

2019

Kurimoto, Manufacturing the Future

ANNUAL REPORT

Year ended March 31, 2019



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 19 subsidiary companies, make up the Kurimoto group employing about 2,100 people. Today, Kurimoto plays a vital role in supplying basic industrial products, machines, and services domestically and abroad.

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Financial Highlights

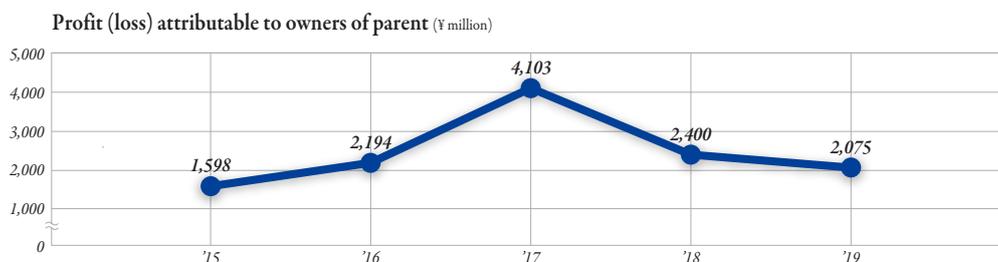
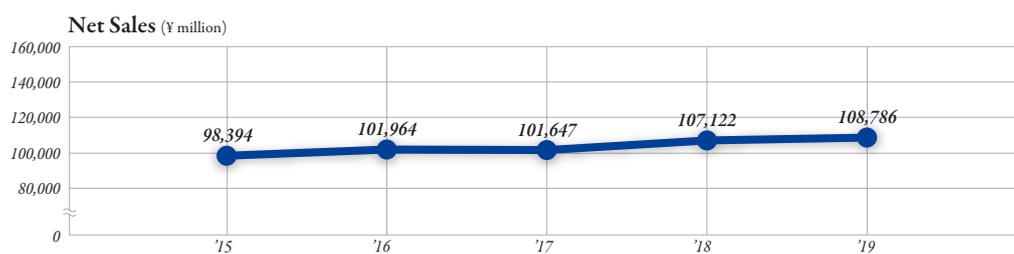
Millions of yen (thousands of U.S. dollars) except per 100 share information

Years ended March 31	2019	2018	2017	2016	2015	2019
Net sales	¥ 108,786	¥ 107,122	¥ 101,647	¥ 101,964	¥ 98,394	\$ 980,150
Profit (loss) attributable to owners of parent	2,075	2,400	4,103	2,194	1,598	18,701
Per 100 shares of common stock						
Profit (loss) attributable to owners of parent	16,565	19,167	32,605	16,981	12,337	149
Cash dividends	6,000	6,000	5,000	4,000	4,000	54
Total assets	136,469	135,122	129,212	124,382	127,884	1,229,569
Total shareholders' equity (including Accumulated other comprehensive income)	¥ 58,070	¥ 58,351	¥ 55,599	¥ 48,255	¥ 49,144	\$ 523,201

Notes 1: The U.S. dollar amounts are calculated at the exchange rate of ¥110.99 to \$1, the rate prevailing on March 31, 2019.

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

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



Message from the President

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

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

Kurimoto was founded in February 1909 to manufacture cast-iron pipe for water supply based on our iron foundry expertise. For over 100 years now we have been committed to bringing people a higher quality of living by improving social infrastructure, lifeline systems, and industrial machinery. Thanks goes to all of the stakeholders of this group for your ongoing support.

Looking at the business climate today, I would have to say that things are becoming increasingly turbulent. Internationally, the trade war between the U.S. and China does not look like it will end any time soon, and there is a palpable fear that a no-deal Brexit from the EU might happen in the UK. I see continuing uncertainty on so many fronts. Within Japan, preparations are proceeding apace for the Tokyo Olympics in 2020 with little time to spare, and Osaka has won the bid to host Expo 2025. The other side of that wave of high emotion is the fear of an impending economic slowdown approaching on the heels of the planned October 2019 consumption tax bump-up from eight to ten percent.

Under these circumstances, we are fortunate that business results for fiscal 2018, the first year of our current three-year mid-term business plan, exceeded initial forecasts for the period in both sales and profits. Nevertheless, conditions still remain uncertain and while revenues rose, profits declined from the previous fiscal year, and some segments had extremely poor performance.

In our three-year business plan, we identify some things that must be maintained and others that must be changed. The trust of our customers, built up for over a century by our predecessors, must naturally be maintained, and to do so, we must generate the resolve to take action and make those changes that are imperative.

One area that requires change is in the boundaries between our businesses. Every segment and business in our group is a separate domain, and we have settled into complacency over time with these boundaries. I regret that we have put off efforts to change this system. Of course we need to maintain strength in our existing business domains, but in some areas I believe that the only way to maintain the trust of our customers is to break down barriers and reach across existing boundaries.

Again, the only way to be able to reach across our businesses is through the will of our employees—with the help of every single person in the group. We need to hold the shared vision that change is something to make happen, not something to fear.

This fiscal year we celebrate our 110th anniversary, and in April 2019 we unveiled a new group logo for the occasion. We have also begun a promotion campaign to build the Kurimoto brand over five and ten years, with new transit advertising and other measures.

In June of this year, the Kurimoto Composite Center went into operation as a new demonstration plant in the CFRP business. It will surely sow the seeds for sustainable growth in the future.

We will continue to evolve as a group, aiming to create a better future for people and society as we have been doing all along, and resolve to face change without hesitation.

Kurimoto celebrated its 110th anniversary in February 2019. The fact that we have been able to run our business successfully for such a long time is due in no small part to the guidance and encouragement of our stakeholders.

I am extremely grateful and hope you will continue to lend us your warm support.



Moriyoshi Kushida
President

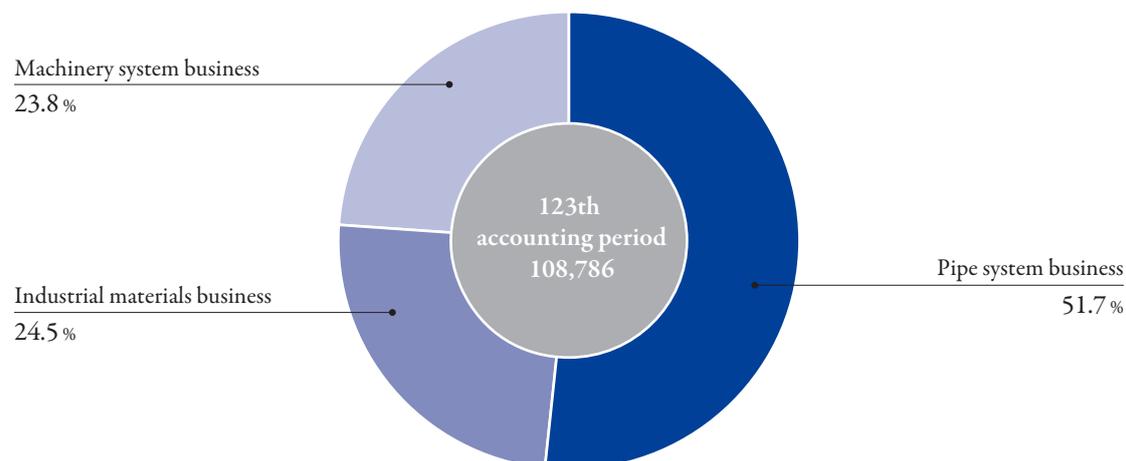
June 2019

A handwritten signature in cursive script that reads "M. Kushida".

Moriyoshi Kushida
President

Business Operations

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



Pipe system business

Sales of the pipe system business were 56,228 million yen, an increase of 955 million yen over the previous consolidated fiscal year. The increase was mainly attributable to increases in shipment of medium and large diameter pipes recorded by the Ductile Iron Pipe Division, as well as shipment of products for chemical plant recorded by the Valve Division.

Operating income of this business was 891 million yen, a decrease of 404 million yen over the previous consolidated fiscal year. While the sales growth pushed up profits, the decline was caused by intensifying price competition that the Ductile Iron Pipe Division is still faced with, material prices hovering at high levels, decreased production volume at some of our typhoon-afflicted plants and other factors.

Industrial materials business

Sales of the industrial materials business were 26,636 million yen, an increase of 2,167 million yen over the previous consolidated fiscal year. The growth is attributable to increases mainly in construction and civil engineering products posted by the Construction Materials Division, as well as an increase in the number of our consolidated subsidiaries during the current consolidated fiscal year under review.

Although raw material prices were on an increasing trend, sales growth in the Construction Materials Division and addition of new consolidated subsidiaries pushed up operating income of this business to 738 million yen, an increase of 311 million yen over the previous consolidated fiscal year.

Machinery system business

Sales of the machinery system business were 25,922 million yen, a decrease of 1,459 million yen over the previous consolidated fiscal year. While the Materials and Machinery Division saw an increase in shipment, shipment of large-scale powder equipment decreased from a year earlier in the Machinery System Division.

Operating income of this business fell to 1,598 million yen, a decrease of 191 million yen over the previous consolidated fiscal year, due primarily to the decline in sales registered by the Machinery System Division.

Financial Section

Consolidated Balance Sheets

March 31, 2019 and 2018

Assets	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2019	2018	2019
Current assets			
Cash and deposits	¥ 21,564	¥ 23,189	\$ 194,294
Notes and accounts receivable-trade	46,316	41,401	417,299
Notes and accounts receivable-trade — unconsolidated subsidiaries and affiliates	28	13	258
Merchandise and finished goods	9,346	10,841	84,212
Work in process	6,682	5,858	60,205
Raw materials and supplies	2,625	2,720	23,657
Prepaid expenses and other current assets	1,347	1,473	12,139
Allowance for doubtful accounts	(137)	(121)	(1,237)
Total current assets	87,774	85,376	790,828
Property, plant and equipment			
Buildings and structures	26,145	25,999	235,563
Machinery, equipment and vehicles	53,910	53,328	485,721
Tools, furniture and fixtures	9,896	9,834	89,168
Land	13,773	13,729	124,092
Lease assets	391	385	3,528
Construction in progress	1,151	387	10,373
Accumulated depreciation	(74,146)	(72,871)	(668,043)
Total property, plant and equipment	31,121	30,792	280,402
Investments and other assets			
Investment securities — other	10,172	12,060	91,652
Investment securities — unconsolidated subsidiaries and affiliates	156	190	1,406
Long-term loans — other	13	111	124
Long-term loans — unconsolidated subsidiaries and affiliates	31	41	281
Other investments	1,657	1,833	14,938
Allowance for doubtful accounts	(178)	(203)	(1,610)
Deferred tax assets (Note 8)	4,923	4,064	44,356
Long-term prepaid expenses and other	798	854	7,190
Total investments and other assets	17,573	18,953	158,338
Total assets	¥ 136,469	¥ 135,122	\$ 1,229,569

Liabilities and Shareholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 2)
	2019	2018	2019
Current liabilities			
Notes and accounts payable-trade.....	¥ 32,886	¥ 31,227	\$ 296,302
Notes and accounts payable-trade — unconsolidated subsidiaries and affiliates	31	16	282
Short-term loans payable (Note 3).....	20,255	21,306	182,495
Current portion of long-term debt (Note 3).....	2,111	2,112	19,023
Lease obligations	28	39	254
Income taxes payable	510	437	4,600
Accrued liabilities	3,479	3,195	31,348
Advances received	2,377	1,048	21,419
Employees' savings deposits	399	404	3,595
Other current liabilities	2,248	1,965	20,260
Total current liabilities	64,328	61,756	579,583
Long-term liabilities			
Net defined benefit liability (Note 4).....	9,482	8,256	85,435
Long-term debt (Note 3).....	2,881	4,962	25,959
Lease obligations	31	52	284
Provision for environmental measures	110	145	997
Asset retirement obligations	318	335	2,868
Other long-term liabilities	449	514	4,052
Total long-term liabilities	13,274	14,266	119,597
Total liabilities	77,602	76,022	699,181
Net assets			
Shareholders' equity			
Capital stock	31,186	31,186	280,981
Authorized: 39,376,600 shares			
Issued: 13,398,490 shares in 2018 13,398,490 shares in 2019			
Capital surplus	6,880	6,880	61,992
Retained earnings	21,178	19,830	190,810
Treasury stock	(1,750)	(1,761)	(15,774)
Total shareholders' equity	57,493	56,136	518,009
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	2,013	3,348	18,138
Foreign currency translation adjustment	5	18	45
Remeasurements of defined benefit plans	(1,442)	(1,151)	(12,992)
Total accumulated other comprehensive income	576	2,214	5,191
Non-controlling interests	797	748	7,187
Total net assets	58,867	59,100	530,388
Total liabilities and net assets	¥ 136,469	¥ 135,122	\$ 1,229,569

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

Consolidated Statements of Income

Years ended March 31, 2019 and 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2019	2018	2019
Net sales	¥ 108,786	¥ 107,122	\$ 980,150
Cost of sales	84,147	82,472	758,151
Gross profit	24,639	24,650	221,999
Selling, general and administrative expenses	21,636	21,240	194,941
Operating income	3,003	3,409	27,057
Other income and (expenses)			
Interest and dividend income	343	329	3,098
Interest expense	(170)	(257)	(1,540)
Gain on sales of investment securities	195	439	1,759
Impairment loss	(0)	(134)	(0)
Restructuring loss	(287)	—	(2,592)
Insurance income	310	—	2,796
Loss on valuation of inventories	(310)	—	(2,797)
Loss on disaster	(515)	—	(4,644)
Others, net	19	(382)	178
Income before income taxes	2,587	3,403	23,316
Income taxes (Note 8)			
Current	610	532	5,497
Deferred	(155)	430	(1,404)
Total	454	963	4,092
Profit	2,133	2,440	19,223
Profit attributable to non-controlling interests	58	40	522
Profit attributable to owners of parent	¥ 2,075	¥ 2,400	\$ 18,701

	<i>yen</i>		<i>U.S. dollars (Note 2)</i>
	2019	2018	2019
Net income per 100 shares:			
Basic	¥ 16,565	¥ 19,167	\$ 149
Diluted	16,565	19,167	149
Cash dividends per 100 shares	6,000	6,000	54

Consolidated Statements of Comprehensive Income

Years ended March 31, 2019 and 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2019	2018	2019
Profit	¥ 2,133	¥ 2,440	\$ 19,223
Other comprehensive income			
Valuation difference on available-for-sale securities	(1,335)	152	(12,029)
Deferred gains or losses on hedges	—	(1)	—
Foreign currency translation adjustment	(12)	32	(116)
Remeasurements of defined benefit plans	(290)	616	(2,618)
Total other comprehensive income	(1,638)	800	(14,765)
Comprehensive income	494	3,240	4,458
Comprehensive income attributable to owners of the parent	437	3,204	3,937
Profit (loss) attributable to non-controlling interests	57	36	521

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2019 and 2018

Millions of yen

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance as of March 31, 2017	¥ 31,186	¥ 6,942	¥ 17,815	¥ (1,771)	¥ 3,192	¥ 1	¥ —	¥ (1,768)	¥ 528	¥ 56,128
Dividends of surplus	—	—	(691)	—	—	—	—	—	—	(691)
Profit attributable to owners of parent	—	—	2,400	—	—	—	—	—	—	2,400
Purchase of treasury shares	—	—	—	(1)	—	—	—	—	—	(1)
Disposal of treasury shares	—	—	—	10	—	—	—	—	—	10
Change of scope of consolidation	—	—	305	—	—	—	—	—	—	305
Merger of consolidated subsidiaries — non-controlling interests	—	(58)	—	—	—	—	—	—	—	(58)
Purchase of treasury stock of consolidated subsidiaries	—	(3)	—	—	—	—	—	—	—	(3)
Net changes of items other than shareholders' equity	—	—	—	—	156	(1)	18	616	220	1,009
Balance as of March 31, 2018	¥ 31,186	¥ 6,880	¥ 19,830	¥ (1,761)	¥ 3,348	¥ —	¥ 18	¥ (1,151)	¥ 748	¥ 59,100
Dividends of surplus	—	—	(817)	—	—	—	—	—	—	(817)
Profit attributable to owners of parent	—	—	2,075	—	—	—	—	—	—	2,075
Purchase of treasury shares	—	—	—	(0)	—	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	10	—	—	—	—	—	10
Change of scope of consolidation	—	—	88	—	—	—	—	—	—	88
Net changes of items other than shareholders' equity	—	—	—	—	(1,335)	—	(12)	(290)	48	(1,589)
Balance as of March 31, 2019	¥ 31,186	¥ 6,880	¥ 21,178	¥ (1,750)	¥ 2,013	¥ —	¥ 5	¥ (1,442)	¥ 797	¥ 58,867

Thousands of U.S. dollars (Note 2)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance as of March 31, 2018	\$ 280,981	\$ 61,992	\$ 178,671	\$ (15,868)	\$ 30,167	—	\$ 162	\$ (10,374)	\$ 6,748	\$ 532,481
Dividends of surplus	—	—	(7,362)	—	—	—	—	—	—	(7,362)
Profit attributable to owners of parent	—	—	18,701	—	—	—	—	—	—	18,701
Purchase of treasury shares	—	—	—	(4)	—	—	—	—	—	(4)
Disposal of treasury shares	—	—	—	97	—	—	—	—	—	97
Change of scope of consolidation	—	—	799	—	—	—	—	—	—	799
Net changes of items other than shareholders' equity	—	—	—	—	(12,028)	—	(116)	(2,618)	438	(14,325)
Balance as of March 31, 2019	\$ 280,981	\$ 61,992	\$ 190,810	\$ (15,774)	\$ 18,138	\$ —	\$ 45	\$ (12,992)	\$ 7,187	\$ 530,388

Consolidated Statements of Cash Flows

Years ended March 31, 2019 and 2018

Millions of yen

Thousands
of U.S. dollars
(Note 2)

	2019	2018	2019
Net cash provided by (used in) operating activities			
Income before income taxes	¥ 2,587	¥ 3,403	\$ 23,316
Depreciation and amortization	2,409	2,468	21,706
Impairment loss	0	134	0
Decrease (increase) in notes and accounts receivable-trade	(3,188)	(184)	(28,730)
Increase (decrease) in notes and accounts payable-trade	865	4,050	7,795
Decrease (increase) in inventories	321	(142)	2,895
Interest and dividends income	(343)	(329)	(3,098)
Interest expenses	170	257	1,540
Loss (gain) on sales of short-term and long-term investment securities	(195)	(441)	(1,759)
Loss (gain) on valuation of short-term and long-term investment securities	—	0	—
Loss (gain) on sales of property, plant and equipment and intangible assets	(14)	(28)	(131)
Loss on retirement of property, plant and equipment and intangible assets	(23)	24	(214)
Increase (decrease) in allowance for doubtful accounts	(8)	(5)	(73)
Increase (decrease) in provision for retirement benefits	803	1,330	7,239
Loss on business restructuring	287	—	2,592
Loss on valuation of inventories	310	—	2,797
Other, net	338	(271)	3,053
Sub-total	4,320	10,266	38,930
Interest and dividends income received	352	305	3,171
Interest expenses paid	(170)	(264)	(1,531)
Income taxes paid	(361)	(783)	(3,253)
Net cash provided by (used in) operating activities	4,141	9,522	37,316
Net cash provided by (used in) investing activities			
Proceeds for transfer of business	—	22	—
Decrease (increase) in time deposits	—	9	—
Purchase of short-term and long-term investment securities	(204)	(107)	(1,840)
Proceeds from sales of short-term and long-term investment securities	376	915	3,394
Purchase of property, plant and equipment and intangible assets	(2,473)	(2,082)	(22,289)
Proceeds from sales of property, plant and equipment and intangible assets	110	437	995
Purchase of stocks of subsidiaries and affiliates	—	(34)	—
Payments of loans receivable	(5)	(0)	(45)
Collection of loans receivable	113	13	1,019
Other, net	164	79	1,482
Net cash provided by (used in) investing activities	(1,918)	(745)	(17,283)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(1,259)	(3,125)	(11,346)
Repayments of lease obligations	(43)	(51)	(394)
Proceeds from long-term loans payable	36	7,556	324
Repayment of long-term loans payable	(2,117)	(8,031)	(19,081)
Cash dividends paid	(816)	(690)	(7,360)
Dividends paid to non-controlling interests	(9)	(6)	(82)
Purchase of treasury shares	(0)	(1)	(4)
Net cash provided by (used in) financing activities	(4,211)	(4,349)	(37,945)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	11	(22)	101
Net Increase (Decrease) in Cash and Cash Equivalents	(1,976)	4,404	(17,810)
Cash and Cash Equivalents at Beginning of Year	23,134	18,226	208,436
Increase in cash and cash equivalents from newly consolidated subsidiary	350	461	3,156
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	—	40	—
Cash and Cash Equivalents at End of Year	¥ 21,507	¥ 23,134	\$ 193,782

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

Cash and deposits	¥21,564	¥23,189	\$194,294
Time deposits due over three months	(56)	(55)	(511)
Cash and cash equivalents	¥21,507	¥23,134	\$193,782

Notes to Financial Statements

Note 1. Significant Accounting Policies

Basis of Presenting Consolidated Financial Statements

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

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

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

Consolidation Policies

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

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

Translation of Foreign Currencies

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

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

A Range of Funds in a Statement of Consolidated Cash Flow

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

Marketable and Investment Securities

This Company & its consolidated subsidiaries have specified the purposes of their respective securities holdings, and classified those

securities into securities for buying & selling, stocks of their affiliates, and other securities.

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

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

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

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

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

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

Inventories

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

Fixed Assets (excluding lease assets)

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

Building and construction: 2 to 60 years.

Machinery and automotive equipment: 2 to 22 years.

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

Liability for Retirement Benefits

1. The Period Attribution Method for Projected Retirement Benefits

As for the calculation of retirement benefits, the benefit formula basis is applied for the attribution of projected retirement benefits to the period up to the end of the fiscal year under review.

2. Mathematical Calculation for the Amortization of Actuarial Differences

Actuarial differences are amortized by the straight-line method over a period within the average remaining service years for employees (mainly 10 years) at the time of recognition, and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

Research and Development and Computer Software

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

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

Income Taxes

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

Per Share Information

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each period. The average number of shares used in the computation was 12,530,084 and 12,523,815 for the years ended March 31, 2019 and 2018, 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, 2019 are as follows.

	<i>Millions of yen</i>		
	2019		
	<i>Carrying amounts</i>	<i>Market value</i>	<i>Unrealized gain (loss)</i>
Other securities	¥ 7,069	¥ 9,797	¥ 2,727

	<i>Thousands of U.S. dollars</i>		
	2019		
	<i>Carrying amounts</i>	<i>Market value</i>	<i>Unrealized gain (loss)</i>
Other securities	\$ 63,697	\$ 88,272	\$ 24,574

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=¥110.99 as of March 31, 2019, 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, 2019 and 2018 are 0.4% and 0.4%, respectively.

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Loans from financial institution, due 2019 to 2023 with interest rates between 0.167% and 1.25%	4,992	7,074	44,982
Sub-total	4,992	7,074	44,982
Less current portion of loans	2,111	2,112	19,023
	¥ 2,881	¥ 4,962	\$ 25,959

The aggregate annual maturities of long-term financial debt at March 31, 2019 and 2018 respectively are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
2019	—	2,112	—
2020	2,111	2,104	19,023
2021	2,309	2,302	20,806
2022	42	35	381
2023	527	520	4,754
2024 and thereafter	1	—	16
	¥ 4,992	¥ 7,074	\$ 44,982

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, 2019, 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	
	2019	2018	2019	2018
Deposit	¥ 50	¥ 50	\$ 450	\$ 450
Buildings and structures	2,894	2,894	26,078	26,078
Machinery, equipment	1,014	1,014	9,141	9,141
Land	771	771	6,955	6,955
	¥ 4,730	¥ 4,730	\$ 42,625	\$ 42,625

Note 4. Retirement Benefits

The following are matters concerning the defined benefit plan as of March 31, 2019 and 2018, respectively.

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

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Balance at beginning of the year	¥ 12,310	¥ 11,785	\$ 110,916	\$ 110,916
Service cost	662	660	5,966	5,966
Interest cost	19	26	178	178
Actuarial loss (gain)	285	145	2,574	2,574
Benefits paid	(401)	(308)	(3,616)	(3,616)
Balance at end of the year	¥ 12,877	¥ 12,310	\$ 116,020	\$ 116,020

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

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Balance at beginning of the year	¥ 4,640	¥ 4,558	\$ 41,810	\$ 41,810
Expected return on plan assets	111	103	1,004	1,004
Actuarial gain (loss)	(698)	25	(6,294)	(6,294)
Benefits paid	(61)	(46)	(552)	(552)
Balance at end of the year	¥ 3,992	¥ 4,640	\$ 35,968	\$ 35,968

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

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Balance at beginning of the year	¥ 586	¥ 585	\$ 5,284	\$ 5,284
Retirement benefit costs	122	114	1,107	1,107
Benefits paid	(102)	(82)	(924)	(924)
Contributions paid by the employer	(9)	(31)	(83)	(83)
Balance at end of the year	¥ 597	¥ 586	\$ 5,383	\$ 5,383

(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	
	2019	2018	2019	2018
Funded retirement benefit obligations	¥ 13,383	¥ 12,790	\$ 120,583	\$ 120,583
Plan assets	(4,309)	(4,953)	(38,831)	(38,831)
	9,073	7,836	81,751	81,751
Unfunded retirement benefit obligations	408	419	3,684	3,684
Total net liability (asset) for retirement benefits at March 31	9,482	8,256	85,435	85,435
Liability for retirement benefits	9,482	8,256	85,435	85,435
Asset for retirement benefits	—	—	—	—
Total net liability (asset) for retirement benefits at end of the year	¥ 9,482	¥ 8,256	\$ 85,435	\$ 85,435

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Service cost	¥ 662	¥ 660	\$ 5,966	\$ 5,966
Interest cost	19	26	178	178
Expected return on plan assets	(111)	(103)	(1,004)	(1,004)
Net actuarial loss amortization	567	1,008	5,109	5,109
Retirement benefit costs calculated by the simplified method	122	114	1,107	1,107
Total retirement benefit costs for the fiscal year	¥ 1,260	¥ 1,705	\$ 11,358	\$ 11,358

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

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Actuarial loss (gain)	¥ 417	¥ (887)	\$ 3,759	\$ (7,759)
Total	¥ 417	¥ (887)	\$ 3,759	\$ (7,759)

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

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	2019	2018
Unrecognized actuarial differences	¥ 2,076	¥ 1,658	\$ 18,707	\$ 14,758
Total	¥ 2,076	¥ 1,658	\$ 18,707	\$ 14,758

(8) Accumulated adjustments for retirement benefit

① Plan assets comprise:

	2019	2018
Equity securities	62%	68%
Cash and cash equivalents	3%	5%
Investment trust	30%	22%
Other	5%	5%
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:

	2019	2018
Discount rate	0.0%~0.6%	0.0%~0.9%
Long-term expected rate of return	2.5%	2.4%
Expected rate of salary increase	0.6%~5.1%	0.7%~4.7%

Defined contribution plans

The required contribution amount for consolidated subsidiaries for the defined contribution plan was 175 million yen (1,582 thousand US dollars) as of March 31, 2019.

Note 5. Contingent Liabilities

As of March 31, 2019 and 2018, the company was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
As guarantor of indebtedness of unconsolidated subsidiaries and others	¥ 63	¥ 90	\$ 571
Transfer of notes and bills endorsed for payment	0	¥ 32	1

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 ¥1,417 million (\$12,771 thousand) for the year ended March 31, 2019.

Note 8. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 30.8% and 30.8% for the year ended March 31, 2019 and 2018, 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, 2019 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, 2019 and 2018 are presented below:

(Changes associated with the application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

We have applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018) since the beginning of the current consolidated fiscal year under review. Accordingly, Deferred tax assets are included in "Investments and other assets" and Deferred tax liabilities are included in "Long-term liabilities."

As a result, in the consolidated balance sheet of the previous consolidated fiscal year, 1,108 million yen of Deferred tax assets under Current assets are included in 4,064 million yen of Deferred tax assets under "Investments and other assets."

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets			
Net defined benefit liability	¥4,242	¥ 3,864	\$38,228
Accrued bonus indemnities	510	484	4,601
Allowance for doubtful accounts	53	60	483
Allowance for loss on construction work	35	60	316
Loss on valuation of investment securities	175	175	1,583
Loss on valuation of investments in capital of subsidiaries and associates	—	110	—
Amalgamated received property	543	543	4,899
Impairment loss	1	18	9
Operating loss carry-forwards	478	11,797	4,312
Elimination of inter-company profits	21	15	190
Other	1,138	1,023	10,256
Total gross deferred tax assets	7,201	18,156	64,882
Valuation allowance related to tax loss carryforward	(137)	—	(1,236)
Valuation allowance related to total deductible temporary differences	(1,355)	—	(12,210)
Subtotal of valuation allowance (Note 1)	(1,492)	(12,710)	(13,447)
Net deferred tax assets	¥5,708	¥5,446	\$51,435

(Note 1)

Valuation allowance decreased by 11,217 million yen (101,067 thousand US dollars) from the previous consolidated fiscal year. The primary factor of the decrease is that 11,065 million yen (99,698 thousand US dollars) of valuation allowance related to tax loss carryforward, which was recognized in the previous consolidated fiscal year, is not recognized anymore due to expiration.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax liabilities			
Evaluated difference of other securities	¥ (714)	¥ (1,290)	\$ (6,437)
Dividends receivable	(52)	(54)	(472)
Other	(18)	(37)	(169)
Total deferred tax liabilities	(785)	(1,382)	(7,078)
Net deferred tax assets	¥ 4,923	¥ 4,064	\$ 44,356

Note 9. Financial Instruments and Related Disclosures

(1) Policy for Financial Instruments

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

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

Operating receivables, such as notes and accounts receivable-trade, involve credit risk on the part of customers.

Foreign-currency-denominated operating receivables generated by overseas operations, which could be affected by exchange-rate fluctuation risk, are hedged using forward exchange contracts as the need arises.

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

Operating payables, such as notes and accounts payable-trade, are generally due within five months. Part of them, denominated in foreign currencies, which could be affected by exchange-rate fluctuation risk, are hedged using forward exchange contracts as the need arises.

The primary purpose of loans is raising funds for capital investment and business structure reform. Of these, syndicate loans and many other loans involve interest-rate fluctuation risk. In addition, in order to avoid interest-rate fluctuation risk for part of the long-term debt, we employ derivative transactions (interest-rate swap transaction) for hedging.

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

	<i>Millions of yen</i>		
	2019		
	<i>Carrying amounts</i>	<i>Fair value</i>	<i>Unrecognized gain (loss)</i>
Cash and deposits	¥ 21,564	¥ 21,564	¥ —
Notes and accounts receivable-trade	46,344	46,344	—
Investment securities	9,797	9,797	—
Total	77,706	77,706	—
Notes and accounts payable-trade	32,917	32,917	—
Short-term loans payable	20,255	20,255	—
Current portion of long-term debt	2,111	4,993	1
Long-term debt	2,881		
Total	¥ 58,165	¥ 58,167	¥ 1

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

	<i>Thousands of U. S. dollars</i>		
	2019		
	<i>Carrying amounts</i>	<i>Fair value</i>	<i>Unrecognized gain (loss)</i>
Cash and deposits	\$ 194,294	\$ 194,294	\$ —
Notes and accounts receivable-trade	417,557	417,557	—
Investment securities	88,272	88,272	—
Total	700,124	700,124	—
Notes and accounts payable-trade	296,585	296,585	—
Short-term loans payable	182,495	182,495	—
Current portion of long-term debt	19,023	44,993	10
Long-term debt	25,959		
Total	\$ 524,063	\$ 524,074	\$ 10

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

Assets

Cash and deposits, and notes and accounts receivable-trade

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

Investment securities

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

Liabilities

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

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

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

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

Derivative financial instruments

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

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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Unlisted equity securities	¥ 531	\$ 4,786

Unlisted equity securities

These instruments are not included in investment securities as they have no market value and their fair values are extremely difficult to measure.

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 2018 and 2019 is as follows:

	Millions of yen					
	2019					
	Reportable segment			Total	Adjustment ₁	Consolidated ₂
Pipe system business	Machinery system business	Industrial materials business				
Net sales						
Sales to customers	¥ 56,228	¥ 25,922	¥ 26,636	¥ 108,786	¥ —	¥ 108,786
Intersegment	289	8	71	369	(369)	—
Total sales	56,517	25,930	26,707	109,156	(369)	108,786
Segment income	891	1,598	738	3,228	(225)	3,003
Segment assets	55,346	21,090	24,512	100,949	35,520	136,469
Other items						
Depreciation	1,342	370	447	2,160	248	2,409
Increase in property, plant and equipment, and intangible assets	¥ 791	¥ 1,081	¥ 559	¥ 2,433	¥ 482	¥ 2,915

- The minus 225 million yen segment income adjustment includes: 5 million yen resulting from the elimination of intersegment transactions; minus 211 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 19 million yen resulting from inventory asset adjustment. The 35,520 million yen segment asset adjustment includes: minus 4,394 million yen resulting from the elimination of intersegment transactions; and 39,914 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 248 million yen depreciation adjustment and 482 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.
- Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

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

- The minus 103 million yen segment income adjustment includes: 20 million yen resulting from the elimination of intersegment transactions; minus 25 million yen resulting from allocation differences of selling & general administrative expenses and experiment & research expenses to be borne by each reportable segment; as well as minus 98 million yen resulting from inventory asset adjustment. The 39,568 million yen segment asset adjustment includes: minus 2,732 million yen resulting from the elimination of intersegment transactions; and 42,300 million yen due to a working capital surplus, investment securities and land, etc., which are company-wide assets and not attributable to any specific reportable segment. The 254 million yen depreciation adjustment and 135 million yen adjustment for increases in tangible and intangible fixed assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to headquarters, etc.
- Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

	<i>Thousands of U.S. dollars</i>					
	2019					
	<i>Reportable segment</i>					
	<i>Pipe system business</i>	<i>Machinery system business</i>	<i>Industrial materials business</i>	<i>Total</i>	<i>Adjustment₁</i>	<i>Consolidated₂</i>
Net sales						
Sales to customers	\$ 506,609	\$ 233,554	\$ 239,986	\$ 980,150	\$ —	\$ 980,150
Intersegment	2,606	72	647	3,326	(3,326)	—
Total sales	509,216	233,627	240,634	983,477	(3,326)	980,150
Segment income	8,029	14,403	6,654	29,087	(2,029)	27,057
Segment assets	498,662	190,021	220,855	909,539	320,030	1,229,569
Other items						
Depreciation	12,095	3,339	4,028	19,463	2,243	21,706
Increase in property, plant and equipment, and intangible assets	\$ 7,135	\$ 9,742	\$ 5,044	\$ 21,922	\$ 4,342	\$ 26,264

1. The minus 2,029 thousand US dollar segment income adjustment includes: 48 thousand US dollars resulting from the elimination of intersegment transactions; minus 1,902 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 175 thousand US dollars resulting from inventory asset adjustment. The 320,030 thousand US dollar segment asset adjustment includes: minus 39,589 thousand US dollars resulting from the elimination of intersegment transactions; and 359,619 thousand US dollars due to a working capital surplus, investment securities and land, etc., which are company-wide assets and not attributable to any specific reportable segment. The 2,243 thousand US dollar depreciation adjustment and 4,342 thousand US dollar adjustment for increases in tangible and intangible fixed assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to headquarters, etc.
2. Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

(4) Geographic Segments

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

(5) Sales to Foreign Customers

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

Note 11. Subsequent Events

Cash Dividends

Cash dividends of the Company’s retained earnings for the year ended March 31, 2019 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 26, 2019, as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends (¥30.0 per share)	¥ 377	\$ 3,398

Independent Auditor's Report

PKF Hibiki AUDIT CORPORATION
Kitahama-Yamamoto Building. 4F,
2-3-6, Kitahama, Chuo-ku, Osaka, Japan

To the Board of Directors of Kurimoto, Ltd.

We have audited the accompanying consolidated balance sheets of Kurimoto, Ltd. and consolidated subsidiaries as of March 31, 2019, 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, 2019, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

September 12, 2019

PKF Hibiki Audit Corporation

Kurimoto, Ltd.

(as of June 26, 2019)

Outline

Founded	1909
Incorporated	1934
Common stock	¥31,186 million*
Total assets	¥118,019 million*
Employees	1,336*

*as of March 31, 2019

Board of Directors

(as of June 26, 2019)

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

Stock

(as of March 31, 2019)

Common Stock	
Number of authorized shares	39,376,600
Number of issued shares	13,398,490
Number of shareholders	7,585

Principal Shareholders

(as of March 31, 2019)

	Number of shares held (in thousands)	Ratio of shareholding
Taiyo Life Insurance Company	1,209	9.6%
Japan Trustee Services Bank, Ltd.	797	6.3%
Nippon Life Insurance Company	678	5.3%
Resona Bank, Limited	444	3.5%
The Master Trust Bank of Japan, Ltd.	423	3.3%
Mizuho Bank, Ltd.	362	2.8%

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

Chugoku Office

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

Kyushu Office

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

Europe Office

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

Jakarta Office

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

Banking References

Head Office

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

Tokyo Office

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

Kurimoto Group

(as of June 26, 2019)

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

Kurimoto Trading Co., Ltd.

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

Kurimoto Logistics Corporation

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

Japan Castering Co., Ltd.

Operations: Manufacture and sales of castings

Yamatogawa Co., Ltd.

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

Motoyama Eng. Works, Ltd.

Operations: Manufacture and sales of industrial valves

Ks-Tech Co., Ltd.

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

Hokkaido Kanzai Co., Ltd.

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

Yashima Chemical Engineering Co., Ltd.

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

Nihon Kaiser Co., Ltd.

Operations: Manufacture and sales of half precast products

Kurimoto Business Associates Co., Ltd.

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

Kurimoto USA, Inc.

Operations: Holding company

Readco Kurimoto, LLC

Operations: Manufacture and sales of industrial machinery

Kurimoto Polymers Co., Ltd.

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

Zentec Co., Ltd.

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

Kurimoto Pipe Engineering Co., Ltd.

Operations: Design, construction and management of pipelines, operation and maintenance of pipelines

Riko, Ltd.

Operations: Production of valves

Kuritetsu (Shanghai) Trading Co., Ltd.

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

Kurimoto (Philippines) Corporation

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

KURIMOTO

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