

# 11

Kurimoto, Manufacturing the Future

## ANNUAL REPORT

Year ended March 31, 2011



## 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 2,100 people. Today, Kurimoto plays a vital role in supplying basic industrial products, machines, and services domestically and abroad.

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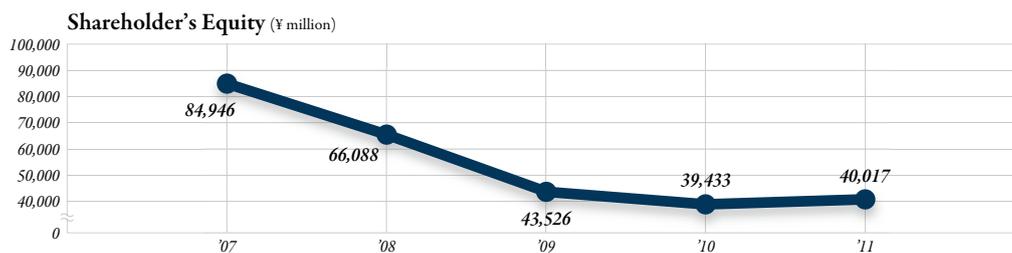
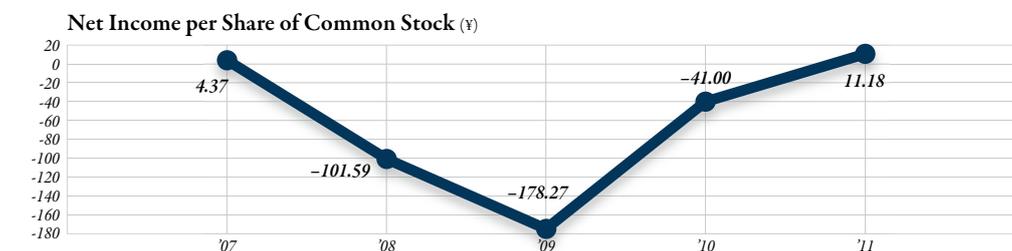
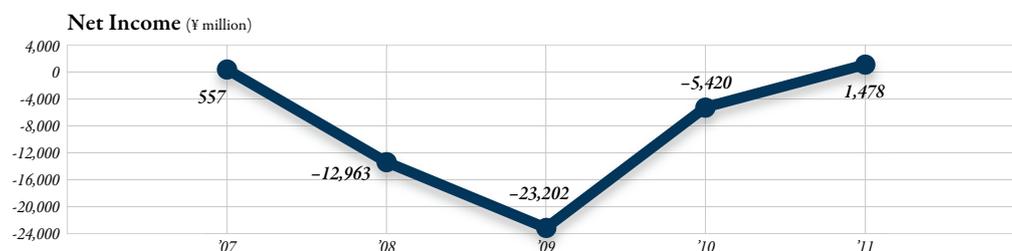
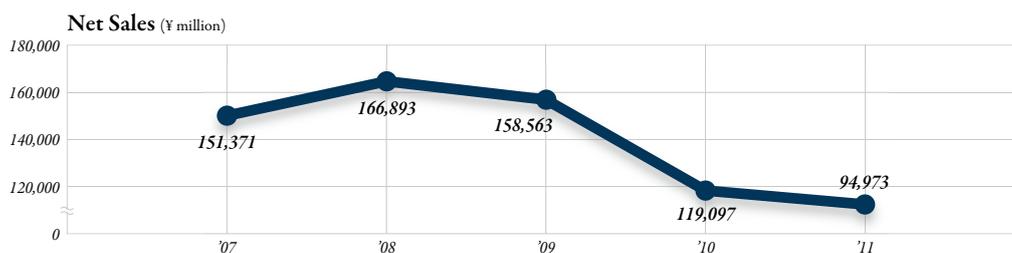
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# Financial Highlights

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

Years ended March 31	2011	2010	2009	2008	2007	2011
Net sales .....	¥ 94,973	¥ 119,097	¥ 158,563	¥ 166,893	¥ 151,371	\$ 1,142,199
Net income (loss) .....	1,478	(5,420)	(23,202)	(12,963)	557	17,776
Per 1,000 shares of common stock						
Net income (loss) .....	11,179	(40,997)	(178,270)	(101,590)	4,370	134
Cash dividends .....	2,000	—	—	2,000	4,000	24
Total assets .....	123,849	134,204	177,923	193,461	213,329	1,489,467
Total shareholders' equity .....	40,017	39,433	43,526	66,088	84,946	481,273

Notes: The U.S. dollar amounts are calculated at the exchange rate of ¥83.15 to \$1, the rate prevailing on March 31, 2011.



# Message from the President

I would like to present an overview of our business activities during the 115th term.

Although the Japanese economy showed signs of improved business confidence at the beginning of this fiscal year, it has subsequently endured harsh conditions such as recessions in Europe and other regions, sharp yen appreciation, and the catastrophic East Japan Great Earthquake.

Amid such circumstances, our group's sales for this consolidated accounting period totaled 94.9 billion yen (1,142 million dollars), a 24.1 billion yen (290 million dollars) decrease compared with the previous term.

On the income front, the surging cost of raw materials, combined with declining profits from falling sales resulted in an operating income of 3.4 billion yen (41 million dollars), a 3.2 billion yen (39 million dollars) decrease from the previous term.

Meanwhile, as a result of recognizing; asset sales and a reversal of allowances as extraordinary gains, and a restructuring loss, an earthquake-related loss, and a loss from a securities revaluation, etc., as extraordinary losses, net income amounted to 1.4 billion yen (17 million dollars), a 6.8 billion yen (82 million dollars) increase from the previous term.

As a member of the group of companies engaged in social infrastructure, with the highest priority placed on fulfilling our responsibility to ensure recovery from the Earthquake, our group will work as one to improve our corporate value and reinforce our management base by ensuring stable income through appropriate responses to demand, regardless of the domestic and international situations, and by further strengthening cost reductions.

In the past few years, our group has been working to improve our income base through "business consolidation" and "selection and concentration" in accordance with our business models. Our efforts in each production and business process to increase value and reduce inventories and costs, thereby improving free cashflow and restoring financial health, came to fruition in the form of our first net surplus in four fiscal years. In fiscal 2011, we will continue to push ahead with our "Transformation of the business structure" and "Reinforcement of earning power" as group-wide activities to further solidify our income base. Furthermore, this year we will enter a new business field to produce new sources of income as preparation for the next three-year plan starting in fiscal 2012.



Hideaki Fukui  
President

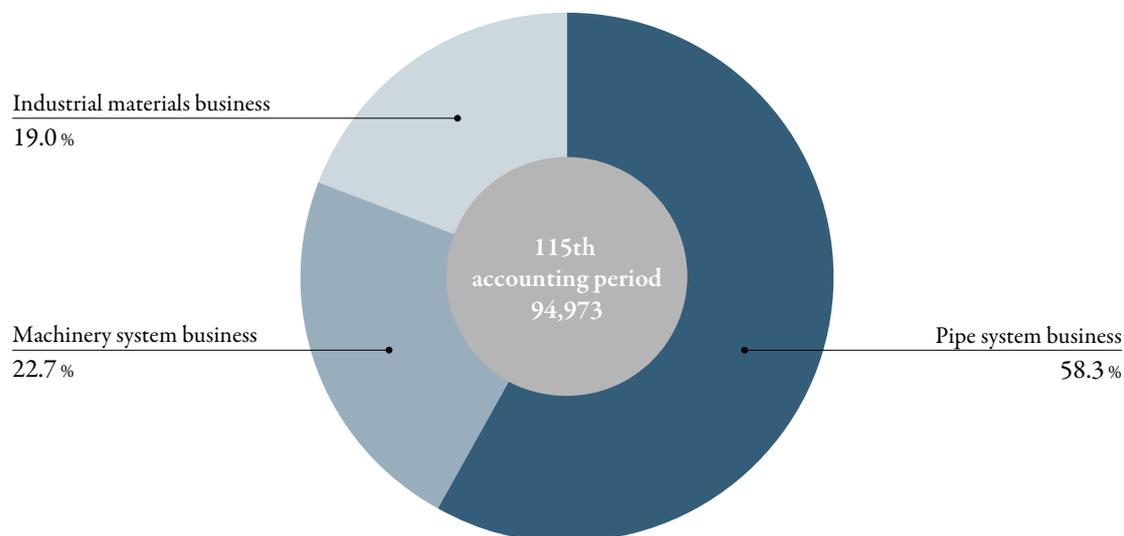
June 2011

A handwritten signature in black ink that reads "H. Fukui". The signature is written in a cursive, flowing style.

Hideaki Fukui  
President

# Business Operations

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



### Pipe system business

Sales for the Pipe System Consolidated Division decreased by 10,126 million yen from a year ago to 55,389 million yen, largely due to falling shipment volumes of mid-to-large diameter pipes in the Ductile Iron Pipe Division, and a decline in sales in the Valve Division due to restraints on capital investment and public works.

The surging raw material prices in the Ductile Iron Pipe Division and insufficient pay-off of fixed costs due to weakening demand in the Valve Division pushed down operating income by 1,630 million yen from a year ago to 2,699 million yen.



### Industrial materials business

Industrial Materials Consolidated Division saw sales decrease by 1,931 million yen from a year ago to 18,077 million yen. Sales dropped in both the Construction Materials Division and Plastic Products Division, due to the weak construction market and drastic budget cuts of the state-run agricultural and fishery businesses, respectively.

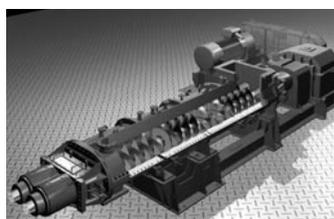
Operating income decreased by 1,334 million yen from a year ago to 352 million yen. Although we implemented various cost-cutting efforts, we were not able to make up for the decline in sales and thus also realized a decline in profits.



### Machinery system business

In the Machinery System Consolidated Division, powder processing equipment destined for overseas markets (under the oversight of the Machinery Division) and casting products for ironworks and railroad brake disks (under the oversight of the Materials Division) saw increased sales. However, overall sales of this business area dropped by 4,904 million yen from a year ago to 21,506 million yen, largely due to lower sales of forge rolling machines in the Machinery Division as a result of the past fiscal year's abrupt capital investment restraints in the automobile industry, and the substantial drop in sales of the Steel Structure Division due to business restructuring.

The decline in sales and impact of the strong yen on the overseas sales caused operating income to decrease by 571 million yen from a year ago to 181 million yen.



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## **KURIMOTO (PHILIPPINES) CORPORATION was established.**

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On February 28, 2011, we established and started operations of a locally-incorporated company, KURIMOTO (PHILIPPINES) CORPORATION, in Manila, the capital city of the Republic of the Philippines. Currently at Taganito on the Island of Mindanao, Philippines, Sumitomo Metal Mining Co., Ltd. and Mitsui & Co., Ltd. are working on a project to build and operate a nickel intermediate product plant jointly with Nickel Asia Corporation, a major mining company in the Philippines. We have received orders for the local construction of Lime Stone Milling Packages and Ore Preparation Systems from Taganito HPAL Nickel Corporation (THPAL), the main entity of the project, as a part of their plant construction. KURIMOTO (PHILIPPINES) CORPORATION has been set up to complete these construction and maintenance works, and will also serve as the Kurimoto Group's Southeast Asian strategic base for overseas expansion.



# Consolidated Subsidiaries

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

## Kurimoto Trading Co., Ltd.

Operations: Sales of cast iron pipes, valves, and synthetic resin products  
Capital: ¥200 million (US\$2,405,291)  
Stockholder: All stock is owned by Kurimoto, Ltd.  
Established: December 1952 as a subsidiary of Kurimoto, Ltd.  
Orders: ¥17,278 million (US\$207,795 thousand)  
(2.4% decrease)  
Sales: ¥16,453 million (US\$197,882 thousand)  
(8.2% decrease)

## Kurimoto Technos Co., Ltd.

Operations: Maintenance of various plants  
Capital: ¥100 million (US\$1,202,645)  
Stockholder: 94% of stock is owned by Kurimoto, Ltd. and  
6% by Kurimoto Trading Co., Ltd.  
Established: November 1986 as a subsidiary of Kurimoto, Ltd.  
Orders: ¥538 million (US\$6,476 thousand)  
(36.7% decrease)  
Sales: ¥3,382 million (US\$40,674 thousand)  
(16.0% decrease)

## Kurimoto Logistics Corporation

Operations: Procurement and transportation of rawmaterials ductile iron pipes  
and others  
Capital: ¥90 million (US\$1,082,381)  
Stockholder: All stock is owned by Kurimoto, Ltd.  
Established: March 1960 and became a subsidiary in 2001.  
Orders: ¥8,591 million (US\$103,328 thousand)  
(0.5% decrease)  
Sales: ¥8,591 million (US\$103,328 thousand)  
(0.5% decrease)

## Sasebo Metal, Co., Ltd.

Operations: Production and sales of cast iron, cast iron products, and other cast  
metal products  
Capital: ¥100 million (US\$1,202,645)  
Stockholder: All stock is owned by Kurimoto, Ltd.  
Established: April 2000 as a subsidiary of Kurimoto, Ltd.  
Orders: ¥1,290 million (US\$15,516 thousand)  
(10.3% decrease)  
Sales: ¥1,366 million (US\$16,428 thousand)  
(3.9% decrease)

## Yamatogawa Co., Ltd.

Operations: Sales of cast iron pipes, valves, and synthetic resin products  
Capital: ¥60 million (US\$721,587)  
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: ¥19,250 million (US\$231,509 thousand)  
(5.2% decrease)  
Sales: ¥18,253 million (US\$219,530 thousand)  
(12.3% decrease)

## Motoyama Eng. Works, Ltd.

Operations: Manufacture and sales of industrial valves  
Capital: ¥300 million (US\$3,607,937)  
Stockholder: All stock is owned by Kurimoto, Ltd.  
Established: December 2006 and became a subsidiary in 2007  
Orders: ¥4,765 million (US\$57,315 thousand)  
(6.2% decrease)  
Sales: ¥4,820 million (US\$57,978 thousand)  
(5.0% decrease)

## Ks-Tech Co., Ltd.

Operations: Manufacture and sales of forging machinery  
Capital: ¥300 million (US\$3,607,937)  
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: ¥1,210 million (US\$14,555 thousand)  
(175.6% increase)  
Sales: ¥730 million (US\$8,780 thousand)  
(21.2% increase)

## Hokkaido Kanzai Co., Ltd.

Operations: Sales of cast iron pipes, valves, and synthetic resin products  
Capital: ¥30 million (US\$360,793)  
Stockholder: 80% of stock is owned by Kurimoto, Ltd. and  
20% by Kuwazawa Trading Co., Ltd.  
Established: April 1992 and became a subsidiary in 2007  
Orders: ¥5,154 million (US\$61,986 thousand)  
(29.6% decrease)  
Sales: ¥5,154 million (US\$61,986 thousand)  
(29.6% decrease)

## Yashima Chemical Engineering Co., Ltd.

Operations: Manufacture and sales of chemical and pharmaceutical equipment  
Capital: ¥45 million (US\$541,190)  
Stockholder: 90.2% of stock is owned by Kurimoto, Ltd. and  
9.8% by Mitsubishi Tanabe Pharma Corporation  
Established: July 1958 and became a subsidiary in 2004  
Orders: ¥421 million (US\$5,066 thousand)  
(17.3% increase)  
Sales: ¥347 million (US\$4,175 thousand)  
(20.3% decrease)

# Financial Section

## Consolidated Balance Sheets

March 31, 2011 and 2010

Assets	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2011	2010	2011
<b>Current assets</b>			
Cash and deposits .....	¥ 16,627	¥ 14,918	\$ 199,970
Notes and accounts receivable-trade .....	36,029	40,548	433,306
Notes and accounts receivable-trade — unconsolidated subsidiaries and affiliates .....	15	29	180
Merchandise and finished goods .....	7,756	8,780	93,286
Work in process .....	4,930	5,882	59,300
Raw materials and supplies .....	2,061	2,209	24,793
Deferred tax assets (Note 9) .....	165	262	1,993
Prepaid expenses and other current assets .....	1,386	2,514	16,676
Allowance for doubtful accounts .....	(206)	(418)	(2,479)
<b>Total current assets</b>	<b>68,767</b>	<b>74,727</b>	<b>827,029</b>
<b>Property, plant and equipment</b>			
Buildings and structures .....	22,788	22,970	274,063
Machinery, equipment and vehicles .....	48,471	48,424	582,935
Tools, furniture and fixtures .....	9,075	9,202	109,141
Land .....	24,484	25,201	294,464
Lease assets .....	230	128	2,769
Construction in progress .....	212	419	2,553
Accumulated depreciation .....	(63,701)	(63,030)	(766,100)
<b>Total property, plant and equipment</b>	<b>41,560</b>	<b>43,315</b>	<b>499,828</b>
<b>Investments and other assets</b>			
Investment securities — other .....	9,412	11,324	113,193
Investment securities — unconsolidated subsidiaries and affiliates .....	734	569	8,837
Long-term loans — other .....	39	153	471
Other investments .....	3,657	3,949	43,989
Allowance for doubtful accounts .....	(1,071)	(909)	(12,888)
Deferred tax assets (Note 9) .....	179	119	2,155
Long-term prepaid expenses and other .....	569	955	6,850
<b>Total investments and other assets</b>	<b>13,521</b>	<b>16,161</b>	<b>162,609</b>
<b>Total assets</b>	<b>¥123,849</b>	<b>¥134,204</b>	<b>\$1,489,467</b>

Liabilities and Shareholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
<b>Current liabilities</b>			
Notes and accounts payable-trade .....	¥ 22,408	¥ 23,589	\$ 269,490
Notes and accounts payable-trade — unconsolidated subsidiaries and affiliates .....	2	9	27
Short-term loans payable (Note 3) .....	29,407	34,967	353,668
Current portion of long-term debt (Note 3) .....	18,736	1,672	225,330
Lease obligations .....	42	23	506
Income taxes payable .....	269	454	3,244
Deferred tax liabilities (Note 9) .....	63	62	764
Accrued liabilities .....	3,113	3,784	37,444
Advances received .....	971	1,472	11,684
Employees' savings deposits .....	450	506	5,417
Other current liabilities .....	1,740	3,037	20,936
<b>Total current liabilities</b> .....	<b>77,206</b>	<b>69,581</b>	<b>928,515</b>
<b>Long-term liabilities</b>			
Retirement benefits (Note 4) .....	3,370	3,642	40,539
Long-term debt (Note 3) .....	1,152	19,377	13,857
Lease obligations .....	143	94	1,724
Deferred tax liabilities (Note 9) .....	16	822	200
Reserve for loss on reorganization .....	680	—	8,177
Asset retirement obligations .....	103	—	1,241
Other long-term liabilities .....	885	971	10,651
<b>Total long-term liabilities</b> .....	<b>6,352</b>	<b>24,909</b>	<b>76,392</b>
<b>Total liabilities</b> .....	<b>83,558</b>	<b>94,490</b>	<b>1,004,908</b>
<b>Net assets</b>			
Shareholders' equity			
Capital stock .....	31,186	31,186	375,058
Authorized: 393,766,000 shares			
Issued: 133,984,908 shares in 2010			
133,984,908 shares in 2011			
Capital surplus .....	6,959	9,770	83,701
Retained earnings .....	2,218	(2,069)	26,684
Treasury stock .....	(385)	(385)	(4,636)
<b>Total shareholders' equity</b> .....	<b>39,979</b>	<b>38,501</b>	<b>480,807</b>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities .....	38	932	466
Deferred gains or losses on hedges .....	—	(0)	—
<b>Total accumulated other comprehensive income</b> .....	<b>38</b>	<b>931</b>	<b>466</b>
Minority interests .....	¥ 273	¥ 280	\$ 3,285
<b>Total net assets</b> .....	<b>40,291</b>	<b>39,713</b>	<b>484,559</b>
<b>Total liabilities and net assets</b> .....	<b>¥ 123,849</b>	<b>¥ 134,204</b>	<b>\$ 1,489,467</b>

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

## Consolidated Statements of Income

Years ended March 31, 2011 and 2010

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2011	2010	2011
Net sales .....	¥ 94,973	¥ 119,097	\$ 1,142,199
Cost of sales .....	73,035	90,398	878,358
Gross profit .....	21,938	28,698	263,841
Selling, general and administrative expenses .....	18,447	21,941	221,855
Operating income .....	3,491	6,756	41,986
Other income and (expenses)			
Interest and dividend income .....	234	258	2,822
Interest expense .....	(757)	(876)	(9,112)
Reversal of allowance for doubtful accounts .....	117	299	1,409
Restructuring loss (Note 10) .....	(844)	(3,375)	(10,162)
Compensation for damage .....	—	(2,927)	—
Loss on hedge trading .....	—	(1,384)	—
Gain on sale of land .....	294	—	3,542
Loss on valuation of investment securities .....	(281)	—	(3,387)
Loss on disaster .....	(364)	—	(4,383)
Gain on sales of investment securities .....	210	—	2,526
Others, net .....	(443)	(2,215)	(5,329)
Income (loss) before income taxes and minority interests .....	1,655	(3,464)	19,912
Income taxes (Note 9)			
Current .....	340	654	4,100
Deferred .....	(157)	1,292	(1,899)
Total .....	183	1,946	2,201
Income before minority interests (loss) .....	1,472	(5,411)	17,711
Minority interests in net income (loss) .....	(5)	9	(64)
Net income (loss) .....	¥ 1,478	(5,420)	\$ 17,776

	<i>yen</i>		<i>U.S. dollars (Note 2)</i>
	2011	2010	2011
Net income (loss) per 1,000 shares:			
Basic .....	¥ 11,179	¥ (40,997)	\$ 134
Diluted .....	11,179	(40,997)	134
Cash dividends per 1,000 shares .....	2,000	—	24

## Consolidated Statements of Comprehensive Income

Years ended March 31, 2011 and 2010

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2011	2010	2011
Income before minority interests .....	¥ 1,472	¥ (5,411)	\$ 17,711
Other comprehensive income			
Valuation difference on available-for-sale securities .....	(893)	1,096	(10,742)
Deferred gains or losses on hedges .....	0	293	3
Total other comprehensive income .....	(892)	1,389	(10,738)
Comprehensive income .....	579	(4,021)	6,972
Comprehensive income attributable to owners of the parent .....	585	(4,030)	7,036
Comprehensive income attributable to minority interests .....	(5)	9	(63)

## Consolidated statements of changes in net assets

Years ended March 31, 2011 and 2010

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2011	2010	2011
Shareholders' equity			
Capital stock			
Balance at the end of previous period .....	¥ 31,186	¥ 31,186	\$ 375,058
Changes of items during the period			
Total changes of items during the period .....	—	—	—
Balance at the end of current period .....	31,186	31,186	375,058
Capital surplus			
Balance at the end of previous period .....	9,770	28,743	117,504
Changes of items during the period			
Deficit disposition .....	(2,810)	(18,973)	(33,802)
Total changes of items during the period .....	(2,810)	(18,973)	(33,802)
Balance at the end of current period .....	6,959	9,770	83,701
Retained earnings			
Balance at the end of previous period .....	(2,069)	(15,560)	(24,894)
Changes of items during the period			
Net income (loss) .....	1,478	(5,420)	17,776
Deficit disposition .....	2,810	18,973	33,802
Change of scope of consolidation .....	—	(61)	—
Total changes of items during the period .....	4,288	13,490	51,579
Balance at the end of current period .....	2,218	(2,069)	26,684
Treasury stock			
Balance at the end of previous period .....	(385)	(384)	(4,630)
Changes of items during the period			
Purchase of treasury stock .....	(0)	(0)	(6)
Total changes of items during the period .....	(0)	(0)	(6)
Balance at the end of current period .....	(385)	(385)	(4,636)
Total shareholders' equity			
Balance at the end of previous period .....	38,501	43,984	463,037
Changes of items during the period			
Net income (loss) .....	1,478	(5,420)	17,776
Purchase of treasury stock .....	(0)	(0)	(6)
Deficit disposition .....	—	—	—
Change of scope of consolidation .....	—	(61)	—
Total changes of items during the period .....	1,477	(5,483)	17,769
Balance at the end of current period .....	39,979	38,501	480,807

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2011	2010	2011
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the end of previous period .....	932	(164)	11,209
Changes of items during the period			
Net changes of items other than shareholders' equity .....	(893)	1,096	(10,743)
Total changes of items during the period .....	(893)	1,096	(10,743)
Balance at the end of current period .....	38	932	466
Deferred gains or losses on hedges			
Balance at the end of previous period .....	(0)	(293)	(3)
Changes of items during the period			
Net changes of items other than shareholders' equity .....	0	293	3
Total changes of items during the period .....	0	293	3
Balance at the end of current period .....	—	(0)	—
Total accumulated other comprehensive income			
Balance at the end of previous period .....	931	(458)	11,205
Changes of items during the period			
Net changes of items other than shareholders' equity .....	(893)	1,389	(10,739)
Total changes of items during the period .....	(893)	1,389	(10,739)
Balance at the end of current period .....	38	931	466
Minority interests			
Balance at the end of previous period .....	280	374	3,374
Changes of items during the period			
Net changes of items other than shareholders' equity .....	(7)	(93)	(89)
Total changes of items during the period .....	(7)	(93)	(89)
Balance at the end of current period .....	273	280	3,285
Total net assets			
Balance at the end of previous period .....	39,713	43,900	477,618
Changes of items during the period			
Net income (loss) .....	1,478	(5,420)	17,776
Purchase of treasury stock .....	(0)	(0)	(6)
Deficit disposition .....	—	—	—
Change of scope of consolidation .....	—	(61)	—
Net changes of items other than shareholders' equity .....	(900)	1,296	(10,828)
Total changes of items during the period .....	577	(4,186)	6,941
Balance at the end of current period .....	¥ 40,291	¥ 39,713	\$ 484,559

## Consolidated Statements of Cash Flows

Years ended March 31, 2011 and 2010

Millions of yen

Thousands  
of U.S. dollars  
(Note 2)

	2011	2010	2011
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	¥ 1,655	¥ (3,464)	\$ 19,912
Depreciation and amortization	2,369	2,593	28,500
Impairment loss	0	0	0
Decrease (increase) in notes and accounts receivable-trade	3,722	15,555	44,763
Increase (decrease) in notes and accounts payable-trade	(1,236)	(7,670)	(14,870)
Decrease (increase) in inventories	1,962	3,815	23,600
Interest and dividends income	(234)	(258)	(2,820)
Interest expenses	757	876	9,112
Loss (gain) on sales of short-term and long term investment securities	(208)	(0)	(2,506)
Loss (gain) on valuation of short-term and long term investment securities	281	383	3,387
Loss (gain) on sales of stocks of subsidiaries and affiliates	14	—	177
Loss (gain) on sales of property, plant and equipment and intangible assets	(276)	(18)	(3,329)
Loss on retirement of property, plant and equipment and intangible assets	90	86	1,089
Increase (decrease) in allowance for doubtful accounts	(49)	255	(596)
Increase (decrease) in provision for retirement benefits	(262)	(544)	(3,162)
Loss on business restructuring	844	3,375	10,162
Loss on compensation for damage	—	2,927	—
Postponement hedge loss	—	1,384	—
Other, net	149	(1,670)	1,795
Sub-total	9,580	17,628	115,217
Interest and dividends income received	231	264	2,778
Interest expenses paid	(750)	(897)	(9,031)
Payments for loss on litigation	—	(2,934)	—
Compensation for damage paid	—	(2,927)	—
Income taxes paid	(580)	(952)	(6,975)
Net cash provided by (used in) operating activities	8,480	10,180	101,988
Net cash provided by (used in) investing activities			
Decrease (increase) in time deposits	(0)	(0)	(0)
Purchase of short-term and long term investment securities	(206)	(7)	(2,485)
Proceeds from sales of short-term and long term investment securities	542	32	6,522
Purchase of property, plant and equipment and intangible assets	(1,585)	(2,963)	(19,067)
Proceeds from sales of property, plant and equipment and intangible assets	994	190	11,960
Purchase of stocks of subsidiaries and affiliates	(49)	(8)	(601)
Proceeds from sales of stocks of subsidiaries and affiliates	5	—	62
Proceeds from the liquidation of subsidiaries and affiliates	16	—	204
Proceeds from transfer of business	—	500	—
Proceeds from derivatives transaction	—	8,856	—
Purchase of derivatives transaction	—	(15,830)	—
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	—	(69)	—
Payments of loans receivable	(29)	(25)	(357)
Collection of loans receivable	49	112	600
Other, net	393	247	4,732
Net cash provided by (used in) investing activities	130	(8,966)	1,570
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(5,560)	43	(66,867)
Repayments of lease obligations	(39)	(18)	(471)
Proceeds from long-term loans payable	600	—	7,215
Repayment of long-term loans payable	(1,740)	(1,848)	(20,927)
Redemption of bonds	(22)	(22)	(264)
Cash dividends paid	(0)	(1)	(10)
Cash dividends paid to minority shareholders	(2)	(4)	(25)
Purchase of treasury stock	(0)	(0)	(6)
Net cash provided by (used in) financing activities	(6,764)	(1,851)	(81,357)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(136)	(49)	(1,647)
Net Increase (Decrease) in Cash and Cash Equivalents	1,709	(687)	20,555
Cash and Cash Equivalents at Beginning of Year	14,891	15,578	179,088
Cash and Cash Equivalents at End of Year	¥ 16,600	¥ 14,891	\$ 199,643

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

Cash and deposits	¥ 16,627	¥ 14,918	\$ 199,970
Time deposits due over three months	(27)	(27)	(327)
Cash and cash equivalents	¥ 16,600	¥ 14,891	\$ 199,643

# Notes to Financial Statements

## Note 1. Significant Accounting Policies

### Basis of Presenting Consolidated Financial Statements

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

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

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

### Consolidation Policies

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

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

### Translation of Foreign Currencies

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

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

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

### Marketable and Investment Securities

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

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

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

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

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

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

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

### Inventories

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

### Fixed Assets (excluding lease assets)

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

Building and construction; 2 to 55 years.

Machinery and automotive equipment; 2 to 22 years.

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

### Retirement Benefits

In order to prepare for the employees' retirement benefits, This Company & its consolidated subsidiaries have reserved retirement pay allowances as of the end of March 2011, based upon prospective retirement pay obligations and annuity assets at the term end of the consolidated accounting.

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

### Leases

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

### Research and Development and Computer Software

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

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

### Income Taxes

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

**Per Share Information**

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each period. The average number of shares used in the computation was 132,215 thousand and 132,221 thousand for the years ended March 31, 2011 and 2010, respectively.

**Recognition of earning cost**

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

**Marketable and Investments Securities**

Other marketable securities as of March 31, 2011 are as follows.

	<i>Millions of yen</i>		
	2011		
	<i>Carrying amounts</i>	<i>Market value</i>	<i>Unrealized gain (loss)</i>
Other securities .....	¥ 8,920	¥ 9,019	¥ 98

	<i>Thousands of U.S. dollars</i>		
	2011		
	<i>Carrying amounts</i>	<i>Market value</i>	<i>Unrealized gain (loss)</i>
Other securities .....	\$ 107,282	\$ 108,468	\$ 1,185

**Application of accounting standard for the presentation of comprehensive income**

Effective from the current fiscal year, the Company applied "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010). However, "Accumulated Other Comprehensive Income" and "Total accumulated other comprehensive income" for the fiscal year ended March 31, 2010 are equivalent to "Valuation, Translation Adjustments and Others" and "Total valuation, translation adjustments and others." In addition, the Company has prepared the consolidated statements of comprehensive income for the fiscal year ended March 31, 2010 as well as that for the fiscal year ended March 31, 2011.

**Application of accounting standard for asset retirement obligations**

Effective from the current fiscal year, the Company applied "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

Due to the above, our operating income decreased by 1 million yen (23 thousand US dollars), and net income before income tax decreased by 103 million yen (1,241 thousand US dollars).

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

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

The approximate exchange rate of US\$1=¥83.15 as of March 31, 2011, 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, 2011 and 2010 are 1.2% and 1.3%, 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>
	2011	2010	2011
Unsecured bonds, due 2013, with interest rate of 1.00% .....	66	88	793
Loans from financial institution, due 2011 to 2019 with interest rates between 1.43% and 6.00% .....	19,822	20,962	238,394
Sub-total .....	19,888	21,050	239,188
Less current portion of loans .....	18,736	1,672	225,330
	¥ 1,152	¥ 19,377	\$ 13,857

The aggregate annual maturities of long-term financial debt at March 31, 2011 and 2010 respectively are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2011	2010	2011
2011 .....	¥ —	1,672	—
2012 .....	18,736	18,547	225,330
2013 .....	706	422	8,497
2014 .....	441	402	5,309
2015 .....	0	4	9
2016 and thereafter .....	3	—	40
	¥ 19,888	¥ 21,050	\$ 239,188

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, 2011, 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	
	2011	2011	2011	2011
Deposit .....	¥ 322		\$ 3,872	
Notes receivable .....	5,212		62,682	
Buildings and structures .....	5,480		65,915	
Machinery, equipment .....	3,662		44,048	
Land .....	11,681		140,487	
Investment securities .....	3,183		38,289	
	¥ 29,542		\$ 355,296	

#### Note 4. Retirement Benefits

The following tables sets forth the changes in benefit obligation, plan assets and funded status of the Company and its subsidiaries at March 31, 2011.

	Millions of yen		Thousands of U.S. dollars	
	2011	2011	2011	2011
Benefit obligation .....	(¥ 13,369)		(\$ 160,788)	
Fair value of plan assets .....	4,212		50,662	
Unaccrued retirement benefit obligation .....	(9,157)		(110,126)	
Unrecognized actuarial loss .....	5,808		69,851	
Accrued retirement benefit .....	(¥ 3,348)		(\$ 40,275)	

Besides the above, the balance sheet lists Retirement Benefits including ¥21 million (US\$264 thousand) in Directors' Retirement and Bonus Reserves.

Severance and pension costs of the Company and its subsidiaries included the following components for the year ended March 31, 2011.

	Millions of yen		Thousands of U.S. dollars	
	2011	2011	2011	2011
Service cost .....	¥ 733		\$ 8,822	
Interest cost .....	292		3,522	
Expected return on plan assets .....	(78)		(941)	
Amortization:				
Actuarial losses .....	763		9,181	
Benefit cost .....	¥ 1,711		\$ 20,586	

Assumption used in the accounting for the defined benefit plans for the year ended March 31, 2011 is as follows:

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

#### Note 5. Contingent Liabilities

At March 31, 2011 and 2010, the company was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2011
As guarantor of indebtedness of unconsolidated subsidiaries and others .....	¥ 400	¥ 459	\$ 4,819	
Discount of notes and bills .....	¥ 2,265	¥ 1,293	\$ 27,241	
Transfer of notes and bills endorsed for payment .....	¥ 31	¥ 255	\$ 377	

#### Note 6. Leases

The Group leases certain, machinery and equipment, and other assets. Total lease payments under these leases were ¥26 million (\$323 thousand) and ¥53 million for the years ended March 31, 2011 and 2010, respectively.

Pro forma information on leased property, such as acquisition costs, accumulated depreciation, and future minimum lease payments under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis, for the years ended March 31, 2011 and 2010, was as follows:

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

	Millions of yen		
	2010		
	Machinery and equipment	Others	Total
Acquisition costs .....	¥ 69	¥ 95	¥ 165
Accumulated depreciation .....	44	61	105
Net leased property .....	¥ 24	¥ 34	¥ 59

	Thousands of U.S. dollars		
	2011		
	Machinery and equipment	Others	Total
Acquisition costs .....	\$ 553	\$ 897	\$ 1,451
Accumulated depreciation .....	384	672	1,057
Net leased property .....	\$ 169	\$ 224	\$ 393

Future minimum lease payments under finance leases as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	2011	2011
Due within one year .....	¥ 20	¥ 26	\$ 250	
Due after one year .....	11	32	143	
Total .....	¥ 32	¥ 59	\$ 393	

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

Depreciation expenses which are not reflected in the accompanying consolidated statement of income, computed by the straight-line method, were ¥26 million (\$323 thousand) for the year ended March 31, 2011.

## Note 7. Derivatives and Hedging Activities

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

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

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

## Note 8. Research and Development Expenses

Research and development expenditures charged to income were ¥1,240 million (\$14,913 thousand) for the year ended March 31, 2011.

## Note 9. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 41.0% and 41.0% for the year ended March 31, 2011 and 2010, 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, 2011 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, 2011 and 2010 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets			
Accrued retirement benefit .....	¥ 3,119	¥ 3,187	\$ 37,518
Accrued bonus indemnities .....	520	489	6,254
Allowance for uncollectable receivable .....	294	294	3,540
Allowance for loss on construction work .....	192	273	2,312
Reserve for loss on reorganization .....	278	—	3,352
Loss on revaluation of investment securities .....	313	512	3,774
Amalgamated received property .....	729	731	8,768
Operating loss carry-forwards .....	21,494	21,815	258,503
Elimination of inter-company profits .....	9	20	117
Other .....	843	1,155	10,141
Total gross deferred tax assets .....	27,795	28,480	334,284
Less valuation allowance .....	(27,373)	(27,987)	(329,201)
Net deferred tax assets .....	¥ 422	¥ 492	\$ 5,083

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax liabilities			
Evaluated difference of other securities .....	(48)	(659)	(585)
Negative goodwill .....	(43)	(274)	(523)
Dividends receivable .....	(63)	(61)	(762)
Other .....	(2)	(1)	(27)
Total deferred tax liabilities .....	(157)	(996)	(1,898)
Net deferred tax assets .....	¥ 264	¥ (503)	\$ 3,185

## Note 10. The details of the restructuring loss are as follows:

	Millions of yen	Thousands of U.S. dollars
	Assets appraisal loss by the civil affair reproduction statement .....	680
Loss on valuation of inventories .....	161	1,942
Other .....	3	42
	¥ 844	\$ 10,162

## Note 11. Financial Instruments and Related Disclosures

### (1) Policy for Financial Instruments

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

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

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

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

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

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

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

### (3) Risk Management for Financial Instruments

#### Credit Risk Management

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

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

#### Market Risk Management

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

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

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

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

#### Management of Liquidity Risk Related to Financing

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

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

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

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

	Millions of yen		
	Carrying amounts	Fair value	Unrecognized gain (loss)
Cash and deposits .....	¥ 14,918	¥ 14,918	¥ —
Notes and accounts receivable-trade .....	40,577		
Allowance for doubtful accounts*1 .....	(115)		
Subtotal .....	40,461	40,461	—
Investment securities .....	10,921	10,921	—
Total .....	66,301	66,301	—
Notes and accounts payable-trade*2 .....	23,775	23,775	—
Short-term loans payable*2 .....	34,967	34,967	—
Current portion of long-term debt .....	1,650	20,970	7
Long-term debt .....	19,311		
Total .....	79,705	79,713	7
Derivatives*3 .....	(0)	(0)	—

	Thousands of U.S. dollars		
	Carrying amounts	Fair value	Unrecognized gain (loss)
Cash and deposits .....	\$ 199,970	\$ 199,970	\$ —
Notes and accounts receivable-trade .....	433,487		
Investment securities .....	108,468	108,468	—
Total .....	741,926	741,926	—
Notes and accounts payable-trade*2 .....	269,518	269,518	—
Short-term loans payable*2 .....	353,668	353,668	—
Current portion of long-term debt .....	225,065	238,427	33
Long-term debt .....	13,328		
Total .....	861,580	861,614	33

\*1 Allowances for doubtful accounts individually recorded as notes and accounts receivable-trade are deducted.

\*2 Long-term debts recorded as short-term loans payable because they became due within one year are stated as long-term debt in this table.

\*3 Stated values are the net amounts of receivables and payables arising from derivative financial transactions.

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

Assets

Cash and deposits, and notes and accounts receivable-trade

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

Investment securities

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

Liabilities

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

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

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

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

Derivative transactions

The fair value is calculated based on the prices presented by the corresponding financial institution and others.

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

	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥ 1,127	\$ 13,563

#### Unlisted equity securities

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

## Note 12. Segment Information

### (1) Outline of Reportable Segments

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

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

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

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

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

### (Additional information)

Starting from this consolidated fiscal year, the Company is applying the "Accounting Standards Concerning Disclosure of Segment Information, etc." (Corporate Accounting Standards No. 17 of March 27, 2009) and the "Guidance on Accounting Standards Concerning Disclosure of Segment Information, etc." (ASBJ Guidance No. 20 of March 21, 2008).

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

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

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

Segment information for the fiscal years ended March 2010 and 2011 is as follows:

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

1. The 257 million yen segment income adjustment includes; 97 million yen resulting from the elimination of inter-segment transactions, 198 million yen resulting from allocation differences of sales & general administrative expenses and experiment & research expenses to be borne by each reportable segment, as well as minus 37 million yen resulting from inventory asset adjustment.

The 33,695 million yen segment asset adjustment includes; minus 1,370 million yen resulting from the elimination of inter-segment transactions, and 35,066 million yen due to a working capital surplus, investment securities and land, etc., which are company-wide assets and not attributable to any specific reportable segment.

The 117 million yen depreciation adjustment and 72 million yen adjustment for increases in tangible and intangible assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to the headquarters, etc.

2. Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

	Millions of yen							
	2010							
	Reportable segment				Other <sub>1</sub>	Total	Adjustment <sub>2</sub>	Consolidated <sub>3</sub>
Pipe system business	Machinery system business	Industrial materials business	Total					
Net sales								
Sales to customers	¥65,515	¥26,410	¥20,008	¥111,935	¥7,162	¥119,097	-	¥119,097
Intersegment	355	285	2,608	3,249	1,027	4,277	(4,277)	-
Total sales	65,871	26,696	22,617	115,185	8,189	123,375	(4,277)	119,097
Segment income	4,329	752	1,686	6,769	294	7,064	(307)	6,756
Segment assets	59,491	15,138	21,039	95,668	-	95,668	38,536	134,204
Other items								
Depreciation	1,287	330	589	2,207	265	2,473	120	2,593
Increase in property, plant and equipment, and intangible assets	1,737	209	335	2,281	516	2,798	30	2,829

1. The "Other" category refers to business segments that have been sold.

2. The minus 307 million yen segment income adjustment includes; 86 million yen resulting from the elimination of inter-segment transactions, minus 771 million yen resulting from allocation differences of sales & general administrative expenses to be borne by each reportable segment and basic research-related experiment & research expenses that are not attributable to any specific reportable segment, and 377 million yen resulting from inventory asset adjustment.

The 38,536 million yen segment asset adjustment includes; minus 2,223 million yen resulting from the elimination of inter-segment transactions, and 40,759 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 120 million yen depreciation adjustment includes; minus 2 million yen resulting from the elimination of inter-segment transactions, and 123 million yen from basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to the headquarters, etc.

The 30 million yen adjustment for increases in tangible and intangible assets includes; minus 24 million yen resulting from the elimination of inter-segment transactions, and recognition of 54 million yen due to basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to the headquarters, etc.

3. Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

	<i>Thousands of U.S. dollars</i>					
	<b>2011</b>					
	<i>Reportable segment</i>					
	<i>Pipe system business</i>	<i>Machinery system business</i>	<i>Industrial materials business</i>	<i>Total</i>	<i>Adjustment<sub>1</sub></i>	<i>Consolidated<sub>2</sub></i>
Net sales						
Sales to customers .....	\$ 666,140	\$ 258,649	\$ 217,409	\$ 1,142,199	—	\$ 1,142,199
Intersegment .....	1,555	2	11,819	13,377	(13,377)	—
Total sales .....	667,695	258,652	229,229	1,155,577	(13,377)	1,142,199
Segment income .....	32,464	2,178	4,242	38,884	3,101	41,986
Segment assets .....	678,804	194,151	211,273	1,084,229	405,238	1,489,467
Other items						
Depreciation .....	16,717	3,725	6,643	27,085	1,414	28,500
Increase in property, plant and equipment, and intangible assets .....	12,183	916	2,442	15,542	867	16,409

1. The 3,101 thousand US dollar segment income adjustment includes; 1,167 thousand US dollars resulting from the elimination of inter-segment transactions, 2,390 thousand US dollars resulting from allocation differences of sales & general administrative expenses and experiment & research expenses to be borne by each reportable segment, and minus 456 thousand US dollars resulting from inventory asset adjustment.

The 405,238 thousand US dollar segment asset adjustment includes; minus 16,481 thousand US dollars resulting from the elimination of inter-segment transactions, and 421,719 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 1,414 thousand US dollar depreciation adjustment and 867 thousand US dollar adjustment for increases in tangible and intangible assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to the headquarters, etc.

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 13. Subsequent Events

#### Cash Dividends

Cash dividends of the Company's retained earnings for the year ended March 31, 2011 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 29, 2011, as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends (¥2.0 per share)	¥ 264	\$ 3,180

# Report of Independent Auditors

## Report of Independent Auditors

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

### To the Board of Directors of Kurimoto, Ltd.

We have audited the accompanying consolidated balance sheets of Kurimoto, Ltd. and consolidated subsidiaries, as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following

As discussed in Note 1 (Application of accounting standard for asset retirement obligations) to the consolidated financial statements, the Company applied "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

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

Osaka, Japan  
June 30, 2011

*Osaka Audit Corporation*

# Corporate Information

## Kurimoto, Ltd.

### Outline

Founded	1909
Incorporated	1934
Common stock	¥31,186 million*
Total assets	¥108,999 million*
Employees	1,353

\*as of March 31, 2011

### Board of Directors

(as of June 29, 2011)

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

### Stock

(as of March 31, 2011)

#### Common Stock

Number of authorized shares .....	393,766,000
Number of issued shares .....	133,984,908
Number of shareholders .....	9,614

### Principal Shareholders

(as of March 31, 2011)

	Number of shares held (in thousands)	Percentage of voting rights
Taiyo Life Insurance Company	12,090	9.1%
Japan Trustee Services Bank, Ltd.	11,799	8.9%
Nippon Life Insurance Company	8,482	6.4%
Resona Bank, Limited	4,440	3.3%
Mizuho Corporate Bank, Ltd.	3,623	2.7%
Cbny Dfa Intl Small Cap Value Portfolio	3,092	2.3%

### Offices

#### Head Office

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

#### Tokyo Office

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

#### Hokkaido Office

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

#### Tohoku Office

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

#### Nagoya Office

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

#### Chugoku Office

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

#### Kyushu Office

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

#### Europe Office

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

### Banking References

#### Head Office

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

#### Tokyo Office

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

**Kurimoto Group***(as of June 29, 2011)***Kurimoto Trading Co., Ltd.**

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

**Kurimoto Technos Co., Ltd.**

Operations: Maintenance of various plants

**Kurimoto Logistics Corporation**

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

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

Operations: Manufacture and sales of castings

**Yamatogawa Co., Ltd.**

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

**Motoyama Eng. Works, Ltd.**

Operations: Manufacture and sales of industrial valves

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

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

**Hokkaido Kanzai Co., Ltd.**

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

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

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

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

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

**Riko, Ltd.**

Operations: Production of valves

**Kurimoto USA, Inc.**

Operations: Holding company

**Readco Kurimoto, LLC**

Operations: Manufacture and sales of industrial machinery

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

Operations: Production of valves

**Jinan Kurimoto Tianli Chemical Equipment Co., Ltd.**

Operations: Manufacture and sales of indirect heat drying, powder plant equipment

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

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

**Kurimoto (Philippines) Corporation**

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

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