

Corporate Governance

Basic Perspective on Corporate Governance

Noritz regards improving corporate governance as one of its most important goals and seeks to increase corporate value for all its stakeholders, which include not only the Company's shareholders but also employees, business partners, consumers, and local communities, by strengthening its corporate governance system. To this end, the Company is working to implement various measures aimed at improving the soundness, transparency, and speed of management decision making and optimizing management judgment in the midst of rapidly changing markets and operating environments.

Corporate Governance System and Activities to Enhance Internal Controls

Basic Outline of the Company's Governance System

To respond swiftly to changes in the operating environment and conduct corporate management and the activities of the Board of Directors more efficiently, the Company has increased the number of its directors on the Board to eight, beginning with the fiscal year under review. The Company has also implemented other measures to improve its governance system, including the adoption of the executive officer system. Under Japanese law, including Japan's Company Law, a company's board of directors is responsible for making overall management decisions and has the authority to supervise how individual directors conduct their duties. At the Companies, the term of the directors has been

shortened to one year, and the confidence shareholders have in the directors' performance is tested at the Annual General Meeting of Shareholders, as they must stand for reelection each year.

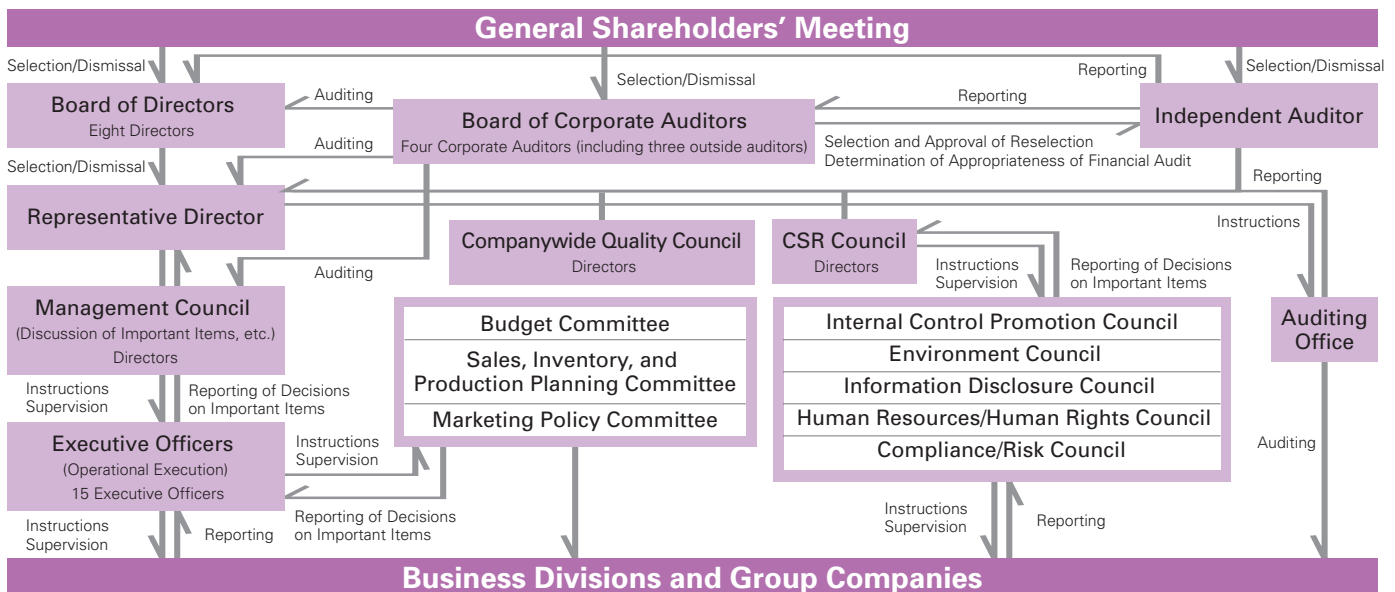
In addition, meetings of the Group Management Council are held to enable managers throughout the Noritz Group of companies to share information, and the Council seeks to make decisions on behalf of the Group appropriately and swiftly.

To provide for supervision of management, the Company has adopted the auditor system and has formed the Board of Corporate Auditors comprising four corporate auditors, three of whom are independent. The corporate auditors attend the meetings of the Board of Directors and other important meetings and express their opinions as they audit and evaluate the soundness of management and the appropriateness of the conduct of the Directors.

Enhance of Internal Controls

Noritz defines compliance as the "observance of corporate ethics," which includes acting in accordance with relevant legal provisions, the Company's Articles of Incorporation and internal rules, social codes, and best practices. The Company has prepared the Noritz Group Standards for Conduct to provide guidance for management and employees and is working to enforce compliance with these standards.

To promote compliance management, the Company appoints a Chief Compliance Officer, who has overall responsibility for compliance matters throughout the Company.



As part of its internal control system, the Company has also instituted the “Noritz Hotline”, which allows Company personnel to provide information and obtain advice regarding operational matters that are related to possible violations of legal provisions or corporate ethics.

Internal Auditing and the Auditing Functions of the Corporate Auditors

To promote joint coordination of the activities of the corporate auditors and the departments in charge of internal auditing, the Board of Corporate Auditors receives reports, as appropriate, from the Auditing Office, which is the unit in charge of internal auditing. Members of the Auditing Office

are requested to attend the monthly meetings of the Board of Corporate Auditors, actively exchange information with the members of the Board, and conduct other activities related to the supervision of management.

The Auditing Office, which conducts internal audits, has four members, including the manager of the office, and is actively engaged in carrying out its duties, with the aim of strengthening internal control functions.

The Company’s corporate auditors and its independent auditing firm also closely coordinate their activities by holding periodic meetings to exchange information on auditing policy and addressing issues that arise during the accounting term.

Policy for Dealing with Bids to Purchase Large Blocks of the Company’s Shares

The Board of Directors of the Company, at their meeting of February 13, 2007, made the decision to adopt a policy for responding to bids to purchase large blocks of the Company’s shares. The 57th Annual General Meeting of Shareholders, held on March 29, 2007, approved this policy, and the final decision to continue this policy was made at the Board of Directors meeting following the Annual General Meeting. The 58th Annual General Meeting of Shareholders, held on March 27, 2008, also approved the policy, and the final decision to continue the policy was made at the Board of Directors meeting, in the presence of newly elected directors, following the 58th Annual General Meeting.

In the event that bids are made to purchase large blocks of the Company’s shares, the Company will request the potential purchaser who is making such bids to provide information necessary for the Company’s shareholders to decide whether to allow such large-scale purchases, in the interest of protecting the rights of all the Company’s shareholders. The Board of Directors of the Company will give their opinions based on their evaluations and considerations, and, when deemed appropriate, the Board will ensure that the shareholders are given the opportunity to receive alternative proposals the Board may offer and to provide sufficient time for shareholders to give careful consideration to these proposals. Thereby, the Board will aim to make it possible for the Company’s shareholders to make appropriate decisions.

The Board’s decision to extend the policy for dealing with bids for large blocks of the Company’s shares means that, when a certain group of shareholders undertakes to purchase

Company shares representing 20% or more of the voting rights, the Company will (1) have the group submit a statement containing a pledge, or other such declaration, that indicates the group will abide by the Company’s rules regarding purchases of large blocks of its shares, (2) have the group provide sufficient information to the Company’s Board of Directors, (3) provide adequate time for the Board to evaluate the proposed share purchases and form opinions and prepare alternative proposals, and (4) provide adequate time for the Company’s shareholders to give careful consideration to the opinions and alternative proposals of the Board. In instances where this rule is not observed, and even in cases where it is observed, if the circumstances are recognized to go counter to securing and enhancing the Company’s corporate value and the interests of the Company’s shareholders, the Company will receive a recommendation from the Special Committee, and, as necessary, issue rights to purchase new shares through a third-party placement and issue such shares, etc. The Company’s Board of Directors will also take these and other measures allowed under the Company Law of Japan, and the Company’s Articles of Incorporation, to defend against bids to purchase large blocks of the Company’s shares.

The Company announced the details of this policy in a press release entitled “Policy for Dealing with Bids to Purchase Large Blocks of the Company’s Shares (Corporate Takeover Defense Policy)” on February 13, 2007. This press release may be accessed at the following URL: http://www.noritz.co.jp/about/ir/2007file/pdf_ks20070213_3.pdf