

■ Group Company Policies

Noritz Electronics Technology Established

In January 2003, Noritz spun off its components division, which designs and manufactures electronic components, to form Noritz Electronics Technology Co., Ltd. The new company has set up an office in Hong Kong and is building a manufacturing plant in China, which is scheduled to begin operating in May 2003.

In the electronics area, a global market is emerging, and competition is increasingly fierce. Noritz Electronics Technology was created after Noritz clearly recognized the need to further enhance efficiency, accelerate production, and delegate responsibility in the component business in order to create new demand, expand operations, and strengthen product development. Noritz believes that spinning off the division will afford greater flexibility, enhance services for a broader range of customers, strengthen competitiveness through overseas component procurement and other activities, and energize internal divisions. In addition, the Company aims to bolster all-around synergies in the Noritz Group through the new company.

Group Policy Initiatives

In April 2002, Noritz increased its stakes in several subsidiaries, raising its shareholdings in RB from 44% to 51%, in Taisei Kogyo Corporation from 52.3% to 83.6%, and in Shinwa Kogyo Corporation from 82% to 88.7%. Noritz Techno Service changed its name to NTS and began providing after-sale services for TOTO-brand gas-related water heaters as part of the business alignment between Noritz and TOTO.

Noritz Capital Corporation was founded in July 2002 and began operating in October. This company is introducing a cash management system integrating fundraising and financial management services for all Group companies. Noritz Capital will consolidate financial services, such as cash payments and receipts, as a provider of networking and shared services between Group companies. Furthermore, it will offer financial support for quickly nurturing new businesses. The new

company will further strengthen Group operations through its focus on cash flow as a conduit for introducing the cash management system.

Noritz began outsourcing salary and social welfare administration to Ritz Kosan in January 2003. Looking ahead, Noritz will outsource wage accounting and other back-office operations to improve efficiency. We intend to accelerate administrative activities and reduce their costs across Group company lines through these initiatives.

Conversion of Harman Co., Ltd., into a Subsidiary

On April 1, 2003, Noritz obtained 50% of the outstanding shares in Harman Co., Ltd., a gas equipment marketing company of Osaka Gas Co., Ltd. Having already acquired 40% of the outstanding shares in Harman on October 1, 2001, Noritz now has a 90% shareholding in the company.

Harman is engaged in the nationwide marketing of the Harman-brand gas kitchen products and gas water heaters manufactured by Harmanpro and Noritz. In particular, it has an approximately 30% share of the Japanese market for gas built-in ranges and boasts its own special marketing routes, principally involving gas utility companies. In addition, Harman provides products on an OEM basis to kitchen product manufacturers. Since they began collaborating in the gas equipment business in October 2002, Noritz and Osaka Gas have striven to strengthen Harman, which regained its net profitability in the latter half of the fiscal year ended March 31, 2003. Plans call for further augmenting cooperation among Harman, Harmanpro, and Noritz with the goal of quickly developing and launching products that match market needs, thereby bolstering and expanding Harman's core business in kitchen products. Noritz's recent acquisition of a majority stake in Harman has converted that marketing company into a Noritz subsidiary with a status similar to that of the development and manufacturing company Harmanpro, in which Noritz also has a 90% shareholding.