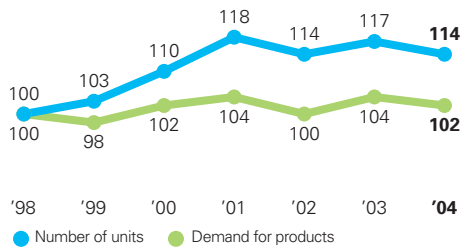


# Review of Operations

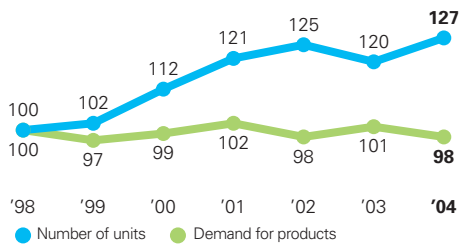
The following graphs show changes in net sales of Noritz products by category, along with changes in total unit sales of such products in Japan (total domestic demand). The 1998 levels of both Noritz unit sales and total domestic sales are set at 100 to facilitate inter-year comparisons.

## Gas Bath Heaters



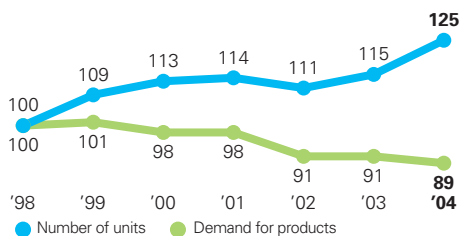
Total domestic demand for gas bath heaters in 2004 declined to 1.83 million units, or 98% of the level for 2003. Noritz sales of gas bath heaters also decreased, to 97% of the level for the previous year. As unit sales declined more than total demand, the market share of Noritz brand units slipped to 36.2%. As a consequence of a substantial decrease in sales of gas heaters for room heating and bath use, which have relatively high unit prices, and a drop in unit sales prices, net sales in this segment declined 9%, to ¥42.9 billion.

## Gas-Related Water Heaters



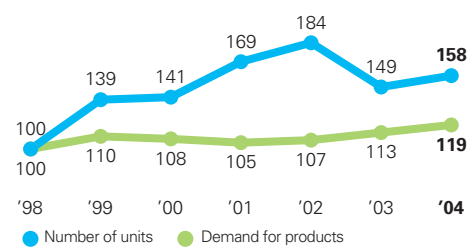
Total domestic demand for gas-related water heaters in 2004 decreased 3%, to 1.32 million units, and the market share of Noritz brand units slipped 0.3 percentage point, to 27.8%. Nevertheless, exports of gas-related water heaters to the United States and Hong Kong expanded significantly. As a consequence, net sales of these heaters rose 1% from the previous year and amounted to ¥15.0 billion.

## Kerosene-Fired Water Heaters



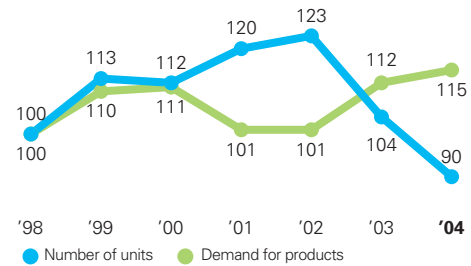
Overall domestic demand for kerosene-fired water heaters in 2004 declined 2%, to 455,000 units. Sales of Noritz brand units and OEM units manufactured by Noritz rose 9%, and the market share of these units expanded 1.5 percentage points, to 33.3%. As a result of these trends, net sales of these products advanced 6% over the previous year, to ¥16.6 billion.

## System Bathrooms for Private Homes



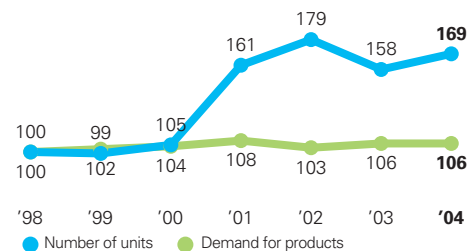
Although total domestic demand for system bathrooms for installation in unit housing in 2004 grew 6% and amounted to 770,000 units, the share of Noritz brand units slipped 0.4 percentage point, to 5.8%, as Noritz sold 47,000 of these units, 6% higher than in the previous year. Nevertheless, because of an increase in the share of low-priced, standard units among units sold by Noritz, net sales of these products slipped 3%, to ¥14.4 billion.

## System Kitchens for Private Homes



While the total domestic demand for system kitchens for new residential units in 2004 rose 2%, to 640,000 units, our total unit sales decreased a significant 14%, to 22,000. This was because we have shifted our marketing target to midrange to high-end units, thus bringing a sharp drop in sales of units to the mass market. Net sales declined 11%, to ¥7.3 billion.

## Vanity Units



In 2004, overall domestic demand for vanity units amounted to 1.88 million units, virtually the same as in 2003. Our sales of moderately priced units were strong and expanded 7%, to 116,000. Net sales of this segment rose 2%, to ¥4.4 billion. Our market share increased 0.3 percentage point, to 6.2%.

\* 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.