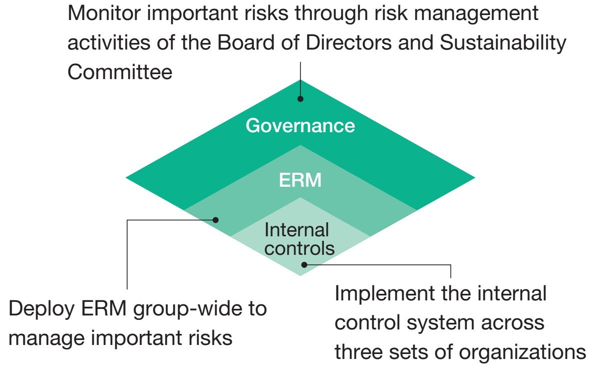
Corporate Governance

Approach to corporate governance

To advance sustainability management with the objective of carrying out the "V-Plan 26" medium-term management plan and to address risks associated with materiality-related initiatives, Noritz established an integrated system in which the governance structure (the Board of Directors and Sustainability Committee) works in conjunction with enterprise risk management (ERM) to monitor risk response status. In addition, to ensure that ERM functions effectively, Noritz implemented the internal control system across three sets of organizations, thereby operating governance, ERM, and internal control as a management framework.

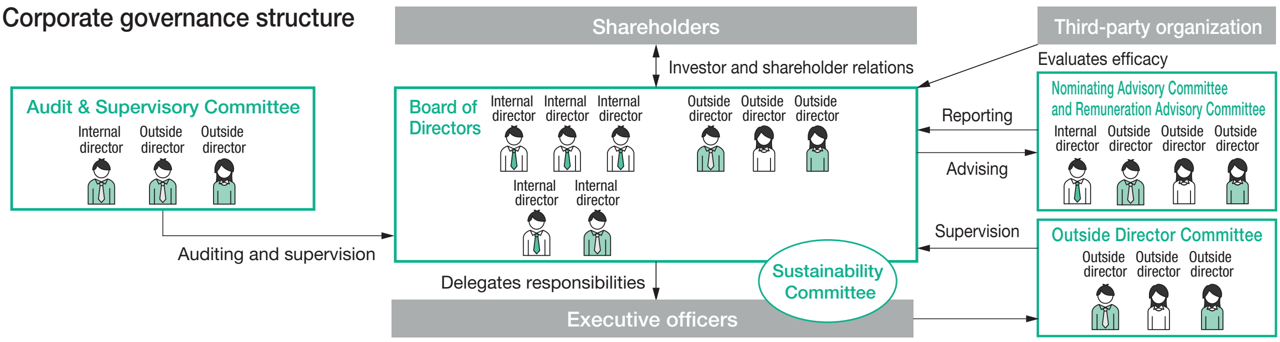


Corporate governance system

Assigning responsibilities to speed up decision-making and strengthen supervision

Noritz has established an Audit & Supervisory Committee for the purpose of effectively balancing management execution and supervision. Furthermore, although it is not mandatory in Japan, the Company has voluntarily established a Nominating Advisory Committee, Remuneration Advisory Committee, and Outside Officer Committee to strengthen its corporate governance system and the supervisory role of outside directors. The Nominating Advisory Committee and Remuneration Advisory Committee provide pertinent advice and guidance to the Board of Directors, and a majority of their members are outside directors. The Outside Officer Committee is comprised exclusively of outside directors.

Corporate governance structure



Skill matrix of directors (as of March 31, 2026)

Position	Name	Corporate management	Strategy development skills				Management strategy				
			Marketing / Business planning	Manufacturing	IT/DX	Global	Management strategy	Finance / Accounting	ESG / sustainability		
									Environmental	Social	Governance
Chairman and Representative Director.CEO	Satoshi Haramaki	●	●	●		●	●		●	●	●
President and Representative Director.COO	Masayuki Takenaka	●	●		●		●	●	●	●	●
Director and Senior Managing Executive Officer	Atsushi Yoshimoto		●	●	●		●		●	●	●
Director and Senior Managing Executive Officer	Hidenari Ikeda	●	●			●	●		●	●	●
Outside director	Izumi Noda				●		●		●	●	●
Director and member of the Audit & Supervisory Committee	Naoki Hirano	●	●					●		●	●
Lead outside director and member of the Audit & Supervisory Committee	Yasuhiro Tani					●		●	●	●	●
Outside director and member of the Audit & Supervisory Committee	Mina Ito	●				●	●			●	●

(Notes) 1. Each Director's skills assessment marked with a circle (●) is based on the skills they possess in their experience and the skills they are expected to demonstrate in light of their current roles.
2. Directors marked with a circle (●) in the "Corporate management" field possess or are expected to possess all of the skills in the Strategy development skills and Management strategy fields. However, only those skills that they particularly possess or are expected to possess are marked with a circle (●).
3. The skills required in the "Social" category of Management strategy are mainly related to human rights and human resource development and training. The skills based on the perspective of "solving social issues" are assessed in "Marketing/Business planning" of Strategy development skills and "Management strategy" of Management expertise.

Corporate Governance

Enhancing the effectiveness of the Board of Directors

Making improvements based on evaluation results

Noritz has been assessing the effectiveness of its Board of Directors since 2017, and began having the results evaluated and analyzed by a third-party organization in 2021. Based on the evaluation results for 2024, a number of issues to address were specified for improving the Board's effectiveness in 2025. To address the issue of increasing opportunities for more intensive discussions on ESG-related management issues, we continued to hold discussions on ERM and monitored our progress in reduction of CO_2 emissions, a medium-term environmental issue. In addition, to address the issue of continuously monitoring the details of decisions made by resolution of the Board of Directors, Noritz conducted monitoring based on reports from the relevant departments, with a particular focus on investor relations and shareholder relations and risk management, and discussed the progress, environmental changes, and future challenges. Regarding the investment projects approved by the Board of Directors, we reviewed the progress and conducted monitoring of the effectiveness based on reports from the persons in charge in each relevant department.

Issues being addressed in 2026 to improve the Board's effectiveness

(1) Further enrich discussions on ESG-related management issues
(2) Continuously monitor decisions made on important investment projects
(3) Hold regular discussions that contribute to improving group governance

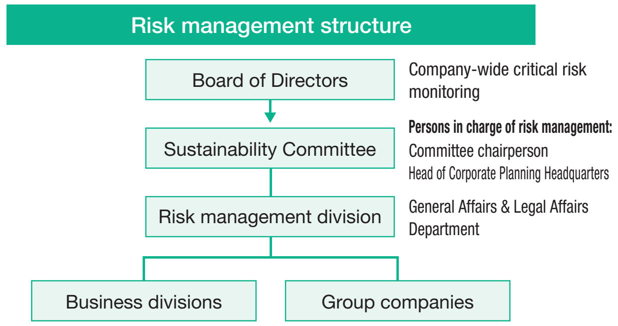
Remuneration and Other Compensation for Directors

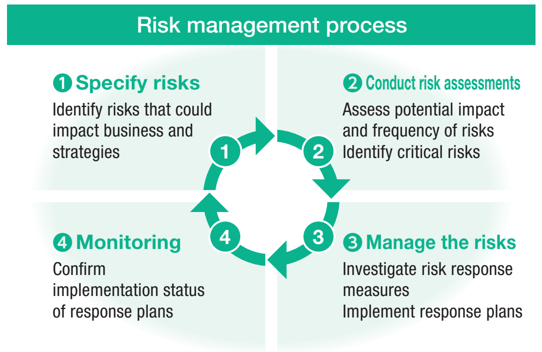
Noritz established a policy for determining the details of individual remuneration and other compensation for Directors in 2021. Based on the concept that director remuneration is essential in encouraging a commitment to medium- to long-term stock price appreciation and corporate value enhancement by sharing the benefits and risks of stock price fluctuations with shareholders, Noritz has established remuneration and compensation as follows. The remuneration for the Company's Representative Director and Executive Directors consists of four components: basic remuneration (monthly remuneration), performance-linked annual cash bonuses, share-based remuneration, and performance share units. As for share-based remuneration, we allocate shares of the Company's common stock (as restricted stock), which is subject to a predefined transfer restriction period and provisions such as grounds for the Company's acquisition of the shares without consideration. The introduction of performance share units was approved at the 74th Annual General Meeting of Shareholders held in 2024. Under this scheme, numerical targets, including ESG targets (consolidated ROE and reduction rates for CO_2 emissions from the Group's products and operations), are set for an evaluation period determined by the Board of Directors, and shares of the Company's common stock (as restricted stock) are then allocated according to the degree of achievement of these numerical targets and other factors. The number of shares to be allocated to each director is determined by multiplying the base number of units set for each position by an evaluation coefficient based on the degree of achievement of numerical targets and other factors, and then multiplying the number of shares resulting from the evaluation by the tenure ratio of each director.

Promotion of enterprise risk management (ERM)

Promoting integrated risk management throughout the Group with a unified concept

The Noritz Group undertakes enterprise risk management (ERM) measures with the aim of ensuring sustainable business operations. Noritz has deployed strategic risk management throughout the Group that goes beyond conventional business risk management, which focuses on crisis preparedness, and integrated it with management strategies to support continuity and the development of business activities. Also, Noritz identified and assessed business risks that may affect business activities in each value chain and strategic risks that may hinder the achievement of key initiatives in the medium-term management plan. Noritz implemented measures to prevent the occurrence of risks that would have substantial impact on business activities and minimize business interruption time in the event of occurrence of a risk, thereby promoting the creation of a framework for rapid recovery including business continuity planning (BCP). Noritz also examined the presence of risks that could impact medium- to long-term strategic priorities to establish a new ERM framework that can identify critical risks with impacts on business activities as a whole. Based on the risks identified by individual departments, the Board of Directors determines company-wide critical risks according to their frequency and potential impact, and risk response monitoring is conducted twice annually at meetings of the Sustainability Committee, which meets twice a year, and the Board of Directors with the participation of outside directors.





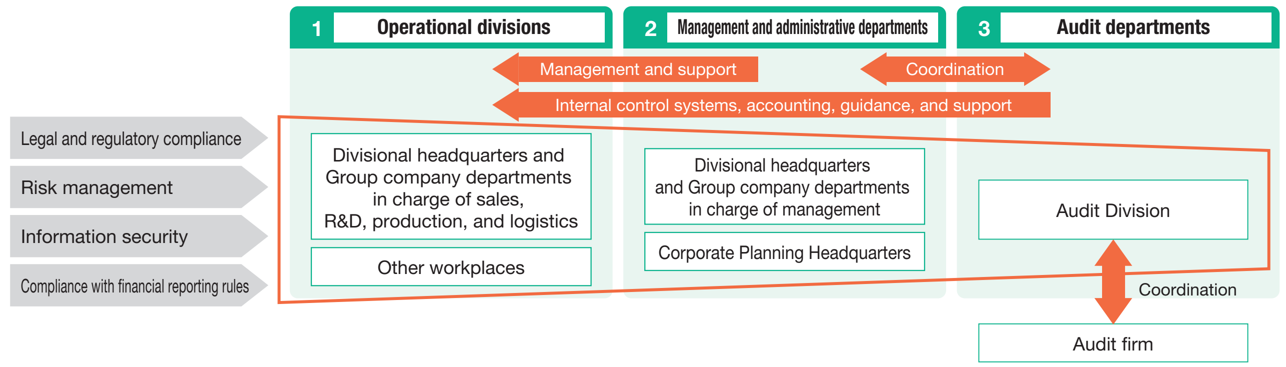
Strengthening internal controls

An internal control system bolstered by three sets of organizations

The Group has worked to strengthen its internal control system across three sets of organizations: operational divisions, management and administrative departments, and audit departments. To ensure that audit departments can conduct independent assessments of internal controls, the Group established a set of guidelines as evaluation criteria and conducted annual assessments of the internal controls that pertain to each management and administrative department. As a result, the effectiveness of internal control functions has been further enhanced across all three sets of organizations under the system.

In addition, to strengthen overseas governance, the Group conducts individual governance meetings with overseas Group companies. These discussions provide opportunities to examine and discuss each company's risks and concerns, thereby enhancing group-wide collaboration and fostering a shared awareness of governance. In the future, the Group will continue to hold these meetings each year to further reinforce governance structures throughout the entire Group.

Executing internal controls across three sets of organizations



Compliance initiatives

Noritz conducts compliance training for employees to enhance their knowledge and awareness of compliance. In addition to compliance training programs for new employees and management, Noritz also provides legal training relevant to each department (such as training on the Act on the Protection of Personal Information and the Copyright Act). For overseas Group companies, Noritz carries out initiatives to raise awareness of anti-corruption measures based on items of the Noritz Group Code of Ethics, including fair and equitable transactions and transparent business activities, while ensuring compliance with each country's anti-corruption laws. May and September are designated as Compliance Months, during which the entire Noritz Group engages in compliance promotion activities. In May, each workplace holds discussions under the theme of "Deepening the understanding of harassment", and in September, we conduct information security training.


Compliance training for new employees

Message from an outside director

Management becomes more refined as people polish their skills - an approach to value creation with human capital at its core

Outside director
Izumi Noda

For me, the essence of human capital management does not lie in making full use of human assets as “resources”; rather, it can be found in building up “capabilities” as an organization by allowing people to make judgments, learn, and take better choices in light of their philosophy. Noritz’s mission to pursue “The Simple Comforts of Life” refers not only to hot water itself. It can also be interpreted as a phrase that describes an attitude of setting the right temperature for living and providing an ongoing peace of mind. Heating up water also implies warming up invisible possibilities and making a new start. The peace of mind this creates is not something that can be accomplished through technology alone. An attitude of questioning safety, not compromising on quality, having the sensitivity not to miss signs of anything unusual, and listening to the views of customers and colleagues— an accumulation of daily judgments based on this approach is what builds trust and creates corporate value.

As decarbonization and the transition of energy moves forward, businesses are being forced to ask not just what products they will make, but also how they will choose products and continue to supply them. The final year of the medium-term management plan is a milestone that will allow Noritz to look back on what it has achieved so far and link this to the next stage of growth. Financial efficiency, refinement of our portfolio, and organizational strength across the Group all come down to one question— “What are we prioritizing when we make decisions?” The goal of human capital management is to increase the quality of judgment to support improvements in financial indices.

Can we use our management philosophy as our guiding compass amid times of change? Will workplace judgment remain consistent and will we translate learnings into future growth? Human capital is the foundation that supports this consistency and also enables us to achieve both discipline and challenge as set out. In the international business, it is important to permeate this philosophy to overcome differences in regulations and business practices, and to link Japanese and overseas know-how to allow people to learn from each other.

The Board of Directors sees human capital as something more than developing systems. It is an investment to increase the quality of decision-making and to make execution reliable. I want to deepen debate on an ongoing basis on topics such as which domains require us to possess specialist knowledge, and what roles we expect from frontline employees and management. From a monitoring perspective, it is also important to carefully question whether measures have remained true to their original purpose and are advancing businesses that increase quality, productivity, and customer value. We also need to question whether we might have overlooked any risks. As an outside director, I will do my best not to make presumptions, and instead uncover gaps between our philosophy and reality, and to hasten progress through dialogue. Continuing to do this will allow us to build an organization where our everyday actions help to firmly establish “The Simple Comforts of Life.”