2014

Kurimoto, Manufacturing the Future

ANNUAL REPORT

Year ended March 31, 2014

KURIMOTO, LTD.

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.

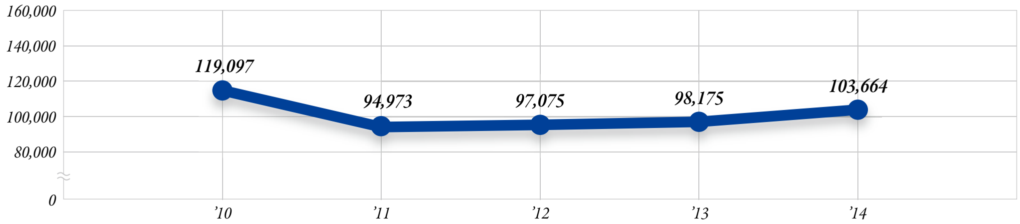
Contents

Financial Highlights

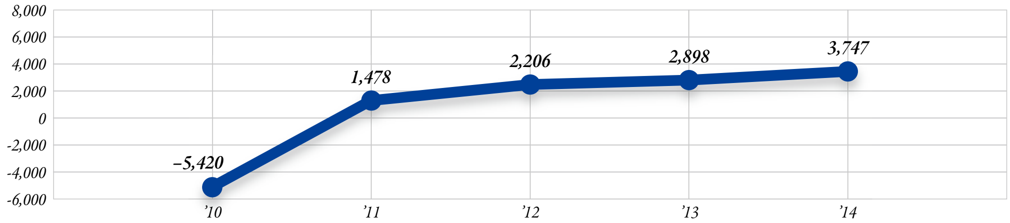
Years ended March 31	2014	2013	2012	2011	2010	2014
	Millions of yen (thousands of U.S. dollars) except per 1,000 share information					
Net sales	**¥ 103,664**	¥ 98,175	¥ 97,075	¥ 94,973	¥ 119,097	**$ 1,007,235**
Net income (loss)	**3,747**	2,898	2,206	1,478	(5,420)	**36,409**
Per 1,000 shares of common stock						
Net income (loss)	**28,347**	21,928	16,686	11,179	(40,997)	**275**
Cash dividends	**4,000**	4,000	2,000	2,000	—	**38**
Total assets	**129,021**	129,934	129,052	123,849	134,204	**1,253,606**
Total shareholders' equity	**¥ 44,921**	¥ 45,586	¥ 41,842	¥ 40,017	¥ 39,433	**$ 436,467**

Notes: The U.S. dollar amounts are calculated at the exchange rate of ¥102.92 to $1, the rate prevailing on March 31, 2014.

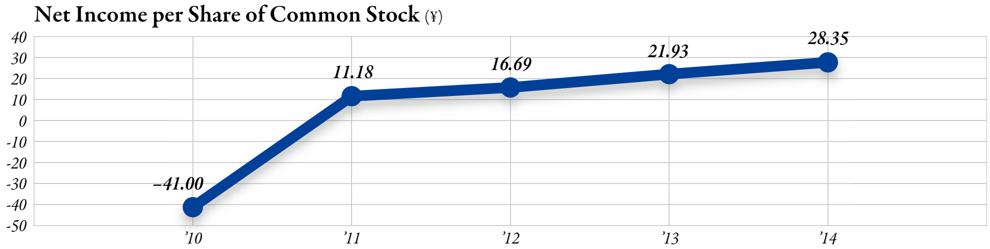
Net Sales (¥ million)



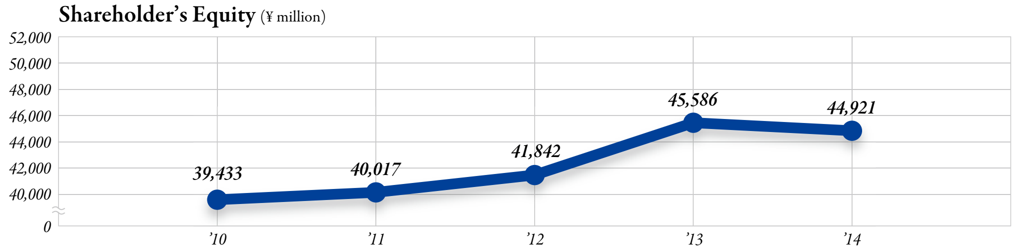
Net Income (¥ million)



Net Income per Share of Common Stock (¥)



Shareholder's Equity (¥ million)



Message from the President

I would like to outline here our business activities in the 118th term.

During this consolidated accounting period, the Japanese economy showed signs of recovery, partly due to certain monetary and financial policies. These brought about a correction to the yen's appreciation and an upgrade in stock prices, as well as an improvement in corporate earnings. However, the outlook for the economy still remains unclear due to several negative factors. These include a rise in raw material costs, the impact on consumer spending through the increase in the consumption tax, and concerns over the downward swing in the overseas economic environment caused by declining economies in some emerging countries.

In the midst of these circumstances, the group set targets of 99 billion yen (961 million US dollars) for sales and 4.5 billion yen (43 million US dollars) for operating income for this period, and, as a result, we have managed to reach these targets.

Despite reaching these targets, we are not really 100 percent satisfied with the result, due to the operational performance details for each business area. Sales did show an increase from the last term, but profit decreased, resulting in figures below the target that was set at the time of the formulation of the three-year mid-term plan we have been promoting since 2012.

In terms of each individual business area, we have experienced a drastic decline in sales compared to that of the previous term in the Plant System Engineering Division. This was because we had already posted most of the sales related to one of our high profile projects, a large-scale plant in the Philippines, in the previous term.

Although this did not actually affect this term's performance, the Plant Engineering and Machinery Division also saw a deterioration in orders due to weakening interest from customers in capital investments, especially in the Chinese market, and the cancelling of orders for products related to forging presses.

As previously noted, we did witness a new business agenda that emerged in this fiscal year. Based on these new challenges, we will strive to accelerate our efforts to grow as a corporate group in the next term and beyond.

Aims, Progress, and Strategies of the Three-Year Mid-Term Plan

The primary target of the three-year mid-term plan that we have been actively promoting since 2012 is "to become an attractive corporate group that can generate new opportunities for further operating revenue, with the aim of exceeding the sales target of 100 billion yen (971 million US dollars) in three years." In line with this, we have mainly focused on global business expansion, development of human resources, and reform of the profit-making structure for a healthier financial standing and sustainable growth.

Thankfully, we can report that we have been able to reach the sales targets of this three-year plan as of the end of this financial term. However, as mentioned above, we were not able to meet our profit target despite remarkably exceeding the target in the previous term. Nevertheless, we will make strenuous efforts to forge ahead with the business expansion of existing business areas in both domestic and overseas markets. In order to realize this, we will speed up the process of our existing research and development projects, conduct thoughtful and precise sales activities, and also make a solid effort in cost-effective productivity improvement.

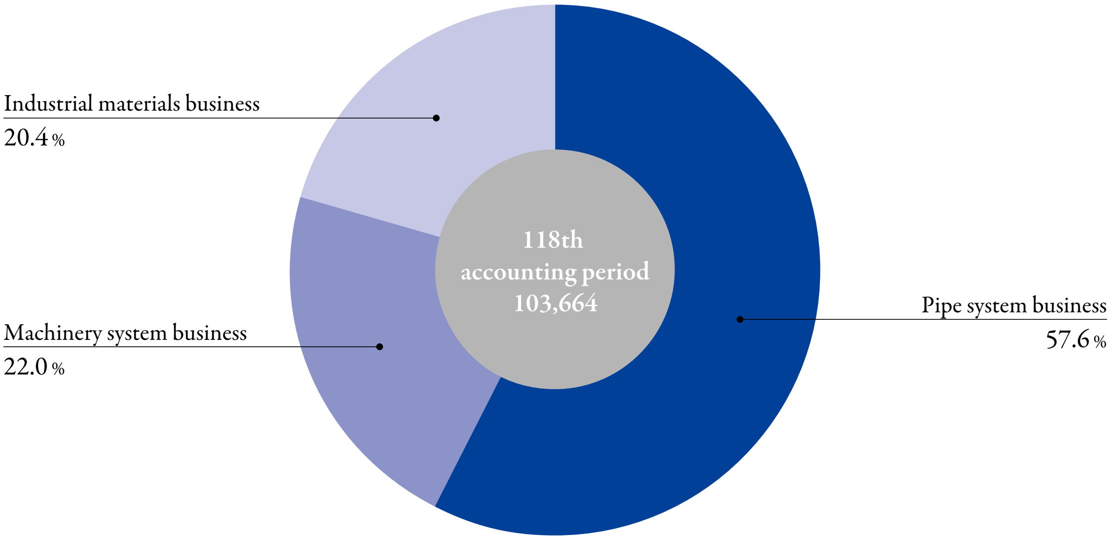
Hideaki Fukui
President

June 2014

Hideaki Fukui
President

Business Operations

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

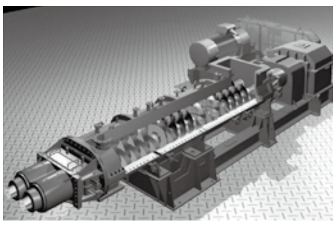


Pipe system business

As to the pipe system business, while sales from power and steel sectors and from overseas projects declined in the Valve Division, the Ductile Iron Pipe Division received a healthy level of orders due to the formulation of the supplementary budget, such as orders for medium and large diameter pipes, and increased shipments of new-type anti-seismicpipes and other high value-added products. As a result, total sales from this business increased from the previous consolidated fiscal year by 3,411 million yen, to 59,737 million yen.
Operating income, on the other hand, decreased from the previous consolidated fiscal year by 334 million yen, to 3,506 million yen, due to rise in prices of iron scrap and other raw materials, which offset the profit increase as a result of an increase in revenue.

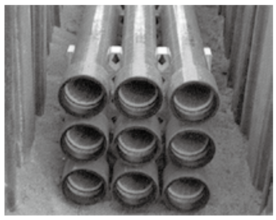
Machinery system business

In the machinery system business, sales declined from the previous consolidated fiscal year by 602 million yen, to 22,753 million yen, due to sales decrease in large-scale construction projects in the Plant System Engineering Division, although Plant Engineering and Machinery Division increased shipments of roll forging machines.
Operating income dropped from the previous consolidated fiscal year by 219 million yen, to 1,008 million yen, due to lower shipment rate of products with higher profit margins in addition to profit decrease as a result of decline in revenue.



Industrial materials business

As to the industrial materials business, sales in Construction Materials Division increased with growth in shipments of noise reduction products for expressways and of civil engineering products, as well as with acquisition of Nihon Kaiser Co., Ltd. as a consolidated subsidiary in the second quarter of the consolidated accounting period. Plastic Products Division also increased shipments of products to agricultural and fishery industries and maintained a solid level of product shipment to the power industry. As a result, sales from the business increased from the previous consolidated fiscal year by 2,680 million yen, to 21,173 million yen.
Operating income increased from the previous consolidated fiscal year by 82 million yen, to 819 million yen, as the rise in the prices of steel, resin and other raw materials was offset by profit increase as a result of increased revenue as well as by cost reduction achieved through increase in production volume.



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$1,943,256)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: December 1952 as a subsidiary of Kurimoto, Ltd.
Orders: ¥18,491 million (US$179,668 thousand)
(7.1% increase)
Sales: ¥18,904 million (US$183,679 thousand)
(11.1% increase)

Kurimoto Logistics Corporation

Operations: Procurement and transportation of rawmaterials ductile iron pipes and others
Capital: ¥90 million (US$874,465)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: March 1960 and became a subsidiary in 2001.
Orders: ¥2,070 million (US$20,122 thousand)
(10.3% increase)
Sales: ¥2,070 million (US$20,122 thousand)
(10.3% increase)

Sasebo Metal, Co., Ltd.

Operations: Production and sales of cast iron, cast iron products, and other cast metal products
Capital: ¥100 million (US$971,628)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: April 2000 as a subsidiary of Kurimoto, Ltd.
Orders: ¥1,413 million (US$13,734 thousand)
(12.2% increase)
Sales: ¥1,375 million (US$13,364 thousand)
(7.1% increase)

Yamatogawa Co., Ltd.

Operations: Sales of cast iron pipes, valaes, and synthetic resin products
Capital: ¥60 million (US$582,977)
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: ¥21,044 million (US$204,469 thousand)
(5.9% increase)
Sales: ¥21,627 million (US$210,142 thousand)
(8.7% increase)

Motoyama Eng. Works, Ltd.

Operations: Manufacture and sales of industrial valves
Capital: ¥300 million (US$2,914,885)
Stockholder: All stock is owned by Kurimoto,Ltd.
Established: December 2006 and became a subsidiary in 2007
Orders: ¥5,074 million (US$49,303 thousand)
(5.4% decrease)
Sales: ¥5,100 million (US$49,556 thousand)
(12.6% decrease)

Ks-Tech Co., Ltd.

Operations: Manufacture and sales of forging machinery
Capital: ¥300 million (US$2,914,885)
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: ¥1,758 million (US$17,083 thousand)
(18.1% decrease)
Sales: ¥2,952 million (US$28,685 thousand)
(106.6% increase)

Hokkaido Kanzai Co., Ltd.

Operations: Sales of cast iron pipes,valaes, and synthetic resin products
Capital: ¥30 million(US$291,488)
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: ¥7,173 million (US$69,695 thousand)
(35.4% increase)
Sales: ¥7,173 million (US$69,695 thousand)
(35.4% increase)

Yashima Chemical Engineering Co., Ltd.

Operations: Manufacture and sales of chemical and pharmaceutical equipment
Capital: ¥45 million (US$437,232)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: July 1958 and became a subsidiary in 2004
Orders: ¥335 million (US$3,259 thousand)
(37.6% decrease)
Sales: ¥358 million (US$3,479 thousand)
(39.1% decrease)

Nihon Kaiser. Co., Ltd.

Operations: Manufacture and sales of half precast products
Capital: ¥90 million (US$874,465)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: July 2013 and became a subsidiary in 2013
Orders: ¥2,772 million (US$26,935 thousand)
—
Sales: ¥1,256 million (US$12,205 thousand)
—

Consolidated Balance Sheets

March 31, 2014 and 2013

Assets	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 2) 2014
Current assets			
Cash and deposits	¥ 24,577	¥ 19,111	$ 238,799
Notes and accounts receivable-trade	36,597	39,593	355,595
Notes and accounts receivable-trade —— unconsolidated subsidiaries and affiliates	11	35	109
Merchandise and finished goods	9,222	9,034	89,611
Work in process	4,214	6,877	40,945
Raw materials and supplies	2,441	2,269	23,717
Deferred tax assets (Note 8)	1,834	1,114	17,828
Prepaid expenses and other current assets	1,048	1,136	10,182
Allowance for doubtful accounts	(70)	(98)	(682)
Total current assets	79,877	79,075	776,108
Property, plant and equipment			
Buildings and structures	23,203	23,582	225,448
Machinery, equipment and vehicles	48,574	48,909	471,960
Tools, furniture and fixtures	9,423	9,504	91,561
Land	15,237	19,870	148,055
Lease assets	420	289	4,082
Construction in progress	2,351	320	22,846
Accumulated depreciation	(66,200)	(66,219)	(643,227)
Total property, plant and equipment	33,009	36,257	320,727
Investments and other assets			
Investment securities —— other	12,738	10,780	123,768
Investment securities —— unconsolidated subsidiaries and affiliates	628	628	6,108
Long-term loans —— other	12	15	123
Long-term loans —— unconsolidated subsidiaries and affiliates	100	—	971
Other investments	2,408	2,786	23,400
Allowance for doubtful accounts	(512)	(491)	(4,980)
Deferred tax assets (Note 8)	—	365	—
Long-term prepaid expenses and other	759	516	7,378
Total investments and other assets	16,134	14,600	156,770
Total assets	¥129,021	¥129,934	$1,253,606

Liabilities and Shareholders' Equity

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2014	2013	**2014**
Current liabilities			
Notes and accounts payable-trade	**¥ 25,852**	¥ 28,820	**$ 251,193**
Notes and accounts payable-trade			
—— unconsolidated subsidiaries and affiliates	**7**	14	**75**
Short-term loans payable (Note 3)	**24,939**	26,562	**242,317**
Current portion of long-term debt (Note 3)	**13,342**	2,648	**129,639**
Lease obligations	**71**	56	**696**
Income taxes payable	**223**	561	**2,170**
Accrued liabilities	**3,768**	3,885	**36,611**
Advances received	**829**	1,302	**8,063**
Employees' savings deposits	**404**	404	**3,931**
Asset retirement obligations	**—**	120	**—**
Other current liabilities	**3,300**	2,126	**32,068**
Total current liabilities	**72,740**	66,503	**706,767**
Long-term liabilities			
Net defined benefit liability (Note 4)	**8,662**	—	**84,170**
Provision for retirement benefits	**—**	3,299	**—**
Long-term debt (Note 3)	**480**	13,271	**4,668**
Lease obligations	**161**	101	**1,568**
Deferred tax liabilities (Note 8)	**836**	—	**8,127**
Asset retirement obligations	**137**	103	**1,331**
Other long-term liabilities	**694**	749	**6,749**
Total long-term liabilities	**10,972**	17,524	**106,615**
Total liabilities	**83,713**	84,028	**813,382**
Net assets			
Shareholders' equity			
Capital stock	**31,186**	31,186	**303,013**
Authorized: 393,766,000 shares			
Issued: 133,984,908 shares in 2013			
133,984,908 shares in 2014			
Capital surplus	**6,959**	6,959	**67,623**
Retained earnings	**9,749**	6,530	**94,726**
Treasury stock	**(392)**	(388)	**(3,809)**
Total shareholders' equity	**47,503**	44,288	**461,552**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	**2,630**	1,298	**25,554**
Remeasurements of defined benefit plans	**(5,211)**	—	**(50,640)**
Total accumulated other comprehensive income	**(2,581)**	1,298	**(25,085)**
Minority interests	**386**	319	**3,756**
Total net assets	**45,307**	45,905	**440,223**
Total liabilities and net assets	**¥ 129,021**	¥ 129,934	**$1,253,606**

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

Consolidated Statements of Income

Years ended March 31, 2014 and 2013

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2014	2013	**2014**
Net sales	**¥ 103,664**	¥ 98,175	**$ 1,007,235**
Cost of sales	**79,268**	73,753	**770,197**
Gross profit	**24,395**	24,422	**237,037**
Selling, general and administrative expenses	**18,993**	18,534	**184,548**
Operating income	**5,402**	5,888	**52,489**
Other income and (expenses)			
Interest and dividend income	**327**	271	**3,184**
Interest expense	**(498)**	(551)	**(4,843)**
Loss on valuation of investments in capital of subsidiaries and associates	**(361)**	—	**(3,514)**
Provision for loss on litigation	**(300)**	—	**(2,914)**
Loss on disposal of fixed assets	**(349)**	—	**(3,396)**
Impairment loss	**—**	(2,777)	**—**
Gain on sales of investment securities	**0**	18	**1**
Others, net	**(222)**	(95)	**(2,166)**
Income before income taxes and minority interests	**3,997**	2,754	**38,839**
Income taxes (Note 8)			
Current	**320**	599	**3,112**
Deferred	**(139)**	(790)	**(1,358)**
Total	**180**	(191)	**1,753**
Income before minority interests	**3,816**	2,945	**37,086**
Minority interests in net income	**69**	46	**676**
Net income	**¥ 3,747**	¥ 2,898	**$ 36,409**

	yen		U.S. dollars (Note 2)
	2014	2013	**2014**
Net income per 1,000 shares:			
Basic	**¥ 28,347**	¥ 21,928	**$ 275**
Diluted	**28,347**	21,928	**275**
Cash dividends per 1,000 shares	**4,000**	4,000	**39**

Consolidated Statements of Comprehensive Income

Years ended March 31, 2014 and 2013

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2014	2013	**2014**
Income before minority interests	**¥ 3,816**	¥ 2,945	**$ 37,086**
Other comprehensive income			
Valuation difference on available-for-sale securities	**1,331**	1,376	**12,937**
Total other comprehensive income	**1,331**	1,376	**12,937**
Comprehensive income	**5,148**	4,322	**50,023**
Comprehensive income attributable to owners of the parent	**5,078**	4,275	**49,345**
Comprehensive income attributable to minority interests	**69**	46	**678**

Consolidated statements of changes in net assets
Years ended March 31, 2014 and 2013

	Millions of yen							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-forsale securities	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance as of April 1, 2012	¥ 31,186	¥ 6,959	¥ 4,160	¥ (385)	¥ (77)	—	¥ 273	¥ 42,116
Dividends of surplus	—	—	(528)	—	—	—	—	(528)
Net income	—	—	2,898	—	—	—	—	2,898
Purchase of treasury shares	—	—	—	(2)	—	—	—	(2)
Net changes of items other than shareholders' equity	—	—	—	—	1,376	—	45	1,422
Balance as of March 31, 2013	**¥ 31,186**	**¥ 6,959**	**¥ 6,530**	**¥ (388)**	**¥ 1,298**	—	**¥ 319**	**¥ 45,905**
Dividends of surplus	—	—	(528)	—	—	—	—	(528)
Net income	—	—	3,747	—	—	—	—	3,747
Purchase of treasury shares	—	—	—	(3)	—	—	—	(3)
Net changes of items other than shareholders' equity	—	—	—	—	1,331	(5,211)	67	(3,812)
Balance as of March 31, 2014	**¥ 31,186**	**¥ 6,959**	**¥ 9,749**	**¥ (392)**	**¥ 2,630**	**¥ (5,211)**	**¥ 386**	**¥ 45,307**

	Thousands of U.S. dollars (Note 2)							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-forsale securities	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance as of April 1, 2013	$ 303,013	$ 67,623	$ 63,454	$ (3,773)	$ (12,618)	—	$ 3,099	$ 446,035
Dividends of surplus	—	—	(5,137)	—	—	—	—	(5,137)
Net income	—	—	36,409	—	—	—	—	36,409
Purchase of treasury shares	—	—	—	(35)	—	—	—	(35)
Net changes of items other than shareholders' equity	—	—	—	—	12,935	(50,640)	657	(37,047)
Balance as of March 31, 2014	**$ 303,013**	**$ 67,623**	**$ 94,726**	**$ (3,809)**	**$ 25,554**	**$ (50,640)**	**$ 3,756**	**$ 440,223**

Consolidated Statements of Cash Flows

Years ended March 31, 2014 and 2013

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2014	2013	**2014**
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	**¥ 3,997**	¥ 2,754	**$ 38,839**
Depreciation and amortization	**2,199**	2,264	**21,371**
Impairment loss	**0**	2,777	**0**
Decrease (increase) in notes and accounts receivable-trade	**2,470**	953	**24,006**
Increase (decrease) in notes and accounts payable-trade	**(3,974)**	57	**(38,613)**
Decrease (increase) in inventories	**2,402**	(2,932)	**23,346**
Interest and dividends income	**(327)**	(271)	**(3,184)**
Interest expenses	**498**	551	**4,843**
Loss (gain) on sales of short-term and long-term investment securities	**(0)**	(17)	**(1)**
Loss (gain) on valuation of short-term and long-term investment securities	**—**	10	**—**
Loss (gain) on sales of property, plant and equipment and intangible assets	**29**	(1)	**289**
Loss on retirement of property, plant and equipment and intangible assets	**193**	58	**1,880**
Increase (decrease) in allowance for doubtful accounts	**(6)**	(125)	**(67)**
Increase (decrease) in provision for retirement benefits	**154**	85	**1,496**
Other, net	**635**	(434)	**6,177**
Sub-total	**8,273**	5,729	**80,385**
Interest and dividends income received	**326**	257	**3,169**
Interest expenses paid	**(498)**	(548)	**(4,844)**
Income taxes paid	**(667)**	(321)	**(6,485)**
Net cash provided by (used in) operating activities	**7,433**	5,117	**72,226**
Net cash provided by (used in) investing activities			
Decrease (increase) in time deposits	**22**	5	**213**
Purchase of short-term and long-term investment securities	**(6)**	(6)	**(60)**
Proceeds from sales of short-term and long-term investment securities	**1**	65	**12**
Purchase of property, plant and equipment and intangible assets	**(2,275)**	(1,817)	**(22,108)**
Proceeds from sales of property, plant and equipment and intangible assets	**5,710**	2	**55,489**
Payments of sales of property, plant and equipment	**(434)**	—	**(4,218)**
Proceeds from sales of stocks of subsidiaries and affiliates	**—**	0	**—**
Payments for investments in capital of subsidiaries and associates	**(120)**	—	**(1,165)**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(500)**	—	**(4,858)**
Proceeds from decrease in investment in capital of subsidiaries and affiliates	**—**	79	**—**
Payments of loans receivable	**(100)**	(0)	**(971)**
Collection of loans receivable	**2**	10	**24**
Payments for asset retirement obligations	**(120)**	—	**(1,165)**
Other, net	**184**	193	**1,791**
Net cash provided by (used in) investing activities	**2,365**	(1,468)	**22,982**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**(1,623)**	(1,142)	**(15,771)**
Repayments of lease obligations	**(71)**	(55)	**(694)**
Proceeds from long-term loans payable	**580**	180	**5,635**
Repayment of long-term loans payable	**(2,654)**	(2,689)	**(25,795)**
Redemption of bonds	**(22)**	(22)	**(213)**
Cash dividends paid	**(526)**	(526)	**(5,117)**
Cash dividends paid to minority shareholders	**(2)**	(1)	**(24)**
Purchase of treasury stock	**(3)**	(2)	**(35)**
Net cash provided by (used in) financing activities	**(4,324)**	(4,260)	**(42,016)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**12**	55	**124**
Net Increase (Decrease) in Cash and Cash Equivalents	**5,487**	(556)	**53,316**
Cash and Cash Equivalents at Beginning of Year	**19,089**	19,646	**185,483**
Cash and Cash Equivalents at End of Year	**¥ 24,577**	¥ 19,089	**$ 238,799**

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

Cash and deposits	¥ 24,577	¥ 19,111	$ 238,799
Time deposits due over three months	—	(22)	—
Cash and cash equivalents	¥ 24,577	¥ 19,089	$ 238,799

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 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 calculation of retirement benefits, we apply the straight-line method for the attribution of service period up to the end of the consolidated fiscal year.

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.

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 132,193 thousand and 132,205 thousand for the years ended March 31, 2014 and 2013, 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.

Consolidated Taxation System
We have adopted a consolidated taxation system.

Marketable and Investments Securities
Other marketable securities as of March 31, 2014 are as follows.

	Millions of yen		
	2014		
	Carrying amounts	*Market value*	*Unrealized gain (loss)*
Other securities	¥ 8,503	¥ 12,370	¥ 3,866

	Thousands of U.S. dollars		
	2014		
	Carrying amounts	*Market value*	*Unrealized gain (loss)*
Other securities	$ 82,621	$ 120,193	$ 37,572

(Changes in Accounting Policies)
(Application of Accounting Standard Related to Retirement Benefits)
We have applied the "Accounting Standard for Retirement Benefits" (Issue No. 26, Accounting Standard for Business Enterprises, May 17, 2012) and the "Application Guidelines for Accounting Standard for Retirement Benefits" (Issue No. 25, Application Guidelines of Accounting Standard for Business Enterprises, May 17, 2012) from the end of this consolidated fiscal year. (Except the stipulations stated in Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Application Guidelines for Accounting Standard for Retirement Benefits) We have shifted to the calculation method in which liabilities for retirement benefit equal the benefit obligation subtracted by the value of pension assets, and unrecognized actuarial differences are included in liabilities for retirement benefit.
Accounting standard related to retirement benefits are applied in accordance with the provisional measures stipulated in Article 37 of the Accounting Standard for Retirement Benefits, and at the end of the consolidated fiscal year, the values effected by these changes are included in the adjusted accumulated amount related to retirement benefit under the accumulated other comprehensive income.
As a result, at the end of the consolidated fiscal year, the liabilities for retirement benefit was 8,662 million yen (84,170 thousand US dollars) and accumulated other comprehensive income was recorded with a decrease of 5,211 million yen (50,640 thousand US dollars)

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=¥102.92 as of March 31, 2014, 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, 2014 and 2013 are 1.1% and 1.1%, 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*
	2014	2013	**2014**
Unsecured bonds, due 2013, with interest rate of 1.00%	—	¥ 22	—
Loans from financial institution, due 2014 to 2020 with interest rates between 0.99% and 3.85%	**13,822**	15,897	**134,307**
Sub-total	**13,822**	15,919	**134,307**
Less current portion of loans	**13,342**	2,648	**129,639**
	¥ 480	¥ 13,271	**$ 4,668**

The aggregate annual maturities of long-term financial debt at March 31, 2014 and 2013 respectively are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2014	2013	**2014**
2014	—	2,648	—
2015	**13,342**	13,177	**129,639**
2016	**236**	45	**2,301**
2017	**173**	12	**1,686**
2018	**23**	35	**229**
2019 and thereafter	**46**	—	**450**
	¥ 13,822	¥ 15,919	**$ 134,307**

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, 2014, 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*
	2014	2014
Deposit	¥ 310	$ 3,019
Buildings and structures	4,902	47,635
Machinery, equipment	2,500	24,294
Land	11,113	107,980
Investment securities	1,361	13,228
	¥ 20,188	$ 196,158

Note 4. Retirement Benefits

The following are matters concerning the defined benefit plan as of March 31, 2014.

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

	Millions of yen 2014	*Thousands of U.S. dollars* 2014
Balance at April 1, 2013	¥ 12,299	$ 119,508
Service cost	597	5,801
Interest cost	94	922
Actuarial loss (gain)	738	7,173
Benefits paid	(416)	(4,044)
Balance at March 31, 2014	¥ 13,313	$ 129,360

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

	Millions of yen 2014	*Thousands of U.S. dollars* 2014
Balance at April 1, 2013	¥ 4,552	$ 44,235
Expected return on plan assets	65	640
Actuarial gain (loss)	198	1,931
Contributions paid by the employer	535	5,201
Benefits paid	(160)	(1,561)
Balance at March 31, 2014	¥ 5,192	$ 50,448

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

	Millions of yen 2014	*Thousands of U.S. dollars* 2014
Balance at April 1, 2013	¥ 646	$ 6,277
Retirement benefit costs	89	866
Benefits paid	(111)	(1,081)
Contributions paid by the employer	(82)	(804)
Balance at March 31, 2014	¥ 541	$ 5,258

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

	Millions of yen 2014	*Thousands of U.S. dollars* 2014
Funded retirement benefit obligations	¥ 13,759	$ 133,692
Plan assets	(5,461)	(53,061)
	8,298	80,630
Unfunded retirement benefit obligations	364	3,540
Total net liability (asset) for retirement benefits at March 31, 2014	8,662	84,170
Liability for retirement benefits	8,662	84,170
Asset for retirement benefits	—	—
Total net liability (asset) for retirement benefits at March 31, 2014	¥ 8,662	$ 84,170

(5) Retirement benefit costs

	Millions of yen 2014	*Thousands of U.S. dollars* 2014
Service cost	¥ 597	$ 5,801
Interest cost	94	922
Expected return on plan assets	(65)	(640)
Net actuarial loss amortization	423	4,117
Retirement benefit costs calculated by the simplified method	89	866
Total retirement benefit costs for the year ended March 31, 2014	¥ 1,139	$ 11,067

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

	Millions of yen 2014	*Thousands of U.S. dollars* 2014
Unrecognized actuarial differences	¥ 5,209	$ 50,617
Total	¥ 5,209	$ 50,617

(7) Accumulated adjustments for retirement benefit

①Plan assets comprise:

Bonds	5%
Equity securities	65%
Cash and cash equivalents	14%
General account	14%
Other	2%
Total	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

(8) Accumulated adjustments for retirement benefit

The principal actuarial assumption at March 31, 2014 (expressed as weighted averages) are as follows:

Discount rate	0.8%
Long-term expected rate of return	0.9%~1.5%

Defined contribution plans

The required contribution amount for consolidated subsidiaries for the defined contribution plan was 34 million yen (333 thousand US dollars) as of March 31, 2014.

Note 5. Contingent Liabilities

At March 31, 2014 and 2013, the company was contingently liable as follows:

	Millions of yen 2014	*Millions of yen* 2013	*Thousands of U.S. dollars* 2014
As guarantor of indebtedness of unconsolidated subsidiaries and others	**¥ 193**	¥ 242	**$ 1,884**
Discount of notes and bills	**3,034**	4,167	**29,484**
Transfer of notes and bills endorsed for payment	**¥ 26**	¥ 20	**$ 261**

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 ¥1,563 million ($15,194 thousand) for the year ended March 31, 2014.

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 35.6% and 38.0% for the year ended March 31, 2014 and 2013, 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, 2014 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, 2014 and 2013 are presented below:

	Millions of yen		*Thousands of U.S. dollars*
	2014	2013	**2014**
Deferred tax assets			
Provision for retirement benefits	**—**	¥ 2,785	**—**
Net defined benefit liability	**4,685**	—	**45,520**
Accrued bonus indemnities	**583**	719	**5,670**
Allowance for doubtful accounts	**139**	131	**1,351**
Allowance for loss on construction work	**54**	72	**532**
Loss on revaluation of investment securities	**211**	211	**2,051**
Loss on valuation of investments in capital of subsidiaries and associates	**128**	—	**1,251**
Amalgamated received property	**632**	632	**6,150**
Impairment loss	**3**	1,807	**30**
Operating loss carry-forwards	**16,577**	16,162	**161,074**
Elimination of inter-company profits	**2**	7	**22**
Other	**1,063**	1,079	**10,337**
Total gross deferred tax assets	**24,084**	23,611	**234,012**
Less valuation allowance	**(21,784)**	(21,468)	**(211,661)**
Net deferred tax assets	**¥ 2,300**	¥ 2,142	**$ 22,351**

	Millions of yen		*Thousands of U.S. dollars*
	2014	2013	**2014**
Deferred tax liabilities			
Evaluated difference of other securities	**¥ (1,225)**	¥ (605)	**$ (11,905)**
Dividends receivable	**(57)**	(55)	**(557)**
Other	**(19)**	(0)	**(186)**
Total deferred tax liabilities	**(1,301)**	(662)	**(12,649)**
Net deferred tax assets	**¥ 998**	¥ 1,480	**$ 9,701**

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
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. 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 interest-rate 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		
	2014		
	Carrying amounts	*Fair value*	*Unrecognized gain (loss)*
Cash and deposits	¥ 24,577	¥ 24,577	¥ —
Notes and accounts receivable-trade	36,609	36,609	
Investment securities	12,370	12,370	—
Total	73,556	73,556	—
Notes and accounts payable-trade	25,860	25,860	—
Short-term loans payable	24,939	24,939	—
Current portion of long-term debt	13,342	13,825	2
Long-term debt	480		
Total	¥ 64,622	¥ 64,625	¥ 2
Derivative financial instruments	—	—	—

	Millions of yen		
	2013		
	Carrying amounts	*Fair value*	*Unrecognized gain (loss)*
Cash and deposits	¥ 19,111	¥ 19,111	¥ —
Notes and accounts receivable-trade	39,629	39,629	
Investment securities	10,413	10,413	—
Total	69,154	69,154	—
Notes and accounts payable-trade	28,835	28,835	—
Short-term loans payable	26,562	26,562	—
Current portion of long-term debt	2,626	15,900	2
Long-term debt	13,271		
Total	¥ 71,295	¥ 71,298	¥ 2

	Thousands of U. S. dollars		
	2014		
	Carrying amounts	*Fair value*	*Unrecognized gain (loss)*
Cash and deposits	$ 238,799	$ 238,799	$ —
Notes and accounts receivable-trade	355,705	355,705	
Investment securities	120,193	120,193	—
Total	714,698	714,698	—
Notes and accounts payable-trade	251,268	251,268	—
Short-term loans payable	242,317	242,317	—
Current portion of long-term debt	129,639	134,335	28
Long-term debt	4,668		
Total	$ 627,893	$ 627,921	$ 28
Derivative financial instruments	—	—	—

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 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
Those items given special treatment as interest-rate swaps are treated together with long-term debts that are subject to hedging. Therefore, their market values are presented together with the market value of the related 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	¥ 367	$ 3,574

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. 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 2013 and 2014 is as follows:

	Millions of yen					
	2014					
	Reportable segment					
	Pipe system business	*Machinery system business*	*Industrial materials business*	*Total*	*Adjustment*[*1]	*Consolidated*[*2]
Net sales						
Sales to customers	¥ 59,737	¥ 22,753	¥ 21,173	¥ 103,664	¥ —	¥ 103,664
Intersegment	283	—	1,768	2,051	(2,051)	—
Total sales	60,021	22,753	22,941	105,716	(2,051)	103,664
Segment income	3,506	1,008	819	5,334	68	5,402
Segment assets	56,710	14,993	19,852	91,556	37,464	129,021
Other items						
Depreciation	1,382	245	432	2,060	139	2,199
Increase in property, plant and equipment, and intangible assets	¥ 2,044	¥ 1,139	¥ 388	¥ 3,572	¥ 308	¥ 3,880

1. Adjustment of segment income (68 million yen) includes intersegment eliminations (38 million yen), distribution differences for each segment's sales management cost, general management cost and experimental and research cost (158 million yen) and the adjusted amount of inventory assets (−129million yen).
Adjustment of segment assets (37,464 million yen) include intersegment eliminations (−2,091 million yen), and company-wide items which do not belong to a specific segment, that are surplus operating funds, investments in securities and land value (39,556 million yen).
Adjustment of depreciation expense (139 million yen) and adjustment for increases in tangible and intangible fixed assets (308 million yen) are items which do not belong to a specific segment, including assets related to fundamental study and assets managed by headquarters.
2. Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

	Millions of yen					
	2013					
	Reportable segment					
	Pipe system business	*Machinery system business*	*Industrial materials business*	*Total*	*Adjustment*[*1]	*Consolidated*[*2]
Net sales						
Sales to customers	¥ 56,326	¥ 23,355	¥ 18,493	¥ 98,175	¥ —	¥ 98,175
Intersegment	202	30	899	1,132	(1,132)	—
Total sales	56,528	23,386	19,392	99,307	(1,132)	98,175
Segment income	3,840	1,227	736	5,804	83	5,888
Segment assets	58,481	19,484	18,320	96,286	33,648	129,934
Other items						
Depreciation	1,394	230	449	2,074	189	2,264
Increase in property, plant and equipment, and intangible assets	¥ 1,329	¥ 431	¥ 224	¥ 1,985	¥ 282	¥ 2,267

1. The 83 million yen segment income adjustment includes; 53 million yen resulting from the elimination of inter-segment transactions, minus 83 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 113 million yen resulting from inventory asset adjustment.
The 33,648 million yen segment asset adjustment includes; a minus of 1,407 million yen resulting from the elimination of inter-segment transactions, and 35,055 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 189 million yen depreciation adjustment and 282 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 headquarters, etc.
2. Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

	Thousands of U. S. dollars					
	2014					
	Reportable segment					
	Pipe system business	*Machinery system business*	*Industrial materials business*	*Total*	*Adjustment*[*1]	*Consolidated*[*2]
Net sales						
Sales to customers	$ 580,429	$ 221,080	$ 205,725	$ 1,007,235	$ —	$ 1,007,235
Intersegment	2,755	—	17,180	19,936	(19,936)	—
Total sales	583,184	221,080	222,906	1,027,172	(19,936)	1,007,235
Segment income	34,067	9,796	7,964	51,828	661	52,489
Segment assets	551,015	145,681	192,892	889,588	364,017	1,253,606
Other items						
Depreciation	13,429	2,384	4,201	20,015	1,355	21,371
Increase in property, plant and equipment, and intangible assets	$ 19,863	$ 11,076	$ 3,773	$ 34,713	$ 2,992	$ 37,705

1. Adjustment of segment income (661 thousand US dollars) includes intersegment eliminations (377 thousand US dollars), distribution differences for each segment's sales management cost, general management cost and experimental and research cost (1,544 thousand US dollars) and the adjusted amount of inventory assets (−1,260 thousand US dollars).
Adjustment of segment assets (364,017 thousand US dollars) include intersegment eliminations (−20,322 thousand US dollars), and company-wide items which do not belong to a specific segment, that are surplus operating funds, investments in securities and land value (384,340 thousand US dollars).
Adjustment of depreciation expense (1,355 thousand US dollars) and adjustment for increases in tangible and intangible fixed assets (2,992 thousand US dollars) are items which do not belong to a specific segment, including assets related to fundamental study and assets managed by headquarters.
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.

Note 11. Subsequent Events

Cash Dividends
Cash dividends of the Company's retained earnings for the year ended March 31, 2014 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 27, 2014, as follows:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends (¥2.0 per share)	¥ 264	$ 2,568

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, 2014, 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, 2014, 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.

PKF Osaka Audit Corporation

Osaka, Japan
June 27, 2014

Corporate Information

Kurimoto, Ltd.

Outline

Founded	1909
Incorporated	1934
Common stock	¥31,186 million*
Total assets	¥113,089 million*
Employees	1,366*

**as of March 31, 2014*

Board of Directors

(as of June 27, 2014)

President	Hideaki Fukui
Senior Managing Director	Moriyoshi Kushida
Managing Director	Motohito Sawai
Director	Hirobumi Okada Yoshiaki Shingu Mikio Yaji
Outside Director	Yoshinori Tamade
Audit & Supervisory Board Member	Toshitsugu Emura Shozo Izumi Hideyo Akamatsu Tomonori Kobayashi
Managing Executive Officer	Mitsuo Amagaya
Executive Officer	Naofumi Saito Minoru Murata Shinya Kojima Shin Ikuta Kazutaka Kikumoto Kazuharu Kondo Takehisa Fukui Hisato Sato Yukitaka Fujimoto

Stock

(as of March 31, 2014)

Common Stock

Number of authorized shares	393,766,000
Number of issued shares	133,984,908
Number of shareholders	10,646

Principal Shareholders

(as of March 31, 2014)

	Number of shares held (in thousands)	*Ratio of shareholding*
Taiyo Life Insurance Company	12,090	9.1%
Japan Trustee Services Bank, Ltd.	8,540	6.4%
Nippon Life Insurance Company	7,634	5.7%
Resona Bank, Limited	4,440	3.3%
Mizuho Corporate Bank, Ltd.	3,623	2.7%
The Master Trust Bank of Japan, Ltd.	3,362	2.5%

Offices

Head Office

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Telephone: (06) 6538-7724 Fax: (06) 6538-7756

Tokyo Office
16-2, Konan 2-chome, Minato-ku, Tokyo 108-0075, 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

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

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27-2, Meiekiminami, 1-chome, Nakamura-ku, Nagoya 450-0003, Japan
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7-19, Hondori, Naka-ku, Hiroshima 730-0035, Japan
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3-11, Hakataeki-minami 1-chome, Hakata-ku, Fukuoka 812-0016, Japan
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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 27, 2014)

Kurimoto Group consists of Kurimoto, Ltd. and 17 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 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

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, insuranceagency

Riko, Ltd.

Operations: Production of valves

Kurimoto USA, Inc.

Operations: Holding company

Readco Kurimoto, LLC

Operations: Manufacture and sales of industrial machinery

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.

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Facsimile (06)6538-7756

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