

TOP MESSAGE



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Representative Director & President

The group's true value is put in test. Great shifts are underway to enable Noritake to become a truly powerful company.

Looking Back at FY2020 and a Business Overview

It goes without saying that the economic impact from the expanding COVID-19 infections worldwide has been severe for Japan as well as the countries all over the world. And not simply because of COVID-19, the business environment in which our group operates continues to change. Risks have been incurred from natural disasters and climate change, as well as changing trends caused by trade issues. The Noritake Group has continued to operate within this environment, with maximum considerations to prevent further COVID-19 infections. The impact from COVID-19 was most significant in our first two quarters, but we have started to see some recovery from the end of the third quarter onward.

As a result, FY2020 sales for the Noritake Group were down YoY by 11.3 percent to 107 billion yen. Operating profits were down YoY by 39.2 percent to 2.557 billion yen and ordinary profits were 4.480 billion yen. Overviews for each of our businesses are below.

► Overview for FY2020

Industrial Products Business

The impact of major production adjustments within Japan for our primary business drivers, automobiles, steel, and bearings, has resulted in lower sales, despite a trend toward recover near the end of the fiscal year. Sales have also been lower overseas, although we have witnessed resurging production as a result of the restart of China's economy and recovering demand, as well as a gradual recovery in Europe and North America, together with Southeast Asia.

Ceramics & Materials Business

Sales have greatly increased for electronic paste as a result of the firm demand for electronics used in both high-speed cellular communications and in personal computers. In addition to the impact from stable trends for communication infrastructure, the recovery in trends for automotive applications has led to increased sales. Sales of thick-film circuit boards, ceramic raw materials, and vacuum fluorescent displays, which were affected by effects of lower customer demand, decreased significantly.

Engineering Business

Given the delays in installation work and cutbacks of infrastructure investments as a result of COVID-19, the sales were lower for our primary drying furnaces and heating furnaces. The sales also declined for mixing and agitation equipment because of the less orders from general chemical sector. For filtration systems, there have been orders for large-scale bearings systems, but overall demand has trended lower, and sales have

been down for both Japan and overseas. There have been major decreases for carbide-tipped circular sawing machines as well, given the downward trends for automobiles and machinery both within Japan and overseas.

Tabletop Business

Although the increasing rates of COVID-19 infections in Japan increase our sales for online shopping, the overall sales largely decreased due to down for sales to airlines, department stores, hotels and restaurants.

Despite the increase of overseas online sales, the sales decreased due to the temporary closing of our major dedicated retailers in the United States and decreased sale rates for hotels, restaurants and airlines in other countries and regions.

Main progress of the Three-year Business Plan in FY2020

FY2020 was the mid-point for the 11th Three-year Business Plan. The entire group has been involved in our four basic strategies: promoting the development of competitive new products and new technologies, reinforcing overseas production sites and promoting overseas market development, reconstructing our domestic sales structure and manufacturing structure, and unifying our approaches to manufacturing, the environment, safety, and changes to the way we work. These strategies were designed to retransform the business fundamentals of our group to transform it to the group with a higher-profit organizational culture. Increasing COVID-19 infections have greatly changed the business environment and we have therefore added the acceleration of Concentration in Core Competence as our highest-priority strategy.

The progress and principal efforts for the 11th Three-year Business Plan are as follows.

01 | Promote development of new competitive products and technologies

Progress has been made by Concentrating in Core Competence on development themes to increase the speed to realize products. This especially applies for the Ceramics & Materials Business and the Engineering Business, where the focus is on developing new products and finding new applications for products in the electronic parts and lithium battery fields, given the increasing demand that has resulted from the shift to electric automobiles and the increasing speed of communication.

02

Reinforcement of overseas production sites and promotion of overseas market development

The plans to increase production at the plant in Suzhou, China, and to expand the plant facilities in Thailand have been revised because the plans were delayed due to the spread of COVID-19. We continue to monitor the impact of COVID-19 on global economics and to respond appropriately.

03

Reconstruction of our domestic sales structure and manufacturing structure

Efforts were made to consolidate and reorganize locations to improve operational efficiencies and to reduce transportation costs for the Industrial Products Business. In addition, new manufacturing lines were added at plants within Japan for the Ceramics & Materials Business, increasing our production capacity for electronic components such as multi-layer ceramic capacitors.

04

Unification of business with “Noritake Manufacturing activity”, “Environmental activities”, “Occupational safety and health activities” and “Work style reform”

The company worked together in order to push forward with the activities. The manufacturing and technology divisions worked to develop management tools and standards for safety, quality and production, while the sales and management division focused on increasing business efficiencies. As we promoted the activities, online meetings have been utilized to keep our employees safe from infection in the face of COVID-19.

All the above is connected to our successes for safety, quality, production, and environmental issues.

Accelerating Concentration in Core Competence for the Future

The Tabletop Business is our core business which started at the foundation of the company, and has been an ongoing part of Noritake for more than 100 years. Regardless of its long history, there have been concerns that there are areas in the business which is no longer appropriate for our times. In FY2020, a review of the business was put forward to both analyze all processes, from development and manufacturing through sales, to identify ways to improve the growth and profitability aspects of the business. Updates were also made to the online shop in March of 2021 to strengthen our online sales as part of our Concentration in Core Competence for the market. Plans call for further strengthening of online sales.

When we consider trends for our Industrial Products Business, we see the acceleration of shifts to electric vehicle production in the automobile industry and ever faster changes to the market environments both within Japan and overseas. As such, the expectation is that the demand for grinding and polishing equipment will contract in future. We believe that a further emphasis on synergy, taking advantage of the uniqueness of each group company, is needed to respond to these current trends. We reviewed the structure of our group companies and the Industrial Products Business and will start operating two business systems, one for general purpose items and one for custom orders, starting in FY2021. These efforts will lead to improved profitability for each of our product groups.

These are based on a newly added, highest-priority strategy for the three-year business plan: accelerating Concentration in Core Competence. This applies to other businesses as well, and business resources will be focused on products with higher profitability. Effective strategies will also be taken for less profitable products.

Moving forward, the Noritake Group will not only focus technological and business resources on areas where we anticipate future growth, including energy and communication, but we will also invest in mergers and acquisitions. Furthermore, the New Business Promotion Committee will play a role in FY2021 to advance the quicker conversion of development themes to actual business.

Strengthening our Commitment to the Environment, Society, and Governance (ESG)

Demands on companies for social responsibility are growing in volume. In response, we will strengthen our commitment to the environment, society, and governance (ESG) as one of the business issues raised in the 11th Three-year Business Plan.

While recognizing that protection of the safety and health of all workers is the highest priority of all of our corporate activities, the Noritake Group works to create safe, comfortable, and motivating workplaces. A new work-from-home system was developed in FY2020 in response to growing numbers of COVID-19 infections.

We are also working to advance working environments that allow for a better work-life balance for all employees, regardless of gender or age. To further encourage the taking of paid leave, additional paid leave days will be offered to younger employees starting in FY2021.

In addition to the above, we plan to continue introducing more flexible and diverse work styles.

Within our governance efforts, the Nomination and Compensation Committee we established in FY2019 has increased the rational aspects and the transparency for executive personnel and compensation decisions. Furthermore, we focused in FY2020 to improve the effectiveness of corporate governance, including efforts to implement executive training

Our aim is to develop values that are needed today though our extensive technical expertise, values that we can share with the world.

and to strengthen our risk management system. Moving forward, the Noritake Group will make these systems even more effective and will increase our value as a company.

From the environmental perspective, preserving the global environment has been a critical business issue and we work toward the realization of a sustainable society through our business efforts. Every aspect of our business is reviewed for their impacts on society and the environment, leading to increased efforts to develop products with fewer impacts on the environment.

For example, fusing new gas combustion technologies with our heating furnaces for lithium-ion batteries has enabled significant reductions in energy costs.

Our newly developed resinous pastes, offer both heat resistance at 200°C and flexibility, are expected to support industry shifts, including the move to more electric vehicles and wearable devices, as well as changing lifestyles. Efforts are also underway to adopt new methods that are more friendly to the environment for the final stages of semiconductor manufacturing and processing.

Taking advantage of our accumulated experience and expertise, we develop technologies that are aligned with today's environmental and social values, and will continue to contribute to the world.

Message to our stakeholders

The Noritake Group has emphasized the importance of a return on investment for all our shareholders. A key part of that is the continuation of long-term, stable dividends. We have used our business results, financial status, and future growth potential to make comprehensive decisions when sharing those benefits. The FY2020 annual dividend has been set at 60 yen per share, taking into comprehensive consideration of our current business results, our future business environment, and expectations for future business results.

The economic impacts, world-wide, from increasing COVID-19 infections are expected to be long-lasting. FY2021 will be a year to be questioned the Noritake Group's true value and what values we can offer to the world. We are currently in the process of making major changes to ensure that Noritake will become more powerful.

The Noritake Group began with the manufacturing of tableware in 1904. Now, a much wider range of products, from ceramics and electronic paste to electronic components, support many different industries and contribute to society.

There is a stable growth for products that include electronic paste, electronic components, drying furnaces, and heating furnaces. However, for the business groups with a longer history, such as tabletop and grinding wheels, this is a time to change. Looking at the future for our group, we must take advantage of our accumulated technological expertise for new growth, and we need to act more quickly to develop products and services that will connect to a greater perception of our company's value among our customers. We will also strengthen our involvement in sustainable development goals (SDGs), promoting the development and manufacture of products to realize those goals.

We are responsible to sincerely listen to the voices of all stakeholders, such as our shareholders, customers, employees, and the local communities, and respond appropriately and rapidly. We want to continue to be a company that society values and deems necessary.

We ask you for your continued support.

