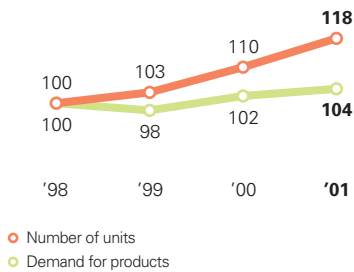


REVIEW OF OPERATIONS

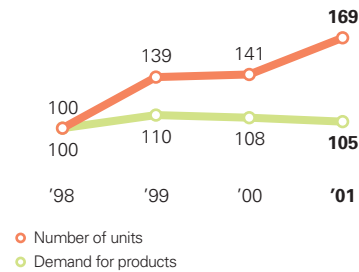
The following graphs show net unit sales, by product category, of Noritz products during the period under review. The graphs use 1998 as the index with the value set at 100, to show the growth rate in subsequent years.

Gas Bath Heaters



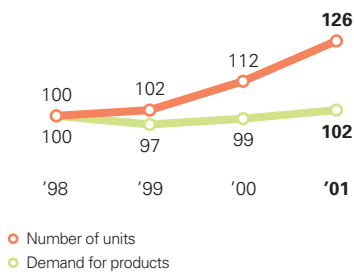
In 2001, sales of gas bath heaters, on a unit basis, rose despite demand for such heaters remaining at the previous year's level of 1.88 million units. Market share increased 1.5 percentage points, to 38.2%. The rise was primarily attributable to the vast number of newly constructed condominiums in metropolitan areas, including hot-water-heated flooring systems as well as the growing demand for bathroom heaters for installation in already built private homes.

System Bathrooms for Private Homes



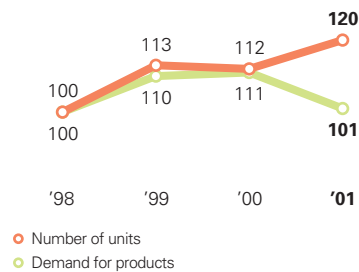
In fiscal 2001, overall market demand in Japan for system bathrooms for installation in private homes declined slightly from the previous year, to 680,000 units. However, an increasing number of builders adopted Noritz products. As a result, unit sales of Noritz system bathrooms increased to the 50,000-unit level, and market share expanded to 7.5%.

Gas-Related Water Heaters



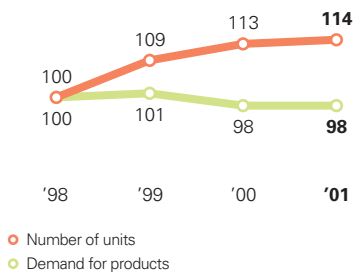
Market share of gas-related water heaters on a unit basis grew steadily to 28.6%, despite a leveling off of demand of these heaters at approximately the previous year's level of 1.38 million units.

System Kitchens for Private Homes



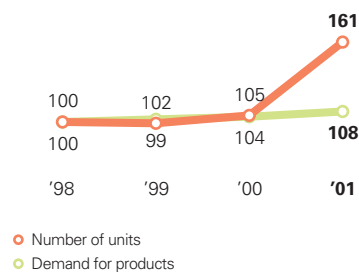
In fiscal 2001, sales of Noritz system kitchens steadily expanded to the 30,000-unit level, despite an overall national decline in demand to the 570,000-unit level.

Kerosene-Fired Water Heaters



In fiscal 2001, unit sales of kerosene-fired water heaters expanded despite a slight decline in demand, to the 500,000-unit level, resulting in a market share of 29%. Net sales* of hot-water appliances—which include gas bath heaters, gas-related water heaters, and kerosene-fired water heaters—totaled ¥104 billion (up 104% from the previous year). However, the gross profit margin declined 1.4 percentage points, to 30.7%.

Vanity Units



Moderately priced new models of vanity units sold well, realizing a substantial increase in both sales and market share. Net sales* of system products, which include vanity units, totaled ¥30,937 million, (up 112% from the previous year), with the gross profit margin improving by 0.4 percentage point.

* The sales figures do not refer to total sales and include various items (back margins) deducted from non-consolidated sales. The items whose amounts are deducted from sales span a wide range of product categories, making it impossible to calculate total sales in each individual product category.