

### Strengthening Our Internal Corporate Ethics Systems and Establishing Employee Hotlines

On October 1, 2003, we issued a code of behavior to strengthen our compliance systems and established employee hotlines at the 23 corporate members of the Noritz Group in Japan, including the parent company, employing about 6,200 managers and staff members.

#### 1. Noritz Group Code of Behavior Issued and Distributed to Staff Members

We have issued a written code of behavior covering our relationships with society, customers, business partners, employees, and other stakeholders. This code contains a definition of compliance and informs all employees that we have decided that they have a duty to inform their superiors and related department heads when laws have been breached and there have been major violations of internal rules and regulations. We have also begun to offer training courses on compliance for members of the Board of Directors, department managers, and compliance officers.

#### 2. Noritz Hotlines Established to Facilitate Internal Communication

We have also established channels of communication, including dedicated phone lines as well as e-mail and postal addresses, to allow staff members to provide information regarding violations of the code of behavior and any related information and to provide counseling in such matters. Depending on the content of the information received, we call on our legal counsel members for their opinions and investigate all matters brought to our attention, while maintaining the anonymity of informers and protecting their interests. Anyone who disciplines an informer or a compliance counselor contrary to his or her interests may be subject to dismissal under the Company's Rules of Employment.

#### 3. Appointment of Special Compliance Officers

When information is received regarding possible violations of the code of behavior, trained compliance officers respond and take appropriate action. Yutaka Nakayama, Managing Director and General Manager for Corporate Services, has been appointed as Chief Compliance Officer (CCO).

### Noritz Airs TV Commercials for the First Time in Six Years

After a six-year hiatus, we have reinstated TV advertising, with an annual budget of approximately ¥300 million, to

support our customer relationship activities. We prepared two types of commercials, running for 15 seconds each, featuring our new system bath products, the Fine series and the Glacio series. These commercials were broadcast repeatedly from the latter half of July 2003 for about three weeks nationwide on all stations viewable in each region, with the exceptions of Hokkaido and Okinawa. To maximize viewership, we adopted an intensive spot advertising approach, concentrating on broadcasting the commercials during all time slots on Saturday and Sunday and in the peak morning, noon, and evening slots on weekdays. In response to requests from our marketing personnel, the commercials focused on key product features and were prepared with three aims in mind: (1) to increase consumer awareness, (2) to provide assistance for sales personnel, and (3) to enhance the sales consciousness of dealers. The commercials were prepared to create a strong awareness of the NORITZ brand through sound and visual logos at the ending, while inviting viewers to visit our showrooms and access our Web site.

### NRK and Yubig Established

In June 2003, we established NRK Corporation to lower operating costs and improve efficiency at our Kakogawa Office, which is the production center for system baths in western Japan. Noritz provided 60% of the capital for the new company, which began operations in October 2003 and was fully consolidated from April 2004. Previously, the manufacturing departments of Noritz's system product divisions and their partner companies split off joint production operations into independent companies and, by transferring such operations as procurement to these companies and competing together with RB Corporation (51% owned by Noritz), which is in charge of system bath production in eastern Japan, worked to improve profitability.

In addition, we established Yubig Corporation in September 2003. This new company is responsible for creating Noritz's retail business model and for offering products for home refurbishment and related services. Yubig will be offering services to potential customers who visit Noritz showrooms, those customers who call for information about where to purchase Noritz products, and other potential customers who are not serviced by other existing marketing channels. Yubig began its operations in the Tokyo metropolitan region, but will expand its activities step-by-step to the central Japan region and the Kansai region. Yubig became a fully consolidated subsidiary in April 2004.