



Tabletop

Engineering

Ceramics & Materials

Industrial Products

NORITAKE CO., LIMITED

Annual Report

Year Ended March 31, 2018

PROFILE

Noritake Co., Limited, including its subsidiaries and associates (Hereinafter “The Noritake Group”, “The Group” or simply “Noritake”) has developed technologies acquired from ceramics manufacturing expertise and has expanded its business into such fields as grinding and polishing tools, electronic component materials and manufacturing equipment. With a focus on developing new products and technologies for energy-related industries—including solar cells, an area of promising growth—Noritake seeks to create new value for customers and society.

Mid-term Business Plan

The economic environment in Japan and overseas continued to gradually improve in the fiscal year under review. However, the outlook is growing increasingly unclear due in part to concern that discord and conflict, stemming from the rise of trade protectionism in the United States as well as China’s retaliatory tariffs, could bring the world economy to stagnation. Amid these circumstances, the Group will keep working diligently to establish a business infrastructure that will safeguard stable earnings and growth—one of the aims of its 10th Mid-term Business Plan.

Management Goals:

Over the long term, we aim to maintain sales growth of 5% per year; operating margin of 5%; overseas sales ratio of 50%; ROE of at least 5%; and a capital ratio of at least 50%.

Basic Strategies:

- (1) Expand market share and break into new markets by promoting sales activities that unite manufacturing, sales and technology.
- (2) Enhance competitiveness and expand sales by developing new products and technologies.
- (3) Penetrate overseas markets and upgrade overseas manufacturing bases to expand business.
- (4) Promote a more resilient management structure and upgrade infrastructure.

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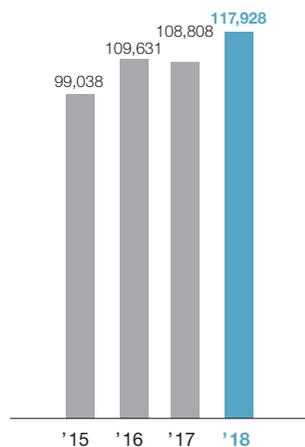
SIX-YEAR FINANCIAL SUMMARY

Years ended March 31,

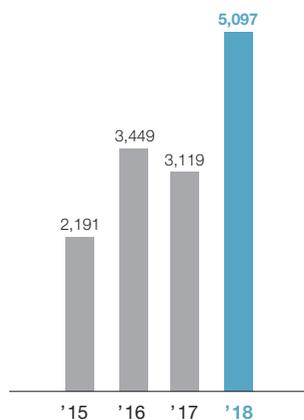
	Millions of yen						Thousands of U.S. dollars
	2018	2017	2016	2015	2014	2013	2018
For the year:							
Net sales	¥117,928	¥108,808	¥109,631	¥ 99,038	¥ 88,687	¥ 90,235	\$ 1,112,528
Operating income	5,097	3,119	3,449	2,191	785	64	48,085
Income before income taxes and minority interests	16,187	5,263	5,684	3,100	2,485	2,693	152,717
Profit attributable to owners of the parent	13,432	4,107	4,413	2,059	1,313	1,644	126,717
Net income per share (yen/U.S. dollars)	¥ 935.57	¥ 286.12	¥ 307.32	¥ 14.34	¥ 8.91	¥ 11.02	\$ 8.83
At year-end:							
Total assets	¥156,459	¥142,362	¥135,932	¥145,836	¥118,774	¥114,419	\$ 1,476,038
Total net assets	103,026	87,125	79,766	82,817	69,217	66,580	971,953
Capital ratio (%)	63.7	59.0	56.5	54.1	57.8	57.7	63.7

Notes: 1. U.S. dollar amounts have been translated at the rate of ¥106 to US\$1.

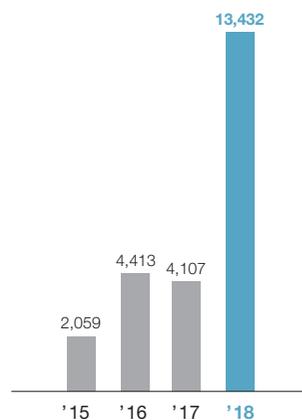
Net Sales
(Millions of yen)



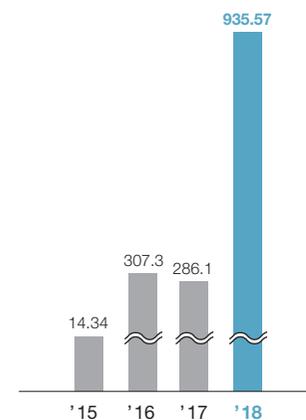
Operating Income
(Millions of yen)



Profit Attributable to Owners of the Parent
(Millions of yen)



Net Income per Share
(Yen)



Note: Most financial figures in the first 17 pages of the report have been rounded down and are presented on the basis of financial reports filed with the Kanto Finance Bureau. Due to this basis, some line items and categorizations may differ from the Consolidated Financial Statements and Notes presented on pages 18 to 55 of this report.

The management of Noritake Co., Limited wishes to express its gratitude to all stakeholders for their continued support. We would like to take this opportunity to comment on the Group's results for fiscal 2018, ended March 31, 2018.



Tadashi Ogura
Chairman &
Representative Director

Hiroshi Kato
President &
Representative Director

Performance Overview for Fiscal 2018

In fiscal 2018, the U.S. and European economies remained steady despite concerns surrounding the situation with North Korea and growing trade protectionism in the United States. Although some projections warned of a slow-down, the Chinese economy maintained steady growth. Against this backdrop, the economy in Japan remained firm and continued to recover.

Amid this favorable economic environment, we continued working to develop new products, develop overseas markets, and expand our manufacturing bases in Japan and overseas.

As a result, net sales rose 8.4% year on year to ¥117,928 million. Looking at earnings, operating income stood at ¥5,097 million, up 63.4%, and ordinary income amounted to ¥6,992 million, up 43.8%.

To expand sales and realize the development of new technologies and products, we released new products in the electronic paste business. Rapid adoption by customers in fields expected to expand in the near future provided a boost to sales. We are working on expanding sales and developing technologies to further enhance performance. In the Engineering Group, we endeavored to develop and commercialize kilns and dry furnaces optimized for new materials, which spurred an increase in orders.

In terms of penetrating overseas markets and upgrading overseas manufacturing bases, we enhanced and expanded our production and sales structure, especially in the Industrial Products Group, aligning it better with unique regional characteristics, such as those in Thailand, China, and the United States. We are working to build a global business structure.

In regards to enhancing management infrastructure, the back-office sections and production sites continue to work together to strengthen manufacturing, improve services and quality assurance, make operations more efficient, and reduce costs. In addition, we are actively engaged in activities to ensure compliance, health and safety, and environmental protection. In regards to the former site of the headquarters' plant, sales of land for commercial use have been completed, and we are moving ahead with deliberations about sales of land for residential use.

Basic Policy Regarding Earnings Distribution

Noritake has positioned returning profit to shareholders as a key management policy. Based on this policy, we place emphasis on stable dividend payments over the long term and the distribution of earnings by comprehensively taking into consideration factors that include performance results, financial conditions and future business development. In addition, we make effective use of retained earnings for investment aimed at creating new technologies and products that can become a foundation for the Noritake Group's future strength, as well as for investment for sustainable business development in growth fields. With regard to dividend payments, Noritake distributed a fiscal year-end dividend of ¥40 per share. When combined with the interim dividend of ¥30 per share, the full-year dividend amounted to ¥70 per share. In fiscal 2019, Noritake plans to pay a full-year dividend of ¥80 per share.

Through the concerted efforts of the Noritake Group to steadily implement the core strategies of the 10th Mid-term Business Plan, Noritake aims to create a growth trajectory highly responsive to changing times.

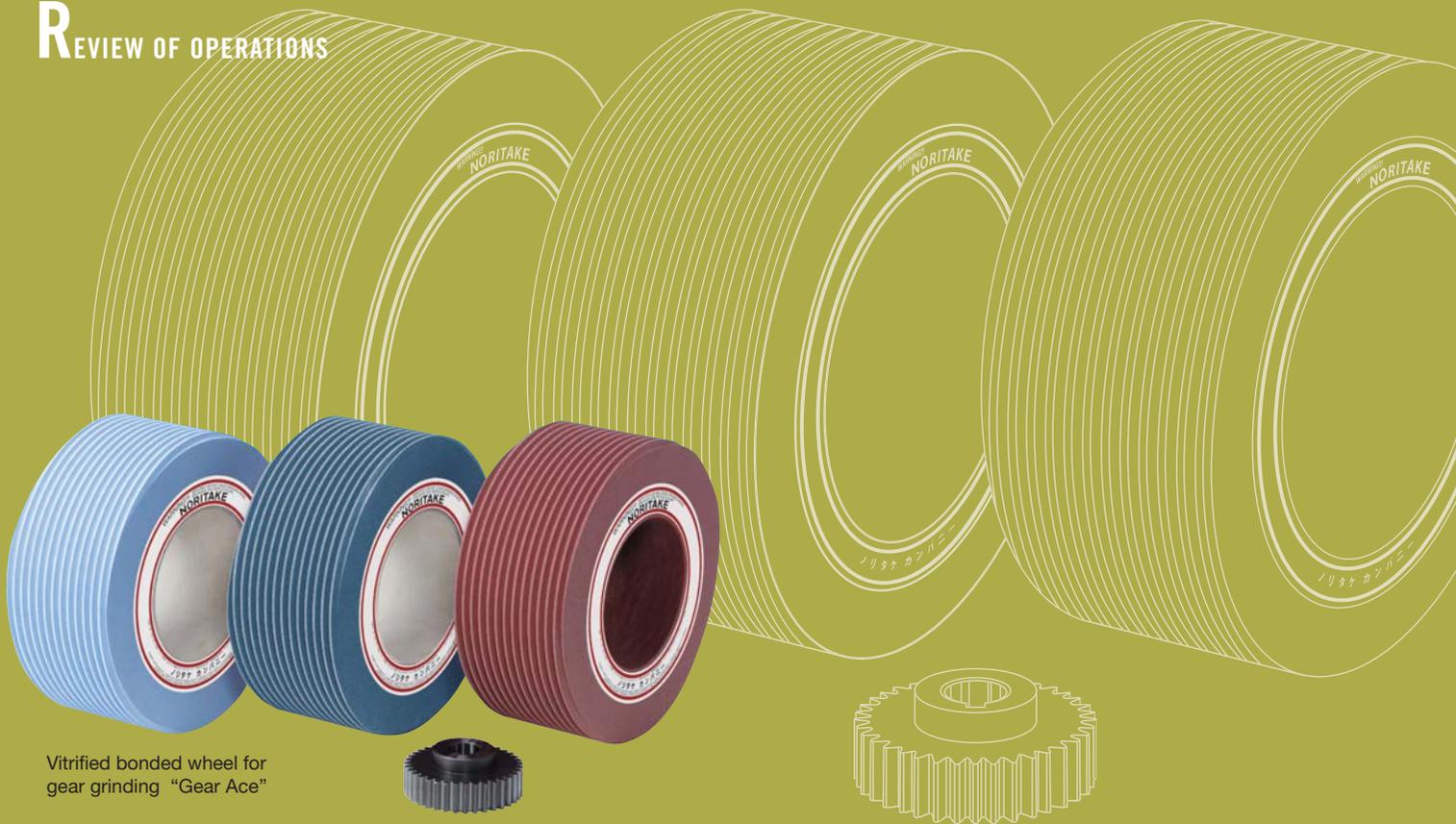
We ask for the continued understanding and steadfast support of our stakeholders.



Tadashi Ogura
Chairman & Representative Director



Hiroshi Kato
President & Representative Director



Vitrified bonded wheel for gear grinding "Gear Ace"

Industrial Products

Business Status

In the domestic market, sales remained firm due mainly to the strength of the steel industry and an increase in production in the automotive and bearing industries—our main customers. Overseas, sales increased slightly in North America, meanwhile sales increased as Southeast Asian markets recovered, especially the automotive industry in Thailand, while the Chinese market stayed strong, particularly the automotive and steel industries. However, sales of offset and other general-use grinding wheels edged down due to slow sales in Indonesia.

As a result, consolidated net sales of the Industrial Products Group increased 4.2% year on year to ¥59,404 million. Operating income grew 69.6% to ¥1,739 million.

Business Strategy

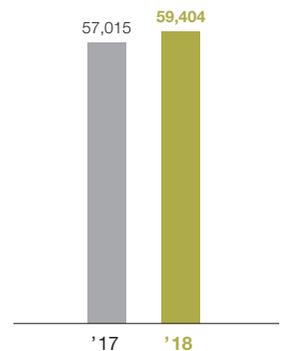
We will promote the development of new products using our unique homogeneous structure technologies. We aim to build an efficient marketing structure in Japan and bolster marketing activities overseas.

In manufacturing, we will work to expand production at overseas plants and aim to build a production system in Japan that can readily respond to fluctuations in demand and reduce manufacturing costs at plants.

Breakdown of Sales



Sales
(Millions of yen)





Electronic paste



Ceramics & Materials

Business Status

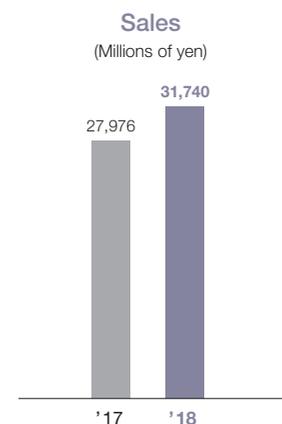
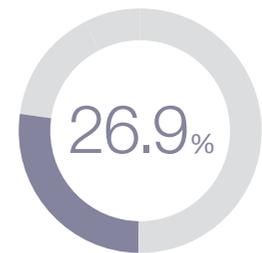
Sales of electronic pastes expanded significantly, buoyed by stable demand for inductors and multilayer ceramic capacitors for use in communication devices and automobiles. Sales of gypsum inched up as sales for construction material applications grew in Thailand despite struggles in the Chinese market. Sales of thick film circuit substrates to major customers declined. Sales of vacuum fluorescent displays (VFDs) remained on par with the previous year due to special demand for point-of-sale (POS) applications in North America. Sales of ceramic catalyst carriers were solid in overseas markets. In Electronic Ceramic Materials, sales remained steady in Japan and overseas, and, in Ceramic Materials, sales of glass materials for use in liquid crystals increased.

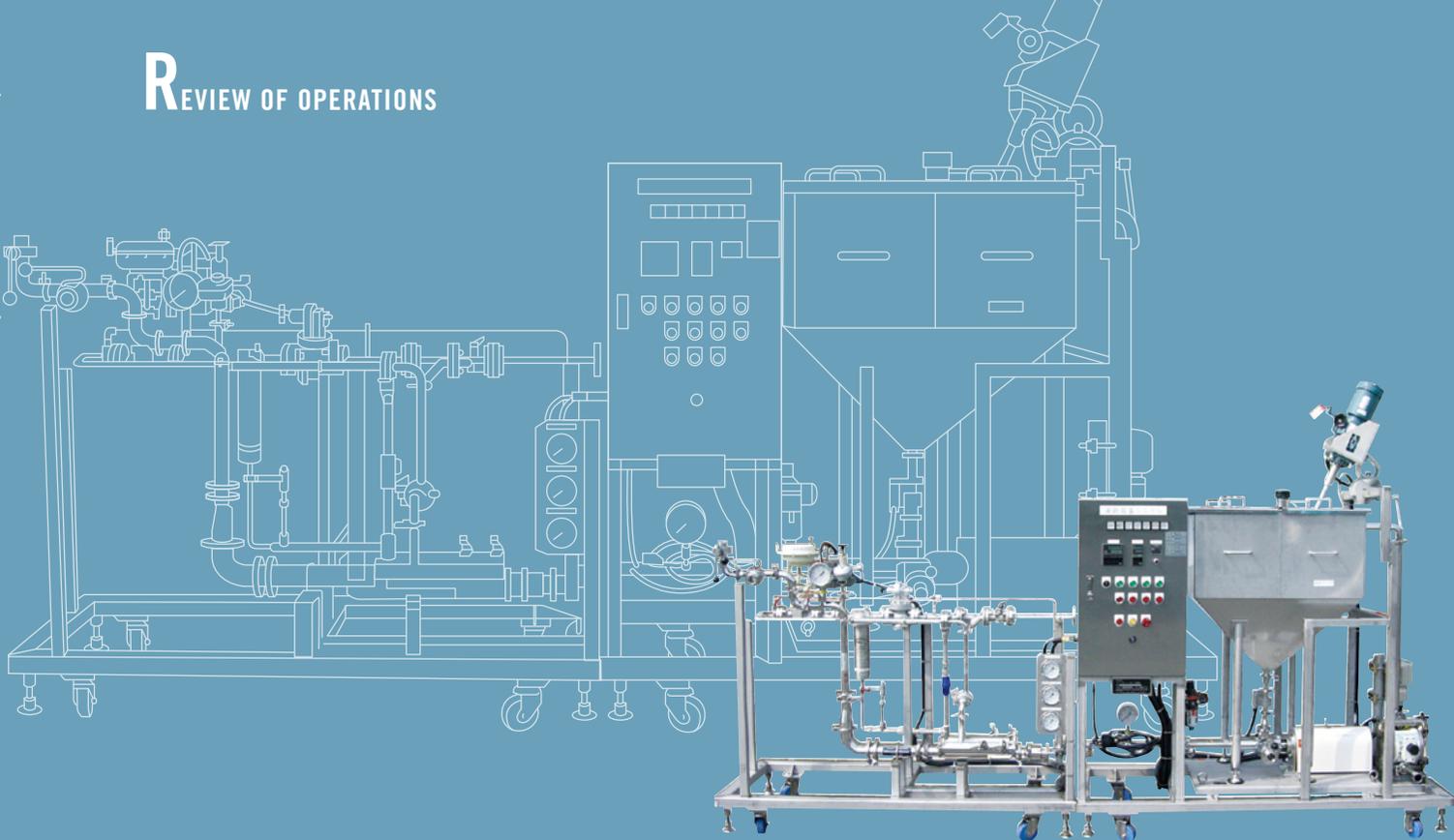
As a result, consolidated net sales of the Ceramics & Materials Group rose 13.5% year on year to ¥31,740 million. Operating income increased 40.7% to ¥2,651 million.

Business Strategy

In regard to electronic pastes, we are working to expand sales for electrode applications, such as for inductors, focusing on markets expected to expand going forward. As for thick film circuit substrates, we will enhance our manufacturing structure for boosting production for LED and other new applications. For catalyst carriers, we will develop new next-generation catalyst carriers and expand our manufacturing facilities. In Electronic Ceramic Materials, we will work to develop particulate material for multilayer ceramic capacitors, materials for fuel cells, and other products.

Breakdown of Sales





Scrambled Eggs
Manufacturing System

Engineering

Business Status

Sales of mainstay dry-furnaces and kilns increased due to active capital investment in the fields of lithium-ion batteries and electronic components. Sales of mixing equipment remained level with the previous year while sales of filtration equipment increased as sales for bearings recovered from stagnation. Sales of carbide tipped circular sawing machines remained firm in Japan and overseas as demand improved and sales of new models got on track.

As a result, consolidated net sales of the Engineering Group rose 23.4% year on year to ¥18,018 million. Operating income grew 53.4% to ¥1,522 million.

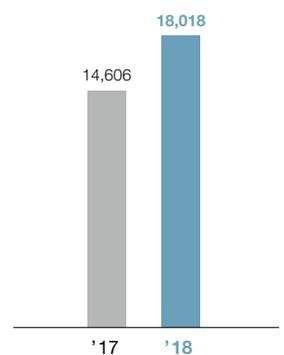
Business Strategy

In our mainstay business of dry furnaces and kilns, we will promote development of highly efficient products in the field of battery materials and will promote new product development for the use of new materials. We will develop new applications for mixing equipment, and work to strengthen marketing efforts for filtration equipment in the automotive and machine tool fields. In the area of carbide tipped circular sawing machines, we will also work to develop new applications and enhance our sales capabilities in Japan and overseas.

Breakdown of Sales



Sales
(Millions of yen)





DAISYBELL

Tabletop

Business Status

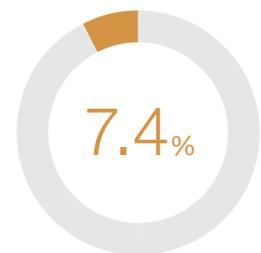
In Japan, sales for department stores, hotels, restaurants, and airlines were weak overall. Turning overseas to the United States, sales declined due to stagnant sales, especially at our mainstay department store customers. In Europe and Asia, sales stayed even with the previous year as orders from some airlines expanded but sales to department and specialty stores were weak.

As a result, consolidated net sales of the Tabletop Group declined 4.8% year on year to ¥8,765 million. Noritake recorded an operating loss of ¥817 million.

Business Strategy

In Japan, we aim to expand sales of business-use tableware, targeting the hotel and restaurant market in anticipation of higher demand being brought about by increasing numbers of foreign visitors in relation to the 2020 Tokyo Olympics. Overseas, we launched new products in the United States and aim to recover sales. In India and other Asian markets where growth is expected, we are strengthening our sales structure and working to expand sales.

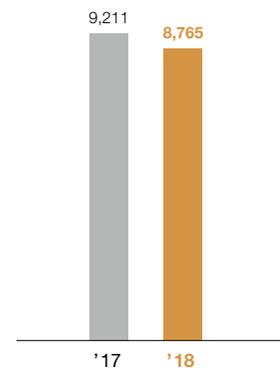
Breakdown of Sales



7.4%

Sales

(Millions of yen)

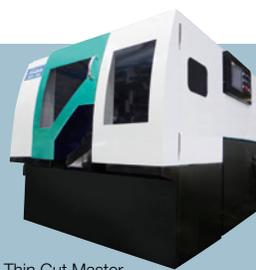




Ceramic catalyst carriers

1 Boosted Production Capacity for Ceramic Catalyst Carriers

Our catalyst carriers are used as the platform onto which catalysts are affixed to set off chemical reactions when producing the raw materials needed for PET bottles, detergents, chemical fibers, and other products. The chemical industry, which uses these carriers, is currently experiencing a boom, with a projected outlook for continuing growth. We can therefore expect an expansion in demand and are making plans to boost production capacity for our catalyst carriers with the aim of expanding sales. In addition, we will continue working to develop new next-generation catalyst carriers.



Thin Cut Master



A cut section of thin-wall pipe

2 Launched Sales of the New Thin Cut Master for Cutting Thin-Wall Pipes

Noritake has launched sales of the Thin Cut Master, a carbide tipped circular sawing machine that cuts thin-wall pipes used in automotive components, construction materials, and similar applications. We realized improvements over our previously released sawing machines. With the new machine, it is now possible to cut thin-wall pipes (down to a minimum thickness of 0.5 mm) without causing defects or deformation. Furthermore, compared to conventional models, we also succeeded in improving production efficiency and have made it possible to markedly shorten cutting time. We have garnered praise from the automotive industry, which has been processing more thin-wall pipes recently to meet demand for lighter vehicles.



Indian Garden, one of the sets from the Hearth Collection

3 Released the Hearth Collection of Dinner Sets for the Indian Market

We released a collection of dinner sets geared toward average households in India and aligned with their needs. India's economy continues to steadily grow, even compared to other emerging nations, and its purchasing power is rising in tandem. In addition, the country maintains a tradition of living in large families, which means we can expect demand to increase going forward. We opened a showroom in our distributor in Delhi in September 2017 and are currently working to bolster sales.



Noritake Garden's Craft Center and Noritake Museum



The automatic guide system

4 Began Multilingual Support for the Automatic Guide System at the Noritake Garden's Craft Center

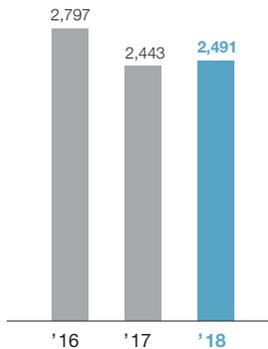
We began offering multilingual support for the automatic guide system at the Craft Center in the Noritake Garden (Nishi-ku, Nagoya). The center provides visitors with an overview of the processes for manufacturing bone china. We have installed visual display panels for each of the processes to provide explanations with audio and video. We originally only offered support for two languages: audio in Japanese and subtitles in English. However, to appeal to a broader range of foreign visitors, especially the recently growing segment from Asia, we have expanded support to a total of four languages: audio and subtitles in Japanese, English, Chinese, and Korean.

Visitors can use the automatic guide system by touching the multilingual display on the monitor near an exhibit, selecting the desired language for the audio and subtitles, and watching the accompanying video. In addition, visitors with smartphones can scan the QR code on the sign next to the monitor to enjoy the audio and video on their own device. Looking ahead, Noritake Garden will continue working to enhance support for visitors from overseas, as well as those from the local neighborhood.

R&D for New Products

R&D Expenditure

(Millions of yen)



The Research and Development Center acts as the central organ of the Noritake Group's R&D activities.

The center is involved in basic research but also carries out the commercialization of projects, as well as product development for new technologies and new fields, in collaboration with each business division and Group company.

The R&D expenditures of the Noritake Group amounted to ¥2,491 million in the fiscal year under review.

Industrial Products

To respond to expanding sectors and market changes, Noritake has been focusing its efforts on strengthening its development capabilities by relying on basic technologies and developing differentiated products. Noritake is augmenting the development of ecologically friendly tools in such growth areas as magnetic materials for automotives and LEDs. In the transportation equipment field (which includes automobiles, railways and aircraft) and also in the medical field, we are promoting the development of higher performance, lower-cost products with the aim of addressing market changes.

The R&D expenditures in the Industrial Products segment amounted to ¥498 million in the fiscal year under review.

Ceramics & Materials

In electronic materials, the Ceramics & Materials segment is developing insulating and electrode pastes mainly for ceramic substrates used in LEDs, electrode pastes for touch panels, and electrode pastes for electronic components installed in smartphones and tablet PCs.

In ceramics, we developed and promoted the ongoing marketing of high performance ceramic catalyst carriers for chemical plants. We also continued to develop "°C Monarc", a ceramic core used in precision casting that features superior heat resistance. The development of thick-film, multilayer substrates for LEDs has proceeded from the R&D stage to the launch of mass production.

KCM Corporation is advancing the development of particulate material compounds for use in the growth field of multilayer ceramic capacitors, zirconium materials and materials used in fuel cells.

In VFD tubes and VFD module products, we are currently developing VFD message displays, mainly used in stores, information and reception displays in public places, and disaster-related wireless systems.

The R&D expenditures in this segment were ¥1,290 million.

and Technologies

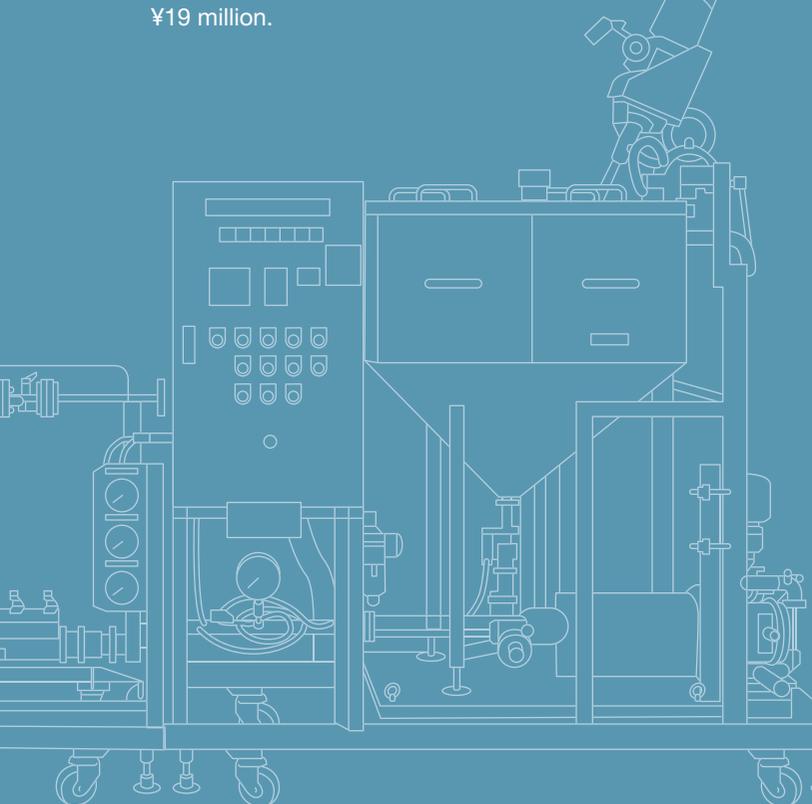
The Development & Engineering Group engages in development operations with a basic policy of focusing on commercialization. Specifically, to achieve its development goals, the Group will enhance basic technologies and work hard to strengthen elemental technologies, which are the most important. In addition, Noritake actively promotes joint R&D and technological exchanges with outside companies, universities and research institutions as it works to establish a system that can rapidly develop differentiated technologies. As for development projects, we built upon our elemental technology for porous ceramics to develop ultrafine bubble generator materials. In addition, we are working on developing grinding tools for semiconductors and fuel cell materials.

Core basic R&D expenditures totaled ¥608 million.

Engineering

The Engineering segment conducts research into products and equipment for future growth fields that include energy, electronics and automotive products.

The R&D expenditures in this segment amounted to ¥19 million.



Tabletop

The Tabletop segment continues to work to develop new decorating technology and materials related to tableware.

The R&D expenditures in this segment totaled ¥73 million.

(1) CORPORATE GOVERNANCE STRUCTURE

(i) Overview of corporate governance structure

Comprising its corporate governance structure, Noritake has positioned the Board of Directors as the body that decides on important matters, including the management's basic policy and those stipulated by the law. Noritake has also introduced an executive officer system to clarify executive responsibilities and to delegate authority with the objective of further reinforcing the execution of business based on decisions made by the Board of Directors. Having executive officers involved in business operations come on board, the Board of Directors meets, in principle, once a month to ensure uniformity of understanding across the entire Group. Furthermore, such matters as surplus dividends and items stipulated in Article 459-1 of the Company Law are addressed as matters for resolution by the Board of Directors, unless otherwise stipulated by law, with the aim of being able to flexibly return profits to shareholders.

With regard to important management matters, Noritake has established a structure to realize quick, accurate decision-making after careful deliberation at the Executive Council, which meets weekly, in principle.

Directors are elected at the Company's Annual General Meeting of Shareholders, which is attended by at least one-third of the shareholders with exercisable voting rights, and after a majority of said voting rights is obtained, although not by cumulative voting. Noritake limits the number of directors to 18. The tenure of directors at Noritake and the Group has been set at one year. The purpose of this system is to make possible the active building of a management structure optimally suited to today's turbulent business environment and to clarify management responsibilities anew with each fiscal year.

In accordance with Article 426-1 of the Company Law, Noritake decided that it would be able to exempt directors and Audit & Supervisory Board Members (including former directors and Audit & Supervisory Board Members) by Board of Directors' meeting resolution, from liabilities for damages incurred as a result of the execution of their duties, within the limit of laws and regulations, with the aim of having them fully perform the roles expected of them.

Noritake aims to affect smooth operations by reducing the quorum necessary for extraordinary resolutions at the General Meeting of Shareholders. Resolutions proposed for approval at the Company's Annual General Meeting of Shareholders, in accordance with the provisions of Article 309-2 of the Company Law, must be ratified by a two-thirds majority vote of shareholders in attendance whose total voting rights account for one-third or more of all exercisable voting rights.

Although the establishment of other governance structures (e.g. "company with committees" and "company with a Supervisory & Audit Committee") is recognized, Noritake decided to use the Audit & Supervisory Board system.

(ii) Reasons for applying corporate governance system

With the advancing globalization of business, the effects of corporate activities are being held to increasingly strict standards of corporate social responsibility. Each Group executive and employee is heir to the spirit of Noritake's founder, on which basis the Noritake Group Statement of Corporate Ethics was formulated. In observing and putting that statement into practice, they apply this corporate governance structure to realize a Noritake Group with even higher standards of corporate ethics.

(iii) Status of internal control system upgrades

Since fiscal 2008, the Noritake Group has been working to build and maintain a framework in which it forms project-based structures, advances the documentation of adherence to rules and operational processes, and addresses the systemization of internal controls related to financial reporting. Furthermore, with regard to the stipulation of internal control rules, and the status of their maintenance and implementation, Noritake conducts monitoring from the perspective of the risk of material misstatements related to financial reporting, among other measures, as it strives to preserve and improve its internal control system.

Through the Compliance Committee and the activities of persons appointed to have compliance responsibilities under the committee's authority, the Company is working to bolster its internal controls system from the compliance standpoint.

Furthermore, at the Board of Directors' meeting held on May 12, 2015, Noritake resolved to revise its basic policy on establishing an internal controls system. The main revisions were to adopt clear, concrete terms in describing the system to ensure the appropriateness of the Group's operations and audit system, in line with a reassessment of the Group's current needs, as well as revisions to laws and regulations.

(iv) Status of risk management system upgrades

Strengthening the ongoing compliance structure of the Group as a whole, Noritake works to maintain risk management systems to prevent the Group from entering into a crisis situation due to misconduct associated with the violation of the law.

Should the Group be faced with any risk that might damage its corporate value, such as a case of misconduct, an accident or disaster, "Risk Management Regulations" have been formulated to minimize losses and to enable operations to continue with minimal disruption. In the event that a crisis does arise, a task force will be established in immediate response.

(v) Status of system to ensure the appropriateness of operations at subsidiaries

To ensure the appropriateness of operations at its subsidiaries, the Company is taking measures to ensure legal and regulatory compliance through the activities of the Compliance Committee, as well as by promoting awareness of and

compliance with the Noritake Group Statement of Corporate Ethics. In addition, the Company has established internal controls and works to ensure the appropriateness of financial reporting by, for example, continually monitoring the adequacy and implementation of these internal controls.

(2) STATUS OF INTERNAL AUDITS AND AUDITS BY AUDIT & SUPERVISORY BOARD MEMBERS AND INDEPENDENT AUDITORS

The Audit Office (five employees) serves as the Company's internal audit department and implements operational and accounting audits. Audit results are reported to the divisional head and the general manager in charge of business operations, and, in the event that any significant problems are identified, the Audit Office is required to notify the Executive Council.

The Audit & Supervisory Board is composed of two full-time Audit & Supervisory Board Members and two outside Audit & Supervisory Board Members. Besides stipulating such matters as audit guidelines and the division of duties, the Audit & Supervisory Board receives reports from each Audit & Supervisory Board Member providing the actual audit status and results, and expedites the flow of information between the Board of Directors and the Audit Office. In addition to working to gather information, Audit & Supervisory Board Members attend meetings of the Board of Directors and Executive Council as well as other important meetings, where they receive status reports on the execution of executives' duties and ask for explanations when the need arises. Furthermore, the Audit & Supervisory Board, in addition to confirming that Noritake's accounting auditors maintain their independence and implement the appropriate audits, receives status reports from the accounting auditors on the execution of duties and requests explanations when the need arises.

The Audit Office works in close collaboration with Audit & Supervisory Board Members and accounting auditors to maintain the effectiveness of internal audit implementation. As established by contractual ties, Noritake's independent auditor is KPMG AZSA LLC, which assigns managing partners to Noritake to implement audits from an independent perspective. In the fiscal year under review, the managing partners assigned to Noritake by KPMG AZSA LLC were as follows:

- Specified employees and managing partners
CPA Yasushi Yokoi
CPA Hiroyuki Okuya
CPA Satoshi Zengame
- Assistants
22 CPAs and 20 others

(3) OUTSIDE DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

Noritake has two outside directors and two outside Audit & Supervisory Board Members.

No personal, capital or business relationships or other conflicts of interest exist between the Company and its outside Audit & Supervisory Board Members Ryuichi Murata and Tatsuhiko Saruwatari, and its outside directors Kosaku Yamada and Tetsuo Komori, respectively. Tetsuo Komori owns 1,000 shares of Noritake, but this is not deemed to present a conflict of interest.

The outside directors bring a wealth of experience and broad insight regarding business management. They were brought on board to provide thorough counsel on matters spanning the entire business to the Board of Directors in an effort to strengthen oversight and increase transparency in the decision-making process.

Furthermore, the outside Audit & Supervisory Board Members reflect their wealth of experience and broad insight as business administrators in Noritake audits.

When outside directors oversee business operations or when the outside Audit & Supervisory Board Members conduct operational audits, they may conduct internal and corporate audits as needed in addition to collaborating with accounting auditors and the internal control department through such means as the appropriate sharing of information and exchange of opinions.

Together with the two full-time Audit & Supervisory Board Members, the outside Audit & Supervisory Board Members are mandated to audit the directors in the execution of their duties and the operations and assets of Noritake and its subsidiaries. In addition, the outside Audit & Supervisory Board Members conduct audits based on reports received from the independent accounting auditors regarding the Company's consolidated financial statements. In addition, working closely with the Audit Office, the outside Audit & Supervisory Board Members contribute to efficient internal audits.

The Company appoints outside directors and Audit & Supervisory Board Members with the expectation that they will perform their oversight duties and audits in an appropriate and objective manner based on their specialized knowledge. Although the Company's rules and regulations do not stipulate the independence of outside directors and Audit & Supervisory Board Members, we appoint them in line with our basic philosophy that they have no conflict of interest with ordinary shareholders.

The Company concludes limitation of liability contracts with each outside director and Audit & Supervisory Board Member in accordance with the provisions of Article 423-1 of the Company Law. As such, the maximum amount of liability stipulated by the aforementioned contracts is the minimum amount determined by law.

With regard to management and decision-making functions as well as its Board of Directors, which fulfills the management oversight function in terms of the business execution of its directors, Noritake strengthens management oversight by having two of four Audit & Supervisory Board Members from outside the Company. In corporate governance, Noritake places the utmost importance on external, objective and neutral management oversight functions. The external management oversight function is adequately performed by the system that is in place with the two outside Audit & Supervisory Board Members. Noritake has appointed two outside directors to further secure the oversight function of the Board of Directors as well as ensure transparency in the decision-making process.

(4) COMPENSATION TO DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

(i) Total executive compensation by executive officer category, total compensation by type, and number of officers eligible

Executive Officer Category	Compensation Amount (Millions of yen)	Total Compensation by Type (Millions of yen)				No. of Officers Eligible
		Basic Compensation	Stock Options	Bonus	Performance-based stock compensation	
Directors (excl. outside director)	329	246	—	—	83	7
Audit & Supervisory Board Members (excl. outside Audit & Supervisory Board Members)	40	40	—	—	—	3
Outside directors and Audit & Supervisory Board Members	36	36	—	—	—	6

- Notes: 1. The figures above include compensation for two directors and one Audit & Supervisory Board Member who retired upon the conclusion of the 136th Annual General Meeting of Shareholders, which was held on June 29, 2017.
2. Performance-based stock compensation is the amount recorded as an expense for the fiscal year ended March 31, 2018, based on the resolution to introduce a performance-based stock compensation system for directors and other officers that was passed at the 135th Annual General Meeting of Shareholders held on June 29, 2016.

(ii) Policy details and decision-making process with regard to executive compensation and its methods of calculation

The compensation of the Company's directors comprises fixed monthly compensation and performance-based stock compensation.

After hearing the opinions of the outside directors and Audit & Supervisory Board Members, the representative directors determine the appropriate amounts of fixed monthly compensation by executive officer category within the limit*1 approved by the meeting of shareholders. These amounts are then finalized at the Board of Directors' meeting.

The performance-based stock compensation is decided based on the rules regarding the issuance of shares and in accordance with such factors as the achievement of medium- to long-term corporate performance targets, within the limit approved by the meeting of shareholders.

Furthermore, outside directors only receive fixed monthly compensation in consideration of the role they play in supervising management from an independent position.

Audit & Supervisory Board Members only receive fixed monthly compensation decided by deliberations of the Audit & Supervisory Board Members within the limit approved by the meeting of shareholders.*2

Notes: 1. At the 109th Annual General Meeting of Shareholders, which was held on June 28, 1990, the decision was taken to limit Noritake's total executive compensation to ¥40 million or less per month for directors.

2. At the 109th Annual General Meeting of Shareholders, which was held on June 28, 1990, the decision was taken to limit Noritake's total executive compensation to ¥6 million or less per month for Audit & Supervisory Board Members.

(5) DETAILS OF COMPENSATION PAID TO INDEPENDENT AUDITOR, ETC.

(i) Details of independent auditor compensation, etc.

Category	Previous Consolidated Accounting Year		Consolidated Accounting Year under Review	
	Compensation Based on Audit Certification Services (Millions of yen)	Compensation Based on Non-Auditing Services (Millions of yen)	Compensation Based on Audit Certification Services (Millions of yen)	Compensation Based on Non-Auditing Services (Millions of yen)
Parent company	70	—	70	2
Consolidated subsidiary	17	—	17	—
Total	87	—	87	2

(ii) Other significant details regarding compensation

Noritake Co., Inc., a Noritake subsidiary, paid compensation based on audit certification services of ¥9 million to KPMG LLP, which belongs to the same corporate network as the Company's independent auditor, in the consolidated accounting year under review. In the previous consolidated accounting year, the amount for such services had totaled ¥8 million.

(iii) Details of non-auditing services provided to the Company by the independent auditor

In the year ended March 31, 2018, the non-auditing services provided by the independent auditor and for which compensation was paid were financial due diligence activities. In the year ended March 31, 2017, there were no relevant items.

(iv) Policy for determining compensation to independent auditors

The Company calculates compensation to be paid to its CPAs, etc. taking into account such factors as the number of days of the audit and the special characteristics of Noritake's size and operational characteristics.

SCOPE OF CONSOLIDATION

Composed of 24 subsidiaries and 7 associates, the Noritake Group is engaged in the manufacture and sale of products in four business segments—Industrial Products, Ceramics & Materials, Engineering, and Tabletop—as well as the provision of services related to these segments.

INDUSTRIAL PRODUCTS SEGMENT

In the Industrial Products Segment, grinding wheel manufacturing and fabrication are performed by five subsidiaries and two associates in addition to the Company, while diamond tool manufacturing is undertaken by one subsidiary in addition to the Company. Coated abrasives are produced by the subsidiary Noritake Coated Abrasive Co., Ltd. and one associate; a portion of these items are supplied to the Company.

In addition to the sales activities of the Company and one subsidiary in Japan and overseas, the Industrial Products Segment's domestic sales are handled by Zen Noritake Co., Ltd. and one other subsidiary. The U.S.-based Noritake Co., Inc. and three other subsidiaries undertake sales in overseas markets. Noritake Coated Abrasive Co., Ltd. conducts direct sales of most of its own products both in Japan and overseas.

CERAMICS & MATERIALS SEGMENT

In the Ceramics & Materials Group, manufacturing of electronic paste and thick film circuit substrates is conducted by the Company. Such activities are bolstered by P.T. Noritake Indonesia along with one subsidiary and one associate. VFD tubes are produced and supplied to the Company by the subsidiary Noritake Itron Corporation. In addition, the subsidiary KCM Corporation and its subsidiaries produce ceramic raw materials, a portion of which are supplied to the Company.

In addition to the Company's own sales activities for electronic paste and other ceramic products of the Ceramics & Materials Group, sales activities for VFD tubes and related products, both domestic and overseas, are mainly conducted by the integrated manufacturing and sales subsidiary Noritake Itron Corporation.

In addition, the U.S.-based Noritake Co., Inc. and three other subsidiaries conduct sales for the Ceramics & Materials Group in overseas markets. KCM Corporation undertakes direct sales of most of its own products both in Japan and overseas.

Moreover, the Company's associate, Kuraray Noritake Dental Inc., engages in the manufacture and sale of dental-related products.

ENGINEERING SEGMENT

In the Engineering Segment, the Company manufactures segment products. Various types of industrial furnaces are produced and supplied to the Company by the subsidiary Noritake TCF Co., Ltd. The Company's Taiwanese subsidiary Noritake Taipei Co., Ltd. manufactures and supplies static mixers to the Company.

Sales activities in Japan and overseas are undertaken by the Company and one of its subsidiaries. In addition, the U.S.-based Noritake Co., Inc. and another subsidiary conduct sales for the Engineering Segment in overseas markets

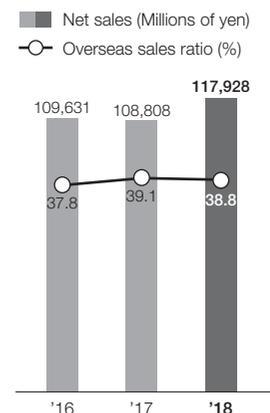
TABLETOP SEGMENT

In the Tabletop Segment, in addition to the Company's production activities, porcelain tableware is manufactured by Noritake Lanka Porcelain (Private) Limited located in Sri Lanka and one associate, which is supplied to the Company.

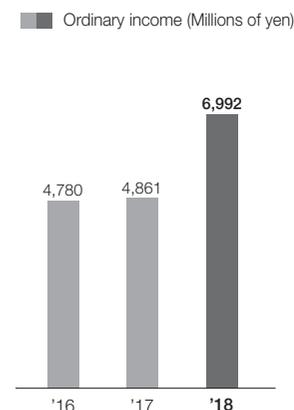
The Company conducts sales for the Tabletop Segment in domestic and overseas markets. In addition, the U.S.-based Noritake Co., Inc. and three other subsidiaries undertake sales in overseas markets.

Service operations in other areas are handled by Noritake Garden Co., Limited and one associate.

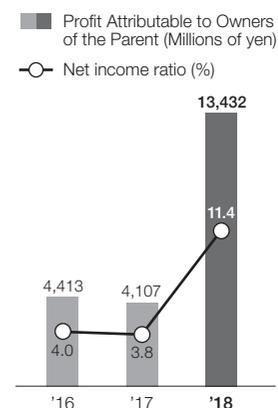
Net Sales & Overseas Sales Ratio



Ordinary Income

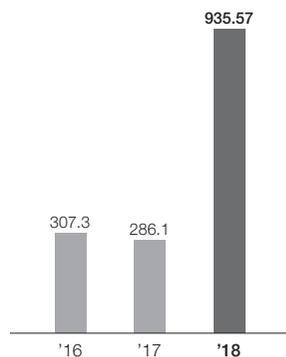


Profit Attributable to Owners of the Parent & Net Income Ratio



Net Income per Share

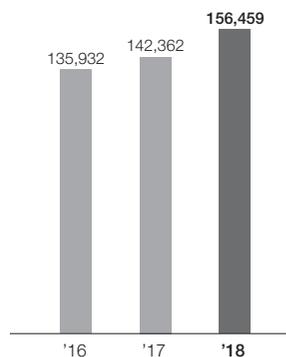
(Yen)



The Company conducted a reverse stock split at a ratio of one share for every ten shares on October 1, 2016. Figures for net income per share are presented on the assumption that the Company conducted the reverse stock split at the beginning of the fiscal 2016 (April 1, 2015).

Total Assets

(Millions of yen)



PERFORMANCE ANALYSIS

Consolidated net sales rose ¥9,119 million, or 8.4%, year on year to ¥117,928 million.

Ordinary income increased ¥2,130 million from the previous fiscal year to ¥6,992 million mostly due to increased net sales.

Extraordinary income totaled ¥10,779 million, with gain on sales of fixed assets amounting to ¥10,624 million. Extraordinary losses came to ¥1,584 million, with impairment loss totaling ¥839 million.

As a result of the aforementioned, profit before income taxes for the fiscal year under review amounted to ¥16,187 million. After accounting for income taxes and non-controlling interests, profit attributable to owners of the parent totaled ¥13,432 million.

Additionally, net income per share increased to ¥935.57 and the return on equity rose from 5.1% in the previous consolidated fiscal year to 14.6%.

CASH FLOW ANALYSIS

As of March 31, 2018, cash and cash equivalents stood at ¥16,087 million, a year on year increase of ¥7,177 million. For the year, negative free cash flows amounted to ¥18,153 million.

Net cash provided by operating activities increased ¥555 million year on year to ¥9,684 million. Operating cash flow improved as we recorded ¥16,187 million in profit before income taxes.

Net cash provided by investing activities totaled ¥8,468 million compared with net cash used in investing activities of ¥2,546 million in the previous fiscal year. Factors included ¥12,921 million in proceeds from sales of property, plant and equipment and intangible assets that offset ¥4,349 million in purchase of property, plant and equipment and intangible assets.

Net cash used in financing activities increased ¥5,081 million year on year to ¥11,056 million. Cash flows used in financing worsened due to repayments of borrowings leading to a decrease of ¥6,101 million in short-term borrowings and ¥3,946 million in long-term borrowings in addition to dividend payments of ¥877 million.

FINANCIAL POLICIES

The Noritake Group, in principle, funds general operations and capital expenditures through internal reserves and borrowings or the issue of corporate bonds. In particular, working capital for general operations is provided by short-term borrowings with a maturity of one year or less. In Japan, Noritake has adopted a cash management system under which the Company centrally procures funds and then allocates the procured funds to consolidated subsidiaries in need of operating funds. Overseas, individual consolidated subsidiaries adhere to a basic policy of procuring operating funds themselves in their respective local currencies.

As of March 31, 2018, the balance of short-term borrowings totaled ¥3,597 million, most of which is denominated in yen, with the remainder in two other currencies. Noritake, in principle, uses its internal reserves for capital expenditures and other long-term investments with a portion covered by long-term debt. As of March 31, 2018, the balance of unsecured long-term loans amounted to ¥9,516 million, most of which is denominated in yen, with the remainder in one other currency.

BUSINESS AND OTHER RISKS

Raw Material and Fuel Price Risk

The Noritake Group conducts operations centered on the ceramic manufacturing industry. Like other industries, the ceramics industry is subject to manufacturing cost increases attributable to the rise in raw material and fuel prices. While continually working to improve productivity and reduce costs, Noritake is strategically implementing upward revisions of its product prices to compensate for such cost increases. However, in the event that the Company cannot carry out effective measures to deal with sudden cost increases, its business performance and financial position may be adversely affected.

Exchange Rate Fluctuation Risk

The export ratios of the Ceramics & Materials Group and the Tabletop Group are high in comparison to Noritake's other business segments. Accordingly, unfavorable trends in currency exchange rates—more specifically, the yen's rapid appreciation—may negatively impact the performance of these business segments, and, consequently, the entire Company's performance and financial position, despite the Company's best efforts to minimize risk through forward exchange contracts and other measures.

Disaster Risk

With business bases in Japan and overseas, the Noritake Group is taking steps to build up an effective disaster management system by, for example, setting up relevant guidelines, rules and procedures. In the event that these business bases, particularly manufacturing bases, are damaged by earthquake, fire or other disaster, their operations may have to be suspended for a certain period of time, and this would adversely affect Noritake's business performance and financial position.

Overseas Risk

The Noritake Group is actively promoting overseas operations. Deteriorations in public safety and security, coupled with changes in political conditions, in one of the countries where Noritake operates may restrict the Company's operations. In particular, in the case of war, civil disturbance, terrorist attack and the like, the Company's operations may have to be suspended for a certain period of time. Should this be the case, the Noritake Group's business performance and financial position may be negatively impacted.

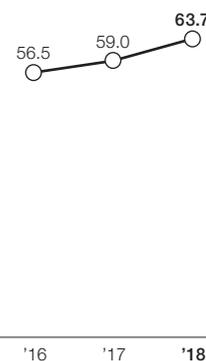
Technology-Related Risk

The Noritake Group is increasingly concentrating its management resources in such growth fields as the electronics, semiconductor and energy industries. These industries are characterized by the rapid pace of their technological innovation and dynamic demand fluctuations, which cause participants to experience technology and product obsolescence at shorter intervals than other industries. Accordingly, in the event that any of the Noritake's main products becomes obsolete, or Noritake fails to launch new products in a timely manner, its business performance and financial position may be negatively affected.

Risks and factors that could have adverse effects on the Noritake Group's business performance and financial position are not limited to those described above. The analysis of risks is based on information available to the Company's management as of March 31, 2018.

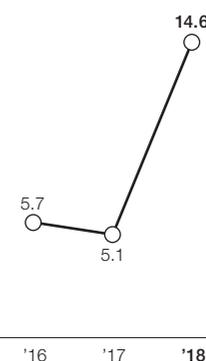
Capital Ratio

(%)



Return on Equity

(%)



NORITAKE CO., LIMITED and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Assets:			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 16,088	¥ 8,910	\$ 151,774
Short-term investments (Notes 3 and 6)	2,398	2,365	22,623
Notes and accounts receivable, net of allowance for doubtful accounts (Notes 3 and 4)	34,858	30,511	328,849
Inventories (Note 5)	18,364	17,054	173,245
Deferred tax assets (Note 14)	558	610	5,264
Other current assets	1,279	1,760	12,066
Total current assets	<u>73,545</u>	<u>61,210</u>	<u>693,821</u>
Investments and other assets:			
Investment securities (Notes 3 and 6)	32,690	29,820	308,396
Investments in unconsolidated subsidiaries and associates (Note 3)	4,284	3,719	40,415
Net defined benefit asset (Note 9)	2,799	1,935	26,406
Deferred tax assets (Note 14)	271	265	2,557
Other	1,700	1,785	16,037
Total investments and other assets	<u>41,744</u>	<u>37,524</u>	<u>393,811</u>
Property, plant and equipment:			
Land	12,784	13,335	120,603
Buildings and structures	40,943	41,345	386,255
Machinery and equipment	52,301	52,284	493,406
Construction in progress	1,521	1,719	14,349
Total property, plant and equipment	107,549	108,683	1,014,613
Less accumulated depreciation	<u>(66,378)</u>	<u>(65,055)</u>	<u>(626,207)</u>
Net property, plant and equipment	<u>41,171</u>	<u>43,628</u>	<u>388,406</u>
Total assets	<u>¥ 156,460</u>	<u>¥ 142,362</u>	<u>\$ 1,476,038</u>

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Liabilities:			
Current liabilities:			
Short-term borrowings (Notes 3 and 8)	¥ 3,598	¥ 9,671	\$ 33,943
Current portion of long-term debt (Notes 3 and 8)	9,221	464	86,991
Notes and accounts payable (Notes 3 and 7)	21,695	16,789	204,670
Accrued expenses (Note 3)	4,687	3,435	44,217
Income taxes payable (Note 3)	2,597	804	24,500
Other current liabilities	1,044	1,420	9,849
Total current liabilities	42,842	32,583	404,170
Long-term liabilities:			
Long-term debt (Notes 3 and 8)	403	13,042	3,802
Net defined benefit liability (Note 9)	1,836	1,917	17,321
Accrued severance indemnities for directors and corporate auditors	172	206	1,623
Provision for directors' stock payments	201	66	1,896
Deferred tax liabilities (Note 14)	7,280	6,642	68,679
Other non-current liabilities	699	780	6,594
Total long-term liabilities	10,591	22,653	99,915
Total liabilities	53,433	55,236	504,085
Net assets (Note 13):			
Shareholders' equity:			
Common stock:			
Authorized - 39,750,000 shares			
Issued - 14,842,849 shares in 2018 and 15,842,849 shares in 2017	15,632	15,632	147,472
Capital surplus	18,784	18,784	177,208
Retained earnings	52,262	42,418	493,037
Less treasury stock, at cost: 492,950 shares in 2018 and 1,487,548 shares in 2017	(1,229)	(3,892)	(11,594)
Total shareholders' equity	85,449	72,942	806,123
Accumulated other comprehensive income	14,160	10,987	133,585
Non-controlling interests	3,418	3,197	32,245
Total net assets	103,027	87,126	971,953
Total liabilities and net assets	¥ 156,460	¥ 142,362	\$ 1,476,038

NORITAKE CO., LIMITED and Consolidated Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Operating revenue:			
Net sales (Note 15)	¥ 117,928	¥ 108,809	\$ 1,112,528
Operating costs and expenses:			
Cost of goods sold	86,485	79,538	815,896
Selling, general and administrative expenses	26,346	26,151	248,547
	<u>112,831</u>	<u>105,689</u>	<u>1,064,443</u>
Operating profit	5,097	3,120	48,085
Other income (expenses):			
Interest and dividend income	781	687	7,368
Interest expense	(59)	(76)	(557)
Impairment loss on fixed assets	(840)	-	(7,925)
Gain on sales of investment securities	155	752	1,462
Gain (loss) on sales or disposals of property and equipment	9,884	(281)	93,245
Equity in net earnings of associates	810	752	7,642
Other, net	360	310	3,397
	<u>11,091</u>	<u>2,144</u>	<u>104,632</u>
Profit before income taxes	16,188	5,264	152,717
Income taxes (Note 14):			
Current	3,262	1,163	30,774
Deferred	(680)	(301)	(6,416)
Total income taxes	<u>2,582</u>	<u>862</u>	<u>24,358</u>
Profit	13,606	4,402	128,359
Profit attributable to non-controlling interests	<u>174</u>	<u>294</u>	<u>1,642</u>
Profit attributable to owners of the parent	<u>¥ 13,432</u>	<u>¥ 4,108</u>	<u>\$ 126,717</u>
		Yen	U.S. dollars
Per share (Note 2(r)):			
Profit attributable to owners of the parent	¥ 935.57	¥ 286.12	\$ 8.83
Cash dividends	70.00	33.00	0.66

See accompanying Notes to Consolidated Financial Statements.

NORITAKE CO., LIMITED and Consolidated Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Profit:	¥ 13,606	¥ 4,402	\$ 128,359
Other comprehensive income (Note 17):			
Unrealized gains on available-for-sale securities	2,031	2,889	19,160
Foreign currency translation adjustments	247	(1,002)	2,330
Remeasurements of defined benefit plans, net of tax	995	2,009	9,387
Share of other comprehensive income of associates accounted for using equity method	18	(6)	170
Total other comprehensive income	3,291	3,890	31,047
Comprehensive income:	¥ 16,897	¥ 8,292	\$ 159,406
Comprehensive income attributable to:			
Owners of the parent	¥ 16,605	¥ 8,056	\$ 156,651
Non-controlling interests	292	236	2,755
Total comprehensive income:	¥ 16,897	¥ 8,292	\$ 159,406

See accompanying Notes to Consolidated Financial Statements.

NORITAKE CO., LIMITED and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2018 and 2017

	Number of shares of common stock issued	Shareholders' equity					Total shareholders' equity
		Common stock	Capital surplus	Retained earnings	Treasury stock		
		Millions of yen					
Balance at April 1, 2016	158,428,497	¥ 15,632	¥ 18,784	¥ 39,287	¥ (3,991)	¥ 69,712	
Profit attributable to owners of the parent	-	-	-	4,108	-	4,108	
Cash dividends	-	-	-	(869)	-	(869)	
Purchases of treasury stock and fractional shares, net	-	-	-	-	(608)	(608)	
Disposal of treasury stock	-	-	-	(108)	707	599	
Consolidation of shares	(142,585,648)	-	-	-	-	-	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	
Balance at March 31, 2017	15,842,849	15,632	18,784	42,418	(3,892)	72,942	
Profit attributable to owners of the parent	-	-	-	13,432	-	13,432	
Cash dividends	-	-	-	(877)	-	(877)	
Purchases of treasury stock and fractional shares, net	-	-	-	-	(61)	(61)	
Disposal of treasury stock	-	-	0	-	13	13	
Retirement of treasury stock	(1,000,000)	-	(0)	(2,711)	2,711	-	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	
Balance at March 31, 2018	14,842,849	¥ 15,632	¥ 18,784	¥ 52,262	¥ (1,229)	¥ 85,449	
		Thousands of U.S. dollars (Note 1)					
Balance at March 31, 2017		\$ 147,472	\$ 177,208	\$ 400,169	\$ (36,717)	\$ 688,132	
Profit attributable to owners of the parent		-	-	126,717	-	126,717	
Cash dividends		-	-	(8,274)	-	(8,274)	
Purchases of treasury stock and fractional shares, net		-	-	-	(575)	(575)	
Disposal of treasury stock		-	0	-	123	123	
Retirement of treasury stock		-	(0)	(25,575)	25,575	-	
Net changes in items other than shareholders' equity		-	-	-	-	-	
Balance at March 31, 2018		\$ 147,472	\$ 177,208	\$ 493,037	\$ (11,594)	\$ 806,123	

	Accumulated other comprehensive income					
	Unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Millions of yen						
Balance at April 1, 2016	¥ 10,106	¥ (1,660)	¥ (1,408)	¥ 7,038	¥ 3,016	¥ 79,766
Profit attributable to owners of the parent	-	-	-	-	-	4,108
Cash dividends	-	-	-	-	-	(869)
Purchases of treasury stock and fractional shares, net	-	-	-	-	-	(608)
Disposal of treasury stock	-	-	-	-	-	599
Consolidation of shares	-	-	-	-	-	-
Net changes in items other than shareholders' equity	2,877	(931)	2,003	3,949	181	4,130
Balance at March 31, 2017	12,983	(2,591)	595	10,987	3,197	87,126
Profit attributable to owners of the parent	-	-	-	-	-	13,432
Cash dividends	-	-	-	-	-	(877)
Purchases of treasury stock and fractional shares, net	-	-	-	-	-	(61)
Disposal of treasury stock	-	-	-	-	-	13
Retirement of treasury stock	-	-	-	-	-	-
Net changes in items other than shareholders' equity	2,029	155	989	3,173	221	3,394
Balance at March 31, 2018	¥ 15,012	¥ (2,436)	¥ 1,584	¥ 14,160	¥ 3,418	¥ 103,027
Thousands of U.S. dollars (Note 1)						
Balance at March 31, 2017	\$ 122,481	\$ (24,443)	\$ 5,613	\$ 103,651	\$ 30,160	\$ 821,943
Profit attributable to owners of the parent	-	-	-	-	-	126,717
Cash dividends	-	-	-	-	-	(8,274)
Purchases of treasury stock and fractional shares, net	-	-	-	-	-	(575)
Disposal of treasury stock	-	-	-	-	-	123
Retirement of treasury stock	-	-	-	-	-	-
Net changes in items other than shareholders' equity	19,142	1,462	9,330	29,934	2,085	32,019
Balance at March 31, 2018	\$ 141,623	\$ (22,981)	\$ 14,943	\$ 133,585	\$ 32,245	\$ 971,953

See accompanying Notes to Consolidated Financial Statements.

NORITAKE CO., LIMITED and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash flows from operating activities:			
Profit before income taxes	¥ 16,188	¥ 5,264	\$ 152,717
Adjustments for:			
Depreciation	4,030	4,026	38,019
Impairment loss on fixed assets	840	-	7,925
Equity in net earnings of associates	(810)	(752)	(7,642)
Gain on sales of investment securities	(155)	(752)	(1,462)
Loss (gain) on sales or disposals of property and equipment	(9,884)	281	(93,245)
Increase (decrease) in net defined benefit liability and asset	483	944	4,557
Decrease (increase) in trade receivables	(4,326)	327	(40,811)
Decrease (increase) in inventories	(1,276)	(693)	(12,038)
Increase (decrease) in trade payables	4,739	1,117	44,708
Other, net	(78)	(362)	(737)
Subtotal	9,751	9,400	91,991
Interest and dividends received	1,044	892	9,849
Interest paid	(60)	(76)	(566)
Income taxes paid	(1,051)	(1,087)	(9,916)
Net cash provided by operating activities	9,684	9,129	91,358
Cash flows from investing activities:			
Increase in property, plant and equipment	(4,350)	(3,383)	(41,038)
Increase in long-term investments and loans receivable	(289)	(42)	(2,726)
Decrease in property and long-term investments	13,312	1,324	125,585
Increase in short-term investments	(99)	(300)	(934)
Other, net	(105)	(145)	(991)
Net cash used in investing activities	8,469	(2,546)	79,896

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash flows from financing activities:			
Repayments of long-term debt	(3,947)	(1,995)	(37,236)
Net increase (decrease) in short-term borrowings	(6,101)	(3,048)	(57,557)
Dividends paid	(877)	(869)	(8,274)
Proceeds from sales of treasury stock	0	599	0
Purchase of treasury stock and fractional shares	(61)	(608)	(575)
Other, net	(71)	(54)	(669)
Net cash provided by (used in) financing activities	(11,057)	(5,975)	(104,311)
Effect of exchange rate changes on cash and cash equivalents	82	(282)	774
Net increase (decrease) in cash and cash equivalents	7,178	326	67,717
Cash and cash equivalents at beginning of year	8,910	8,584	84,057
Cash and cash equivalents at end of year	¥ 16,088	¥ 8,910	\$ 151,774

See accompanying Notes to Consolidated Financial Statements.

NORITAKE CO., LIMITED and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of 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 Financial Instrument and Exchange Law of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS"). The accompanying consolidated financial statements have been reformatted and translated into English, with some expanded descriptions, 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 Instrument and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts has been included solely for the convenience of readers outside Japan, using the prevailing approximate exchange rate at March 31, 2018, which was ¥106 to U.S. \$1.00. The translation should not be construed as a representation 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.

Certain comparative figures have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in significant unconsolidated subsidiaries and associates are accounted for by the equity method. Investments in unconsolidated subsidiaries and associates not accounted for by the equity method are stated at cost. The differences between the acquisition cost of investments in subsidiaries and the underlying equity in the net assets adjusted based on the fair value at the time of acquisition are principally deferred as goodwill. Goodwill is amortized over five years on a straight-line basis. All intercompany accounts and transactions have been eliminated on consolidation.

The number of consolidated subsidiaries, unconsolidated subsidiaries and associates for the years ended March 31, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Consolidated subsidiaries:		
Domestic	10	10
Overseas	12	13
Associates accounted for by the equity method	4	4
Unconsolidated subsidiaries stated at cost	2	2
Associates stated at cost	3	3

During the year ended March 31, 2018, one overseas consolidated subsidiary was liquidated.

The Company's overseas consolidated subsidiaries close their books on December 31, three months earlier than the Company and the domestic consolidated subsidiaries. The Company has consolidated these subsidiaries' financial statements as of their December 31 year-end because the difference between their fiscal year-end and that of the Company and the domestic consolidated subsidiaries was not more than three months. Significant transactions during the period between these subsidiaries' year-end and the Company's year-end are adjusted for on consolidation.

(Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)

The Company has adopted ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements." PITF No. 18 requires that the accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using its foreign subsidiaries' financial statements prepared in accordance with either IFRS or U.S. generally accepted accounting principles ("U.S. GAAP"). In this case, adjustments for the following four items are required in the consolidation process so that the impact on net income is accounted for in accordance with Japanese GAAP, unless the impact is not material.

- (a) Goodwill not subject to amortization
- (b) Actuarial gains and losses of defined benefit retirement plans recognized outside profit or loss
- (c) Capitalized expenditures for research and development activities
- (d) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets

(Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method)

The Company has also adopted ASBJ PITF No. 24, "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method." Under PITF No. 24, a Japanese investment company is not allowed to apply the equity method to its investments in associates using their financial information prepared in accordance with the local GAAP. The financial information of associates outside Japan is required to be prepared in accordance with Japanese GAAP, IFRS or U.S. GAAP. IFRS or U.S. GAAP is allowed only if the four specific adjustments are made for significant differences between Japanese GAAP and IFRS or U.S. GAAP.

(b) Cash equivalents

The Noritake Group considers cash equivalents to be highly liquid debt instruments purchased with an original maturity of three months or less.

(c) Investments and marketable securities

The Noritake Group classifies certain investments in debt and equity securities as "held-to-maturity," "trading" or "available-for-sale." The classification determines the respective accounting method, as stipulated by the accounting standards for financial instruments. According to the investment policy of the Noritake Group, its securities portfolio consists of available-for-sale securities other than trading or held-to-maturity. The accounting standard requires that available-for-sale securities for which fair value is available be stated at fair value and that net unrealized gains and losses on such securities be recorded as a component of accumulated other comprehensive income, net of applicable income taxes. Gains and losses on the disposition of available-for-sale securities are computed by the moving average method. Available-for-sale securities without available fair values are carried at cost determined by the moving average method. Adjustments in the carrying values of individual investment securities are charged to income through write-downs when a decline in value is deemed other than temporary.

(d) Accounting for derivatives

The Noritake Group is a party to derivative instruments such as foreign currency forward exchange contracts and interest rate and currency swap contracts in the ordinary course of business for hedging purposes to reduce its exposure to fluctuations in exchange rates and interest rates. Foreign currency forward exchange contracts are accounted for by translating foreign currency denominated assets and liabilities at the contract rate as an interim measure if certain hedging criteria are met. According to the special treatment as permitted by the accounting standard for financial instruments, hedging interest rate and currency swap contracts are accounted for on an accrual basis and recorded net of interest expense generated from the hedged borrowings if certain conditions are met. Furthermore, interest rate and currency swap contracts are accounted for on an accrual basis through translating foreign currency denominated liabilities at such contracts rates as an interim measure if certain hedging criteria are met. In addition, during the years ended March 31, 2018 and 2017, the Company had a derivative contract outstanding to hedge the risks associated with the occurrence of an earthquake. As the fair value of the contract was not considered determinable, that derivative contract was not accounted for at fair value.

(e) Inventories

In accordance with the accounting standard for measurement of inventories, inventories held for sale in the ordinary course of business are stated at the lower of cost or net realizable value. If the net realizable value falls below the cost at the end of the period, the cost basis is reduced to net realizable value and regarded as decreased profitability of inventories. The cost of inventories is determined principally by the first-in, first-out method.

(f) Allowance for doubtful accounts

The allowance for doubtful accounts has been provided for in the aggregate amount of estimated credit loss based on an individual financial review approach for certain doubtful or troubled receivables and a general reserve for other receivables based on the historical loss experience for a certain past period.

(g) Property, plant and equipment and depreciation

Property, plant and equipment, including significant renewals and additions, are stated at cost and depreciated principally by the straight-line method based on the estimated useful life of the asset.

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

(h) Leases

The Company and its domestic consolidated subsidiaries capitalize the assets used under finance leases as lessee, except for certain immaterial or short-term finance leases accounted for as operating leases in accordance with the current accounting standard. Depreciation of leased assets capitalized in finance lease transactions is computed by the straight-line method over the lease term with the assumption of no residual value. (See also Note 10.)

(i) Impairment of fixed assets

The Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Impairment of Fixed Assets," issued by the Business Accounting Council of Japan and the related practical guidance issued by ASBJ. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss should be recognized in the income statement by reducing the carrying amount of the impaired asset or group of assets to the recoverable amount, measured as the higher of the asset's net selling price or value in use. Fixed assets include intangible assets, as well as land, plants, buildings and other forms of property, and are to be grouped at the lowest level for which there are identifiable cash flows separate from those of other groups of assets. For the purpose of recognition and measurement of an impairment loss, fixed assets of the Noritake Group are

grouped principally into cash-generating units based on the business division under managerial accounting classifications. The Noritake Group determines if assets are impaired by comparing their undiscounted expected cash flows to the carrying amounts in the accounting records. An impairment loss is recognized if the undiscounted expected cash flows are less than the carrying amount of the asset. Recoverable amounts are measured based on value in use from cash flows discounted at 8.53% for the year ended March 31, 2018. Recoverable amounts are measured based on net selling prices primarily from appraisal valuations. Net selling prices of the assets which are difficult to sell or convert to other uses are estimated as nil.

The Noritake Group recognized impairment loss for the years ended March 31, 2018 and 2017 as follows:

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
Buildings	¥ 49	¥ -	\$ 462
Machinery and equipment	572	-	5,396
Land	70	-	661
Other	149	-	1,406
	¥ 840	¥ -	\$ 7,925

(j) Employee retirement benefits

The difference between retirement benefit obligations and plan assets has been recognized as net defined benefit liability and net defined benefit asset. To calculate the retirement benefit obligations, the method of allocation of estimated retirement benefits is the benefit formula basis. Actuarial gains and losses that are yet to be recognized are amortized principally on a straight-line basis over ten years, a period within the average remaining service years of employees, from the year following the year in which they arise. Past service costs is recognized in a single year as incurred. Net defined benefit liability, net defined benefit asset and retirement benefit expense of certain consolidated subsidiaries are calculated using the simplified method as permitted by the accounting standard for retirement benefits.

(k) Accrued severance indemnities for directors and corporate auditors

The Noritake Group may pay severance indemnities to directors and corporate auditors, subject to the approval of the shareholders. The Noritake Group has provided for this liability at the amount which would have been payable assuming all directors and corporate auditors had terminated their service at the respective balance sheet date.

(l) Provision for directors' stock payments

Provision for directors' stock payments has been provided for stock award debt based on regulations for awarding stock, which is prepared for future awards of the Company shares to its directors and executive officers.

(m) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese yen at the exchange rate effective at the fiscal year-end. Transactions in foreign currencies are recorded based on the prevailing exchange rate on the transaction date. Resulting translation gains and losses are included in current earnings.

In respect to financial statement items of overseas consolidated subsidiaries, all asset and liability accounts are translated into yen by applying the exchange rate in effect at the respective fiscal year-end. All income and expense accounts are translated at the average rate of exchange for the fiscal year. Translation differences, after allocating portions attributable to non-controlling interests, are reported as foreign currency translation adjustments in a component of accumulated other comprehensive income in the accompanying consolidated balance sheets.

(n) Research and development expenses

Expenses related 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 ¥2,491 million (\$23,500thousand) and ¥2,443 million for the years ended March 31, 2018 and 2017, respectively.

(o) Enterprise taxes

When levied as size-based corporate taxes for local government enterprise taxes, the enterprise taxes are calculated based on “added value” and “capital” amounts and are recorded in selling, general and administrative expenses.

(p) Income taxes

Income taxes are accounted for by the asset and liability method. 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 operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date.

(Additional information)

The Company and its domestic consolidated subsidiaries adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the previous fiscal year.

(q) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors.

(r) Per share data

Profit attributable to owners of the parent per share is computed by dividing profit attributable to owners of the parent available to common shareholders by the weighted average number of shares of common stock outstanding during the respective year. Diluted profit attributable to owners of the parent per share is not disclosed as the Noritake Group had no diluted common shares for the years ended March 31, 2018 or 2017.

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

The Company conducted a consolidation of shares at a ratio of one share for every ten shares on October 1, 2016. The figures for the profit attributable to the owners of the parent per share are based on the assumption that the Company conducted the consolidation of shares at the beginning of previous fiscal year. In addition, the total annual dividends of ¥33 per share for the year ended March 31, 2017 consists of interim dividends of ¥3 per share before the consolidation of shares and year-end dividends of ¥30 per share after the consolidation.

(s) Accounting standards issued but not yet adopted

The following standard and guidance were issued but not yet adopted.

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018)
- Implementation Guidelines on Accounting Standard for Revenue Recognition (ASBJ Guideline No. 30, March 30 2018)

(1) Summary

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) co-developed a new comprehensive revenue recognition standard and published "Revenue from Contracts with Customers" in May 2014 (IFRS No. 15 in IASB, Topic 606 in FASB). Considering IFRS No. 15 will be applied from the fiscal year starting January 1, 2018 and Topic 606 from the fiscal year starting December 15, 2017, the Accounting Standards Board of Japan developed its comprehensive Accounting Standards on Revenue Recognition and published them together with implementation guidelines.

In developing the Accounting Standards on Revenue Recognition, the Accounting Standards Board of Japan incorporated the fundamental policy of IFRS No. 15 as the standing point, achieving consistency with IFRS No. 15 and comparability of financial statements. If actual practice in Japan presents matters that require additional treatment, those treatments will be added with a range that will not impair financial statement comparability.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(t) Performance-linked stock compensation scheme

The Company awards stock to directors (other than outside directors) and to executive officers (together the "Executives") through a trust.

(1) Transaction summary

On June 29, 2016, the Company implemented a performance-linked stock compensation scheme ("the scheme"), to provide the Executives incentives to increase medium-to long-term corporate value. The scheme uses an officer compensation BIP (Board Incentive Plan) trust by which Company stock is granted by points in accordance with degree of financial attainment and awarded as Executives' compensation. As a general principle, however, the Company stock thus acquired is only to be granted to Executives when they leave office. Furthermore, in the interests of managerial impartiality, voting rights for Company stock held by the trust are not to be exercised for as long as they are held by the trust.

(2) The Company's own stock in the trust

The Company's own stock in the possession of the trust is recorded as treasury stock under net assets at book value. The book value and number of treasury stock as of the fiscal year ended March 31, 2018 and 2017 were ¥587 million (\$5,538 thousand) and 258 thousand shares, and ¥600 million and 263 thousand shares, respectively.

(u) Assignments of property

The Company has made changes to the schedule for the assignment of the remainder of the Company's property on March, 2018 as follows:

- (1) Property to be assigned:
Located in Noritake-Shinmachi, Nagoya City in Aichi Prefecture as idle land
- (2) Amount of the assignment:
¥3,300 million (\$31,132 thousand)
- (3) Transaction completion date:
Scheduled for March, 2019

3. Financial Instruments

(a) Qualitative information on financial instruments

The Noritake Group does not permit the investment of surplus funds in transactions other than short-term bank deposits and uses financing from corresponding banks and from the issuance of bonds to satisfy short-term and long-term funding requirements.

The Noritake Group is exposed to credit risk primarily with respect to trade receivables. In order to reduce the credit risk of these receivables, the Noritake Group performs credit management on a customer by customer basis, including the monitoring of credit balances of major customers on a semi-annual basis and reviewing the credit capacity of customers on a regular basis. The Noritake Group holds investments in equity securities which have market risk. However, the fair values of such equity securities, whose issuers principally have a business relationship with the Company, are monitored on a quarterly basis. Although trade payables and bank borrowings have liquidity risk, the Noritake Group performs effective cash flow management.

The Noritake Group is a party to derivative instruments such as foreign currency forward exchange contracts and interest rate and currency swap agreements in the normal course of business principally for hedging purposes in order to reduce its own exposure to fluctuations in exchange rates and interest rates. These transactions include certain anticipated export sales and import purchases for which foreign exchange forward contracts are used and bank borrowings for which interest rate and currency swap contracts are used. The Noritake Group does not hold or issue derivative financial instruments for trading purposes. Pursuant to the Noritake Group's financial management policies, contract balances of currency derivatives are limited to certain anticipated export sales or import purchases and interest rate and currency swap transactions are matched with the cash flows of the related bank borrowings. The Noritake Group is also exposed to credit risk in the event of nonperformance by counterparties. However, the Noritake Group does not expect nonperformance by counterparties because the counterparties to the derivative transactions are limited to major banks with relatively high credit ratings.

(b) Fair values of financial instruments

The following table is a summary of the carrying values and fair values at March 31, 2018 and 2017 of financial instruments other than unlisted equity securities for which the fair value was extremely difficult to determine.

	Carrying values	Fair values	Differences
	Millions of yen		
As of March 31, 2018:			
Financial assets:			
Cash and time deposits	¥ 18,486	¥ 18,486	¥ -
Trade receivables	34,760	34,760	-
Investment securities:			
Available-for-sale securities	32,120	32,120	-
Total	¥ 85,366	¥ 85,366	¥ -
Financial liabilities:			
Trade payables	¥ 20,128	¥ 20,128	¥ -
Short-term borrowings	3,598	3,598	-
Payables included in accrued expenses	3,146	3,146	-
Income taxes payable	2,597	2,597	-
Long-term bank loans, including current portion	9,517	9,504	(13)
Total	¥ 38,986	¥ 38,973	¥ (13)
Derivative instruments	¥ -	¥ -	¥ -
	Carrying values	Fair values	Differences
	Millions of yen		
As of March 31, 2017:			
Financial assets:			
Cash and time deposits	¥ 11,275	¥ 11,275	¥ -
Trade receivables	30,354	30,354	-
Investment securities:			
Available-for-sale securities	29,249	29,249	-
Total	¥ 70,878	¥ 70,878	¥ -
Financial liabilities:			
Trade payables	¥ 16,195	¥ 16,195	¥ -
Short-term borrowings	9,671	9,671	-
Payables included in accrued expenses	1,930	1,930	-
Income taxes payable	804	804	-
Long-term bank loans, including current portion	13,465	13,397	(68)
Total	¥ 42,065	¥ 41,997	¥ (68)
Derivative instruments	¥ -	¥ -	¥ -

	Thousands of U.S. dollars		
As of March 31, 2018:			
Financial assets:			
Cash and time deposits	\$ 174,396	\$ 174,396	\$ -
Trade receivables	327,925	327,925	-
Investment securities:			
Available-for-sale securities	303,019	303,019	-
Total	<u>\$ 805,340</u>	<u>\$ 805,340</u>	<u>\$ -</u>
Financial liabilities:			
Trade payables	\$ 189,887	\$ 189,887	\$ -
Short-term borrowings	33,943	33,943	-
Payables included in accrued expenses	29,679	29,679	-
Income taxes payable	24,500	24,500	-
Long-term bank loans, including current portion	89,783	89,660	(123)
Total	<u>\$ 367,792</u>	<u>\$ 367,669</u>	<u>\$ (123)</u>
Derivative instruments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes:

- (1) Details of the methods and assumptions used to estimate fair value of financial instruments are summarized below.

The fair values of financial instruments include the values based on quoted market prices or values based on reasonable estimates and assumptions if quoted market prices are not available. Actual results could differ from these estimates.

- (i) The fair value of cash and time deposits, trade receivables, trade payables, short-term borrowings, payables included in accrued expenses and income taxes payable are approximately equal to their carrying value due to their short-term maturities.
- (ii) The fair value of equity securities is based on quoted market prices in active markets.
- (iii) The fair value of long-term interest-bearing bank loans is estimated based on a discounted cash flow analysis using current interest rates considered to be applicable to similar loans.
- (iv) See Note 12 for the calculation method for the fair value of derivative instruments such as interest rate and currency swaps or foreign currency forward exchange contracts.
- (2) Unlisted equity securities of ¥4,854 million (\$45,792 thousand) and ¥4,291 million at March 31, 2018 and 2017, respectively, were not included in the table above because they had no quoted market price on securities exchanges and their fair values were considered extremely difficult to determine.

- (3) Contractual maturities of financial instruments

The following table presents the contractual maturities of the Noritake Group's financial instruments at March 31, 2018:

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Millions of yen				
Financial assets:				
Cash and time deposits	¥ 18,486	¥ -	¥ -	¥ -
Trade receivables	34,760	-	-	-
Total	<u>¥ 53,246</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ -</u>
Thousands of U.S. dollars				
Financial assets:				
Cash and time deposits	\$ 174,396	\$ -	\$ -	\$ -
Trade receivables	327,925	-	-	-
Total	<u>\$ 502,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

4. Notes and Accounts Receivable

As of March 31, 2018 and 2017, notes and accounts receivable consisted of the following:

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
Trade notes receivable	¥ 10,170	¥ 8,783	\$ 95,943
Trade accounts receivable	24,590	21,571	231,981
Other	116	184	1,095
Less allowance for doubtful accounts	(18)	(27)	(170)
	<u>¥ 34,858</u>	<u>¥ 30,511</u>	<u>\$ 328,849</u>

5. Inventories

As of March 31, 2018 and 2017, inventories consisted of the following:

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
Merchandise and finished goods	¥ 8,543	¥ 8,013	\$ 80,594
Work-in-process	5,109	4,617	48,198
Raw materials and supplies	4,712	4,424	44,453
	<u>¥ 18,364</u>	<u>¥ 17,054</u>	<u>\$ 173,245</u>

A write-down of ¥18 million (\$170 thousand) and a reversal of write-down of ¥83 million were recognized as costs of goods sold for the years ended March 31, 2018 and 2017, respectively.

6. Investments

As of March 31, 2018 and 2017, short-term investments consisted of time deposits with an original maturity of more than three months.

At March 31, 2018 and 2017, investment securities consisted of the following:

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
			2018
Available-for-sale securities with fair values:			
Equity securities	¥ 32,120	¥ 29,249	\$ 303,019
Other securities without fair values	570	571	5,377
	<u>¥ 32,690</u>	<u>¥ 29,820</u>	<u>\$ 308,396</u>

Available-for-sale securities with fair values are stated at fair value with unrealized gains and losses, which are excluded from current earnings, reported as a net amount within the accumulated other comprehensive income account until realized. As of March 31, 2018 and 2017, gross unrealized gains and losses for available-for-sale securities with fair value were summarized as follows:

	Cost	Gross	Gross	Fair and
		unrealized	unrealized	carrying
		gains	losses	value
	Millions of yen			
Available-for-sale equity securities:				
As of March 31, 2018	¥ 10,481	¥ 21,665	¥ (26)	¥ 32,120
As of March 31, 2017	10,573	18,696	(20)	29,249
	Thousands of U.S. dollars			
Available-for-sale equity securities:				
As of March 31, 2018	\$ 98,877	\$ 204,387	\$ (245)	\$ 303,019

The Noritake Group sold available-for-sale securities and recorded net gains of ¥155 million (\$1,462 thousand) and ¥752 million for the years ended March 31, 2018 and 2017, respectively. The Noritake Group recorded a loss on the write-down of available-for-sale securities due to other-than-temporary impairment in the amount of ¥2 million for the year ended March 31, 2017.

7. Notes and Accounts Payable

As of March 31, 2018 and 2017, notes and accounts payable consisted of the following:

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
			2018
Trade notes payable	¥ 12,857	¥ 10,253	\$ 121,292
Trade accounts payable	7,271	5,942	68,594
Other	1,567	594	14,784
	<u>¥ 21,695</u>	<u>¥ 16,789</u>	<u>\$ 204,670</u>

8. Short-term Borrowings and Long-term Debt

Short-term borrowings consisted principally of unsecured bank overdrafts and bank loans with interest at average rates of 0.28% and 0.24% per annum for the years ended March 31, 2018 and 2017, respectively.

As of March 31, 2018 and 2017, long-term debt consisted of the following:

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
Unsecured loans from banks and insurance companies due through February 2020 with interest at an average rate of 0.29% per annum at March 31, 2018	¥ 9,517	¥ 13,465	\$ 89,783
Capitalized lease obligations	107	41	1,010
	9,624	13,506	90,793
Less current portion	(9,221)	(464)	(86,991)
	¥ 403	¥ 13,042	\$ 3,802

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

Year ending March 31,	Millions of yen	Thousands of
		U.S. dollars
2019	¥ 9,221	\$ 86,991
2020	343	3,236
2021	22	208
2022	19	179
2023	15	142
Thereafter	4	37
	¥ 9,624	\$ 90,793

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, 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 may 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.

9. Employee Retirement Benefits

The Company and its consolidated subsidiaries have adopted a defined benefit pension plans and lump-sum retirement benefit plans. The Company has contributed certain available-for-sale securities to the employee retirement benefit trust under the defined benefit plans. Certain overseas consolidated subsidiaries have adopted a defined contribution plans. Net defined benefit liability, net defined benefit asset and retirement benefit expense of certain consolidated subsidiaries are calculated using the simplified method as permitted by the accounting standard for retirement benefits. In addition, certain domestic consolidated subsidiaries also participated in a certain corporate pension plan under a multi-employer pension program.

Information about employee retirement benefits for the years ended March 31, 2018 and 2017 was as follows:

Defined benefit plan

(1) Movement in retirement benefit obligations, except plans applying the simplified method

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
			2018
Balance at beginning of current period	¥ 20,236	¥ 20,178	\$ 190,906
Service cost	904	901	8,528
Interest cost	190	194	1,793
Actuarial loss	(112)	36	(1,057)
Benefits paid	(1,025)	(1,020)	(9,670)
Other	(37)	(53)	(349)
Balance at end of current period	¥ 20,156	¥ 20,236	\$ 190,151

(2) Movements in plan assets, except plans applying the simplified method

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
			2018
Balance at beginning of current period	¥ 20,447	¥ 18,473	\$ 192,896
Expected return on plan assets	330	316	3,113
Actuarial gain	597	1,678	5,632
Contributions paid by the employer	655	761	6,180
Benefits paid	(753)	(751)	(7,104)
Other	(33)	(30)	(311)
Balance at end of current period	¥ 21,243	¥ 20,447	\$ 200,406

(3) Movement in net defined benefit liability and net defined benefit asset of defined benefit plans applying the simplified method

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
			2018
Balance at beginning of current period	¥ 193	¥ 237	\$ 1,821
Retirement benefit expense	126	133	1,189
Benefits paid	(198)	(158)	(1,869)
Contributions paid by the employer	0	(16)	0
Other	4	(3)	38
Balance at end of current period	¥ 125	¥ 193	\$ 1,179

(4) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability and net defined benefit asset, including plans applied simplified method

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded retirement benefit obligations	¥ 21,347	¥ 21,480	\$ 201,387
Plan assets	(23,246)	(22,381)	(219,302)
	(1,899)	(901)	(17,915)
Unfunded retirement benefit obligations	936	883	8,830
Total net defined benefit liability (asset) at end of current period	<u>(963)</u>	<u>(18)</u>	<u>(9,085)</u>
Net defined benefit liability	1,836	1,917	17,321
Net defined benefit asset	(2,799)	(1,935)	(26,406)
Total net defined benefit liability (asset) at end of current period	<u>¥ (963)</u>	<u>¥ (18)</u>	<u>\$ (9,085)</u>

(5) Retirement benefit expense

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥ 904	¥ 901	\$ 8,528
Interest cost	190	194	1,792
Expected return on plan assets	(330)	(316)	(3,113)
Net actuarial loss amortization	718	1,234	6,774
Retirement benefit expense based on the simplified method	126	133	1,189
Other	3	23	28
Total retirement benefit expense for the fiscal year	<u>¥ 1,611</u>	<u>¥ 2,169</u>	<u>\$ 15,198</u>

(6) Remeasurements of defined benefit plans, before tax

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial gains and losses	¥ 1,430	¥ 2,890	\$ 13,491

(7) Remeasurements of defined benefit plans (before adjusting for tax effects)

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial gains and losses that are yet to be recognized	¥ (2,282)	¥ (850)	\$ (21,528)

(8) Plan assets

(i) Plan assets comprise:

	2018	2017
Bonds	11%	11%
Equity securities	34%	42%
General accounts of life insurance	35%	34%
Other	20%	13%
Total	100%	100%

Note: 27% and 27% of plan assets are contributed to the employee retirement benefit trust under the defined benefit plans at March 31, 2018 and 2017, respectively.

(ii) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions

The principal actuarial assumptions at March 31, 2018 and 2017 were as follows:

	2018	2017
Discount rates	0.8%	0.8%
Long-term expected rate of return	2.0%	2.0%

Defined contribution plan

The amount of the required contribution to defined contribution plans of the consolidated subsidiaries was ¥80 million (\$755 thousand) and ¥82 million for the years ended March 31, 2018 and 2017, respectively.

Multi-employer pension program

The amount of the required contribution to multi-employer pension program of the certain domestic consolidated subsidiaries was ¥34 million (\$321 thousand) and ¥46 million for the years ended March 31, 2018 and 2017, respectively.

Information regarding the funded status of the entire corporate pension plan available as of the latest calculation period-end was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Latest calculation period-end	March 31, 2017:	March 31, 2016:	
Plan assets	¥ -	¥ 136,547	\$ -
Total of actuarial obligation and minimum liability reserve under program	-	(148,680)	-
Difference, resulting primarily from unamortized past service cost	¥ -	¥ (12,133)	\$ -
Ratio of subsidiaries' contributions to total contributions to entire plan	-%	1.54%	

Note: The corporate pension plan in which certain domestic consolidated subsidiaries participated was dissolved on November 1, 2016 with the approval of the Minister of Health, Labour and Welfare. After the dissolution, certain domestic consolidated subsidiaries shifted to the successor corporate pension plan. The first fiscal period for that fund is set from November, 2016 to the end of March, 2018. Information regarding the funded status of the entire corporate pension plan on March 31, 2017 was not available.

10. Lease Commitments

As lessee, the Noritake Group has entered into various rental and lease agreements principally for office space that are non-cancelable or cancelable with a few months advance notice. As lessee, the Noritake Group also leases machinery, office equipment and vehicles under leases which are not usually cancelable. The aggregate future minimum payments under such finance leases, including imputed interest, and operating leases as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
Operating leases:			
Due within one year	¥ 96	¥ 91	\$ 906
Due after one year	155	139	1,462
	<u>¥ 251</u>	<u>¥ 230</u>	<u>\$ 2,368</u>

11. Contingent Liabilities

There were no contingent liabilities at March 31, 2018 and 2017.

12. Derivative Instruments

At March 31, 2018 and 2017, all derivative instruments, except for one, were accounted for by hedge accounting. The one exception was a derivative contract of the Company to hedge the risks associated with the occurrence of an earthquake that was outstanding at March 31, 2018 and 2017. That derivative contract was not accounted for at fair value because the fair value of the contract was not considered determinable. Derivative financial instruments to which hedge accounting was applied as of March 31, 2018 and 2017 are summarized as follows:

	Notional principal or contract amounts		Fair value
	Total	Over 1 year	
Millions of yen			
At March 31, 2018:			
Foreign currency exchange contracts (*1):			
Forward - selling	¥ 425	¥ -	*
Interest rate and currency swap contracts (*2):			
Floating rate receipt, fixed rate payment			
U.S.Dollars receipt, Japanese Yen payment	1,200	-	*
Millions of yen			
At March 31, 2017:			
Foreign currency exchange contracts (*1):			
Forward - selling	¥ 392	¥ -	*
Interest rate and currency swap contracts (*2):			
Floating rate receipt, fixed rate payment			
U.S.Dollars receipt, Japanese Yen payment	1,200	1,200	*
Thousands of U.S. dollars			
At March 31, 2018:			
Foreign currency exchange contracts (*1):			
Forward - selling	\$ 4,009	\$ -	*
Interest rate and currency swap contracts (*2):			
Floating rate receipt, fixed rate payment			
U.S.Dollars receipt, Japanese Yen payment	11,321	-	*

*Notes:(*1) As derivative instruments, foreign currency forward exchange contracts are accounted for by hedge accounting such that the derivative instruments are not separated from the hedged receivables or payables. Therefore, the fair value of such derivative instruments is reflected in the calculation of the fair value of the related account. (See Note 3.)*

*(*2) As derivative instruments, interest rate and currency swap contracts are accounted for by hedge accounting such that the derivative instruments are not separated from the hedged bank loans. Therefore, the fair value of such derivative instruments is reflected in the calculation of the fair value of related bank loan. (See Note 3.)*

(3) The contracts amounts of derivatives which are shown in the table above do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit and market risk.

13. Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. At both March 31, 2018 and 2017, capital surplus principally consisted of additional paid-in capital, and retained earnings included legal earnings reserve of the Company in the amount of ¥3,480 million (\$32,830 thousand).

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

During the year ended March 31, 2018, the Company paid interim dividends of ¥30.00 per share, amounting to ¥439 million (\$4,142 thousand), including ¥8 million (\$75 thousand) of dividends for the stocks held by the executive compensation BIP trust. In addition, on May 10, 2018, the Board of Directors of the Company resolved to pay cash dividends as an appropriation of retained earnings in the amount of ¥584 million (\$5,509 thousand, ¥40.00 per share), including ¥10 million (\$94 thousand) of dividends for the stocks held by the executive compensation BIP trust, to the shareholders as of March 31, 2018. The appropriation was not accrued in the consolidated financial statements as of March 31, 2018.

The Company completed the consolidation of shares at a ratio of one share for every ten shares on October 1, 2016 on the basis of a resolution by the shareholders' meeting held on June 29, 2016. As a result, the number of authorized shares decreased by 357,750 thousand from 397,500 thousand to 39,750 thousand. At the same time, the total number of issued shares decreased by 142,586 thousand from 158,428 thousand to 15,843 thousand. Also, the number of treasury stock decreased in the same ratio.

The Company completed the retirement of treasury stock on March 7, 2018 pursuant to a resolution by the Board of Directors held on February 28, 2018. As a result, the total number of issued shares decreased by 1,000 thousand from 15,843 thousand to 14,843 thousand. Also, the number of shares of treasury stock decreased by the same ratio.

14. Income Taxes

The tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
			2018
Deferred tax assets:			
Intercompany unrealized gains on property	¥ 47	¥ 48	\$ 443
Accrued bonuses to employees	468	460	4,415
Net defined benefit liability and asset	2,462	2,966	23,226
Accrued severance indemnities for directors and corporate auditors	52	63	491
Inventories	324	347	3,057
Net operating loss carryforwards	1,732	4,876	16,340
Other	2,148	2,029	20,264
Less valuation allowance	(4,211)	(7,173)	(39,727)
Total deferred tax assets	3,022	3,616	28,509
Deferred tax liabilities:			
Gain on transfer of investment securities to trusts for retirement benefit plans	1,830	2,472	17,264
Unrealized gains on available-for-sale securities	6,785	5,853	64,009
Other	858	1,058	8,094
Total deferred tax liabilities	9,473	9,383	89,367
Net deferred tax liabilities	¥ 6,451	¥ 5,767	\$ 60,858

As of March 31, 2018 and 2017, deferred tax assets and liabilities were recorded as follows:

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
			2018
Deferred tax assets:			
Current	¥ 558	¥ 610	\$ 5,264
Noncurrent	271	265	2,557
Deferred tax liabilities:			
Current	-	-	-
Noncurrent	7,280	6,642	68,679

In assessing the realizability of deferred tax assets, management of the Noritake Group considers whether 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 future taxable income during the periods in which the temporary differences become deductible. At March 31, 2018 and 2017, a valuation allowance was provided to reduce deferred tax assets to the amount the management believed was realizable.

Reconciliation of the difference 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 years ended March 31, 2018 and 2017 was as follows:

	Percentage of pretax income	
	2018	2017
Japanese statutory tax rate	30.7 %	30.7 %
Increase (decrease) due to:		
Permanently non-deductible expenses	0.5	0.9
Tax exempt income	(0.5)	(1.3)
Local minimum taxes per capita levy	0.5	1.6
Differences between Japanese and foreign tax rates	0.0	(3.9)
Changes in valuation allowances	(15.0)	(6.1)
Tax credit for research and development expenses	(0.6)	(1.7)
Equity in net earnings of associates	(1.0)	(3.2)
Other	1.4	(0.6)
Effective income tax rate	<u>16.0 %</u>	<u>16.4 %</u>

15. Segment Information

(a) General information about reportable segments:

The Noritake Group defines a reportable segment as a constituent business unit of the Noritake Group for which discrete financial information is available and reviewed regularly by the Board of Directors to determine the best allocation of managerial resources and evaluate business performance. The Noritake Group's reportable segments are determined by products and classified into "Industrial Products," "Ceramics & Materials," "Engineering" and "Tabletop."

(b) Basis of measurement about reportable segments:

The accounting methods used for the reportable segments are consistent with the accounting methods described in Note 2, "Summary of Significant Accounting Policies." The total amount of Segment profit for each reportable segment is presented on an operating profit basis, and intersegment income is accounted for based on prices of ordinary transactions with independent third parties. Operating expenses not belonging to reportable segments are directly allocated to each reportable segment.

(c) Information about reported segments:

Information about reported Segment profit, segment assets and other items for the years ended March 31, 2018 and 2017 was as follows:

	Reported segments				
	Industrial Products	Ceramics & Materials	Engineering	Tabletop	Total
	Millions of yen				
For the year 2018:					
Net sales:					
External customers	¥ 59,404	¥ 31,740	¥ 18,019	¥ 8,765	¥ 117,928
Segment profit (loss)	1,739	2,652	1,523	(817)	5,097
Segment assets	48,944	33,884	9,375	7,672	99,875
Other items:					
Intersegment sales and transfers	16	63	250	266	595
Depreciation	2,467	930	253	380	4,030
Investments in equity-method associates	339	3,802	-	96	4,237
Increases in tangible and intangible fixed assets	¥ 1,372	¥ 1,600	¥ 89	¥ 277	¥ 3,338

	Adjustments	Consolidated
	Millions of yen	
For the year 2018:		
Net sales:		
External customers	¥ -	¥ 117,928
Segment profit (loss)	-	5,097
Segment assets	56,585	156,460
Other items:		
Intersegment sales and transfers	(595)	-
Depreciation	-	4,030
Investments in equity-method associates	-	4,237
Increases in tangible and intangible fixed assets	¥ 1,014	¥ 4,352

	Reported segments				
	Industrial Products	Ceramics & Materials	Engineering	Tabletop	Total
	Millions of yen				
For the year 2017:					
Net sales:					
External customers	¥ 57,015	¥ 27,976	¥ 14,606	¥ 9,212	¥ 108,809
Segment profit (loss)	1,026	1,885	992	(783)	3,120
Segment assets	49,464	30,237	7,781	8,106	95,588
Other items:					
Intersegment sales and transfers	19	63	175	239	496
Depreciation	2,486	916	245	379	4,026
Investments in equity-method associates	326	3,223	-	123	3,672
Increases in tangible and intangible fixed assets	¥ 1,565	¥ 640	¥ 185	¥ 531	¥ 2,921

	Adjustments	Consolidated
	Millions of yen	
For the year 2017:		
Net sales:		
External customers	¥ -	¥ 108,809
Segment profit (loss)	-	3,120
Segment assets	46,774	142,362
Other items:		
Intersegment sales and transfers	(496)	-
Depreciation	-	4,026
Investments in equity-method associates	-	3,672
Increases in tangible and intangible fixed assets	¥ 1,558	¥ 4,479

	Reported segments				Total
	Industrial Products	Ceramics & Materials	Engineering	Tabletop	
	Thousands of U.S. dollars				
For the year 2018:					
Net sales:					
External customers	\$ 560,415	\$ 299,434	\$ 169,990	\$ 82,689	\$ 1,112,528
Segment profit (loss)	16,406	25,019	14,368	(7,708)	48,085
Segment assets	461,736	319,660	88,444	72,377	942,217
Other items:					
Intersegment sales and transfers	151	594	2,359	2,509	5,613
Depreciation	23,273	8,774	2,387	3,585	38,019
Investments in equity-method associates	3,198	35,868	-	906	39,972
Increases in tangible and intangible fixed assets	\$ 12,944	\$ 15,094	\$ 840	\$ 2,613	\$ 31,491

	Adjustments	Consolidated
	Thousands of U.S. dollars	
For the year 2018:		
Net sales:		
External customers	\$ -	\$ 1,112,528
Segment profit (loss)	-	48,085
Segment assets	533,821	1,476,038
Other items:		
Intersegment sales and transfers	(5,613)	-
Depreciation	-	38,019
Investments in equity-method associates	-	39,972
Increases in tangible and intangible fixed assets	\$ 9,566	\$ 41,057

Notes: (1) Adjustments column in "Segment assets" denotes unallocated general corporate items which were not assigned to specific segments such as cash, short-term and long-term investments in securities and general managed property.

(2) Adjustments column in "Other items: Intersegment sales and transfers" denotes eliminations of intersegment transactions.

(3) Adjustments column in "Other items: Increases in tangible and intangible fixed assets" denotes capital expenditures of administrative department which were not assigned to specific segments.

(d) Enterprise-wide information:

(1) Information about products and services:

Information for each product and service is not disclosed because similar information is disclosed in the segment information above.

(2) Information about geographic areas:

As of and for the years ended March 31, 2018 and 2017, net sales and tangible fixed assets about geographic areas were summarized as follows:

	Japan	North America	Europe
	Millions of yen		
Net sales:			
For the year 2018	¥ 72,181	¥ 10,960	¥ 2,050
For the year 2017	66,298	10,571	1,693

Thousands of U.S. dollars

Net sales for the year 2018	\$ 680,953	\$ 103,396	\$ 19,339
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	Asia	Other	Total
	Millions of yen		
Net sales:			
For the year 2018	¥ 31,410	¥ 1,327	¥ 117,928
For the year 2017	29,026	1,221	108,809

Thousands of U.S. dollars

Net sales for the year 2018	\$ 296,321	\$ 12,519	\$ 1,112,528
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	Japan	North America	Europe
	Millions of yen		
Tangible fixed assets :			
At March 31, 2018	¥ 34,379	¥ 851	¥ 113
At March 31, 2017	36,204	938	14

Thousands of U.S. dollars

Tangible fixed assets at March 31, 2018	\$ 324,330	\$ 8,028	\$ 1,066
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	Thailand	Other	Other	Total
	Millions of yen			
Tangible fixed assets :				
At March 31, 2018	¥ 4,408	¥ 1,334	¥ 86	¥ 41,171
At March 31, 2017	4,525	1,862	85	43,628

Thousands of U.S. dollars

Tangible fixed assets at March 31, 2018	\$ 41,585	\$ 12,585	\$ 812	\$ 388,406
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(3) Information about major customers:

The Noritake Group had no single external customer which accounted for more than 10% of net sales for the years ended March 31, 2018 and 2017.

(e) Information about impairment loss on fixed assets in reportable segments:

For the years ended March 31, 2018 and 2017, impairment loss on fixed assets was summarized as follows:

	Reported segments				
	Industrial Products	Ceramics & Materials	Engineering	Tabletop	Total
	Millions of yen				
Impairment loss on fixed assets:					
For the year 2018	¥ 787	¥ 35	¥ -	¥ 18	¥ 840
For the year 2017	-	-	-	-	-
	Thousands of U.S. dollars				
Impairment loss on fixed assets:					
For the year 2018	\$ 7,425	\$ 330	\$ -	\$ 170	\$ 7,925
	Adjustments	Consolidated			
	Millions of yen				
Impairment loss on fixed assets:					
For the year 2018	¥ -	¥ -	¥ 840		
For the year 2017	-	-	-		
	Thousands of U.S. dollars				
Impairment loss on fixed assets:					
For the year 2018	\$ -	\$ -	\$ 7,925		

Note: "Adjustments" column denotes impairment losses on fixed assets in the Company's administrative department.

(f) Information about goodwill in reportable segments:

For the year ended March 31, 2018 and 2017, amortization of goodwill and unamortized balance were summarized as follows:

	Reported segments				
	Industrial Products	Ceramics & Materials	Engineering	Tabletop	Total
Millions of yen					
As at or for the year 2018:					
Amortization of goodwill	¥ 2	¥ -	¥ -	¥ -	¥ 2
Unamortized balance	6	-	-	-	6
As at or for the year 2017:					
Amortization of goodwill	¥ 16	¥ -	¥ -	¥ -	¥ 16
Unamortized balance	8	-	-	-	8

	Thousands of U.S. dollars				
As at or for the year 2018:					
Amortization of goodwill	\$ 19	\$ -	\$ -	\$ -	\$ 19
Unamortized balance	57	-	-	-	57

	Adjustments	Consolidated
	Millions of yen	
As at or for the year 2018:		
Amortization of goodwill	¥ -	¥ 2
Unamortized balance	-	6
As at or for the year 2017:		
Amortization of goodwill	¥ -	¥ 16
Unamortized balance	-	8

	Thousands of U.S. dollars	
As at or for the year 2018:		
Amortization of goodwill	\$ -	\$ 19
Unamortized balance	-	57

16. Related Party Transactions Information

(a) Related party transactions

There were no significant transactions with related parties for the years ended March 31, 2018 or 2017.

(b) Financial summary of a significant associate of the Company

A financial summary of Kuraray Noritake Dental Inc., which is a significant associate of the Company, as of or for the years ended March 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of
	2018	2017	U.S. dollars
Total current assets	¥ 9,443	¥ 8,282	\$ 89,085
Total non-current assets	5,483	5,286	51,726
Total current liabilities	2,299	2,328	21,689
Total non-current liabilities	1,209	1,561	11,406
Total net assets	11,418	9,679	107,716
Operating revenue	¥ 11,908	¥ 11,240	\$ 112,340
Profit before income taxes	3,462	3,095	32,660
Profit	2,470	2,147	23,302

17. Other Comprehensive Income

Amounts reclassified to profit in the current or previous period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrealized gains on available-for-sale securities			
Increase (decrease) during the year	¥ 3,117	¥ 4,904	\$ 29,405
Reclassification adjustments	(155)	(752)	(1,462)
Subtotal, before tax	2,962	4,152	27,943
Tax effect	(931)	(1,263)	(8,783)
Subtotal, net of tax	2,031	2,889	19,160
Foreign currency translation adjustments			
Increase (decrease) during the year	¥ 247	¥ (1,039)	\$ 2,330
Reclassification adjustments	-	37	-
Subtotal	247	(1,002)	2,330
Remeasurements of defined benefit plans, net of tax			
Increase (decrease) during the year	¥ 713	¥ 1,656	\$ 6,727
Reclassification adjustments	717	1,234	6,764
Subtotal, before tax	1,430	2,890	13,491
Tax effect	(435)	(881)	(4,104)
Subtotal, net of tax	995	2,009	9,387
Share of other comprehensive income of associates accounted for using equity method			
Increase (decrease) during the year	¥ 19	¥ (6)	\$ 179
Reclassification adjustments	(1)	-	(9)
Subtotal	18	(6)	170
Total other comprehensive income	¥ 3,291	¥ 3,890	\$ 31,047



Independent Auditor's Report

To the Board of Directors of NORITAKE CO., LIMITED:

We have audited the accompanying consolidated financial statements of NORITAKE CO., LIMITED (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and 2017, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of the Notes to Consolidated Financial Statements.

July 27, 2018
Nagoya, Japan

KPMG AZSA LLC

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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(As of June 26, 2018)

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NONGPLING, NONGKHAIE, SARABURI, 18140,
THAILAND
Tel: 66-36-373085

(BANGKOK OFFICE)

222 VORAVIT BUILDING 9TH FL., UNIT B
SURAWONG ROAD, SIPRAYA, BANGRAK,
BANGKOK 10500, THAILAND
Tel: 66-2-235-1688

DIA RESIBON (THAILAND) CO., LTD.

1/1 MOO 5, ROJANA INDUSTRIAL PARK,
ZONE E. TAMBOL U-THAI AMPHUR U-THAI,
AYUTTHAYA 13210, THAILAND
Tel: 66-35-741-660-5

SIAM COATED ABRASIVE CO., LTD.

AMATA CITY INDUSTRIAL ESTATE 7-126 MOO 4,
T. MABYANGPORN, A. PLUAKDAENG,
RAYONG 21140, THAILAND
Tel: 66-3-865-0150

CERAMICS & MATERIALS GROUP

NORITAKE CO., INC.

2635 CLEARBROOK DRIVE,
ARLINGTON HEIGHTS, IL 60005, U.S.A.
Tel: 1-847-439-9020

(NEW JERSEY BRANCH)

15-22 FAIR LAWN AVENUE, FAIR LAWN,
NJ 07410, U.S.A.
Tel: 1-201-475-5200

(LOS ANGELES BRANCH)

21081 SOUTH WESTERN AVENUE,
SUITE 180 TORRANCE, CA 90501, U.S.A.
Tel: 1-310-320-1700

NORITAKE SCG PLASTER CO., LTD.

NO. 32 MOO 7 NONGPLAKRADI ROAD,
NONGPLING, NONGKHAIE,
SARABURI, 18140, THAILAND
Tel: 66-36-373578

PT. NORITAKE INDONESIA

BLOK A-II NO. 9A, KAWASAN BERIKAT,
KOTA BUKIT INDAH, PURWAKARTA 41181,
JAWA BARAT, INDONESIA
Tel: 62-264-351311

NORITAKE CO., LIMITED (TAIPEI OFFICE)

7F-2, NO.46, CHUNG SHAN N. ROAD, SEC. 2,
TAIPEI 104, TAIWAN, R.O.C.
Tel: 886-2-2511-7500

ITRON (U.K.) LIMITED

VANTAGE HOUSE, HARFREYS ROAD,
HARFREYS INDUSTRIAL ESTATE,
GREAT YARMOUTH, NORFOLK, NR31 0LS,
UNITED KINGDOM
Tel: 44-1493-601144

NORITAKE EUROPA GmbH

KURHESSENSTRASSE 3, D-64546
MOERFELDEN-WALLDORF, GERMANY
Tel: 49-6105-2092-0

ENGINEERING GROUP

NORITAKE CO., INC.

2635 CLEARBROOK DRIVE,
ARLINGTON HEIGHTS, IL 60005, U.S.A.
Tel: 1-847-439-9020

NORITAKE TAIPEI CO., LTD.

NO. 37 ALLEY 105, LANE 514,
JUNG JENG ROAD, XINZHUANG DISTRICT,
NEW TAIPEI CITY 242, TAIWAN, R.O.C.
Tel: 886-2-2907-1221

TABLETOP GROUP

NORITAKE CO., INC.

15-22 FAIR LAWN AVENUE,
FAIR LAWN, NJ 07410, U.S.A.
Tel: 1-201-796-2222

NORITAKE EUROPA GmbH

KURHESSENSTRASSE 3, D-64546
MOERFELDEN-WALLDORF, GERMANY
Tel: 49-6105-2092-18

NORITAKE LANKA PORCELAIN (PRIVATE) LIMITED

WARAKAMURA, MATALE, SRI LANKA
Tel: 94-66-2244130

(NORITAKE CITY STORE)

77, DHARMAPALA MAWATHA,
COLOMBO 7, SRI LANKA
Tel: 94-11-2301334

NORITAKE (AUSTRALIA) PTY LTD.

UNIT 4, 153 BEAUCHAMP ROAD,
MATRIVILLE, N.S.W. 2036, AUSTRALIA
Tel: 61-2-9316-7123

NORITAKE SHANGHAI TRADING CO., LTD.

ROOM 701 AETNA TOWER NO. 107,
ZUN YI ROAD, CHANG NING DISTRICT,
SHANGHAI, 200051, CHINA
Tel: 86-21-6237-5789

MEMBERS OF THE BOARD, AUDIT & SUPERVISORY BOARD MEMBERS AND EXECUTIVE OFFICERS

(As of June 26, 2018)

MEMBERS OF THE BOARD

CHAIRMAN & REPRESENTATIVE DIRECTOR

Tadashi Ogura

PRESIDENT & REPRESENTATIVE DIRECTOR

Hiroshi Kato

VICE PRESIDENT & DIRECTOR

Hisaya Ogura

DIRECTORS

Kozo Kato

Akira Higashiyama

DIRECTORS (Outside)

Kosaku Yamada

Tetsuo Komori

AUDIT & SUPERVISORY BOARD MEMBERS

Satoshi Aoki

Naoyuki Shiraiishi

Ryuichi Murata

Tatsuhiko Saruwatari

EXECUTIVE OFFICERS

Hiroshi Kato*

Hisaya Ogura*

Kozo Kato*

Kenichi Horaguchi

Akira Higashiyama*

Koji Sato

Shuji Shite

Kenji Ito

Seiya Ogata

Seiji Ishida

Akira Nagata

Masahiko Horie

Hiroshi Yorita

Yuko Fuma

* Also hold the position of director

CORPORATE DATA

(As of June 26, 2018)

HEAD OFFICE

3-1-36, Noritake-Shinmachi
Nishi-ku, Nagoya, Aichi
451-8501, Japan
Tel: +81-52-561-7111
Fax: +81-52-561-9721

DATE OF ESTABLISHMENT

January 1904

NUMBER OF EMPLOYEES

5,012 (Consolidated)

STOCK EXCHANGE LISTINGS

Tokyo Stock Exchange
Nagoya Stock Exchange

ADMINISTRATOR OF SHAREHOLDER REGISTRY

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome,
Chiyoda-ku, Tokyo
100-8212, 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

KPMG AZSA LLC

HISTORY OF NORITAKE

(As of June 26, 2018)

- 1876** Ichizaemon Morimura established Morimura-kumi in Tokyo, and Toyo 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 cutleryware
- 1958** Established Noritake (Australia) Pty. Ltd. 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
- 1969** Began production of electronic products
- 1970** Began production of fine ceramic industrial products
- 1971** Began production of filtration equipment
- 1972** Established Noritake Lanka Porcelain (Private) Ltd. in Sri Lanka
- 1973** Began production of diamond tools
- 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
- 1993** Opened the Noritake Gallery
- 1995** Established Pt. Noritake Indonesia
- 1997** Established Itron (U.K.) Ltd. in the United Kingdom
- 2002** Established Noritake Bonded Abrasive Co., Ltd.
- 2005** Established Noritake Shanghai Trading Co., Ltd.
- 2009** Made Nippon Resibon Corporation its associate by acquiring additional shares of the stock of the company.
Absorbed Noritake Engineering Co., Ltd., Noritake China Mfg. Co., Limited, Noritake Tableware Co., Ltd. and Tokyo Toishi Co., Ltd.
- 2010** Absorbed Noritake Kizai Co., Ltd. and Noritake Ceramics Co., Ltd.
- 2011** Absorbed Noritake Bonded Abrasive Co., Ltd. and Noritake Super Abrasive Co., Ltd.
Established Noritake SA (Thailand) Co., Ltd. in Thailand
- 2012** Made KCM Corporation its wholly-owned subsidiary via a stock swap
Established Noritake Abrasives (Suzhou) Co., Ltd. in China
- 2014** Made Nippon Resibon Corporation its consolidated subsidiary by acquiring additional shares through a tender offer

Caution with respect to forward-looking statements

This annual report includes forward-looking statements pertaining to expectations, plans, strategies, management goals, future performance, expenses, revenues, income and other forecasts formulated on past experiences. Forward-looking statements necessarily entail some degree of uncertainty, and the content conveyed in the results as well as underlying factors identified in the report may differ materially from actual results depending on changes in those factors.

Noritake