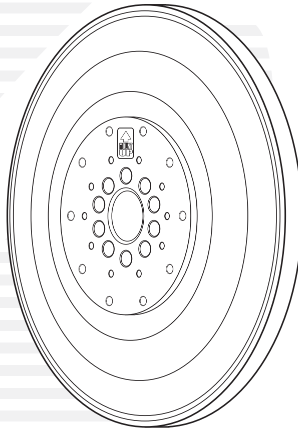
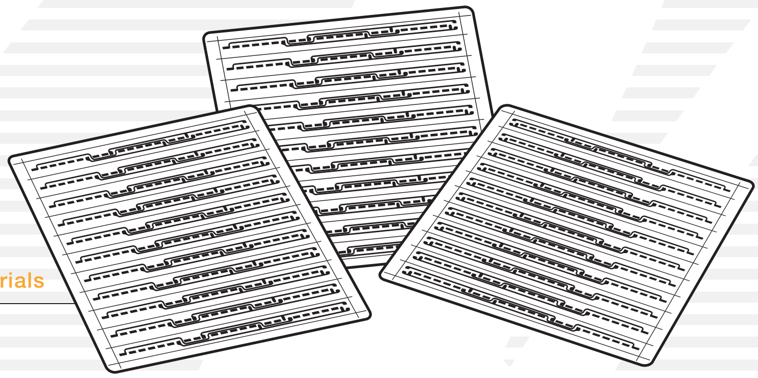
# NORITAKE CO., LIMITED

ANNUAL REPORT 2014

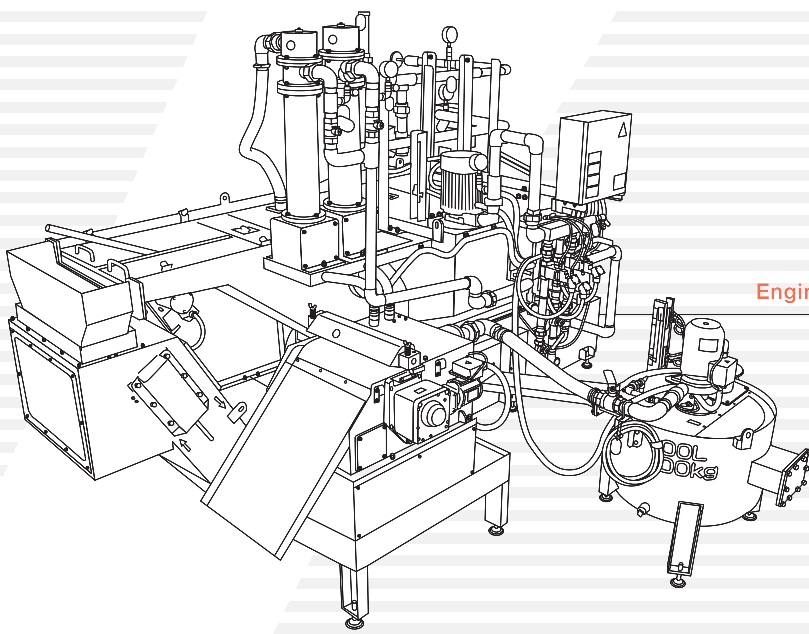
Year Ended March 31, 2014



Industrial Products



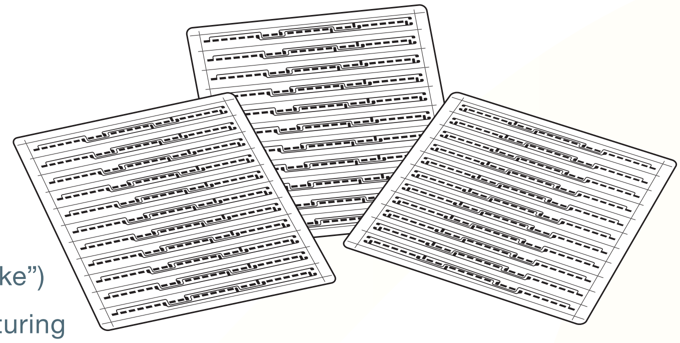
Ceramics & Materials



Engineering

Tabletop

## Profile



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

### New Mid-term Business Plan

With the government's recent economic policies, there were some positive signs in the Japanese economy. Nevertheless, the business environment is predicted to remain severe due to such concerns as slowing growth in China and other emerging countries, as well as uncertainty in Europe.

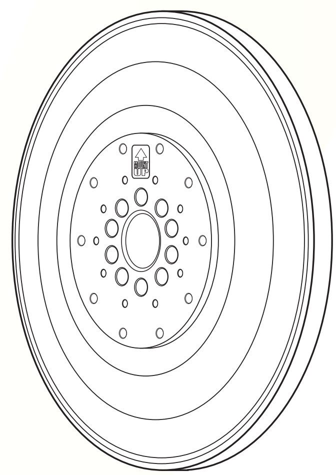
Amid these circumstances, the Group launched its 9th Mid-term Business Plan in April 2013. The Plan identifies major business challenges as being able to respond swiftly to market changes, and constructing a business and management structure capable of achieving stable growth amid increasingly intense global competition. We will make every effort to achieve full recovery and improve our business performance.

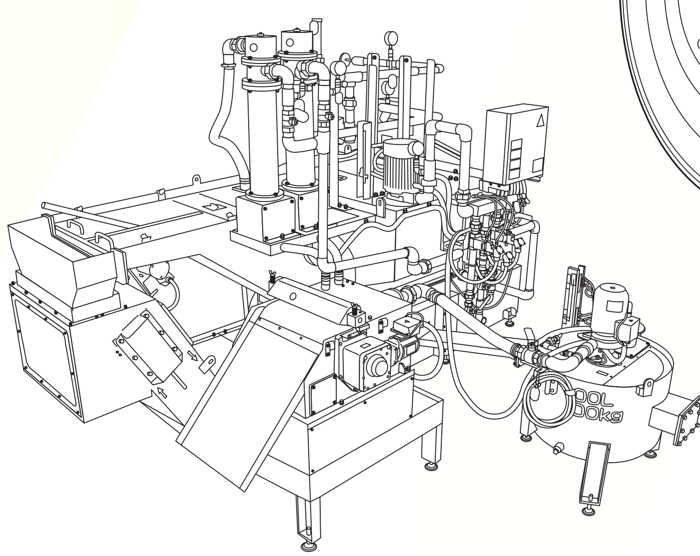
The basic strategies of the 9th Mid-term Business Plan are as follows:

**(1) Boosting sales by competitively pricing new technologies and products**

**(2) Penetrating overseas markets and upgrading overseas manufacturing bases**

**(3) Promoting an efficient management structure and upgrading infrastructure**





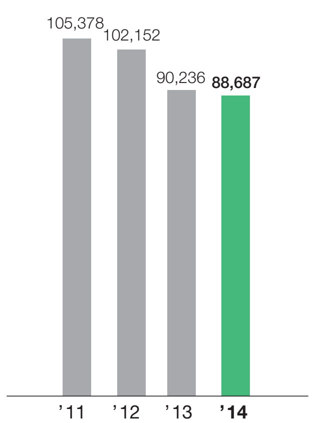
## Contents

## SIX-YEAR FINANCIAL SUMMARY

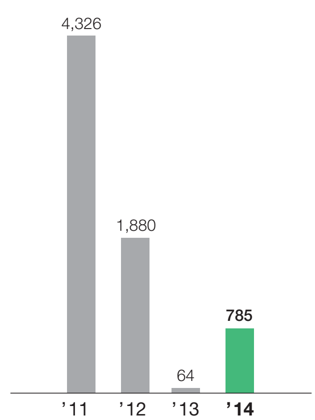
| | | | | | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | 2012 | 2011 | 2010 | 2009 | **2014** |
| **For the year:** | | | | | | | |
| Net sales | **¥ 88,687** | ¥ 90,236 | ¥102,152 | ¥105,378 | ¥ 87,596 | ¥112,984 | **$ 869,480** |
| Operating income (loss) | **785** | 64 | 1,880 | 4,326 | (1,665) | 808 | **7,696** |
| Income (loss) before income taxes and minority interests | **2,485** | 2,693 | 5,972 | 3,703 | (3,354) | (3,059) | **24,363** |
| Net income (loss) | **1,313** | 1,644 | 4,468 | 1,858 | (4,501) | (6,861) | **12,873** |
| Net income (loss) per share (yen/U.S. dollars) | **¥ 8.91** | ¥ 11.02 | ¥ 31.99 | ¥ 13.16 | ¥ (31.32) | ¥ (46.82) | **$ 0.09** |
| **At year-end:** | | | | | | | |
| Total assets | **¥118,774** | ¥114,419 | ¥117,735 | ¥116,126 | ¥109,595 | ¥113,077 | **$1,164,451** |
| Total net assets | **69,217** | 66,580 | 68,896 | 65,429 | 66,711 | 69,192 | **678,598** |
| Capital ratio (%) | **57.8** | 57.7 | 51.5 | 49.5 | 54.2 | 55.0 | **57.8** |

Note: The U.S. dollar amounts above have been translated at the rate of ¥102 to US$1.

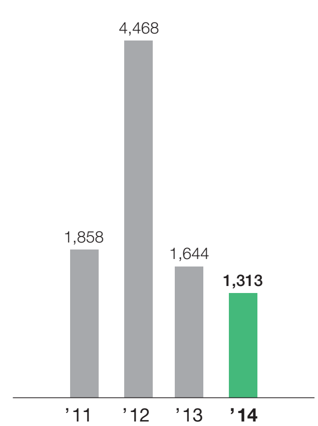
### Net Sales
(Millions of yen)



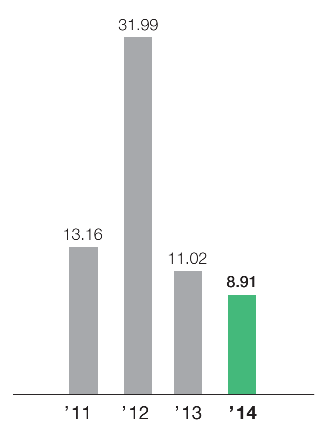

### Operating Income
(Millions of yen)




### Net Income
(Millions of yen)




### Net Income per Share
(Yen)



The management of Noritake Co., Limited wishes to express its gratitude to all stakeholders for their continued support. Thanks to your backing, we were able to celebrate the 110th anniversary since our founding in 1904. In addition, we would like to take this opportunity to comment on the Group's results for fiscal 2014, ended March 31, 2014.

**Hitoshi Tanemura**
*Chairman &*
*Representative Director*

**Tadashi Ogura**
*President &*
*Representative Director*

## Performance Overview for Fiscal 2014

In fiscal 2014, although the outlook grew brighter for the Japanese economy due in part to the government's economic policies, which succeeded in weakening the yen, most companies in the manufacturing industry have yet to feel the effects of recovery. In the United States, the economy gradually improved as consumer spending began to rise and housing and capital investments recovered. The economy in Europe, which had been stagnant due to the financial crisis, appeared to bottom out last autumn. In emerging markets, Chinese economic growth slowed and the prolonged political turmoil in Thailand cast a shadow on the country's economic prospects.

Amid this economic environment, the Company focused its efforts on developing new products, upgrading overseas manufacturing bases and penetrating overseas markets. As a result, while net sales for the first half of the fiscal year came in under the first half of the previous fiscal year, net sales in the second half began to recover with net sales for the full year ending down 1.7% year on year to ¥88,687 million.

Looking at earnings, operating income rose to ¥785 million and ordinary income amounted to ¥1,930 million on the back of increased profitability for exports amid the weak yen, though this was partially offset by expenditures for relocating the headquarters' plant and the increasing cost of energy and imported raw materials.

Our new three-year mid-term business plan kicked off with the start of the fiscal year. The plan's core strategies revolve around the following three key initiatives:

1. **Boosting sales by competitively pricing new technologies and products**
2. **Penetrating overseas markets and upgrading overseas manufacturing bases**
3. **Promoting an efficient management structure and upgrading infrastructure**

During fiscal 2014, we did our utmost to advance these goals and would now like to share some of the progress with you.

In regards to the development of new products and the expansion of sales, both electronic pastes for solar cells and wire saws for cutting silicon won praise from customers, but this has yet to translate into significant contributions to sales. In addition, kilns and dry furnaces used to make lithium-ion batteries were initially affected as customers made efforts to rein in capital investment, but signs of recovery emerged in the second half, eventually leading to a flurry of orders.

In regards to penetrating overseas markets and upgrading overseas manufacturing bases, we completed a grinding wheel factory in China last October. The factory has commenced operations and for some products we have already halted imports from Japan and switched to locally manufactured products. Moreover, a cubic boron nitride (CBN) grinding wheel production line was added to the diamond electroplated tool plant in Thailand as we continue our efforts to further penetrate overseas markets. In addition, the gypsum plant in Thailand has begun shipments of new products for construction materials and the operating capacity of its production facilities that were expanded year before last has been steadily increasing.

The relocation of the headquarters' plant to the Miyoshi Site with the aim of constructing an efficient production system was completed on March 31, 2014. The main departments of the Ceramics & Materials Group, the Research and Development Center, and the main grinding wheel plants of the Industrial Products Group have all been integrated at the Miyoshi Site. As for how we plan to use the former site of the headquarters' plant, we have selected a developer with the aim of incorporating the area into the Noritake Garden to make it grander and livelier. Preliminary operations for the plan are currently underway.

In addition, Noritake reinforced its business management structure, improving efficiency, while pursuing stronger manufacturing; labor, health and safety; compliance; and environmental management across the entire Group.

### Basic Policy Regarding Earnings Distribution

Noritake has positioned returning profit to shareholders as a key management policy. Based on this policy, we place emphasis on stable dividend payments over the long term and the distribution of earnings by comprehensively taking into consideration factors that include performance results, financial conditions and future business development. In addition, we make effective use of retained earnings for investment aimed at creating new technologies and products that can become a foundation for the Noritake Group's future strength, as well as for capital investment for sustainable business development in growth fields. With regard to dividend payments, Noritake distributed ¥3.0 per share as the fiscal year-end dividend. Combined with the interim dividend, this brought the full-year dividend to ¥6.0 per share.

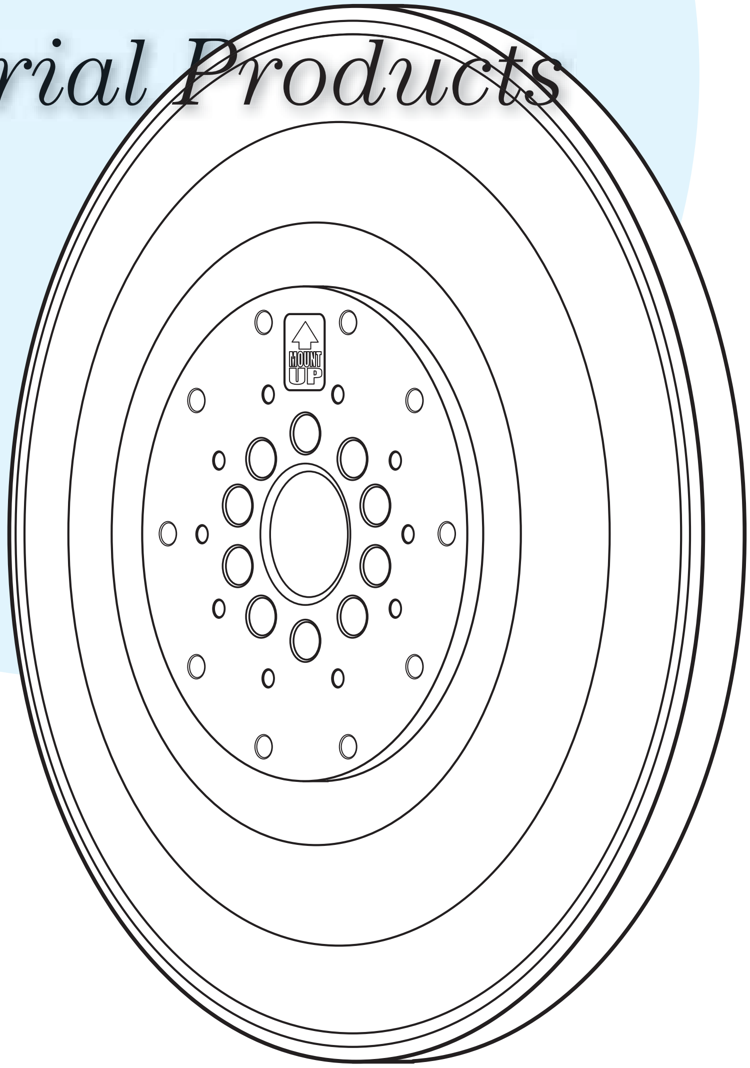
Through the concerted and unified efforts of all officers and employees of the Noritake Group to steadily implement the mid-term business plan's core strategies, Noritake aims to establish a growth trajectory responsive to changing times.

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

Hitoshi Tanemura
Chairman & Representative Director

Tadashi Ogura
President & Representative Director

# *Industrial Products*

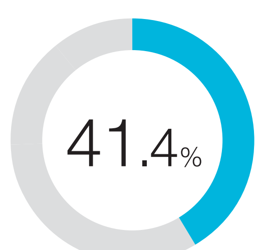



“MEGA-LIFE WHEEL”

## Business Status

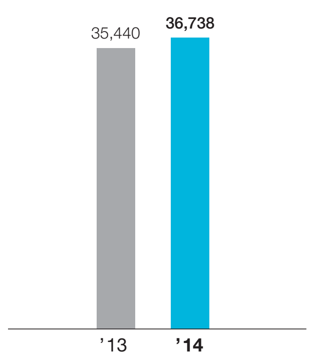
In Japan, although production began to recover in the latter half of the fiscal year for the automobile-related, steel-making, and bearing industries, domestic sales increased only slightly as the electronics and semiconductor industries remained weak. Overseas, sales rose thanks to favorable exchange rates; the firm North American market, especially the automobile industry; and expanded automobile and steel production in China, while sales remained the same level as the previous year in Southeast Asia due to stagnation in the hard-disk market. As a result, consolidated net sales of the Industrial Products Group grew 3.7% year on year to ¥36,738 million.

Breakdown of Sales




Sales

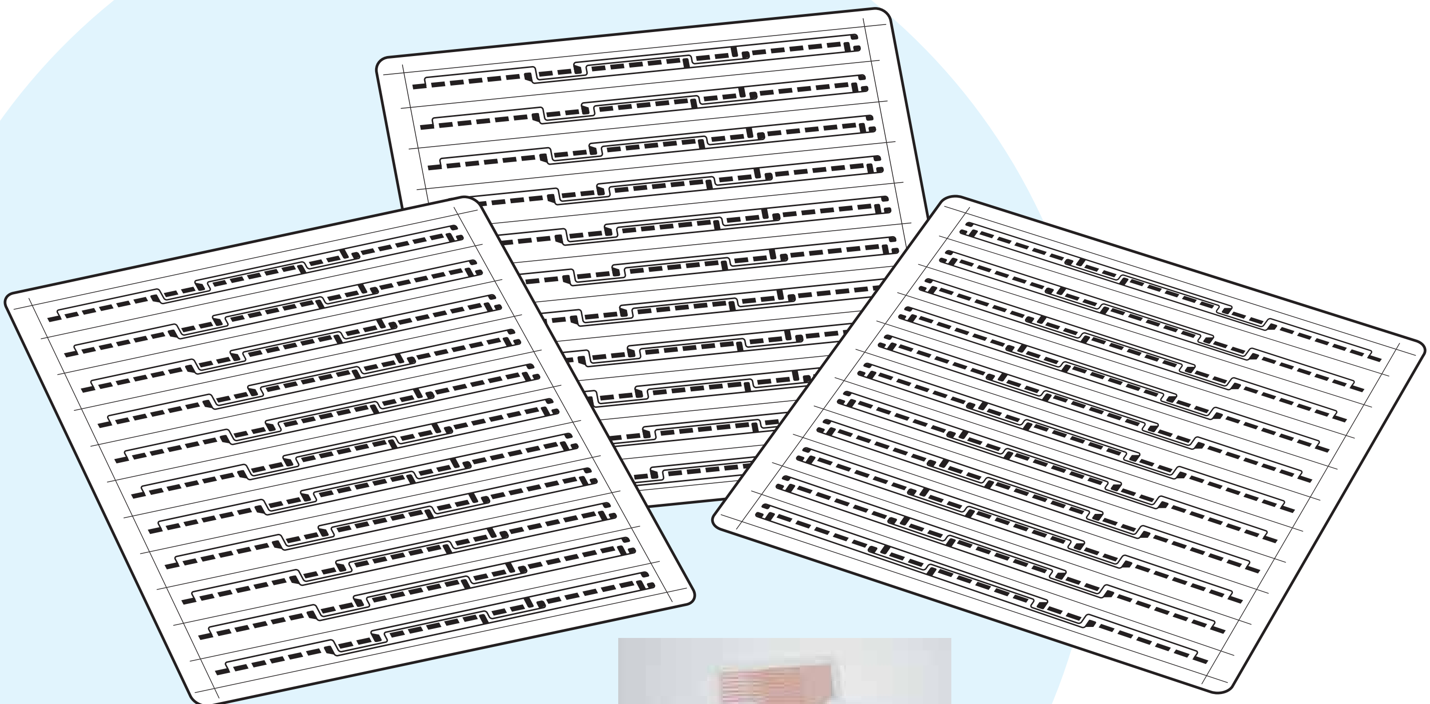
(Millions of yen)

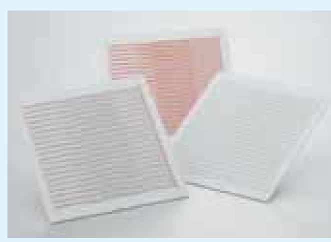



## Business Strategy

We are working to strengthen development of tools related to LEDs, solar cells and other green technologies expected to experience growth. We are also developing high performance tools, including grinding wheels for gears and turbine blades, mainly for automobiles and aircrafts. And with the relocation of the headquarters’ plant to the Miyoshi Site, we aim to increase our market share and raise our competitiveness in regards to quality, cost and delivery times. Overseas, we will continue to set up a local production system comprising the Thai plant, Chinese grinding wheels plant and U.S. cubic boron nitride (CBN) grinding wheels plant. We will also use these plants as bases from which to expand sales and penetrate overseas markets.

# *Ceramics & Materials*



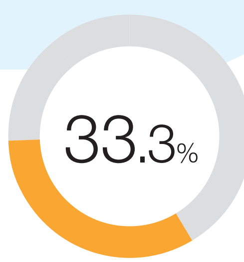


Thick film circuit substrates used for LEDs

## Business Status

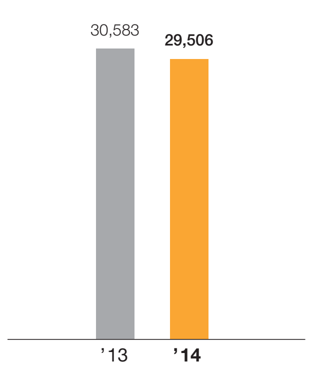
Sales of electronic pastes fell sharply due to decreased shipments for use in solar cells, lower silver prices, and persistently weak orders for nickel pastes used in ceramic capacitors. In ceramic products, sales of gypsum grew and sales of ceramic cores remained firm, but ceramic catalyst carrier orders fell in North America. Sales of thick film circuit substrates for automobiles declined as customers made inventory adjustments. Orders of vacuum florescent displays (VFDs) were good and sales expanded. KCM Corporation's sales increased slightly. As a result, consolidated net sales of the Ceramics & Materials Group fell 3.5% year on year to ¥29,506 million.

**Breakdown of Sales**




**Sales**

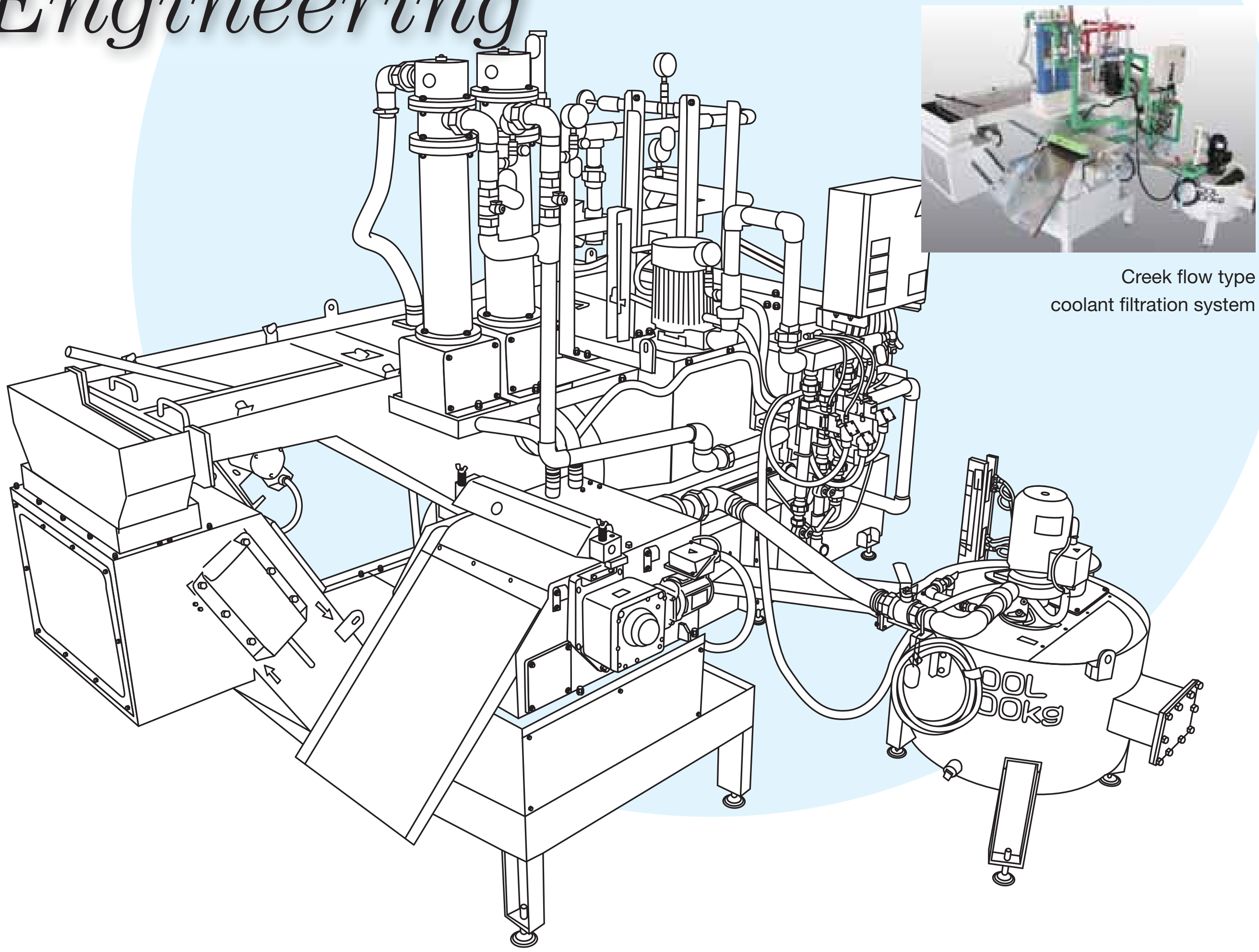
(Millions of yen)




## Business Strategy

In regards to electronic pastes, we are striving to expand sales worldwide of newly developed differentiated products for use in solar cells and ceramic capacitors. As for ceramic products, we aim to improve profitability by shifting production of thick film circuit substrates from Japan to the Indonesian plant and expanding sales of gypsum used in construction. In addition, we are making efforts to improve the performance of ceramic catalyst carriers with the aim of recovering sales. Turning to vacuum florescent displays (VFDs), we will promote the development of new products, including module products and touch switches, and work to expand their sales. KCM Corporation is focusing its efforts on expanding sales of inexpensive general-use products and products with high crystallinity for use in ceramic capacitors, as well as developing products aimed at new applications, including those for fuel cells and piezoelectric elements.

# Engineering

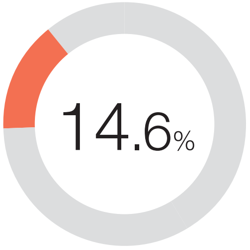


Creek flow type
coolant filtration system

## Business Status

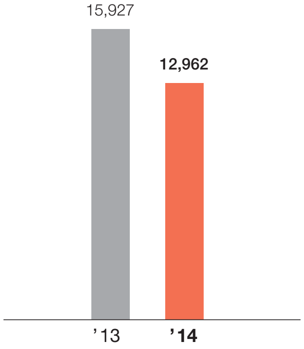
Despite strong sales for use in manufacturing smart-phone electronic components and films, sales of mainstay dry-furnaces and kilns declined significantly as sluggish demand from lithium-ion batteries dragged on from the previous fiscal year. Sales of filtration and mixing equipment decreased due in part to the reining in of capital investment by customers in the bearing, chemical and other industries. Orders of carbide tipped circular sawing machines grew in the second half of the year thanks to strengthened marketing activities overseas, including in Southeast Asia and the United States. As a result, consolidated net sales of the Engineering Group declined 18.6% year on year to ¥12,962 million.

**Breakdown of Sales**




**Sales**

(Millions of yen)




## Business Strategy

In dry-furnaces and kilns, we aim to expand sales for those used in making electronic components and lithium-ion batteries, two areas where demand is expected to recover, and develop products aimed at new applications in automobile-related fields. For filtration and mixing equipment as well as carbide tipped circular sawing machines, we aim to improve performance and functionality and expand sales by opening new sales channels in Asia, North America and other markets overseas.

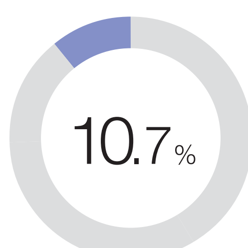
# *Tabletop*

LADY MUG "Daisie"

## Business Status

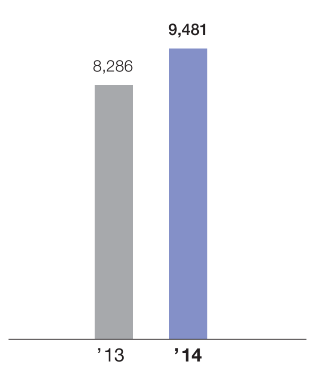
In Japan, sales increased supported by favorable sales to hotels, restaurants and airlines, though harsh conditions continued at department stores. Demand from international visitors to Japan grew at our directly operated stores, especially at "Noritake Ginza", and the surge in demand before the consumption tax hike at the end of the fiscal year helped push sales higher. Sales overseas rose thanks to firm sales in the United States, expanding sales to airlines in Asia and the launch of "cher blanc" in Europe, in addition to favorable exchange rates. As a result, consolidated net sales in the Tabletop Group rose 14.4% year on year to ¥9,481 million.

Breakdown of Sales




Sales

(Millions of yen)




## Business Strategy

In Japan, we will bolster sales though catalogs and the Internet, in addition to our conventional marketing at department stores. We will also expand sales by developing new sales channels for special products for corporate use. In addition, we will hold various sales events at specially set up venues, especially department stores, with the aim of expanding sales of premium products. Overseas, we aim to launch new products in existing markets and expand our market share. We also aim to expand sales by strengthening our marketing structure for the affluent of China, India and other Asian countries.

## 1. State-of-the-Art Miyoshi Plant Commences Full-Scale Operations

The relocation of the headquarters' grinding wheels plant to the Miyoshi Site began in 2012 and proceeded in stages, finishing in March 2014. It has since commenced full-scale operations under its new name—the Miyoshi Plant. Going forward, vitrified-bonded grinding wheels and super-abrasive grinding wheels will be produced at the Miyoshi Plant.

The plant greatly improved production efficiency by installing new types of facilities, resulting in streamlined production lines for each product. This has cut production lead times and enabled us to more quickly meet customer demands. In addition, the Miyoshi Plant acts as the mother plant to the Industrial Products Group's manufacturing bases around the world.

The Miyoshi Plant

## 2. Grinding Wheels Plant Comes on Line in Suzhou, China

After completing construction of a grinding wheels plant in the city of Suzhou in Jiangsu Province, China on October 30, 2013, we held a ceremony to commemorate the occasion.

Steel production capacity in China has taken off in recent years and now accounts for just under 50% of the world total. With this rapid increase, demand for grinding wheels is also expanding from steelmakers. We currently produce heavy-duty grinding wheels in China for local steelmakers. This local production has increased our price competitiveness.

Going forward, we aim to steadily expand our product lineup, beginning with other grinding wheels for the steel-making industry. We seek to expand sales in China and other Asian countries.

The grinding wheels plant in Suzhou, China

## 3. World Class Sealing Glass Developed for Fuel Cells

Noritake developed sealing glass with world class hermeticity for use in solid oxide fuel cells (SOFCs). SOFCs generate electricity through the reaction of air and hydrogen, city gas or similar substances categorized as reducing gas, and are becoming more common in households.

Noritake developed this sealing glass by applying the glazing techniques honed through making tableware with techniques for artificial dental materials. Noritake's sealing glass is able to minimize fuel crossover loss in oxidizing the fuel, which is required to generate electricity. Its high hermeticity prevents deterioration of the fuel cell even when repeatedly powered on and off.

The need for this sealing glass technology is expected to increase in the fields of energy and automobiles. We will grow this business in response to the demands from these industries.

Sealing Glass

## 4. Popular "cher blanc" Collection Expands with New Items

We added a 36 cm oval platter and 22 cm bowl to the "cher blanc" collection. These new items are perfect as serving platters or salad bowls for parties at home, brunches with the family or any other gathering.

"cher blanc" is the tableware that can be used every day or for entertaining important guests. It is also microwave- and dishwasher-safe. It uses thin, light new materials and has become quite popular since its launch in 2012. Going forward, we will continue to fill out this lineup so that it is complete for any occasion.

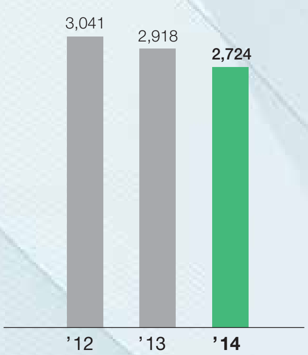
"cher blanc"

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 Strategic Development Projects 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 ¥2,724 million in the fiscal year under review.

R&D Expenditure

(Millions of yen)




### R&D for New Products and Technologies

Noritake focuses on developing new products 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 ¥655 million.

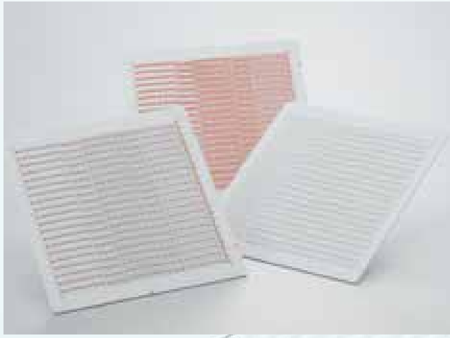
## Industrial Products

"MEGA-LIFE WHEEL"

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), and also in the medical field, we are promoting the development of higher performance, lower-cost products with the aim of addressing market changes.

The R&D expenditures in the Industrial Products segment totaled ¥702 million in the fiscal year under review.

## Ceramics & Materials



Thick film circuit substrates
used for LEDs

In the Electronic Materials Division, the Ceramics & Materials segment focuses on the development and commercialization of electrode paste for solar cells that feature high-generation efficiency. In addition, we are developing insulating and electrode pastes for ceramic substrates used in LEDs as well as electrode pastes for electronic components installed in smartphones and tablet PCs.

In the Ceramics Division, we promoted the ongoing development of high performance ceramic catalyst carriers for chemical plants and thick-film, multi-layer substrates for automobiles and LEDs. We also developed "°C Monarc", a ceramic core used in precision casting that features superior heat resistance.

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

Moreover, Noritake Itron Corporation—a leading manufacturer of VFD tubes and VFD module products—is currently developing VFD message displays, mainly used in stores, information and reception displays in public places, and disaster-related wireless systems.

The R&D expenditures in this segment were ¥1,293 million.

## Engineering

Creek flow type
coolant filtration system

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

The R&D expenditures in this segment amounted to ¥21 million.

## Tabletop

LADY MUG " Daisie"

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

The R&D expenditures in this segment totaled ¥52 million in fiscal 2014.

## (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 Company Law are addressed as matters for resolution by the Board of Directors, unless otherwise stipulated by law, with the aim of being able to flexibly return profits to shareholders.

With regard to important management matters, Noritake has established a structure to 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 Company 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 Company Law, must be ratified by a two-thirds majority vote of shareholders in attendance whose total voting rights account for one-third or more of all exercisable voting rights.

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

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

**(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 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, The Board of Auditors, in addition to confirming that Noritake's accounting auditors maintain their independence and implement the appropriate audits, receives status reports from the accounting auditors on the execution of duties and requests explanations when the need arises.

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

As established by contractual ties, Noritake's independent auditor is KPMG AZSA LLC, which assigns managing partners to Noritake to implement audits from an independent perspective. In the fiscal year under review, the managing partners assigned to Noritake by KPMG AZSA LLC were as follows:

• Specified employees and managing partners
  CPA Yasushi Yokoi
  CPA Chika Matsumoto
  CPA Satoshi Zengame
• Assistants
  15 CPAs and 13 others

## (3) OUTSIDE DIRECTORS AND AUDITORS

Noritake has one outside director and two outside auditors.

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

The outside director has a wealth of experience and broad insight regarding business management and was hired to provide thorough counsel on matters spanning the entire business to the Board of Directors in an effort to strengthen oversight and increase transparency in the decision-making process.

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

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

Together with the two full-time corporate auditors, the outside auditors are mandated to audit the Board of Directors 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. In addition, working closely with the Audit Office, the outside auditors contribute to efficient internal audits.

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

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

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

## (4) COMPENSATION TO DIRECTORS AND 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 (excl. outside director) | 308 | 240 | — | — | 68 | 10 |
| Auditor (excl. outside auditors) | 40 | 32 | — | — | 8 | 3 |
| Outside director and auditor | 24 | 21 | — | — | 2 | 3 |

**(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 (Millions of yen) | Compensation Based on Non-Auditing Services (Millions of yen) | Compensation Based on Audit Certification Services (Millions of yen) | Compensation Based on Non-Auditing Services (Millions of yen) |
| Parent company | 56 | — | 59 | — |
| Consolidated subsidiary | 17 | — | 8 | — |
| Total | 73 | — | 67 | — |

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

Noritake Co., Inc., a Noritake subsidiary, paid compensation based on audit certification services of ¥7 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 ¥6 million.

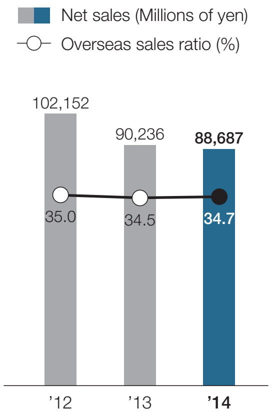
**(iii) Details of non-auditing services provided to the Company by the independent auditor**

In the year ended March 31, 2014, there were no relevant items.

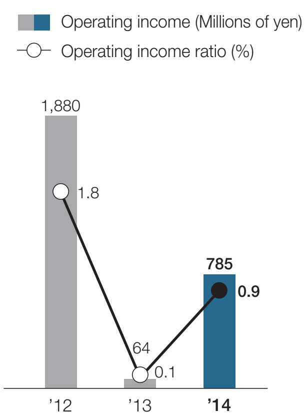
**(iv) Policy for determining compensation to independent auditors**

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

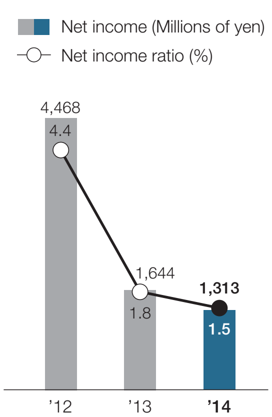
### Net Sales & Overseas Sales Ratio




### Operating Income & Operating Income Ratio




### Net Income & Net Income Ratio




## SCOPE OF CONSOLIDATION

Composed of 23 subsidiaries and 9 associates, the Noritake Group is engaged in the manufacture and sale of products in four business segments—Industrial Products, Ceramics & Materials, Engineering, and Tabletop—as well as the provision of services related to these segments.

## INDUSTRIAL PRODUCTS SEGMENT

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

In addition to the Company's sales activities in Japan and overseas, the Industrial Products Segment's domestic sales are 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, Noritake's associate Nippon Resibon Corporation engages in the manufacture and sale of grinding wheels.

## CERAMICS & MATERIALS SEGMENT

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

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

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

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

## ENGINEERING SEGMENT

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

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

## TABLETOP SEGMENT

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

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

Service operations in other areas are handled by Noritake Garden Co., Limited, one associate, and one subsidiary currently in the process of liquidation.

## PERFORMANCE ANALYSIS

Consolidated net sales declined ¥1,549 million, or 1.7%, year on year to ¥88,687 million.

Operating income increased ¥721 million from the previous fiscal year to ¥785 million mostly due to the depreciation of the yen.

In other income, gain on sales of investment securities amounted to ¥751 million. In other expenses, loss on sales or disposals of property and equipment came to ¥98 million.

As a result of the aforementioned, income before income taxes and minority interests for the fiscal year under review fell ¥208 million, or 7.7%, compared with the previous fiscal year to ¥2,485 million. After accounting for income taxes and minority interests, net income dropped ¥331 million, or 20.1%, to ¥1,313 million.

Additionally, net income per share fell to ¥8.91 and the return on equity dropped to 2.0%.

## FINANCIAL POSITION ANALYSIS

Total assets stood at ¥118,774 million, up 3.8%, or ¥4,355 million, from the previous fiscal year-end. Current assets totaled ¥50,507 million, down ¥2,597 million, while non-current assets amounted to ¥68,267 million, up ¥6,952 million. Major factors contributing to the growth of total assets included an increase in property, plant and equipment; the increased value of investment securities due to rising market prices; and increased capital investment, including the relocation of the headquarters' plant, which exceeded the decline in notes and accounts receivable.

Total liabilities as of March 31, 2014 stood at ¥49,557 million, an increase of 3.6% year on year, or ¥1,718 million. This change was primarily attributable to an increase in short-term borrowings despite a decrease in notes and accounts payable.

Total net assets at March 31, 2014 amounted to ¥69,217 million, up 4.0% year on year, or ¥2,637 million. Major factors include unrealized gains on available-for-sale securities despite a decrease in the purchase of treasury stock. As a result, shareholders' equity per share totaled ¥477.64, up ¥36.59 compared with the previous consolidated fiscal year-end. The capital ratio improved to 57.8% from 57.7% at the previous fiscal year-end.

## CASH FLOW ANALYSIS

As of March 31, 2014, cash and cash equivalents stood at ¥8,671 million, a year on year decrease of ¥107 million. Free cash flows rose to ¥267 million for the year.

Net cash provided by operating activities increased ¥643 million year on year to ¥4,878 million. The decrease in trade receivables narrowed from ¥3,897 million in the previous fiscal year to ¥2,246 million in fiscal 2014. Despite this, operating cash flow improved as the ¥4,052 million accounting gain on bargain purchase recorded in the previous fiscal year was not cash generating.

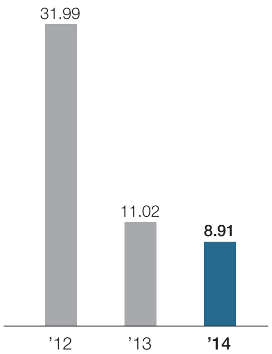
Net cash used in investing activities decreased ¥2,648 million year on year to ¥4,611 million. Moderating factors included the decrease in short-term investments of ¥984 million in fiscal 2014, and the absence of purchase of investment in subsidiaries, which totaled ¥947 million in the fiscal year ended March 31, 2013.

Net cash used in financing activities decreased ¥1,065 million year on year to ¥1,313 million. Despite an increase of ¥5,100 million in repayments of long-term debt, financing cash flow improved as the increase in long-term debt expanded by ¥2,519 million more than the fiscal 2013 increase and there was a net increase of ¥3,719 million in short-term borrowings, a sharp reversal from a net decrease of ¥52 million in the previous fiscal year.

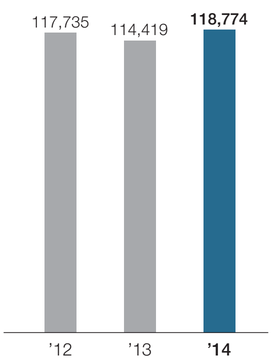
## FINANCIAL POLICIES

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

**Net Income per Share**
(Yen)

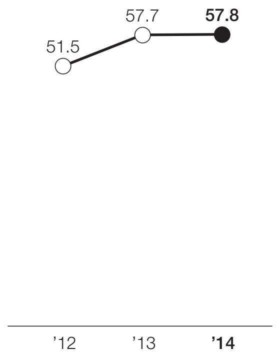



**Total Assets**
(Millions of yen)

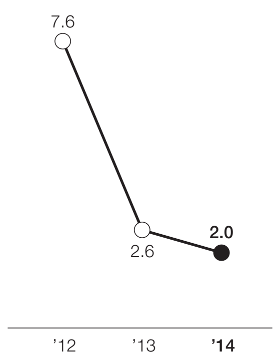



**Total Shareholders' Equity**
(Millions of yen)

**Capital Ratio**
(%)




**Return on Equity**
(%)




As of March 31, 2014, the balance of short-term borrowings totaled ¥5,318 million, most of which is denominated in yen, with the remainder in three 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, 2014, the balance of unsecured long-term loans amounted to ¥8,024 million, most of which is denominated in yen, with the remainder in one other currency. Unsecured bonds payable stood at ¥10,000 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 Ceramics & Materials Group and the Tabletop Group are high in comparison to Noritake’s other business segments. Accordingly, unfavorable trends in currency exchange rates—more specifically, the yen’s rapid appreciation—may negatively impact the performance of these business segments, and, consequently, the entire Company’s performance and financial position.

### 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 any of the Noritake’s main products becomes obsolete, or Noritake fails to launch new products in a timely manner, its business performance and financial position may be negatively affected.

Risks and factors that could have adverse effects on the Noritake Group’s business performance and financial position are not limited to those described above. The analysis of risks is based on information available to the Company’s management as of March 31, 2014.

# CONSOLIDATED BALANCE SHEETS

NORITAKE CO., LIMITED and Consolidated Subsidiaries
March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| **Assets:** | | | |
| Current assets: | | | |
| Cash and cash equivalents (Note 3) | ¥ 8,671 | ¥ 8,778 | $ 85,010 |
| Short-term investments (Notes 3 and 6) | 1,620 | 2,322 | 15,882 |
| Notes and accounts receivable, net of allowance for doubtful accounts (Notes 3 and 4) | 25,705 | 27,113 | 252,010 |
| Inventories (Note 5) | 12,834 | 13,340 | 125,824 |
| Deferred tax assets (Note 14) | 391 | 342 | 3,833 |
| Other current assets | 1,286 | 1,209 | 12,608 |
| Total current assets | 50,507 | 53,104 | 495,167 |
| Investments and other assets: | | | |
| Investment securities (Notes 3 and 6) | 24,488 | 18,636 | 240,078 |
| Investments in unconsolidated subsidiaries and associates (Note 3) | 5,282 | 6,328 | 51,784 |
| Deferred tax assets (Note 14) | 133 | 78 | 1,304 |
| Other | 1,093 | 2,332 | 10,716 |
| Total investments and other assets | 30,996 | 27,374 | 303,882 |
| Property, plant and equipment: | | | |
| Land | 11,029 | 10,971 | 108,127 |
| Buildings and structures | 37,077 | 34,607 | 363,500 |
| Machinery and equipment | 45,720 | 43,154 | 448,236 |
| Construction in progress | 523 | 1,999 | 5,127 |
| Total property, plant and equipment | 94,349 | 90,731 | 924,990 |
| Less accumulated depreciation | (57,078) | (56,790) | (559,588) |
| Net property, plant and equipment | 37,271 | 33,941 | 365,402 |
| Total assets | ¥118,774 | ¥114,419 | $1,164,451 |
| **Liabilities:** | | | |
| Current liabilities: | | | |
| Short-term borrowings (Notes 3 and 8) | ¥ 5,318 | ¥ 1,588 | $ 52,138 |
| Current portion of long-term debt (Notes 3 and 8) | 4,246 | 5,142 | 41,627 |
| Notes and accounts payable (Notes 3 and 7) | 13,413 | 15,604 | 131,500 |
| Accrued expenses (Note 3) | 3,866 | 3,854 | 37,902 |
| Income taxes payable (Note 3) | 612 | 444 | 6,000 |
| Other current liabilities | 837 | 860 | 8,206 |
| Total current liabilities | 28,292 | 27,492 | 277,373 |
| Long-term liabilities: | | | |
| Long-term debt (Notes 3 and 8) | 13,869 | 15,361 | 135,971 |
| Employee retirement benefit liability (Note 9) | — | 1,030 | — |
| Net defined benefit liability (Note 9) | 1,879 | — | 18,422 |
| Accrued severance indemnities for directors and corporate auditors | 847 | 805 | 8,303 |
| Deferred tax liabilities (Note 14) | 4,483 | 2,956 | 43,951 |
| Other noncurrent liabilities | 187 | 195 | 1,833 |
| Total long-term liabilities | 21,265 | 20,347 | 208,480 |
| Total liabilities | 49,557 | 47,839 | 485,853 |
| **Net assets (Note 13):** | | | |
| Shareholders' equity: | | | |
| Common stock: 397,500,000 shares authorized and 158,428,497 shares issued | 15,632 | 15,632 | 153,255 |
| Capital surplus | 18,833 | 18,833 | 184,637 |
| Retained earnings | 34,310 | 34,211 | 336,373 |
| Less treasury stock, at cost: 14,800,395 shares in 2014 and 8,769,552 shares in 2013 | (3,979) | (2,396) | (39,010) |
| Total shareholders' equity | 64,796 | 66,280 | 635,255 |
| Accumulated other comprehensive income | 3,807 | (272) | 37,323 |
| Minority interests | 614 | 572 | 6,020 |
| Total net assets | 69,217 | 66,580 | 678,598 |
| Total liabilities and net assets | ¥118,774 | ¥114,419 | $1,164,451 |

See accompanying Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF INCOME

NORITAKE CO., LIMITED and Consolidated Subsidiaries
For the Years Ended March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| **Operating revenue:** | | | |
| Net sales (Note 15) | ¥88,687 | ¥90,236 | $869,480 |
| **Operating costs and expenses:** | | | |
| Cost of goods sold | 66,151 | 68,856 | 648,539 |
| Selling, general and administrative expenses | 21,751 | 21,316 | 213,245 |
| | 87,902 | 90,172 | 861,784 |
| Operating income | 785 | 64 | 7,696 |
| **Other income (expenses):** | | | |
| Interest and dividend income | 447 | 390 | 4,382 |
| Interest expense | (158) | (150) | (1,549) |
| Impairment loss on fixed assets | (24) | (1,370) | (235) |
| Gain on sales of investment securities | 751 | — | 7,363 |
| Loss on sales or disposals of property and equipment | (98) | (905) | (961) |
| Equity in net earnings of associates | 275 | 338 | 2,696 |
| Gain on bargain purchase | — | 4,052 | — |
| Other, net | 507 | 274 | 4,971 |
| | 1,700 | 2,629 | 16,667 |
| Income before income taxes and minority interests | 2,485 | 2,693 | 24,363 |
| **Income taxes (Note 14):** | | | |
| Current | 898 | 744 | 8,804 |
| Deferred | 310 | 199 | 3,039 |
| Total income taxes | 1,208 | 943 | 11,843 |
| Income before minority interests | 1,277 | 1,750 | 12,520 |
| **Less minority interests in net (losses) income of consolidated subsidiaries** | (36) | 106 | (353) |
| Net income | ¥ 1,313 | ¥ 1,644 | $ 12,873 |
| | | Yen | U.S. dollars |
| **Per share:** | | | |
| Net income | ¥ 8.91 | ¥ 11.02 | $ 0.09 |
| Cash dividends | 6.00 | 8.00 | 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, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| **Income before minority interests:** | ¥1,277 | ¥1,750 | $12,520 |
| **Other comprehensive income** (Note 17): | | | |
| Unrealized gains on available-for-sale securities | 3,997 | 1,795 | 39,186 |
| Foreign currency translation adjustments | 2,021 | 966 | 19,814 |
| Share of other comprehensive income of associates accounted for using equity method | 112 | 37 | 1,098 |
| Total other comprehensive income | 6,130 | 2,798 | 60,098 |
| **Comprehensive income:** | ¥7,407 | ¥4,548 | $72,618 |
| **Comprehensive income attributable to:** | | | |
| Owners of the parent | ¥7,365 | ¥4,411 | $72,206 |
| Minority interests | 42 | 137 | 412 |
| Total comprehensive income: | ¥7,407 | ¥4,548 | $72,618 |

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

NORITAKE CO., LIMITED and Consolidated Subsidiaries
For the Years Ended March 31, 2014 and 2013

| | 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 April 1, 2012** | 158,428,497 | ¥15,632 | ¥18,833 | ¥36,815 | ¥(7,634) | ¥63,646 |
| Net income for the year | — | — | — | 1,644 | — | 1,644 |
| Cash dividends | — | — | — | (1,181) | — | (1,181) |
| Purchases of treasury stock and fractional shares, net | — | — | — | (3,174) | 5,238 | 2,064 |
| Change in scope of consolidation | — | — | — | 107 | — | 107 |
| Net changes in items other than shareholders' equity | — | — | — | — | — | — |
| **Balance at March 31, 2013** | 158,428,497 | 15,632 | 18,833 | 34,211 | (2,396) | 66,280 |
| Net income for the year | **—** | **—** | **—** | **1,313** | **—** | **1,313** |
| Cash dividends | **—** | **—** | **—** | **(1,048)** | **—** | **(1,048)** |
| Purchases of treasury stock and fractional shares, net | **—** | **—** | **—** | **—** | **(1,583)** | **(1,583)** |
| Change in scope of consolidation | **—** | **—** | **—** | **(166)** | **—** | **(166)** |
| Net changes in items other than shareholders' equity | **—** | **—** | **—** | **—** | **—** | **—** |
| **Balance at March 31, 2014** | **158,428,497** | **¥15,632** | **¥18,833** | **¥34,310** | **¥(3,979)** | **¥64,796** |
| | | Thousands of U.S. dollars (Note 1) | | | | |
| **Balance at March 31, 2013** | | $153,255 | $184,637 | $335,402 | $(23,490) | $649,804 |
| Net income for the year | | **—** | **—** | **12,873** | **—** | **12,873** |
| Cash dividends | | **—** | **—** | **(10,275)** | **—** | **(10,275)** |
| Purchases of treasury stock and fractional shares, net | | **—** | **—** | **—** | **(15,520)** | **(15,520)** |
| Change in scope of consolidation | | **—** | **—** | **(1,627)** | **—** | **(1,627)** |
| Net changes in items other than shareholders' equity | | **—** | **—** | **—** | **—** | **—** |
| **Balance at March 31, 2014** | | **$153,255** | **$184,637** | **$336,373** | **$(39,010)** | **$635,255** |

| | Accumulated other comprehensive income: Unrealized gains on available-for-sale securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Minority interests | Total net assets |
|---|---|---|---|---|---|---|
| | Millions of yen | | | | | |
| **Balance at April 1, 2012** | ¥2,890 | ¥(5,929) | ¥ — | ¥(3,039) | ¥8,289 | ¥68,896 |
| Net income for the year | — | — | — | — | — | 1,644 |
| Cash dividends | — | — | — | — | — | (1,181) |
| Purchases of treasury stock and fractional shares, net | — | — | — | — | — | 2,064 |
| Change in scope of consolidation | — | — | — | — | — | 107 |
| Net changes in items other than shareholders' equity | 1,847 | 920 | — | 2,767 | (7,717) | (4,950) |
| **Balance at March 31, 2013** | 4,737 | (5,009) | — | (272) | 572 | 66,580 |
| Net income for the year | **—** | **—** | **—** | **—** | **—** | **1,313** |
| Cash dividends | **—** | **—** | **—** | **—** | **—** | **(1,048)** |
| Purchases of treasury stock and fractional shares, net | **—** | **—** | **—** | **—** | **—** | **(1,583)** |
| Change in scope of consolidation | **—** | **—** | **—** | **—** | **—** | **(166)** |
| Net changes in items other than shareholders' equity | **4,022** | **2,029** | **(1,972)** | **4,079** | **42** | **4,121** |
| **Balance at March 31, 2014** | **¥8,759** | **¥(2,980)** | **¥(1,972)** | **¥ 3,807** | **¥ 614** | **¥69,217** |
| | Thousands of U.S. dollars (Note 1) | | | | | |
| **Balance at March 31, 2013** | $46,441 | $(49,108) | $ — | $ (2,667) | $5,608 | $652,745 |
| Net income for the year | **—** | **—** | **—** | **—** | **—** | **12,873** |
| Cash dividends | **—** | **—** | **—** | **—** | **—** | **(10,275)** |
| Purchases of treasury stock and fractional shares, net | **—** | **—** | **—** | **—** | **—** | **(15,520)** |
| Change in scope of consolidation | **—** | **—** | **—** | **—** | **—** | **(1,627)** |
| Net changes in items other than shareholders' equity | **39,431** | **19,892** | **(19,333)** | **39,990** | **412** | **40,402** |
| **Balance at March 31, 2014** | **$85,872** | **$(29,216)** | **$(19,333)** | **$37,323** | **$6,020** | **$678,598** |

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

NORITAKE CO., LIMITED and Consolidated Subsidiaries
For the Years Ended March 31, 2014 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| **Cash flows from operating activities:** | | | |
| Income before income taxes and minority interests | ¥2,485 | ¥ 2,693 | $24,363 |
| Adjustments for: | | | |
| Depreciation | 2,905 | 3,429 | 28,480 |
| Impairment loss on fixed assets | 24 | 1,370 | 235 |
| Gain on bargain purchase | — | (4,052) | — |
| Equity in net earnings of associates | (275) | (338) | (2,696) |
| Gain on sales of investment securities | (751) | — | (7,363) |
| Loss on sales or disposals of property and equipment | 98 | 905 | 961 |
| Decrease in employee retirement benefit liability | — | (182) | — |
| Decrease in net defined benefit liability | (1,066) | — | (10,451) |
| Decrease in trade receivables | 2,246 | 3,897 | 22,020 |
| Decrease in inventories | 1,164 | 1,847 | 11,412 |
| Decrease in trade payables | (1,416) | (4,293) | (13,882) |
| Other, net | (226) | (441) | (2,216) |
| Subtotal | 5,188 | 4,835 | 50,863 |
| Interest and dividends received | 594 | 410 | 5,824 |
| Interest paid | (160) | (151) | (1,569) |
| Income taxes paid | (744) | (859) | (7,294) |
| Net cash provided by operating activities | 4,878 | 4,235 | 47,824 |
| **Cash flows from investing activities:** | | | |
| Increase in property, plant and equipment | (6,451) | (6,810) | (63,245) |
| Increase in long-term investments and loans receivable | (38) | (256) | (373) |
| Purchase of investment in subsidiaries | — | (947) | — |
| Payments for sales of investments in subsidiaries resulting in change in scope of consolidation | — | (27) | — |
| Payments for investments in capital | (380) | — | (3,725) |
| Decrease in property and long-term investments | 1,441 | 318 | 14,127 |
| Decrease in short-term investments | 984 | 773 | 9,647 |
| Other, net | (167) | (310) | (1,637) |
| Net cash used in investing activities | (4,611) | (7,259) | (45,206) |
| **Cash flows from financing activities:** | | | |
| Increase in long-term debt | 2,700 | 181 | 26,471 |
| Repayments of long-term debt | (5,100) | — | (50,000) |
| Net increase (decrease) in short-term borrowings | 3,719 | (52) | 36,461 |
| Dividends paid | (1,048) | (1,181) | (10,275) |
| Purchase of treasury stock and fractional shares | (1,584) | (1,282) | (15,530) |
| Other, net | — | (44) | — |
| Net cash used in financing activities | (1,313) | (2,378) | (12,873) |
| Effect of exchange rate changes on cash and cash equivalents | 482 | 258 | 4,726 |
| Net decrease in cash and cash equivalents | (564) | (5,144) | (5,529) |
| Cash and cash equivalents at beginning of year | 8,778 | 13,813 | 86,059 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | 457 | 109 | 4,480 |
| Cash and cash equivalents at end of year | ¥8,671 | ¥ 8,778 | $85,010 |

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, 2014, which was ¥102 to U.S. $1.00. The translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Principles of consolidation

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

The number of consolidated subsidiaries, unconsolidated subsidiaries and associates for the years ended March 31, 2014 and 2013 was as follows:

| | 2014 | 2013 |
|---|---|---|
| Consolidated subsidiaries: | | |
| Domestic | 8 | 8 |
| Overseas | 11 | 11 |
| Associates accounted for by the equity method | 5 | 5 |
| Unconsolidated subsidiaries stated at cost | 4 | 6 |
| Associates stated at cost | 4 | 4 |

From April 1, 2013, one overseas unconsolidated subsidiary was newly included in the scope of consolidation. During the year ended March 31, 2014, one overseas consolidated subsidiary was liquidated.

From April 1, 2012, one overseas unconsolidated subsidiary was newly included in the scope of consolidation. During the year ended March 31, 2013, one overseas consolidated subsidiary was liquidated. On March 31, 2013, one domestic subsidiary, which had been included in the scope of consolidation, was accounted for by the equity method as the Company's ownership decreased due to sales of stocks.

On May 21, 2012, the Company and its consolidated subsidiary KCM Corporation ("KCM") entered into a stock-for-stock exchange agreement based on a resolution of the respective Boards of Directors of the Company and KCM that made KCM into a wholly-owned subsidiary of the Company. The stock-for-stock exchange transaction became effective August 1, 2012 after obtaining the approval of the annual shareholders meeting of KCM held on June 28, 2012, as it became valid without obtaining approval at the Company's shareholders meeting in accordance with the simplified share exchange procedures set forth in Article 796, Paragraph 3, of the Japanese Corporate Law ("the Law"). In advance of this transaction, the common stock of KCM was delisted from the Nagoya Stock Exchange (the final trading day was July 26, 2012).

KCM is engaged in mining, refining, manufacture, stocking and sale of ceramic industrial materials, and manufacture and sale of ceramic materials for electric components, as a consolidated subsidiary in the "Ceramic and materials" segment of the Noritake Group. This transaction was planned in order to establish a more stable capital relationship, expand operations and create further synergy in the ceramic and materials business of the Noritake Group. In addition, it is expected to make possible the elimination of potential conflicts of interest concerning the publicly listed parent and make a more efficient business structure through reducing the expense of listing a stock.

In accordance with the stock-for-stock exchange agreement, on August 1, 2012, the Company allotted 16,078,296 shares of the Company's common stock at the exchange rate of 1.75 shares of the Company's common stock for one share of common stock of the minority shareholders of KCM based on the stock exchange ratio calculation results determined by independent appraisers of both companies.

This transaction was accounted for using accounting treatment for business combinations under common control in accordance with "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 21) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10). As a result of this transaction, the Company recorded a cost of additional acquisition of shares in subsidiaries of ¥3,364 million and a gain on bargain purchase of ¥3,952 million for the year ended March 31, 2013. Gain on bargain purchase was recognized as the amount of minority interests decrease exceeded the amount of the acquisition cost of the common stock of KCM in the stock-for-stock exchange.

In addition, during the year ended March 31, 2013, The Siam Moulding Plaster Co., Ltd., which was included in the scope of consolidation, changed its name to Noritake SCG Plaster Co., Ltd., and Kuraray Noritake Dental Holdings Co., Ltd., which was accounted for by the equity method, changed its name to Kuraray Noritake Dental Inc.

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

**(Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)**
The Company has adopted ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements." PITF No. 18 requires that the accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using its foreign subsidiaries' financial statements prepared in accordance with either IFRS or U.S. generally accepted accounting principles ("U.S. GAAP"). In this case, adjustments for the following five 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) Accounting for net income attributable to minority interests

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

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

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

**(d) Accounting for derivatives**
The Noritake Group is a party to derivative instruments such as foreign currency forward exchange contracts and interest rate and currency swap contracts in the ordinary course of business for hedging purposes to reduce its exposure to fluctuations in exchange rates and interest rates. Foreign currency forward exchange contracts are accounted for by translating foreign currency denominated assets and liabilities at the contract rate as an interim measure if certain hedging criteria are met. According to the special treatment as permitted by the accounting standard for financial instruments, hedging interest rate and currency swap contracts are accounted for on an accrual basis and recorded net of interest expense generated from the hedged borrowings if certain conditions are met. Furthermore, interest rate and currency swap contracts are accounted for on an accrual basis through translating foreign currency denominated liabilities at such contracts rates as an interim measure if certain hedging criteria are met. In addition, during the years ended March 31, 2014 and 2013, 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 by the straight-line method based on the estimated useful life of the asset.

**(Changes in accounting policies for depreciation method of property, plant and equipment)**

The Company and its domestic consolidated subsidiaries had depreciated property, plant and equipment, except for buildings, using the declining balance method. From the fiscal year ended March 31, 2014, the Company and its domestic consolidated subsidiaries have changed their depreciation method for all properties to the straight-line method. The Noritake Group completed the consolidation of the group company, which has been carried out for the development of management infrastructure, and as a next step, made the relocation of the headquarters plant for the establishment of an efficient production system. On this timing, the Noritake Group did a reassessment of actual use of the properties. As a result, this change is based on the Noritake Group's judgment that employing the straight-line method by allocating acquisition costs of property, plant and equipment equally over the useful life would be more appropriate. In addition, unifying the Noritake Group's accounting policies to the straight-line method is consistent with the practices of the overseas consolidated subsidiaries, which calculate depreciation by the straight-line method, and can contribute to accuracy improvement of business management. As a result, for the fiscal year ended March 31, 2014, depreciation costs decreased by ¥1,229 million ($12,049 thousand), operating income increased by ¥1,114 million ($10,922 thousand), and income before income taxes and minority interests increased by ¥1,145 million ($11,225 thousand) compared with the amounts that would have been recorded without the change.

In accordance with the amendment of the Corporation Tax Law of Japan, effective from the year ended March 31, 2013, the Company and its domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on and after April 1, 2012, to the method provided by the amended Corporation Tax Law of Japan. As a result, operating income and income before income taxes and minority interests increased by ¥129 million, respectively, for the year ended March 31, 2013, from the amounts that would have been recorded with the previous accounting method.

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

### (h) Leases

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

### (i) Impairment of fixed assets

The Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Impairment of Fixed Assets," issued by the Business Accounting Council of Japan and the related practical guidance issued by ASBJ. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss should be recognized in the income statement by reducing the carrying amount of the impaired asset or group of assets to the recoverable amount, measured as the higher of the asset's net selling price or value in use. Fixed assets include intangible assets, as well as land, plants, buildings and other forms of property, and are to be grouped at the lowest level for which there are identifiable cash flows separate from those of other groups of assets. For the purpose of recognition and measurement of an impairment loss, fixed assets of the Company and its domestic consolidated subsidiaries are grouped principally into cash-generating units based on the business division under managerial accounting classifications. The Noritake Group determines if assets are impaired by comparing their undiscounted expected cash flows to the carrying amounts in the accounting records. An impairment loss is recognized if the undiscounted expected cash flows are less than the carrying amount of the asset. Recoverable amounts are measured based on net selling prices primarily from appraisal valuations.

The Noritake Group recognized impairment loss for the years ended March 31, 2014 and 2013 as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Buildings | ¥— | ¥ 727 | $ — |
| Machinery and equipment | — | 11 | — |
| Land | — | 632 | — |
| Other | 24 | — | 235 |
| | ¥24 | ¥1,370 | $235 |

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

**(Changes in accounting policies for retirement benefits)**
Effective from the year ended March 31, 2014, the Noritake Group has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No. 25")) except the Article 35 of the Statement No. 26 and the Article 67 of the Guidance No. 25 and actuarial gains and losses that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as net defined benefit liability. In accordance with the Article 37 of the Statement No. 26, the effect of the change in accounting policies arising from initial application has been recognized in remeasurements of defined benefit plans in accumulated other comprehensive income. As a result, net defined benefit liability in the amount of ¥1,879 million ($18,422 thousand) has been recognized, accumulated other comprehensive income has decreased by ¥1,972 million ($19,333 thousand) at the end of the current fiscal year.

**(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 and losses are included in current earnings.

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

**(m) Research and development expenses**
Expenses related to research and development activities are charged to income as incurred. Such research and development expenses were included in cost of goods sold and selling, general and administrative expenses in the accompanying consolidated statements of income and amounted to ¥2,724 million ($26,706 thousand) and ¥2,918 million for the years ended March 31, 2014 and 2013, respectively.

**(n) Enterprise taxes**
When levied as size-based corporate taxes for local government enterprise taxes, the enterprise taxes are calculated based on "added value" and "capital" amounts and are recorded in selling, general and administrative expenses.

**(o) 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 promulgation date.

**(p) 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.

**(q) Per share data**
Net income per share is computed by dividing income available 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, 2014 or 2013.

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

**(r) Accounting standards issued but not yet adopted**
In May 2012, ASBJ issued the following revised pronouncements:
—Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
—Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Summary
Under the amended rule, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss would be recognized within the net asset section, after adjusting for tax effects, and the deficit or surplus would be recognized as a liability or asset without any adjustments. For determining the method of attributing expected benefit to periods, the standard now allows the use of a benefit formula basis as well as a straight-line basis. The method for determining discount rate has also been amended.

(2) Effective dates
Amendments relating to the determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after March 31, 2015.

(3) Effect of application of the standard
The Company and its domestic consolidated subsidiaries are currently in the process of determining the effects of this new standard on the consolidated financial statements.

## 3. FINANCIAL INSTRUMENTS

### (a) Qualitative information on financial instruments

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

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

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

### (b) Fair values of financial instruments

The following table is a summary of the carrying values and fair values at March 31, 2014 and 2013 of financial instruments other than unlisted equity securities for which the fair value was extremely difficult to determine.

| | Carrying values | Fair values | Differences |
|---|---|---|---|
| As of March 31, 2014: | | | Millions of yen |
| Financial assets: | | | |
| Cash and time deposits | ¥10,291 | ¥10,291 | ¥ — |
| Trade receivables | 25,179 | 25,179 | — |
| Investment securities: | | | |
| Available-for-sale securities | 23,975 | 23,975 | — |
| Investments in associates | 1,239 | 810 | (429) |
| Total | ¥60,684 | ¥60,255 | ¥ (429) |
| Financial liabilities: | | | |
| Trade payables | ¥12,495 | ¥12,495 | ¥ — |
| Short-term borrowings | 5,318 | 5,318 | — |
| Payables included in accrued expenses | 2,460 | 2,460 | — |
| Income taxes payable | 612 | 612 | — |
| Bonds payable | 10,000 | 10,058 | 58 |
| Long-term bank loans, including current portion | 8,024 | 8,062 | 38 |
| Total | ¥38,909 | ¥39,005 | ¥ 96 |
| Derivative instruments | ¥ — | ¥ — | ¥ — |

| As of March 31, 2013: | Carrying values | Fair values | Differences |
|---|---|---|---|
| | | | Millions of yen |
| Financial assets: | | | |
| Cash and time deposits | ¥ 11,100 | ¥ 11,100 | ¥ — |
| Trade receivables | 26,886 | 26,886 | — |
| Investment securities: | | | |
| Available-for-sale securities | 18,119 | 18,119 | — |
| Investments in associates | 1,113 | 769 | (344) |
| Total | ¥ 57,218 | ¥ 56,874 | ¥ (344) |
| Financial liabilities: | | | |
| Trade payables | ¥ 13,889 | ¥ 13,889 | ¥ — |
| Short-term borrowings | 1,588 | 1,588 | — |
| Payables included in accrued expenses | 2,477 | 2,477 | — |
| Income taxes payable | 444 | 444 | — |
| Bonds payable | 10,000 | 10,095 | 95 |
| Long-term bank loans, including current portion | 10,397 | 10,409 | 12 |
| Total | ¥ 38,795 | ¥ 38,902 | ¥ 107 |
| Derivative instruments | ¥ — | ¥ — | ¥ — |

| As of March 31, 2014: | Carrying values | Fair values | Differences |
|---|---|---|---|
| | | | Thousands of U.S. dollars |
| Financial assets: | | | |
| Cash and time deposits | $100,892 | $100,892 | $ — |
| Trade receivables | 246,853 | 246,853 | — |
| Investment securities: | | | |
| Available-for-sale securities | 235,049 | 235,049 | — |
| Investments in associates | 12,147 | 7,941 | (4,206) |
| Total | $594,941 | $590,735 | $(4,206) |
| Financial liabilities: | | | |
| Trade payables | $122,500 | $122,500 | $ — |
| Short-term borrowings | 52,138 | 52,138 | — |
| Payables included in accrued expenses | 24,117 | 24,117 | — |
| Income taxes payable | 6,000 | 6,000 | — |
| Bonds payable | 98,039 | 98,608 | 569 |
| Long-term bank loans, including current portion | 78,667 | 79,039 | 372 |
| Total | $381,461 | $382,402 | $ 941 |
| 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 the corresponding financial institutions.
(iv) The fair value of long-term interest-bearing bank loans is estimated based on a discounted cash flow analysis using current interest rates considered to be applicable to similar loans.
(v) See Note 12 for the calculation method for the fair value of derivative instruments such as interest rate and currency swaps or foreign currency forward exchange contracts.
2. Unlisted equity securities of ¥3,331 million ($32,657 thousand) and ¥4,506 million at March 31, 2014 and 2013, 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, 2014:

| | 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 | ¥10,291 | ¥— | ¥— | ¥— |
| Trade receivables | 25,179 | — | — | — |
| Total | ¥35,470 | ¥— | ¥— | ¥— |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| Financial assets: | | | | |
| Cash and time deposits | $100,892 | $— | $— | $— |
| Trade receivables | 246,853 | — | — | — |
| Total | $347,745 | $— | $— | $— |

## 4. NOTES AND ACCOUNTS RECEIVABLE

As of March 31, 2014 and 2013, notes and accounts receivable consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Trade notes receivable | ¥ 4,658 | ¥ 4,845 | $ 45,667 |
| Trade accounts receivable | 20,521 | 22,041 | 201,186 |
| Other | 563 | 261 | 5,520 |
| Less allowance for doubtful accounts | (37) | (34) | (363) |
| | ¥25,705 | ¥27,113 | $252,010 |

## 5. INVENTORIES

As of March 31, 2014 and 2013, inventories consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Merchandise and finished goods | ¥ 6,273 | ¥ 5,869 | $ 61,500 |
| Work-in-process | 3,244 | 3,830 | 31,804 |
| Raw materials and supplies | 3,317 | 3,641 | 32,520 |
| | ¥12,834 | ¥13,340 | $125,824 |

For the year ended March 31, 2014, a reversal of write-down of ¥72 million ($706 thousand) was recognized as a reduction of costs of goods sold. For the year ended March 31, 2013, a write-down of ¥234 million was recorded as costs of goods sold.

## 6. INVESTMENTS

As of March 31, 2014 and 2013, short-term investments consisted of time deposits with an original maturity of more than three months.

At March 31, 2014 and 2013, investment securities consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Available-for-sale securities with fair values: | | | |
| Equity securities | ¥23,975 | ¥18,119 | $235,049 |
| Other securities without fair values | 513 | 517 | 5,029 |
| | ¥24,488 | ¥18,636 | $240,078 |

Available-for-sale securities with fair values are stated at fair value with unrealized gains and losses, which are excluded from current earnings, reported as a net amount within the accumulated other comprehensive income account until realized. As of March 31, 2014 and 2013, 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, 2014 | ¥10,506 | ¥13,544 | ¥ (75) | ¥23,975 |
| As of March 31, 2013 | 11,211 | 7,081 | (173) | 18,119 |
| | Thousands of U.S. dollars | | | |
| Available-for-sale equity securities: | | | | |
| As of March 31, 2014 | $103,000 | $132,784 | $(735) | $235,049 |

The Noritake Group sold available-for-sale securities and recorded net gains of ¥751 million ($7,363 thousand) for the year ended March 31, 2014. 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 ¥5 million ($49 thousand) and ¥35 million for the years ended March 31, 2014 and 2013, respectively.

## 7. NOTES AND ACCOUNTS PAYABLE

As of March 31, 2014 and 2013, notes and accounts payable consisted of the following:

| | Millions of yen 2014 | 2013 | Thousands of U.S. dollars 2014 |
|---|---|---|---|
| Trade notes payable | **¥ 8,034** | ¥ 9,915 | **$ 78,765** |
| Trade accounts payable | **4,461** | 3,974 | **43,735** |
| Other | **918** | 1,715 | **9,000** |
| | **¥13,413** | ¥15,604 | **$131,500** |

## 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 0.50% and 0.69% per annum for the years ended March 31, 2014 and 2013, respectively.

As of March 31, 2014 and 2013, long-term debt consisted of the following:

| | Millions of yen 2014 | 2013 | Thousands of U.S. dollars 2014 |
|---|---|---|---|
| Unsecured bonds through December 2015 at a rate of 0.658% per annum | **¥10,000** | ¥10,000 | **$ 98,039** |
| Unsecured loans from banks and insurance companies due through February 2019 with interest at an average rate of 0.91% per annum at March 31, 2014 | **8,024** | 10,397 | **78,667** |
| Capitalized lease obligations | **91** | 106 | **892** |
| | **18,115** | 20,503 | **177,598** |
| Less current portion | **(4,246)** | (5,142) | **(41,627)** |
| | **¥13,869** | ¥15,361 | **$135,971** |

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

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2015 | ¥ 4,246 | $ 41,627 |
| 2016 | 11,141 | 109,226 |
| 2017 | 1,515 | 14,853 |
| 2018 | 11 | 108 |
| 2019 | 1,202 | 11,784 |
| Thereafter | — | — |
| | ¥18,115 | $177,598 |

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

## 9. EMPLOYEE RETIREMENT BENEFITS

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

The following table reconciles the benefit liability and net periodic retirement benefit expense as of and for the year ended March 31, 2013:

| | Millions of yen |
|---|---|
| | 2013 |
| Reconciliation of benefit liability: | |
| Projected benefit obligation | ¥20,874 |
| Less fair value of pension plan assets at end of year | (17,022) |
| Projected benefit obligation in excess of pension plan assets | 3,852 |
| Unrecognized actuarial differences | (3,930) |
| | (78) |
| Prepaid pension cost | 1,108 |
| Balance of employee retirement benefit liability recognized on the consolidated balance sheets | ¥ 1,030 |

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 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-end was as follows:

| | Millions of yen |
|---|---|
| | 2013 |
| Latest calculation period-end | March 31, 2012: |
| Pension plan assets | ¥104,458 |
| Related benefit obligation under program | (132,613) |
| Difference, resulting primarily from unamortized past service cost | ¥ (28,155) |
| Ratio of subsidiaries' contributions to total contributions to entire plan | 0.3% |

| | Millions of yen |
|---|---|
| | 2013 |
| Components of net periodic retirement benefit expense: | |
| Service cost | ¥ 683 |
| Interest cost | 349 |
| Expected return on pension plan assets | (204) |
| Amortization of actuarial differences | 348 |
| Net periodic retirement benefit expense | ¥1,176 |

Major assumptions used in the calculation of the above information for the year ended March 31, 2013 were as follows:

| | 2013 |
|---|---|
| Method attributing the projected benefits to periods of service | Straight-line method |
| Discount rate | 1.2% |
| Expected rate of return on pension plan assets | 2.0% |
| Amortization of actuarial differences | 10 years |

Information about employee retirement benefits for the year ended March 31, 2014 was as follows:

**Defined benefit plan**

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

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2014 | 2014 |
| Balance at April 1, 2013 | ¥19,067 | $186,931 |
| Service cost | 723 | 7,088 |
| Interest cost | 260 | 2,549 |
| Actuarial loss | 69 | 676 |
| Benefits paid | (1,186) | (11,627) |
| Other | 185 | 1,814 |
| Balance at March 31, 2014 | ¥19,118 | $187,431 |

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

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2014 | 2014 |
| Balance at April 1, 2013 | ¥15,587 | $152,814 |
| Expected return on plan assets | 243 | 2,382 |
| Actuarial gain | 1,093 | 10,716 |
| Contributions paid by the employer | 1,354 | 13,275 |
| Benefits paid | (798) | (7,824) |
| Other | 138 | 1,352 |
| Balance at March 31, 2014 | ¥17,617 | $172,715 |

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

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2014 | 2014 |
| Balance at April 1, 2013 | ¥513 | $5,029 |
| Retirement benefit expense | 70 | 686 |
| Benefits paid | (192) | (1,882) |
| Contributions paid by the employer | (16) | (157) |
| Other | 3 | 30 |
| Balance at March 31, 2014 | ¥378 | $3,706 |

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

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2014 | 2014 |
| Funded retirement benefit obligations | ¥20,922 | $205,118 |
| Plan assets | (19,212) | (188,353) |
| | 1,710 | 16,765 |
| Unfunded retirement benefit obligations | 169 | 1,657 |
| Total net defined benefit liability (asset) at March 31, 2014 | 1,879 | 18,422 |
| Net defined benefit liability | 1,879 | 18,422 |
| Total net defined benefit liability (asset) at March 31, 2014 | ¥ 1,879 | $ 18,422 |

(5) Retirement benefit expense

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2014 | 2014 |
| Service cost | ¥723 | $7,088 |
| Interest cost | 260 | 2,549 |
| Expected return on plan assets | (243) | (2,382) |
| Net actuarial loss amortization | 87 | 853 |
| Retirement benefit expense based on the simplified method | 70 | 686 |
| Other | 40 | 392 |
| Total retirement benefit expense for the fiscal year ended March 31, 2014 | ¥937 | $9,186 |

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

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2014 | 2014 |
| Actuarial gains and losses that are yet to be recognized | ¥2,986 | $29,275 |

(7) Plan assets

(i) Plan assets comprise:

| | 2014 |
|---|---|
| Bonds | 17% |
| Equity securities | 53% |
| General accounts of life insurance | 23% |
| Other | 7% |
| Total | 100% |

Note: 29% of plan assets are contributed to the employee retirement benefit trust under the defined benefit plans.

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

(8) Actuarial assumptions
The principal actuarial assumptions at March 31, 2014 are as follows:

| | 2014 |
|---|---|
| Discount rates | 1.2% |
| Long-term expected rate of return | 2.0% |

**Defined contribution plan**
For the year ended March 31, 2014, the amount of the required contribution to defined contribution plans of the consolidated subsidiaries was ¥62 million ($608 thousand).

**Multi-employer pension program**
For the year ended March 31, 2014, the amount of the required contribution to multi-employer pension program of the one domestic consolidated subsidiary was ¥24 million ($235 thousand).

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

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2014 | 2014 |
| Latest calculation period-end | March 31, 2013: | |
| Plan assets | ¥116,171 | $1,138,931 |
| Related benefit obligation under program | (140,708) | (1,379,490) |
| Difference, resulting primarily from unamortized past service cost | ¥ (24,537) | $ (240,559) |
| Ratio of subsidiaries' contributions to total contributions to entire plan | 0.28% | |

## 10. LEASE COMMITMENTS

As lessee, the Noritake Group has entered into various rental and lease agreements principally for office space that are non-cancelable or cancelable with a few months advance notice. 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 and which commenced prior to April 1, 2008 and have been accounted for with accounting treatment similar to that used for operating leases continue to be accounted for with 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, 2014 and 2013 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Finance leases: | | | |
| Due within one year | ¥ — | ¥ 3 | $ — |
| Due after one year | — | — | — |
| | ¥ — | ¥ 3 | $ — |
| Operating leases: | | | |
| Due within one year | ¥ 92 | ¥ 73 | $ 902 |
| Due after one year | 144 | 99 | 1,412 |
| | ¥236 | ¥172 | $2,314 |

## 11. CONTINGENT LIABILITIES

There were no contingent liabilities at March 31, 2014 and 2013.

## 12. DERIVATIVE INSTRUMENTS

At March 31, 2014 and 2013, 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, 2014 and 2013. That derivative contract was not accounted for at fair value because the fair value of the contract was not considered determinable. Derivative financial instruments to which hedge accounting was applied as of March 31, 2014 and 2013 are summarized as follows:

| | Notional principal or contract amounts | | |
|---|---|---|---|
| | Total | Over 1 year | Fair value |
| | | | Millions of yen |
| At March 31, 2014: | | | |
| Foreign currency exchange contracts (*1): | | | |
| Forward - selling | ¥ 487 | ¥ — | * |
| Interest rate and currency swap contracts (*2): | | | |
| Floating rate receipt, fixed rate payment | 1,200 | 1,200 | * |
| U.S. Dollars receipt, Japanese Yen payment | | | |

| | Notional principal or contract amounts | | |
|---|---|---|---|
| | Total | Over 1 year | Fair value |
| | | | Millions of yen |
| At March 31, 2013: | | | |
| Foreign currency exchange contracts (*1): | | | |
| Forward - selling | ¥ 204 | ¥ — | * |
| Interest rate swap contracts (*2): | | | |
| Fixed rate receipt, floating rate payment | 3,000 | — | * |
| Floating rate receipt, fixed rate payment | 1,200 | — | * |

| | Notional principal or contract amounts | | |
|---|---|---|---|
| | Total | Over 1 year | Fair value |
| | | | Thousands of U.S. dollars |
| At March 31, 2014: | | | |
| Foreign currency exchange contracts (*1): | | | |
| Forward - selling | $ 4,775 | $ — | * |
| Interest rate and currency swap contracts (*2): | | | |
| Floating rate receipt, fixed rate payment | 11,765 | 11,765 | * |
| U.S. Dollars receipt, Japanese Yen payment | | | |

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

## 13. NET ASSETS

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

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. At both March 31, 2014 and 2013, 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 ($34,118 thousand).

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

During the year ended March 31, 2014, the Company paid interim dividends of ¥3.00 per share, amounting to ¥449 million ($4,402 thousand). In addition, on May 8, 2014, the Board of Directors of the Company resolved to pay cash dividends as an appropriation of retained earnings in the amount of ¥431 million ($4,225 thousand, ¥3.00 per share) to the shareholders as of March 31, 2014. The appropriation was not accrued in the consolidated financial statements as of March 31, 2014.

## 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, 2014 and 2013 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Deferred tax assets: | | | |
| Intercompany unrealized gains on property | ¥ 52 | ¥ 54 | $ 510 |
| Accrued bonuses to employees | 499 | 523 | 4,892 |
| Employee retirement benefit liability | — | 3,737 | — |
| Net defined benefit liability | 4,408 | — | 43,216 |
| Accrued severance indemnities for directors and corporate auditors | 299 | 287 | 2,931 |
| Inventories | 460 | 508 | 4,510 |
| Net operating loss carryforwards | 5,055 | 4,723 | 49,559 |
| Other | 1,993 | 1,903 | 19,539 |
| Less valuation allowance | (7,862) | (7,682) | (77,079) |
| Total deferred tax assets | 4,904 | 4,053 | 48,078 |
| Deferred tax liabilities: | | | |
| Gain on transfer of investment securities to trusts for retirement benefit plans | 2,866 | 2,866 | 28,098 |
| Unrealized gains on available-for-sale securities | 4,902 | 2,723 | 48,059 |
| Other | 1,095 | 1,000 | 10,735 |
| Total deferred tax liabilities | 8,863 | 6,589 | 86,892 |
| Net deferred tax liabilities | ¥3,959 | ¥2,536 | $38,814 |

As of March 31, 2014 and 2013, deferred tax assets and liabilities were recorded as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Deferred tax assets: | | | |
| Current | ¥ 391 | ¥ 342 | $ 3,833 |
| Noncurrent | 133 | 78 | 1,304 |
| Deferred tax liabilities: | | | |
| Current | — | — | — |
| Noncurrent | 4,483 | 2,956 | 43,951 |

In assessing the realizability of deferred tax assets, management of the Noritake Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. At March 31, 2014 and 2013, a valuation allowance was provided to reduce deferred tax assets to the amount the management believed was realizable.

Reconciliation of the difference between the Japanese statutory tax rate and the effective income tax rate on pretax income reflected in the accompanying consolidated statements of income for the years ended March 31, 2014 and 2013 was as follows:

| | Percentage of pretax income | |
|---|---|---|
| | 2014 | 2013 |
| Japanese statutory tax rate | 37.7% | 37.7% |
| Increase (decrease) due to: | | |
| Permanently non-deductible expenses | 2.5 | 2.7 |
| Tax exempt income | (6.1) | (2.6) |
| Local minimum taxes per capita levy | 3.1 | 2.7 |
| Differences between Japanese and foreign tax rates | 1.2 | (0.8) |
| Changes in valuation allowances | 11.5 | 55.7 |
| Gain on bargain purchase | — | (56.7) |
| Tax credit for research and development expenses | (1.5) | (0.6) |
| Equity in net earnings of associates | (2.0) | (4.5) |
| Effect on income tax rate changes | 0.9 | — |
| Other | 1.3 | 1.4 |
| Effective income tax rate | 48.6% | 35.0% |

"Act on Partial Amendment of the Income Tax Act" (Act No. 10, 2014) was promulgated on March 31, 2014, and accordingly, Special Corporate Tax for Reconstruction has been abolished from the fiscal year beginning on or after April 1, 2014. Due to this change, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities for the temporary differences expected to be either deductible, taxable or expired in the fiscal year beginning on April 1, 2014 has been revised from the previous rate of 37.7% to 35.3%. As a result of this change in tax rate, at March 31, 2014, deferred tax assets decreased by ¥23 million ($225 thousand), and deferred income taxes increased by ¥23 million ($225 thousand).

## 15. SEGMENT INFORMATION

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

**(b) Basis of measurement about reportable segments:**
The accounting methods used for the reportable segments are consistent with the accounting methods described in Note 2, "Summary of Significant Accounting Policies." The total amount of segment income for each reportable segment is 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 are directly allocated to each reportable segment.

**(Changes in accounting policies for depreciation method of property, plant and equipment)**
As disclosed in Note 2(g), the Company and its domestic consolidated subsidiaries had depreciated property, plant and equipment, except for buildings, using the declining balance method until the year ended March 31, 2013. From the fiscal year ended March 31, 2014, the Company and its domestic consolidated subsidiaries have changed the depreciation method for all properties to the straight-line method. As a result, for the year ended March 31, 2014, segment income increased by ¥686 million ($6,726 thousand) in the "Industrial Products" segment, segment income increased by ¥254 million ($2,490 thousand) in the "Ceramics & Materials" segment, segment loss decreased by ¥97 million ($951 thousand) in the "Engineering" segment, and segment loss decreased by ¥77 million ($755 thousand) in the "Tabletop" segment, compared with the amounts that would have been recorded without the change.

**(c) Information about reported segments:**
Information about reported segment income, segment assets and other items for the years ended March 31, 2014 and 2013 was as follows:

| | Reported segments | | | | | | |
|---|---|---|---|---|---|---|---|
| | Industrial Products | Ceramics & Materials | Engineering | Tabletop | Total | Adjustments | Consolidated |
| | | | | | | | Millions of yen |
| For the year 2014: | | | | | | | |
| Net sales: | | | | | | | |
| External customers | ¥36,738 | ¥29,506 | ¥12,962 | ¥9,481 | ¥88,687 | ¥ — | ¥ 88,687 |
| Segment income (loss) | 834 | 640 | (402) | (287) | 785 | — | 785 |
| Segment assets | 37,369 | 29,404 | 6,594 | 7,809 | 81,176 | 37,598 | 118,774 |
| Other items: | | | | | | | |
| Intersegment sales and transfers | 23 | 329 | 183 | 221 | 756 | (756) | — |
| Depreciation | 1,578 | 819 | 212 | 296 | 2,905 | — | 2,905 |
| Investments in equity-method associates | 1,512 | 2,340 | — | 158 | 4,010 | — | 4,010 |
| Increases in tangible and intangible fixed assets | ¥ 3,454 | ¥ 633 | ¥ 130 | ¥ 233 | ¥ 4,450 | ¥ 864 | ¥ 5,314 |
| For the year 2013: | | | | | | | |
| Net sales: | | | | | | | |
| External customers | ¥35,440 | ¥30,583 | ¥15,927 | ¥8,286 | ¥90,236 | ¥ — | ¥ 90,236 |
| Segment income (loss) | (85) | 638 | (41) | (448) | 64 | — | 64 |
| Segment assets | 31,744 | 29,351 | 9,435 | 6,524 | 77,054 | 37,365 | 114,419 |
| Other items: | | | | | | | |
| Intersegment sales and transfers | 26 | 309 | 133 | 195 | 663 | (663) | — |
| Depreciation | 1,728 | 1,070 | 274 | 357 | 3,429 | — | 3,429 |
| Investments in equity-method associates | 1,362 | 2,258 | — | 173 | 3,793 | — | 3,793 |
| Increases in tangible and intangible fixed assets | ¥ 3,242 | ¥ 1,190 | ¥ 622 | ¥ 311 | ¥ 5,365 | ¥ 2,963 | ¥ 8,328 |

| | Industrial Products | Ceramics & Materials | Engineering | Tabletop | Total | Adjustments | Consolidated |
|---|---|---|---|---|---|---|---|
| | Reported segments | | | | | | |
| | | | | | | | Thousands of U.S. dollars |
| For the year 2014: | | | | | | | |
| Net sales: | | | | | | | |
| External customers | $360,176 | $289,275 | $127,078 | $92,951 | $869,480 | $ — | $ 869,480 |
| Segment income (loss) | 8,176 | 6,275 | (3,941) | (2,814) | 7,696 | — | 7,696 |
| Segment assets | 366,363 | 288,274 | 64,647 | 76,559 | 795,843 | 368,608 | 1,164,451 |
| Other items: | | | | | | | |
| Intersegment sales and transfers | 226 | 3,225 | 1,794 | 2,167 | 7,412 | (7,412) | — |
| Depreciation | 15,471 | 8,029 | 2,078 | 2,902 | 28,480 | — | 28,480 |
| Investments in equity-method associates | 14,824 | 22,941 | — | 1,549 | 39,314 | — | 39,314 |
| Increases in tangible and intangible fixed assets | $ 33,863 | $ 6,206 | $ 1,274 | $ 2,284 | $ 43,627 | $ 8,471 | $ 52,098 |

Notes: 1. Adjustments column in "Segment assets" denotes unallocated general corporate items which were not assigned to specific segments such as cash, short-term and long-term investments in securities and general managed property.
2. Adjustments column in "Other items: Intersegment sales and transfers" denotes eliminations of intersegment transactions.
3. Adjustments column in "Other items: Increases in tangible and intangible fixed assets" denotes capital expenditures of administrative department which were not assigned to specific segments.

**(d) Enterprise-wide information:**

(1) Information about products and services:

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

(2) Information about geographic areas:

As of and for the years ended March 31, 2014 and 2013, net sales and tangible fixed assets about geographic areas were summarized as follows:

| | Japan | North America | Europe | Asia | Other | Total |
|---|---|---|---|---|---|---|
| | | | | | | Millions of yen |
| Net sales: | | | | | | |
| For the year 2014 | ¥ 57,955 | ¥ 7,620 | ¥ 1,834 | ¥ 20,662 | ¥ 616 | ¥ 88,687 |
| For the year 2013 | 59,125 | 7,433 | 1,859 | 21,135 | 684 | 90,236 |
| Tangible fixed assets: | | | | | | |
| At March 31, 2014 | ¥ 32,745 | ¥ 1,020 | ¥ 24 | ¥ 3,233 | ¥ 249 | ¥ 37,271 |
| At March 31, 2013 | 30,803 | 888 | 20 | 1,985 | 245 | 33,941 |

| | Japan | North America | Europe | Asia | Other | Total |
|---|---|---|---|---|---|---|
| | | | | | | Thousands of U.S. dollars |
| Net sales for the year 2014 | $568,186 | $74,706 | $17,980 | $202,569 | $6,039 | $869,480 |
| Tangible fixed assets at March 31, 2014 | 321,030 | 10,000 | 235 | 31,696 | 2,441 | 365,402 |

(3) Information about major customers:

The Noritake Group had no single external customer which accounted for more than 10% of net sales for the years ended March 31, 2014 and 2013.

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

For the years ended March 31, 2014 and 2013, impairment loss on fixed assets was summarized as follows:

| | Industrial Products | Ceramics & Materials | Engineering | Tabletop | Total | Adjustments | Consolidated |
|---|---|---|---|---|---|---|---|
| | Reported segments | | | | | | |
| | | | | | | | Millions of yen |
| Impairment loss on fixed assets: | | | | | | | |
| For the year 2014 | ¥ — | ¥— | ¥— | ¥— | ¥ — | ¥ 24 | ¥ 24 |
| For the year 2013 | 297 | 67 | 25 | — | 389 | 981 | 1,370 |

| | Industrial Products | Ceramics & Materials | Engineering | Tabletop | Total | Adjustments | Consolidated |
|---|---|---|---|---|---|---|---|
| | Reported segments | | | | | | |
| | | | | | | | Thousands of U.S. dollars |
| Impairment loss on fixed assets: | | | | | | | |
| For the year 2014 | $ — | $ — | $ — | $ — | $ — | $235 | $ 235 |

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

**(f) Information about goodwill in reportable segments:**

For the year ended March 31, 2013, amortization of goodwill and unamortized balance were summarized as follows:

| | Reported segments | | | | | | |
|---|---|---|---|---|---|---|---|
| | Industrial Products | Ceramics & Materials | Engineering | Tabletop | Total | Adjustments | Consolidated |
| | | | | | | | Millions of yen |
| As at or for the year 2013: | | | | | | | |
| Amortization of goodwill | ¥— | ¥ 1 | ¥— | ¥— | ¥ 1 | ¥— | ¥ 1 |
| Unamortized balance | — | — | — | — | — | — | — |

**(g) Information about gain on bargain purchase in reportable segments:**

In the "Ceramics & Materials" segment, KCM became a wholly-owned subsidiary through a stock-for-stock exchange on August 1, 2012. Due to the transaction, the Company recorded a gain on bargain purchase of ¥3,952 million for the year ended March 31, 2013.

## 16. RELATED PARTY TRANSACTIONS INFORMATION

**(a) Related party transactions**

There were no significant transactions with related parties for the years ended March 31, 2014 or 2013.

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

A financial summary of Kuraray Noritake Dental Inc., which is a significant associate of the Company, as of or for the years ended March 31, 2014 and 2013 is as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Total current assets | ¥6,140 | ¥4,765 | $60,196 |
| Total noncurrent assets | 5,969 | 6,028 | 58,520 |
| Total current liabilities | 3,108 | 1,931 | 30,471 |
| Total noncurrent liabilities | 2,989 | 3,605 | 29,304 |
| Total net assets | 6,012 | 5,257 | 58,941 |
| Operating revenue | ¥9,383 | ¥8,566 | $91,990 |
| Income before income taxes | 1,664 | 1,882 | 16,314 |
| Net income | 1,130 | 1,248 | 11,078 |

## 17. OTHER COMPREHENSIVE INCOME

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Unrealized gains on available-for-sale securities | | | |
| Increase during the year | ¥6,946 | ¥2,760 | $68,098 |
| Reclassification adjustments | (769) | 19 | (7,539) |
| Subtotal, before tax | 6,177 | 2,779 | 60,559 |
| Tax effect | (2,180) | (984) | (21,373) |
| Subtotal, net of tax | 3,997 | 1,795 | 39,186 |
| Foreign currency translation adjustments | | | |
| Increase during the year | 2,021 | 966 | 19,814 |
| Share of other comprehensive income of associates accounted for using equity method | | | |
| Increase during the year | 113 | 37 | 1,108 |
| Reclassification adjustments | (1) | — | (10) |
| Subtotal | 112 | 37 | 1,098 |
| Total other comprehensive income | ¥6,130 | ¥2,798 | $60,098 |

KPMG

# Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of NORITAKE CO., LIMITED (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2(g) of the Notes to Consolidated Financial Statements, which describes the Company and its domestic consolidated subsidiaries' change in depreciation method for property, plant and equipment from the fiscal year ended March 31, 2014.

**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of the Notes to Consolidated Financial Statements.

KPMG AZSA LLC

July 30, 2014
Nagoya, Japan

## OVERSEAS NETWORK

(As of June 27, 2014)

### INDUSTRIAL PRODUCTS GROUP

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

**NORITAKE EUROPA GmbH**
KURHESSEN STRASSE. 3, D-64546
MOERFELDEN-WALLDORF, GERMANY
Tel: 49-6105-2092-44

**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

**NORITAKE SHANGHAI TRADING CO., LTD. GUANGZHOU BRANCH**
2510, GOLDLION DIGITAL NETWORK CENTER,
138 TIYU ROAD EAST,
GUANGZHOU 510620, CHINA
Tel: 86-20-3877-2253

**NORITAKE SA (THAILAND) CO., LTD. (BANGKOK OFFICE)**
222 VORAVIT BUILDING 9TH FL., UNIT B
SURAWONG ROAD, SIPRAYA, BANGRAK,
BANKOK 10500, THAILAND
Tel: 66-2-235-1688

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

### CERAMICS & MATERIALS GROUP

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

**NORITAKE SCG PLASTER CO., LTD.**
NO. 32 MOO7 NONGPLAKRADI ROAD,
NONGPLING, NONGKHAE,
SARABURI, 18140, THAILAND
Tel: 66-36-373578

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

**NORITAKE CO., LIMITED (KAOHSIUNG OFFICE)**
NO. 8, LANE80, DUN-HUANG RD.,
SAN MIN DISTRICT, KAOHSIUNG,
TAIWAN 807, R.O.C.
Tel: 886-970-819-003

**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

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

**NORITAKE EUROPA GmbH**
KURHESSEN STRASSE. 3, D-64546
MOERFELDEN-WALLDORF, GERMANY
Tel: 49-6105-2092-0

### ENGINEERING GROUP

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

**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

**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

### TABLETOP GROUP

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

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

**NORITAKE EUROPA GmbH**
KURHESSEN STRASSE. 3, D-64546
MOERFELDEN-WALLDORF, GERMANY
Tel: 49-6105-2092-18

**NORITAKE LANKA PORCELAIN (PRIVATE) LIMITED**
WARAKAMURA, MATALE, SRI LANKA
Tel: 94-66-2244130

**(SHOWROOM)**
77, DHARMAPALA MAWATHA,
COLOMBO 7, SRI LANKA
Tel: 94-11-2301334

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

**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

## DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

(As of June 27, 2014)

### CHAIRMAN
Hitoshi Tanemura*

### PRESIDENT
Tadashi Ogura*

### VICE PRESIDENT
Kouichi Saburi*

### DIRECTORS
Masahiro Nakagawa
Hisaya Ogura
Yoshitaka Mabuchi
Hiroshi Kato
Kozo Kato
Kosaku Yamada

*Representative Director

### CORPORATE AUDITORS
Yasuyuki Mitsukawa
Kiyoshi Yoshida
Yasumasa Gomi
Kazutoyo Shinohara

### EXECUTIVE OFFICERS
Tadashi Ogura
Kouichi Saburi
Masahiro Nakagawa
Hisaya Ogura
Kiichi Hirano
Yoshitaka Mabuchi
Hiroshi Kato
Kozo Kato
Satoshi Aoki
Kenji Ito
Seiya Ogata
Koji Ogawa
Koji Sato
Akira Higashiyama

## CORPORATE DATA

(As of June 27, 2014)

### 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

4,086 (Consolidated)

### STOCK EXCHANGE LISTINGS

Tokyo Stock Exchange
Nagoya Stock Exchange

### ADMINISTRATOR OF SHAREHOLDER REGISTRY

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

### ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders of the Company is normally held in June each year in Nagoya, Japan.

In addition, the Company may hold an extraordinary meeting of shareholders whenever necessary by giving at least two weeks' advance notice to shareholders.

### INDEPENDENT AUDITORS

KPMG AZSA LLC

## HISTORY OF NORITAKE

(As of June 27, 2014)

1876 Ichizaemon Morimura established Morimura-kumi in Tokyo, and Toyo Morimura and others established the Hinode Shokai (Morimura Brothers) in New York
1904 Established Nippon Toki Gomei Kaisha
1907 Began production of grinding wheels for in-house use
1914 Succeeded in production of the first dinner set in Japan
1917 Sanitary ware division spun off to become TOTO Ltd.
Established Nippon Toki Co., Ltd.
1919 Electric insulator division spun off to become NGK Insulators Ltd.
1932 Began production of first bone china in Japan
1939 Began full-scale production of industrial grinding wheels
1943 Tableware production stopped on account of World War II, changed to full production of grinding wheels (only bone china production continued to preserve technique)
1945 Production of tableware resumed
1947 Established Noritake Co., Inc. in the United States
1956 Began production of cutleryware
1958 Established Noritake (Australia) Pty. Ltd. in Australia
1960 Began production of resinoid grinding wheels at the Kamori Plant
1961 Began production of crystal glassware
Began production of melamine ware
1962 Began production of grinding machines
1963 Began production of belt and fabric abrasives
1968 Established Noritake Canada Ltd. in Canada
1969 Began production of electronic products
1970 Established Noritake (U.K.) Ltd. in the United Kingdom
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
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.
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.
Absorbed Noritake Engineering Co., Ltd., Noritake China Mfg. Co., Limited, Noritake Tableware Co., Ltd. and Tokyo Toishi Co., Ltd.
2010 Absorbed Noritake Kizai Co., Ltd. and Noritake Ceramics Co., Ltd.
2011 Absorbed Noritake Bonded Abrasive Co., Ltd. and Noritake Super Abrasive Co., Ltd.
Established Noritake SA (Thailand) Co., Ltd. in Thailand
2012 Made KCM Corporation its wholly-owned subsidiary via a stock swap
Established Noritake Abrasives (Suzhou) Co., Ltd. in China

### Caution with respect to forward-looking statements

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

Noritake

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