

2015

Kurimoto, Manufacturing the Future

ANNUAL REPORT

Year ended March 31,2015



KURIMOTO, LTD.

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

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

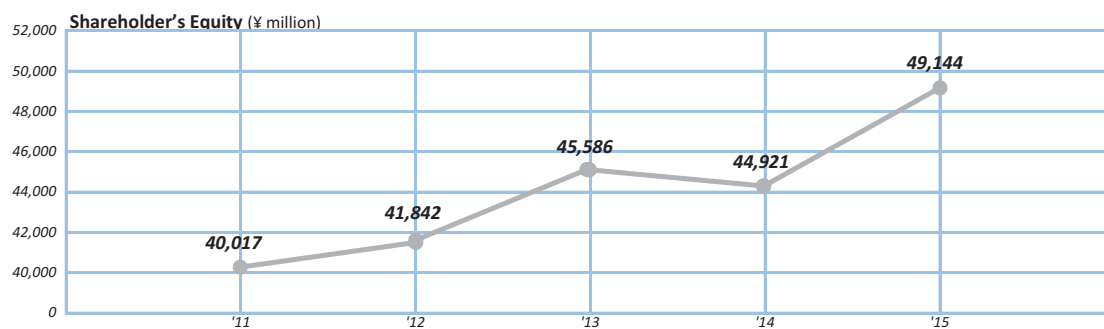
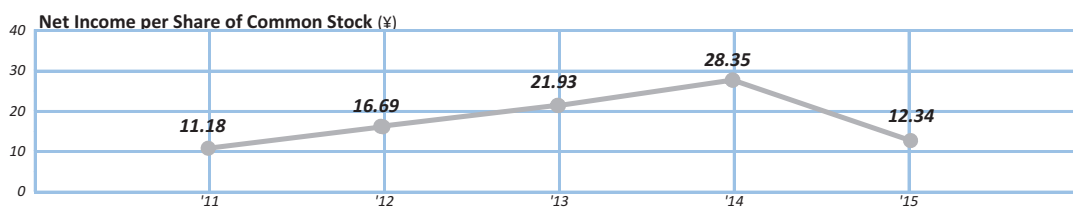
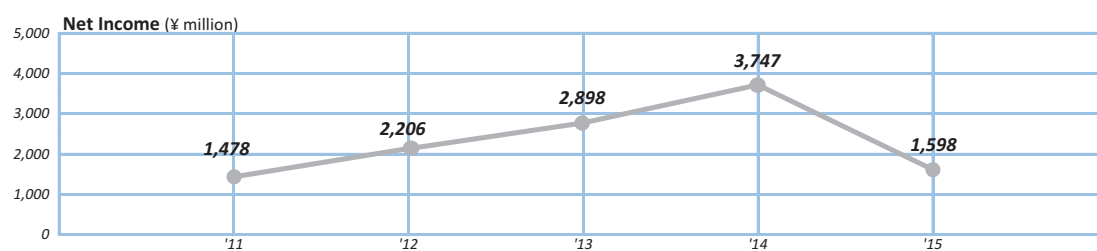
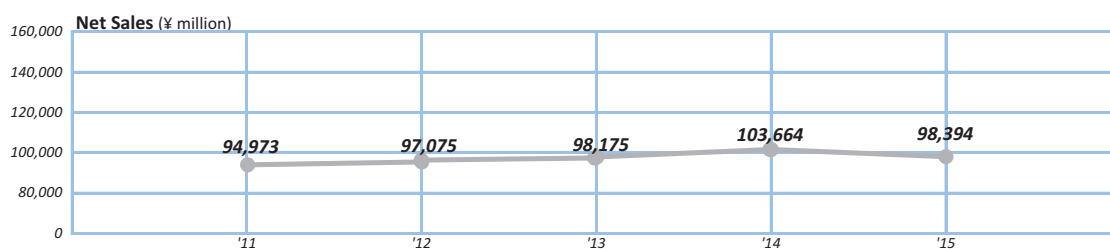
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Financial Highlights

Years ended March 31	Millions of yen (thousands of U.S. dollars) except per 1,000 share information					
	2015	2014	2013	2012	2011	2015
Net sales	¥98,394	¥103,664	¥98,175	¥97,075	¥94,973	\$818,794
Net income (loss)	1,598	3,747	2,898	2,206	1,478	13,301
Per 1,000 shares of common stock						
Net income (loss)	12,337	28,347	21,928	16,686	11,179	102
Cash dividends	4,000	4,000	4,000	2,000	2,000	33
Total assets	127,884	129,021	129,934	129,052	123,849	1,064,199
Total shareholders' equity	¥49,144	¥44,921	¥45,586	¥41,842	¥40,017	\$408,959

Notes: The U.S. dollar amounts are calculated at the exchange rate of ¥120.17 to \$1, the rate prevailing on March 31, 2015.



Message from the President

I would like to outline our business activities in the 119th term.

In the fiscal year that ended on March 31, 2015 (FY2014), the Japanese economy recovered slowly. Corporate earnings and employment improved as economic stimulus measures and monetary easing weakened the yen and fueled a stock market rally. There were concerns about the effects of slowing growth in emerging countries and weakness in resource-producing countries as the price of crude oil fell. However, the global economy was generally healthy because of the U.S. economic recovery and an economic rebound in Europe.

Under these circumstances, the Kurimoto Group's performance in FY2014 failed to reach the estimate at the beginning of the fiscal year, with the consolidated sales at 98.3 billion yen and the operating income at 2.9 billion yen.

However, the market environment for the Group is not unfavorable. In the social infrastructure market, the viewpoint of disaster prevention and reduction is required more than ever in order to look ahead to the future of Japan. The need for a tougher infrastructure is expected to continue growing. We will also be able to make new proposals in growing fields, such as stock management in view of the expected population decline in Japan.

In the meantime, in the other business field of industrial equipment, our performance substantially depends on policies and plans for capital investment that our customers have in various industries. Fortunately, motivation for capital investment is recovering among manufacturers in Japan, owing to the recent favorable economic perceptions and foreign exchange rate. At the same time, construction demand is expected to remain steady for several years in the Tokyo metropolitan area and other urban regions due to the Tokyo Olympics Games, etc. In foreign countries as well, the Group has an excellent reputation for its preventive maintenance, normal maintenance, and other detailed after-sales services on delivered products.

Based on these outlooks for the market environment, we formulated the new three-year medium-term business plan. The key goals of the new plan are 1) "customer creation," where proactive approaches should be taken to access customers in foreign countries and new fields; 2) "business creation," where our business operations should entail not only the delivery of products, but also planning, design, procurement, construction and other engineering aspects; and 3) "recovery of profitability," where thorough measures should be taken for cost reduction and productivity improvement.

Summary up to FY2014 and goals for the next three years

The Group's previous three-year medium-term business plan was from FY2012 to FY2014. This plan aimed at becoming an attractive company that while ensuring stable earnings, steadily develops new sources of revenue to meet the target of achieving net sales of 100 billion yen as a corporate group. Toward this goal, we pursued the group management policies of improving fiscal soundness, reform of the earnings structure, global business deployment, and cultivation of human resources.

We have been able to reduce interest-bearing liabilities as scheduled and steadily improve the capital-to-asset ratio. On the other hand, net sales in FY2014 as the final year of the plan failed to reach the initial target of 100 billion yen. Earnings declined considerably. The overseas sales ratio remained at the same level, not able to achieve a substantial improvement.

The behavior of customers dramatically changed over these three years, and it was one of the reasons for the failure in attaining our targets. But more importantly, we still have many requirements that need to be addressed. Under the new three-year medium-term business plan, we are seeking to recover our profitability through cost reduction and productivity improvement, and to rapidly launch new products and businesses supported by the recovered profitability for the successful attainment of our next target, net sales of 120 billion yen.



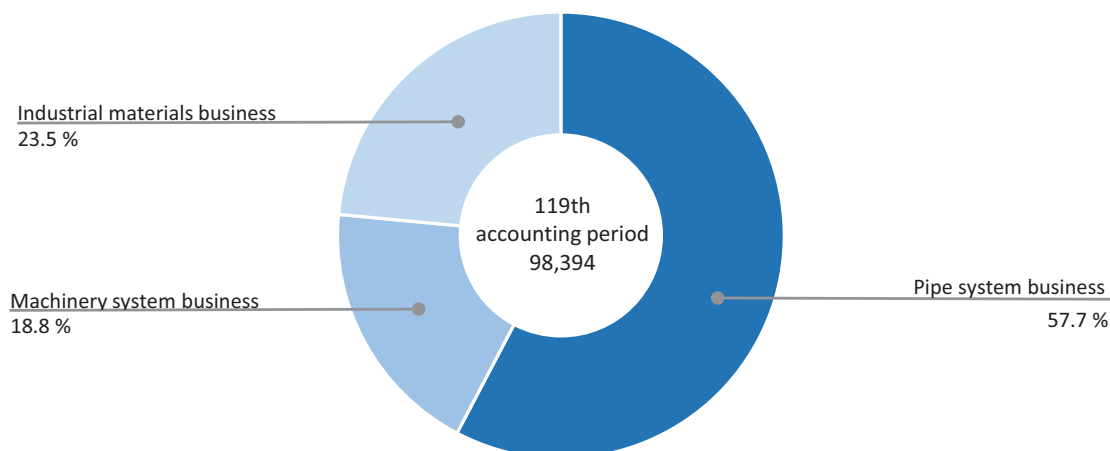
Hideaki Fukui
President

June 2015

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

Hideaki Fukui
President

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



Pipe system business

Sales in the pipe system business decreased by 2,986 million yen from the previous fiscal year to 56,751 million yen. Although delays in order placing in the Ductile Iron Pipe Division were gradually improved following the determination and publication of the unit labor costs for public works effective February 2014 by the Ministry of Land, Infrastructure, Transport and Tourism, shipments had yet to be recovered and remained slow.

Operating income decreased by 1,489 million yen from the previous fiscal year to 2,016 million yen, because even though the share of high value-added products in shipments increased, and efforts were taken for cost reduction, the impact of decreased revenue was substantial.

Machinery system business

In the machinery system business, sales declined by 4,238 million yen from the previous fiscal year to 18,515 million yen. This was due to a decrease in projects involving large plants with powder systems in the Plant Engineering and Machinery Division, as well as fewer shipments of large-sized forging machines and other causes, despite the sales increase due to some large projects in the Materials and Machinery Division.

Operating income dropped by 518 million yen from the previous fiscal year to 490 million yen, due to a substantial impact of decreased revenue in the Plant Engineering and Machinery Division, even though profitability was improved in the Materials and Machinery Division and the Plant System Engineering Division.

Industrial materials business

Sales in the industrial materials business increased by 1,954 million yen from the previous fiscal year to 23,127 million yen. Sales in the Plastic Products Division was slow, due to a decline in the shipments to the agricultural and fishery industries, and to the power industry, which both saw increases in the previous fiscal year. On the other hand, even though construction works were delayed in the Construction Materials Division, projects related to buildings and condominiums were steady in Osaka and in the Tokyo metropolitan area, including increased shipments of air-conditioning equipment. The number of consolidated subsidiaries increased in the second quarter of the previous fiscal year, which also contributed to higher sales.

Operating income decreased by 177 million yen from the previous fiscal year to 642 million yen, as the prices of steel, resin and other raw materials remained higher than in the previous fiscal year, combined with the decreased share of relatively profitable products in shipments.

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\$1,664,308)
 Stockholder: All stock is owned by Kurimoto, Ltd.
 Established: December 1952 as a subsidiary of Kurimoto, Ltd.
 Orders: ¥17,395 million (US\$144,756 thousand)
 (5.9% decrease)
 Sales: ¥17,333 million (US\$144,240 thousand)
 (8.3% decrease)

Kurimoto Logistics Corporation

Operations: Procurement and transportation of rawmaterials ductile iron pipes and others
 Capital: ¥90 million (US\$748,939)
 Stockholder: All stock is owned by Kurimoto, Ltd.
 Established: March 1960 and became a subsidiary in 2001
 Orders: ¥2,020 million (US\$16,811 thousand)
 (2.4% decrease)
 Sales: ¥2,020 million (US\$16,811 thousand)
 (2.4% decrease)

Sasebo Metal, Co., Ltd.

Operations: Production and sales of cast iron, cast iron products, and other cast metal products
 Capital: ¥100 million (US\$832,154)
 Stockholder: All stock is owned by Kurimoto, Ltd.
 Established: April 2000 as a subsidiary of Kurimoto, Ltd.
 Orders: ¥1,360 million (US\$11,325 thousand)
 (3.7% decrease)
 Sales: ¥1,318 million (US\$10,973 thousand)
 (4.1% decrease)

Yamatogawa Co., Ltd.

Operations: Sales of cast iron pipes, valves, and synthetic resin products
 Capital: ¥60 million (US\$499,292)
 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: ¥21,203 million (US\$176,441 thousand)
 (0.8% increase)
 Sales: ¥18,890 million (US\$157,201 thousand)
 (12.7% decrease)

Motoyama Eng. Works, Ltd.

Operations: Manufacture and sales of industrial valves
 Capital: ¥300 million (US\$2,496,463)
 Stockholder: All stock is owned by Kurimoto, Ltd.
 Established: December 2006 and became a subsidiary in 2007
 Orders: ¥5,412 million (US\$45,037 thousand)
 (6.7% increase)
 Sales: ¥5,053 million (US\$42,051 thousand)
 (0.9% decrease)

Ks-Tech Co., Ltd.

Operations: Manufacture and sales of forging machinery
 Capital: ¥300 million (US\$2,496,463)
 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: ¥1,659 million (US\$13,812 thousand)
 (5.6% decrease)
 Sales: ¥1,388 million (US\$11,558 thousand)
 (53.0% decrease)

Hokkaido Kanzai Co., Ltd.

Operations: Sales of cast iron pipes, valves, and synthetic resin products
 Capital: ¥30 million (US\$249,646)
 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: ¥7,185 million (US\$59,791 thousand)
 (0.2% increase)
 Sales: ¥7,185 million (US\$59,791 thousand)
 (0.2% increase)

Yashima Chemical Engineering Co., Ltd.

Operations: Manufacture and sales of chemical and pharmaceutical equipment
 Capital: ¥45 million (US\$374,469)
 Stockholder: All stock is owned by Kurimoto, Ltd.
 Established: July 1958 and became a subsidiary in 2004
 Orders: ¥541 million (US\$4,504 thousand)
 (61.3% increase)
 Sales: ¥505 million (US\$4,203 thousand)
 (41.1% increase)

Nihon Kaiser. Co., Ltd.

Operations: Manufacture and sales of half precast products
 Capital: ¥90 million (US\$748,939)
 Stockholder: All stock is owned by Kurimoto, Ltd.
 Established: July 2013 and became a subsidiary in 2013
 Orders: ¥3,108 million (US\$25,870 thousand)
 (12.1% increase)
 Sales: ¥3,079 million (US\$25,629 thousand)
 (145.2% increase)

Kurimoto Business Associates Co., Ltd.

Operations: Management and leasing of real estate, staffing service, travel agency, insurance agency
 Capital: ¥100 million (US\$832,154)
 Stockholder: All stock is owned by Kurimoto, Ltd.
 Established: September 1967 and became a subsidiary in 2014
 Orders: ¥894 million (US\$7,446 thousand)
 (169.9% increase)
 Sales: ¥894 million (US\$7,446 thousand)
 (169.9% increase)

Consolidated Balance Sheets

March 31, 2015 and 2014

Assets	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Current assets			
Cash and deposits	¥18,776	¥24,577	\$156,251
Notes and accounts receivable-trade	38,489	36,597	320,289
Notes and accounts receivable-trade — unconsolidated subsidiaries and affiliates	22	11	185
Merchandise and finished goods	10,525	9,222	87,584
Work in process	4,933	4,214	41,051
Raw materials and supplies	2,480	2,441	20,639
Deferred tax assets (Note 8)	1,222	1,834	10,172
Prepaid expenses and other current assets	919	1,048	7,651
Allowance for doubtful accounts	(47)	(70)	(396)
Total current assets	77,320	79,877	643,428
Property, plant and equipment			
Buildings and structures	25,228	23,203	209,944
Machinery, equipment and vehicles	50,119	48,574	417,070
Tools, furniture and fixtures	9,606	9,423	79,937
Land	15,230	15,237	126,741
Lease assets	433	420	3,605
Construction in progress	1,072	2,351	8,927
Accumulated depreciation	(68,629)	(66,200)	(571,104)
Total property, plant and equipment	33,061	33,009	275,123
Investments and other assets			
Investment securities — other	14,458	12,738	120,321
Investment securities — unconsolidated subsidiaries and affiliates	448	628	3,733
Long-term loans — other	18	12	155
Long-term loans — unconsolidated subsidiaries and affiliates	100	100	832
Other investments	1,934	2,408	16,098
Allowance for doubtful accounts	(318)	(512)	(2,648)
Long-term prepaid expenses and other	859	759	7,155
Total investments and other assets	17,502	16,134	145,647
Total assets	¥127,884	¥129,021	\$1,064,199

Liabilities and Shareholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Current liabilities			
Notes and accounts payable-trade	¥26,529	¥25,852	\$220,765
Notes and accounts payable-trade — — unconsolidated subsidiaries and affiliates	5	7	49
Short-term loans payable (Note 3)	23,448	24,939	195,127
Current portion of long-term debt (Note 3)	2,336	13,342	19,447
Lease obligations	63	71	530
Income taxes payable	218	223	1,815
Accrued liabilities	3,200	3,768	26,637
Advances received	1,698	829	14,131
Employees' savings deposits	425	404	3,542
Other current liabilities	1,939	3,300	16,140
Total current liabilities	59,867	72,740	498,186
Long-term liabilities			
Net defined benefit liability (Note 4)	6,826	8,662	56,805
Long-term debt (Note 3)	9,443	480	78,584
Lease obligations	132	161	1,100
Deferred tax liabilities (Note 8)	1,245	836	10,365
Asset retirement obligations	137	137	1,143
Other long-term liabilities	648	694	5,392
Total long-term liabilities	18,433	10,972	153,392
Total liabilities	78,300	83,713	651,579
Net assets			
Shareholders' equity			
Capital stock	31,186	31,186	259,516
Authorized: 393,766,000 shares			
Issued: 133,984,908 shares in 2014			
133,984,908 shares in 2015			
Capital surplus	6,959	6,959	57,916
Retained earnings	12,563	9,749	104,549
Treasury stock	(1,092)	(392)	(9,093)
Total shareholders' equity	49,616	47,503	412,888
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	3,949	2,630	32,864
Deferred gains or losses on hedges	(5)	-	(44)
Remeasurements of defined benefit plans	(4,416)	(5,211)	(36,749)
Total accumulated other comprehensive income	(472)	(2,581)	(3,928)
Minority interests	439	386	3,660
Total net assets	49,584	45,307	412,620
Total liabilities and net assets	¥127,884	¥129,021	\$1,064,199

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

Consolidated statements of changes in net assets

Years ended March 31, 2015 and 2014

Millions of yen

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Minority interests	Total net assets
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
Cumulative effects of changes in accounting policies	-	-	1,700	-	-	-	-	-	1,700
Restated balance	31,186	6,959	11,449	(392)	2,630	-	(5,211)	386	47,008
Dividends of surplus	-	-	(522)	-	-	-	-	-	(522)
Net income	-	-	1,598	-	-	-	-	-	1,598
Purchase of treasury shares	-	-	-	(700)	-	-	-	-	(700)
Change of scope of consolidation	-	-	38	-	-	-	-	-	38
Net changes of items other than shareholders' equity	-	-	-	-	1,319	(5)	795	53	2,162
Balance as of March 31, 2015	¥31,186	¥6,959	¥12,563	(¥1,092)	¥3,949	(¥5)	(¥4,416)	¥439	¥49,584

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	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance as of March 31, 2014	\$259,516	\$57,916	\$81,128	(\$3,262)	\$21,886	-	(\$43,371)	\$3,217	\$377,031
Cumulative effects of changes in accounting policies	-	-	14,152	-	-	-	-	-	14,152
Restated balance	259,516	57,916	95,280	(3,262)	21,886	-	(43,371)	3,217	391,183
Dividends of surplus	-	-	(4,350)	-	-	-	-	-	(4,350)
Net income	-	-	13,301	-	-	-	-	-	13,301
Purchase of treasury shares	-	-	-	(5,830)	-	-	-	-	(5,830)
Change of scope of consolidation	-	-	317	-	-	-	-	-	317
Net changes of items other than shareholders' equity	-	-	-	-	10,978	(44)	6,621	443	17,999
Balance as of March 31, 2015	\$259,516	\$57,916	\$104,549	(\$9,093)	\$32,864	(\$44)	(\$36,749)	\$3,660	\$412,620

Consolidated Statements of Cash Flows

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	¥2,579	¥3,997	\$21,467
Depreciation and amortization	2,355	2,199	19,601
Decrease (increase) in notes and accounts receivable-trade	(734)	2,470	(6,109)
Increase (decrease) in notes and accounts payable-trade	1,753	(3,974)	14,591
Decrease (increase) in inventories	(2,059)	2,402	(17,139)
Interest and dividends income	(335)	(327)	(2,792)
Interest expenses	405	498	3,372
Loss (gain) on sales of short-term and long-term investment securities	-	(0)	-
Loss (gain) on valuation of short-term and long-term investment securities	0	-	0
Loss (gain) on sales of property, plant and equipment and intangible assets	(26)	29	(220)
Loss on retirement of property, plant and equipment and intangible assets	43	193	363
Increase (decrease) in allowance for doubtful accounts	(216)	(6)	(1,804)
Increase (decrease) in provision for retirement benefits	629	154	5,237
Other, net	(609)	635	(5,073)
Sub-total	3,784	8,273	31,495
Interest and dividends income received	325	326	2,709
Interest expenses paid	(416)	(498)	(3,469)
Income taxes paid	(255)	(667)	(2,124)
Net cash provided by (used in) operating activities	3,438	7,433	28,611
Net cash provided by (used in) investing activities			
Decrease (increase) in time deposits	(50)	22	(416)
Purchase of short-term and long-term investment securities	(19)	(6)	(158)
Proceeds from sales of short-term and long-term investment securities	1	1	10
Purchase of property, plant and equipment and intangible assets	(4,201)	(2,275)	(34,965)
Proceeds from sales of property, plant and equipment and intangible assets	38	5,710	324
Payments of sales of property, plant and equipment	(648)	(434)	(5,400)
Payments for investments in capital of subsidiaries and associates	-	(120)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(500)	-
Payments of loans receivable	(7)	(100)	(65)
Collection of loans receivable	1	2	16
Payments for asset retirement obligations	-	(120)	-
Other, net	183	184	1,530
Net cash provided by (used in) investing activities	(4,701)	2,365	(39,124)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(1,490)	(1,623)	(12,406)
Repayments of lease obligations	(75)	(71)	(628)
Proceeds from long-term loans payable	11,300	580	94,033
Repayment of long-term loans payable	(13,342)	(2,654)	(111,029)
Redemption of bonds	-	(22)	-
Cash dividends paid	(523)	(526)	(4,357)
Cash dividends paid to minority shareholders	(1)	(2)	(11)
Purchase of treasury stock	(700)	(3)	(5,830)
Net cash provided by (used in) financing activities	(4,834)	(4,324)	(40,230)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	72	12	599
Net Increase (Decrease) in Cash and Cash Equivalents	(6,025)	5,487	(50,143)
Cash and Cash Equivalents at Beginning of Year	24,577	19,089	204,520
Increase in cash and cash equivalents from newly consolidated subsidiary	175	-	1,458
Cash and Cash Equivalents at End of Year	¥18,726	¥24,577	\$155,835

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

Cash and deposits	¥18,776	¥24,577	\$156,251
Time deposits due over three months	(50)	-	(416)
Cash and cash equivalents	¥18,726	¥24,577	\$155,835

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 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 129,562 thousand and 132,193 thousand for the years ended March 31, 2015 and 2014, 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, 2015 are as follows.

	Millions of yen		
	Carrying amounts	Market value	Unrealized gain (loss)
	2015		
Other securities	¥8,510	¥14,079	¥5,569
	Thousands of U.S. dollars		
	2015		
Other securities	\$70,817	\$117,161	\$46,343

(Changes in Accounting Policies)

This Company has the "Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012)" and the "Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015)" from the fiscal year ended March 31, 2015, for provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits, and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, we reviewed the methods for calculating retirement benefit obligations and service costs, and revised the method of attributing projected retirement benefits to periods from the straight-line basis to the benefit formula basis, and revised the method of determining the discount rate, for the period of bonds used for the basis of determining the discount rate, from the method using the approximate number of years of expected average length of the remaining service period of employees to the method using a plural discount rate reflecting the estimated period.

For the application of this accounting standard, in accordance with the transitional accounting treatments set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the fiscal year under review.

As a result, at the beginning of the fiscal year under review, the liabilities for retirement benefit decreased 1,700 million yen (14,152 thousand US dollars) and retained earnings increased 1,700 million yen (14,152 thousand US dollars). The effect of this change on operating income, ordinary income and net income before income taxes and minority interests for the fiscal year under review is insignificant.

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=¥120.17 as of March 31, 2015, 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, 2015 and 2014 are 1.0% 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
	2015	2014	2015
Loans from financial institution, due 2015 to 2020 with interest rates between 0.84% and 3.85%	11,780	13,822	98,031
Sub-total	11,780	13,822	98,031
Less current portion of loans	2,336	13,342	19,447
	¥9,443	¥480	\$78,584

The aggregate annual maturities of long-term financial debt at March 31, 2015 and 2014 respectively are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
2015	-	13,342	-
2016	2,336	236	19,447
2017	2,273	173	18,920
2018	7,123	23	59,278
2019	23	46	196
2020 and thereafter	22	-	189
	¥11,780	¥13,822	\$98,031

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, 2015, assets pledged as collateral for short-term bank loans, and long-term debt, including the current portion of long-term debt, were as follows:

	Thousands of U.S. dollars	
	Millions of yen	2015
Deposit	¥310	\$2,586
Buildings and structures	4,224	35,152
Machinery, equipment	2,174	18,098
Land	3,608	30,028
	¥10,318	\$85,865

Note 4. Retirement Benefits

The following are matters concerning the defined benefit plan as of March 31, 2015 and 2014, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of the year.....	¥13,313	¥12,299	\$110,791
Cumulative effects of changes			
in accounting policies	(1,700)	-	(14,151)
Restated balance	11,613	12,299	96,639
Net increase from newly			
consolidated subsidiaries	20	-	166
Service cost	684	597	5,698
Interest cost	103	94	858
Actuarial loss (gain)	525	738	4,376
Benefits paid	(365)	(416)	(3,038)
Balance at end of the year.....	¥12,581	¥13,313	\$104,701

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of the year.....	¥5,192	¥4,552	\$43,206
Expected return on plan assets	69	65	574
Actuarial gain (loss)	604	198	5,026
Contributions paid by the employer	560	535	4,664
Benefits paid	(132)	(160)	(1,103)
Balance at end of the year.....	¥6,293	¥5,192	\$52,368

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of the year.....	¥541	¥646	\$4,503
Retirement benefit costs	77	89	645
Benefits paid	(73)	(111)	(615)
Contributions paid by the employer	(14)	(82)	(117)
Balance at end of the year.....	¥530	¥541	\$4,416

(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
	2015	2014	2015
Funded retirement benefit obligations	¥13,054	¥13,759	\$108,630
Plan assets	(6,585)	(5,461)	(54,798)
	6,468	8,298	53,831
Unfunded retirement benefit obligations	350	364	2,917
Total net liability (asset) for			
retirement benefits at March 31	6,819	8,662	56,748
Liability for retirement benefits	6,819	8,662	56,748
Asset for retirement benefits	-	-	-
Total net liability (asset) for			
retirement benefits at end of the year	¥6,819	¥8,662	\$56,748

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥682	¥597	\$5,680
Interest cost	103	94	858
Expected return on plan assets	(69)	(65)	(574)
Net actuarial loss amortization	716	423	5,959
Retirement benefit costs			
calculated by the simplified method	77	89	645
Total retirement benefit			
costs for the fiscal year	¥1,510	¥1,139	\$12,569

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Actuarial loss (gain)	(¥794)	-	(\$6,610)
Total	(¥794)	-	(\$6,610)

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized actuarial differences	¥4,415	¥5,209	\$36,741
Total	¥4,415	¥5,209	\$36,741

(8) Accumulated adjustments for retirement benefit

① Plan assets comprise:

	2015	2014
Bonds	6%	5%
Equity securities	64%	65%
Cash and cash equivalents	13%	14%
General account	14%	14%
Other	3%	2%
Total	100%	100%

② Long-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:

	2015	2014
Discount rate	0.0%~1.5%	0.8%
Long-term expected rate of return	1.4%~1.9%	0.9%~1.5%
Expected rate of salary increase	0.7%~4.4%	0.6%~4.3%

Defined contribution plans

The required contribution amount for consolidated subsidiaries for the defined contribution plan was 35 million yen (294 thousand US dollars) as of March 31, 2015.

Note 5. Contingent Liabilities

At March 31, 2015 and 2014, the company was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
As guarantor of indebtedness of unconsolidated subsidiaries and others	¥166	¥193	\$1,384
Discount of notes and bills	2,474	3,034	20,588
Transfer of notes and bills endorsed for payment	¥1	¥26	\$10

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 ¥1,597 million (\$13,295 thousand) for the year ended March 31, 2015.

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 35.6% for the year ended March 31, 2015 and 2014, 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, 2015 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, 2015 and 2014 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets			
Net defined benefit liability	¥3,657	¥4,685	\$30,432
Accrued bonus indemnities	480	583	3,995
Allowance for doubtful accounts	85	139	713
Allowance for loss on construction work	28	54	240
Loss on revaluation of investment securities	187	211	1,563
Loss on valuation of investments in capital of subsidiaries and associates	116	128	969
Amalgamated received property	572	632	4,767
Impairment loss	2	3	23
Operating loss carry-forwards	14,448	16,577	120,232
Elimination of inter-company profits	10	2	87
Other	799	1,063	6,656
Total gross deferred tax assets	20,390	24,084	169,682
Less valuation allowance	(18,746)	(21,784)	(155,998)
Net deferred tax assets	¥1,644	¥2,300	\$13,683
Deferred tax liabilities			
Evaluated difference of other securities	(¥1,607)	(¥1,225)	(\$13,377)
Dividends receivable	(56)	(57)	(470)
Other	(3)	(19)	(29)
Total deferred tax liabilities	(1,667)	(1,301)	(13,877)
Net deferred tax assets	(¥23)	¥998	(\$193)

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		
	2015		
	Carrying amounts	Fair value	Unrecognized gain (loss)
Cash and deposits	¥18,776	¥18,776	¥-
Notes and accounts receivable-trade	38,511	38,511	-
Investment securities	14,079	14,079	-
Total	71,367	71,367	-
Notes and accounts payable-trade	26,535	26,535	-
Short-term loans payable	23,448	23,448	-
Current portion of long-term debt	2,336		
Long-term debt	9,443	11,800	19
Total	¥61,764	¥61,784	¥19
Derivative financial instruments	(5)	(5)	-

	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		
Long-term debt	480	13,825	2
Total	¥64,622	¥64,625	¥2
Derivative financial instruments	-	-	-

	Thousands of U. S. dollars		
	2015		
	Carrying amounts	Fair value	Unrecognized gain (loss)
Cash and deposits	\$156,251	\$156,251	\$-
Notes and accounts receivable-trade	320,475	320,475	-
Investment securities	117,161	117,161	-
Total	593,888	593,888	-
Notes and accounts payable-trade	220,815	220,815	-
Short-term loans payable	195,127	195,127	-
Current portion of long-term debt	19,447		
Long-term debt	78,584	98,196	164
Total	\$513,974	\$514,138	\$164
Derivative financial instruments	(44)	(44)	-

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

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	Thousands
	of yen	of U.S. dollars
Unlisted equity securities	¥379	\$3,159

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 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 2014 and 2015 is as follows:

	Millions of yen					
	2015					
	Reportable segment			Total	Adjustment ^{*1}	Consolidated ^{*2}
Pipe system business	Machinery system business	Industrial materials business				
Net sales						
Sales to customers	¥56,751	¥18,515	¥23,127	¥98,394	¥-	¥98,394
Intersegment	278	-	826	1,104	(1,104)	-
Total sales	57,029	18,515	23,954	99,498	(1,104)	98,394
Segment income	2,016	490	642	3,148	(223)	2,925
Segment assets	57,601	15,095	21,312	94,009	33,875	127,884
Other items						
Depreciation	1,466	278	468	2,213	142	2,355
Increase in property, plant and equipment, and intangible assets	¥1,864	¥170	¥241	¥2,276	¥145	¥2,421

1. The minus 223 million yen segment income adjustment includes; 35 million yen resulting from the elimination of inter-segment transactions, minus 148 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 110 million yen resulting from inventory asset adjustment.

The 33,875 million yen segment asset adjustment includes; minus 1,929 million yen resulting from the elimination of inter-segment transactions, and 35,804 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 142 million yen depreciation adjustment and 145 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					
	2014					
	Reportable segment			Total	Adjustment ^{*1}	Consolidated ^{*2}
Pipe system business	Machinery system business	Industrial materials business				
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 (-129 million 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 fund, 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.

	Thousands of U. S. dollars					
	2015					
	Reportable segment			Total	Adjustment ^{*1}	Consolidated ^{*2}
Pipe system business	Machinery system business	Industrial materials business				
Net sales						
Sales to customers	\$472,260	\$154,075	\$192,459	\$818,794	\$-	\$818,794
Intersegment	2,313	-	6,877	9,190	(9,190)	-
Total sales	474,573	154,075	199,336	827,985	(9,190)	818,794
Segment income	16,779	4,077	5,343	26,200	(1,858)	24,341
Segment assets	479,332	125,615	177,354	782,302	281,897	1,064,199
Other items						
Depreciation	12,202	2,318	3,897	18,418	1,183	19,601
Increase in property, plant and equipment, and intangible assets	\$15,514	\$1,416	\$2,009	\$18,939	\$1,214	\$20,154

1. The minus 1,858 thousand US dollars segment income adjustment includes; 296 thousand US dollars resulting from the elimination of inter-segment transactions, minus 1,237 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 918 thousand US dollars resulting from inventory asset adjustment.

The 281,897 thousand US dollars segment asset adjustment includes; minus 16,052 thousand US dollars resulting from the elimination of inter-segment transactions, and 297,950 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 1,183 thousand US dollars depreciation adjustment and 1,214 thousand US dollars 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.

Note 11. Subsequent Events**Cash Dividends**

Cash dividends of the Company’s retained earnings for the year ended March 31, 2015 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 26, 2015, as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends (¥2.0 per share)	¥258	\$2,150

Report of Independent Auditors

PKF Hibiki 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, 2015, 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, 2015, 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,

PKF Hibiki Audit Corporation

Osaka, Japan
November 24, 2015

Kurimoto, Ltd.

(as of June 26, 2015)

Outline

Founded	1909
Incorporated	1934
Common stock	¥31,186 million*
Total assets	¥110,951 million*
Employees	1,349*

*as of March 31, 2015

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

Board of Directors

(as of June 26, 2015)

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

Banking References

Head Office
Mizuho 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 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)

Stock

(as of March 31, 2015)

Common Stock	
Number of authorized shares	393,766,000
Number of issued shares	133,984,908
Number of shareholders	9,623

Principal Shareholders

(as of March 31, 2015)

	Number of shares held (in thousands)	Ratio of shareholding
Japan Trustee Services Bank, Ltd.	12,912	9.9%
Taiyo Life Insurance Company	12,090	9.3%
Nippon Life Insurance Company	6,786	5.2%
Resona Bank, Limited	4,440	3.4%
Mizuho Bank, Ltd.	3,623	2.8%
Mizuho Trust & Banking Co., Ltd.	3,200	2.4%

Kurimoto Group (as of June 26, 2015)

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, insurance agency

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



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/>