

*Noritake*

ANNUAL REPORT  
2000

## Profile

Throughout its nearly 125-year history, Noritake Co., Limited, has continued to provide customers with a quality lineup of competitive and attractive products. Today, the Company concentrates its efforts on three areas: industrial products, tableware, and electronics, ceramics, and engineering. Noritake products can be found in homes, businesses, and factories throughout Japan, North America, Europe, Oceania, and other countries in Asia. With considerable R&D capacity and an expansive network of distribution centers around the world, Noritake has laid a strong foundation for continued growth into the 21st century.

## Contents

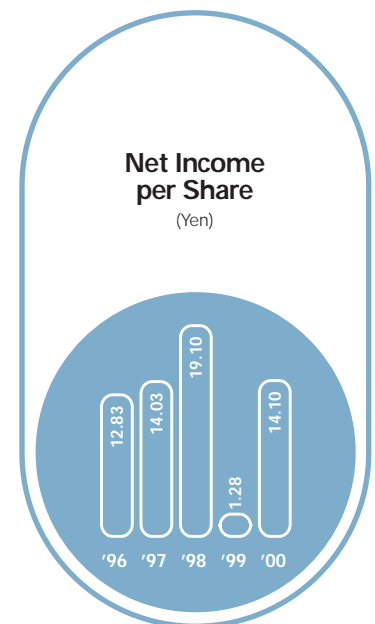
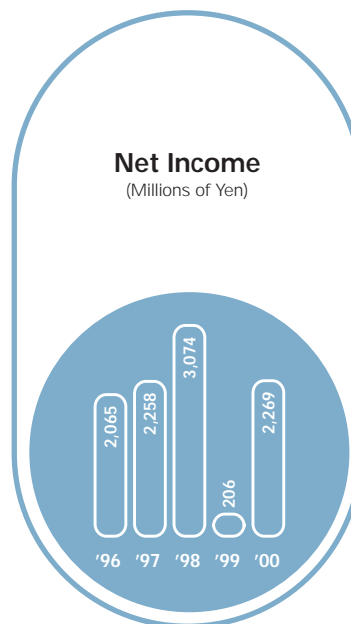
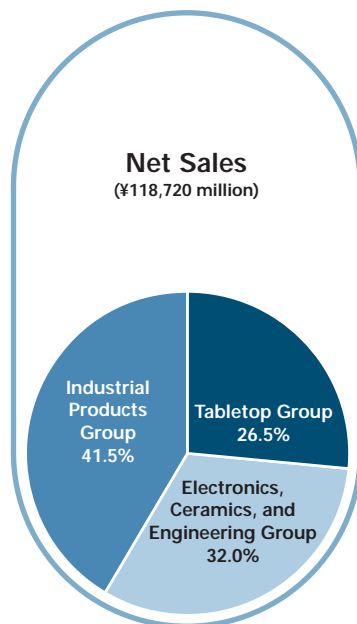
1	Financial Highlights
2	Message from the Management
4	Review of Operations
4	Industrial Products Group
5	Tabletop Group
6	Electronics, Ceramics, and Engineering Group
7	Research & Development
8	Financial Section
23	The History of Noritake
24	Overseas Network
25	Corporate Data
25	Board of Directors
25	Organization Chart

# Financial Highlights

Noritake Co., Limited and its Consolidated Subsidiaries  
For the Years Ended March 31, 2000, 1999, 1998, 1997 and 1996

	Millions of Yen					Thousands of U.S. Dollars
	2000	1999	1998	1997	1996	2000
For the year:						
Net sales .....	<b>¥118,720</b>	¥123,851	¥126,468	¥118,197	¥113,868	<b>\$1,120,000</b>
Operating income .....	<b>4,245</b>	3,455	5,106	4,316	3,626	<b>40,047</b>
Net income .....	<b>2,269</b>	206	3,074	2,258	2,065	<b>21,406</b>
At year-end:						
Total shareholders' equity.....	<b>63,519</b>	63,760	66,107	64,318	63,584	<b>599,236</b>
Total assets .....	<b>126,415</b>	129,420	131,760	130,526	134,029	<b>1,192,594</b>
Net income per share (in yen and dollars) .....	<b>¥14.10</b>	¥1.28	¥19.10	¥14.03	¥12.83	<b>\$0.13</b>

Note: The U.S. dollar amounts above have been translated, for convenience only, at the rate of ¥106 to US\$1.



The management would first of all like to take this opportunity to express its thanks to all the shareholders of Noritake Co., Limited, for their support over the past year.

Before proceeding to the financial statements for fiscal 2000, ended March 31, 2000, I would like to comment on the results for the Company.

Over the past year, Noritake focused its attention less on sales volumes and more on securing profitability. To do this, the Company laid the foundations of a Group structure to strengthen its collective powers and improve its results with immediate effect. To improve the effectiveness of management, encourage the sharing of information, and ensure that everyone is working with the same objective in mind, we have newly established a Management Committee headed by Chairman Tetsuya Hino and myself as the highest decision-making body of the Group. We have also set up a Central Committee composed of the heads and divisional heads of all the Group's constituent companies. Through these newly created bodies, we have gained a clearer understanding of the difficult environment in which the Group is currently operating and have been grappling collectively with the question of what are the best measures for the Group to take to overcome the challenges it currently faces.

### Results for the Period

Consolidated net sales declined 4.1% compared with the previous period, to ¥118,720 million, operating income rose 22.9%, to ¥4,245 million, and net income amounted to ¥2,269 million, from ¥206 million in the previous fiscal year. Although sales declined from the previous period, the Company was able to improve both its operating income and its net income.

By group, sales by the Industrial Products Group decreased 1.9%, to ¥49,302 million, while Tabletop Group sales declined 10.0%, to ¥31,457 million. Sales by the Electronics, Ceramics, and Engineering Group slipped 1.7%, to ¥37,961 million.

### The Next Steps

The Noritake Group believes that fiscal 2001 will be a very important year and a crucial staging post on the way to the celebrations of the 100th anniversary of the foundation of Noritake, in 2004.

In search of far-reaching improvements in corporate management, the Company embarked on a complete reform of its operations from April 1, 2000, based on the previously mentioned structures put in place in 1999. These reforms are intended not merely to establish business operations and bodies that are more effective than the previous ones but also correct distortions and misalignments that have arisen in the past to set the Company on the right track in the future.

### These Reforms Comprise:

#### **1. Financial Reforms in Conjunction with the Introduction of Consolidated Fair Value Accounting Procedures**

Noritake has liabilities that are impossible to overlook, particularly with respect to insufficient provisions for retirement allowance obligations and excessive inventories. We intend to deal with these liabilities as quickly as possible and return to a healthy financial status.

#### **2. Structural Reforms of Noritake Groups**

The Company will consolidate the manufacturing and sales operations of its Group companies and restructure itself into an entity that is able to cater more adroitly to the needs of the market.

##### 1) Industrial Products Group

Manufacturing is to be refocused toward the provision of ultrahigh-precision tools targeted at the IT industry. We are striving to reduce the number of sales offices in Japan, including the closure of unprofitable offices, and expand our sales in the North American market.

##### 2) Tabletop Group

The Tabletop Group is instituting a system whereby a single production company will deal with a single sales company. On the manufacturing side, this integrated system will lead to shortened lead times. On the sales side, concentrating business in a single company will cut distribution costs and assist in the recovery of the tabletop business.

##### 3) Electronics, Ceramics, and Engineering Group

In response to the increasingly fragmented and specialized market, this group was split on April 1, 2000, into three separate business groups: the Ceramics Group, the Electronics Group, and the Environmental Engineering Group. We feel that the Environmental Engineering Group has a particularly important role to play as we enter the environment-related business. It is in this group that we have concentrated the technological expertise that Noritake has amassed over many years.



*Tetsuya Hino (left), Chairman and Representative Director, and Takashi Iwasaki, President and Representative Director*

### **3. Strengthening Marketing**

The Noritake Group is striving to strengthen its marketing capabilities. As a first and very important step, the Tokyo branch office has been upgraded to become the Tokyo Headquarters, to which we have transferred the core of our marketing functions to fortify our business in the Tokyo metropolitan area.

### **4. Strengthening Our Development System**

A coherent R&D strategy is vital for the future of the Noritake Group. The Company is aiming to shift the focus of its R&D activities to the application of simple and functional products as well as into environment-related products, such as the recycling of paper into pulp mold, clean energy, and IT sectors, clearly distinguishing the roles of respective departments. These departments will then be in charge of developing business for products with which they are familiar. In addition, they will undertake research likely to be useful in the medium term and develop products that stand a chance of becoming earnings leaders in the future.

In fiscal 2001, the Noritake Group will continue to confront the challenges that lie ahead, united in its determination to overcome any obstacles on the path to further development.

### **The Noritake Group—Working Together for Corporate Excellence**

Thanks to the support and encouragement of our shareholders, the companies of the Noritake Group are fully aware of the circumstances in which they are operating and are developing their operations determined to ensure that the Company's slogan 'Working Together for Corporate Excellence' becomes a reality. Noritake is striving to overcome the issues it faces boldly and positively, thereby realizing the goal behind its slogan, and we hope that our shareholders will continue to support and encourage us in these efforts.

**Tetsuya Hino**  
Chairman and Representative Director

**Takashi Iwasaki**  
President and Representative Director

# Industrial Products Group



Super Precision MF Polishing Machine SFS Model-18



Fixed Abrasive Porous Plastic Plate for CMP Pad

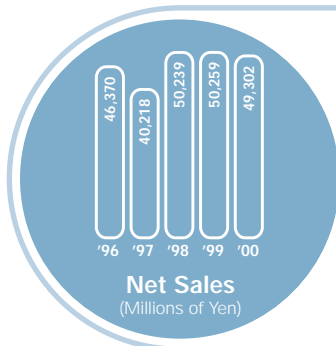


**S**ales by the Industrial Products Group for the year under review amounted to ¥49,302 million, a decline of 1.9% from the previous fiscal year.

Sales of diamond tools for use in electronics, semiconductor manufacturing, and information infrastructure grew. A recovery in demand for grinding wheels has been discernible since the second half of fiscal 2000, led by Japanese steel producers, which have seen a rise in their exports of steel products to Southeast Asia. Another factor is the trend toward recovery in the bearings and automobile manufacturing sectors—the biggest purchasers of grinding wheels. Regrettably, however, this recovery was not sufficient to offset the decline in demand witnessed in the first half of fiscal 2000. Sales of coated abrasive products improved compared with the previous year, but sales of filtration equipment and grinding machinery were adversely affected by slack demand throughout the fiscal year. Sales by the Industrial Products Group as a whole were affected by a contraction of demand in the U.S. and European markets.

Looking ahead to fiscal 2001, there is concern that the economic recovery in Japan will be delayed due

to stagnant consumer consumption, and the outlook in overseas markets is expected to remain unclear. In the Industrial Products Group, which is the Noritake Group's largest in terms of sales, we intend to increase earnings by focusing on the development of next-generation products for the IT market. We also plan to reduce costs through a consolidation of our retail section, while at the same time improving sales, particularly in the all-important North American market.



**Grinding Wheels**

Heavy-duty grinding wheels, precision grinding wheels, superfinishing stones and honing stones, grinding wheels for general use, cutting wheels, offset wheels, control wheels

**Diamond and CBN Tools**

Wheels, honing stones, cutting saws, core drills, dressers, PCD/PCBN tools, electroplated tools

**Coated Abrasives**

Belt and fabric (nonwoven) abrasives, diamond-coated abrasives, nonslip abrasives

**Grinding Machines**

Billet grinders, automatic snagging grinders for castings, belt grinders, reference surface forming grinders

**Filtration Equipment**

Coolant filtration systems, high-pressure coolant systems, industrial electrostatic filters

**Grinding and Polishing Equipment**

Dynamic balances, ultrafine grinding wheel dressing equipment, grinding fluid/coolant, ceramic surface plates

# Tabletop Group



Patt. 4753 White Palace



Patt. 7940 Gourmet Garden

**S**ales by the Tabletop Group for the year under review amounted to ¥31,457 million, a decline of 10.0% from the previous fiscal year.

In the North American market, as sales in department stores remained lackluster, the group developed a new sales policy—commencing sales at volume retailers and specialist outlets. However, overall sales were still down year on year. Although in Europe and Southeast Asia there were signs of a recovery in the sales of tableware to airlines, the general market for tabletop products continued to languish. In the domestic market, the group moved aggressively into the retailing market and began to sell its products over the Internet. Unfortunately, this was not sufficient to forestall a drop in the sales of domestic tableware, and tabletop products aimed at such institutional purchasers as hotels and restaurants showed little sign of recovery.

The domestic tabletop business has been reorganized in an effort to halt declining sales figures, and we are laying the foundations for a system in which there will be a single production company and a single sales company. On April 1, 2000, our two principal domestic production companies, Noritake Kyuto

Co., Ltd., and Noritake Imari Co., Ltd., were merged, and their facilities and factories were consolidated in the process. By constructing an integrated production system, Noritake is returning to the spirit and manufacturing system it used when the Company was established in 1904 as Nippon Toki Gomei Kaisha. The group's two sales companies, Noritake Living Co., Ltd., which deals with retail sales, and Noritake Sales Ltd., which handles sales to wholesalers, were also merged on April 1, 2000.

The Tabletop Group intends to make the Noritake brand's presence in the domestic and North American markets even more substantial and return the group to profitability by pressing ahead with rationalization policies.

## China

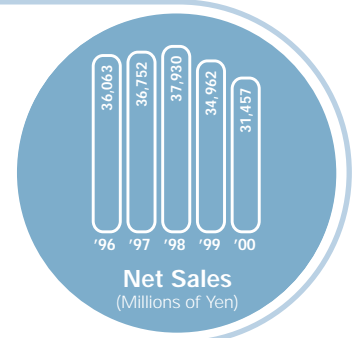
Bone china (white bone china, sheer ivory bone china), regular china (porcelain ware), ivory china, Toughmate and Primadura (high-strength porcelain), Grand Ceram, fine casual china (high-strength, soft-glaze porcelain), earthenware, stoneware, The Studio Collection (fine art figurines)

## Crystal Glassware

### Glassware

### Cutlery ware

### Melamine ware

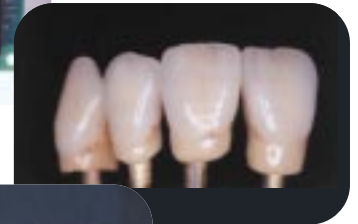


# Electronics, Ceramics, and Engineering Group

Compact Graphics Display Module Series 800



Dental Porcelain



**S**ales by the Electronics, Ceramics, and Engineering Group for the year under review amounted to ¥37,961 million, a decline of 1.7% from the previous fiscal year.

In electronics, demand for fluorescent display tubes containing integrated circuits for use in the drive mechanisms of car audio systems strengthened both domestically and in export markets in the United States, Europe, and Southeast Asia. The manufacturer of these fluorescent display tubes, Ise Electronics Corp., has increased the production capability at its factory to cater for this increase in demand. This sector now plans to improve still further its fluorescent display tube products and carve out new markets for their use.

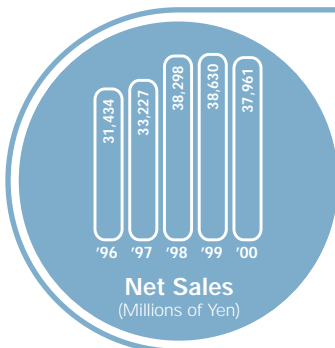
In ceramics, demand for new thick-membrane printing plate products for use in automobiles was strong, as was demand in the U.S. and European markets for dental-related products. However, sales of paste for electronic components were sluggish, and overall sales posted a year-on-year decline. The ceramics sector intends to stabilize the supply of paste for electronic components by switching to new raw materials. It further plans to enter such new product markets as those for smoke extractor and deodorizing devices that



Pulpmold for Dinnerware

utilize photocatalytic functions, and integrate production and sales to a greater degree than has been the case up to now to improve operational efficiency.

In engineering, demand for drying kilns and high-efficiency kilns showed signs of a recovery in the domestic, Taiwanese, and Korean markets in the second half of the year under review as capital investment in IT picked up due to growth in the data communications sector. However, this recovery was not strong, and overall sales declined. The Noritake Group has decided to move into the environmental engineering business with the intention of supplying the market with manufactured goods that have the potential to become major sources of revenue. This sector now intends to expand its operations, centering on pulp molding machines, for which facilities, molds, and products were developed in the year under review.



## Electronics

Vacuum fluorescent display tubes, vacuum fluorescent display modules, high-brightness picture tubes, vacuum fluorescent display systems, thick-film circuit substrates, high-precision substrates

## Ceramics

Ceramics for electronic components (molded parts, substrates), paste for electronic components,

screen masks, fine ceramics products, catalyst carriers, ceramic cores, paste for the electronics industry, materials related to the ceramics industry, including liquid gold and decalomania paper, dental porcelain, dental metals, ceramic sewer pipes and sewer-related products, gypsum products, ceramic mold materials, hybrid ICs (thermal heads, thermal pens, thermal heaters)

## Engineering

Ceramic roll mills, high-efficiency kilns (roller hearth kilns), far-infrared ceramic heaters and application devices, static mixers and application devices

# Research & Development

The Noritake Group's R&D activities are built around the core of the Research & Development Center. Through the sharing of information and the exchange of ideas between Group companies, the center develops both new technologies and products for new business areas.

In the year under review, the Noritake Group spent a total of ¥674 million on R&D. The current R&D projects of each of the following product groups are outlined below.

## Industrial Products Group

The Industrial Products Group has been devoting its attention to the development of products in the information and communications field—an area that holds promising prospects for future growth. Of particular note is research that has been conducted into:

- 1) Single-layer vitrified diamond dressers for CMP pads used in the polishing of silicon wafers
- 2) High-precision ceramic filter elements for use in the disposal of silicon wafer polishing effluent

The group is preparing to bring its single-layer vitrified diamond dressers to market some time during fiscal 2001. Total R&D expenditure for the group for the term under review amounted to ¥166 million.

## Tabletop Group

The Tabletop Group is currently working on removing the lead from pigments used in coloring tableware to reduce the environmental impact of its products. Total R&D expenditure for the group for the term under review amounted to ¥72 million.

## Electronics, Ceramics, and Engineering Group

The Electronics, Ceramics, and Engineering Group is continuing to reinforce its ongoing development of



Photo-catalytic Ceramic Filters



Molding Machine



Pulpmold for Grinding Wheels

environmentally clean energy in an attempt to reduce the impact on the environment. Research is proceeding in two principal fields:

- 1) Photo-catalytic ceramic filters for deodorizing
- 2) Ceramic membranes for separating gases at high temperatures

The group's new photo-catalytic ceramic filters for deodorizing will be put into commercial production in fiscal 2001. The ceramic membranes for gas separation have achieved the world's first ever separation of hydrogen gas at 800°C, and, as a consequence, fuel cells will become a much more practical technology.

Noritake carries out joint research into clean energy and environment-related products with several universities, and its subsidiary Ise Electronics is studying the electron emissions in the electric field generated by carbon nanotubes (CNTs) in a search for industrial applications for CNT emissions in fluorescent display tubes. The group is currently testing such applications as field emission pressure fluorescent display tubes and a number of other display devices. It has become possible to build initial prototypes and, judging from the results of analyses of the properties of these prototypes, the group expects that practical uses can be found.

Total R&D expenditure for the group for the term under review amounted to ¥436 million.

# FINANCIAL SECTION

## Financial Data

Noritake Co., Limited and its Consolidated Subsidiaries  
For the Years Ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Net sales .....	<b>¥118,720</b>	¥123,851	<b>\$1,120,000</b>
Operating income.....	<b>4,245</b>	3,455	<b>40,047</b>
Net income.....	<b>2,269</b>	206	<b>21,406</b>
Working capital.....	<b>14,834</b>	15,048	<b>139,943</b>
Long-term debt, excluding current portion.....	<b>2,594</b>	5,219	<b>24,471</b>
Total shareholders' equity.....	<b>63,519</b>	63,760	<b>599,236</b>
Total assets.....	<b>126,415</b>	129,420	<b>1,192,594</b>
Net property, plant and equipment .....	<b>35,583</b>	36,687	<b>335,689</b>
Net income per share (in yen and dollars) .....	<b>¥14.10</b>	¥1.28	<b>\$0.13</b>
Cash dividends (in yen and dollars).....	<b>9.00</b>	9.00	<b>0.08</b>
Ratios (%):			
Return on equity (ROE).....	<b>3.6</b>	0.3	
Return on assets (ROA).....	<b>1.8</b>	0.2	

Note: The U.S. dollar amounts above have been translated, for convenience only, at the rate of ¥106=US\$1.

# Consolidated Balance Sheets

Noritake Co., Limited and its Consolidated Subsidiaries  
March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2000	1999	2000
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents.....	¥ 10,056	¥ 10,192	\$ 94,868
Short-term investments (Note 3) .....	3,584	4,291	33,811
Trade receivables, net of allowance for doubtful accounts (Note 4) .....	30,832	26,856	290,868
Inventories (Note 5) .....	20,558	23,210	193,943
Deferred tax assets (Note 13) .....	1,378	1,459	13,000
Other current assets .....	826	1,371	7,793
Total current assets .....	67,234	67,379	634,283
<b>Investments and other assets:</b>			
Investment securities (Note 6).....	13,130	14,009	123,868
Investments in and long-term loans to unconsolidated subsidiaries and affiliates (Note 6) .....	420	2,083	3,962
Deferred tax assets (Note 13) .....	1,504	1,583	14,189
Other .....	2,810	2,901	26,509
Total investments and other assets .....	17,864	20,576	168,528
<b>Property, plant and equipment</b> (Note 7).....	35,583	36,687	335,689
<b>Foreign currency translation adjustments</b> .....	5,734	4,778	54,094
Total assets.....	¥126,415	¥129,420	\$1,192,594
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Note 9).....	¥ 28,834	¥ 29,622	\$ 272,019
Current portion of long-term debt (Note 9) .....	2,284	1,319	21,547
Trade payables (Note 8) .....	15,828	15,563	149,321
Accrued expenses.....	3,027	3,572	28,557
Income taxes payable .....	930	631	8,773
Other current liabilities .....	1,497	1,624	14,123
Total current liabilities .....	52,400	52,331	494,340
<b>Long-term debt</b> (Note 9) .....	2,594	5,219	24,471
<b>Accrued severance indemnities</b> .....	6,129	6,513	57,821
<b>Other non-current liabilities</b> .....	284	91	2,679
<b>Commitments and contingent liabilities</b> (Note 10)			
<b>Minority interest</b> .....	1,489	1,506	14,047
<b>Shareholders' equity</b> (Note 12):			
Common stock.....	15,632	15,632	147,471
Additional paid-in capital.....	18,810	18,810	177,453
Retained earnings.....	29,078	29,319	274,321
Less, treasury stock, at cost .....	(1)	(1)	(9)
Total shareholders' equity .....	63,519	63,760	599,236
Total liabilities and shareholders' equity.....	¥126,415	¥129,420	\$1,192,594

See Notes to Consolidated Financial Statements.

# Consolidated Statements of Income

Noritake Co., Limited and its Consolidated Subsidiaries  
For the Years Ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2000	1999	2000
<b>Net sales</b> (Note 14) .....	<b>¥118,720</b>	¥123,851	<b>\$1,120,000</b>
<b>Operating costs and expenses</b> (Note 14):			
Cost of goods sold.....	<b>80,112</b>	85,375	<b>755,774</b>
Selling, general and administrative expenses .....	<b>34,363</b>	35,021	<b>324,179</b>
	<b>114,475</b>	120,396	<b>1,079,953</b>
Operating income .....	<b>4,245</b>	3,455	<b>40,047</b>
<b>Other income (expenses):</b>			
Interest and dividend income.....	<b>500</b>	577	<b>4,717</b>
Interest expenses.....	<b>(620)</b>	(811)	<b>(5,849)</b>
Gain (loss) on sale or write-down of marketable securities.....	<b>899</b>	(441)	<b>8,481</b>
Loss on investments in and advances to subsidiaries.....	<b>(471)</b>	—	<b>(4,443)</b>
Gain on sale or disposal of property, plant and equipment .....	<b>305</b>	493	<b>2,877</b>
Extraordinary severance pay to employees under early retirement plan .....	<b>(138)</b>	(809)	<b>(1,302)</b>
Other .....	<b>(381)</b>	(271)	<b>(3,594)</b>
	<b>94</b>	(1,262)	<b>887</b>
Income before income taxes and minority interest .....	<b>4,339</b>	2,193	<b>40,934</b>
<b>Income taxes</b> (Note 13) .....	<b>2,121</b>	1,972	<b>20,009</b>
<b>Minority interest in net loss (income) of consolidated subsidiaries</b> .....	<b>51</b>	(15)	<b>481</b>
Net income .....	<b>¥ 2,269</b>	¥ 206	<b>\$ 21,406</b>
		Yen	U.S. Dollars (Note 2)
<b>Per share:</b>			
Net income .....	<b>¥ 14.10</b>	¥ 1.28	<b>\$ 0.13</b>
Cash dividends .....	<b>9.00</b>	9.00	<b>0.08</b>

See Notes to Consolidated Financial Statements.

# Consolidated Statements of Shareholders' Equity

Noritake Co., Limited and its Consolidated Subsidiaries  
For the Years Ended March 31, 2000 and 1999

	Number of Shares Issued	Common Stock	Additional Paid-in Capital	Retained Earnings
Millions of Yen				
<b>Balance at March 31, 1998</b> .....	160,928,497	¥15,632	¥18,810	¥31,665
Net income for the year .....	—	—	—	206
Cash dividends .....	—	—	—	(1,448)
Bonuses to directors and statutory auditors .....	—	—	—	(33)
Decrease in retained earnings through changes in the scope of consolidation .....	—	—	—	(1,071)
<b>Balance at March 31, 1999</b> .....	160,928,497	¥15,632	¥18,810	¥29,319
Net income for the year .....	—	—	—	<b>2,269</b>
Cash dividends .....	—	—	—	<b>(1,448)</b>
Bonuses to directors and statutory auditors .....	—	—	—	<b>(37)</b>
Cancellation of shares (Note 12) .....	<b>(2,500,000)</b>	—	—	<b>(1,025)</b>
<b>Balance at March 31, 2000</b> .....	<b>158,428,497</b>	<b>¥15,632</b>	<b>¥18,810</b>	<b>¥29,078</b>

	Thousands of U.S. Dollars (Note 2)		
<b>Balance at March 31, 1999</b> .....	\$147,471	\$177,453	\$276,594
Net income for the year .....	—	—	<b>21,406</b>
Cash dividends .....	—	—	<b>(13,660)</b>
Bonuses to directors and statutory auditors .....	—	—	<b>(349)</b>
Cancellation of shares (Note 12) .....	—	—	<b>(9,670)</b>
<b>Balance at March 31, 2000</b> .....	<b>\$147,471</b>	<b>\$177,453</b>	<b>\$274,321</b>

See Notes to Consolidated Financial Statements.

# Consolidated Statements of Cash Flows

Noritake Co., Limited and its Consolidated Subsidiaries  
For the Years Ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2000	1999	2000
<b>Cash flows from operating activities:</b>			
Income before income taxes.....	¥ 4,339	¥ 2,193	\$40,934
Adjustments for:			
Depreciation.....	4,127	4,126	38,934
(Gain) loss on sale or write-down of marketable securities.....	(899)	441	(8,481)
Loss on investments in and advances to subsidiaries.....	471	—	4,443
Gain on sale or disposal of property, plant and equipment.....	(305)	(493)	(2,877)
(Increase) decrease in trade receivables.....	(2,823)	6,107	(26,632)
Decrease in inventories.....	1,838	1,039	17,340
Decrease in trade payables.....	(1,639)	(3,236)	(15,462)
Other, net.....	315	(521)	2,971
Sub-total.....	5,424	9,656	51,170
Interest and dividend received.....	501	408	4,727
Interest paid.....	(552)	(794)	(5,208)
Income taxes paid.....	(1,664)	(1,744)	(15,698)
Net cash provided by operating activities.....	3,709	7,526	34,991
<b>Cash flows from investing activities:</b>			
Increase in property, plant and equipment.....	(2,814)	(5,157)	(26,547)
Purchases of additional shares of consolidated subsidiaries.....	(584)	(1,818)	(5,509)
Increase in long-term investments and loans receivable.....	(183)	(2,599)	(1,726)
Decrease in property and long-term investments.....	2,651	528	25,009
Decrease in short-term investments.....	1,248	812	11,773
Other.....	206	60	1,943
Net cash provided by (used in) investing activities.....	524	(8,174)	4,943
<b>Cash flows from financing activities:</b>			
Increase of long-term debt.....	—	2,845	—
Repayment of long-term debt.....	(1,660)	(780)	(15,661)
Net change in short-term borrowings.....	(482)	562	(4,547)
Dividends paid.....	(1,448)	(1,448)	(13,660)
Cancellation of shares.....	(1,025)	—	(9,670)
Other.....	(33)	(622)	(311)
Net cash (used in) provided by financing activities.....	(4,648)	557	(43,849)
Effect of exchange rate changes on cash and cash equivalents.....	(115)	5	(1,085)
Decrease in cash and cash equivalents.....	(530)	(86)	(5,000)
Cash and cash equivalents at beginning of year.....	10,192	10,116	96,151
Increase in cash and cash equivalents upon inclusion of subsidiaries on consolidation.....	394	162	3,717
Cash and cash equivalents at end of year.....	¥10,056	¥10,192	\$94,868

See Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

Noritake Co., Limited and its Consolidated Subsidiaries  
For the Years Ended March 31, 2000 and 1999

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of Noritake Co., Limited (the "Company") and its consolidated subsidiaries (together with the Company, the "Noritake Group") have been prepared in accordance with the provisions set forth in the Commercial Code of Japan and in conformity with accounting principles generally accepted in Japan. Certain items presented in the original consolidated financial statements in Japanese filed with the Minister of Finance of Japan ("MOF") have been reclassified for the convenience of readers outside Japan.

### (b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in significant unconsolidated subsidiaries and affiliates are accounted for by the equity method. Differences between acquisition cost of investments in subsidiaries and the underlying equity in their net assets adjusted based on the fair value at the time of acquisition are principally deferred and amortized over five years. All inter-company accounts and transactions have been eliminated on consolidation.

The accounting standard for consolidation such as scope of consolidation and consolidation procedures was revised effective from the year ended March 31, 2000. Until the year ended March 31, 1999, the Company classified a subsidiary or an affiliate based on a direct or indirect ownership of voting interest. Under the new accounting standard, a subsidiary is defined as an enterprise which is controlled by another enterprise, and that is a majority (more than 50%) owned enterprise or 40% to 50% owned enterprise that meets certain criteria. In addition, an affiliated company is defined as an enterprise in which the investor has significant influence, and that is an enterprise, other than a subsidiary, with 20% or more of voting stock as well as a 15% to 19% owned enterprise that meets certain criteria. As a result, for the year ended March 31, 2000, the Company classified three companies with not exceeding a 50% voting interest as consolidated subsidiaries, based on the self-judgement of the Company in accordance with the new accounting standard.

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended March 31, 2000 and 1999 was as follows:

	2000	1999
Consolidated subsidiaries:		
Domestic .....	41	41
Overseas .....	14	13
Affiliates, accounted for by equity .....	3	6
Unconsolidated subsidiaries, stated at cost .....	9	9
Affiliates, stated at cost .....	7	8

The Company's overseas consolidated subsidiaries close their books at December 31 every year, three months earlier than the Company and other domestic consolidated subsidiaries. The Company consolidated such subsidiaries' financial statements as of their year-end. Significant transactions during the period between the subsidiaries' year-end and the Company's year-end are adjusted on consolidation.

Overseas consolidated subsidiaries adopt accounting principles generally accepted in their respective countries. As there are no significant differences between accounting principles generally accepted in such countries and Japan, no adjustments have been made to their financial statements in consolidation to conform with accounting principles generally accepted in Japan.

### (c) Preparation of statements of cash flows

The accompanying consolidated statements of cash flows have been prepared in conformity with "Opinion Concerning Establishment of Standards for Preparation of Consolidated Statement of Cash Flows" issued by the Business Accounting Deliberation Council of Japan ("BADDC") and related practical guideline issued by the Japanese Institute of Certified Public Accountants ("JICPA"). This new standard requires that a company prepare a statement of cash flows from the current fiscal year in order to be filed with MOF, while such a statement was not required to be filed with MOF until the fiscal year 1999.

The Company considered cash equivalents to be highly liquid debt instruments purchased with original maturities of three months or less.

### (d) Marketable securities

Securities with market quotations on stock exchanges both in current assets and non-current assets are stated at the lower of market or moving average cost. Other securities are stated at the moving average cost.

As for the securities valuation of the Company and its domestic consolidated subsidiaries, until the year ended March 31, 1998, when the market value was less than cost, the market value became as new cost basis. Effective April 1, 1998, the Company and its domestic consolidated subsidiaries changed the accounting treatment to the method that the amount by which the cost for portfolio valued on an individual basis exceeds market value is accounted for as a valuation allowance, and the change in the valuation allowance is included in the determination of net income of the period in which it occurs. This accounting change resulted in no effect on the consolidated financial statements for the year ended March 31, 1999. For the year ended March 31, 2000, the Company recorded a loss on write-down of marketable securities of ¥454 million (\$4,283 thousand), which was included in other income (expenses), after netting a reversal of valuation allowance balance of ¥264 million (\$2,491 thousand) at March 31, 1999.

---

**(e) Inventories**

Inventories are stated at cost, being principally determined by the first-in, first-out method.

---

**(f) Property, plant and equipment and depreciation**

Property, plant and equipment, including significant renewals and additions, are stated at cost, and have been depreciated principally by the straight-line method for overseas consolidated subsidiaries and by the declining-balance method for the Company and its domestic consolidated subsidiaries at rates based on the estimated useful lives of the assets, except as mentioned below.

The buildings of the Company and its domestic consolidated subsidiaries acquired on and after April 1, 1998 have been depreciated by the straight-line method as stipulated by the Japanese income tax laws revised in 1998. In addition, the depreciation of the buildings was calculated at rates based on the depreciation period shortened from the fiscal year ended March 31, 1999 in accordance with the revised Japanese income tax laws and regulations. The effect of these accounting changes was to decrease income before income taxes by ¥69 million for the year ended March 31, 1999.

Repairs and maintenance expenses are charged to current operations as incurred.

---

**(g) Leases**

Where financing leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property of the Company and its domestic consolidated subsidiaries is not capitalized and the related rental and lease expenses are charged to income as incurred.

---

**(h) Allowance for doubtful accounts**

The allowance for doubtful accounts is provided at the aggregate amount of estimated uncollectible receivables and the maximum amount which could be charged to income under the Japanese income tax laws.

---

**(i) Accrued severance indemnities and pension plan**

Employees who terminate their service with the Noritake Group are entitled to severance indemnities determined by reference to current basic rates of pay, length of service and conditions under which the termination occurs.

Effective April 1, 1996, the Company newly adopted a non-contributory welfare pension plan (the "pension plan"), which covers approximately 68% of severance indemnities for employees who retire after five years or more of service. Prior to that date, the Company had a non-contributory pension plan originally adopted in December 1987, which covered approximately 68% of severance indemnities for employees who retire at the compulsory retirement age after five years or more of service. The pension plan assets funded outside the Company at March 31, 1999 (the most recent valuation date) were ¥4,253 million and the excessive balance of accrued severance indemnities at the time of the shift to the new pension plan is reversed and credited to income over seven years on a straight-line basis in accordance with the Japanese income tax laws. The annual provision for the new pension plan includes current service cost, amortization of the prior service cost over 20 years and interest on the unfunded portion of the prior service cost.

The Company and its principal consolidated subsidiaries have provided for the unfunded portion of these liabilities for employees at 40% of the amount which would be payable assuming all employees voluntarily terminated their service at the respective balance sheet dates, net of the benefits provided by the pension plan.

The Noritake Group also pays severance indemnities to directors and statutory auditors, which are subject to an approval of shareholders. The Company and its principal consolidated subsidiaries have provided for this liability at the amount which would be payable assuming all directors and statutory auditors terminated their service at the respective balance sheet dates. At March 31, 2000 and 1999, accrued severance indemnities in the accompanying consolidated balance sheets included those for directors and statutory auditors in the amounts of ¥975 million (\$9,198 thousand) and ¥1,249 million, respectively.

---

**(j) Income taxes**

Income taxes are accounted for to recognize the deferred taxes under the asset and liability method. Under the accounting standard for income taxes, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases, and measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

---

**(k) Translation of foreign currency accounts**

Receivables and payables denominated in foreign currencies and covered by firm forward exchange contracts are translated into Japanese yen at such forward contract rates. Current receivables and payables denominated in foreign currencies not covered by forward exchange contracts are translated into Japanese yen at the exchange rate in effect at the year-end. Non-current assets and liabilities denominated in foreign currencies not covered by forward exchange contracts are translated into Japanese yen at historical exchange rates, unless there is significant exchange loss.

In respect of financial statement items of overseas consolidated subsidiaries, all asset and liability accounts are translated into Japanese yen at the rate of exchange at the year-end, and income and expenses accounts are translated at the average rate during the respective years in accordance with the Accounting Standards for Foreign Currency Transactions issued in May 1995. Translation differences are debited or credited to the foreign currency translation adjustments account in the accompanying consolidated balance sheets.

### (l) Research and development expenses

Expenses relating to research and development activities are charged to income as incurred. Such research and development expenses were included in cost of goods sold and selling, general and administrative expenses in the accompanying consolidated statements of income and amounted to ¥674 million (\$6,358 thousand) and ¥766 million for the years ended March 31, 2000 and 1999, respectively.

### (m) Appropriation of retained earnings

Cash dividends and bonuses to directors and statutory auditors are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders.

### (n) Per share data

Net income per share is based on the weighted average number of shares of common stock outstanding during the respective years.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years.

## 2. U.S. DOLLAR AMOUNTS

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating Japanese yen into U.S. dollars on a basis of ¥106 to \$1, the approximate rate of exchange at March 31, 2000. The inclusion of such U.S. dollar amounts is solely for convenience of the readers and is not intended to imply that assets and liabilities originating in yen have been or could be readily converted, realized or settled in U.S. dollars at ¥106 to \$1 or at any other rate.

## 3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

At March 31, 2000 and 1999, short-term investments consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Time deposits with original maturities of more than three months.....	¥ 958	¥1,432	\$ 9,038
Marketable securities:			
Equity securities.....	2,504	2,809	23,622
Bonds and other.....	50	50	472
Total marketable securities.....	2,554	2,859	24,094
Non-marketable securities .....	72	—	679
	¥3,584	¥4,291	\$33,811
Market value of marketable securities .....	¥6,001	¥5,466	\$56,613

## 4. TRADE RECEIVABLES

At March 31, 2000 and 1999, trade receivables consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Trade notes receivable.....	¥ 8,906	¥ 5,804	\$ 84,019
Trade accounts receivable.....	21,787	20,635	205,538
Other .....	484	777	4,566
Less, allowance for doubtful accounts .....	(345)	(360)	(3,255)
	¥30,832	¥26,856	\$290,868

## 5. INVENTORIES

At March 31, 2000 and 1999, inventories consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Merchandise and finished goods.....	¥13,747	¥15,283	\$129,688
Work in process .....	4,178	4,786	39,415
Raw materials and supplies.....	2,633	3,141	24,840
	<b>¥20,558</b>	<b>¥23,210</b>	<b>\$193,943</b>

## 6. INVESTMENTS

At March 31, 2000 and 1999, investment securities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Marketable securities:			
Equity securities.....	¥10,501	¥11,307	\$ 99,066
Bonds and other .....	—	174	—
Total marketable securities.....	<b>10,501</b>	<b>11,481</b>	<b>99,066</b>
Non-marketable securities.....	2,629	2,528	24,802
	<b>¥13,130</b>	<b>¥14,009</b>	<b>\$123,868</b>
Market value of marketable securities.....	<b>¥37,591</b>	<b>¥45,320</b>	<b>\$354,632</b>

At March 31, 2000 and 1999, investments in and long-term loans to unconsolidated subsidiaries and affiliates consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Investments, accounted for by equity for significant affiliates and at cost for others.....	¥370	¥ 886	\$3,490
Long-term loans .....	50	1,197	472
	<b>¥420</b>	<b>¥2,083</b>	<b>\$3,962</b>

## 7. PROPERTY, PLANT AND EQUIPMENT

At March 31, 2000 and 1999, property, plant and equipment consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Land.....	¥12,034	¥ 11,809	\$113,528
Buildings and structures.....	32,067	36,974	302,519
Machinery and equipment.....	46,882	41,933	442,283
Construction in progress .....	1	7	10
	<b>90,984</b>	<b>90,723</b>	<b>858,340</b>
Less, accumulated depreciation.....	(55,401)	(54,036)	(522,651)
	<b>¥35,583</b>	<b>¥36,687</b>	<b>\$335,689</b>

## 8. TRADE PAYABLES

At March 31, 2000 and 1999, trade payables consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Trade notes payable.....	¥ 8,573	¥ 8,749	\$ 80,878
Trade accounts payable .....	6,328	6,225	59,698
Other .....	927	589	8,745
	<b>¥15,828</b>	<b>¥15,563</b>	<b>\$149,321</b>

## 9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2000 and 1999, short-term borrowings consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Unsecured bank overdrafts or bank loans with interest at rates ranging from 0.626% to 8.0% per annum at March 31, 2000 .....	<b>¥28,617</b>	¥29,189	<b>\$269,972</b>
Export bills accepted by consolidated subsidiaries and discounted with banks by the Company with interest at rates ranging from 2.875% to 9.75% per annum at March 31, 2000 .....	217	433	2,047
	<b>¥28,834</b>	<b>¥29,622</b>	<b>\$272,019</b>

At March 31, 2000 and 1999, long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Unsecured loans from banks and insurance companies due through 2007 with interest at rates ranging from 0.5% to 16.0% per annum at March 31, 2000 .....	<b>¥4,878</b>	¥6,538	<b>\$46,018</b>
Less, current portion .....	<b>(2,284)</b>	(1,319)	<b>(21,547)</b>
	<b>¥2,594</b>	<b>¥5,219</b>	<b>\$24,471</b>

The aggregate annual maturities of long-term debt are summarized as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2001 .....	¥2,284	\$21,547
2002 .....	1,515	14,292
2003 .....	906	8,547
2004 .....	48	453
2005 .....	68	642
Thereafter.....	57	537

As is customary in Japan, substantially all bank borrowings are subject to general agreements which provide, among other things, that the banks may, under certain circumstances, request additional security for these loans and may treat any security so furnished to the banks, as well as cash deposited with them, as security for all present and future indebtedness. The banks have never requested the Company or its subsidiaries to submit such additional security. Also, as is customary in Japan, the Company and certain of its subsidiaries have time deposits with the banks from which they have short-term and long-term borrowings. However, there are no agreements with any banks which would require maintaining such deposits.



## 10. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2000, contingent liabilities in respect of trade notes endorsed to others, discounted or trusted with banks with recourse in the ordinary course of business amounted to ¥4,034 million (\$38,057 thousand). In addition, during the current fiscal year, the Company assigned the trade receivables from customers to a certain finance company with recourse in order for a fund demand. At March 31, 2000, the outstanding balance of trade receivables assigned and not settled was ¥1,278 million (\$12,057 thousand).

The Noritake Group has entered into various rental and lease agreements principally for office spaces which are noncancelable or cancelable with a few months' advance notice and also for machinery, office equipment, and vehicles which are not usually cancelable as lessee. The aggregate future minimum payments for noncancelable operating leases and financing leases, including the imputed interest portion, at March 31, 2000, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Operating leases	Financing leases	Operating leases	Financing leases
Year ending March 31, 2001 .....	¥285	¥334	\$2,689	\$3,151
Thereafter .....	394	424	3,717	4,000
	¥679	¥758	\$6,406	\$7,151

The gross rental and lease expenses, consisting of minimum rental payments for all operating leases and financing leases, for the years ended March 31, 2000 and 1999 were ¥2,129 million (\$20,085 thousand) and ¥2,278 million, respectively. For the years ended March 31, 2000 and 1999, the lease expenses for noncancelable lease agreements which were categorized as financing leases amounted to ¥537 million (\$5,066 thousand) and ¥416 million, respectively.

## 11. OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

The Noritake Group is a party to financial instruments with off-balance-sheet risks such as foreign currency forward exchange contracts in the normal course of business to reduce its own exposure to fluctuations in exchange rates in relation to certain anticipated export sales or import purchases. The Noritake Group is exposed to credit loss in the event of nonperformance by the other parties. However, the Noritake Group does not expect nonperformance by the counterparties.

A summary of derivatives outstanding as for off-balance-sheet financial instruments, excluding those for a hedge of assets and liabilities recognized on the accompanying consolidated balance sheets at March 31, 2000 and 1999, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Forward exchange contract amounts:			
Sell contracts .....	¥449	¥1,998	\$4,236
Buy contracts .....	8	21	85
Fair value*:			
Sell contracts .....	444	2,010	4,189
Buy contracts .....	8	21	75
Aggregate unrealized gain (loss) .....	5	(12)	47

\*Fair value was calculated based on the future exchange rates prevailing at the respective year-ends.

## 12. SHAREHOLDERS' EQUITY

According to the articles of incorporation of the Company, the authorized number of shares of common stock, with a par value of ¥50 per share, is 400 million, unless there may be a reduction due to a cancellation of treasury stock acquired. Pursuant to the articles of incorporation revised upon the approval of shareholders at the general meeting on June 26, 1998, the Company can purchase and cancel the treasury stock of the Company up to 5 million shares through a charge to retained earnings, subject to resolution of the Board of Directors, in accordance with the Law Concerning Special Measures under the Commercial Code with Respect to Procedures for Cancellation of Stocks.

During the year ended March 31, 2000, the Company acquired 2,500,000 shares of the common stock of the Company in consideration for ¥1,025 million (\$9,670 thousand) and canceled them through a charge to retained earnings. Accordingly, the number of the authorized shares decreased to 397,500,000 at March 31, 2000.

At March 31, 2000 and 1999, retained earnings included the legal reserve of the Company in the amounts of ¥3,249 million (\$30,651 thousand) and ¥3,096 million, respectively. The Commercial Code of Japan provides that an amount equivalent to at least 10% of cash payments as an appropriation of retained earnings shall be appropriated as a legal reserve until such reserve equals 25% of common stock. The legal reserve is not available for distribution as dividends, but may be used to reduce a deficit or may be transferred to common stock by proper actions of the Board of Directors and/or shareholders of the Company.

On June 29, 2000, the following appropriation of retained earnings was approved at the annual general meeting of shareholders of the Company.

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends .....	¥713	\$6,726
Bonuses to directors and statutory auditors.....	29	274

### 13. INCOME TAXES

Income taxes for the years ended March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Current .....	¥1,962	¥1,739	\$18,509
Deferred.....	159	233	1,500
	<b>¥2,121</b>	<b>¥1,972</b>	<b>\$20,009</b>

The tax effects on temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2000 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets:		
Intercompany profits on sales .....	¥ 961	\$ 9,066
Intercompany unrealized gain on property .....	575	5,424
Accrued severance indemnities .....	960	9,057
Net operating loss carryforwards.....	1,012	9,547
Other .....	854	8,057
Less, valuation allowance .....	(1,221)	(11,519)
	<u>3,141</u>	<u>29,632</u>
Deferred tax liabilities:		
Deferred gain on sale of property .....	74	698
Other .....	185	1,745
	<u>259</u>	<u>2,443</u>
Net deferred tax assets .....	<u>¥2,882</u>	<u>\$27,189</u>

In assessing the realizability of deferred tax assets, the management of the Noritake Group considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of the future taxable income during the periods in which those temporary differences become deductible. At March 31, 2000, a valuation allowance was provided to reduce the deferred tax assets to the extent that the management believes that the amount of the deferred tax assets is expected to be realizable.

The reconciliation of the differences between the Japanese statutory tax rate and the effective income tax rate on pretax income reflected in the accompanying consolidated statements of income for the year ended March 31, 2000 was as follows:

	Percentage of pretax income
Japanese statutory tax rate.....	41.7%
Increase (decrease) due to:	
Permanently non-deductible expenses .....	2.4
Tax exempt income .....	(2.8)
Local minimum taxes per capita levy .....	2.0
Differences between Japanese and foreign tax rates.....	(1.7)
Changes in valuation allowances.....	2.7
Amortization of excess of cost over net assets acquired .....	2.4
Other .....	2.2
Effective income tax rate .....	<u>48.9%</u>

## 14. SEGMENT INFORMATION

A summary of information classified by lines of business of the Noritake Group for the years ended March 31, 2000 and 1999 is as follows:

	Industrial Products	Tabletop	Electronics, Ceramics, and Engineering	Total	Elimination	Consolidated
Millions of Yen						
For the year 2000:						
Net sales:						
Outside customers .....	¥49,302	¥31,457	¥37,961	¥118,720	¥ —	¥118,720
Inter-segment sales/transfers .....	86	139	316	541	(541)	—
	49,388	31,596	38,277	119,261	(541)	118,720
Operating costs and expenses .....	45,886	30,261	35,931	112,078	2,397	114,475
Operating income .....	¥ 3,502	¥ 1,335	¥ 2,346	¥ 7,183	¥ (2,938)	¥ 4,245
Identifiable assets .....	¥36,355	¥33,278	¥28,843	¥ 98,476	¥27,939	¥126,415
Depreciation .....	1,125	1,206	1,703	4,034	93	4,127
Capital expenditures .....	805	732	1,690	3,227	36	3,263

For the year 1999:

Net sales:						
Outside customers .....	¥50,259	¥34,962	¥38,630	¥123,851	¥ —	¥123,851
Inter-segment sales/transfers .....	177	65	391	633	(633)	—
	50,436	35,027	39,021	124,484	(633)	123,851
Operating costs and expenses .....	48,319	33,699	36,131	118,149	2,247	120,396
Operating income .....	¥ 2,117	¥ 1,328	¥ 2,890	¥ 6,335	¥ (2,880)	¥ 3,455
Identifiable assets .....	¥37,083	¥35,879	¥27,352	¥100,314	¥29,106	¥129,420
Depreciation .....	1,028	1,287	1,680	3,995	131	4,126
Capital expenditures .....	1,430	1,292	1,504	4,226	80	4,306

Thousands of U.S. Dollars

For the year 2000:

Net sales:						
Outside customers .....	\$465,113	\$296,764	\$358,123	\$1,120,000	\$ —	\$1,120,000
Inter-segment sales/transfers .....	812	1,311	2,981	5,104	(5,104)	—
	465,925	298,075	361,104	1,125,104	(5,104)	1,120,000
Operating costs and expenses .....	432,887	285,481	338,972	1,057,340	22,613	1,079,953
Operating income .....	\$ 33,038	\$ 12,594	\$ 22,132	\$ 67,764	\$ (27,717)	\$ 40,047
Identifiable assets .....	\$342,972	\$313,943	\$272,104	\$ 929,019	\$263,575	\$1,192,594
Depreciation .....	10,613	11,378	16,066	38,057	877	38,934
Capital expenditures .....	7,594	6,906	15,943	30,443	340	30,783

Note: Identifiable assets in the elimination column represent unallocated general corporate items such as foreign currency translation adjustments account, cash and short-term or long-term investments in securities, and general managed property, net of inter-segment balances.

Information summarized by geographic area of the Noritake Group for the years ended March 31, 2000 and 1999 is as follows:

	Japan	North America	Europe	Asia	Other	Total	Elimination	Consolidated
Millions of Yen								
For the year 2000:								
Net sales:								
Outside customers.....	¥ 97,403	¥15,904	¥3,133	¥1,654	¥626	¥118,720	¥ —	¥118,720
Inter-segment sales/transfers.....	13,947	138	214	2,644	6	16,949	(16,949)	—
	111,350	16,042	3,347	4,298	632	135,669	(16,949)	118,720
Operating costs and expenses.....	108,087	15,817	3,116	4,206	625	131,851	(17,376)	114,475
Operating income.....	¥ 3,263	¥ 225	¥ 231	¥ 92	¥ 7	¥ 3,818	¥ 427	¥ 4,245
Identifiable assets .....	¥ 90,380	¥ 7,532	¥1,194	¥3,228	¥377	¥102,711	¥23,704	¥126,415

For the year 1999:								
Net sales:								
Outside customers.....	¥ 99,780	¥18,214	¥3,479	¥1,777	¥601	¥123,851	¥ —	¥123,851
Inter-segment sales/transfers.....	16,536	54	203	2,900	—	19,693	(19,693)	—
	116,316	18,268	3,682	4,677	601	143,544	(19,693)	123,851
Operating costs and expenses.....	113,867	17,772	3,460	4,536	627	140,262	(19,866)	120,396
Operating income (loss) .....	¥ 2,449	¥ 496	¥ 222	¥ 141	¥ (26)	¥ 3,282	¥ 173	¥ 3,455
Identifiable assets .....	¥ 91,704	¥ 6,927	¥1,334	¥3,639	¥556	¥104,160	¥ 25,260	¥129,420

Thousands of U.S. Dollars

For the year 2000:								
Net sales:								
Outside customers.....	\$ 918,896	\$150,038	\$29,557	\$15,604	\$5,905	\$1,120,000	\$ —	\$1,120,000
Inter-segment sales/transfers.....	131,576	1,302	2,018	24,943	57	159,896	(159,896)	—
	1,050,472	151,340	31,575	40,547	5,962	1,279,896	(159,896)	1,120,000
Operating costs and expenses.....	1,019,689	149,217	29,396	39,679	5,896	1,243,877	(163,924)	1,079,953
Operating income.....	\$ 30,783	\$ 2,123	\$ 2,179	\$ 868	\$ 66	\$ 36,019	\$ 4,028	\$ 40,047
Identifiable assets .....	\$ 852,642	\$ 71,057	\$11,264	\$30,453	\$3,556	\$ 968,972	\$ 223,622	\$1,192,594

Note: Identifiable assets in the elimination column represent unallocated corporate items such as foreign currency translation adjustments accounts, cash and short-term or long-term investments in securities, net of inter-segment balances.

For the years ended March 31, 2000 and 1999, overseas sales which included export sales from Japan and net sales of overseas consolidated subsidiaries other than Japan are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
North America .....	¥19,014	¥21,620	\$179,378
Europe .....	3,425	3,666	32,311
Asia .....	9,551	8,913	90,104
Other .....	865	813	8,160
	<b>¥32,855</b>	<b>¥35,012</b>	<b>\$309,953</b>
Percentage of overseas sales to total consolidated net sales .....	27.7%	28.3%	



# Report of Independent Certified Public Accountants

## Report of Independent Certified Public Accountants

To the Board of Directors of  
Noritake Co., Limited

We have audited the accompanying consolidated balance sheets of Noritake Co., Limited and its consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Noritake Co., Limited and its consolidated subsidiaries as of March 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

As described in Note 1, effective for the year ended March 31, 2000, Noritake Co., Limited and its consolidated subsidiaries have adopted the new Japanese accounting standard for the preparation of consolidated financial statements.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers, have been translated on the basis set forth in Note 2 to the accompanying consolidated financial statements.

*ChuoAoyama Audit Corporation*

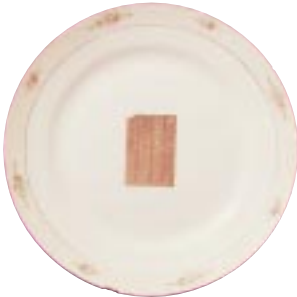
ChuoAoyama Audit Corporation

Nagoya, Japan  
June 29, 2000

### **Notice to Readers:**

*The accompanying consolidated financial statements are not intended to present the consolidated financial position and results of their operations and their cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Japan.*

# The History of Noritake



- 1876** Ichizaemon Morimura established Morimura-kumi in Tokyo, and Yutaka Morimura and others established the Hinode Shokai (Morimura Brothers) in New York.
- 1904** Established Nippon Toki Gomei Kaisha
- 1907** Began production of grinding wheels for in-house use
- 1914** Succeeded in production of the first dinner set in Japan
- 1917** Sanitary Ware Division spun off to become TOTO Ltd.  
Established Nippon Toki Co., Ltd.
- 1919** Electric insulator division spun off to become NGK Insulators Ltd.
- 1932** Began production of first bone china in Japan
- 1939** Began full-scale production of industrial grinding wheels
- 1943** Tableware production stopped on account of World War II, changed to full production of grinding wheels (only bone china production continued to preserve technique)
- 1945** Production of tableware resumed
- 1947** Established Noritake Co., Inc., in the United States
- 1956** Began production of cutlery
- 1958** Established Noritake (Australia) Pty. Limited in Australia
- 1960** Began production of resinoid grinding wheels at the Kamori plant
- 1961** Began production of crystal glassware  
Began production of melamine ware
- 1962** Began production of grinding machines
- 1963** Began production of belt and fabric abrasives
- 1968** Established Noritake Canada Limited in Canada
- 1969** Began production of grinding wheels  
Began production of electronic products
- 1970** Established Noritake (U.K.) Limited in the United Kingdom
- 1971** Began production of filtration equipment
- 1972** Established Noritake Lanka Porcelain (Pvt.) Ltd. in Sri Lanka  
Began production of ceramic pipes
- 1973** Began production of diamond tools
- 1974** Established Noritake (Guam), Inc.  
Established Noritake Porcelana Mfg. Inc. in the Philippines
- 1979** Began operation of the Craft Center  
Began production of materials and equipment for the ceramics industry
- 1981** Changed the Company name to Noritake Co., Limited
- 1987** Established Noritake Europa G.m.b.H. in Germany
- 1988** Established Noritake Taipei Co., Ltd., in Taiwan
- 1989** Began production of fine ceramic industrial products
- 1991** Established Noritake Hong Kong Ltd.
- 1992** Established Noritake Singapore Pte. Ltd.
- 1993** Opened the Noritake Gallery
- 1995** Established Pt. Noritake Indonesia
- 1996** Established Noritake (Siam) Co., Ltd., in Thailand
- 1997** Established Itron (U.K.) Limited in the United Kingdom
- 1998** Established Noritake Dental Supply Co., Ltd.

(As of June 29, 2000)

## Industrial Products Group

**NORITAKE CO., INC**  
1141 WILLIAMSON ROAD,  
CINCINNATI, OH 45241, U.S.A.  
Tel: 1-513-605-3600  
1-800-688-8234 (TOLL FREE)  
Fax: 1-513-605-3618  
1-800-321-2062 (TOLL FREE)

**NORITAKE EUROPA G.M.B.H.**  
KURHESSEN STR. 3, 64546  
MÖRFELDEN-WALLDORF, GERMANY  
Tel: 49-61-05-2092-40/41  
Fax: 49-61-05-2092-99

**NORITAKE (AUSTRALIA) PTY. LIMITED**  
UNIT 4, 153 BEAUCHAMP ROAD,  
MATRAVILLE, N.S.W. 2036, AUSTRALIA  
Tel: 61-2-9316-7123  
Fax: 61-2-9316-7085

**MELBOURNE BRANCH**  
SUITE B, GROUND LEVEL, THE  
COMO CENTRE, 650 CHAPEL STREET,  
SOUTH YARRA, VIC. 3141, AUSTRALIA  
Tel: 61-3-9827-9722  
Fax: 61-3-9827-9811

**NORITAKE (SIAM) CO., LTD.**  
1096 NEW ROAD, BANGKOK 10500,  
THAILAND  
Tel: 66-02-2351688, 2362364  
Fax: 66-02-2362365

## Tabletop Group

**NORITAKE CO., INC.**  
75 SEAVIEW DRIVE,  
SECUAUCUS, NJ 07094, U.S.A.  
Tel: 1-201-319-0600  
Fax: 1-201-319-1962  
1-201-319-1954

**NEW YORK SHOWROOM**  
NEW YORK MERCHANDISE MART (19TH FL.),  
41 MADISON AVENUE, NEW YORK,  
NY 10010, U.S.A.  
Tel: 1-212-481-3300  
Fax: 1-212-685-3784

**ATLANTA SHOWROOM**  
919 ATLANTA GIFT MART,  
230 SPRING STREET, N.W.,  
ATLANTA, GA 30303, U.S.A.  
Tel: 1-404-529-9450  
Fax: 1-404-529-9455

**DALLAS SHOWROOM**  
2454 TRADE MART, DALLAS, TX 75207, U.S.A.  
Tel: 1-214-742-9389  
Fax: 1-214-747-5065

**CINCINNATI BRANCH**  
1031 REDNA TERRACE,  
CINCINNATI, OH 45215, U.S.A.  
Tel: 1-513-771-5655  
Fax: 1-513-771-8379

**CHICAGO OFFICE**  
2635 CLEARBROOK DRIVE,  
ARLINGTON HEIGHTS, IL 60005, U.S.A.  
Tel: 1-847-228-5010 (NSC)  
1-800-562-1991 (TOLL FREE)  
1-847-22805013 (GDC)  
Fax: 1-847-228-5104

**NORITAKE CANADA LIMITED**  
90 NUGGET AVENUE, AGINCOURT,  
ONTARIO, CANADA M1S 3A7  
Tel: 1-416-291-2946  
Fax: 1-416-292-0239

**NORITAKE (AUSTRALIA) PTY. LIMITED**  
UNIT 4, 153 BEAUCHAMP ROAD,  
MATRAVILLE, N.S.W. 2036, AUSTRALIA  
Tel: 61-2-9316-7123  
Fax: 61-2-9316-7085

**MELBOURNE BRANCH**  
SUITE B, GROUND LEVEL,  
THE COMO CENTRE, 650 CHAPEL STREET,  
SOUTH YARRA, VIC. 3141, AUSTRALIA  
Tel: 61-3-9827-9722  
Fax: 61-3-9827-9811

**NORITAKE SINGAPORE PTE. LTD.**  
133 CECIL STREET,  
#09-02A KECK SENG TOWERS,  
SINGAPORE 069535  
Tel: 65-324-3398  
Fax: 65-324-3397

**NORITAKE HONG KONG LTD.**  
FLAT B, 8/F LOK'S INDUSTRIAL BUILDING,  
204 TSAT TSZ MUI ROAD, NORTH POINT,  
HONG KONG, S.A.R., CHINA  
Tel: 852-2562-8802  
Fax: 852-2561-4650

**NORITAKE (GUAM), INC.**  
104 PACIFICA PLAZA BUILDING,  
MARINE DRIVE, UPPER TUMON, GUAM 96911  
P.O. BOX GR, AGANA, GUAM 96910  
Tel: 671-649-7066  
Fax: 671-649-0707

**NORITAKE (U.K.) LIMITED**  
19 HEATHFIELD, STACEY BUSHES,  
MILTON KEYNES MK12 6HP,  
UNITED KINGDOM  
Tel: 44-1908-318446  
Fax: 44-1908-320932

**NORITAKE (SIAM) CO., LTD.**  
1096 NEW ROAD, BANGKOK 10500,  
THAILAND  
Tel: 66-02-2351688  
Fax: 66-02-2362365

## Electronics Group

**NORITAKE CO., INC.**  
75 SEAVIEW DRIVE,  
SECUAUCUS, NJ 07094, U.S.A.  
Tel: 1-201-319-0600  
Fax: 1-201-319-1962  
1-201-319-1954  
Tlx: 230139023

**CHICAGO BRANCH**  
2635 CLEARBROOK DRIVE,  
ARLINGTON HEIGHTS, IL 60005, U.S.A.  
Tel: 1-847-439-9020  
Fax: 1-847-593-2285

**ATLANTA BRANCH**  
3091 HOLCOMB BRIDGE ROAD, SUITE E-1,  
NORCROSS, GA 30071, U.S.A.  
Tel: 1-770-326-9400  
Fax: 1-770-326-5600

**DALLAS BRANCH**  
2454 TRADE MART, DALLAS, TX 75207, U.S.A.  
Tel: 1-214-742-9380  
Fax: 1-214-747-5065  
Tlx: 230730141 NORITAKE DAL

**LOS ANGELES BRANCH**  
2050 E. VISTA BELLA WAY,  
COMPTON, CA 90220, U.S.A.  
Tel: 1-310-603-9770  
Fax: 1-310-603-9810  
Tlx: 230696262 NORITAKE CTMN

**BOSTON BRANCH**  
327 BOSTON POST ROAD, SUITE C,  
SUDBURY, MA 01776, U.S.A.  
Tel: 1-978-443-7700  
Fax: 1-978-443-3888

**NORITAKE CANADA LIMITED**  
90 NUGGET AVENUE, AGINCOURT,  
ONTARIO, CANADA M1S 3A7  
Tel: 1-416-291-2946  
Fax: 1-416-292-0239  
Tlx: 216525300 NORITAKE TOR

**ITRON (U.K.) LIMITED**  
RIVERSIDE ROAD, GORLESTON,  
GREAT YARMOUTH, NORFOLK NR31 6PX,  
UNITED KINGDOM  
Tel: 44-1493-601144  
Fax: 44-1493-600343

**NORITAKE SINGAPORE PTE. LTD.**  
133 CECIL STREET,  
#09-02A KECK SENG TOWERS,  
SINGAPORE 069535  
Tel: 65-324-3398  
Fax: 65-324-3397

**NORITAKE HONG KONG LTD.**  
FLAT B, 8/F LOK'S INDUSTRIAL BUILDING,  
204 TSAT TSZ MUI ROAD, NORTH POINT,  
HONG KONG, S.A.R., CHINA  
Tel: 852-2562-8802  
Fax: 852-2561-4650

**NORITAKE EUROPA G.M.B.H.**  
KURHESSEN STR. 3, 64546  
MÖRFELDEN-WALLDORF, GERMANY  
Tel: 49-61-05-2092-41  
Fax: 49-61-05-2092-99

## Ceramics Group

**NORITAKE (SIAM) CO., LTD.**  
1096 NEW ROAD, BANGKOK 10500, THAILAND  
Tel: 66-02-2351688  
Fax: 66-02-2362365

## Environmental Engineering Group

**NORITAKE TAIPEI CO., LTD.**  
SESAME BLDG. 215, SEC. 2, CHANG AN. E. RD.,  
ROOM 1206, TAIPEI, TAIWAN  
Tel: 886-02-2771-7463  
Fax: 886-02-2752-8819

# Corporate Data

(As of June 29, 2000)

## Head Office

1-36, Noritake-Shinmachi 3-chome,  
Nishi-ku, Nagoya 451-8501, Japan  
Tel: 052-561-7113  
Fax: 052-561-9721

## Date of Establishment

January 1904

## Number of Employees

1,753

## Stock Exchange Listings

Tokyo Stock Exchange  
Osaka Securities Exchange  
Nagoya Stock Exchange

## Transfer Agent and Registrar

The Mitsubishi Trust & Banking Corp.  
1-11, Nagatacho 2-chome, Chiyoda-ku,  
Tokyo 100-0014, Japan

## Annual Meeting of Shareholders

The annual meeting of shareholders of the Company is normally held in June each year in Nagoya, Japan. In addition, the Company may hold an extraordinary meeting of shareholders whenever necessary by giving at least two weeks' advance notice to shareholders.

## Independent Auditors

ChuoAoyama Audit Corporation

# Board of Directors

(As of June 29, 2000)

## Chairman

Tetsuya Hino\*

## President

Takashi Iwasaki\*

## Vice President

Kenjiro Shimizu

## Senior Managing Directors

Tadashi Kawamura  
Noboru Akahane  
Kazuo Kato

## Managing Directors

Yoshiyuki Kono  
Koichi Sugiyama  
Hiroshi Kawaguchi

## Directors

Kazunobu Miyatake  
Tatsuo Kaikawa  
Yasuaki Sakai  
Yasushi Ito  
Michio Inada  
Shinji Takemoto  
Kousuke Uchida  
Michio Tomori  
Youichi Yamada  
Youichi Suzuki  
Michihiro Sato  
Hitoshi Tanemura

## Standing Statutory Auditors

Masakatsu Isobe  
Toshio Seno

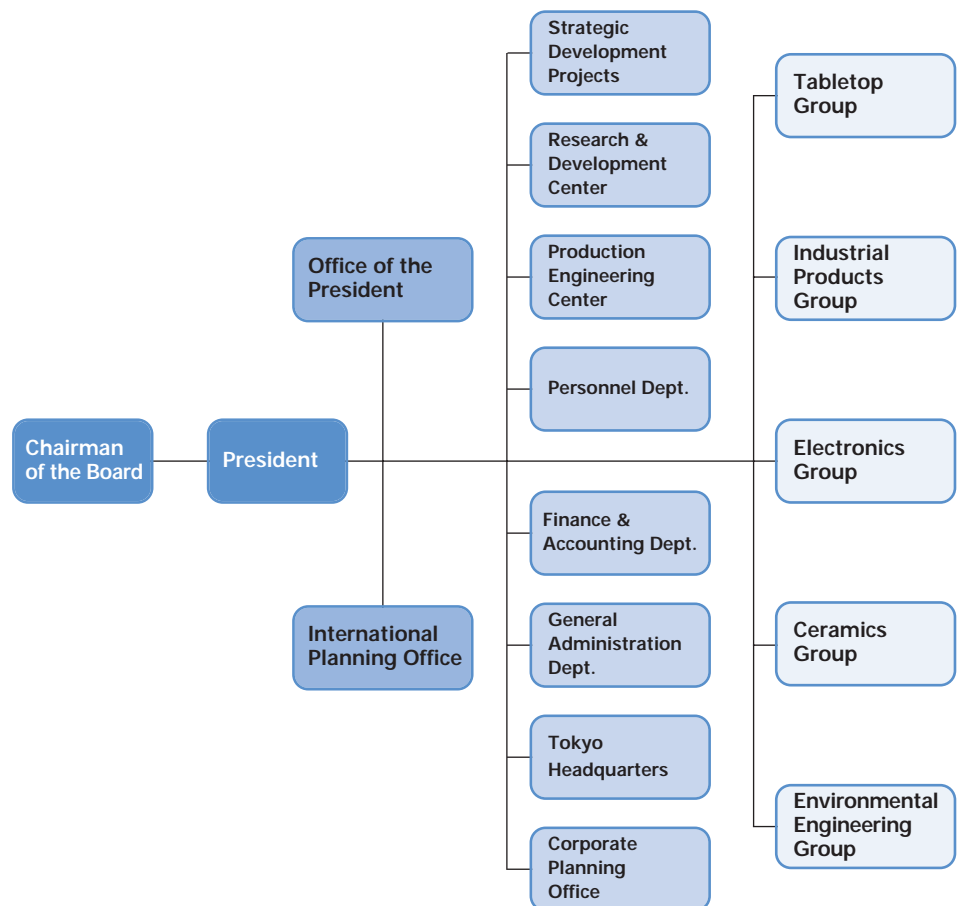
## Statutory Auditor

Jun Urabe

\*Representative Director

# Organization Chart

(As of June 29, 2000)



*Noritake*