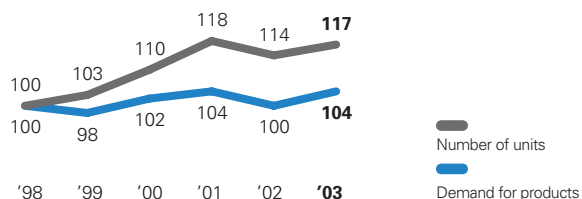


# Review of Operations

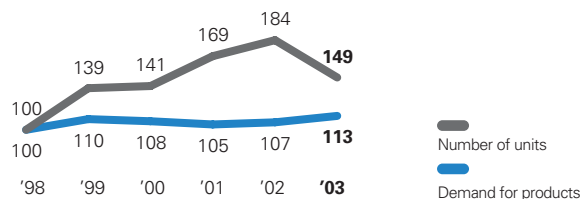
The following graphs show net unit sales, by product category, of Noritz products, along with total unit sales of such products in Japan (demand). The 1998 levels of both Noritz unit sales and total domestic unit sales are set at 100 to facilitate examination of subsequent trends.

## Gas Bath Heaters



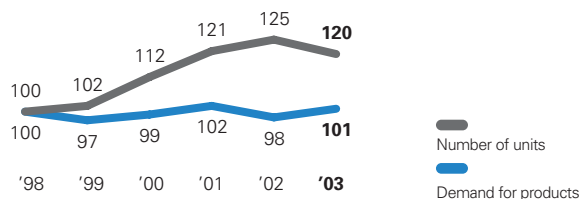
Total domestic demand for gas bath heaters in 2003 was 1.88 million units, representing a 4% rise over the previous year. Noritz reported growth of 2% over the previous year in its sales of these units. However, because our growth was below that of the rate of expansion in market demand, our market share slipped one percentage point, to 36.3%. This was due in part to our profit-oriented pricing policy, but unit sales prices are beginning to show signs of bottoming out. Net sales in this segment remained virtually level, at ¥47.3 billion.

## System Bathrooms for Private Homes



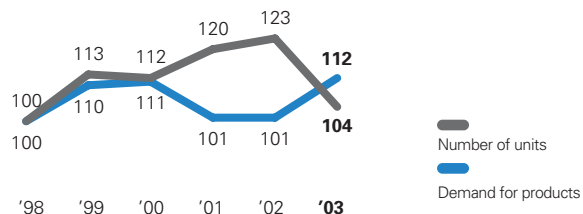
Overall domestic demand for system bathrooms for installation in unit housing in 2003 expanded 3%, to 720,000 units, but our sales volume of these units dropped a substantial 19%, to 45,000 units, and our market share declined 1.9 percentage points, to 6.2%. Net sales were down 12%, to ¥14.5 billion, mainly due to the shift in focus from selling to manufacturers of low-priced housing units to capturing orders for midrange-to-high-end units for refurbishment of existing housing.

## Gas-Related Water Heaters



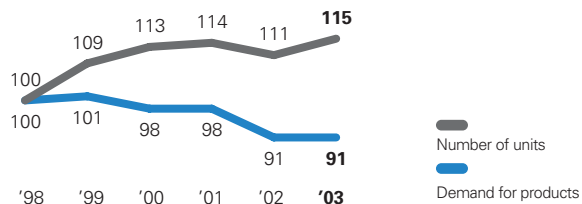
While the total domestic demand for gas-related water heaters in 2003 rose 2%, to 1.36 million units, our unit sales for this segment as a whole declined 1%, and the share of the Noritz brand was down one percentage point, to 28.1%. Net sales were down 4%, to ¥14.8 billion.

## System Kitchens for Private Homes



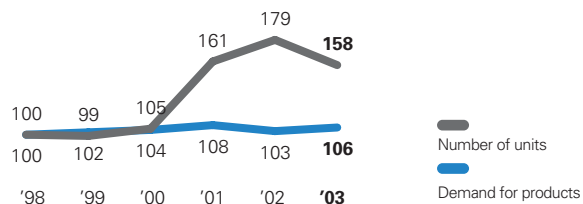
Although the total domestic demand for system kitchens for new residential units in 2003 was 630,000 units, an increase of 12% over the previous year, our unit sales were down 16%, to 25,000 units. This was because we shifted our marketing target to midrange-to-high-end units, which resulted in a substantial drop in sales of units to the mass market. Net sales declined 10%, to ¥8.2 billion.

## Kerosene-Fired Water Heaters



Total domestic demand for kerosene-fired water heaters in 2003 was 460,000 units, virtually level with the previous year. We made extra efforts and were successful in increasing unit sales 3%, thus resulting in a 0.9 percentage point rise in market share, to 31.6%. As a result, net sales of kerosene-fired water heaters amounted to ¥15.7 billion, representing an increase of 3% over the prior year.

## Vanity Units



In 2003, overall domestic demand for vanity units declined 3%, to 1.88 million. Although overall sales of moderately priced units were robust, our sales of these units fell 11%, to 110,000. Our market share also declined 0.9 percentage point, to 5.9%. The number of low-end units also decreased, but net sales of vanity units rose 9%, to ¥4.8 billion.

\* 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.