



The Noritz Report was compiled with reference to the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation, which promote creating collaborative value through company-investor dialogues.



Noritz signed The United Nations Global Compact in 2012 and is committed to contributing to a sustainable society by undertaking business activities based around its ten principles in four areas.



In 2009, Noritz became a certified Eco-First company as "leading the industry in environmental initiatives with advanced and unique business activities".



# NORITZ REPORT 2020

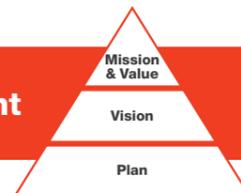
NORITZ CORP.



The Noritz Group is a company that globally manufactures hot water related products and kitchen appliances, which are necessary in our daily lives.

It all started from the founder's passion to make people happy by having a hot bath. In pursuit of improved environmental performance and convenience, Noritz has developed technologies and has helped make advances in Japan's evolution of an important part of daily life, bathing. Noritz will continue to refine its technologies, and discover "The Simple Comforts of Life" through the world with its products.

### Mission Statement



#### Mission

The Simple Comforts of Life

#### Value

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

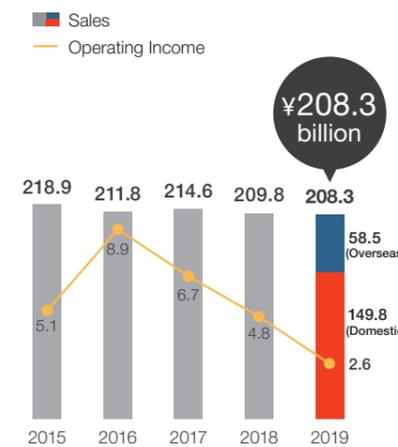
#### Plan

Medium-term Management Plan V-plan 20

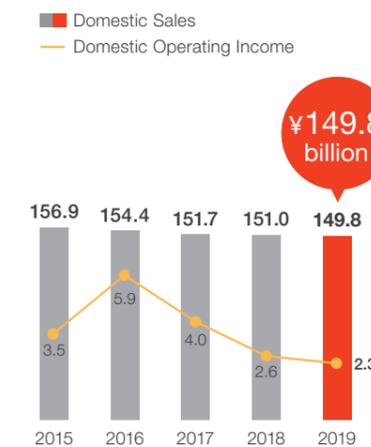
- Measure 1** Restructuring the business portfolio
- Measure 2** Enhancing profitability of Domestic Business
- Measure 3** Continuous expansion of Overseas Business
- Measure 4** Reforming corporate culture

## Performance

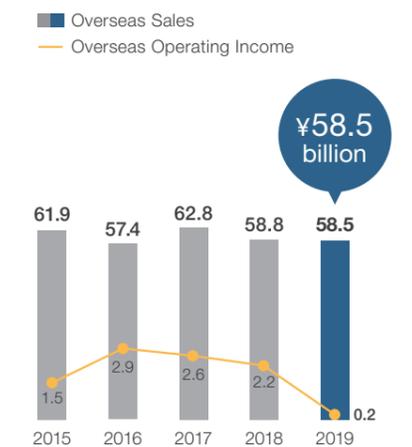
Sales and Operating Income (billion yen)



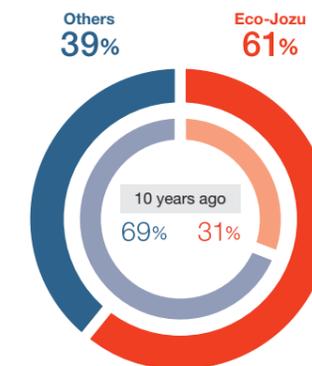
Domestic Sales and Operating Income (billion yen)



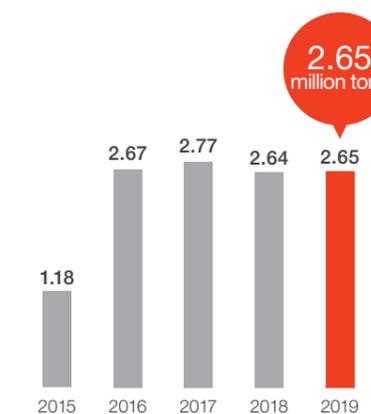
Overseas Sales and Operating Income (billion yen)



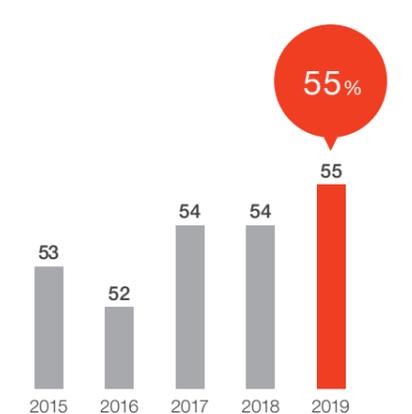
"Eco-Jozu" (Highly-Efficient Water Heater) Sales Ratio in 2019



Reduction in CO<sub>2</sub> Emissions by Noritz Product Use (million tons/year)



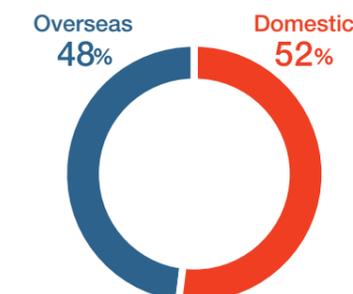
Employees' Enthusiasm Indicator on Their Job (%)



## Basic Information

(As of December 31, 2019)

Domestic and Overseas Employees



Markets

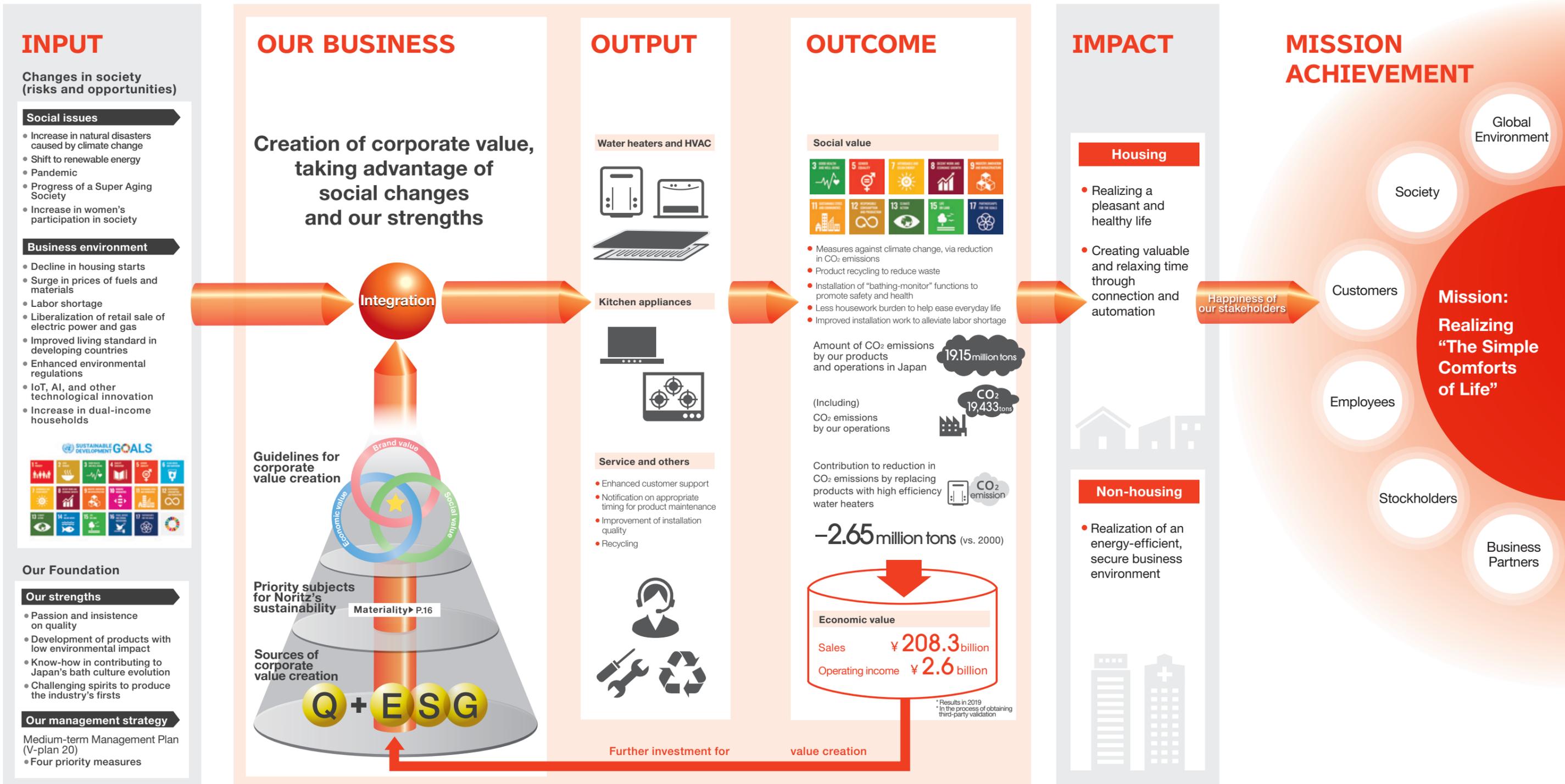


Number of Bases

Domestic	
Production Bases	10
Sales Offices	70
Overseas	
Production Bases	6
Sales Offices	113

# The Noritz Group's Value-Creating Process

Recognizing changes in society and social issues that need to be solved, the Noritz Group is creating corporate value by utilizing its strength. Especially by using our "Q+ESG," sources for creating corporate value, we will expand and integrate our three values; social value, economic value, and brand value – and achieve our mission.



## INPUT

Changes in society (risks and opportunities)

### Social issues

- Increase in natural disasters caused by climate change
- Shift to renewable energy
- Pandemic
- Progress of a Super Aging Society
- Increase in women's participation in society

### Business environment

- Decline in housing starts
- Surge in prices of fuels and materials
- Labor shortage
- Liberalization of retail sale of electric power and gas
- Improved living standard in developing countries
- Enhanced environmental regulations
- IoT, AI, and other technological innovation
- Increase in dual-income households



## Our Foundation

### Our strengths

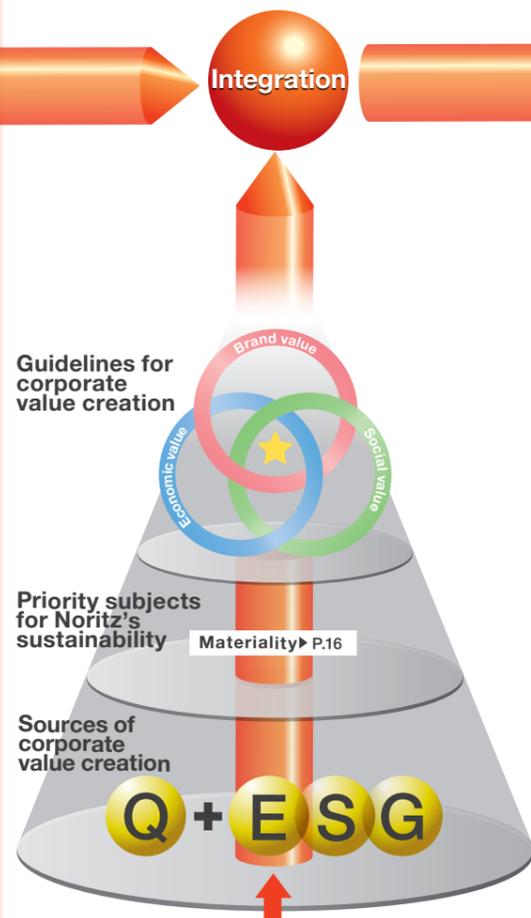
- Passion and insistence on quality
- Development of products with low environmental impact
- Know-how in contributing to Japan's bath culture evolution
- Challenging spirits to produce the industry's firsts

### Our management strategy

- Medium-term Management Plan (V-plan 20)
- Four priority measures

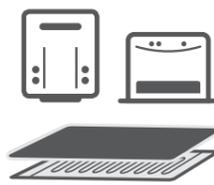
## OUR BUSINESS

Creation of corporate value, taking advantage of social changes and our strengths



## OUTPUT

### Water heaters and HVAC



### Kitchen appliances



### Service and others

- Enhanced customer support
- Notification on appropriate timing for product maintenance
- Improvement of installation quality
- Recycling



## OUTCOME

### Social value



- Measures against climate change, via reduction in CO<sub>2</sub> emissions
- Product recycling to reduce waste
- Installation of "bathing-monitor" functions to promote safety and health
- Less housework burden to help ease everyday life
- Improved installation work to alleviate labor shortage

Amount of CO<sub>2</sub> emissions by our products and operations in Japan

19.15 million tons

(Including) CO<sub>2</sub> emissions by our operations

CO<sub>2</sub> 19,433 tons

Contribution to reduction in CO<sub>2</sub> emissions by replacing products with high efficiency water heaters

CO<sub>2</sub> emission

-2.65 million tons (vs. 2000)

### Economic value

Sales ¥208.3 billion  
Operating income ¥2.6 billion

\* Results in 2019  
\* In the process of obtaining third-party validation

## IMPACT

### Housing

- Realizing a pleasant and healthy life
- Creating valuable and relaxing time through connection and automation



### Non-housing

- Realization of an energy-efficient, secure business environment



## MISSION ACHIEVEMENT



Further investment for value creation

# Our strategy

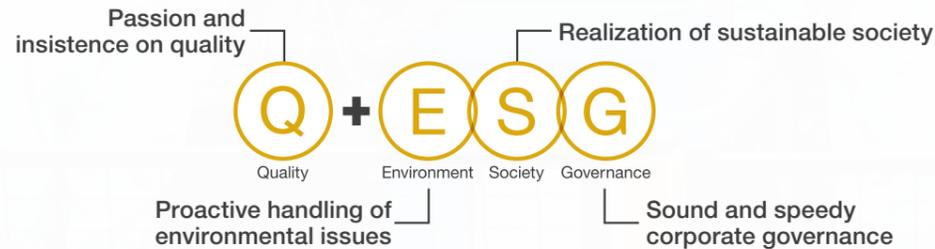
Becoming the globally competitive Noritz Group

## Business strategy

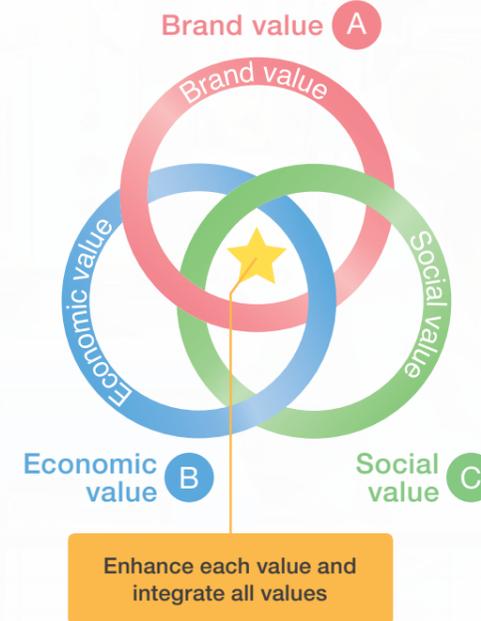
### V-plan 20 priority measures

- Priority measure 1**  
Restructuring the business portfolio
- Priority measure 2**  
Enhancing profitability of Domestic Business
- Priority measure 3**  
Continuous expansion of Overseas Business
- Priority measure 4**  
Reforming corporate culture

### Sources of corporate value creation



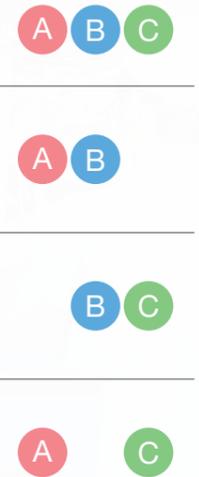
## Guidelines for corporate value creation



## Major indicators of value creation

- Eco-friendly product ratio
- Overseas sales
- Operating margin
- ROE
- Survey of employees' enthusiasm indicator on their job

## Relevance to the three values



Data in detail is available in the corporate website (Japanese Only). Major data is stated on page 2.



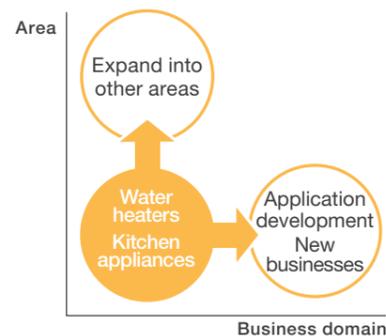
### Priority measure 1, Priority measure 2, Priority measure 3

## Initiatives to enhance profitability

### Structural reform

As part of a structural reform of the domestic business, we will withdraw from the housing equipment segment due to difficulties in generating synergy with other businesses and building competitive advantage. We will also make corporate-wide efforts in reducing fixed costs, especially in personnel expenses, in order to establish a leaner business base.

### Business reform



## Initiatives in 2019 and outlook

### Domestic Business

### Overseas Business

#### Initiatives to enhance profitability in 2019

- Domestic Business:**
  - Cost reduction through manufacturing reform
  - Improve sales price through marketing reform
- Overseas Business:**
  - Acquisition of PB Heat, LLC (North America)
  - Sales of new products in China, North America, and Australia (for space heating and commercial use)

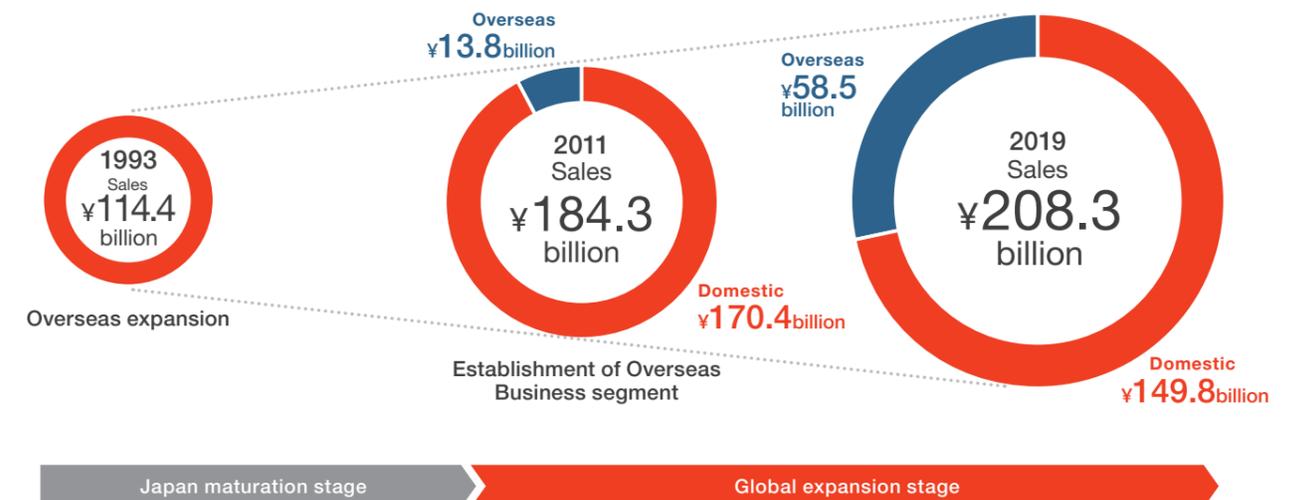
#### Business strategy in 2020

- Reform of profit structure**
  - Structural reform:**
    - Withdraw from the housing equipment segment
    - Call for voluntary retirement
  - Business reconstruction in China:**
    - Sales expansion
    - Cost reduction
- Business model reform** (Non-housing, services)
- Manufacturing reform** (Promotion of automation; cost reduction of kitchen appliances)
- Expansion of the space heating and commercial-use businesses** (Maximizing synergies among the three North American companies)
- Business development in Southeast Asia** (Initial strategy (business alliance, broader product line))

### Priority measure 3

## Focusing on the overseas business

We grew along with the growth of the Japanese economy in the past, but moving forward, we intend to expand especially in Southeast Asia where the economy and market is expected to grow. In addition, we will expand businesses and improve profitability in China, North America, and Australia where we already have bases. These developments are consistent with our Group vision "The Noritz Group – Globally Competitive" which was set in the V-plan 20.



## President's Message

# We will succeed with our structural reform and continue to provide value for the future

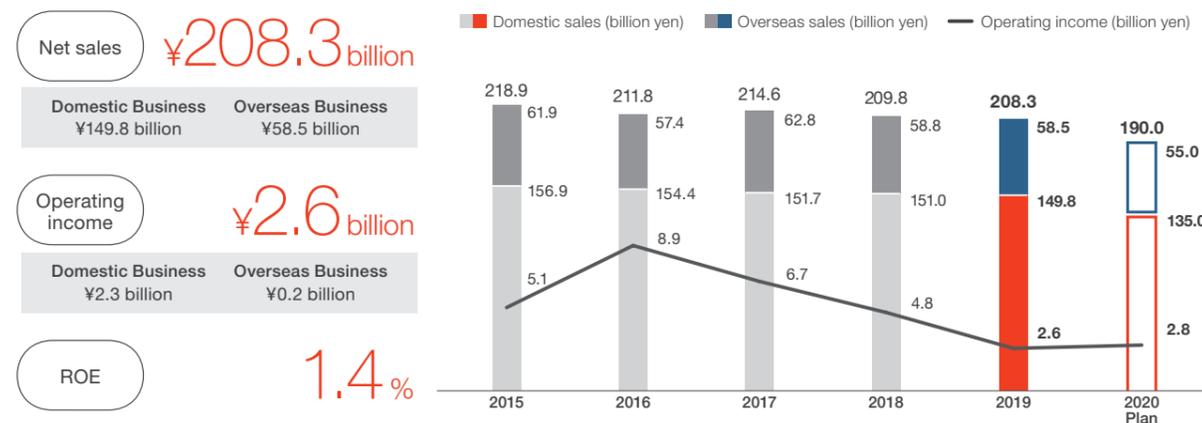
### Aiming at reviving Noritz

The Noritz Group experienced a significant turning point in 2019. We recorded a consolidated operating loss in the first half due to more than a 10% decline in demand for water heaters, our main product, in the domestic market, combined with sluggish consumer spending in China, triggered by the impact of the U.S.-China trade friction on its economy. Subsequently, in the second half, anticipatory demand prior to the October 2019 consumption tax hike, improvement in our market shares and product prices in Japan contributed to posting ¥2.3 billion in domestic business operating income for full-year 2019. The profit level, however, was slightly below the level in 2018. Overseas business was negatively affected

by the weak Chinese market with no sign of recovery and expenses related to M&A activities in 2019, and posted a significant drop in operating income.

In 2020 and beyond, we anticipate that the business environment will remain harsh. With a decline in housing starts in Japan, replacement demand will be our main target in the domestic housing market while customers' purchasing behavior is increasingly diversified. With regard to manufacturing activities, material prices are likely to remain volatile, manufacturing sites to face labor shortage, and logistics cost to continue rising. Globally, while growth can be expected in numerous areas where energy-inefficient devices and equipment are still in use, regulations of CO<sub>2</sub>/

### Results in 2019



### Medium-term Management Plan "V-plan 20" (targets set for 2020)

	Net sales	Operating income	Ordinary income	ROE
Initial targets as of December 2016	¥240.0 bln	¥24.0 bln	¥25.0 bln	8%
Revised targets as of August 2018	¥220.0 bln	¥10.0 bln	¥11.0 bln	5%
Revised targets <sup>1</sup> as of February 2020	¥190.0 bln	¥2.8 bln	¥3.6 bln	- <sup>2</sup>

1: Including the phasing out of the housing equipment business in 2020; single-year target

2: ROE target for 2020 is not stated, as net loss attributable to stockholders of the parent company is expected.



NOx emissions and of various diverse restrictions are likely to be enhanced, global environmental consideration and specific measures against climate change are expected to be required.

In such an environment we are reaching the final year of our ongoing Medium-term Management Plan, V-plan 20. As it has already become very difficult to achieve our disclosed targets for 2020, we were forced to greatly change our strategy. Specifically, we decided to withdraw from the housing equipment business and to call for voluntary retirement of Noritz employees. The year 2020 is now identified as a structural reform phase for the future of Noritz, with numerical targets at ¥190 billion in net sales and ¥2.8 billion in operating income.

### V-plan 20: Four Priority Measures

#### Initiatives in 2019

#### Priority Measure 1

### Restructuring the business portfolio

Concentrate management resources in the Water Heaters and HVAC Segment

- Decision to withdraw from the housing equipment business
- Cost reduction in the kitchen appliances business

#### Priority Measure 2

### Enhancing profitability of Domestic Business

- Reduction in total cost
- Higher market shares and improved product mix

#### Priority Measure 3

### Continuous expansion of Overseas Business

- Measures against a decline in demand in China
- Enhanced efforts to sell products for space heating and commercial use
- M&A in North America

#### Priority Measure 4

### Reforming corporate culture

- Changes in organization design and management system
- Promotion of Q+ESG measures

## Noritz's business activities

The Noritz Group Mission – “The Simple Comforts of Life” – was originated from the fact that Noritz's products are deeply embedded in people's everyday life. In 2019, natural disasters frequently hit Japan, disrupting the lifeline utilities such as electric power, gas, and water, and many people were forced to live restricted lives. Among equipment used closely linked to the lifeline are water heaters for bathing and other usages as well as gas cookers for cooking. Our business of water heaters and cookers is therefore indispensable in our lives. I am therefore firmly convinced once again that we are responsible for a ceaseless delivery of better products to people and that our business must be sustained.

When we entered into the housing equipment business in 1988, the market was crowded with many manufacturers who were growing in terms of sales and earnings, backed by robust housing starts in Japan. Along with a change in people's preference in styles of bathroom and kitchen, and an increase in kitchen remodeling and replacement demand, Noritz products were favorably used by many customers. We competed well with our peers but could not generate synergies with our water heater business. Subsequently, the housing market started dwindling and we lost competitiveness and failed to establish advantages in products and cost.

Noritz has also increased the workforce in its indirect

### Making the Noritz Group to be valued in the world

#### Overseas Business

	2011	2016	Plan for 2020
Net sales (billion yen)	13.8	57.4	55.0
Overseas sales ratio	7.5%	27%	29%
Operating income (billion yen)	-0.1	2.9	0.3
Annual water heater sales (million units)	0.6	1.2	1.3

#### Markets



departments during the process of business scale expansion and growth. At present, Japan's population is already in a declining stage, which has led to a serious vacant house problem, for example, in the housing market. This is expected to provide an even harsher environment for the industry. In such a background, we have decided to withdraw from the unprofitable housing equipment business, and to call for voluntary early retirement in order to reduce fixed costs by right-sizing our workforce and establishing a slimmer management base.

As a specific post-structural-reform blueprint, we set the target for the domestic business at operating income of ¥5 billion. In 2020 extraordinary loss of ¥8.5 billion is estimated as non-recurring cost related to the structural reform, but I firmly believe that this reform is needed, meaningful, and important. As part of Noritz's management I am committed to accomplishing this reform at an early stage.

In and after 2020, we will continue efforts to enhance profitability in the domestic business and grow the overseas business. In Japan, we opened Noritz My Page on our website, an information channel that allows us to directly approach customers and better match customers' changing purchasing behavior. We provide information that can be useful to enrich customers' life, in addition to products, and operate a site where customers can exchange information. Also, the “check-up alert function” is equipped in almost all of

Noritz residential water heaters sold in Japan from 2009. This function alerts customers after 10 years of usage and timing of a need for a check-up, giving ease of mind to customers using Noritz appliances. This function has prompted a steady increase in requests for check-ups. By focusing on this development, we aim at reinforcing contacts with customers and improving customer satisfaction.

In the meantime, in manufacturing, we plan to invest mainly in automation of final assembly lines for the purpose of stabilizing product supply even under labor shortage. In terms of product development, we are progressing in making common use of components and component units in many more types and series in order to reduce costs.

Overseas business strategy emphasizes strengthening of measures region by region. Up to now, Noritz China Co. and Sakura Bath and Kitchen Products (China) Co. have been operating separately in China, but we intend to study options for future use of their three factories in China and undertake structural reform that is found to be favorable.

In North America, PB Heat, LLC and a commercial facility service company joined the Noritz Group in 2019 and initiated measures for business expansion.

In Asia and Oceania, we made an agreement in February 2020 to acquire a 44% equity stake of Vietnam Australia Refrigeration Electrical Engineering Group JSC (Kangaroo), a manufacturer of water purifiers and home appliances, with the aim of securing a foothold in the Southeast Asia where we see high growth potential.



### Raising sustainable corporate value

The Noritz Group's policy on initiatives for creation of corporate value is to raise social, economic, and brand values, and to integrate and expand them. To do this, we find it important to always assign prominence to our "Q+ESG" (Quality + Environment, Society and Governance) standard, which are sources of corporate value creation. In 2015, we started holding Stakeholder Dialogues with external experts each year, as an opportunity to confirm requests and expectations of society to us and to integrate them with our business. In 2019, we tackled Materiality items by reorganizing and categorizing them based on each of Q+ESG. What we find particularly important is to energize people who work on these initiatives. We therefore seek to make it easy for each and every employee to maximize his or her uniqueness and strength. In putting together the components of our structural reform, we clearly indicated "those who open the way to the future" as our desired personnel. We aim to become a healthy, vital company by changing our organization management so that young employees on the frontline are empowered and play leading roles.



### Becoming a global leading environmentally-friendly company

Nowadays it is increasingly indispensable for companies to respond to international arrangements aimed at realizing a sustainable society. Among Sustainable Development Goals (SDGs) adopted by the United Nations in 2015, we believe Goal 13 (Climate action) and Goal 12 (Responsible consumption and production) are strongly related to the Noritz Group's business activities. We will make efforts with business partners to achieve these goals.

Notably, measures to combat climate change, adopted in the Paris Agreement, are common global issues confronting the world today. We are aware that they may have a financial impact on the Noritz Group. We disclose CDP-related information, and have drafted scenarios, identified risks and opportunities, and devised a long-term environmental vision towards 2030. As for products, we are currently promoting sales of products with low environmental impact, such as Eco-Jozu\* water heaters, which are highly efficient in heating water. By introducing technologies that we have developed and refined in Japan to overseas markets, we aim at becoming a global leading environmentally-friendly company.



\*The Eco-Jozu water heater collects and uses exhaust heat to make hot water. By efficiently converting 95% of gas energy in making hot water, its environmental performance is at a high level.

### Enhancing governance structure for achieving further growth

In 2019, we transitioned to being a company with an Audit & Supervisory Committee with the aim of further enhancing effectiveness of corporate governance and raising corporate value over the medium to long-term. From April 2020 our new Board of Directors, with a smaller number of directors but a higher ratio of external directors, is becoming more active and greatly reflecting outside viewpoints. The board is well organized to facilitate focusing on discussion of overall managerial themes from the medium to long-term perspective. In terms of management structure, we have placed a management executive officer in each business headquarters and have delegated more authority to executive officers to accelerate execution of measures. By proactively coping with the Corporate Governance Code, we seek conformity with business strategies and speedy decision-making in order to raise the quality and transparency of management.

### The UN Global Compact 10 Principles

WE SUPPORT	
UN GLOBAL COMPACT	
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.
Anri-corruption	Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

Message from the CFO

# Carrying out structural reform to restore profitability, and investing to achieve further growth

Our medium-term management plan, V-plan 20, is being implemented in light of the basic principles of the Corporate Governance Code and is intended to raise corporate value.

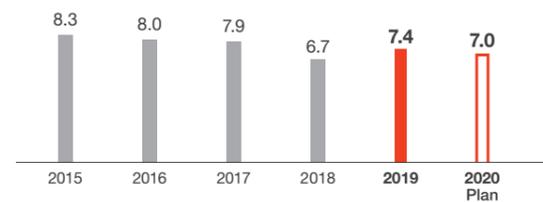
## Growth-oriented active investment in business

In order to ensure sustainable growth, we have made intensive investment in areas which are expected to contribute in raising the Noritz Group's corporate value. Specifically, with the aim of accelerating globalization, we invested in two North American companies which joined the Noritz Group in the first quarter of 2019. This resulted in 20% sales growth in the region, with less dependence on China, and hence a more stable overseas business portfolio for the Noritz Group. We will continue to set an investment limit for M&A and intend to use it as a measure to help realize business growth.



Director and Managing Executive Officer  
Masayuki Takenaka

### Capital Expenditures (billion yen)



\* Including investment in IT and other intangible assets  
\* Excluding investment in M&A and new businesses

## Investment to enhance profitability

We have put efforts into manufacturing reform and marketing reform, along with reorganizing our business portfolio, for enhancing the profitability of the domestic business. However, the market environment that was harsher than expected, making us unable to expand profits. We therefore decided to drop the V-plan 20, position the year of 2020 as a phase of structural reform, concentrating especially on the structural reform of the domestic business. Although the related extraordinary loss will be recorded as a one-off expense in 2020, we firmly believe this is an investment that will lead to enhance the domestic business profit base in the future.

## Efficient use of financial assets

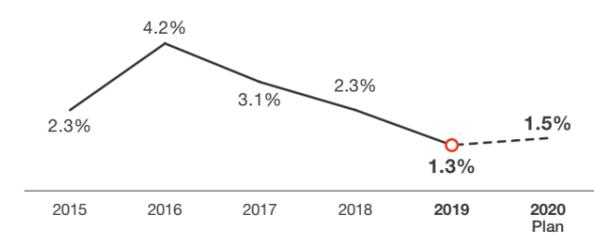
In December 2018, we sold a part of shareholdings in other listed companies and used the proceeds for corporate acquisition, aimed at growth in North America. According to the basic policy on other listed companies' shareholdings, we intend to review the appropriateness of

individual cross-shareholdings at the Board of Directors meetings and continue to sell them when appropriate and secure capital needed for investment.

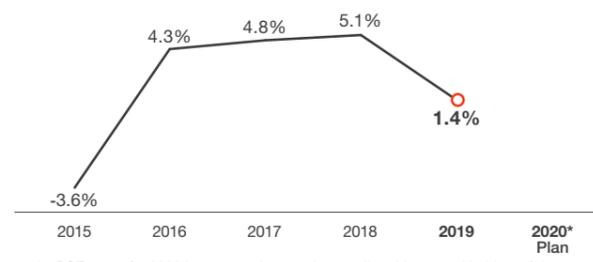
## Return to stockholders

Return of profit to stockholders is a priority issue of management. Our basic dividend policy is to provide continuous stable dividends. For three years from 2018 to 2020, we have targeted a total payout ratio of 50%, including purchase of treasury stock, on a consolidated basis. As our total payout ratio in 2019 will be lower than initially announced, we plan to purchase treasury stock worth ¥700 million – a sum of the remaining ¥300 million of ¥1.3 billion determined for 2018 and ¥400 million planned for 2019 – in order to make a full level of return to stockholders as announced at the beginning of the year. We also set a lower limit of ¥32 (¥16 at interim-end and ¥16 at year-end) in dividend per share for 2020. We intend to flexibly respond, hoping for long-term holding of our shares by our stockholders.

### Operating Margin

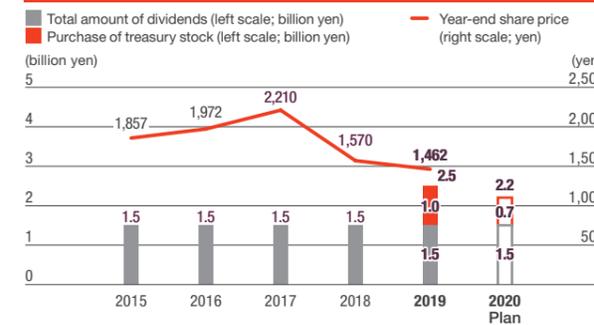


### Return on Equity (ROE)

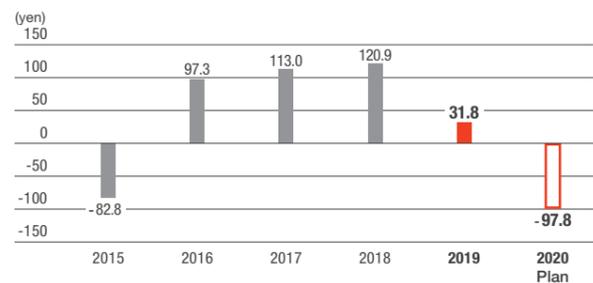


\* An ROE target for 2020 is not stated, as net loss attributable to stockholders of the parent company is expected.

### Return to Stockholders and Share Price



### Earnings (Loss) per Share



# Noritz's Sustainability

## The Fifth Noritz Stakeholder Dialogue

The Fifth Dialogue with Stakeholders was held in November 2019. Invited experts assessed the progress report of the issues recognized in last year's dialogue and pointed out new issues. Participants actively exchanged opinions for the Noritz Group to achieve sustainable growth. The opinions are also a useful reference for management in identifying managerial issues.



The Fifth Stakeholder Dialogue

### Themes in the Dialogue

- Reorganization of businesses
- Environmental strategy
- Personnel management
- Review of Materiality, etc.

## Attendees of the Dialogue in 2019

Facilitator	<b>Masayoshi Miyanaga</b> Professor, Graduate School of Management Tokyo University of Science
Stakeholder representatives	<b>Megumu Murakami</b> Manager, Center for the Strategy of Emergence/ ESG Research Center The Japan Research Institute, Limited  <b>Minoru Matsubara</b> Responsible Investment Group Leader Asset Management Division, Resona Bank, Ltd.  <b>Akiyo Tsuchimoto</b> HR Manager Institution for a Global Society (IGS)

\* Titles as of November 2019

Noritz	<b>Soichiro Kokui</b> President and CEO  <b>Satoshi Haramaki</b> Director and Senior Managing Executive Officer Head of Domestic Business Headquarters  <b>Masamine Hirose</b> Director and Senior Managing Executive Officer Head of International Business Headquarters  <b>Masayuki Takenaka</b> Director and Managing Executive Officer Head of Administration Headquarters  <b>Hideaki Takahashi</b> Director (External)  <b>Hidenari Ikeda</b> Executive Officer General Manager of Corporate Planning Division  <b>Junya Makita</b> General Manager of Personnel Department Corporate Planning Division  <b>Toshiyuki Tsurukame</b> General Manager of Corporate Communication Department, Corporate Planning Division
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\* Titles as of November 2019



Professor, Graduate School of Management Tokyo University of Science

Masayoshi Miyanaga

### My thoughts on Noritz's business reorganization and Q+ESG management

At the Fifth Stakeholder Dialogue in 2019, the main theme was the creation of long-term corporate value, in light of Noritz's reorganization of the domestic business. Participants from and outside Noritz, including Mr. Takahashi, Director (External) who participated in the event for the first time, had an energetic, earnest discussion, which led to clarify issues suggesting Noritz of the future.

In order to advance Noritz's Q+ESG, the revitalization of its economic aspect is urgently needed and the business reorganization is a must. We also discussed a review of Materiality since important objectives must be clarified, with a focus on the environmental strategy and the personnel strategy aspects of it, for the future organization growth and creation of social value.

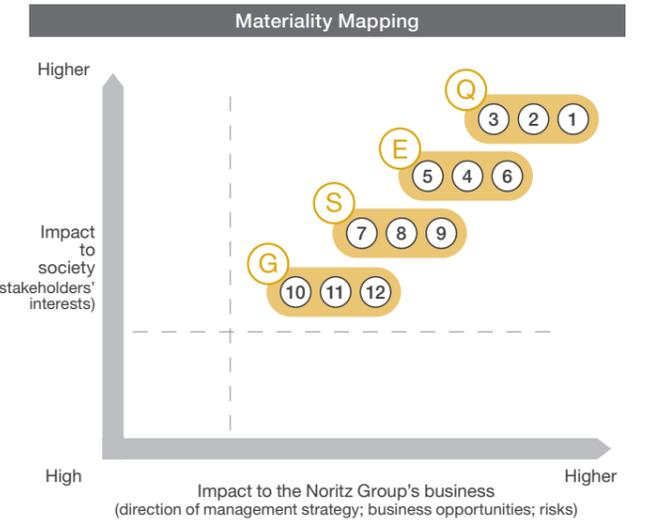
While each strategy's specific details, tactics, and measures need to be discussed, we have firmly decided on our direction. This means that the next steps needed are to set concrete KPIs, measure and evaluate their results, and run the PDCA cycle of the Q+ESG management as a backbone function of management. I hope that the year of 2020 will be the beginning of a new era for Noritz.

## Rearrangement of Materiality

We once again reviewed Materiality identified for the period of the medium-term management plan, V-plan 20, by categorizing items for each of the Q+ESG, our sources of value creation, in order to address global SDG targets and respond

Materiality Category and Theme		
Category	Theme	Relevant page
Quality (Q)	① Consumer safety	P18
	② Customer satisfaction	→ P20
	③ Supply of safe, reliable products	P21
Environment (E)	④ Establishment of low-carbon, recycle-oriented society	P22
	⑤ Promoting management of environmentally hazardous substance	→ P23
	⑥ Development and diffusion of environmentally-friendly products	P24
Society (S)	⑦ Respect for human rights	→ P25
	⑧ Corporate culture reform	P26
	⑨ Supply chain management (CSR procurement)	
Governance (G)	⑩ Enhanced corporate governance	→ P27
	⑪ Establishment of a risk management system	P32
	⑫ Compliance	

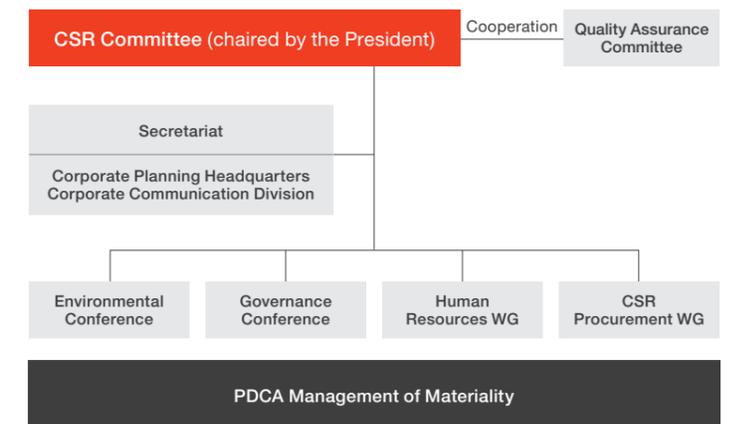
to requests and expectations of our stakeholders. During the Fifth Noritz Stakeholder Dialogue, KPIs were set for 33 issues of 12 themes in 4 areas.



Details of Materiality (Japanese only)

## PDCA Management of Materiality

Since 2007, Noritz has had a CSR Committee, chaired by the President, and has held committee meetings. From 2019, CSR issues were also discussed and decided at the monthly Board of Directors meetings and Management Meetings, so as to integrate corporate management with CSR and to accelerate CSR efforts. We hold CSR Committee meetings in April and October to review the progress of Materiality KPIs and promote PDCA Management.



# Domestic Business



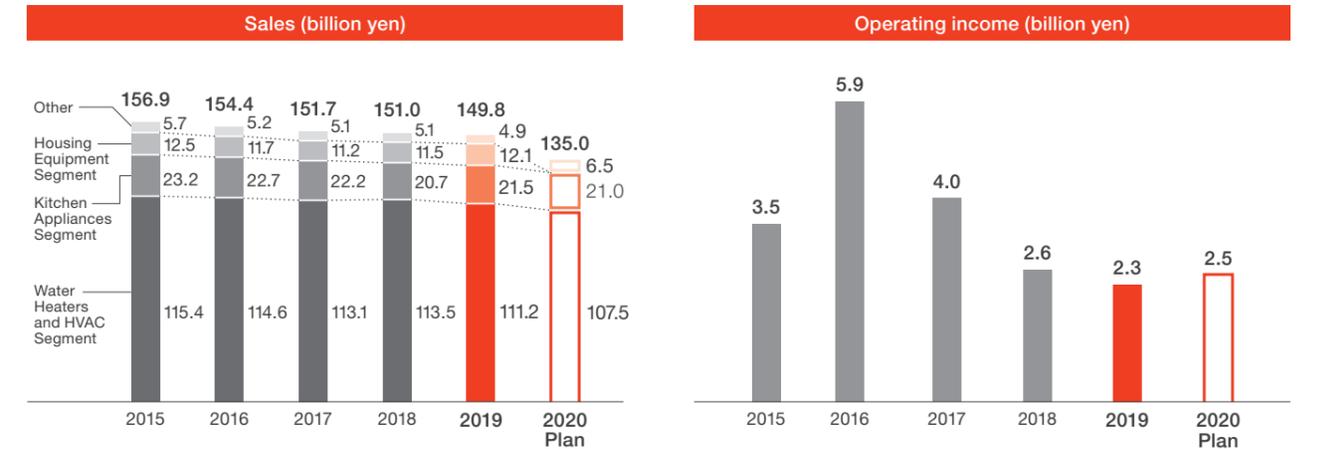
Noritz's domestic business consists of two segments: the Water Heaters and HVAC Segment that mainly handles gas and kerosene water heaters beside terminal devices that use hot water; and the Kitchen Appliance Segment that mainly handles cookers using gas as the heat source. The functionality, convenience, safety, energy-efficiency, and other features provided by Noritz's devices and systems contribute to the comforts of life.

\* The Housing Equipment Segment will discontinue production and be terminated in June 2020.

- Factors affecting sales and earnings**
- Environmental regulations toward a decarbonized society
  - Fluctuations in housing starts
  - Surge in prices of fuel and materials

## Trends in sales and operating income

We recorded sales of ¥149.8 billion and operating income of ¥2.3 billion in 2019. Domestic demand was weaker than in 2018, partly due to a significant decline in demand for water heaters in the first quarter, despite a pick-up in demand in advance of the consumption tax rate hike in October 2019. We strived to improve sales prices and made other efforts but results were affected by a labor shortage at manufacturing sites and a surge in material prices.



\*Sales of the Water Heaters and HVAC Segment from 2015 to 2016 include sales of the New Energy Segment.

## Business Strategy

We will reform the domestic business by carrying out a business model and manufacturing reform under a new structure

Profitability-enhancement initiatives and implementation schedule

Theme	Measures; year of implementation	2018	2019	2020	2021-
Structural reform of the domestic business	Reduction in fixed costs		→		
	Withdrawal from the Housing Equipment Segment		→		
Business model reform	Promotion of water heaters equipped with a check-up alert function		→	→	→
	Enhanced sales/marketing of equipment and services to the non-housing market			→	→
	Enhancement of CRM* function			→	→
Manufacturing reform	Promoting product consolidations & use of common parts	→	→	→	→
	Assembly automation of final assembly lines			→	→
	Cost reduction in the kitchen appliances business		→	→	

\*Customer Relationship Management

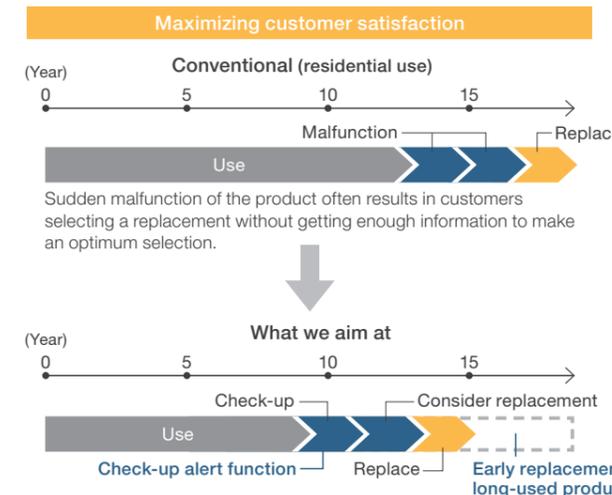
We anticipate a decline in demand for water heaters, a major profit source in the domestic business, over the medium to long term. To counter this adverse trend, we intend to contact customers who have purchased our products in the past and recommend them to replace them. We also intend to enhance our CRM function and seek to be more connected with customers. In the kitchen appliances segment, in addition to cookers, we are building an integrated system to be engaged in development, manufacturing, and sales of kitchen range hoods, which have gained attention in recent years.

## TOPICS

### Providing a safe and secure lifestyle with Noritz's check-up alert function

To prevent accidents and product malfunction caused by the deterioration after long-term product use, Noritz has been installing a check-up alert function in almost all of its water heaters for a decade. Since 2019, this measure has started to pay off and we are receiving inquiries and requests for inspection from many customers. The

inspections are effective in preventing sudden malfunction of products, enabling continued use of our product with greatly reduced possibility of a malfunction, as well as providing opportunities for customers to consider purchasing a new, more convenient or economical replacement.



Inspection and consideration of replacement before the product malfunction give customers sufficient time to select a replacement.

**Check-up alert function (time stamp)**

Signals by flashing **88** or **888**

The check-up alert function is based on the design standard period of use (10 years for residential appliances; 3 years for commercial appliances). The time for check-up is signaled by displaying [88] or [888] on a remote controller or a blinking light on the device.  
**As this is not an error signal caused by a malfunction, hot water can still be provided even with the signal on.**

**Video** Introducing the check-up alert function (Japanese only)

**Video** Introducing Noritz's corporate attitude (Japanese only)

# Overseas Business

Sales ratio  
**30%**

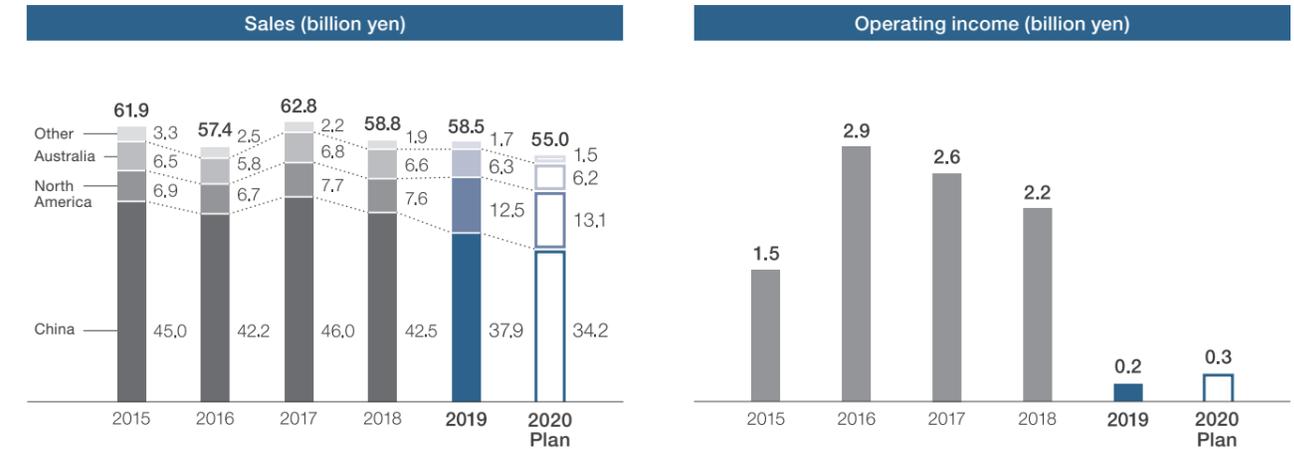


Applying the know-how of water heater development and manufacturing accumulated domestically, Noritz has expanded overseas, areas mainly in China, North America, and Australia. We support the comfortable life of people who live in these areas by providing products that comply with regulations and that match the needs of these countries and regions. In addition, we sell kitchen appliances in China such as cookers and range hoods.

- Factors affecting sales and earnings**
- Environmental regulations toward a decarbonized society
  - Surge in prices of fuel and materials
  - Country risk
  - Fluctuations in exchange rates

## Trend in sales and operating income

In 2019, we acquired PB Heat, LLC (a boiler maker) and a commercial facility service company in North America in keeping our focus on business for space heating and commercial use. In Australia, we worked with local sales agencies and expanded sales in the commercial-use market. In China, the sluggish economy, due to prolonged US-China trade friction, negatively affected our overall overseas business. Overall in the overseas business, we recorded ¥58.5 billion in sales and ¥200 million in operating income in 2019.



## Business Strategy

We aim at reconstructing our profit base in China, and creating synergy effects among group companies in North American and Southeast Asian

Profitability-enhancement initiatives and implementation schedule

Theme	Measures; year of implementation	2018	2019	2020	2021-
Business reconstruction in China	Sales expansion in new business fields			[Bar chart showing implementation from 2020 onwards]	
	Efficient use of bases		[Bar chart showing implementation from 2019 to 2020]		
Expansion of the space heating and commercial-use businesses	Creation of synergies among the three North American companies		[Bar chart showing implementation from 2019 onwards]		
Business development in Southeast Asia	Utilize product line and production bases			[Bar chart showing implementation from 2020 onwards]	

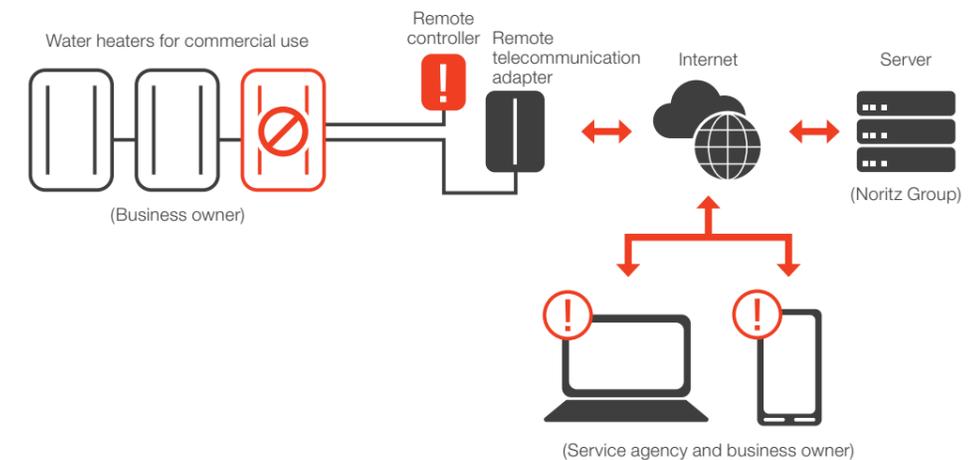
In 2020, we have started to use a division system based on geographic areas in our overseas business, to clarify operating responsibility for business expansion. Particularly in China, the development, manufacturing, and sales systems of Noritz (China) Co. and Sakura Bath & Kitchen Products (China) Co. will be reviewed for more efficient management. They will also facilitate their product offering in other areas, and thereby improve prospects of higher profitability.

In North America, Noritz America Corporation and PB Heat, LLC which has strength in space heating, intend to generate synergies and expand profit.

In February 2020, we exchanged an agreement to acquire a 44% equity stake of Vietnam Australia Refrigeration Electrical Engineering Group JSC (Kangaroo), a manufacturer of water purifiers and home appliances in Vietnam, and established a foothold for business in the Southeast Asia, by use of the acquired company's product line and production bases.

## TOPICS

### Introducing network system to remotely monitor commercial water heaters



We launched a commercial-use water heater remote control system, a new addition to IoT in North America and Australia. In the past, an error, if occurred, was signaled only on the display of a remote controller, which sometimes was left unnoticed, resulting in a system failure. Use of IoT enables the system to detect an error and at the same time to send error information to mobile phones and other terminals, which will lead to prompt response for repair. We plan to expand this system in China and other countries, providing efficient, prompt services and to introduce a malfunction-prediction system, delivering safety and reliability.



# Value Creation through Quality



## Consumer safety

The Noritz Group believe that it is our responsibility as a manufacturer to bring safe products to the market and ensure that they remain in a safe condition and are always used with ease by the owners. We have established a quality management system to pursue customer satisfaction and deliver safe, reliable products and services.

## Shortening inquiry response time of product malfunctions

We introduced an automatic voice support system at our call center in order to shorten customers' waiting time for inquiry and to improve the quality of our response. We also opened an official LINE Account "Noritzoyonet.jp" for our business partners, enabling quick and easy model selection for product replacement via a chatbot. By shortening customers' waiting time caused by a product breakdown or other reasons, we provide convenience to product users.



Chatbot screen

## Quality enhancement initiatives

We aim at raising our brand value by improving quality and services for customers. With the objective of quality improvement of our suppliers and after-sale service shops, we host quality conventions and hold service contests. At quality conventions, we organize workshops, display exhibit panels on past product accidents, and in other ways as well to remind participants of the importance of quality. These are some ways we work to remind our employees and suppliers of our commitment to quality.



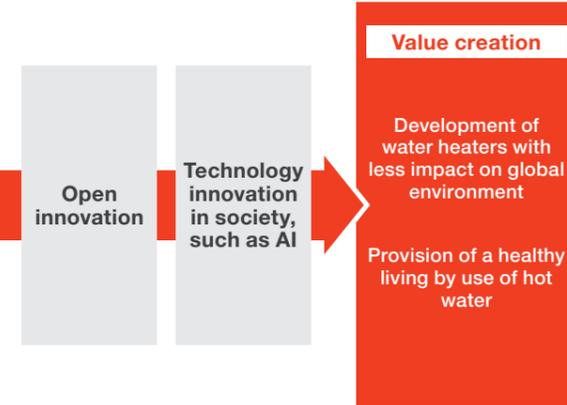
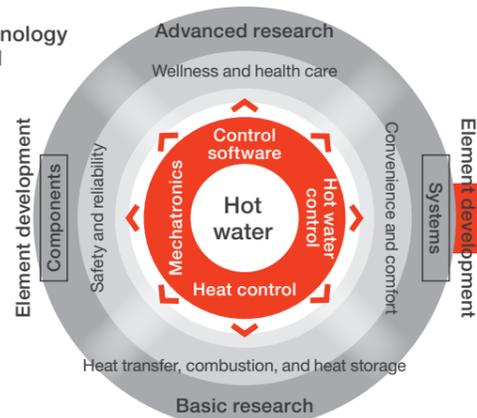
Quality convention

## Noritz's technology to create corporate value

Noritz has four core technology groups: (1) combustion control; (2) heat exchange; (3) fluid control; and (4) electronic control of mechatronics and software. Largely by the use of these technologies, we have carried out research on control

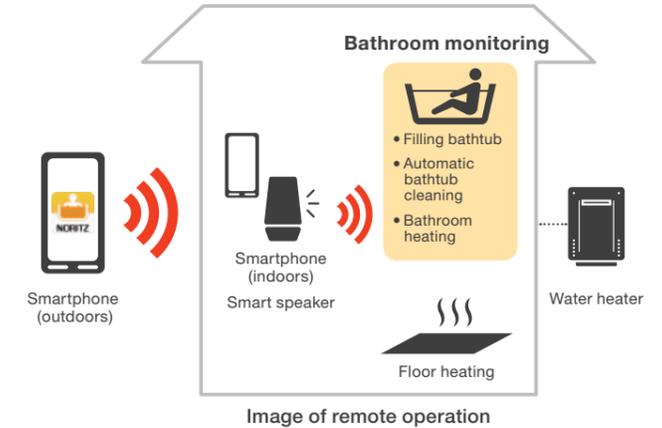
of CO<sub>2</sub> emissions and on the assurance of a healthy living, particularly through the supply of hot water, so as to deliver "The Simple Comforts of Life." Our ultimate aim is to contribute to the improvement of the health and life of our customers, by helping solve social issues.

### Noritz's core technology and technological development



## IoT-driven evolution of everyday life

In keeping with the rapid development of IoT and AI, we improve the convenient, pleasant use of devices by equipping them with a remote-control function via smartphones and a voice control function via smart speakers. By using Noritz's smartphone application for monitoring a bathroom, or checking use of a water heater of a family member who lives elsewhere is made possible, contributing to the certainty and convenience in the daily life of family members. We will continue to use technology innovation such as IoT and AI on behalf of a pleasant life for users.

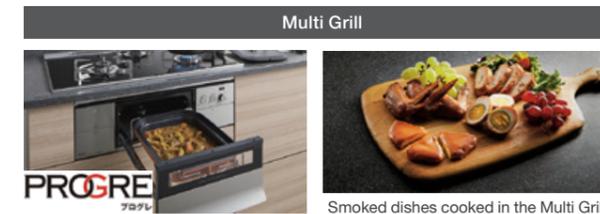


\* See details on the Noritz website (Japanese only)



## Creating new cooking culture with grill technology

The Noritz Group has a history of developing leading-edge products. In recent years, we have proposed "easy housework (RAKUKAJI)," which can be realized by a grill designed with emphasis on convenient and enjoyable cooking, and we have established a new industry standard in doing so.



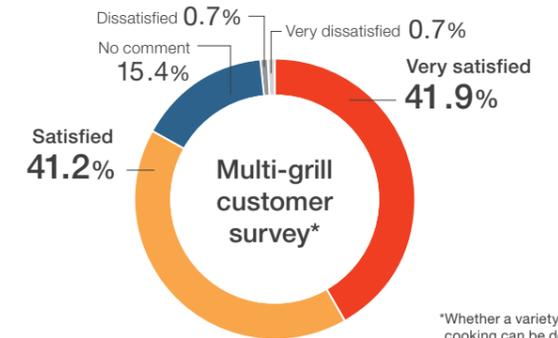
### Advantages of Noritz's specially designed container and bottom-up burner with a temperature sensor

- The temperature of the special container is constantly monitored, enabling timely temperature control, in accordance with the menu.
- Flat sides in the interior of the grill make it easy to clean.
- Use of the dedicated container in cooking significantly reduces smoke and cooking odor.



Video introducing the PROGRE multi-grill (Japanese only)

Our accumulated technology and safe, reliable know-how were adopted to develop the Noritz "Multi Grill." In addition to quick and easy cleaning, the bottom-up burner with a temperature sensor accurately detects the temperature of the bottom of the special container and automatically adjusts the flame, depending on the menu (patented). A variety of cooking procedures that could not be done with conventional grills has become possible.



\*Whether a variety of cooking can be done

### Noritz's history in the development of leading-edge grills



# E

Environment



## A Clean Earth for Future Generations



### Initiatives for environmental management

Prompted by the adoption of the Paris Agreement in 2015, companies have been increasingly asked to take measures against global climate change. The Noritz Group finds it important to actively address this challenge from the aspect of establishing a sustainable society. We have therefore clarified business continuity risks and opportunities, and have strived to develop a long-term strategy that integrates management issues and environmental issues. In 2019, we drafted our scenario for the future on the environment, with specific initiatives on three themes: 1) fulfill our responsibility to the global environment; 2) "Thinking of the future" with customers; and 3) aim at growth with partners.



### Guidelines on environmental issues

In order to achieve sustainable growth, dialogues with stakeholders are important. We disclose information of our environmental activities in various ways. In particular, we use CDP\* initiatives as a guideline in promoting our environmental vision, and in 2019, we received a rank B in the climate change section. We were also the first company in the gas and oil equipment sector that acquired the Eco-First Company certification in 2009, and since then have strived to achieve targets while continuing business activities.

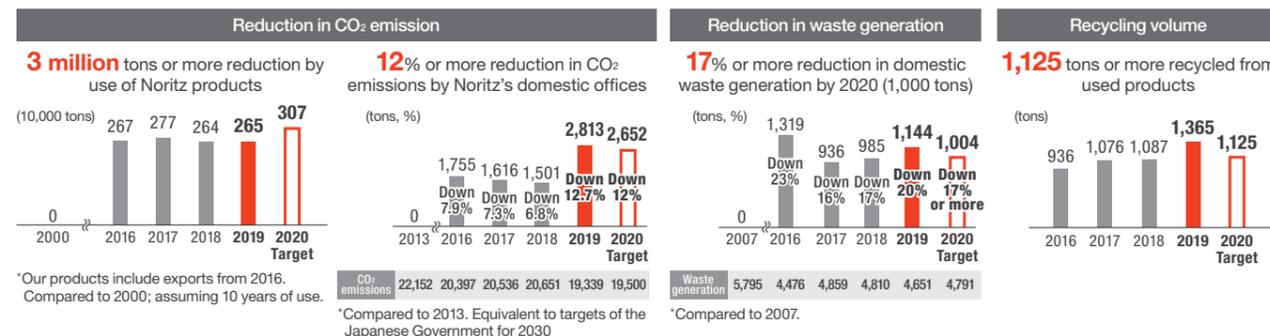


\* The CDP (formerly the Carbon Disclosure Project), established in 2000, works with institutional investors and encourages companies to disclose climate change strategies and specific greenhouse gas emissions.



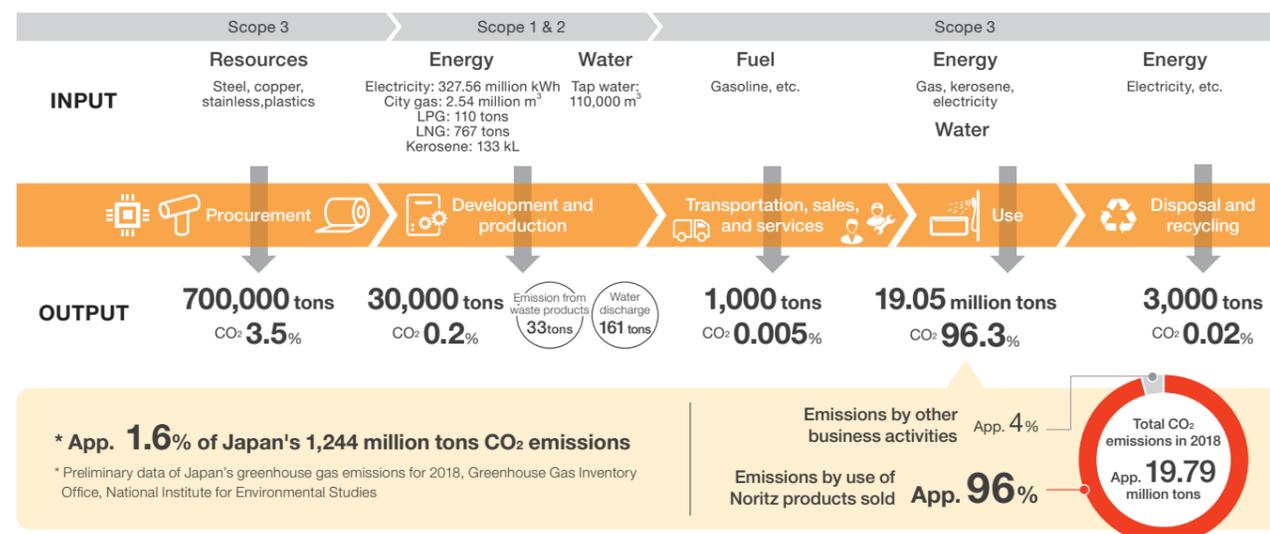
Eco-First initiatives (Japanese only)

### 2020 targets



### CO2 emissions volume throughout our value chain per year

The Noritz Group emits approximately 19.79 million tons of CO<sub>2</sub> per year from its business activities and through use of its manufactured products. This represents about 1.6% of CO<sub>2</sub> emitted in Japan per year.



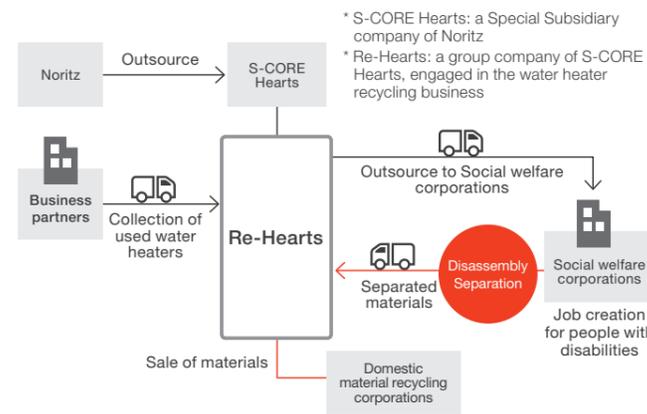
### Environmental initiatives



#### Supporting people with disabilities through recycling

S-CORE Hearts Group started recycling of water heaters in 2009 in order to create jobs for people with disabilities and to recycle domestic resources. Re-Hearts collects used water heaters from major house builders and other business partners who agreed to support this initiative, and consign disassembly and separation of product parts to social welfare corporations, contributing to creating jobs for people with disabilities. Meanwhile, this recycling promotes safe and reliable domestic recycling of resources, contributing to reduction of environmental impact.

#### Recycling of Resources and a Flow to Support People with Disabilities



#### Employees becoming more mindful of the environment by obtaining the Eco Test Certification

We subsidize the examination fees to employees to assist their efforts in obtaining the Eco Test certification. As a result, 65.2% of employees obtained the certification. Each production base also takes steps to conserve energy and we have established a scheme to introduce the favorable outcome of these efforts across the company.



Energy-saving working



#### Initiatives aimed at recycling in society

Jointly with a major beverage maker ITO EN, Ltd., we developed cushioning material for packaging of water heaters, made of Ito En's used and recycled ground barley after production of barley tea beverages. Adoption of the material for packaging of gas water heaters began in September 2019. The functions (the desirable rigidity when packaged, and shock-absorption property) remain the same as ordinary cushioning material but with about 7% reduction in weight, contributing to more recycling of materials and less environment impact from shipment.



Cushioning material made of used ground barley

# S Society

## Human Resources Supporting Noritz



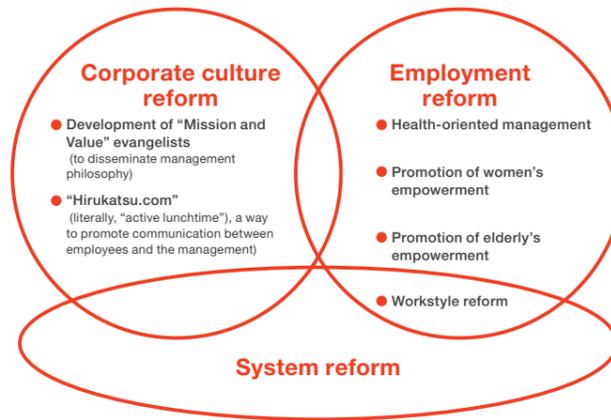
### Initiatives for enhancing employees' performance

Development of creative, innovative, ready and able personnel with passion as well as their work environment are indispensable for the Noritz Group to sustainably grow and realize its mission. We therefore strive to establish schemes and environment for each employee to be empowered.

#### Building an Organization where each employee plays an active role

Happiness of all employees is a driving force to achieve our mission "The Simple Comforts of Life." We have envisioned "those who open the way to the future" as our desired personnel, aiming to transform into a vibrant and energetic company.

Our initiatives for maximizing employee engagement have centered around three orientations: corporate culture reform; employment reform; and system reform. We also conduct a Survey of Employees' Enthusiasm Indicator on Their Job (employee satisfaction rate) each year to check the work motivation status of employees and to make improvement.



### Health-oriented management

Employees in good health and wellness are a driving force of Noritz. In October 2019, we made the Noritz Pledge on Health and Wellness. We intend to make efforts so that each employee can perform his/her best in good health and wellness.

**Noritz Pledge on Health and Wellness**

**We promote health-oriented management so that employees can perform their best in good health and wellness to create value and make sustainable growth.**

- Together with our health insurance association and labor union we give unified support so that each employee is mindful of getting healthy and maintaining and improving health.
- We strive for corporate culture reform and establish programs and the environment so that individual employees can actualize their optimum workstyle, that leads to their fuller work/private life and productivity improvement.
- We deliver "The Simple Comforts of Life," as stated in our Mission Statement.

**Soichiro Kokui**  
President and CEO

### Workstyle reform

We believe that people can be motivated and tackle creative, challenging work only when they are content in life. We are working for workstyle reform aimed at employees' fuller work/private life and productivity improvement. Each department tackles its own work innovation initiatives from two aspects – systems and work environment. For example, the sales department uses flexible work hours and teleworking, promotes flexible autonomous workstyle, and strives to maximize performance in sales and marketing, so as to efficiently execute high-quality work.

Noritz was recognized as a health-oriented enterprise that focuses on the well-being of employees from a managerial viewpoint and was selected as a White 500 company in the large enterprise category of the Certified Excellent Enterprise of Health and Productivity Management Organization 2020 by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi. S-CORE Hearts K.K., our Special Subsidiary company, was also certified in the small- and medium-sized enterprise category.



### Initiatives for respecting human rights

The Noritz Group formulated its Human Rights Policy based on various international human rights standards\* and is promoting initiatives on human rights. Our initiatives

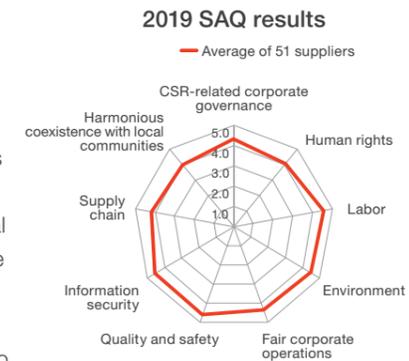
include the creation of a safe, secure work environment for everyone related to our business activities.

\* The Universal Declaration of Human Rights, the International Covenants on Human Rights, the ILO Core Labor Standards, the Ten Principles of the United Nations Global Compact, and the United Nations Guiding Principles on Business and Human Rights, etc.

Noritz Group's initiatives for respecting human rights						
Themes	CSR Procurement	Training and promotion of understanding	Workstyle reform	Health-oriented management	Diversity	Whistle-blowing and aid
Initiatives	Supply chain management	e-learning on human rights	Shorter work hours, teleworking etc.	Stress check	Promoting women's empowerment (Women's Leadership Program)	Noritz Hotline (contact for whistle-blowing)
	Corruption prevention and checking	Training programs by rank	Refreshment leave (10th, 20th and 30th year)	Meeting with a doctor	Promoting empowerment of those re-employed	
	Conflict minerals survey	CSR awareness month	"Ameba" management (holidays, overtime work)	Health and safety	Promoting empowerment of people with disabilities	Noritz Contact Center
	SAQ survey and feedback	Compliance awareness month	Work reform by job type	Improvement in health literacy	Coping with LGBT	
	Request for reviews from customers				Hiring of foreigners	
	Asking business partners for cooperation		Promoting to take paid holidays (i.e., memorial holidays)		Support to foreign technical interns	
Policies, guidelines, etc.	Noritz Group CSR Procurement Guidelines	Noritz Group Human Rights Policy	Medium-term management plan	Noritz Pledge on Health and Wellness	Noritz Group Code of Ethics	Noritz Group Code of Ethics
KPI: Results of 2019/ targets for 2020	SAQ Score 4.4/4.5 or more	Participation rate in e-learning on human rights 81%/90% or more	Employees' Enthusiasm Indicator * See details in the website.	Non-smoking rate 74.3%/80%	Ratio of female managers to all managers 2.6%/3.5%	Reported cases 13 (result of 2019)

### Initiatives on CSR procurement

Respect for human rights and prevention of corruption are required in corporate activities and material purchasing. We ask suppliers to comply with the Noritz Group CSR Procurement Guidelines and carry out surveys on conflict minerals in order to understand their situation. We conduct an annual SAQ\* of major suppliers, with the aim of sustainable business activities across our supply chain. We receive suppliers' evaluations on our procurement activities on an anonymous basis, which are used to raise our own awareness on the matter.



CSR Purchasing SAQ Briefing for Suppliers

\* The United Nations Global Compact Network Japan's Self-Assessment Questionnaire of suppliers representing top 95% or more of Noritz's transaction amount

### Dux plant's measure against asbestos

When Noritz acquired Dux Manufacturing Limited of Australia in 2015, Noritz was aware that asbestos was contained in a building of the Dux plant but was safely maintained within the standard level. After the acquisition, the status of asbestos was regularly checked by an outside research institution. In 2017 when the status of asbestos was found deteriorating, to prioritize the health of its workforce, Dux eliminated asbestos contained in roof and wall materials. By 2019, all the work was completed and the plant's safety was ensured.

#### Message from CEO of Dux Manufacturing Limited



In my view, safety of employees is the most important issue. Noritz immediately responded to my request to improve the work environment for employees. Dux employees and I are so grateful to their response, and have been further motivated to work at Dux.

Chief Executive Officer  
Simon Terry



# Corporate Governance



## Basic policy on corporate governance

Noritz recognizes that the enhancement of corporate governance is one of its managerial priority 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, to become more sound and transparent, and to execute prompt decision-making and optimal management judgement.

## Establishment of Corporate Governance Guideline

We state in the Noritz Corporate Governance Guidelines the implementation status of underlying principles, including the principle for specific matters to be disclosed, as formulated

in the Corporate Governance Code. We also comply with all principles of the Corporate Governance Code.



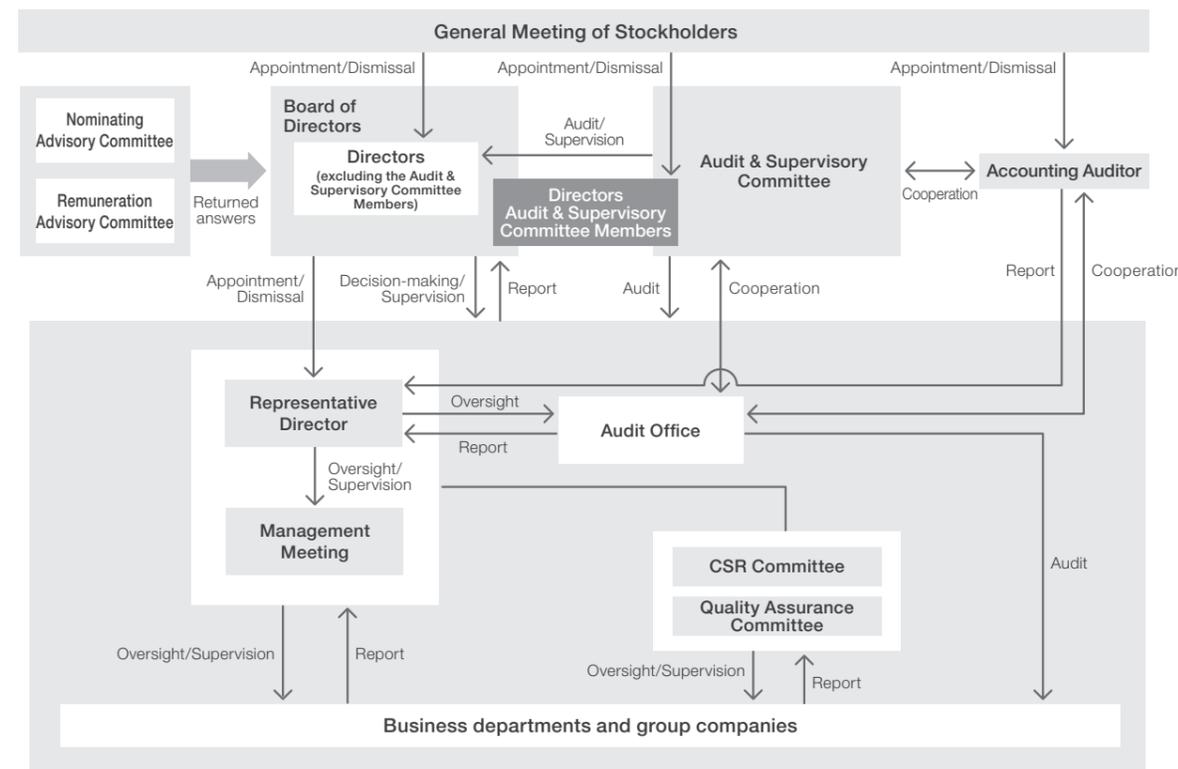
Noritz Corporate Governance Guidelines

## Corporate governance structure

We have adopted a corporate governance structure of a "company with an Audit & Supervisory Committee." Nine directors including three independent external directors are

selected for it, and independent directors represent one-third of the Board of Directors.

### Corporate Governance Structure



## Succession plan

Noritz has gone on record regarding what is expected and required of President, Directors, and Executive Officers, as well as the evaluation and other decision process of selecting candidates for positions as Directors and Officers, and of promoting or demoting directors and officers. By linking these standards with the personnel system and the next-generation manager development program, which have already been implemented, a coherent succession program which encompasses from

employees to directors has been set in place. In the process of establishing the succession plan, the Nominating Advisory Committee discussed the matter to ensure objectivity and appropriateness from the external perspective. At the same time, the plan has been designed to enable sustainable and continual personnel development. Going forward, candidates for President, Directors, and Executive Officers will be selected based on this succession plan.

## Nominating Advisory Committee and Remuneration Advisory Committee

The Nominating Advisory Committee and the Remuneration Advisory Committee have been established as discretionary advisory bodies of the Board of Directors, with the purpose of strengthening independence and objectiveness of the Board of Directors and of enhancing the corporate governance framework. In 2019, the Nominating Advisory Committee met five times and discussed candidates for directors and a succession plan, based on an interview of the President and what was discussed

at the training sessions for directors. The Remuneration Advisory Committee met five times to discuss remuneration for directors.

### Composition of the Nominating Advisory Committee and the Remuneration Advisory Committee



## Evaluation and analysis of effectiveness of the Board of Directors

Effectiveness of the Board of Directors has been evaluated and analyzed, based on results of self-assessment by directors with the aim of ensuring effectiveness of the overall Board of

Directors and enhancing its performance. We plan to regularly evaluate the effectiveness of the Board of Directors, to further improve corporate governance.

### 2019: Outline of the evaluation of effectiveness of the Board of Directors

- All nine current directors responded to the survey. Major items covered are:
- Management of the Board of Directors (Setting of agenda items, preparation of documents, etc.)
  - Provision of information to external directors and auditors, etc.

### 2019: Issues identified from the evaluation results and measures taken

- Issue 1** Continued discussion from a medium- to long-term perspective
  - Agenda items to be discussed by the Board during a given year were excluded so as to allow the Board to focus on matters from a medium- to long-term perspective.
  - Presentations by external experts and exchange of opinions were conducted, in order to better understand the external environment.
- Issue 2** Differentiating from other meetings and review of agenda items, in order to facilitate more substantive discussion at the Board of Directors meetings
  - The Secretariat closely examined agenda items.
  - Short-term execution issues were sufficiently discussed at the Management Meetings, allowing the Board of Directors to focus on discussion of overall managerial issues.
- Issue 3** Maximizing effectiveness of a transition to a company with an Audit & Supervisory Committee
  - Cooperated with internal governance-related meetings and complemented the auditing function.
  - Specified designated matters to lower-level meetings or persons and clarified roles.

### 2019: Summary of the evaluation results

It was confirmed that Noritz's Board of Directors in general functioned appropriately and its effectiveness was secured. The initiatives taken regarding the issues in 2019 also proved to be effective as a whole.

### 2020: New Issues of the Board of Directors

- The following issues will be addressed in 2020 to further enhance effectiveness of the Board of Directors.
- Continued discussion on ESG and other themes from a medium- to long-term perspective, looking ahead to enhancement of future corporate value
  - Review of the operating procedure of the Board of Directors meetings, to obtain more-enriched discussions, and improvement in the conduct of other meetings
  - Enhancing discussions in accordance with the Corporate Governance Code.

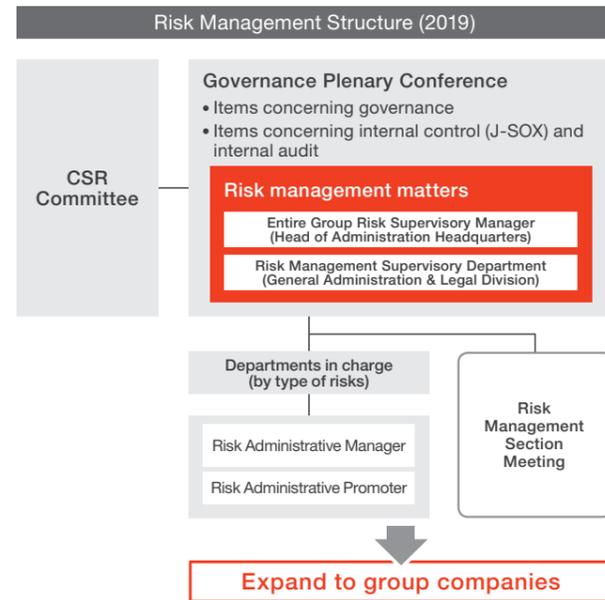
# Risk Management

Noritz makes risk assessment of its operations on a regular basis, review countermeasures to avoid risks and enhance the ability to respond in order to minimize damage if the risk occurs.

## Initiatives on risk management

Since 2019, risk management issues have been discussed in the Governance Conference and its results have been discussed by the CSR Committee. Aimed at conducting continuous risk

management, we have followed a PDCA cycle, which has also been deployed at our domestic group companies. The next step is to establish a global risk management system.



## Identifying priority risks to be addressed corporate-wide and its approach

From the viewpoints of probability of occurrence and degree of impact, we identify and evaluate risks, and select priority risks to be addressed each year. In 2019, we continued efforts from 2018 to select and address issues of natural disasters (large-scale earthquake, wind and flood damage, typhoon, high tides) and other business contingency risks, as well as labor risks, including long working hours.

Given the recent frequent occurrence of severe natural disasters, the Noritz Group is studying to extend the system for confirming employees' safety not only in case of earthquakes but also in case of wind and flood damages. We review the reserve stockpiles for disasters, carry out the evaluation of seismic resistance of each office and plant, and make other responses needed. We perform disaster drills and conduct emergency-response training in order to raise awareness of all employees.

As for the issue of long working hours, we are addressing the matter of workstyle reform from the viewpoint of a health-oriented corporate management.

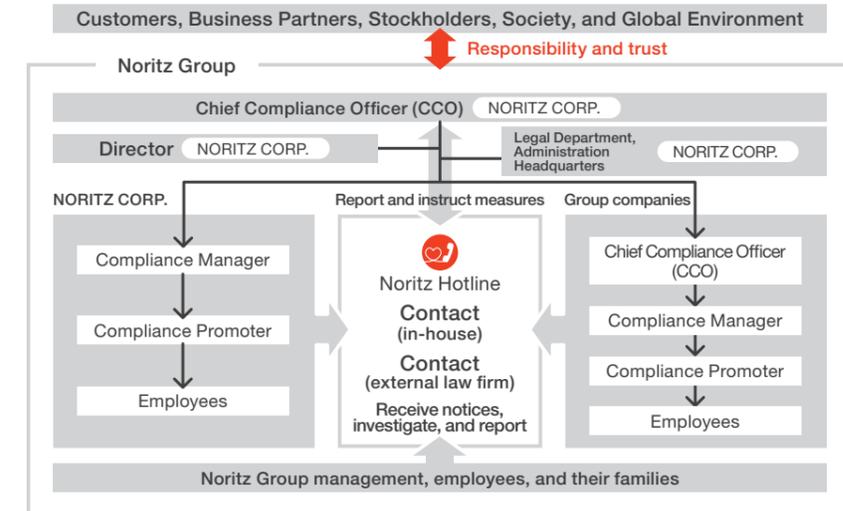
Our domestic and overseas group companies intend to establish a structure that enables us to raise capacity to respond to risks.



# Compliance Promotion Structure

Noritz has formulated the Noritz Group Code of Ethics by defining compliance as adherence to "corporate ethics," which include laws and regulations, the Articles of Incorporation, internal rules, and social rules. Through the Code of Ethics, all employees of the Noritz Group aim at raising awareness about compliance, while sharing values on right actions.

## 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 department and company can undertake self-correcting changes when necessary, we are carrying out compliance promotion activities.

### Themes for Compliance Awareness Months in 2019

Every May and September are designated as "Compliance Awareness Month," where our employees are encouraged to think about and discuss compliance matters in their workplace.

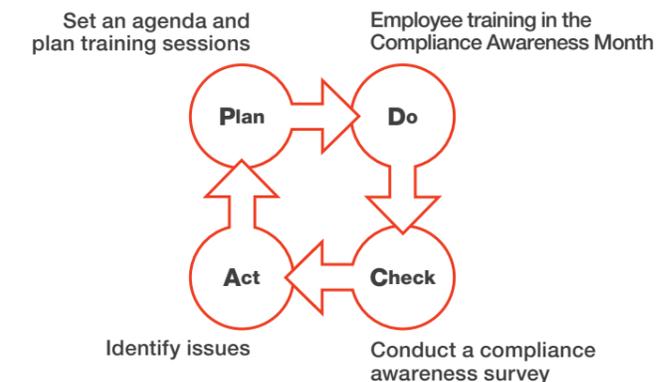
Themes for Compliance Awareness Months in 2019	Month	Theme
	May	Review of compliance incidences
	September	Information security training

### Promotion of group governance

As part of our promotion of the Noritz Group governance, we published the Management Book for domestic and overseas group companies to improve the management level of the entire group. This book clearly indicates the standards to be achieved in a unified manner.

Specifically, each group company makes its self-assessment on its implementation of the standards, and then is directly interviewed about the result by Noritz's respective department in charge, which may ask for improvement if needed. We intend to continue use of the Management Book next year and beyond, with the aim of improving the group-wide management level.

### PDCA cycle of compliance promotion activities



### Noritz Hotline

With the aim of preventing and early detection of compliance violations, and of exposing and solving compliance issues, Noritz has established a Noritz Hotline, a whistle-blowing system which group directors, officers, employees, and their family members can use. Noritz Hotline has two contacts: an in-house contact and an external law firm. A whistleblower is guaranteed confidentiality of identity and can select either of these contacts. In 2019, 13 cases in total were reported or sought consultation. Each case was followed up with fact checking and interviews, and was properly handled or resulted in establishing a measure to prevent recurrence.

## Directors as of March 26, 2020

The following lineup of directors was approved at the 70th General Meeting of Stockholders held on March 26, 2020.

### Directors



President and CEO  
**Soichiro Kokui**

#### Main career

President, Harman Co., Ltd.  
Managing Executive Officer, Head of Sales & Marketing Headquarters, Noritz Corp.

#### Significant concurrent positions

Vice Chairman, The Kobe Chamber of Commerce and Industry  
External Director, The Minato Bank, Ltd.



Director and Senior Managing Executive Officer  
**Satoshi Haramaki**  
Head of Domestic Business Headquarters In charge of Research & Development Headquarters

#### Main career

President and Representative Director, SHINWA INDUSTRY CO., LTD.  
Director and Managing Executive Officer, Head of Research & Development Headquarters, Noritz Corp.



Director and Senior Managing Executive Officer  
**Masamine Hirosawa**  
Head of International Business Headquarters

#### Main career

President and Representative Director, Kanto Sangyo Co., Ltd.  
Managing Executive Officer, General Manager of China Business Promotion Division of International Business Headquarters, Noritz Corp.

#### Significant concurrent positions

Chairman, Noritz (China) Co., Ltd.  
Chairman, Noritz Hong Kong Co., Ltd.  
Chairman, Sakura (Cayman) Co., Ltd.  
Chairman, Sakura China Holdings (H.K.) Co., Ltd.  
Director, NORITZ AUSTRALIA PTY LTD.



Director and Managing Executive Officer  
**Masayuki Takenaka**  
Head of Administration Headquarters

#### Main career

Managing Director, Head of Administration Headquarters, Harman Co., Ltd.  
President and Representative Director, S-CORE Hearts K.K.



Director and Managing Executive Officer  
**Kazushi Hirooka**  
Head of Sales & Marketing, Domestic Business Headquarters

#### Main career

Executive Officer, Deputy Head of Sales & Marketing, Domestic Business Headquarters, Noritz Corp.  
Managing Executive Officer, Head of Sales & Marketing, Domestic Business Headquarters, Noritz Corp.



Director (External)  
**Hideaki Takahashi**

#### Main career

President and Representative Director, Sakura KCS Representative and Senior Managing Director, Kobe International House  
External Audit & Supervisory Board Member, Fujicco  
External Audit & Supervisory Board Member, Noritz Corp.

## Directors (Audit & Supervisory Committee Members)



Director (Audit & Supervisory Committee Member)  
**Tsuyoshi Ayabe**

#### Main career

General Manager of Accounting & Finance Division, Administration Headquarters, Noritz Corp.  
President and Representative Director, Noritz Capital Corp.  
Corporate Auditor, Noritz Corp.



Director (Audit & Supervisory Committee Member) (External)  
**Yasuhiko Ogawa**

#### Main career

Chairman of the Kinki Branch of the Japan Institute of Certified Public Accountants (JICPA)  
External Corporate Auditor, Noritz Corp.

#### Significant concurrent positions

Representative, Ogawa Certified Public Accountants Office  
External Audit & Supervisory Board Member, Osaka Exchange, Inc.  
External Audit & Supervisory Board Member, Osaka Metro Co., Ltd.



Director (Audit & Supervisory Committee Member) (External)  
**Yasuko Masaki**

#### Main career

Professor, The Kwansai Gakuin University Law School  
External Corporate Auditor, Noritz Corp.

#### Significant concurrent positions

Co-Representative of Shimoyama & Masaki Law Office  
Independent Director of HI-LEX CORPORATION  
External Inspector, CONSUMERS CO-OPERATIVE KOBE  
Vice Chairman, Japan Federation of Bar Associations

## Overview of expertise of directors, based on their careers



## Remuneration limit

Aggregate Amount of Remuneration and Number of Directors		
Director classification	Remuneration limit (annual)	Number of directors determined by the Articles of Incorporation
Directors who are not Audit & Supervisory Committee members	¥400 million or less	8 or less
Directors who are Audit & Supervisory Committee members	¥50 million or less	4 or less
<b>Total</b>	<b>¥450 million or less</b>	<b>12 or less</b>

## Message from External Director



### I will support Noritz at its critical turning point of management in the changing business environment, ensuring sustainable governance

Noritz has transitioned to a company with an Audit & Supervisory Committee with the aim of speedy decision-making and more profound discussion from a medium to long-term viewpoint at the Board of Directors meetings. It is among such discussion that we have decided to withdraw from the Housing Equipment System business, which we initially wished to maximize the potential of hot water related business, and to take challenge of a structural reform.

We are determined to carry out the planned reform, accelerate its progress, make necessary investments, and keep that momentum moving forward. I find it important to respect the management's strictness in decision-making and not to forget the pain experienced in continuing the reform. I think of my role as monitoring the progress and result of the reform.

The key for such reform and growth is to promote and develop personnel. As Noritz has established its succession plan and started the next-generation management development program, I am confident that the company can be reborn as a company with high personnel value and with personnel who exercise their full potential.

Noritz holds stakeholder dialogues and invites experts each year in order to reflect stakeholders' opinions on its sustainable growth. I attended the Fifth Stakeholder Dialogue in 2019 where themes of the dialogue centered around management, environment, personnel, governance, and Materiality. I was again reminded of the importance of having a creative, strategic perspective in implementing the reform and of striving to combine it with solving social issues. We will strive to pursue sustainable governance and meet expectations of stakeholders.

Hideaki Takahashi External Director

## Message from Audit & Supervisory Committee Member



### What Audit & Supervisory Committee members should do for the enhancement of governance

The Board of Directors is to address the following issues: 1) strengthening the supervisory function over execution of assigned tasks by directors; 2) speedy decision-making; and 3) enhancing discussion from a medium to long-term perspective. Noritz's transition to a company with an Audit & Supervisory Committee is one of the measures to solve these issues. While we are still in the first year under the new system, I believe the transition has been smooth and is contributing to improve governance.

Unlike an auditor, an Audit & Supervisory Committee member has a voting right in the Board of Directors meeting. Therefore, if the management submits an inappropriate agenda item, the member can vote against the management upon expressing an opinion, and exercise its supervisory function. Noritz's Board of Directors meetings encourage Audit & Supervisory Committee members to do so by facilitating free, active discussions.

Three Audit & Supervisory Committee members, including myself, attend and express opinions at the the Nominating Advisory Committee and the Remuneration Advisory Committee meetings, where external directors, etc. represent the majority. By sharing information, we are motivated to strive so that the management protects minority stockholders' interests.

While decision on assignment of execution is authorized by the Board of Directors, Noritz reviewed matters to be discussed at the Board and differentiated them from concerns of the Management Committee, which is also represented by Senior Managing Executive Offices. This is one of our examples of promoting speedy decision making and enhancing discussion from a medium to long-term perspective.

Yasuhiko Ogawa External Director (Audit & Supervisory Committee Member)

## Financial and Non-Financial Data Summary

	2009.12	2010.12	2011.12	2012.12	2013.12	2014.12	2015.12	2016.12	2017.12	2018.12	2019.12	2019.12	
<b>Consolidated Statement of Income (Fiscal Year)</b>												(Millions of yen)	(Millions of U.S. dollars)
Sales	¥169,350	¥175,067	¥184,353	¥187,061	¥200,327	¥218,943	¥218,909	¥211,872	¥214,648	¥209,868	¥208,396	\$1,900	
Cost of goods sold	119,909	121,135	129,928	133,008	140,773	150,599	147,543	141,498	145,064	143,170	143,935	1,312	
Selling, general and administrative expenses	45,071	46,787	46,238	45,214	49,884	60,936	66,242	61,433	62,876	61,888	61,766	563	
Operating income	4,369	7,144	8,186	8,839	9,670	7,407	5,123	8,940	6,708	4,809	2,693	25	
Ordinary income	4,821	7,380	8,704	9,813	11,058	9,439	6,013	9,343	8,094	6,262	3,437	31	
Net income (loss) attributable to stockholders of the parent company	838	3,843	4,798	5,979	6,387	3,479	(3,958)	4,654	5,402	5,778	1,512	14	
<b>Consolidated Balance Sheet (End of Fiscal Year)</b>												(Millions of yen)	(Millions of U.S. dollars)
Net assets	81,449	83,419	85,621	92,724	109,673	118,244	113,731	111,477	121,531	114,053	114,801	1,047	
Total assets <sup>1</sup>	136,551	143,789	150,803	159,875	190,640	205,533	196,288	201,040	211,647	198,728	199,305	1,817	
<b>Consolidated Cash Flows (Fiscal Year)</b>												(Millions of yen)	(Millions of U.S. dollars)
Cash flow from operating activities	12,416	12,613	9,777	11,167	9,673	13,476	13,116	17,238	8,376	9,046	6,138	56	
Cash flow from investing activities	290	(2,898)	(9,028)	(7,340)	(10,430)	(14,658)	(6,346)	(6,423)	(8,574)	(1,380)	(11,304)	(103)	
Cash flow from financing activities	(7,066)	(955)	(1,432)	(1,731)	(574)	(2,814)	(2,814)	(1,614)	(1,715)	(1,854)	(2,802)	(26)	
Cash and cash equivalents at end of year	16,461	25,029	24,371	26,765	26,936	24,274	27,581	35,887	34,283	38,999	30,826	281	
<b>Per Share Information</b>												(Yen)	
Net assets	1,700.8	1,742.6	1,790.3	1,938.9	2,231.0	2,372.1	2,291.1	2,245.1	2,451.1	2,301.0	2,359.8		
Net income (loss)	17.5	80.3	100.3	125.0	133.6	72.8	(82.8)	97.3	113.0	120.9	31.8		
Dividends	28.0	28.0	30.0	30.0	30.0	32.0	32.0	32.0	32.0	32.0	32.0		
<b>Management Indicators</b>												(%)	
Operating income to sales	2.6	4.1	4.4	4.7	4.8	3.4	2.3	4.2	3.1	2.3	1.3		
Equity ratio	59.6	58.0	56.8	58.0	56.0	55.2	55.8	53.4	55.4	55.4	55.7		
Return on assets (ROA)	0.6	2.7	3.3	3.8	3.6	1.8	-	2.3	2.6	2.8	0.8		
Return on equity (ROE)	1.0	4.7	5.7	6.7	6.4	3.2	-	4.3	4.8	5.1	1.4		
<b>Non-Financial Data</b>													
Number of employees (consolidated)	5,134	5,299	5,519	5,703	9,165	9,422	9,253	9,118	8,815	8,776	8,489		
Number of employees (unconsolidated)	2,326	2,460	2,938	2,968	2,973	3,042	3,014	2,912	2,796	2,794	2,733		
Number of patents in Japan	850	743	767	842	904	921	940	1,081	1,076	1,114	1,169		
Number of domestic design patents	379	460	510	511	534	568	625	674	685	658	669		
CO <sub>2</sub> emissions reduction by Noritz products (10,000 tons/year)	48	64	82	99	111	117	118	267	277	264	265		
CO <sub>2</sub> emissions reduction by Noritz business activities (tons)	-	22,892	21,621	21,636	22,152	21,071	19,925	20,397	20,536	(Conventionally calculated) 20,651 (Obtained third-party validation) 24,522 <sup>2</sup>	(Conventionally calculated) 19,339 (Obtained third-party validation) 19,433		

\* 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 ¥109.68 = US\$1 as of December 27, 2019, published by Sumitomo Mitsui Banking Corporation.

\* The number of employees (unconsolidated) excludes directors and those seconded to or from the company.

\*1: "The Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. has been applied since the beginning of 2019 and retrospective adoption is reflected in the above total asset amounts.

\*2: The CO<sub>2</sub> amount is revised after obtaining third-party validation.

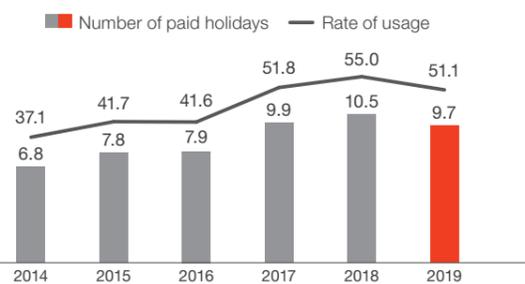
Calculation: Operating income to sales = Operating income/ Sales X 100

Equity = Net assets - Noncontrolling interests - Share acquisition rights  
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

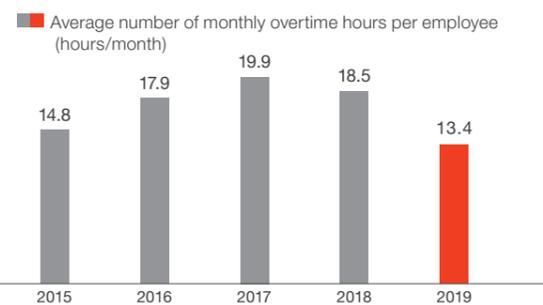
Return on Equity (ROE) = Current net income attributable to stockholders of the parent company/Average equity of previous and current terms X 100

**Average Number of Paid Holidays Taken and Rate of Usage (unconsolidated)**

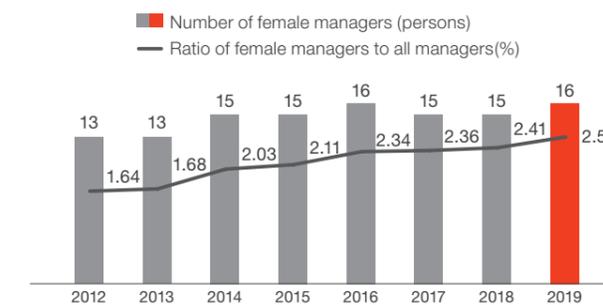


\* Average of union workers up to 2016 and all employees from 2017

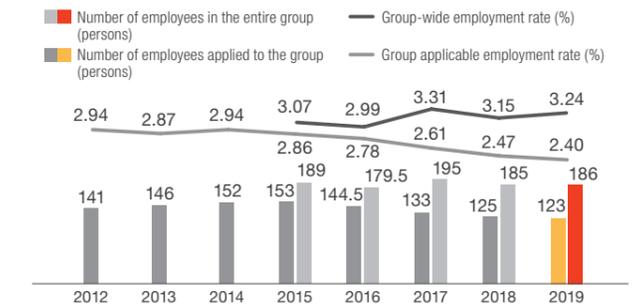
**Average Number of Monthly Overtime Hours (unconsolidated)**



**Female Managers and their Ratio to All Managers (unconsolidated)**



**Ratio of Employees with Disabilities**



\* 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.

\* Japan's mandatory employment rates: 1.8% in 2012-2013, 2.0% in 2014-2017, and 2.2% from 2018

## Consolidated Balance Sheets

Assets		(Millions of U.S. dollars)			Liabilities		(Millions of yen)			
		2018.12	2019.12	2019.12			2018.12	2019.12	2019.12	
<b>Current assets</b>	<b>Cash and cash equivalents</b>	¥39,278	¥31,591	\$288	<b>Current liabilities</b>	<b>Notes payable and accounts payable</b>	¥39,398	¥40,941	\$373	
	<b>Notes receivable and accounts receivable</b>	44,510	46,345	422		<b>Short-term borrowings</b>	800	1,252	11	
	<b>Electronically recorded monetary claims</b>	13,154	14,501	132		<b>Other payables</b>	10,489	10,294	94	
	<b>Securities</b>	606	612	6		<b>Accrued corporate income taxes</b>	1,812	523	5	
	<b>Inventories</b>	20,077	20,037	183		<b>Reserve for bonuses</b>	656	486	5	
	<b>Others</b>	5,186	5,209	47		<b>Reserve for bonuses for directors</b>	52	12	0	
	<b>Allowance for doubtful accounts</b>	(296)	(375)	(3)		<b>Reserve for product warranties</b>	853	873	8	
						<b>Reserve for product accidents processing</b>	43	36	0	
						<b>Reserve for loss on business liquidation</b>	175	-	-	
						<b>Others</b>	8,351	8,746	80	
<b>Total current assets</b>		122,517	117,922	1,075	<b>Total current liabilities</b>		62,632	63,167	576	
<b>Fixed assets</b>	<b>Tangible assets</b>				<b>Fixed liabilities</b>	<b>Deferred tax liabilities</b>	107	45	0	
	<b>Buildings and structures (net amount)</b>	14,592	14,647	133		<b>Reserve for retirement bonuses for officers</b>	56	70	1	
	<b>Machinery and transport equipment (net amount)</b>	6,302	6,232	57		<b>Reserve for product warranties</b>	2,548	2,083	19	
	<b>Land</b>	9,486	9,521	87		<b>Reserve for environmental measures</b>	188	8	0	
	<b>Construction in progress</b>	870	511	5		<b>Liabilities concerning retirement benefits</b>	14,212	13,101	119	
	<b>Others (net amount)</b>	2,474	5,057	46		<b>Others</b>	4,927	6,026	55	
	<b>Total tangible assets</b>	33,726	35,969	328	<b>Total fixed liabilities</b>		22,041	21,336	194	
	<b>Intangible assets</b>				<b>Total liabilities</b>		¥84,674	¥84,503	\$770	
	<b>Goodwill</b>	480	2,063	19	<b>Net assets</b>	<b>Stockholders' equity</b>	<b>Capital</b>	¥20,167	¥20,167	\$184
	<b>Others</b>	6,467	8,397	76			<b>Capital surplus</b>	22,956	22,956	209
	<b>Total intangible assets</b>	6,948	10,460	95			<b>Retained earnings</b>	66,361	66,347	605
	<b>Investments and other assets</b>						<b>Treasury stock</b>	(5,105)	(6,106)	(56)
	<b>Investments in securities</b>	27,707	29,464	269		<b>Total stockholders' equity</b>	104,381	103,365	942	
	<b>Long-term loans</b>	737	300	3		<b>Cumulative amount of other comprehensive income</b>	<b>Other difference in securities valuation</b>	8,193	9,897	90
	<b>Deferred tax assets</b>	4,340	2,583	23			<b>Deferred hedge gains (losses)</b>	(0)	-	-
	<b>Others</b>	2,907	2,737	25			<b>Foreign currency translation adjustment</b>	597	(41)	(0)
	<b>Allowance for doubtful accounts</b>	(157)	(134)	(1)			<b>Cumulative amount of retirement benefits adjustments</b>	(3,159)	(2,255)	(21)
	<b>Total investments and other assets</b>	35,535	34,951	319		<b>Total cumulative amount of other comprehensive income</b>	5,630	7,600	69	
<b>Total fixed assets</b>		76,210	81,382	742		<b>Share acquisition rights</b>	93	110	1	
						<b>Noncontrolling interests</b>	3,948	3,724	35	
<b>Total assets</b>		¥198,728	¥199,305	\$1,817		<b>Total net assets</b>	¥114,053	¥114,801	\$1,047	
						<b>Total liabilities and net assets</b>	¥198,728	¥199,305	\$1,817	

## Consolidated Statements of Income

	(Millions of yen)		(Millions of U.S. dollars)
	2018.12	2019.12	
<b>Sales</b>	¥209,868	¥208,396	\$1,900
<b>Cost of goods sold</b>	143,170	143,935	1,312
<b>Gross profit</b>	66,698	64,460	588
<b>Selling, general and administrative expenses</b>	61,888	61,766	563
<b>Operating income</b>	4,809	2,693	25
<b>Non-operating income</b>	1,802	1,474	13
<b>Non-operating expenses</b>	349	730	7
<b>Ordinary income</b>	6,262	3,437	31
<b>Extraordinary income</b>	5,414	261	3
<b>Extraordinary loss</b>	1,603	765	7
<b>Net income before tax adjustments</b>	10,073	2,933	27
<b>Income taxes</b>	2,824	843	8
<b>Income taxes deferred</b>	1,255	526	5
<b>Total income taxes</b>	4,080	1,370	13
<b>Net income</b>	5,993	1,562	14
<b>Net income attributable to noncontrolling stockholders of the parent company</b>	215	50	0
<b>Net income attributable to stockholders of the parent company</b>	¥5,778	¥1,512	\$14

## Consolidated Statements of Cash Flow

	(Millions of yen)		(Millions of U.S. dollars)
	2018.12	2019.12	
<b>Cash flow from operating activities</b>	¥9,046	¥6,138	\$56
<b>Cash flow from investing activities</b>	(1,380)	(11,304)	(103)
<b>Cash flow from financing activities</b>	(1,854)	(2,802)	(26)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(1,095)	(418)	(4)
<b>Net increase (decrease) in cash and cash equivalents</b>	4,715	(8,385)	(77)
<b>Cash and cash equivalents at beginning of year</b>	34,283	38,999	356
<b>Increase in cash and cash equivalents resulting from new consolidation</b>	-	213	2
<b>Cash and cash equivalents at end of year</b>	¥38,999	¥30,826	\$281

\* Figures in yen have been translated into U.S. dollars solely for convenience and are based on the exchange rate of ¥109.68 = US\$1 as of December 27, 2019, published by Sumitomo Mitsui Banking Corporation.

## Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Capital	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Other difference in securities valuation	Deferred hedge gains (losses)	Foreign currency translation adjustments	Cumulative amount of retirement benefits adjustments	Total cumulative amount of other comprehensive income	Share acquisition rights	Noncontrolling interests	Total net assets
<b>Balance as of December 31, 2017</b>	¥20,167	¥22,965	¥62,114	¥(5,114)	¥100,125	¥17,908	¥0	¥2,410	¥(3,267)	¥17,052	¥63	¥4,290	¥121,531
<b>Changes during the year</b>													
Cash dividends			(1,529)		(1,529)								(1,529)
Net income attributable to stockholders of the parent company			5,778		5,778								5,778
Purchase of treasury stock				(2)	(2)								(2)
Disposal of treasury stock			(1)	10	9								9
Change in the scope of consolidation													
Net changes in items other than stockholders' equity during the year						(9,714)	(1)	(1,813)	107	(11,421)	30	(342)	(11,732)
<b>Total changes during the year</b>	-	-	4,247	8	4,255	(9,714)	(1)	(1,813)	107	(11,421)	30	(342)	(7,477)
<b>Balance as of December 31, 2018</b>	¥20,167	¥22,956	¥66,361	¥(5,105)	¥104,381	¥8,193	¥(0)	¥597	¥(3,159)	¥5,630	¥93	¥3,948	¥114,053
<b>Changes during the year</b>													
Cash dividends			(1,530)		(1,530)								(1,530)
Net income attributable to stockholders of the parent company			1,512		1,512								1,512
Purchase of treasury stock				(1,024)	(1,024)								(1,024)
Disposal of treasury stock			(2)	23	20								20
Change in the scope of consolidation			6		6								6
Net changes in items other than stockholders' equity during the year						1,703	0	(638)	903	1,969	17	(223)	1,762
<b>Total changes during the year</b>	-	-	(13)	(1,001)	(1,015)	1,703	0	(638)	903	1,969	17	(223)	747
<b>Balance as of December 31, 2019</b>	¥20,167	¥22,956	¥66,347	¥(6,106)	¥103,365	¥9,897	¥-	¥(41)	¥(2,255)	¥7,600	¥110	¥3,724	¥114,801

(Millions of U.S. dollars)

	Capital	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Other difference in securities valuation	Deferred hedge gains (losses)	Foreign currency translation adjustments	Cumulative amount of retirement benefits adjustments	Total cumulative amount of other comprehensive income	Share acquisition rights	Noncontrolling interests	Total net assets
<b>Balance as of December 31, 2018</b>	\$184	\$209	\$605	\$(47)	\$951	\$75	\$(0)	\$5	\$(29)	\$51	\$1	\$36	\$1,040
<b>Changes during the year</b>													
Cash dividends			(14)		(14)								(14)
Net income attributable to stockholders of the parent company			14		14								14
Purchase of treasury stock				(9)	(9)								(9)
Disposal of treasury stock			(0)	0	0								0
Change in the scope of consolidation			0		0								0
Net changes in items other than stockholders' equity during the year						16	0	(6)	8	18	0	(1)	16
<b>Total changes during the year</b>	-	-	(0)	(9)	(9)	16	0	(6)	8	18	0	(1)	7
<b>Balance as of December 31, 2019</b>	\$184	\$209	\$605	\$(56)	\$942	\$90	¥-	\$(0)	\$(21)	\$69	\$1	\$35	\$1,047

\* Figures in yen have been translated into U.S. dollars solely for convenience and are based on the exchange rate of ¥109.68 = US\$1 as of December 27, 2019, published by Sumitomo Mitsui Banking Corporation.

## Stocks and Corporate Information

### Status of the Stocks (as of December 31, 2019)

■ Total Number of Authorized Shares 156,369,000

■ Total Number of Issued Shares 50,797,651

■ Number of Stockholders 4,736

#### Major stockholders

Names	Number of shares held	Shareholding ratio (%)
1. The Dai-ichi Life Insurance Company Limited	2,303,100	4.90
2. Sumitomo Mitsui Banking Corporation	2,199,695	4.68
3. Noritz Transaction Counterparties Stock Ownership Association	1,936,609	4.12
4. The Master Trust Bank of Japan, Ltd. (trust account)	1,759,100	3.74
5. Chofu Seisakusho Co., Ltd.	1,520,000	3.23
6. The Chase Manhattan Bank, N.A. London	1,437,600	3.06
7. Noritz Employee Stock Ownership Association	1,363,115	2.90
8. Toshiro Ota	1,350,100	2.87
9. Japan Trustee Services Bank, Ltd. (trust account)	1,303,600	2.77
10. Noritz Transaction Counterparties Stock Ownership Association	1,221,500	2.60

1: Treasury stock of 3,774,143 shares owned by Noritz is not included in the above table.  
2: Treasury stock of 3,774,143 shares is not included in calculating the shareholding ratio.

### Company Profile

Company Name	Noritz Corporation
Established	March 1951
Headquarters	Eiko Building, 93 Edo-machi, Chuoku, Kobe, Hyogo, Japan
Capital	¥20,167 million

### About the Noritz Report

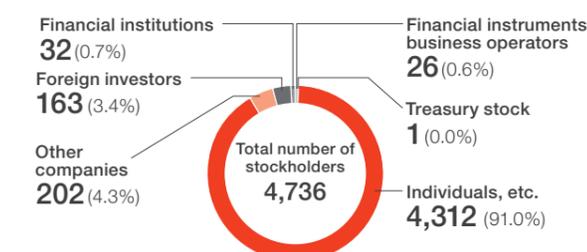
#### ■ About the contents of this report

Reporting Period	2019 (from January 1, 2019 to December 31, 2019) * Some activities in 2020 are also included.
Scope	Initiatives taken in Japan are the main content of the NORITZ REPORT 2020. 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	IIRC Integrated Reporting Framework, SDGs, ISO26000, GRI "Sustainability Reporting Guideline" Standard, SASB Standard, United Nations Global Compact, Keidanren (Japan Business Federation) Charter of Corporate Behavior, METI's Guidance for Collaborative Value Creation
Last issued	The Japanese version in April 2019 and the English version in July 2019
Next issue schedule	The Japanese version in April 2021 and the English version in August 2021

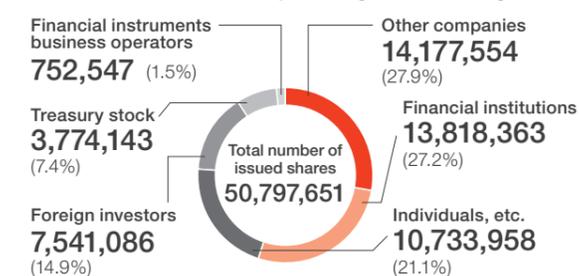
#### About future plans and forecasts

All the plans or strategies of Noritz and Noritz Group as of March 31, 2020 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.

#### ■ Breakdown of Type of Stockholders



#### ■ Breakdown of Ownership Among Shareholdings



\* Percentages in parentheses are shareholding ratios.

President and CEO	Soichiro Kokui
Number of Employees	2,733 (non-consolidated); 8,489 (consolidated)
Listed Stock Exchange	Tokyo Stock Exchange, First Section
Securities Code	5943

#### ■ Our thoughts in publishing NORITZ REPORT 2020

This is the sixth issue of the NORITZ REPORT, that was first published in 2015. The report presents a linkage between the present financials, which leads to the corporate value creation of the Noritz Group, and the Group's future financials. It is positioned as a communication tool to present to stakeholders our thoughts on Noritz Group's value creation process and sustainable strategy. More details are available on our corporate website.

More on Noritz's CSR initiatives on the corporate website (Japanese only)

