2018

Kurimoto, Manufacturing the Future

ANNUAL REPORT

Year ended March 31, 2018

KURIMOTO, LTD.

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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 19 subsidiary companies, make up the Kurimoto group employing about 2,200 people. Today, Kurimoto plays a vital role in supplying basic industrial products, machines, and services domestically and abroad.

Contents

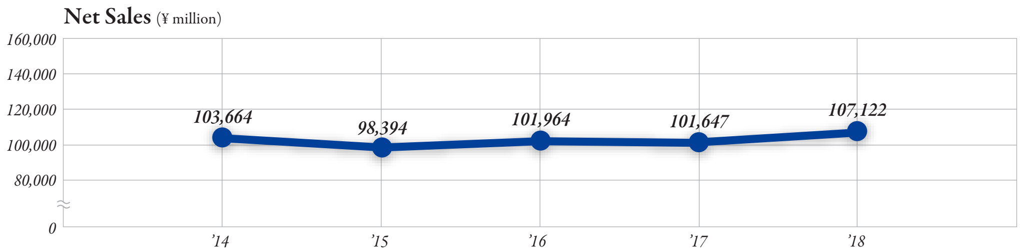
Financial Highlights

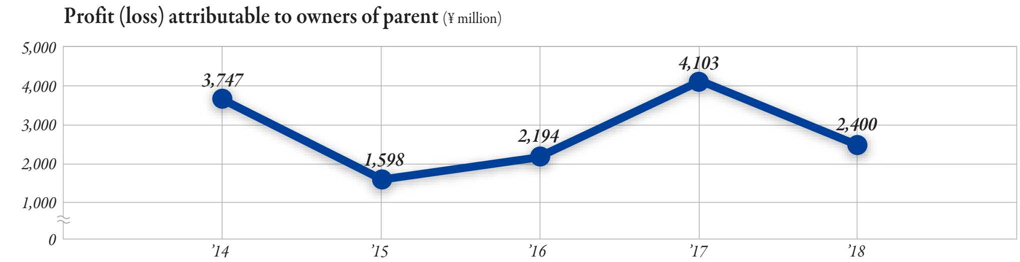
Years ended March 31	2018	2017	2016	2015	2014	2018
	Millions of yen (thousands of U.S. dollars) except per 100 share information					
Net sales	**¥ 107,122**	¥ 101,647	¥ 101,964	¥ 98,394	¥ 103,664	**$ 1,008,310**
Profit (loss) attributable to owners of parent	**2,400**	4,103	2,194	1,598	3,747	**22,594**
Per 100 shares of common stock						
Profit (loss) attributable to owners of parent	**19,167**	32,605	16,981	12,337	28,347	**180**
Cash dividends	**6,000**	5,000	4,000	4,000	4,000	**56**
Total assets	**135,122**	129,212	124,382	127,884	129,021	**1,271,865**
Total shareholders' equity	**¥ 58,351**	¥ 55,599	¥ 48,255	¥ 49,144	¥ 44,921	**$ 549,238**

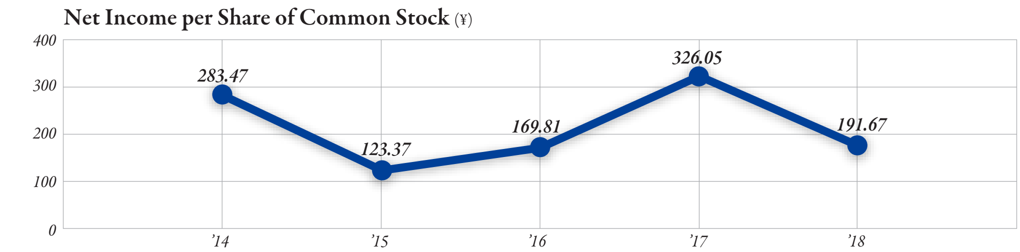
Notes 1: The U.S. dollar amounts are calculated at the exchange rate of ¥106.24 to $1, the rate prevailing on March 31, 2018.

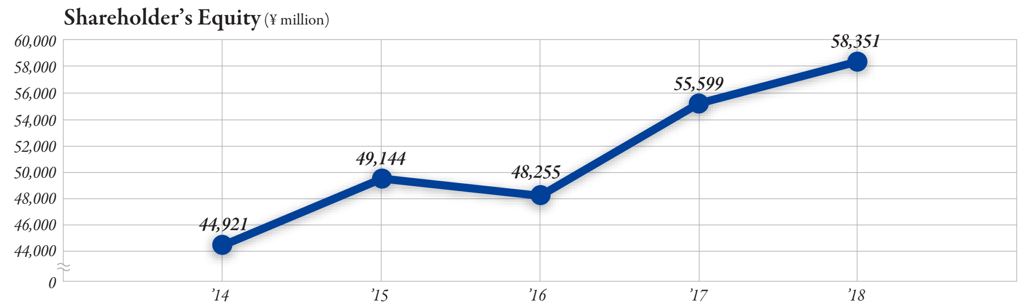
Notes 2: We have been carrying out consolidation of shares at a rate of one share per 10 shares of common stock since October 1, 2016, and have also revised the figures before 2016 for net income per 100 shares and dividend per 100 shares.

Notes 3: Along with the change in the unit of investment from 1,000 to 100 shares on October 1, 2016, net income and dividend, which used to be indicated per 1,000 shares, have been changed to be indicated per 100 shares.









Message from the President

We will maintain our strength in existing businesses while overcoming boundaries between segments to achieve sustainable growth.

Thank you for your ongoing support of Kurimoto's business activities.

Our business performance in fiscal 2017—the final year of the previous medium-term three-year plan—generally achieved the initially planned targets. However, operations did not grow; rather, we maintained steady performance through the three-year period. This relatively flat performance can be attributed to significant changes taking place in the market environment since the plan was created. I cannot deny that these results are far from the expectations of investors.

Considering the severity of the environment surrounding the group's business, we have formulated a new medium-term three-year management plan starting in fiscal 2018 with the urgent task of developing a steady, sustainable path for growth.

The basis for the new three-year plan is to maintain the dependability that has earned the trust of customers in over 100 years of doing business since the company's founding in 1909 while resolutely changing what needs to be changed.

One thing that we must change is the firmness of the boundaries between our businesses. Because we have separate business divisions for each segment of the group's business, a level of complacency has set in within each division, and efforts to bring change have been postponed. Naturally, we need to stick with our strengths in existing business areas, but I am convinced that in certain areas we can reach further and still continue to earn our customers' trust.

To overcome the boundaries between our businesses we need everyone to work together and have confidence rather than fear change, we can initiate positive change. To share this understanding and approach with all of our employees, we have updated our corporate philosophy. We will thus become open to change while consistently providing optimal systems for customers (combining materials and products, infrastructure, know-how, services, etc.). This orientation will serve us well as we work to create a better future for people and society and evolve as a business group.

We look forward to your continued support for the activities of Kurimoto.

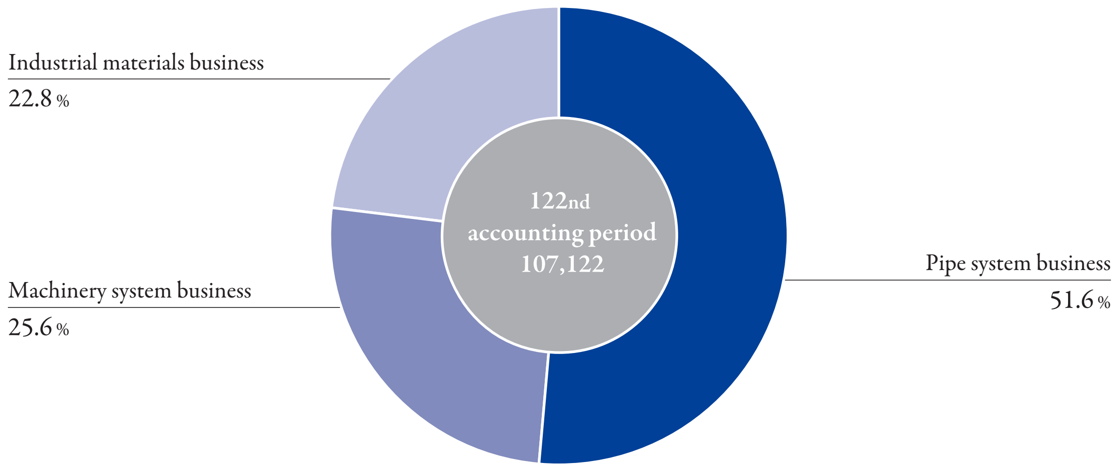
Moriyoshi Kushida
President

June 2018

Moriyoshi Kushida
President

Business Operations

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



Pipe system business

Sales of the pipe system business were 55,272 million yen, a decrease of 3,901 million yen over the previous consolidated fiscal year. The decrease was mainly attributable to a drop off in shipments of small diameter pipes and other products recorded by the Ductile Iron Pipe Division amid continuing severe market environment, including the trend of order receipt from local government. Operating income of this business was 1,295 million yen, a decrease of 809 million yen over the previous consolidated fiscal year. This was caused by a decline in income registered by the Ductile Iron Pipe Division due primarily to the decrease in sales, high material prices and a negative impact of production decrease following the decrease in shipment volume, coupled with a smaller number of large overseas projects than the previous fiscal year recorded by the Valve Division.

Industrial materials business

Sales of the industrial materials business were 24,468 million yen, an increase of 1,695 million yen over the previous consolidated fiscal year. Despite that decreases in sales were recorded by the Plastic Products Division as a backlash from sales of large-scale overseas project posted in the previous year and by the Construction Materials Division due to a decrease in shipments of noise reduction products for expressways, increased number of consolidated subsidiaries since 1Q and other factors pushed up sales.

Operating income of this business was 427 million yen, a decrease of 553 million yen over the previous consolidated fiscal year. While the Construction Materials Division enjoyed an increase in profit for air-conditioning products, the Plastic Products Division was affected by the aforementioned decrease in sales as well as rising material prices on the whole.

Machinery system business

Sales of the machinery system business were 27,381 million yen, an increase of 7,681 million yen over the previous consolidated fiscal year. The increase was mainly attributable to overseas shipment of large-scale powder equipment registered by the Machinery System Division, as well as recognition of sales of large-scale plant construction.

Operating income of this business was 1,790 million yen, an increase of 1,244 million yen over the previous consolidated fiscal year. The increase in sales of the Machinery System Division was the major driver behind the growth in operating income.

Consolidated Balance Sheets

March 31, 2018 and 2017

Assets	*Millions of yen* 2018	2017	*Thousands of U.S. dollars (Note 2)* 2018
Current assets			
Cash and deposits	¥ 23,189	¥ 18,280	$ 218,274
Notes and accounts receivable-trade	41,401	40,675	389,698
Notes and accounts receivable-trade — unconsolidated subsidiaries and affiliates	13	0	122
Merchandise and finished goods	10,841	9,741	102,043
Work in process	5,858	6,512	55,147
Raw materials and supplies	2,720	2,213	25,604
Deferred tax assets (Note 8)	1,108	923	10,431
Prepaid expenses and other current assets	1,473	1,146	13,870
Allowance for doubtful accounts	(121)	(109)	(1,139)
Total current assets	86,485	79,385	814,053
Property, plant and equipment			
Buildings and structures	25,999	25,877	244,719
Machinery, equipment and vehicles	53,328	52,065	501,963
Tools, furniture and fixtures	9,834	9,758	92,569
Land	13,729	13,428	129,233
Lease assets	385	375	3,625
Construction in progress	387	454	3,644
Accumulated depreciation	(72,871)	(71,157)	(685,917)
Total property, plant and equipment	30,792	30,803	289,838
Investments and other assets			
Investment securities —— other	12,060	12,158	113,523
Investment securities —— unconsolidated subsidiaries and affiliates	190	448	1,794
Long-term loans —— other	111	114	1,047
Long-term loans —— unconsolidated subsidiaries and affiliates	41	52	391
Other investments	1,833	1,899	17,257
Allowance for doubtful accounts	(203)	(218)	(1,913)
Deferred tax assets (Note 8)	2,956	3,790	27,827
Long-term prepaid expenses and other	854	779	8,044
Total investments and other assets	17,845	19,023	167,973
Total assets	¥ 135,122	¥ 129,212	$ 1,271,865

Liabilities and Shareholders' Equity	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 2) 2018
Current liabilities			
Notes and accounts payable-trade	¥ 31,227	¥ 26,754	$ 293,930
Notes and accounts payable-trade			
—— unconsolidated subsidiaries and affiliates	16	0	157
Short-term loans payable (Note 3)	21,306	23,012	200,553
Current portion of long-term debt (Note 3)	2,112	7,102	19,884
Lease obligations	39	40	375
Income taxes payable	437	647	4,122
Accrued liabilities	3,195	3,088	30,081
Advances received	1,048	1,299	9,871
Employees' savings deposits	404	394	3,811
Other current liabilities	1,965	1,999	18,501
Total current liabilities	61,756	64,339	581,289
Long-term liabilities			
Net defined benefit liability (Note 4)	8,256	7,813	77,715
Long-term debt (Note 3)	4,962	18	46,705
Lease obligations	52	51	493
Provision for environmental measures	145	178	1,367
Asset retirement obligations	335	131	3,161
Other long-term liabilities	514	551	4,844
Total long-term liabilities	14,266	8,744	134,287
Total liabilities	76,022	73,084	715,576
Net assets			
Shareholders' equity			
Capital stock	31,186	31,186	293,543
Authorized: 39,376,600 shares			
Issued: 13,398,490 shares in 2017			
13,398,490 shares in 2018			
Capital surplus	6,880	6,942	64,764
Retained earnings	19,830	17,815	186,660
Treasury stock	(1,761)	(1,771)	(16,577)
Total shareholders' equity	56,136	54,173	528,391
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	3,348	3,192	31,515
Deferred gains or losses on hedges	—	1	—
Foreign currency translation adjustment	18	—	169
Remeasurements of defined benefit plans	(1,151)	(1,768)	(10,837)
Total accumulated other comprehensive income	2,214	1,425	20,847
Non-controlling interests	748	528	7,049
Total net assets	59,100	56,128	556,288
Total liabilities and net assets	¥ 135,122	¥ 129,212	$ 1,271,865

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

Consolidated Statements of Income

Years ended March 31, 2018 and 2017

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2018	2017	**2018**
Net sales	**¥ 107,122**	¥ 101,647	**$ 1,008,310**
Cost of sales	**82,472**	77,640	**776,285**
Gross profit	**24,650**	24,006	**232,024**
Selling, general and administrative expenses	**21,240**	20,585	**199,930**
Operating income	**3,409**	3,421	**32,094**
Other income and (expenses)			
Interest and dividend income	**329**	320	**3,096**
Interest expense	**(257)**	(311)	**(2,424)**
Gain on sales of investment securities	**439**	31	**4,137**
Impairment loss	**(134)**	(1,853)	**(1,267)**
Others, net	**(382)**	(599)	**(3,598)**
Income before income taxes	**3,403**	1,008	**32,038**
Income taxes (Note 8)			
Current	**532**	694	**5,013**
Deferred	**430**	(3,827)	**4,052**
Total	**963**	(3,132)	**9,065**
Profit	**2,440**	4,141	**22,972**
Profit attributable to non-controlling interests	**40**	38	**378**
Profit attributable to owners of parent	**¥ 2,400**	¥ 4,103	**$ 22,594**

	yen		U.S. dollars (Note 2)
	2018	2017	**2018**
Net income per 100 shares:			
Basic	**¥ 19,167**	¥ 32,605	**$ 180**
Diluted	**19,167**	32,605	**180**
Cash dividends per 100 shares	**6,000**	5,000	**56**

Consolidated Statements of Comprehensive Income

Years ended March 31, 2018 and 2017

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2018	2017	**2018**
Profit	**¥ 2,440**	¥ 4,141	**$ 22,972**
Other comprehensive income			
Valuation difference on available-for-sale securities	**152**	1,398	**1,432**
Deferred gains or losses on hedges	**(1)**	(6)	**(14)**
Foreign currency translation adjustment	**32**	—	**309**
Remeasurements of defined benefit plans	**616**	3,055	**5,802**
Total other comprehensive income	**800**	4,447	**7,530**
Comprehensive income	**3,240**	8,589	**30,502**
Comprehensive income attributable to owners of the parent	**3,204**	8,550	**30,163**
Profit (loss) attributable to non-controlling interests	**36**	39	**338**

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2018 and 2017

Millions of yen

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance as of March 31, 2016	¥ 31,186	¥ 6,942	¥ 14,241	¥ (1,093)	¥ 1,794	¥ 7	¥ —	¥ (4,823)	¥ 493	¥ 48,749
Dividends of surplus	—	—	(509)	—	—	—	—	—	—	(509)
Profit attributable to owners of parent	—	—	4,103	—	—	—	—	—	—	4,103
Purchase of treasury shares	—	—	—	(794)	—	—	—	—	—	(794)
Disposal of treasury shares	—	(19)	—	117	—	—	—	—	—	98
Transfer to capital surplus from retained earnings	—	19	(19)	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	1,397	(6)	—	3,055	34	4,481
Balance as of March 31, 2017	¥ 31,186	¥ 6,942	¥ 17,815	¥ (1,771)	¥ 3,192	¥ 1	¥ —	¥ (1,768)	¥ 528	¥ 56,128
Dividends of surplus	—	—	(691)	—	—	—	—	—	—	(691)
Profit attributable to owners of parent	—	—	2,400	—	—	—	—	—	—	2,400
Purchase of treasury shares	—	—	—	(1)	—	—	—	—	—	(1)
Disposal of treasury shares	—	—	—	10	—	—	—	—	—	10
Change of scope of consolidation	—	—	305	—	—	—	—	—	—	305
Merger of consolidated subsidiaries — non-controlling interests	—	(58)	—	—	—	—	—	—	—	(58)
Purchase of treasury stock of consolidated subsidiaries	—	(3)	—	—	—	—	—	—	—	(3)
Net changes of items other than shareholders' equity	—	—	—	—	156	(1)	18	616	220	1,009
Balance as of March 31, 2018	¥ 31,186	¥ 6,880	¥ 19,830	¥ (1,761)	¥ 3,348	¥ —	¥ 18	¥ (1,151)	¥ 748	¥ 59,100

Thousands of U.S. dollars (Note 2)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance as of March 31, 2017	$ 293,543	$ 65,350	$ 167,695	$ (16,670)	$ 30,046	$ 14	$ —	$ (16,643)	$ 4,976	$ 528,313
Dividends of surplus	—	—	(6,508)	—	—	—	—	—	—	(6,508)
Profit attributable to owners of parent	—	—	22,594	—	—	—	—	—	—	22,594
Purchase of treasury shares	—	—	—	(10)	—	—	—	—	—	(10)
Disposal of treasury shares	—	—	—	103	—	—	—	—	—	103
Change of scope of consolidation	—	—	2,879	—	—	—	—	—	—	2,879
Merger of consolidated subsidiaries — non-controlling interests	—	(552)	—	—	—	—	—	—	—	(552)
Purchase of treasury stock of consolidated subsidiaries	—	(33)	—	—	—	—	—	—	—	(33)
Net changes of items other than shareholders' equity	—	—	—	—	1,468	(14)	169	5,805	2,073	9,502
Balance as of March 31, 2018	$ 293,543	$ 64,764	$ 186,660	$ (16,577)	$ 31,515	$ —	$169	$ (10,837)	$ 7,049	$ 556,288

Consolidated Statements of Cash Flows

Years ended March 31, 2018 and 2017

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2018	2017	**2018**
Net cash provided by (used in) operating activities			
Income before income taxes	**¥ 3,403**	¥ 1,008	**$ 32,038**
Depreciation and amortization	**2,468**	2,434	**23,234**
Impairment loss	**134**	1,853	**1,267**
Decrease (increase) in notes and accounts receivable-trade	**(184)**	(744)	**(1,738)**
Increase (decrease) in notes and accounts payable-trade	**4,050**	696	**38,123**
Decrease (increase) in inventories	**(142)**	80	**(1,345)**
Interest and dividends income	**(329)**	(320)	**(3,096)**
Interest expenses	**257**	311	**2,424**
Loss (gain) on sales of short-term and long-term investment securities	**(441)**	(22)	**(4,157)**
Loss (gain) on valuation of short-term and long-term investment securities	**0**	0	**0**
Loss (gain) on sales of property, plant and equipment and intangible assets	**(28)**	(5)	**(266)**
Loss on retirement of property, plant and equipment and intangible assets	**24**	40	**230**
Increase (decrease) in allowance for doubtful accounts	**(5)**	(55)	**(51)**
Increase (decrease) in provision for retirement benefits	**1,330**	1,664	**12,522**
Other, net	**(271)**	700	**(2,552)**
Sub-total	**10,266**	7,642	**96,631**
Interest and dividends income received	**305**	321	**2,872**
Interest expenses paid	**(264)**	(310)	**(2,492)**
Income taxes paid	**(783)**	(769)	**(7,379)**
Net cash provided by (used in) operating activities	**9,522**	6,883	**89,633**
Net cash provided by (used in) investing activities			
Proceeds for transfer of business	**22**	—	**209**
Decrease (increase) in time deposits	**9**	—	**88**
Purchase of short-term and long-term investment securities	**(107)**	(1)	**(1,010)**
Proceeds from sales of short-term and long-term investment securities	**915**	223	**8,620**
Purchase of property, plant and equipment and intangible assets	**(2,082)**	(2,402)	**(19,602)**
Proceeds from sales of property, plant and equipment and intangible assets	**437**	15	**4,122**
Purchase of stocks of subsidiaries and affiliates	**(34)**	—	**(324)**
Payments of loans receivable	**(0)**	(100)	**(1)**
Collection of loans receivable	**13**	9	**129**
Other, net	**79**	(72)	**751**
Net cash provided by (used in) investing activities	**(745)**	(2,328)	**(7,016)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**(3,125)**	1,252	**(29,415)**
Repayments of lease obligations	**(51)**	(53)	**(485)**
Proceeds from long-term loans payable	**7,556**	20	**71,121**
Repayment of long-term loans payable	**(8,031)**	(3,345)	**(75,593)**
Cash dividends paid	**(690)**	(509)	**(6,503)**
Dividends paid to non-controlling interests	**(6)**	(4)	**(57)**
Purchase of treasury shares	**(1)**	(794)	**(10)**
Proceeds from sales of treasury shares	**—**	92	**—**
Net cash provided by (used in) financing activities	**(4,349)**	(3,341)	**(40,944)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(22)**	8	**(212)**
Net Increase (Decrease) in Cash and Cash Equivalents	**4,404**	1,221	**41,459**
Cash and Cash Equivalents at Beginning of Year	**18,226**	17,005	**171,563**
Increase in cash and cash equivalents from newly consolidated subsidiary	**461**	—	**4,348**
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	**40**	—	**384**
Cash and Cash Equivalents at End of Year	**¥ 23,134**	¥ 18,226	**$ 217,756**

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

Cash and deposits	**¥23,189**	¥18,280	**$218,274**
Time deposits due over three months	**(55)**	(53)	**(518)**
Cash and cash equivalents	**¥23,134**	¥18,226	**$217,756**

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 eliminated 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 exchange profit or loss has been appropriated as their profit or loss in the current period.

The balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rates except for shareholders' equity accounts, which are translated at historical rates. Income statements of consolidated overseas subsidiaries are translated at the average rates during the year. Translation adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of net income but are reported as "Foreign currency translation adjustments" in a component of net assets and non-controlling interests.

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 within 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 net asset value of those other securities without market value fell markedly, the relevant securities have been written down to the net asset 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 60 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.

Liability for Retirement Benefits
1. The Period Attribution Method for Projected Retirement Benefits
As for the calculation of retirement benefits, the benefit formula basis is applied for the attribution of projected retirement benefits to the period up to the end of the fiscal year under review.
2. Mathematical Calculation for the Amortization of Actuarial Differences
Actuarial differences are amortized by the straight-line method over a period within the average remaining service years for employees (mainly 10 years) at the time of recognition, and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

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 12,523,815 and 12,586,147 for the years ended March 31, 2018 and 2017, respectively.
We have been carrying out consolidation of shares at a rate of one share per 10 shares of common stock since October 1, 2016, and the average number of shares during a term is calculated on the assumption that the consolidation of shares was carried out on April 1, 2015.

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.

Consolidated Taxation System

We have adopted a consolidated taxation system.

Marketable and Investments Securities

Other marketable securities as of March 31, 2018 are as follows.

	Millions of yen		
	2018		
	Carrying amounts	*Market value*	*Unrealized gain (loss)*
Other securities	¥ 7,049	¥ 11,688	¥ 4,638

	Thousands of U.S. dollars		
	2018		
	Carrying amounts	*Market value*	*Unrealized gain (loss)*
Other securities	$ 66,357	$ 110,018	$ 43,661

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=¥106.24 as of March 31, 2018, 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, 2018 and 2017 are 0.4% and 0.9%, respectively.

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

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
Loans from financial institution, due 2018 to 2022 with interest rates between 0.167% and 3.85%	**7,074**	7,121	**66,589**
Sub-total	**7,074**	7,121	**66,589**
Less current portion of loans	**2,112**	7,102	**19,884**
	¥ 4,962	¥ 18	**$ 46,705**

The aggregate annual maturities of long-term financial debt at March 31, 2018 and 2017 respectively are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	**2018**
2018	—	7,102	—
2019	**2,112**	4	**19,884**
2020	**2,104**	4	**19,806**
2021	**2,302**	4	**21,669**
2022	**35**	5	**331**
2023 and thereafter	**520**	—	**4,899**
	¥ 7,074	¥ 7,121	**$ 66,589**

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, 2018, assets pledged as collateral for short-term bank loans, and long-term debt, including the current portion of long-term debt, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Deposit	¥ 50	$ 470
Buildings and structures	3,027	28,497
Machinery, equipment	1,088	10,246
Land	831	7,828
Investment securities	24	228
	¥ 5,022	$ 47,272

Note 4. Retirement Benefits

The following are matters concerning the defined benefit plan as of March 31, 2018 and 2017, respectively.

(1) Movements in retirement benefit obligations except plan applied simplified method

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of the year	¥ 11,785	¥ 11,541	$ 110,937
Service cost	660	674	6,220
Interest cost	26	16	246
Actuarial loss (gain)	145	(102)	1,373
Benefits paid	(308)	(344)	(2,901)
Balance at end of the year	¥ 12,310	¥ 11,785	$ 115,875

(2) Movements in plan assets except plan applied simplified method

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of the year	¥ 4,558	¥ 3,661	$ 42,904
Expected return on plan assets	103	93	975
Actuarial gain (loss)	25	858	239
Benefits paid	(46)	(55)	(440)
Balance at end of the year	¥ 4,640	¥ 4,558	$ 43,679

(3) Movements in net liability for retirement benefits based on the simplified method

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of the year	¥ 585	¥ 546	$ 5,515
Retirement benefit costs	114	90	1,075
Benefits paid	(82)	(38)	(773)
Contributions paid by the employer	(31)	(12)	(297)
Balance at end of the year	¥ 586	¥ 585	$ 5,520

(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits including plan applied simplified method

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded retirement benefit obligations	¥ 12,790	¥ 12,276	$ 120,395
Plan assets	(4,953)	(4,860)	(46,629)
	7,836	7,416	73,766
Unfunded retirement benefit obligations	419	397	3,949
Total net liability (asset) for retirement benefits at March 31	8,256	7,813	77,715
Liability for retirement benefits	8,256	7,813	77,715
Asset for retirement benefits	—	—	—
Total net liability (asset) for retirement benefits at end of the year	¥ 8,256	¥ 7,813	$ 77,715

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥ 660	¥ 674	$ 6,220
Interest cost	26	16	246
Expected return on plan assets	(103)	(93)	(975)
Net actuarial loss amortization	1,008	1,316	9,487
Retirement benefit costs calculated by the simplified method	114	90	1,075
Total retirement benefit costs for the fiscal year	¥ 1,705	¥ 2,004	$ 16,054

(6) Remeasurements of defined benefit plans (before tax effect deductions)

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial loss (gain)	¥ (887)	¥ (2,277)	$ (8,354)
Total	¥ (887)	¥ (2,277)	$ (8,354)

(7) Accumulated adjustments for retirement benefit (before tax effect deductions)

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized actuarial differences	¥ 1,658	¥ 2,546	$ 15,615
Total	¥ 1,658	¥ 2,546	$ 15,615

(8) Accumulated adjustments for retirement benefit

①Plan assets comprise:

	2018	2017
Equity securities	68%	73%
Cash and cash equivalents	5%	10%
Investment trust	22%	11%
Other	5%	6%
Total	100%	100%

②Long-term expected rate of return
Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered

(9) Accumulated adjustments for retirement benefit

The principal actuarial assumption (expressed as weighted averages) are as follows:

	2018	2017
Discount rate	0.0%~0.9%	0.0%~1.0%
Long-term expected rate of return	2.4%	3.3%
Expected rate of salary increase	0.7%~4.7%	0.7%~4.7%

Defined contribution plans
The required contribution amount for consolidated subsidiaries for the defined contribution plan was 184 million yen (1,736 thousand US dollars) as of March 31, 2018.

Note 5. Contingent Liabilities

As of March 31, 2018 and 2017, the company was contingently liable as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	2018
As guarantor of indebtedness of unconsolidated subsidiaries and others	¥ 90	¥ 115	$ 850
Discount of notes and bills	—	41	—
Transfer of notes and bills endorsed for payment	¥ 32	—	$ 309

Note 6. 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 7. Research and Development Expenses

Research and development expenditures charged to income were ¥1,516 million ($14,278 thousand) for the year ended March 31, 2018.

Note 8. 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 30.8% and 30.8% for the year ended March 31, 2018 and 2017, 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, 2018 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, 2018 and 2017 are presented below:

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	2018
Deferred tax assets			
Net defined benefit liability	¥ 3,864	¥ 3,781	$ 36,379
Accrued bonus indemnities	484	511	4,565
Allowance for doubtful accounts	60	57	567
Allowance for loss on construction work	60	26	572
Loss on valuation of investment securities	175	180	1,653
Loss on valuation of investments in capital of subsidiaries and associates	110	110	1,041
Amalgamated received property	543	543	5,118
Impairment loss	18	557	175
Operating loss carry-forwards	11,797	12,047	111,046
Elimination of inter-company profits	15	21	148
Other	1,023	859	9,633
Total gross deferred tax assets	18,156	18,697	170,903
Less valuation allowance	(12,710)	(12,725)	(119,635)
Net deferred tax assets	¥ 5,446	¥ 5,971	$ 51,268

	Millions of yen		*Thousands of U.S. dollars*
	2018	2017	2018
Deferred tax liabilities			
Evaluated difference of other securities	¥ (1,290)	¥ (1,198)	$ (12,145)
Dividends receivable	(54)	(47)	(511)
Other	(37)	(10)	(353)
Total deferred tax liabilities	(1,382)	(1,256)	(13,009)
Net deferred tax assets	¥ 4,064	¥ 4,714	$ 38,258

Note 9. 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

Operating receivables, such as notes and accounts receivable-trade, involve credit risk on the part of customers.
Foreign-currency-denominated operating receivables generated by overseas operations, which could be affected by exchange-rate fluctuation risk, are hedged using forward exchange contracts as the need arises.
Marketable and investment securities, which are mainly equity securities of affiliates, involve market fluctuation risk.
Operating payables, such as notes and accounts payable-trade, are generally due within five months. Part of them, denominated in foreign currencies, which could be affected by exchange-rate fluctuation risk, are hedged using forward exchange contracts 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. In addition, in order to avoid interest-rate fluctuation risk for part of the long-term debt, we employ derivative transactions (interest-rate swap transaction) for hedging.
Derivative transactions are exchange forward contracts aimed at hedging exchange-rate fluctuation risk related to operating receivables/payables denominated in foreign currencies, and interestrate swaps aimed at hedging interest-rate fluctuation risk related to debt.

(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 an exchange forward contract to hedge part of the risks arising from exchange-rate fluctuations for operating receivables/payables denominated in foreign currencies.
With regard to floating rate debt, we closely monitor economic and interest-rate outlooks and conduct fund raising suited to each situation, and employ interest-rate swap transaction in order to control fluctuation risks in the interest rate for part of the debt.
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.

	Millions of yen		
	2018		
	Carrying amounts	*Fair value*	*Unrecognized gain (loss)*
Cash and deposits	¥ 23,189	¥ 23,189	¥ —
Notes and accounts receivable-trade	41,414	41,414	—
Investment securities	11,688	11,688	—
Total	76,292	76,292	—
Notes and accounts payable-trade	31,243	31,243	—
Short-term loans payable	21,306	21,306	—
Current portion of long-term debt	2,112	7,074	0
Long-term debt	4,962		
Total	¥ 59,625	¥ 59,625	¥ 0

	Millions of yen		
	2017		
	Carrying amounts	*Fair value*	*Unrecognized gain (loss)*
Cash and deposits	¥ 18,280	¥ 18,280	¥ —
Notes and accounts receivable-trade	40,675	40,675	—
Investment securities	11,783	11,783	—
Total	70,739	70,739	—
Notes and accounts payable-trade	26,755	26,755	—
Short-term loans payable	23,012	23,012	—
Current portion of long-term debt	7,102	7,125	4
Long-term debt	18		
Total	¥ 56,888	¥ 56,892	¥ 4
Derivative financial instruments	1	1	—

	Thousands of U. S. dollars		
	2018		
	Carrying amounts	*Fair value*	*Unrecognized gain (loss)*
Cash and deposits	$ 218,274	$ 218,274	$ —
Notes and accounts receivable-trade	389,821	389,821	—
Investment securities	110,018	110,018	—
Total	718,115	718,115	—
Notes and accounts payable-trade	294,088	294,088	—
Short-term loans payable	200,553	200,553	—
Current portion of long-term debt	19,884	66,590	0
Long-term debt	46,705		
Total	$ 561,231	$ 561,232	$ 0

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 in the 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 in the 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 of long-term debt is determined by discounting the total amount of principal and interest with the assumed interest rate on new loans of the same type. With respect to part of long-term debts with floating-rate interest, special treatment of the interest-rate swap is adopted. The value of that long-term debt is calculated from principal and interests, which is handled together with the interest-rate swap, with interest rates reasonably estimated to be applied to similar debts.

Derivative financial instruments
The fair value of derivatives are based on quoted price offered by counterparty financial institutions. However, interest-rate swaps that are accounted for under the special method are combined with the long-term debts that are hedged by these swaps. As a result, the fair value of these interest-rate swaps is included in the fair value of the corresponding long-term debts.

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

	Millions of yen	*Thousands of U.S. dollars*
Unlisted equity securities	¥ 562	$ 5,299

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 10. Impairment Loss

In this consolidated fiscal year, our group recorded an impairment loss on the following asset groups.

	Millions of yen	*Thousands of U.S. dollars*
	2018	**2018**
Goodwill	¥ 82	$ 776
Business-use buildings, structures, machinery and equipment, etc.	52	491
Unused land	0	0
Total	¥ 134	$ 1,267

In principle, our group conducts asset grouping according to the managerial accounting classification of continual assessment in terms of income and expense. With regard to idle assets, it conducts grouping according to individual properties.
As a result of the assessment of impairment loss based on such grouping, a change has been made to the business plan which was examined at the time of acquisition of business-use assets. Therefore, the book value was reduced to the recoverable value, and this value was recorded as impairment loss for extraordinary loss. With regard to the idle assets, due to changes in area and method of use, the carrying value was written down to the recoverable value, and this value was recorded as impairment loss for extraordinary loss.

<Calculation Method of Recoverable Values>
Recoverable values of business-use assets are calculated based on the value in use. This time, as a change has been made to the business plan which was examined at the time of acquisition of assets, calculation was made with the value in use as zero. Important idle assets are assessed based on the real estate appraisal and other indices. Other assets are calculated based mainly on the property tax assessment value.

Note 11. 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 intersegment 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 2017 and 2018 is as follows:

Millions of yen

	2018					
	Reportable segment					
	Pipe system business	*Machinery system business*	*Industrial materials business*	*Total*	*Adjustment* *1	*Consolidated* *2
Net sales						
Sales to customers	¥ 55,272	¥ 27,381	¥ 24,468	¥ 107,122	¥ —	¥ 107,122
Intersegment	297	0	185	483	(483)	—
Total sales	55,569	27,382	24,654	107,606	(483)	107,122
Segment income	1,295	1,790	427	3,513	(103)	3,409
Segment assets	53,732	17,943	23,879	95,554	39,568	135,122
Other items						
Depreciation	1,416	357	440	2,214	254	2,468
Increase in property, plant and equipment, and intangible assets	¥ 1,122	¥ 283	¥ 408	¥ 1,814	¥ 135	¥ 1,950

1. The minus 103 million yen segment income adjustment includes: 20 million yen resulting from the elimination of intersegment transactions; minus 25 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 minus 98 million yen resulting from inventory asset adjustment.
The 39,568 million yen segment asset adjustment includes: minus 2,732 million yen resulting from the elimination of intersegment transactions; and 42,300 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 254 million yen depreciation adjustment and 135 million yen adjustment for increases in tangible and intangible fixed assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to headquarters, etc.
2. Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

Millions of yen

	2017					
	Reportable segment					
	Pipe system business	*Machinery system business*	*Industrial materials business*	*Total*	*Adjustment* *1	*Consolidated* *2
Net sales						
Sales to customers	¥ 59,173	¥ 19,699	¥ 22,773	¥ 101,647	¥ —	¥ 101,647
Intersegment	285	3	1,882	2,171	(2,171)	—
Total sales	59,459	19,703	24,655	103,818	(2,171)	101,647
Segment income	2,105	545	981	3,632	(211)	3,421
Segment assets	51,969	16,884	21,489	90,344	38,868	129,212
Other items						
Depreciation	1,478	282	418	2,179	254	2,434
Increase in property, plant and equipment, and intangible assets	¥ 904	¥ 287	¥ 476	¥ 1,668	¥ 275	¥ 1,944

1. The minus 211 million yen segment income adjustment includes: 34 million yen resulting from the elimination of intersegment transactions; minus 415 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 169 million yen resulting from inventory asset adjustment.
The 38,868 million yen segment asset adjustment includes: minus 1,401 million yen resulting from the elimination of intersegment transactions; and 40,269 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 254 million yen depreciation adjustment and 275 million yen adjustment for increases in tangible and intangible fixed assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to headquarters, etc.
2. Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

	Thousands of U.S. dollars					
	2018					
	Reportable segment					
	Pipe system business	*Machinery system business*	*Industrial materials business*	*Total*	*Adjustment*[1]	*Consolidated*[2]
Net sales						
Sales to customers	$ 520,262	$ 257,731	$ 230,316	$ 1,008,310	$ —	$ 1,008,310
Intersegment	2,797	8	1,742	4,548	(4,548)	—
Total sales	523,060	257,739	232,059	1,012,858	(4,548)	1,008,310
Segment income	12,197	16,852	4,022	33,071	(977)	32,094
Segment assets	505,762	168,894	224,765	899,422	372,442	1,271,865
Other items						
Depreciation	13,329	3,363	4,150	20,843	2,391	23,234
Increase in property, plant and equipment, and intangible assets	$ 10,567	$ 2,667	$ 3,846	$ 17,081	$ 1,272	$ 18,354

1. The minus 977 thousand US dollar segment income adjustment includes: 189 thousand US dollars resulting from the elimination of intersegment transactions; minus 240 thousand US dollars resulting from allocation differences of selling & general administrative expenses and experiment & research expenses to be borne by each reportable segment; as well as minus 926 thousand US dollars resulting from inventory asset adjustment.
The 372,442 thousand US dollar segment asset adjustment includes: minus 25,716 thousand US dollars resulting from the elimination of intersegment transactions; and 398,159 thousand US 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 2,391 thousand US dollar depreciation adjustment and 1,272 thousand US dollar adjustment for increases in tangible and intangible fixed assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to headquarters, etc.
2. 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

	Millions of yen				
	2018				
	Pipe system business	*Machinery system business*	*Industrial materials business*	*Elimination and corporate*	*Total*
Impairment loss	¥ —	¥ —	¥ 134	¥ 0	¥ 134

	Thousands of U.S. dollars				
	2018				
	Pipe system business	*Machinery system business*	*Industrial materials business*	*Elimination and corporate*	*Total*
Impairment loss	$ —	$ —	$ 1,267	$ 0	$ 1,267

Note 12. Subsequent Events

Cash Dividends

Cash dividends of the Company's retained earnings for the year ended March 31, 2018 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 28, 2018, as follows:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends (¥35.0 per share)	¥ 440	$ 4,141

Independent Auditor's Report

Independent Auditor's Report

PKF Hibiki AUDIT CORPORATION
Kitahama-Yamamoto Building. 4F,
2-3-6, Kitahama, 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, 2018, 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, 2018, 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.

September 7, 2018

PKF Hibiki Audit Corporation

Corporate Information

Kurimoto, Ltd.

(as of June 28, 2018)

Outline

Founded	1909
Incorporated	1934
Common stock	¥31,186 million*
Total assets	¥117,119 million*
Employees	1,326*

**as of March 31, 2018*

Board of Directors

(as of June 28, 2018)

President	Moriyoshi Kushida
Director and Senior Managing Executive Officers	Motohito Sawai Hirobumi Okada
Director and Managing Executive Officers	Mikio Yaji
Director and Senior Executive Officers	Yoshiaki Shingu Kazutaka Kikumoto
Outside Director	Shigehiro Shibakawa Minoru Takahashi
Full-Time Audit & Supervisory Board Member	Minoru Murata
Outside Audit & Supervisory Board Members	Kazuhiko Hakozaki Maki Arita
Senior Executive Officers	Kazuharu Kondo Shinya Kojima
Executive Officers	Naofumi Saito Shin Ikuta Takehisa Fukui Hisato Sato Yukitaka Fujimoto Takayuki Miyazaki Yasuharu Yoshinaga Takao Ueda Akitoshi Oda Yasuji Noguchi

Stock

(as of March 31, 2018)

Common Stock

Number of authorized shares 39,376,600
Number of issued shares 13,398,490
Number of shareholders 7,676

Principal Shareholders

(as of March 31, 2018)

	Number of shares held (in thousands)	*Ratio of shareholding*
Taiyo Life Insurance Company	1,209	9.6%
Japan Trustee Services Bank, Ltd.	854	6.7%
Nippon Life Insurance Company	678	5.3%
Resona Bank, Limited	444	3.5%
Mizuho Bank, Ltd.	362	2.8%
Mizuho Trust & Banking Co., Ltd.	320	2.5%

Offices

Head Office
12-19, Kitahorie 1-chome, Nishi-ku, Osaka 550-8580, Japan
Telephone: (06) 6538-7603 Fax: (06) 6538-7758

Tokyo Office
16-2, Konan 2-chome, Minato-ku, Tokyo 108-0075, Japan
Telephone: (03) 3450-8611 Fax: (03) 3450-8504

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

Chugoku Office
7-19, Hondori, Naka-ku, Hiroshima 730-0035, Japan
Telephone: (082) 247-4132 Fax: (082) 247-4004

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

Jakarta Office
Address: Sahid Sudirman Center, 56th Floor Jl. Jend. Sudirman Kav. 86, Jakarta 10220, Indonesia
Telephone: +62-21-8063-1861 Fax: +62-21-8063-1999

Banking References

Head Office

Mizuho Bank, Ltd. (Osaka Branch)
Resona Bank, Limited (Osaka Banking Department)
Sumitomo Mitsui Banking Corporation (Midosuji Branch)
MUFG Bank, Ltd. (Osaka Main Office)

Tokyo Office

Mizuho Bank, Ltd. (Utisaiwai-cho Branch)
MUFG Bank, Ltd. (Shimbashi Branch)
Resona Bank, Limited (Shimbashi Branch)
Sumitomo Mitsui Banking Corporation (Hibiya Branch)

Kurimoto Group

(as of June 28, 2018)

Kurimoto Group consists of Kurimoto, Ltd. and 19 subsidiaries, including the following.

Kurimoto Trading Co., Ltd.

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

Kurimoto Logistics Corporation

Operations: Procurement and transport of raw materials, cast iron pipes, etc.

Japan Castering 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

Nihon Kaiser Co., Ltd.

Operations: Manufacture and sales of half precast products

Kurimoto Business Associates Co., Ltd.

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

Kurimoto USA, Inc.

Operations: Holding company

Readco Kurimoto, LLC

Operations: Manufacture and sales of industrial machinery

Kurimoto Polymers Co., Ltd.

Operations: Manufacture and sales of rigid PVC pipes, polyethylene pipes and profile extrusion products

Zentec Co., Ltd.

Operations: Maintenance and repair work of bridges and roads
Repair and reinforcement work of concrete structures

Riko, Ltd.

Operations: Production of valves

Kuritetsu (Shanghai) Trading Co., 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

KURIMOTO, LTD.

12-19, Kitahorie 1-chome, Nishi-ku, Osaka 550-8580, Japan
Telephone (06)6538-7603
Facsimile (06)6538-7758

URL http://www.kurimoto.co.jp/english/