

2020

Kurimoto, Manufacturing the Future

ANNUAL REPORT

Year ended March 31, 2020



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

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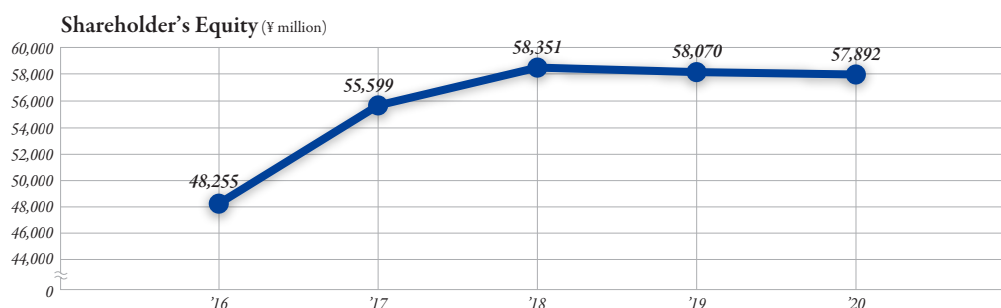
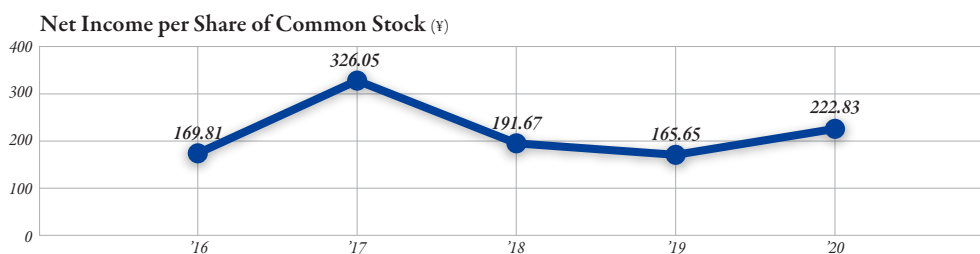
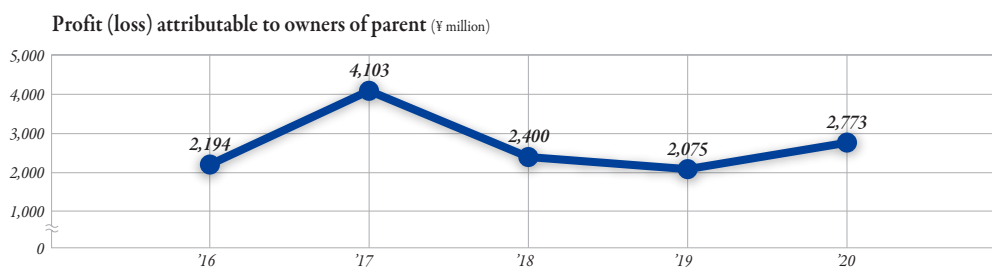
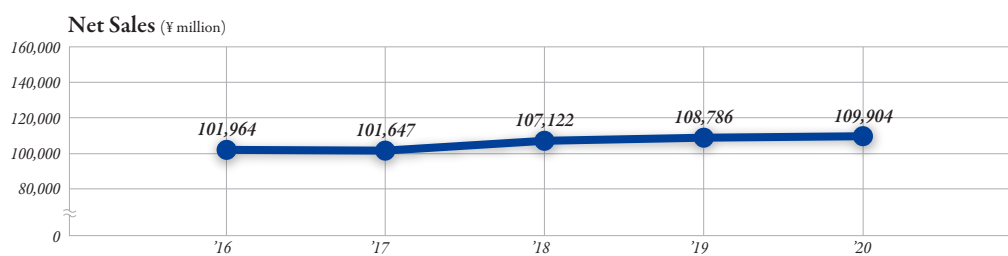
Financial Highlights

Years ended March 31	Millions of yen (thousands of U.S. dollars) except per 100 share information					
	2020	2019	2018	2017	2016	2020
Net sales	¥ 109,904	¥ 108,786	¥ 107,122	¥ 101,647	¥ 101,964	\$ 1,009,873
Profit (loss) attributable to owners of parent	2,773	2,075	2,400	4,103	2,194	25,487
Per 100 shares of common stock						
Profit (loss) attributable to owners of parent	22,283	16,565	19,167	32,605	16,981	205
Cash dividends	6,000	6,000	6,000	5,000	4,000	55
Total assets	134,216	136,469	135,122	129,212	124,382	1,233,264
Total shareholders' equity (including Accumulated other comprehensive income)	¥ 57,892	¥ 58,070	¥ 58,351	¥ 55,599	¥ 48,255	\$ 531,951

Notes 1: The U.S. dollar amounts are calculated at the exchange rate of ¥108.83 to \$1, the rate prevailing on March 31, 2020.

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

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



Message from the President

“We will overcome boundaries between segments to generate value in new domains for a promising future.”

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

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

Looking at the business climate today, I would have to say that things are becoming increasingly turbulent. Internationally, the trade war between the U.S. and China does not look like it will end any time soon, and there is a palpable fear that a no-deal Brexit from the EU might happen in the UK. I see continuing uncertainty on so many fronts. Within Japan, amidst preparations for the Tokyo Olympics, the spread of COVID-19 has nearly paralyzed global economic activity. It is truly an unprecedented situation.

Under these circumstances, in the middle year of our current three-year mid-term business plan, consolidated results exceeded initial forecasts for fiscal 2019 in both sales and profits, with an increase in revenues and profits from the previous year. Nevertheless, conditions remain quite tough in some segments in terms of the market environment and business structure, and we must stay as vigilant as ever.

In our three-year business plan, we identify some things that must be maintained and others that must be changed. The trust of our customers,

built up for over a century by our predecessors, must naturally be maintained, and to do so, we must generate the resolve to take action and make those changes that are imperative.

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

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

The 2020 fiscal year began without any end in sight to the spread of COVID-19. This may be the first time for Japan to be fighting a pandemic in earnest. To get the virus under control, not only in Japan, but everywhere around the world, the hard decision is being made to stop the movement of people and goods, a policy measure that is having an adverse effect on business activity. Yet, our business is one that supports the social and economic infrastructure, so even in times of business slowdown such as we are experiencing today, we must continue to supply the best possible systems to our stakeholders.

There is no doubt that the Kurimoto Group will be tested especially this year, but I am confident that we can

overcome the present difficulties by coming together as employees of the group to move in a unified direction.

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

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



Moriyoshi Kushida
President

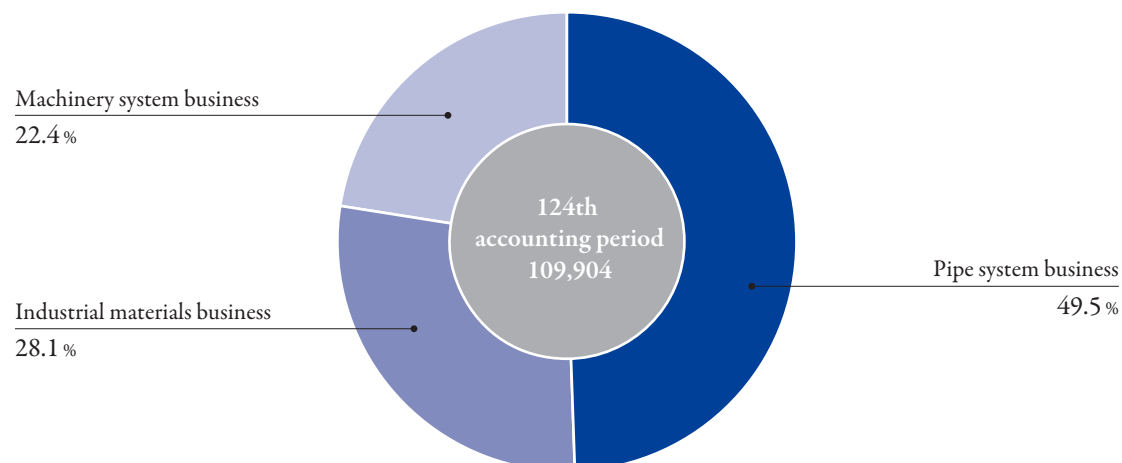
June 2020

A handwritten signature in dark ink that reads "M. Kushida". The signature is written in a cursive, flowing style.

Moriyoshi Kushida
President

Business Operations

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



Pipe system business

Sales of the pipe system business were 54,376 million yen, a decrease of 1,851 million yen over the previous consolidated fiscal year. Decreased shipment by the Ductile Iron Pipe Division was the primary factor of the decline in sales.

Despite the sales decrease, operating income of this business rose to 2,338 million yen, an increase of 1,447 million yen over the previous consolidated fiscal year, mainly because we made improvements of various costs and raw material prices remained below our expectations. In addition, price revision implemented by the Ductile Iron Pipe Division and others also contributed to the growth.

Industrial materials business

Sales of the industrial materials business were 30,879 million yen, an increase of 4,243 million yen over the previous consolidated fiscal year, supported by steady shipment in the Plastic Products Division, as well as increased shipment of air conditioning, soundproofing and other products in the Construction Materials Division.

Operating income of this business came to 1,272 million yen, an increase of 533 million yen over the previous consolidated fiscal year. Sales growth in the Construction Materials Division and the Plastic Products Division contributed to the increase of operating income the most, as well as the improvements of various costs.

Machinery system business

The machinery system business saw a decrease in sales due to decreased sales of presses in the Plant Engineering and Machinery Division, decreased shipment by the Materials and Machinery Division and other factors. As a result, sales of this business fell to 24,647 million yen, a decrease of 1,274 million yen compared to the previous consolidated fiscal year.

Operating income also fell to 1,020 million yen, a decrease of 578 million yen over the previous consolidated fiscal year, due primarily to the decline in sales registered by the Plant Engineering and Machinery Division and the Materials and Machinery Division.

Financial Section

Consolidated Balance Sheets

March 31, 2020 and 2019

Assets	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2020	2019	2020
Current assets			
Cash and deposits	¥ 20,388	¥ 21,564	\$ 187,343
Notes and accounts receivable-trade	41,193	46,316	378,509
Notes and accounts receivable-trade — unconsolidated subsidiaries and affiliates	35	28	329
Merchandise and finished goods	10,445	9,346	95,979
Work in process	8,868	6,682	81,486
Raw materials and supplies	2,605	2,625	23,937
Prepaid expenses and other current assets	1,285	1,347	11,807
Allowance for doubtful accounts	(152)	(137)	(1,396)
Total current assets	84,669	87,774	777,998
Property, plant and equipment			
Buildings and structures	26,859	26,145	246,803
Machinery, equipment and vehicles	55,205	53,910	507,262
Tools, furniture and fixtures	10,149	9,896	93,259
Land	13,787	13,773	126,685
Lease assets	400	391	3,679
Construction in progress	1,806	1,151	16,600
Accumulated depreciation	(75,341)	(74,146)	(692,285)
Total property, plant and equipment	32,867	31,121	302,005
Investments and other assets			
Investment securities — other	8,250	10,172	75,812
Investment securities — unconsolidated subsidiaries and affiliates	172	156	1,586
Long-term loans — other	13	13	122
Long-term loans — unconsolidated subsidiaries and affiliates	20	31	191
Other investments	1,445	1,657	13,279
Allowance for doubtful accounts	(164)	(178)	(1,513)
Deferred tax assets (Note 8)	5,526	4,923	50,780
Long-term prepaid expenses and other	1,414	798	13,001
Total investments and other assets	16,679	17,573	153,260
Total assets	¥ 134,216	¥ 136,469	\$ 1,233,264

Liabilities and Shareholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Current liabilities			
Notes and accounts payable-trade.....	¥ 28,806	¥ 32,886	\$ 264,694
Notes and accounts payable-trade — unconsolidated subsidiaries and affiliates	63	31	585
Short-term loans payable (Note 3).....	20,670	20,255	189,929
Current portion of long-term debt (Note 3).....	2,375	2,111	21,826
Lease obligations	31	28	292
Income taxes payable	1,258	510	11,566
Accrued liabilities	3,892	3,479	35,766
Advances received	3,351	2,377	30,797
Employees' savings deposits	390	399	3,588
Other current liabilities	2,484	2,248	22,828
Total current liabilities	63,325	64,328	581,876
Long-term liabilities			
Net defined benefit liability (Note 4).....	10,494	9,482	96,434
Long-term debt (Note 3).....	705	2,881	6,486
Lease obligations	72	31	668
Provision for environmental measures	20	110	188
Asset retirement obligations.....	318	318	2,927
Other long-term liabilities.....	401	449	3,685
Total long-term liabilities	12,013	13,274	110,390
Total liabilities	75,339	77,602	692,266
Net assets			
Shareholders' equity			
Capital stock	31,186	31,186	286,557
Authorized: 39,376,600 shares			
Issued: 13,398,490 shares in 2019			
13,098,490 shares in 2020			
Capital surplus.....	6,873	6,880	63,160
Retained earnings	22,587	21,178	207,546
Treasury stock.....	(1,831)	(1,750)	(16,824)
Total shareholders' equity	58,816	57,493	540,439
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities.....	771	2,013	7,086
Foreign currency translation adjustment	(4)	5	(42)
Remeasurements of defined benefit plans.....	(1,690)	(1,442)	(15,532)
Total accumulated other comprehensive income	(923)	576	(8,488)
Non-controlling interests	984	797	9,046
Total net assets	58,876	58,867	540,998
Total liabilities and net assets	¥ 134,216	¥ 136,469	\$ 1,233,264

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

Consolidated Statements of Income

Years ended March 31, 2020 and 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2020	2019	2020
Net sales	¥ 109,904	¥ 108,786	\$ 1,009,873
Cost of sales	83,786	84,147	769,884
Gross profit	26,117	24,639	239,988
Selling, general and administrative expenses	21,777	21,636	200,106
Operating income	4,340	3,003	39,882
Other income and (expenses)			
Interest and dividend income	329	343	3,032
Interest expense	(143)	(170)	(1,319)
Gain on sales of investment securities	148	195	1,368
Restructuring loss	—	(287)	—
Insurance income	382	310	3,511
Loss on valuation of investment securities	(355)	—	(3,262)
Loss on valuation of inventories	—	(310)	—
Loss on disaster	(552)	(515)	(5,076)
Others, net	(135)	19	(1,244)
Income before income taxes	4,014	2,587	36,891
Income taxes (Note 8)			
Current	1,389	610	12,767
Deferred	(113)	(155)	(1,044)
Total	1,275	454	11,722
Profit	2,739	2,133	25,169
Profit (loss) attributable to non-controlling interests	(34)	58	(318)
Profit attributable to owners of parent	¥ 2,773	¥ 2,075	\$ 25,487

	<i>yen</i>		<i>U.S. dollars (Note 2)</i>
	2020	2019	2020
Net income per 100 shares:			
Basic	¥ 22,283	¥ 16,565	\$ 205
Diluted	22,283	16,565	205
Cash dividends per 100 shares	6,000	6,000	55

Consolidated Statements of Comprehensive Income

Years ended March 31, 2020 and 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2020	2019	2020
Profit	¥ 2,739	¥ 2,133	\$ 25,169
Other comprehensive income			
Valuation difference on available-for-sale securities	(1,242)	(1,335)	(11,413)
Foreign currency translation adjustment	(9)	(12)	(88)
Remeasurements of defined benefit plans	(248)	(290)	(2,282)
Total other comprehensive income	(1,500)	(1,638)	(13,784)
Comprehensive income	1,239	494	11,384
Comprehensive income attributable to owners of the parent	1,273	437	11,704
Profit (loss) attributable to non-controlling interests	(34)	57	(319)

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2020 and 2019

	<i>Millions of yen</i>								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance as of March 31, 2018	¥ 31,186	¥ 6,880	¥ 19,830	¥ (1,761)	¥ 3,348	¥ 18	¥ (1,151)	¥ 748	¥ 59,100
Dividends of surplus	—	—	(817)	—	—	—	—	—	(817)
Profit attributable to owners of parent	—	—	2,075	—	—	—	—	—	2,075
Purchase of treasury shares	—	—	—	(0)	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	10	—	—	—	—	10
Change of scope of consolidation	—	—	88	—	—	—	—	—	88
Net changes of items other than shareholders' equity	—	—	—	—	(1,335)	(12)	(290)	48	(1,589)
Balance as of March 31, 2019	¥ 31,186	¥ 6,880	¥ 21,178	¥ (1,750)	¥ 2,013	¥ 5	¥ (1,442)	¥ 797	¥ 58,867
Dividends of surplus	—	—	(754)	—	—	—	—	—	(754)
Profit attributable to owners of parent	—	—	2,773	—	—	—	—	—	2,773
Purchase of treasury shares	—	—	—	(700)	—	—	—	—	(700)
Disposal of treasury shares	—	—	—	9	—	—	—	—	9
Cancellation of treasury shares	—	—	(610)	610	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	(6)	—	—	—	—	—	—	(6)
Net changes of items other than shareholders' equity	—	—	—	—	(1,241)	(9)	(248)	186	(1,313)
Balance as of March 31, 2020	¥ 31,186	¥ 6,873	¥ 22,587	¥ (1,831)	¥ 771	¥ (4)	¥ (1,690)	¥ 984	¥ 58,876

	<i>Thousands of U.S. dollars (Note 2)</i>								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance as of March 31, 2019	\$ 286,557	\$ 63,223	\$ 194,597	\$ (16,087)	\$ 18,498	\$ 46	\$ (13,250)	\$ 7,329	\$ 540,915
Dividends of surplus	—	—	(6,930)	—	—	—	—	—	(6,930)
Profit attributable to owners of parent	—	—	25,487	—	—	—	—	—	25,487
Purchase of treasury shares	—	—	—	(6,435)	—	—	—	—	(6,435)
Disposal of treasury shares	—	—	—	90	—	—	—	—	90
Cancellation of treasury shares	—	—	(5,607)	5,607	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	(62)	—	—	—	—	—	—	(62)
Net changes of items other than shareholders' equity	—	—	—	—	(11,411)	(88)	(2,282)	1,716	(12,066)
Balance as of March 31, 2020	\$ 286,557	\$ 63,160	\$ 207,546	\$ (16,824)	\$ 7,086	\$ (42)	\$ (15,532)	\$ 9,046	\$ 540,998

Consolidated Statements of Cash Flows

Years ended March 31, 2020 and 2019

Millions of yen

Thousands
of U.S. dollars
(Note 2)

	2020	2019	2020
Net cash provided by (used in) operating activities			
Income before income taxes	¥ 4,014	¥ 2,587	\$ 36,891
Depreciation and amortization	2,401	2,409	22,070
Decrease (increase) in notes and accounts receivable-trade	6,102	(3,188)	56,074
Increase (decrease) in notes and accounts payable-trade	(4,636)	865	(42,602)
Decrease (increase) in inventories	(3,264)	321	(29,995)
Interest and dividends income	(329)	(343)	(3,032)
Interest expenses	143	170	1,319
Loss (gain) on sales of short-term and long-term investment securities	(148)	(195)	(1,368)
Loss (gain) on valuation of short-term and long-term investment securities	355	—	3,262
Loss (gain) on sales of property, plant and equipment and intangible assets	(9)	(14)	(91)
Loss on retirement of property, plant and equipment and intangible assets	49	(23)	454
Increase (decrease) in allowance for doubtful accounts	1	(8)	16
Increase (decrease) in provision for retirement benefits	653	803	6,003
Loss on business restructuring	—	287	—
Loss on valuation of inventories	—	310	—
Other, net	728	338	6,691
Sub-total	6,061	4,320	55,694
Interest and dividends income received	337	352	3,097
Interest expenses paid	(144)	(170)	(1,323)
Income taxes paid	(701)	(361)	(6,446)
Net cash provided by (used in) operating activities	5,552	4,141	51,021
Net cash provided by (used in) investing activities			
Purchase of short-term and long-term investment securities	(87)	(204)	(807)
Proceeds from sales of short-term and long-term investment securities	159	376	1,468
Purchase of property, plant and equipment and intangible assets	(4,239)	(2,473)	(38,951)
Proceeds from sales of property, plant and equipment and intangible assets	26	110	242
Purchase of stocks of subsidiaries and affiliates	(13)	—	(126)
Payments of loans receivable	—	(5)	—
Collection of loans receivable	10	113	99
Other, net	192	164	1,766
Net cash provided by (used in) investing activities	(3,951)	(1,918)	(36,308)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	414	(1,259)	3,811
Repayments of lease obligations	(33)	(43)	(307)
Proceeds from long-term loans payable	200	36	1,837
Repayment of long-term loans payable	(2,111)	(2,117)	(19,400)
Cash dividends paid	(754)	(816)	(6,929)
Dividends paid to non-controlling interests	(11)	(9)	(103)
Purchase of treasury shares	(700)	(0)	(6,435)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	120	—	1,106
Purchase of treasury shares of subsidiaries	(54)	—	(503)
Proceeds from disposal of treasury shares of subsidiaries	160	—	1,472
Net cash provided by (used in) financing activities	(2,769)	(4,211)	(25,450)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(8)	11	(79)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,177)	(1,976)	(10,817)
Cash and Cash Equivalents at Beginning of Year	21,507	23,134	197,628
Increase in cash and cash equivalents from newly consolidated subsidiary	—	350	—
Cash and Cash Equivalents at End of Year	¥ 20,330	¥ 21,507	\$ 186,811

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

Cash and deposits	¥20,388	¥21,564	\$187,343
Time deposits due over three months	(57)	(56)	(532)
Cash and cash equivalents	¥20,330	¥21,507	\$186,811

Notes to Financial Statements

Note 1. Significant Accounting Policies

Basis of Presenting Consolidated Financial Statements

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

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

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

Consolidation Policies

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

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

Translation of Foreign Currencies

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

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

A Range of Funds in a Statement of Consolidated Cash Flow

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

Marketable and Investment Securities

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

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

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

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

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

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

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

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

Inventories

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

Fixed Assets (excluding lease assets)

Fixed assets are stated 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 expensed as incurred, but any large scale repair or reformation is classified as assets.

Liability for Retirement Benefits

1. The Period Attribution Method for Projected Retirement Benefits

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

2. Mathematical Calculation for the Amortization of Actuarial Differences

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

Research and Development and Computer Software

Research & development expenses have been charged as incurred.

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

Income Taxes

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

Per Share Information

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each period. The average number of shares used in the computation was 12,447,790 and 12,530,084 for the years ended March 31, 2020 and 2019, 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, 2020 are as follows.

	<i>Millions of yen</i>		
	2020		
	<i>Carrying amounts</i>	<i>Market value</i>	<i>Unrealized gain (loss)</i>
Other securities	¥ 6,716	¥ 7,822	¥ 1,106

	<i>Thousands of U.S. dollars</i>		
	2020		
	<i>Carrying amounts</i>	<i>Market value</i>	<i>Unrealized gain (loss)</i>
Other securities	\$ 61,712	\$ 71,876	\$ 10,163

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=¥108.83 as of March 31, 2020, 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, 2020 and 2019 are 0.5% and 0.4%, respectively.

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Loans from financial institution, due 2020 to 2024 with interest rates between 0.167% and 0.48%	3,081	4,992	28,312
Sub-total	3,081	4,992	28,312
Less current portion of loans	2,375	2,111	21,826
	¥ 705	¥ 2,881	\$ 6,486

The aggregate annual maturities of long-term financial debt at March 31, 2020 and 2019 respectively are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
2020	—	2,111	—
2021	2,375	2,309	21,826
2022	108	42	996
2023	595	527	5,473
2024	1	1	16
	¥ 3,081	¥ 4,992	\$ 28,312

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, 2020, assets pledged as collateral for short-term bank loans, and long-term debt, including the current portion of long-term debt, were as follows:

	Thousands of U.S. dollars	
	Millions of yen	2020
Buildings and structures	¥ 3,206	\$ 29,463
Machinery, equipment	955	8,777
Land	771	7,093
	¥ 4,933	\$ 45,333

Note 4. Retirement Benefits

The following are matters concerning the defined benefit plan as of March 31, 2020 and 2019, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of the year	¥ 12,877	¥ 12,310	\$ 118,323
Service cost	683	662	6,284
Interest cost	10	19	94
Actuarial loss (gain)	83	285	763
Benefits paid	(438)	(401)	(4,025)
Balance at end of the year	¥ 13,216	¥ 12,877	\$ 121,440

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of the year	¥ 3,992	¥ 4,640	\$ 36,681
Expected return on plan assets	104	111	955
Actuarial gain (loss)	(679)	(698)	(6,242)
Benefits paid	(72)	(61)	(662)
Balance at end of the year	¥ 3,344	¥ 3,992	\$ 30,732

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of the year	¥ 597	¥ 586	\$ 5,490
Retirement benefit costs	106	122	978
Benefits paid	(56)	(102)	(520)
Contributions paid by the employer	(24)	(9)	(221)
Balance at end of the year	¥ 623	¥ 597	\$ 5,726

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded retirement benefit obligations	¥ 13,727	¥ 13,383	\$ 126,133
Plan assets	(3,666)	(4,309)	(33,692)
	10,060	9,073	92,441
Unfunded retirement benefit obligations	434	408	3,993
Total net liability (asset) for retirement benefits at March 31	10,494	9,482	96,434
Liability for retirement benefits	10,494	9,482	96,434
Asset for retirement benefits	—	—	—
Total net liability (asset) for retirement benefits at end of the year	¥ 10,494	¥ 9,482	\$ 96,434

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 683	¥ 662	\$ 6,284
Interest cost	10	19	94
Expected return on plan assets	(104)	(111)	(955)
Net actuarial loss amortization	403	567	3,706
Retirement benefit costs calculated by the simplified method	106	122	978
Total retirement benefit costs for the fiscal year	¥ 1,100	¥ 1,260	\$ 10,108

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Actuarial loss (gain)	¥ 359	¥ 417	\$ 3,299
Total	¥ 359	¥ 417	\$ 3,299

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized actuarial differences	¥ 2,435	¥ 2,076	\$ 22,377
Total	¥ 2,435	¥ 2,076	\$ 22,377

(8) Accumulated adjustments for retirement benefit

① Plan assets comprise:

	2020	2019
Equity securities	53%	62%
Cash and cash equivalents	3%	3%
Investment trust	39%	30%
Other	5%	5%
Total	100%	100%

② Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered.

(9) Accumulated adjustments for retirement benefit

The principal actuarial assumption (expressed as weighted averages) are as follows:

	2020	2019
Discount rate	0.0%~0.5%	0.0%~0.6%
Long-term expected rate of return	2.7%	2.5%
Expected rate of salary increase	0.7%~5.2%	0.6%~5.1%

Defined contribution plans

The required contribution amount for consolidated subsidiaries for the defined contribution plan was 194 million yen (1,788 thousand US dollars) as of March 31, 2020.

Note 5. Contingent Liabilities

As of March 31, 2020 and 2019, the company was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
As guarantor of indebtedness of unconsolidated subsidiaries and others	¥ 53	¥ 63	\$ 493
Transfer of notes and bills endorsed for payment	—	¥ 0	—

Note 6. Derivatives and Hedging Activities

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

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

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

Note 7. Research and Development Expenses

Research and development expenditures charged to income were ¥1,588 million (\$14,598 thousand) for the year ended March 31, 2020.

Note 8. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 30.6% and 30.6% for the year ended March 31, 2020 and 2019, 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, 2020 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, 2020 and 2019 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets			
Net defined benefit liability	¥4,556	¥ 4,242	\$41,865
Accrued bonus indemnities	581	510	5,340
Allowance for doubtful accounts	59	53	545
Allowance for loss on construction work	56	35	518
Loss on revaluation of investment securities	284	175	2,612
Amalgamated received property	543	543	4,996
Impairment loss	1	1	9
Operating loss carry-forwards	265	478	2,442
Elimination of inter-company profits	25	21	237
Other	1,302	1,138	11,970
Total gross deferred tax assets	7,676	7,201	70,539
Valuation allowance related to tax loss carryforward	(249)	(137)	(2,291)
Valuation allowance related to total deductible temporary differences	(1,492)	(1,355)	(13,717)
Subtotal of valuation allowance (Note 1)	(1,742)	(1,492)	(16,009)
Net deferred tax assets	¥5,934	¥5,708	\$54,529

(Note 1)

Valuation allowance increased by 249 million yen (2,295 thousand US dollars). The primary factor of the increase was an increase in the valuation allowance related to tax loss carryforward at consolidated subsidiaries.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2020	2019	2020
Deferred tax liabilities			
Evaluated difference of other securities	¥ (335)	¥ (714)	\$ (3,079)
Dividends receivable	(50)	(52)	(461)
Other	(22)	(18)	(207)
Total deferred tax liabilities	(407)	(785)	(3,748)
Net deferred tax assets	¥ 5,526	¥ 4,923	\$ 50,780

Note 9. Financial Instruments and Related Disclosures

(1) Policy for Financial Instruments

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

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

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

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

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

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

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

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

(3) Risk Management for Financial Instruments

Credit Risk Management

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

instruments are highly reliable Japanese financial institutions, credit risk is judged to be immaterial.

Market Risk Management

This company has entered into an exchange forward contract to hedge part of the risks arising from exchange-rate fluctuations for operating receivables/payables denominated in foreign currencies. With regard to floating rate debt, we closely monitor economic and interest-rate outlooks and conduct fund raising suited to each situation, and employ interest-rate swap transaction in order to control fluctuation risks in the interest rate for part of the debt. As for marketable and investment securities, This Company periodically seizes the trend of fair value and financial position of the issuers (business partners) to continuously review the possession situation, taking into account the market conditions and its relationship with the business partners.

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

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

Management of Liquidity Risk Related to Financing

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

(4) Fair Values of Financial Instruments

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

	<i>Millions of yen</i>		
	2020		
	<i>Carrying amounts</i>	<i>Fair value</i>	<i>Unrecognized gain (loss)</i>
Cash and deposits	¥ 20,388	¥ 20,388	¥ —
Notes and accounts receivable-trade	41,229	41,229	—
Investment securities	7,822	7,822	—
Total	69,439	69,439	—
Notes and accounts payable-trade	28,870	28,870	—
Short-term loans payable	20,670	20,670	—
Current portion of long-term debt	2,375	3,081	0
Long-term debt	705	—	—
Total	¥ 52,621	¥ 52,622	¥ 0

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

	<i>Thousands of U.S. dollars</i>		
	2020		
	<i>Carrying amounts</i>	<i>Fair value</i>	<i>Unrecognized gain (loss)</i>
Cash and deposits	\$ 187,343	\$ 187,343	\$ —
Notes and accounts receivable-trade	378,839	378,839	—
Investment securities	71,876	71,876	—
Total	638,059	638,059	—
Notes and accounts payable-trade	265,279	265,279	—
Short-term loans payable	189,929	189,929	—
Current portion of long-term debt	21,826	28,317	5
Long-term debt	6,486	—	—
Total	\$ 483,521	\$ 483,526	\$ 5

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

Assets

Cash and deposits, and notes and accounts receivable-trade

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

Investment securities

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

Liabilities

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

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

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

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

Derivative financial instruments

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

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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Unlisted equity securities	¥ 588	\$ 5,404
Investment in silent partnerships	¥ 12	\$ 118

Unlisted equity securities

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

Note 10. Segment Information

(1) Outline of Reportable Segments

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

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

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

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

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

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

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

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

Segment information for the fiscal years ended March 2019 and 2020 is as follows:

	Millions of yen					
	2020					
	Reportable segment			Total	Adjustment ₁	Consolidated ₂
Pipe system business	Machinery system business	Industrial materials business				
Net sales						
Sales to customers	¥ 54,376	¥ 24,647	¥ 30,879	¥ 109,904	¥ —	¥ 109,904
Intersegment	245	142	90	479	(479)	—
Total sales	54,622	24,790	30,970	110,383	(479)	109,904
Segment income	2,338	1,020	1,272	4,631	(290)	4,340
Segment assets	53,690	22,293	22,660	98,644	35,571	134,216
Other items						
Depreciation	1,226	426	447	2,099	302	2,401
Increase in property, plant and equipment, and intangible assets	¥ 937	¥ 1,110	¥ 1,712	¥ 3,759	¥ 1,200	¥ 4,960

1. The minus 290 million yen segment income adjustment includes: 21 million yen resulting from the elimination of intersegment transactions; minus 392 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 79 million yen resulting from inventory asset adjustment. The 35,571 million yen segment asset adjustment includes: minus 3,526 million yen resulting from the elimination of intersegment transactions; and 39,098 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 302 million yen depreciation adjustment and 1,200 million yen adjustment for increases in tangible and intangible fixed assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to headquarters, etc.

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

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

1. The minus 225 million yen segment income adjustment includes: 5 million yen resulting from the elimination of intersegment transactions; minus 211 million yen resulting from allocation differences of selling & general administrative expenses and experiment & research expenses to be borne by each reportable segment; as well as minus 19 million yen resulting from inventory asset adjustment. The 35,520 million yen segment asset adjustment includes: minus 4,394 million yen resulting from the elimination of intersegment transactions; and 39,914 million yen due to a working capital surplus, investment securities and land, etc., which are company-wide assets and not attributable to any specific reportable segment. The 248 million yen depreciation adjustment and 482 million yen adjustment for increases in tangible and intangible fixed assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to headquarters, etc.

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

	<i>Thousands of U.S. dollars</i>					
	2020					
	<i>Reportable segment</i>					
	<i>Pipe system business</i>	<i>Machinery system business</i>	<i>Industrial materials business</i>	<i>Total</i>	<i>Adjustment₁</i>	<i>Consolidated₂</i>
Net sales						
Sales to customers	\$ 499,649	\$ 226,479	\$ 283,744	\$ 1,009,873	\$ —	\$ 1,009,873
Intersegment	2,256	1,313	832	4,402	(4,402)	—
Total sales	501,905	227,792	284,577	1,014,275	(4,402)	1,009,873
Segment income	21,488	9,373	11,690	42,552	(2,670)	39,882
Segment assets	493,342	204,846	208,218	906,407	326,857	1,233,264
Other items						
Depreciation	11,266	3,917	4,107	19,291	2,779	22,070
Increase in property, plant and equipment, and intangible assets	\$ 8,612	\$ 10,201	\$ 15,735	\$ 34,549	\$ 11,028	\$ 45,577

1. The minus 2,670 thousand US dollar segment income adjustment includes: minus 201 thousand US dollars resulting from the elimination of intersegment transactions; 3,603 thousand US dollars resulting from allocation differences of selling & general administrative expenses and experiment & research expenses to be borne by each reportable segment; as well as minus 731 thousand US dollars resulting from inventory asset adjustment.

The 326,857 thousand US dollar segment asset adjustment includes: minus 32,403 thousand US dollars resulting from the elimination of intersegment transactions; and 359,260 thousand US dollars due to a working capital surplus, investment securities and land, etc., which are company-wide assets and not attributable to any specific reportable segment.

The 2,779 thousand US dollar depreciation adjustment and 11,028 thousand US dollar adjustment for increases in tangible and intangible fixed assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to headquarters, etc.

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

(4) Geographic Segments

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

(5) Sales to Foreign Customers

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

Note 11. Subsequent Events

Cash Dividends

Cash dividends of the Company’s retained earnings for the year ended March 31, 2020 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 25, 2020, as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends (¥30.0 per share)	¥ 366	\$ 3,368

Note 12. Cancellation of treasury shares

The Company’s Board of Directors resolved at the meeting held on November 5, 2019 to cancel treasury shares, pursuant to the provisions of Article 178 of the Companies Act. Based on the resolution mentioned above, 300,000 shares of common stock were cancelled on November 19, 2019.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Values of shares cancelled	¥ 610	\$ 5,607

Independent Auditor's Report

To the Board of Directors of Kurimoto, Ltd.

Opinion

We have audited the accompanying consolidated balance sheet of Kurimoto, Ltd. (the "Company") and its consolidated subsidiaries as of March 31, 2020, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of March 31, 2020, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board and its members for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance 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 misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Audit & Supervisory Board and its members are responsible for overseeing the Company and its consolidated subsidiaries' financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. These audit procedures are based on auditor's professional judgment and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, and the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board and its members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide Audit & Supervisory Board and its members with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 and Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its engagement partners do not have any interest in the Company and its consolidated subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

PKF HIBIKI AUDIT CORPORATION

Osaka, Japan

October 30, 2020

Seiji Doko
[Representative Partner]
Engagement Partner
Certified Public Accountant

Katsuyuki Matsumoto
[Representative Partner]
Engagement Partner
Certified Public Accountant

Motohiro Muto
[Representative Partner]
Engagement Partner
Certified Public Accountant

Corporate Information

Kurimoto, Ltd.

(as of June 25, 2020)

Outline

Founded	1909
Incorporated	1934
Common stock	¥31,186 million*
Total assets	¥117,126 million*
Employees	1,341*

*as of March 31, 2020

Board of Directors

(as of June 25, 2020)

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

Stock

(as of March 31, 2020)

Common Stock	
Number of authorized shares	39,376,600
Number of issued shares	13,098,490
Number of shareholders	6,831

Principal Shareholders

(as of March 31, 2020)

	Number of shares held (in thousands)	Ratio of shareholding
Taiyo Life Insurance Company	1,209	9.89%
Japan Trustee Services Bank, Ltd.	1,201	9.83%
Nippon Life Insurance Company	678	5.55%
The Master Trust Bank of Japan, Ltd.	522	4.27%
Resona Bank, Limited	444	3.63%
Mizuho Bank, Ltd.	362	2.96%

Offices

Head Office

12-19, Kitahorie 1-chome, Nishi-ku, Osaka 550-8580, Japan
Telephone: (06) 6538-7603 Fax: (06) 6538-7758

Tokyo Office

16-2, Konan 2-chome, Minato-ku, Tokyo 108-0075, Japan
Telephone: (03) 3450-8611 Fax: (03) 3450-8504

Hokkaido Office

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

Tohoku Office

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

Nagoya Office

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

Chugoku Office

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

Kyushu Office

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

Europe Office

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

Jakarta Office

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

Banking References

Head Office

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

Tokyo Office

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

Kurimoto Group

(as of June 25, 2020)

Kurimoto Group consists of Kurimoto, Ltd. and 22 subsidiaries, including the following.

Kurimoto Trading Co., Ltd.

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

Kurimoto Logistics Corporation

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

Japan Castering Co., Ltd.

Operations: Manufacture and sales of castings

Yamatogawa Co., Ltd.

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

Motoyama Eng. Works, Ltd.

Operations: Manufacture and sales of industrial valves

Ks-Tech Co., Ltd.

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

Hokkaido Kanzai Co., Ltd.

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

Yashima Chemical Engineering Co., Ltd.

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

Nihon Kaiser Co., Ltd.

Operations: Manufacture and sales of half precast products

Kurimoto Business Associates Co., Ltd.

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

Kurimoto USA, Inc.

Operations: Holding company

Readco Kurimoto, LLC

Operations: Manufacture and sales of industrial machinery

Kurimoto Polymers Co., Ltd.

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

Zentec Co., Ltd.

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

Kurimoto Pipe Engineering Co., Ltd.

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

Riko, Ltd.

Operations: Production of valves

Kuritetsu (Shanghai) Trading Co., Ltd.

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

Kurimoto (Philippines) Corporation

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

KURIMOTO

12-19, Kitahorie 1-chome, Nishi-ku, Osaka 550-8580, Japan

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Facsimile (06)6538-7758

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