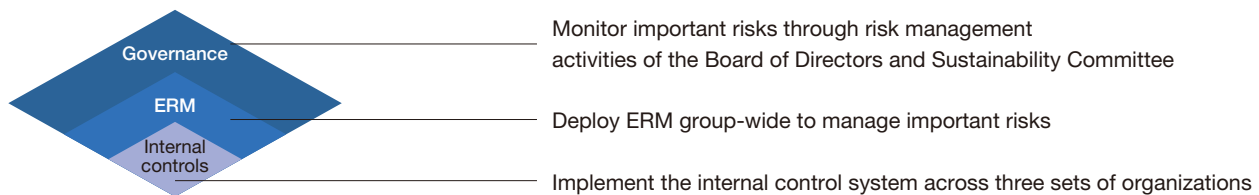


Corporate Governance

■ Approach to corporate governance

To advance sustainability management with the objective of carrying out the 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.



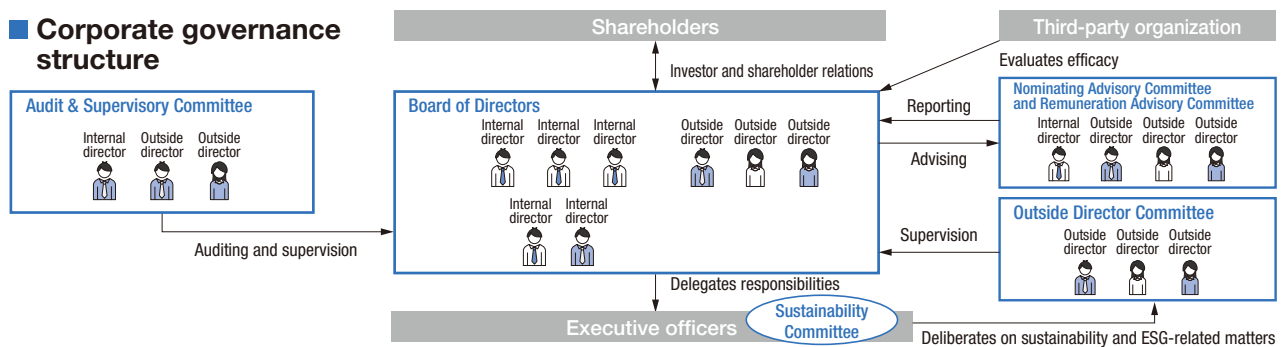
■ Corporate governance system

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



■ 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 2023, a number of issues to address were specified for improving the Board's effectiveness in 2024.

To address the issue of establishing a structured agenda and increasing opportunities to discuss management issues that require more time, Noritz incorporated medium- to long-term topics such as DX-related matters and human resource strategies into the annual schedule of the Board of Directors.

In addition, to address the issue of conducting appropriate reviews and progress monitoring of important past decisions, Noritz conducted monitoring based on reports from the relevant departments, with a particular focus on investor relations and shareholder relations and risk management, and discusses the progress, environmental changes, and future challenges. Furthermore, Noritz discussed ERM and addressed the issue of implementing integrated risk management across the entire Noritz Group by adding the perspective of managing strategic risks and conducting discussions on company-wide critical risks.

Issues being addressed in 2025 to improve the Board's effectiveness

- (1) Increase opportunities for more intensive discussions on ESG-related management issues
- (2) Continuously monitor the details of decisions made by resolution of the Board of Directors

Medium-Term Management Plan

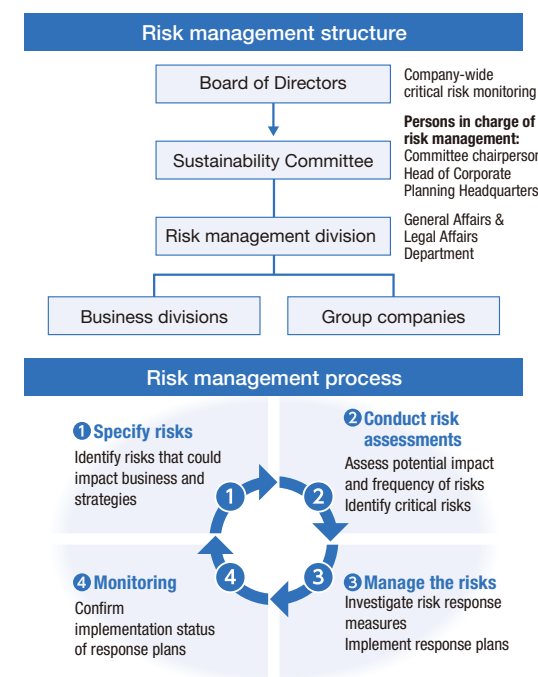
Sustainability management under the medium-term management plan

Corporate Governance

Promotion of 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 and established 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

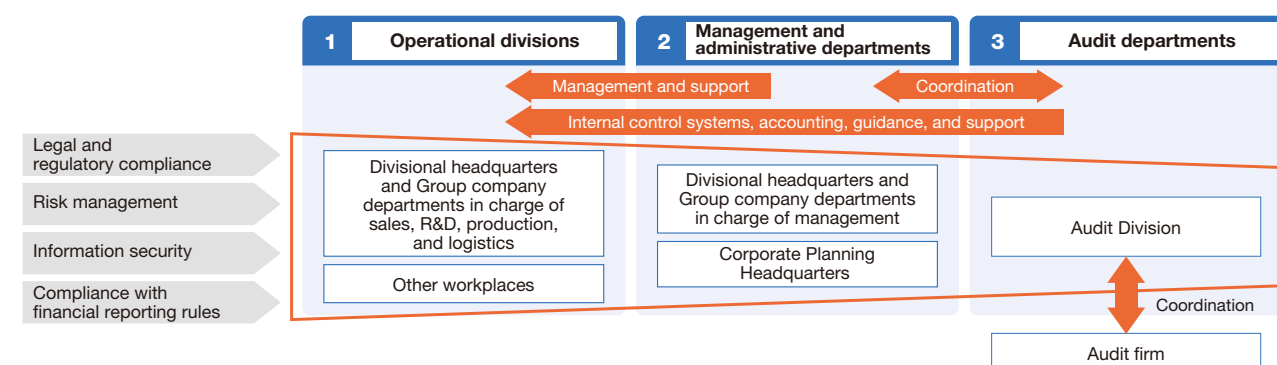
An internal control system bolstered by three sets of organizations

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 against Unjustifiable Premiums and Misleading Representations and the Antimonopoly 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 and creates opportunities at each workplace to discuss compliance-related topics.



Compliance training for new employees

Message from an outside director

Promoting the medium-term management plan including sustainability management and striving to continue providing non-financial information

"Some think that natural capital refers to nature itself, but the addition of the word 'capital' adds a deeper meaning. The term 'capital' refers to something that contributes to the creation of wealth and gives rise to rights over that wealth. Therefore, human capital refers to the accumulation of knowledge, skills, and personal attributes that generate economic value, while social capital refers to networks and relationships from which individuals and society derive benefit." (Colin Mayer, *Capitalism and Crises: How to Fix Them*)

The year 2025 may be a year of turbulence for companies pursuing sustainability-oriented management, comparable to pouring boiling water and cold water into a bathtub at the same time. The development of systems for the disclosure and assurance of sustainability information is steadily progressing, but on the other hand, the possible withdrawal of the U.S. from the Paris Agreement under a second Trump administration could undermine these efforts. In a shrewd move, six major U.S. banks have withdrawn from the Net-Zero Banking Alliance (NZBA), an international coalition that seeks to achieve net-zero CO₂ emissions by 2050.

In light of the circumstances, what stance should Noritz adopt? As a water heater manufacturer whose domestic Group companies account for 1.4% of Japan's total CO₂ emissions and as the industry's first ECO FIRST company, Noritz is confident that it must remain on the side that guides the current. This commitment is clear in Noritz's medium-term management plan from 2024 to 2026.

Furthermore, to achieve the goals of the plan, the Group will carry out three key strategies: shift to a more profitable

business portfolio, strategically increase investment and allocate capital, and make progress in sustainability management. Specifically, for the third strategy, the Group is promoting reductions in CO₂ emissions (natural capital), reinforcement of connections with customers (social and relationship capital), achieving employee well-being (human capital), and development of technologies that solve social issues (intellectual and manufactured capital).

As an outside director and as a certified public accountant, I believe that these forms of capital (or as long as we refer to them as capital) must meaningfully contribute to the creation of value for the Group. It is precisely this that the executive officers consistently advocate as the "transformation of pre-financial performance into financial performance."

Going forward, in my position as an Audit & Supervisory Committee member seated at the end of Noritz's Board of Directors, I will strive to fulfill my auditing and supervisory responsibilities to provide investors with appropriate financial information, which goes without saying, along with meaningful pre-financial information.

Yasuhiro Tani

Outside director and member of the Audit & Supervisory Committee

