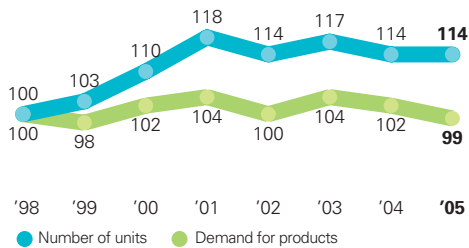


Review of Operations

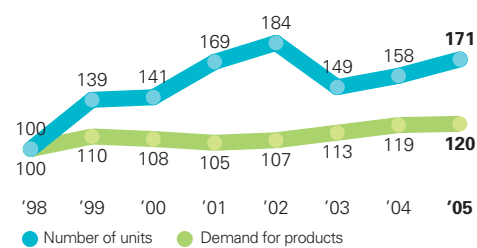
The following graphs show changes in net sales of Noritz products by category, along with changes in total unit sales of such products in Japan (total domestic demand). The 1998 levels of both Noritz unit sales and total domestic sales are set at 100 to facilitate inter-year comparisons.

Gas Bath Heaters



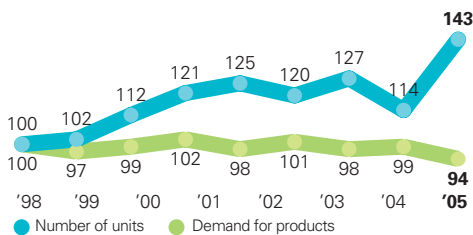
Total domestic demand for gas bath heaters in 2005 declined 2%, to 1.79 million units. Noritz sales of gas bath heaters in unit terms, including OEM sales, in 2005 held firm at the level of the previous year. Moreover, the share of Noritz brand units rose to 37.4% of total demand. As a result of Company efforts to promote sales of higher-priced gas heaters for room heating and bath use, net sales in this category amounted to ¥42.9 billion, the same as for the previous year, despite the decline in overall domestic demand in unit terms.

System Bathrooms for Private Homes



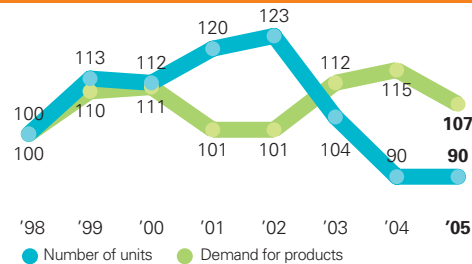
Total domestic demand for system bathrooms for installation in unit housing in 2005 amounted to 770,000 units, the same as for the previous year. The share of Noritz brand units rose 0.5 percentage point, to 6.3%, as the Company sold 51,700 of these units, 8% higher than in the previous year. Nevertheless, because of an increase in the share of low-priced, standard units among units sold by Noritz, net sales of these products slipped 2%, to ¥14.1 billion.

Gas Water Heaters



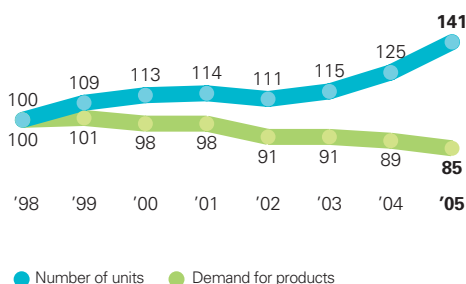
Total domestic demand for gas water heaters in 2005 decreased 4%, to 1.27 million units. However, the market share of Noritz brand units climbed 2.2 percentage points, to 30.0%. Noritz increased unit sales by promoting sales of moderately priced gas water heaters manufactured by Shanghai Noritz. In addition, exports of gas water heaters to the United States, Oceania, and Hong Kong rose significantly, thus contributing to a 4% rise in net sales, to ¥15.6 billion.

System Kitchens for Private Homes



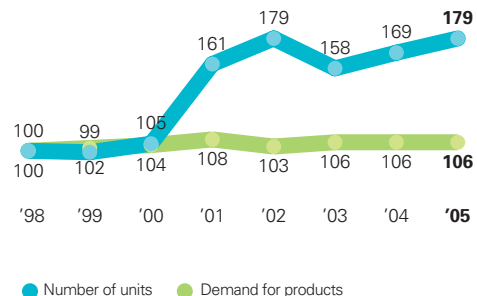
Although the total domestic demand for system kitchens for new residential units in 2005 declined 6%, to 600,000 units, Noritz was successful in selling 22,000 units, approximately the same as in the previous year. However, sales of midrange units did not increase, while sales of low-priced units rose. As a result, net sales were down 4%, to ¥7.0 billion.

Kerosene-Fired Water Heaters



Overall demand for kerosene-fired water heaters in 2005 declined 4%, to 449,500 units. Sales of Noritz brand units and OEM units manufactured by Noritz rose 13%, leading to an increase in market share of 1.4 percentage points, to 34.7%. As a result of these trends, net sales advanced 6% over the previous year, to ¥17.6 billion.

Vanity Units



In 2005, overall domestic demand for vanity units amounted to 1.88 million units, level with the previous year. Sales of moderately priced Noritz units held strong and total units sold expanded 6%, to 123,000. Net sales of this segment rose 2%, to ¥4.5 billion, and the market share of Noritz units rose 0.3 percentage point, to 6.5%.

* 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.