

NORITZ CORP.

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* Information in this report is deemed accurate as of March 2017. 1707-10



As of March 2017, Noritz is included in the Morningstar Socially Responsible Investment Index. The Morningstar Socially Responsible Investment Index (MS-SRI) is the first socially responsible investment index in Japan. Morningstar Japan K.K. selects 150 companies from among approximately 4,000 listed companies in Japan by assessing their social responsibility, and converts their stock prices into the index.



NORITZ REPORT

2017

NORITZ CORP.

Mission Statement

We, the Noritz Group, are advancing to a new stage. Having defined our business field to be global, we have renewed our overall vision, comprising our Mission and Value Statement, with the underlying aim of providing hot water for improvement of daily life for as many people as possible.

Mission

The Simple Comforts of Life

We, the Noritz Group, desire to be helpful to people all over the world and the global environment. Our mission is to provide people with value that brings contentment and helps improve their daily life.

Mission & Value

Vision

Plan

Medium-Term Management

Value

We set our highest priority on quality, and provide the products and service by staying one step ahead.

We act on justice, fairness, and transparency.

Vision

The Noritz Group – Globally Competitive by 2020

Plan

New Medium-Term Management Plan V-plan 20

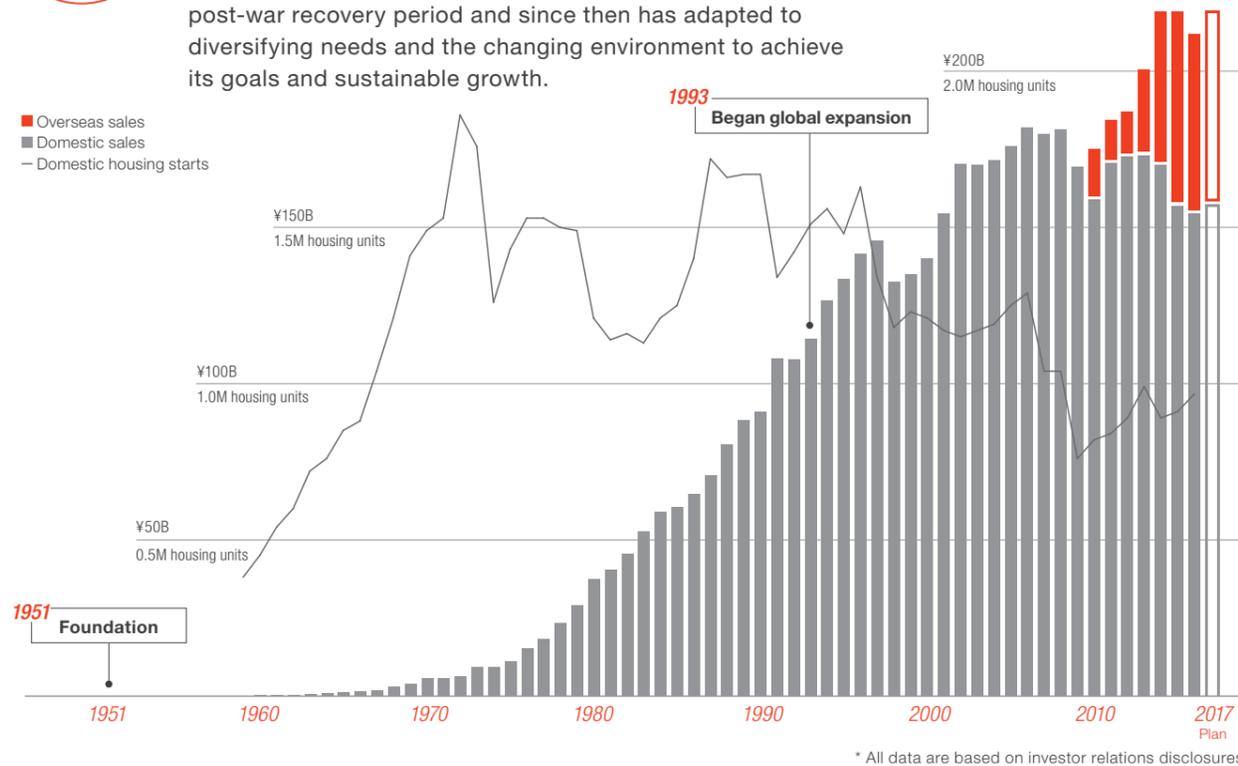
[See pages 11-14](#)

Four Changes from a Long-term Perspective

POINT 1

Sustainable Growth

The Noritz Group began its history with the desire to help improve the Japanese people's standard of living during the post-war recovery period and since then has adapted to diversifying needs and the changing environment to achieve its goals and sustainable growth.



POINT 3

Overseas Expansion

Noritz seeks to satisfy local needs in its activities, while aiming at integrated global group management.



	Overseas sales	Overseas operating income	Overseas sales volume of water heaters (per year)
2020 Targets	¥85.0 billion <small>(Including internal transactions of ¥3 billion)</small> Overseas sales ratio 34%	¥7.0 billion	2.0 million units
2016	¥57.4 billion Overseas sales ratio 27%	¥2.9 billion	1.2 million units
2010	¥16.0 billion Overseas sales ratio 9%	¥0.4 billion	0.5 million units

* The overseas sales ratio excludes internal transactions.

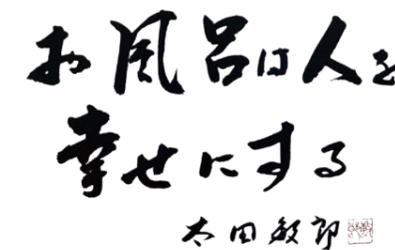
POINT 4

Management Evolution

We adhere to our DNA, which are sources for sustainable growth of the Noritz Group and contributing to continual evolution of society. At the same time, we strive to make progress in keeping with changes in society.

What we have not changed since foundation (DNA)

Our original ideals and objectives



"Bathing Makes Happiness"

What we have changed matching the needs of the times

- Philosophy framework [pages 01-02](#)
- Business portfolio [pages 17-22](#)
- Corporate governance [pages 41-46](#)

POINT 2

Evolution of Products and Technology

We are committed to creating safe, reliable, eco-friendly products that contribute to solving social needs, primarily by providing hot water for daily life.



1951
"Efficient bath type A"
A tiled bathtub that kept the warmth of hot water



1977
Instantaneous gas water heater "Yubic" that revolutionized the concept of bath water heater by using 100V power and a remote controller to control the heater



2004
Highly-efficient gas water heater "Eco-Jozu" that was eco-friendly and raised the water heater thermal efficiency from 81% to 95%



2013
"Hybrid water/space heater system" that adopted a natural refrigerant R290 and made hot water using heat in the air and gas [See page 28](#)

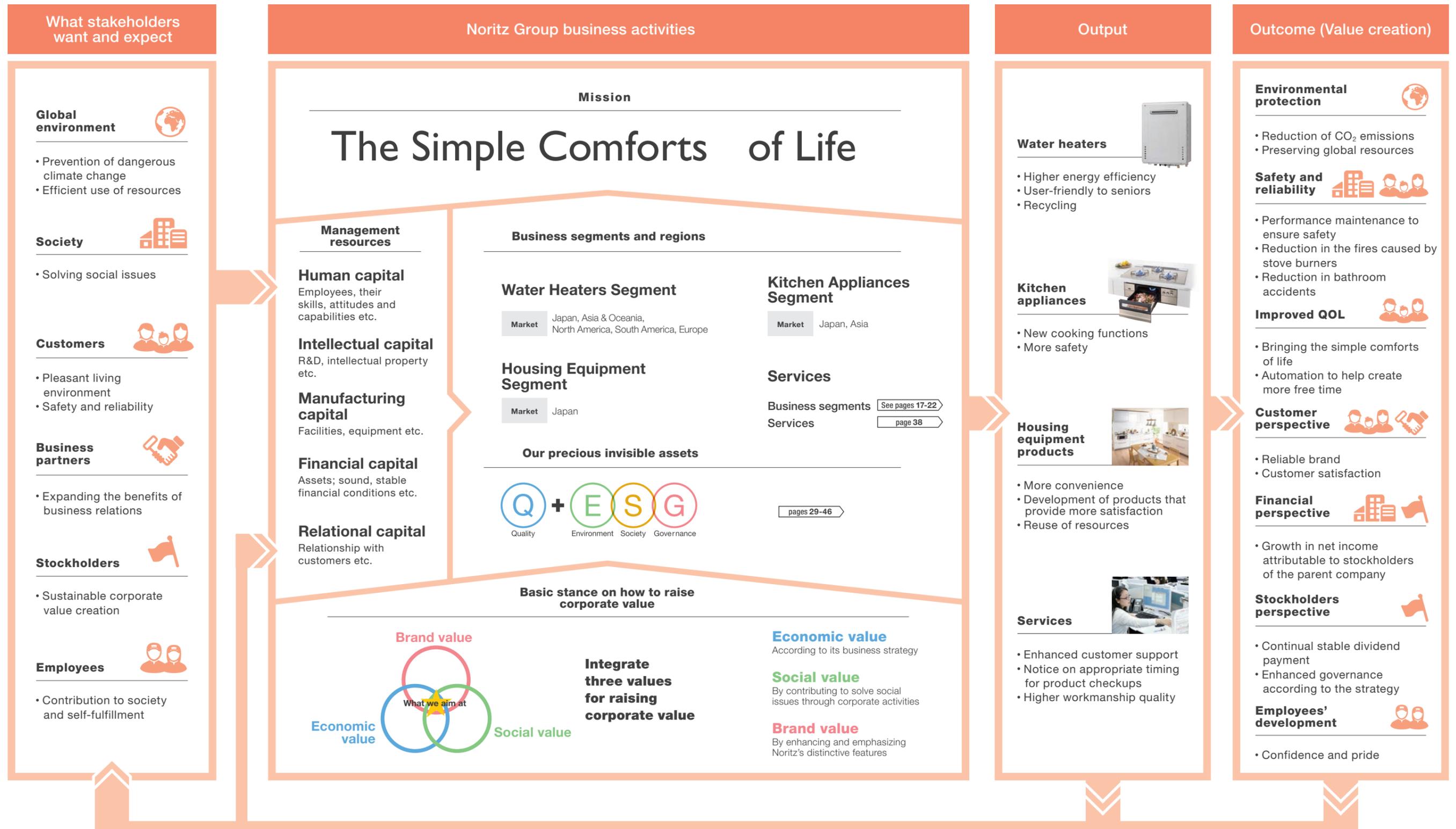


2017
High-efficiency gas water heater "GT-C62 Series," designed so as to reduce the risk of bathroom accidents of seniors, in addition to being eco-friendly [page 27](#)

Profile
 Message from the President
 New Medium-Term Management Plan
 Business and Achievements
 Harmonizing Corporate Management and CSR
 O+ESG
 Consolidated Financial Statements
 Outline

Noritz Group's Value-Creating Business Model

The Noritz Group responds to requests and expectations of stakeholders through its business activities and strives for achievement of its sustainable growth and contribution to society's continual evolution.



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“The Simple Comforts of Life”

We will make hot water more conveniently available in multiple countries and thereby raise corporate value.

“The Simple Comforts of Life” is the Noritz Group’s mission

Our history began in 1951 when Noritsu Bath Industry was established. Our founder’s maxim “Bathing Makes Happiness” indicates the special way he sought to improve the daily life of the Japanese people, in the transition period of the post-war recovery. Ever since then, Noritz has assigned high priority to research and development and has incessantly proposed and created improvements in daily life. As a result, Noritz has grown to a leading company with about 40% share of Japan’s gas/oil water heaters. Recently, we are accelerating expansion overseas, mainly in China, North America, and Australia. The Noritz Group has diversified its business areas through M&A and other activities. However, we are now entering an era in which a business model successful in the past may not be good or complete enough for the future, due to rapid economic changes and globalization. In order to cope with such changes, we used the opportunity to draw up our new medium-term management plan V-plan 20, starting from 2017, to renew our overall vision. We thus adopted as the Noritz Group’s mission “The Simple Comforts of Life,”

together with our Value Statement. This Mission and Value Statement sets the base for us to solve social issues through our business activities by a united team of management and employees, and of offices and production facilities. They incorporate our desire to deliver the joy of hot water to the world, making the company a source of value to society.

Business results in FY2016 and review of the medium-term management plan V-plan 16

We recorded sales of ¥211.8 billion, operating income of ¥8.9 billion and net income attributable to stockholders of the parent company of ¥4.6 billion in FY2016. The targets, which were revised in 2015, have been achieved due to a recovery in operating income, despite putting aside ¥3.8 billion as reserve for product guarantees related to malfunction of the LCD component of bathroom remote controls, which affected net income. Domestic business showed positive impact from measures taken in 2015 to improve profit, such as price increases and cost reductions. Overseas business sales decreased from the previous year due to the yen appreciation but a recovery in earnings of Sakura Bath and Kitchen Products (China), which became

a subsidiary in 2013, contributed to income growth. In the V-plan 16 our initial targets for FY2016 were ¥250 billion in sales, ¥15 billion in operating income, and an ROE of 8%. The results, however, fell short of this, mainly due to withdrawal from home-use solar power generation systems in 2014. We decided to withdraw three years after entry, due to the rapid change in the market environment. We regret that diversification of management resources had the effect of hurting development and sales, resulting in a drop in domestic market share in the core water heater business. In contrast, overseas business expanded steadily and the results in FY2016 exceeded the initial V-plan 16 targets of ¥40 billion in sales and ¥2.5 billion in operating income. In addition to growth in each of the overseas location, restructuring and turnaround of Sakura Bath and Kitchen Products (China) and the inclusion of Dux Manufacturing Limited, an Australian water heater manufacturer in our group, contributed to steady expansion. Recently, we have dealt with the issue of malfunction of bathroom heater/dryer and remote controllers, made and sold by the Noritz Group, and installation by non-certified personnel of the designated installers’ shops. We apologize for the inconvenience to customers and others concerned. We will reinforce our initiatives on behalf of safety and reliability and strive hard to prevent a similar occurrence.



Mission Statement

Mission The Simple Comforts of Life

We set our highest priority on quality, and provide the products and service by staying one step ahead.

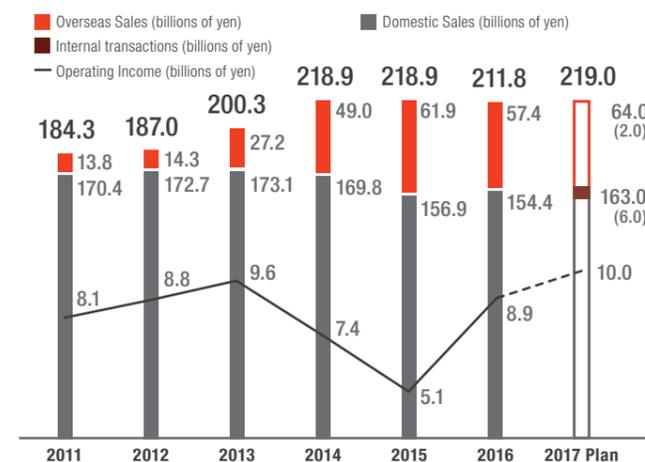
Value We act on justice, fairness, and transparency.

We develop ourselves with our employees, and contribute to the society.

We keep changing, challenging, and creating with our passion.

Vision The Noritz Group – Globally Competitive by 2020

Results for 2016 and Review of V-plan 16



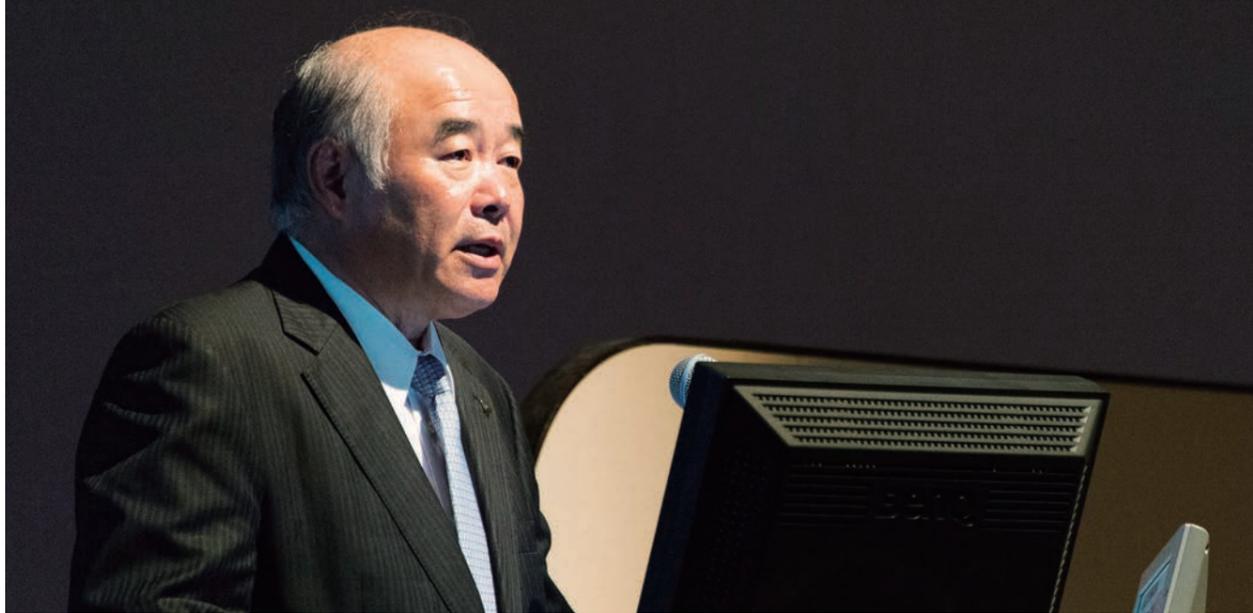
* Forecasts for 2017 include internal transactions. Figures in parentheses are internal transaction amounts.

V-plan 16 Targets, Revisions, and Actual Results

	Sales (billions of yen)	Operating Income (billions of yen)	Net Income Attributable to Stockholders of the Parent Company (billions of yen)	Return on Equity (%)
Initial targets as of 2011	250.0	15.0	8.5	8.0
Revised targets as of 2015	250.0	10.0	6.8	5.7
Revised targets as of 2016	220.0	7.0	4.6	4.1
Actual results 2016	221.8	8.9	4.6	4.3

Factors Behind Shortfall in V-plan 16 Targets

- Withdrawal from home-use solar power generation systems
- Drop in domestic market share in the water heater business



New medium-term management plan V-plan 20 and targets for FY2017

The new medium-term management plan, V-plan 20 became effective in January 2017. Aiming to become “Globally Competitive by 2020,” financial targets for 2020 are ¥240.0 billion in sales, ¥24.0 billion in operating income (10% operating margin), ¥25.0 billion in ordinary income, ¥15.0 billion in net income attributable to stockholders of the parent company, and 8% ROE. Japanese companies at present can be separated into two categories, global companies and domestic-oriented ones. We intend to be a global company, doing business around the world and securing sustainable growth. In order to do so, we believe an operating margin of 10% and ROE of 8% are necessary. For FY2017, the first year of the plan, we plan to achieve ¥219.0 billion in sales and ¥10.0 billion in operating income.

Priority measures in the V-plan 20 are to restructure the business portfolio, to enhance profitability of domestic business, to continuously expand overseas business, and to reform corporate culture. First and foremost, we will focus business resources on the water heater business, mainstay core business, and enhance profitability [\[See pages 11-14\]](#).

In March 2017, we launched the new model GT-C62 Series [\[page 27\]](#). This is an innovative series with features for better safety and health, by means such as reducing bathroom accidents and (important especially in Japan) maintaining better hygiene of bath water, while also promoting wise utilization of water resources. We will deploy the manufacturing technology and features of this new model to other series in order to raise value of the entire water heater business.

We are also considering other initiatives, including internal-sourcing of exterior components, more efficient R&D

activities, OEM production, and a shift of the sales system to enhanced channels. We thereby will be busy innovating our manufacturing and marketing to enhance our domestic water heater business.

Concerning overseas business, we have a challenging target of achieving 8.2% in operating margin in FY2020 by expanding sales and profit from commercial-use water heaters and heating equipment. We believe that the target is achievable by deploying our accumulated technology in the water heater business, this being a corporate strength, and by generating synergy effects in manufacturing. In case of Sakura Bath and Kitchen Products (China), we faced cultural differences in the early phase of operations but have steadily improved thanks to measures taken in production and R&D areas, resulting in a turnaround into black and a sense of unity.

We believe that M&A of the water heater business can be effective, without diverting existing management resources, and can bring significant benefits especially if expenses associated with development, dies and molds, and production in general can be shared. We plan to actively capture opportunities for alliances and M&A, from which synergies can be expected.

Corporate governance and policy on return to stockholders

We established our Corporate Governance Guidelines in 2016. We increased the number of outside directors from one to two, established a nominating committee and a remuneration committee, and introduced a stock option scheme. We will continue to practice highly-transparent governance, which helps us raise sustainable corporate value [\[pages 41-46\]](#).

As for return to stockholders, our basic policy is to pay continuous stable dividends to stockholders. In FY2016, dividend of ¥32 yen per share was paid, as initially planned. Going forward, we intend to continue stable dividend payment.

Initiatives to harmonize CSR in management

The Noritz Group will harmonize economic value, social value, and brand value for raising corporate value. We believe our role is to bring smiles and contentment to all of our stakeholders through this. Accordingly, we signed the Global Compact advocated by the United Nations in 2012. By implementing the 10 principles of the Global Compact and the Sustainable Development Goals (SDGs), we help achieve sustainable growth of ourselves and the society [\[pages 23-28\]](#).

Since 2009, we have been the industry's top runner as an “Eco-First Company” and are committed to operating with consideration to the global environment as we emit about 1.4% of overall CO₂ emissions in Japan [\[pages 35-36\]](#). In particular, we believe our hybrid water/space heater system, which integrates advantages of the high-efficient gas water heater and the heat pump, can contribute to a decarbonized society. We also intend to make a global contribution by expanding in China, which is plagued by air pollution, and by supplying tankless, instantaneous gas water heaters especially to users in North America and

Australia, where the tank type is most common. Based on the view that companies serve as a public organ of society, we are active in employing people with disabilities, who represent 2.99% of our group's workforce. At our special subsidiary company S-CORE Hearts K.K., established in 2006, mostly workers with mental disabilities work in a production line as regular employees. Their workplace is highly motivated and has been improving in productivity. In 2016 we opened Smile Hearts K.K., categorized in the “Support for continuous employment – Type A Office,” to provide more employment opportunities. As a part of our initiatives to create a good work environment for every worker we launched the female leadership development program to foster female leaders and improve work opportunities for women. In addition, we will open a corporate daycare center, the first of its kind in the housing equipment industry, in July 2017. We are committed to support an increase in places for engagement of a diversity of people [\[pages 31-32\]](#). We understand that our mission is to help solve social issues by providing products that are not merely convenient and multi-functional, but to respond to the requirements of an aging society and other social changes [\[page 37\]](#). Through its mission “The Simple Comforts of Life,” the Noritz Group wants to contribute to solving social issues through business activities and to be a company indispensable in society. We appreciate our stakeholders' continued support in our Group. Thank you.

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 elimination 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

Sustainable Development Goals (SDGs) 17 Goals



CHECK ▶
 Noritz Group's initiatives and relevance to the SDGs
<http://www.noritzglobal.com/en/csr/policy.html>

* The Sustainable Development Goals (SDGs) is a set of 17 goals, adopted by a resolution of the United Nations in September 2015, and to be achieved by 2030. Companies are expected to be creative and innovative, and to participate in solving issues.

New Medium-Term Management Plan

V-plan 20

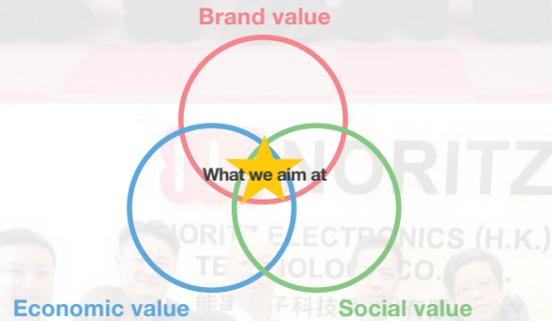
The Noritz Group: Becoming Globally Competitive

To realize our Group Vision we continue to raise our corporate value.
We will carry out four priority measures to achieve the V-plan 20.

Group Vision

Basic stance on how to raise corporate value

The Noritz Group: Becoming Globally Competitive



V-plan 20 Financial Targets

Sales
240
billions of yen

Operating Income
24
billions of yen

Operating Margin

10%

Net Income Attributable to
Stockholders of the Parent Company

15
billions of yen

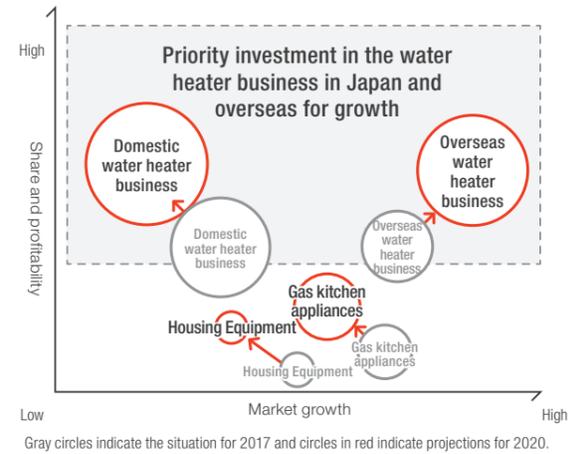
Return on Equity

8%

New Medium-Term Management Plan Four Priority Measures

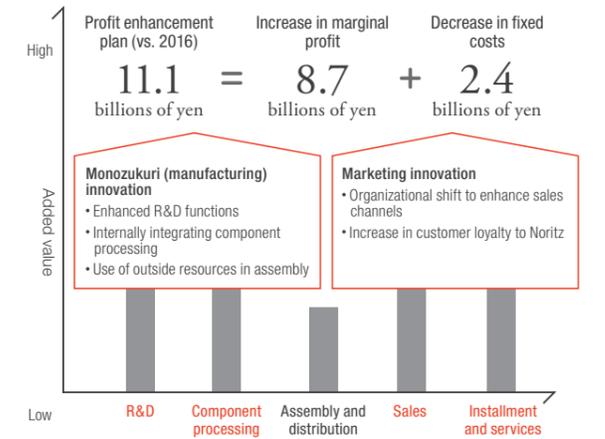
Measure 1 Restructuring the business portfolio

This calls for focusing business resources on the water heater business, a core business, and enhancing the development and sales of new competitive products, while aiming for profit improvement of domestic business through rebuilding where performance has been low.



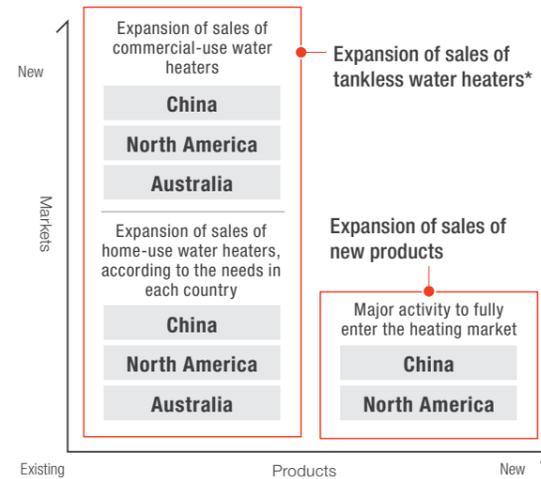
Measure 2 Enhancing profitability of domestic business

We plan to enhance profitability by innovating production models (such as by modifying manufacturing processes so as to enhance added value) and establishing a sales model featuring a follow-up system to enhance our relationships with customers, to offset effects of a potential decline in demand.



Measure 3 Continuous expansion of overseas business

We aim for continuous growth through such means as developing distinctive products and expanding new product lineups.



*Instantaneous (tankless) gas water heaters

Measure 4 Reforming corporate culture

We will make our new Mission and Value Statement well-known and shared by all employees. We strive to reform our corporate culture and internal systems, with the aim of becoming "a corporate group that takes on challenges, unafraid of failure" even in an age of heightened uncertainty.



Mission and Value Statement in Japanese, English, and Chinese



Financial Policy for the V-plan 20

A Stronger Profit Structure and Financial Efficiency

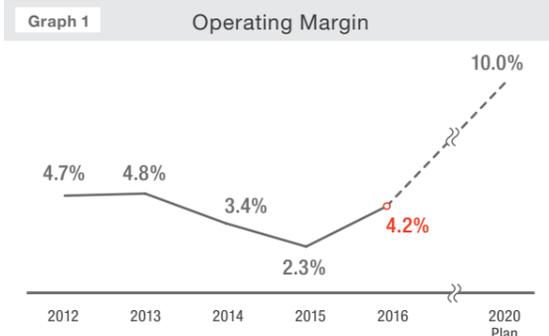
Financial Policy

- 1 Aiming to achieve a 10% operating margin
- 2 Aiming to achieve an 8% ROE
- 3 Making new investments, mainly in the core water heater business
- 4 Continuing stable dividend payment to stockholders

10% operating margin

Graph 1 ▶

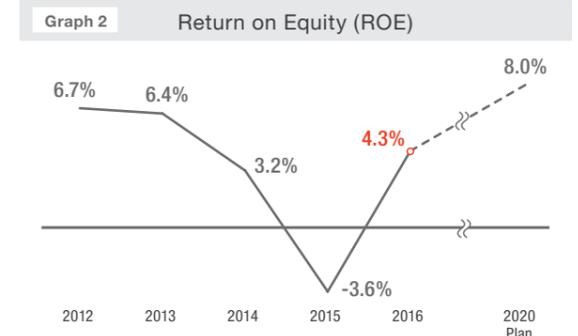
Priority measures in the new medium-term management plan V-plan 20 are to restructure the business portfolio, to enhance profitability of domestic business, to continuously expand overseas business, and to reform corporate culture. By implementing those four measures, we target achievement of a 10% operating margin. This is a target we judge as needed to be achieved in order to make sustainable growth in the global market.



Toward an ROE of 8%

Graph 2 ▶

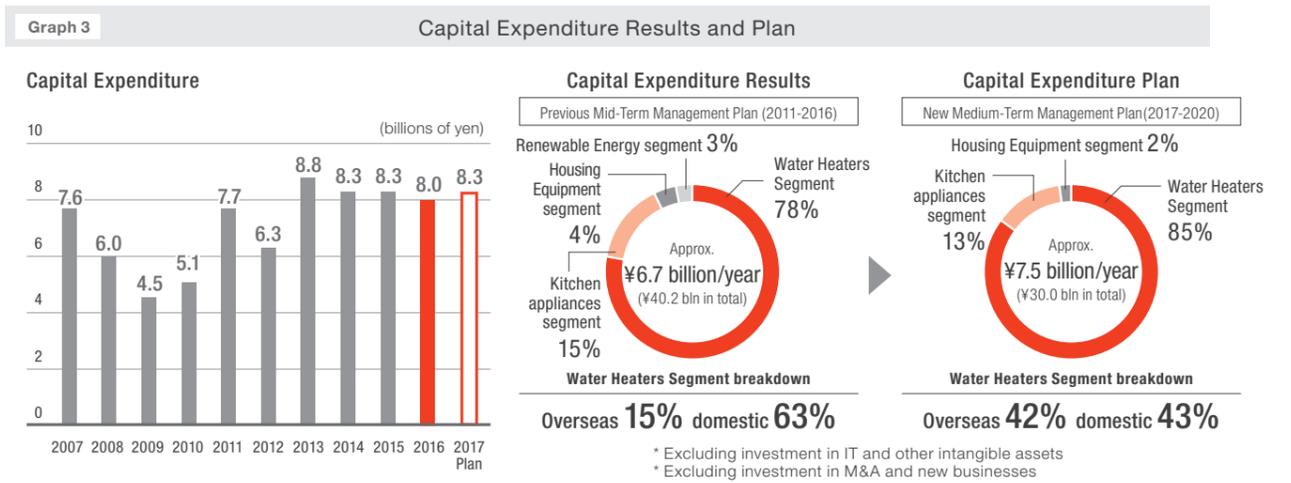
Our target is an ROE of 8%, while also achieving sustainable growth and raising corporate value. We will restructure our business portfolio, execute priority measures toward reaching 10% in terms of operating margin, and realize the ROE target by improving business earnings.



Intensive investments in the water heater business

Graph 3 ▶

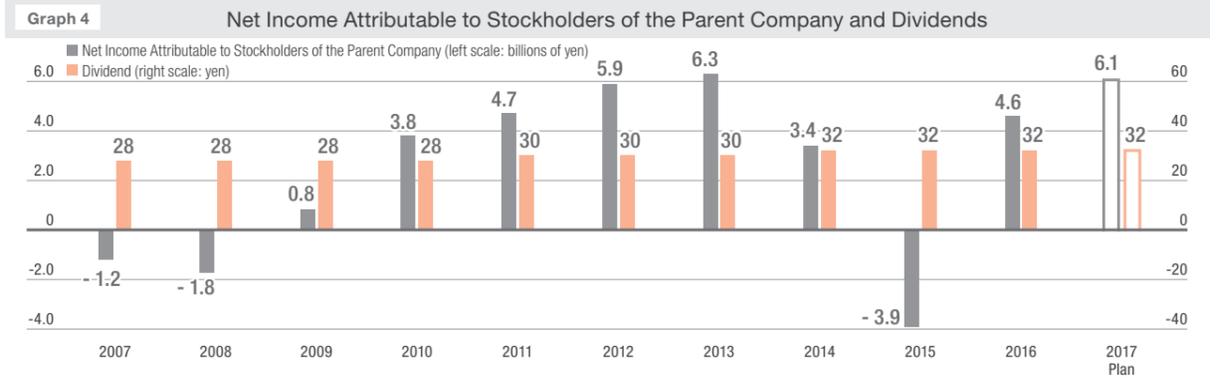
We diversified our investments to concentrate on infrastructure building and a new energy area in the previous medium-term management plan V-plan 16. Our policy for the V-plan 20 is to concentrate investments in product development, dies and molds, and machinery and equipment for boosting internal sourcing, which are directly linked to earnings of the core water heater business in Japan and overseas. In addition, we plan to raise the ratio of overseas investments and increase annual investment by about ¥800 million on average compared to the V-plan 16. (Our plan is to make investments of approximately ¥30.0 billion in total for 2017-2020.)



Planning stable dividend payment

Graph 4 ▶

Our basic policy is to provide continuous and stable dividends, while taking into consideration consolidated-based business performance and the payout ratio, and maintaining a sound financial position.



Noritz Group Topics and Awards in 2016

Corporate Topics



Jan.
Induced two suppliers to build plants within Noritz China's plant site
 At Noritz's suggestion two suppliers built plants within the site of Noritz China's new plant in Shanghai. This will enhance production efficiency by reducing the distribution cost of components and will enhance quality control, by changes including improved timing of maintenance of dies and molds.

Feb.
Introduced amoeba management
 Began using amoeba management, a method for each unit to contribute profit, across the entire organization. Approximately 270 Amoeba leaders are required to have a sense of management, make the workplace to be profit conscious, and aim at improving work efficiency.

Mar.
Established the Noritz Corporate Governance Guidelines
 With the aim to make fair and transparent decisions, realize sustainable growth, and raise medium- to long-term corporate value, the Noritz Corporate Governance Guidelines was adopted.
 See page 41

Mar.
Improved information access by service personnel
 Updated the Product Data Service to enable service personnel to better access water heaters and kitchen appliance information. This is among the industry's top class in terms of registration data and supports our business partners in every relevant business occasion, from meetings to maintenance and repair.



Apr.
Hosted the Second Noritz Service Masters
 Hosted the Second Noritz Service Masters, in which representative service people, selected from nationwide, compete in skills and knowledge, with the aim to ultimately improve service quality.

Apr.
Launched a female leadership development program for improving promotion qualifications
 Began the training program for women who desire to advance their career.
 page 32



Apr.
Smile Hearts started to offer training of people with disabilities
 Started Smile Hearts K.K., a fully-owned subsidiary company of S-CORE Hearts K.K., for training persons having a physical or mental disabilities, for potential regular employment. At present, ten people with disabilities are receiving training.
 page 38



Jul.
Improvement of functionality of Noritz Global Website
 Modified the Noritz Global Website, enabling use of it to send messages overseas.

Jul.
Began a capital and business tie-up with Chofu Seisakusho
 Agreed with Chofu Seisakusho Co., Ltd. to mutually provide products, as a part of a capital and business tie-up arrangement. Chofu will be an OEM supplier of kerosene water heaters to Noritz, while Noritz supplies OEM gas water heaters to Chofu.



Jul.
Heating equipment production line completed by Noritz China
 Noritz China completed its production line of heaters, the new product designated as the second core product after gas water heaters.

Sep.
Held a CSR dialogue with stakeholders
 Seven internal directors of Noritz attended the second CSR Dialogue event, in which additional CSR Materiality (Priorities) was identified on behalf of efforts to ensure sustainable growth of the company.
 page 24



Dec.
Held a global top conference
 Held the global top conference for the first time in Japan. Top executives from Noritz's operations in China, U.S.A., Australia, and Hong Kong attended the conference.

Product Topics and Social Topics



Jan.
"XF Series" received the Product of the Year award
 The solar heat utilization system of bathroom gas water/space heater system, the XF Series, was awarded the Product of the Year in the Eco Mark Award 2015 competition, hosted by the Japan Environment Association.

Feb.
Collaborated on bathroom wall design with SOU-SOU
 New designs were added to the decorative bathroom wall panels Yupatio in collaboration with SOU-SOU, a textile brand in Kyoto. The Yupatio product line was launched in July 2015.
 page 20

Feb.
Opened the Bath Club Website
 The curation website Bath Club was opened in collaboration with Kobe City's Waterworks Bureau and Kobe Women's University, with the aim to encourage enjoyment of the pleasure of bathing.
 page 37

Mar.
Industry's smallest, lightest high-efficiency kerosene water heater unit Eco-Feel added to line-up
 Added the industry's first 30,000kcal/h type to the product line-up.

Apr.
La.La Auto
 Added the La.La Auto, a table cooker with an automatic grill function, to the La.La Series.



Jun.
Donated shower booth units to the disaster-stricken areas of the Kumamoto Earthquake
 The company donated shower booth units to the areas of the Kumamoto Earthquake of April 2016, to bring "the Simple Comforts of Life."
 page 39



Jun.
Launched new products for Dux
 Introduced eco-friendly tankless water heaters for Dux in the Australian market which is dominated by tank-type water heaters.

Jun.
Received Japan Gas Association's Technological Grand Award of 2016
 The Smart Cooker (built-in cooking range) of subsidiary Harman Co., Ltd. received the Grand Award in 2016 from the Japan Gas Association, after receiving the Technological Award in 2015. The range was highly evaluated as an advanced model for features that include a detachable lighting switch, multi-grill, and smartphone application.

Sep.
Held a multi-grill tool contest in collaboration with a college
 The company held a contest for sales promotion tools for multi-grills, in collaboration with students of Aichi Zokei Design College. Opportunities for students to produce the actual sales tools were offered.

Sep.
Received the 2016 Excellence Award as a "good example of workplace improvement for people with disabilities"
 Kashima Corporation, a subsidiary of a Noritz Group company RB Corporation, received the Excellence Award in the General Corporate Segment (Chairman's Award of the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers), an organization backed by the Ministry of Health, Labor and Welfare.
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Sep.
Hybrid water/space heater system
 Launched a hybrid water/space heater system, a product which achieved the industry's highest level, 145%, in the primary water heating energy efficiency and which uses a natural refrigerant R290.
 page 28

Sep.
Industry's first commercial-use high-durability and high-efficiency gas bath water heater
 Noritz began to sell the industry's first commercial-use high-efficiency gas bath water heater to respond to rising need for individual bathing in nursing homes. The product is designed to reduce the incidence of erroneous use of a remote controller and improve safety in the bathroom. It also has functions to make the work of caretakers easier, such as rapid tub filling and a timer function.
 page 37

Oct.
Received the Telephone Answering Contest Award of Excellence
 Four employees of Noritz received Awards of Excellence in the Kobe District's final phase of the 2016 Telephone Answering Contest, sponsored by the Japan Telephone & Telegraph Users Association. They participated in the Hyogo Prefecture Contest, and one of them ranked the second, receiving the Award of Excellence.

Nov.
Hosted the "World Café at Footbath" event
 The company hosted the "World Café at Footbath," an event to promote the attraction of footbathing, in Asakusa, Tokyo. An effort was made to appeal to young adults such as providing a free footbath experience and workshops for making bath salts, assisted by members of the Bath Lovers' Club.

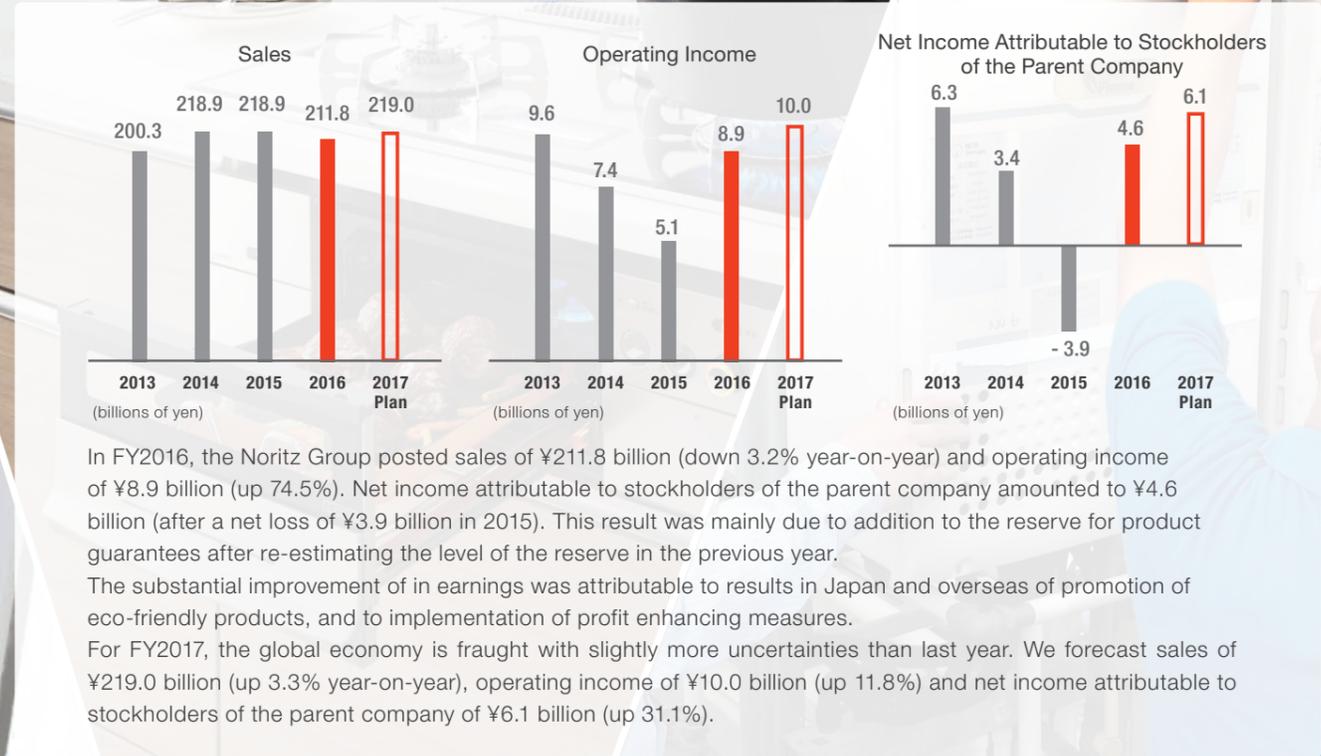


Nov.
Noritz report was a finalist in a competition
 The Noritz Report 2016 was selected as finalist in the Asia Sustainability Reporting Awards 2016 competition (ASRA 2016) for Integrated Reports. Sponsored by CSR Works International.

Dec.
Donation made for reconstruction after the Kumamoto Earthquake
 To help support recovery in earthquake-stricken Kumamoto, Kumamon, the mascot of the Prefecture, was used for a new Yupatio bathroom panel. A part of the sales proceeds will be donated to support reconstruction.
 page 39

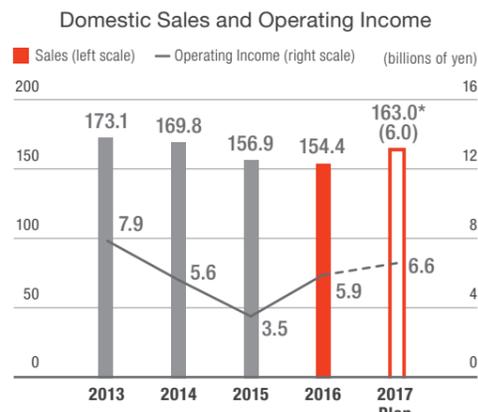
Business Summary

The Noritz Group provides various products, mainly in the Water Heaters Segment. We strive to develop eco-friendly products which allow the efficient and effective use of energy, in addition to being easy-to-use and convenient. We are expanding not only in Japan but also in overseas markets with high growth potential, so as to globally contribute to bring about changes for the better in daily life.

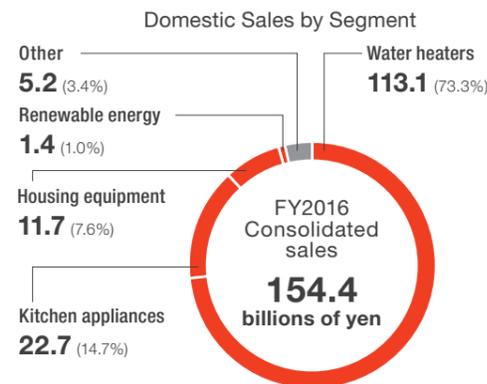


In FY2016, the Noritz Group posted sales of ¥211.8 billion (down 3.2% year-on-year) and operating income of ¥8.9 billion (up 74.5%). Net income attributable to stockholders of the parent company amounted to ¥4.6 billion (after a net loss of ¥3.9 billion in 2015). This result was mainly due to addition to the reserve for product guarantees after re-estimating the level of the reserve in the previous year. The substantial improvement of in earnings was attributable to results in Japan and overseas of promotion of eco-friendly products, and to implementation of profit enhancing measures. For FY2017, the global economy is fraught with slightly more uncertainties than last year. We forecast sales of ¥219.0 billion (up 3.3% year-on-year), operating income of ¥10.0 billion (up 11.8%) and net income attributable to stockholders of the parent company of ¥6.1 billion (up 31.1%).

Domestic Business



* Forecasts for FY2017 include internal transactions. The figure in parenthesis is the amount of internal transaction.



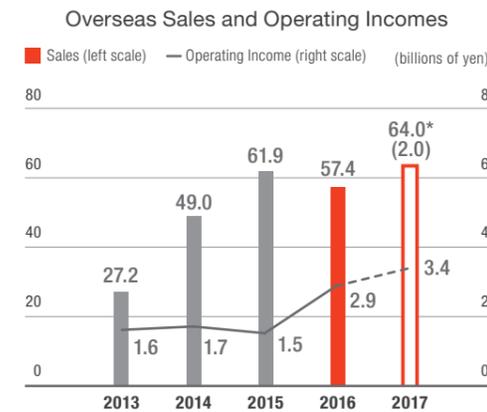
Results in FY2016

The domestic business generated sales of ¥154.4 billion (down 1.6% year-on-year) and operating income of ¥5.9 billion (up 66.6%). The Water Heaters Segment increased sales due to sales growth of eco-friendly and energy-efficient products. Results are also explained in part by profit enhancement measures.

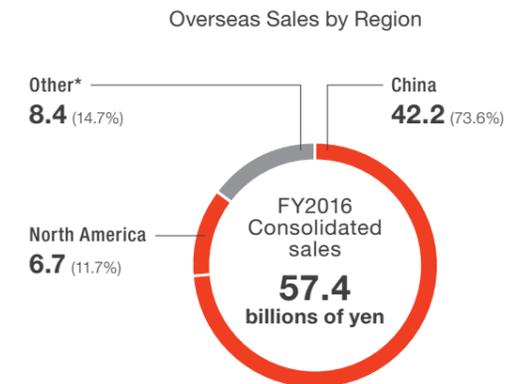
Outlook for FY2017

We forecast sales of ¥163.0 billion (including internal transactions from 2017; up 1.7% year-on-year) and operating income of ¥6.6 billion (up 10.2%) in the domestic business. Reflecting a rise in various government subsidies and promotion of environmental friendliness in conjunction with the 2020 Tokyo Olympic Games, demand for eco-friendly and energy-efficient products is on an uptrend. Advance of aging of society is being accompanied by greater demand for certain products. We will concentrate management resources in the mainstay Water Heaters Segment in keeping with this trend.

Overseas Business



* Forecasts for FY2017 include internal transactions. The figure in parenthesis is the amount of internal transaction.



* "Other" includes Australia.

Results in FY2016

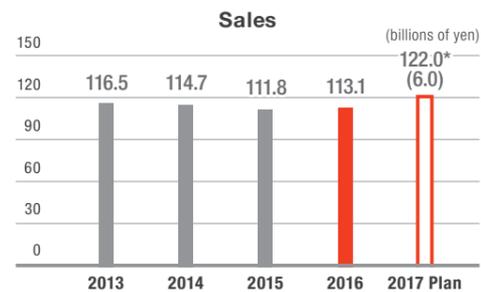
The overseas business generated sales of ¥57.4 billion (down 7.2% year-on-year) and operating income of ¥2.9 billion (up 93.1%). Sales growth was driven by growth in China, North America, and other areas, but earnings decreased due to the impact of the appreciation of the yen. In local currencies, however, both sales and operating income increased year over year.

Outlook for FY2017

We forecast sales of ¥64.0 billion (including internal transactions from 2017; up 6.8% year-on-year) and operating income of ¥3.4 billion (up 15.2%) in the overseas business. Our response to rising demand for eco-friendly and energy-efficient products we include launching new products having improved heat efficiency. At the same time, we plan to achieve profit improvement by expanding our business scale.

Domestic Business

Water Heaters Segment



* Forecasts for FY2017 include internal transactions. The figure in parenthesis is the amount of internal transaction.

In the Water Heaters Segment, we manufacture and sell gas/kerosene water heaters that ensure stable supply of hot water, by combining our three advanced technologies in combustion control, heat exchange and fluid control. By promoting eco-friendly products having high added value, we are securing stable growth in this segment where there is constant replacement demand. In FY2016 demand for gas/kerosene water heaters increased from the previous year and our sales efforts of eco-friendly products yielded good results.

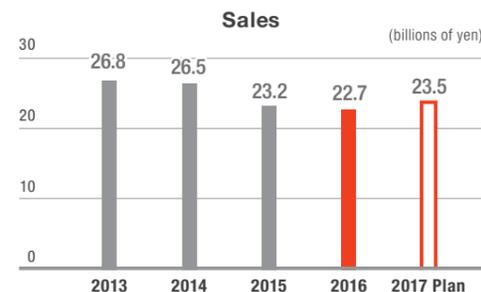
For FY2017 against the backdrop of rising demand for eco-friendly, energy-efficient products stemming from the Japanese Government policy of encouraging Zero Energy House (ZEH) construction, we will strive to increase sales of eco-friendly products such as Eco-Jozu, Eco-Feel, or hybrid water heater and heating systems. We will concentrate management resources in the Water Heaters Segment, in particular to expand sales of our new energy-efficient bathroom gas water heaters in the GT-C62 Series. The products in this new series incorporate a function of monitoring the amount of time a person is in the bath, to reduce the risk of bathroom accidents, which is growing in importance with the aging of society in Japan.



New GT-C62 Series pre-installed with a bathing-monitor function

CHECK ▶ See safe, reliable features of the GT-C62 Series (in Japanese only) http://www.noritz.co.jp/product/kyutoki/gus/gt_c62.html

Kitchen Appliances Segment



In the Kitchen Appliances Segment, our main products include the built-in gas cooker, which features our unique burner that enables energy-efficient cooking with a stable flame. We have about a 30% market share in Japan for this product. In FY2016, we started to sell "multi-grill" cookers that have a drop-in range that allows grill cooking and can be used like an oven, on top of burners built into a countertop. The new products include middle- and high-end built-in cookers and kitchen stove hoods.

For FY2017 we expect that the demand for the gas built-in cookers will remain steady. We will promote sales of a multi-grill cooker that enables easy grilling, simmering and steaming. We have also started the Everyday Multi-grill Club, a website and for SNS, which also sponsors events.

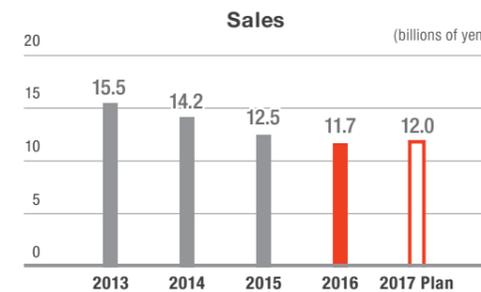
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Newly-developed easy-cooking, easy-cleaning, Multi-grill; offers ease of cooking, ease of cleaning, and shorter-time cooking

CHECK ▶ The Everyday Multi-grill Club Website introduces functions of the multi-grill and various recipes (in Japanese only) <http://www.mainichigrillbu.com/>

Housing Equipment Segment



In the Housing Equipment Segment, our products of strength include a built-in kitchen system, which enables easy adjustment of width (in increments of 1cm), and a "Self-Cleaning Bathtub," which enables automatic bathtub cleaning. In FY2016 we collaborated with a textile company, SOU-SOU of Kyoto, and added some traditional Japanese patterns of bathroom wall panels to our system bath Yupatio Series. We offer customers the greatest variety of bathroom wall panels in the industry. As a part of support to the earthquake-stricken Kumamoto Prefecture, a new Yupatio bathroom panel with an illustration of Kumamon, the mascot of Kumamoto Prefecture, by using proprietary bathroom wallcovering printing technology was added.

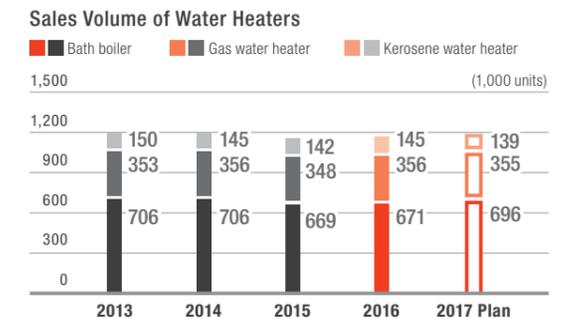
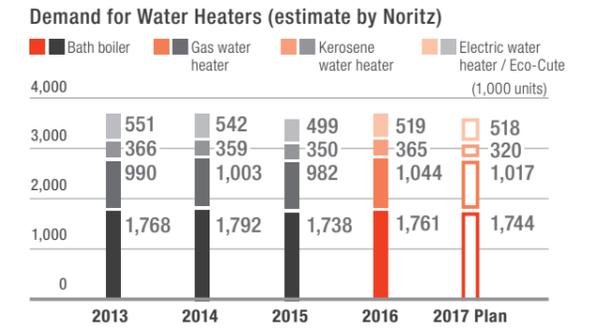
For FY2017, we intend to actively promote our unique Self-Cleaning Bathtub, which enables automatic bathtub cleaning and our Tsuka-eru L-type kitchen counter which can enable greater preparation space in system kitchens.



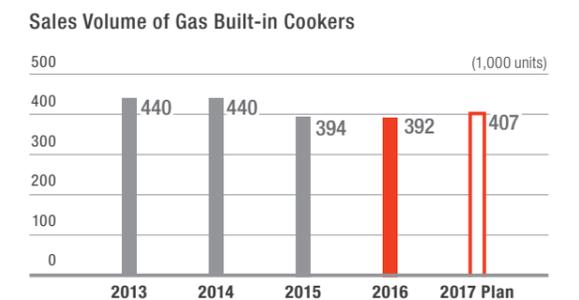
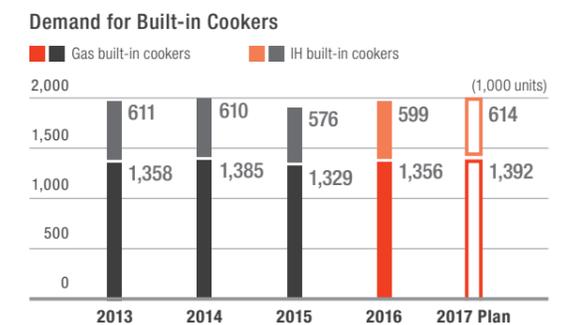
New design in collaboration with SOU-SOU, a textile company in Kyoto

CHECK ▶ See wall panel designs, featuring the Japanese bath culture, in collaboration with SOU-SOU (in Japanese only) <http://www.noritz.co.jp/product/bathroom/yupatio/sousou.html>

Water Heaters Segment: Additional Information



Kitchen Appliances Segment: Additional Information



Overseas Business



China



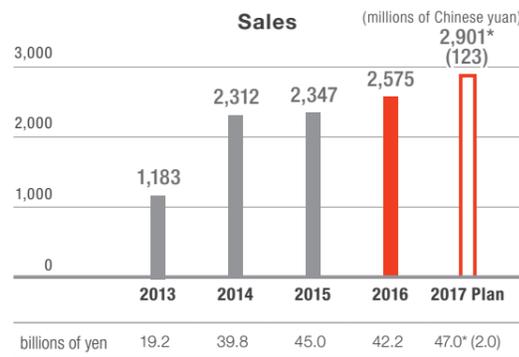
North America



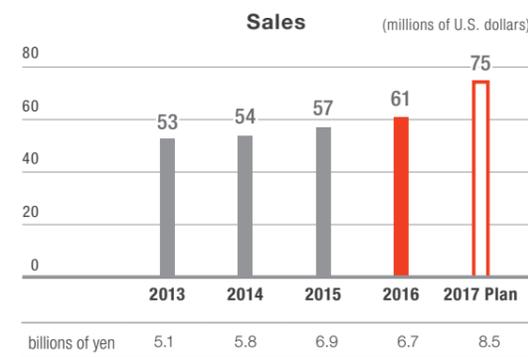
Australia



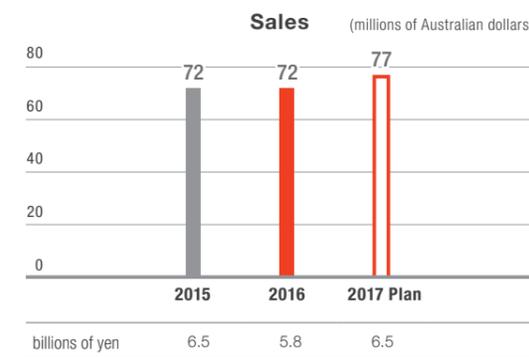
Other areas



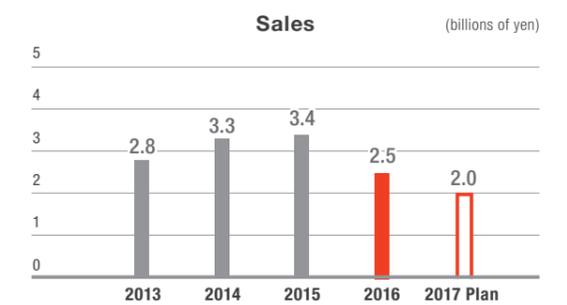
* Forecasts for FY2017 include internal transactions. Figures in parentheses are internal transaction amounts.
** The fiscal year average exchange rate is used. See details on the exchange rates in the Financial Reports.



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We entered the Chinese market in 1993 when we established a joint venture with a Chinese company. At present, we have a plant in Shanghai and perform the same level of quality management as in Japan. In 2013 we made a capital investment in Sakura Bath and Kitchen Products (China) Co., a housing equipment manufacturer that operates all over China. In tandem with the rising demand for safe and reliable products in China, we are growing there on the basis of our strength in high quality products. Sales of eco-friendly products are becoming more popular in Shanghai and other cities, while gas instantaneous water heaters are rapidly growing in popularity in inland China, due to increase in gas use, development of infrastructure, and improvement of living standards. In FY2017 we will continue to expand sales of eco-friendly products.

In North America we started sales of tankless water heaters in 2002. At present, our operation covers all of the U.S.A. and Canada, with a focus on California. In North America where tank water heaters have a majority share of the market, eco-friendly energy-efficient tankless water heaters are gaining in popularity. In particular, the series of high-efficiency, condensing tankless water heaters, has raised its sales share in recent years. In FY2016 the change in currency exchange rates resulted in a decrease in sales in yen terms but an increase in local currency terms. In FY2017 we are anticipating high demand for tankless water heaters to continue. We will promote appliances for commercial use and for space heating, in addition to home-use tankless water heaters.

In FY2015 Dux Manufacturing Limited, an Australian water heater manufacturer, joined Noritz Group. After the acquisition, we refined the Dux operation, from production to sales of its traditional tank water heaters, and raised its competitiveness. In FY2016, Noritz began OEM supply of its gas instantaneous water heaters to Dux. In FY2017 we will expand sales of tank water heaters, for which demand is stable, as well as eco-friendly, energy-efficient tankless water heaters, for which demand growth is high.

In areas other than China, North America, and Australia, we are mainly developing the OEM business of gas instantaneous water heaters on the back of our technological strengths accumulated in Japan. We are promoting gas instantaneous water heaters for home use as well as in hotels, hospitals, amusement parks, and other commercial facilities.



Combination boiler

A combination boiler is one unit doing the work of heating water and hydronic space heating.



Tankless water heater with hot-water recirculation pump

This system allows for immediate hot water from the outlet, by circulating hot water in the tubing inside the equipment



EZ Series

Tankless water heaters with improved thermal efficiency, especially when a small amount of water is used, and low NOx generation.



EZTR

Tankless water heater that is easy to install as a replacement for a tank water heater



Continuous Flow Series

Tankless water heater for the Australian market

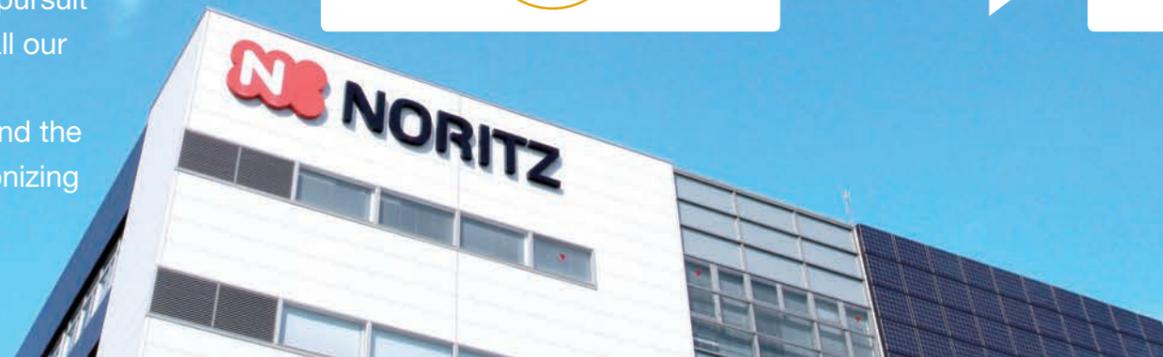


TNSW Series

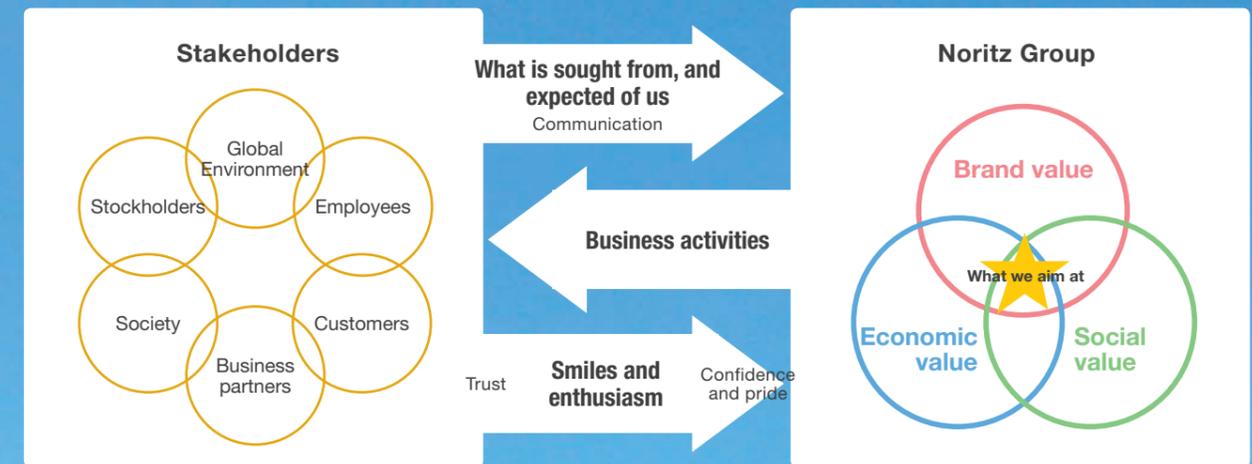
Water heater with exterior cover in the color of gold or silver, designed for the Hong Kong market. Its outstanding quality is highly regarded in Hong Kong.

Harmonizing Corporate Management and CSR

Recognizing what society requires and what society expects, as we understand through our two-way communication with stakeholders, we are undertaking business activities which harmonize “the pursuit of economic value through business strategies,” “the promotion of social values that contribute to solving social issues,” and “pursuit of Noritz identity.” By doing so, we strive to bring smiles and enthusiasms to all our stakeholders, which is our mission “The Simple comforts of Life.” The updated CSR policy, “To improve the well-being of all our stakeholders, and the global environment” has been reflected in the new Mission and Values, harmonizing corporate management with CSR.



Harmonizing Corporate Management and CSR

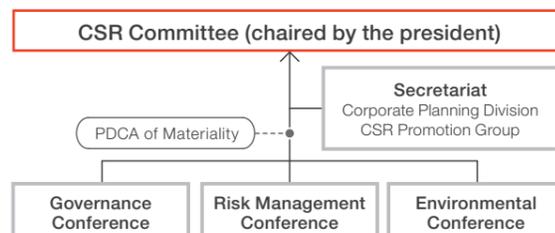


Noritz CSR Committee

The CSR Promotion Group was established within the Corporate Planning Division in January 2016. We are incorporating the CSR perspective in preparing a medium-term management plan and holding conferences of the entire group.

Noritz CSR Committee

Since 2007 Noritz has held a CSR Committee conference four times a year. The committee, chaired by the president and comprised of directors, executive officers and corporate auditors, discusses and makes decisions on CSR issues. Based on the decisions made by the committee, the PDCA management method is promoted.



Dialogue With Stakeholders

The Noritz Group conducted a CSR Dialogue event with representative stakeholders of various fields, during the preparation stage of the new medium-term management plan V-plan 20.

Harmonizing corporate management with CSR

All inside directors of Noritz attended the event and exchanged opinions and understanding on management issues and strategies concerning harmonization of management with CSR, and sustainable growth of the Noritz Group. The issues such as the planning of a medium-term management plan, CO₂ emissions, and the global development of our business were discussed and various requests and expectations were expressed. In addition, progress regarding the CSR Materiality (Priorities) activity identified in FY2015 was evaluated and additional subjects concerning materiality were identified based on statements by the participants. We will make use of comments made in the Dialogue with Stakeholders in our business activities.



Dialogue with Stakeholders

Event

Held on
September 28, 2016

At the
Headquarters of Noritz Corporation

Attendees

Attendees		
Facilitator	Masayoshi Miyanaga	CEO, FALCON Research & Consulting Ltd.
Stakeholder representatives	Mariko Kawaguchi	Chief Researcher, Research Division, Daiwa Institute of Research Ltd.
	Akira Sato	Representative Director, Value Create Inc.
	Hidemi Tomita	Director, Lloyd's Register Japan KK
	Toshifumi Murai	Executive Officer, Strategic Human Resources, IDEC CORPORATION
	Megumu Murakami	Manager, Center for the Strategy of Emergence/ESG Research Center, The Japan Research Institute, Limited
Participants from Noritz	Soichiro Kokui	President and CEO
	Toshiyuki Otaki	Director, Senior Managing Executive Officer, and Head of International Business Headquarters
	Takafumi Nakamura	Director and Senior Managing Executive Officer, and Head of Domestic Business Headquarters
	Yoshiyuki Ozeki	Director, Managing Executive Officer, and Head of Administration Headquarters
	Tsutomu Mizuma	Director, Managing Executive Officer, and Head of Product Headquarters
	Satoshi Haramaki	Director, Managing Executive Officer, and Head of Research & Development Headquarters
	Makoto Mizuno	Director, Managing Executive Officer, and Head of Sales & Marketing Headquarters, Domestic Business Headquarters

* Titles as of September 28, 2016

Profile
Message from the President
New Medium-Term Management Plan
Business and Achievements
Harmonizing Corporate Management and CSR
O+ESG
Consolidated Financial Statements
Outline

CSR Materiality

Upon dialogues with various stakeholders, the Noritz Group identified twelve themes in four areas as CSR Materiality (Priorities). By steady and ongoing attention to those materiality priorities, we aim to achieve sustainable growth and help continuous contribute to the development of society and of the Noritz Group.

CSR Materiality Analysis Map



Global Environment

- Reduction of CO₂ emissions** P.35-36
 - Reduce CO₂ emissions by use of our products
 - Reduce CO₂ emission by our business activities
 - Raise environmental awareness (development of eco-minded people)
- Reduction of hazardous materials in products** P.35-36
 - Increase the sales ratio of products that are subject to hazardous material standards to 80% by 2016
 - Disclose a chemical safety report based on the European Union regulation "Registration, Evaluation, Authorization and Restriction of Chemicals (REACH)"
 - Satisfy the revised Restriction of Hazardous Substances (RoHS) Directive by July 2019
- Products with advanced environmental performance*** P.33-34
 - Develop products with advanced environmental performance and promote their use in society

Consumer Safety

- Consumer safety** P.34
 - Improve product quality
 - Develop human resources who contribute to quality improvement
- Downstream value chain management*** P.44
 - Provide safety and reliability by thoroughly managing and overseeing installation work
- Safety, reliability, and affective Customer Satisfaction*** P.34
 - Deliver products and services, repeatedly chosen by customers

Human Resources

- Respect for human rights** P.40
(Respect human rights of employees and by employees)
 - Inform and raise awareness of respect for human rights, by global standards
 - Confirm risks
 - Evaluate and respond to impacts on human rights (due diligence on human rights)
- Employment** P.31-32
 - Be independent and engage in mutual support to build a strong team
 - Motivate and encourage employees for work
- Diversity in the workforce** P.32
 - Support employment of people with disabilities, seniors, and others
 - Recognize diversity in the workforce
 - Facilitate work-life balance
 - Provide a platform on which women can play a greater role
- Global personnel management*** P.31
 - Employ, foster, and properly allocate global personnel
- Communication*** P.32
 - Encourage open communication to keep corporate culture up to date

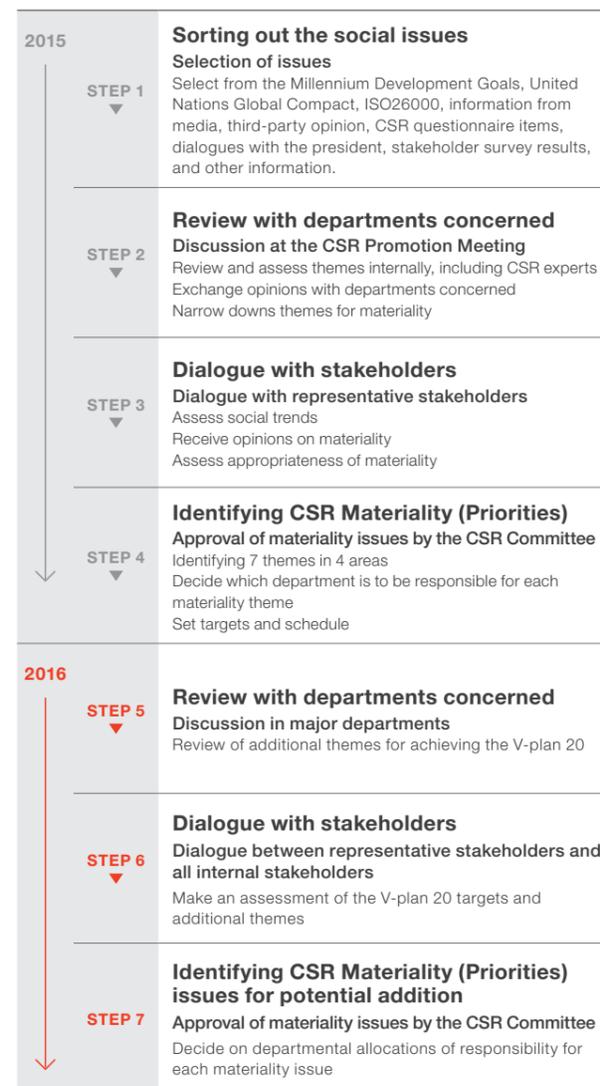
Supply Chain Management

- CSR procurement** P.40
(Respecting suppliers' human rights)
 - Raise awareness and instill the "Guidelines for CSR Procurement" arrangements
 - Analyze internal surveys
 - Prepare a checklist for inquiries for business trips
 - Ascertain the status of suppliers (external survey)

* Additional five themes

CSR Materiality (Priorities) Identifying Process

From the challenges in seeking sustainable growth of international society, the most relevant issues for the Noritz Group and its stakeholders have been selected and mapped in a matrix with two axes: Importance to the Noritz Group and Concern to stakeholders. In addition to CSR Materiality identified in FY2015, five themes are added as elements for achieving the V-plan 20. Using input from our people in departments concerned, we held a dialogue session with representative stakeholders and made an assessment of the issues before identifying them at the CSR Committee conference.



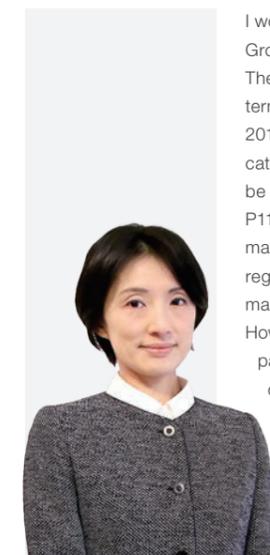
Third-Party Opinion on CSR

Opinions and Our Response in FY2016

Concerning our "Noritz Report 2016" published last year, we received the third-party opinion and various other opinions via questionnaires, dialogues with stakeholders, and other means. The main opinions and our responses are summarized here.

Opinions received	What Noritz Group did in response in FY2016
Harmonizing Corporate Management and CSR	The CSR perspective was incorporated in the V-plan 20 in order to ensure realization of sustainable growth.
Adoption of a medium-to long-term vision	The overall corporate vision, which was previously focused on the domestic business, was restated and the Mission and Values were established, anticipating our global business development.
Interactive communication	Communication has been newly identified as additional theme of CSR Materiality and will be given attention with the aim of fostering a corporate culture which is constantly ready to face new challenges.

Third-Party Opinion regarding CSR Activities in FY2016



I would like to submit a Third-Party Opinion regarding Noritz Group CSR activities in FY2016. The most notable point of this fiscal year is the medium-term management plan V-plan 20, which began in January 2017. The basic idea of the plan advocates three value categories, namely, economic, social, and brand values, to be harmonized so as to raise corporate value (as shown in P11). In recent years, the Noritz Group has been aggressively making in-house arrangements on behalf of CSR. I highly regard the fact that your efforts to harmonize corporate management with CSR has made a good start. However, it is not a final goal but just a milestone on a longer path. In the future, ideally, there would be no need to deliberately work to harmonize management with CSR. Such blending would not need to be emphasized if you can promise that the V-plan 20 core strategy to "concentrate management resources in the mainstay water heater

business" will result in benefits to Noritz, reduce the frequency of bathroom accidents of the seniors, and reduce CO₂ emissions through sales of your value-added products. I understand that eco-friendly products are becoming popular in China. That trend should lead to profit contributions to Noritz, enhance the Group integrity, and help restrain air pollution in China. This will again be an outcome of the harmonization. Moreover, Noritz is actively promoting employment of people with disabilities and, more recently, creating work and advancement opportunities for women whom the Group employs. These are also initiatives concerning human resources, which play a part in creating value of Noritz. In other words, these two initiatives are a part of the management plan. If you ask yourself, "Where do profits in the financial plan come from?" you can naturally see that CSR Materiality is in fact the Noritz Group's Materiality.

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

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

Response to the above Third-Party Opinion

Ms. Murakami, thank you for valuable opinions from a third-party viewpoint in this Noritz Report 2017. We appreciate that you have extended precious and proper advice to us since the Noritz Report 2015 was issued. We are pleased that you have positively regarded our "harmonization of corporate management with CSR." In this Noritz Report we described our new Mission and Values, as well as disclosing financial and non-financial information, based on our new medium-term management plan V-plan 20. We also restated our operations by classifying its content according to the formula Q+ESG (Quality + Environment, Society and Governance). In FY2016, we established the CSR Promotion Group within the Corporate Planning Division, bringing together Mission and Values in the course of reviewing our overall vision, and incorporated the CSR perspective in the contents of the new medium-term management plan. This means that we have made a big step forward toward the harmonization of corporate management and CSR and the formation of a medium- and long-term vision, in line with what you pointed out in the

third-party opinion last year. Moreover, we made steady progress in CSR Materiality, on themes including human rights and supply chain management, as you pointed out in FY2015. We have identified additional CSR Materiality themes, along with the strategy of the management plan. Our first Dialogue with Stakeholders, attended by all internal directors, was meaningful as we broadened our viewpoint in considering a longer-term plan. Going forward, we are determined to help solve social issues through our business activities, in addition to working on the Materiality identified as CSR. We intend to correctly determine key performance indicators for the Noritz Group's Materiality linked with its management strategy and to establish a base for steady implementation, so as to ultimately enhance corporate value. We will continuously disclose the status of such activities to all our stakeholders and enhance communication globally.

Executive Officer
(in charge of CSR) **Katsuhiro Kusunoki**

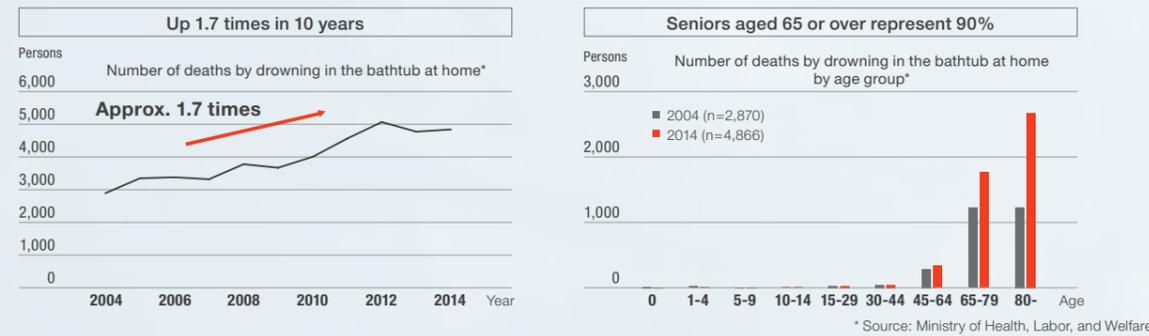


Special Feature — What Only

Noritz Can Do for Society

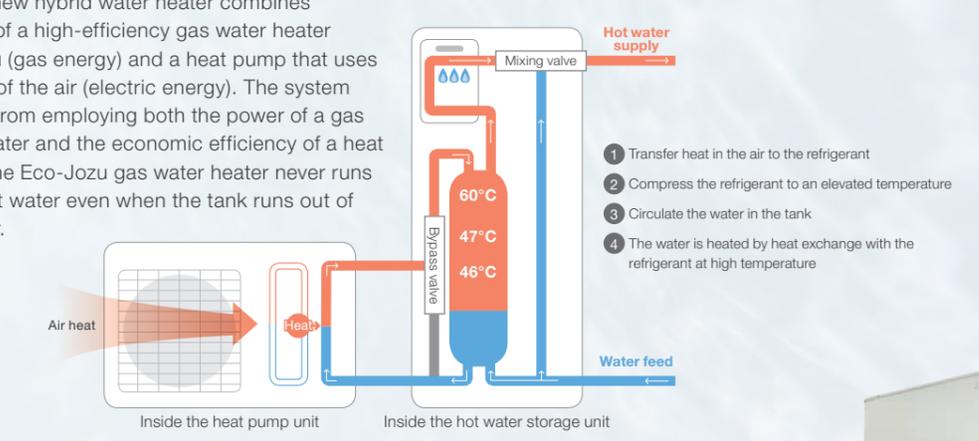
TOPICS We want to reduce the number of bathroom accidents

1 It is estimated that approximately 19,000 people die while taking a bath every year in Japan alone. The number of people who die from drowning in the bathtub at home has increased by roughly 70% in a decade. Among those victims, the seniors aged 65 or over represented 90%. As Japan's population continues to age, bathroom accidents of the seniors is increasing as an important social issue.



TOPICS We want to use our technology in Promoting an energy-efficient society

2 Noritz's new hybrid water heater combines benefits of a high-efficiency gas water heater Eco-Jozu (gas energy) and a heat pump that uses the heat of the air (electric energy). The system benefits from employing both the power of a gas water heater and the economic efficiency of a heat pump. The Eco-Jozu gas water heater never runs out of hot water even when the tank runs out of hot water.



High-efficiency bathroom gas water heater that is considerate of risks of fatal or near-fatal accidents of the seniors

High-performance remote controller that supports safety

GT-C62 Series

RC-G001 Series

In March 2017, Noritz launched a new model of the high-efficiency bathroom gas water heater Eco-Jozu, which is equipped with a function to help reduce bathroom accidents of seniors*

* Equipped only in the standard grade model and above.

Major causes of bathroom accidents or injury when bathing in Japan

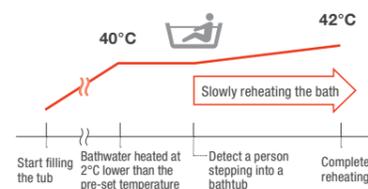
- Thermal shock** Stress produced in a body as a result of undergoing a sudden change in temperature, by moving from a cold bathroom to take a hot bath.
- Rush of blood to the head** When a person becomes insensitive to temperature and stays in a hot bath for too long.
- Delay in finding a family member troubled in the bathroom** When a person in the bath loses consciousness while alone and becomes unable to call for help.



Bathing-monitor function

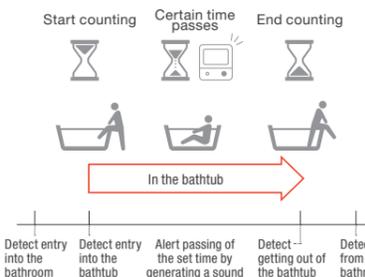
1 Slow-heating function to prevent a shock to the body

The bathtub is filled with hot water at two degrees lower than the pre-set temperature. After detecting a person has stepped into the bathtub, the water is heated to the pre-set level. In addition, the remote controller generates an alert signal if the temperature in the bathroom is low.



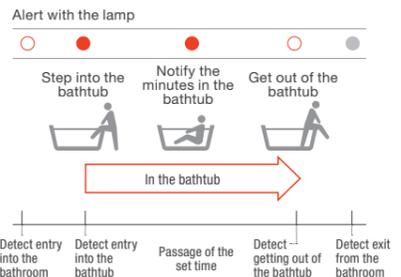
2 Bath timer for prevention of hot flashes caused by taking a long bath

After the pre-set time passes since detecting the person entered the bath, the sound alert is generated.



3 Bathroom monitoring function to prevent delay in discovering an accident

A remote controller has a lamp that indicates a person entered the bathroom, stepped into the bathtub, emerged from the bathtub, and exited the bathroom.



Passion and technology have led Noritz to become

The only company in the industry to adopt natural refrigerant R290

Noritz's hybrid water/space heater system is the only one in the industry to adopt natural refrigerant R290. We have achieved the industry's highest-level primary energy efficiency in water heating. We are offering the next-generation smart life that realizes both environmental performance and economic efficiency.

Top class environmental performance

1 Industry's first adoption of natural refrigerant R290

Our hybrid water heater/space heating system is the industry's first to adopt high-efficiency, environmentally-outstanding natural refrigerant R290.

Global Warming Potential (GWP)

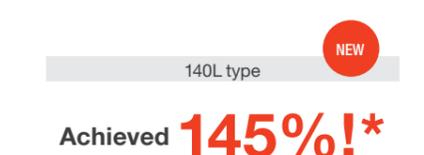


* Refrigerants used in general home-use air conditioners in Japan (as of June 2016).

2 Industry's highest-level primary energy efficiency in water heating

We achieved the industry's highest-level primary energy efficiency in heating of water, thanks to a smart function that controls time, temperature and the amount of hot water based on the estimated pattern of daily hot water usage.

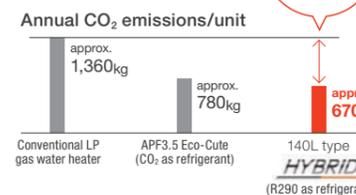
Primary energy efficiency in water heating



* Company's research based on the conditions of six areas from "Assessment Criteria for Residential Construction Companies" published by the Institute for Building Environment and Energy Conservation (as of August 2016)

3 Significant reduction in hot water-related CO₂ emissions

Approximately 690kg (49%) reduction of emissions per year can be achieved, 49% lower than with conventional LP gas water heaters.



* Calculation method: Annual hot water load of 16.7GJ; LPG 6kg-CO₂/m³ (Article 2 of the Law Concerning the Promotion of Measures to Cope with Global Warming, Ministry of the Environment; Electricity 0.55kg-CO₂/kWh (Alternative values of electric company-specific CO₂ emission factor (results in FY2011), Ministry of the Environment)

For a family of four in a detached house in Tokyo Only for water heating

Voice of Developers

Development of water heaters

We have made considerable progress in our R&D to help ensure safe bathing. In particular, many development members have actually experimented the mild bathing, putting a great deal of thought on achieving both safety and satisfaction of bathing.

First Group, First Development Room, Development Section of Complex Products, Research & Development Headquarters

Daisuke Goto

Development of remote controllers

In realizing the watch-over functions for bathing, we have developed a human motion sensor technology to correctly detect entry into the bathroom. In order to be used in the bathroom where various environmental changes occur, we have repeated testing, assuming every possible case. We hope the bathing-monitor function contributes to reduction in bathroom accidents.

First Group, Optional Product Development Room, Development Section of Electronics, Research & Development Headquarters

L Takuto Matsuoka R Akihiro Ogura

Voice of a Stakeholder

The transition to natural refrigerants has been widely advocated in various fields across the world, with the goal of preventing undesirable climate change.

To this end, Noritz deserves credit in its efforts to develop a hybrid water heater/space heating system that uses non-aerosol eco-friendly natural refrigerant R290.

The system is a new addition to the natural refrigerant heat pump market in Japan. Along with the already popular EcoCute electric water heater, which uses CO₂, it is now another option for customers looking to use natural refrigerants.

I am expecting Noritz products, which bring about both environmental and economic benefits, to become increasingly popular in the future.

Marketing Coordinator, shecco Japan

Rena Okabe

Our Precious Invisible Assets



Understanding how the Noritz Group creates value is greatly aided by an appreciation of our “invisible assets” (that are not in the Financial Statements). Here we use the formula

“Q+ESG”

to introduce what we value as those “invisible assets.”

Quality

Commitment to “quality” is a part of our corporate culture as well as one of our strengths. Our quality to a great extent is derived from our “invisible assets,” particularly our people, who have diverse talents and strength, our technologies that enable us to materialize our passion into products, and our customers who give us valuable opinions. We are pledged to contribute to the society through our business activities by making the most of those assets.

PAGES 31 - 34

Environment

We, as an “Eco First Company,” have built an environment management system, in keeping with the slogan of “a clean earth for future generations.” Based on our specific plans, such as to reduce the environmental burden created by our company and its products, the Noritz Group is actively working at activities for global environmental conservation.

PAGES 35 - 36

Society

Since the company was founded, we have been committed to create more jobs and contribute to our communities. Though our business activities, we strive to solve problems in the society. We try to make fair and full information disclosures. We make sincere efforts for achieving our goal “to provide the simple comforts of life to more people.”

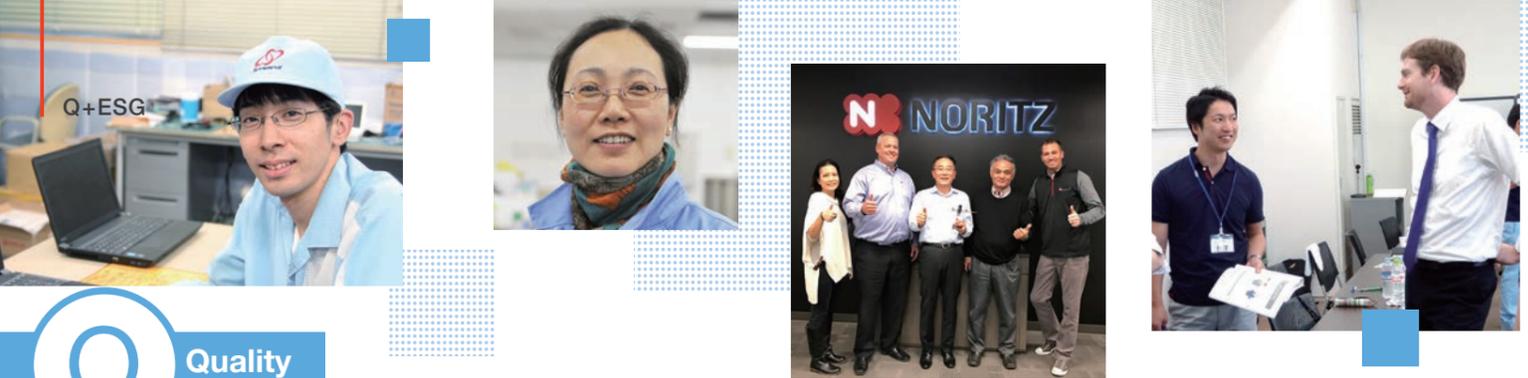
PAGES 37 - 40

Governance

In order for the Noritz Group to create corporate value in the long term, it is essential to make good management judgement and prompt and right decisions. Consideration of the best interests of a variety of stakeholders, we are establishing arrangements which ensure high transparency and sound corporate management.

PAGES 41 - 46

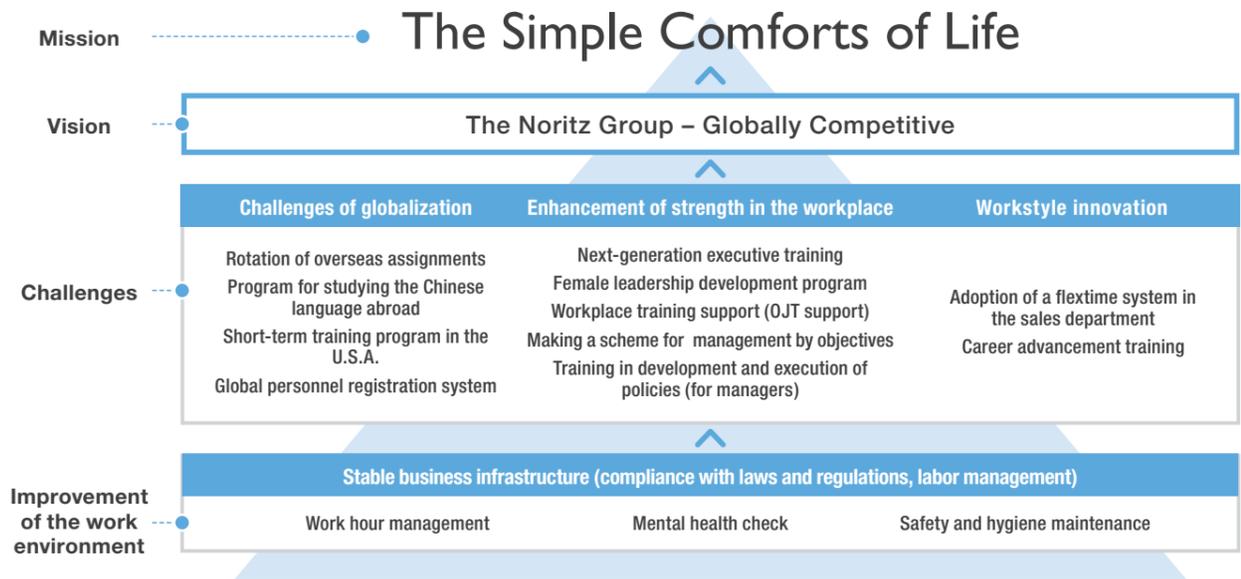
Q Quality



Human Resources Support Noritz Quality

Human Resources Development

The Noritz Group's development has been driven by each and every employee's dedication and passion. We find it to be of critical importance for us to be a powerful corporate group to develop people who can achieve self-realization through work. The new medium-term management plan V-plan 20 emphasizes challenges. We highly value our people's attitude of readiness to face the rapidly changing external environment.



Development of global human resources

In order to develop human resources who can thrive in the midst of ongoing changes associated with globalization, we have a registration program of employees with potential ability for overseas assignments, and a program to enhance their ability in languages and dealing with intercultural issues. The program, which is one year in duration and is offered to employees selected by the in-house application system, includes language courses (English or Chinese), correspondence courses, and courses to deepen intercultural understanding. In FY2016, the sixth year of this program, the cumulative number of program participants reached 63. With the aim of strengthening alliances between Japan and abroad, we created an overseas training program in 2014 and sent four employees abroad in FY2016. Through these

activities, we are developing human resources who can play a role in our overseas business expansion.

Development of human resources for group management

The "Challenge course" type training program, targeting employees who aim to become next-generation executives, used to be conducted only at the parent company Noritz but was expanded to all Noritz Group companies in FY2016. In addition, we hold get-togethers and study meetings for managers of each company, host trainees from overseas group companies, and have some employees swap positions, so as to establish an environment wherein people can get inspired from each other.

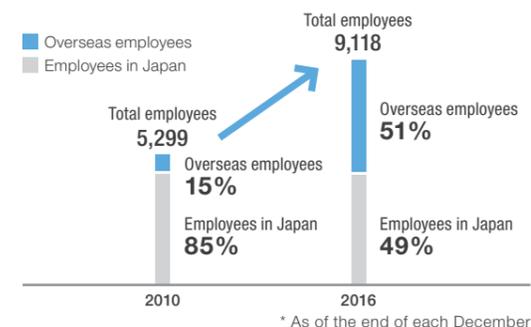
Promotion of Diversity

The Noritz Group is striving to create workplaces in which people with diverse capabilities can work well. Our major initiatives include employment of people with disabilities and seniors, acceptance of diversity in the workforce, promotion of work opportunities for women, and realization of good work-life balance. In 2017, we plan to open a corporate daycare center at the Noritz Akashi Main Factory.

Progress in globalization

In line with the Noritz Group's aggressive overseas expansion, the number of employees reached 9,118 at the end of December 2016, with the overseas employee ratio of 51%. We now have more diversity in the nationality of our employees. We intend to leverage this to deepen cultural and technological exchanges with group companies, raise competitiveness, and make use of diverse thinking and ideas in business activities.

Increase in the ratio of overseas employees in total employees of the consolidated group companies



Promotion of Work Opportunities for Women

We are working on two themes to encourage women to continue working behind the current average duration of employment: the principle of "continuous working" and "challenge to a leadership position." Regarding "continuous working," the Noritz Group has been sponsoring the Vitamin W Square, a forum in which women from various sections voluntarily get together and discuss how to improve and enhance women's work, for ten years. As for "challenge to a leadership position," a female leadership development plan was launched to raise awareness and knowledge of women through training, with the target of having female managers accounting for 3.5% of all managers by 2020.



Session for the female leadership development program

Initiatives to Boost Employee Satisfaction

Our "independent" employees who can engage in activities for mutual support are Noritz's "precious resources." They build strong teams and enhance each other. Having "independence" and "mutual support" of each employee as a base, the Noritz Group aims to boost "employee satisfaction."

Communication

Every year, we carry out an employee satisfaction (ES) survey or what we call a survey for "effervescence" (wakuwaku in Japanese) benchmarks. Among the themes covered, the number of employees who say "I like my company" has been declining, suggesting the important issue of being engaged (having a sense of affinity) in the company. We intend to make more efforts to facilitate communication and to influence the environment so that it encourages people to face challenges.

Effervescence Survey Results, on which the Noritz Group places importance

Three themes	2014	2015	2016
I love my work.	55%	53%	52%
I enjoy being in my workplace.	56%	53%	53%
I like my company.	46%	41%	37%



Q Quality

Value Creation through Technology

Initiatives to Raise Product Quality

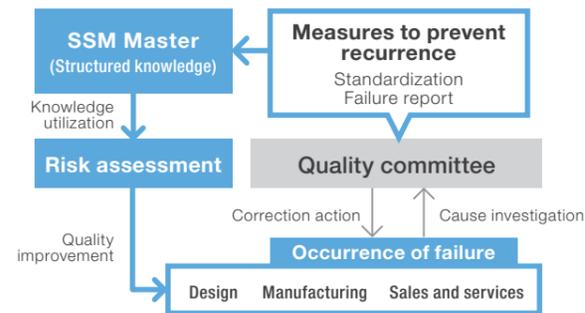
The Noritz Group is intent on raising customer satisfaction. We have been striving to continue improving a quality management system for the provision of safe and reliable products.

Initiative to Raise Design Quality

The Noritz Group has adopted the Stress Strength Model (SSM), a method to systematically compile past failures in design and production processes as well as individuals' insights and know-how and to share them throughout the group. We utilize Failure Mode and Effects Analysis (FMEA) and Design Review Based on Failure Mode (DRBFM) to prevent failures and flaws and thereby to raise design and product quality.

In developing new products to be launched in 2017, FMEA was carried out to analyze and identify potential problems in the manufacturing process.

The FMEA is a design tool to systematically analyze process failures and make criticality analysis on the resultant effects on products. We have been using this tool to discover potential problems in the manufacturing process, factors that trigger malfunction, and relevant mechanisms, so as to improve processes.



The meeting for process FMEA

Development of human resources

To enhance product quality, systems and tools are not enough, and development of personnel who can use them is imperative. Through the Stress Strength Model (SSM), FMEA, and DRBFM, we are striving to help enhance engineers' problem analysis capability and logical thinking. In FY2016, as the Noritz Group's quality training, 29 group sessions were carried out on 20 courses, which include the general quality management method, the problem solving/preventing method, reliability and product safety, element technology (plastics, press, etc.), and the environmental trend.

Quality Competition

The fifth Quality Competition, aimed at sharing successful examples and raising quality awareness ahead of the

busy season, was held on August 26, 2016. The first part (internal), attended by 120 Noritz executives, included a presentation session and award ceremony for successful examples of quality improvement.

In addition, an outside expert was invited to give a lecture as one instance of our readiness to incorporate best practices from outside.

The second part (open to non-group companies) was attended by 96 participants from 57 business partner companies. We reviewed the quality status in the first half of FY2016 and made them aware of vital issues.

We also had a group discussion on effective countermeasures, based on failure examples, so as to have a two-way communication with our business partners and to implement measures across the business network.

Proposing a Clean Eco-Life

The Noritz Group is proposing safe, reliable, and valuable products to customers.

GT-C62 Series: UV sterile filtration to support cleanliness and safety

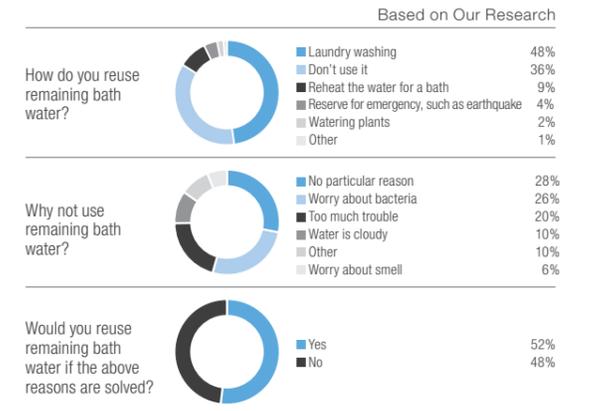
Efficient use of water resources is a global issue. In Japan, people are becoming more conscious of conserving water. Responding to the interest in reusing remaining bath water for washing laundry (that has been used in some households in the past), provided that the water is clean, we have equipped a water heater with a UV sterile filtration unit and have achieved 99.9% removal of bacteria in the bath water. This not only enables reuse of the water for washing but also provides the option of using the treated water for bathing

Performance of UV sterile filtration unit



again, as is normal in Japan where washing is done outside the tub and the tub is for soaking and relaxation.

Status of reuse of remaining bath water



Delivering Safety and Reliability to Customers

We are helping customers to improve the safety of daily life by using Noritz products.

Providing safe, reliable, hot water

We are promoting to equip the check-up alert function that tells customers when to do a check-up of the appliance so as to avoid accident or malfunction caused by long years of use.



Example of display of "888" to alert when to check up

New Way to Do Grill Cooking

Intellectual property is a management resource that leads to value creation.

Future standard is the next-generation multi-grill

The Noritz Group has been ahead of the curve in developing gas cookers. Based on the key themes of safe and delicious, we have made the industry's gold standard for products such as the grill cooker with flames from both sides and without a water tray (a typical grill stove has the water tray in Japan), and the gas built-in multi-cooker with safety/support intelligent sensor for each stove. We are thus creating value by creating intellectual property, such as a safety system and automatic cooking, which are welcome improvements to popular products. Information received from our customers has prompted us to develop the industry's first multi-grill that enables easy cooking and shortens cleaning time. The temperature

sensor for the bottom-up burner part of this type of product enables cooking at optimal temperature without manual adjustment of the flame or turning the grilled food over, an important difference from conventional grill cooking.



The industry's first temperature sensor for the bottom-up burner



E Environment

A Clean Earth for Future Generations

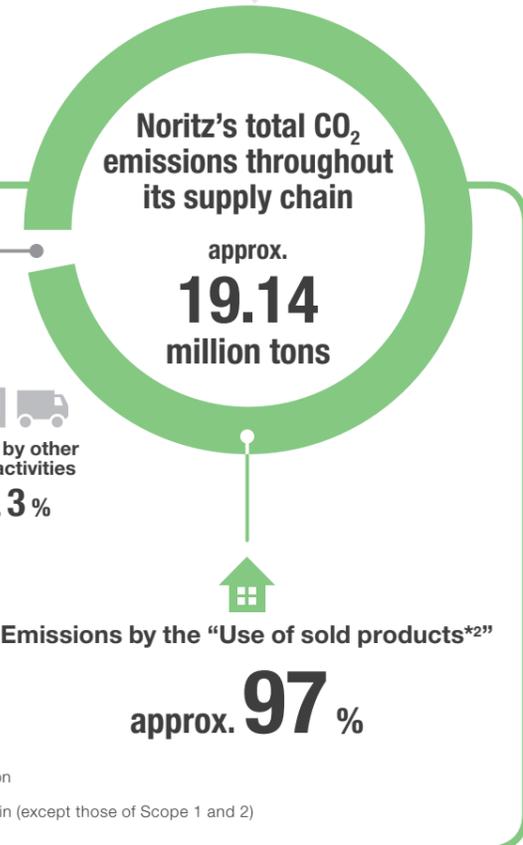
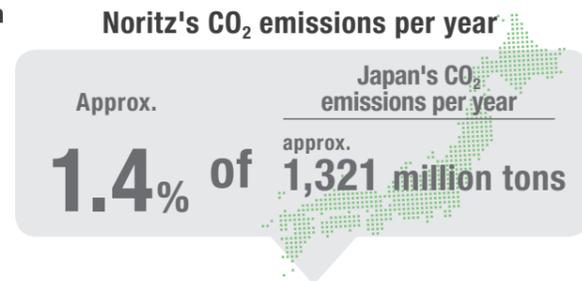
Responsibility for Environmental Conservation

Noritz's consumption of energy for its business operations and by our manufactured products in Japan result in emission of 19.14 million tons of CO₂ per year. This represents about 1.4% of the overall CO₂ emissions in the nation, which is approximately 1,321 million tons.

CO₂ emission calculation for the entire supply chain

Noritz estimated the CO₂ emissions of its entire supply chain, using calculations based on the Greenhouse Gas Protocol (GHG Protocol), an international accounting tool, and the General Guidelines on Supply Chain GHG Emission Accounting, produced by the Ministry of the Environment (see table below).

Of the 19.14 million tons representing about 1.4% of the overall CO₂ emissions in Japan, which is approximately 1,321 million tons*, about 97% was generated by consumer use of our products. This makes us realize that the important issues toward CO₂ emission reduction is to promote replacement into eco-friendly products and raise the sales share of those products.



CO₂ emissions breakdown by category, based on the "General Guidelines on Supply Chain GHG Emission Accounting"

Scope	Category	Percentage
Scope 1	Direct emissions (use of fuel on site)	0.04%
Scope 2	Indirect emissions (consumption of electricity, water)	0.06%
Scope 3	Category 1 Purchased goods and services	2.76%
	Category 2 Capital goods	0.13%
	Category 3 Fuel- and energy-related activities	0.01%
	Category 4 Upstream transportation and distribution	0.10%
	Category 5 Waste generated in operations	0.00%
	Category 6 Business travel	0.00%
	Category 7 Employee commuting	0.01%
	Category 8 Upstream leased assets	0.01%
	Category 9 Downstream transportation and distribution	0.07%
	Category 10 Processing of sold products	0.00%
	Category 11 Use of sold products	96.78%
	Category 12 End-of-life treatment of sold products	0.03%
	Category 13 Downstream leased assets	0.00%
	Category 14 Franchises	0.00%
	Category 15 Investments	0.00%

Scope 1: Direct greenhouse gas emissions from GHG sources from the company's operation
 Scope 2: Indirect greenhouse gas emissions from sources provided by the third party
 Scope 3: Indirect greenhouse gas emissions related to business activities in the supply chain (except those of Scope 1 and 2)

*1 Source: Preliminary data of Japan's greenhouse gas emissions for 2015, Greenhouse Gas Inventory Office, National Institute for Environmental Studies
 *2 Noritz supplies water heaters to approximately 20 million households and has about a 40% share in Japan's gas and kerosene appliance market. Calculation of CO₂ emissions by use of sold products is based on the annual CO₂ emissions in 2000 (1.0 tons for gas appliances and 1.3 tons for kerosene appliances) and adjusted by multiplying the CO₂ reduction rate by product category, and assumes 10 years of usable life.

Commitments to Eco-First and CSR Materiality

In 2009 the Noritz Group became the first manufacturer in the gas and kerosene appliance industry to acquire Eco-First Company certification and made the commitment to implement various environmental initiatives on behalf of society. We have identified some of our Commitments to Eco-First as CSR Materiality, to make them high priority issues. In 2017 we plan to renew commitments toward new goals.

CHECK ▶ Commitment to Eco-First (in Japanese only) <http://www.noritz.co.jp/csr/kankyoe/ecofirst.html>

Initiative to reduce product-driven CO₂ emissions

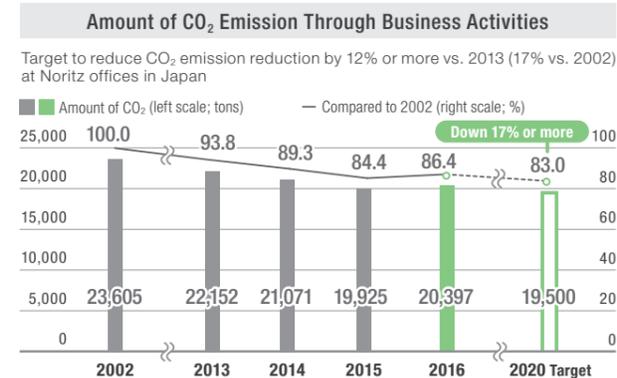
Aiming to reduce CO₂ emissions by our products, the Noritz Group is promoting sales of highly energy-efficient water heaters. However, we did not achieve an aggregate and significant reduction in FY2015, due to our withdrawal from home-use solar power generation systems.

Our next target is to decrease CO₂ emission of our products, including exported products, to 3,000,000 tons per year by 2020 (compared to 2000; assuming 10 years of usable life), as a Commitment to Eco-First. In addition, we will focus on environmental-focused marketing and provide easy-to-understand environmental related information on our products and services to our customers.

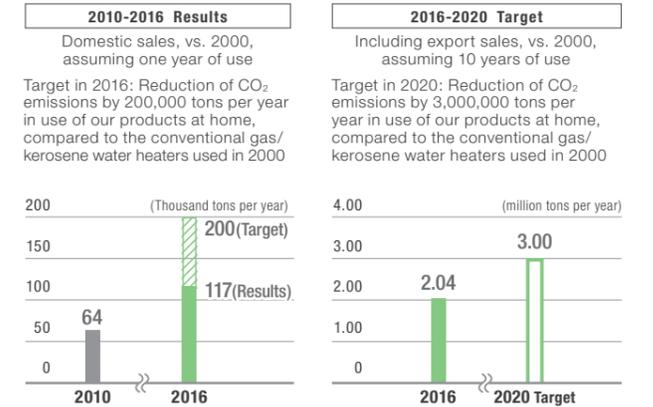
We are also encouraging our employees to become more knowledgeable of and conscious of environmental matters by taking the Eco Test, a certification test for environmental specialists, sponsored by the Tokyo Chamber of Commerce and Industry. By now, 50% of our workforce, has become certified. In the case of our Sales Department, our employees have a pass rate as high as 87%.

Initiatives to reduce CO₂ emissions through our business activities

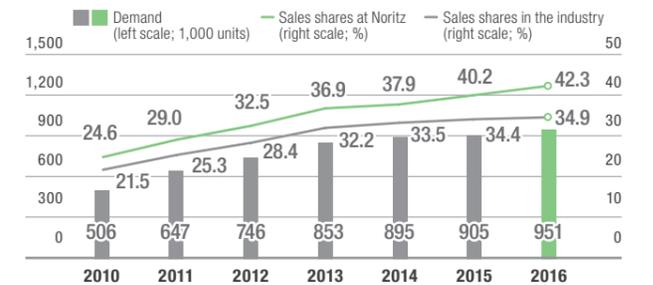
Going forward, we plan to further reduce CO₂ emissions by effective use of the energy flow, which indicates the energy trend, application, and amount of consumption, and by improvement in operations and equipment. Our target is to reduce CO₂ emissions by 12% or more by 2020, compared to 2013 (or 17% compared to 2002). Our target compared to 2013 has been set along with the target of the COP21 Paris Agreement.



Amount of CO₂ Reduction Contributed by Our Products



Sales Shares and Demand of Highly Efficient Water Heaters (Eco-jozu)



Initiatives to reduce use of hazardous materials

As a voluntary initiative, we have developed hazardous material free products and promoted their sales. These products now represent 65.3% of total sales. In light of a revised directive on Restriction on Hazardous Substances (RoHS) in 2019, we are now working on disclosing the content ratio of chemical substances in our products.



Profile
 Message from the President
 New Medium-Term Management Plan
 Business and Achievements
 Harmonizing Corporate Management and CSR
 Q+ESG
 Consolidated Financial Statements
 Outline



S Society

Together with the Society

Communication with Society

The Noritz Group works to help solve social issues through its business activities and finds it important to communicate with society.

Providing a new water heater system designed for safety for senior persons

As Japan continues to rapidly age, the need is increasing for safe, reliable products to be used by anyone at care facilities for seniors. At these facilities, "unit care systems" that enable individual care with respect for each resident, in an environment with various facilities that are shared by other residents, are being adopted with greater frequency. The same is true for bath facilities. Individual bathing is increasing, replacing the previous arrangements whereby two or more persons could use a common, large bath at the same time. In September 2016, we launched the industry's first commercial-use highly-durable high-efficiency gas bath water heater, which efficiently enables individual bathing at the assisted living facilities.

This heater is designed so as to be durable enough to be used many times a day over a long period, and is the first to adopt a method whereby water is added and kept at 50°C, the safe temperature that poses no risk of burn injury. The remote controller has a "Silver Lock" function to prevent erroneous operation and a timer to prevent excessively long bathing, which may endanger health.

We have developed the new water heater based on in-depth consideration of the realities and needs of nursing homes. It is safe and reliable to be used by seniors.

Voice of a Stakeholder

We understand that Noritz is active in developing enhanced performance of water heaters and that the company has been offering safe and easy-to-use products, with consideration given to software development from the perspective of users. One recent example is an easy-to-read screen of a remote controller with the "Silver Lock" function. We have been using Noritz filtration machines and commercial-use water heaters at all of our day-service facilities for 18 years. As a company that operates care facilities for seniors, we are pleased that Noritz's products are very effective in allowing us to reduce utility costs. We are satisfied not only with products but also with after-service. We are looking forward to further development by Noritz in the future.

General Manager of Facility Division, Long-term Care Business Department, Nichigakkan Co., Ltd. **Hiroshi Nishimura**



GQT-C 2401 Series - Safe, reliable, and simple design

Bathing culture to expand and be handed over

Noritz is engaged in activities to promote bathing as a pleasant recreational activity. In this regard seminars on themes such as health, beauty, and how to reduce the risk of bathroom accidents have been held.

In February 2016, "Ofuro-bu", a Bath Club, was established through industry-academic-government collaboration (with participation by five universities and two waterworks bureaus at present). The club operates curation media to send messages on bathing in order to increase awareness of the pleasure of bathing, and to make students involved to become knowledgeable and learn know about business.



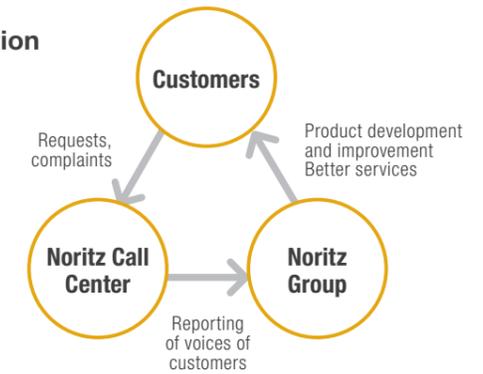
Noritz Curation Media "Ofuro-bu", a Bath Club

CHECK ▶ Bath Club: Curation media to make bathing more pleasurable (in Japanese only) <http://ofurobu.com/>

Call Center Generates Hints for More Consumer Satisfaction

Our call center, which is a point of contact for us to listen to customers' voices, is part of the group's quality control initiative, particularly the aspect of preparing and applying measures to raise the quality of their direct contact with customers.

The comments and opinions collected at the call center are brought up and discussed in the gathering to listen to voices of customers' and the Production Department's information exchange meeting so as to be reflected in product development and improvement, as well as better services.

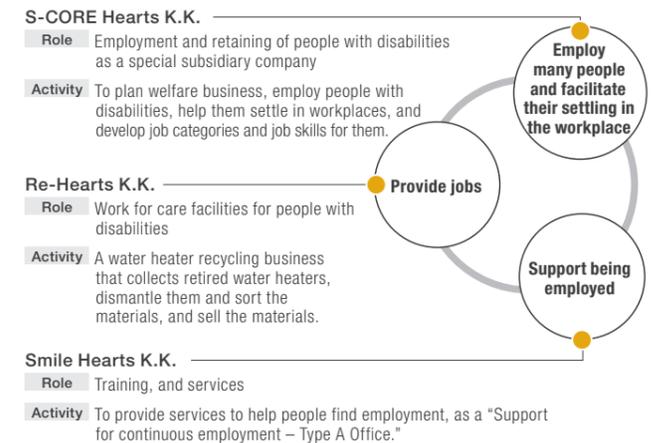


Initiatives for Employment of People with Disabilities

We are aiming to become an exemplary corporate-type welfare model for people with disabilities in Japan, meaning to support the welfare of people with disabilities through corporate business activities.

Initiatives to help people with disabilities to a more independent life

As of June 1, 2016, The Noritz Group employed 51 people with physical disabilities, 71 people with intellectual disabilities, and 14 people with mental disabilities. Their employment rate is 2.99% of the total workforce, within which the rate is 2.74% for applicable group companies (compared to Japan's mandatory employment rate of 2%). A special subsidiary company S-CORE Hearts K.K., which is a core applicable group company, employs 46 people with disabilities, representing 14% of a workforce of 141 employees. S-CORE Hearts is developing job categories and job skills for such employees in various business fields in order to provide them with gainful employment and a role in contributing to society. S-CORE Hearts also established Re-Hearts K.K., which outsources the work of dismantling retired water heaters to facilities for people with disabilities in 2014. In April 2016, the company started Smile Hearts K.K., categorized by the government as a "Support for continuous employment – Type A Office" employer, where they work in a similar environment as general companies and are assisted to become regularly employed by other companies in the future. Kashima Corporation*, a Noritz Group company but not a group



* A fully-owned subsidiary of a Noritz Group company RB Corporation. Engaged in sheet-metal processing and assembly of metal components. 59 employees (including 13 people with disabilities)

applicable company, received the 2016 Excellence Award of the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers (backed by the Ministry of Health, Labor and Welfare) as an outstanding example of an improved workplace for employment of people with disabilities. Kashima's efforts to help people with disabilities to be employed and settle in a small enterprise was highly acknowledged.

Support for Post-Disaster Recovery

As one of the companies that suffered from the Great Hanshin Earthquake in Kobe in 1995, the Noritz Group has been supporting post-earthquake recovery efforts of others in return for the kindnesses received by the company and others.

Support for Kumamoto Earthquake Recovery Efforts

As a part of post-disaster recovery support, the Noritz Group donated shower booth units, each with a dressing room, as well as gas water heaters to evacuation centers for displaced disaster victims. Many of our employees and those in our group companies also made monetary donations for reconstruction of infrastructure and housing in Kumamoto Prefecture.

As a company that was founded on a belief “Bathing Makes Happiness,” we are making such support with our wish that victims can feel “The Simple Comforts of Life,” which we may tend to forget in our daily life.



Installing a shower booth at an evacuation center

Support activities by sale of bath units with the Kumamon-designed wall panels

As a part of the aid to the earthquake-stricken areas, Kumamon, a mascot character of Kumamoto Prefecture, was added as a new wall panel design of the Yupatio system bath. This series has the industry’s widest variety in wall panel designs, made possible by our unique printing technology. A part of sales will be donated for reconstruction of the quake-hit areas.



Courtesy visit by Kumamon

Kumamon- design wall panel

Continuous support to the Kobe Luminarie festival and the Michinoku Future Fund

For the Kobe Luminarie, a light festival to remember the deceased and to pay tribute to their memory, some of our employees undertake fundraising every year. Employees also serve as volunteers for cleaning of public places and for guiding visitors since 2012.

In 2016, we participated as volunteer in the Kobe Luminarie Heartful Day to be held for the benefit of people with disabilities. Our S-CORE Hearts employees with disabilities also joined, providing information in sign language and soliciting donations.

As for recovery support for the Great East Japan Earthquake of 2011, we have been financially contributing toward high school tuition for students who lost their parents through the Michinoku Future Fund since 2013. We will continue these support activities in the future.



Volunteer activities at the Kobe Luminarie Heartful Day



Giving the list of donations to the Michinoku Future Fund*

Respect for Human Rights

As a global corporation, the Noritz Group will engage in business activities by respecting the rights of all people concerned, based on the Noritz Group Guidelines for Human Rights.

Initiatives for respecting human rights

Noritz Group emphasizes “respect for people” at every opportunity, in and out of the group, and throughout its value chain. In April 2016, we prepared the Noritz Group Guidelines for Human Rights. In addition, we conducted a survey to ascertain the reality of the Group and its supply chain, and status of due diligence on human rights, in order to assess risks and raise awareness. In FY2017, we will continue the activities to raise awareness on human rights and promote deeper understanding.



Human Rights Training

Cooperating in production of resource materials on human rights

When the Asia-Pacific Human Rights Information Center (Hurights Osaka) and Amnesty International Japan jointly produced the e-learning materials titled “Online learning essential version; Take good care of people,” Noritz was actively involved and expressed opinions from a viewpoint of a company which promotes human rights education. We also used the material in our internal training and gave feedback of the participants to Hurights Osaka.

Learning about human rights

From FY2015, the Noritz Group began to provide learning sessions on human rights for new employees and new managers. In addition, we provided Intranet (online learning) sessions using learning opportunities through workplace meetings, based on the human rights policy established in FY2016.

CHECK ▶ Noritz Group Guidelines for Human Rights
<http://www.noritzglobal.com/en/csr/social.html>

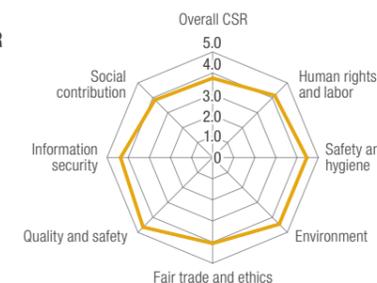
Supply Chain Management

The Noritz Group is engaged in CSR procurement for its entire supply chain, as it strives to take responsibility as a final-product brand maker.

CSR procurement

The Noritz Group adopted the Guidelines for Noritz Group CSR Procurement in FY2014 and began to conduct the annual Noritz Supply Chain CSR Survey, based on the international standards of CSR procurement, to major suppliers in 2015. In FY2016 we further promoted CSR procurement through analysis and feedback of the survey results to suppliers. The anonymous survey on confirming penetration of the Noritz Group CSR Procurement Guidelines was conducted so that our procurement status is objectively evaluated by suppliers and thereby can be further enhanced. We can confirm through this that two-way communication is valuable. We will continue to promote CSR purchasing activities going forward.

Noritz Supply Chain CSR Survey FY2016 Results



QCD+S procurement

The Noritz Group is targeting QCDS -- Quality, Costs, Delivery, and Sustainability -- in procurement. In recent years, along with globalization of suppliers, societal requirements have been extended from products and services to human rights, labor, the environment, and anti-corruption of the entire supply chain. We plan to continue promoting QCDS procurement, with the aim for realizing a sustainable society.

Addressing the challenge of “conflict minerals”

Since FY2014, Noritz has conducted annual surveys on “conflict minerals” ending up in our products. A management database has been established in line with the Conflict-Free Smelter (CFS) Program, of the Global e-Sustainability Initiative (GeSI) in partnership with the Electronics Industry Citizenship Coalition (EICC). Going forward, we will work on raising transparency of the supply chain.

Cumulative results of conflict minerals surveys (As of November 2016)

Number of requests for Noritz survey from suppliers	10 companies	Number of components surveyed	3,735 components
Number of targeted models	446 models	Response rate	99.7%
Number of components under survey	3,746 components		

CHECK ▶ Noritz Group CSR Procurement Guideline (PDF) http://www.noritz.co.jp/library/csr_renew/social/client/guideline3_eng.pdf



G Governance

Corporate Governance

Basic Policy on Corporate Governance

Noritz recognizes that the enhancement of corporate governance is one of the most important management issues and aims to raise corporate value through its business activities for its Stockholders and other stakeholders. We are determined to properly respond to the changing business environment, become more sound and transparent, and execute swift decision-making and optimal management judgement.

Establishment of Corporate Governance Guidelines

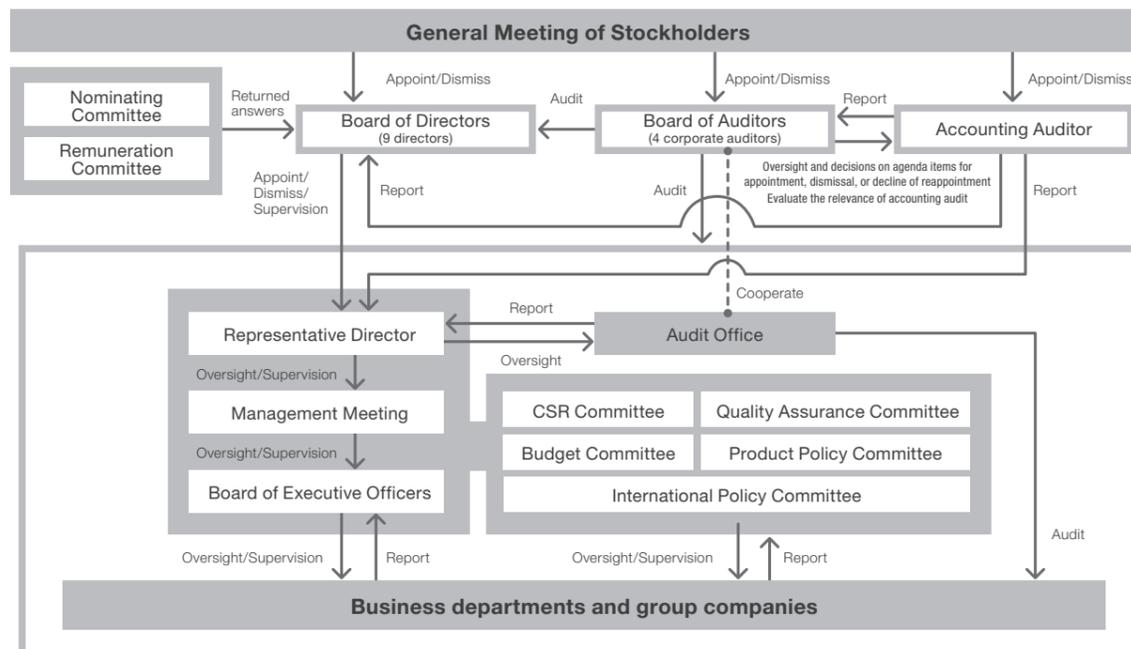
Noritz believes that putting the Corporate Governance Code into practice is important for achieving effective corporate governance. Thus, based on the resolution of the Board of Directors on March 2016, the Noritz Corporate Governance Guidelines was established. Concerning the issues behind the establishment of discretionary committees and the analysis and evaluation

of effectiveness of the Board of Directors, we acted on both and have now complied with all 73 principles stated in the Corporate Governance Code.

CHECK ▶ Noritz Corporate Governance Guidelines
http://www.noritz.co.jp/library/csr/pdf/kijun2014_eng.pdf

Corporate governance structure

- Adopted a corporate governance structure, which is composed of the board of directors and the corporate auditors/board of corporate auditors.
- Nine directors including two outside directors
- Four corporate auditors including two outside corporate auditors



Changes in the Corporate Governance Framework

Aiming to achieve a better corporate governance, Noritz's corporate governance framework has been revised with due consideration given to revisions in laws and regulations and social circumstances.

2003	· Revised the Articles of Incorporation to change the term of directors from two years to one year	The Articles of Incorporation was revised to change the term of directors from two years to one year so as to clarify the management responsibility under conditions of a rapidly changing business environment.
2004	· Appointed one outside corporate auditor	One outside corporate auditor was appointed, with the aim of delivering auditing of directors' performance from an independent viewpoint.
2006	· Appointed two outside corporate auditors · Reduced the number of directors from 17 to seven · Adopted the executive officer system · Abolished the retirement bonus program for directors	Having two outside corporate auditors was adopted to enhance auditing. In addition, the executive officer system was adopted so as to promptly respond to the changing business environment and the number of directors was reduced to revitalize the board of directors and enable it to make appropriate decisions. In light of the adoption of the executive officer system, compensation for directors was reviewed, and the retirement bonus program for directors was abolished as a part of that review.
2013	· Appointed one outside director	one outside director was appointed, with the aim of ensuring reasonable management judgement by an independent outside director and improving management efficiency.
2016	· Appointed two outside directors · Introduced a stock option scheme as a stock-linked compensation plan · Established the Nominating Committee and the Remuneration Committee · Disclosed the Noritz Corporate Governance Guidelines, a Japanese version and an English version	Two outside directors were appointed, with the aim of sustainable growth and long-term corporate value enhancement. A stock option program was introduced to incorporate medium- to long-term earnings and potential risks in determination of management's compensation. The Nominating Committee and the Remuneration Committee were established as discretionary advisory bodies. The Noritz Corporate Governance Guidelines in Japanese were disclosed and the English version was uploaded on the company's global website.

CHECK ▶ Noritz Corporate Governance Guidelines, English version
http://www.noritzglobal.com/library/csr/pdf/cgguideline_en.pdf

Remuneration for Directors

A stock option scheme as a stock-linked compensation plan was introduced for the directors (except outside directors), with the aim of providing a valid incentive encouraging sustainable growth of the company.

Amount of remuneration for directors

The total remuneration for directors and auditors for the period from January 2016 to December 2016 is shown on the graph on the right. The total remuneration for directors at Noritz was determined by a resolution at the 57th General Meeting of Stockholders, held in March 2007, to be within the aggregate amount of ¥400 million (excluding salaries to employees).

The total amount of remuneration for corporate auditors at Noritz was resolved at the 53rd General Meeting of Stockholders, held in March 2003, to be within the aggregate amount of ¥50 million.

	Number of recipients	Total remuneration paid (thousands of yen)
Directors (including two outside directors)	9	¥307,950
Corporate Auditors (including two outside corporate auditors)	5	¥49,686
Total (including four outside director/auditors)	14	¥357,637

* The above number of directors includes one auditor who retired at the end of the 66th General Meeting of Stockholders held in March 2016.

Corporate Governance Initiatives

We are giving attention to corporate governance, with the aim of ensuring sustainable growth and medium- and long-term improvement of corporate value.

Establishment of Nominating Committee and Remuneration Committee

The Nominating Committee and the Remuneration Committee were established as discretionary advisory bodies of the Board of Directors, with the stated purpose of deliberating on the election and dismissal of representative directors and other directors, and appropriateness of the remuneration plan for directors. Members of each of the Nominating Committee and the Remuneration Committee total three in number, comprising the Representative Director and President, and two independent outside directors. The committees are chaired by an independent outside director.

Independent Outside Directors

With the aim of ascertaining the standards of independence in selection of outside directors and outside auditors, Noritz has formulated the Selection Standards of Independent Outside Directors and Corporate Auditors based on the resolution of the Board of Directors meeting in January 2015 and has disclosed it in the Annual Securities Report and the Noritz Corporate Governance Guidelines. Noritz appoints independent outside directors who have professional insight as corporate executives, lawyers,

Analysis and evaluation of effectiveness of the Board of Directors

With the aim to ensure effectiveness and enhance the functions of the overall Board of Directors, a survey on effectiveness was conducted of 13 current directors and auditors and a summary of results was disclosed in January 2017. Going forward, we plan to regularly evaluate the performance of the Board of Directors in order to continue to enhance corporate governance.

CHECK ▶ Noritz News Release (in Japanese only)
http://www.noritz.co.jp/library/news/2017files/20170131_1ks5.pdf

certified public accountants, etc. They are appointed, based on the Selection Standards of Independent Outside Directors. Using their professional insight, independent outside directors supervise and give advice on business policy, management enhancement, conflict of interests between Noritz and its management and majority stakeholders, and other issues, from the viewpoint of sustainable growth and medium- and long-term improvement of corporate value.

Risk Management

We make regular risk assessment of our operations, review countermeasures to avoid risks and enhance the ability to respond to minimize damage if the risk occurs.

Risk management initiatives

In 2016, we focused on information security and disaster response as priority issues among common corporate risks. We reviewed the meetings concerned, in order to strengthen risk response. Going forward, we plan to

enhance our comprehensive capability incorporating speculative risks and corporate risks in addition to corporate risks.

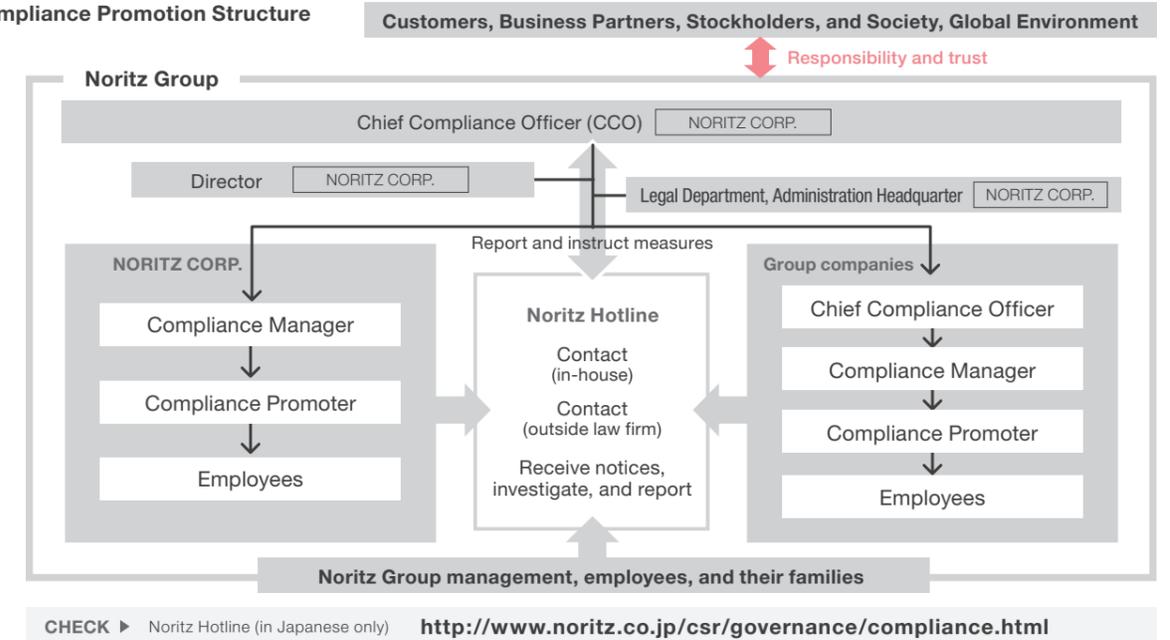


Compliance

By defining compliance as adherence to “corporate ethics,” which include laws and regulations, the Articles of Incorporation, internal rules, and social rules, Noritz has formulated the Noritz Group Code of Ethics and is committed to comply with it.

CHECK ▶ Noritz Group Code of Ethics http://www.noritz.co.jp/library/csr/pdf/kijun2014_eng.pdf

Compliance Promotion Structure



Compliance promotion activities

With the aim of fostering a corporate culture in which the whole Noritz Group is aware of compliance, and each employee and each department can undertake self-correcting changes when necessary, we are carrying out compliance promotion activities.

- Compliance Month**
 Every May and September are designated as “Compliance Month,” when our employees are encouraged to think about and discuss compliance matters in their workplace, based on the Noritz Group Code of Ethics and other standards.
Themes for compliance months in 2016
May Study on compliance cases, led by each department
Sep. Information security training
- Compliance Training**
 Noritz carried out the following training in 2016.
 - Compliance training for new employees
 - Compliance training for new managers
 - Power harassment training for managers in sales department
 - Training on compliance cases for manufacturing department



- Compliance Awareness Survey**
 A compliance awareness survey is conducted every year, so as to raise compliance awareness in the workplace and overall work environment. The survey results are reported at the Board of Directors meeting and are utilized in various ways, such as to prepare a feedback sheet and to make a proposal on issues in each department.
- Plan for 2017**
 We plan to undertake training on legal issues by each department, in addition to annual compliance training for new employees and new managers. We also intend to establish a compliance scheme for overseas Group companies.

Future issues

While various compliance promotion activities are carried out within the Noritz Group, we believe that we also need our business partners, which are involved in the Noritz Group business activities, to address compliance issues. What we have in mind, for example, is consistent and proper handling of

personal information at Noritz service shops, checking necessary qualification status of designated installers, or dealing with “GP” (Green Products, those free of any poisonous substance) by business partners. We want our business partners not merely to adhere to laws and regulations but also support our activities in delivering safe and reliable products to customers. We will thereby check and respond with our entire value chain.

Directors (as of March 30, 2017)



**President and CEO
Soichiro Kokui**

1976	Apr.	Joined Noritz Corp.
2003	Mar.	Director, Noritz Corp.
2009	Sep.	President and CEO, Noritz Corp.



**Director and Senior Managing Executive Officer
Takafumi Nakamura**

1980	May	Joined Noritz Corp.
2005	Mar.	Director, Noritz Corp.
2014	Sep.	Director and Senior Managing Executive Officer, Domestic Business Planning, Noritz Corp.
2016	Jan.	Director and Senior Managing Executive Officer, Head of Domestic Business Headquarters, Noritz Corp.



**Director and Managing Executive Officer
Tsutomu Mizuma**

1980	Apr.	Joined Noritz Corp.
2007	Jan.	Executive Officer, President of Osaka Office of Sales & Marketing Headquarters, Noritz Corp.
2015	Mar.	Director and Managing Executive Officer, Head of Sales & Marketing Headquarters, Noritz Corp.
2016	Jan.	Director and Managing Executive Officer, Head of Product Headquarters, Domestic Business Headquarters, Noritz Corp.



**Director and Managing Executive Officer
Satoshi Haramaki**

1983	Apr.	Joined Noritz Corp.
2011	Jan.	Executive Officer, Deputy Head of Research & Development Headquarters, Noritz Corp.
2014	Sep.	Managing Executive Officer, Head of Research & Development Headquarters, Noritz Corp.
2015	Mar.	Director and Managing Executive Officer, Head of Research & Development Headquarters, Noritz Corp.



**Director and Managing Executive Officer
Makoto Mizuno**

1986	Dec.	Joined Noritz Corp.
2014	Jan.	Executive Officer, President of Chubu Office of Sales & Marketing Headquarters, Noritz Corp.
2016	Jan.	Managing Executive Officer, Head of Sales & Marketing Headquarters, Domestic Business Headquarters, Noritz Corp.
2016	Mar.	Director and Managing Executive Officer, Head of Sales & Marketing Headquarters, Domestic Business Headquarters, Noritz Corp.



**Director and Managing Executive Officer
Masamine Hirose**

1988	Nov.	Joined Noritz Corp.
2011	Oct.	Executive Officer, Noritz Corp.
2016	Apr.	Managing Executive Officer, General Manager of China Business Promotion Division of International Business Headquarters, Noritz Corp.
2017	Mar.	Director and Managing Executive Officer, Head of International Business Headquarters, Noritz Corp.



**Director and Managing Executive Officer
Masayuki Takenaka**

1992	Jan.	Joined Noritz Corp.
2016	Apr.	Executive Officer, Noritz Corp.
2017	Jan.	Senior Executive Officer, Head of Administration Headquarters, Noritz Corp.
2017	Mar.	Director and Managing Executive Officer, Head of Administration Headquarters, Noritz Corp.



**Director (Outside)
Yasuhiko Ogawa**

1982	Jun.	Registered as a certified public accountant
1987	Apr.	Representative of Ogawa Certified Public Accountants Office (current position)
1987	May	Registered as a certified tax accountant
2009	Mar.	External Audit & Supervisory Board Member, Noritz Corp.
2010	Jun.	Chairman of the Kinki Branch of the Japan Institute of Certified Public Accountants (JICPA)
2013	Mar.	External Director, Noritz Corp. (current position)
2013	Jun.	External Audit & Supervisory Board Member, Osaka Securities Exchange Co., Ltd. (currently Osaka Exchange, Inc.)

Corporate Auditors (as of March 30, 2017)



**Corporate Auditor
Toshiyuki Sawada**

1979	Apr.	Joined Noritz Corp.
2004	Jul.	General Manager of Accounting & Finance Division, Administration Headquarters, Noritz Corp.
2011	Mar.	Corporate Auditor, Noritz Corp.



**Corporate Auditor
Tsuyoshi Ayabe**

1983	Apr.	Joined Noritz Corp.
2011	Mar.	General Manager of Accounting & Finance Division of Administration Headquarters, Noritz Corp.
2014	Jan.	President and Representative Director, Noritz Capital Corp.
2017	Mar.	Corporate Auditor, Noritz Corp.



**Corporate Auditor (Outside)
Noriaki Nagahara**

1984	Apr.	Registered as an Attorney
2006	Mar.	Outside Corporate Auditor, Noritz Corp. (current position)
2007	Jan.	Representative of Kobe 15-bankan Law Office (current position)
2007	Jun.	Outside Auditor of Nikko Co., Ltd.
2015	Jun.	Outside Director of Nikko Co., Ltd.



**Corporate Auditor (Outside)
Hiroshi Shirai**

1977	Nov.	Joined Price Waterhouse & Co.
1982	Aug.	Registered as a Certified Public Accountant
2011	Oct.	President of Shirai Certified Public Accountant Office (current position)
2012	Jun.	Outside Auditor of ALTECO Co., Ltd.
2014	Apr.	Committee Member of Osaka City Appropriate Performance of Duties Committee (current position)
2015	Jun.	Outside Audit & Supervisory Board Member of Wacoal Holdings Corp. (current position)
2016	Mar.	Outside Corporate Auditor, Noritz Corp.



**Director (Outside)
Hideaki Takahashi**

1966	Apr.	Joined the Kobe Bank (currently the Sumitomo Mitsui Bank)
1995	Jul.	Director and Kobe Sales Division Manager, Sakura Bank
1998	Jun.	President and Representative Director, Sakura KCS
2013	Mar.	External Audit & Supervisory Board Member, Noritz Corp.
2016	Mar.	External Director, Noritz Corp.

Message from an Outside Director

To meet expectations by stakeholders, I am committed to support governance of Noritz, which aims at making dynamic changes.

I believe that the role of an outside director is to help raise the overall management, based on his or her experience outside the company. I am certainly engaged in discussions on enhancing corporate value and checking executions. I am also proactive in speaking about compliance, risk management, and other important issues, which determine the basis of corporate value. I am pleased that Noritz provides various opportunities for outside directors and auditors to speak out, such as at meetings of the Board of Directors, management meetings, or nominating committee and remuneration committee, and is eager to make use of what is pointed out thereby. This is their corporate culture. I believe such a basic stance and culture should prove to be effective in proper governance practice. I highly regard the Noritz management team, which is fully aware of importance of corporate governance and is functioning well and effective. In business operations, the management has been making discussions on how to achieve goals set in terms of operating income and ROE for the new medium-term management plan V-plan 20, which began in 2017. This is a good plan aimed at long-term sustainable growth, by focusing business resources on the water heater business. As an outside director, I am committed to continue to respond to the expectations of stakeholders.

Outside director **Hideaki Takahashi**

11-year Financial and Non-Financial Data Summary

	2006.12	2007.12	2008.12	2009.12	2010.12	2011.12	2012.12	2013.12	2014.12	2015.12	2016.12	2016.12
Consolidated Statement of Income (Fiscal Year)												
											(Millions of yen)	(Millions of U.S. dollars)
Sales	¥182,076	¥180,017	¥181,254	¥169,350	¥175,067	¥184,353	¥187,061	¥200,327	¥218,943	¥218,909	¥211,872	\$1,801
Cost of goods sold	128,178	127,248	129,765	119,909	121,135	129,928	133,008	140,773	150,599	147,543	141,498	1,203
Selling, general and administrative expenses	48,091	50,410	48,042	45,071	46,787	46,238	45,214	49,884	60,936	66,242	61,433	522
Operating income	5,806	2,358	3,445	4,369	7,144	8,186	8,839	9,670	7,407	5,123	8,940	76
Ordinary income	7,028	3,019	3,102	4,821	7,380	8,704	9,813	11,058	9,439	6,013	9,343	79
Net income (loss) attributable to stockholders of the parent company	2,996	(1,208)	(1,796)	838	3,843	4,798	5,979	6,387	3,479	(3,958)	4,654	40
Balance Sheet (End of Fiscal Year)												
											(Millions of yen)	(Millions of U.S. dollars)
Net assets	92,236	87,130	79,993	81,449	83,419	85,621	92,724	109,673	118,244	113,731	111,477	947
Total assets	155,151	156,682	145,028	136,573	143,845	150,837	159,910	191,324	206,061	197,022	201,041	1,709
Consolidated Cash Flows (Fiscal Year)												
											(Millions of yen)	(Millions of U.S. dollars)
Cash flow from operating activities	8,696	2,756	7,904	12,416	12,613	9,777	11,167	9,673	13,476	13,116	17,238	146
Cash flow from investing activities	(6,516)	(18,031)	(3,742)	290	(2,898)	(9,028)	(7,340)	(10,430)	(14,658)	(6,346)	(6,423)	(54)
Cash flow from financing activities	(1,139)	8,846	(4,722)	(7,066)	(955)	(1,432)	(1,731)	(574)	(2,814)	(2,814)	(1,614)	(14)
Cash and cash equivalents at end of year	17,323	11,708	10,816	16,461	25,029	24,371	26,765	26,936	24,274	27,581	35,887	305
Per Share Information												
											(yen)	(U.S. dollars)
Net assets	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	2,291.1	2,245.1	19.1
Net income (loss)	62.6	(25.3)	(37.6)	17.5	80.3	100.3	125.0	133.6	72.8	(82.8)	97.3	0.8
Dividends	28.0	28.0	28.0	28.0	28.0	30.0	30.0	30.0	32.0	32.0	32.0	0.3
Management Indicators												
											(%)	
Operating income to sales	3.2	1.3	1.9	2.6	4.1	4.4	4.7	4.8	3.4	2.3	4.2	
Equity ratio	58.3	55.1	55.0	59.6	58.0	56.8	58.0	55.8	55.0	55.6	53.4	
Return on assets (ROA)	2.0	-	-	0.6	2.7	3.3	3.8	3.6	1.8	-	2.3	
Return on equity (ROE)	3.3	-	-	1.0	4.7	5.7	6.7	6.4	3.2	-	4.3	
Non-Financial Data												
Number of employees (consolidated)	4,907	5,290	5,273	5,134	5,299	5,519	5,703	9,165	9,422	9,253	9,118	
Number of patents in Japan	931	1,010	934	850	743	767	842	904	921	940	1,081	
Number of domestic design patents	265	308	314	379	460	510	511	534	568	625	674	
CO ₂ emission reduction by our products (10,000 tons/year) * See p. 36 for details	3.4	3.9	4.8	4.8	6.4	8.2	9.9	11.1	11.7	11.8	11.7	
CO ₂ emission reduction by our business activities (tons) * See p. 36 for details	-	-	-	-	22,892	21,621	21,636	22,152	21,071	19,925	20,365	

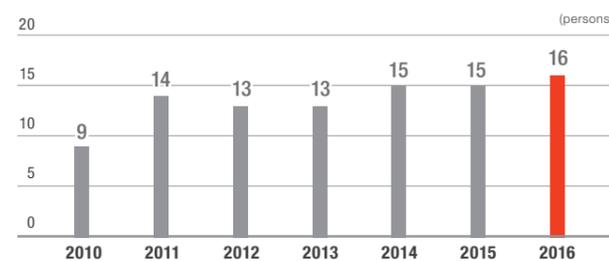
* The stated yen amounts are rounded down to the nearest million yen.
 * Figures in yen have been translated into U.S. dollars solely for convenience and are based on the exchange rate of ¥117.67=US\$1, announced by Sumitomo Mitsui Banking Corporation on December 28, 2016.

Calculation: Operating income to sales = Operating income/ Sales X 100
 Equity = Net assets - Noncontrolling interests
 Equity ratio = Equity/Total assets X 100

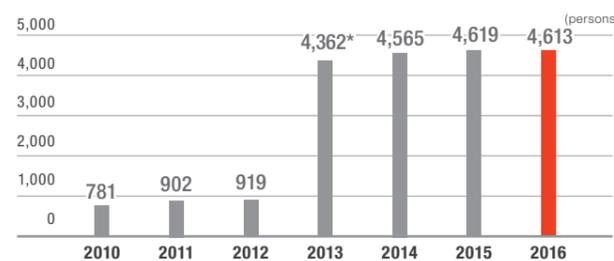
Return on Assets (ROA) = Current net income attributable to stockholders of the parent company/Average total assets of previous and current terms X 100
 Return on Equity (ROE) = Current net income attributable to stockholders of the parent company/Average equity of previous and current terms X 100

Diversity-related Data

Female Managers (non-consolidated)

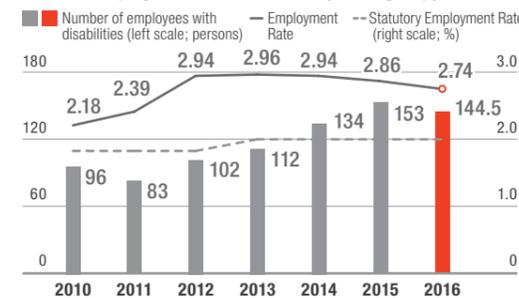


Overseas Employees



*Capital participation in Sakura Bath & Kitchen Products (China) Co., Ltd. in 2013

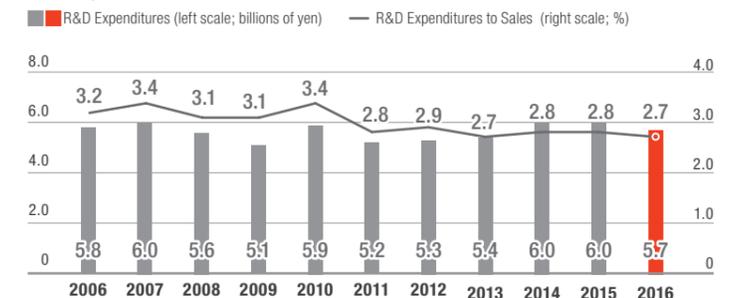
Ratio of Employees with Disabilities (entire group)



*Figures compiled as of June end for each year
 *In calculating the number of employees and the employment rate, one full-time worker with severe disabilities is counted as 2 persons and one part-time worker with disabilities is counted as 0.5 person.

R&D Expenditures

R&D Expenditures and their Ratio to Sales



Consolidated Balance Sheets

Assets	(Millions of yen)		(Millions of U.S. dollars)
	2015.12	2016.12	2016.12
Current assets			
Cash and cash equivalents	¥27,769	¥36,904	\$314
Notes receivable and accounts receivable	48,662	45,175	384
Electronically recorded monetary claims	7,734	10,934	93
Securities	1,523	119	1
Inventories	18,407	16,855	143
Deferred tax assets	1,242	1,409	12
Others	4,500	3,798	32
Allowance for doubtful accounts	(293)	(122)	(1)
Total current assets	109,546	115,075	978
Fixed assets			
Tangible assets			
Buildings and structures (net amount)	15,952	15,426	131
Machinery and transport equipment (net amount)	6,635	6,253	53
Land	9,703	9,541	81
Construction in progress	521	2,798	24
Others (net amount)	2,926	2,558	22
Total tangible assets	35,739	36,578	311
Intangible assets			
Goodwill	816	698	6
Others	9,591	8,277	70
Total intangible assets	10,408	8,976	76
Investments and other assets			
Investments in securities	36,206	34,821	296
Long-term loans	848	802	7
Deferred tax assets	2,241	2,513	21
Others	2,499	2,650	23
Allowance for doubtful accounts	(468)	(376)	(3)
Total investments and other assets	41,327	40,411	344
Total fixed assets	87,475	85,966	731
Total assets	¥197,022	¥201,041	\$1,709

Liabilities	(Millions of yen)		(Millions of U.S. dollars)
	2015.12	2016.12	2016.12
Current liabilities			
Notes payable and accounts payable	¥38,826	¥39,263	\$334
Short-term borrowings	800	800	7
Other payables	9,910	10,256	87
Accrued corporate income taxes	624	1,843	16
Reserve for bonuses	720	1,079	9
Reserve for bonuses for directors	-	47	0
Reserve for product warranties	920	991	8
Reserve for product accidents processing	19	10	0
Others	9,342	10,506	90
Total current liabilities	61,164	64,800	551
Long-term liabilities			
Deferred tax liabilities	2,571	255	2
Reserve for retirement bonuses for officers	53	42	0
Reserve for product warranties	3,439	6,374	54
Liabilities concerning retirement benefits	11,626	13,368	114
Others	4,435	4,723	41
Total fixed liabilities	22,126	24,763	211
Total liabilities	¥83,291	¥89,564	\$762
Net assets			
stockholders' equity			
Capital	¥20,167	¥20,167	\$171
Capital surplus	22,956	22,956	195
Retained earnings	55,120	58,244	495
Treasury stock	(5,093)	(5,096)	(43)
Total stockholders' equity	93,152	96,273	818
Cumulative amount of other comprehensive income			
Other difference in securities valuation	14,040	12,933	110
Deferred hedge gains (losses)	(52)	(1)	(0)
Foreign currency translation adjustment	3,823	1,980	17
Cumulative amount of retirement benefits adjustments	(1,419)	(3,843)	(33)
Total cumulative amount of other comprehensive income	16,393	11,069	94
Share acquisition rights	-	32	0
Noncontrolling interests	4,185	4,101	35
Total net assets	113,731	111,477	947
Total liabilities and net assets	¥197,022	¥201,041	\$1,709

Consolidated Statements of Income

	(Millions of yen)		(Millions of U.S. dollars)
	2015.12	2016.12	2016.12
Sales	¥218,909	¥211,872	\$1,801
Cost of goods sold	147,543	141,498	1,203
Gross profit	71,365	70,374	598
Selling, general and administrative expenses	66,242	61,433	522
Operating income	5,123	8,940	76
Non-operating income	1,363	1,436	12
Non-operating expenses	473	1,033	9
Ordinary income	6,013	9,343	79
Extraordinary income	814	1,777	15
Extraordinary loss	9,212	4,164	35
Net Income (net loss) before tax adjustments	(2,385)	6,956	59
Income taxes	2,166	2,939	25
Income taxes deferred	(372)	(902)	(8)
Total income taxes	1,793	2,036	17
Net income (loss)	(4,179)	4,919	42
Net income (loss) attributable to noncontrolling stockholders of the parent company	(220)	265	2
Net income (loss) attributable to stockholders of the parent company	¥(3,958)	¥4,654	\$40

Consolidated Statements of Cash Flow

	(Millions of yen)		(Millions of U.S. dollars)
	2015.12	2016.12	2016.12
Cash flow from operating activities	¥13,116	¥17,238	\$146
Cash flow from investing activities	(6,346)	(6,423)	(54)
Cash flow from financing activities	(2,814)	(1,614)	(14)
Effect of exchange rate changes on cash and cash equivalents	(649)	(893)	(7)
Net increase (decrease) in cash and cash equivalents	3,307	8,306	71
Cash and cash equivalents at beginning of year	24,274	27,581	234
Cash and cash equivalents at end of year	¥27,581	¥35,887	\$305

* Figures in yen have been translated into U.S. dollars solely for convenience and are based on the exchange rate of ¥117.67=US\$1, announced by Sumitomo Mitsui Banking Corporation on December 28, 2016.

Consolidated Statements of Changes in Net Assets

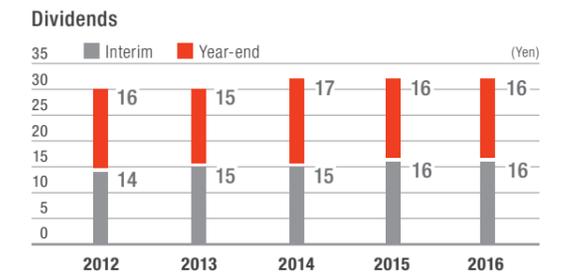
	Stockholders' equity				Accumulated Other Comprehensive Income						Total net assets		
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on other securities	Deferred hedge gains (losses)	Foreign currency translation adjustments	Recalculation of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights		Noncontrolling interests	
Balance as of December 31, 2014	¥20,167	¥22,956	¥60,583	¥(5,088)	¥98,620	¥10,162	¥991	¥5,185	¥(1,531)	¥14,807	-	¥4,816	¥118,244
Adjustment due to changes in accounting practices			71		71								71
Balance at beginning of year reflecting changes in accounting practices	20,167	22,956	60,655	(5,088)	98,692	10,162	991	5,185	(1,531)	14,807	-	4,816	118,316
Changes during the year													
Cash dividends			(1,577)		(1,577)								(1,577)
Net income (loss) attributable to stockholders of the parent company			(3,958)		(3,958)								(3,958)
Purchase of treasury stock				(4)	(4)								(4)
Net changes in items other than stockholders' equity during the year						3,878	(1,043)	(1,361)	112	1,585	-	(631)	955
Total changes during the year	-	-	(5,535)	(4)	(5,539)	3,878	(1,043)	(1,361)	112	1,585	-	(631)	(4,585)
Balance as of December 31, 2015	¥20,167	¥22,956	¥55,120	¥(5,093)	¥93,152	¥14,040	¥(52)	¥3,823	¥(1,419)	¥16,393	-	¥4,185	¥113,731
Changes during the year													
Cash dividends			(1,530)		(1,530)								(1,530)
Net income attributable to stockholders of the parent company			4,654		4,654								4,654
Purchase of treasury stock				(2)	(2)								(2)
Net changes in items other than stockholders' equity during the year						(1,107)	50	(1,843)	(2,424)	(5,324)	32	(83)	(5,375)
Total changes during the year	-	-	3,124	(2)	3,121	(1,107)	50	(1,843)	(2,424)	(5,324)	32	(83)	(2,254)
Balance as of December 31, 2016	¥20,167	¥22,956	¥58,244	¥(5,096)	¥96,273	¥12,933	¥(1)	¥1,980	¥(3,843)	¥11,069	¥32	¥4,101	¥111,477

	Stockholders' equity				Accumulated Other Comprehensive Income						Total net assets		
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on other securities	Deferred hedge gains (losses)	Foreign currency translation adjustments	Recalculation of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights		Noncontrolling interests	
Balance as of December 31, 2015	\$171	\$195	\$468	\$(43)	\$791	\$119	\$(0)	\$32	\$(12)	\$139	-	\$36	\$966
Changes during the year													
Cash dividends			(13)		(13)								(13)
Net income attributable to stockholders of the parent company			40		40								40
Purchase of treasury stock				(0)	(0)								(0)
Net changes in items other than stockholders' equity during the year						(9)	0	(16)	(21)	(45)	0	(1)	(46)
Total changes during the year	-	-	27	(0)	27	(9)	0	(16)	(21)	(45)	0	(1)	(19)
Balance as of December 31, 2016	\$171	\$195	\$495	\$(43)	\$818	\$110	\$(0)	\$17	\$(33)	\$94	\$0	\$35	\$947

About Stockholders and Shares

Stockholder Return Policies

Noritz regards the return of profit to Stockholders as one of our most important management priorities. Our basic policy is to provide continuous and stable dividends, while taking into consideration consolidated-based business performance and the payout ratio, and maintaining a sound financial position.



Together with Our Stockholders

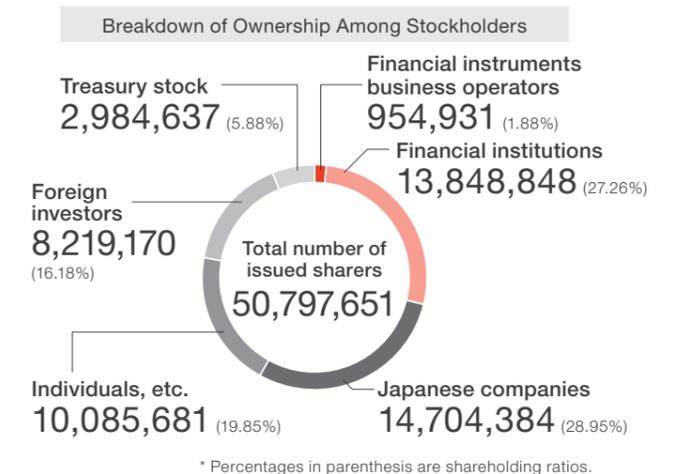
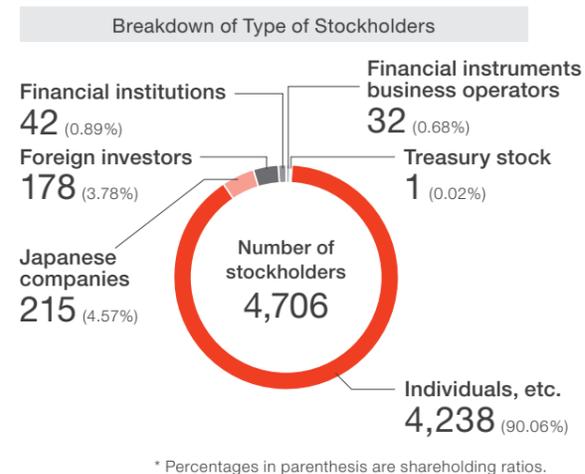
Noritz holds the general meeting of stockholders in March every year. We publish financial results quarterly and hold results briefings in February and August.

Status of the Shares (as of December 31, 2016)

Total Number of Authorized Shares	Total Number of Issued Shares	Number of Stockholders
156,369,000	50,797,651	4,706

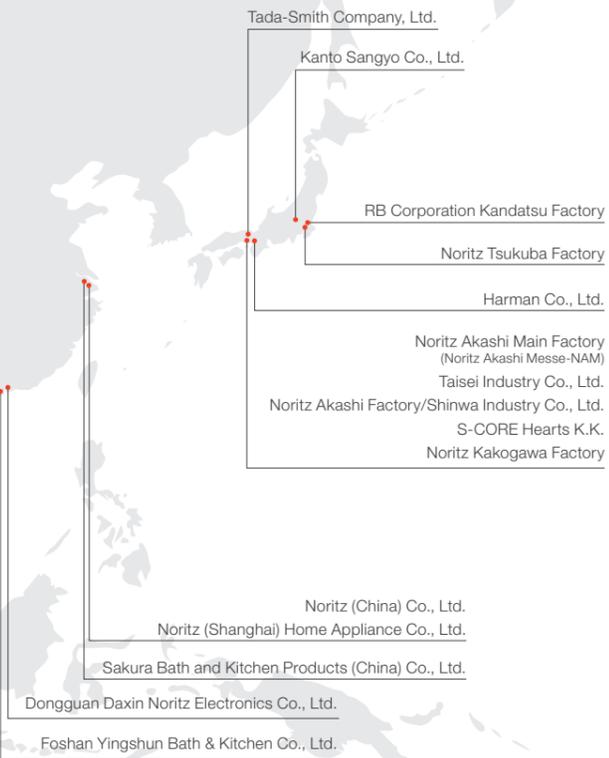
Major stockholders		
Names	Number of shares held	Stockholding ratio (%)
The Dai-ichi Life Insurance Company Limited	2,745,700	5.74
Sumitomo Mitsui Banking Corporation	2,199,695	4.60
Noritz Transaction Counterparties Stock Ownership Association	1,617,309	3.38
Chofu Seisakusho Co., Ltd.	1,520,000	3.18
MSIP Client Securities	1,437,800	3.01
Toshiro Ota	1,350,100	2.82
Noritz Employee Stock Ownership Association	1,301,915	2.72
Japan Trustee Services Bank, Ltd. (trust account)	1,262,500	2.64
CVNY-Government of Norway	1,195,600	2.50
Nippon Electric Glass Co., Ltd.	1,119,300	2.34

*1 Treasury stock of 2,984,637 shares owned by Noritz is not included in the above table.
 *2 Treasury stock of 2,984,637 shares is not included in calculating the shareholding ratio.

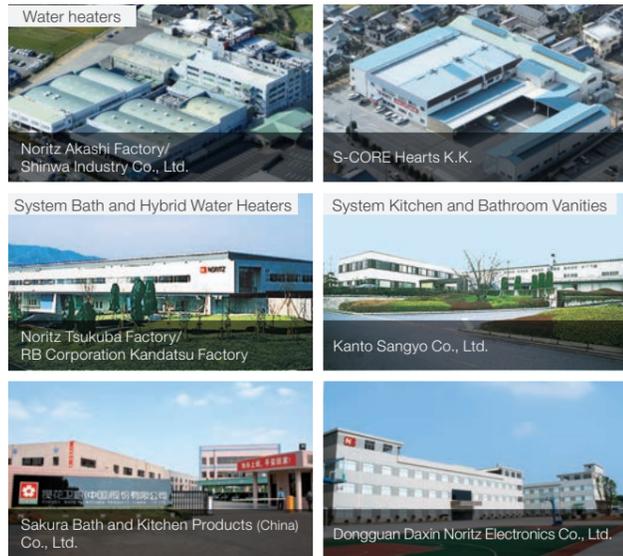
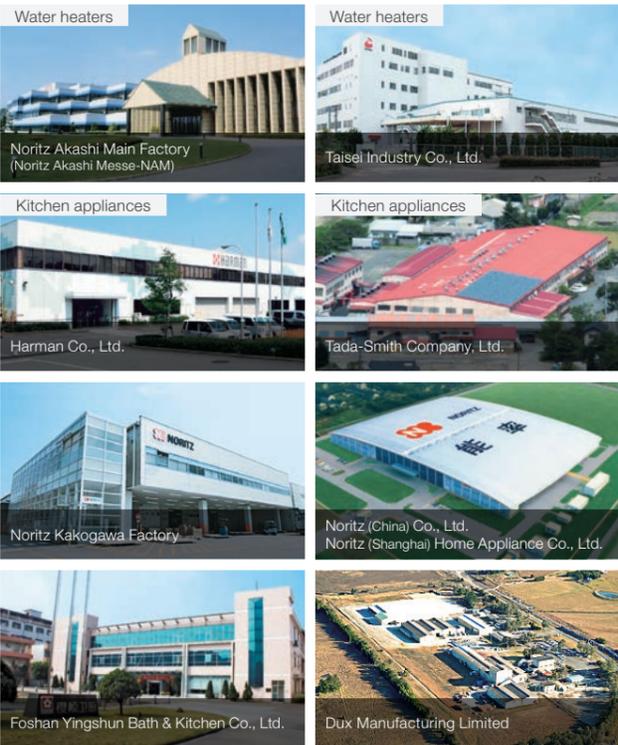
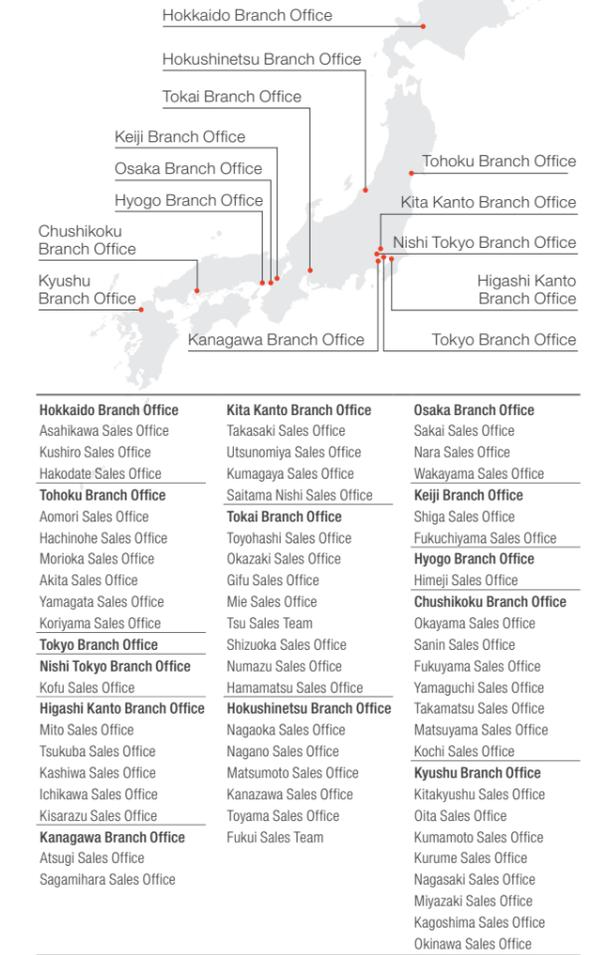


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Production Facilities



Branch Offices in Japan



Our thoughts in publishing NORITZ REPORT 2017

This is the third issue since we integrated financial and non-financial information in the NORITZ REPORT in 2015. This report is positioned as a communication tool to present to many stakeholders our thinking on Noritz Group's value creation business model and the harmonization of corporate management and CSR. In this 2017 edition, we have focused on how the Noritz Group will become globally competitive, as stated in our new medium-term management plan V-plan 20, and how we will lead our efforts into value creation. We hope many of our stakeholders will understand our efforts and initiatives.

NORITZ REPORT Production Team

About the contents of this report

Reporting period	FY2016 (from January 1, 2016 to December 31, 2016) *Some activities in 2017 are also included.
Scope	Initiatives taken in Japan are the main content of the NORITZ REPORT 2017. Certain parts explain the company's responses to laws and societal demand in Japan. This English version report was prepared with care given to not having a material difference from the contents of the original Japanese.
Referenced guidelines	SDGs, ISO26000, GRI "Sustainability Reporting Guideline" Standard, United Nations Global Compact, Ministry of the Environment "Environmental Reporting Guidelines" 2012 version
Last issued	The Japanese version in April 2016 and the English version in July 2016
Next scheduled issue date	The Japanese version in April 2018 and the English version in July 2018

Company Profile

Company Name	Noritz Corporation
Established	March 1951
Headquarters	Eiko Building, 93 Edo-machi, Chuoku, Kobe, Hyogo, Japan
Capital	¥20,167 million
President and CEO	Soichiro Kokui
Number of Employees	2,912 (non-consolidated) 9,118 (consolidated) As of December 31, 2016

All the websites mentioned in this Noritz report are only available in Japanese.

Our Website

Japanese
<http://www.noritz.co.jp/>

English / Japanese
<http://www.noritzglobal.com/>

Approach to reporting media



About future plans and forecasts

All the plans or strategies of Noritz and Noritz Group as of March 31, 2017 that are shown in this report are our forecasts unless they are historical facts; they contain risks or uncertain factors. Actual business outcomes and conditions may differ greatly from these plans and forecasts, depending on various factors.



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 Message from the President
 New Medium-Term Management Plan
 Business and Achievements
 Harmonizing Corporate Management and CSR
 O+ESG
 Consolidated Financial Statements
 Outline