

# 2021

Kurimoto, Manufacturing the Future

## ANNUAL REPORT

Year ended March 31, 2021



## 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 20 subsidiaries and 1 associate, 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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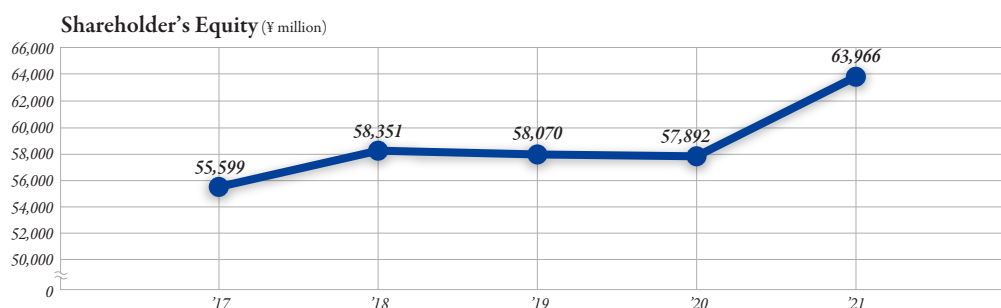
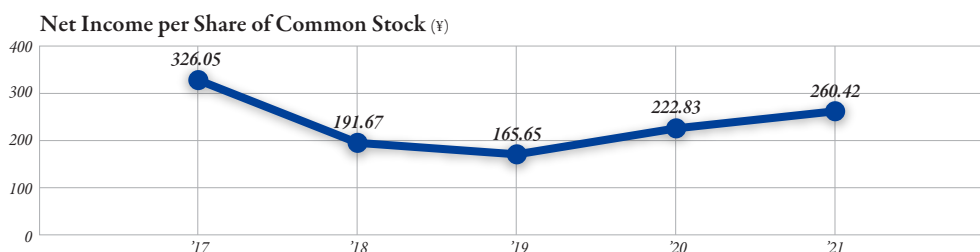
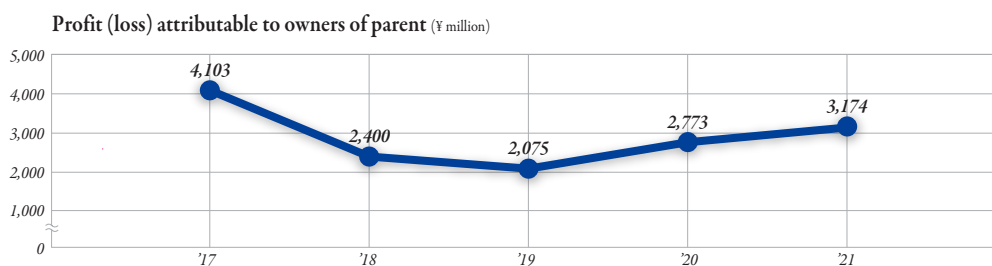
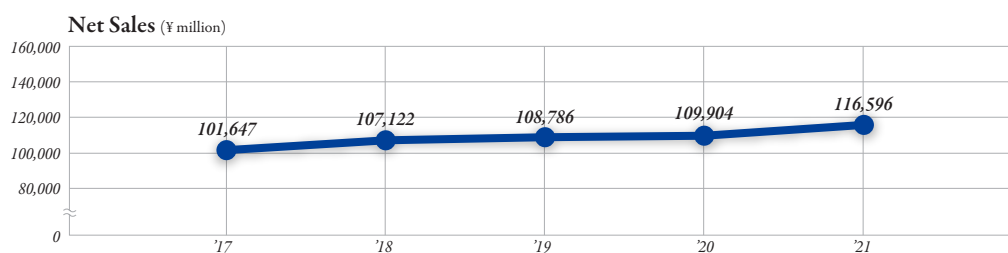
# Financial Highlights

Years ended March 31	Millions of yen (thousands of U.S. dollars) except per 100 share information					
	2021	2020	2019	2018	2017	2021
Net sales .....	¥ 116,596	¥ 109,904	¥ 108,786	¥ 107,122	¥ 101,647	\$ 1,053,174
Profit (loss) attributable to owners of parent .....	3,174	2,773	2,075	2,400	4,103	28,673
Total assets .....	134,477	134,216	136,469	135,122	129,212	1,214,683
Total shareholders' equity (including Accumulated other comprehensive income) .....	¥ 63,966	¥ 57,892	¥ 58,070	¥ 58,351	¥ 55,599	\$ 577,784
Per 100 shares of common stock						
Profit (loss) attributable to owners of parent .....	26,042	22,283	16,565	19,167	32,605	235
Cash dividends .....	7,000	6,000	6,000	6,000	5,000	63

Notes 1: The U.S. dollar amounts are calculated at the exchange rate of ¥110.71 to \$1, the rate prevailing on March 31, 2021.

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 work together as Team Kurimoto to evolve a bold culture as an organization to take on all challenges.”

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 110 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 all stakeholders in this group for your ongoing support.

In fiscal 2020, the final year of our last three-year mid-term business plan, even with the impact of the pandemic, consolidated results exceeded initial forecasts in both sales and profits, with an increase in revenues and profits from the previous year. We steadily achieved and exceeded all numerical goals set up in the three-year plan, which called for increasing growth. These results reaffirm that our businesses support essential work, considered as such by society, particularly amidst the global pandemic.

Nevertheless, it is beyond a year since the beginning of COVID-19’s spread, there are still no signs of the virus abating. The business climate in which our group operates is also starting to be affected by fears of increasing transmission. Conditions remain quite tough in some segments and uncertainty continues to intensify.

So, while anyone can not predict the end of the pandemic, to set a path forward for Kurimoto that will bring steady, sustainable growth, we devised a new three-year mid-term business plan that started in fiscal 2021. With justifiable faith that society’s demand for what we offer will remain strong, this new three-year plan aims to shore up the foundations of our existing businesses and accelerate growth in new businesses spawned over the last three years, all with a long-term outlook that is directed toward national resilience and carbon neutrality.

Changes in the social climate present an opportunity for us to resolve internal issues, apply business process reengineering to establish a new normal, and strengthen our management base through workforce strategy plus corporate social responsibility, which includes working toward the SDGs and improving environmental, social, and governance measures.

As our group, we will rally around the idea of Team Kurimoto, and based on our management philosophy we will cultivate an organizational culture of taking on challenges bravely rather than being paralyzed by a fear of making mistakes. We aim to create a better future for people and society “with calm and resolve” by providing optimal systems to our customers across products, operations, and services. This has been our mission and will continue to guide the Kurimoto Group going forward.

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.



Kazutaka Kikumoto  
President

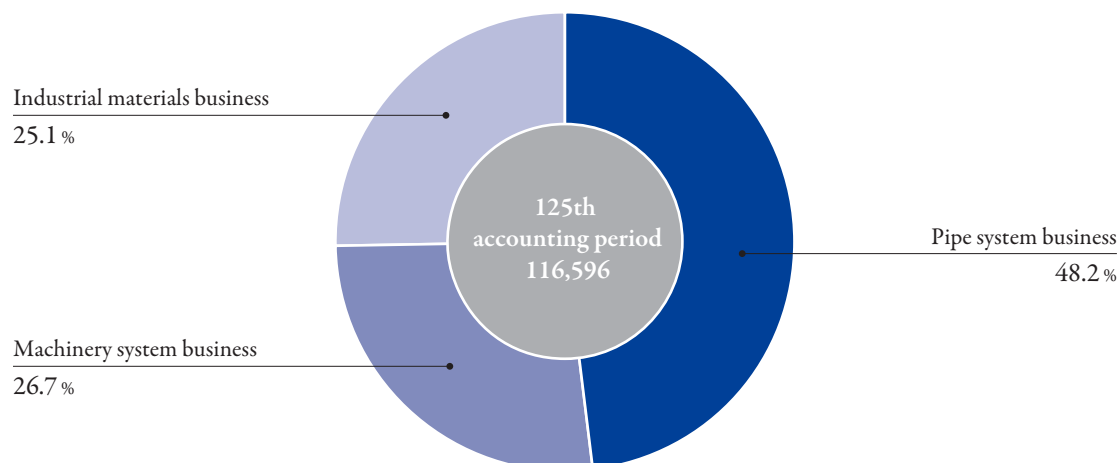
June 2021

A handwritten signature in black ink that reads "K. Kikumoto". The signature is written in a cursive, slightly stylized font.

Kazutaka Kikumoto  
President

# Business Operations

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



### Pipe system business

Sales of the pipe system business were 56,185 million yen, an increase of 1,809 million yen over the previous consolidated fiscal year. Increased shipment recorded by the Ductile Iron Pipe Division, coupled with steady shipment to meet private demand in the Valve Systems Division, was the primary factor of the increase in sales.

Operating income of this business rose to 3,087 million yen, an increase of 749 million yen over the previous consolidated fiscal year, mainly because we focused on the improvements of various costs, also supported by the sales growth in the Ductile Iron Pipe Division and Valve Systems Division.

### Industrial materials business

Sales of the industrial materials business were 29,226 million yen, a decrease of 1,653 million yen over the previous consolidated fiscal year. Despite steady shipment of products for power systems and railways recorded by the Plastic Products Division, shipment of air conditioning and other products decreased due partly to a decrease in construction works in the Construction Materials Division.

Operating income of this business came to 1,074 million yen, a decrease of 197 million yen over the previous consolidated fiscal year. The sales growth in the Plastic Products Division and our efforts to improve various costs could not offset the significant impact of the sales decline posted by the Construction Materials Division.

### Machinery system business

The machinery system business enjoyed sales growth driven by an increase in shipment of large projects and a progress made by large projects adopting the percentage-of-completion method in the Plant Engineering and Machinery Division, and other factors. As a result, sales of this business rose to 31,184 million yen, an increase of 6,537 million yen compared to the previous consolidated fiscal year.

Although sales increased as stated above, operating income fell to 610 million yen, a decrease of 409 million yen over the previous consolidated fiscal year, mainly because additional work occurred for some plant projects in the Plant Engineering and Machinery Division.

# Financial Section

## Consolidated Balance Sheets

March 31, 2021 and 2020

Assets	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2021	2020	2021
<b>Current assets</b>			
Cash and deposits .....	¥ 20,418	¥ 20,388	\$ 184,428
Notes and accounts receivable-trade .....	43,155	41,193	389,809
Notes and accounts receivable-trade — unconsolidated subsidiaries and affiliates .....	47	35	427
Merchandise and finished goods .....	10,194	10,445	92,079
Work in process .....	4,965	8,868	44,852
Raw materials and supplies .....	2,733	2,605	24,693
Prepaid expenses and other current assets .....	1,234	1,285	11,154
Allowance for doubtful accounts .....	(115)	(152)	(1,040)
<b>Total current assets</b>	<b>82,634</b>	<b>84,669</b>	<b>746,404</b>
<b>Property, plant and equipment</b>			
Buildings and structures .....	28,000	26,859	252,916
Machinery, equipment and vehicles .....	55,984	55,205	505,687
Tools, furniture and fixtures .....	10,337	10,149	93,376
Land .....	13,808	13,787	124,729
Lease assets .....	403	400	3,645
Construction in progress .....	1,054	1,806	9,522
Accumulated depreciation .....	(76,702)	(75,341)	(692,825)
<b>Total property, plant and equipment</b>	<b>32,886</b>	<b>32,867</b>	<b>297,052</b>
<b>Investments and other assets</b>			
Investment securities — other .....	11,475	8,250	103,651
Investment securities — unconsolidated subsidiaries and affiliates .....	200	172	1,814
Long-term loans — other .....	12	13	116
Long-term loans — unconsolidated subsidiaries and affiliates .....	—	20	—
Other investments .....	1,378	1,445	12,450
Allowance for doubtful accounts .....	(54)	(164)	(495)
Deferred tax assets (Note 9) .....	4,041	5,526	36,507
Long-term prepaid expenses and other .....	1,902	1,414	17,181
<b>Total investments and other assets</b>	<b>18,956</b>	<b>16,679</b>	<b>171,226</b>
<b>Total assets</b>	<b>¥ 134,477</b>	<b>¥ 134,216</b>	<b>\$ 1,214,683</b>

Liabilities and Shareholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
<b>Current liabilities</b>			
Notes and accounts payable-trade.....	¥ 27,074	¥ 28,806	\$ 244,551
Notes and accounts payable-trade — unconsolidated subsidiaries and affiliates .....	50	63	457
Short-term loans payable (Note 4).....	20,320	20,670	183,542
Current portion of long-term debt (Note 4).....	668	2,375	6,042
Lease obligations.....	34	31	312
Income taxes payable.....	618	1,258	5,585
Accrued liabilities.....	3,891	3,892	35,154
Advances received.....	1,281	3,351	11,578
Employees' savings deposits.....	392	390	3,541
Other current liabilities.....	3,210	2,484	29,003
<b>Total current liabilities</b> .....	<b>57,543</b>	<b>63,325</b>	<b>519,767</b>
<b>Long-term liabilities</b>			
Net defined benefit liability (Note 5).....	9,305	10,494	84,054
Long-term debt (Note 4).....	1,736	705	15,689
Lease obligations.....	89	72	808
Provision for environmental measures.....	20	20	185
Asset retirement obligations.....	318	318	2,880
Other long-term liabilities.....	351	401	3,172
<b>Total long-term liabilities</b> .....	<b>11,822</b>	<b>12,013</b>	<b>106,790</b>
<b>Total liabilities</b> .....	<b>69,366</b>	<b>75,339</b>	<b>626,558</b>
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Capital stock.....	31,186	31,186	281,691
Authorized: 39,376,600 shares			
Issued: 13,098,490 shares in 2020			
13,098,490 shares in 2021			
Capital surplus.....	6,873	6,873	62,087
Retained earnings.....	25,028	22,587	226,073
Treasury stock.....	(1,817)	(1,831)	(16,415)
<b>Total shareholders' equity</b> .....	<b>61,271</b>	<b>58,816</b>	<b>553,437</b>
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities.....	3,306	771	29,865
Foreign currency translation adjustment.....	(52)	(4)	(470)
Remeasurements of defined benefit plans.....	(558)	(1,690)	(5,048)
<b>Total accumulated other comprehensive income</b> .....	<b>2,695</b>	<b>(923)</b>	<b>24,346</b>
<b>Non-controlling interests</b> .....	<b>1,144</b>	<b>984</b>	<b>10,340</b>
<b>Total net assets</b> .....	<b>65,111</b>	<b>58,876</b>	<b>588,124</b>
<b>Total liabilities and net assets</b> .....	<b>¥ 134,477</b>	<b>¥ 134,216</b>	<b>\$ 1,214,683</b>

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

## Consolidated Statements of Income

Years ended March 31, 2021 and 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2021	2020	2021
Net sales .....	¥ 116,596	¥ 109,904	\$ 1,053,174
Cost of sales .....	90,582	83,786	818,194
Gross profit .....	26,014	26,117	234,980
Selling, general and administrative expenses .....	21,341	21,777	192,767
Operating income .....	4,673	4,340	42,212
Other income and (expenses)			
Interest and dividend income .....	332	329	2,999
Interest expense .....	(150)	(143)	(1,361)
Gain on sales of investment securities .....	1	148	17
Insurance income .....	—	382	—
Loss on valuation of investment securities .....	(6)	(355)	(61)
Loss on disaster .....	(0)	(552)	(7)
Arrangement fee .....	(153)	—	(1,381)
Others, net .....	(157)	(135)	(1,420)
Income before income taxes .....	4,538	4,014	40,997
Income taxes (Note 9)			
Current .....	1,174	1,389	10,609
Deferred .....	13	(113)	122
Total .....	1,188	1,275	10,732
Profit .....	3,350	2,739	30,265
Profit (loss) attributable to non-controlling interests .....	176	(34)	1,591
Profit attributable to owners of parent .....	¥ 3,174	¥ 2,773	\$ 28,673

	<i>yen</i>		<i>U.S. dollars (Note 2)</i>
	2021	2020	2021
Net income per 100 shares:			
Basic .....	¥ 26,042	¥ 22,283	\$ 235
Diluted .....	26,042	22,283	235
Cash dividends per 100 shares .....	7,000	6,000	63

## Consolidated Statements of Comprehensive Income

Years ended March 31, 2021 and 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2021	2020	2021
Profit .....	¥ 3,350	¥ 2,739	\$ 30,265
Other comprehensive income			
Valuation difference on available-for-sale securities .....	2,535	(1,242)	22,899
Foreign currency translation adjustment .....	(47)	(9)	(428)
Remeasurements of defined benefit plans .....	1,131	(248)	10,223
Total other comprehensive income .....	3,619	(1,500)	32,694
Comprehensive income .....	6,970	1,239	62,959
Comprehensive income attributable to owners of the parent .....	6,793	1,273	61,363
Profit (loss) attributable to non-controlling interests .....	176	(34)	1,595



## Consolidated Statements of Changes in Net Assets

Years ended March 31, 2021 and 2020

*Millions of yen*

	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	¥ 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
Dividends of surplus	—	—	(733)	—	—	—	—	—	(733)
Profit attributable to owners of parent	—	—	3,174	—	—	—	—	—	3,174
Purchase of treasury shares	—	—	—	(0)	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	14	—	—	—	—	14
Net changes of items other than shareholders' equity	—	—	—	—	2,535	(47)	1,131	160	3,779
Balance as of March 31, 2021	¥ 31,186	¥ 6,873	¥ 25,028	¥ (1,817)	¥ 3,306	¥ (52)	¥ (558)	¥ 1,144	¥ 65,111

*Thousands of U.S. dollars (Note 2)*

	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, 2020	\$ 281,691	\$ 62,087	\$ 204,022	\$ (16,539)	\$ 6,966	\$ (41)	\$ (15,268)	\$ 8,892	\$ 531,811
Dividends of surplus	—	—	(6,621)	—	—	—	—	—	(6,621)
Profit attributable to owners of parent	—	—	28,673	—	—	—	—	—	28,673
Purchase of treasury shares	—	—	—	(4)	—	—	—	—	(4)
Disposal of treasury shares	—	—	—	128	—	—	—	—	128
Net changes of items other than shareholders' equity	—	—	—	—	22,898	(428)	10,220	1,447	34,138
Balance as of March 31, 2021	\$ 281,691	\$ 62,087	\$ 226,073	\$ (16,415)	\$ 29,865	\$ (470)	\$ (5,048)	\$ 10,340	\$ 588,124

## Consolidated Statements of Cash Flows

Years ended March 31, 2021 and 2020

Millions of yen

Thousands  
of U.S. dollars  
(Note 2)

	2021	2020	2021
Net cash provided by (used in) operating activities			
Income before income taxes .....	¥ 4,538	¥ 4,014	\$ 40,997
Depreciation and amortization .....	2,520	2,401	22,769
Decrease (increase) in notes and accounts receivable-trade .....	(3,942)	6,102	(35,612)
Increase (decrease) in notes and accounts payable-trade .....	(867)	(4,636)	(7,838)
Decrease (increase) in inventories .....	4,017	(3,264)	36,288
Interest and dividends income .....	(332)	(329)	(2,999)
Interest expenses .....	150	143	1,361
Loss (gain) on sales of short-term and long-term investment securities .....	6	(148)	55
Loss (gain) on valuation of short-term and long-term investment securities .....	6	355	61
Loss (gain) on sales of property, plant and equipment and intangible assets .....	37	(9)	339
Loss on retirement of property, plant and equipment and intangible assets .....	62	49	563
Increase (decrease) in allowance for doubtful accounts .....	(146)	1	(1,324)
Increase (decrease) in provision for retirement benefits .....	441	653	3,984
Other, net .....	926	728	8,369
Sub-total .....	7,419	6,061	67,016
Interest and dividends income received .....	329	337	2,979
Interest expenses paid .....	(150)	(144)	(1,357)
Income taxes paid .....	(1,691)	(701)	(15,280)
Net cash provided by (used in) operating activities .....	5,907	5,552	53,358
Net cash provided by (used in) investing activities			
Purchase of short-term and long-term investment securities .....	(263)	(87)	(2,380)
Proceeds from sales of short-term and long-term investment securities .....	525	159	4,746
Purchase of property, plant and equipment and intangible assets .....	(4,270)	(4,239)	(38,570)
Proceeds from sales of property, plant and equipment and intangible assets .....	26	26	242
Purchase of stocks of subsidiaries and affiliates .....	(20)	(13)	(180)
Collection of loans receivable .....	21	10	192
Other, net .....	(54)	192	(488)
Net cash provided by (used in) investing activities .....	(4,034)	(3,951)	(36,438)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable .....	(350)	414	(3,161)
Repayments of lease obligations .....	(39)	(33)	(360)
Proceeds from long-term loans payable .....	1,700	200	15,355
Repayment of long-term loans payable .....	(2,375)	(2,111)	(21,455)
Cash dividends paid .....	(733)	(754)	(6,626)
Dividends paid to non-controlling interests .....	(16)	(11)	(147)
Purchase of treasury shares .....	(0)	(700)	(4)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation .....	—	120	—
Purchase of treasury shares of subsidiaries .....	—	(54)	—
Proceeds from disposal of treasury shares of subsidiaries .....	—	160	—
Net cash provided by (used in) financing activities .....	(1,815)	(2,769)	(16,400)
Effect of Exchange Rate Changes on Cash and Cash Equivalents .....	(28)	(8)	(259)
Net Increase (Decrease) in Cash and Cash Equivalents .....	28	(1,177)	258
Cash and Cash Equivalents at Beginning of Year .....	20,330	21,507	183,639
Cash and Cash Equivalents at End of Year .....	¥ 20,359	¥ 20,330	\$ 183,897

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

Cash and deposits .....	¥ 20,418	¥ 20,388	\$ 184,428
Time deposits due over three months .....	(58)	(57)	(530)
Cash and cash equivalents .....	¥ 20,359	¥ 20,330	\$ 183,897

# 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 12,189,514 and 12,447,790 for the years ended March 31, 2021 and 2020, 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, 2021 are as follows.

	Millions of yen		
	2021		
	Carrying amounts	Market value	Unrealized gain (loss)
Other securities .....	¥ 6,434	¥ 11,048	¥ 4,613

	Thousands of U.S. dollars		
	2021		
	Carrying amounts	Market value	Unrealized gain (loss)
Other securities .....	\$ 58,120	\$ 99,795	\$ 41,675

**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 exchange rate of US\$1=¥110.71 as of March 31, 2021, has been used for the purpose of presenting the dollar amounts in the accompanying consolidated financial statements.

**Note 3. Significant Accounting Estimates****1. Recoverability of deferred tax assets****(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year**

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Deferred tax assets .....	¥ 4,041	\$ 36,507

**(2) Information on the content of important accounting estimates for recognized items**

Regarding the evaluation of the recoverability of deferred tax assets, future taxable income is reasonably estimated, and valuation allowance is recorded for any amount which is not deemed recoverable.

If such estimate needs to be revised due to changes in uncertain future economic conditions and other reasons, it may have a significant impact on the amounts of deferred tax assets and income taxes-deferred to be recognized in the consolidated financial statements for the next consolidated fiscal year.

**2. Calculation of retirement benefit obligations****(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year**

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Net defined benefit liability .....	¥ 9,305	\$ 84,054

**(2) Information on the content of important accounting estimates for recognized items**

The Company and some of its subsidiaries have adopted a defined benefit plan as an employee retirement benefit program. Liability for retirement benefits and retirement benefit costs related to retirement benefit obligations are calculated based on the preconditions used in actuarial calculations.

The preconditions used in actuarial calculations include many estimates such as discount rates and long-term expected rate of return on pension assets. If such estimate needs to be revised due to changes in uncertain future economic conditions and other reasons, it may have a significant impact on the amount of liability for retirement benefits and retirement benefit costs related to retirement benefit obligations to be recognized in the consolidated financial statements for the next consolidated fiscal year onward.

**3. Application of percentage-of-completion method****(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year**

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Net sales .....	¥ 11,318	\$ 102,231

**(2) Information on the content of important accounting estimates for recognized items**

The percentage-of-completion method is applied to construction works for which confirming the degree of completion until the end of the current consolidated fiscal year is deemed certain (estimation of the progress rate of construction work is based on the proportion of cost incurred).

In applying the percentage-of-completion method, it is a prerequisite that the total construction cost and progress rate, which are the basis for revenue recognition, can be reasonably estimated. If such estimate needs to be revised due to changes in uncertain future economic conditions and other reasons, it may have a significant impact on the amount of revenue to be recognized in the consolidated financial statements for the next consolidated fiscal year onward.

## Note 4. Short-term Bank Loans and Long-term Debt

The annual average interest rates applicable to short-term bank loans at March 31, 2021 and 2020 are 0.5% and 0.5%, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loans from financial institution, due 2021 to 2024 with interest rates between 0.30% and 0.48% .....	2,405	3,081	21,731
Sub-total .....	2,405	3,081	21,731
Less current portion of loans .....	668	2,375	6,042
	¥ 1,736	¥ 705	\$ 15,689

The aggregate annual maturities of long-term financial debt at March 31, 2021 and 2020 respectively are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
2021 .....	—	2,375	—
2022 .....	668	108	6,042
2023 .....	1,156	595	10,443
2024 .....	580	1	5,245
	¥ 2,405	¥ 3,081	\$ 21,731

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, 2021, assets pledged as collateral for short-term bank loans were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2021	2021
Buildings and structures .....	¥ 3,239		\$ 29,257
Machinery, equipment .....	929		8,393
Land .....	771		6,972
	¥ 4,940		\$ 44,623

## Note 5. Retirement Benefits

The following are matters concerning the defined benefit plan as of March 31, 2021 and 2020, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of the year .....	¥ 13,216	¥ 12,877	\$ 119,378
Service cost .....	657	683	5,937
Interest cost .....	14	10	129
Actuarial loss (gain) .....	(182)	83	(1,644)
Benefits paid .....	(715)	(438)	(6,464)
Balance at end of the year .....	¥ 12,990	¥ 13,216	\$ 117,336

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of the year .....	¥ 3,344	¥ 3,992	\$ 30,210
Expected return on plan assets .....	74	104	671
Actuarial gain (loss) .....	975	(679)	8,814
Benefits paid .....	(14)	(72)	(126)
Balance at end of the year .....	¥ 4,380	¥ 3,344	\$ 39,570

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of the year .....	¥ 623	¥ 597	\$ 5,629
Retirement benefit costs .....	121	106	1,096
Benefits paid .....	(27)	(56)	(250)
Contributions paid by the employer .....	(20)	(24)	(186)
Balance at end of the year .....	¥ 696	¥ 623	\$ 6,289

### (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
	2021	2020	2021
Funded retirement benefit obligations .....	¥ 13,540	¥ 13,727	\$ 122,302
Plan assets .....	(4,712)	(3,666)	(42,569)
	8,827	10,060	79,732
Unfunded retirement benefit obligations .....	478	434	4,321
Total net liability (asset) for retirement benefits at March 31 .....	9,305	10,494	84,054
Liability for retirement benefits .....	9,305	10,494	84,054
Asset for retirement benefits .....	—	—	—
Total net liability (asset) for retirement benefits at end of the year .....	¥ 9,305	¥ 10,494	\$ 84,054

### (5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost .....	¥ 657	¥ 683	\$ 5,937
Interest cost .....	14	10	129
Expected return on plan assets .....	(74)	(104)	(671)
Net actuarial loss amortization .....	472	403	4,267
Retirement benefit costs calculated by the simplified method .....	121	106	1,096
Total retirement benefit costs for the fiscal year .....	¥ 1,191	¥ 1,100	\$ 10,759

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Actuarial loss (gain).....	¥ (1,630)	¥ 359	\$ (14,727)
Total.....	¥ (1,630)	¥ 359	\$ (14,727)

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized actuarial differences.....	¥ 804	¥ 2,435	\$ 7,270
Total.....	¥ 804	¥ 2,435	\$ 7,270

**(8) Accumulated adjustments for retirement benefit**

① Plan assets comprise:

	2021	2020
Equity securities .....	61%	53%
Cash and cash equivalents .....	4%	3%
Investment trust .....	31%	39%
Other .....	4%	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:

	2021	2020
Discount rate .....	0.0%~0.8%	0.0%~0.5%
Long-term expected rate of return.....	2.3%	2.7%
Expected rate of salary increase .....	0.0%~5.4%	0.7%~5.2%

**Defined contribution plans**

The required contribution amount for consolidated subsidiaries for the defined contribution plan was 190 million yen (1,716 thousand US dollars) as of March 31, 2021.

**Note 6. Contingent Liabilities**

As of March 31, 2021 and 2020, the company was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
As guarantor of indebtedness of unconsolidated subsidiaries and others .....	¥ 41	¥ 53	\$ 370

**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 ¥1,797 million (\$16,237 thousand) for the year ended March 31, 2021.

**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 30.6% and 30.6% for the year ended March 31, 2021 and 2020, 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, 2021 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, 2021 and 2020 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets			
Net defined benefit liability.....	¥ 4,194	¥ 4,556	\$ 37,891
Accrued bonus indemnities .....	617	581	5,577
Allowance for doubtful accounts .....	18	59	169
Allowance for loss on construction work .....	148	56	1,338
Loss on revaluation of investment securities .....	144	284	1,306
Amalgamated received property .....	543	543	4,911
Impairment loss .....	1	1	9
Operating loss carry-forwards .....	192	265	1,738
Elimination of inter-company profits .....	27	25	248
Other .....	1,137	1,302	10,272
Total gross deferred tax assets .....	7,026	7,676	63,464
Valuation allowance related to tax loss carryforward .....	(164)	(249)	(1,482)
Valuation allowance related to total deductible temporary differences .....	(1,428)	(1,492)	(12,901)
Subtotal of valuation allowance (Note 1) .....	(1,592)	(1,742)	(14,384)
Net deferred tax assets .....	¥ 5,433	¥ 5,934	\$ 49,080

(Note 1)  
Valuation allowance increased by 149 million yen (1,353 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>
	2021	2020	2021
Deferred tax liabilities			
Evaluated difference of other securities .....	¥ (1,307)	¥ (335)	\$ (11,809)
Dividends receivable .....	(50)	(50)	(460)
Other .....	(33)	(22)	(303)
Total deferred tax liabilities .....	(1,391)	(407)	(12,572)
Net deferred tax assets .....	¥ 4,041	¥ 5,526	\$ 36,507

## Note 10. 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>		
	<b>2021</b>		
	<i>Carrying amounts</i>	<i>Fair value</i>	<i>Unrecognized gain (loss)</i>
Cash and deposits .....	¥ 20,418	¥ 20,418	¥ —
Notes and accounts receivable-trade .....	43,203	43,203	—
Investment securities .....	11,048	11,048	—
Total .....	74,669	74,669	—
Notes and accounts payable-trade .....	27,124	27,124	—
Short-term loans payable .....	20,320	20,320	—
Current portion of long-term debt .....	668	2,406	0
Long-term debt .....	1,736		
Total .....	¥ 49,850	¥ 49,851	¥ 0

	<i>Millions of yen</i>		
	<b>2020</b>		
	<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>Thousands of U.S. dollars</i>		
	<b>2021</b>		
	<i>Carrying amounts</i>	<i>Fair value</i>	<i>Unrecognized gain (loss)</i>
Cash and deposits .....	\$ 184,428	\$ 184,428	\$ —
Notes and accounts receivable-trade .....	390,236	390,236	—
Investment securities .....	99,795	99,795	—
Total .....	674,460	674,460	—
Notes and accounts payable-trade .....	245,009	245,009	—
Short-term loans payable .....	183,542	183,542	—
Current portion of long-term debt .....	6,042	21,735	3
Long-term debt .....	15,689		
Total .....	\$ 450,283	\$ 450,286	\$ 3

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	¥ 621	\$ 5,611
Investment in silent partnerships	¥ 6	\$ 58

**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 11. 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 2020 and 2021 is as follows:

	Millions of yen					
	2021					
	Reportable segment			Total	Adjustment <sub>1</sub>	Consolidated <sub>2</sub>
Pipe system business	Machinery system business	Industrial materials business				
Net sales						
Sales to customers .....	¥ 56,185	¥ 31,184	¥ 29,226	¥ 116,596	¥ —	¥ 116,596
Intersegment .....	96	129	41	266	(266)	—
Total sales .....	56,282	31,313	29,267	116,863	(266)	116,596
Segment income .....	3,087	610	1,074	4,772	(99)	4,673
Segment assets .....	52,891	21,874	25,072	99,838	34,639	134,477
Other items						
Depreciation .....	1,246	442	488	2,176	344	2,520
Increase in property, plant and equipment, and intangible assets .....	¥ 982	¥ 883	¥ 685	¥ 2,550	¥ 850	¥ 3,401

1. The minus 99 million yen segment income adjustment includes: 16 million yen resulting from the elimination of intersegment transactions; minus 107 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 8 million yen resulting from inventory asset adjustment.

The 34,639 million yen segment asset adjustment includes: minus 5,810 million yen resulting from the elimination of intersegment transactions; and 40,449 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 344 million yen depreciation adjustment and 850 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					
	2020					
	Reportable segment			Total	Adjustment <sub>1</sub>	Consolidated <sub>2</sub>
Pipe system business	Machinery system business	Industrial materials business				
Net sales						
Sales to customers .....	¥ 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.

	<i>Thousands of U.S. dollars</i>					
	<b>2021</b>					
	<i>Reportable segment</i>					
	<i>Pipe system business</i>	<i>Machinery system business</i>	<i>Industrial materials business</i>	<i>Total</i>	<i>Adjustment<sub>1</sub></i>	<i>Consolidated<sub>2</sub></i>
Net sales						
Sales to customers .....	\$ 507,505	\$ 281,681	\$ 263,987	\$ 1,053,174	\$ —	\$ 1,053,174
Intersegment .....	872	1,165	372	2,411	(2,411)	—
Total sales .....	508,378	282,846	264,360	1,055,585	(2,411)	1,053,174
Segment income .....	27,890	5,514	9,703	43,109	(896)	42,212
Segment assets .....	477,752	197,579	226,469	901,801	312,881	1,214,683
Other items						
Depreciation .....	11,257	3,992	4,411	19,661	3,108	22,769
Increase in property, plant and equipment, and intangible assets .....	\$ 8,870	\$ 7,978	\$ 6,191	\$ 23,039	\$ 7,685	\$ 30,724

1. The minus 896 thousand US dollar segment income adjustment includes: minus 150 thousand US dollars resulting from the elimination of intersegment transactions; 969 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 77 thousand US dollars resulting from inventory asset adjustment. The 312,881 thousand US dollar segment asset adjustment includes: minus 52,482 thousand US dollars resulting from the elimination of intersegment transactions; and 365,364 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 3,108 thousand US dollar depreciation adjustment and 7,685 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 12. Subsequent Events

### Cash Dividends

Cash dividends of the Company’s retained earnings for the year ended March 31, 2021 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 25, 2021, as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends (¥40.0 per share)	¥ 488	\$ 4,414

## Note 13. Additional Information

(The impact of COVID-19 on accounting estimates)  
Forecasting how COVID-19 will spread and when it will subside is difficult. Nonetheless, we have made accounting estimates based on the information available at the time of preparation of the consolidated financial statements.

# Independent Auditor's Report

## 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, 2021, and the related consolidated statements of income, comprehensive income, changes in equity, 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, 2021, 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Reasonableness of Estimating Total Construction Cost in Applying the Percentage-of-Completion Method for Machinery System Business</b>	
<b>Key Audit Matters and Reasons for the Determination</b>	<b>Auditor's Response</b>
<p>As stated in (Note 3. Significant Accounting Estimates), 11,318 million yen of sales based on the percentage-of-completion method recorded in the consolidated statements of income for the current consolidated fiscal year are mostly derived from the machinery system business.</p> <p>The percentage-of-completion method is applied as the standard for recording revenue from construction contracts of the machinery system business. The percentage-of-completion method is applied to construction contracts for which confirming the degree of completion is deemed certain. In applying it, it is necessary to reasonably estimate the total construction revenue, total construction cost, and the progress of construction at the end of the consolidated fiscal year.</p>	<p>Our main audit procedures performed to verify the reasonableness of estimating total construction cost related to the machinery system business are as follows.</p> <p>(1) Evaluation of internal controls</p> <ul style="list-style-type: none"><li>• The effectiveness of the design and operation status of internal controls related to the process of formulating the construction cost estimate (working budget) was evaluated with a particular focus on the following internal controls.</li><li>• Internal control to ensure that the estimated costs and man-hours for each construction project are properly accumulated</li><li>• Internal control to reflect changes in the situation after the</li></ul>

<b>Reasonableness of Estimating Total Construction Cost in Applying the Percentage-of-Completion Method for Machinery System Business</b>	
<b>Key Audit Matters and Reasons for the Determination</b>	<b>Auditor's Response</b>
<p>The total construction cost, which forms the basis for recording revenue based on the percentage-of-completion method, is characterized by fluctuation with various changes in circumstances. In order to make a reliable estimate of the total construction cost, the estimate needs to be appropriately reviewed in comparison with the actual costs incurred. The total construction cost therefore has uncertainty in regard to the estimation of material cost, labor cost, and others.</p> <p>As stated above, the estimation of the total construction cost involves uncertainty due to changes in the environment surrounding construction contract, as well as the management's decision. Considering these, we judged that said matter is particularly significant in the audit of the consolidated financial statements for the current consolidated fiscal year and corresponds to a key audit matter.</p>	<p>start of construction to working budget in a timely and appropriate manner</p> <p>(2) Examination of the reasonableness of estimating total construction cost</p> <ul style="list-style-type: none"> <li>• In order to evaluate the reasonableness of estimating total construction cost based on the working budget formulated for each construction contract, audit procedures including the followings were implemented.</li> <li>• We reviewed the cost breakdown of working budget, and checked the estimated costs for each construction project against purchase orders and other calculation documents, which are the basis of the estimate, or compared with actual costs incurred by a similar type of construction in the past. After that, we examined whether the contents of work, estimated man-hours, and the data used for the estimation were appropriate for the contents of the work.</li> <li>• We evaluated the accuracy of the latest working budget by comparing it with the initial working budget and looking into the differences.</li> <li>• Regarding the timeliness of revision of working budget, we checked whether the revision for construction works requiring revision was reflected in a timely manner by asking the persons in charge of such construction works.</li> </ul>

### **Responsibilities of Management, Audit & Supervisory Board and its members<sup>1</sup> 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.

From the matters communicated with Audit & Supervisory Board and its members, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **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<sup>2</sup>**

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

December 20, 2021

Tomita Masahiko

[Representative Partner]

Engagement Partner

Certified Public Accountant

Matsumoto Katsuyuki

[Representative Partner]

Engagement Partner

Certified Public Accountant

Urabe Haruhito

[Partner]

Engagement Partner

Certified Public Accountant

# Corporate Information

## Kurimoto, Ltd.

(as of June 25, 2021)

### Outline

Founded	1909
Incorporated	1934
Common stock	¥31,186 million*
Total assets	¥118,238 million*
Employees	1,342*

\*as of March 31, 2021

### Board of Directors

(as of June 25, 2021)

President	Kazutaka Kikumoto
Chairman	Moriyoshi Kushida
Director and Senior Managing Executive Officers	Hirobumi Okada
Director and Managing Executive Officers	Mikio Yaji
Director and Senior Executive Officers	Yoshiaki Shingu Akitoshi Oda
Outside Director	Keiko Kondo Tomohiko Sato
Full-Time Audit & Supervisory Board Member	Minoru Murata
Outside Audit & Supervisory Board Members	Maki Arita Osamu Honda
Senior Executive Officers	Shinya Kojima Yasuharu Yoshinaga Yoshihiro Uraji
Executive Officers	Takehisa Fukui Takao Ueda Yasuji Noguchi Hitoshi Marutani Liao Jinsun Masanobu Mino Yasuo Sano Yasushi Tabuchi Hirosi Fujimoto

### Stock

(as of March 31, 2021)

Common Stock	
Number of authorized shares .....	39,376,600
Number of issued shares .....	13,098,490
Number of shareholders .....	7,508

### Principal Shareholders

(as of March 31, 2021)

	Number of shares held (in thousands)	Ratio of shareholding
Taiyo Life Insurance Company	1,209	9.89%
Custody Bank of Japan, Ltd.	798	6.53%
Nippon Life Insurance Company	678	5.55%
The Master Trust Bank of Japan, Ltd.	588	4.81%
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

1-17-23, Meiekiminami, 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, 2021)

Kurimoto Group consists of Kurimoto, Ltd. and 21 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

Telephone (06)6538-7603

Facsimile (06)6538-7758

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