

# 2012

Kurimoto, Manufacturing the Future

## ANNUAL REPORT

Year ended March 31, 2012



## KURIMOTO, LTD.

In 1909 Kurimoto, Ltd. began operations as manufacturer of cast iron pipes for water and gas mains. With determination and foresight, the company soon began to diversify into other fields, serving the industrial sector in a multitude of ways.

The major divisions of Kurimoto now provide ductile iron pipes, plant equipment and engineering services, valves, and construction materials. Involvement with and commitment to large-scale projects has enabled Kurimoto to expand its areas of expertise, be it in land development, industrial modernization, or urban renewal and construction. 12 factories located throughout Japan comprise the company's industrial base which, together with 17 subsidiary companies, make up the Kurimoto group employing about 2,000 people. Today, Kurimoto plays a vital role in supplying basic industrial products, machines, and services domestically and abroad.

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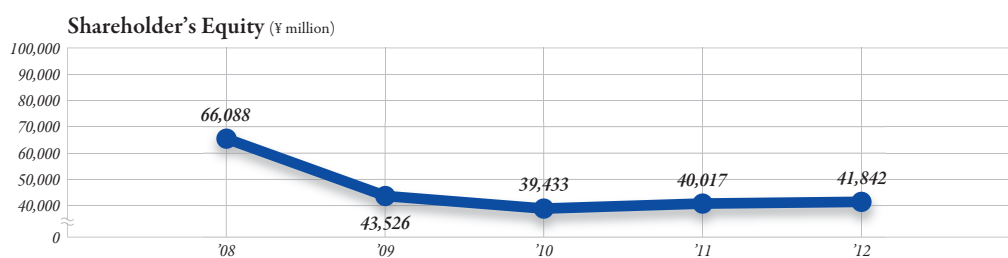
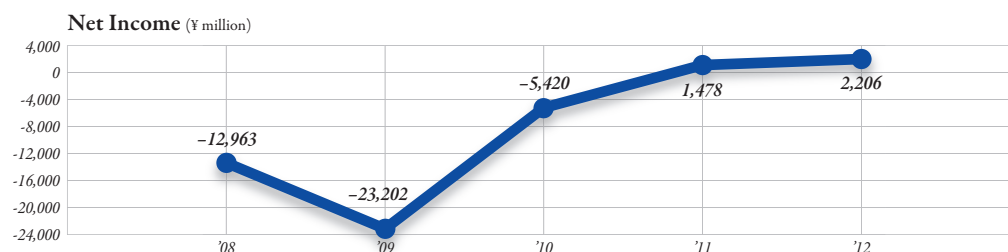
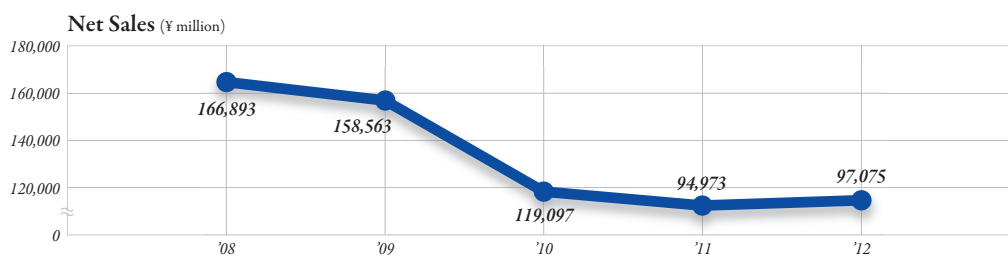
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# Financial Highlights

Millions of yen (thousands of U.S. dollars) except per 1,000 share information

Years ended March 31	2012	2011	2010	2009	2008	2012
Net sales .....	¥ 97,075	¥ 94,973	¥ 119,097	¥ 158,563	¥ 166,893	\$ 1,181,110
Net income (loss) .....	2,206	1,478	(5,420)	(23,202)	(12,963)	26,842
Per 1,000 shares of common stock						
Net income (loss) .....	16,686	11,179	(40,997)	(178,270)	(101,590)	203
Cash dividends .....	2,000	2,000	—	—	2,000	24
Total assets .....	129,052	123,849	134,204	177,923	193,461	1,570,172
Total shareholders' equity .....	¥ 41,842	¥ 40,017	¥ 39,433	¥ 43,526	¥ 66,088	\$ 509,099

Notes: The U.S. dollar amounts are calculated at the exchange rate of ¥82.19 to \$1, the rate prevailing on March 31, 2012.



# Message from the President

I would like to give an outline of our business activities in the 116th term.

During this consolidated accounting period, while recovery from the aftermath of the Great East Japan Earthquake was felt, the Japanese economy remained unclear due to the economic crisis in Europe, the appreciation of the yen and other factors.

In the midst of these circumstances, the Group's sales for the period under review totaled 97.0 billion yen (1,181 million dollars), a 2.1 billion yen (25 million dollars) increase from the previous term.

On the profit side, our efforts to merge and eliminate some product models as well as to reduce selling, general and administrative expenses, combined with increased profits from higher sales, resulted in an operating income of 4.2 billion yen (51 million dollars), a 747 million yen (9 million dollars) increase from the previous term.

Meanwhile, we posted an impairment loss for part of our assets and a loss from securities revaluation, etc., as extraordinary losses. We also posted a reversal of income taxes-deferred after the recognition of deferred tax assets. Consequently, net income amounted to 2.2 billion yen (26 million dollars), a 728 million yen (8 million dollars) increase from the previous term.

Our new three-year plan has started.

For these years, the Group has been striving to create a solid income base through "business consolidation" and "selection and concentration" in accordance with our business models. Our efforts have also been devoted to various activities; for enhancing added value by reviewing each production and business process, for improving working capital focused on inventory reduction, as well as for reducing costs and expenses, thereby achieving improvement in free cash flow and restoration of financial stability.

Fiscal 2012 is the first year of our newly started medium-term three-year plan, and we are fully aware of the significance of continuously promoting "Transformation of the business structure" and "Reinforcement of earning power" as group-wide activities and accelerating operations in new business domains and overseas markets, along with bringing results in the development of new products and commercial materials tailored to these emerging markets. The Kurimoto Group will make a unified effort to press forward with the medium-term three-year plan as the first stage to provide a driving force for full-fledged growth, with an aim to further enhance our corporate value of "sustainable growth and potential."



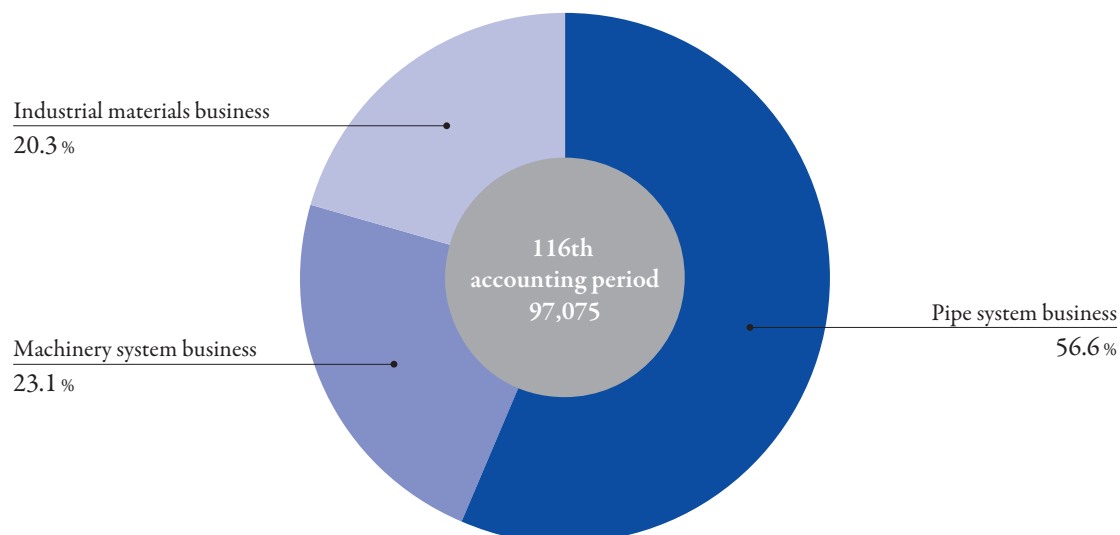
Hideaki Fukui  
President

June 2012

A handwritten signature in black ink, which appears to read "H. Fukui". The signature is written in a cursive, flowing style.

Hideaki Fukui  
President

## Corporate group sales by business area (in millions of yen)



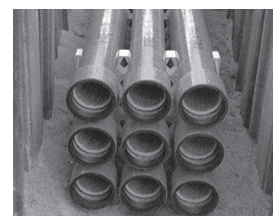
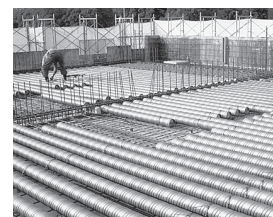
### Pipe system business

Sales of the Pipe System Business totaled 54,962 million yen, a decrease of 427 million yen over the previous year. While robust shipment growth of new type anti-seismic pipes pushed up sales of the Ductile Iron Pipe Division, merger and elimination of some models caused sales of the Valve Division to decline. Operating income amounted to 2,586 million yen, a decrease of 112 million yen over the previous year. While the Valve Division improved its earnings by merging and eliminating some models, the surge in raw material prices adversely affected the Ductile Iron Pipe Division.



### Industrial materials business

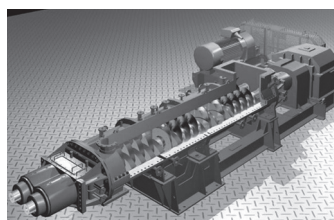
Sales of the Industrial Material Business totaled 19,677 million yen, an increase of 1,599 million yen over the previous year. The Construction Materials Division increased sales thanks to a series of large project orders that included construction of office buildings in the Tokyo Metropolitan area and urban redevelopment in Osaka. In the Plastic Products Division, while shipment dropped in the electrical power field due to the Great East Japan Earthquake, sales rose in the rural sewerage and other fields. Operating income amounted to 585 million yen, an increase of 232 million yen over the previous year. The increase in profit from higher sales for the Construction Materials Division was larger than the decrease in profit incurred by the Plastic Products Division, which resulted mainly from the surge in resin-related material prices.



### Machinery system business

Sales of the Machinery System Business totaled 22,435 million yen, an increase of 929 million yen over the previous year. Although sales declines were recorded for powder processing equipment in the Plant Engineering & Machinery Division and for casting parts, etc., in the Materials & Machinery Division, the Plant System Engineering Division enjoyed sales growth on a percentage-of-completion basis for overseas large size plants. In addition, robust shipment growth of forging presses was posted in the Plant Engineering & Machinery Division.

Operating income amounted to 1,318 million yen, an increase of 1,137 million yen over the previous year. The increase is largely attributable to increased profits from higher sales, posting sales of high valued added powder processing equipment and improved costs on an individual property basis.



## Topics

## Starting new “Kurimoto Remote Maintenance Service”

In August 2012, we started “Kurimoto Remote Maintenance Service” business, to develop infrastructure that employs Fujitsu’s FENICS II M2M (Machine to Machine)<sup>(1)</sup> service to remotely maintain units of forging press machinery installed at the facilities of our customers.

This service provides solutions to issues customers may have faced in the past, such as the need for manpower to investigate and restore large-scale industrial machinery due to an inability to quickly determine its status. The service enables our technicians to understand, in real-time and from Japan, what has happened with this machinery, and then to swiftly and remotely bring it back online or to offer robust support to customer personnel. By subscribing to the new service, customers are able to reduce the expense involved in dispatching technicians to minimize machine downtime, share know-how on the machinery’s past history, and investigate the causes of problems.

In the future, we plan to expand the range of products, applications and regional availability for this service, while at the same time it will develop products and propose preventive maintenance solutions that are based on the equipment’s operational information and enable customers to efficiently maintain stable operations of their manufacturing lines, even for locations outside Japan.

(1) M2M:

An abbreviation for Machine to Machine, which refers to technology that links machines with information systems over a direct network and collects machine operating status and other information.



# Consolidated Subsidiaries

Kurimoto, Ltd. produces and sells various kinds of products, such as iron pipes, valves, machinery, steel structures, light steel pipes, and stage pressure machines. Kurimoto's business affiliates are run as an enterprise group and the related companies are described below.

## Kurimoto Trading Co., Ltd.

Operations: Sales of cast iron pipes, valves, and synthetic resin products  
Capital: ¥200 million (US\$2,433,386)  
Stockholder: All stock is owned by Kurimoto, Ltd.  
Established: December 1952 as a subsidiary of Kurimoto, Ltd.  
Orders: ¥18,050 million (US\$219,620 thousand)  
(4.5% increase)  
Sales: ¥18,369 million (US\$223,501 thousand)  
(11.6% increase)

## Kurimoto Technos Co., Ltd.

Operations: Maintenance of various plants  
Capital: ¥100 million (US\$1,216,693)  
Stockholder: All stock is owned by Kurimoto, Ltd.  
Established: November 1986 as a subsidiary of Kurimoto, Ltd.  
Orders: ¥171 million (US\$2,084 thousand)  
(68.2% decrease)  
Sales: ¥941 million (US\$11,460 thousand)  
(72.2% decrease)

## Kurimoto Logistics Corporation

Operations: Procurement and transportation of rawmaterials ductile iron pipes and others  
Capital: ¥90 million (US\$1,095,023)  
Stockholder: All stock is owned by Kurimoto, Ltd.  
Established: March 1960 and became a subsidiary in 2001.  
Orders: ¥5,447 million (US\$66,285 thousand)  
(36.6% decrease)  
Sales: ¥5,447 million (US\$66,285 thousand)  
(36.6% decrease)

## Sasebo Metal, Co., Ltd.

Operations: Production and sales of cast iron, cast iron products, and other cast metal products  
Capital: ¥100 million (US\$1,216,693)  
Stockholder: All stock is owned by Kurimoto, Ltd.  
Established: April 2000 as a subsidiary of Kurimoto, Ltd.  
Orders: ¥1,299 million (US\$15,805 thousand)  
(0.7% increase)  
Sales: ¥1,280 million (US\$15,584 thousand)  
(6.2% decrease)

## Yamatogawa Co., Ltd.

Operations: Sales of cast iron pipes, valves, and synthetic resin products  
Capital: ¥60 million (US\$730,015)  
Stockholder: 95% of stock is owned by Kurimoto, Ltd. and 5% by Marubeni-Itochu Steel Inc.  
Established: December 1972 and became a subsidiary in 2004  
Orders: ¥18,374 million (US\$223,555 thousand)  
(4.6% decrease)  
Sales: ¥18,754 million (US\$228,182 thousand)  
(2.7% increase)

## Motoyama Eng. Works, Ltd.

Operations: Manufacture and sales of industrial valves  
Capital: ¥300 million (US\$3,650,079)  
Stockholder: All stock is owned by Kurimoto, Ltd.  
Established: December 2006 and became a subsidiary in 2007  
Orders: ¥6,168 million (US\$75,046 thousand)  
(29.4% increase)  
Sales: ¥5,213 million (US\$63,430 thousand)  
(8.1% increase)

## Ks-Tech Co., Ltd.

Operations: Manufacture and sales of forging machinery  
Capital: ¥300 million (US\$3,650,079)  
Stockholder: 67% of stock is owned by Kurimoto, Ltd. and 33% by Sato Tekko Co., Ltd.  
Established: April 2007 and became a subsidiary in 2007  
Orders: ¥1,753 million (US\$21,329 thousand)  
(44.8% increase)  
Sales: ¥1,598 million (US\$19,444 thousand)  
(118.9% increase)

## Hokkaido Kanzai Co., Ltd.

Operations: Sales of cast iron pipes, valves, and synthetic resin products  
Capital: ¥30 million (US\$365,007)  
Stockholder: 80% of stock is owned by Kurimoto, Ltd. and 20% by Kuwazawa Trading Co., Ltd.  
Established: April 1992 and became a subsidiary in 2007  
Orders: ¥5,877 million (US\$71,508 thousand)  
(14.0% increase)  
Sales: ¥5,877 million (US\$71,508 thousand)  
(14.0% increase)

## Yashima Chemical Engineering Co., Ltd.

Operations: Manufacture and sales of chemical and pharmaceutical equipment  
Capital: ¥45 million (US\$547,511)  
Stockholder: 90.2% of stock is owned by Kurimoto, Ltd. and 9.8% by Mitsubishi Tanabe Pharma Corporation  
Established: July 1958 and became a subsidiary in 2004  
Orders: ¥448 million (US\$5,462 thousand)  
(6.6% increase)  
Sales: ¥505 million (US\$6,152 thousand)  
(45.6% increase)



# Financial Section

## Consolidated Balance Sheets

March 31, 2012 and 2011

Assets	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2012	2011	2012
<b>Current assets</b>			
Cash and deposits .....	¥ 19,673	¥ 16,627	\$ 239,370
Notes and accounts receivable-trade .....	39,805	36,029	484,305
Notes and accounts receivable-trade — unconsolidated subsidiaries and affiliates .....	16	15	198
Merchandise and finished goods .....	7,591	7,756	92,366
Work in process .....	5,483	4,930	66,719
Raw materials and supplies .....	2,174	2,061	26,452
Deferred tax assets (Note 9) .....	976	165	11,875
Prepaid expenses and other current assets .....	1,343	1,386	16,349
Allowance for doubtful accounts .....	(208)	(206)	(2,542)
<b>Total current assets</b>	<b>76,855</b>	<b>68,767</b>	<b>935,094</b>
<b>Property, plant and equipment</b>			
Buildings and structures .....	22,895	22,788	278,570
Machinery, equipment and vehicles .....	48,313	48,471	587,831
Tools, furniture and fixtures .....	9,285	9,075	112,970
Land .....	22,630	24,484	275,343
Lease assets .....	250	230	3,051
Construction in progress .....	548	212	6,670
Accumulated depreciation .....	(64,891)	(63,701)	(789,526)
<b>Total property, plant and equipment</b>	<b>39,033</b>	<b>41,560</b>	<b>474,911</b>
<b>Investments and other assets</b>			
Investment securities — other .....	8,893	9,412	108,212
Investment securities — unconsolidated subsidiaries and affiliates .....	628	734	7,649
Long-term loans — other .....	25	39	308
Other investments .....	3,108	3,657	37,817
Allowance for doubtful accounts .....	(506)	(1,071)	(6,160)
Deferred tax assets (Note 9) .....	274	179	3,339
Long-term prepaid expenses and other .....	739	569	9,001
<b>Total investments and other assets</b>	<b>13,164</b>	<b>13,521</b>	<b>160,166</b>
<b>Total assets</b>	<b>¥129,052</b>	<b>¥123,849</b>	<b>\$1,570,172</b>



Liabilities and Shareholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
<b>Current liabilities</b>			
Notes and accounts payable-trade .....	¥ 28,628	¥ 22,408	\$ 348,322
Notes and accounts payable-trade — unconsolidated subsidiaries and affiliates .....	11	2	140
Short-term loans payable (Note 3) .....	27,705	29,407	337,084
Current portion of long-term debt (Note 3) .....	2,711	18,736	32,996
Lease obligations .....	48	42	593
Income taxes payable .....	283	269	3,443
Deferred tax liabilities (Note 9) .....	—	63	—
Accrued liabilities .....	4,710	3,113	57,313
Advances received .....	701	971	8,534
Employees' savings deposits .....	394	450	4,800
Other current liabilities .....	1,691	1,740	20,581
<b>Total current liabilities</b> .....	<b>66,887</b>	<b>77,206</b>	<b>813,811</b>
<b>Long-term liabilities</b>			
Retirement benefits (Note 4) .....	3,213	3,370	39,096
Long-term debt (Note 3) .....	15,739	1,152	191,504
Lease obligations .....	123	143	1,506
Deferred tax liabilities (Note 9) .....	—	16	—
Reserve for loss on reorganization .....	—	680	—
Asset retirement obligations .....	162	103	1,971
Other long-term liabilities .....	810	885	9,856
<b>Total long-term liabilities</b> .....	<b>20,049</b>	<b>6,352</b>	<b>243,935</b>
<b>Total liabilities</b> .....	<b>86,936</b>	<b>83,558</b>	<b>1,057,747</b>
<b>Net assets</b>			
Shareholders' equity			
Capital stock .....	31,186	31,186	379,439
Authorized: 393,766,000 shares			
Issued: 133,984,908 shares in 2011			
133,984,908 shares in 2012			
Capital surplus .....	6,959	6,959	84,679
Retained earnings .....	4,160	2,218	50,621
Treasury stock .....	(385)	(385)	(4,695)
<b>Total shareholders' equity</b> .....	<b>41,920</b>	<b>39,979</b>	<b>510,043</b>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities .....	(77)	38	(944)
<b>Total accumulated other comprehensive income</b> .....	<b>(77)</b>	<b>38</b>	<b>(944)</b>
Minority interests .....	273	273	3,326
<b>Total net assets</b> .....	<b>42,116</b>	<b>40,291</b>	<b>512,425</b>
<b>Total liabilities and net assets</b> .....	<b>¥ 129,052</b>	<b>¥ 123,849</b>	<b>\$ 1,570,172</b>

The accompanying notes are an integral part of these financial statements.

## Consolidated Statements of Income

Years ended March 31, 2012 and 2011

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2012	2011	2012
Net sales .....	¥ 97,075	¥ 94,973	\$ 1,181,110
Cost of sales .....	74,422	73,035	905,493
Gross profit .....	22,652	21,938	275,616
Selling, general and administrative expenses .....	18,413	18,447	224,041
Operating income .....	4,238	3,491	51,574
Other income and (expenses)			
Interest and dividend income .....	266	234	3,240
Interest expense .....	(622)	(757)	(7,573)
Reversal of allowance for doubtful accounts .....	—	117	—
Restructuring loss .....	—	(844)	—
The indemnity .....	117	—	1,429
Impairment loss (Note 10) .....	(2,039)	—	(24,813)
Gain on sale of land .....	—	294	—
Loss on valuation of investment securities .....	—	(281)	—
Loss on disaster .....	—	(364)	—
Gain on sales of investment securities .....	27	210	340
Others, net .....	(430)	(443)	(5,242)
Income before income taxes and minority interests .....	1,558	1,655	18,956
Income taxes (Note 9)			
Current .....	318	340	3,875
Deferred .....	(981)	(157)	(11,945)
Total .....	(663)	183	(8,070)
Income before minority interests .....	2,221	1,472	27,026
Minority interests in net income (loss) .....	15	(5)	183
Net income .....	¥ 2,206	¥ 1,478	\$ 26,842
	<i>yen</i>		<i>U.S. dollars (Note 2)</i>
	2012	2011	2012
Net income per 1,000 shares:			
Basic .....	¥ 16,686	¥ 11,179	\$ 203
Diluted .....	16,686	11,179	203
Cash dividends per 1,000 shares .....	2,000	2,000	24

## Consolidated Statements of Comprehensive Income

Years ended March 31, 2012 and 2011

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2012	2011	2012
Income before minority interests .....	¥ 2,221	¥ 1,472	\$ 27,026
Other comprehensive income			
Valuation difference on available-for-sale securities .....	(116)	(893)	(1,415)
Deferred gains or losses on hedges .....	—	0	—
Total other comprehensive income .....	(116)	(892)	(1,415)
Comprehensive income .....	2,104	579	25,610
Comprehensive income attributable to owners of the parent .....	2,089	585	25,426
Comprehensive income attributable to minority interests .....	15	(5)	184

## Consolidated statements of changes in net assets

Years ended March 31, 2012 and 2011

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2012	2011	2012
Shareholders' equity			
Capital stock			
Balance at the end of previous period .....	¥ 31,186	¥ 31,186	\$ 379,439
Changes of items during the period			
Total changes of items during the period .....	—	—	—
Balance at the end of current period .....	31,186	31,186	379,439
Capital surplus			
Balance at the end of previous period .....	6,959	9,770	84,679
Changes of items during the period			
Deficit disposition .....	—	(2,810)	—
Total changes of items during the period .....	—	(2,810)	—
Balance at the end of current period .....	6,959	6,959	84,679
Retained earnings			
Balance at the end of previous period .....	2,218	(2,069)	26,996
Changes of items during the period			
Dividends from surplus .....	(264)	—	(3,217)
Net income .....	2,206	1,478	26,842
Deficit disposition .....	—	2,810	—
Total changes of items during the period .....	1,941	4,288	23,625
Balance at the end of current period .....	4,160	2,218	50,621
Treasury stock			
Balance at the end of previous period .....	(385)	(385)	(4,690)
Changes of items during the period			
Purchase of treasury stock .....	(0)	(0)	(5)
Total changes of items during the period .....	(0)	(0)	(5)
Balance at the end of current period .....	(385)	(385)	(4,695)
Total shareholders' equity			
Balance at the end of previous period .....	39,979	38,501	486,423
Changes of items during the period			
Dividends from surplus .....	(264)	—	(3,217)
Net income .....	2,206	1,478	26,842
Purchase of treasury stock .....	(0)	(0)	(5)
Deficit disposition .....	—	—	—
Total changes of items during the period .....	1,941	1,477	23,620
Balance at the end of current period .....	¥ 41,920	¥ 39,979	\$ 510,043

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2012	2011	2012
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the end of previous period .....	¥ 38	¥ 932	\$ 471
Changes of items during the period			
Net changes of items other than shareholders' equity .....	(116)	(893)	(1,416)
Total changes of items during the period .....	(116)	(893)	(1,416)
Balance at the end of current period .....	(77)	38	(944)
Deferred gains or losses on hedges			
Balance at the end of previous period .....	—	(0)	—
Changes of items during the period			
Net changes of items other than shareholders' equity .....	—	0	—
Total changes of items during the period .....	—	0	—
Balance at the end of current period .....	—	—	—
Total accumulated other comprehensive income			
Balance at the end of previous period .....	38	931	471
Changes of items during the period			
Net changes of items other than shareholders' equity .....	(116)	(893)	(1,416)
Total changes of items during the period .....	(116)	(893)	(1,416)
Balance at the end of current period .....	(77)	38	(944)
Minority interests			
Balance at the end of previous period .....	273	280	3,323
Changes of items during the period			
Net changes of items other than shareholders' equity .....	0	(7)	2
Total changes of items during the period .....	0	(7)	2
Balance at the end of current period .....	273	273	3,326
Total net assets			
Balance at the end of previous period .....	40,291	39,713	490,219
Changes of items during the period			
Dividends from surplus .....	(264)	—	(3,217)
Net income .....	2,206	1,478	26,842
Purchase of treasury stock .....	(0)	(0)	(5)
Deficit disposition .....	—	—	—
Net changes of items other than shareholders' equity .....	(116)	(900)	(1,413)
Total changes of items during the period .....	1,825	577	22,206
Balance at the end of current period .....	¥ 42,116	¥ 40,291	\$ 512,425

## Consolidated Statements of Cash Flows

Years ended March 31, 2012 and 2011

Millions of yen

Thousands  
of U.S. dollars  
(Note 2)

	2012	2011	2012
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	¥ 1,558	¥ 1,655	\$ 18,956
Depreciation and amortization	2,307	2,369	28,077
Impairment loss	2,039	0	24,813
Decrease (increase) in notes and accounts receivable-trade	(3,444)	3,722	(41,905)
Increase (decrease) in notes and accounts payable-trade	6,190	(1,236)	75,315
Decrease (increase) in inventories	(500)	1,962	(6,086)
Interest and dividends income	(266)	(234)	(3,240)
Interest expenses	622	757	7,573
Loss (gain) on sales of short-term and long term investment securities	46	(208)	562
Loss (gain) on valuation of short-term and long term investment securities	155	281	1,889
Loss (gain) on sales of stocks of subsidiaries and affiliates	—	14	—
Loss (gain) on sales of property, plant and equipment and intangible assets	(3)	(276)	(47)
Loss on retirement of property, plant and equipment and intangible assets	60	90	733
Increase (decrease) in allowance for doubtful accounts	(562)	(49)	(6,844)
Increase (decrease) in provision for retirement benefits	(135)	(262)	(1,649)
Loss on business restructuring	—	844	—
Other, net	795	149	9,682
Sub-total	8,862	9,580	107,829
Interest and dividends income received	274	231	3,336
Interest expenses paid	(607)	(750)	(7,395)
Income taxes paid	(208)	(580)	(2,539)
Net cash provided by (used in) operating activities	8,320	8,480	101,231
Net cash provided by (used in) investing activities			
Decrease (increase) in time deposits	(0)	(0)	(0)
Purchase of short-term and long term investment securities	(5)	(206)	(72)
Proceeds from sales of short-term and long term investment securities	202	542	2,461
Purchase of property, plant and equipment and intangible assets	(1,502)	(1,585)	(18,276)
Proceeds from sales of property, plant and equipment and intangible assets	102	994	1,251
Purchase of stocks of subsidiaries and affiliates	(19)	(49)	(235)
Proceeds from sales of stocks of subsidiaries and affiliates	—	5	—
Proceeds from the liquidation of subsidiaries and affiliates	—	16	—
Payments of loans receivable	(5)	(29)	(70)
Collection of loans receivable	27	49	336
Other, net	(587)	393	(7,149)
Net cash provided by (used in) investing activities	(1,788)	130	(21,754)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(1,702)	(5,560)	(20,714)
Repayments of lease obligations	(46)	(39)	(559)
Proceeds from long-term loans payable	17,300	600	210,487
Repayment of long-term loans payable	(18,714)	(1,740)	(227,701)
Redemption of bonds	(22)	(22)	(267)
Cash dividends paid	(263)	(0)	(3,204)
Cash dividends paid to minority shareholders	(1)	(2)	(16)
Purchase of treasury stock	(0)	(0)	(5)
Net cash provided by (used in) financing activities	(3,450)	(6,764)	(41,981)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(35)	(136)	(431)
Net Increase (Decrease) in Cash and Cash Equivalents	3,046	1,709	37,063
Cash and Cash Equivalents at Beginning of Year	16,600	14,891	201,975
Cash and Cash Equivalents at End of Year	¥ 19,646	¥ 16,600	\$ 239,038

Note: Relation between the year-end balance of cash and cash equivalents and the items on the consolidated balance sheet:

Cash and deposits	¥ 19,673	¥ 16,627	\$ 239,370
Time deposits due over three months	(27)	(27)	(331)
Cash and cash equivalents	¥ 19,646	¥ 16,600	\$ 239,038

# Notes to Financial Statements

## Note 1. Significant Accounting Policies

### Basis of Presenting Consolidated Financial Statements

Kurimoto, Ltd. (hereinafter referred to as “This Company”) and its consolidated subsidiaries have presented their official accounting records in the currency of yen and in accordance with the Commercial Code and the regulations of Securities & Exchange Law, and in conformity with the generally accepted accounting principles & practices of Japan (hereinafter called “Japan Accounting Standard”).

Some part of the Japan Accounting Standard, in its method of application and disclosure requirements, is different from the International Accounting Standard and some other countries’ accounting standards. Accordingly, the consolidated financial statements attached hereto are prepared for readers who are well acquainted with the Japan Accounting Standard.

The consolidated financial statements attached hereto have been prepared in accordance with the Japan Accounting Standard pursuant to the Securities & Exchange Law. Such consolidated financial statements of This Company as were submitted to our district’s Local Finance Bureau of the Ministry of Finance have been re-edited and translated into English.

### Consolidation Policies

These consolidated financial statements include the accounting records of This Company and the companies over which This Company either holds majority voting power or for which certain other conditions verify This Company’s control over them. The investment account of This Company in non-consolidated subsidiaries or affiliates which are largely influenced by This Company in their operational and financial policies have been computed on the basis of equity-method investment balance.

The important credit & liability, trade, and unrealized profit between and among consolidated companies have been obliterated on a consolidation basis.

### Translation of Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies have been translated into Japanese yen at the rate as of the date of each balance sheet presentation, and their resulting conversion profit or loss has been appropriated as their profit or loss in the current business term.

### A Range of Funds in a Statement of Consolidated Cash Flow

A fund in a statement of consolidated cash flow (cash and its equivalent) consists of cash in hand, ordinary deposits, and short-term investments which have a term of redemption under three months, carry low risk for value fluctuation and can be withdrawn easily.

### Marketable and Investment Securities

This Company & its consolidated subsidiaries have specified the purposes of their respective securities holdings, and classified those securities into securities for buying & selling, stocks of their affiliates, and other securities.

Securities for buying & selling have been evaluated at market value.

The stocks of their affiliates have been evaluated at book value.

Those other securities that have market value have been evaluated at market value, and the unrealized profit or loss has been reported as an independent item in Part of Capital after taxation.

Those other securities that do not have market value have been evaluated at book value.

For the cases in which the value of those other securities with market value fell sharply, the relevant securities have been placed in the balance sheet according to their market value, and the difference between the book value and the market value has been recognized as a loss for the business term. For the cases in which the virtual value of those other securities without market value fell markedly, the relevant securities have been depreciated down to the virtual value, and the corresponding difference has been recognized as a loss.

Profit or loss in selling securities has been calculated based upon the selling price by the moving average method, and included in profit or loss.

### Inventories

Inventories are principally stated at the cost determined by the average method or the specific cost method.

### Fixed Assets (excluding lease assets)

Fixed assets are indicated by book value. Method of depreciation is mainly the straight line method by estimated useful life. Main estimated useful lives are as follows.

Building and construction; 2 to 55 years.

Machinery and automotive equipment; 2 to 22 years.

The cost of repair or small amount reformation is charged in book at their occurrences, but any large scale repair or reformation is classified as assets.

### Retirement Benefits

In order to prepare for the employees’ retirement benefits, This Company & its consolidated subsidiaries have reserved retirement pay allowances as of the end of March 2012, based upon prospective retirement pay obligations and annuity assets at the term end of the consolidated accounting.

The difference in numerical computation has been dealt with as expenses by the amount divided by a straight line method for certain years (mainly ten years) within the employees’ average remaining work years upon its accrual in each consolidated accounting year, with each handled from the consolidated accounting term next to the accrual.

### Leases

The straight-line method is adopted with a residual value of zero, with the lease period deemed equal to the service life of the asset. For such transactions originating before the 31st of March, 2008, accounting methods suitable for ordinary lease transactions are applied.

### Research and Development and Computer Software

Research & development expenses have been dealt with as expenses upon their accrual.

Software expenses have been included mainly in long-term prepaid expenses and other expenses, and depreciated by a straight line method chiefly for five-year service life.

### Income Taxes

As to the temporary difference in the book value of assets and liabilities for the purpose of financial accounting and taxation, the net worth method has been used to figure deferred tax assets and liabilities.



**Per Share Information**

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each period. The average number of shares used in the computation was 132,212 thousand and 132,215 thousand for the years ended March 31, 2012 and 2011, respectively.

**Recognition of earning cost**

For construction work that was initiated this consolidated accounting period, we will still use the percentage-of-completion method for those ongoing projects with assured revenue by the end of the period (the cost-to-cost method will be used to estimate the progress rate of construction), and the complete job method to other projects.

**Marketable and Investments Securities**

Other marketable securities as of March 31, 2012 are as follows.

	<i>Millions of yen</i>		
	<b>2012</b>		
	<i>Carrying amounts</i>	<i>Market value</i>	<i>Unrealized gain (loss)</i>
Other securities .....	¥ 8,535	¥ 8,514	(¥ 21)

	<i>Thousands of U.S. dollars</i>		
	<b>2012</b>		
	<i>Carrying amounts</i>	<i>Market value</i>	<i>Unrealized gain (loss)</i>
Other securities .....	\$ 103,853	\$ 103,590	(\$ 263)

**Application of "Accounting Standard for Accounting Changes and Error Corrections" and others**

For the accounting changes and error corrections made in after the beginning of the year ended March 31, 2012, we have applied the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009).

**Note 2. U.S. Dollar Amounts**

The dollar amounts are included solely for convenience: they should not be construed as exact translations of current yen figures, nor are they the dollar amounts into which yen amounts have been or could be converted.

The approximate exchange rate of US\$1=¥82.19 as of March 31, 2012, has been used for the purpose of presenting the dollar amounts in the accompanying consolidated financial statements.

**Note 3. Short-term Bank Loans and Long-term Debt**

The annual average interest rates applicable to short-term bank loans at March 31, 2012 and 2011 are 1.1% and 1.2%, respectively.

Short-term bank loans and long-term debt at March 31 was comprised of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2012</b>	<b>2011</b>	<b>2012</b>
Unsecured bonds, due 2013, with interest rate of 1.00% .....	¥ 44	¥ 66	\$ 535
Loans from financial institution, due 2012 to 2019 with interest rates between 1.20% and 3.85% .....	18,407	19,822	223,965
Sub-total .....	18,451	19,888	224,500
Less current portion of loans .....	2,711	18,736	32,996
	¥ 15,739	¥ 1,152	\$ 191,504

The aggregate annual maturities of long-term financial debt at March 31, 2012 and 2011 respectively are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2012</b>	<b>2011</b>	<b>2012</b>
2012 .....	¥ —	¥ 18,736	\$ —
2013 .....	2,711	706	32,996
2014 .....	2,624	441	31,930
2015 .....	13,112	0	159,538
2016 .....	0	3	9
2017 and thereafter .....	2	—	27
	¥ 18,451	¥ 19,888	\$ 224,500

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that security and guarantees for future and present indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due, or in the event of their default, to offset cash deposits against such obligations due to the bank.

As of March 31, 2012, assets pledged as collateral for short-term bank loans, and long-term debt, including the current portion of long-term debt, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2012</b>	<b>2012</b>	<b>2012</b>
Deposit .....	¥ 332		\$ 4,047
Buildings and structures .....	5,190		63,151
Machinery, equipment .....	3,239		39,413
Land .....	11,681		142,127
Investment securities .....	557		6,783
	¥ 21,001		\$ 255,523



## Note 4. Retirement Benefits

The following tables sets forth the changes in benefit obligation, plan assets and funded status of the Company and its subsidiaries at March 31, 2012.

	<i>Thousands of U.S. dollars</i>	
	<i>Millions of yen</i>	<i>2012</i>
Benefit obligation .....	(¥ 11,758)	(\$ 143,059)
Fair value of plan assets .....	4,219	51,336
Unaccrued retirement benefit obligation .....	(7,538)	(91,723)
Unrecognized actuarial loss .....	4,325	52,627
Accrued retirement benefit .....	(¥ 3,213)	(\$ 39,096)

Severance and pension costs of the Company and its subsidiaries included the following components for the year ended March 31, 2012.

	<i>Thousands of U.S. dollars</i>	
	<i>Millions of yen</i>	<i>2012</i>
Service cost .....	¥ 711	\$ 8,651
Interest cost .....	194	2,372
Expected return on plan assets .....	(62)	(762)
Amortization:		
Actuarial losses .....	889	10,821
Benefit cost .....	¥ 1,732	\$ 21,081
Contribution paid to the defined contribution pension plan .....	4	56
Total .....	¥ 1,737	\$ 21,138

Assumption used in the accounting for the defined benefit plans for the year ended March 31, 2012 is as follows:

Method of attributing benefit to periods of service .....	Straight-line basis
Discount rate .....	1.60%
Rate of expected return on plan assets .....	0.0% ~ 2.3%
Amortization period for prior service cost .....	—
Amortization period for actuarial losses .....	10 years
Amortization period for transition obligation at date of adoption .....	3 years

## Note 5. Contingent Liabilities

At March 31, 2012 and 2011, the company was contingently liable as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>
As guarantor of indebtedness of unconsolidated subsidiaries and others .....	¥ 308	¥ 400	\$ 3,749
Discount of notes and bills .....	3,107	2,265	37,807
Transfer of notes and bills endorsed for payment .....	¥ 268	¥ 31	\$ 3,262

## Note 6. Leases

The Group leases certain, machinery and equipment, and other assets. Total lease payments under these leases were ¥20 million (\$253 thousand) and ¥26 million for the years ended March 31, 2012 and 2011, respectively.

Pro forma information on leased property, such as acquisition costs, accumulated depreciation, and future minimum lease payments under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis, for the years ended March 31, 2012 and 2011, was as follows:

	<i>Millions of yen</i>		
	<i>2012</i>		
	<i>Machinery and equipment</i>	<i>Others</i>	<i>Total</i>
Acquisition costs .....	¥ 41	¥ 40	¥ 81
Accumulated depreciation .....	35	34	69
Net leased property .....	¥ 5	¥ 6	¥ 11

	<i>Millions of yen</i>		
	<i>2011</i>		
	<i>Machinery and equipment</i>	<i>Others</i>	<i>Total</i>
Acquisition costs .....	¥ 46	¥ 74	¥ 120
Accumulated depreciation .....	31	55	87
Net leased property .....	¥ 14	¥ 18	¥ 32

	<i>Thousands of U.S. dollars</i>		
	<i>2012</i>		
	<i>Machinery and equipment</i>	<i>Others</i>	<i>Total</i>
Acquisition costs .....	\$ 500	\$ 496	\$ 996
Accumulated depreciation .....	437	413	851
Net leased property .....	\$ 62	\$ 82	\$ 145

Future minimum lease payments under finance leases as of March 31, 2012 and 2011 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>
Due within one year .....	¥ 10	¥ 20	\$ 131
Due after one year .....	1	11	13
Total .....	¥ 11	¥ 32	\$ 145

The amounts of acquisition costs and future minimum lease payments under finance leases include the imputed interest expense portion.

Depreciation expenses which are not reflected in the accompanying consolidated statement of income, computed by the straight-line method, were ¥20 million (\$253 thousand) for the year ended March 31, 2012.

## Note 7. Derivatives and Hedging Activities

Some consolidated subsidiaries utilize derivatives of forward exchange contract and interest-rate swap in order to hedge exchange-rate fluctuation risk concerning foreign currency assets and liabilities and hedge against interest-rate fluctuation risk regarding securities and debts.

As they trade these with major financial institutions, we assume that the credit risks of these derivatives are low. The Accounting Department implements and controls these forward exchange contracts for our own company by way of in-house consultation and decision.

As to the derivative trades by our consolidated subsidiaries, their Business Management Department or General Affairs Department implement and control them after their internal consultation and decision and also notification to our company.

## Note 8. Research and Development Expenses

Research and development expenditures charged to income were ¥1,308 million (\$15,923 thousand) for the year ended March 31, 2012.

## Note 9. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 41.0% and 41.0% for the year ended March 31, 2012 and 2011, respectively.

The effective rates of income taxes reflected in the consolidated statements of income differed from the statutory tax rates referred to above for the year ended March 31, 2012 due principally to expenses not deductible for income tax purposes, and temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

The difference between the burden rate of corporate tax after application of tax effect accounting and the statutory tax rate is not listed as it was recorded as a net loss for the period under review before adjustments for taxes, etc.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets as of March 31, 2012 and 2011 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets			
Accrued retirement benefit .....	¥ 2,751	¥ 3,119	\$ 33,475
Accrued bonus indemnities .....	578	520	7,043
Allowance for doubtful accounts .....	123	294	1,501
Allowance for loss on construction work .....	76	192	928
Reserve for loss on reorganization .....	—	278	—
Loss on revaluation of investment securities .....	213	313	2,599
Amalgamated received property .....	632	729	7,700
Impairment loss .....	712	—	8,673
Operating loss carry-forwards .....	17,809	21,494	216,691
Elimination of inter-company profits .....	4	9	57
Other .....	1,063	843	12,938
Total gross deferred tax assets .....	23,967	27,795	291,609
Less valuation allowance .....	(22,607)	(27,373)	(275,060)
Net deferred tax assets .....	¥ 1,360	¥ 422	\$ 16,548

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax liabilities			
Evaluated difference of other securities .....	¥ (44)	¥ (48)	\$ (545)
Negative goodwill .....	—	(43)	—
Dividends receivable .....	(55)	(63)	(676)
Other .....	(9)	(2)	(111)
Total deferred tax liabilities .....	(109)	(157)	(1,333)
Net deferred tax assets .....	¥ 1,250	¥ 264	\$ 15,214

Correction of the amount of deferred tax assets and liabilities in line with the change in income tax rates

In accordance with the “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act for Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake,” (Act No. 117 of 2011) which were promulgated on December 2, 2011, the statutory tax rate used to measure deferred tax assets and liabilities was changed from 41.0% to 38.0% for temporary differences expected to be realized or settled in the period from April 1, 2012 to March 31, 2015 and 35.6% for temporary differences expected to be realized or settled on or after April 1, 2015.

### (Additional information)

Kurimoto, Ltd. and part of its consolidated subsidiaries obtained the approval of the Director General of the National Tax Agency to adopt a consolidated tax payment system from the next consolidated accounting period. Accordingly, accounting treatment assuming the adoption of such system is applied.

## Note 10. Impairment Loss

In principle, the Group carries out asset grouping taking into account management accounting categories, the balance of which is continuously evaluated. Lease properties and idle assets are grouped on an individual property basis.

As a result of making impairment loss judgments based on the said groupings, the Group has decided to reduce book values of lease assets, operating assets and idle assets to their recoverable amounts, which decreased due to changes in the scope or method of use, and recognize the said amount of decrease as an impairment loss under extraordinary losses.

<Calculating method of recoverable amount>

In calculation of the recoverable amount, assets for rent are measured at value in use and calculated with future cash flows discounted at the rate of 1.7%. With regard to operating assets, their book values are reduced to the residual value because the said assets are not expected to be recoverable. Idle assets are measured at net selling price and important assets are calculated based on the real estate appraisal. Other assets are calculated principally based on the assessed value of fixed assets.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2012	2012
Land .....	¥ 1,994	\$ 24,265
structures .....	4	55
Machinery, equipment .....	40	492
	¥ 2,039	\$ 24,813

## Note 11. Financial Instruments and Related Disclosures

### (1) Policy for Financial Instruments

This Group raises funds needed to implement financial and capital investment plans (mainly through loans from banks). Its temporary surpluses are mainly invested in highly liquid financial assets, while short-term working capital is financed by loans from banks. This Group employs derivative financial instruments for the purpose of avoiding risks described later, and does not undertake speculative transactions.

### (2) Nature and Extent of Risks Arising from Financial Instruments

Notes and accounts receivable-trade, or operating receivables, involve credit risk on the part of customers. Operating receivables generated by overseas operations denominated in foreign currencies, which involve exchange-rate fluctuation risk, are hedged using exchange forward contract as the need arises.

Marketable and investment securities, which are mainly equity securities of affiliates, involve market fluctuation risk.

For notes and accounts payable-trade, or operating payables, most of which are due within five months: Part of operating payables denominated in foreign currencies, which involve exchange-rate fluctuation risk, are hedged using exchange forward contract as the need arises.

The primary purpose of loans is raising funds for capital investment and business structure reform. Of these, syndicate loans and many other loans involve interest-rate fluctuation risk.

Derivative transactions are exchange-forward contracts aiming at hedging exchange-rate fluctuation risk related to operating receivables/payables denominated in foreign currencies.

### (3) Risk Management for Financial Instruments

#### *Credit Risk Management*

For operating receivables and long-term debt, the operations department of respective business segment of This Company employs credit management regulations in order to periodically monitor the status of its major business partners, manage due dates and balances of each business partner, and furthermore, identify business partners with doubtful collectability and mitigate risks arising from their deteriorated financial position at an early date. Similar credit management is conducted with its consolidated subsidiaries pursuant to the credit management regulations of This Company.

As This Company's transaction partners on derivative financial instruments are highly reliable Japanese financial institutions, credit risk is judged to be immaterial.

#### *Market Risk Management*

This Company has entered into exchange-forward contract to hedge part of risks arising from exchange-rate fluctuations for operating receivables/payables denominated in foreign currencies. With regard to floating rate borrowings, This Company closely monitors economic and interest-rate outlooks and conducts fund raising suited to each situation.

As for marketable and investment securities, This Company periodically seizes the trend of fair value and financial position of the issuers (business partners) to continuously review the possession situation, taking into account the market conditions and its relationship with the business partners.

Derivative financial transactions are executed and managed by departments handling such transactions with approval of authorized personnel, in accordance with the regulations specifying transaction authority and transaction limit.

Similar management is conducted with its consolidated subsidiaries pursuant to the regulations of This Company.

#### *Management of Liquidity Risk Related to Financing*

Based on reports from each department, the financial department of This Company formulates and updates the financial plan in a timely manner, and manages liquidity risk by way of maintaining short-term liquidity. Financial plans of its consolidated subsidiaries are reported to the financial department of This Company every month in a timely manner, thereby controlling liquidity risk across This Group.

**(4) Fair Values of Financial Instruments**

With regard to the fair value of financial instruments, in addition to basing fair value on market value, the fair value of financial instruments that have no available market value is determined by using a rational method of calculation. However, as variables are inherent in these value calculations, the resulting values may differ if different assumptions are used.

	<i>Millions of yen</i>		
	<b>2012</b>		
	<i>Carrying amounts</i>	<i>Fair value</i>	<i>Unrecognized gain (loss)</i>
Cash and deposits .....	¥ 19,673	¥ 19,673	¥ —
Notes and accounts receivable-trade .....	39,821	39,821	—
Investment securities .....	8,514	8,514	—
Total .....	68,009	68,009	—
Notes and accounts payable-trade .....	28,640	28,640	—
Short-term loans payable .....	27,705	27,705	—
Current portion of long-term debt .....	2,689	18,409	1
Long-term debt .....	15,717	—	—
Total .....	¥ 74,752	¥ 74,754	¥ 1

	<i>Millions of yen</i>		
	<b>2011</b>		
	<i>Carrying amounts</i>	<i>Fair value</i>	<i>Unrecognized gain (loss)</i>
Cash and deposits .....	¥ 16,627	¥ 16,627	¥ —
Notes and accounts receivable-trade .....	36,044	36,044	—
Investment securities .....	9,019	9,019	—
Total .....	61,691	61,691	—
Notes and accounts payable-trade .....	22,410	22,410	—
Short-term loans payable .....	29,407	29,407	—
Current portion of long-term debt .....	18,714	19,825	2
Long-term debt .....	1,108	—	—
Total .....	¥ 71,640	¥ 71,643	¥ 2

	<i>Thousands of U. S. dollars</i>		
	<b>2012</b>		
	<i>Carrying amounts</i>	<i>Fair value</i>	<i>Unrecognized gain (loss)</i>
Cash and deposits .....	\$ 239,370	\$ 239,370	\$ —
Notes and accounts receivable-trade .....	484,504	484,504	—
Investment securities .....	103,590	103,590	—
Total .....	827,464	827,464	—
Notes and accounts payable-trade .....	348,463	348,463	—
Short-term loans payable .....	337,084	337,084	—
Current portion of long-term debt .....	32,728	223,986	20
Long-term debt .....	191,237	—	—
Total .....	\$ 909,513	\$ 909,534	\$ 20

Note 1. Method of calculating the fair value of financial instruments and matters related to marketable securities and derivatives

Assets

Cash and deposits, and notes and accounts receivable-trade

As these instruments are settled within a short term and their fair values and book values are nearly identical, their book values are taken to be their fair values.

Investment securities

The fair values of investment securities are determined by their prices on stock exchanges.

Liabilities

Notes and accounts payable-trade, and short-term loans payable

As these instruments are settled within a short term and their fair values and book values are nearly identical, their book values are taken to be their fair values.

Long-term debt and current portion of long-term debt.

The fair value is determined by discounting the total amount of principal and interest with the assumed interest rate on new loans of the same type.

Note 2. Financial instruments whose fair values are not readily determinable

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Unlisted equity securities	¥ 379	\$ 4,622

**Unlisted equity securities**

These instruments are not included in investment securities as they have no market value and their fair values are not readily determinable.

**Note 12. Segment Information****(1) Outline of Reportable Segments**

The Company's reportable segments are the components of our business (separate financial information for which is available), on which periodical review is made for allocation of management resources and appraisal of achievements by the board of directors. Each product-based division at our headquarters compiles comprehensive product strategies for domestic and overseas business operations.

In other words, the Company consists of division-based reportable segments; the Pipe System Consolidated Division, the Machinery System Consolidated Division and the Industrial Materials Consolidated Division.

The Pipe System Consolidated Division specializes in the manufacture of ductile iron pipes and accessories, various types of adjusting valves, and other incidental works.

The Machinery System Consolidated Division specializes in the manufacture of industrial equipment (various types of powder processing equipment and press machines, etc.), steel casting and special steel casting, other incidental works and various types of plant engineering.

The Industrial Materials Consolidated Division specializes in the manufacture of ducts, polycon FRP pipes, various types of synthetic resin products, and other incidental works.

**(2) Calculation method of: sales, profits/losses, assets, liabilities and other items for each reportable segment**

The accounting procedures of the reportable segments are basically the same as the description in the "Important Items Concerning the Presentation of Consolidated Financial Statements," and any inter-segment internal revenue/transfers etc., are represented based on actual market prices.

**(3) Information on sales, profits/losses, assets, liabilities and other items for each reportable segment**

Segment information for the fiscal years ended March 2011 and 2012 is as follows:

	Millions of yen					
	2012					
	Reportable segment			Total	Adjustment <sub>1</sub>	Consolidated <sub>2</sub>
Pipe system business	Machinery system business	Industrial materials business				
Net sales						
Sales to customers	¥ 54,962	¥ 22,435	¥ 19,677	¥ 97,075	¥ —	¥ 97,075
Intersegment	137	0	1,051	1,188	(1,188)	—
Total sales	55,099	22,436	20,728	98,264	(1,188)	97,075
Segment income	2,586	1,318	585	4,491	(252)	4,238
Segment assets	58,499	17,329	18,979	94,808	34,243	129,052
Other items						
Depreciation	1,368	275	495	2,139	168	2,307
Increase in property, plant and equipment, and intangible assets	¥ 1,162	¥ 107	¥ 465	¥ 1,736	¥ 127	¥ 1,864

- The minus 252 million yen segment income adjustment includes; 54 million yen resulting from the elimination of inter-segment transactions, minus 335 million yen resulting from allocation differences of selling & general administrative expenses and experiment & research expenses to be borne by each reportable segment, as well as 28 million yen resulting from inventory asset adjustment.
- The 34,243 million yen segment asset adjustment includes; minus 1,321 million yen resulting from the elimination of inter-segment transactions, and 35,565 million yen due to a working capital surplus, investment securities and land, etc., which are company-wide assets and not attributable to any specific reportable segment.  
The 168 million yen depreciation adjustment and 127 million yen adjustment for increases in tangible and intangible assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to the headquarters, etc.

	Millions of yen					
	2011					
	Reportable segment			Total	Adjustment <sub>1</sub>	Consolidated <sub>2</sub>
Pipe system business	Machinery system business	Industrial materials business				
Net sales						
Sales to customers	¥ 55,389	¥ 21,506	¥ 18,077	¥ 94,973	¥ —	¥ 94,973
Intersegment	129	0	982	1,112	(1,112)	—
Total sales	55,518	21,506	19,060	96,086	(1,112)	94,973
Segment income	2,699	181	352	3,233	257	3,491
Segment assets	56,442	16,143	17,567	90,153	33,695	123,849
Other items						
Depreciation	1,390	309	552	2,252	117	2,369
Increase in property, plant and equipment, and intangible assets	¥ 1,013	¥ 76	¥ 203	¥ 1,292	¥ 72	¥ 1,364

- The 257 million yen segment income adjustment includes; 97 million yen resulting from the elimination of inter-segment transactions, 198 million yen resulting from allocation differences of sales & general administrative expenses and experiment & research expenses to be borne by each reportable segment, as well as minus 37 million yen resulting from inventory asset adjustment.  
The 33,695 million yen segment asset adjustment includes; minus 1,370 million yen resulting from the elimination of inter-segment transactions, and 35,066 million yen due to a working capital surplus, investment securities and land, etc., which are company-wide assets and not attributable to any specific reportable segment.  
The 117 million yen depreciation adjustment and 72 million yen adjustment for increases in tangible and intangible assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to the headquarters, etc.
- Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

	Thousands of U. S. dollars					
	2012					
	Reportable segment			Total	Adjustment <sub>1</sub>	Consolidated <sub>2</sub>
Pipe system business	Machinery system business	Industrial materials business				
Net sales						
Sales to customers	\$ 668,722	\$ 272,976	\$ 239,411	\$ 1,181,110	\$ —	\$ 1,181,110
Intersegment	1,670	4	12,787	14,462	(14,462)	—
Total sales	670,392	272,981	252,199	1,195,573	(14,462)	1,181,110
Segment income	31,475	16,043	7,124	54,644	(3,069)	51,574
Segment assets	711,761	210,846	230,920	1,153,529	416,643	1,570,172
Other items						
Depreciation	16,652	3,347	6,028	26,028	2,048	28,077
Increase in property, plant and equipment, and intangible assets	\$ 14,148	\$ 1,309	\$ 5,666	\$ 21,124	\$ 1,556	\$ 22,681

- The minus 3,069 thousand dollar segment income adjustment includes; 660 thousand dollars resulting from the elimination of inter-segment transactions, minus 4,082 thousand dollars resulting from allocation differences of selling & general administrative expenses and experiment & research expenses to be borne by each reportable segment, as well as 352 thousand dollars resulting from inventory asset adjustment.  
The 416,643 thousand dollar segment asset adjustment includes; minus 16,084 thousand dollars resulting from the elimination of inter-segment transactions, and 432,727 thousand dollars due to a working capital surplus, investment securities and land, etc., which are company-wide assets and not attributable to any specific reportable segment.  
The 2,048 thousand dollar depreciation adjustment and 1,556 thousand dollar adjustment for increases in tangible and intangible assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to the headquarters, etc.
- Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

**(4) Geographic Segments**

Geographic segment information has been omitted, as the percentage of “national” exceeded 90% in both sales and assets in all segments.

**(5) Sales to Foreign Customers**

Foreign sales have been omitted, as they did not reach 10% of consolidated sales.

**(6) Information about loss on impairment of fixed assets by reportable segments**

	<i>Millions of yen</i>				
	<b>2012</b>				
	<i>Pipe system business</i>	<i>Machinery system business</i>	<i>Industrial materials business</i>	<i>Elimination and corporate</i>	<i>Total</i>
Impairment loss .....	¥ —	¥ 40	¥ —	¥ 1,998	¥ 2,039

	<i>Thousands of U.S. dollars</i>				
	<b>2012</b>				
	<i>Pipe system business</i>	<i>Machinery system business</i>	<i>Industrial materials business</i>	<i>Elimination and corporate</i>	<i>Total</i>
Impairment loss .....	\$ —	\$ 492	\$ —	\$ 24,321	\$ 24,813

**Note 13. Subsequent Events****Cash Dividends**

Cash dividends of the Company’s retained earnings for the year ended March 31, 2012 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 28, 2012, as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends (¥2.0 per share)	¥ 264	\$ 3,217



## Report of Independent Auditors

PKF OSAKA AUDIT CORPORATION  
3-6, Kitahama 2-chome, Chuo-ku,  
Osaka, Japan

To the Board of Directors of Kurimoto, Ltd.

We have audited the accompanying consolidated balance sheets of Kurimoto, Ltd. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity 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 audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we 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 the auditor's judgment, 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, the auditor considers 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, but 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 referred to above present fairly, in all material respects, the consolidated financial position of Kurimoto, Ltd. and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Osaka, Japan  
June 28, 2012

*PKF Osaka Audit Corporation*



# Corporate Information

## Kurimoto, Ltd.

### Outline

Founded	1909
Incorporated	1934
Common stock	¥31,186 million*
Total assets	¥114,111 million*
Employees	1,342

\*as of March 31, 2012

### Board of Directors

(as of June 28, 2012)

<b>President</b>	Hideaki Fukui
<b>Managing Director</b>	Moriyoshi Kushida
<b>Director</b>	Shozo Izumi Kenji Oki Hirobumi Okada Motohito Sawai
<b>Auditor</b>	Toshitsugu Emura Isamu Tanaka Hiroo Oi Yoshinori Tamade
<b>Executive Officer</b>	Minoru Murata Shinya Kojima Shin Ikuta Naohumi Saito Yoshiaki Shingu Osamu Kusume Mikio Yaji Kazutaka Kikumoto Kazuharu Kondo

### Stock

(as of March 31, 2012)

<b>Common Stock</b>	
Number of authorized shares .....	393,766,000
Number of issued shares .....	133,984,908
Number of shareholders .....	8,253

### Principal Shareholders

(as of March 31, 2012)

	<i>Number of shares held (in thousands)</i>	<i>Ratio of shareholding</i>
Japan Trustee Services Bank, Ltd.	14,121	10.6%
Taiyo Life Insurance Company	12,090	9.1%
Nippon Life Insurance Company	8,482	6.4%
The Master Trust Bank of Japan, Ltd.	7,429	5.6%
Resona Bank, Limited	4,440	3.3%
Mizuho Corporate Bank, Ltd.	3,623	2.7%

### Offices

#### Head Office

12-19, Kitahorie 1-chome, Nishi-ku, Osaka 550-8580, Japan  
Telephone: (06) 6538-7724 Fax: (06) 6538-7756

#### Tokyo Office

1-9, Shimbashi 4-chome, Minato-ku, Tokyo 105-0004, Japan  
Telephone: (03) 3436-8001 Fax: (03) 3436-8024

#### Hokkaido Office

3, Nishi 3-chome, Kitaichijo, Chuo-ku, Sapporo 060-0001, Japan  
Telephone: (011) 281-3301 Fax: (011) 281-3369

#### Tohoku Office

12-30, 1-chome Honcho, Aoba-ku, Sendai 980-0014, Japan  
Telephone: (022) 227-1872 Fax: (022) 227-8417

#### Nagoya Office

27-2, Meiekinami, 1-chome, Nakamura-ku, Nagoya  
450-0003, Japan  
Telephone: (052) 551-6930 Fax: (052) 551-6940

#### Chugoku Office

16-11, Hachobori, Naka-ku, Hiroshima 730-0013, Japan  
Telephone: (082) 227-5605 Fax: (082) 227-5056

#### Kyushu Office

3-11, Hakataeki-minami 1-chome, Hakata-ku, Fukuoka  
812-0016, Japan  
Telephone: (092) 451-6622 Fax: (092) 471-7696

#### Europe Office

Address: Berliner Allee 40 40212 Dusseldorf, Germany  
Telephone: +49-211-550-46411 Fax: +49-211-550-46420

### Banking References

#### Head Office

Mizuho Corporate Bank, Ltd. (Osaka Branch)  
Resona Bank, Limited. (Osaka Banking Department)  
Sumitomo Mitsui Banking Corporation (Midosuji Branch)  
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Osaka Main Office)

#### Tokyo Office

Mizuho Corporate Bank, Ltd. (Utisaiwai-cho Branch)  
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Shimbashi Branch)  
Resona Bank, Limited. (Shimbashi Branch)  
Sumitomo Mitsui Banking Corporation (Hibiya Branch)

**Kurimoto Group***(as of June 28, 2012)***Kurimoto Trading Co., Ltd.**

Operations: Sales of ductile iron pipes, valves, and synthetic resin products

**Kurimoto Technos Co., Ltd.**

Operations: Maintenance of various plants

**Kurimoto Logistics Corporation**

Operations: Procurement and transport of rawmaterials, cast iron pipes, etc

**Sasebo Metal, Co., Ltd.**

Operations: Manufacture and sales of castings

**Yamatogawa Co., Ltd.**

Operations: Sales of ductile iron pipes, valves, and synthetic resin products

**Motoyama Eng. Works, Ltd.**

Operations: Manufacture and sales of industrial valves

**Ks-Tech Co., Ltd.**

Operations: Manufacture, sales and construction of forging machinery, forming machinery and related products

**Hokkaido Kanzai Co., Ltd.**

Operations: Sales of ductile iron pipes, valves, and synthetic resin products

**Yashima Chemical Engineering Co., Ltd.**

Operations: Design, manufacture, sales, and maintenance of chemical and pharmaceutical equipment

**Kurimoto Business Associates Co., Ltd.**

Operations: Management and leasing of real estate, staffing service, travel agency, insuranceagency

**Riko, Ltd.**

Operations: Production of valves

**Kurimoto USA, Inc.**

Operations: Holding company

**Readco Kurimoto, LLC**

Operations: Manufacture and sales of industrial machinery

**Ningbo Tongkwang Industrial Co., Ltd.**

Operations: Production of valves

**Kuritetsu (Shanghai) Trading, Ltd.**

Operations: Wholesale of machinery equipment, steel, and nonmetallic products

**Kurimoto (Philippines) Corporation**

Operations: Construction, installation works, electric works, piping works, repairs and maintenance and staff service of various kinds of plants



12-19, Kitahorie 1-chome, Nishi-ku, Osaka 550-8580, Japan

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