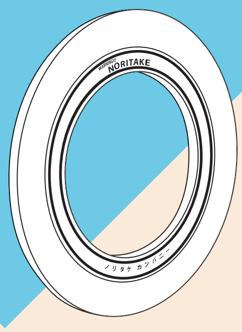
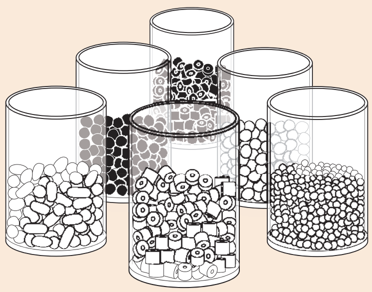
# Annual Report 2017

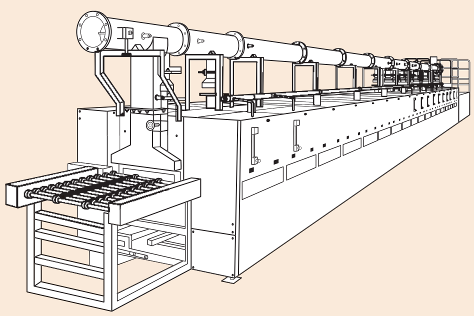
Year Ended March 31, 2017




# 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**

Slowing growth in China and other emerging economies has become more pronounced since 2015. Many developed economies, including Japan, are trending downward, and the business environment is forecast to remain severe. Amid these circumstances, the Group launched its 10th Mid-term Business Plan and will continue working diligently to ensure its successful implementation.

**Management Issues:**

In the rapidly changing and increasingly competitive global market, we aim to establish a business and management infrastructure that will safeguard stable earnings and growth.

**Management Goals:**

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

Basic Strategies:

**(1) Expand market share and break into new markets by promoting sales activities that unite manufacturing, sales and technology.**

**(2) Enhance competitiveness and expand sales by developing new products and technologies.**

**(3) Penetrate overseas markets and upgrade overseas manufacturing bases to expand business.**

**(4) Promote an efficient management structure and upgrade infrastructure.**

**Contents**

# SIX-YEAR FINANCIAL SUMMARY

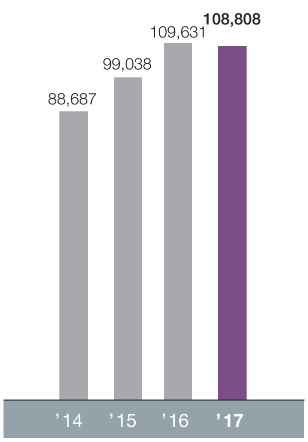
Years ended March 31,

| | | | | | | Millions of yen | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 | 2012 | **2017** |
| **For the year:** | | | | | | | |
| Net sales | **¥108,808** | ¥109,631 | ¥ 99,038 | ¥ 88,687 | ¥ 90,235 | ¥102,152 | **$ 971,509** |
| Operating income | **3,119** | 3,449 | 2,191 | 785 | 64 | 1,880 | **27,857** |
| Income before income taxes and minority interests | **5,263** | 5,684 | 3,100 | 2,485 | 2,693 | 5,972 | **47,000** |
| Profit attributable to owners of the parent | **4,107** | 4,413 | 2,059 | 1,313 | 1,644 | 4,468 | **36,679** |
| Net income per share (yen/U.S. dollars) | **¥ 286.12** | ¥ 307.32 | ¥ 14.34 | ¥ 8.91 | ¥ 11.02 | ¥ 31.99 | **$ 2.55** |
| **At year-end:** | | | | | | | |
| Total assets | **¥142,362** | ¥135,932 | ¥145,836 | ¥118,774 | ¥114,419 | ¥117,735 | **$ 1,271,089** |
| Total net assets | **87,125** | 79,766 | 82,817 | 69,217 | 66,580 | 68,896 | **777,911** |
| Capital ratio (%) | **59.0** | 56.5 | 54.1 | 57.8 | 57.7 | 51.5 | **59.0** |

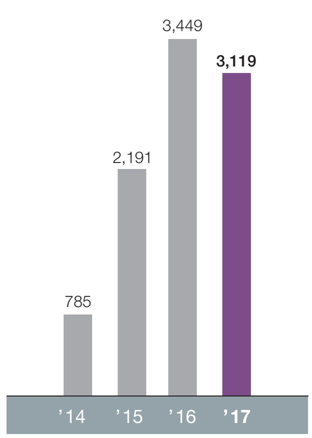
Notes: 1. U.S. dollar amounts have been translated at the rate of ¥112 to US$1.

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

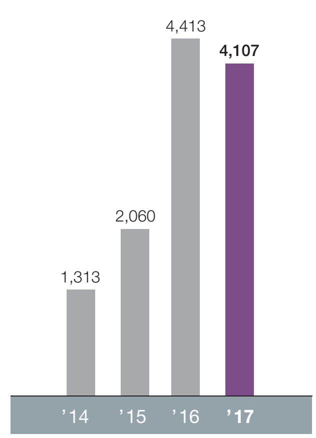
**Net Sales**
(Millions of yen)



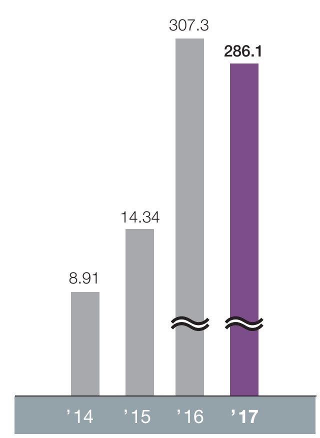

**Operating Income**
(Millions of yen)




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




**Net Income per Share**
(Yen)




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

*The management of Noritake Co., Limited wishes to express its gratitude to all stakeholders for their continued support. We would like to take this opportunity to comment on the Group's results for fiscal 2017, ended March 31, 2017.*

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

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

## Performance Overview for Fiscal 2017

Fiscal 2017 began with the Japanese economy stalled, primarily due to the strong yen. In the latter half of the fiscal year, however, the domestic economy regained its vibrancy, especially for exporters, owing mainly to a weaker yen following the U.S. presidential election in November.

Overseas, the U.S. economy remained firm on expectations for the new administration, while the European economy remained stable overall despite concerns regarding the impact from BREXIT. Near the midpoint in fiscal 2017, the global economy overall began to recover, with China maintaining firm economic growth despite a slowing growth rate.

Amid this economic environment, our manufacturing, marketing and technology forces strengthened alliances, and the Noritake Group as a whole continued to focus its efforts on key initiatives for the first year of the 10th Mid-term Business Plan: expanding market share, cultivating new markets, developing new technologies and products, penetrating overseas markets and upgrading overseas manufacturing bases, and promoting an efficient management structure and upgrading infrastructure.

As a result, net sales fell 0.8% year on year to ¥108,808 million. Looking at earnings, operating income stood at ¥3,119 million and ordinary income amounted to ¥4,861 million.

To expand sales and realize the development of new technologies and products, we focused efforts in the electronic paste business on developing new products for inductors and cultivating new demand. In the ceramics business, we developed next-generation products for ceramic catalyst carriers. Our subsidiary KCM Corporation developed fuel cell materials and other new products. In the Engineering Group, we devoted attention to developing and commercializing devices such as kilns and dry furnaces suited to new materials.

In terms of penetrating overseas markets and upgrading overseas manufacturing bases, we enhanced our production and sales structure, aligning it better with regional demand. We are working to build a global business promotion structure.

In regards to enhancing management infrastructure, the back-office sections and production sites are working together to strengthen manufacturing, improve services and quality assurance, make operations more efficient and reduce costs. In addition, we are actively engaged in activities to ensure compliance, health and safety, and environmental protection. In regards to the former site of the headquarters' plant, we decided to complete the transfer of land around March 2018.

### Basic Policy Regarding Earnings Distribution

Noritake has positioned returning profit to shareholders as a key management policy. Based on this policy, we place emphasis on stable dividend payments over the long term and the distribution of earnings by comprehensively taking into consideration factors that include performance results, financial conditions and future business development. In addition, we make effective use of retained earnings for investment aimed at creating new technologies and products that can become a foundation for the Noritake Group's future strength, as well as for investment for sustainable business development in growth fields. With regard to dividend payments, Noritake distributed a fiscal year-end dividend of ¥30 per share. Prior to the year-end distribution, Noritake implemented a 1-for-10 reverse stock split on October 1, 2016. Calculated on a post reverse stock split basis, the full-year dividend amounted to ¥60 per share. In fiscal 2018, Noritake plans to maintain a full-year dividend of ¥60 per share.

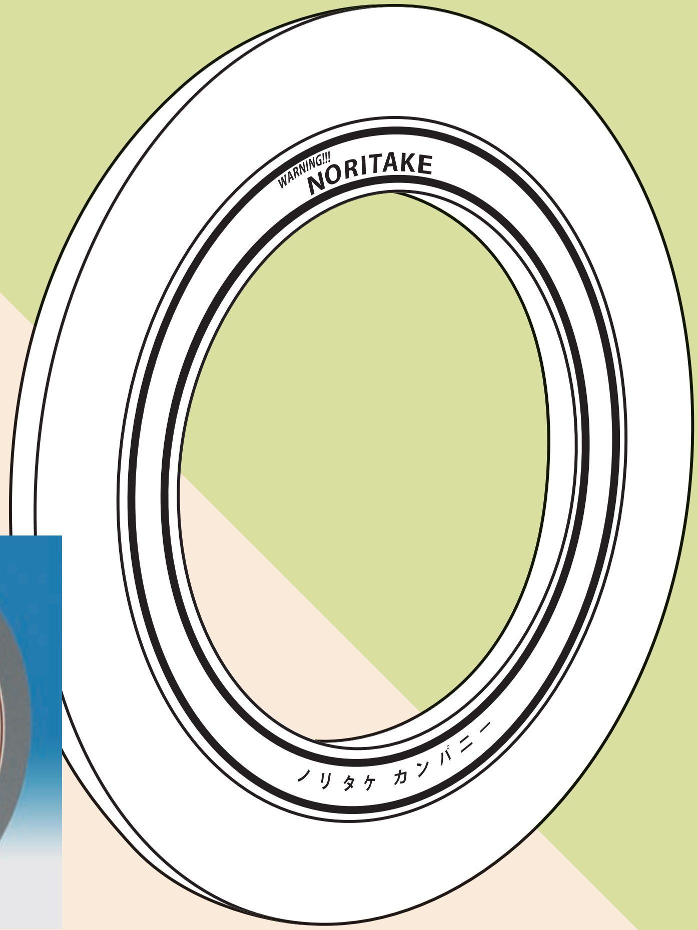
Through the concerted efforts of the Noritake Group to steadily implement the core strategies of the 10th Mid-term Business Plan, Noritake aims to create a growth trajectory highly responsive to changing times.

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

Hitoshi Tanemura
Chairman & Representative Director

Tadashi Ogura
President & Representative Director

# Industrial Products





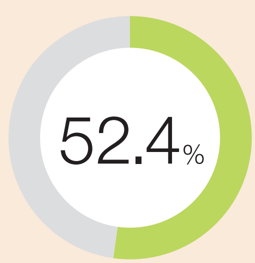
Vitrified bonded wheel for guide-rail grinding “LIFE KING TA3”

## Business Status

In the domestic market, the automotive, steel and bearing industries stagnated in the first half of the fiscal year due mainly to a strong yen and the Kumamoto earthquake. They began to recover in the latter half. Overseas, while sales were firm for steel and automotive applications in China, the U.S. market finished the year weak. As for Nippon Resibon Corporation, demand from Asia, including India and Indonesia, and from the Middle East remained robust despite being impacted by exchange rates.

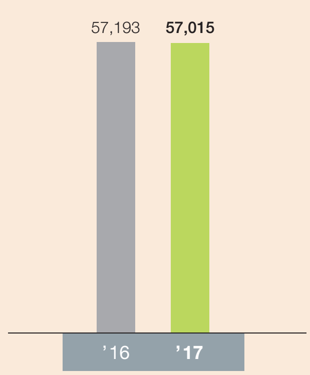
As a result, consolidated net sales of the Industrial Products Group declined 0.3% year on year to ¥57,015 million.

### Breakdown of Sales




### Sales

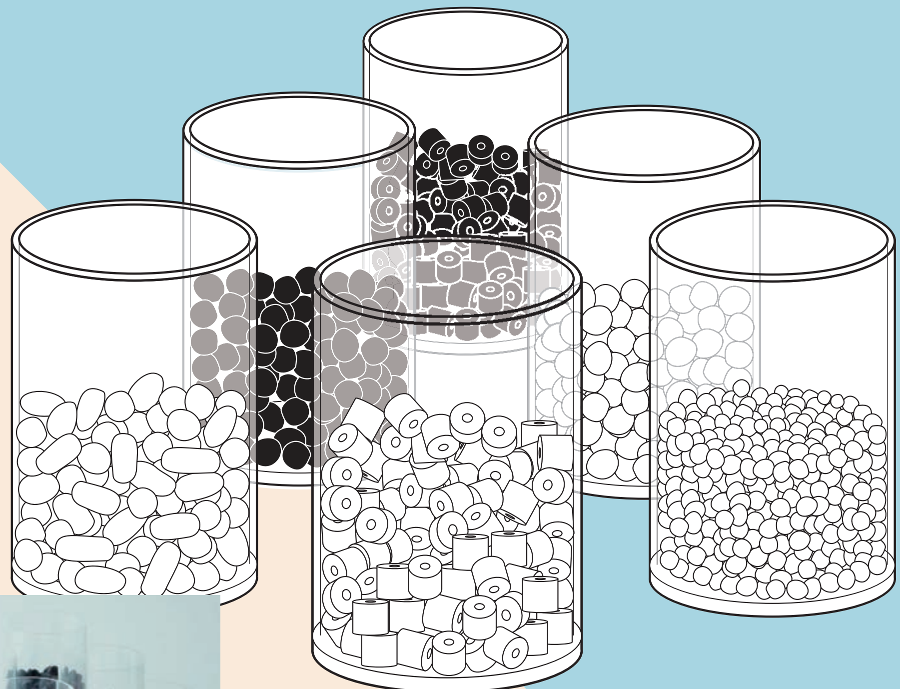
(Millions of yen)




## Business Strategy

In product development, we will concentrate on launching new products in key fields, including automobiles, electronics, semiconductors, bearings, and healthcare. In marketing, we will revise our sales structure in Japan to increase efficiency and, overseas, we will strengthen our sales capabilities and promote market development. In manufacturing, we will work to further reduce costs in Japan while, overseas, we will strive to improve earnings by raising utilization rates at plants in Thailand and China.

# Ceramics & Materials



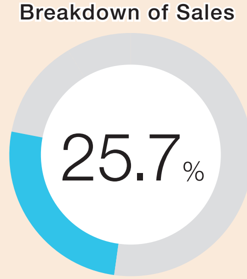
Ceramic catalyst carriers

## Business Status

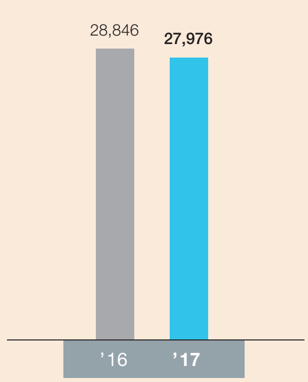
Sales of electronic pastes for use in multilayer ceramic capacitors declined in Japan. Sales of vacuum fluorescent displays (VFDs) remained weak due to the strong yen and efforts, which have yet to gain traction, to develop the market for new capacitive touch switch module products. Sales of gypsum remained strong in shipments overseas despite the impact from exchange rates. Sales of thick film circuit substrates and ceramic cores remained on par with the previous year. Sales of ceramic catalyst carriers expanded significantly thanks to praise from overseas customers for newly developed products. KCM Corporation's sales remained flat as sales of Electronic Ceramic Materials offset a decline in Ceramic Materials.

As a result, consolidated net sales of the Ceramics & Materials Group declined 3.0% year on year to ¥27,976 million.

**Breakdown of Sales**



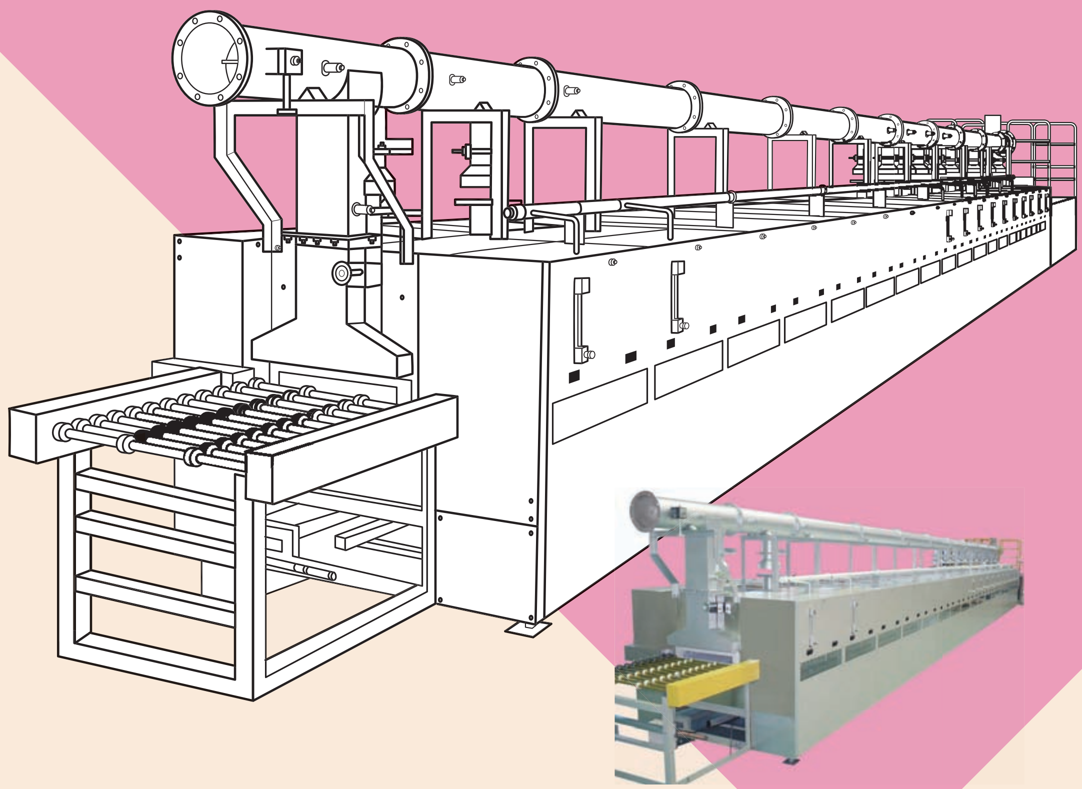

**Sales**
(Millions of yen)




## Business Strategy

In regard to electronic pastes, we are working to expand sales for electrode applications, such as for inductors. As for thick film circuit substrates, we will enhance our manufacturing structure while expanding sales to LEDs and other markets. For catalyst supports, we will enhance our structure to accept a growing number of orders and develop new next-generation products. KCM Corporation will work to develop particulate material for multilayer ceramic capacitors, raw materials for fuel cells, and other products.

# Engineering



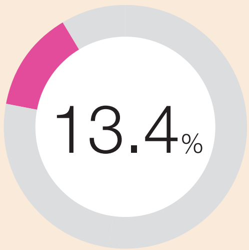
Roller hearth kiln for lithium-ion batteries

## Business Status

Sales of mainstay dry-furnaces and kilns increased due to strong sales for use in the conventional fields of electronic components and lithium-ion batteries as well as in the new field of automotive components. In addition, large orders in the smartphone field contributed to sales. Sales of mixing equipment were firm for use in chemicals and food products while sales stagnated for filtration equipment for bearings. Overseas demand for carbide tipped circular sawing machines remained weak.

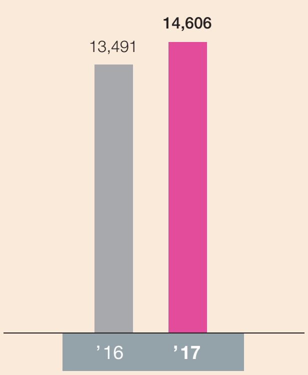
As a result, consolidated net sales of the Engineering Group rose 8.3% year on year to ¥14,606 million.

Breakdown of Sales




Sales

(Millions of yen)




## Business Strategy

In our mainstay business of dry furnaces and kilns, we will promote development of products to extend our differentiation in the field of battery materials and will promote new product development in automobile related fields.

We will develop new applications for mixing equipment and work to cultivate new markets for filtration equipment. We will also work to expand sales of new products in the area of carbide tipped circular sawing machines.

# Review of Operations *Tabletop*

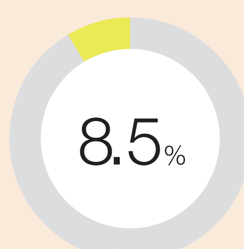
THE HOMAGE COLLECTION

## Business Status

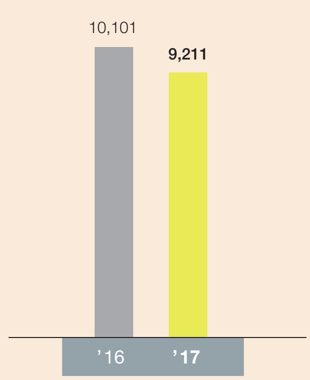
In Japan new products for airlines and other fields garnered acclaim and sales remained strong while sales to hotels and restaurants remained depressed while sales to department stores slumped. Turning overseas to the United States, sales to our mainstay customers were sluggish. In Asia and the Middle East, sales expansion did not materialize. In addition, sales declined on the impact of exchange rates.

As a result, net sales of the Tabletop Group declined 8.8% year on year to ¥9,211 million.

**Breakdown of Sales**




**Sales**
(Millions of yen)




## Business Strategy

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

# TOPICS

## 1. High-Performance Vitrified-Bonded Wheels for Precision Grinding “LIFE KING”

The “LIFE KING” brand of bonded grinding wheels was developed by combining resilient grain with long-lasting bonds. Its strengths are excellent shape retention and sharpness as well as long life. At present, the wheels are used for grinding metal components in a wide range of fields, including industrial and medical uses. Many customers have given it high marks, especially for grinding rail parts for transport devices and grinding gears for automotive transmissions.

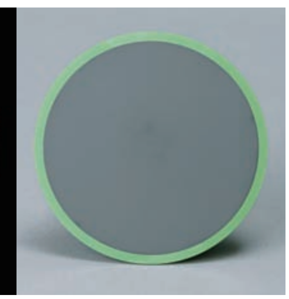
LIFE KING

## 2. Developed Components for Direct Ammonia Fuel Cells

We developed ceramic cells and sealing glass for direct ammonia fuel cells that can use carbon-free ammonia ($NH_3$) as fuel. Feeding ammonia, instead of hydrogen, directly to conventional fuel cells creates a problem: the cell and sealing glass corrode. We developed ceramic cells and sealing glass from proprietary materials that do not wear down from direct contact with ammonia. Hydrogen ($H_2$) for hydrogen fuel cells is usually produced from city gas ($CH_4$), but that process produces carbon dioxide ($CO_2$). By directly utilizing ammonia that contains hydrogen ions ($NH_3$), we can realize carbon-free power production that does not emit $CO_2$.

Furthermore, compared to other liquid fuels like liquid hydrogen, ammonia fuel can be condensed and stored as a liquid at room temperature. This means it is much cheaper to store and transport, making it highly economical due to the already existing infrastructure.


Sealing glass


Ceramic cell

## 3. Developed Vivid Red and Orange Paints that Do Not Contain Harmful Substances

Vivid reds and oranges are used in many national flags and logos. These colors are also difficult to reproduce exactly as initially intended because slight variations strongly affect the final image. High temperature calcination is needed to paint on porcelain, but the heat makes it difficult to reliably produce these kinds of colors. To overcome this, paints conventionally contained substances harmful to people and the environment, such as selenium and cadmium.

With the aim of increasing safety, Noritake developed new paints that do not contain selenium or cadmium. These paints can be used for more than just porcelain. Applications are expected to be developed for use as colored pigments in other products manufactured or used at high temperatures.


ROSA ROSSA


AKE KOMON

## 4. Held Grand Reopening of Lifestyle Shop Noritake Square Nagoya

In conjunction with the redevelopment of the former site of the headquarters’ plant, we moved the tableware store Noritake Square Nagoya to the red brick building in the Noritake Garden in August 2016.

As we offer comfortable living that extends from the dining room table, the shop’s concept is DIAMOND DAYS and it displays many coordinated items, including Noritake tableware. Inside the store, we hold events related to everyday living and, at the café, we demonstrate how a wide variety of tableware can be used.


Noritake Square Nagoya

**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 Products Development Center, which promotes the commercialization of projects that are directly connected to the business divisions. Noritake carries out product development for new technologies and new fields in collaboration with each business division and Group company.**

**The R&D expenditures of the Noritake Group amounted to ¥2,443 million in the fiscal year under review.**

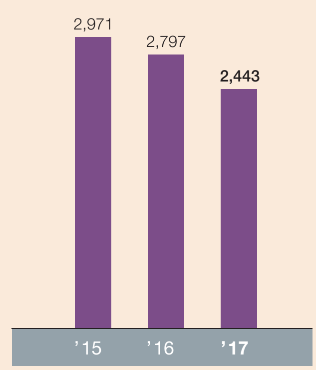
# *R&D for New Products and Technologies*

Noritake focuses on developing new products, especially focusing on the development in the field of environment and energy and the development of element technology, by utilizing its powder synthesis, formation, calcination and fabrication technologies while 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, Noritake's R&D team works in unison with each Noritake business segment to undertake strategic R&D with a long-term perspective. Highlighting this commitment, Noritake was awarded the "Super –innovative components for manufacturing" grand prize for its development of sealing glass for fuel cells.

Core basic R&D expenditures totaled ¥655 million.

**R&D Expenditure**

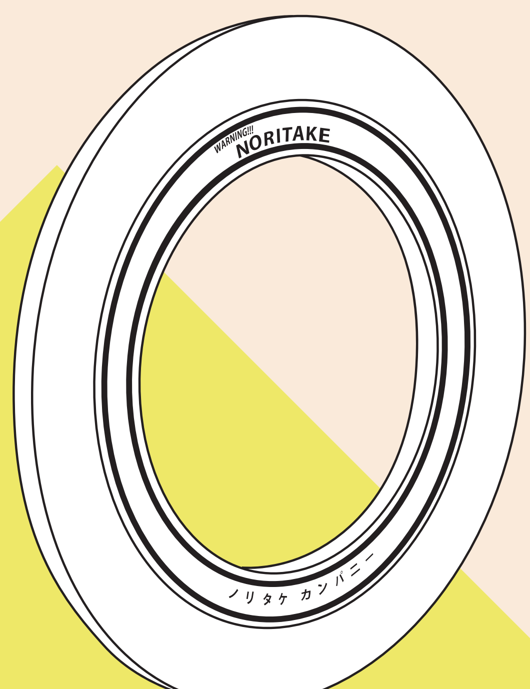
(Millions of yen)

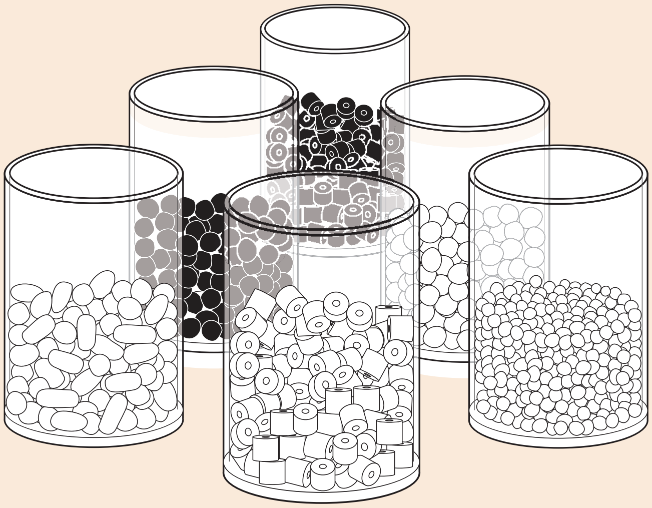



# Industrial Products

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

The R&D expenditures in the Industrial Products segment amounted to ¥511 million in the fiscal year under review.





# Ceramics & Materials

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

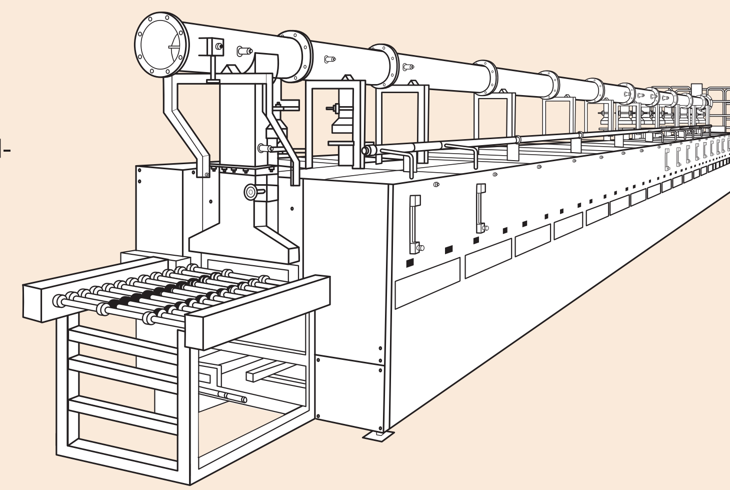
In ceramics, we developed and promoted the ongoing marketing of high performance ceramic catalyst carriers for chemical plants and thick-film, multilayer substrates for automobiles and LEDs. We also developed "°C Monarc", a ceramic core used in precision casting that features superior heat resistance.

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

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

The R&D expenditures in this segment were ¥1,113 million.

# Engineering



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

The R&D expenditures in this segment amounted to ¥75 million.

# Tabletop

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

The R&D expenditures in this segment totaled ¥87 million.

## (1) CORPORATE GOVERNANCE STRUCTURE

**(i) Overview of corporate governance structure**

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

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

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

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

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

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

**(ii) Reasons for applying corporate governance system**

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

**(iii) Status of internal control system upgrades**

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

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

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

**(iv) Status of risk management system upgrades**

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

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

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

To ensure the appropriateness of operations at its subsidiaries, the Company is taking measures to ensure legal and regulatory compliance through the activities of the Compliance

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

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

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

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

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

• Specified employees and managing partners

CPA Yasushi Yokoi

CPA Hiroyuki Okuya

CPA Satoshi Zengame

• Assistants

39 CPAs and 22 others

### (3) OUTSIDE DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

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

No personal, capital or business relationships or other conflicts of interest exist between the Company and its outside Audit & Supervisory Board Members Ryuichi Murata and Tatsuhiko Saruwatari, and its outside directors Kosaku Yamada and Tetsuo Komori, respectively. Tetsuo Komori owns 700 shares of Noritake, but this is not deemed to present a conflict of interest.

The outside directors bring a wealth of experience and broad insight regarding business management. They were 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 Audit & Supervisory Board Members reflect their wealth of experience and broad insight as business administrators in Noritake audits.

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

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

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

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

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

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

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

| Executive Officer Category | Compensation Amount (Millions of yen) | Total Compensation by Type (Millions of yen) | | | | No. of Officers Eligible |
|---|---|---|---|---|---|---|
| | | Basic Compensation | Stock Options | Bonus | Performance-based stock compensation | |
| Directors (excl. outside director) | 351 | 310 | — | — | 41 | 7 |
| Audit & Supervisory Board Members (excl. outside Audit & Supervisory Board Members) | 40 | 40 | — | — | — | 2 |
| Outside directors and Audit & Supervisory Board Members | 36 | 36 | — | — | — | 6 |

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

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

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

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

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

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

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

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

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

### (i) Details of independent auditor compensation, etc.

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

### (ii) Other significant details regarding compensation

Noritake Co., Inc., a Noritake subsidiary, paid compensation based on audit certification services of ¥8 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 ¥9 million.

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

In the year ended March 31, 2017, there were no relevant items.

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

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

### SCOPE OF CONSOLIDATION

Composed of 25 subsidiaries and 7 associates, the Noritake Group is engaged in the manufacture and sale of products in four business segments—Industrial Products, Ceramics & Materials, Engineering, and Tabletop—as well as the provision of services related to these segments.

### INDUSTRIAL PRODUCTS SEGMENT

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

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

### CERAMICS & MATERIALS SEGMENT

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

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

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

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

### ENGINEERING SEGMENT

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

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

### TABLETOP SEGMENT

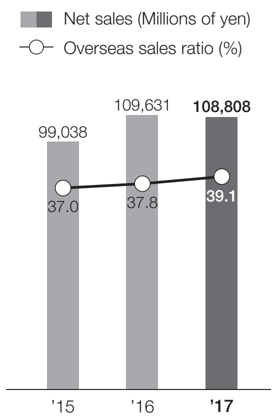
In the Tabletop Segment, in addition to the Company's production activities, porcelain tableware is manufactured by Noritake Lanka Porcelain (Private) Limited located in Sri Lanka and one associate, which is supplied to the Company.

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

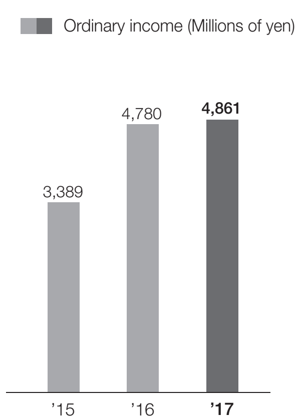
Service operations in other areas are handled by Noritake Garden Co., Limited and one associate.

The Company is in the process of liquidating Noritake Canada Limited.

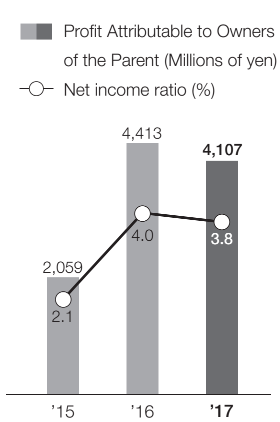
**Net Sales & Overseas Sales Ratio**



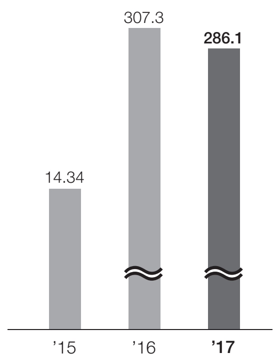

**Ordinary Income**




**Profit Attributable to Owners of the Parent & Net Income Ratio**

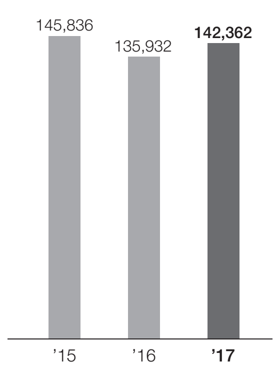


**Net Income per Share**
(Yen)




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

**Total Assets**
(Millions of yen)




## PERFORMANCE ANALYSIS

Consolidated net sales fell ¥822 million, or 0.8%, year on year to ¥108,808 million.

Ordinary income increased ¥81 million from the previous fiscal year to ¥4,861 million mostly due to increased earnings in associates accounted for by the equity method.

Extraordinary income totaled ¥782 million, with gain on sales of investment securities amounting to ¥765 million. Extraordinary losses came to ¥380 million, with disposal loss of fixed assets totaling ¥297 million.

As a result of the aforementioned, profit before income taxes for the fiscal year under review amounted to ¥5,263 million. After accounting for income taxes and non-controlling interests, profit attributable to owners of the parent totaled ¥4,107 million.

Additionally, net income per share increased to ¥286.12 and the return on equity fell from 5.7% in the previous consolidated fiscal year to 5.1%.

## CASH FLOW ANALYSIS

As of March 31, 2017, cash and cash equivalents stood at ¥8,910 million, a year on year increase of ¥326 million. For the year, negative free cash flows amounted to ¥6,582 million.

Net cash provided by operating activities increased ¥3,014 million year on year to ¥9,128 million. Profit in associates accounted for with the equity method amounted to ¥751 million in fiscal 2017. Operating cash flow improved as we recorded ¥5,263 million in profit before income taxes and ¥4,026 million in depreciation.

Net cash used in investing activities decreased ¥1,482 million year on year to ¥2,546 million. Factors included ¥3,382 million in purchase of property, plant and equipment and intangible assets that was only slightly offset by ¥1,107 million in proceeds from sales of investment securities.

Net cash used in financing activities increased ¥2,066 million year on year to ¥5,974 million. Cash flows used in financing worsened due to repayments of borrowings leading to a decrease of ¥3,047 million in short-term borrowings and ¥1,994 million in long-term borrowings in addition to dividend payments of ¥869 million.

## FINANCIAL POLICIES

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

As of March 31, 2017, the balance of short-term borrowings totaled ¥9,671 million, most of which is denominated in yen, with the remainder in two other currencies. Noritake, in principle, uses its internal reserves for capital expenditures and other long-term investments with a portion covered by long-term debt. As of March 31, 2017, the balance of unsecured long-term loans amounted to ¥13,464 million, most of which is denominated in yen, with the remainder in two other currencies.

## BUSINESS AND OTHER RISKS

### Raw Material and Fuel Price Risk

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

**Exchange Rate Fluctuation Risk**

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

**Disaster Risk**

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

**Overseas Risk**

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

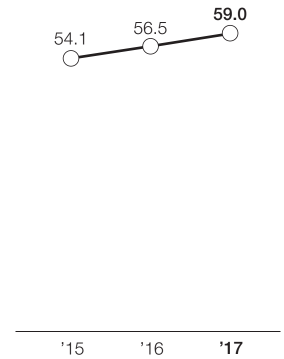
**Technology-Related Risk**

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

Risks and factors that could have adverse effects on the Noritake Group's business performance and financial position are not limited to those described above. The analysis of risks is based on information available to the Company's management as of March 31, 2017.

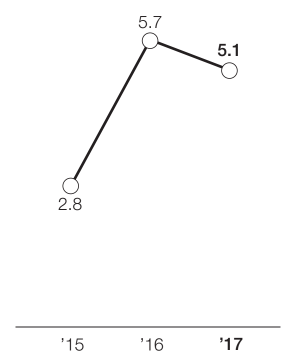
**Capital Ratio**

(%)




**Return on Equity**

(%)



**NORITAKE CO., LIMITED and Consolidated Subsidiaries**
**Consolidated Balance Sheets**
March 31, 2017 and 2016

| | Millions of yen | | | | Thousands of U.S. dollars (Note 1) | |
|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2017 | |
| **Assets:** | | | | | | |
| **Current assets:** | | | | | | |
| Cash and cash equivalents (Note 3) | ¥ | 8,910 | ¥ | 8,584 | $ | 79,554 |
| Short-term investments (Notes 3 and 6) | | 2,365 | | 2,137 | | 21,116 |
| Notes and accounts receivable, net of allowance for doubtful accounts (Notes 3 and 4) | | 30,511 | | 30,941 | | 272,420 |
| Inventories (Note 5) | | 17,054 | | 16,594 | | 152,268 |
| Deferred tax assets (Note 14) | | 610 | | 608 | | 5,446 |
| Other current assets | | 1,760 | | 1,539 | | 15,714 |
| Total current assets | | 61,210 | | 60,403 | | 546,518 |
| **Investments and other assets:** | | | | | | |
| Investment securities (Notes 3 and 6) | | 29,820 | | 26,006 | | 266,250 |
| Investments in unconsolidated subsidiaries and associates (Note 3) | | 3,719 | | 3,179 | | 33,205 |
| Net defined benefit asset (Note 9) | | 1,935 | | 123 | | 17,277 |
| Deferred tax assets (Note 14) | | 265 | | 331 | | 2,366 |
| Other | | 1,785 | | 1,944 | | 15,937 |
| Total investments and other assets | | 37,524 | | 31,583 | | 335,035 |
| **Property, plant and equipment:** | | | | | | |
| Land | | 13,335 | | 13,508 | | 119,063 |
| Buildings and structures | | 41,345 | | 41,363 | | 369,152 |
| Machinery and equipment | | 52,284 | | 51,776 | | 466,821 |
| Construction in progress | | 1,719 | | 717 | | 15,348 |
| Total property, plant and equipment | | 108,683 | | 107,364 | | 970,384 |
| Less accumulated depreciation | | (65,055) | | (63,418) | | (580,848) |
| Net property, plant and equipment | | 43,628 | | 43,946 | | 389,536 |
| Total assets | ¥ | 142,362 | ¥ | 135,932 | $ | 1,271,089 |

See accompanying Notes to Consolidated Financial Statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| **Liabilities:** | | | |
| **Current liabilities:** | | | |
| Short-term borrowings (Notes 3 and 8) | ¥ 9,671 | ¥ 12,731 | $ 86,348 |
| Current portion of long-term debt (Notes 3 and 8) | 464 | 2,032 | 4,143 |
| Notes and accounts payable (Notes 3 and 7) | 16,789 | 14,849 | 149,902 |
| Accrued expenses (Note 3) | 3,435 | 3,306 | 30,670 |
| Income taxes payable (Note 3) | 804 | 700 | 7,179 |
| Other current liabilities | 1,420 | 1,037 | 12,677 |
| Total current liabilities | 32,583 | 34,655 | 290,919 |
| **Long-term liabilities:** | | | |
| Long-term debt (Notes 3 and 8) | 13,042 | 13,501 | 116,446 |
| Net defined benefit liability (Note 9) | 1,917 | 2,065 | 17,116 |
| Accrued severance indemnities for directors and corporate auditors | 206 | 276 | 1,839 |
| Provision for directors' stock payments | 66 | - | 589 |
| Deferred tax liabilities (Note 14) | 6,642 | 4,890 | 59,304 |
| Other non-current liabilities | 780 | 779 | 6,965 |
| Total long-term liabilities | 22,653 | 21,511 | 202,259 |
| Total liabilities | 55,236 | 56,166 | 493,178 |
| **Net assets (Note 13):** | | | |
| Shareholders' equity: | | | |
| Common stock: 39,750,000 shares authorized and 15,842,849 shares issued | 15,632 | 15,632 | 139,571 |
| Capital surplus | 18,784 | 18,784 | 167,714 |
| Retained earnings | 42,418 | 39,287 | 378,733 |
| Less treasury stock, at cost: 1,487,548 shares in 2017 and 14,843,978 shares in 2016 | (3,892) | (3,991) | (34,750) |
| Total shareholders' equity | 72,942 | 69,712 | 651,268 |
| Accumulated other comprehensive income | 10,987 | 7,038 | 98,098 |
| Non-controlling interests | 3,197 | 3,016 | 28,545 |
| Total net assets | 87,126 | 79,766 | 777,911 |
| Total liabilities and net assets | ¥ 142,362 | ¥ 135,932 | $ 1,271,089 |

**NORITAKE CO., LIMITED and Consolidated Subsidiaries**
**Consolidated Statements of Income**
For the Years Ended March 31, 2017 and 2016

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| **Operating revenue:** | | | |
| Net sales (Note 15) | ¥ 108,809 | ¥ 109,631 | $ 971,509 |
| **Operating costs and expenses:** | | | |
| Cost of goods sold | 79,538 | 80,385 | 710,161 |
| Selling, general and administrative expenses | 26,151 | 25,797 | 233,491 |
| | 105,689 | 106,182 | 943,652 |
| Operating profit | 3,120 | 3,449 | 27,857 |
| **Other income (expenses):** | | | |
| Interest and dividend income | 687 | 640 | 6,134 |
| Interest expense | (76) | (146) | (679) |
| Impairment loss on fixed assets | - | (357) | - |
| Gain on sales of investment securities | 752 | 23 | 6,714 |
| Gain (loss) on sales or disposals of property and equipment | (281) | 1,238 | (2,509) |
| Equity in net earnings of associates | 752 | 492 | 6,714 |
| Other, net | 310 | 345 | 2,769 |
| | 2,144 | 2,235 | 19,143 |
| Profit before income taxes | 5,264 | 5,684 | 47,000 |
| **Income taxes (Note 14):** | | | |
| Current | 1,163 | 1,394 | 10,384 |
| Deferred | (301) | (404) | (2,688) |
| Total income taxes | 862 | 990 | 7,696 |
| Profit | 4,402 | 4,694 | 39,304 |
| **Profit attributable to non-controlling interests** | 294 | 281 | 2,625 |
| Profit attributable to owners of the parent | ¥ 4,108 | ¥ 4,413 | $ 36,679 |

| | Yen | | U.S. dollars |
|---|---|---|---|
| **Per share (Note 2(r)):** | | | |
| Profit attributable to owners of the parent | ¥ 286.12 | ¥ 307.32 | $ 2.55 |
| Cash dividends | 33.00 | 6.00 | 0.29 |

See accompanying Notes to Consolidated Financial Statements.

**NORITAKE CO., LIMITED and Consolidated Subsidiaries**
**Consolidated Statements of Comprehensive Income**
For the Years Ended March 31, 2017 and 2016

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| **Profit:** | ¥ 4,402 | ¥ 4,694 | $ 39,304 |
| **Other comprehensive income (Note 17):** | | | |
| Unrealized gains on available-for-sale securities | 2,889 | (3,421) | 25,795 |
| Foreign currency translation adjustments | (1,002) | (1,034) | (8,947) |
| Remeasurements of defined benefit plans, net of tax | 2,009 | (1,382) | 17,938 |
| Share of other comprehensive income of associates accounted for using equity method | (6) | (26) | (54) |
| Total other comprehensive income | 3,890 | (5,863) | 34,732 |
| **Comprehensive income:** | ¥ 8,292 | ¥ (1,169) | $ 74,036 |
| **Comprehensive income attributable to:** | | | |
| Owners of the parent | ¥ 8,056 | ¥ (1,258) | $ 71,929 |
| Non-controlling interests | 236 | 89 | 2,107 |
| Total comprehensive income: | ¥ 8,292 | ¥ (1,169) | $ 74,036 |

See accompanying Notes to Consolidated Financial Statements.

**NORITAKE CO., LIMITED and Consolidated Subsidiaries**
**Consolidated Statements of Changes in Net Assets**
For the Years Ended March 31, 2017 and 2016

| | 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, 2015** | 158,428,497 | ¥ 15,632 | ¥ 18,833 | ¥ 35,735 | ¥ (3,985) | ¥ 66,215 |
| Profit attributable to owners of the parent | - | - | - | 4,413 | - | 4,413 |
| Cash dividends | - | - | - | (861) | - | (861) |
| Purchases of treasury stock and fractional shares, net | - | - | - | - | (6) | (6) |
| Purchase of shares of consolidated subsidiaries | - | - | (30) | - | - | (30) |
| Sales of shares of consolidated subsidiaries | - | - | (19) | - | - | (19) |
| Net changes in items other than shareholders' equity | - | - | - | - | - | - |
| **Balance at March 31, 2016** | 158,428,497 | 15,632 | 18,784 | 39,287 | (3,991) | 69,712 |
| Profit attributable to owners of the parent | - | - | - | 4,108 | - | 4,108 |
| Cash dividends | - | - | - | (869) | - | (869) |
| Purchases of treasury stock and fractional shares, net | - | - | - | - | (608) | (608) |
| Disposal of treasury stock | - | - | - | (108) | 707 | 599 |
| Consolidation of shares | (142,585,648) | - | - | - | - | - |
| Net changes in items other than shareholders' equity | - | - | - | - | - | - |
| **Balance at March 31, 2017** | 15,842,849 | ¥ 15,632 | ¥ 18,784 | ¥ 42,418 | ¥ (3,892) | ¥ 72,942 |
| | | Thousands of U.S. dollars (Note 1) | | | | |
| **Balance at March 31, 2016** | | $ 139,571 | $ 167,714 | $ 350,777 | $ (35,634) | $ 622,428 |
| Profit attributable to owners of the parent | | - | - | 36,679 | - | 36,679 |
| Cash dividends | | - | - | (7,759) | - | (7,759) |
| Purchases of treasury stock and fractional shares, net | | - | - | - | (5,429) | (5,429) |
| Disposal of treasury stock | | - | - | (964) | 6,313 | 5,349 |
| Net changes in items other than shareholders' equity | | - | - | - | - | - |
| **Balance at March 31, 2017** | | $ 139,571 | $ 167,714 | $ 378,733 | $ (34,750) | $ 651,268 |

| | Accumulated other comprehensive income | | | | | |
|---|---|---|---|---|---|---|
| | Unrealized gains on available-for-sale securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| | Millions of yen | | | | | |
| **Balance at April 1, 2015** | ¥ 13,517 | ¥ (760) | ¥ (48) | ¥ 12,709 | ¥ 3,893 | ¥ 82,817 |
| Profit attributable to owners of the parent | - | - | - | - | - | 4,413 |
| Cash dividends | - | - | - | - | - | (861) |
| Purchases of treasury stock and fractional shares, net | - | - | - | - | - | (6) |
| Purchase of shares of consolidated subsidiaries | - | - | - | - | - | (30) |
| Sales of shares of consolidated subsidiaries | - | - | - | - | - | (19) |
| Net changes in items other than shareholders' equity | (3,411) | (900) | (1,360) | (5,671) | (877) | (6,548) |
| **Balance at March 31, 2016** | 10,106 | (1,660) | (1,408) | 7,038 | 3,016 | 79,766 |
| Profit attributable to owners of the parent | - | - | - | - | - | 4,108 |
| Cash dividends | - | - | - | - | - | (869) |
| Purchases of treasury stock and fractional shares, net | - | - | - | - | - | (608) |
| Disposal of treasury stock | - | - | - | - | - | 599 |
| Consolidation of shares | - | - | - | - | - | - |
| Net changes in items other than shareholders' equity | 2,877 | (931) | 2,003 | 3,949 | 181 | 4,130 |
| **Balance at March 31, 2017** | ¥ 12,983 | ¥ (2,591) | ¥ 595 | ¥ 10,987 | ¥ 3,197 | ¥ 87,126 |
| | Thousands of U.S. dollars (Note 1) | | | | | |
| **Balance at March 31, 2016** | $ 90,233 | $ (14,822) | $ (12,572) | $ 62,839 | $ 26,929 | $ 712,196 |
| Profit attributable to owners of the parent | - | - | - | - | - | 36,679 |
| Cash dividends | - | - | - | - | - | (7,759) |
| Purchases of treasury stock and fractional shares, net | - | - | - | - | - | (5,429) |
| Disposal of treasury stock | - | - | - | - | - | 5,349 |
| Net changes in items other than shareholders' equity | 25,687 | (8,313) | 17,885 | 35,259 | 1,616 | 36,875 |
| **Balance at March 31, 2017** | $ 115,920 | $ (23,135) | $ 5,313 | $ 98,098 | $ 28,545 | $ 777,911 |

See accompanying Notes to Consolidated Financial Statements.

**NORITAKE CO., LIMITED and Consolidated Subsidiaries**
**Consolidated Statements of Cash Flows**
For the Years Ended March 31, 2017 and 2016

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| **Cash flows from operating activities:** | | | |
| Profit before income taxes | ¥ 5,264 | ¥ 5,684 | $ 47,000 |
| Adjustments for: | | | |
| Depreciation | 4,026 | 4,147 | 35,946 |
| Impairment loss on fixed assets | - | 357 | - |
| Equity in net earnings of associates | (752) | (492) | (6,714) |
| Gain on sales of investment securities | (752) | (23) | (6,714) |
| Loss (gain) on sales or disposals of property and equipment | 281 | (1,238) | 2,509 |
| Increase (decrease) in net defined benefit liability and asset | 944 | 397 | 8,429 |
| Decrease (increase) in trade receivables | 327 | (1,720) | 2,920 |
| Decrease (increase) in inventories | (693) | 210 | (6,188) |
| Increase (decrease) in trade payables | 1,117 | 154 | 9,973 |
| Other, net | (362) | (816) | (3,232) |
| Subtotal | 9,400 | 6,660 | 83,929 |
| Interest and dividends received | 892 | 813 | 7,964 |
| Interest paid | (76) | (169) | (679) |
| Income taxes paid | (1,087) | (1,190) | (9,705) |
| Net cash provided by operating activities | 9,129 | 6,114 | 81,509 |
| | | | |
| **Cash flows from investing activities:** | | | |
| Increase in property, plant and equipment | (3,383) | (4,714) | (30,205) |
| Increase in long-term investments and loans receivable | (42) | (52) | (375) |
| Decrease in property and long-term investments | 1,324 | 1,662 | 11,821 |
| Increase in short-term investments | (300) | (218) | (2,679) |
| Other, net | (145) | (707) | (1,294) |
| Net cash used in investing activities | (2,546) | (4,029) | (22,732) |

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| **Cash flows from financing activities:** | | | |
| Increase in long-term debt | - | 250 | - |
| Repayments of long-term debt | (1,995) | (1,663) | (17,813) |
| Net increase (decrease) in short-term borrowings | (3,048) | 9,383 | (27,214) |
| Redemption of bonds | - | (10,000) | - |
| Dividends paid | (869) | (861) | (7,759) |
| Proceeds from sales of treasury stock | 599 | - | 5,349 |
| Purchase of treasury stock and fractional shares | (608) | (6) | (5,429) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | - | (1,345) | - |
| Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | - | 334 | - |
| Other, net | (54) | - | (482) |
| Net cash provided by (used in) financing activities | (5,975) | (3,908) | (53,348) |
| Effect of exchange rate changes on cash and cash equivalents | (282) | (179) | (2,518) |
| Net increase (decrease) in cash and cash equivalents | 326 | (2,002) | 2,911 |
| Cash and cash equivalents at beginning of year | 8,584 | 10,586 | 76,643 |
| Cash and cash equivalents at end of year | ¥ 8,910 | ¥ 8,584 | $ 79,554 |

See accompanying Notes to Consolidated Financial Statements.

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

## 1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of NORITAKE CO., LIMITED (the "Company") and its consolidated subsidiaries (together with the Company, the "Noritake Group") have been prepared in accordance with the provisions set forth in the Financial Instrument and Exchange Law of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS"). The accompanying consolidated financial statements have been reformatted and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instrument and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts has been included solely for the convenience of readers outside Japan, using the prevailing approximate exchange rate at March 31, 2017, which was ¥112 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, 2017 and 2016 was as follows:

| | 2017 | 2016 |
|---|---|---|
| Consolidated subsidiaries: | | |
| Domestic | 10 | 10 |
| Overseas | 13 | 13 |
| Associates accounted for by the equity method | 4 | 4 |
| Unconsolidated subsidiaries stated at cost | 2 | 2 |
| Associates stated at cost | 3 | 3 |

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

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

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

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

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

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

### (b) Cash equivalents

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

### (c) Investments and marketable securities

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

### (d) Accounting for derivatives

The Noritake Group is a party to derivative instruments such as foreign currency forward exchange contracts and interest rate and currency swap contracts in the ordinary course of business for hedging purposes to reduce its exposure to fluctuations in exchange rates and interest rates. Foreign currency forward exchange contracts are accounted for by translating foreign currency denominated assets and liabilities at the contract rate as an interim measure if certain hedging criteria are met. According to the special treatment as permitted by the accounting standard for financial instruments, hedging interest rate and currency swap contracts are accounted for on an accrual basis and recorded net of interest expense generated from the hedged borrowings if certain conditions are met. Furthermore, interest rate and currency swap contracts are accounted for on an accrual basis through translating foreign currency denominated liabilities at such contracts rates as an interim measure if certain hedging criteria are met. In addition, during the years ended March 31, 2017 and 2016, the Company had a derivative contract outstanding to hedge the risks associated with the occurrence of an earthquake. As the fair value of the contract was not considered determinable, that derivative contract was not accounted for at fair value.

### (e) Inventories

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

### (f) Allowance for doubtful accounts

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

### (g) Property, plant and equipment and depreciation

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

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

### (h) Leases

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

### (i) Impairment of fixed assets

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

The Noritake Group recognized impairment loss for the years ended March 31, 2017 and 2016 as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Machinery and equipment | ¥ - | ¥ 357 | $ - |
| Other | - | 0 | - |
| | ¥ - | ¥ 357 | $ - |

### (j) Employee retirement benefits

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

### (k) Accrued severance indemnities for directors and corporate auditors

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

**(Additional information)**
The Company resolved to make a lump sum payment equivalent to retirement allowance, due to the abolition of the officer retirement program, based on the resolution of the shareholders' meeting held on June 26, 2015. Accordingly, accrued severance indemnities for directors and corporate auditors was reversed and recorded in "Other non-current liabilities".

### (l) Provision for directors' stock payments

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

### (m) Translation of foreign currency accounts

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

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

**(n) Research and development expenses**

Expenses related to research and development activities are charged to income as incurred. Such research and development expenses were included in cost of goods sold and selling, general and administrative expenses in the accompanying consolidated statements of income and amounted to ¥2,443 million ($21,813 thousand) and ¥2,797 million for the years ended March 31, 2017 and 2016, respectively.

**(o) Enterprise taxes**

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

**(p) Income taxes**

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

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

### (q) Appropriation of retained earnings

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

### (r) Per share data

Profit attributable to owners of the parent per share is computed by dividing profit attributable to owners of the parent available to common shareholders by the weighted average number of shares of common stock outstanding during the respective year. Diluted profit attributable to owners of the parent per share is not disclosed as the Noritake Group had no diluted common shares for the years ended March 31, 2017 or 2016.

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

The Company conducted a consolidation of shares at a ratio of one share for every ten shares on October 1, 2016. The figures for the profit attributable to the owners of the parent per share are based on the assumption that the Company conducted the consolidation of shares at the beginning of previous fiscal year. In addition, the total annual dividends of ¥33 ($0.29) per share for the year ended March 31, 2017 consists of interim dividends of ¥3 ($0.03) per share before the consolidation of shares and year-end dividends of ¥30 ($0.26) per share after the consolidation.

### (s) Changes in accounting policies for business combinations

The Company and its domestic consolidated subsidiaries adopted “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013 (hereinafter, “Statement No. 21”)), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013 (hereinafter, “Statement No. 22”)) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013 (hereinafter, “Statement No. 7”)) (together, the “Business Combination Accounting Standards”) from the fiscal year ended March 31, 2016. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company’s ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term “non-controlling interests” is used instead of “minority interests”. Certain amounts in the prior year comparative information were reclassified to conform to such changes in the previous year presentation.
In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from financing activities” and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from operating activities”.
With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in Article 58-2 (4) of Statement No. 21, Article 44-5 (4) of Statement No. 22 and Article 57-4 (4) of Statement No. 7 with application from the beginning of the previous fiscal year prospectively.
As a result, capital surplus as of the fiscal year ended March 31, 2016 decreased by ¥49 million. In addition, the effect on profit and loss is not material.

### (t) Performance-linked stock compensation scheme

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

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

(2) The Company's own stock in the trust
The Company's own stock in the possession of the trust is recorded as treasury stock under net assets at book value. The book value and number of treasury stock were ¥600 million ($5,357 thousand) and 263 thousand shares as of the fiscal year ended March 31, 2017.

### (u) Assignments of property

On March 31, 2017, the Board of Directors of the Company resolved an assignment of the Company's property to third parties as follows:

(1) Property to be assigned:
Located in Noritake-shinmachi, Nagoya City in Aichi Prefecture as idle land
(2) Amount of the assignment:
¥15,000 million ($133,929 thousand)
(3) Planned gain resulting from this transaction, net of estimated disposal cost:
¥13,000 million ($116,071 thousand)
(4) Transaction completion date:
Scheduled for March, 2018

## 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, 2017 and 2016 of financial instruments other than unlisted equity securities for which the fair value was extremely difficult to determine.

| | Carrying values | Fair values | Differences |
|---|---|---|---|
| | | Millions of yen | |
| As of March 31, 2017: | | | |
| Financial assets: | | | |
| Cash and time deposits | ¥ 11,275 | ¥ 11,275 | ¥ - |
| Trade receivables | 30,354 | 30,354 | - |
| Investment securities: | | | |
| Available-for-sale securities | 29,249 | 29,249 | - |
| Total | ¥ 70,878 | ¥ 70,878 | ¥ - |
| Financial liabilities: | | | |
| Trade payables | ¥ 16,195 | ¥ 16,195 | ¥ - |
| Short-term borrowings | 9,671 | 9,671 | - |
| Payables included in accrued expenses | 1,930 | 1,930 | - |
| Income taxes payable | 804 | 804 | - |
| Long-term bank loans, including current portion | 13,465 | 13,397 | (68) |
| Total | ¥ 42,065 | ¥ 41,997 | ¥ (68) |
| Derivative instruments | ¥ - | ¥ - | ¥ - |

| | Carrying values | Fair values | Differences |
|---|---|---|---|
| | | Millions of yen | |
| As of March 31, 2016: | | | |
| Financial assets: | | | |
| Cash and time deposits | ¥ 10,721 | ¥ 10,721 | ¥ - |
| Trade receivables | 30,820 | 30,820 | - |
| Investment securities: | | | |
| Available-for-sale securities | 25,434 | 25,434 | - |
| Total | ¥ 66,975 | ¥ 66,975 | ¥ - |
| Financial liabilities: | | | |
| Trade payables | ¥ 14,014 | ¥ 14,014 | ¥ - |
| Short-term borrowings | 12,731 | 12,731 | - |
| Payables included in accrued expenses | 1,841 | 1,841 | - |
| Income taxes payable | 700 | 700 | - |
| Long-term bank loans, including current portion | 15,486 | 15,441 | (45) |
| Total | ¥ 44,772 | ¥ 44,727 | ¥ (45) |
| Derivative instruments | ¥ - | ¥ - | ¥ - |

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| As of March 31, 2017: | | | |
| Financial assets: | | | |
| Cash and time deposits | $ 100,670 | $ 100,670 | $ - |
| Trade receivables | 271,018 | 271,018 | - |
| Investment securities: | | | |
| Available-for-sale securities | 261,152 | 261,152 | - |
| Total | $ 632,840 | $ 632,840 | $ - |
| Financial liabilities: | | | |
| Trade payables | $ 144,599 | $ 144,599 | $ - |
| Short-term borrowings | 86,348 | 86,348 | - |
| Payables included in accrued expenses | 17,232 | 17,232 | - |
| Income taxes payable | 7,179 | 7,179 | - |
| Long-term bank loans, including current portion | 120,223 | 119,616 | (607) |
| Total | $ 375,581 | $ 374,974 | $ (607) |
| 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 long-term interest-bearing bank loans is estimated based on a discounted cash flow analysis using current interest rates considered to be applicable to similar loans.
(iv) See Note 12 for the calculation method for the fair value of derivative instruments such as interest rate and currency swaps or foreign currency forward exchange contracts.

(2) Unlisted equity securities of ¥4,291 million ($38,313 thousand) and ¥3,751 million at March 31, 2017 and 2016, 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, 2017:

| | 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 | ¥ 11,275 | ¥ - | ¥ - | ¥ - |
| Trade receivables | 30,354 | - | - | - |
| Total | ¥ 41,629 | ¥ - | ¥ - | ¥ - |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| Financial assets: | | | | |
| Cash and time deposits | $ 100,670 | $ - | $ - | $ - |
| Trade receivables | 271,018 | - | - | - |
| Total | $ 371,688 | $ - | $ - | $ - |

## 4. Notes and Accounts Receivable

As of March 31, 2017 and 2016, notes and accounts receivable consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Trade notes receivable | ¥ 8,783 | ¥ 7,873 | $ 78,420 |
| Trade accounts receivable | 21,571 | 22,947 | 192,598 |
| Other | 184 | 151 | 1,643 |
| Less allowance for doubtful accounts | (27) | (30) | (241) |
| | ¥ 30,511 | ¥ 30,941 | $ 272,420 |

## 5. Inventories

As of March 31, 2017 and 2016, inventories consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Merchandise and finished goods | ¥ 8,013 | ¥ 8,428 | $ 71,545 |
| Work-in-process | 4,617 | 3,778 | 41,223 |
| Raw materials and supplies | 4,424 | 4,388 | 39,500 |
| | ¥ 17,054 | ¥ 16,594 | $ 152,268 |

A reversal of write-down of ¥83 million ($741 thousand) and a write-down of ¥94 million were recognized as costs of goods sold for the years ended March 31, 2017 and 2016, respectively.

## 6. Investments

As of March 31, 2017 and 2016, short-term investments consisted of time deposits with an original maturity of more than three months.

At March 31, 2017 and 2016, investment securities consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Available-for-sale securities with fair values: | | | |
| Equity securities | ¥ 29,249 | ¥ 25,434 | $ 261,152 |
| Other securities without fair values | 571 | 572 | 5,098 |
| | ¥ 29,820 | ¥ 26,006 | $ 266,250 |

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, 2017 and 2016, 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, 2017 | ¥ 10,573 | ¥ 18,696 | ¥ (20) | ¥ 29,249 |
| As of March 31, 2016 | 10,910 | 14,809 | (285) | 25,434 |
| | Thousands of U.S. dollars | | | |
| Available-for-sale equity securities: | | | | |
| As of March 31, 2017 | $ 94,402 | $ 166,929 | $ (179) | $ 261,152 |

The Noritake Group sold available-for-sale securities and recorded net gains of ¥752 million ($6,714 thousand) and ¥23 million for the years ended March 31, 2017 and 2016, respectively. The Noritake Group recorded a loss on the write-down of available-for-sale securities due to other-than-temporary impairment in the amount of ¥2 million ($18 thousand) for the year ended March 31, 2017.

## 7. Notes and Accounts Payable

As of March 31, 2017 and 2016, notes and accounts payable consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Trade notes payable | ¥ 10,253 | ¥ 8,068 | $ 91,545 |
| Trade accounts payable | 5,942 | 5,946 | 53,054 |
| Other | 594 | 835 | 5,303 |
| | ¥ 16,789 | ¥ 14,849 | $ 149,902 |

## 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 0.24% and 0.44% per annum for the years ended March 31, 2017 and 2016, respectively.

As of March 31, 2017 and 2016, long-term debt consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Unsecured loans from banks and insurance companies due through February 2020 with interest at an average rate of 0.32% per annum at March 31, 2017 | ¥ 13,465 | ¥ 15,486 | $ 120,223 |
| Capitalized lease obligations | 41 | 47 | 366 |
| | 13,506 | 15,533 | 120,589 |
| Less current portion | (464) | (2,032) | (4,143) |
| | ¥ 13,042 | ¥ 13,501 | $ 116,446 |

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

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2018 | ¥ 464 | $ 4,143 |
| 2019 | 12,708 | 113,464 |
| 2020 | 326 | 2,911 |
| 2021 | 4 | 35 |
| 2022 | 2 | 18 |
| Thereafter | 2 | 18 |
| | ¥ 13,506 | $ 120,589 |

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

## 9. Employee Retirement Benefits

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

Information about employee retirement benefits for the years ended March 31, 2017 and 2016 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 |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Balance at beginning of current period | ¥ 20,178 | ¥ 20,178 | $ 180,161 |
| Service cost | 901 | 901 | 8,045 |
| Interest cost | 194 | 206 | 1,732 |
| Actuarial loss | 36 | 52 | 321 |
| Benefits paid | (1,020) | (1,144) | (9,107) |
| Other | (53) | (15) | (473) |
| Balance at end of current period | ¥ 20,236 | ¥ 20,178 | $ 180,679 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Balance at beginning of current period | ¥ 18,473 | ¥ 20,767 | $ 164,938 |
| Expected return on plan assets | 316 | 336 | 2,821 |
| Actuarial gain | 1,678 | (2,158) | 14,982 |
| Contributions paid by the employer | 761 | 302 | 6,795 |
| Benefits paid | (751) | (774) | (6,705) |
| Other | (30) | 0 | (268) |
| Balance at end of current period | ¥ 20,447 | ¥ 18,473 | $ 182,563 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Balance at beginning of current period | ¥ 237 | ¥ 191 | $ 2,116 |
| Retirement benefit expense | 133 | 266 | 1,188 |
| Benefits paid | (158) | (148) | (1,411) |
| Contributions paid by the employer | (16) | (69) | (143) |
| Other | (3) | (3) | (27) |
| Balance at end of current period | ¥ 193 | ¥ 237 | $ 1,723 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Funded retirement benefit obligations | ¥ 21,480 | ¥ 21,410 | $ 191,785 |
| Plan assets | (22,381) | (20,330) | (199,830) |
| | (901) | 1,080 | (8,045) |
| Unfunded retirement benefit obligations | 883 | 862 | 7,884 |
| Total net defined benefit liability (asset) at end of current period | (18) | 1,942 | (161) |
| Net defined benefit liability | 1,917 | 2,065 | 17,116 |
| Net defined benefit asset | (1,935) | (123) | (17,277) |
| Total net defined benefit liability (asset) at end of current period | ¥ (18) | ¥ 1,942 | $ (161) |

(5) Retirement benefit expense

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Service cost | ¥ 901 | ¥ 901 | $ 8,045 |
| Interest cost | 194 | 206 | 1,732 |
| Expected return on plan assets | (316) | (336) | (2,821) |
| Net actuarial loss amortization | 1,234 | 244 | 11,018 |
| Retirement benefit expense based on the simplified method | 133 | 265 | 1,188 |
| Other | 23 | - | 204 |
| Total retirement benefit expense for the fiscal year | ¥ 2,169 | ¥ 1,280 | $ 19,366 |

(6) Remeasurements of defined benefit plans, before tax

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Actuarial gains and losses | ¥ 2,890 | ¥ (1,968) | $ 25,804 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Actuarial gains and losses that are yet to be recognized | ¥ (850) | ¥ 2,040 | $ (7,589) |

(8) Plan assets

(i) Plan assets comprise:

| | 2017 | 2016 |
|---|---|---|
| Bonds | 11% | 11% |
| Equity securities | 42% | 40% |
| General accounts of life insurance | 34% | 35% |
| Other | 13% | 14% |
| Total | 100% | 100% |

*Note: 27% and 22% of plan assets are contributed to the employee retirement benefit trust under the defined benefit plans at March 31, 2017 and 2016, respectively.*

(ii) Long-term expected rate of return

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

(9) Actuarial assumptions

The principal actuarial assumptions at March 31, 2017 and 2016 were as follows:

| | 2017 | 2016 |
|---|---|---|
| Discount rates | 0.8% | 0.8% |
| Long-term expected rate of return | 2.0% | 2.0% |

**Defined contribution plan**

The amount of the required contribution to defined contribution plans of the consolidated subsidiaries was ¥82 million ($732 thousand) and ¥82 million for the years ended March 31, 2017 and 2016, respectively.

**Multi-employer pension program**

The amount of the required contribution to multi-employer pension program of the certain domestic consolidated subsidiaries was ¥46 million ($411 thousand) and ¥83 million for the years ended March 31, 2017 and 2016, respectively.

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Latest calculation period-end | March 31, 2016: | March 31, 2015: | |
| Plan assets | ¥ 136,547 | ¥ 141,420 | $ 1,219,170 |
| Total of actuarial obligation and minimum liability reserve under program | (148,680) | (157,294) | (1,327,500) |
| Difference, resulting primarily from unamortized past service cost | ¥ (12,133) | ¥ (15,874) | $ (108,330) |
| Ratio of subsidiaries' contributions to total contributions to entire plan | 1.54% | 1.57% | |

## 10. Lease Commitments

As lessee, the Noritake Group has entered into various rental and lease agreements principally for office space that are non-cancelable or cancelable with a few months advance notice. As lessee, the Noritake Group also leases machinery, office equipment and vehicles under leases which are not usually cancelable. The aggregate future minimum payments under such finance leases, including imputed interest, and operating leases as of March 31, 2017 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Operating leases: | | | |
| Due within one year | ¥ 91 | ¥ 106 | $ 813 |
| Due after one year | 139 | 117 | 1,241 |
| | ¥ 230 | ¥ 223 | $ 2,054 |

## 11. Contingent Liabilities

There were no contingent liabilities at March 31, 2017 and 2016.

## 12. Derivative Instruments

At March 31, 2017 and 2016, 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, 2017 and 2016. 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, 2017 and 2016 are summarized as follows:

| | Notional principal or contract amounts | | |
|---|---|---|---|
| | Total | Over 1 year | Fair value |
| | Millions of yen | | |
| At March 31, 2017: | | | |
| Foreign currency exchange contracts *(*1)*: | | | |
| Forward - selling | ¥ 392 | ¥ - | * |
| Interest rate and currency swap contracts *(*2)*: | | | |
| Floating rate receipt, fixed rate payment | | | |
| U.S.Dollars receipt, Japanese Yen payment | 1,200 | 1,200 | * |
| | Millions of yen | | |
| At March 31, 2016: | | | |
| Foreign currency exchange contracts *(*1)*: | | | |
| Forward - selling | ¥ 346 | ¥ - | * |
| Interest rate and currency swap contracts *(*2)*: | | | |
| Floating rate receipt, fixed rate payment | | | |
| U.S.Dollars receipt, Japanese Yen payment | 1,200 | 1,200 | * |
| | Thousands of U.S. dollars | | |
| At March 31, 2017: | | | |
| Foreign currency exchange contracts *(*1)*: | | | |
| Forward - selling | $ 3,500 | $ - | * |
| Interest rate and currency swap contracts *(*2)*: | | | |
| Floating rate receipt, fixed rate payment | | | |
| U.S.Dollars receipt, Japanese Yen payment | 10,714 | 10,714 | * |

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

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

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

## 13. Net Assets

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

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. At both March 31, 2017 and 2016, 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 ($31,071 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, 2017, the Company paid interim dividends of ¥3.00 per share, amounting to ¥439 million ($3,920 thousand), including ¥8 million ($71 thousand) of dividends for the stocks held by the executive compensation BIP trust. The figure of ¥3.00 shows the dividends per share before the consolidation of shares implemented on October 1, 2016 because the record date was September 30, 2016. In addition, on May 11, 2017, the Board of Directors of the Company resolved to pay cash dividends as an appropriation of retained earnings in the amount of ¥439 million ($3,920 thousand, ¥30.00 per share), including ¥8 million ($71 thousand) of dividends for the stocks held by the executive compensation BIP trust, to the shareholders as of March 31, 2017. The appropriation was not accrued in the consolidated financial statements as of March 31, 2017.

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

## 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, 2017 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Deferred tax assets: | | | |
| Intercompany unrealized gains on property | ¥ 48 | ¥ 49 | $ 429 |
| Accrued bonuses to employees | 460 | 447 | 4,107 |
| Net defined benefit liability and asset | 2,966 | 3,508 | 26,482 |
| Accrued severance indemnities for directors and corporate auditors | 63 | 217 | 563 |
| Inventories | 347 | 364 | 3,098 |
| Net operating loss carryforwards | 4,876 | 5,000 | 43,536 |
| Other | 2,029 | 1,953 | 18,115 |
| Less valuation allowance | (7,173) | (7,359) | (64,045) |
| Total deferred tax assets | 3,616 | 4,179 | 32,285 |
| Deferred tax liabilities: | | | |
| Gain on transfer of investment securities to trusts for retirement benefit plans | 2,472 | 2,472 | 22,071 |
| Unrealized gains on available-for-sale securities | 5,853 | 4,589 | 52,259 |
| Other | 1,058 | 1,069 | 9,447 |
| Total deferred tax liabilities | 9,383 | 8,130 | 83,777 |
| Net deferred tax liabilities | ¥ 5,767 | ¥ 3,951 | $ 51,492 |

As of March 31, 2017 and 2016, deferred tax assets and liabilities were recorded as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Deferred tax assets: | | | |
| Current | ¥ 610 | ¥ 608 | $ 5,446 |
| Noncurrent | 265 | 331 | 2,366 |
| Deferred tax liabilities: | | | |
| Current | - | - | - |
| Noncurrent | 6,642 | 4,890 | 59,304 |

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, 2017 and 2016, 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, 2017 and 2016 was as follows:

| | Percentage of pretax income | |
|---|---|---|
| | 2017 | 2016 |
| Japanese statutory tax rate | 30.7 % | 32.8 % |
| Increase (decrease) due to: | | |
| Permanently non-deductible expenses | 0.9 | 1.1 |
| Tax exempt income | (1.3) | (1.3) |
| Local minimum taxes per capita levy | 1.6 | 1.5 |
| Differences between Japanese and foreign tax rates | (3.9) | (4.3) |
| Changes in valuation allowances | (6.1) | (4.4) |
| Tax credit for research and development expenses | (1.7) | (1.0) |
| Equity in net earnings of associates | (3.2) | (1.8) |
| Effect on income tax rate changes | - | (0.1) |
| Other | (0.6) | (5.1) |
| Effective income tax rate | 16.4 % | 17.4 % |

"Act on Partial Amendment to the Income Tax Act, etc" (Act No. 15, 2016) and "Act on Partial Amendment to the Local Tax Act, etc" (Act No. 13, 2016) were enacted on March 29, 2016, and accordingly, the corporate tax rate and other rates have been lowered from the fiscal year beginning on or after April 1, 2016. Due to this change, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been revised from the previous rate of 32.1%. The rate of 30.7% has been applied to the temporary differences, expected to be either deductible, taxable or expired in the fiscal year beginning on April 1, 2016 and in the fiscal year beginning on April 1, 2017, while the rate of 30.5% has been applied to the temporary differences, expected to be either deductible, taxable, or expired in or after the fiscal year beginning on April 1, 2018. As a result of this change in tax rate, at March 31, 2016, deferred tax liabilities decreased by ¥218 million, deferred income taxes decreased by ¥23 million, unrealized gains on available-for-sale securities increased by ¥225 million, and remeasurements of defined benefit plans decreased by ¥29 million.

## 15. Segment Information

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

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

### (b) Basis of measurement about reportable segments:

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

### (c) Information about reported segments:

Information about reported Segment profit, segment assets and other items for the years ended March 31, 2017 and 2016 was as follows:

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

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

| | Reported segments | | | | |
| --- | --- | --- | --- | --- | --- |
| | Industrial Products | Ceramics & Materials | Engineering | Tabletop | Total |
| | Millions of yen | | | | |
| For the year 2016: | | | | | |
| Net sales: | | | | | |
| External customers | ¥ 57,193 | ¥ 28,846 | ¥ 13,491 | ¥ 10,101 | ¥ 109,631 |
| Segment profit (loss) | 1,717 | 1,606 | 474 | (348) | 3,449 |
| Segment assets | 50,426 | 29,916 | 8,567 | 8,588 | 97,497 |
| Other items: | | | | | |
| Intersegment sales and transfers | 17 | 66 | 146 | 243 | 472 |
| Depreciation | 2,572 | 963 | 236 | 376 | 4,147 |
| Investments in equity-method associates | 298 | 2,714 | - | 120 | 3,132 |
| Increases in tangible and intangible fixed assets | ¥ 1,458 | ¥ 782 | ¥ 87 | ¥ 366 | ¥ 2,693 |

| | Adjustments | Consolidated |
| --- | --- | --- |
| | Millions of yen | |
| For the year 2016: | | |
| Net sales: | | |
| External customers | ¥ - | ¥ 109,631 |
| Segment profit (loss) | - | 3,449 |
| Segment assets | 38,435 | 135,932 |
| Other items: | | |
| Intersegment sales and transfers | (472) | - |
| Depreciation | - | 4,147 |
| Investments in equity-method associates | - | 3,132 |
| Increases in tangible and intangible fixed assets | ¥ 1,032 | ¥ 3,725 |

| | Reported segments | | | | |
|---|---|---|---|---|---|
| | Industrial Products | Ceramics & Materials | Engineering | Tabletop | Total |
| | Thousands of U.S. dollars | | | | |
| For the year 2017: | | | | | |
| Net sales: | | | | | |
| External customers | $ 509,062 | $ 249,786 | $ 130,411 | $ 82,250 | $ 971,509 |
| Segment profit (loss) | 9,161 | 16,830 | 8,857 | (6,991) | 27,857 |
| Segment assets | 441,643 | 269,973 | 69,473 | 72,375 | 853,464 |
| Other items: | | | | | |
| Intersegment sales and transfers | 170 | 563 | 1,562 | 2,134 | 4,429 |
| Depreciation | 22,196 | 8,179 | 2,187 | 3,384 | 35,946 |
| Investments in equity-method associates | 2,911 | 28,777 | - | 1,098 | 32,786 |
| Increases in tangible and intangible fixed assets | $ 13,973 | $ 5,714 | $ 1,652 | $ 4,741 | $ 26,080 |

| | Adjustments | Consolidated |
|---|---|---|
| | Thousands of U.S. dollars | |
| For the year 2017: | | |
| Net sales: | | |
| External customers | $ - | $ 971,509 |
| Segment profit (loss) | - | 27,857 |
| Segment assets | 417,625 | 1,271,089 |
| Other items: | | |
| Intersegment sales and transfers | (4,429) | - |
| Depreciation | - | 35,946 |
| Investments in equity-method associates | - | 32,786 |
| Increases in tangible and intangible fixed assets | $ 13,911 | $ 39,991 |

*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, 2017 and 2016, net sales and tangible fixed assets about geographic areas were summarized as follows:

| | Japan | North America | Europe |
|---|---|---|---|
| | Millions of yen | | |
| Net sales: | | | |
| For the year 2017 | ¥ 66,298 | ¥ 10,571 | ¥ 1,693 |
| For the year 2016 | 68,224 | 11,207 | 2,229 |
| | Thousands of U.S. dollars | | |
| Net sales for the year 2017 | $ 591,946 | $ 94,384 | $ 15,116 |

| | Asia | Other | Total |
|---|---|---|---|
| | Millions of yen | | |
| Net sales: | | | |
| For the year 2017 | ¥ 29,026 | ¥ 1,221 | ¥ 108,809 |
| For the year 2016 | 26,922 | 1,049 | 109,631 |
| | Thousands of U.S. dollars | | |
| Net sales for the year 2017 | $ 259,161 | $ 10,902 | $ 971,509 |

| | Japan | North America | Europe |
|---|---|---|---|
| | Millions of yen | | |
| Tangible fixed assets : | | | |
| At March 31, 2017 | ¥ 36,204 | ¥ 938 | ¥ 14 |
| At March 31, 2016 | 36,072 | 1,031 | 20 |
| | Thousands of U.S. dollars | | |
| Tangible fixed assets at March 31, 2017 | $ 323,250 | $ 8,375 | $ 125 |

| | Asia | | Other | Total |
|---|---|---|---|---|
| | Thailand | Other | | |
| | Millions of yen | | | |
| Tangible fixed assets : | | | | |
| At March 31, 2017 | ¥ 4,525 | ¥ 1,862 | ¥ 85 | ¥ 43,628 |
| At March 31, 2016 | 4,647 | 1,950 | 226 | 43,946 |
| | Thousands of U.S. dollars | | | |
| Tangible fixed assets at March 31, 2017 | $ 40,402 | $ 16,625 | $ 759 | $ 389,536 |

(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, 2017 and 2016.

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

For the years ended March 31, 2017 and 2016, impairment loss on fixed assets was summarized as follows:

| | Reported segments | | | | |
|---|---|---|---|---|---|
| | Industrial Products | Ceramics & Materials | Engineering | Tabletop | Total |
| | Millions of yen | | | | |
| Impairment loss on fixed assets: | | | | | |
| For the year 2017 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| For the year 2016 | 357 | - | - | - | 357 |
| | Thousands of U.S. dollars | | | | |
| Impairment loss on fixed assets: | | | | | |
| For the year 2017 | $ - | $ - | $ - | $ - | $ - |

| | Adjustments | Consolidated |
|---|---|---|
| | Millions of yen | |
| Impairment loss on fixed assets: | | |
| For the year 2017 | ¥ - | ¥ - |
| For the year 2016 | - | 357 |
| | Thousands of U.S. dollars | |
| Impairment loss on fixed assets: | | |
| For the year 2017 | $ - | $ - |

*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, 2017 and 2016, amortization of goodwill and unamortized balance were summarized as follows:

| | Reported segments | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Industrial Products | | Ceramics & Materials | | Engineering | | Tabletop | | Total | |
| | Millions of yen | | | | | | | | | |
| As at or for the year 2017: | | | | | | | | | | |
| Amortization of goodwill | ¥ | 16 | ¥ | - | ¥ | - | ¥ | - | ¥ | 16 |
| Unamortized balance | | 8 | | - | | - | | - | | 8 |
| As at or for the year 2016: | | | | | | | | | | |
| Amortization of goodwill | ¥ | 17 | ¥ | - | ¥ | - | ¥ | - | ¥ | 17 |
| Unamortized balance | | 25 | | - | | - | | - | | 25 |
| | Thousands of U.S. dollars | | | | | | | | | |
| As at or for the year 2017: | | | | | | | | | | |
| Amortization of goodwill | $ | 143 | $ | - | $ | - | $ | - | $ | 143 |
| Unamortized balance | | 71 | | - | | - | | - | | 71 |

| | Adjustments | | Consolidated | |
|---|---|---|---|---|
| | Millions of yen | | | |
| As at or for the year 2017: | | | | |
| Amortization of goodwill | ¥ | - | ¥ | 16 |
| Unamortized balance | | - | | 8 |
| As at or for the year 2016: | | | | |
| Amortization of goodwill | ¥ | - | ¥ | 17 |
| Unamortized balance | | - | | 25 |
| | Thousands of U.S. dollars | | | |
| As at or for the year 2017: | | | | |
| Amortization of goodwill | $ | - | $ | 143 |
| Unamortized balance | | - | | 71 |

## 16. Related Party Transactions Information

### (a) Related party transactions

There were no significant transactions with related parties for the years ended March 31, 2017 or 2016.

### (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, 2017 and 2016 is as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Total current assets | ¥ 8,282 | ¥ 7,057 | $ 73,946 |
| Total non-current assets | 5,286 | 5,631 | 47,196 |
| Total current liabilities | 2,328 | 2,281 | 20,786 |
| Total non-current liabilities | 1,561 | 2,259 | 13,937 |
| Total net assets | 9,679 | 8,148 | 86,419 |
| Operating revenue | ¥ 11,240 | ¥ 10,659 | $ 100,357 |
| Profit before income taxes | 3,095 | 2,823 | 27,634 |
| Profit | 2,147 | 1,869 | 19,170 |

## 17. Other Comprehensive Income

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Unrealized gains on available-for-sale securities | | | |
| Increase (decrease) during the year | ¥ 4,904 | ¥ (5,357) | $ 43,786 |
| Reclassification adjustments | (752) | - | (6,715) |
| Subtotal, before tax | 4,152 | (5,357) | 37,071 |
| Tax effect | (1,263) | 1,936 | (11,276) |
| Subtotal, net of tax | 2,889 | (3,421) | 25,795 |
| Foreign currency translation adjustments | | | |
| Increase (decrease) during the year | ¥ (1,039) | ¥ (1,034) | $ (9,277) |
| Reclassification adjustments | 37 | - | 330 |
| Subtotal | (1,002) | (1,034) | (8,947) |
| Remeasurements of defined benefit plans, net of tax | | | |
| Increase (decrease) during the year | ¥ 1,656 | ¥ (2,211) | $ 14,786 |
| Reclassification adjustments | 1,234 | 244 | 11,018 |
| Subtotal, before tax | 2,890 | (1,967) | 25,804 |
| Tax effect | (881) | 585 | (7,866) |
| Subtotal, net of tax | 2,009 | (1,382) | 17,938 |
| Share of other comprehensive income of associates accounted for using equity method | | | |
| Increase (decrease) during the year | ¥ (6) | ¥ (26) | $ (54) |
| Subtotal | (6) | (26) | (54) |
| Total other comprehensive income | ¥ 3,890 | ¥ (5,863) | $ 34,732 |

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, 2017 and 2016, 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, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 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 28, 2017
Nagoya, Japan

## OVERSEAS NETWORK

(As of June 29, 2017)

**INDUSTRIAL PRODUCTS GROUP**

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

**(ATLANTA BRANCH)**
490 Sun Valley Drive, Suite #102, Roswell,
GA 30076 U.S.A.
Tel: 1-770-518-8233

**NORITAKE EUROPA GmbH**
KURHESSENSTRASSE 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

**(GUANGZHOU BRANCH)**
2510, GOLDLION DIGITAL NETWORK CENTER,
138 TIYU ROAD EAST,
GUANGZHOU 510620, CHINA
Tel: 86-20-3877-2253

**(DALIAN BRANCH)**
22K, INTERNATIONAL FINANCE BUILDING, No.15
RENMIN ROAD ZHONGSHAN DIST. DALIAN
116001, CHINA
Tel: 86-411-825-06065

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

**DIA RESIBON (THAILAND) CO., LTD.**
1/1 Moo 5, Rojana Industrial Park, Zone E,
Tambol U-Thai Amphur U-Thai,
Ayutthaya 13210, THAILAND
Tel: 66-35-741-660-5

**SIAM COATED ABRASIVE CO., LTD.**
AMATA CITY INDUSTRIAL ESTATE 7-126 MOO4,
T. MABYANGPORN, A. PLUAKDAENG,
RAYONG 21140, THAILAND
Tel: 66-3-865-0150

**CERAMICS & MATERIALS GROUP**

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

**(NEW JERSEY BRANCH)**
15-22 FAIR LAWN AVENUE, FAIR LAWN,
NJ 07410, U.S.A.
Tel: 1-201-475-5200

**(LOS ANGELES BRANCH)**
21081 SOUTH WESTERN AVENUE,
SUITE 180 TORRANCE, CA 90501, U.S.A.
Tel: 1-310-320-1700

**NORITAKE SCG PLASTER CO., LTD.**
NO. 32 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**
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7F-2, NO.46, SEC-2,
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Tel: 886-2-2531-9906

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

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

**ENGINEERING GROUP**

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

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

**TABLETOP GROUP**

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

**NORITAKE EUROPA GmbH**
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

**(NORITAKE CITY STORE)**
77, DHARMAPALA MAWATHA,
COLOMBO 7, SRI LANKA
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**NORITAKE (AUSTRALIA) PTY LTD.**
UNIT 4, 153 BEAUCHAMP ROAD,
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**NORITAKE SHANGHAI TRADING CO., LTD.**
ROOM 701 AETNA TOWER NO. 107,
ZUN YI ROAD, CHANG NING DISTRICT,
SHANGHAI, 200051, CHINA
Tel: 86-21-6237-5789

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

(As of June 29, 2017)

### MEMBERS OF THE BOARD

CHAIRMAN &
REPRESENTATIVE DIRECTOR
Hitoshi Tanemura

PRESIDENT &
REPRESENTATIVE DIRECTOR
Tadashi Ogura

VICE PRESIDENT &
REPRESENTATIVE DIRECTOR
Hiroshi Kato

DIRECTORS
Hisaya Ogura
Kozo Kato
Kosaku Yamada
Tetsuo Komori

### AUDIT & SUPERVISORY BOARD MEMBERS

Satoshi Aoki
Naoyuki Shiraishi
Ryuichi Murata
Tatsuhiko Saruwatari

### EXECUTIVE OFFICERS

Tadashi Ogura*
Hiroshi Kato*
Hisaya Ogura*
Kozo Kato*
Kenichi Horaguchi
Akira Higashiyama
Kenji Ito
Seiya Ogata
Koji Ogawa
Koji Sato
Seiji Ishida
Akira Nagata
Masahiko Horie
Hiroshi Yorita
Shuji Shite

* Also hold the position of director

## CORPORATE DATA

(As of June 29, 2017)

### HEAD OFFICE

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

### DATE OF ESTABLISHMENT

January 1904

### NUMBER OF EMPLOYEES

5,097 (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 29, 2017)

1876 Ichizaemon Morimura established Morimura-kumi in Tokyo, and Toyo Morimura and others established the Hinode Shokai (Morimura Brothers) in New York

1904 Established Nippon Toki Gomei Kaisha

1907 Began production of grinding wheels for in-house use

1914 Succeeded in production of the first dinner set in Japan

1917 Sanitary ware division spun off to become TOTO Ltd.

Established Nippon Toki Co., Ltd.

1919 Electric insulator division spun off to become NGK Insulators Ltd.

1932 Began production of first bone china in Japan

1939 Began full-scale production of industrial grinding wheels

1943 Tableware production stopped on account of World War II, changed to full production of grinding wheels (only bone china production continued to preserve technique)

1945 Production of tableware resumed

1947 Established Noritake Co., Inc. in the United States

1956 Began production of cutleryware

1958 Established Noritake (Australia) Pty. Ltd. in Australia

1960 Began production of resinoid grinding wheels at the Kamori Plant

1961 Began production of crystal glassware

Began production of melamine ware

1962 Began production of grinding machines

1963 Began production of belt and fabric abrasives

1969 Began production of electronic products

1970 Began production of fine ceramic industrial products

1971 Began production of filtration equipment

1972 Established Noritake Lanka Porcelain (Private) Ltd. in Sri Lanka

1973 Began production of diamond tools

1979 Began operation of the Craft Center
Began production of materials and equipment for the ceramics industry

1981 Changed the Company name to Noritake Co., Limited

1987 Established Noritake Europa G.m.b.H. in Germany

1988 Established Noritake Taipei Co., Ltd. in Taiwan

1993 Opened the Noritake Gallery

1995 Established Pt. Noritake Indonesia

1997 Established Itron (U.K.) Ltd. in the United Kingdom

2002 Established Noritake Bonded Abrasive Co., Ltd.

2005 Established Noritake Shanghai Trading Co., Ltd.

2009 Made Nippon Resibon Corporation its associate by acquiring additional shares of the stock of the company.

Absorbed Noritake Engineering Co., Ltd., Noritake China Mfg. Co., Limited, Noritake Tableware Co., Ltd. and Tokyo Toishi Co., Ltd.

2010 Absorbed Noritake Kizai Co., Ltd. and Noritake Ceramics Co., Ltd.

2011 Absorbed Noritake Bonded Abrasive Co., Ltd. and Noritake Super Abrasive Co., Ltd.

Established Noritake SA (Thailand) Co., Ltd. in Thailand

2012 Made KCM Corporation its wholly-owned subsidiary via a stock swap

Established Noritake Abrasives (Suzhou) Co., Ltd. in China

2014 Made Nippon Resibon Corporation its consolidated subsidiary by acquiring additional shares through a tender offer

**Caution with respect to forward-looking statements**

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

Noritake

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