

# Topics

## → Preparations Under Way for Expanding International Activities

*Including Establishment of New Offices and an Investment Company as well as Acquisition of CE Mark Authorization*

In June 2005, Noritz established a branch in Melbourne, Australia. The new office is working to expand sales by strengthening local marketing activities, engaging in planning for products suited to the Oceanian region, and providing support for sales and sales promotion of gas-related water heaters manufactured for OEM customers.

On April 1, 2005, Noritz America Corporation established a second U.S. office in Atlanta. The newly formed office is working to expand sales by strengthening marketing operations in the southeastern part of the United States, an area that the Company has selected for strategic focus. The office will also establish a training center, a product display room, and conference rooms to enhance the Company's capabilities for offering business proposals to its customers in the area.

The Company established the Noritz European Office on November 2, 2005, in Düsseldorf, Germany. This new office marked the Company's active entry into the European market. Progress has been made in having European water heater manufacturers adopt gas-related water heater equipment for commercial use, and the Company is working to expand sales in the European region. In view of the need to address environmental issues in Europe's water heating equipment market and the trend toward phasing out nuclear power plants, the Company is promoting the wider use of high-efficiency water heating equipment and expanding use of natural gas as a fuel. Noritz has obtained the CE mark necessary for entering the European market and is taking steps to meet the requirements of the Regulations on Harmful Substances and comply with other such regulations to reduce harmful substances in products.

## → Accelerated Expansion of Operations throughout China

*Investment Company Established to Oversee Subsidiaries in China*

The Company received permission from the central government of China to establish a new regional headquarters company, NORITZ (CHINA) CO., LTD., which will oversee the operations of the Company's subsidiaries in China and work to efficiently promote the expansion of the activities of the Noritz Group. Total capital invested in the new company was US\$30 million (approximately ¥3.5 billion). Noritz (Shanghai) Home Appliance Co., Ltd., which was established in June last year, and Shanghai Noritz Co., Ltd., which serve as the manufacturing arms of the Noritz Group in China, have been placed under NORITZ (CHINA), and the marketing functions of Shanghai Noritz will be transferred to the regional headquarters company.

NORITZ (CHINA) has been classified as an investment company, and, in addition to its functions as the regional headquarters, it will perform the roles of a domestic marketing company. As the central Noritz Group company in China, it will also handle trading functions, including exports and imports. Since the establishment of this new company will make it unnecessary to obtain operating permits from regional governments when making new investments and setting up new companies, this will facilitate quick decision making.

The first action of NORITZ (CHINA) was to invest US\$16.9 million in the previously mentioned Noritz (Shanghai) Home Appliance and bring that company fully under its control. Noritz (Shanghai) Home Appliance is currently building the Noritz Group's second manufacturing plant in China on 160,000 square meters of land located in the Fengxian district of Shanghai. The newly invested funds will be employed in making preparations for this expansion in plant capacity.

## → Work Completed on Production Technology Development Center

On November 15, 2005, the Company completed the construction of a new production technology development center in the NAM Area, which is the location of the Noritz Headquarters Plant and the Headquarters Development Center. The mission of this new center will be the development of technologies that will create new value for customers, as outlined in the "new value" strategy section of the Company's three-year management plan, which began in 2005. The new center, which is situated on the grounds west of the Headquarters Development Center and has a total floor area of 1,500 square meters, was completed at a total investment cost of ¥450 million. To improve production technology capabilities, infrastructure, personnel, technology, and other resources have been consolidated and situated on the site, with the goals of expanding production of metal molds and manufacturing equipment and establishing pilot lines equipped with metal molds and technologies.

## → Taisei Kogyo to Build New Plant

Taisei Kogyo has made the decision to invest in a new plant, which will be the third Harima plant. A site with 3,400 square meters of land has been set aside for construction of the new three-story plant and an office building. The total investment in land, buildings, and equipment has been set at approximately ¥600 million and the total floor space of the new plant will be approximately 1,700 square meters. Plans call for completion of the new facilities by March 15, 2006. The new plant will specialize in supplying heat exchangers and other parts and components to companies outside the Noritz Group.