

Corporate Report &
CSR Report Digest

NORITZ
2014

* * *

The Simple Comforts

NORITZ

Making your life
a happy and safe oasis
with hot water

Editorial Policy

Since 2006, the Noritz Group has been taking steps to enhance the quality of the Group's CSR initiatives.

The NORITZ Corporate Report & CSR Report Digest 2014 combines our Environmental & Social Report with our conventional Corporate Profile. By including a presentation of our business processes with our CSR report in digest form, we intend to highlight the quality of the value offered by our core business.

Content of the Report

Reporting period: January 1–December 31, 2013
(Includes some data from before and after these dates.)

Scope: Noritz Corporation and its group businesses inside and outside Japan

Reference Guidelines

- ISO 26000
- United Nations Global Compact
- G4 Sustainability Reporting Guidelines of the Global Reporting Initiative
- Environmental Reporting Guidelines 2012, Ministry of the Environment of Japan
- United Nations Millennium Development Goals



Designed by non-profit organization "Hottokenai Campaign" in Japan

About the Web edition

Details of Noritz' CSR initiatives are available on our website (available in Japanese only).
<http://www.noritz.co.jp/csr.html>

We have created eight categories for promoting CSR initiatives and have launched our working groups. In 2013, we began promoting problem identification and problem solving mainly through the activities of the various working groups. The print edition (pdf version) presents our business processes on pages 13–20. The web edition, however, presents a larger volume of information. (The web edition is scheduled to be updated in July 2014.)

of Life

Brand Message



Ecology ★ Relax ★ Clean & Beauty—
These are the three primary colors of the happy life
offered by the Noritz Group.

**Ecology means to make environmentally
friendly living more commonplace.**

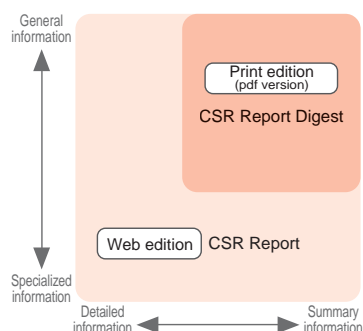
**Relax means to make one's home entirely
comfortable.**

**Clean & Beauty means to nurture a healthy and
beautiful body and mind.**

Our goal is to bring these to fruition.

As we visualize smiling faces and the beautiful
future that lies ahead, we are pushing forward with
products and services that highlight the Noritz
Group as "the hot water experts."

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Month of publication of preceding and subsequent issues

Preceding issue published April 2013; subsequent issue scheduled for April 2015

Message from the President



As a company working with society to achieve sustainable growth, we contribute to smiles and a healthy planet through the pursuit of daily comforts.

***Bath Makes Us Happy:* The Founder's Maxim**

In 1951, during Japan's postwar revival period, Toshiro Ota established our company to promote the adoption of in-home bathtubs in Kobe in the belief that "bath makes us happy." Since that time, Noritz focused on product development in response to customer demand and introduced a variety of products responding to changing times while seeking to promote "an affluent way of life with hot water every day." Building on proprietary technology developed in Japan, our company established a joint venture with a local company in Shanghai, China, in 1993 and launched production of gas water heaters. In order to provide a richer life with daily hot water for the Chinese, Noritz provided the capital and technology for product manufacturing in China at a time when most companies moving into China chose to re-export products manufactured in China to their home markets.

In the U.S.A., which has been contending with various environmental and energy issues, we introduced our gas water heaters in 2002 by highlighting their compact design and superior energy efficiency. Baths help to

keep us clean while promoting good health and rapid healing, thus adding to our happiness. We remain committed to developing our company globally while adhering to the founder's maxim.

The Simple Comforts of Life

In 2011, the Noritz Group launched a new six-year medium-term management plan titled "V-plan 16" and established our Group vision, "The Simple Comforts of Life." Our policy is to achieve a stable management base and sustained growth and to form the Noritz Group into an organization whose employees develop confidence and take pride in their work. We have focused on continuous innovation in the current scope of our business, which include photovoltaic power generation systems and brand investment. Looking to our global network, we acquired Sakura China Co., Ltd., a Chinese manufacturer of water heaters that became our wholly owned subsidiary in 2013 and engages in occasional innovation. As the Noritz Group continues to push forward to transcend conventional water heating in order to meet public demand for expanding environmental

protection and energy efficiency on a global scale.

In 2014, at the start of the latter three years of our six-year plan, we began to implement a more stable management foundation and address the challenge of sustainable growth under our slogan of “comprehensive thought and action from a new perspective.”

Contributing to smiles and a healthy planet through the pursuit of daily comforts

Our Group is determined to promote business that contributes to smiles and a healthy planet through the pursuit of daily comforts. The pillar is our initiative in the hydronic air conditioning segment to offer more eco-friendly and comfortable hot water, which is indispensable to everyday life. We provide products such as hybrid water heater and heating system, the ECOWILL gas-engine cogeneration water heater and heating system that heats water by combining gas energy and atmospheric thermal energy, and the Eco-Jozu high-efficiency gas water heater. Developing

such products requires the daily efforts of all our employees. Through our efforts to provide products that contribute to society, we create an environment in which all employees can work with confidence and pride.

Promoting safety and trust in our products worldwide

The Noritz Group is committed to improving quality and customer satisfaction as a top priority while striving to develop a management structure responsive to customers. We are focused on improving quality in the design, procurement and production processes during manufacturing as well as during installation. Furthermore, we are intent on improving response quality of our Contact Center to achieve customer satisfaction during the customer usage phase. We will continue to emphasize our initiative to improve quality in each process. We are also taking steps to reinforce safety standards as part of our current global expansion.

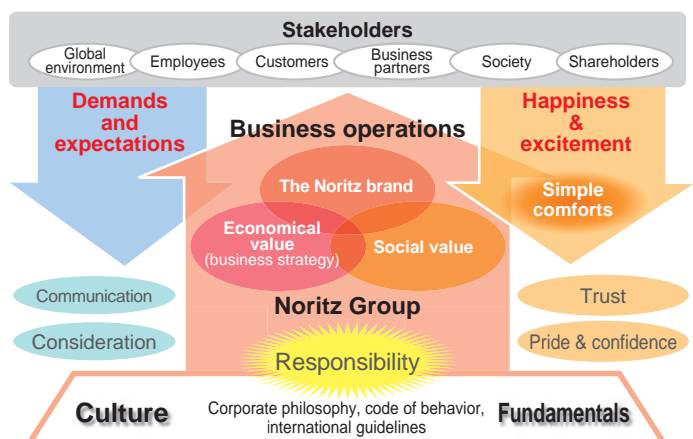
A CSR policy for a company that remains the first choice

Until recently, we have been focused mainly on contributing to an affluent life through our water heaters. This approach is universal and therefore changeless. However, over time, the definition of “affluence” evolves. For example, we can no longer achieve true affluence without considering the health of the global environment. To contribute to a society that sustains compatibility between the economy and the environment through efficient use of limited fossil fuels or by substituting these with renewable forms of energy or the like, we believe these aspects must now be considered as linked to the concept of affluence.

Our corporate social responsibility (CSR) deeply integrates three commitments: the pursuit of economic value through business strategies; the pursuit of social values that are proactively adapted to social requirements and expectations; and the promotion of Noritz quality. Thus, we are committed to ensuring all our stakeholders experience the simple comforts of life.

In December 2012, we signed the Global Compact of 10 principles as advocated by the United Nations. In accordance with these 10 principles in four categories, we are implementing initiatives based on our corporate philosophy and global framework to achieve sustainable growth as a company together with society. At the same time, we recognize that improving our corporate governance is one of the most important issues management faces; therefore, we will optimize managerial decisions by enhancing the management soundness and transparency with the goal of enhancing our corporate value.

CSR Initiatives



The Ten Principles of the Global Compact



Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

Labour

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

Soichiro Kokui, President

国井総一郎

Business Segments

Contributing to a life of affluence with a focus on health, beauty, safety, comfort and the environment

The simple comforts of hot water



ECO-TEC
Gas water heater



ECO-FUEL
Kerosene water heater



Eco-switch



ECO-WILL
Gas-engine cogeneration
water heater and
heating system



Commercial water heater

Spotlight
product

Hybrid water heater and
heating system

By combining gas energy and
atmospheric thermal energy, it
efficiently produces hot water,
re-heats bathwater, and
provides hydronic heating.



Built-in bathroom



Hydronic bathroom heater
and dryer



My Care Mist



Self-Cleaning Bathtub



Built-in kitchen

Supporting food culture



Gas cooker



Dishwasher



Range hood

Cleanliness & Relaxation



Wash basin

Hot water for room heating



Hydronic room heater



Gas fan heater



Hydronic floor heating

Powering our lives with infinite solar energy



Photovoltaic power generation system



Energy monitor



Solar heating system

**Spotlight
product**

Double solar system

Contributing to zero energy daily living by generating power from sunlight and heating water with the sun's heat.



Masanori Higashiuchi

Operating Officer, Head,
Corporate Quality Assurance
Headquarters



We are working on an initiative to improve the quality of our design, production, construction and response to achieve customer satisfaction. As a specialty division focused on quality assurance and being responsive to our customers, we promote the safe use of hot water to support more comfortable lifestyles. We use various standards, indices and management approaches every day, mainly in the design and production phases, in order to deliver safe, high-quality products that contribute to the daily lives of our customers in roughly 20 million Japanese households. In 2014, in order to provide safe and reliable products to an expanding international customer base, we will strengthen our safety standards with a global perspective. In Japan, we will adjust our corporate operations to reflect the desires of those customers who connect with our Contact Center every day. At the same time, we will adopt needed innovations as improvements to products and services, preventing malfunctions before the fact, and constantly improving quality and safety training.

Global Network

Promoting safety and trust in our products worldwide



Asia

China

In 1993, Noritz expanded the business to China, a market where steady growth can be expected. We currently have a presence mainly in Shanghai and other urban areas. With the goal of positioning ourselves as a high-end brand, we are manufacturing gas instantaneous water heaters and other energy-efficient products that contribute to a healthy environment. In 2013, Sakura China Co., Ltd., a manufacturer of range hoods, gas cookers and electric water heaters, became a wholly owned subsidiary of Noritz. By combining the strengths of both companies, we are growing as a comprehensive manufacturer of home appliances.



Noritz (China) Co., Ltd.
Noritz (Shanghai) Home Appliance Co., Ltd.



Sakura China Co., Ltd.

Hong Kong & Macau

Our points of presence in Hong Kong and Macau continue to evolve. We cooperate with local companies and are primarily focused on promoting our gas instantaneous water heaters and built-in gas cookers in these markets.



Noritz Hong Kong Co., Ltd. Macau Showroom

North America

Noritz America is headquartered in California and has a branch office in Georgia. Noritz America business is focused on the sales of tankless water heaters. The strength of Noritz America is its high quality products from Japan. As environmental awareness, desire for endless hot water and focus on cost savings grow, the demand for Noritz tankless water heaters is expected to grow.



Noritz America Corporation

South America

Our South American presence is focused mainly in Brazil. As emerging economies change rapidly, gas instantaneous water heaters are attracting greater attention for their contribution to energy conservation and a healthier environment.



FEICON Exhibition
in São Paulo, Brazil



Home center
in São Paulo

Oceania & Europe

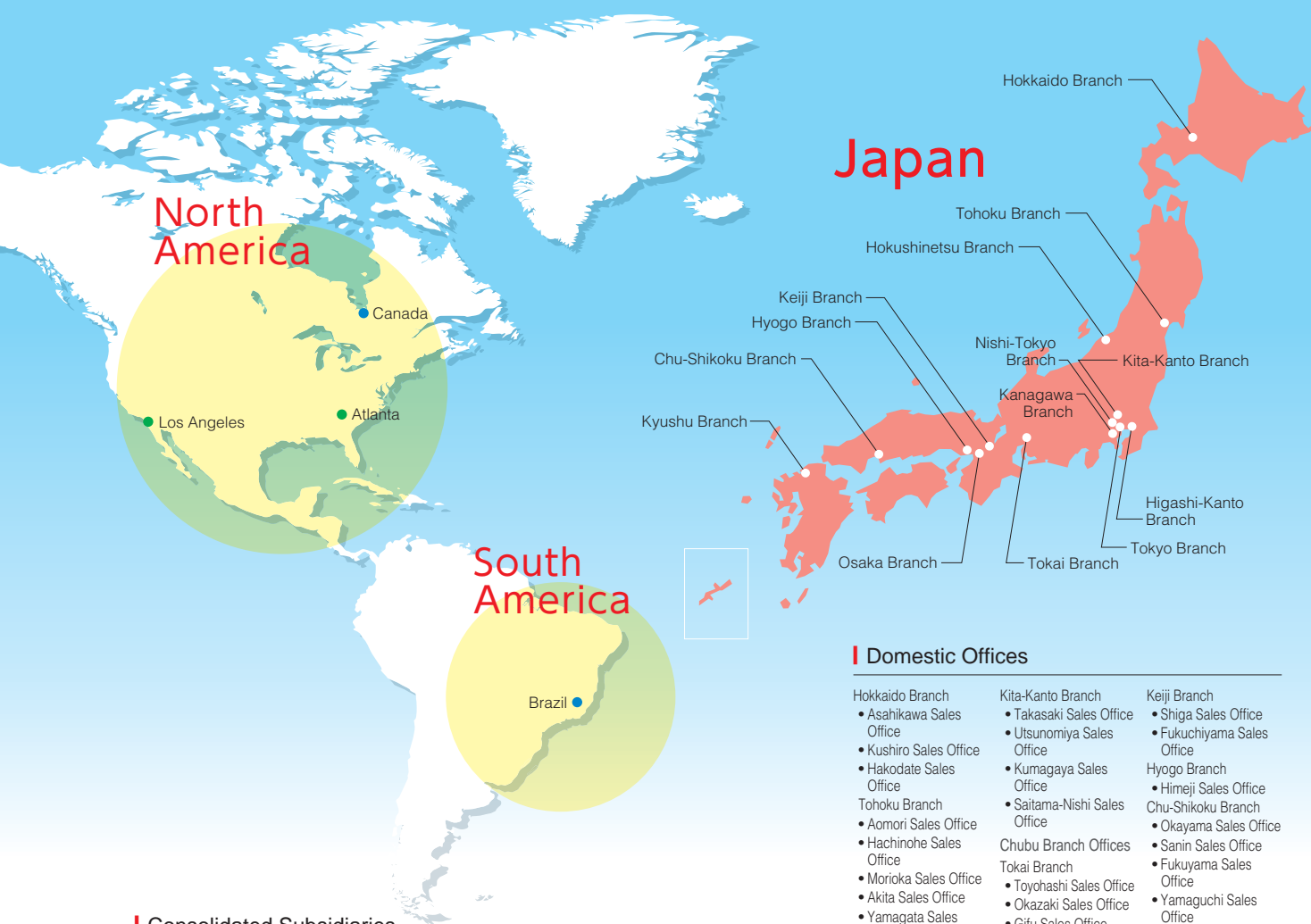
Noritz is introducing its products in Australia, Italy and other EU countries in the wake of stringent environmental regulations. Our products are attracting attention for their high efficiency, high quality, and advanced technology.



Installation work
in Australia



Typical installation
in the U.K.



I Consolidated Subsidiaries

Taisei Industry Co., Ltd.	Manufacture of water heater components
Sinwa Industry Co., Ltd.	Manufacture of water heater components
Harman Co., Ltd.	Manufacture and sales of water heaters and kitchen instruments
Kanto Sangyo Co., Ltd.	Manufacture of home appliance systems
RB Corporation	Manufacture of water heaters and home appliance systems
Tada-Smith Company, Ltd.	Manufacture of kitchen instrument components
S-Core Hearts Co., Ltd.	Recycling of water heaters
Noritz Jyusetsu Co., Ltd.	Sales of water heaters
NTS Co., Ltd.	Water heater maintenance and repair
Noritz Capital Corporation	Cash management services
Noritz America Corporation	Sales of water heaters in North America
Noritz (China) Co., Ltd.	Management of manufacturing subsidiaries in China and sales of water heaters
Noritz (Shanghai) Home Appliance Co., Ltd.	Manufacture of water heaters
Shanghai Noritz Co., Ltd.	Manufacture of water heaters
Noritz Hong Kong Co., Ltd.	Sales of water heaters in Hong Kong and elsewhere
Noritz Electronics (H.K.) Technology Co., Ltd.	Parts procurement and sales
Dongguan Daxin Noritz Electronics Co., Ltd.	Manufacture of water heater components
Sakura (Cayman) Co., Ltd.	Holding company
Sakura China Holdings (Hong Kong) Company Limited	Holding company
Sakura China Co., Ltd.	Manufacture of water heaters and kitchen instruments
Foshan Yingshun Bath & Kitchen Co., Ltd.	Manufacture of water heaters and kitchen instruments
Kunshan Yinghua Technology Co., Ltd.	Manufacture of water heaters and kitchen instruments

I Company Profile

Company Name	Noritz Corporation
Established	March 1951
Stated Capital	¥20,167 million
Location	93 Edomachi, Chuo-ku, Kobe, Hyogo Prefecture
Management	Soichiro Kokui, President

Employees	2,973 (non-consolidated)
Scope of business	Gas water heaters, Kerosene water heaters, hydronic heating systems, air conditioners, gas fan heaters, photovoltaic power generation systems, solar water heating systems, built-in bathrooms, built-in kitchens, wash basins, kitchen appliances, commercial bathroom equipment, and other products

I Domestic Offices

Hokkaido Branch • Asahikawa Sales Office • Kushiro Sales Office • Hakodate Sales Office Tohoku Branch • Aomori Sales Office • Hachinohe Sales Office • Morioka Sales Office • Akita Sales Office • Yamagata Sales Office • Koriyama Sales Office	Kita-Kanto Branch • Takasaki Sales Office • Utsunomiya Sales Office • Kumagaya Sales Office • Saitama-Nishi Sales Office Chubu Branch Offices Tokai Branch • Toyohashi Sales Office • Okazaki Sales Office • Gifu Sales Office • Mie Sales Office • Tsu Sales Team • Shizuoka Sales Office • Numazu Sales Office • Hamamatsu Sales Office	Keiji Branch • Shiga Sales Office • Fukuchiyama Sales Office Hyogo Branch • Himeji Sales Office Chu-Shikoku Branch • Okayama Sales Office • Sanin Sales Office • Fukuyama Sales Office • Yamaguchi Sales Office • Takamatsu Sales Office • Tokushima Sales Team • Matsuyama Sales Office • Kochi Sales Office
Kanto Branch Offices Tokyo Branch Nishi-Tokyo Branch • Kofu Sales Office Higashi-Kanto Branch • Mito Sales Office • Tsukuba Sales Office • Kashiwa Sales Office • Ichikawa Sales Office • Kisarazu Sales Office Kanagawa Branch • Atsugi Sales Office • Sagami Sales Office	Hokushinetsu Branch • Nagaoka Sales Office • Nagano Sales Office • Matsumoto Sales Office • Kanazawa Sales Office • Toyama Sales Office • Fukui Sales Team Nishi-Nihon Branch Offices Osaka Branch • Nara Sales Office • Wakayama Sales Office	Kyushu Branch • Kitakyushu Sales Office • Oita Sales Office • Kumamoto Sales Office • Kurume Sales Office • Nagasaki Sales Office • Miyazaki Sales Office • Kagoshima Sales Office • Okinawa Sales Office

I Training Centers

Renewable Energy Products Training Center (Akashi)
 Training Center (Akashi)
 Tokyo Training Center (Hachioji)
 Nagoya Training Center (Nagoya)
 Fukuoka Training Center (Fukuoka)

A Clean Earth for Future Generations

Global warming is worsening year by year.

Global warming is caused by a rapid increase in carbon dioxide (CO₂) and other greenhouse gases in the atmosphere.

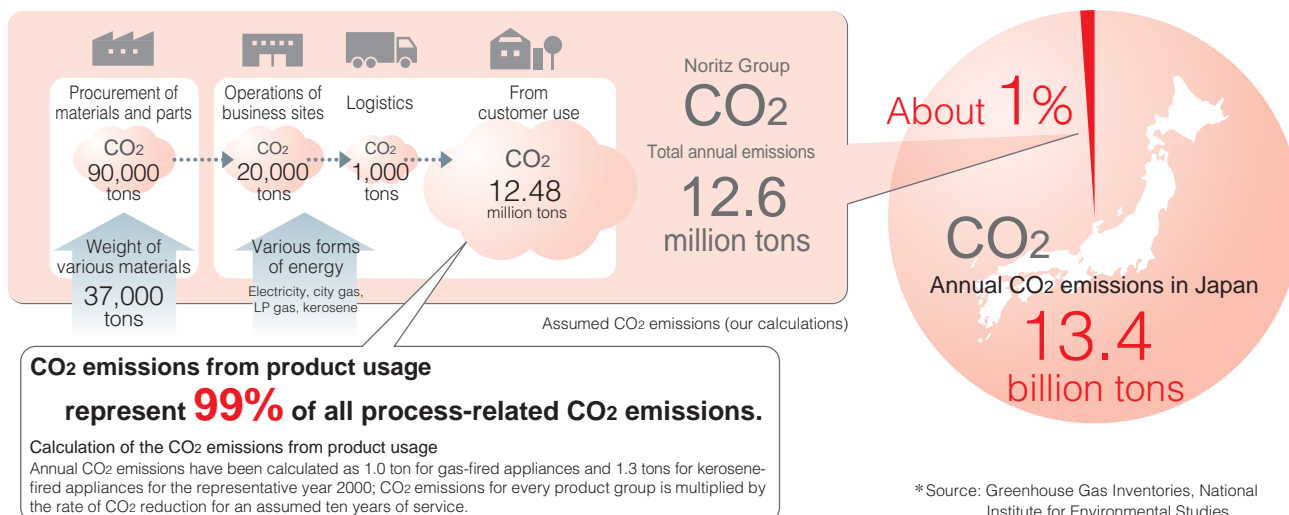
In the Noritz Group, we are proactively addressing preservation of the global environment under our slogan, “A Clean Earth for Future Generations.”



Annual CO₂ emissions of the Noritz Group and Noritz products are approximately 1% of total CO₂ emissions in Japan.

As a manufacturer of devices to produce hot water that is used every day by our customers, the Noritz Group consumes 37,000 tons per year of various resources as well as energy in various forms, and our products emit 12.6 million tons per year of CO₂ throughout their life cycle. This represents about 1% of Japan's overall annual CO₂ emissions of 13.4 billion tons.*

Total annual CO₂ emissions throughout product life cycle



We hold a domestic market share of about 40% for gas and kerosene water heaters.
About 20 million households use our water heaters.

Social Responsibility of the Noritz Group

We are promoting a reduction in CO₂ emissions as part of our contribution to global environmental conservation.

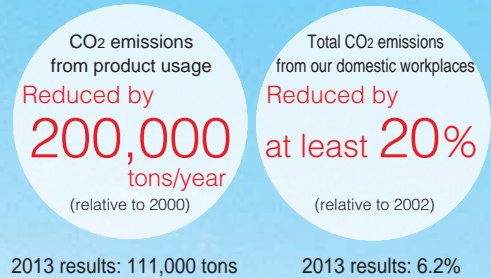


As a manufacturer of devices to produce hot water that is used every day by approximately 20 million households in Japan, Noritz has introduced its “Eco-First Commitment” initiative.

On March 9, 2009, Noritz became the first manufacturer of gas and kerosene appliances to acquire the “Eco-First Company” certification. This reflects our social commitment to advancing various initiatives highlighting environmental conservation.

Established in April 2008, the Eco-First system is intended to further promote the environmental conservation practices of leading industrial companies. We are committed to advancing the cause of environmental conservation together with the Japanese Ministry of the Environment.

— By 2016 —



Eco-First Commitment (extract)

Commitment 1

We shall proactively contribute to the emergence of a low-carbon society through our products.

Commitment 2

We shall proactively contribute to the emergence of a low-carbon society through our operations.

Commitment 3

We shall strengthen our management of chemical substances ahead of regulations, thus reducing the risk of environmental pollution.

Commitment 4

We shall proactively contribute to the emergence of a resource-recycling society through our products and operations.

Promoting the adoption of green products with the goal of achieving symbiosis with society at large.

Use of solar energy

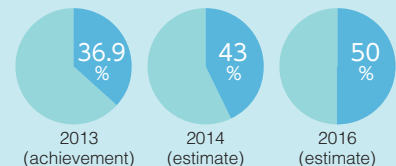


Efficient use of gas and kerosene

Heating water with a combination of gas and atmospheric thermal energy



By 2016, the sales composition ratio (number of units) of our Eco-Jozu high-efficiency water heaters will increase to 50%.



Training our personnel to promote green products

Our employees are taking steps to acquire their Eco Test* certification. In fact, more than 80% of the employees of our sales headquarters have acquired this certification.

* Certification Test for Environmental Specialists conducted by the Tokyo Chamber of Commerce and Industry. It is intended to certify personnel who work on environmental issues toward a sustainable society.



Certified employees at sales headquarters
1,202
Acquisition rate
83.5%

Allotting 20 yen per green product sold to a forest improvement project

We allot 20 yen per green product sold for forest cultivation.

We launched this initiative in 2010. In fiscal 2013, we contributed ¥7.4 million from sales of 370,000 units of target products to support forest cultivation projects, including one in Asago City, Hyogo Prefecture.



Promoting work opportunities for persons with disabilities

We are creating employment through our social welfare initiative to employ people with disabilities; specifically, we employ people with disabilities who are capable of working in cooperation with a social welfare institution. Through our business operations, we provide disassembly and sorting work opportunities with a water heater recycling project. Under our social contribution initiatives, 2.96% of our Group employees are classified as individuals with a disability as of November 1, 2013.



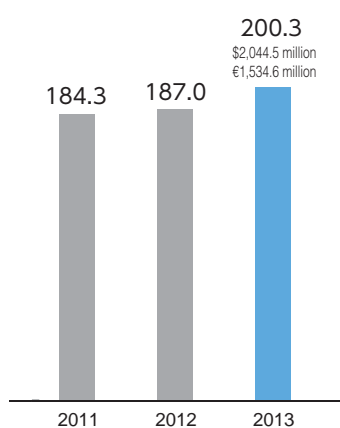
Through initiatives that contribute to society, our Group is promoting our “Three Smile Projects” comprising an independence support project for people with disabilities, forest cultivation projects, and bathing & nutrition education projects with a focus on “smiles of people, the planet, and life.”

2013 Financial Performance

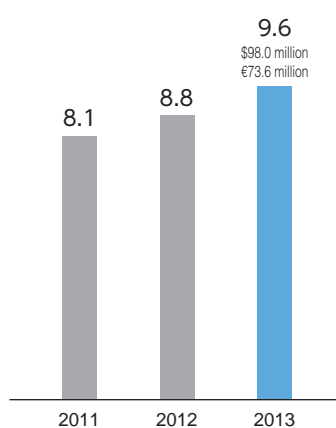
The Noritz Group is active in the growing fields of energy conservation and environmental protection, awareness of which is growing around the world.

Consolidated financial highlights

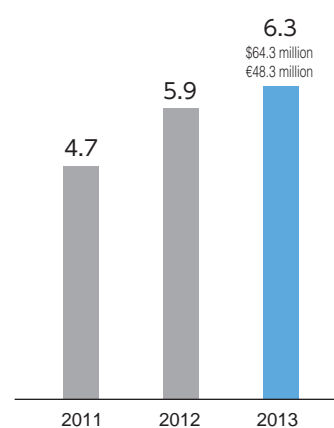
Net Sales (¥ billion)



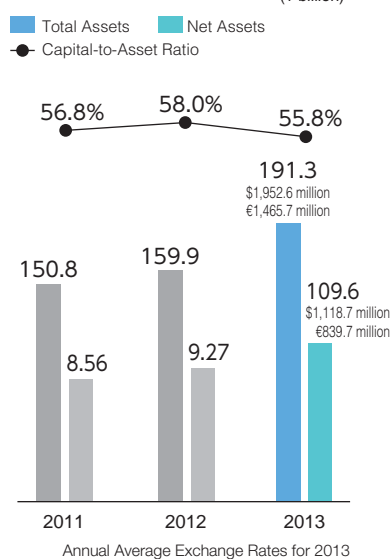
Operating Income (¥ billion)



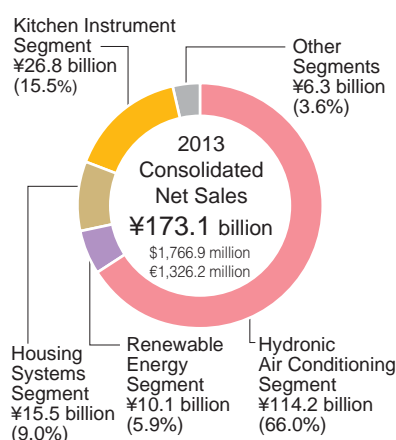
Net Income (¥ billion)



Total Assets, Net Assets, and Capital-to-Asset Ratio (¥ billion)

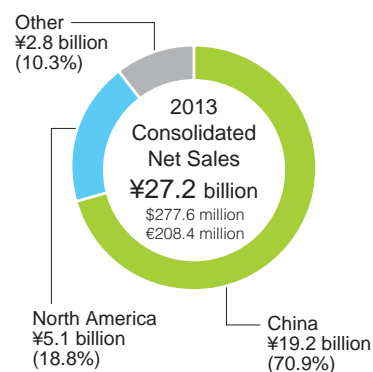


Domestic Sales by Business Segment



Composition ratio appears in parentheses.

Global Sales by Territory



Composition ratio appears in parentheses.

Hydronic Air Conditioning Segment

(gas and kerosene water heaters, hybrid water heater and heating systems)

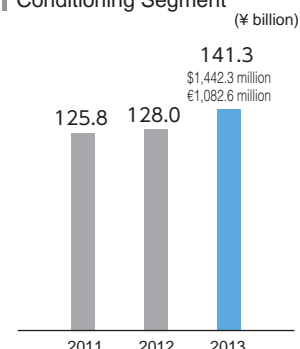
The need for environmental protection and energy-efficient technology is spreading globally.

In offering our gas instantaneous water heaters in Japan and around the world, we combine three advanced technologies that ensure stable hot water supply: fluid control, combustion control, and heat exchange technologies. In addition to finding success in the Japanese market, the Eco-Jozu high-efficiency gas water heater is in growing demand in markets worldwide. In Japan, the market for our hybrid water heater and heating system and other eco-friendly and energy-efficient products can be expected to continue growing.



In July 2013, Sakura (Cayman) Co., Ltd., a manufacturer of housing equipment, became a wholly owned subsidiary of Noritz.

Net Sales of Hydronic Air Conditioning Segment



Kitchen Instrument Segment

(gas cookers, range hoods, dishwashers, and gas ovens)

Development of Japan's first built-in gas cooker with a proprietary energy-efficient burner to provide stable flame

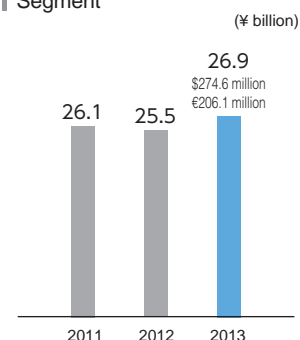
Our proprietary aluminum die-cast burner is energy-efficient and achieves stable flame. Because it burns with gas, it generates high-heat flame as well as very low-heat flame to accommodate our customers' food preparation needs. With the increasing diversification of the Japanese energy supply following the disastrous Great East Japan Earthquake, demand for gas cookers has been increasing year by year, and demand is expected to become stronger in future.



HARMAN
▼
NORITZ

In December 2013, we announced that almost all Harman brand products would be unified under the Noritz brand.

Net Sales of Kitchen Instrument Segment



Renewable Energy Segment

(photovoltaic power generation, solar water heaters)

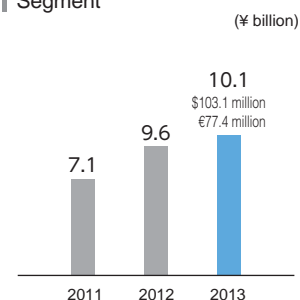
Building on more than 30 years of experience, we are meeting the challenge of achieving zero energy consumption by exploiting the heat and light of the sun.

Our double solar system generates hot water from the heat of the sun and electric power from sunlight. Our more than 30 years of research on solar energy has enabled us to design systems that take advantage of the unlimited energy produced by the sun. By combining solar energy with gas energy, we can respond to growing public demand for both energy efficiency and environmental protection.



As part of our full-scale entry into power generation sales, we started up the Kakogawa Office Photovoltaic Power Plant (1 MW) in July 2013 and the Kobe Port Photovoltaic Power Plant (1.2 MW, photo) in August 2013.

Sales of Renewable Energy Segment



Housing Systems Segment

(built-in bathrooms, built-in kitchens, wash basins)

Our flagship water heaters help to lighten the burden of bathtub scrubbing.

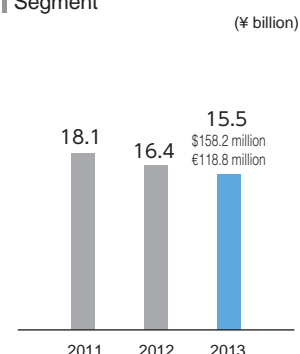
Now, bathtub cleaning requires only the simple press of a button. Our new Self-Cleaning Bathtub incorporates a completely automatic system that drains, cleans, and refills the tub. This proprietary innovation features a built-in bathroom to incorporate our flagship gas and kerosene water heaters.

We also offer kitchen-remodeling systems available in 1-cm increments to meet customer preferences for cabinet lengths.



In August 2013, our commercial titled "The Self-Cleaning Bathtub" by the comic artist Riyoko Ikeda was broadcast on national television.

Sales of the Housing Systems Segment





Research
&
Development

Eco-friendly Products that People Can Use Safely and Comfortably

CSR Activity

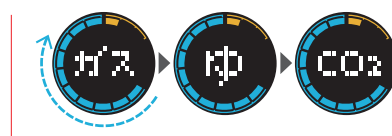
Manufacturing for Ease of Use

While manufacturing safe and comfortable products, it is also important to improve products' ease of use and to make convenient features easy for people to understand. This will be a big step toward enriching people's lives.

The Noritz Group actively works to integrate universal design into both "hard" and "soft" aspects of our products. We also take a communication design approach to creating products from the customer's point of view to provide ease of use.

We listen carefully to customer feedback and conduct design reviews to make regular assessments, and also employ physical checks and internal monitoring to make improvements.

Our remote control unit for bathtub water heaters employs "EneLook" function, which displays information on gas and water usage. This feature allows customers to check how much energy they have saved from day to day, how much their charges will be for the current month, and other data. This visualization of energy consumption helps households to save energy.

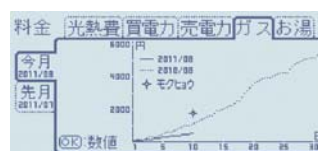


Status of energy saving is easy to see with the blue and orange display colors

Kitchen remote control for bathtub water heater



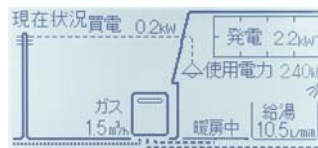
Bathtub heating instruction manual designed with customer feedback to be user-friendly



Comparison of gas usage volume (to previous year/previous month)



Kitchen remote control for bathtub water heater



Current usage of gas, hot water, electricity



Bathroom remote control for bathtub water heater

R&D Centers

↓ Eco-products R&D Center

Research and development is carried out at this center on electronics and new forms of energy that can help to protect the environment, such as solar-powered water heaters and heating systems, and cogeneration systems.



↓ Production Engineering Development Center

New production methods are developed here that involve all aspects of the design, development, and manufacture of production equipment and dies

↑ Head Office Development Center

Research and development is carried out using cutting-edge facilities to develop water heaters and home appliance system products to meet market needs. Elemental technologies for core components are also developed here in order to create original Noritz technologies.



Our R&D focuses on creating products that help to protect the global environment and enable safe, comfortable living to enrich people's lives. Aiming to pass on a clean and beautiful earth to future generations, we are researching and developing photovoltaic power generation systems and solar heating systems that use the light and heat of the sun for energy, as well as fuel cells and gas cogeneration systems that produce electricity using gas as a fuel.

We also use unique Noritz technologies to develop products for use worldwide, such as highly efficient water heaters to offer a stable supply of hot water.

Eco-friendly Product Development

Most of the greenhouse gas emissions in the life cycles of Noritz products are generated when the product is in use, so we work to develop products that require less power and have lower running costs, while not sacrificing any convenience or comfort for customers.



In September 2013 we developed a hybrid water heater and heating system with primary energy efficiency of 125%, making more efficient use of gas and atmospheric thermal energy. This system is the first in the industry to use a non-CFC (natural) refrigerant that has less environmental impact to cool the heat pump.

(Photos show developers of the hybrid water heater and heating system)



Hybrid water heater and heating system



Eco-switch



Highly efficient bathtub gas water heater

Satoshi Haramaki

Executive Officer, Deputy Head, Research & Development Headquarters



Our technical strengths in the R&D Division are in combining advanced combustion control, heat exchange, and fluid control technologies to provide stable hot water supply. We employ these strengths to develop eco-friendly, power-saving products. In addition to our leading gas and kerosene water heaters, we are developing products that use natural sources of energy including sunlight, solar heat, and atmospheric thermal energy. These are ongoing efforts aimed at helping to protect the global environment.

At the R&D Division we are also dedicated to ensuring safety in the use of our products. In the development of products we are careful to not only assure that the product functions properly overall but we also work to prevent failure in each and every component. To improve quality we pool the intellectual assets of every employee and share them internally, which results in products that people everywhere can use safely and comfortably.



Procurement
Production
Logistics

We deliver just the products needed right when they are needed.

Water Heaters



① Noritz Akashi Main Factory (Noritz Akashi Messe—NAM)



② Taisei Industry Co., Ltd.



Gas water heater

Kerosene water heater



③ Noritz Akashi Factory/
Sinwa Industry Co., Ltd.



④ S-Core Hearts Co., Ltd.

China



A Noritz (China) Co., Ltd.
Noritz (Shanghai) Home
Appliance Co., Ltd.



C Sakura China Co., Ltd.



B Dongguan Daxin Noritz
Electronics Co., Ltd.



D Foshan Yingshun
Bath & Kitchen Co., Ltd.



Water heater
(Noritz China)



Water heater
(Sakura China)



Gas cooker



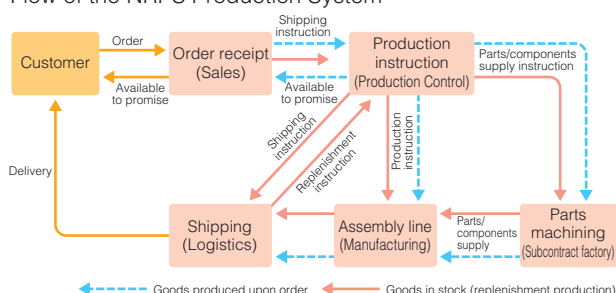
Range hood

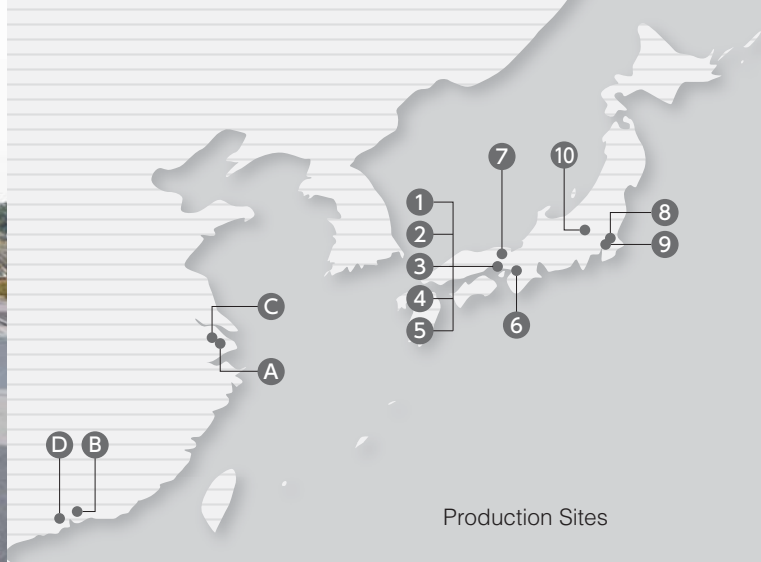
The Noritz New Production System (NRPS)

This just-in-time system is designed to eliminate waste in many forms by delivering just the products needed right when they are needed, aiming to get products to customers with a quick turnaround.

The production system was first instituted for the gas water heater line at the Akashi Main Factory, and is now used in every production line in the Noritz Group.

Flow of the NRPS Production System





Production Sites

Photovoltaic power generation system



Photovoltaic module



5 Noritz Kakogawa Factory

Built-in bathroom, hybrid water heater, etc.



Built-in bathroom

Hybrid water heater and heating system



8 RB Corporation Kandatsu Factory

9 Noritz Tsukuba Factory (photo)

Kitchen instrument



Gas cooker



6 Harman Co., Ltd.



7 Tada-Smith Company, Ltd.

Built-in kitchen/wash basin



Built-in kitchen



Wash basin



10 Kanto Sangyo Co., Ltd.

Qianghua Sun

Managing Director, Noritz (Shanghai) Home Appliance Co., Ltd.



My name is Qianghua Sun. This January, I was appointed managing director of Noritz (Shanghai) Home Appliance. With the growth of the Chinese market, Noritz Shanghai has been steadily increasing its production volume year by year. In this favorable business climate, this year we began focusing on boosting capacity in the assembly and production of final products and the production of parts. As of the middle of April we were able to produce 2450 units per day, two weeks earlier than our initial target.

The biggest issue we face, however, is how to maintain quality in our final products and parts while expanding production capacity at Noritz Shanghai and at our subcontractors. In particular, as we move ahead with outsourcing the production of core parts, we are working to make processes "visible" at core parts manufacturers in order to ascertain the state of their internal quality.

The Noritz brand gas water heaters have a reputation among customers for Japanese quality and are considered a luxury brand. We will work hard at Noritz Shanghai to meet customers' needs and become China's No. 1 manufacturer of gas water heaters.

Procurement

Promoting CSR in Procurement

The Noritz Group has been following corporate guidelines for procurement, but globalization of procurement has been accelerating year by year, along with changes to an increasingly complex supply chain. For these reasons, the Group is devising a new basic purchasing policy. Based on adherence to corporate ethics, we promote CSR in procurement to manufacture products that satisfy our customers' needs, while taking responsibility in corporate management, environmental practices, and social areas. Our procurement guidelines set a policy in response to today's demand for social responsibility by eliminating from the supply chain child labor, forced labor, labor by illegal immigrant and the use of conflict minerals.



Noritz held compliance meetings with suppliers in January and August 2013

Voluntary Chemical Substance Control Ahead of Regulations

The Noritz Group has set up a chemical substance control system and discloses information about it, while strengthening a green supply chain through chemical substance audits and taking various other measures.

With regard to reducing hazardous substances in products, Noritz controls chemical substances based on the Noritz Group Environmental Pollution Control Index¹, and has been developing eco-friendly products ("GP mark" products)² and increasing the ratio of such products among all products sold.

These efforts are being carried out not only in coordination with suppliers but throughout the supply chain, which includes purchasing, design, manufacturing, and sales. In 2013 we set two goals: (1) Make it possible to manage and disclose information on the status of chemical substances restricted by REACH³ contained in new water heaters and new kitchen instruments; and (2) Work on developing a new chemical substance control system that can improve the accuracy of substance inclusion data.

In 2013, a survey conducted on the REACH compliance of our kerosene bath water heaters facilitated information disclosure.

We are also adopting a new control system and performing assessments aimed at improving system usability, reducing the labor involved, and further developing the system in the future. We will continue with these efforts in 2014, which will lead to more accurate information disclosure.



System to Guarantee Non-Use of Banned Substances

Focusing on building systems at suppliers, the following five controls are applied upon acceptance. These steps assure the ongoing non-use of hazardous substances.

1. Basic business agreement with supplier
2. Stipulated supplier system and procedures in writing
3. Substance control through GPnet
4. Chemical substance audits
5. Hazardous substance analysis (data authenticity confirmation)

¹ Noritz Group Environmental Pollution Control Index: established in February 2005

² Eco-friendly products ("GP mark" products): Products that contain lower baseline concentrations of 13 hazardous substances designated independently by Noritz in addition to the 6 substances regulated under the RoHS directive⁴. Targeted products: water heaters, kitchen instruments, solar equipment, space heaters, and cogeneration equipment.

³ REACH: A regulation that applies to manufacturing chemical substances in or importing them into the European Union, requiring substance registration and evaluation; it restricts substances of higher concern through authorization, bans, etc.

⁴ RoHS directive: A European Union directive banning the use of designated chemical substances in electrical and electronic equipment. Enacted in July 2006. The directive restricts the usage of lead, mercury, cadmium, hexavalent chromium, and two types of bromine-based flame retardants. The Noritz Group voluntarily applies this standard to water heaters and kitchen instruments.

Shunji Tanba

Executive Officer, General Manager,
Production Headquarters



At Noritz we work with our suppliers to investigate issues in manufacturing processes that extend to procurement, production and logistics, and work out the best solutions. Such efforts are the key to improving the quality of manufacturing and delivery. Raising production quality leads to improved production efficiency and standardization for the stable supply of products. On-time delivery of high-mix, low-volume orders becomes possible. Noritz is expanding overseas, so we are working to improve production quality and create products together that customers can use safely to enhance their lives.

Production

Reducing CO₂ Emissions through Photovoltaic Power Generation

Since April 2011, Noritz has been expanding the usage of renewable energy through photovoltaic power generation systems primarily in production sites of the Group. As of the end of 2013, photovoltaic systems have been installed at seven production sites, helping to reduce environmental impact by reducing CO₂ emissions by approximately 300 tons per year.*

* Noritz estimates

Production sites with photovoltaic power generation systems installed

Installed	Production site	Capacity	Location
Nov 2005	Noritz Production Engineering Development Center*	100 kW	Akashi, Hyogo
July 2011	RB Tsukuba Office	200 kW	Tsuchiura, Ibaraki
Aug 2011	Kanto Sangyo Co., Ltd.	50 kW	Maebashi, Gunma
Oct 2011	Taisei Industry Main Factory	100 kW	Akashi, Hyogo
Nov 2011	Noritz Eco-products R&D Center*	64 kW	Akashi, Hyogo
Dec 2011	Taisei Industry No. 3 Factory	100 kW	Kako-gun, Hyogo
Mar 2012	Tada-Smith Company, Ltd.	100 kW	Asago, Hyogo
May 2012	Noritz Kakogawa Office	100 kW	Kakogawa, Hyogo
Aug 2012	Noritz Renewable Energy Products Training Center*	17 kW	Akashi, Hyogo
Power generated by photovoltaic systems Total (kW)		Approx. 831 kW	

* Noritz Akashi Messe (NAM)

Installation sites of photovoltaic power generation systems



Noritz Eco-products
R&D Center
(Installed in Nov 2011, 64 kW)



RB Tsukuba Office
(Installed in July 2011, 200 kW)



Kanto Sangyo Co., Ltd.
(Installed in Aug 2011, 50 kW)



Taisei Industry Co., Ltd.
Main Factory
(Installed in Oct 2011, 100 kW)



Tada-Smith Company, Ltd.
(Installed in Mar 2012, 100 kW)

Logistics

Improving delivery quality while reducing environmental impact

We manage data to improve delivery quality, hold a forklift skills contest to improve materials handling techniques, share quality defect reports and information on improvements, and work to improve packaging. Additionally, we use load estimates to allocate delivery trucks and regular route trucks in order to meet delivery requirements. We take a broad-based approach to improving delivery quality that includes the efficient use of pallets and increasing the efficiency of delivery through the use of delivery schedules; we also work to reduce environmental impact by introducing low-emission vehicles, applying modal shift principles, and re-evaluating load efficiencies and delivery routes.



Forklift skills contest held in October 2013

“Noritz Quality Competition” Held

In August 2013, a “Noritz Quality Competition” was held at Noritz Akashi Messe. The event is held annually and is aimed at raising awareness among employees and suppliers toward quality, improving product quality, and boosting customer satisfaction. Accomplishments in quality improvement are recognized with awards, and presentations are given to share information.

Seminars were also held to promote quality improvement activities among suppliers in order to explore the cause and effect and share the case study of failure.



August 2013: Employees who received an award at the Quality Competition event



Giving Customers the Confidence to Purchase and Use Noritz Products

Sales

Giving Customers Easy-to-Understand Information on Products and Services

Fairs held at 20 showrooms nationwide

An “Eco Life Fair” is held every spring and autumn at our 20 showrooms across Japan to demonstrate to consumers how to use our eco-friendly products safely and enjoy their convenience. These are popular events that attract a large number of guests. A safety information page on the Noritz website is available (in Japanese) for customers to check on safety issues concerning existing products.



Eco Life Fair demonstration

 <http://www.noritz.co.jp/info.html> (Japanese Only)

Installation

Quick, Competent Installations Lead to High Customer Satisfaction

Efforts to improve installation quality and eliminate occupational accidents

Product installation quality and attitude at the time of installation have a direct effect on customer satisfaction. So we analyze the rate of same-day installation completions, rate of re-visits, rate of malfunctions after installation, and various factors that have led to complaints. We also conduct installation quality patrols and share information with dealers who perform installations as measures to improve installation quality and thereby increase customer satisfaction.

We also offer periodic training in occupational safety and health, hold safety promotion events, and share information on accidents with the aim of eliminating occupational accidents at our authorized dealers.

Sales Activities

Jay Hassel

Vice President
Sales and Marketing



Our Sales and Marketing team works together in the same way that a good team sport would work together. As you know team sports are made up of many individuals working together for one common goal....to WIN. I believe Noritz America has many talented individuals and we continue to work better as a team every day.

At Noritz America, we are very good at wholesale distribution. We are trying to utilize this strength to allow us to build relationships with other partners inside our channels. A good example of this is that we now have 5 key members of the sales team focused on building relationships and sales with top builders and large production plumbers. These new efforts will help ensure Noritz America will continue to increase our market share as well as have a strong presence in the plumbing wholesale and builder markets.



Customer Feedback

Eco-switch Helps Parents Teach Children

Product in use:
Eco-Jozu high-efficiency bathtub gas water heater

Period of use: approx. 1 year by family of 5



We never had to replace a water heater before, so honestly when I heard the price it was a shock. The salesperson gave us an explanation of the product and after considering the energy savings, high quality, and how long it would last, even if the price was a bit high we decided to buy it.

The best things about the system is that it has low running costs and adds convenience to our lives. Every month our gas bill used to be about 5,000 yen. Now it's around 3,000 yen. When considering buying the unit we wondered if the Eco-switch on the remote control would really save us money, but it really does. My children are learning about ecology in school so they are very curious about the Eco-switch. My children are always pressing the button, which lowers our gas bill and still lets me take a hot bath and get housework done without even noticing.

Services

Reflecting Customer Feedback in Products and Services

Repair requests taken 24 hours a day/365 days a year in Japan

We receive requests for repairs or maintenance inspections around the clock, every day of the year in Japan. We send repair personnel to people's homes throughout the year to ensure that our customers always have equipment that operates properly. We also collect and analyze data on the calls that customers make to the Contact Center. Customer feedback is studied by staff involved in manufacturing and sales, which leads to product improvements and providing customers with easy-to-understand information.



Renewable Energy Products Training Center (Akashi, Hyogo)

A training facility for personnel to gain the practical skills and knowledge necessary to install solar panels and solar power-related equipment. The center has trained and issued certification IDs to over 2,200 people since 2011.



Noritz Contact Center (Akashi, Hyogo)

A facility that handles all call center tasks for Noritz, established in March 2013. About 70% of employees at the center are female. This center is committed to creating a pleasant workplace environment for women.



Yuichi Sakamoto

General Manager
Customer Service Division



At the Contact Center we keep in mind that the customer always comes first, and are constantly trying to improve the response quality of our center to achieve customer satisfaction. We conduct training at six levels to improve basic knowledge, product knowledge, and the quality of telephone interaction to improve the abilities of every employee to respond to customers. At the same time, we take advantage of the fact that most of our employees are female and try to always listen closely to what a customer is saying and see things from the customer's perspective. We also place importance on activities that utilize customer feedback in products and services. In telephone conversations with customers, we note carefully what areas the customer is concerned or unsatisfied about or where there may be hidden expectations. These ideas we actively share in-house. We will work together to try to improve response quality to meet the expectations of customers in the future.

For Society

Culture and Sports

Noritz contributes to the advancement of sports and promotes community development through the Noritz Women's Track and Field Team and Noritz Fencing Team.



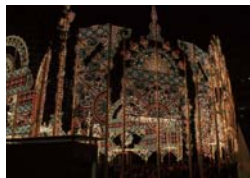
Mari Ozaki (right) competing in the Osaka International Women's Marathon in January 2014

The entire fencing team won medals in the Hyogo Prefectural Tournament held in June 2013



Disaster Support

As a Kobe-based company that received relief and support after the 1995 Great Hanshin-Awaji Earthquake, we have supported disaster recovery both in the Hanshin-Awaji area and in the Tohoku area following the 2011 Great East Japan Earthquake. As a company together with all of our employees we collect money for the Kobe Luminarie Fund. In North America Noritz has donated to the American Red Cross to support recovery after tornadoes struck in Oklahoma and a typhoon struck the Philippines. During the Kobe Luminarie held in December every year, employees volunteer to help clean up the streets at the illumination event.



Kobe Luminarie is a light festival held in Kobe, Japan, every December since 1995 to commemorate the Great Hanshin-Awaji earthquake that struck on January 17, 1995 in southern Hyogo Prefecture and took the lives of over 6,000 people. The lights symbolize ceremonial fires lit for the repose of the souls of the earthquake victims. The event began as a way to stimulate recovery in Kobe and provide hope to the area's citizens. The year 2013 marked the 19th hosting of the event.

Volunteers clean up at Kobe Luminarie festival in December 2013



Damage from natural disaster in North America



Social Participation

With headquarters in Hyogo Prefecture, Noritz participates in community activities in the city of Akashi, Hyogo. Every November, approximately 250 company employees voluntarily join a local clean-up in the vicinity of the Akashi Main Factory. In the U.S., Noritz America sponsors youth basketball in California, giving under-privileged kids a chance to play in a league. In China, where Noritz has factories, the company gives hope to children with leukemia by donating computers and items for daily life.



5th annual Cleaning Walk event was held in November 2013



Noritz America supports a local children's basketball team.

Three Smile Projects

We are carrying out "three smile projects" with a focus on "smiles of people, the planet, and life." With the "Life with a Smile" project we offer education to young children on how to take a bath and eat properly in a fun way that promotes happiness and communicates the importance of these activities.



Six bath education events were held at nursery schools in 2013

For Our Shareholders and Investors

Events for our Individual Shareholders

We are working to improve the soundness and transparency of management, and are actively disclosing information to promote communication with our shareholders. We are also hosting factory tours and offering more activities for individual shareholders.



An event for individual shareholders was held in May 2013

For Our Employees

Personal Growth Activities

Noritz has been carrying out activities since 2011 aimed at building strong teams based on autonomy and mutual support. We have held training seminars for managers and workplace social gatherings, and set up voluntary teams for developing brand marketing, known as "Shiawase Wakashi-tai." Employees are given



the opportunity to discuss their feelings honestly with one another about such topics as how to be confident and proud as employees or how to contribute to society through work.

Currently, employees are exploring what they can do individually to develop a happy attitude, and are creating new opportunities for discussion and practice.



Third-party opinions on our CSR activities can be viewed on the Noritz website (available in Japanese only).

Company History *since 1951*



The Founder's Maxim

Noritz was founded as Noritsu Bath Industry in 1951. In the postwar period when few homes had a bath, the founder's maxim "Bath makes us happy" was adopted as a message that embodied the desire to improve standards of living.

The Company



Akashi Factory



New logo adopted



R&D Center



Akashi Main Factory



Noritz America Corporation



Noritz (China) Co., Ltd.



Renewable Energy Products Training Center



Eco-products R&D Center



Sakura China Co., Ltd.

Products



Noritsu Bath Type A



Compact water heater



Magicon controller



First-generation gas bath heater



Boiler



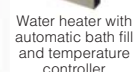
YU-BIC



YU-CORE



YU-CORE GT



Water heater with automatic bath fill and temperature controller



Dry-Hot bathroom heater



Built-in gas cooker



Eco-Jozu bathtub gas water heater



Gas fan heater



Clesse built-in bath



Double solar system



Hybrid water heater and heating system

Founding Era		
Noritsu Bath Industry established in Motomachi, Kobe	1951	Noritsu "Never Cool Tile Bath" Type A and B released
Head office moved to Meikai Bldg. in Chuo-ku, Kobe	1953	
Research Center opened at Industrial Research Institute of Hyogo Prefecture	1956	
First medium-sized firm in Japan to issue debentures	1957	
Research Center established and moved to Suma, Kobe	1960	
Gasification Era		
Akashi Factory established in Nishieigashima, Akashi; in-house manufacturing begins	1961	GS gas bath heater released
135 gas companies adopt GS Bath Heater	1962	
Company name changed to Noritz Corporation	1963	GQ-4 compact water heater and OM-type kerosene boiler burner
	1968	Gas bath heater released with gas cut-off function as a safety device to prevent heating of an empty bathtub
	1970	Magicon released, an in-bathroom controller for the pilot burner
Water Heating and Function Integration		
Akashi Factory becomes JIS-authorized	1972	YU-BIC gas instantaneous water heater with tank released
	1977	Gas bath heater released featuring a water-level sensor for automatic safety cut-off
	1978	Yuraji bathtub gas water heater released that combined an instantaneous water heater with a bathtub
	1979	SJ series natural circulation solar water heater released
	1980	
Technical Innovation and Systemization		
	1981	YU-CORE compact gas water heater released
	1982	Conboi instantaneous slim-type kerosene water heater released
Noritz Fairs held nationwide	1982	YU-CORE GT forced reheating bathtub gas water heater released
Tokyo Noritz Service, Kinki Noritz Service established	1983	GRQ-1600A water heater with automatic bath fill and temperature controller released
CI introduced, corporate logo changed	1984	Heartleat toilet seat with warm water bidet released
Listed on 2nd Section of Osaka Securities Exchange	1985	
Listed on 2nd Section of Tokyo Stock Exchange	1986	
R&D Center established in Minami-Futami, Akashi	1987	GTH gas water heater with hydronic heating and bath reheating released
Fundamental Research Laboratory established in Hachioji, Tokyo		
Listed on 1st Section of the Tokyo and Osaka Stock Exchanges		
Product Research Center established in Hachioji, Tokyo	1988	Yupatio built-in bath and Shampoo wash basin released
	1989	Estudio built-in kitchen released
Akashi Main Factory and Training Center established	1990	
Expansion and Globalization		
Women's Track and Field Team established	1992	
Joint venture Shanghai Shuixian Noritz Co., Ltd. established	1993	Gas water heater with low-NOx burner released
In Great Hanshin-Awaji Earthquake Meikai Bldg. is destroyed; head office relocated to Eiko Bldg.	1995	
Certified under ISO 9001 international standard for quality management systems	1996	
Certified under ISO 14001 international standard for environmental management systems	1997	Dry-Hot hydronic bathroom heater and dryer released
	1998	Industry-first fully automated self-cleaning bathtub released
	1998	Grasio built-in bathroom for remodeling released
	1998	Recipient of the Nikkei Excellent Products and Services Award
Shanghai Shuixian Noritz renamed Shanghai Noritz Co., Ltd.	2000	
Business tie-up and capital participation in Harman Co., Ltd. and Harman Pro Co., Ltd.	2001	Harman Pro built-in gas cooker and dishwasher released
Noritz America Corporation, California, U.S.A. established	2002	
Noritz Electronics (HK) Technology Co., Ltd. established	2003	Yupatio Fine built-in bathroom released
	2004	Waste heat recovery unit for ECOWILL supplied OEM
Noritz Hong Kong Co., Ltd./Noritz (Shanghai) Home Appliance Co., Ltd. established	2004	Eco-Jozu high-efficiency bathtub gas water heater released
	2005	Hydronic bathroom heater and dryer with mist sauna released
Noritz (China) Co., Ltd. established	2005	
Noritz Australian Branch established	2006	Eco-Feel high-efficiency kerosene water heater released
Noritz Europe Representative Office established	2007	Yupatio Riz built-in bathroom released
Business tie-up with TOTO Ltd.	2008	Gas fan heater released
First gas and kerosene appliance manufacturer to acquire the "Eco-First Company" certification	2009	Clesse built-in bathroom released
	2010	Integrated heat-source solar system with space-heating function released
The Simple Comforts of Life		
"V-plan 16" mid-term plan launched	2011	Visualization of utility costs achieved
Renewable Energy Products Training Center established	2011	Photovoltaic power generation systems released
Eco-products R&D Center established	2012	Estudio BIREI built-in kitchen released
	2012	S-Blink ADVANCE luxury built-in gas cooker released
	2012	Eco-Jozu GT-C2452 series released
	2012	Double solar system combining photovoltaic power generation with solar bathtub gas water heater and heating system released
Entry into megasolar business	2013	ECOWILL gas-engine cogeneration water heater and heating system released
Noritz Contact Center established	2013	Hybrid water heater and heating system using gas and atmospheric thermal energy released
Sakura China Co., Ltd. acquired through merger	2014	
Harman brand kitchen instruments integrated into Noritz brand	2014	



Noritz Corporation

International Business Division

Eco-products R&D Center

5 Minamifutami, Futami-cho, Akashi, Hyogo, 674-0093 Japan

<http://www.noritz.co.jp> <http://www.noritzglobal.com>

Email international@noritz.co.jp

TEL +81-78-941-4510 FAX +81-78-941-4541



Noritz (China) Co., Ltd.

Noritz (Shanghai) Home Appliance Co., Ltd.

No. 7318 Daye Road, Fengxian, Shanghai, China

<http://www.noritz.com.cn>

Call Center +86-400-988-1998



Noritz America Corporation

Headquarters

11160 Grace Avenue, Fountain Valley, California 92708, USA

Atlanta Office

1220 N. Kennestone Circle, suite 126, Marietta, Georgia 30066

<http://www.noritz.com>

Call Center +1-866-766-7489



Noritz Hong Kong Co., Ltd.

Unit 1203, 12th Floor, Jupiter Tower, No.9 Jupiter Street, North Point, Hong Kong

<http://www.noritz.com.hk>

TEL +852-2126-7026

Macau Showroom

Ave. Horta e Costa No.6, r/c, Macau

TEL +853-2857-2008



NORITZ CORP.

93 Edomachi, Chuo-ku, Kobe, Hyogo, 650-0033 Japan

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

NORITZ Corporate Report & CSR Report Digest 2014

This pamphlet is current as of June 2014. 1406-3

Tool No. 097831