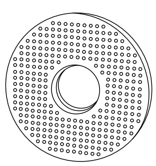
NORITAKE CO., LIMITED

# ANNUAL REPORT 2011

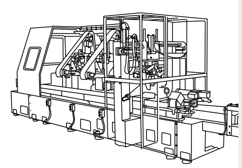
Year Ended March 31, 2011

INDUSTRIAL PRODUCTS

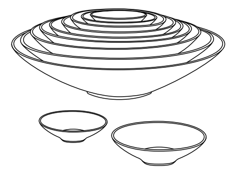


CERAMICS & MATERIALS

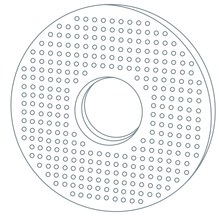
ENGINEERING



TABLETOP



## PROFILE



Noritake Co., Limited 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.

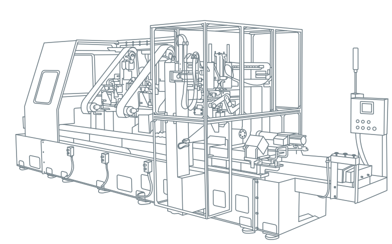
## MEDIUM-TERM BUSINESS PLAN

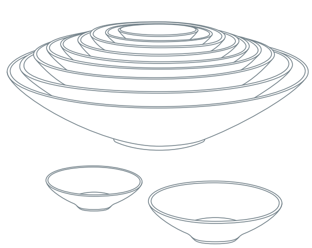
Since the worldwide economic recession, the business environment has enormously changed.
The demand is shifting to emerging countries and environmental problems are seriously worsening.
Confronted with this situation, Noritake formulated new Medium-Term Business Plan, which started in April 2010.

The fundamental points of these strategies are:

1. **Focusing management resources on the growing and expected new business areas**
2. **Enhancing unique technologies and new product development to take competitive advantages**
3. **Developing new markets mainly in emerging countries to raise overseas sales**
4. **Reducing costs by raising the proportion of overseas production**
5. **Streamlining management systems and enhancing management structure.**

Through the above actions, the Noritake group is taking steps to secure greater corporate value.





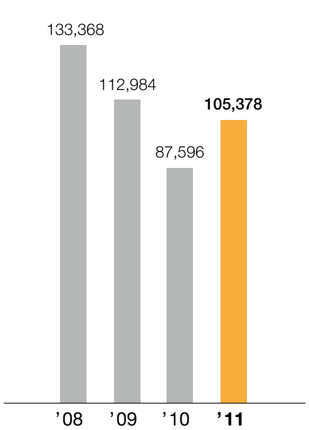
## CONTENTS

# SIX-YEAR FINANCIAL SUMMARY

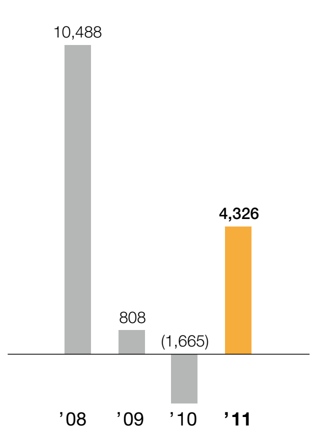
| | | | | | | Millions of yen | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 | 2007 | 2006 | **2011** |
| **For the year:** | | | | | | | |
| Net sales | **¥105,378** | ¥ 87,596 | ¥112,984 | ¥133,368 | ¥129,240 | ¥123,207 | **$1,269,614** |
| Operating income (loss) | **4,326** | (1,665) | 808 | 10,488 | 9,463 | 8,361 | **52,120** |
| Income (loss) before income taxes and minority interests | **3,703** | (3,354) | (3,059) | 10,171 | 10,398 | 9,009 | **44,614** |
| Net income (loss) | **1,858** | (4,501) | (6,861) | 5,669 | 5,796 | 5,031 | **22,386** |
| Net income (loss) per share (yen/U.S. dollars) | **¥ 13.16** | ¥ (31.32) | ¥ (46.82) | ¥ 38.36 | ¥ 39.20 | ¥ 33.50 | **$ 0.16** |
| Capital expenditures | | ¥ 2,907 | ¥ 5,122 | ¥ 5,084 | ¥ 4,080 | ¥ 3,413 | |
| **At year-end:** | | | | | | | |
| Total assets | **¥116,126** | ¥109,595 | ¥113,077 | ¥141,644 | ¥148,827 | ¥143,433 | **$1,399,108** |
| Total shareholders' equity | **60,110** | 60,070 | 62,163 | 78,083 | 79,270 | 76,025 | **724,217** |
| Total shareholders' equity ratio (%) | **49.5** | 54.2 | 55.0 | 55.1 | 53.3 | 53.0 | |

Note: The U.S. dollar amounts above have been translated at the rate of ¥83 to US$1.

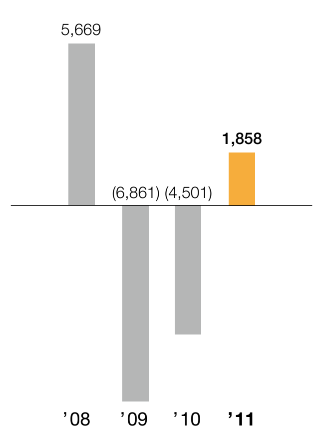
**Net Sales**
(Millions of yen)



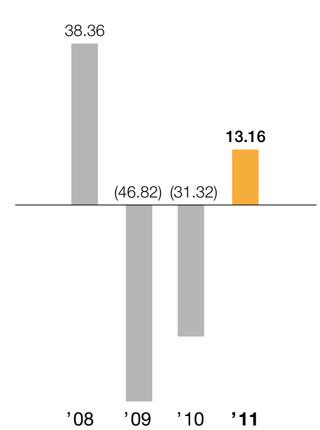

**Operating Income (Loss)**
(Millions of yen)

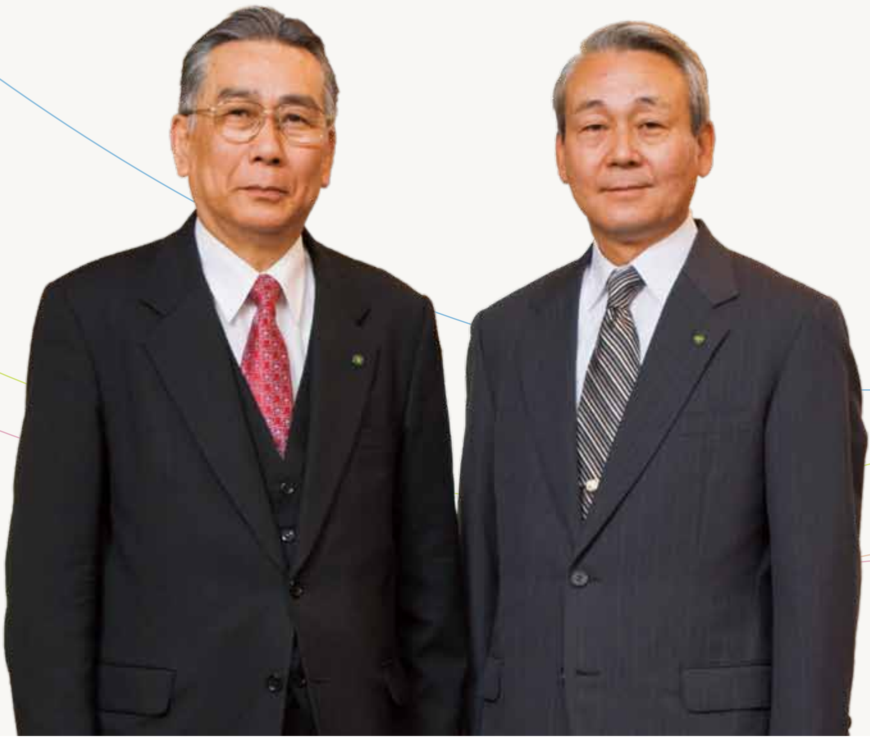



**Net Income (Loss)**
(Millions of yen)




**Net Income (Loss) per Share**
(Yen)





**Noboru Akahane**
Chairman and Representative Director

**Hitoshi Tanemura**
President and Representative Director

**The management of Noritake Co., Limited wishes to thank all stakeholders for their support over the past fiscal year. In addition, we would like to take this opportunity to comment on the Group's results for fiscal 2011, ended March 31, 2011.**

## Performance Overview for Fiscal 2011

The business environment in fiscal 2011 was characterized by a progressive recovery in the global economy driven by a remarkable level of economic growth in China and other emerging markets. Conversely, there were several causes for concern stemming from the resurgent economic crises in certain Euro Zone countries, the high prices of petroleum and other natural resources, and increased agricultural prices caused by inclement weather. In addition, March 2011's Great East Japan Earthquake and the subsequent nuclear accident have cast a shadow over future economic conditions in Japan. Given the enormous damage caused by the disaster, the Noritake Group has donated a total of ¥100 million to the Japanese Red Cross Society in order to provide assistance to victims and make a useful contribution to stricken areas. We would like to take this opportunity to extend our deepest sympathies to the victims of the disaster and our sincerest wish for the earliest possible recovery of affected areas.

Amid these operating conditions, Noritake formulated and initiated in fiscal 2011 a three-year medium-term business plan.

**The following five key initiatives form the core strategies of this plan, which we have done our utmost to achieve:**

1. **Selecting and concentrating businesses**
2. **Strengthening new product and technological development**
3. **Penetrating overseas markets**
4. **Reducing costs by further expanding overseas production**
5. **Upgrading management infrastructure**

"Selecting and concentrating businesses" involved augmenting measures related to expanding fields and markets. In terms of "strengthening new product and technological development," product development in new energy areas resulted in an increase in orders for electronic paste used as electrodes on solar cells as well as for kilns and dry furnaces to manufacture lithium-ion batteries. At the same time, Noritake made progress towards the commercialization of diamond wire. "Penetrating overseas markets" has focused on market development in such rapidly growing emerging countries as China and Thailand. With regard to "reducing costs by further expanding overseas production," we have expanded procurement from such countries as Indonesia, Sri Lanka and China. Finally, "upgrading management infrastructure" entailed promoting a streamlined and unified management structure through Noritake's absorption of two key subsidiaries. We also bolstered our management infrastructure primarily by upgrading personnel and accounting information systems as well as frameworks to promote compliance, health and safety, and environmental management.

As a result of the aforementioned factors, the Noritake Group posted in the period under review an increase of 20.3% in consolidated net sales, to ¥105,378 million, while operating income and net income amounted to ¥4,326 million and ¥1,858 million, respectively.

## 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 development investment aimed at creating new technologies and products that can become a foundation for the Noritake Group's future strength, as well as for capital investment for sustainable business development in growth fields. With regard to dividend payments, Noritake distributed ¥2.5 per share as the fiscal year-end dividend, which, when added to the interim dividend already paid, made for a full-year dividend of ¥5.0 per share.

Despite expectations that demand will continue to rise in emerging markets, Noritake faces extremely uncertain economic conditions for the foreseeable future. This is attributable to the impact of the Great East Japan Earthquake as well as concerns over high international natural resource and energy prices. Through the concerted and unified efforts of all executive officers and employees of the Noritake Group to steadily implement the medium-term business plan's core strategies, Noritake aims to establish a growth trajectory responsive to changing times.

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

N. Akahane

**Noboru Akahane**

Chairman and Representative Director

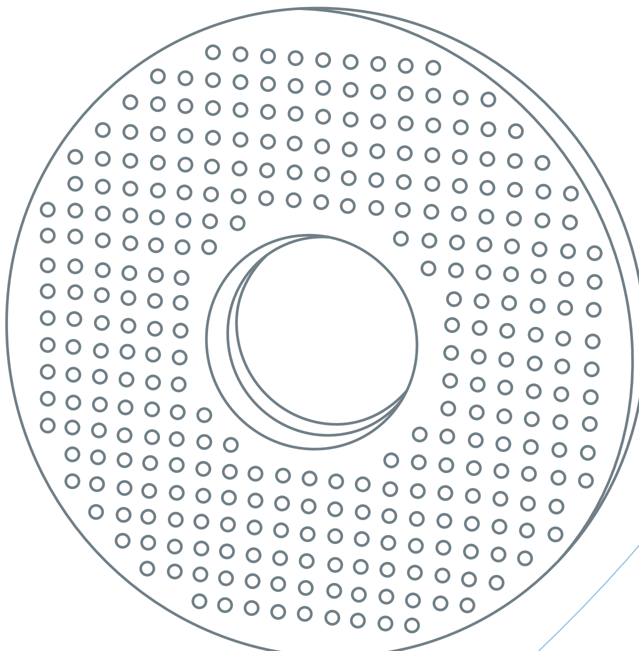
**Hitoshi Tanemura**

President and Representative Director

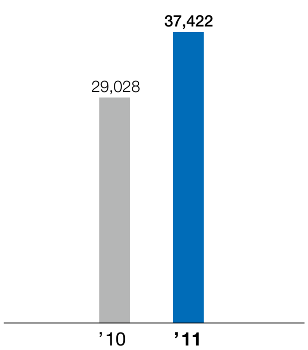
# INDUSTRIAL PRODUCTS

35.5%

Breakdown of Sales



**Sales**
(Millions of yen)




## Business Status

Demand for grinding wheels and cubic boron nitride (CBN) tools in the automobile, steel-making and bearing industries was generally favorable in Japan. In combination with exports, sales for these items increased. Demand recovered for diamond tools in the automobile, electronics and semi-conductor industries, while demand for abrasive cloth and paper rebounded in the automobile and steel-making industries. Accordingly, sales for these product rose. As a result, consolidated net sales of the Industrial Products Group improved 28.9% year on year to ¥37,422 million.

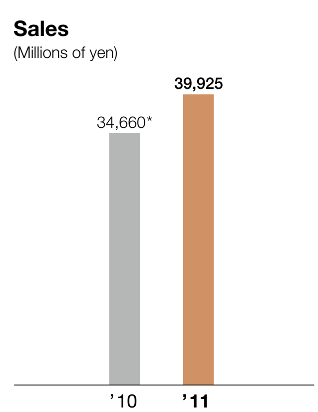
## Business Strategy

In light of the urgent need to develop operations for growing emerging markets, Noritake is building manufacturing bases and strengthening its sales capacity to compete in these promising overseas markets. At the same time, we will work to develop and expand sales of competitive new products for such growth areas as diamond wire and high-precision grinding tools.

# CERAMICS & MATERIALS

37.9%

Breakdown of Sales




### Business Status

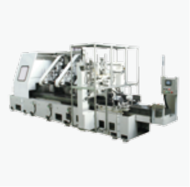
Sales of electronic pastes throughout the year were strong owing to firm demand for ceramic capacitors and higher sales in the solar cell field. Although sales of vehicle-mounted thick film circuit substrates and dental-related products were sluggish, catalyst supports, gypsum and fluorescent display tubes experienced higher sales. Ceramic materials and electronic components sales increased significantly for uses in such products as liquid crystal panels, optical glass and ceramic capacitors. As a result, consolidated net sales for the Ceramics & Materials Group grew 15.2% to ¥39,925 million.

### Business Strategy

Aiming to meet market needs with highly functional products, Noritake will promote the improvement of existing technologies and the development of new technologies. At the same time, we will bolster our production and sales structures to respond to vigorous overseas demand. Moreover, Noritake aims to expand the dental business by utilizing its merger with Kuraray Medical Inc. on April 1, 2011 to foster cooperation in the areas of development, manufacturing and sales.

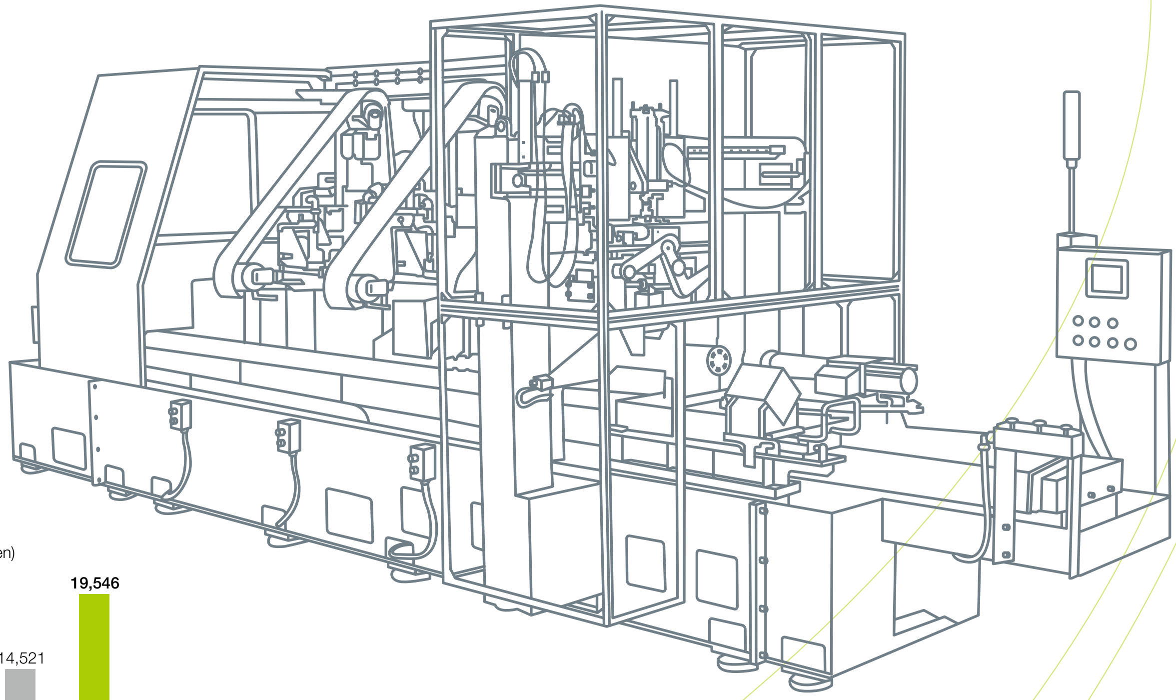
*This figure is the total of the Ceramics & Materials Group and the former Electronics Group. From April 2010, the Electronics Group is consolidated into the Ceramics & Materials Group.

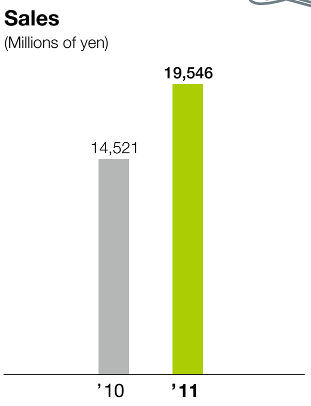
# ENGINEERING



18.5%

Breakdown of Sales






### Business Status

In the mainstay heating business, domestic orders from the expanding lithium-ion battery industry along with exports led to a major jump in sales. Turning to the machine tool oil business, orders recovered in areas including mixers used in machine tool filtration equipment and optical plants. Conversely, the machinery business recorded a major drop in sales due to slackening demand for large-sized grinding machines in the steel-making industry. As a result, consolidated net sales for the Engineering Group increased 34.6% year on year to ¥19,546 million.

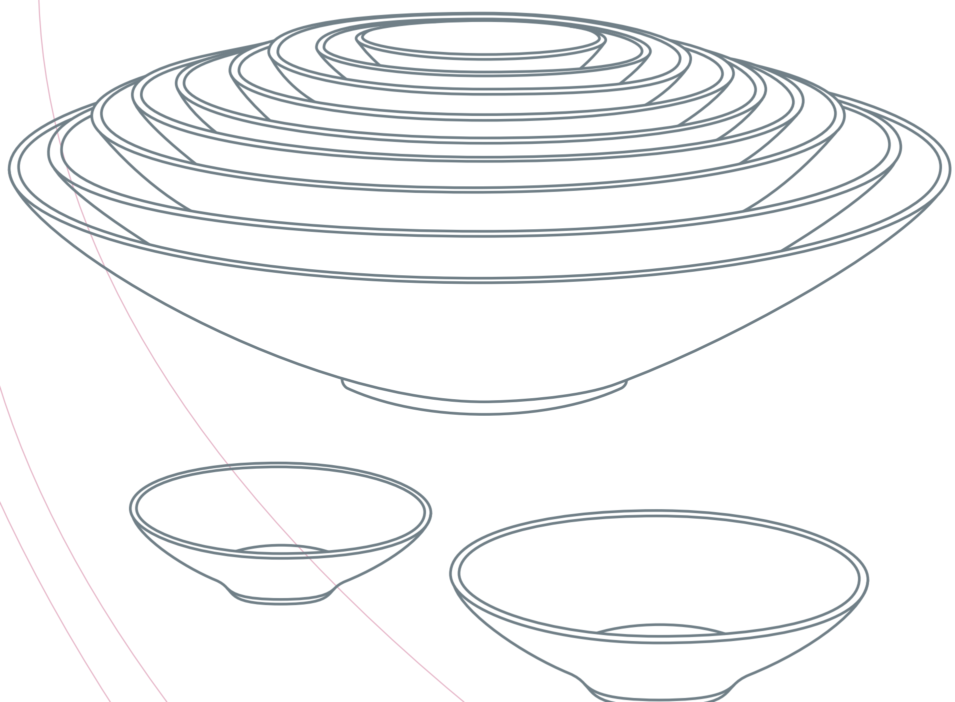
### Business Strategy

Noritake will focus on expanding sales of kilns and dry furnaces in the lithium-ion battery and new energy fields. In addition, we will take steps to reduce costs, primarily by expanding overseas procurement and strengthening price competitiveness.

# TABLETOP

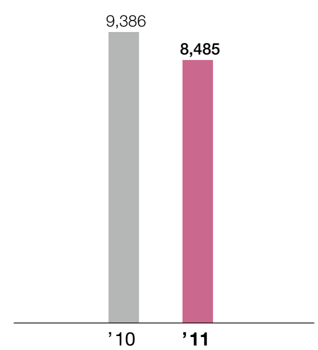
8.1%

Breakdown of Sales



**Sales**

(Millions of yen)




### Business Status

Despite orders from hotels and restaurants in Japan remaining on par, ongoing curbs in consumer spending in Japan, the United States, Western Europe and other advanced markets led to a fall in sales. By contrast, sales in Asia remained robust in the consumer and business-use sectors. As a result, the Tabletop Group posted a decline in consolidated net sales of 9.6% to ¥8,485 million.

### Business Strategy

Noritake plans to develop and release big-ticket items to meet anticipated demand for luxury and casual tableware in advanced countries and to increase brand power. We will also work to secure sales and improve earnings by bolstering marketing activities targeting wealthy customers in emerging markets.

## Noritake Establishes Showroom in the Bund, Shanghai's Luxury Brand District


Noritake established the Noritake Okura Showroom at Bund 18, Shanghai's premier brand store shopping district on April 1, 2011.

Noritake expects future demand for high-quality, luxury tableware and expensive interiors to increase in China, which is enjoying dramatic economic growth. Accordingly, we have established Noritake Okura Showroom at Bund 18, which will serve as a base to expand the sales of these items. Noritake brand products received high ratings at an exhibition geared toward affluent consumers held in Shanghai in October 2010, allowing Noritake to make a solid step forward in the development of the Chinese market. As a result, we set up our showroom at Bund 18, the focal point of the world's leading brand stores in Shanghai.

Looking ahead, we will conduct market surveys through exhibits and sales of Noritake and Okura premium-quality china at the Noritake Okura Showroom at Bund 18. At the same time, we will use this showroom as a base to promote these luxury brands in China.

## Noritake SA (Thailand) Co., Ltd. (NSAT) Manufacturing Subsidiary Established to Produce Super-Abrasive Grinding Processing Tools in Thailand

In April 2011, Noritake established the wholly owned subsidiary NSAT to manufacture diamond and cubic boron nitride (CBN) super-abrasive grinding processing tools in Thailand.

In recent years, Southeast Asia, and Thailand in particular, has experienced a dramatic growth in industrial production mainly in the automotive, automotive-related, bearing and electronic component industries. Amid expectations that such growth will increase, Noritake decided to establish the new subsidiary with the aim of expanding its overseas businesses. In addition, NSAT will serve as a sales base for countries throughout Southeast Asia.

| | |
|---|---|
| 1) Company name: | Noritake SA (Thailand) Co., Ltd. (NSAT) |
| 2) Location: | Saraburi, Thailand |
| 3) Capital | 360 million baht (approximately ¥1.0 billion) |

## Noritake Commences Integrated Production at U.S. Vitrified CBN Grinding Wheel Plant

Noritake announces the installation of new grinding wheel forming and firing equipment at its U.S. vitrified CBN grinding wheel plant to enable integrated local production.

Our U.S. vitrified CBN grinding wheel plant commenced assembly operations based on the knockdown system in 2003, where we attach vitrified CBN grinding wheel segments (semi-finished goods) imported from Japan to wheel cores (metal, etc.) and various quills. Noritake currently sells vitrified CBN grinding wheels to Japanese companies and local automotive parts manufacturers.

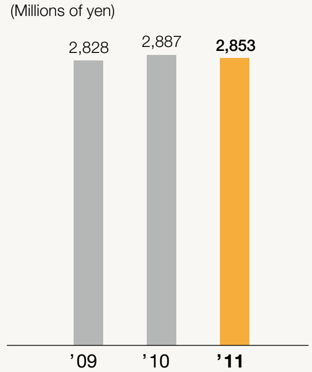
With a view to further expanding our market share in North America, Noritake has established an integrated local production structure in order to focus further on exacting customer demands for quality and to shorten delivery schedules. We believe this will help us to firmly secure our position as a premium vitrified CBN grinding wheel manufacturer in the North American market.

The R&D activities of the Noritake Group primarily revolve around the Research and Development Center, which is principally involved in basic research, and the Strategy Development Center, which promotes the commercialization of projects that are directly connected to the business divisions. Noritake carries out product development for new technologies and new fields in collaboration with each business division and Group company.

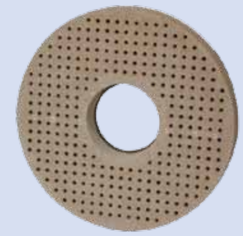
The R&D expenditures of the Noritake Group amounted to ¥2,853 million in the fiscal year under review.

R&D activities by business segment were as follows.

**R&D Expenditure**
(Millions of yen)




## INDUSTRIAL PRODUCTS

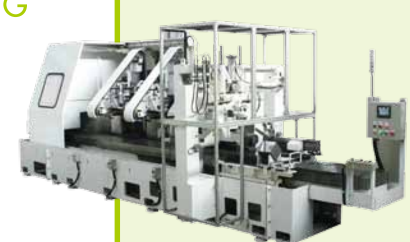


High-accuracy resinoid wheel
“Flatdy”

## CERAMICS & MATERIALS

Electronic paste for solar cells
“Maxsunny”

## ENGINEERING



Silicon block grinder

## TABLETOP

“N4”
Noritake china

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 processing tools in such growth areas as solar cells and LEDs. In the transportation equipment field (which includes automobiles, railways and aircraft), 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 totaled ¥562 million in the fiscal year under review.

In the electronic paste business, the Ceramic and Materials segment focuses on the development and commercialization of electrode paste for solar cells that feature high-generation efficiency. In addition, we have initiated the full-scale development of pastes for insulating and electrode-layered LEDs used primarily in lighting and LED TV backlights.

In the ceramics business, we developed high-performance ceramic carriers for chemical plants and thick-film, multi-layer substrates for automobiles. Noritake Dental Supply Co., Limited. is developing CAD/CAM system products for manufacturing ceramic frames, including those for which dental porcelain is used, as well as products in response to the increasing prevalence of ceramics in dental materials.

KCM Corporation is developing particulate material compounds for use in the growth field of multilayer ceramic capacitors (MLCCs), materials for fiber optic communication components and high-purity silica. Moreover, Noritake Itron Corporation—a leading manufacturer of vacuum fluorescent display (VFD) tubes and VFD module products—is currently developing a VFD message display, mainly used in stores, information and reception displays in public places, and disaster-related wireless systems.

The R&D expenditures in this segment were ¥1,630 million.

The Engineering segment conducts research into products and equipment for future growth fields that include lithium-ion batteries and other energy related products.

The R&D expenditures in this segment amounted to ¥125 million.

The Tabletop segment continues to work to develop new decorating technology and enhance the quality of porcelain.

The R&D expenditures in this segment totaled ¥57 million in fiscal 2011.

## R&D for New Products and Technologies

**Noritake focuses on developing new products for the environment and energy fields by utilizing its materials, calcination and fabrication technologies, while augmenting and expanding the applications of such technologies. Noritake actively promotes joint R&D and technological exchanges with outside companies, universities and research institutions. At the same time, we participate in government projects and other related activities. Through these initiatives, each Noritake business segment works in unison to undertake strategic R&D with a long-term perspective.**

**Core basic R&D expenditures totaled ¥477 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 those stipulated by management's basic policy and 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. In addition to executive officers involved in business operations, 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 Corporation 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 perform accurate and quick decisions 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 Corporation Law and by Board of Directors' meeting resolution, Noritake decided that it would be able to exempt directors and auditors (including former directors and auditors) 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 by the Board of Directors and auditors.

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 Corporation 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 a "company with committees" is recognized, Noritake decided to use a corporate auditor 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 2007, 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.

### (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.

## (2) STATUS OF INTERNAL AUDITS AND AUDITS BY CORPORATE AUDITORS AND INDEPENDENT AUDITORS

The Audit Office (comprising four personnel) 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 Board of Auditors is composed of two full-time corporate auditors and two outside auditors. Besides stipulating such matters as audit guidelines and the division of duties, the Board of Auditors receives reports from each auditor providing the actual audit status and results and expedites the flow of information between the Board of Directors and the Audit Office, which serves as the internal audit department. In addition to working to gather information, auditors 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, Noritake's accounting auditors maintain their independence and confirm the implementation of appropriate audits. The Board of Auditors receives status reports from the accounting auditors on the execution of duties and requests explanations when the need arises.

In the Audit Office, auditors and accounting auditors work in close collaboration to maintain the effectiveness of internal audit implementation.

Noritake's independent auditor is KPMG AZSA LLC (name changed from KPMG AZSA & Co. as of July 1, 2010), as established by contractual ties, 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 the then KPMG AZSA & Co. were as follows:

(Specified employees and managing partners)
CPA Kanemaru Yasui
CPA Chika Matsumoto
CPA Hideki Saito
(Assistants)
Eleven CPAs and 10 others

### (3) OUTSIDE DIRECTORS AND AUDITORS

Noritake has two outside auditors.

No personal, capital or business relationships or other conflicts of interest exist between Noritake and its outside auditors Yasumasa Gomi and Mitsuo Kinoshita, who were in office for the fiscal year under review.

Furthermore, they reflect their wealth of experience and broad insight as business managers in Noritake audits.

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

The Company concludes limitation of liability contracts with each outside auditor in accordance with the provisions of Article 423-1 of the Corporation 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 auditors from outside the Company. In corporate governance, Noritake places the utmost importance on external, objective and neutral management oversight functions. On the grounds that audits are implemented by two outside auditors, Noritake has not elected any outside directors as the external management oversight function is adequately performed by the system that is in place.

### (4) COMPENSATION TO DIRECTORS AND AUDITORS

#### (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 | Contribution | Retirement Benefits | |
| Director | 320 | 298 | — | — | 22 | 10 |
| Auditor (excl. outside auditors) | 38 | 38 | — | — | — | 2 |
| Outside auditor | 32 | 18 | — | — | 13 | 4 |

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

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 and ¥6 million or less per month for auditors.

### (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 (Yen) | Compensation Based on Non-Auditing Services (Yen) | Compensation Based on Audit Certification Services (Yen) | Compensation Based on Non-Auditing Services (Yen) |
| Parent company | 57,000,000 | — | 57,000,000 | 8,000,000 |
| Consolidated subsidiary | 21,000,000 | — | 21,000,000 | — |
| Total | 78,000,000 | — | 78,000,000 | 8,000,000 |

#### (ii) Other significant details regarding compensation

Noritake Co., Inc., a Noritake subsidiary, paid compensation based on audit certification services of ¥20 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 ¥24 million.

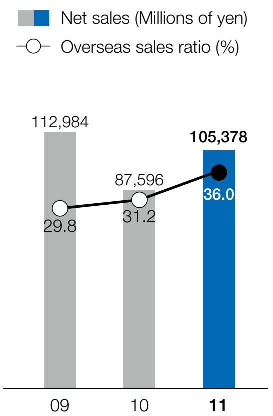
#### (iii) Details of non-auditing services provided to the Company by the independent auditor

In the year ended March 31, 2011, the Company paid compensation to its CPA for such non-auditing services as advisory services in connection with the introduction of International Financial Reporting Standards (IFRS) and the drawing up of papers, such as letters of comfort on the issuance of corporate bonds.

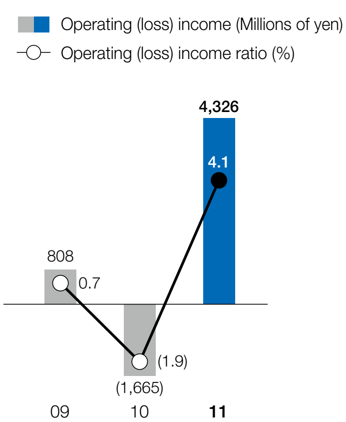
#### (iv) Policy for determining compensation to independent auditors

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.

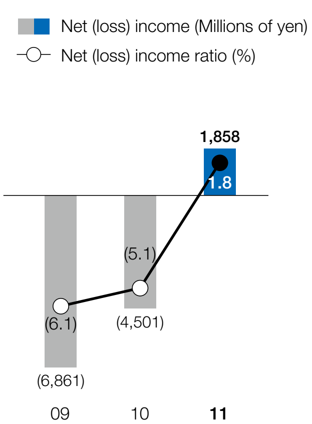
### Net Sales & Overseas Sales Ratio




### Operating Income (Loss) & Operating Income (Loss) Ratio




### Net Income (Loss) & Net Income (Loss) Ratio




## SCOPE OF CONSOLIDATION

Composed of 29 subsidiaries and 8 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 is performed by Noritake Bonded Abrasive Co., Ltd., and one associate while diamond tool manufacturing is the province of Noritake Super Abrasive Co., Ltd. These companies supply these products to the Company. Abrasive cloth and papers 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 Company's sales activities in Japan and abroad, the Industrial Products Segment's domestic sales are primarily handled by Zen Noritake Co., Ltd. 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 these products both in Japan and overseas. In addition, the Noritake associate Nippon Resibon Corporation, engages in the manufacture and sales of grinding wheels.

## CERAMICS & MATERIALS SEGMENT

In the Ceramics & Materials Group, manufacturing of electronic paste and ceramics is conducted by the Company. Such activities are bolstered by P.T. Noritake Indonesia along with one subsidiary and two associates. Vacuum fluorescent display (VFD) tubes are produced and supplied to the Company by Noritake Itron Corporation. In addition, the subsidiary KCM Corporation and its subsidiaries produce ceramic materials, a portion of which are supplied to the Company.

In the area of the Company's domestic and overseas sales activities, actual sales are conducted by the integrated manufacturing and sales subsidiary Noritake Itron Corporation. 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 these products both in Japan and overseas.

Moreover, the subsidiary Noritake Dental Supply Co., Limited engages in the manufacture and sales 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., Limited. The Company's Taiwanese subsidiary Noritake Taipei Co., Ltd. manufactures and supplies to the Company static mixers. Noritake engages in sales activities in Japan and abroad.

In addition to the Company's sales activities in Japan and abroad, the U.S.-based Noritake Co., Inc. conducts 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 the Sri Lanka-based Noritake Lanka Porcelain (Private) Limited and one associate, which are supplied to the Company.

The Company conducts sales for the Tabletop Segment in the domestic and overseas markets. In addition, a Noritake subsidiary engages in sales in Japan, while 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., Ltd, two subsidiaries and two associates. Philippines-based Noritake Porcelana Mfg., Inc., which is currently undergoing liquidation procedures, also engages in these operations.

## PERFORMANCE ANALYSIS

Consolidated net sales rose 20.3% year on year to ¥105,378 million, mainly due to the Company's focus on developing new energy-related products, efforts to penetrate such overseas markets as China and Thailand, and cost-reduction initiatives in the area of production.

The cost of goods sold rose 16.3% year on year to ¥76,388 million in line with an upswing in net sales. Selling, general and administrative expenses increased 4.5% year on year to ¥24,664 million. As a result, operating income recovered ¥4,326 million from an operating loss of ¥1,665 million in the previous fiscal year.

Other income (expenses) amounted to

expenses of ¥623 million, a ¥1,066 million improvement from the previous fiscal year. Major contributing factors included the decrease of a loss relating to disposal of property, plant and equipment and an investment gain based on the equity method of accounting.

As a result of the aforementioned, income before income taxes and minority interests amounted to ¥3,703 million. After accounting for income taxes and minority interests, net income totaled ¥1,858 million, and net income per share amounted to ¥13.16.

## FINANCIAL POSITION ANALYSIS

Total assets stood at ¥116,126 million, up 6.0%, or ¥6,531 million, from the previous fiscal year-end. Current assets totaled ¥65,343 million, up ¥8,991 million, while non-current assets amounted to ¥50,783 million, down ¥2,460 million. Major factors contributing to the increase in total assets were rises in cash and deposits, inventories, and notes and accounts receivable.

Total liabilities as of the end of the consolidated fiscal year under review stood at ¥50,697 million, up 18.2% year on year, or ¥7,813 million. Despite a decrease in short-term borrowings, major factors for the increase were rises in bonds, and notes and accounts payable.

Net assets as of the end of the consolidated fiscal year under review amounted to ¥65,429 million, down 1.9% year on year, or ¥1,282 million. Despite an improvement in retained earnings, major factors for the decrease were an increase of treasury stock and a decrease of accumulated other comprehensive income.

As a result, shareholders' equity per share totaled ¥411.29, down ¥2.04 compared with the previous consolidated fiscal year-end. The shareholders' equity ratio declined to 49.5% from the 54.2% of the previous fiscal year-end.

## CASH FLOW ANALYSIS

Cash and cash equivalents on a consolidated basis at the end of the fiscal year under review showed a net increase of ¥3,931 million to ¥15,765 million. Contributing factors included revenues from an issuance of corporate bonds and an increase in refund from fixed deposit.

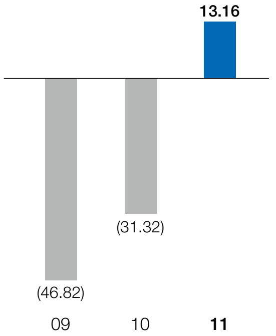
Free cash flows as of the end of the consolidated fiscal year under review totaled ¥3,457 million.

Net cash provided by operating activities increased ¥1,959 million year on year to ¥7,294 million. Contributing factors included a reversal year on year from loss before income taxes of ¥3,354 million to income before income taxes of ¥3,703 million, a ¥4,574 million improvement in trade payables and a ¥1,462 million upswing in employee retirement benefit liability. These factors offset a turnaround to a rise of ¥3,367 million in inventories from a decrease of ¥3,537 million recorded during the previous fiscal year.

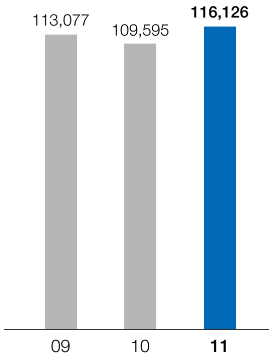
Net cash used in investing activities decreased ¥566 million year on year to ¥3,837 million. Outweighing a ¥627 million lower decrease in property and long-term investments, contributors to the decline included improvements of ¥875 million in the increase in short-term investments and ¥567 million in increase in long-term investments and loans receivable.

Net cash provided by financing activities amounted to ¥700 million compared with ¥825 million used in financing activities in the previous fiscal year. Contributing factors included the recording of an inflow of ¥9,949 million following the issuance of bonds and a ¥2,200 million upswing in proceeds following an increase in long-term debt. These factors offset a ¥9,442 million net decrease in short-term borrowings.

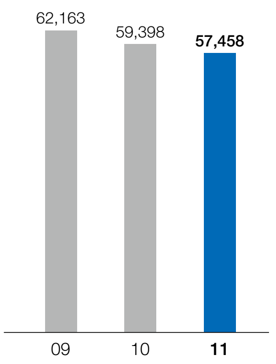
**Net Income (Loss) per Share**
(Yen)



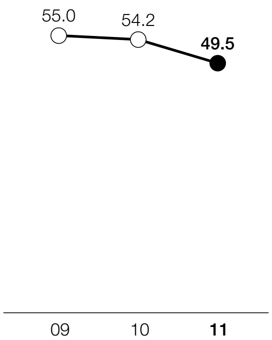

**Total Assets**
(Millions of yen)



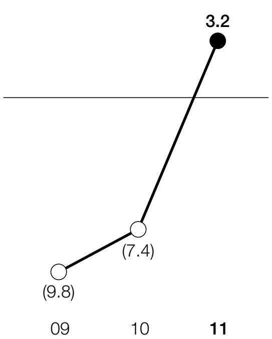

**Total Shareholders' Equity**
(Millions of yen)



**Total Shareholders' Equity Ratio**
(%)




**Return on Equity**
(%)




## FINANCIAL POLICIES

The Noritake Group, in principle, funds general operations and capital expenditures through internal reserves and borrowings. 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, 2011, the balance of short-term borrowings totaled ¥1,616 million, most of which is denominated in yen, with the remainder in five 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, 2011, the balance of long-term debt amounted to ¥20,328 million.

## BUSINESS AND OTHER RISKS

### Raw Material and Fuel Price Risk

The Noritake Group conducts operations centered on ceramic engineering. 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 Tabletop Group and the Ceramics & Materials 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.

### Disaster Risk

The Noritake Group has a number of business bases in Japan and overseas. 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 Affairs 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 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, 2011.

# CONSOLIDATED BALANCE SHEETS

NORITAKE CO., LIMITED and Consolidated Subsidiaries
March 31, 2011 and 2010

| | Millions of yen 2011 | Millions of yen 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| **Assets:** | | | |
| Current assets: | | | |
| Cash and cash equivalents (Note 3) | ¥ 15,765 | ¥ 11,834 | $ 189,940 |
| Short-term investments (Notes 3 and 6) | 1,284 | 1,917 | 15,470 |
| Notes and accounts receivable, net of allowance for doubtful accounts (Notes 3 and 4) | 29,979 | 27,561 | 361,193 |
| Inventories (Note 5) | 15,551 | 12,451 | 187,361 |
| Deferred tax assets (Note 14) | 445 | 433 | 5,361 |
| Other current assets | 2,319 | 2,156 | 27,940 |
| Total current assets | 65,343 | 56,352 | 787,265 |
| Investments and other assets: | | | |
| Investment securities (Notes 3 and 6) | 15,822 | 17,331 | 190,626 |
| Investments in unconsolidated subsidiaries and associates (Note 3) | 1,569 | 1,526 | 18,904 |
| Deferred tax assets (Note 14) | 341 | 491 | 4,108 |
| Other | 2,919 | 2,828 | 35,169 |
| Total investments and other assets | 20,651 | 22,176 | 248,807 |
| Property, plant and equipment: | | | |
| Land | 12,011 | 11,891 | 144,711 |
| Buildings and structures | 32,743 | 32,837 | 394,494 |
| Machinery and equipment | 40,180 | 39,720 | 484,096 |
| Construction in progress | 807 | 674 | 9,723 |
| Total property, plant and equipment | 85,741 | 85,122 | 1,033,024 |
| Less accumulated depreciation | (55,609) | (54,055) | (669,988) |
| Net property, plant and equipment | 30,132 | 31,067 | 363,036 |
| Total assets | ¥116,126 | ¥109,595 | $1,399,108 |
| **Liabilities:** | | | |
| Current liabilities: | | | |
| Short-term borrowings (Notes 3 and 8) | ¥ 1,616 | ¥ 11,084 | $ 19,470 |
| Current portion of long-term debt (Notes 3 and 8) | 44 | 1,445 | 530 |
| Notes and accounts payable (Notes 3 and 7) | 19,005 | 13,561 | 228,976 |
| Accrued expenses (Note 3) | 2,624 | 2,360 | 31,615 |
| Income taxes payable (Note 3) | 857 | 447 | 10,325 |
| Other current liabilities | 1,495 | 1,249 | 18,012 |
| Total current liabilities | 25,641 | 30,146 | 308,928 |
| Long-term liabilities: | | | |
| Long-term debt (Notes 3 and 8) | 20,328 | 7,169 | 244,916 |
| Employee retirement benefit liability (Note 9) | 1,477 | 1,772 | 17,795 |
| Accrued severance indemnities for directors and corporate auditors | 737 | 694 | 8,879 |
| Deferred tax liabilities (Note 14) | 2,326 | 3,075 | 28,024 |
| Other noncurrent liabilities | 188 | 28 | 2,265 |
| Total long-term liabilities | 25,056 | 12,738 | 301,879 |
| Total liabilities | 50,697 | 42,884 | 610,807 |
| **Net assets** (Note 13): | | | |
| Shareholders' equity: | | | |
| Common stock: 397,500,000 shares authorized and 158,428,497 shares issued | 15,632 | 15,632 | 188,337 |
| Capital surplus | 18,833 | 18,833 | 226,904 |
| Retained earnings | 33,257 | 32,109 | 400,687 |
| Less treasury stock, at cost: 18,728,054 shares in 2011 and 14,723,582 shares in 2010 | (7,612) | (6,504) | (91,711) |
| Total shareholders' equity | 60,110 | 60,070 | 724,217 |
| Accumulated other comprehensive income | (2,652) | (672) | (31,952) |
| Minority interests | 7,971 | 7,313 | 96,036 |
| Total net assets | 65,429 | 66,711 | 788,301 |
| Total liabilities and net assets | ¥116,126 | ¥109,595 | $1,399,108 |

See accompanying Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF OPERATIONS

NORITAKE CO., LIMITED and Consolidated Subsidiaries
For the Years Ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Operating revenue:** | | | |
| Net sales (Note 15) | ¥105,378 | ¥87,596 | $1,269,614 |
| **Operating costs and expenses:** | | | |
| Cost of goods sold | 76,388 | 65,658 | 920,337 |
| Selling, general and administrative expenses | 24,664 | 23,603 | 297,157 |
| | 101,052 | 89,261 | 1,217,494 |
| Operating income (loss) | 4,326 | (1,665) | 52,120 |
| **Other income (expenses):** | | | |
| Interest and dividend income | 333 | 312 | 4,012 |
| Interest expense | (157) | (192) | (1,892) |
| Impairment loss on fixed assets | (92) | (210) | (1,108) |
| Loss on sales and disposals of property and equipment | (371) | (782) | (4,470) |
| Extraordinary severance pay to employees under early retirement plan | (17) | (96) | (205) |
| Loss on financial support to subsidiaries and associates | (200) | — | (2,410) |
| Loss from misappropriation | — | (373) | — |
| Other, net | (119) | (348) | (1,433) |
| | (623) | (1,689) | (7,506) |
| Income (loss) before income taxes and minority interests | 3,703 | (3,354) | 44,614 |
| **Income taxes (Note 14):** | | | |
| Current | 1,095 | 733 | 13,192 |
| Deferred | 126 | 184 | 1,518 |
| Total income taxes | 1,221 | 917 | 14,710 |
| Income (loss) before minority interests | 2,482 | (4,271) | 29,904 |
| **Less minority interests in net income of consolidated subsidiaries** | 624 | 230 | 7,518 |
| Net income (loss) | ¥ 1,858 | ¥ (4,501) | $ 22,386 |
| | | Yen | U.S. dollars |
| **Per share:** | | | |
| Net income (loss) | ¥ 13.16 | ¥ (31.32) | $ 0.16 |
| Cash dividends | 5.00 | 5.00 | 0.06 |

See accompanying Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NORITAKE CO., LIMITED and Consolidated Subsidiaries
For the Years Ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Income (loss) before minority interests:** | ¥2,482 | ¥(4,271) | $29,904 |
| **Other comprehensive income:** | | | |
| Net changes in unrealized gains on available-for-sale securities | (1,103) | 2,039 | (13,289) |
| Net changes in foreign currency translation adjustments | (961) | 530 | (11,579) |
| Share of other comprehensive income of associates accounted for using equity method | (1) | 23 | (12) |
| Total other comprehensive income | (2,065) | 2,592 | (24,880) |
| **Comprehensive income:** | ¥ 417 | ¥(1,679) | $ 5,024 |
| **Comprehensive income attribute to:** | | | |
| Owners of the parent | ¥ (122) | ¥(2,039) | $ (1,470) |
| Minority interests | 539 | 360 | 6,494 |

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

NORITAKE CO., LIMITED and Consolidated Subsidiaries
For the Years Ended March 31, 2011 and 2010

| | Number of shares of common stock issued | Shareholders' equity | | | | |
|---|---|---|---|---|---|---|
| | | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| | | | | | | Millions of yen |
| **Balance at March 31, 2009** | 158,428,497 | ¥15,632 | ¥18,833 | ¥37,329 | ¥(6,497) | ¥65,297 |
| Net loss for the year | — | — | — | (4,501) | — | (4,501) |
| Cash dividends | — | — | — | (719) | — | (719) |
| Purchases of treasury stock and fractional shares, net | — | — | — | — | (7) | (7) |
| Net changes in items other than shareholders' equity | — | — | — | — | — | — |
| **Balance at March 31, 2010** | 158,428,497 | 15,632 | 18,833 | ¥32,109 | (6,504) | 60,070 |
| Net income for the year | **—** | **—** | **—** | **1,858** | **—** | **1,858** |
| Cash dividends | **—** | **—** | **—** | **(708)** | **—** | **(708)** |
| Purchases of treasury stock and fractional shares, net | **—** | **—** | **—** | **(2)** | **(1,108)** | **(1,110)** |
| Net changes in items other than shareholders' equity | **—** | **—** | **—** | | **—** | **—** |
| **Balance at March 31, 2011** | **158,428,497** | **¥15,632** | **¥18,833** | **¥33,257** | **¥(7,612)** | **¥60,110** |
| | | | | | | Thousands of U.S. dollars (Note 1) |
| **Balance at March 31, 2010** | | $188,337 | $226,904 | $386,855 | $(78,361) | $723,735 |
| Net income for the year | | **—** | **—** | **22,386** | **—** | **22,386** |
| Cash dividends | | **—** | **—** | **(8,530)** | **—** | **(8,530)** |
| Purchases of treasury stock and fractional shares, net | | **—** | **—** | **(24)** | **(13,350)** | **(13,374)** |
| Net changes in items other than shareholders' equity | | **—** | **—** | **—** | **—** | **—** |
| **Balance at March 31, 2011** | | **$188,337** | **$226,904** | **$400,687** | **$(91,711)** | **$724,217** |

| | Accumulated other comprehensive income | | | | |
|---|---|---|---|---|---|
| | Net unrealized gains on available-for-sale securities | Foreign currency translation adjustments | Total accumulated other comprehensive income | Minority interests | Total net assets |
| | | | | | Millions of yen |
| **Balance at March 31, 2009** | ¥1,892 | ¥(5,026) | ¥(3,134) | ¥7,029 | ¥69,192 |
| Net loss for the year | — | — | — | — | (4,501) |
| Cash dividends | — | — | — | — | (719) |
| Purchases of treasury stock and fractional shares, net | — | — | — | — | (7) |
| Net changes in items other than shareholders' equity | 1,927 | 535 | 2,462 | 284 | 2,746 |
| **Balance at March 31, 2010** | 3,819 | (4,491) | (672) | 7,313 | 66,711 |
| Net income for the year | **—** | **—** | **—** | **—** | **¥ 1,858** |
| Cash dividends | **—** | **—** | **—** | **—** | **(708)** |
| Purchases of treasury stock and fractional shares, net | **—** | **—** | **—** | **—** | **(1,110)** |
| Net changes in items other than shareholders' equity | **(1,034)** | **(946)** | **(1,980)** | **658** | **(1,322)** |
| **Balance at March 31, 2011** | **¥2,785** | **¥(5,437)** | **¥(2,652)** | **¥7,971** | **¥65,429** |
| | | | | | Thousands of U.S. dollars (Note 1) |
| **Balance at March 31, 2010** | $46,012 | $(54,108) | $ (8,096) | $88,108 | $803,747 |
| Net income for the year | **—** | **—** | **—** | **—** | **22,386** |
| Cash dividends | **—** | **—** | **—** | **—** | **(8,530)** |
| Purchases of treasury stock and fractional shares, net | **—** | **—** | **—** | **—** | **(13,374)** |
| Net changes in items other than shareholders' equity | **(12,458)** | **(11,398)** | **(23,856)** | **7,928** | **(15,928)** |
| **Balance at March 31, 2011** | **$33,554** | **$(65,506)** | **$(31,952)** | **$96,036** | **$788,301** |

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

NORITAKE CO., LIMITED and Consolidated Subsidiaries
For the Years Ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Cash flows from operating activities:** | | | |
| Income (loss) before income taxes and minority interests | ¥ 3,703 | ¥ (3,354) | $ 44,614 |
| Adjustments for: | | | |
| Depreciation | 3,677 | 3,861 | 44,301 |
| Impairment loss on fixed assets | 92 | 210 | 1,108 |
| Loss from misappropriation | — | 373 | — |
| Loss on sales and disposals of property and equipment | 371 | 782 | 4,470 |
| Decrease in employee retirement benefit liability | (265) | (1,727) | (3,193) |
| Increase in trade receivables | (2,640) | (2,114) | (31,807) |
| (Increase) decrease in inventories | (3,367) | 3,537 | (40,566) |
| Increase in trade payables | 5,418 | 844 | 65,277 |
| Other, net | 755 | 2,487 | 9,097 |
| Subtotal | 7,744 | 4,899 | 93,301 |
| Interest and dividends received | 400 | 321 | 4,819 |
| Interest paid | (153) | (197) | (1,843) |
| Income taxes (paid) refunded | (697) | 312 | (8,397) |
| Net cash provided by operating activities | 7,294 | 5,335 | 87,880 |
| **Cash flows from investing activities:** | | | |
| Increase in property, plant and equipment | (3,321) | (3,140) | (40,012) |
| Increase in long-term investments and loans receivable | (356) | (923) | (4,289) |
| Purchase of additional Investment in subsidiaries | (57) | — | (687) |
| Decrease in property and long-term investments | 142 | 769 | 1,711 |
| Increase in short-term investments | (163) | (1,038) | (1,964) |
| Other, net | (82) | (71) | (988) |
| Net cash used in investing activities | (3,837) | (4,403) | (46,229) |
| **Cash flows from financing activities:** | | | |
| Increase in long-term debt | 4,000 | 1,100 | 48,193 |
| Repayment of long-term debt | (2,200) | (1,100) | (26,506) |
| Proceeds from issuance of bonds | 9,949 | — | 119,867 |
| Net decrease in short-term borrowings | (9,465) | (23) | (114,036) |
| Dividends paid | (708) | (719) | (8,530) |
| Purchase of treasury stock and fractional shares | (1,114) | (9) | (13,422) |
| Proceeds from contributions from minority interests | 309 | — | 3,723 |
| Other, net | (71) | (74) | (855) |
| Net cash provided by (used in) financing activities | 700 | (825) | 8,434 |
| Effect of exchange rate changes on cash and cash equivalents | (226) | 158 | (2,723) |
| Net increase in cash and cash equivalents | 3,931 | 265 | 47,362 |
| Cash and cash equivalents at beginning of year | 11,834 | 11,569 | 142,578 |
| Cash and cash equivalents at end of year | ¥15,765 | ¥11,834 | $189,940 |

See accompanying 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, 2011, which was ¥83 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 or negative goodwill. Goodwill is amortized over five years on a straight-line basis. All intercompany accounts and transactions have been eliminated on consolidation.

The numbers of consolidated subsidiaries, unconsolidated subsidiaries and associates for the years ended March 31, 2011 and 2010 were as follows:

| | 2011 | 2010 |
|---|---|---|
| Consolidated subsidiaries: | | |
| Domestic | 12 | 15 |
| Overseas | 11 | 13 |
| Associates accounted for by the equity method | 3 | 3 |
| Unconsolidated subsidiaries stated at cost | 6 | 6 |
| Associates stated at cost | 5 | 5 |

During the year ended March 31, 2011 and 2010 respectively, two and four domestic wholly owned consolidated subsidiaries were merged into the Company in order to concentrate management resources and make the structure of the Noritake Group more efficient. These transactions were accounted for using accounting treatment for business combinations under the common control in accordance with "Accounting Standard for Business Combinations," (originally issued by the Business Accounting Council of Japan ("BAC") and revised by Accounting Standards Board of Japan ("ASBJ") as ASBJ Statement No. 21 on December 26, 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," (ASBJ Guidance No. 10, issued on December 26, 2008). In addition, during the year ended March 31, 2011, one domestic consolidated subsidiary was merged into another domestic consolidated subsidiary, and two overseas consolidated subsidiaries were liquidated. During the year ended March 31, 2010, three domestic consolidated subsidiaries were merged into other domestic consolidated subsidiaries, and 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)**

ASBJ issued 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 six 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
(e) Retrospective treatment of a change in accounting policies
(f) Accounting for net income attributable to minority interests

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

The Company adopted PITF No. 24, "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method", which was issued by ASBJ and was effective from the fiscal year beginning on or after April 1, 2010. As a result, the Japanese investment company is not allowed to apply the equity method to its investments in associates using their financial information prepared in accordance with 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 six specific adjustments are made for significant differences between Japanese GAAP and IFRS or U.S. GAAP. The adoption of PITF No. 24 had no material effect on the consolidated financial statements for the year ended March 31, 2011.

**(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 standard 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 net assets, 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 value 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 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 permitted by the accounting standard for financial instruments, hedging interest rate swap contracts are accounted for on an accrual basis and recorded net of interest expense generated from borrowings for the hedged items if certain conditions are met. In addition, during the years ended March 31, 2011 and 2010, 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 for overseas consolidated subsidiaries and by the declining-balance method for the Company and its domestic consolidated subsidiaries at rates based on the estimated useful life of the assets. Buildings of the Company and its domestic consolidated subsidiaries acquired on and after April 1, 1998, however, are depreciated by the straight-line method.

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

**(h) Leases**

The Noritake Group capitalizes the assets used under finance leases as lessee that commenced on or after April 1, 2008, 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. As permitted by the current accounting standard for lease transactions, finance leases as lessee which commenced prior to April 1, 2008 and have been accounted for with the accounting treatment similar to that used for operating leases, continue to be accounted for with an accounting treatment similar to that used for operating leases with disclosure of certain "as if capitalized" information. (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 BAC 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 a 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 Company and its domestic consolidated subsidiaries are grouped principally into cash-generating units based on the business division under managerial accounting classification. 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 net selling prices primarily from appraisal valuations.

The Noritake Group recognized impairment loss for the years ended March 31, 2011 and 2010 as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Buildings | ¥17 | ¥129 | $ 205 |
| Machinery and equipment | — | 70 | — |
| Land | 75 | — | 903 |
| Other | — | 11 | — |
| | ¥92 | ¥210 | $1,108 |

**(j) Employee retirement benefits**

Employees who terminate their service with the Noritake Group are entitled to retirement benefits generally determined by reference to basic rates of pay at the time of retirement, length of service and the conditions under which the termination occurred.

The Noritake Group recognizes retirement benefits, including pension cost and related liability, based principally on the actuarial present value of the projected benefit obligation using the actuarial appraisal approach and the fair value of pension plan assets available for benefits at the fiscal year-end. Unrecognized actuarial differences from changes in the projected benefit obligation or value of pension plan assets resulting from actual amounts being different from the projected amounts and from changes in assumptions upon which the projected amounts were based 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 cost is recognized in a single year as incurred.

**(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) 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 or 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 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 minority interests, are reported as foreign currency translation adjustments in a component of net assets in the accompanying consolidated balance sheets.

**(m) Asset retirement obligations**

Effective from the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries have adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). This Standard requires the Noritake Group to recognize a liability for the asset retirement obligation, which is defined as a statutory or similar obligation with regard to the removal of tangible fixed assets and incurred when tangible fixed assets are acquired, constructed, developed or used in an ordinary way together with the removal of hazardous substances, etc., contained in tangible fixed assets, using a method stipulated by law, etc., upon the removal of the tangible fixed assets, even though there may not be any obligation concerning the removal of the tangible fixed assets themselves. As a result of the above, operating income decreased by ¥3 million ($36 thousand) and income before income taxes and minority interests decreased by ¥161 million ($1,940 thousand) for the year ended March 31, 2011 from the amounts that would have been recorded with the previous accounting method.

**(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 operations and amounted to ¥2,853 million ($34,373 thousand) and ¥2,887 million for the years ended March 31, 2011 and 2010, respectively.

**(o) Enterprise taxes**
When levied as size-based corporate taxes for local government enterprise taxes, the enterprise taxes are calculated based on the “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.

**(q) Directors’ bonuses**
The Noritake Group has adopted ASBJ Statement No. 4, “Accounting Standard for Directors’ Bonuses.” Under the standard, the directors’ bonuses, including those for corporate auditors, are accounted for as an expense of the accounting period in which the bonuses accrue.

**(r) 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.

**(s) Per share data**
Net income per share is computed by dividing income applicable to common shareholders by the weighted average number of shares of common stock outstanding during the respective year. Diluted net income per share is not disclosed as the Noritake Group had no diluted common shares for the years ended March 31, 2011 or 2010.

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

**(t) Consolidated statements of comprehensive income**
Effective March 31, 2011, the Noritake Group has adopted the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, issued on June 30, 2010). As a result of the adoption of this standard, the Noritake Group has presented the consolidated statement of comprehensive income in the consolidated financial statements for the year ended March 31, 2011.

The consolidated balance sheet and the consolidated statement of changes in net assets as of and for the year ended March 31, 2010 have been modified to conform with the new presentation rules of 2011. In addition, the Company has presented the consolidated statement of comprehensive income for the year ended March 31, 2010 as well as that for the year ended March 31, 2011.

**(u) New accounting standards**
Effective from the year ended March 31, 2011, the Noritake Group has adopted “Accounting Standard for Business Combination” (ASBJ Statement No. 21, issued on December 26, 2008) and the related guidance, “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on December 26, 2008), “Revised Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, issued on December 26, 2008), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, issued on December 26, 2008), “Revised Accounting Standard for Equity Methods of Accounting for Investments” (ASBJ Statement No. 16, issued on December 26, 2008) and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, on December 26, 2008).

## 3. FINANCIAL INSTRUMENTS

Effective from the year ended March 31, 2010, the Company has adopted ASBJ statement No. 10, “Accounting Standard for Financial Instruments,” revised on March 10, 2008, and ASBJ Guidance No. 19, “Guidance on Disclosures about Fair Value of Financial Instruments,” revised on March 10, 2008.

**(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 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 a 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 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 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 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 of financial instruments, other than unlisted equity securities for which the fair value is extremely difficult to determine, at March 31, 2011 and March 31, 2010:

| | Carrying values | Fair values | Differences |
|---|---|---|---|
| As of March 31, 2011: | | | Millions of yen |
| Financial assets: | | | |
| Cash and time deposits | ¥17,029 | ¥17,029 | ¥ — |
| Trade receivables | 29,915 | 29,915 | — |
| Investment securities: | | | |
| Available-for-sale securities | 15,259 | 15,259 | — |
| Investments in associates | 992 | 727 | (265) |
| Total | ¥63,195 | ¥62,930 | ¥(265) |
| Financial liabilities: | | | |
| Short-term borrowings | ¥ 1,616 | ¥ 1,616 | ¥ — |
| Trade payables | 18,378 | 18,378 | — |
| Payables included in accrued expenses | 1,360 | 1,360 | — |
| Income taxes payable | 857 | 857 | — |
| Bonds payable | 10,000 | 9,871 | (129) |
| Long-term bank loans, including current portion | 10,200 | 10,152 | (48) |
| Total | ¥42,411 | ¥42,234 | ¥(177) |
| Derivative instruments | — | — | — |

| | Carrying values | Fair values | Differences |
|---|---|---|---|
| As of March 31, 2010: | | | Millions of yen |
| Financial assets: | | | |
| Cash and time deposits | ¥13,730 | ¥13,730 | ¥ — |
| Trade receivables | 27,436 | 27,436 | — |
| Investment securities: | | | |
| Available-for-sale securities | 16,768 | 16,768 | — |
| Investments in associates | 884 | 804 | (80) |
| Total | ¥58,818 | ¥58,738 | ¥(80) |
| Financial liabilities: | | | |
| Short-term borrowings | ¥11,084 | ¥11,084 | ¥ — |
| Trade payables | 12,918 | 12,918 | — |
| Payables included in accrued expenses | 1,364 | 1,364 | — |
| Income taxes payable | 447 | 447 | — |
| Long-term bank loans, including current portion | 8,400 | 8,429 | 29 |
| Total | ¥34,213 | ¥34,242 | ¥ 29 |
| Derivative instruments | — | — | — |

| As of March 31, 2011: | Carrying values | Fair values | Differences |
|---|---|---|---|
| | | | Thousands of U.S. dollars |
| Financial assets: | | | |
| Cash and time deposits | $205,169 | $205,169 | $ — |
| Trade receivables | 360,422 | 360,422 | — |
| Investment securities: | | | |
| Available-for-sale securities | 183,843 | 183,843 | — |
| Investments in associates | 11,952 | 8,759 | (3,193) |
| Total | $761,386 | $758,193 | $(3,193) |
| Financial liabilities: | | | |
| Short-term borrowings | 19,470 | 19,470 | — |
| Trade payables | 221,422 | 221,422 | — |
| Payables included in accrued expenses | 16,385 | 16,385 | — |
| Income taxes payable | 10,325 | 10,325 | — |
| Bonds payable | 120,482 | 118,928 | (1,554) |
| Long-term bank loans, including current portion | 122,892 | 122,313 | (579) |
| Total | $510,976 | $508,843 | $(2,133) |
| Derivative instruments | — | — | — |

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 bonds payable is determined by the price presented by corresponding financial institutions.
(iv) The fair value of long-term interest-bearing bank loans is estimated based on discounted cash flow analysis using current interest rates considered to be applicable to similar loans.
(v) See Note 12 for the calculation method for the fair value of derivative instruments such as interest rate swaps or foreign currency forward exchange contracts.
2. Unlisted equity securities of ¥1,031 million ($12,422 thousand) and ¥1,096 million at March 31, 2011 and 2010, 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, 2011:

| | 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 | ¥17,029 | ¥— | ¥— | ¥— |
| Trade receivables | 29,915 | — | — | — |
| Total | ¥46,944 | ¥— | ¥— | ¥— |
| | | | | Thousands of U.S. dollars |
| Financial assets: | | | | |
| Cash and time deposits | $205,169 | $— | $— | $— |
| Trade receivables | 360,422 | — | — | — |
| Total | $565,591 | $— | $— | $— |

## 4. NOTES AND ACCOUNTS RECEIVABLE

As of March 31, 2011 and 2010, notes and accounts receivable consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Trade notes receivable | ¥ 5,326 | ¥ 5,812 | $ 64,169 |
| Trade accounts receivable | 24,590 | 21,624 | 296,265 |
| Other | 208 | 309 | 2,506 |
| Less allowance for doubtful accounts | (145) | (184) | (1,747) |
| | ¥29,979 | ¥27,561 | $361,193 |

## 5. INVENTORIES

As of March 31, 2011 and 2010, inventories consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Merchandise and finished goods | ¥ 5,768 | ¥ 5,875 | $ 69,494 |
| Work in process | 5,982 | 3,713 | 72,072 |
| Raw materials and supplies | 3,801 | 2,863 | 45,795 |
| | ¥15,551 | ¥12,451 | $187,361 |

For the year ended March 31, 2011, a reversal of write-down of ¥224 million ($2,940 thousand) was recognized as a reduction of costs of goods sold.

For the year ended March 31, 2010, a write-down of ¥399 million was recorded as costs of goods sold.

## 6. INVESTMENTS

As of March 31, 2011 and 2010, short-term investments consisted of time deposits with an original maturity of more than three months.

At March 31, 2011 and 2010, investment securities consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Available-for-sale securities with fair values: | | | |
| Equity securities | ¥15,259 | ¥16,768 | $183,843 |
| Other securities without fair values | 563 | 563 | 6,783 |
| | ¥15,822 | ¥17,331 | $190,626 |

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 net assets account until realized. As of March 31, 2011 and 2010, gross unrealized gains and losses for available-for-sale securities with fair value were summarized as follows:

| | Cost | Gross unrealized gains | Gross unrealized losses | Fair and carrying value |
|---|---|---|---|---|
| | | | | Millions of yen |
| Available-for-sale equity securities: | | | | |
| As of March 31, 2011 | ¥10,908 | ¥4,746 | ¥(395) | ¥15,259 |
| As of March 31, 2010 | 10,561 | 6,717 | (510) | 16,768 |
| | | | | Thousands of U.S. dollars |
| Available-for-sale equity securities: | | | | |
| As of March 31, 2011 | $131,422 | $57,180 | $(4,759) | $183,843 |

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 ¥3 million ($36 thousand) and ¥83 million for the years ended March 31, 2011 and 2010, respectively.

## 7. NOTES AND ACCOUNTS PAYABLE

As of March 31, 2011 and 2010, notes and accounts payable consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Trade notes payable | ¥10,283 | ¥ 6,471 | $123,892 |
| Trade accounts payable | 8,095 | 6,447 | 97,530 |
| Other | 627 | 643 | 7,554 |
| | ¥19,005 | ¥13,561 | $228,976 |

## 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 0.76% and 0.91% per annum for the years ended March 31, 2011 and 2010, respectively.

As of March 31, 2011 and 2010, long-term debt consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Unsecured bonds through December 2015 at a rate of 0.658% per annum | ¥10,000 | ¥ — | $120,482 |
| Unsecured loans from banks and insurance companies due through July 2015 with interest at an average rate of 0.76% per annum at March 31, 2011 | 10,200 | 8,400 | 122,892 |
| Capitalized lease obligations | 172 | 214 | 2,072 |
| | 20,372 | 8,614 | 245,446 |
| Less current portion | (44) | (1,445) | (530) |
| | ¥20,328 | ¥7,169 | $244,916 |

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

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2012 | ¥ 44 | $ 530 |
| 2013 | 43 | 518 |
| 2014 | 5,140 | 61,928 |
| 2015 | 4,124 | 49,687 |
| 2016 | 11,018 | 132,747 |
| Thereafter | 3 | 36 |
| | ¥20,372 | $245,446 |

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 Noritake Group has defined benefit pension plans and lump-sum retirement benefit plans which substantially cover all employees. Ten domestic consolidated subsidiaries have joined the Company's defined benefit pension plans. A consolidated subsidiary located in the U.S. has a similar defined benefit plan. Three domestic consolidated subsidiaries also participate in a certain corporate pension plan under a multi-employer pension program (see note below).

The following table reconciles the benefit liability and net periodic retirement benefit expense as of and for the years ended March 31, 2011 and 2010:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Reconciliation of benefit liability: | | | |
| Projected benefit obligation | ¥19,137 | ¥18,980 | $230,566 |
| Less fair value of pension plan assets at end of year | (14,267) | (13,102) | (171,891) |
| Projected benefit obligation in excess of pension plan assets | 4,870 | 5,878 | 58,675 |
| Unrecognized actuarial differences | (4,268) | (5,591) | (51,422) |
| | 602 | 287 | 7,253 |
| Prepaid pension cost | 875 | 1,485 | 10,542 |
| Balance of employee retirement benefit liability recognized on the consolidated balance sheets | ¥ 1,477 | ¥ 1,772 | $ 17,795 |

Notes: 1. The projected benefit obligation of certain consolidated subsidiaries with less than 300 employees was calculated using the simplified calculation method permitted by the accounting standard for employee retirement benefits.

2. Some of the Company's domestic consolidated subsidiaries participate in a certain corporate pension plan under a multi-employer pension program established by the subsidiaries together with other employers. As information that would allow a determination of whether the value of the pension plan assets has been reasonably calculated in the proportion to the contributions made by the subsidiaries is not available, the Noritake Group records the required contributions as net periodic retirement benefit expense for the period, in accordance with the amended accounting standard for employee retirement benefits ASBJ Statement No. 14. The above table excluded the portion of the pension plan assets under the multi-employer pension program.

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Latest calculation period-end | March 31, 2010: | March 31, 2009: | |
| Pension plan assets | ¥108,492 | ¥ 93,998 | $1,307,132 |
| Related benefit obligation under program | (136,168) | (148,469) | (1,640,578) |
| Difference, resulting primarily from unamortized past service cost | ¥(27,676) | ¥ (54,471) | $(333,446) |
| Ratio of subsidiaries' contributions to total contributions to entire plan | 0.7% | 3.1% | |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Components of net periodic retirement benefit expense: | | | |
| Service cost | ¥1,081 | ¥1,345 | $13,024 |
| Interest cost | 367 | 317 | 4,422 |
| Expected return on pension plan assets | (183) | (135) | (2,205) |
| Amortization of actuarial differences | 949 | 1,106 | 11,434 |
| Amortization of past service cost | — | (45) | — |
| Net periodic retirement benefit expense | ¥2,214 | ¥2,588 | $26,675 |

Major assumptions used in the calculation of the above information for the years ended March 31, 2011 and 2010 were as follows:

| | 2011 | 2010 |
|---|---|---|
| Method attributing the projected benefits to periods of service | Straight-line method | Straight-line method |
| Discount rate | 2.0% | 2.0% |
| Expected rate of return on pension plan assets | 2.0% | 2.0% |
| Amortization of actuarial differences | 10 years | 10 years |
| Amortization of past service cost | — | 1 year |

## 10. LEASE COMMITMENTS

As lessee, the Noritake Group has entered into various rental and lease agreements, principally for office spaces, that are noncancelable or cancelable with a few months advance notice. A lessee, the Noritake Group also leases machinery, office equipment, and vehicles under leases which are not usually cancelable. As disclosed in Note 2(h), finance leases that do not transfer ownership of the leased assets to the lessee which commenced prior to April 1, 2008 and have been accounted for with the accounting treatment similar to that used for operating leases continue to be accounted for with the accounting treatment similar to that used for operating leases, with disclosure of certain "as if capitalized" information, and are not capitalized. The aggregate future minimum payments under such finance leases, including imputed interest, and operating leases as of March 31, 2011 and 2010 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Finance leases: | | | |
| Due within one year | ¥ 46 | ¥ 66 | $ 554 |
| Due after one year | 14 | 64 | 169 |
| | ¥ 60 | ¥130 | $ 723 |
| Operating leases: | | | |
| Due within one year | ¥ 70 | ¥ 94 | $ 843 |
| Due after one year | 91 | 139 | 1,097 |
| | ¥161 | ¥233 | $1,940 |

## 11. CONTINGENT LIABILITIES

There were no contingent liabilities at March 31, 2011 and 2010.

## 12. DERIVATIVE INSTRUMENTS

At March 31, 2011 and 2010, 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, 2011 and 2010. That derivative contract was not accounted for at fair value because the fair value of the contracts was not considered determinable. Derivative financial instruments to which hedge accounting was applied as of March 31, 2011 and 2010 are summarized as follows:

| | Notional principal or contract amounts | | |
|---|---|---|---|
| | Total | Over 1 year | Fair value |
| | | | Millions of yen |
| At March 31, 2011: | | | |
| Foreign currency exchange contracts (*1): | | | |
| Forward - Selling | ¥ 657 | ¥ — | * |
| Interest rate swap contracts (*2): | | | |
| Fixed rate receipt, floating rate payment | 3,000 | 3,000 | * |
| Floating rate receipt, fixed rate payment | 1,200 | 1,200 | * |

| | Notional principal or contract amounts (*3) | | |
|---|---|---|---|
| | Total | Over 1 year | Fair value |
| | | | Millions of yen |
| At March 31, 2010: | | | |
| Foreign currency exchange contracts (*1): | | | |
| Forward - Selling | ¥ 252 | ¥ — | * |
| Forward - Buying | 2 | — | * |
| Interest rate swap contracts (*2): | | | |
| Fixed rate receipt, floating rate payment | 3,000 | 3,000 | * |
| Floating rate receipt, fixed rate payment | 1,200 | 1,200 | * |

| | Notional principal or contract amounts (*3) | | |
|---|---|---|---|
| | Total | Over 1 year | Fair value |
| | | | Thousands of U.S. dollars |
| At March 31, 2011: | | | |
| Foreign currency exchange contracts (*1): | | | |
| Forward - Selling | $ 7,916 | $ — | * |
| Interest rate swap contracts (*2): | | | |
| Fixed rate receipt, floating rate payment | 36,145 | 36,145 | * |
| Floating rate receipt, fixed rate payment | 14,458 | 14,458 | * |

Note: (*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 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 contract 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 Japanese Corporate Law ("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, 2011 and 2010, 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 ($41,928 thousand).

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

During the year ended March 31, 2011, the Company paid interim dividends of ¥2.50 per share, amounting to ¥349 million ($4,205 thousand.) In addition, on May 12, 2011, the Board of Directors of the Company resolved to pay cash dividends as an appropriation of retained earnings in the amount of ¥349 million ($4,205 thousand, ¥2.50 per share) to the shareholders as of March 31, 2011. The appropriation was not accrued in the consolidated financial statements as of March 31, 2011.

## 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, 2011 and 2010 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Deferred tax assets: | | | |
| Intercompany unrealized gains on property | ¥ 142 | ¥ 200 | $ 1,711 |
| Accrued bonuses to employees | 513 | 398 | 6,181 |
| Employee retirement benefit liability | 4,458 | 4,242 | 53,711 |
| Accrued severance indemnities for directors and corporate auditors | 308 | 281 | 3,711 |
| Inventories | 492 | 590 | 5,928 |
| Net operating loss carryforwards | 5,555 | 5,419 | 66,927 |
| Other | 2,163 | 1,964 | 26,060 |
| Less valuation allowance | (8,937) | (8,238) | (107,675) |
| Total deferred tax assets | 4,694 | 4,856 | 56,554 |
| Deferred tax liabilities: | | | |
| Gain on transfer of investment securities to trusts for retirement benefit plans | 3,289 | 3,289 | 39,627 |
| Unrealized gains on available-for-sale securities | 1,394 | 2,147 | 16,795 |
| Other | 1,551 | 1,571 | 18,687 |
| Total deferred tax liabilities | 6,234 | 7,007 | 75,109 |
| Net deferred tax liabilities | ¥1,540 | ¥2,151 | & 18,555 |

As of March 31, 2011 and 2010, deferred tax assets and liabilities were recorded as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Deferred tax assets: | | | |
| Current | ¥ 445 | ¥ 433 | $ 5,361 |
| Noncurrent | 341 | 491 | 4,108 |
| Deferred tax liabilities: | | | |
| Current | — | — | — |
| Noncurrent | 2,326 | 3,075 | 28,024 |

In assessing the realizability of deferred tax assets, the 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, 2011 and 2010, 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 year ended March 31, 2011 was as follows:

| | Percentage of pretax income |
|---|---|
| Japanese statutory tax rate | 40.5% |
| Increase (decrease) due to: | |
| Permanently non-deductible expenses | 1.7 |
| Tax exempt income | (4.5) |
| Local minimum taxes per capita levy | 2.1 |
| Differences between Japanese and foreign tax rates | (2.5) |
| Changes in valuation allowances | (4.3) |
| Tax credit for research and development expenses | 1.3 |
| Other | (1.3) |
| Effective income tax rate | 33.0% |

For the year ended March 31, 2010, a reconciliation of the difference between the Japanese statutory tax rate and the effective income tax rate on pretax income was not disclosed because a loss before income taxes and minority interests was recorded.

## 15. SEGMENT INFORMATION

Effective April 1, 2010, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008), which requires disclosure based on an operating segment model as the segment reporting bases. Information about industry segments as of and for the year ended March 31, 2010 has been restated in conformity with the requirement of the new standard in the table below.

**(a) General information about reportable segments:**

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

**(c) Information about reported segments:**

Information about reported segment income, segment assets and other items for the years ended March 31, 2011 and 2010 is as follows:

| | Reported segments | | | | | | |
|---|---|---|---|---|---|---|---|
| | Industrial Products | Ceramics & Materials | Engineering | Tabletop | Total | Adjustments | Consolidated |
| | | | | | | | Millions of yen |
| For the year 2011: | | | | | | | |
| Net sales: | | | | | | | |
| External customers | ¥37,422 | ¥39,925 | ¥19,546 | ¥8,485 | ¥105,378 | ¥ — | ¥105,378 |
| Segment income (loss) | 1,326 | 3,914 | (182) | (732) | 4,326 | — | 4,326 |
| Segment assets | 28,992 | 35,943 | 10,594 | 7,739 | 83,268 | 32,858 | 116,126 |
| Other items: | | | | | | | |
| Intersegment sales and transfers | 43 | 231 | 521 | 275 | 1,070 | (1,070) | — |
| Depreciation | 1,558 | 1,391 | 330 | 398 | 3,677 | — | 3,677 |
| Investments in equity-method associates | 1,229 | — | — | 181 | 1,410 | — | 1,410 |
| Increases in tangible and intangible fixed assets | 1,446 | 1,009 | 140 | 280 | 2,875 | 597 | 3,472 |
| For the year 2010: | | | | | | | |
| Net sales: | | | | | | | |
| External customers | ¥29,028 | ¥34,661 | ¥14,521 | ¥9,386 | ¥ 87,596 | ¥ — | ¥ 87,596 |
| Segment income (loss) | (1,791) | 1,418 | (395) | (897) | (1,665) | — | (1,665) |
| Segment assets | 27,163 | 34,944 | 7,887 | 8,816 | 78,810 | 30,785 | 109,595 |
| Other items: | | | | | | | |
| Intersegment sales and transfers | 27 | 305 | 538 | 429 | 1,299 | (1,299) | — |
| Depreciation | 1,517 | 1,477 | 386 | 481 | 3,861 | — | 3,861 |
| Investments in equity-method associates | 1,248 | — | — | 97 | 1,345 | — | 1,345 |
| Increases in tangible and intangible fixed assets | 1,061 | 989 | 203 | 354 | 2,607 | 332 | 2,939 |

| | Reported segments | | | | | | |
|---|---|---|---|---|---|---|---|
| | Industrial Products | Ceramics & Materials | Engineering | Tabletop | Total | Adjustments | Consolidated |
| | | | | | | | Thousands of U.S. dollars |
| For the year 2011: | | | | | | | |
| Net sales: | | | | | | | |
| External customers | $450,867 | $481,024 | $235,494 | $102,229 | $1,269,614 | $ — | $1,269,614 |
| Segment income (loss) | 15,976 | 47,156 | (2,193) | (8,819) | 52,120 | — | 52,120 |
| Segment assets | 349,301 | 433,048 | 127,639 | 93,241 | 1,003,229 | 395,879 | 1,399,108 |
| Other items: | | | | | | | |
| Intersegment sales and transfers | 518 | 2,783 | 6,277 | 3,314 | 12,892 | (12,892) | — |
| Depreciation | 18,771 | 16,759 | 3,976 | 4,795 | 44,301 | — | 44,301 |
| Investments in equity-method associates | 14,807 | — | — | 2,181 | 16,988 | — | 16,988 |
| Increases in tangible and intangible fixed assets | 17,422 | 12,157 | 1,687 | 3,373 | 34,639 | 7,192 | 41,831 |

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 of tangible fixed assets 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 year ended March 31, 2011, net sales and tangible fixed assets about geographic areas were summarized as follows:

| | Japan | North America | Europe | Asia | Other | Total |
|---|---|---|---|---|---|---|
| | | | | | | Millions of yen |
| For the year 2011: | | | | | | |
| Net sales | ¥67,433 | ¥8,515 | ¥2,360 | ¥26,439 | ¥631 | ¥105,378 |
| At March 31, 2011: | | | | | | |
| Tangible fixed assets | ¥28,049 | ¥ 710 | ¥ 16 | ¥ 1,122 | ¥235 | ¥ 30,132 |

| | Japan | North America | Europe | Asia | Other | Total |
|---|---|---|---|---|---|---|
| | | | | | | Thousands of U.S. dollars |
| For the year 2011: | | | | | | |
| Net sales | $812,446 | $102,590 | $28,434 | $318,542 | $7,602 | $1,269,614 |
| At March 31, 2011: | | | | | | |
| Tangible fixed assets | $337,940 | $ 8,554 | $ 193 | $ 13,518 | $2,831 | $ 363,036 |

(3) Information about major customers:

The Noritake Group had no single external customer which accounted for more than 10% of net sales for the year ended March 31, 2011.

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

For the year ended March 31, 2011, impairment loss on fixed assets were summarized as follows:

| | Reported segments | | | | | | |
|---|---|---|---|---|---|---|---|
| | Industrial Products | Ceramics & Materials | Engineering | Tabletop | Total | Adjustments | Consolidated |
| | | | | | | | Millions of yen |
| For the year 2011: | | | | | | | |
| Impairment loss on fixed assets | ¥46 | ¥— | ¥— | ¥— | ¥46 | ¥46 | ¥92 |

| | Reported segments | | | | | | |
|---|---|---|---|---|---|---|---|
| | Industrial Products | Ceramics & Materials | Engineering | Tabletop | Total | Adjustments | Consolidated |
| | | | | | | | Thousands of U.S. dollars |
| For the year 2011: | | | | | | | |
| Impairment loss on fixed assets | $554 | $— | $— | $— | $554 | $554 | $1,108 |

Note: The “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, 2011, amortization of goodwill, the unamortized balance and gains arising from negative goodwill were summarized as follows:

| | Reported segments | | | | | | |
|---|---|---|---|---|---|---|---|
| | Industrial Products | Ceramics & Materials | Engineering | Tabletop | Total | Adjustments | Consolidated |
| | | | | | | | Millions of yen |
| As at or for the year 2011: | | | | | | | |
| Amortization of goodwill or negative goodwill | ¥— | ¥(11) | ¥ 6 | ¥— | ¥ (5) | ¥— | ¥ (5) |
| Unamortized balance | — | (21) | 6 | — | (15) | — | (15) |
| Gains arising from negative goodwill | ¥— | ¥ 59 | ¥— | ¥— | ¥59 | ¥— | ¥59 |

| | Reported segments | | | | | | |
|---|---|---|---|---|---|---|---|
| | Industrial Products | Ceramics & Materials | Engineering | Tabletop | Total | Adjustments | Consolidated |
| | | | | | | | Thousands of U.S. dollars |
| As at or for the year 2011: | | | | | | | |
| Amortization of goodwill or negative goodwill | $— | $(132) | $72 | $— | $ (60) | $— | $ (60) |
| Unamortized balance | — | (253) | 72 | — | (181) | — | (181) |
| Gains arising from negative goodwill | $— | $ 711 | $— | $— | $711 | $— | $711 |

Notes: 1. Negative goodwill incurred and recognized prior to April 1, 2010 is amortized over five years on a straight-line basis as permitted by the revised accounting standard for business combination (ASBJ Statement No. 21), and the unamortized balance is denoted in parenthesis.

2. For the year ended March 31, 2011, the Company recorded gains from negative goodwill arising from the Company's acquisition of additional equity securities of a certain consolidated subsidiary from the minority shareholder, in accordance with the revised accounting standard for business combination (ASBJ Statement No. 21).

Information summarized by geographic area for the year ended March 31, 2010, which conforms with standard applicable to that prior year, is as follows:

| | Japan | North America | Europe | Asia | Other | Total | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Millions of yen |
| For the year 2010: | | | | | | | | |
| Operating revenue—net sales: | | | | | | | | |
| External customers | ¥78,031 | ¥6,373 | ¥1,560 | ¥1,312 | ¥320 | ¥87,596 | ¥ — | ¥ 87,596 |
| Intersegment sales/transfers | 5,955 | 68 | 60 | 1,761 | 6 | 7,850 | (7,850) | — |
| | 83,986 | 6,441 | 1,620 | 3,073 | 326 | 95,446 | (7,850) | 87,596 |
| Operating costs and expenses | 85,681 | 6,604 | 1,555 | 2,962 | 323 | 97,125 | (7,864) | 89,261 |
| Operating income (loss) | ¥ (1,695) | ¥ (163) | ¥ 65 | ¥ 111 | ¥ 3 | ¥ (1,679) | ¥ 14 | ¥ (1,665) |
| Identifiable assets | ¥80,072 | ¥4,646 | ¥1,222 | ¥2,689 | ¥497 | ¥89,126 | ¥20,469 | ¥109,595 |

For the year ended March 31, 2010, information for overseas sales, including export sales from Japan and net sales of overseas consolidated subsidiaries, which conforms with the standard applicable to that prior year, is summarized as follows:

| | Millions of yen |
|---|---|
| For the year 2010: | |
| North America | ¥ 6,770 |
| Europe | 2,060 |
| Asia | 18,013 |
| Other | 467 |
| | ¥27,310 |
| Percentage of overseas sales to total consolidated net sales | 31.2% |

## 16. SUBSEQUENT EVENTS

**(a) Establishment of holding company through a joint share transfer**

On January 28, 2011, the Company, Kuraray Co., Ltd. ("Kuraray"), its consolidated subsidiary Kuraray Medical Inc. ("Kuraray Medical") and Noritake Dental Supply Co., Limited ("Noritake Dental Supply") signed a basic agreement regarding the integration of the dental materials businesses of Kuraray Medical and Noritake Dental Supply.

In accordance with this basic agreement, on April 13, 2011, the Company and Kuraray established a joint holding company, Kuraray Noritake Dental Holdings Co., Ltd. ("KNDH"), which owns the entire shares of Kuraray Medical and Noritake Dental Supply. As subsidiaries of KNDH, Kuraray Medical and Noritake Dental Supply will promote the business integration of the relevant subsidiaries. KNDH, Kuraray Medical and Noritake Dental Supply are planned to integrate on April 1, 2012.

**1. The outline of this integration is as follows:**

(1) Name of the integrated companies and description of the integrated business:
Kuraray Noritake Dental Holdings Co., Ltd.
Kuraray Medical Inc.
Noritake Dental Supply Co., Limited
Integrated business: development, production and sales of dental material and CAD/CAM devices

(2) Main reasons for the integration:
The growth potential of the domestic dental material business has decreased due to population decrease and medical cost control, therefore, activation of domestic market and development of overseas market are required for Kuraray Medical and Noritake Dental Supply.

Under the circumstance, the Company and Kuraray have decided on the integration of the businesses of Noritake Dental Supply and Kuraray Medical with the aim of generating a synergy effect from the establishment of a business alliance for development, production and sales in order to increase their market presence both in Japan and overseas.

(3) Establishment Date of KNDH:
April 13, 2011

(4) Legal form of business integration:
The Company and Kuraray established KNDH as an intermediate holding company through a joint share transfer. After the establishment, the Company owns 33.3% issued shares of KNDH and KNDH will be an associate of the Company and accounted for by the equity method.

**2. Summary of accounting method implemented is as follows:**

As "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on December 26, 2008) will be applied to this transaction, the Company will recognize goodwill and gain on changes in the Company's ownership interest for the year ending March 31, 2012.

(1) Amount of goodwill: ¥845 million ($10,181 thousand)

(2) Factors resulting in goodwill:
When a total net asset value of KNDH as of April 13, 2011 is lower than the cost of acquisition, the difference is recognized as goodwill.

(3) Method and period for amortization of goodwill:
The goodwill is to be amortized over 5 years using the straight-line method.

(4) Gain on changes in the Company's ownership interest: ¥989 million ($11,916 thousand)

**3. Related segments: Noritake Dental Supply belongs to Ceramics & Materials Group (segment) of the Company.**

**4. Operating performance of Noritake Dental Supply included in the accompanying consolidated statements of income for the year ended March 31, 2011:**

| | | |
|---|---|---|
| Net sales | ¥2,558 million | ($30,819 thousand) |
| Operating income | ¥ 204 million | ($2,458 thousand) |
| Net income | ¥ 143 million | ($1,723 thousand) |

**(b) Assignments of property**

On June 27, 2011, the Board of Directors of the Company resolved an assignment of the Company's property to a third party as follows:

(1) Property to be assigned:
Located in Atsugi City in Kanagawa Prefecture with a book value of ¥417 million ($5,024 thousand) as idle land

(2) Amount of the assignment:
¥3,239 million ($39,024 thousand)

(3) Planned gain resulting from this transaction, net of estimated disposal cost:
¥2,778 million ($33,470 thousand) – Estimated expenses of this transaction is deducted.

(4) Contract date and transaction completion date: June 30, 2011

KPMG

## Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of NORITAKE CO., LIMITED and its consolidated subsidiaries (the "Noritake Group") as of March 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, changes in net assets and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Noritake Group's management. Our responsibility is to independently 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Noritake Group as of March 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the followings:

(1) As described in Note 2(m) of the Notes to Consolidated Financial Statements, the Company and its domestic consolidated subsidiaries have adopted a new accounting standard for asset retirement obligations effective from the year ended March 31, 2011.
(2) As discussed in Note 16(a) of the Notes to Consolidated Financial Statements, on April 13, 2011, the Company and Kuraray Co., Ltd. established a joint investment holding company, Kuraray Noritake Dental Holdings Co., Ltd., which owns the entire shares of Noritake Dental Supply Co., Limited.
(3) As discussed in Note 16(b) of the Notes to Consolidated Financial Statements, the Board of Directors of the Company resolved an assignment of property on June 27, 2011.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, the translation has been made on the basis described in Note 1 of the Notes to Consolidated Financial Statements.

KPMG AZSA LLC

KPMG AZSA LLC
Nagoya, Japan
June 29, 2011

# OVERSEAS NETWORK
(As of June 29, 2011)

## INDUSTRIAL PRODUCTS GROUP

**NORITAKE CO., INC.**
4990 ALLIANCE DR.,
MASON, OH 45040, U.S.A.
Tel: 1-513-234-0770 Fax: 1-513-234-0743

**NORITAKE EUROPA GmbH**
KURHESSEN STRASSE 3, D-64546
MÖRFELDEN-WALLDORF, GERMANY
Tel: 49-61-05-2092-43 Fax: 49-61-05-2092-99

**NORITAKE SHANGHAI TRADING CO., LTD.**
ROOM 701 AETNA TOWER NO.107,
ZUN YI ROAD, CHANG NING DISTRICT,
SHANGHAI, 200051 CHINA
Tel: 86-21-6237-5667 Fax: 86-21-6237-5790

**NORITAKE (THAILAND) CO., LTD.**
1096 NEW ROAD, KWAENG BANGRAK,
KHET BANGRAK, BANGKOK 10500, THAILAND
Tel: 66-2-235-1688, 236-2364
Fax: 66-2-236-2365

**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 Fax: 66-3-865-0158

## TABLETOP GROUP

**NORITAKE CO., INC.**
15-22 FAIR LAWN AVENUE,
FAIR LAWN, NJ 07410, U.S.A.
Tel: 1-201-796-2222 Fax: 1-201-796-9155

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

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

**NORITAKE EUROPA GmbH**
KURHESSENSTRASSE. 3, D-64546
MÖRFELDEN-WALLDORF, GERMANY
Tel: 49-61-05-2092-20 Fax: 49-61-05-2092-99

**NORITAKE LANKA PORCELAIN (PRIVATE) LIMITED**
COLOMBO OFFICE/SHOWROOM
NO.580, NEGOMBO ROAD, MABOLE, WATTALA,
SRI LANKA
Tel: 94-11-2946149 Fax: 94-11-2946144

**NORITAKE CO., LIMITED**
SHANGHAI OFFICE
ROOM 701 AETNA TOWER NO. 107,
ZUN YI ROAD, CHANG NING DISTRICT,
SHANGHAI, 200051 CHINA
Tel: 86-21-6237-5789 Fax: 86-21-6237-5790

## CERAMICS & MATERIALS GROUP

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

**ITRON (U.K.) LIMITED**
VANTAGE HOUSE, HARFREY'S ROAD,
HARFREY'S INDUSTRIAL ESTATE,
GREAT YARMOUTH, NORFOLK, NR31 0LS,
UNITED KINGDOM
Tel: 44-1493-601144 Fax: 44-1493-600343

**NORITAKE EUROPA GmbH**
KURHESSEN STRASSE. 3, D-64546
MÖRFELDEN-WALLDORF, GERMANY
Tel: 49-6105-2092-20 Fax: 49-6105-2092-99

**NORITAKE (THAILAND) CO., LTD.**
1096 NEWROAD, KWAENG BANGRAK,
KHET BANGRAK, BANGKOK 10500,
THAILAND
Tel: 66-2-236-2364, Fax: 66-2-236-2365

**THE SIAM MOULDING PLASTER CO., LTD.**
NO. 32 MOO7 NONGPLAKRADI ROAD,
NONGPLING, NONGKHAE, SARABURI, 18140,
THAILAND
Tel: 66-36-373578 Fax: 66-36-373577

**PT. NORITAKE INDONESIA**
BLOK A-II NO. 9A, KAWASAN BERIKAT,
KOTA BUKIT INDAH, PURWAKARTA, 41181,
JAWA BARAT, INDONESIA
Tel: 62-264-351311 Fax: 62-264-351314

**NORITAKE CO., LIMITED**
SHANGHAI OFFICE
ROOM 701 AETNA TOWER NO. 107,
ZUN YI ROAD, CHANG NING DISTRICT,
SHANGHAI, 200051 CHINA
Tel: 86-21-6237-5789 Fax: 86-21-6237-5790

**NORITAKE CO., LIMITED**
TAIPEI OFFICE
7F-2, NO.46, SEC.2, CHUNG SHAN N. RD.,
TAIPEI,TAIWAN
Tel: 886-2-2531-9906 Fax: 886-2-2531-9906

## ENGINEERING GROUP

**NORITAKE TAIPEI CO., LTD.**
NO.37 ALLEY 105, LANE 514, ZHONGZHENG RD.,
XINZHUANG DIST., XINBEI CITY 242, TAIWAN,
R.O.C.
Tel: 886-2-2907-1221 Fax: 886-2-2905-1529

**NORITAKE CO., LIMITED**
SHANGHAI OFFICE
ROOM 701 AETNA TOWER NO. 107,
ZUN YI ROAD, CHANG NING DISTRICT,
SHANGHAI, 200051 CHINA
Tel: 86-21-6237-5789 Fax: 86-21-6237-5790

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

# DIRECTORS, STATUTORY AUDITORS AND EXECUTIVE OFFICERS
(As of June 29, 2011)

### CHAIRMAN
Noboru Akahane*

### PRESIDENT
Hitoshi Tanemura*

### VICE PRESIDENT
Tadashi Ogura

### DIRECTORS
Kouichi Saburi
Kazutaka Nakayama
Satoru Shimazaki
Masahiro Nakagawa
Hisaya Ogura
Yoshitaka Mabuchi
Hiroshi Kato

*Representative Director

### STATUTORY AUDITORS
Masatoshi Fujii
Yasuyuki Mitsukawa
Yasumasa Gomi
Mitsuo Kinoshita

### EXECUTIVE OFFICERS
Hitoshi Tanemura
Tadashi Ogura
Kouichi Saburi
Takashi Horiguchi
Kazutaka Nakayama
Satoru Shimazaki
Masahiro Nakagawa
Hisaya Ogura
Kouhei Kato
Kenji Hayasaka
Yoshitaka Mabuchi
Hiroshi Kato
Satoshi Aoki
Kenji Ito

# CORPORATE DATA
(As of June 29, 2011)

## HEAD OFFICE
3-1-36, Noritake-Shinmachi
Nishi-ku, Nagoya, Aichi
451-8501, Japan
Tel: +81-52-561-7112
Fax: +81-52-561-9721

## DATE OF ESTABLISHMENT
January 1904

## NUMBER OF EMPLOYEES
4,176 (Consolidated)

## STOCK EXCHANGE LISTINGS
Tokyo Stock Exchange
Nagoya Stock Exchange

## TRANSFER AGENT AND REGISTRAR
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 29, 2011)

| | |
|---|---|
| 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.<br>Established Nippon Toki Co., Ltd. |
| 1919 | Electric insulator division spun off to become NGK Insulators Ltd. |
| 1932 | Began production of first bone china in Japan |
| 1939 | Began full-scale production of industrial grinding wheels |
| 1943 | Tableware production stopped on account of World War II, changed to full production of grinding wheels (only bone china production continued to preserve technique) |
| 1945 | Production of tableware resumed |
| 1947 | Established Noritake Co., Inc. in the United States |
| 1956 | Began production of cutlery |
| 1958 | Established Noritake (Australia) Pty. Ltd. in Australia |
| 1960 | Began production of resinoid grinding wheels at the Kamori Plant |
| 1961 | Began production of crystal glassware<br>Began production of melamine ware |
| 1962 | Began production of grinding machines |
| 1963 | Began production of belt and fabric abrasives |
| 1968 | Established Noritake Canada Ltd. in Canada |
| 1969 | Began production of electronic products |
| 1970 | Established Noritake (U.K.) Ltd. in the United Kingdom<br>Began production of fine ceramic industrial products |
| 1971 | Began production of filtration equipment |
| 1972 | Established Noritake Lanka Porcelain (Pvt.) Ltd. in Sri Lanka |
| 1973 | Began production of diamond tools |
| 1974 | Established Noritake Porcelana Mfg., Inc. in the Philippines |
| 1979 | Began operation of the Craft Center<br>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 |
| 1991 | Established Noritake Hong Kong Ltd. |
| 1992 | Established Noritake Singapore Pte. Ltd. |
| 1993 | Opened the Noritake Gallery |
| 1995 | Established Pt. Noritake Indonesia |
| 1996 | Established Noritake (Siam) Co., Ltd. in Thailand |
| 1997 | Established Itron (U.K.) Ltd. in the United Kingdom |
| 1998 | Established Noritake Dental Supply Co., Limited. |
| 2001 | Established Noritake Gypsum Co., Ltd.<br>Opened the Noritake Garden |
| 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.<br>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 | Abosorbed Noritake Bonded Abrasive Co., Ltd. and Noritake Super Abrasive Co., Ltd. |

Noritake

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