2017

Kurimoto, Manufacturing the Future

ANNUAL REPORT

Year ended March 31, 2017

KURIMOTO, LTD.

KURIMOTO, LTD.

In 1909 Kurimoto, Ltd. began operations as manufacturer of cast iron pipes for water and gas mains. With determination and foresight, the company soon began to diversify into other fields, serving the industrial sector in a multitude of ways.

The major divisions of Kurimoto now provide ductile iron pipes, plant equipment and engineering services, valves, and construction materials. Involvement with and commitment to large-scale projects has enabled Kurimoto to expand its areas of expertise, be it in land development, industrial modernization, or urban renewal and construction. 12 factories located throughout Japan comprise the company's industrial base which, together with 17 subsidiary companies, make up the Kurimoto group employing about 2,000 people. Today, Kurimoto plays a vital role in supplying basic industrial products, machines, and services domestically and abroad.

Contents

Financial Highlights

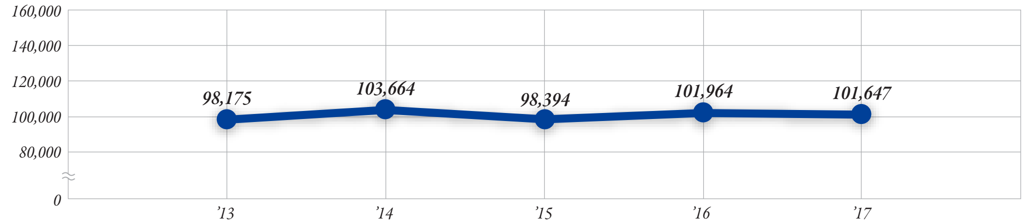
Years ended March 31	*Millions of yen (thousands of U.S. dollars) except per 100 share information*					
	2017	2016	2015	2014	2013	**2017**
Net sales	**¥ 101,647**	¥ 101,964	¥ 98,394	¥ 103,664	¥ 98,175	**$ 906,029**
Profit (loss) attributable to owners of parent	**4,103**	2,194	1,598	3,747	2,898	**36,578**
Per 100 shares of common stock						
Profit (loss) attributable to owners of parent	**32,605**	16,981	12,337	28,347	21,928	**291**
Cash dividends	**5,000**	4,000	4,000	4,000	4,000	**45**
Total assets	**129,212**	124,382	127,884	129,021	129,934	**1,151,729**
Total shareholders' equity	**¥ 55,599**	¥ 48,255	¥ 49,144	¥ 44,921	¥ 45,586	**$ 495,581**

Notes 1: The U.S. dollar amounts are calculated at the exchange rate of ¥112.19 to $1, the rate prevailing on March 31, 2017.

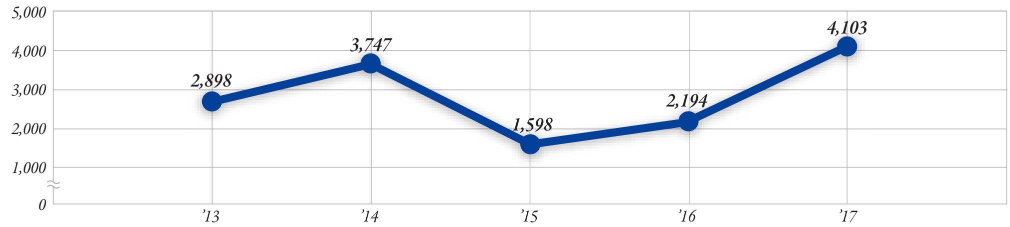
Notes 2: We have been carrying out consolidation of shares at a rate of one share per 10 shares of common stock since October 1, 2016, and have also revised the figures before 2016 for net income per 100 shares and dividend per 100 shares.

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.

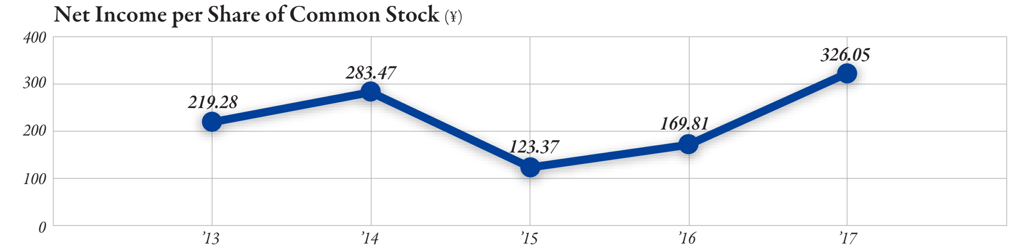
Net Sales (¥ million)



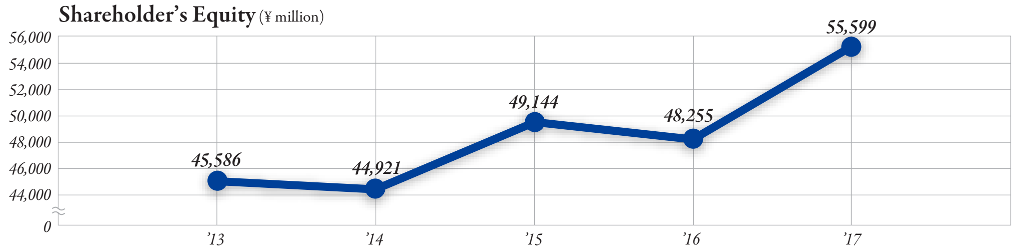
Profit (loss) attributable to owners of parent (¥ million)



Net Income per Share of Common Stock (¥)



Shareholder's Equity (¥ million)



Message from the President

We are aiming to become a strong company that can respond rapidly to changes in the market and make significant progress.

Management policy for fiscal 2017 based on last year's results

(1) Uncertainty in the global situation
Disarray in international affairs is certainly on the rise. Last year, the world was taken by surprise by such international developments as Brexit and Donald Trump's shock election win. Pundits and the mass media were proved wrong, once again showing how difficult it is to predict people's behavior. I believe these events show that the public is choosing unpredictable change over sticking with the same old status quo. Perhaps they had made up their minds to change their circumstances no matter what the consequences. Although this international unpredictability is likely to continue, we will move forward with a focus on analyses based on information only of real value, and strive to respond quickly to change.

(2) The best direction for Kurimoto when we look at business in Japan
Nearly a decade has passed since the Lehman Brothers bankruptcy and ensuing financial crisis of 2008, said to have been the worst in 100 years. According to the Japan Exchange Group, the total of sales, operating income, and net income for fiscal 2015 for all companies listed in Japan (first and second sections, Mothers, JASDAQ, excluding financial institutions) had recovered to fiscal 2007 (pre-Lehman) levels. This recovery began with the policy of Abenomics started in 2012 which caused a devaluation of the yen, in turn producing highly favorable conditions and results for Japan's exporters. Except for a certain percentage of exporters, these developments can also be read as Japanese industry just managing to survive by shifting from sales expansion to making qualitative improvements to secure profits. Kurimoto aims to make a similar shift to an operating model based on steadily accumulating profits that do not rely on expanding sales.

In the current fiscal year (121st term) our group had revised downwards forecasts at the announcement of the third quarter results, but in the end, our net sales were ¥101.6 billion, with ¥3.4 billion in operating income, ¥3 billion in current earnings, and ¥4.1 billion in net income. Looking back on fiscal 2016, after being appointed president in April, I advocated change aimed at achieving earnings and becoming a strong company able to respond rapidly to a changing business climate. I fully realize that my efforts and the efforts of the company still have a long way to go. In fiscal 2017, our basic management policy of encouraging change and promoting earnings remains the same, but we are carrying out measures aimed at further improving efficiency in light of increased competition in the market. I plan to review our business domains that have sustained Kurimoto over the long term, and encourage everyone through the Kurimoto Group to work together to add additional value to our products.

CSR Initiatives and Working Style Reforms

For a company to survive and thrive, it must have the trust of society. In our Corporate Standards of Conduct, we have designated standards to be followed by every employee in each section no matter their position, relating to socially responsible behavior in such areas as protecting the global environment, activities that contribute to society, and activities that make an international contribution.

The primary way in which we fulfill our corporate social responsibility is by building social infrastructure and contributing to the advancement of industry through the provision of our quality products and services. Improving the quality of products and services will lead to the fulfillment of our CSR, so we will continue to make such efforts. We have also positioned this year as the year to initiate working style reforms at Kurimoto. It has become a growing trend to allow and encourage a variety of working styles, and management will adopt such reforms and aim to fulfill corporate objectives while ensuring proper organizational operation.

Dividends

Returning profits to our shareholders is one of our top priorities, and it is our basic policy to pay out dividends on a regular and stable basis. After reviewing our business performance in the fiscal year ended March 31, 2017, and in light of the overall business climate, we are paying a ¥30 dividend per share for this term.

The Kurimoto Group is celebrating 108 years in business since our founding in 1909. I would like to thank all of our stakeholders for the guidance and encouragement of our business activities over part of this long time. We look forward to your support as we continue to move forward.

Moriyoshi Kushida
President

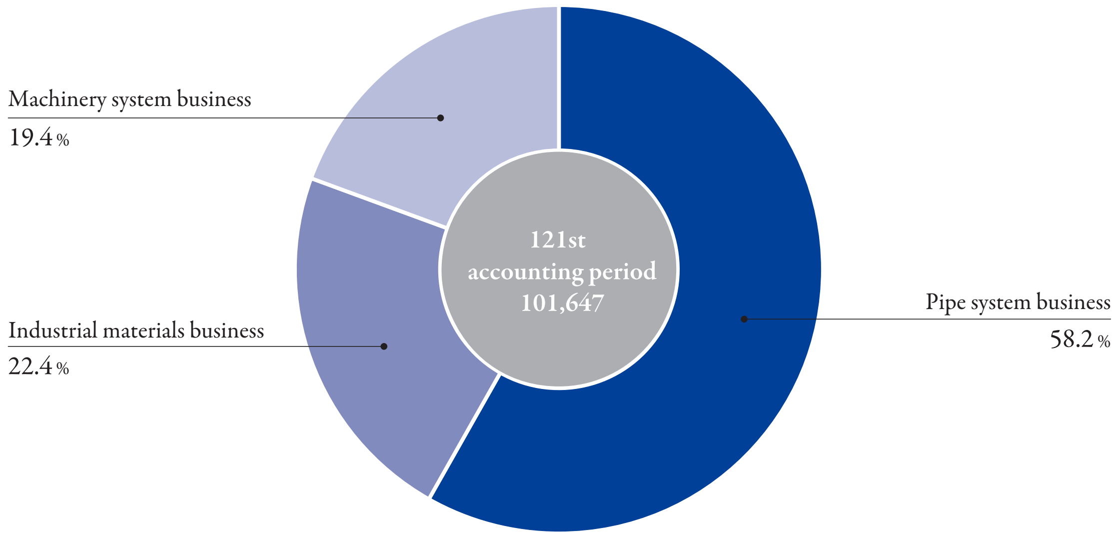
June 2017

M. Kushida

Moriyoshi Kushida
President

Business Operations

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



Pipe system business

Sales for the pipe system business was 59,173 million yen, which was an increase of 789 million yen on the previous consolidated fiscal year. Sales for the Ductile Iron Pipe Division increased due to the rise in sales of products for water supply and sewerage, and despite a drop off in shipments of the company's core products, ductile iron pipes, especially medium and large diameter pipes.
Operating income for this business was 2,105 million yen, which was a decrease of 77 million yen on the previous consolidated fiscal year. Despite efforts in cost reduction in the Ductile Iron Pipe Division, it was affected by materials prices that remained at high levels and a decrease in the sales amount of medium and large diameter pipes.

Industrial materials business

Sales for the industrial materials business was 22,773 million yen, which was an increase of 818 million yen on the previous consolidated fiscal year. While there was a decrease in shipments of air-conditioning products and noise reduction products for expressways in the Construction Materials Division, shipments in the Plastic Products Division showed an increase.
Operating income for this business was 981 million yen, which was an increase of 823 million yen on the previous consolidated fiscal year. This was mainly achieved through an increase in profit for civil engineering products in the Construction Materials Division, along with an increase in both income and profit in the Plastic Products Division. In addition, there was a great deal of effort made to reduce production costs.

Machinery system business

Sales for the machinery system business was 19,699 million yen, which was a decrease of 1,925 million yen on the previous consolidated fiscal year. This was caused by stagnancy in shipments of machines in the Machinery System Division, despite the progress in construction of plants. In addition, a decrease in sales as a backlash from the large-scale plant construction in the previous year was evident in the Materials Division.
Operating income for this business was 545 million yen, which was a decrease of 474 million yen on the previous consolidated fiscal year. This was due to a decrease in income across the board for this business, except for the Materials Division which showed an improvement in cast products sales.

Consolidated Subsidiaries

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

Kurimoto Trading Co., Ltd.

Operations: Sales of cast iron pipes, valves, and synthetic resin products
Capital: ¥100 million (US$891,345)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: December 1952 as a subsidiary of Kurimoto, Ltd.
Orders: ¥18,665 million (US$166,374 thousand) (0.4% decrease)
Sales: ¥18,901 million (US$168,475 thousand) (2.3% increase)

Kurimoto Logistics Corporation

Operations: Procurement and transportation of raw materials, ductile iron pipes and others
Capital: ¥90 million (US$802,210)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: March 1960 and became a subsidiary in 2001
Orders: ¥2,316 million (US$20,644 thousand) (0.5% increase)
Sales: ¥2,316 million (US$20,644 thousand) (0.5% increase)

Sasebo Metal, Co., Ltd.

Operations: Production and sales of cast iron, cast iron products, and other cast metal products
Capital: ¥100 million (US$891,345)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: April 2000 as a subsidiary of Kurimoto, Ltd.
Orders: ¥1,304 million (US$11,630 thousand) (12.6% decrease)
Sales: ¥1,402 million (US$12,502 thousand) (1.1% decrease)

Yamatogawa Co., Ltd.

Operations: Sales of cast iron pipes, valves, and synthetic resin products
Capital: ¥60 million (US$534,807)
Stockholder: 95% of stock is owned by Kurimoto, Ltd. and 5% by Marubeni-Itochu Steel Inc.
Established: December 1972 and became a subsidiary in 2004
Orders: ¥21,852 million (US$194,776 thousand) (1.3% increase)
Sales: ¥23,000 million (US$205,016 thousand) (5.6% increase)

Motoyama Eng. Works, Ltd.

Operations: Manufacture and sales of industrial valves
Capital: ¥300 million (US$2,674,035)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: December 2006 and became a subsidiary in 2007
Orders: ¥5,280 million (US$47,068 thousand) (11.5% increase)
Sales: ¥4,790 million (US$42,702 thousand) (9.8% decrease)

Ks-Tech Co., Ltd.

Operations: Manufacture and sales of forging machinery
Capital: ¥300 million (US$2,674,035)
Stockholder: 67% of stock is owned by Kurimoto, Ltd. and 33% by Sato Tekko Co., Ltd.
Established: April 2007 and became a subsidiary in 2007
Orders: ¥857 million (US$7,646 thousand) (25.0% decrease)
Sales: ¥800 million (US$7,134 thousand) (55.1% decrease)

Hokkaido Kanzai Co., Ltd.

Operations: Sales of cast iron pipes,valves, and synthetic resin products
Capital: ¥30 million (US$267,403)
Stockholder: 80% of stock is owned by Yamatogawa Co., Ltd. and 20% by Kuwazawa Trading Co., Ltd.
Established: April 1992 and became a subsidiary in 2007
Orders: ¥6,319 million (US$56,324 thousand) (8.6% increase)
Sales: ¥6,319 million (US$56,324 thousand) (8.6% increase)

Yashima Chemical Engineering Co., Ltd.

Operations: Manufacture and sales of chemical and pharmaceutical equipment
Capital: ¥45 million (US$401,105)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: July 1958 and became a subsidiary in 2004
Orders: ¥440 million (US$3,922 thousand) (6.4% increase)
Sales: ¥376 million (US$3,358 thousand) (11.0% decrease)

Nihon Kaiser Co., Ltd.

Operations: Manufacture and sales of half precast products
Capital: ¥90 million (US$802,210)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: July 2013 and became a subsidiary in 2013
Orders: ¥2,770 million (US$24,698 thousand) (5.8% decrease)
Sales: ¥2,943 million (US$26,235 thousand) (18.4% increase)

Kurimoto Business Associates Co., Ltd.

Operations: Management and leasing of real estate, staffing service, travel agency, insurance agency
Capital: ¥100 million (US$891,345)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: September 1967 as a subsidiary of Kurimoto, Ltd.
Orders: ¥1,013 million (US$9,037 thousand) (1.4% decrease)
Sales: ¥1,013 million (US$9,037 thousand) (1.4% decrease)

Financial Section

Consolidated Balance Sheets

March 31, 2017 and 2016

Assets	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 2) 2017
Current assets			
Cash and deposits	¥ 18,280	¥ 17,055	$ 162,941
Notes and accounts receivable-trade	40,675	39,887	362,557
Notes and accounts receivable-trade —— unconsolidated subsidiaries and affiliates	0	46	3
Merchandise and finished goods	9,741	10,484	86,828
Work in process	6,512	5,793	58,051
Raw materials and supplies	2,213	2,270	19,733
Deferred tax assets (Note 8)	923	991	8,235
Prepaid expenses and other current assets	1,146	1,084	10,222
Allowance for doubtful accounts	(109)	(62)	(979)
Total current assets	79,385	77,552	707,594
Property, plant and equipment			
Buildings and structures	25,877	24,998	230,660
Machinery, equipment and vehicles	52,065	51,518	464,087
Tools, furniture and fixtures	9,758	9,743	86,986
Land	13,428	15,209	119,691
Lease assets	375	388	3,347
Construction in progress	454	1,577	4,049
Accumulated depreciation	(71,157)	(70,191)	(634,256)
Total property, plant and equipment	30,803	33,243	274,566
Investments and other assets			
Investment securities —— other	12,158	10,423	108,371
Investment securities —— unconsolidated subsidiaries and affiliates	448	448	3,999
Long-term loans —— other	114	19	1,020
Long-term loans —— unconsolidated subsidiaries and affiliates	52	152	463
Other investments	1,899	1,952	16,927
Allowance for doubtful accounts	(218)	(321)	(1,949)
Deferred tax assets (Note 8)	3,790	—	33,790
Long-term prepaid expenses and other	779	912	6,945
Total investments and other assets	19,023	13,586	169,568
Total assets	¥ 129,212	¥ 124,382	$ 1,151,729

Liabilities and Shareholders' Equity	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 2) 2017
Current liabilities			
Notes and accounts payable-trade	¥ 26,754	¥ 25,625	$ 238,476
Notes and accounts payable-trade — unconsolidated subsidiaries and affiliates	0	23	3
Short-term loans payable (Note 3)	23,012	21,759	205,121
Current portion of long-term debt (Note 3)	7,102	3,061	63,311
Lease obligations	40	52	363
Income taxes payable	647	576	5,771
Accrued liabilities	3,088	2,934	27,525
Advances received	1,299	1,404	11,583
Employees' savings deposits	394	440	3,513
Other current liabilities	1,999	2,755	17,820
Total current liabilities	64,339	58,634	573,491
Long-term liabilities			
Net defined benefit liability (Note 4)	7,813	8,426	69,647
Long-term debt (Note 3)	18	7,385	164
Lease obligations	51	85	459
Deferred tax liabilities (Note 8)	—	352	—
Provision for environmental measures	178	—	1,586
Asset retirement obligations	131	137	1,168
Other long-term liabilities	551	610	4,917
Total long-term liabilities	8,744	16,998	77,943
Total liabilities	73,084	75,633	651,434
Net assets			
Shareholders' equity			
Capital stock	31,186	31,186	277,975
Authorized: 39,376,600 shares			
Issued: 133,984,908 shares in 2016			
13,398,490 shares in 2017			
Capital surplus	6,942	6,942	61,884
Retained earnings	17,815	14,241	158,801
Treasury stock	(1,771)	(1,093)	(15,786)
Total shareholders' equity	54,173	51,276	482,875
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	3,192	1,794	28,453
Deferred gains or losses on hedges	1	7	13
Remeasurements of defined benefit plans	(1,768)	(4,823)	(15,760)
Total accumulated other comprehensive income	1,425	(3,021)	12,706
Non-controlling interests	528	493	4,712
Total net assets	56,128	48,749	500,294
Total liabilities and net assets	¥129,212	¥ 124,382	$ 1,151,729

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

Consolidated Statements of Income

Years ended March 31, 2017 and 2016

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2017	2016	**2017**
Net sales	**¥ 101,647**	¥ 101,964	**$ 906,029**
Cost of sales	**77,640**	79,139	**692,047**
Gross profit	**24,006**	22,824	**213,981**
Selling, general and administrative expenses	**20,585**	19,494	**183,487**
Operating income	**3,421**	3,330	**30,494**
Other income and (expenses)			
Interest and dividend income	**320**	283	**2,855**
Interest expense	**(311)**	(374)	**(2,773)**
Gain on sales of investment securities	**31**	737	**283**
Loss on revision of retirement benefit plan	**—**	(521)	**—**
Impairment loss	**(1,853)**	0	**(16,519)**
Others, net	**(599)**	(363)	**(5,347)**
Income before income taxes	**1,008**	3,091	**8,993**
Income taxes (Note 8)			
Current	**694**	576	**6,186**
Deferred	**(3,827)**	278	**(34,111)**
Total	**(3,132)**	854	**(27,925)**
Profit	**4,141**	2,236	**36,918**
Profit attributable to non-controlling interests	**38**	42	**339**
Profit attributable to owners of parent	**¥ 4,103**	¥ 2,194	**$ 36,578**

	yen		U.S. dollars (Note 2)
	2017	2016	**2017**
Net income per 100 shares:			
Basic	**¥ 32,605**	¥ 16,981	**$ 291**
Diluted	**32,605**	16,981	**291**
Cash dividends per 100 shares	**5,000**	4,000	**45**

Consolidated Statements of Comprehensive Income

Years ended March 31, 2017 and 2016

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2017	2016	**2017**
Profit	**¥ 4,141**	¥ 2,236	**$ 36,918**
Other comprehensive income			
Valuation difference on available-for-sale securities	**1,398**	(2,154)	**12,462**
Deferred gains or losses on hedges	**(6)**	13	**(57)**
Remeasurements of defined benefit plans	**3,055**	(407)	**27,239**
Total other comprehensive income	**4,447**	(2,549)	**39,644**
Comprehensive income	**8,589**	(312)	**76,562**
Comprehensive income attributable to owners of the parent	**8,550**	(354)	**76,215**
Profit (loss) attributable to non-controlling interests	**39**	41	**347**

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2017 and 2016

	Millions of yen								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance as of March 31, 2015	¥ 31,186	¥ 6,959	¥ 12,563	¥ (1,092)	¥ 3,949	¥ (5)	¥ (4,416)	¥ 439	¥ 49,584
Dividends of surplus	—	—	(516)	—	—	—	—	—	(516)
Profit attributable to owners of parent	—	—	2,194	—	—	—	—	—	2,194
Purchase of treasury shares	—	—	—	(0)	—	—	—	—	(0)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	(16)	—	—	—	—	—	—	(16)
Net changes of items other than shareholders' equity	—	—	—	—	(2,154)	13	(407)	54	(2,495)
Balance as of March 31, 2016	¥ 31,186	¥ 6,942	¥ 14,241	¥ (1,093)	¥ 1,794	¥ 7	¥ (4,823)	¥ 493	¥ 48,749
Dividends of surplus	—	—	(509)	—	—	—	—	—	(509)
Profit attributable to owners of parent	—	—	4,103	—	—	—	—	—	4,103
Purchase of treasury shares	—	—	—	(794)	—	—	—	—	(794)
Disposal of treasury shares	—	(19)	—	117	—	—	—	—	98
Transfer to capital surplus from retained earnings	—	19	(19)	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	1,397	(6)	3,055	34	4,481
Balance as of March 31, 2017	¥ 31,186	¥ 6,942	¥ 17,815	¥ (1,771)	¥ 3,192	¥ 1	¥ (1,768)	¥ 528	¥ 56,128

	Thousands of U.S. dollars (Note 2)								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance as of March 31, 2016	$ 277,975	$ 61,884	$ 126,938	$ (9,748)	$ 15,996	$ 70	$ (42,997)	$ 4,402	$ 434,522
Dividends of surplus	—	—	(4,544)	—	—	—	—	—	(4,544)
Profit attributable to owners of parent	—	—	36,578	—	—	—	—	—	36,578
Purchase of treasury shares	—	—	—	(7,082)	—	—	—	—	(7,082)
Disposal of treasury shares	—	(170)	—	1,044	—	—	—	—	874
Transfer to capital surplus from retained earnings	—	170	(170)	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	12,456	(57)	27,237	310	39,946
Balance as of March 31, 2017	$ 277,975	$ 61,884	$ 158,801	$ (15,786)	$ 28,453	$ 13	$ (15,760)	$ 4,712	$ 500,294

Consolidated Statements of Cash Flows

Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2016	**2017**
Net cash provided by (used in) operating activities			
Income before income taxes	**¥ 1,008**	¥ 3,091	**$ 8,993**
Depreciation and amortization	**2,434**	2,463	**21,703**
Impairment loss	**1,853**	0	**16,519**
Decrease (increase) in notes and accounts receivable-trade	**(744)**	(1,678)	**(6,634)**
Increase (decrease) in notes and accounts payable-trade	**696**	(800)	**6,206**
Decrease (increase) in inventories	**80**	(609)	**715**
Interest and dividends income	**(320)**	(283)	**(2,855)**
Interest expenses	**311**	374	**2,773**
Loss (gain) on sales of short-term and long-term investment securities	**(22)**	(737)	**(196)**
Loss (gain) on valuation of short-term and long-term investment securities	**0**	7	**0**
Loss (gain) on sales of property, plant and equipment and intangible assets	**(5)**	5	**(51)**
Loss on retirement of property, plant and equipment and intangible assets	**40**	32	**360**
Increase (decrease) in allowance for doubtful accounts	**(55)**	18	**(495)**
Increase (decrease) in provision for retirement benefits	**1,664**	1,198	**14,837**
Other, net	**700**	(88)	**6,242**
Sub-total	**7,642**	2,993	**68,118**
Interest and dividends income received	**321**	298	**2,867**
Interest expenses paid	**(310)**	(361)	**(2,769)**
Income taxes paid	**(769)**	(255)	**(6,862)**
Net cash provided by (used in) operating activities	**6,883**	2,675	**61,352**
Net cash provided by (used in) investing activities			
Purchase of short-term and long-term investment securities	**(1)**	(246)	**(17)**
Proceeds from sales of short-term and long-term investment securities	**223**	1,909	**1,993**
Purchase of property, plant and equipment and intangible assets	**(2,402)**	(2,241)	**(21,412)**
Proceeds from sales of property, plant and equipment and intangible assets	**15**	16	**135**
Payments of loans receivable	**(100)**	(181)	**(893)**
Collection of loans receivable	**9**	19	**89**
Other, net	**(72)**	(44)	**(645)**
Net cash provided by (used in) investing activities	**(2,328)**	(767)	**(20,751)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**1,252**	(1,688)	**11,164**
Repayments of lease obligations	**(53)**	(64)	**(474)**
Proceeds from long-term loans payable	**20**	1,049	**178**
Repayment of long-term loans payable	**(3,345)**	(2,382)	**(29,819)**
Cash dividends paid	**(509)**	(517)	**(4,542)**
Dividends paid to non-controlling interests	**(4)**	(4)	**(37)**
Purchase of treasury shares	**(794)**	(0)	**(7,082)**
Proceeds from sales of treasury shares	**92**	—	**828**
Net cash provided by (used in) financing activities	**(3,341)**	(3,610)	**(29,786)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**8**	(17)	**73**
Net Increase (Decrease) in Cash and Cash Equivalents	**1,221**	(1,721)	**10,888**
Cash and Cash Equivalents at Beginning of Year	**17,005**	18,726	**151,576**
Cash and Cash Equivalents at End of Year	**¥ 18,226**	¥ 17,005	**$ 162,464**

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

Cash and deposits	**¥18,280**	¥17,055	**$162,941**
Time deposits due over three months	**(53)**	(50)	**(476)**
Cash and cash equivalents	**¥18,226**	¥17,005	**$162,464**

Notes to Financial Statements

Note 1. Significant Accounting Policies

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

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

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

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

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

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

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

Marketable and Investment Securities
This Company & its consolidated subsidiaries have specified the purposes of their respective securities holdings, and classified those securities into securities for buying & selling, stocks of their affiliates, and other securities.
Securities for buying & selling have been evaluated at market value.

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

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

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

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

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

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

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

Building and construction: 2 to 60 years.

Machinery and automotive equipment: 2 to 22 years.

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

Liability for Retirement Benefits
1. The Period Attribution Method for Projected Retirement Benefits
As for the calculation of retirement benefits, the benefit formula basis is applied for the attribution of projected retirement benefits to the period up to the end of the fiscal year under review.
2. Mathematical Calculation for the Amortization of Actuarial Differences
Actuarial differences are amortized by the straight-line method over a period within the average remaining service years for employees (mainly 10 years) at the time of recognition, and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

Research and Development and Computer Software
Research & development expenses have been dealt with as expenses upon their accrual.

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

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

Per Share Information
The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each period. The average number of shares used in the computation was 12,586,147 and 12,922,296 for the years ended March 31, 2017 and 2016, respectively.
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 the average number of shares during a term is calculated on the assumption that the consolidation of shares was carried out on April 1, 2015.

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, 2017 are as follows.

	Millions of yen		
	2017		
	Carrying amounts	*Market value*	*Unrealized gain (loss)*
Other securities	¥ 7,382	¥ 11,783	¥ 4,401

	Thousands of U.S. dollars		
	2017		
	Carrying amounts	*Market value*	*Unrealized gain (loss)*
Other securities	$ 65,802	$ 105,031	$ 39,229

(Changes in Accounting Policies)
(Application of Practical Solution to the Change in Depreciation Method Due to the Tax Reforms of 2016)
Along with the amendment to the Corporation Tax Law, certain consolidated subsidiaries applied the "Practical Solution to the Change in Depreciation Method Due to the Tax Reforms of 2016" (ASBJ PITF No. 32, June 17, 2016) from this consolidated fiscal year, and changed the depreciation method for facilities belonging to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method. The effect of this change on the consolidated financial results for this consolidated fiscal year is immaterial.

(Additional information)
(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)
We have applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from this consolidated fiscal year.

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=¥112.19 as of March 31, 2017, 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, 2017 and 2016 are 0.9% and 0.9%, 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*
	2017	2016	**2017**
Loans from financial institution, due 2017 to 2021 with interest rates between 0.63% and 3.85%	**7,121**	10,446	**63,475**
Sub-total	**7,121**	10,446	**63,475**
Less current portion of loans	**7,102**	3,061	**63,311**
	¥ 18	¥ 7,385	**$ 164**

The aggregate annual maturities of long-term financial debt at March 31, 2017 and 2016 respectively are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	2016	**2017**
2017	—	3,061	—
2018	**7,102**	7,362	**63,311**
2019	**4**	12	**42**
2020	**4**	11	**35**
2021	**4**	—	**35**
2022 and thereafter	**5**	—	**50**
	¥ 7,121	¥ 10,446	**$ 63,475**

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, 2017, assets pledged as collateral for short-term bank loans, and long-term debt, including the current portion of long-term debt, were as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2017	**2017**
Deposit	¥ 50	$ 445
Buildings and structures	3,965	35,344
Machinery, equipment	1,820	16,226
Land	3,360	29,954
	¥ 9,196	$ 81,970

Note 4. Retirement Benefits

The following are matters concerning the defined benefit plan as of March 31, 2017 and 2016, respectively.

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

	Millions of yen		*Thousands of U.S. dollars*
	2017	2016	**2017**
Balance at beginning of the year	**¥ 11,541**	¥ 12,581	**$ 102,874**
Service cost	**674**	690	**6,012**
Interest cost	**16**	68	**150**
Actuarial loss (gain)	**(102)**	880	**(912)**
Benefits paid	**(344)**	(369)	**(3,071)**
Gain on abolishment of retirement benefit plans	**—**	(2,310)	**—**
Balance at end of the year	**¥ 11,785**	¥ 11,541	**$ 105,053**

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

	Millions of yen		*Thousands of U.S. dollars*
	2017	2016	**2017**
Balance at beginning of the year	**¥ 3,661**	¥ 6,293	**$ 32,639**
Expected return on plan assets	**93**	88	**835**
Actuarial gain (loss)	**858**	(1,066)	**7,652**
Contributions paid by the employer	**—**	427	**—**
Benefits paid	**(55)**	(110)	**(498)**
Gain on abolishment of retirement benefit plans	**—**	(1,970)	**—**
Balance at end of the year	**¥ 4,558**	¥ 3,661	**$ 40,628**

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

	Millions of yen		*Thousands of U.S. dollars*
	2017	2016	**2017**
Balance at beginning of the year	**¥ 546**	¥ 530	**$ 4,875**
Retirement benefit costs	**90**	95	**802**
Benefits paid	**(38)**	(58)	**(341)**
Contributions paid by the employer	**(12)**	(21)	**(113)**
Balance at end of the year	**¥ 585**	¥ 546	**$ 5,222**

(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*
	2017	2016	**2017**
Funded retirement benefit obligations	**¥ 12,276**	¥ 12,019	**$ 109,427**
Plan assets	**(4,860)**	(3,961)	**(43,320)**
	7,416	8,058	**66,106**
Unfunded retirement benefit obligations	**397**	368	**3,541**
Total net liability (asset) for retirement benefits at March 31	**7,813**	8,426	**69,647**
Liability for retirement benefits	**7,813**	8,426	**69,647**
Asset for retirement benefits	**—**	—	**—**
Total net liability (asset) for retirement benefits at end of the year	**¥ 7,813**	¥ 8,426	**$ 69,647**

(5) Retirement benefit costs

	Millions of yen		*Thousands of U.S. dollars*
	2017	2016	**2017**
Service cost	**¥ 674**	¥ 690	**$ 6,012**
Interest cost	**16**	68	**150**
Expected return on plan assets	**(93)**	(88)	**(835)**
Net actuarial loss amortization	**1,316**	676	**11,735**
Retirement benefit costs calculated by the simplified method	**90**	95	**802**
Total retirement benefit costs for the fiscal year	**¥ 2,004**	¥ 1,443	**$ 17,866**
Loss on revision of retirement benefit plan	**—**	¥ 521	**—**

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

	Millions of yen		*Thousands of U.S. dollars*
	2017	2016	**2017**
Actuarial loss (gain)	**¥ (2,277)**	¥ 408	**$ (20,300)**
Total	**¥ (2,277)**	¥ 408	**$ (20,300)**

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

	Millions of yen		*Thousands of U.S. dollars*
	2017	2016	**2017**
Unrecognized actuarial differences	**¥ 2,546**	¥ 4,824	**$ 22,698**
Total	**¥ 2,546**	¥ 4,824	**$ 22,698**

(8) Accumulated adjustments for retirement benefit

①Plan assets comprise:

	2017	2016
Equity securities	**73%**	67%
Cash and cash equivalents	**10%**	23%
Investment trust	**11%**	—
Other	**6%**	10%
Total	**100%**	100%

②Long-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:

	2017	2016
Discount rate	**0.0%~1.0%**	0.0%~0.6%
Long-term expected rate of return	**3.3%**	1.4%~1.9%
Expected rate of salary increase	**0.7%~4.7%**	0.7%~4.6%

Defined contribution plans
The required contribution amount for consolidated subsidiaries for the defined contribution plan was 162 million yen (1,451 thousand US dollars) as of March 31, 2017.

Note 5. Contingent Liabilities

As of March 31, 2017 and 2016, the company was contingently liable as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2017	2016	2017
As guarantor of indebtedness of unconsolidated subsidiaries and others	**¥ 115**	¥ 143	**$ 1,033**
Discount of notes and bills	**41**	2,266	**368**
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 ¥1,548 million ($13,802 thousand) for the year ended March 31, 2017.

Note 8. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 30.8% and 33.0% for the year ended March 31, 2017 and 2016, 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, 2017 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, 2017 and 2016 are presented below:

	Millions of yen		*Thousands of U.S. dollars*
	2017	2016	2017
Deferred tax assets			
Net defined benefit liability	**¥ 3,781**	¥ 3,967	**$ 33,703**
Accrued bonus indemnities	**511**	443	**4,557**
Allowance for doubtful accounts	**57**	91	**514**
Allowance for loss on construction work	**26**	12	**234**
Loss on revaluation of investment securities	**180**	180	**1,605**
Loss on valuation of investments in capital of subsidiaries and associates	**110**	110	**985**
Amalgamated received property	**543**	543	**4,847**
Impairment loss	**557**	2	**4,973**
Operating loss carry-forwards	**12,047**	12,871	**107,381**
Elimination of inter-company profits	**21**	7	**194**
Other	**859**	788	**7,660**
Total gross deferred tax assets	**18,697**	19,020	**166,657**
Less valuation allowance	**(12,725)**	(17,664)	**(113,430)**
Net deferred tax assets	**¥ 5,971**	¥ 1,355	**$ 53,227**

	Millions of yen		*Thousands of U.S. dollars*
	2017	2016	2017
Deferred tax liabilities			
Evaluated difference of other securities	**¥ (1,198)**	¥ (660)	**$ (10,684)**
Dividends receivable	**(47)**	(48)	**(426)**
Other	**(10)**	(7)	**(90)**
Total deferred tax liabilities	**(1,256)**	(715)	**(11,201)**
Net deferred tax assets	**¥ 4,714**	¥ 639	**$ 42,025**

(Adjustment to the Values of Deferred Tax Assets and Deferred Tax Liabilities Due to the Change in the Corporate Tax Rate)
"Act to Amend the Act for Partial Amendment of the Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (No. 85, 2016) and "Act to Amend the Act for Partial Amendment of the Local Tax Act and Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (No. 86, 2016) were passed by the Diet on November 18, 2016, and the raising of the consumption tax to 10% was postponed from April 1, 2017 to October 1, 2019. Accordingly, the abolition of the Special Local Corporation Tax, the reemployment of the Corporate Enterprise Tax, the revision of tax rates of Local Corporation Tax, and the revision of tax rates of the corporation levy in the Corporate Inhabitant Tax were also postponed from the consolidated fiscal year starting on or after April 1, 2017 to the consolidated fiscal year starting on or after October 1, 2019.
There have not been any changes in the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities. However, deferred tax assets (deferred tax liabilities deducted) decreased by 27 million yen (249 thousand US dollars) and deferred income taxes increased by the same amount, due to the recombination of tax rates between national tax and local tax.

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 interestrate 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.

	Millions of yen		
	2017		
	Carrying amounts	*Fair value*	*Unrecognized gain (loss)*
Cash and deposits	¥ 18,280	¥ 18,280	¥ —
Notes and accounts receivable-trade	40,675	40,675	—
Investment securities	11,783	11,783	—
Total	70,739	70,739	—
Notes and accounts payable-trade	26,755	26,755	—
Short-term loans payable	23,012	23,012	—
Current portion of long-term debt	7,102	7,125	4
Long-term debt	18		
Total	¥ 56,888	¥ 56,892	¥ 4
Derivative financial instruments	1	1	—

	Millions of yen		
	2016		
	Carrying amounts	*Fair value*	*Unrecognized gain (loss)*
Cash and deposits	¥ 17,055	¥ 17,055	¥ —
Notes and accounts receivable-trade	39,934	39,934	—
Investment securities	10,049	10,049	—
Total	67,039	67,039	—
Notes and accounts payable-trade	25,649	25,649	—
Short-term loans payable	21,759	21,759	—
Current portion of long-term debt	3,061	10,458	12
Long-term debt	7,385		
Total	¥ 57,856	¥ 57,868	¥ 12
Derivative financial instruments	7	7	—

	Thousands of U. S. dollars		
	2017		
	Carrying amounts	*Fair value*	*Unrecognized gain (loss)*
Cash and deposits	$ 162,941	$ 162,941	$ —
Notes and accounts receivable-trade	362,560	362,560	—
Investment securities	105,031	105,031	—
Total	630,533	630,533	—
Notes and accounts payable-trade	238,479	238,479	—
Short-term loans payable	205,121	205,121	—
Current portion of long-term debt	63,311	63,511	35
Long-term debt	164		
Total	$507,076	$507,112	$ 35
Derivative financial instruments	13	13	—

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

	Millions of yen	*Thousands of U.S. dollars*
Unlisted equity securities	¥ 823	$ 7,339

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

Note 10. Impairment Loss

In this consolidated fiscal year, our group recorded an impairment loss on the following asset groups.

	Millions of yen	*Thousands of U.S. dollars*
	2017	**2017**
Sell schedule land and building	**¥ 1,802**	**$ 16,063**
Removal schedule building	**51**	**455**
Unused land	**0**	**0**
Total	**¥ 1,853**	**$ 16,519**

In principle, our group conducts asset grouping according to the managerial accounting classification of continual assessment in terms of income and expense. With regard to idle assets, it conducts grouping according to individual properties.
As a result of the assessment of impairment loss based on such grouping, the expected selling value of the office building (Sakai Ward, Sakai City) was lower than the carrying value. Therefore, the carrying value was reduced to the recoverable value, and this value was recorded as impairment loss for extraordinary loss. With regard to the plant office building (Suminoe Ward, Osaka City) which we had decided to remove, and idle assets, due to a decline in the recoverable value caused by the change in area and method of use, the carrying value was reduced to the recoverable value, and the value was recorded as impairment loss for extraordinary loss.

Calculation Method of Recoverable Values
Recoverable values are calculated based on the net selling price. Therefore, the recoverable value was calculated based on the expected selling value for the office building (Sakai Ward, Sakai City) which we had planned to sell; the residual value for the plant office building (Suminoe Ward, Osaka City) which we had already decided to remove; the real-estate appraisal for important idle assets; and usually the property tax assessment value for other idle assets. For the previous consolidated fiscal year, 0 million yen was recorded as impairment loss for extraordinary loss for idle assets (land).

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 2016 and 2017 is as follows:

Millions of yen

2017	Reportable segment: Pipe system business	Reportable segment: Machinery system business	Reportable segment: Industrial materials business	Reportable segment: Total	Adjustment *1	Consolidated *2
Net sales						
Sales to customers	¥ 59,173	¥ 19,699	¥ 22,773	¥ 101,647	¥ —	¥ 101,647
Intersegment	285	3	1,882	2,171	(2,171)	—
Total sales	59,459	19,703	24,655	103,818	(2,171)	101,647
Segment income	2,105	545	981	3,632	(211)	3,421
Segment assets	51,969	16,884	21,489	90,344	38,868	129,212
Other items						
Depreciation	1,478	282	418	2,179	254	2,434
Increase in property, plant and equipment, and intangible assets	¥ 904	¥ 287	¥ 476	¥ 1,668	¥ 275	¥ 1,944

1. The minus 211 million yen segment income adjustment includes: 34 million yen resulting from the elimination of intersegment transactions; minus 415 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 169 million yen resulting from inventory asset adjustment.
The 38,868 million yen segment asset adjustment includes: minus 1,401 million yen resulting from the elimination of intersegment transactions; and 40,269 million yen due to a working capital surplus, investment securities and land, etc., which are company-wide assets and not attributable to any specific reportable segment.
The 254 million yen depreciation adjustment and 275 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

2016	Reportable segment: Pipe system business	Reportable segment: Machinery system business	Reportable segment: Industrial materials business	Reportable segment: Total	Adjustment *1	Consolidated *2
Net sales						
Sales to customers	¥ 58,383	¥ 21,625	¥ 21,955	¥ 101,964	¥ —	¥ 101,964
Intersegment	309	0	568	878	(878)	—
Total sales	58,693	21,625	22,524	102,843	(878)	101,964
Segment income	2,182	1,020	157	3,360	(30)	3,330
Segment assets	56,542	17,452	20,012	94,007	30,375	124,382
Other items						
Depreciation	1,555	278	460	2,294	169	2,463
Increase in property, plant and equipment, and intangible assets	¥ 1,147	¥ 307	¥ 275	¥ 1,729	¥ 1,214	¥ 2,944

1. The minus 30 million yen segment income adjustment includes: 37 million yen resulting from the elimination of intersegment transactions; minus 3 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 64 million yen resulting from inventory asset adjustment.
The 30,375 million yen segment asset adjustment includes: minus 1,931 million yen resulting from the elimination of intersegment transactions; and 32,306 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 169 million yen depreciation adjustment and 1,214 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.

	Pipe system business	Machinery system business	Industrial materials business	Total	Adjustment *1	Consolidated *2
	Thousands of U.S. dollars					
	2017					
	Reportable segment					
Net sales						
Sales to customers	$ 527,443	$ 175,592	$ 202,992	$ 906,029	$ —	$ 906,029
Intersegment	2,547	31	16,776	19,355	(19,355)	—
Total sales	529,991	175,624	219,769	925,384	(19,355)	906,029
Segment income	18,766	4,866	8,744	32,377	(1,882)	30,494
Segment assets	463,227	150,501	191,549	805,278	346,451	1,151,729
Other items						
Depreciation	13,175	2,521	3,733	19,430	2,272	21,703
Increase in property, plant and equipment, and intangible assets	$ 8,061	$ 2,560	$ 4,249	$ 14,871	$ 2,458	$ 17,330

1. The minus 1,882 thousand US dollar segment income adjustment includes: 306 thousand US dollars resulting from the elimination of intersegment transactions; minus 3,703 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 1,514 thousand US dollars resulting from inventory asset adjustment.
The 346,451 thousand US dollar segment asset adjustment includes: minus 12,488 thousand US dollars resulting from the elimination of intersegment transactions; and 358,940 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 2,272 thousand US dollar depreciation adjustment and 2,458 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.

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

	Pipe system business	Machinery system business	Industrial materials business	Elimination and corporate	Total
	Millions of yen				
	2017				
Impairment loss	¥ 1,789	¥ 51	—	¥ 12	¥ 1,853

	Pipe system business	Machinery system business	Industrial materials business	Elimination and corporate	Total
	Thousands of U.S. dollars				
	2017				
Impairment loss	$ 15,953	$ 455	—	$ 109	$ 16,519

Note 12. Subsequent Events

Cash Dividends

Cash dividends of the Company's retained earnings for the year ended March 31, 2017 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 29, 2017, as follows:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends (¥30.0 per share)	¥ 377	$ 3,361

Independent Auditor's Report

Independent Auditor's Report

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

To the Board of Directors of Kurimoto, Ltd.

We have audited the accompanying consolidated balance sheets of Kurimoto, Ltd. and consolidated subsidiaries as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kurimoto, Ltd. and consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

September 5, 2017

PKF Hibiki Audit Corporation

Corporate Information

Kurimoto, Ltd.

(as of June 29, 2017)

Outline

Founded	1909
Incorporated	1934
Common stock	¥31,186 million*
Total assets	¥112,534 million*
Employees	1,352*

**as of March 31, 2017*

Board of Directors

(as of June 29, 2017)

Chairman	Hideaki Fukui
President	Moriyoshi Kushida
Senior Managing Director	Motohito Sawai
Managing Director	Hirobumi Okada Mikio Yaji
Director	Yoshiaki Shingu Kazutaka Kikumoto
Outside Director	Shigehiro Shibakawa Minoru Takahashi
Audit & Supervisory Board Member	Minoru Murata Kazuhiko Hakozaki Maki Arita
Managing Executive Officer	Mitsuo Amagaya
Executive Officer	Naofumi Saito Shin Ikuta Shinya Kojima Takehisa Fukui Hisato Sato Yukitaka Fujimoto Takayuki Miyazaki Yasuharu Yoshinaga Takao Ueda Akitoshi Oda

Stock

(as of March 31, 2017)

Common Stock

Number of authorized shares 39,376,600
Number of issued shares 13,398,490
Number of shareholders 7,929

Principal Shareholders

(as of March 31, 2017)

	Number of shares held (in thousands)	*Ratio of shareholding*
Taiyo Life Insurance Company	1,209	9.6%
Japan Trustee Services Bank, Ltd.	950	7.5%
Nippon Life Insurance Company	678	5.3%
Resona Bank, Limited	444	3.5%
Mizuho Bank, Ltd.	362	2.8%
Mizuho Trust & Banking Co., Ltd.	320	2.5%

Offices

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Banking References

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

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

Kurimoto Group

(as of June 29, 2017)

Kurimoto Group consists of Kurimoto, Ltd. and 17 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

Note: Company name changed to Japan Castering Co., Ltd. from Sasebo Metal, Co., Ltd. on April 1, 2017

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

Riko, Ltd.

Operations: Production of valves

Kurimoto USA, Inc.

Operations: Holding company

Readco Kurimoto, LLC

Operations: Manufacture and sales of industrial machinery

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, LTD.

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