Notes to Consolidated Financial Statements

Noritz Corporation and Consolidated Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at December 31, 2008, which was ¥91.04 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 22 (22 in 2007) significant companies over which the Company has power of control through majority voting rights or the existence of certain other conditions evidencing control by the Company.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portions attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

The difference between the cost of investments in subsidiaries and equity in subsidiaries' net assets at dates of acquisition is, if considered significant, amortized over five years.

(2) Securities

Available-for-sale securities that mature within one year are classified as marketable securities.

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sales of such securities are computed using moving average cost.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving average cost.

If the market value of equity securities issued by unconsolidated subsidiaries and affiliated companies and available-for-sale securities declines significantly, such securities are stated at fair market value, and the difference between the fair market value, and the carrying amount is recognized as a loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries is not readily available, the securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(3) Derivatives and hedge accounting

Derivative financial instruments, except those used for hedging purposes, are stated at fair market value. Gains and losses realized on maturity or disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of the gains or losses resulting from changes in the fair value of the derivative financial instruments until the related losses or gains on the hedged items are recognized.

(4) Inventories

With respect to the Company, finished products, work-in-process and raw materials are valued at weighted average cost, whereas purchased goods and supplies are valued at moving average cost.

With respect to the consolidated subsidiaries, inventories are valued at moving average cost, weighted average cost or last purchase costs.

(5) Property, plant and equipment

Property, plant and equipment are carried at cost. Depreciation is provided on a declining balance method over the estimated useful lives of the assets. However, in accordance with changes in the Corporation Tax Law, effective April 1, 1998, the Companies depreciate newly acquired buildings on the straight line method.

(Change in Accounting Policy)

In accordance with the revised Corporation Tax Law and its regulations, for tangible fixed assets acquired on or after April 1, 2007, the Company and its domestic consolidated subsidiaries changed the method of depreciation to that provided by the revised Corporation Tax Law.

As a result of this change, in the year ended December 31, 2007, operating income and loss before income taxes and minority interests were ¥335 million lower than they would have been under the previous method of accounting.

(Additional Information)

In accordance with the revised Corporation Tax Law and its regulations, the Company and its domestic consolidated subsidiaries changed the depreciation method for tangible fixed assets acquired before March 31, 2007. Under the new method, these assets are depreciated fully to their memorandum values by the straight-line method over 5 years.

As a result of this change, in the year ended December 31, 2008, operating income and loss before income taxes and minority interests were ¥288 million ($3,163 thousand) lower than they would have been under the previous method of accounting.

(6) Research and development expenses
Research and development expenses are charged to income as incurred. Such expenses for the years ended December 31, 2007 and 2008 were ¥6,069 million and ¥5,653 million ($62,094 thousand), respectively.

(7) Software costs
The Companies include software in intangible assets and amortize it using the straight-line method over the estimated useful life of five years.

(8) Allowance for doubtful receivables
The allowance for doubtful receivables is provided for in an amount sufficient to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based on the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectible amount has been individually estimated.

(9) Bonuses
The Companies follow the general Japanese practice of paying bonuses to employees in July and December and to directors and statutory auditors in March. Accrued bonus liabilities of the Companies at the balance sheet date are calculated based upon managements' estimates of annual amounts thereof. Accrued bonuses are included in accrued expenses in the consolidated balance sheets.

(10) Reserve for product warranty
The reserve for product warranty is calculated on the basis of sales of products and actual product warranty liability paid in the past. The reserve is included in the liability for accrued expenses in the consolidated balance sheets.

(11) Provision for the repair of products on recall
The provision for the repair of products on recall is calculated on the basis of the estimated expenses of voluntary inspections of specified water heaters and gas burners. The provision is included in the liability for accrued expenses in the consolidated balance sheets.

(12) Income taxes
The Companies recognize the tax effects of loss carryforwards and temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting.

The Companies use the asset and liability approach to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(13) Retirement benefits

(i) Employees
The Companies provide three types of post-employment benefit plans: unfunded lump-sum payment plans; funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors; and defined contribution pension plans.

The Companies provided for employees' severance and retirement benefits at December 31, 2007 and 2008 based on the estimated amounts of projected benefit obligation and the fair value of plan assets at those dates.

Prior service costs are recognized in expenses in equal amounts over three years, and actuarial gains and losses are recognized in expenses using the straight-line method over 10 years commencing with the following period.

(ii) Directors and statutory auditors
Some of the consolidated subsidiaries, in accordance with their internal rules, include certain amounts in the fiscal year-end figures that will be necessary for the payment of retirement benefits to directors and statutory auditors.

(14) Translation of foreign currencies
Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

(15) Accounting for leases
Finance leases which do not transfer ownership are accounted for in the same manner as operating leases under generally accepted accounting principles in Japan.

(16) Net loss per share
Computations of net loss per share of common stock are based on the weighted average number of outstanding shares adjusted for any stock splits. Diluted net loss per share is not disclosed because there were no potentially dilutive securities.

(17) Cash and cash equivalents
In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

3. STATEMENTS OF CASH FLOWS

The reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of December 31, 2007 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Cash and time deposits in the consolidated balance sheets	¥11,904	**¥11,407**	**$125,297**
Marketable securities	2,269	**2,882**	**31,656**
Time deposits with maturities exceeding 3 months	(198)	**(1,093)**	**(12,006)**
Bonds with maturities exceeding 3 months	(2,266)	**(2,380)**	**(26,142)**
Cash and cash equivalents in the consolidated statements of cash flows	¥11,709	**¥10,816**	**$118,805**

4. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

The following tables summarize acquisition costs, book values and market values of securities with available fair values as of December 31, 2007 and 2008.

Marketable securities to be held to maturity

	Millions of yen						Thousands of U.S. dollars		
	2007			**2008**			**2008**		
Type	Consolidated book value	Market value	Difference	Consolidated book value	Market value	Difference	Consolidated book value	Market value	Difference
Securities with market value exceeding book value Japanese government and regional government bonds	¥1,499	¥1,512	¥ 13	**¥5,001**	**¥5,033**	**¥32**	**$54,932**	**$55,283**	**$351**
Securities with market value not exceeding book value Japanese government and regional government bonds	¥6,506	¥6,489	¥(17)	**¥1,000**	**¥ 993**	**¥ (7)**	**$10,984**	**$10,907**	**$ (77)**

Available-for-sale securities

Securities with book values exceeding acquisition costs were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2007			**2008**			**2008**		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥10,054	¥13,504	¥3,450	**¥4,357**	**¥5,780**	**¥1,423**	**$47,858**	**$63,488**	**$15,630**
Bonds	406	408	2	**—**	**—**	**—**	**—**	**—**	**—**
Others	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
Total	¥10,460	¥13,912	¥3,452	**¥4,357**	**¥5,780**	**¥1,423**	**$47,858**	**$63,488**	**$15,630**

Securities with book values not exceeding acquisition costs were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2007			**2008**			**2008**		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥8,889	¥7,281	¥(1,608)	**¥12,364**	**¥8,946**	**¥(3,418)**	**$135,808**	**$ 98,264**	**$(37,544)**
Bonds	—	—	—	**303**	**301**	**(2)**	**3,328**	**3,306**	**(22)**
Others	222	164	(58)	**221**	**77**	**(144)**	**2,428**	**846**	**(1,582)**
Total	¥9,111	¥7,445	¥(1,666)	**¥12,888**	**¥9,324**	**¥(3,564)**	**$141,564**	**$102,416**	**$(39,148)**

For the year ended December 31, 2008, the Companies recorded a loss on the write-down of securities due to a permanent diminution in value amounting to ¥2,544 million ($27,944 thousand). This loss is reflected in the accompanying consolidated statements of operations.

The following table summarizes book values of securities with no available fair values as of December 31, 2007 and 2008.

	Millions of yen		Thousands of U.S. dollars
Type	2007	**2008**	**2008**
Non-listed equity securities	¥379	**¥364**	**$3,998**
Mutual funds	2	**3**	**33**
Venture capital investment in limited partnership	10	**8**	**88**
Commercial paper	—	**499**	**5,481**
Total	¥391	**¥874**	**$9,600**

Available-for-sale securities with maturities become due as follows:

	Millions of yen										Thousands of U.S. dollars				
	2007					**2008**					**2008**				
	Within one year	Within five years	Within ten years	Over ten years	Total	Within one year	Within five years	Within ten years	Over ten years	Total	Within one year	Within five years	Within ten years	Over ten years	Total
Bonds	¥2,100	¥5,300	¥1,000	¥—	¥8,400	**¥2,300**	**¥4,000**	**¥—**	**¥—**	**¥6,300**	**$25,263**	**$43,937**	**$—**	**$—**	**$69,200**
Others	—	—	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	¥2,100	¥5,300	¥1,000	¥—	¥8,400	**¥2,300**	**¥4,000**	**¥—**	**¥—**	**¥6,300**	**$25,263**	**$43,937**	**$—**	**$—**	**$69,200**

Total sales of available-for-sale securities in the year ended December 31, 2007 amounted to ¥22 million, and the related gains amounted to ¥1 million.

Total sales of available-for-sale securities in the year ended December 31, 2008 amounted to ¥5 million ($55 thousand), and there were no gains (losses) from such sales.

5. LEASES

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended December 31, 2007 and 2008 was as follows:

	Millions of yen						Thousands of U.S. dollars
	2007			**2008**			**2008**
	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total	Total
Acquisition cost	¥1,010	¥102	¥1,112	**¥852**	**¥62**	**¥914**	**$10,040**
Accumulated depreciation	647	69	716	**604**	**30**	**634**	**6,964**
Accumulated impairment loss	58	—	58	**42**	**—**	**42**	**461**
Net leased property	¥ 305	¥ 33	¥ 338	**¥206**	**¥32**	**¥238**	**$ 2,614**

Obligations under finance leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Due within one year	¥153	**¥131**	**$1,439**
Due after one year	243	**149**	**1,637**
Total	¥396	**¥280**	**$3,076**

The amount of obligations under finance leases includes the imputed interest expense portion.

Depreciation expense under finance leases was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Depreciation expense	¥194	**¥156**	**$1,714**

Obligations under non-cancellable operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Due within one year	¥1	**¥2**	**$22**
Due after one year	2	**3**	**33**
Total	¥3	**¥5**	**$55**

6. BANK LOANS

Short-term bank loans at December 31, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Short-term bank loans—0.88%	¥11,191	**¥7,544**	**$82,865**

7. CONTINGENT LIABILITIES

At December 31, 2008, the Companies were contingently liable as follows:

	Millions of yen	Thousands of U.S. dollars
As guarantor of indebtedness of an affiliate or other companies	¥313	$3,438

8. INCOME TAXES

The Companies are subject to a number of taxes in Japan based on income. In the aggregate, these taxes amount to a statutory tax rate of approximately 40.7% for the years ended December 31, 2007 and 2008.

No reconciliation for the year ended December 31, 2007 or 2008 was presented because there was a loss before income taxes in both years.

Significant components of the Companies' deferred tax assets and liabilities as of December 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Deferred tax assets:			
Accrued enterprise tax	¥ 33	**¥ 83**	**$ 912**
Accrued bonuses	342	**312**	**3,427**
Excess bad debt expenses	412	**359**	**3,943**
Provision for the repair of products on recall	301	**279**	**3,065**
Employees' retirement benefits	3,166	**2,975**	**32,678**
Directors' and statutory auditors' retirement benefits	60	**62**	**681**
Long-term accounts payable	145	**139**	**1,527**
Write-down of securities	164	**1,076**	**11,819**
Impairment of fixed assets	486	**156**	**1,714**
Loss carryforwards (for tax purposes)	406	**424**	**4,657**
Deferred losses on hedges	—	**200**	**2,197**
Net unrealized holding losses on securities	—	**911**	**10,007**
Other	256	**439**	**4,821**
Total deferred tax assets	5,771	**7,415**	**81,448**
Valuation allowance	(521)	**(1,460)**	**(16,037)**
Deferred tax assets	5,250	**5,955**	**65,411**
Deferred tax liabilities:			
Net unrealized holding gains on securities	(711)	**(69)**	**(758)**
Land and others	(219)	**(201)**	**(2,208)**
Deferred tax liabilities	(930)	**(270)**	**(2,966)**
Net deferred tax assets	¥4,320	**¥5,685**	**$62,445**

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Short-term deferred tax assets	¥1,322	**¥1,604**	**$17,619**
Short-term deferred tax liabilities	(3)	**(1)**	**(11)**
Long-term deferred tax assets	3,217	**4,282**	**47,034**
Long-term deferred tax liabilities	(216)	**(200)**	**(2,197)**
	¥4,320	**¥5,685**	**$62,445**

9. LOSS ON IMPAIRMENT OF FIXED ASSETS

(1) Grouping

a) Fixed assets used in processes related to operating businesses are categorized into asset groups by the type of products.
b) Assets for rent and idle assets are treated individually.

(2) Specific losses on impairment of fixed assets

In accordance with the grouping described in (1) above, an impairment loss of ¥1,165 million was recognized in 2007. Significant properties included in this loss were as follows:

			Amount	
Use of assets	Type of assets	Location	Millions of yen	Thousands of U.S. dollars
Production facilities for bathroom and kitchen equipment	Land, buildings and structures, machinery, tools, and fixtures, etc.	Tsuchiura, Ibaraki Prefecture	¥838	$7,341
		Maebashi, Gunma Prefecture	¥327	$2,864

Owing to rising prices of raw materials and more intense competition, the profitability of the bathroom and kitchen equipment business has seriously deteriorated. Accordingly, it is the Companies' judgment that recovery of its investment in this business will be difficult and the Companies have accordingly written down the book value of its production facilities for bathroom and kitchen equipment to the recoverable amount. The amounts of the write-downs have been treated as impairment losses.

The recoverable value of these assets was assessed at the net realizable value. The net realizable value of land, buildings and structures was based on appraisals by real estate appraisers or on publicly assessed values. The net realizable value of other assets was based on residual values.

Accumulated losses on impairment of fixed assets were deducted directly from the amount of land, buildings and structures, machinery and equipment.

10. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liabilities section of the consolidated balance sheet as of December 31, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Projected benefit obligation	¥25,591	**¥26,224**	**$288,049**
Unrecognized actuarial differences	(2,602)	**(5,530)**	**(60,743)**
Less: fair value of pension assets	(15,081)	**(13,297)**	**(146,057)**
Prepaid pension cost	211	**246**	**2,703**
Liabilities for severance and retirement benefits	¥ 8,119	**¥ 7,643**	**$ 83,952**

Included in the consolidated statements of income for the years ended December 31, 2007 and 2008 are severance and retirement benefit expenses comprising the following:

	Millions of yen		Thousands of U.S. dollars
	2007	**2008**	**2008**
Service costs— benefits earned during the year	¥1,258	**¥1,340**	**$14,719**
Interest cost on projected benefit obligation	515	**536**	**5,888**
Expected return on plan assets	(290)	**(319)**	**(3,504)**
Amortization of actuarial differences	464	**527**	**5,789**
Other	261	**270**	**2,965**
Severance and retirement benefit expenses	¥2,208	**¥2,354**	**$25,857**

Both the discount rate and the rate of expected return on plan assets used by the Company were 2.3%. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years.

11. SHAREHOLDERS' EQUITY

(1) Under the Company Law of Japan, the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

The Company Law requires that an amount equal to at least 10% of cash dividends and other cash appropriations are appropriated and set aside as a legal reserve until the total amount of the legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. If the total amount of the legal reserve and additional paid-in capital remains equal to or exceeding 25% of common stock, the legal reserve and additional paid-in capital are available for dividends by resolution of the shareholders' meeting. In the accompanying financial statements, the legal reserve is included in retained earnings and additional paid-in capital is included in capital surplus.

(2) The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Company Law.

12. ACCOUNTING STANDARD FOR BUSINESS COMBINATIONS

For fiscal years beginning on or after January 1, 2007, the Company has adopted "Accounting Standard for Business Combinations" (issued by the Business Accounting Council on October 31, 2003) and "Accounting Standard for Business Divestitures" (Corporate Accounting Standard No. 7, issued by the Accounting Standards Board of Japan on December 27, 2005) as well as Implementation Guidance on "Accounting Standard for Business Combinations" and "Accounting Standard for Business Divestitures" (Implementation Guidance on Corporate Accounting Standard No. 10, issued by the Accounting Standards Board of Japan, which was revised to its final form and issued on December 22, 2006).

On May 24, 2007, the Company made agreements with Taisei Kogyo Corporation and Shinwa Kogyo Corporation regarding the exchange of shares. As a result, both companies became wholly owned subsidiaries of the Company on July 15, 2007.

13. SEGMENT INFORMATION

(1) Business segment information

The Company and its consolidated subsidiaries are primarily engaged in Japan in the manufacture and sale of household related products, including water heaters, bath heaters and other bathroom and kitchen related products in the following four business segments:

- Water heater and air-conditioning equipment: Gas bath water heaters, gas water heaters, gas hot water room heating systems, oil bath water heaters, oil water heaters, oil hot water room heating systems, and solar-powered water heating equipment
- Household system equipment: System bathrooms, system kitchens, bathroom washstands, and washlet toilet seats
- Gas range equipment: Gas range cooking units, dishwashers and dish dryers, oven cooking ranges, and compact water heaters
- Other: Component business related parts and new businesses

Through the previous fiscal year, the Noritz Group classified all its business operations in one operating segment. However to accelerate management decision making, beginning with the current fiscal year, the Company has applied the more detailed classification, by type of equipment, that it had used in the past. Also, accompanying this change and upgrades in systems for management supervision, the Company has prepared data by operating segment.

The business segment information of the consolidated subsidiaries for the year ended December 31, 2008 is as follows:

	Millions of yen						
	Water heater and air-conditioning equipment	Household system equipment	Gas range equipment	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income:							
Sales to third parties	**¥126,563**	**¥20,148**	**¥25,019**	**¥9,525**	**¥181,255**	**¥ —**	**¥181,255**
Intra-group sales and transfers	**539**	**—**	**—**	**75**	**614**	**(614)**	**—**
Total sales	**127,102**	**20,148**	**25,019**	**9,600**	**181,869**	**(614)**	**181,255**
Operating expenses	**123,498**	**21,383**	**24,881**	**8,661**	**178,423**	**(614)**	**177,809**
Operating income (loss)	**¥ 3,604**	**¥ (1,235)**	**¥ 138**	**¥ 939**	**¥ 3,446**	**¥ —**	**¥ 3,446**
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:							
Assets	**¥ 71,767**	**¥10,316**	**¥13,551**	**¥3,080**	**¥ 98,714**	**¥46,314**	**¥145,028**
Depreciation	**3,486**	**252**	**1,241**	**165**	**5,144**	**1,461**	**6,605**
Capital expenditures	**3,278**	**140**	**985**	**—**	**4,403**	**1,676**	**6,079**

	Thousands of U.S. dollars						
	Water heater and air-conditioning equipment	Household system equipment	Gas range equipment	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income:							
Sales to third parties	**$1,390,191**	**$221,309**	**$274,813**	**$104,625**	**$1,990,938**	**$ —**	**$1,990,938**
Intra-group sales and transfers	**5,920**	**—**	**—**	**824**	**6,744**	**(6,744)**	**—**
Total sales	**1,396,111**	**221,309**	**274,813**	**105,449**	**1,997,682**	**(6,744)**	**1,990,938**
Operating expenses	**1,356,524**	**234,874**	**273,297**	**95,135**	**1,959,830**	**(6,744)**	**1,953,086**
Operating income (loss)	**$ 39,587**	**$ (13,565)**	**$ 1,516**	**$ 10,314**	**$ 37,852**	**$ —**	**$ 37,852**
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:							
Assets	**$ 788,302**	**$113,313**	**$148,847**	**$ 33,831**	**$1,084,293**	**$508,721**	**$1,593,014**
Depreciation	**38,291**	**2,768**	**13,631**	**1,813**	**56,503**	**16,048**	**72,551**
Capital expenditures	**36,006**	**1,538**	**10,819**	**—**	**48,363**	**18,410**	**66,773**

(2) Geographic segment information

Geographic segment information has not been disclosed, as net sales and assets in Japan for the years ended December 31, 2007 and 2008 constituted over 90% of the consolidated net sales and assets.

(3) Overseas sales information

Overseas sales information has not been disclosed, as overseas net sales for the years ended December 31, 2007 and 2008 were less than 10% of consolidated net sales.