

2013

Kurimoto, Manufacturing the Future

ANNUAL REPORT

Year ended March 31, 2013



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 15 subsidiary companies, make up the Kurimoto group employing about 2,000 people. Today, Kurimoto plays a vital role in supplying basic industrial products, machines, and services domestically and abroad.

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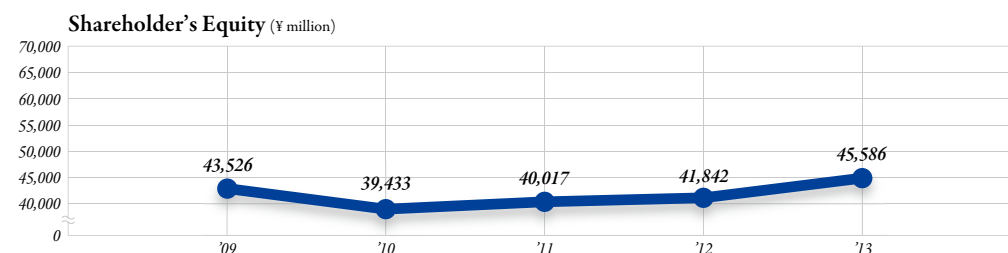
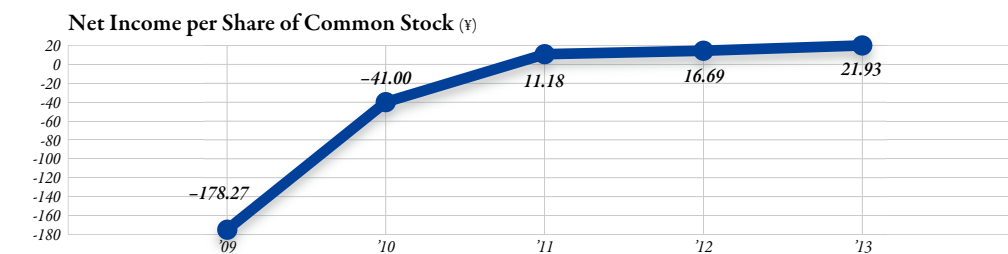
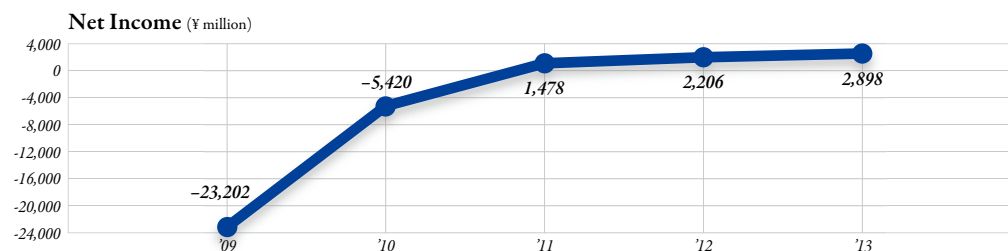
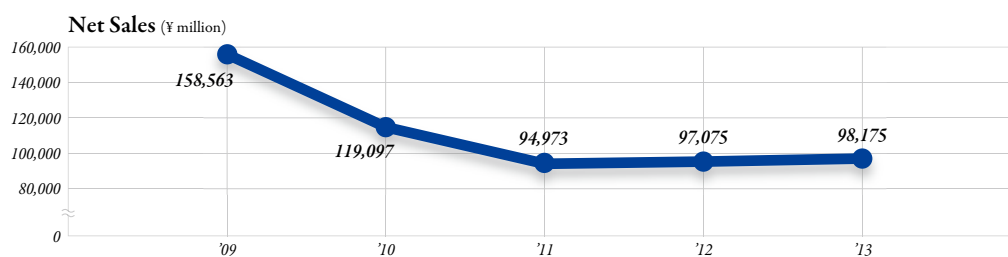
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Financial Highlights

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

Years ended March 31	2013	2012	2011	2010	2009	2013
Net sales	¥ 98,175	¥ 97,075	¥ 94,973	¥ 119,097	¥ 158,563	\$ 1,043,867
Net income (loss)	2,898	2,206	1,478	(5,420)	(23,202)	30,823
Per 1,000 shares of common stock						
Net income (loss)	21,928	16,686	11,179	(40,997)	(178,270)	233
Cash dividends	4,000	2,000	2,000	—	—	42
Total assets	129,934	129,052	123,849	134,204	177,923	1,381,544
Total shareholders' equity	¥ 45,586	¥ 41,842	¥ 40,017	¥ 39,433	¥ 43,526	\$ 484,709

Notes: The U.S. dollar amounts are calculated at the exchange rate of ¥94.05 to \$1, the rate prevailing on March 31, 2013.



Message from the President

I would like to outline here our business activities in the 117th term.

During this consolidated accounting period, the Japanese economy showed signs of a slow recovery, partly due to demand related to recovery from the aftermath of the Great East Japan Earthquake. However, the outlook for the economy still remained unclear due to several factors. These include the prolonged debt crisis in Europe, the deceleration of the economy in China and other emerging nations, the rapid drop in the yen caused by the raised hope for Japan's economy in line with the monetary easing policy, and other economic policies by the new government.

In the midst of these circumstances, the group's sales for the period under review totaled 98.1 billion yen (1,043 million dollars), a 1.1 billion yen (11 million dollars) increase from the previous term. We were able to see this improvement due to certain favorable factors, including the steady growth in shipments, mainly of earthquake-proof pipes in the Ductile Iron Pipe Division, the increase in sales of crushers in the Materials and Machinery Division, and the completion of the construction of plants to manufacture products related to rechargeable batteries in the Plant System Engineering Division.

On the profit side, initial costs saw improvement, and mainly in the area of raw materials. Profits also increased due to higher sales, resulting in an operating income of 5.8 billion yen (62 million dollars), a 1.6 billion yen (17 million dollars) increase from the previous term.

At the same time, we posted an impairment loss on part of our assets, as the contracts for some rental properties were terminated. Consequently, net income amounted to 2.8 billion yen (30 million dollars), a 692 million yen (7 million dollars) increase from the previous term.

2013 Fiscal Year and the Mid-Term Business Plan

As we disclosed on our website, our group has been working on a three-year mid-term business plan which commenced in the year 2012. The first year started with targets of over 99 billion yen (1,052 million dollars) in sales and over 4 billion yen (42 million dollars) in sales profit. However, we actually saw sales figures marking slightly under the target amount and sales profit exceeding its target.

The 2013 target has been revised from the initial figure, as we are expecting 99 billion yen (1,052 million dollars) in sales and 4.5 billion yen (47 million dollars) in sales profit. The main reasons for the lower sales profit target in relation to that of 2012 are an assumption of delays in the timing of recording sales due to extended order intake in the Machinery System Business area, and the influence of the escalating price of raw materials caused by the economic recovery that has been witnessed since the beginning of this year.

From 2013 onwards, we will put strenuous efforts into each individual area, and aim at becoming a company that can offer the impression of new success in business, through generating steady profit growth. To do this, we will try to accelerate our business expansion efforts in all areas, including those overseas, based on the long-term vision of "aiming to become a company that can respond to the demands of an international society."



Hideaki Fukui
President

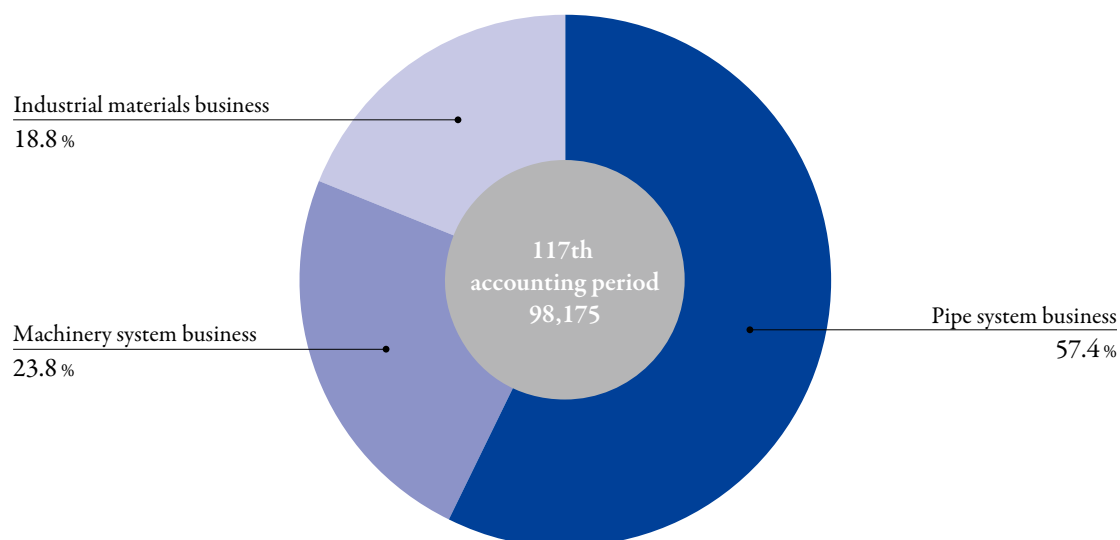
June 2013

A handwritten signature in dark ink, which appears to read "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 Business totaled 56,326 million yen, an increase of 1,364 million yen over the previous consolidated fiscal year. These results were brought about by several solid factors, including robust growth in product shipments, such as anti-seismic pipes in the Ductile Iron Pipe Division, and highly-functional valves, mainly for the overseas market, in the Valve Division. Operating income amounted to 3,840 million yen, an increase of 1,253 million yen over the previous year, due to some favorable factors, such as a rise in profit caused by the increase in income for the Valve Division, as well as an increase in shipments and an improvement in cost price for high value added products, including anti-seismic pipes in the Ductile Iron Pipe Division.



Industrial materials business

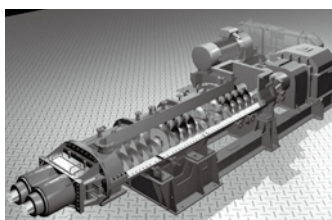
Sales of the Industrial Material Business totaled 18,493 million yen, a decrease of 1,184 million yen over the previous consolidated fiscal year. In the Plastic Products Division, shipment of agricultural pipes and sewage pipes dropped, and the Construction Materials Division also saw a drop in shipments of construction products and sound deadening products. Operating income amounted to 736 million yen, an increase of 151 million yen over the previous year. These results were brought about mainly by an improvement in the cost price for raw materials, as well as an improvement in the sales structure of the Plastic Products Division.



Machinery system business

Sales for the Machinery System Business totaled 23,355 million yen, an increase of 920 million yen over the previous consolidated fiscal year, due to certain favorable factors, including an increase in sales of crushers in the Materials & Machinery Division, and completion of the construction of plants to manufacture products related to rechargeable batteries in the Plant System Engineering Division.

Operating income amounted to 1,227 million yen, a decrease of 91 million yen over the previous year. This decrease can mainly be attributed to the decrease in sales of high value added powder processing equipment in the Plant Engineering & Machinery Division.



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\$2,126,528)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: December 1952 as a subsidiary of Kurimoto, Ltd.
Orders: ¥17,260 million (US\$183,528 thousand)
(4.4% decrease)
Sales: ¥17,008 million (US\$180,841 thousand)
(7.4% decrease)

Kurimoto Logistics Corporation

Operations: Procurement and transportation of rawmaterials ductile iron pipes and others
Capital: ¥90 million (US\$956,937)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: March 1960 and became a subsidiary in 2001.
Orders: ¥1,878 million (US\$19,971 thousand)
(65.5% decrease)
Sales: ¥1,878 million (US\$19,971 thousand)
(65.5% decrease)

Sasebo Metal, Co., Ltd.

Operations: Production and sales of cast iron, cast iron products, and other cast metal products
Capital: ¥100 million (US\$1,063,264)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: April 2000 as a subsidiary of Kurimoto, Ltd.
Orders: ¥1,260 million (US\$13,399 thousand)
(3.0% decrease)
Sales: ¥1,284 million (US\$13,653 thousand)
(0.3% increase)

Yamatogawa Co., Ltd.

Operations: Sales of cast iron pipes, valves, and synthetic resin products
Capital: ¥60 million (US\$637,958)
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: ¥19,868 million (US\$211,249 thousand)
(8.1% increase)
Sales: ¥19,891 million (US\$211,496 thousand)
(6.1% increase)

Motoyama Eng. Works, Ltd.

Operations: Manufacture and sales of industrial valves
Capital: ¥300 million (US\$3,189,792)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: December 2006 and became a subsidiary in 2007
Orders: ¥5,363 million (US\$57,032 thousand)
(13.0% decrease)
Sales: ¥5,834 million (US\$62,035 thousand)
(11.9% increase)

Ks-Tech Co., Ltd.

Operations: Manufacture and sales of forging machinery
Capital: ¥300 million (US\$3,189,792)
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: ¥2,145 million (US\$22,814 thousand)
(22.4% increase)
Sales: ¥1,428 million (US\$15,193 thousand)
(10.6% decrease)

Hokkaido Kanzai Co., Ltd.

Operations: Sales of cast iron pipes, valves, and synthetic resin products
Capital: ¥30 million (US\$318,979)
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: ¥5,296 million (US\$56,314 thousand)
(9.9% decrease)
Sales: ¥5,296 million (US\$56,314 thousand)
(9.9% decrease)

Yashima Chemical Engineering Co., Ltd.

Operations: Manufacture and sales of chemical and pharmaceutical equipment
Capital: ¥45 million (US\$478,468)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: July 1958 and became a subsidiary in 2004
Orders: ¥537 million (US\$5,712 thousand)
(19.7% increase)
Sales: ¥587 million (US\$6,249 thousand)
(16.2% increase)

Financial Section

Consolidated Balance Sheets

March 31, 2013 and 2012

Assets	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2013	2012	2013
Current assets			
Cash and deposits	¥ 19,111	¥ 19,673	\$ 203,210
Notes and accounts receivable-trade	39,593	39,805	420,983
Notes and accounts receivable-trade — unconsolidated subsidiaries and affiliates	35	16	381
Merchandise and finished goods	9,034	7,591	96,056
Work in process	6,877	5,483	73,124
Raw materials and supplies	2,269	2,174	24,135
Deferred tax assets (Note 9)	1,114	976	11,846
Prepaid expenses and other current assets	1,136	1,343	12,089
Allowance for doubtful accounts	(98)	(208)	(1,043)
Total current assets	79,075	76,855	840,784
Property, plant and equipment			
Buildings and structures	23,582	22,895	250,744
Machinery, equipment and vehicles	48,909	48,313	520,032
Tools, furniture and fixtures	9,504	9,285	101,054
Land	19,870	22,630	211,275
Lease assets	289	250	3,082
Construction in progress	320	548	3,412
Accumulated depreciation	(66,219)	(64,891)	(704,084)
Total property, plant and equipment	36,257	39,033	385,516
Investments and other assets			
Investment securities — other	10,780	8,893	114,621
Investment securities — unconsolidated subsidiaries and affiliates	628	628	6,684
Long-term loans — other	15	25	160
Other investments	2,786	3,108	29,627
Allowance for doubtful accounts	(491)	(506)	(5,227)
Deferred tax assets (Note 9)	365	274	3,890
Long-term prepaid expenses and other	516	739	5,486
Total investments and other assets	14,600	13,164	155,243
Total assets	¥129,934	¥129,052	\$1,381,544

Liabilities and Shareholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Current liabilities			
Notes and accounts payable-trade	¥ 28,820	¥ 28,628	\$ 306,443
Notes and accounts payable-trade — unconsolidated subsidiaries and affiliates	14	11	151
Short-term loans payable (Note 3)	26,562	27,705	282,429
Current portion of long-term debt (Note 3)	2,648	2,711	28,163
Lease obligations	56	48	602
Income taxes payable	561	283	5,972
Accrued liabilities	3,885	4,710	41,315
Advances received	1,302	701	13,846
Employees' savings deposits	404	394	4,297
Asset retirement obligations	120	—	1,275
Other current liabilities	2,126	1,691	22,612
Total current liabilities	66,503	66,887	707,109
Long-term liabilities			
Retirement benefits (Note 4)	3,299	3,213	35,079
Long-term debt (Note 3)	13,271	15,739	141,106
Lease obligations	101	123	1,076
Asset retirement obligations	103	162	1,097
Other long-term liabilities	749	810	7,974
Total long-term liabilities	17,524	20,049	186,333
Total liabilities	84,028	86,936	893,443
Net assets			
Shareholders' equity			
Capital stock	31,186	31,186	331,590
Authorized: 393,766,000 shares			
Issued: 133,984,908 shares in 2012 133,984,908 shares in 2013			
Capital surplus	6,959	6,959	74,000
Retained earnings	6,530	4,160	69,438
Treasury stock	(388)	(385)	(4,129)
Total shareholders' equity	44,288	41,920	470,900
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	1,298	(77)	13,808
Total accumulated other comprehensive income	1,298	(77)	13,808
Minority interests	319	273	3,392
Total net assets	45,905	42,116	488,101
Total liabilities and net assets	¥ 129,934	¥ 129,052	\$1,381,544

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

Consolidated Statements of Income

Years ended March 31, 2013 and 2012

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2013	2012	2013
Net sales	¥ 98,175	¥ 97,075	\$ 1,043,867
Cost of sales	73,753	74,422	784,190
Gross profit	24,422	22,652	259,676
Selling, general and administrative expenses	18,534	18,413	197,065
Operating income	5,888	4,238	62,610
Other income and (expenses)			
Interest and dividend income	271	266	2,888
Interest expense	(551)	(622)	(5,862)
The indemnity	—	117	—
Impairment loss (Note 10)	(2,777)	(2,039)	(29,532)
Gain on sales of investment securities	18	27	196
Others, net	(95)	(430)	(1,015)
Income before income taxes and minority interests	2,754	1,558	29,285
Income taxes (Note 9)			
Current	599	318	6,369
Deferred	(790)	(981)	(8,405)
Total	(191)	(663)	(2,036)
Income before minority interests	2,945	2,221	31,321
Minority interests in net income (loss)	46	15	498
Net income	¥ 2,898	¥ 2,206	\$ 30,823

	<i>yen</i>		<i>U.S. dollars (Note 2)</i>
	2013	2012	2013
Net income per 1,000 shares:			
Basic	¥ 21,928	¥ 16,686	\$ 233
Diluted	21,928	16,686	233
Cash dividends per 1,000 shares	4,000	2,000	43

Consolidated Statements of Comprehensive Income

Years ended March 31, 2013 and 2012

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2013	2012	2013
Income before minority interests	¥ 2,945	¥ 2,221	\$ 31,321
Other comprehensive income			
Valuation difference on available-for-sale securities	1,376	(116)	14,635
Total other comprehensive income	1,376	(116)	14,635
Comprehensive income	4,322	2,104	45,957
Comprehensive income attributable to owners of the parent	4,275	2,089	45,458
Comprehensive income attributable to minority interests	46	15	499

Consolidated statements of changes in net assets

Years ended March 31, 2013 and 2012

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2013	2012	2013
Shareholders' equity			
Capital stock			
Balance at the end of previous period	¥ 31,186	¥ 31,186	\$ 331,590
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of current period	31,186	31,186	331,590
Capital surplus			
Balance at the end of previous period	6,959	6,959	74,000
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of current period	6,959	6,959	74,000
Retained earnings			
Balance at the end of previous period	4,160	2,218	44,237
Changes of items during the period			
Dividends from surplus	(528)	(264)	(5,622)
Net income	2,898	2,206	30,823
Total changes of items during the period	2,370	1,941	25,200
Balance at the end of current period	6,530	4,160	69,438
Treasury stock			
Balance at the end of previous period	(385)	(385)	(4,103)
Changes of items during the period			
Purchase of treasury stock	(2)	(0)	(26)
Total changes of items during the period	(2)	(0)	(26)
Balance at the end of current period	(388)	(385)	(4,129)
Total shareholders' equity			
Balance at the end of previous period	41,920	39,979	445,725
Changes of items during the period			
Dividends from surplus	(528)	(264)	(5,622)
Net income	2,898	2,206	30,823
Purchase of treasury stock	(2)	(0)	(26)
Total changes of items during the period	2,367	1,941	25,174
Balance at the end of current period	¥ 44,288	¥ 41,920	\$ 470,900

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2013	2012	2013
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	(77)	38	(825)
Changes of items during the period			
Net changes of items other than shareholders' equity	1,376	(116)	14,634
Total changes of items during the period	1,376	(116)	14,634
Balance at the end of current period	1,298	(77)	13,808
Total accumulated other comprehensive income			
Balance at the end of previous period	(77)	38	(825)
Changes of items during the period			
Net changes of items other than shareholders' equity	1,376	(116)	14,634
Total changes of items during the period	1,376	(116)	14,634
Balance at the end of current period	1,298	(77)	13,808
Minority interests			
Balance at the end of previous period	273	273	2,906
Changes of items during the period			
Net changes of items other than shareholders' equity	45	0	485
Total changes of items during the period	45	0	485
Balance at the end of current period	319	273	3,392
Total net assets			
Balance at the end of previous period	42,116	40,291	447,806
Changes of items during the period			
Dividends from surplus	(528)	(264)	(5,622)
Net income	2,898	2,206	30,823
Purchase of treasury stock	(2)	(0)	(26)
Net changes of items other than shareholders' equity	1,422	(116)	15,119
Total changes of items during the period	3,789	1,825	40,294
Balance at the end of current period	¥ 45,905	¥ 42,116	\$ 488,101

Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

Millions of yen

Thousands
of U.S. dollars
(Note 2)

	2013	2012	2013
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	¥ 2,754	¥ 1,558	\$ 29,285
Depreciation and amortization	2,264	2,307	24,074
Impairment loss	2,777	2,039	29,532
Decrease (increase) in notes and accounts receivable-trade	953	(3,444)	10,137
Increase (decrease) in notes and accounts payable-trade	57	6,190	610
Decrease (increase) in inventories	(2,932)	(500)	(31,175)
Interest and dividends income	(271)	(266)	(2,888)
Interest expenses	551	622	5,862
Loss (gain) on sales of short-term and long term investment securities	(17)	46	(191)
Loss (gain) on valuation of short-term and long term investment securities	10	155	106
Loss (gain) on sales of property, plant and equipment and intangible assets	(1)	(3)	(12)
Loss on retirement of property, plant and equipment and intangible assets	58	60	624
Increase (decrease) in allowance for doubtful accounts	(125)	(562)	(1,335)
Increase (decrease) in provision for retirement benefits	85	(135)	913
Other, net	(434)	795	(4,618)
Sub-total	5,729	8,862	60,924
Interest and dividends income received	257	274	2,739
Interest expenses paid	(548)	(607)	(5,828)
Income taxes paid	(321)	(208)	(3,422)
Net cash provided by (used in) operating activities	5,117	8,320	54,412
Net cash provided by (used in) investing activities			
Decrease (increase) in time deposits	5	(0)	55
Purchase of short-term and long term investment securities	(6)	(5)	(64)
Proceeds from sales of short-term and long term investment securities	65	202	695
Purchase of property, plant and equipment and intangible assets	(1,817)	(1,502)	(19,327)
Proceeds from sales of property, plant and equipment and intangible assets	2	102	23
Purchase of stocks of subsidiaries and affiliates	—	(19)	—
Proceeds from sales of stocks of subsidiaries and affiliates	0	—	0
Proceeds from decrease in investment in capital of subsidiaries and affiliates	79	—	842
Payments of loans receivable	(0)	(5)	(4)
Collection of loans receivable	10	27	111
Other, net	193	(587)	2,053
Net cash provided by (used in) investing activities	(1,468)	(1,788)	(15,615)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(1,142)	(1,702)	(12,147)
Repayments of lease obligations	(55)	(46)	(593)
Proceeds from long-term loans payable	180	17,300	1,913
Repayment of long-term loans payable	(2,689)	(18,714)	(28,601)
Redemption of bonds	(22)	(22)	(233)
Cash dividends paid	(526)	(263)	(5,598)
Cash dividends paid to minority shareholders	(1)	(1)	(14)
Purchase of treasury stock	(2)	(0)	(26)
Net cash provided by (used in) financing activities	(4,260)	(3,450)	(45,300)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	55	(35)	585
Net Increase (Decrease) in Cash and Cash Equivalents	(556)	3,046	(5,918)
Cash and Cash Equivalents at Beginning of Year	19,646	16,600	208,894
Cash and Cash Equivalents at End of Year	¥ 19,089	¥ 19,646	\$ 202,976

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

Cash and deposits	¥ 19,111	¥ 19,673	\$ 203,210
Time deposits due over three months	(22)	(27)	(233)
Cash and cash equivalents	¥ 19,089	¥ 19,646	\$ 202,976

Notes to Financial Statements

Note 1. Significant Accounting Policies

Basis of Presenting Consolidated Financial Statements

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

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

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

Consolidation Policies

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

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

Translation of Foreign Currencies

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

A Range of Funds in a Statement of Consolidated Cash Flow

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

Marketable and Investment Securities

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

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

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

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

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

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

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

Inventories

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

Fixed Assets (excluding lease assets)

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

Building and construction; 2 to 60 years.

Machinery and automotive equipment; 2 to 22 years.

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

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 2013, 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 132,205 thousand and 132,212 thousand for the years ended March 31, 2013 and 2012, 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, 2013 are as follows.

	<i>Millions of yen</i>		
	2013		
	<i>Carrying amounts</i>	<i>Market value</i>	<i>Unrealized gain (loss)</i>
Other securities	¥ 8,497	¥ 10,413	¥ 1,915

	<i>Thousands of U.S. dollars</i>		
	2013		
	<i>Carrying amounts</i>	<i>Market value</i>	<i>Unrealized gain (loss)</i>
Other securities	\$ 90,348	\$ 110,719	\$ 20,370

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=¥94.05 as of March 31, 2013, 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, 2013 and 2012 are 1.1% and 1.1%, 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>
	2013	2012	2013
Unsecured bonds, due 2013, with interest rate of 1.00%	¥ 22	¥ 44	\$ 233
Loans from financial institution, due 2013 to 2020 with interest rates between 0.99% and 3.85%	15,897	18,407	169,035
Sub-total	15,919	18,451	169,269
Less current portion of loans	2,648	2,711	28,163
	¥ 13,271	¥ 15,739	\$ 141,106

The aggregate annual maturities of long-term financial debt at March 31, 2013 and 2012 respectively are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2013	2012	2013
2013	—	2,711	—
2014	2,648	2,624	28,163
2015	13,177	13,112	140,113
2016	45	0	483
2017	12	2	129
2018 and thereafter	35	—	380
	¥ 15,919	¥ 18,451	\$ 169,269

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, 2013, assets pledged as collateral for short-term bank loans, and long-term debt, including the current portion of long-term debt, were as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2013	2013
Deposit	¥ 332	\$ 3,537
Buildings and structures	5,346	56,842
Machinery, equipment	2,833	30,128
Land	11,838	125,874
Investment securities	878	9,342
	¥ 21,229	\$ 225,726

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, 2013.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	2013	2013	2013	2013
Benefit obligation	(¥ 12,945)		(\$ 137,649)	
Fair value of plan assets	4,552		48,407	
Unaccrued retirement benefit obligation	(8,393)		(89,241)	
Unrecognized actuarial loss	5,093		54,161	
Accrued retirement benefit	(¥ 3,299)		(\$ 35,079)	

Severance and pension costs of the Company and its subsidiaries included the following components for the year ended March 31, 2013.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	2013	2013	2013	2013
Service cost	¥ 626		\$ 6,659	
Interest cost	169		1,798	
Expected return on plan assets	(77)		(823)	
Amortization:				
Actuarial losses	406		4,323	
Benefit cost	¥ 1,124		\$ 11,957	
Contribution paid to the defined contribution pension plan	11		121	
Total	¥ 1,136		\$ 12,078	

Assumption used in the accounting for the defined benefit plans for the year ended March 31, 2013 is as follows:

Method of attributing benefit to periods of service	Straight-line basis
Discount rate	0.80%
Rate of expected return on plan assets	1.8% ~ 1.9%
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, 2013 and 2012, the company was contingently liable as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	2013	2012	2013	2013
As guarantor of indebtedness of unconsolidated subsidiaries and others	¥ 242	¥ 308	\$ 2,575	
Discount of notes and bills	4,167	3,107	44,311	
Transfer of notes and bills endorsed for payment	¥ 20	¥ 268	\$ 222	

Note 6. Leases

The Group leases certain, machinery and equipment, and other assets. Total lease payments under these leases were ¥10 million (\$114 thousand) and ¥20 million for the years ended March 31, 2013 and 2012, 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, 2013 and 2012, was as follows:

	<i>Millions of yen</i>		
	2013		
	<i>Machinery and equipment</i>	<i>Others</i>	<i>Total</i>
Acquisition costs	¥ 22	¥ 40	¥ 63
Accumulated depreciation	22	39	62
Net leased property	¥ —	¥ 1	¥ 1

	<i>Millions of yen</i>		
	2012		
	<i>Machinery and equipment</i>	<i>Others</i>	<i>Total</i>
Acquisition costs	¥ 41	¥ 40	¥ 81
Accumulated depreciation	35	34	69
Net leased property	¥ 5	¥ 6	¥ 11

	<i>Thousands of U.S. dollars</i>		
	2013		
	<i>Machinery and equipment</i>	<i>Others</i>	<i>Total</i>
Acquisition costs	\$ 244	\$ 433	\$ 678
Accumulated depreciation	244	421	666
Net leased property	\$ —	\$ 11	\$ 11

Future minimum lease payments under finance leases as of March 31, 2013 and 2012 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	2013	2012	2013	2013
Due within one year	¥ 1	¥ 10	\$ 11	
Due after one year	—	1	—	
Total	¥ 1	¥ 11	\$ 11	

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 ¥10 million (\$114 thousand) for the year ended March 31, 2013.

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 ¥1,447 million (\$15,392 thousand) for the year ended March 31, 2013.

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 38.0% and 41.0% for the year ended March 31, 2013 and 2012, 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, 2013 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, 2013 and 2012 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets			
Accrued retirement benefit	¥ 2,785	¥ 2,751	\$ 29,619
Accrued bonus indemnities	719	578	7,646
Allowance for doubtful accounts	131	123	1,398
Allowance for loss on construction work	72	76	775
Loss on revaluation of investment securities	211	213	2,244
Amalgamated received property	632	632	6,729
Impairment loss	1,807	712	19,222
Operating loss carry-forwards	16,162	17,809	171,853
Elimination of inter-company profits	7	4	82
Other	1,079	1,063	11,476
Total gross deferred tax assets	23,611	23,967	251,050
Less valuation allowance	(21,468)	(22,607)	(228,271)
Net deferred tax assets	¥ 2,142	¥ 1,360	\$ 22,778

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax liabilities			
Evaluated difference of other securities	¥ (605)	¥ (44)	\$ (6,441)
Dividends receivable	(55)	(55)	(594)
Other	(0)	(9)	(5)
Total deferred tax liabilities	(662)	(109)	(7,041)
Net deferred tax assets	¥ 1,480	¥ 1,250	\$ 15,737

Note 10. Impairment Loss

In principle, our group carries out asset grouping taking into account management accounting categories, the balance of which is continuously evaluated. Idle assets are grouped on an individual property basis.

As a result of making impairment loss judgments based on the said groupings, the group has decided to reduce the book value of idle assets to their recoverable amounts, which have decreased due to changes in the scope or method of use, and recognize the said amount of decrease as an impairment loss under extraordinary losses.

<Calculating method of recoverable amount>

In calculation of the recoverable amount, idle assets are measured by net selling price and important assets are calculated based on a real estate appraisal. Other assets are principally calculated based on the assessed value of fixed assets.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2013	2013
Land	¥ 2,759	\$ 29,345
Buildings and structures	17	186
Tools, furniture and fixtures	0	0
	¥ 2,777	\$ 29,532

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.

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

	<i>Millions of yen</i>		
	2012		
	<i>Carrying amounts</i>	<i>Fair value</i>	<i>Unrecognized gain (loss)</i>
Cash and deposits	¥ 19,673	¥ 19,673	¥ —
Notes and accounts receivable-trade	39,821	39,821	—
Investment securities	8,514	8,514	—
Total	68,009	68,009	—
Notes and accounts payable-trade	28,640	28,640	—
Short-term loans payable	27,705	27,705	—
Current portion of long-term debt	2,689	18,409	1
Long-term debt	15,717	—	—
Total	¥ 74,752	¥ 74,754	¥ 1

	<i>Thousands of U. S. dollars</i>		
	2013		
	<i>Carrying amounts</i>	<i>Fair value</i>	<i>Unrecognized gain (loss)</i>
Cash and deposits	\$ 203,210	\$ 203,210	\$ —
Notes and accounts receivable-trade	421,365	421,365	—
Investment securities	110,719	110,719	—
Total	735,294	735,294	—
Notes and accounts payable-trade	306,594	306,594	—
Short-term loans payable	282,429	282,429	—
Current portion of long-term debt	27,929	169,064	29
Long-term debt	141,106	—	—
Total	\$ 758,059	\$ 758,088	\$ 29

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.

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	¥ 367	\$ 3,902

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.

(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 2012 and 2013 is as follows:

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

- The 83 million yen segment income adjustment includes; 53 million yen resulting from the elimination of inter-segment transactions, minus 83 million yen resulting from allocation differences of selling & general administrative expenses and experiment & research expenses to be borne by each reportable segment, as well as 113 million yen resulting from inventory asset adjustment. The 33,648 million yen segment asset adjustment includes; a minus of 1,407 million yen resulting from the elimination of inter-segment transactions, and 35,055 million yen due to a working capital surplus, investment securities and land, etc., which are company-wide assets and not attributable to any specific reportable segment. The 189 million yen depreciation adjustment and 282 million yen adjustment for increases in tangible and intangible assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to headquarters, etc.
- Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

	Millions of yen					
	2012					
	Reportable segment			Total	Adjustment ₁	Consolidated ₂
Pipe system business	Machinery system business	Industrial materials business				
Net sales						
Sales to customers	¥ 54,962	¥ 22,435	¥ 19,677	¥ 97,075	¥ —	¥ 97,075
Intersegment	137	0	1,051	1,188	(1,188)	—
Total sales	55,099	22,436	20,728	98,264	(1,188)	97,075
Segment income	2,586	1,318	585	4,491	(252)	4,238
Segment assets	58,499	17,329	18,979	94,808	34,243	129,052
Other items						
Depreciation	1,368	275	495	2,139	168	2,307
Increase in property, plant and equipment, and intangible assets	¥ 1,162	¥ 107	¥ 465	¥ 1,736	¥ 127	¥ 1,864

- The 252 million yen segment income adjustment includes; 54 million yen resulting from the elimination of inter-segment transactions, 335 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 28 million yen resulting from inventory asset adjustment. The 34,243 million yen segment asset adjustment includes; a minus of 1,321 million yen resulting from the elimination of inter-segment transactions, and 35,565 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 168 million yen depreciation adjustment and 127 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.
- Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

	Thousands of U. S. dollars					
	2013					
	Reportable segment			Total	Adjustment ₁	Consolidated ₂
Pipe system business	Machinery system business	Industrial materials business				
Net sales						
Sales to customers	\$ 598,901	\$ 248,335	\$ 196,630	\$ 1,043,867	\$ —	\$ 1,043,867
Intersegment	2,149	322	9,564	12,036	(12,036)	—
Total sales	601,050	248,657	206,195	1,055,903	(12,036)	1,043,867
Segment income	40,835	13,050	7,833	61,719	891	62,610
Segment assets	621,809	207,175	194,791	1,023,776	357,768	1,381,544
Other items						
Depreciation	14,823	2,452	4,781	22,057	2,016	24,074
Increase in property, plant and equipment, and intangible assets	\$ 14,134	\$ 4,588	\$ 2,391	\$ 21,114	\$ 2,998	\$ 24,112

- The 891 thousand dollar segment income adjustment includes; 569 thousand dollars resulting from the elimination of inter-segment transactions, minus 885 thousand dollars resulting from allocation differences of selling & general administrative expenses and experiment & research expenses to be borne by each reportable segment, as well as 1,207 thousand dollars resulting from inventory asset adjustment. The 357,768 thousand dollar segment asset adjustment includes; a minus of 14,967 thousand dollars resulting from the elimination of inter-segment transactions, and 372,735 thousand 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 2,016 thousand dollar depreciation adjustment and 2,998 thousand dollar yen adjustment for increases in tangible and intangible assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to headquarters, etc.
- Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

(4) Geographic Segments

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

(5) Sales to Foreign Customers

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

(6) Information about loss on impairment of fixed assets by reportable segments

	<i>Millions of yen</i>				
	2013				
	<i>Pipe system business</i>	<i>Machinery system business</i>	<i>Industrial materials business</i>	<i>Elimination and corporate</i>	<i>Total</i>
Impairment loss	¥ —	¥ 0	¥ —	¥ 2,777	¥ 2,777

	<i>Thousands of U.S. dollars</i>				
	2013				
	<i>Pipe system business</i>	<i>Machinery system business</i>	<i>Industrial materials business</i>	<i>Elimination and corporate</i>	<i>Total</i>
Impairment loss	\$ —	\$ 2	\$ —	\$ 29,529	\$ 29,532

Note 13. Subsequent Events**Cash Dividends**

Cash dividends of the Company's retained earnings for the year ended March 31, 2013 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 27, 2013, as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends (¥2.0 per share)	¥ 264	\$ 2,811

Report of Independent Auditors

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

To the Board of Directors of Kurimoto, Ltd.

We have audited the accompanying consolidated balance sheets of Kurimoto, Ltd. and consolidated subsidiaries as of March 31, 2013, 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, 2013, 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.

Osaka, Japan
June 27, 2013

PKF Osaka Audit Corporation

Corporate Information

Kurimoto, Ltd.

Outline

Founded	1909
Incorporated	1934
Common stock	¥31,186 million*
Total assets	¥113,974 million*
Employees	1,346*

*as of March 31, 2013

Board of Directors

(as of June 27, 2013)

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

Stock

(as of March 31, 2013)

Common Stock	
Number of authorized shares	393,766,000
Number of issued shares	133,984,908
Number of shareholders	9,882

Principal Shareholders

(as of March 31, 2013)

	Number of shares held (in thousands)	Ratio of shareholding
Taiyo Life Insurance Company	12,090	9.1%
Japan Trustee Services Bank, Ltd.	9,638	7.2%
Nippon Life Insurance Company	8,482	6.4%
Resona Bank, Limited	4,440	3.3%
The Master Trust Bank of Japan, Ltd.	4,219	3.1%
Mizuho Corporate Bank, Ltd.	3,623	2.7%

Offices

Head Office

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

Tokyo Office

16-2, Konan 2-chome, Minato-ku, Tokyo 108-0075, Japan
Telephone: (03) 3436-8001 Fax: (03) 3436-8024

Hokkaido Office

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

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 27, 2013)

Kurimoto Trading Co., Ltd.

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

Kurimoto Logistics Corporation

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

Sasebo Metal, Co., Ltd.

Operations: Manufacture and sales of castings

Yamatogawa Co., Ltd.

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

Motoyama Eng. Works, Ltd.

Operations: Manufacture and sales of industrial valves

Ks-Tech Co., Ltd.

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

Hokkaido Kanzai Co., Ltd.

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

Yashima Chemical Engineering Co., Ltd.

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

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

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

X KURIMOTO, LTD.

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