dux, an Australian manufacturer of water heaters, etc.)

Aiming at fusion of CSR and management

Our corporate social responsibility (CSR) deeply integrates three commitments: the pursuit of economic value through business strategies; the pursuit of social values that are proactively adapted to social requirements and expectations; and the promotion of Noritz quality. Thus, we are committed to ensuring that all our stakeholders experience the simple comforts of life. We believe that our business itself contributes to the society, and making people's life happy is the social role that we always should play.

In December 2012, we signed the Global Compact advocated by the United Nations. In accordance with the Global Compact 10 principles in four categories, we are implementing initiatives based on our corporate philosophy and global framework to achieve sustainable growth as a company together with society.

In Japanese domestic market, our gas/kerosene water heaters are used by approximately 20 million household-users. Our Group, whose main products are the devices to produce hot water for the users, emits approximately 12.6 million tons of CO₂ per year throughout their life cycle. This represents about 1% of overall CO₂ emissions in Japan. As we can reduce considerable amount of CO₂ emissions in Japan by improving the energy efficiency of our products, we recognize this is an important role we should play. Our product portfolio includes highly efficient gas water heater "Eco-Jozu" as well as "Hybrid water/space heater system" which uses a combination of gas and atmospheric thermal energy to heat water, and "Eco Will" the power generator and water/space heater system(CHP) using gas.

In 2009, Noritz became the first manufacturer of gas/kerosene appliances to acquire the "Eco-First Company" certification. This reflects our social commitment to advancing various initiatives highlighting environments conservation. Now we commit ourselves to reducing CO₂

emissions by 200,000 tons per annum from product usage at home.

In addition, we have "Three Smile Projects" in which we promote bath & food education projects, forest conservation projects, and support projects for people with disabilities in collaboration with welfare facilities. We are a sponsor of Kobe Luminarie, an event that symbolizes the recovery of Kobe from the Great Hanshin Earthquake and our employees also participate in the event as volunteer staff. We aim to thrive with the society and community around us through our activities.

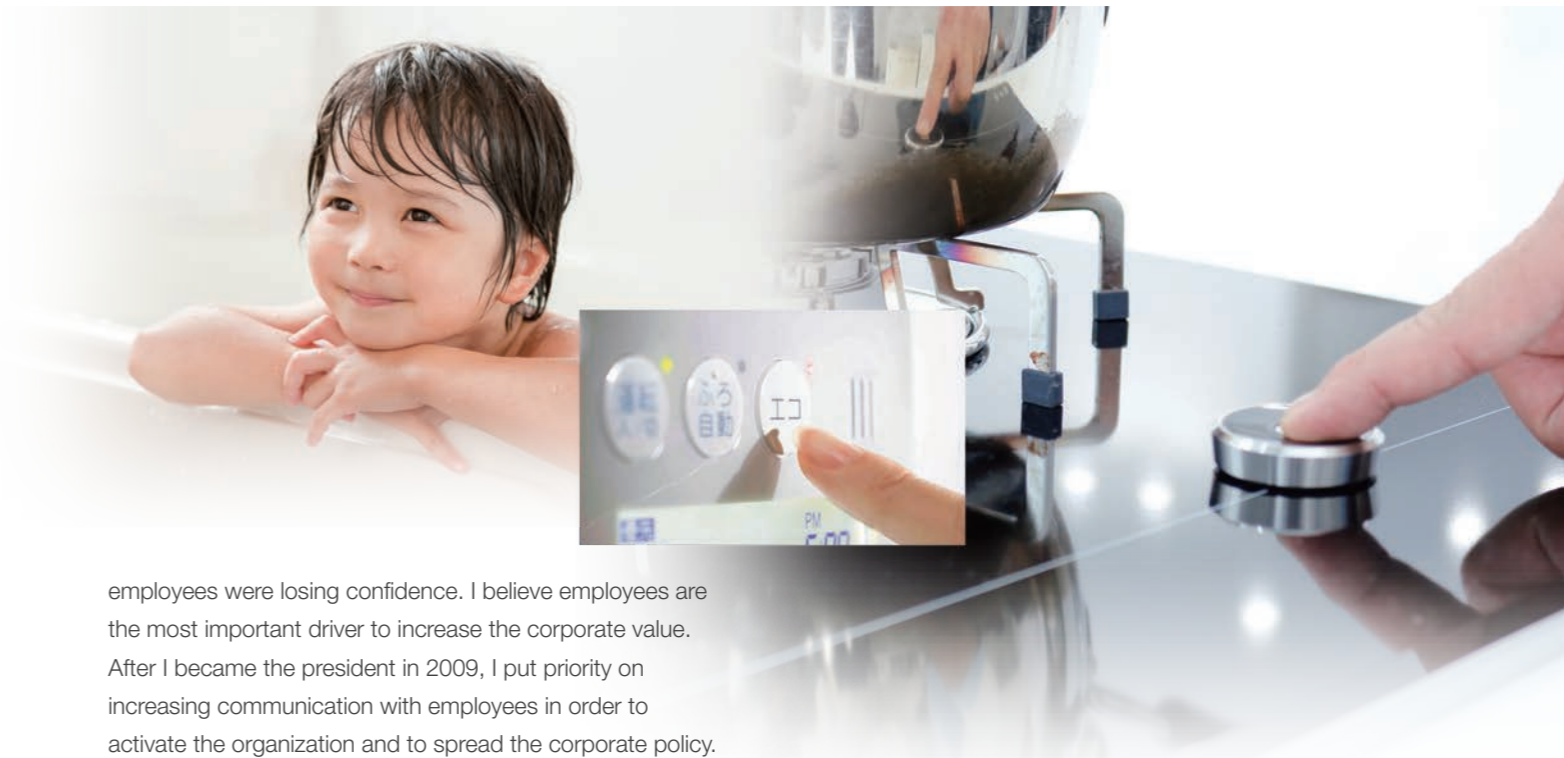
When the Tohoku Earthquake hit the area in 2011, we provided shower booths and hot water to the people in the region. This was an idea from our employees as we received tremendous support 20 years ago when we suffered from the Great Hanshin Earthquake. Today we are supporting children who lost their parents in the earthquake in the region through "Michinoku Future Fund" and helping them to make their dreams come true. We will continue doing such activities in order to realize our principles.

We also have other subjects that we work on at the moment, such as the promotion of procurement in CSR's perspective, human rights related activities and others.

We enhance "invisible assets" which are not in the Financial Statements.

Our products include the competitive water heater, which has a domestic market share of about 40%. Our employees are well aware of their social responsibilities: when we were hit by the Great Hanshin Earthquake 20 years ago, our production lines were also damaged but recovered and resumed the production in only two days after the earthquake. This example indicates that we can be stronger when we are in critical emergency.

In FY2007 and FY2008 our group has posted net loss. Our



employees were losing confidence. I believe employees are the most important driver to increase the corporate value. After I became the president in 2009, I put priority on increasing communication with employees in order to activate the organization and to spread the corporate policy. As a result, along with other measures taken, we could recover our performance. Since 2011, we have opened "Vision Café" where I share my visions with employees. So far I have spoken with the total of about 1,000 employees at 93 occasions. I believe our corporate visions are permeating to our employees, which will be the driving force in the mid-term growth in any circumstances in the future.

In order to increase the corporate value in long-term

Building trustworthy relationships with customers is important to realize the sustainable growth. Thus we are working on "Quality improvement and CS (customer satisfaction) increase" as one of our top priority issues, and promoting to build a system that reflect customers' opinions

in our management. Not only to increase quality in manufacturing and installing processes, but we also put emphasis into the quality improvement of the contact center, where customers send inquiries when using our products. In relationship with our stockholders, we aim to improve ROE continuously by increasing the profit. In FY 2014, we distributed a dividend per share of ¥32, which increased by ¥2.

In terms of the corporate governance, we aim to increase the soundness and transparency of our management, and optimize management decision.

We are committed to making contributions to the comfortable living in Japan and around the world, and to solving social issues through our business, which will lead us to the sustainable growth. We would appreciate your support to our Group. Thank you.



Considering the environment is a very important responsibility for a manufacturer of water heaters.

The UN Global Compact 10 Principles



Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2	make sure they are not complicit in human rights abuses.
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	the elimination of all forms of forced and compulsory labour;
	Principle 5	the effective abolition of child labour; and
	Principle 6	The eliminate of discrimination in respect of employment and occupation.
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;
	Principle 8	undertake initiatives to promote greater environmental responsibility; and
	Principle 9	encourage the development and diffusion of environmentally friendly technologies
Anti-corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

Main Financial/Non-Financial Data for 11 Years

	2004.12	2005.12	2006.12	2007.12	2008.12	2009.12	2010.12	2011.12	2012.12	2013.12	2014.12	2014.12	
Consolidated Statement of Income (Fiscal Year)												unit: millions of yen	Thousands of U.S. dollars
Sales	¥171,597	¥176,047	¥182,076	¥180,017	¥181,254	¥169,350	¥175,067	¥184,353	¥187,061	¥200,327	¥218,943	\$1,816	
Cost of Goods Sold	118,942	122,698	128,178	127,248	129,765	119,909	121,135	129,928	133,008	140,773	150,599	1,249	
Selling Expense and General/Administrative Expenses	44,960	46,400	48,091	50,410	48,042	45,071	46,787	46,238	45,214	49,884	60,936	505	
Operating Income	7,693	6,949	5,806	2,358	3,445	4,369	7,144	8,186	8,839	9,670	7,407	61	
Ordinary Income	8,740	8,402	7,028	3,019	3,102	4,821	7,380	8,704	9,813	11,058	9,439	78	
Net Income/Loss	4,950	4,273	2,996	-1,208	-1,796	838	3,843	4,798	5,979	6,387	3,479	29	
Balance Sheet (End of Fiscal Year)												unit: millions of yen	Thousands of U.S. dollars
Net Assets	¥85,779	¥89,089	¥92,236	¥87,130	¥79,993	¥81,449	¥83,419	¥85,621	¥92,724	¥109,673	¥118,244	\$981	
Total Assets	148,772	151,533	155,151	156,682	145,028	136,573	143,845	150,837	159,910	191,324	206,061	1,709	
Consolidated Cash Flows (Fiscal Year)												unit: millions of yen	Thousands of U.S. dollars
Cash Flows from Operating Activities	¥5,055	¥8,080	¥8,696	¥2,756	¥7,904	¥12,416	¥12,613	¥9,777	¥11,167	¥9,673	¥13,476	\$112	
Cash Flows from Investing Activities	-16,268	-9,695	-6,516	-18,031	-3,742	290	-2,898	-9,028	-7,340	-10,430	-14,658	-122	
Cash Flows from Financing Activities	-3,644	-3,560	-1,139	8,846	-4,722	-7,066	-955	-1,432	-1,731	-574	-2,814	-23	
Term End Balance of Cash and cash equivalents	21,075	15,887	17,323	11,708	10,816	16,461	25,029	24,371	26,765	26,936	24,274	201	
Per Share Information												unit: yen	U.S. dollars
Net Assets	¥1,750.8	¥1,860.9	¥1,890.5	¥1,804.7	¥1,666.2	¥1,700.8	¥1,742.6	¥1,790.3	¥1,938.9	¥2,231.0	¥2,372.1	\$20.0	
Net Income/Loss	98.0	86.7	62.6	-25.3	-37.6	17.5	80.3	100.3	125.0	133.6	72.8	0.6	
Dividends	28.0	28.0	28.0	28.0	28.0	28.0	28.0	30.0	30.0	30.0	32.0	0.3	
Management Index												unit: %	
Operating Income Ratio	4.5	3.9	3.2	1.3	1.9	2.6	4.1	4.4	4.7	4.8	3.4		
Equity Ratio	57.6	58.8	58.3	55.1	55.0	59.6	58.0	56.8	58.0	55.8	55.0		
Return on Assets (ROA)	3.3	2.8	2.0	-	-	0.6	2.7	3.3	3.8	3.6	1.8		
Return on Equity (ROE)	5.9	4.9	3.3	-	-	1.0	4.7	5.7	6.7	6.4	3.2		
Non-Financial Data													
Number of Employees (Consolidated)	4,604	4,765	4,907	5,290	5,273	5,134	5,299	5,519	5,703	9,165	9,422		
Number of Domestic Patents	721	871	931	1,010	934	850	743	767	842	904	921		
CO ₂ Emission Reduction by Our Products (ten thousand tons/year)	-	-	-	-	-	-	6.4	8.2	9.9	11.1	11.7		
CO ₂ Emission (tons)	-	-	-	-	-	-	22,892	21,621	21,636	22,152	21,071		

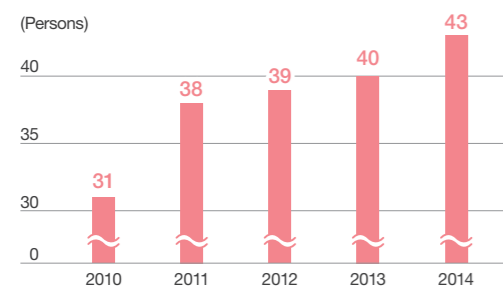
Calculation: Operating Income Ratio = Operating Income / Sales * 100
Equity = Net Assets - Minority Shareholders' Interests
Equity Ratio = Equity / Total Assets * 100

Return on Assets (ROA) = Current Net Income / Average Total Assets of Previous Term and Current Term * 100
Return on Equity (ROE) = Current Net Income / Average Equity of Previous Term and Current Term * 100

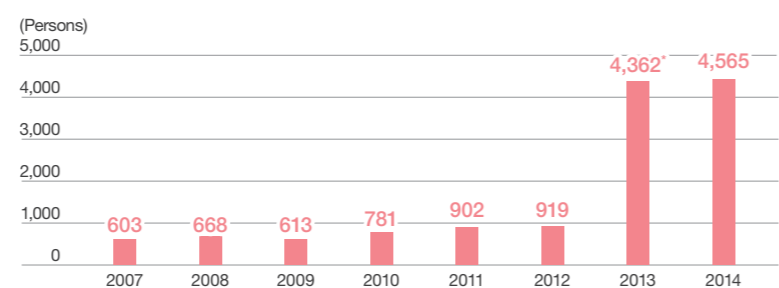
Note: The stated yen amounts are rounded down to the nearest million yen. Amounts in U.S. dollars are rounded to the nearest thousand unit.
Figures in yen have been translated into U.S. dollars solely for the convenience based on the exchange rate of ¥120.56=US\$1, announced by Sumitomo Mitsui Banking Corporation on December 30, 2014.

About Diversity

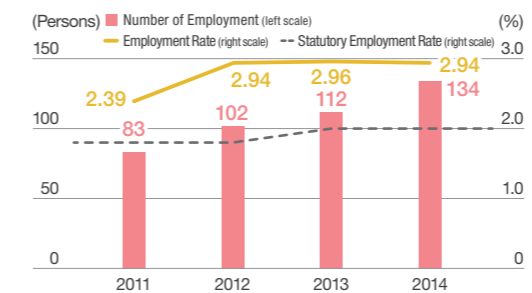
Female Managers (non-consolidated)



Overseas Employees

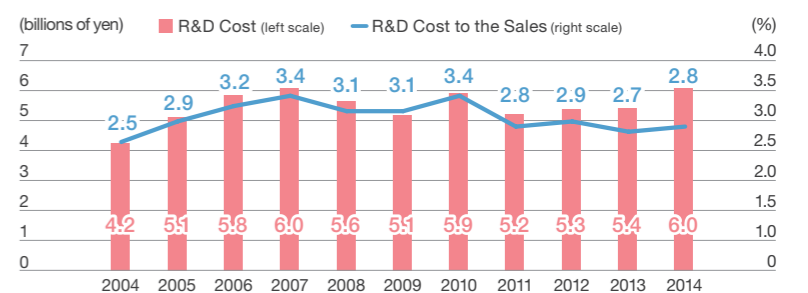


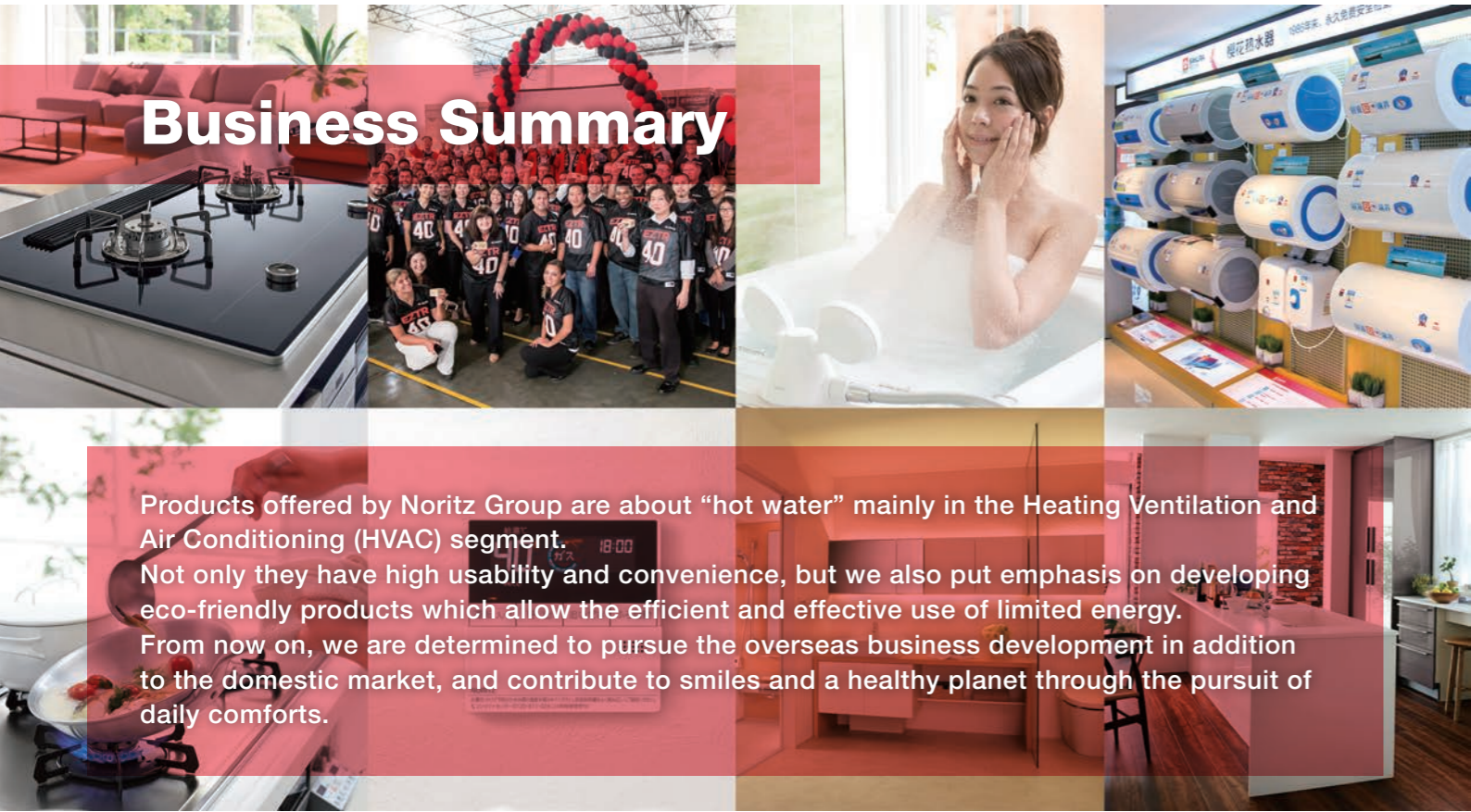
Employment Rate for People with Disabilities (whole group)



About Research and Development (R&D)

R&D Cost and its Ratio to the Sales





Business Summary

Products offered by Noritz Group are about “hot water” mainly in the Heating Ventilation and Air Conditioning (HVAC) segment. Not only they have high usability and convenience, but we also put emphasis on developing eco-friendly products which allow the efficient and effective use of limited energy. From now on, we are determined to pursue the overseas business development in addition to the domestic market, and contribute to smiles and a healthy planet through the pursuit of daily comforts.

Domestic Business

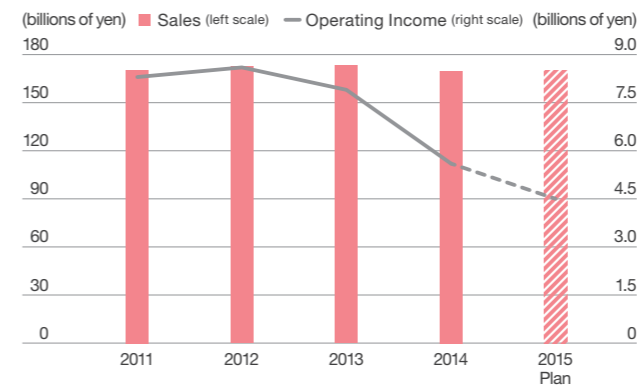
Performance of 2014

In the domestic market, sales were ¥169.8 billion (down 1.9% year-on-year) and operating income was ¥5.6 billion (down 29.6% year-on-year). We tried to expand the sales of highly efficient water heaters, built-in gas cookers, and co-generation systems.

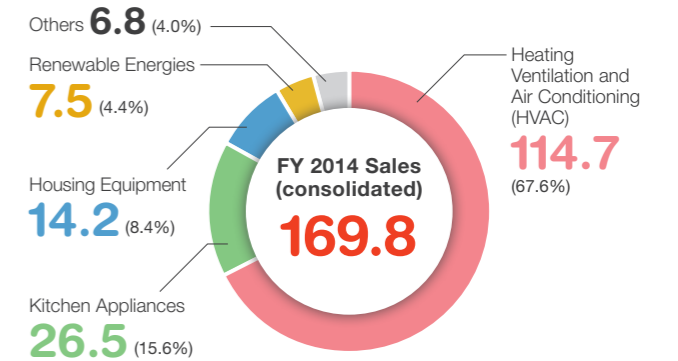
Perspective for 2015

Due to the uncertain market environment in Japan, we target sales of ¥170 billion (up 0.1% year-on-year) and operating income of ¥4.5 billion (down 19.8% year-on-year). We will stimulate demands by making the full use of the governmental policies for economic recovery, such as nomination of our major products for the eco-point system for housing, and by launching new products actively.

Domestic Sales and Operating Income



Domestic Sales and Ratio by Segment (billions of yen)



Overseas Business

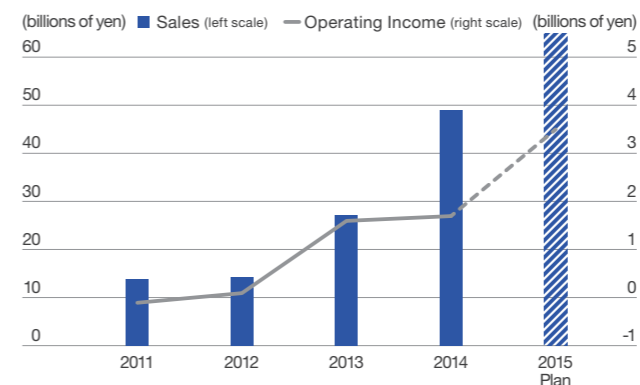
Performance of 2014

As a result of business expansion mainly in China and North America, overseas sales were ¥49 billion (up 80.2% year-on-year), and operating income was ¥1.7 billion (up 5.9% year-on-year). We also acquired Dux Manufacturing Limited, an Australian manufacturer specialized in water heaters, and laid the foundations for future growth.

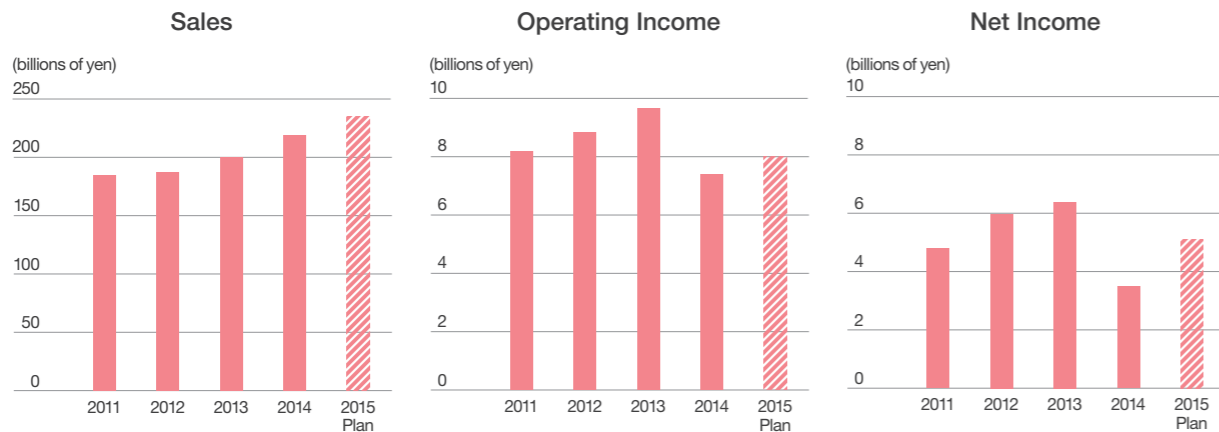
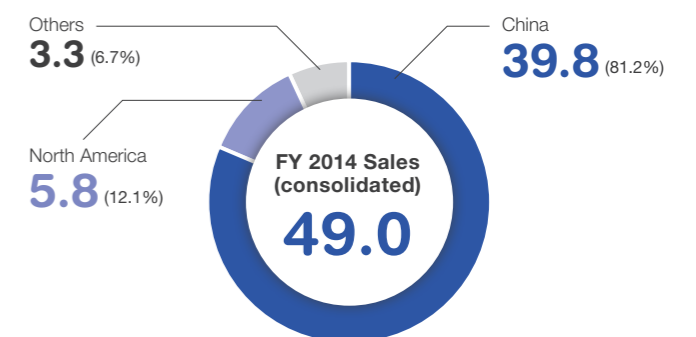
Perspective for 2015

We target sales of ¥65 billion (up 32.5% year-on-year) and operating income of ¥3.5 billion (up 96.6% year-on-year). With growing concern for the environment and energy saving necessity all over the world, we are expecting to grow especially in Chinese and North American markets. The performance of Dux Manufacturing Limited will fully contribute to the figures in FY 2015.

Overseas Sales and Operating Incomes



Overseas Sales and Ratio by Region (billions of yen)



In FY 2014, Noritz Group posted sales of ¥218.9 billion (up 9.3% year-on-year) and operating income of ¥7.4 billion (down 23.4% year-on-year). Net income was ¥3.4 billion (down 45.5% year-on-year), which was due to the cost for the recall of the bathroom heater/dryer, and the expenses related to the withdrawal from the photovoltaic power generator system for home use. In such circumstances, we have taken several measures to maintain the sustainable growth, which includes

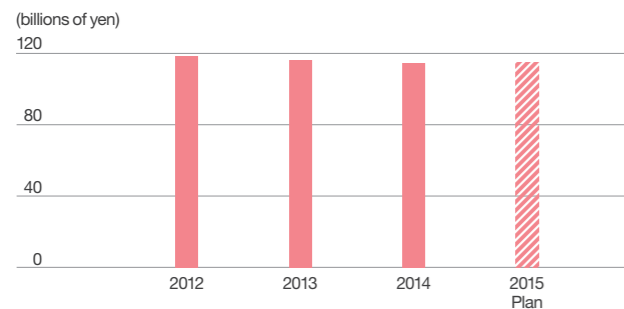
sorting out unprofitable businesses in the domestic market, and acquiring an Australian specialized water heater manufacturer. We still face severe management environment for 2015, but we are determined that we will clear a path to our future, by making the first move in the future. Our target is sales of ¥235 billion (up 7.3% year-on-year), operating income of ¥8 billion (up 8.0% year-on-year) and net income of ¥5.1 billion (up 46.6% year-on-year).

Domestic Business

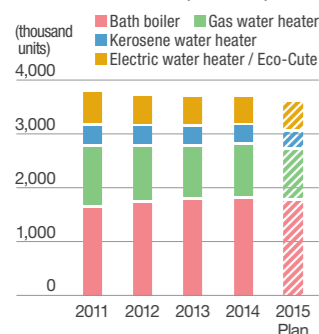
Heating Ventilation and Air Conditioning (HVAC) Segment



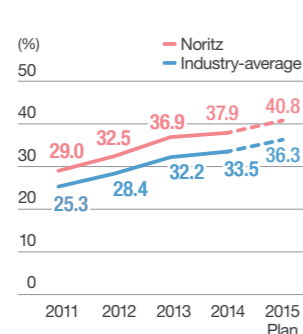
Sales



Change in Demand for Water Heaters (estimate)



Eco-Jozu sales to HVAC sales

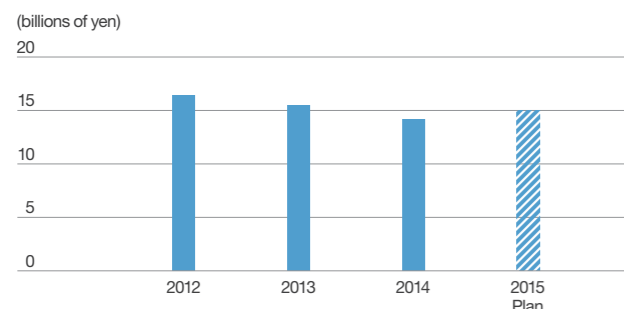


In the HVAC segment, we manufacture and sell gas/kerosene water heaters that ensure stable supply of hot water, by combining the following three advanced technologies: combustion control, heat exchange technologies and fluid control. By promoting eco-friendly products with high added values, we secure stable growth in this segment where there is constant demand for replacement. In 2014, we saw the decreased sales due to the stagnation of the domestic market in reaction to the increase of consumption tax however, we managed to raise the sales composition ratio of the product we focus on, highly efficient water heater Eco-Jozu, up to 37.9%. In 2015, we assume the demand for the water heater will be smaller compared to last year. Still we are determined that we will actively work on spreading eco-friendly products such as Eco-Jozu, Eco-Feel or hybrid water heater and heating system, making the full use of the governmental policies for economic recovery.

Housing Equipment Segment



Sales



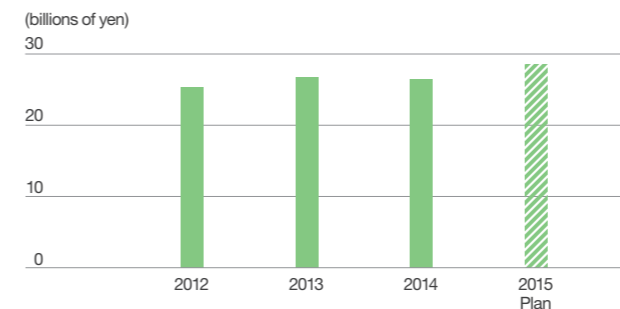
*Some of disclosure classifications for the sales by segment in domestic market have been changed since 2012.

In the Housing Equipment Segment, the product portfolio that we focus on includes a built-in kitchen system which enables easy size adjustment of width by 1cm, and "Self-Cleaning Bathtub" which features automatic bath tub cleaning. The latter is the proprietary innovation of Noritz, where the combination with the water heater solves the problem of burdensome scrubbing of bathtub. For 2015 we will continue to launch new products that increase the quality of life for both built-in kitchen and built-in bath systems.

Kitchen Appliances Segment

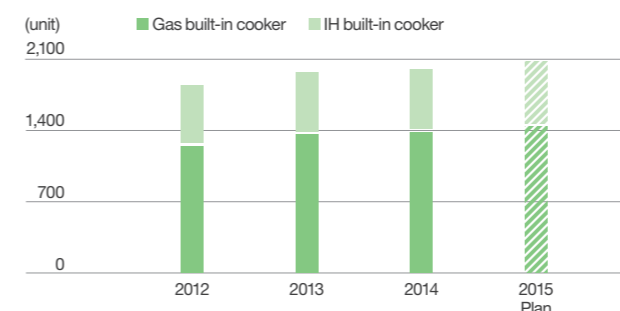


Sales



*Some of disclosure classifications for the sales by segment in domestic market have been changed since 2012.

Demand for Built-in Cookers



*Single burner cookers excluded.

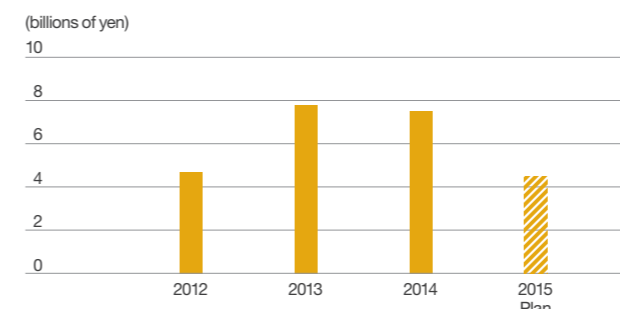
In the Kitchen Appliances Segment, the product portfolio that we mainly focus on includes the built-in gas cooker, which features our unique burner that facilitates cooking with stabilized flame for less energy. Since 2011, the demand for the gas cooker has been increasing year by year and the products with high added values, such as the ones that are easy to cook with, easy to clean and highly designed, are getting more popularity. In 2014, we unified our product brands into one Noritz brand. In the same year we also launched a new product "Smart Cooker" which features many of industry's first functions such as "twist switch" "multi grill" and "compatible with smart phones."

We assume that the demand for the gas built-in cookers will show a steady growth in 2015 as well. We will enhance the product portfolio of the built-in cookers which feature the "multi grill" function that facilitates cooking like grilling, simmering and steaming, since the "Smart Cooker" has gained large popularity so far.

Renewable Energies Segment



Sales



*Some of disclosure classifications for the sales by segment in domestic market have been changed since 2012.

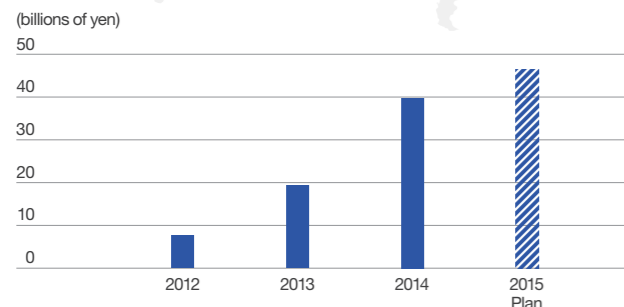
*Data are as of March 2014.

In the Renewable Energies Segment, we are spreading solar water heaters and photovoltaic power generation system for industry use. It has been approximately 30 years since we started dealing the solar water heater. In response to the growing necessity for eco-friendly and energy saving products year by year, currently we offer products that combine solar energy and gas energy. Although we entered the market for photovoltaic power generation systems for home use, we plan to withdraw from this market by the end of 2015 due to the market environment changes.

Overseas Business

China

Sales

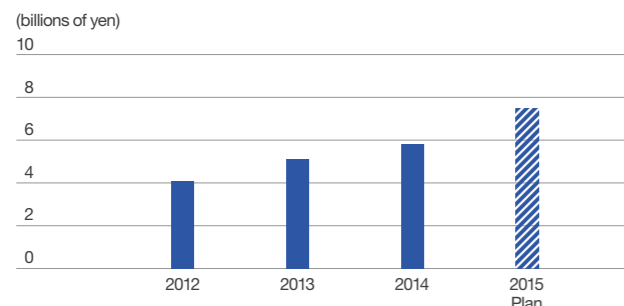


In China we established a joint venture with a local company in 1993. While many foreign companies at that time just manufactured products in China and exported them back to their own countries, we provided them with capital and technologies, so that we could offer luxury living with hot water to the people in China. Our factory is located in Shanghai, and they maintain the same degree of quality control as we do in Japan. In 2013, we started capital participation in Sakura Bath and Kitchen Products (China) Co., Ltd.* , which offers housing equipment all over China. With the rising demand for safe and reliable products, we are growing in China with our strength in high quality products. Sales in FY 2014 increased due to the contribution by consolidated Sakura Bath and Kitchen Products (China) Co., Ltd. through the full fiscal year. In Shanghai, products with high added values are becoming more popular, and in inland China gas instantaneous water heaters are spreading widely due to the increasing demand for gas, development of infrastructures, and improving living standards. We assume this trend in the market will continue into 2015 as well.

*Please see P36 for details.

North America

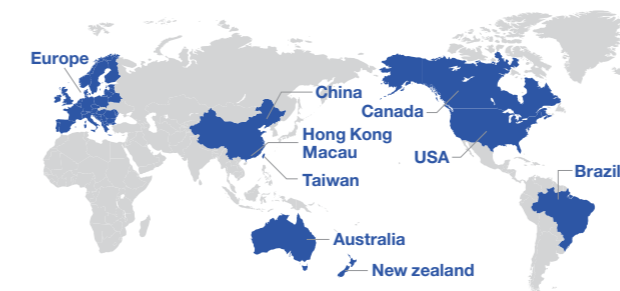
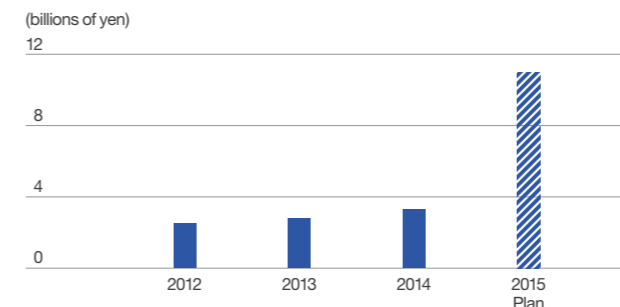
Sales



In North America we started the sales of gas instantaneous water heaters in 2002. We have been expanding our business across the U.S.A and Canada with California HQ and Georgia branch. In the North American market, the tank water heater takes the majority of the market, however eco-friendly and energy saving tankless gas water heater is getting more popular and the sales composition ratio of the value-added condensing type product is rising recently. In 2014 we aggressively launched products that would meet the demand in the market. With the launch of a new product in full-scale in January 2015, which will facilitate the replacement of the tank water heater with the gas instantaneous water heaters, we are aiming for steady growth in the market by spreading eco-friendly and energy saving products.

Other Markets

Sales



We develop OEM business in Hong Kong, South America and Europe. In December 2014 we acquired Dux Manufacturing Limited, a well-established Australian water heater manufacturer entirely, and entered the water heater market in Australia at a full scale. Our intention is to expand our business in 2015 by combining the product portfolio of traditional tank water heaters by Dux Manufacturing Limited and Noritz's unique gas instantaneous water heaters.

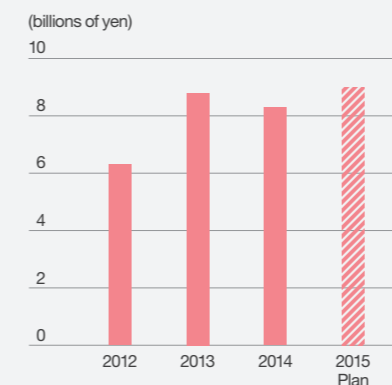
*Please see P36 for details.



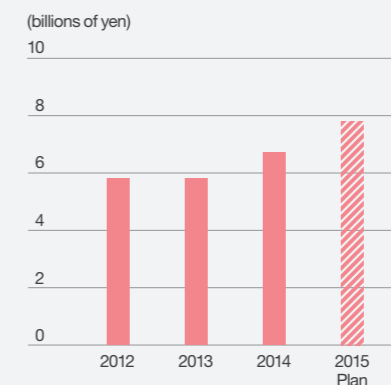
At the signing ceremony.

Reference Data (Domestic and Overseas business)

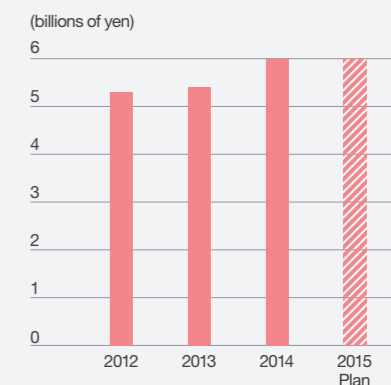
Capital Expenditure



Depreciation Expense



R&D Cost



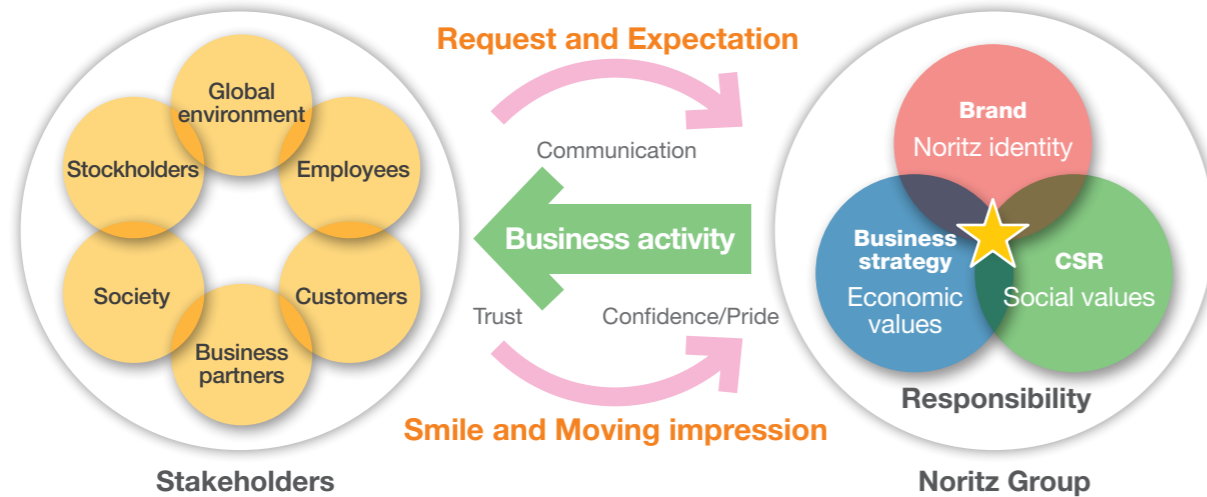
CSR

Noritz Group's CSR Policy

CSR Policy

To ensure that all our stakeholders, including the global environment, experience the simple comforts of life

CSR Activities



As Noritz Group, we are promoting our business activities that deeply involve “the pursuit of economic values through business strategies” “the promotion of social values that contribute to the solution of social issues” and “pursuit of Noritz identity that are in accordance with our brand strategies” by recognizing the social request and

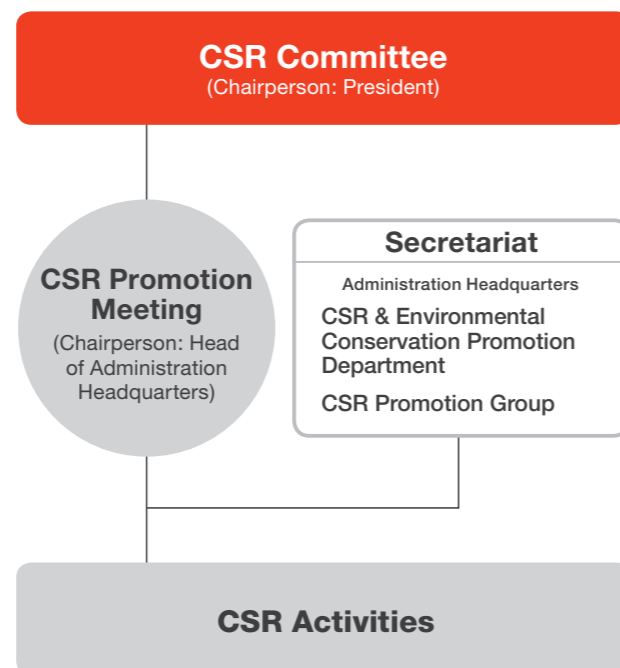
expectation through the bilateral communication with stakeholders. We voluntarily fulfill our social responsibilities through these activities. By doing so, we are hoping to bring smiles and moving impressions to all stakeholders including the global environment, thus promoting “the simple comforts of life.” And this is our CSR policy.

Noritz CSR Committee

In order to make prompt decision in response to the requests or expectations from various stakeholders, we launched the CSR Committee in 2007, and have held meetings since then. Meeting of the CSR committee is held twice a year to discuss CSR issues and make decisions. Our President is the committee chair and the members include directors, executive officers and corporate auditors. Based on the decisions made in the committee, we promote P.D.C.A management. In 2014 we invited Ms. Murakami from the Japan Research Institute, Limited, and exchanged opinions about third party opinions.



“CSR Committee” that is held twice a year.



Quality

> P19-24

Commitment to “quality” is our culture itself, and is one of our strengths. Our quality is supported by “invisible assets”: our people who have diverse characteristics and are the resource of our quality, our technologies that realize the passion for products, and our customers who give us valuable opinions. We will contribute to the society through our business activities by making the most of those assets.

Noritz's Invisible Assets



In order to make an easy understanding of the value creation by Noritz Group, we believe it is important to explain our “invisible assets (that are not in the Financial Statements).” Here we would like to use the key word “Q+ESG” to introduce what we value, “invisible assets.”



Environment

> P25-26

We, as an “Eco First Company” build environment management system under the slogan of “a clean earth for future generation.” With concrete plans such as environmental impact reduction, our whole Group is actively working on the activities for the global environmental conservation.

Society

> P27-28

Since our foundation, we have valued the connection with the society. Not only we value our business growth and generating more employments, but we also emphasize contributing to the society by something other than our business. Our goal is “to provide the simple comforts of life to more people” and we will try what we can do with all our heart.

Governance

> P29-32

In order for our Group to create the corporate value in a long term, it is essential to have the accurate management judgement and prompt decision making system. Considering benefits of the wide range of stakeholders, we will establish transparent systems and organizations, where the sound company management can take place.



Quality

“Human Resources” who Support Noritz Quality

Quality Education System

Quality Education

We provide Noritz Group employees with quality education that is classified as per their abilities. Quality is No.1 priority in our business, and we want to ensure that our customers can use hot water, that supports their comfortable lives, with reliability. In the training, we use an ability chart to grasp each employee's ability quantitatively, and provide them with knowledge and skills as necessary, which will lead to customers' satisfaction. In 2014, we held 32 training sessions in 24 courses, such as “dispersion” “7 basic tools of quality control” and “reliability engineering” from quality general method, and “5 whys” and “FMEA.DRBFM” from failure analysis method. In total 489 employees were trained.



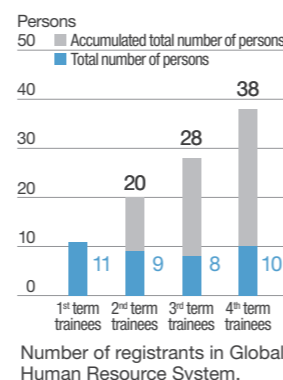
Systems to Develop Global Human Resources

Registration System of Global Human Resources

In order to develop human resources who can thrive through the advancing globalization, we have a system with which we aim to enhance their ability in languages and response ability to intercultural issues. This is one of our public announcement systems in our company, and the chosen employees are to take training on language learning, corresponding education, and intercultural understanding. We have accumulated 38 registrants this year in our fourth term, and are promoting the establishment of the system that can support the overseas business.



Trainees in language learning.



Short term training program in the U.S.A

This program started in January 2014 to enhance the collaboration between Japan and overseas businesses, and the employees in R&D section or staff section are sent to our subsidiary in the U.S.A. Six of our employees were sent in 2014. While they engage in their duties for three months and understand the subsidiary and the market in the U.S.A, they also try to gain understanding of their culture by living there. We are aiming to develop human resources that are capable of working actively in global environment through this experience, and promote our overseas business.

Voice from a Trainee **Three months in Noritz America Corporation. I am determined to make use of this experience in the future technological development.**

During my training for three months, I was able to get the feel of the market and culture of the U.S.A from live experience. I am determined to make use of this experience in the product development that can meet the demand in the U.S.A.

Trainee giving a presentation on his achievement.

Aiming to realize the workplace environment where employees who have diverse characteristics can play active parts

Employment of People with Disabilities

In 2014, in order to improve the system to support the employees with disabilities, one employee acquired a qualification as a supporter for the workplace adaption (job coach), and seven employees acquired a qualification as a consultant for working life. In addition, we spoke with 31 guardians in the individual interview about their working conditions and family lives, in order to exchange opinions regarding how to proceed with their future development. In December, five of our employees participated in “The 35th National Skills Competition for People with Disabilities in Hyogo – Abilympics Hyogo 2014” and displayed their abilities which they have learned through the job. In this competition we won a prize awarded for having a fighting spirit in the product packing competition.



Working at S-CORE Hearts K.K., a subsidiary company.

Promotion of Participation by Women

Since 2005, Noritz Group has been developing “Vitamin W Square” activity, where the voluntary female participants from various sections work on the immediate tasks on the hypothesis that “a company where women can work lively as oneself means a company where all the employees can work lively as themselves.”

In 2014, which was the 8th term for this activity, we set the following three tasks: 1- Opportunity creation which helps the establishment, activities and realization of the career development image, 2- Opportunity creation unique to “the Vitamin” for providing information and mutual communication, and 3- Supporting the correct understanding of the difference between “female characteristics” and “individual characteristics.” In working on these tasks, we held seminars for female employees and their bosses, introduced outside seminars and developed guideline for promoting support on the balance of work and parenting.



Career development seminar for female employees.

Active Dialogues between Top Management and Employees

Vision Café

“Vision Café” is an opportunity where the President Kokui visits workplaces and intensifies his dialogues with the employees of the Group, in order to “share and realize the Group vision through communications between the top management and employees.” With the aim to promote “the Simple Comforts of Life” he speaks out his thought as top management, and exchanges opinions with the employees who have understood his thought. In 2014 this took place mostly with the employees at manufacturing sections, and for four years since its start, he has visited almost all sections and group companies.



At Vision Café.

In 2014 **10 occasions / 102 employees**

Accumulated total since 2011 **93 occasions / 962 employees**



Quality

Value Creation through "Technologies"

Continuous Technology Development in our DNA

Year Released	Product	Feature	Water Heating Efficiency
1951	Never cool bath boiler "Noritsu Bath type A"	A patent bath boiler which consumes only small amount of firewood to heat bath water, and keep it hot longer with its thermal effect	—
1961	Bath tub water heater "Type GS"	The first aluminum made bath tub water heater in the industry which utilizes the technology of engine radiator for aircrafts	—
1970	"Magicon" a controller that enables turn on/off the pilot light from inside the bathroom	A controller that enables turn on/off the pilot burner from inside the bathroom	—
1977	"Yu-Bic" a gas instantaneous tank water heater	The first outdoor compact water heater with 100V electrical control in the industry which features one step process to turn on ignition (With this product Noritz became well-established as a water heater manufacturer.)	—
1979	"Yu-Raji" a water heater that integrates instantaneous water heater and bath tub boiler	A product that integrates the instantaneous water heater and bath tub boiler, by which the standard of the water heater has been well-established as multifunctional	76%
1982	Gas bath water heater with forced reheating function "Yu-Core GT"	The first bath tub boiler with reheating function in the industry that has a built-in pump, which enables the installation of the device away from the bathroom, or in a bathroom on the upper floor	81%
1987	Bath water heater with gas hydronic floor heating function "GTH"	A product that integrates the functions of hydronic heating, water heating and bath water heating	81%
2001	Highly efficient water heater for commercial use	The first highly efficient water heater by Noritz. It is equipped with the secondary heat exchanger for the first time and became a prototype of "Eco-Jozu" which has a built-in neutralizer.	91%
2002	Highly efficient bath water heater with gas hydronic heating function "GTH-C"	The first product in the industry that has accomplished the heat efficiency of 95% and realized compactness	95%
2004	"Eco-Jozu" a highly efficient gas water heater	A product with higher heat efficiency improvement by 15%, with a system development that enables the collection of latent heat in exhaust	95%
2013	Hybrid water/space heater system	A hybrid product that integrates "Eco-Jozu" and the heat pump technology which utilizes atmospheric thermal heat	125%*

*Primary water heating energy efficiency: the calculation method for the hybrid water/space heater is different from the method for the heat efficiency of conventional water heaters.

Combination of combustion control, heat exchange and fluid control technologies that create comfortable hot water quality.

Noritz Group focuses on developing products that ensure the stable supply of hot water, by combining the combustion control, heat exchange and fluid control technologies in high level.

Heat Exchange Technology

In order to achieve high efficiency with a compact device, it is important to consider the layout of water pipes and how the combustion exhaust flows. To achieve even higher efficiency, the product needs to be anti-corrosive. We develop reliable heat exchangers through numerical analysis and careful experiment processes.



Combustion Control Technology

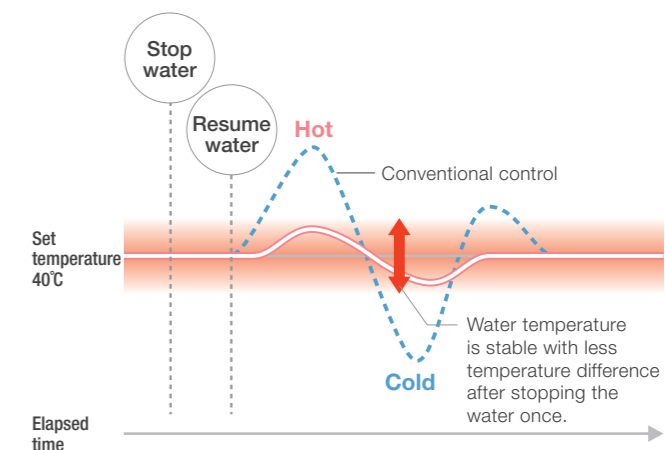
In order to have the sufficient fuel combustion in a limited space, it is necessary to supply needed amount of air and fuel to the combustion room at certain density. Also, to realize combustion with low NOx emission, we seek for intensive control and flame stability.

Fluid Control Technology

In order to create comfortable hot water at stable temperature, water temperature and quantity are measured then the cold and hot water is mixed, and the water temperature and quantity are adjusted. For this we develop control devices and sensors.

Our R&D has been focusing on creating the most comfortable "hot water quality" in the world for a long time. Since the launch of the first gas water heater, there has been a phenomenon where excessively hot or cold water is supplied when turning on the hot water after having turned it off once. This is called cold water sandwich phenomenon and we had been trying to find a technology that could lessen the uncomfortableness of our customers. In 1991, we had a success in developing "Pro-Tec Mecha" technology, which enables stable supply of hot water at stable temperature to our customers. This technology is still one of our core technologies and most of our products today are featured with this. We are committed to "hot water quality" and determined to continue to develop new technologies.

Image of Cold Water Sandwich Phenomenon



95%

Heat efficiency

Eco-Jozu

Noritz Eco-Jozu is a water heater that has achieved high energy saving rate which efficiently creates hot water with less amount of gas. It makes an efficient use of exhaust heat, which had been wasted by then, to preheat water that has flown into the water heater. By this the water heating efficiency has risen from approx. 80% of conventional products to 95%. With our unique collection system of latent heat, it is an eco-friendly product that reduces heat radiation into atmospheric space thus cuts CO₂ emissions by 15% compared to conventional products.

Exhaust: approx. 200°C

Conventional product

Exhaust: approx. 50°C

Eco-Jozu



Quality Other Activities

We care about voices from our customers and reflect them in our quality

Improving Customer Service Quality

In Noritz Group we take inquiries or opinions from our customers seriously, and reflect them in manufacturing or various services, thus building a stronger relationship of trust with our customers. As telephone customer service is an important factor that determines service quality, we take special care of quality improvement in the contact center.



Contact Center in Suzuri-cho, Akashi city.

Improving Inquiry Response Quality

We provide training to our employees according to their level, in order to improve inquiry response quality. As a company we recommend our employees are qualified in the "telephone response skill test (telephone test)" that is certified by Japan Telecom Users Association, a public interest incorporated foundation. Currently many of our employees are qualified, and some have an instructor qualification. In addition, we collect information on the opinions or troubles of our customers, and utilize them to improve response quality further.



Classroom training aiming to improve response quality.

Quick Response to Our Customers

We have a repair center base in both east and west of Japan, where we use the unified system that enables us to work efficiently and quickly in responding to calls from our customers. We accept inquiries on repairs and malfunctions 24 hours a day, 365 days a year.

Reflecting Voices from Customers in Product Development

In the contact center we hold "review meeting of voices from customers" regularly, and make use of feedback from customers in product development and improvement, aiming to raise customer satisfaction on the scene where they actually use our products.



Review meeting of voices from customers.

Remote controller with clearer display, improved as per a feedback from a customer. left: old, right: new



Quality Improvement Activities

Improvement in Product Quality

Quality Competition

In August, 2014, we held "Noritz Quality Competition" aiming to enhance system and raise quality awareness for the peak period. 120 employees participated in the first part of the event, and those who accomplished in quality improvement received corporate awards. In addition, a lecture was given about SSM* activity, which started a full-scale operation from September, and the participants confirmed their determination to meet customer expectations and to make better products in unison. In the second part, we shared information on the quality conditions in the first half of the year with 98 people from 57 suppliers, and confirmed issues for the peak period.

*SSM = Stress-Strength Model: A method to systemize past failure examples and share them at a company level, in order to reflect them in the future design process.



Employees who received awards in "Noritz Quality Competition."

Activities for Parts Quality Improvement

In order to enhance logical thinking for quality improvement, we continuously visit our parts suppliers and perform "FMEA process" and "5 whys analysis based on real cases." We aim to develop human resources through these activities.

Activities for Logistics Quality Improvement

Forklift Driving Contest

We held the 8th forklift driving contest in 2014. As the number of the handling of large products and products with different sizes is increasing, we are required to improve quality in handling products and in-time operations are essential. Based on this, we have chosen the content of the contest. We aim to improve safety and distribution quality through this contest.



Forklift driving contest.

July, 2014

Establishment of Guidelines for Noritz Group CSR Procurement

Noritz Group established "Guidelines for Noritz Group CSR Procurement" in July, 2014, in order to promote procurement activities with CSR viewpoint. According to our procurement policy, our Group develops just and fair procurement activities which care about the environment, based on a relationship of trust with our suppliers. Society expects us to contribute to realizing sustainable development

and we recognize that it is our social responsibility to make a sustainable society. As our Group is the manufacturer of finished products, it is expected that our activities cover all our supply chain companies. With this in our mind, based on the corporate philosophy, core values and code of ethics, we have established these guidelines that reflect requests or expectations from society.

Guidelines for Noritz Group CSR procurement

- Respect for human rights
- Customer satisfaction improvement
- Strict legal compliance and corporate activities based on corporate philosophy
- Fair and transparent business
- Coexisting with the global environment and society
- Improvement of working conditions



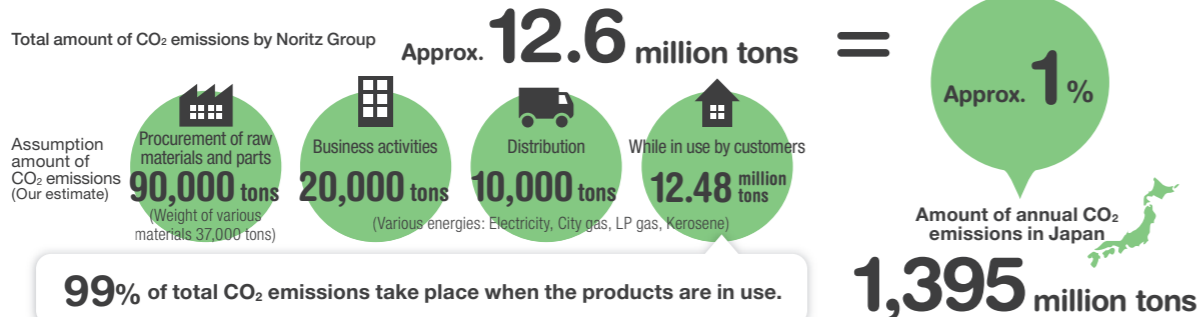
Environment

A Clean Earth for Future Generation

Responsibility for Environmental Conservation

Noritz Group converts approximately 37,000 tons of resources and various energies into our products for the customers, and emit approximately 12.6 million tons of CO₂ per year throughout their lifecycle. This represents about 1% of overall CO₂ emissions in Japan, which is approximately 1,395 million tons*.

Total amount of CO₂ emissions by our products throughout their lifecycle



*Noritz has a 40% share in the domestic market for gas and kerosene water heaters. Approximately 20 million households use our water heaters.
 *Calculation of the amount of CO₂ emissions while in use: We estimate the annual amount of CO₂ emissions of the base year (2000) by setting the amount by gas appliances at 1.0 ton/unit, and by kerosene appliances 1.3 tons/unit.
 *Amount of CO₂ reduction from 2000 is also considered.
 *Source: Preliminary data of Japan's Greenhouse Gas Emissions in 2013 by Greenhouse Gas Inventory, National Institute for Environmental Studies.

Promoting to be Qualified in "Eco Test"

Noritz Group actively encourages our employees to be qualified in Eco Test, a certification test for environmental specialists, sponsored by Tokyo Chamber of Commerce and Industry. We are trying to gain more knowledge and raise awareness toward environmental issues. In 2014, our top management took the lead in getting qualification.



Awarded an "Energy Conservation Grand Prize"

Our "hybrid water/space heater system" was awarded a "Chairman Prize of ECCJ (the Energy Conservation Center, Japan)" in the Product/Business Model Section of "2014 Energy Conservation Grand Prize Award" sponsored by the Energy Conservation Center, Japan. "Energy Conservation Award" was established with an aim to realize the energy conserving society, and is given to outstanding business operators or products that promote energy conservation activity in Japan. Our "hybrid water/space heater system" has achieved the primary water heating energy efficiency of 125%,



the top level in the industry. In addition, it is equipped with non-fluorocarbon refrigerant for the first time in the industry, which was regarded highly among other points.

Commitments to Eco-First



The first manufacturer to acquire the "Eco-Fist Company" certification in the gas and kerosene industry

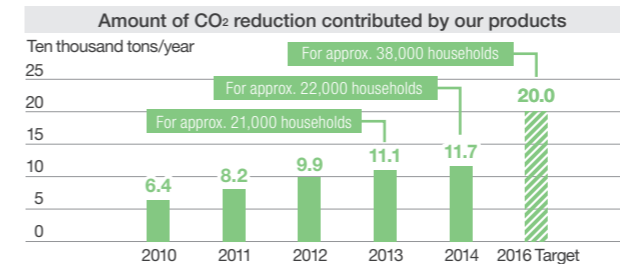
Eco-First is a system that started in April, 2008 to promote further environmental conservation activities by the top companies in the industry. Under the Eco-First system, the companies express their commitments regarding the environmental conservation activities to the Minister of the Environment. On March 9, 2009, Noritz Group became the first gas and kerosene appliances manufacturer to acquire the "Eco-First Company" certification, and expressed our various environmental commitments to the society. On March 22, 2012 we reviewed the targets and revised "Commitments to Eco-First."

Commitments to Eco-First and their Current State

Our Group has established "Commitments to Eco-First" aiming to realize both "corporate growth" and "promotion of environmental conservation."

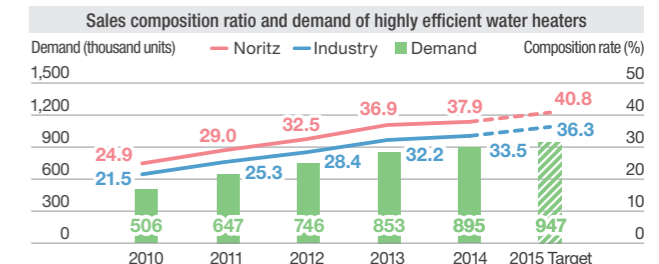
Commitment-1 To build a low-carbon society through our products

We aim to reduce CO₂ emissions from product usage at home by 20.0 ten thousand tons/year, compared to the conventional gas/kerosene water heaters in 2000. (target in 2016)



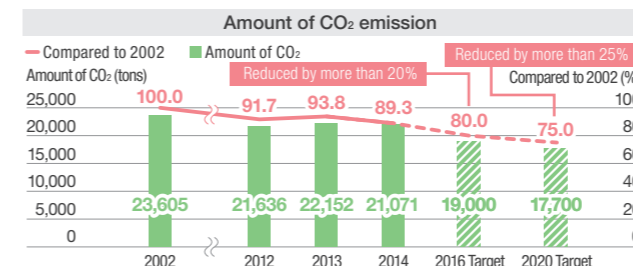
*Source: Greenhouse Gas Inventory Office (data in 2012). 5.274 tons-CO₂/year/household. (including private vehicles)

We will work actively on promoting development of highly efficient water heaters and energy generating appliances, and accelerating their market penetration by utilizing their features.



Commitment-2 To build a low-carbon society through our business activities

We aim to reduce more than 25% (compared to 2002) of total amount of CO₂ emissions by domestic business establishments. (target in 2020)



Noritz Group will enhance "Energy saving management system" in order to promote integrated energy saving activities that consider the overall optimization, and achieve our target by both operation improvements and facility implementation.

Third-party verification of greenhouse gas emissions

We conducted third-party verification on the validity of the amount of greenhouse gas emissions for 2013, and received a limited guarantee.

Target data
Amount of CO₂ emissions originating from the energy used in the business activities. (Scope-1 and Scope-2)

Scope
Noritz Akashi Messe, (Akashi Main Factory, R&D Center, Eco Products R&D Center, Production Engineering Development Center, Main Training Center)

Verification body
Bureau Veritas Japan Co., Ltd.

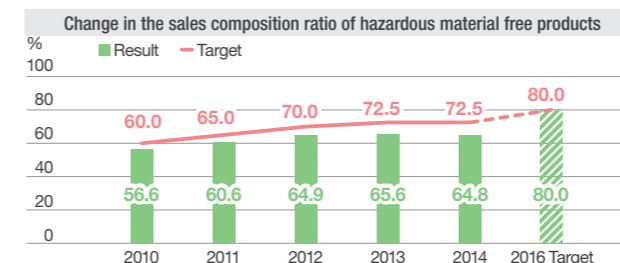
Method of verification
Verified as per the requirements set forth in ISO14064-3:2006.



Verification report on the amount of greenhouse gas emissions.

Commitment-3 To enhance voluntary chemical substance control ahead of regulations

We will raise the sales composition ratio of hazardous material free products to more than 80%. (target in 2016)



Hazardous material free products: water heaters, kitchen appliances, solar appliances, space heating appliances, cogeneration appliances.

Commitment-4 To build a sound material-cycle society through our products and business activities

We aim to reduce more than 60% of our wastes from our production activities that are discharged outside our business establishments. (In the domestic manufacturing facilities. Compared to 2007)



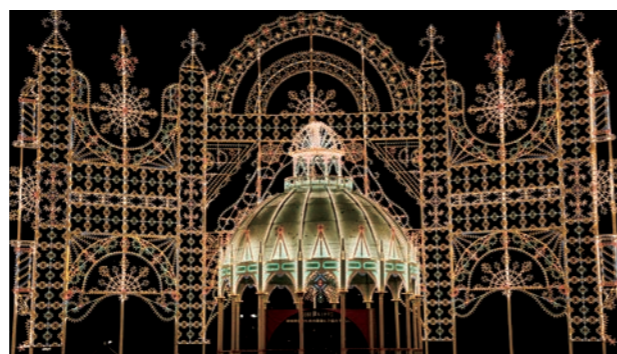
Main measures: To supply woodchips to wooden biomass power plants as fuel. We have been continuously working to achieve the recycle rate of more than 99% in our domestic manufacturing facilities.



Support for Post-disaster Recovery

Recovery Support for the Great Hanshin Earthquake

Kobe Luminarie is an event that started in the year when the Great Hanshin Earthquake hit the region, to remember the souls of people who lost their lives and to pay a tribute to their memories. With this event, we hope and dream the recovery and restoration of the cities which suffered from the disaster, and the event in December, 2014 was the 20th one since its beginning. As one of the companies in Kobe that also suffered from the disaster and received supports, every year Noritz Group is involved in the event by offering support fund for the event and donations from our employees. Since 2012, we have started volunteer activities mostly around the event area, in which 117 employees participated in 2014. We will continue supporting the operations of Kobe Luminarie.



"Kobe Luminarie" held in December every year. ©Kobe Luminarie O.C.

Recovery Support for the Great East Japan Earthquake

"Michinoku Future Fund" is a fund to support the students who lost their parents in the Great East Japan Earthquake who wish to go on to the next stage of education after graduating from high school. Many individuals and companies cooperate together and offer support, so that those students do not need to give up on their dreams for the future. From Noritz Group, our employees voluntarily gathered donation money, which was sent to the Fund along with the company's donation depending on the number of certain units sold.



Visit to "Michinoku Future Fund" a public interest incorporated foundation.

Recovery Volunteer for Hiroshima Landslide Disaster

We participated in volunteer activities in Hiroshima, where landslides occurred in Asaminami-ku and Asakita-ku, northern part of Hiroshima city, on August 20, 2014. It was the voluntary participation from our employees and the total of 10 people for three times, including some from the labor union, joined. The recovery support activities included removing sand that had flown into farmlands and getting rid of mud from houses.



Volunteer removing sand.

Contribute to Local Community

Cosponsor the Event to Experience Firewood Splitting

With an aim to learn about Noritz history, which started its business by selling firewood heated bath, and about the importance of parks and trees, we held an event to experience firewood splitting in May and November. We utilized trimmed trees and branches from Akashi Park, and this event was held in cooperation with Hyogo Gardening and Park Association, a public interest incorporated foundation, and Akashi National College of Technology. In the event held in November, we offered "foot bath corner" which used water heated using firewood stove, where local community residents enjoyed themselves.



Community residents enjoying firewood splitting.

Work Experience "Trial Week"

"Trial Week" is a work experience event sponsored by Hyogo Prefecture, where 8th grade students experience actual work, through which they learn about the community they live in and develop "the strength to live." Noritz Group sympathizes with its concept, and has been offering cooperation every year since 1998. This event also functions as a place for communication between our Group and local community. At our Akashi Main Factory, we offer the junior high school students in Akashi city opportunities to learn about what it is like to work, by providing them with company introduction, a tour to the production line, or work experiences at various sections.



Junior high school student at work experience.

Activities at Noritz America

In 2014 they sent gifts to the children in CHOC*. At Noritz America, as a part of their social contribution activities, employees donate toys to children at Christmas time every year. During Thanksgiving in November, employees work together to collect food items for The OC Food Bank who delivers the food items to families in need. The OC Food Bank is a local non-profit organization whose aim is to end hunger and malnutrition.

*CHOC is a non-profit children's hospital established in the state of California, where many children with serious diseases stay.



Gifts for children.

Food donation for OC food bank.

Sport Support Activities

Noritz Women's Track and Field Team

Noritz Women's Track and Field Team was organized in 1992 in our home town Kobe. We contribute to nurturing and promoting the youth sports and the development of the community through the sport support activities. The team actively participates in city marathon races, All Japan Women's Ekiden, and women's marathon international competition. Every year they are widening their activities.



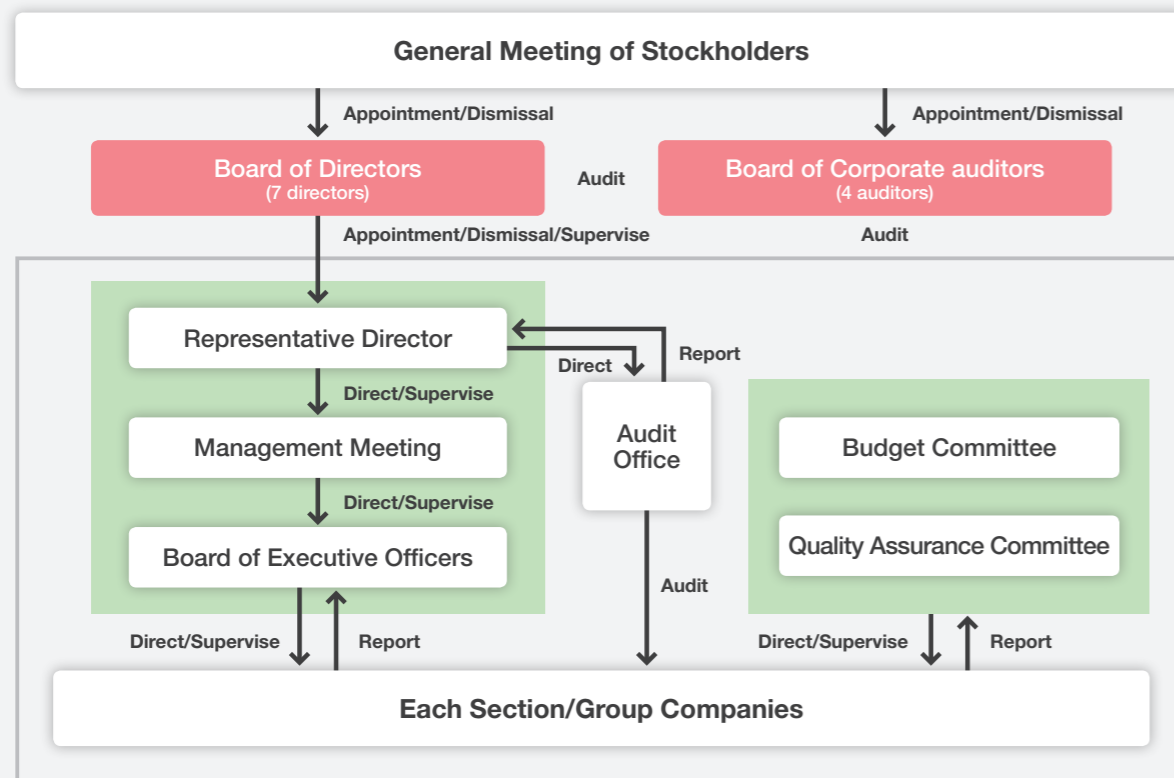
All Noritz women's track and field team members.



Corporate Governance Structure

Noritz adopts the corporate governance structure which is consisted of the board of directors and the corporate auditors/board of corporate auditors. The board of directors consists of seven directors including one outside director. In the monthly board of directors meeting or the extraordinary board of directors meeting that is held as necessary, the board is in charge of making decisions regarding important management issues. The outside director is appointed in order to secure the adequacy of the management judgement from an independent standpoint, and also to improve the efficiency of the management.

The board of auditors comprises four auditors including two outside auditors. In the monthly board of auditors meeting, they discuss management issues beforehand to be submitted to the board of directors. The outside auditors are appointed in order to verify the performance of duties by the directors from an independent standpoint.

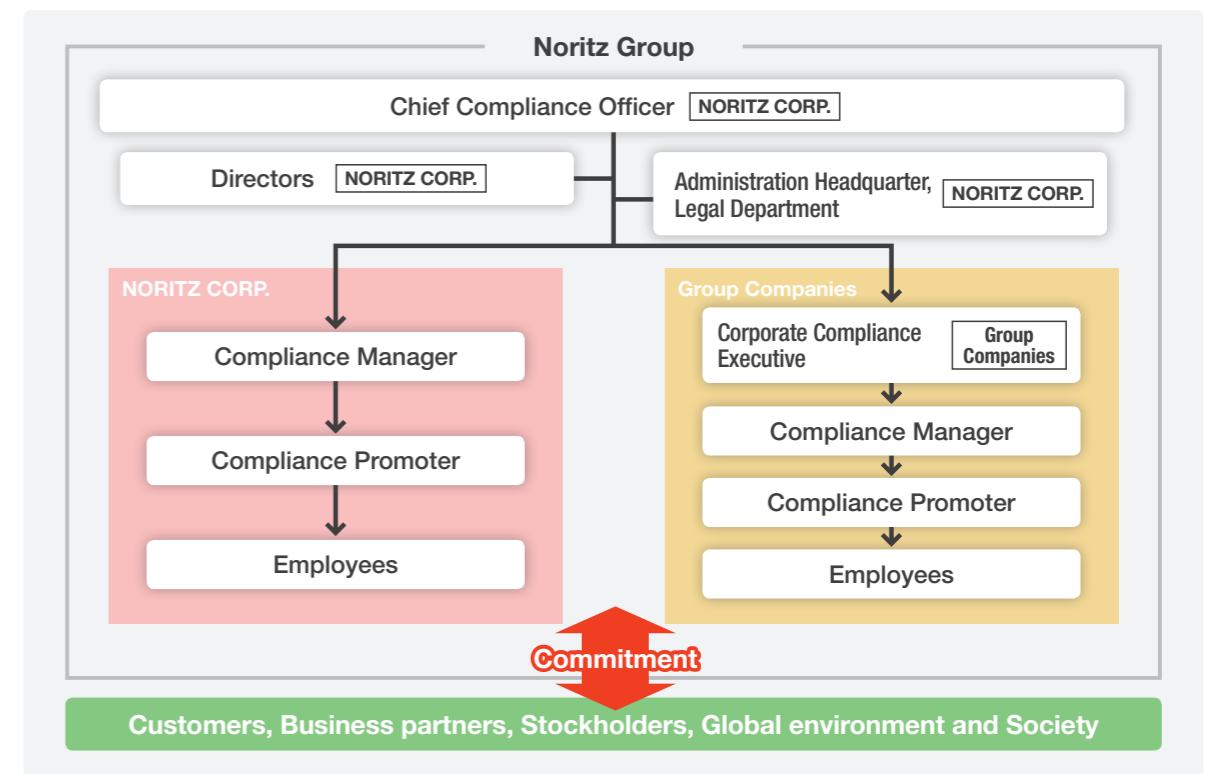


Definition of Compliance

Noritz Group defines compliance as “complying with Corporate Ethical Values, including legal regulations, articles of incorporation, internal policies and social standards, etc.”

Compliance Promotion Structure

Noritz Group has established and adopted the following promotion structure, in order to practice compliance within the Group.



Compliance Promotion Activities

With an aim to realize an organization culture where the whole Noritz Group has awareness toward compliance, we continue to promote the following compliance promotion activities:

- “Compliance Training” for new employees, new managers and compliance managers/promoters of each section.
- “Compliance Month” when each section in the whole Group discusses one common theme. (conducted in every May and September)



Activities in 2014	Japan	USA
	<ul style="list-style-type: none"> • In order to establish the culture of compliance in the whole Noritz Group firmly, the former version of “Noritz Group Code of Ethics” was revised substantially. We developed its Japanese version in April and English one in September. They are distributed to the Group companies in Japan and all the employees in Noritz America, in order to assure its full dissemination. 	<ul style="list-style-type: none"> • When “Code of Ethics” was revised in September, all the employees were asked to submit their tasks. • Sexual harassment training was carried out in December for managers and supervisors.
	<ul style="list-style-type: none"> • “Compliance Month” is held in every May and September. • Survey on attitude toward compliance awareness was carried out in August. Feedback was given to the survey result. 	

Directors and Corporate Auditors

(As of March 27, 2015)

President and CEO
Soichiro Kokui

1976 April Joined Noritz
2003 March Noritz Director
2009 September Representative Director,
Representative Executive Officer

Director,
Senior Managing Executive Officer
Toshiyuki Otaki

1979 April Joined Noritz
2003 March Noritz Director
2014 September Noritz Director, Senior Managing Executive Officer,
International Business Headquarters,
Head of International Business Division

Director,
Senior Managing Executive Officer
Takafumi Nakamura

1980 May Joined Noritz
2005 March Noritz Director
2014 September Noritz Director, Senior Managing Executive Officer,
Domestic Business Headquarters

Director,
Managing Executive Officer
Yoshiyuki Ozeki

1977 April Joined Noritz
2010 January Noritz Executive Officer, General Manager of
Management Planning Division
2015 March Noritz Director, Managing Executive Officer,
Head of Administration Headquarters

Director,
Managing Executive Officer
Tsutomu Mizuma

1980 April Joined Noritz
2007 January Noritz executive Officer, Head of Sales & Marketing
Osaka Headquarters
2015 March Noritz Director, Managing executive Officer,
Head of Sales & Marketing Headquarters

Director,
Managing Executive Officer
Satoshi Haramaki

1983 April Joined Noritz
2011 January Noritz Executive Officer, Deputy Head of Research &
Development Headquarters
2015 March Noritz Director, Managing Executive Officer,
Head of Research & Development Headquarters

Director (outside)
Yasuhiko Ogawa

1982 June Registered as a Certified Public Accountant
1987 May Registered as a Tax Accountant
2009 March Noritz Outside Corporate Auditors
2013 March Noritz Outside Director (current)
2013 June Outside Auditor for Osaka Securities Exchange Co., Ltd.
(current Osaka Exchange, Inc.)

*Career details shown here are partial.

Corporate auditor
Kazuhira Akari

1977 April Joined The Dai-ichi Mutual Life Insurance Company
(current The Dai-ichi Life Insurance Company Limited)
2005 April Noritz Assistant General Manager for Head of
Administration Headquarters
2008 March Noritz Executive Officer, General Manager of General
Administration Division Administration Headquarters
2010 March Noritz Corporate auditor

Corporate auditor
Toshiyuki Sawada

1979 April Joined Noritz
2000 July Noritz General Manager of Accounting & Finance Division
Administration Headquarters
2011 March Noritz Corporate auditor

Corporate auditor (outside)
Noriaki Nagahara

1984 April Registered as an Attorney
2006 March Noritz Outside Corporate auditor
2007 January Representative of Kobe 15-bankan Law Office
2007 June Nikko Co., Ltd. Outside Corporate auditor

Corporate auditor (outside)
Hideaki Takahashi

1966 April Entered Kobe Bank (current Sumitomo Mitsui Banking
Corporation (SMBC))
1995 July SMBC Director, Head of Sales & Marketing Kobe Headquarters
1998 June President of SAKURA KCS Corporation
2013 March Noritz Outside Corporate auditor

Message from Outside Director

I will value the viewpoint of corporate governance and engage in positive actions.Director (outside) **Yasuhiko Ogawa**

Within the role and responsibility as an independent outside director, I am in charge of supervising the management, based on my professional knowledge as a certified public accountant and tax accountant. For this I participate in the regular auditors meetings that are held prior to the board meetings, where I learn issues regarding how to increase corporate value, such as raising profitability in the domestic business, and growth in the overseas business. After I gain understanding of these issues to be discussed, I attend the board meetings.

This is how I managed things when I was a Noritz outside auditor before, and since it is very effective, I have continued since my appointment as an outside director. Noritz board meetings are operated in a way where even outside directors are able to speak freely. I believe my important responsibility is to proactively engage in discussions at the board meetings by getting hearings, pointing out problems, asking questions and so on, so that the just and fair decisions for the benefit of stakeholders, including that of the minority stockholders, are considered.

Consolidated Financial Statements

Consolidated Balance Sheet

Assets	Millions of yen		Thousands of U.S. dollars	Liabilities	Millions of yen		Thousands of U.S. dollars
	2013.12	2014.12	2014.12		2013.12	2014.12	2014.12
Current Assets				Current Liabilities			
Cash and Cash Equivalents	¥27,090	¥21,439	\$178	Notes Payable and Accounts Payable	¥40,937	¥41,225	\$342
Notes Receivable and Accounts Receivable	59,343	60,428	501	Short-term Borrowings	3,182	1,800	15
Securities	620	4,932	41	Accrued Income Taxes	1,619	1,197	10
Inventories	16,454	20,544	170	Reserve for Bonuses	2,016	1,201	10
Deferred Tax Assets	1,696	1,323	11	Reserve for Bonuses for Officers	42	34	0
Others	6,072	5,831	48	Reserve for Products Warranties	1,007	1,240	10
Allowance for Doubtful Accounts	- 235	- 257	- 2	Reserve for Product Accidents Processing	21	449	4
Total Current Assets	111,041	114,242	948	Reserve for Losses due to Business Rearrangements	-	854	7
				Other Payables	11,038	10,440	87
Fixed Assets				Others	7,110	9,595	80
Property, Plant and Equipment				Total Current Liabilities	66,976	68,039	564
Buildings and Structures (net amount)	15,003	16,452	136	Long-term Liabilities			
Machinery and Delivery Equipment (net amount)	6,201	7,937	66	Deferred Tax Liabilities	751	2,353	20
Land	10,018	9,983	83	Reserve for Retirement Bonuses for Officers	45	51	0
Construction in progress	656	619	5	Reserve for Products Warranties	771	1,425	12
Others (net amount)	3,240	3,053	25	Reserve for Retirement Benefits	8,733	-	-
Total Property, Plant and Equipment	35,121	38,047	316	Liabilities concerning Retirement Benefits	-	11,508	95
				Others	4,373	4,439	37
Intangible Assets				Total Fixed Liabilities	14,674	19,777	164
Goodwill	6,834	5,624	47	Total Liabilities	¥81,651	¥87,816	\$728
Others	3,536	10,257	85	Net Assets			
Total Intangible Assets	10,371	15,881	132	Stockholder's Equity			
				Capital	¥20,167	¥20,167	\$167
Investments and Other Assets				Capital Surplus	22,956	22,956	190
Investments in Securities	29,528	31,918	265	Retained Earnings	58,539	60,583	503
Long-term Loans	620	657	5	Treasury Stock	- 5,084	- 5,088	- 42
Deferred Tax Assets	2,201	2,843	24	Total Stockholder's Equity	96,579	98,620	818
Others	3,351	3,353	28	Cumulative Amount of Other Comprehensive Income			
Allowance for Doubtful Accounts	- 911	- 882	- 7	Other Difference in Securities Valuation	7,265	10,162	84
Total Investments and Other Assets	34,790	37,890	314	Deferred Gains or Losses on Hedges	3	991	8
Total Fixed Assets	80,283	91,819	762	Foreign Currency Translation Adjustment	2,834	5,185	43
				Cumulative Amount concerning Retirement Benefits Adjustments	-	- 1,531	13
Total Assets	¥191,324	¥206,061	\$1,709	Total Cumulative Amount of Other Comprehensive Income	10,103	14,807	123
				Minority Interests	2,990	4,816	40
				Total Net Assets	109,673	118,244	981
				Total Liabilities and Net Assets	¥191,324	¥206,061	\$1,709

Consolidated Statement of Income

	Millions of yen		Thousands of U.S. dollars
	2013.12	2014.12	2014.12
Sales	¥200,327	¥218,943	\$1,816
Cost of Goods Sold	140,773	150,599	1,249
Gross Profit	59,554	68,344	567
Selling, General and Administrative Expenses	49,884	60,936	505
Operating Income	9,670	7,407	61
Non-operating Income	1,845	2,368	20
Non-operating Expenses	458	337	3
Ordinary Income	11,058	9,439	78
Extraordinary Income	582	146	1
Extraordinary Loss	2,095	4,163	35
Net Income before Income Taxes	9,545	5,421	45
Income Taxes, Resident Tax and Business Tax	3,290	2,605	22
Income Taxes Deferred	- 344	- 703	- 6
Total Income Taxes	2,945	1,901	16
Income before Minority interests	6,599	3,520	29
Minority Interests	211	40	0
Net Income	¥6,387	¥3,479	\$29

Consolidated Statement of Cash Flows

	Millions of yen		Thousands of U.S. dollars
	2013.12	2014.12	2014.12
Cash Flows from Operating Activities	¥9,673	¥13,476	\$112
Cash Flows from Investing Activities	- 10,430	- 14,658	- 122
Cash Flows from Financing Activities	- 574	- 2,814	- 23
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,502	1,334	11
Net increase (decrease) in Cash and Cash Equivalents	171	- 2,662	- 22
Cash and Cash Equivalents at beginning of year	26,765	26,936	223
Cash and Cash Equivalents at end of year	¥26,936	¥24,274	\$201

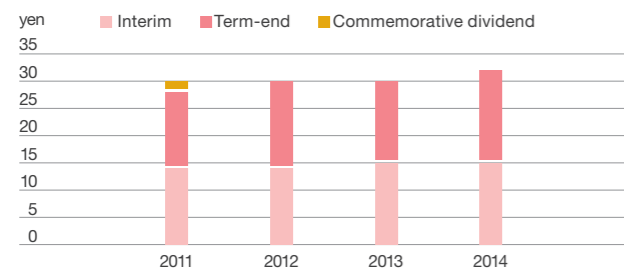
Note: The stated yen amounts are rounded down to the nearest million yen. Amounts in U.S. dollars are rounded to the nearest thousand unit. Figures in yen have been translated into U.S. dollars solely for the convenience based on the exchange rate of ¥120.56=US\$1, announced by Sumitomo Mitsui Banking Corporation on December 30, 2014.

About Stockholders and Stocks

Attitude toward the Return to Stockholders

Noritz regards the profit return to all of our stockholders as one of our important issues for management. Regarding the dividend, our basic attitude is to provide them in a continuous and stable way, taking consolidated performance and payout ratio of consolidated basis into consideration, while maintaining the soundness of financial strength and understanding the management environment.

Dividends



Together with our Stockholders

Noritz publishes financial result quarterly. The financial result briefing is held every February and August, and the stockholders' meeting in March.

Also, we have an event every year for individual stockholders, where we invite them to our factory tour.



Status of the Stocks (as of December 31, 2014)

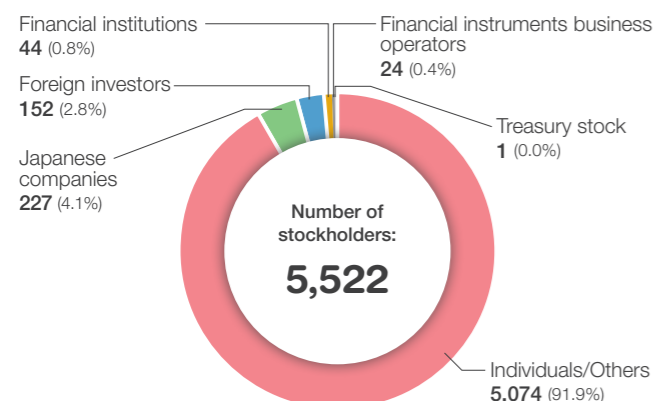
Total number of authorized stocks: **156,369,000** | Total number of issued stocks: **50,797,651** | Number of stockholders: **5,522**

Status of Major Stockholders

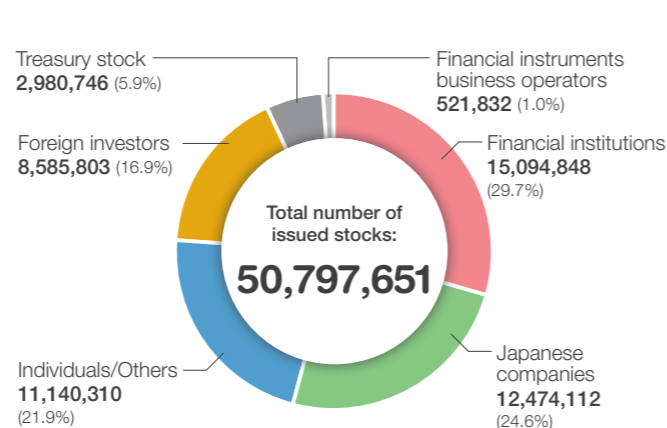
Name of stockholder	Number of stocks held	Stockholding ratio (%)
The Dai-ichi Life Insurance Company Limited	2,967,000	6.20
MSIP CLIENT SECURITIES	2,538,917	5.31
Sumitomo Mitsui Banking Corporation	2,199,695	4.60
Noritz Trade Connection Stock Ownership	2,151,409	4.50
The Master Trust Bank of Japan, Ltd. (trust account)	1,633,600	3.42
Noritz Employee Stock Ownership	1,429,915	2.99
Japan Trustee Services Bank, Ltd. (trust account)	1,399,300	2.93
Toshiro Ota	1,350,100	2.82
Nippon Electric Glass Co., Ltd.	1,119,300	2.34
TOTO Ltd.	1,100,300	2.30

*Top 10 major stockholders are shown. *Stocks owned by Noritz are not shown. *Number of treasury stocks is not included when calculating the stockholding ratio.

Breakdown of type of stockholders



Breakdown of ownership among stockholders



Introduction of our Overseas Group Companies



Sakura Bath and Kitchen Products (China) Co., Ltd.



Sakura Bath and Kitchen Products (China) Co., Ltd. is a housing equipment manufacturer which develops their business all over China. Their factories are located in the provinces of Jiangsu and Guangdong. They manufacture gas water heaters, gas cookers, range hoods, electric water heaters, etc., and sell them all over China. Until recently, we have had the business center at our Noritz (China) Co., Ltd., and has been spreading our main product, the gas water heater, mainly in Shanghai area, however, from now on we aim to create a synergy with Sakura Bath and Kitchen Products (China) Co., Ltd., by complementing our products and developing area and channel strategy, in order to raise the corporate value to the higher level in the Chinese market.

Company Profile, Sakura Bath and Kitchen Products (China) Co., Ltd.

Headquarters	No.1, Qingyang South Road, Kunshan, Jiangsu, China
Products	Gas water heater, Gas cooker, Range hood, Electric water heater, Disinfection cabinet, Kitchen sink, Bathroom heater, Ventilation fan, etc.
Established	1994
Sales	¥ 24.7 billion in 2014



Gas water heater



Range hood



Electric water heater



Gas cooker



Dux Manufacturing Limited



Dux Manufacturing Limited is one of the representative top manufacturers of tank water heaters in Australia. Both the traditional electric/gas tank water heaters by Dux Manufacturing Limited and Noritz's unique gas instantaneous water heaters dominate the Australian market. The recent trend is the increasing demand for the gas instantaneous water heaters, and we aim to grow in the Australian market by spreading our gas instantaneous water heaters through the strong sales network of Dux Manufacturing Limited.

Company Profile, Dux Manufacturing Limited

Headquarters	LOT 1, Collins Road, Moss Vale, NSW, Australia
Products	Electric water heater, Gas tank water heater, Gas instantaneous water heater, Heat pump, Solar appliance, etc.
Established	1915
Sales	¥ 7.2 billion in 2014



Electric water heater



Solar appliance



Gas tank water heater

“Third-Party Opinion” for CSR

Opinions and Our Response in Fiscal Year 2014

After we published “CSR Report-Digest 2014” last year, we received various opinions via questionnaires, our website and so on. Here is the summary of major opinions and responses by Noritz Group.

Received opinions	Response by Noritz Group in fiscal year 2014
Request on human rights, labors, and CSR procurement.	Human rights training for new employees and employees of each level, establishment of CSR guidelines and human rights training, and its declaration in “Noritz Group Code of Ethics” were carried out.
Human rights problems in the value chain are not examined clearly.	Briefing was given to the suppliers regarding the Conflict Minerals disclosure and the investigation was started. Interviews to the business partners were conducted concerning the supply chain management.

On this issue

Our thoughts in “NORITZ REPORT 2015”

“NORITZ REPORT 2015” is the first report to be published that integrates financial and non-financial information in one report, which reflects the opinions we received for our last “Corporate Report / CSR Report-Digest 2014.” Here we have put our passions. Our CSR activities are based on our belief that our products and business activities will contribute to making the society happy. In order to help many stakeholders understand our Group deeply, we thought we should report our activities from the point of view of how we are going to create the value. In this 2015 edition we mainly report the activities that took place in fiscal year 2014, however, we edited this report with a long term perspective. This is because many of those who read this report are the stakeholders who already have or will have a long term relationship with our Group. It will be our great pleasure if you can “realize our substantial value” and potential by reading this report.

From all the members of NORITZ Report Production Team

Third-Party Opinion regarding the CSR Activities in Fiscal Year 2014

Third-Party Opinion

I would like to submit a Third-Party Opinion regarding the CSR activities by Noritz Group and their disclosure. In 2012, Noritz Group became the first company in the Japanese gas/kerosene appliance industry to sign the United Nations Global Compact. Not only CSR Promotion Group but also Corporate Planning Department, Material Purchasing Department and Sales and Marketing joined the subcommittee activities performed with other signatory companies. We consider this cross sectional movement is a great start to share the idea of CSR internally. In 2014, several important CSR policies, such as the revision of “Code of Ethics” and the establishment of “Guidelines for Noritz Group CSR Procurement” have been developed. We can see Noritz Group’s steady effort toward sustainability by such developments. Noritz Group CSR activities are newly disclosed in “NORITZ REPORT 2015.” The report shows the information on the business history, recent business status, and quality, environment, society and governance in unison, which seems to have been developed with the Integrated Reporting in their mind. I expect this to take a course of multi-language development in the future, in accordance with business expansions outside Japan. Concerning CSR activities, I heard that Noritz Group would enhance the activities on human rights and supply chain and value chain. I expect that they would re-examine their business activities from the human rights viewpoint, and use it to raise the satisfaction of stakeholders. Regarding the CSR management, Noritz Group has ambitious plans such as materiality mapping and setting the non-financial KPI target. I believe, what is most important here is the relation and connection between the promotion of CSR and the increase of “management quality and corporate value” of Noritz Group. “CSR aspect” is already reflected in the medium term management plan however, we expect that the clarification on how they will increase the corporate value by promoting CSR is made in the next medium term management plan.



Megumu Murakami
Manager, Center for the Strategy of Emergence/ESG Research Center,
The Japan Research Institute, Limited.

(Please note that this opinion does not assure that this Report is measured and calculated correctly, and shows all the important issues without omitting single one, evaluated in accordance with the production criteria that is generally regarded as fair and proper for the environmental report and alike.)

In response to the above Third-Party Opinion

Ms. Murakami, thank you for the valuable opinion from the third party’s viewpoint. In this Noritz Report we have tried to introduce the tracks of the growth that Noritz Group has taken since its foundation, and also our business strategies. We also aim to pass on how we hope to contribute to the society in Q+ESG (quality + environment, society and governance) aspects and how we are going to connect this with the increase of the corporate value. We are glad Ms. Murakami understood our intention. In 2014, the CSR activities by Noritz as one of the Eco-First companies included environmental practices such as reducing the greenhouse gas. Above all, we signed the United Nations Global Compact, tried to understand requests and expectations from the society, and revised “Noritz Group Code of Ethics” which we should regard as the base of the corporate activities. In this revision, we have clarified our basic attitude toward human rights, which is indispensable for the global management. We also established “Compliance Month” when employees were to take

time to think about the new “Code of Ethics.” We check the outcome of these efforts by doing questionnaires to the employees, and will keep improving. Concerning the procurement aspect, which has large impact on the society, we established new CSR procurement guidelines which consider the supply chain management, which we have disclosed and began to appeal to outside and inside the company. We are determined to work to increase the management quality and corporate value, by mapping out important issues in CSR, where the expectations or concerns from the stakeholders are reflected. Consequently, this will lead us to achieve the sustainable growth of the society and Noritz Group. We will continuously disclose the status of such activities to all our stakeholders and enhance the communication.

Yoshiyuki Ozeki
Director, Managing Executive Officer, Noritz Corporation

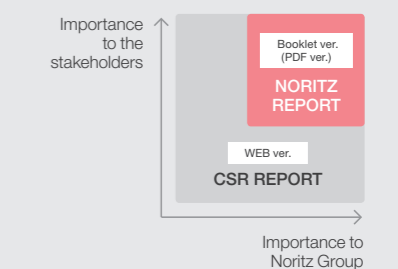
Company Profile

Company Name	Noritz Corporation
Established	March 1951
Headquarters	Eiko Building, 93 Edomachi, Chuo-ku, Kobe, Hyogo Prefecture, Japan
Capital	¥20,167 million
President and CEO	Soichiro Kokui
Number of Employees	3,042 (non-consolidated) 9,422 (consolidated) As of December 31, 2014

About the contents of this report

Reporting period	Fiscal year 2014 (from January 1, 2014 to December 31, 2014) *Some of the activities in 2015 are also included.
Scope	Noritz Corporation and the domestic/overseas group companies
Referenced guidelines	ISO26000, GRI “Sustainability Reporting Guidelines” Version 4, United Nations Global Compact Ministry of the Environment, “Environmental Reporting Guidelines” 2012 version
Last issued	June 2014
Next scheduled issue	Scheduled on July 2016

Approach to reporting media



About future plans and forecasts

All the plans or strategies of Noritz and Noritz Group as of March 31, 2015 that are shown in this report are our forecasts unless they are historical facts, and contain risks or uncertain factors. Actual business outcomes and so on may differ greatly from these plans and forecasts, depending on various factors.