2016

Kurimoto, Manufacturing the Future

ANNUAL REPORT

Year ended March 31, 2016

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.

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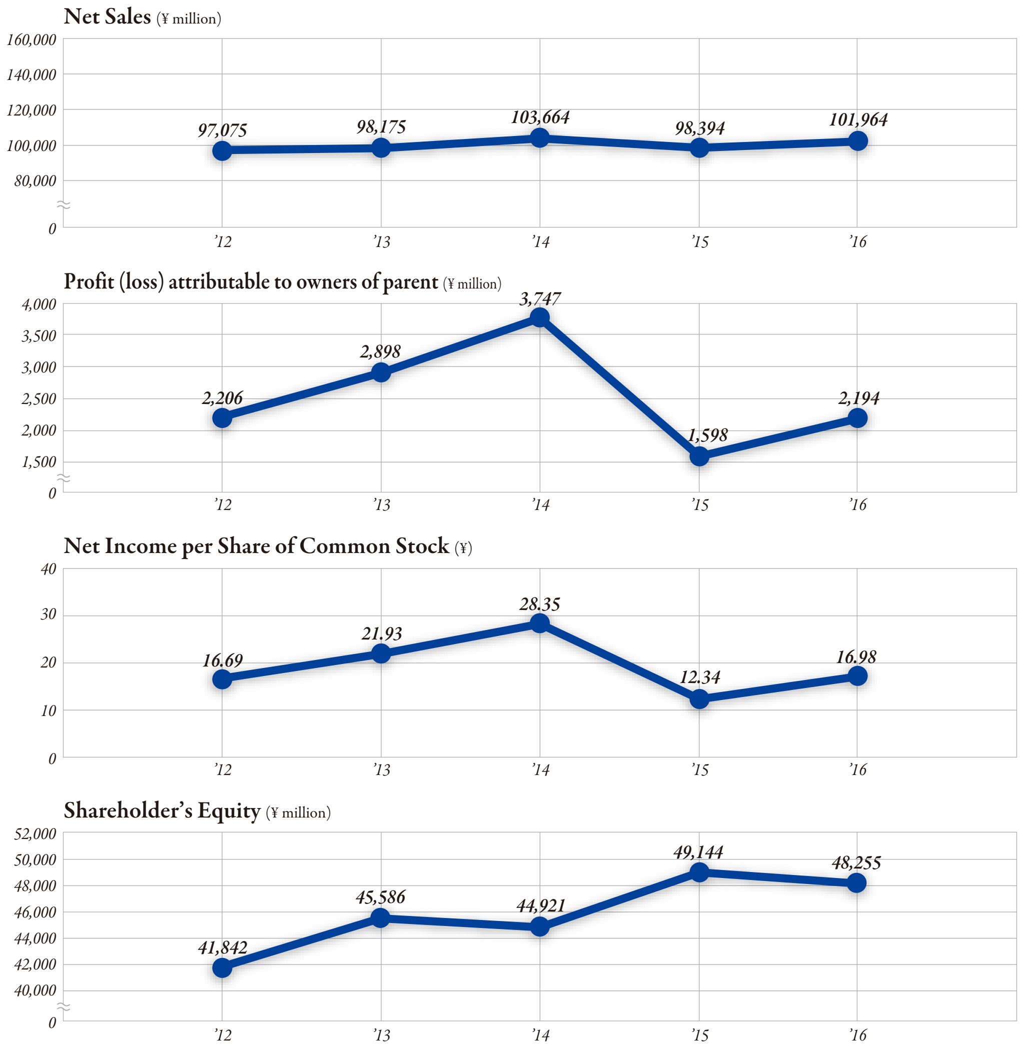
Financial Highlights

Years ended March 31	2016	2015	2014	2013	2012	2016
	Millions of yen (thousands of U.S. dollars) except per 1,000 share information					
Net sales	**¥ 101,964**	¥ 98,394	¥ 103,664	¥ 98,175	¥ 97,075	**$ 904,906**
Profit (loss) attributable to owners of parent	**2,194**	1,598	3,747	2,898	2,206	**19,474**
Per 1,000 shares of common stock						
Profit (loss) attributable to owners of parent	**16,981**	12,337	28,347	21,928	16,686	**150**
Cash dividends	**4,000**	4,000	4,000	4,000	2,000	**35**
Total assets	**124,382**	127,884	129,021	129,934	129,052	**1,103,854**
Total shareholders' equity	**¥ 48,255**	¥ 49,144	¥ 44,921	¥ 45,586	¥ 41,842	**$ 428,249**

Notes: The U.S. dollar amounts are calculated at the exchange rate of ¥112.68 to $1, the rate prevailing on March 31, 2016.



Message from the President

I would like to outline here our business activities in the 120th term.

In this consolidated fiscal year, thanks to deliberate economic and monetary policy measures taken by the national government and Bank of Japan, the Japanese economy has been on a path of gradual recovery. Improvements have been made in corporate earnings, employment and income, and capital investment. However, with risk factors materializing such as the slowing of the Chinese economy, a drop in the price of oil and other resources, the appreciation of the yen, and a trend toward weakening stock prices, conditions will remain uncertain going forward.

In these circumstances, our net sales were ¥101.9 billion, with ¥3.3 billion in operating income, results that did not live up to forecasts from the start of the year. Nonetheless, the market conditions for our group are by no means bad. In the market for social infrastructure, we expect there to be a growing need for improving infrastructure in Japan as stronger calls are made for disaster prevention and reduction. We also see growing opportunity for creating solutions in more fields, such as stock management, in light of the expected population decline in Japan. Also, demand for construction is expected to be strong in the coming few years in the Tokyo metropolitan district and capital area as the Tokyo Olympics approaches. And in industrial infrastructure we have a growing number of opportunities to carry out preventive maintenance, regular upkeep, and other forms of follow-up service for our group's existing products and establish an even more solid reputation.

Our current three-year medium-term plan has laid out where the Kurimoto Group needs to be in 10 years, and sets the benchmark for both protecting our existing business base and generating new avenues of business.

Based on our fiscal 2015 performance, as well as the recent upheavals in the business climate and forecasts for coming change, we have revised our financial targets. What the group needs to do has not changed, however. In fact, I believe it has become even clearer. The Kurimoto Group as a whole will continue with our efforts toward sustainable growth.

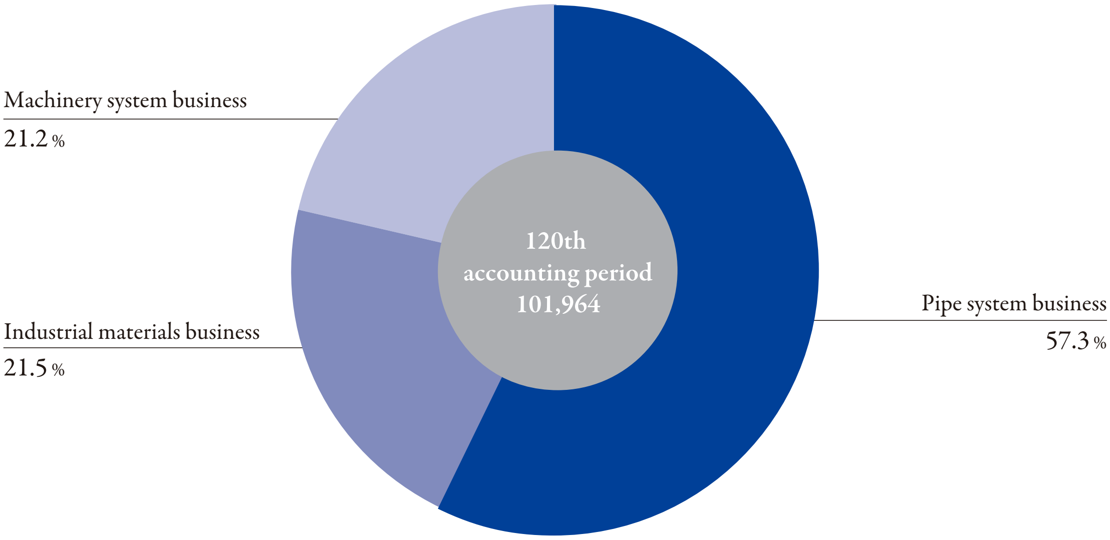
Moriyoshi Kushida
President

June 2016

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 58,383 million yen, which was an increase of 1,632 million yen on the previous consolidated fiscal year. Sales in the Ductile Iron Pipe Division increased due to a rise in shipments of large diameter pipes, despite a drop-off in shipments of small diameter pipes. In addition, shipments in the Valve Division also remained steady.
Operating income for this business was 2,182 million yen, which was an increase of 166 million yen on the previous consolidated fiscal year. Although there was a decrease in profit in the Ductile Iron Pipe Division, due to a drop in income for small diameter pipes, favorable results were nevertheless achieved, and there was an improvement in cost reduction in the Valve Division.

Industrial materials business

Sales for the industrial materials business was 21,955 million yen, which was a decrease of 1,172 million yen on the previous consolidated fiscal year. Despite the increase in shipments of noise reduction products for expressways in the Construction Materials Division, shipments of civil engineering and construction products were stagnant due to certain factors, such as changes in delivery dates. In addition, in the Plastic Products Division, shipments of products, mainly agricultural and sewerage pipes, showed a decrease.
Operating income for this business was 157 million yen, which was a decrease of 484 million yen on the previous consolidated fiscal year. The Plastic Products Division saw drops in both income and profit, as did the Construction Materials Division, with regard to civil engineering and construction products.

Machinery system business

Sales for the machinery system business was 21,625 million yen, which was an increase of 3,109 million yen on the previous consolidated fiscal year. There was an increase in shipments of larger-sized forging presses in the Machinery Division, and also a stable performance for shipments in the Materials Division.
Operating income for this business was 1,020 million yen, which was an increase of 530 million yen on the previous consolidated fiscal year. This was due to increases in both income and profit mainly in the Machinery and Materials divisions, and an improvement in income in the Plant System Engineering Division.

Consolidated Subsidiaries

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

Kurimoto Trading Co., Ltd.

Operations: Sales of cast iron pipes, valves, and synthetic resin products
Capital: ¥200 million (US$1,774,937)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: December 1952 as a subsidiary of Kurimoto, Ltd.
Orders: ¥18,748 million (US$166,388 thousand) (7.8% increase)
Sales: ¥18,482 million (US$164,029 thousand) (6.6% increase)

Kurimoto Logistics Corporation

Operations: Procurement and transportation of raw materials, ductile iron pipes and others
Capital: ¥90 million (US$798,722)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: March 1960 and became a subsidiary in 2001
Orders: ¥2,303 million (US$20,442 thousand) (14.0% increase)
Sales: ¥2,303 million (US$20,442 thousand) (14.0% increase)

Sasebo Metal, Co., Ltd.

Operations: Production and sales of cast iron, cast iron products, and other cast metal products
Capital: ¥100 million (US$887,468)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: April 2000 as a subsidiary of Kurimoto, Ltd.
Orders: ¥1,492 million (US$13,247 thousand) (9.7% increase)
Sales: ¥1,418 million (US$12,586 thousand) (7.5% increase)

Yamatogawa Co., Ltd.

Operations: Sales of cast iron pipes, valves, and synthetic resin products
Capital: ¥60 million (US$532,481)
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: ¥21,574 million (US$191,462 thousand) (1.8% increase)
Sales: ¥21,775 million (US$193,253 thousand) (15.3% increase)

Motoyama Eng. Works, Ltd.

Operations: Manufacture and sales of industrial valves
Capital: ¥300 million (US$2,662,406)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: December 2006 and became a subsidiary in 2007
Orders: ¥4,735 million (US$42,021 thousand) (12.5% decrease)
Sales: ¥5,308 million (US$47,112 thousand) (5.1% increase)

Ks-Tech Co., Ltd.

Operations: Manufacture and sales of forging machinery
Capital: ¥300 million (US$2,662,406)
Stockholder: 67% of stock is owned by Kurimoto, Ltd. and 33% by Sato Tekko Co., Ltd.
Established: April 2007 and became a subsidiary in 2007
Orders: ¥1,144 million (US$10,156 thousand) (31.1% decrease)
Sales: ¥1,783 million (US$15,832 thousand) (28.4% increase)

Hokkaido Kanzai Co., Ltd.

Operations: Sales of cast iron pipes,valves, and synthetic resin products
Capital: ¥30 million (US$266,240)
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: ¥5,818 million (US$51,636 thousand) (19.0% decrease)
Sales: ¥5,818 million (US$51,636 thousand) (19.0% decrease)

Yashima Chemical Engineering Co., Ltd.

Operations: Manufacture and sales of chemical and pharmaceutical equipment
Capital: ¥45 million (US$399,361)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: July 1958 and became a subsidiary in 2004
Orders: ¥413 million (US$3,671 thousand) (23.6% decrease)
Sales: ¥423 million (US$3,759 thousand) (16.2% decrease)

Nihon Kaiser Co., Ltd.

Operations: Manufacture and sales of half precast products
Capital: ¥90 million (US$798,722)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: July 2013 and became a subsidiary in 2013
Orders: ¥2,942 million (US$26,116 thousand) (5.3% decrease)
Sales: ¥2,485 million (US$22,054 thousand) (19.3% decrease)

Kurimoto Business Associates Co., Ltd.

Operations: Management and leasing of real estate, staffing service, travel agency, insurance agency
Capital: ¥100 million (US$887,468)
Stockholder: All stock is owned by Kurimoto, Ltd.
Established: September 1967 as a subsidiary of Kurimoto, Ltd.
Orders: ¥1,028 million (US$9,126 thousand) (14.9% increase)
Sales: ¥1,028 million (US$9,126 thousand) (14.9% increase)

Consolidated Balance Sheets

March 31, 2016 and 2015

Assets	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 2) 2016
Current assets			
Cash and deposits	¥ 17,055	¥ 18,776	$ 151,361
Notes and accounts receivable-trade	39,887	38,489	353,992
Notes and accounts receivable-trade —— unconsolidated subsidiaries and affiliates	46	22	414
Merchandise and finished goods	10,484	10,525	93,042
Work in process	5,793	4,933	51,419
Raw materials and supplies	2,270	2,480	20,147
Deferred tax assets (Note 8)	991	1,222	8,802
Prepaid expenses and other current assets	1,084	919	9,628
Allowance for doubtful accounts	(62)	(47)	(552)
Total current assets	77,552	77,320	688,256
Property, plant and equipment			
Buildings and structures	24,998	25,228	221,857
Machinery, equipment and vehicles	51,518	50,119	457,206
Tools, furniture and fixtures	9,743	9,606	86,468
Land	15,209	15,230	134,975
Lease assets	388	433	3,443
Construction in progress	1,577	1,072	14,002
Accumulated depreciation	(70,191)	(68,629)	(622,930)
Total property, plant and equipment	33,243	33,061	295,023
Investments and other assets			
Investment securities —— other	10,423	14,458	92,505
Investment securities —— unconsolidated subsidiaries and affiliates	448	448	3,982
Long-term loans —— other	19	18	169
Long-term loans —— unconsolidated subsidiaries and affiliates	152	100	1,348
Other investments	1,952	1,934	17,324
Allowance for doubtful accounts	(321)	(318)	(2,856)
Long-term prepaid expenses and other	912	859	8,099
Total investments and other assets	13,586	17,502	120,573
Total assets	¥ 124,382	¥ 127,884	$ 1,103,854

Liabilities and Shareholders' Equity	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 2) 2016
Current liabilities			
Notes and accounts payable-trade	¥ 25,625	¥ 26,529	$ 227,419
Notes and accounts payable-trade			
—— unconsolidated subsidiaries and affiliates	23	5	210
Short-term loans payable (Note 3)	21,759	23,448	193,112
Current portion of long-term debt (Note 3)	3,061	2,336	27,167
Lease obligations	52	63	466
Income taxes payable	576	218	5,114
Accrued liabilities	2,934	3,200	26,041
Advances received	1,404	1,698	12,462
Employees' savings deposits	440	425	3,911
Other current liabilities	2,755	1,939	24,457
Total current liabilities	58,634	59,867	520,362
Long-term liabilities			
Net defined benefit liability (Note 4)	8,426	¥ 6,826	74,783
Long-term debt (Note 3)	7,385	9,443	65,544
Lease obligations	85	132	759
Deferred tax liabilities (Note 8)	352	1,245	3,125
Asset retirement obligations	137	137	1,222
Other long-term liabilities	610	648	5,421
Total long-term liabilities	16,998	18,433	150,858
Total liabilities	75,633	78,300	671,221
Net assets			
Shareholders' equity			
Capital stock	31,186	31,186	276,766
Authorized: 393,766,000 shares			
Issued: 133,984,908 shares in 2015			
133,984,908 shares in 2016			
Capital surplus	6,942	6,959	61,615
Retained earnings	14,241	12,563	126,386
Treasury stock	(1,093)	(1,092)	(9,705)
Total shareholders' equity	51,276	49,616	455,062
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	1,794	3,949	15,927
Deferred gains or losses on hedges	7	(5)	70
Remeasurements of defined benefit plans	(4,823)	(4,416)	(42,810)
Total accumulated other comprehensive income	(3,021)	(472)	(26,813)
Non-controlling interests	493	439	4,383
Total net assets	48,749	49,584	432,633
Total liabilities and net assets	¥ 124,382	¥ 127,884	$ 1,103,854

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

Consolidated Statements of Income

Years ended March 31, 2016 and 2015

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2016	2015	**2016**
Net sales	**¥ 101,964**	¥ 98,394	**$ 904,906**
Cost of sales	**79,139**	76,219	**702,342**
Gross profit	**22,824**	22,175	**202,564**
Selling, general and administrative expenses	**19,494**	19,250	**173,008**
Operating income	**3,330**	2,925	**29,556**
Other income and (expenses)			
Interest and dividend income	**283**	335	**2,515**
Interest expense	**(374)**	(405)	**(3,324)**
Gain on sales of investment securities	**737**	—	**6,540**
Loss on revision of retirement benefit plan	**(521)**	—	**(4,625)**
Others, net	**(363)**	(275)	**(3,227)**
Income before income taxes	**3,091**	2,579	**27,434**
Income taxes (Note 8)			
Current	**576**	285	**5,112**
Deferred	**278**	641	**2,473**
Total	**854**	927	**7,585**
Profit	**2,236**	1,652	**19,849**
Profit attributable to non-controlling interests	**42**	54	**374**
Profit attributable to owners of parent	**¥ 2,194**	¥ 1,598	**$ 19,474**

	yen		U.S. dollars (Note 2)
	2016	2015	**2016**
Net income per 1,000 shares:			
Basic	**¥ 16,981**	¥ 12,337	**$ 150**
Diluted	**16,981**	12,337	**150**
Cash dividends per 1,000 shares	**4,000**	4,000	**35**

Consolidated Statements of Comprehensive Income

Years ended March 31, 2016 and 2015

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2016	2015	**2016**
Profit	**¥ 2,236**	¥ 1,652	**$ 19,849**
Other comprehensive income			
Valuation difference on available-for-sale securities	**(2,154)**	1,320	**(19,123)**
Deferred gains or losses on hedges	**13**	(5)	**117**
Remeasurements of defined benefit plans	**(407)**	795	**(3,619)**
Total other comprehensive income	**(2,549)**	2,110	**(22,624)**
Comprehensive income	**(312)**	3,762	**(2,775)**
Comprehensive income attributable to owners of the parent	**(354)**	3,708	**(3,148)**
Profit (loss) attributable to non-controlling interests	**41**	54	**372**

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2016 and 2015

	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, 2014	¥ 31,186	¥ 6,959	¥ 9,749	¥ (392)	¥ 2,630	—	¥ (5,211)	¥ 386	¥ 45,307
Cumulative effects of changes in accounting policies	—	—	1,700	—	—	—	—	—	1,700
Restated balance	31,186	6,959	11,449	(392)	2,630	—	(5,211)	386	47,008
Dividends of surplus	—	—	(522)	—	—	—	—	—	(522)
Profit attributable to owners of parent	—	—	1,598	—	—	—	—	—	1,598
Purchase of treasury shares	—	—	—	(700)	—	—	—	—	(700)
Change of scope of consolidation	—	—	38	—	—	—	—	—	38
Net changes of items other than shareholders' equity	—	—	—	—	1,319	(5)	795	53	2,162
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

	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, 2015	$ 276,766	$ 61,765	$ 111,498	$ (9,697)	$ 35,049	$ (47)	$ (39,192)	$ 3,904	$ 440,048
Dividends of surplus	—	—	(4,587)	—	—	—	—	—	(4,587)
Profit attributable to owners of parent	—	—	19,474	—	—	—	—	—	19,474
Purchase of treasury shares	—	—	—	(8)	—	—	—	—	(8)
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	(150)	—	—	—	—	—	—	(150)
Net changes of items other than shareholders' equity	—	—	—	—	(19,121)	117	(3,618)	479	(22,143)
Balance as of March 31, 2016	$ 276,766	$ 61,615	$ 126,386	$ (9,705)	$ 15,927	$ 70	$ (42,810)	$ 4,383	$ 432,633

Consolidated Statements of Cash Flows

Years ended March 31, 2016 and 2015

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2016	2015	**2016**
Net cash provided by (used in) operating activities			
Income before income taxes	**¥ 3,091**	¥ 2,579	**$ 27,434**
Depreciation and amortization	**2,463**	2,355	**21,861**
Decrease (increase) in notes and accounts receivable-trade	**(1,678)**	(734)	**(14,900)**
Increase (decrease) in notes and accounts payable-trade	**(800)**	1,753	**(7,102)**
Decrease (increase) in inventories	**(609)**	(2,059)	**(5,411)**
Interest and dividends income	**(283)**	(335)	**(2,515)**
Interest expenses	**374**	405	**3,324**
Loss (gain) on sales of short-term and long-term investment securities	**(737)**	—	**(6,540)**
Loss (gain) on valuation of short-term and long-term investment securities	**7**	0	**62**
Loss (gain) on sales of property, plant and equipment and intangible assets	**5**	(26)	**52**
Loss on retirement of property, plant and equipment and intangible assets	**32**	43	**292**
Increase (decrease) in allowance for doubtful accounts	**18**	(216)	**161**
Increase (decrease) in provision for retirement benefits	**1,198**	629	**10,634**
Other, net	**(88)**	(609)	**(786)**
Sub-total	**2,993**	3,784	**26,566**
Interest and dividends income received	**298**	325	**2,648**
Interest expenses paid	**(361)**	(416)	**(3,207)**
Income taxes paid	**(255)**	(255)	**(2,266)**
Net cash provided by (used in) operating activities	**2,675**	3,438	**23,741**
Net cash provided by (used in) investing activities			
Decrease (increase) in time deposits	**—**	(50)	**—**
Purchase of short-term and long-term investment securities	**(246)**	(19)	**(2,184)**
Proceeds from sales of short-term and long-term investment securities	**1,909**	1	**16,946**
Purchase of property, plant and equipment and intangible assets	**(2,241)**	(4,201)	**(19,888)**
Proceeds from sales of property, plant and equipment and intangible assets	**16**	38	**144**
Payments of sales of property, plant and equipment	**—**	(648)	**—**
Payments of loans receivable	**(181)**	(7)	**(1,607)**
Collection of loans receivable	**19**	1	**172**
Other, net	**(44)**	183	**(397)**
Net cash provided by (used in) investing activities	**(767)**	(4,701)	**(6,815)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**(1,688)**	(1,490)	**(14,984)**
Repayments of lease obligations	**(64)**	(75)	**(575)**
Proceeds from long-term loans payable	**1,049**	11,300	**9,309**
Repayment of long-term loans payable	**(2,382)**	(13,342)	**(21,145)**
Cash dividends paid	**(517)**	(523)	**(4,594)**
Dividends paid to non-controlling interests	**(4)**	(1)	**(43)**
Purchase of treasury stock	**(0)**	(700)	**(8)**
Net cash provided by (used in) financing activities	**(3,610)**	(4,834)	**(32,042)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(17)**	72	**(159)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(1,721)**	(6,025)	**(15,276)**
Cash and Cash Equivalents at Beginning of Year	**18,726**	24,577	**166,193**
Increase in cash and cash equivalents from newly consolidated subsidiary	**—**	175	**—**
Cash and Cash Equivalents at End of Year	**¥ 17,005**	¥ 18,726	**$ 150,917**

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

Cash and deposits	**¥17,055**	¥18,776	**$151,361**
Time deposits due over three months	**(50)**	(50)	**(443)**
Cash and cash equivalents	**¥17,005**	¥18,726	**$150,917**

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 129,222 thousand and 129,562 thousand for the years ended March 31, 2016 and 2015, 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, 2016 are as follows.

	Millions of yen		
	2016		
	Carrying amounts	*Market value*	*Unrealized gain (loss)*
Other securities	¥ 7,582	¥ 10,049	¥ 2,467

	Thousands of U.S. dollars		
	2016		
	Carrying amounts	*Market value*	*Unrealized gain (loss)*
Other securities	$ 67,288	$ 89,183	$ 21,895

(Changes in Accounting Policies)
(Application of the Accounting Standard for Business Combinations)
We have applied the "Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013)," the "Accounting Standard for Consolidated Financial Statements (Accounting Standards Board of Japan (ASBJ) Statement No. 22, September 13, 2013)," the "Accounting Standard for Business Divestitures (Accounting Standards Board of Japan (ASBJ) Statement No. 7, September 13, 2013)," and other standards from this consolidated fiscal year. Accordingly, accounting methods have been revised to record the difference arising from changes in equity in subsidiaries which we continue to control as capital surplus, and to record acquisition-related costs as expenses for the consolidated fiscal year. In addition, regarding business combinations occurring on or after the first day of the consolidated fiscal year, the accounting method has been revised to retroactively reflect adjustments to the amount allocated to acquisition costs arising from the finalization of the provisional accounting treatment, in the consolidated financial statements of the fiscal year in which the business combination occurs. Furthermore, indication of net income and others has been revised, and the indication of minority interests has been revised to non-controlling interests. In order to reflect the changes in indication of financial statements, reclassification of consolidated financial statements was made accordingly in the previous consolidated financial statements.
The Accounting Standard for Business Combinations and other standards have been and will be applied since the first day of this consolidated fiscal year, in accordance with the transitional treatment set forth in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.
We have also employed a different recording method for consolidated cash flow statements for this consolidated fiscal year. Cash flows from the purchase or sale of investments in subsidiaries with no change in scope of consolidation were recorded in the "Net cash provided by financing activities"; and cash flows from acquisition related costs of subsidiaries with a change in scope of consolidation, and cash flows from costs related to purchase or sale of investments in subsidiaries with no change in scope of consolidation, were recorded in the "Net cash provided by operating activities."
The effect these changes may have on consolidated financial statements and information provided per share will be minimal with regard to 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=¥112.68 as of March 31, 2016, 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, 2016 and 2015 are 0.9% and 1.0%, 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*
	2016	2015	**2016**
Loans from financial institution, due 2016 to 2020 with interest rates between 0.50% and 3.85%	**10,446**	11,780	**92,712**
Sub-total	**10,446**	11,780	**92,712**
Less current portion of loans	**3,061**	2,336	**27,167**
	¥ 7,385	¥9,443	**$ 65,544**

The aggregate annual maturities of long-term financial debt at March 31, 2016 and 2015 respectively are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2016	2015	**2016**
2016	**—**	2,336	**—**
2017	**3,061**	2,273	**27,167**
2018	**7,362**	7,123	**65,335**
2019	**12**	23	**108**
2020 and thereafter	**11**	22	**101**
	¥ 10,446	¥ 11,780	**$ 92,712**

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, 2016, 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
	2016	2016
Deposit	¥ 50	$ 443
Notes receivable	1,460	12,957
Buildings and structures	4,215	37,409
Machinery, equipment	1,936	17,185
Land	3,608	32,024
	¥ 11,270	$ 100,020

Note 4. Retirement Benefits

The following are matters concerning the defined benefit plan as of March 31, 2016 and 2015, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of the year	¥ 12,581	¥13,313	$ 111,661
Cumulative effects of changes in accounting policies	—	(1,700)	—
Restated balance	12,581	11,613	111,661
Net increase from newly consolidated subsidiaries	—	20	—
Service cost	690	684	6,128
Interest cost	68	103	607
Actuarial loss (gain)	880	525	7,811
Benefits paid	(369)	(365)	(3,277)
Gain on abolishment of retirement benefit plans	(2,310)	—	(20,504)
Balance at end of the year	¥ 11,541	¥12,581	$ 102,427

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of the year	¥ 6,293	¥ 5,192	$ 55,849
Expected return on plan assets	88	69	786
Actuarial gain (loss)	(1,066)	604	(9,466)
Contributions paid by the employer	427	560	3,791
Benefits paid	(110)	(132)	(977)
Gain on abolishment of retirement benefit plans	(1,970)	—	(17,486)
Balance at end of the year	¥ 3,661	¥ 6,293	$ 32,497

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of the year	¥ 530	¥ 541	$ 4,709
Retirement benefit costs	95	77	851
Benefits paid	(58)	(73)	(519)
Contributions paid by the employer	(21)	(14)	(187)
Balance at end of the year	¥ 546	¥ 530	$ 4,853

(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
	2016	2015	2016
Funded retirement benefit obligations	¥ 12,019	¥ 13,054	$ 106,666
Plan assets	(3,961)	(6,585)	(35,152)
	8,058	6,468	71,513
Unfunded retirement benefit obligations	368	350	3,270
Total net liability (asset) for retirement benefits at March 31	8,426	6,819	74,783
Liability for retirement benefits	8,426	6,819	74,783
Asset for retirement benefits	—	—	—
Total net liability (asset) for retirement benefits at end of the year	¥ 8,426	¥ 6,819	$ 74,783

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 690	¥ 682	$ 6,128
Interest cost	68	103	607
Expected return on plan assets	(88)	(69)	(786)
Net actuarial loss amortization	676	716	6,006
Retirement benefit costs calculated by the simplified method	95	77	851
Total retirement benefit costs for the fiscal year	¥ 1,443	¥ 1,510	$ 12,807
Loss on revision of retirement benefit plan	¥ 521	—	$ 4,625

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Actuarial loss (gain)	¥ 408	¥ (794)	$ 3,628
Total	¥ 408	¥ (794)	$ 3,628

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized actuarial differences	¥ 4,824	¥4,415	$ 42,812
Total	¥ 4,824	¥4,415	$ 42,812

(8) Accumulated adjustments for retirement benefit

①Plan assets comprise:

	2016	2015
Bonds	—	6%
Equity securities	67%	64%
Cash and cash equivalents	23%	13%
General account	—	14%
Other	10%	3%
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:

	2016	2015
Discount rate	0.0%~0.6%	0.0%~1.5%
Long-term expected rate of return	1.4%~1.9%	1.4%~1.9%
Expected rate of salary increase	0.7%~4.6%	0.7%~4.4%

Defined contribution plans
The required contribution amount for consolidated subsidiaries for the defined contribution plan was 64 million yen (574 thousand US dollars) as of March 31, 2016.

Note 5. Contingent Liabilities

As of March 31, 2016 and 2015, the company was contingently liable as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2016	2015	2016
As guarantor of indebtedness of unconsolidated subsidiaries and others	¥ 143	¥ 166	$ 1,277
Discount of notes and bills	2,266	2,474	20,112
Transfer of notes and bills endorsed for payment	¥ 0	¥ 1	$ 5

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 ¥1,474 million ($13,085 thousand) for the year ended March 31, 2016.

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 33.0% and 35.6% for the year ended March 31, 2016 and 2015, 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, 2016 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, 2016 and 2015 are presented below:

	Millions of yen		*Thousands of U.S. dollars*
	2016	2015	2016
Deferred tax assets			
Net defined benefit liability	¥ 3,967	¥ 3,657	$ 35,212
Accrued bonus indemnities	443	480	3,933
Allowance for doubtful accounts	91	85	813
Allowance for loss on construction work	12	28	113
Loss on revaluation of investment securities	180	187	1,597
Loss on valuation of investments in capital of subsidiaries and associates	110	116	981
Amalgamated received property	543	572	4,826
Impairment loss	2	2	23
Operating loss carry-forwards	12,871	14,448	114,233
Elimination of inter-company profits	7	10	62
Other	788	799	6,999
Total gross deferred tax assets	19,020	20,390	168,798
Less valuation allowance	(17,664)	(18,746)	(156,768)
Net deferred tax assets	¥ 1,355	¥ 1,644	$ 12,029

	Millions of yen		*Thousands of U.S. dollars*
	2016	2015	2016
Deferred tax liabilities			
Evaluated difference of other securities	¥ (660)	¥ (1,607)	$ (5,860)
Dividends receivable	(48)	(56)	(426)
Other	(7)	(3)	(66)
Total deferred tax liabilities	(715)	(1,667)	(6,353)
Net deferred tax assets	¥ 639	¥ (23)	$ 5,676

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		
	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	—

	Millions of yen		
	2015		
	Carrying amounts	*Fair value*	*Unrecognized gain (loss)*
Cash and deposits	¥ 18,776	¥ 18,776	¥ —
Notes and accounts receivable-trade	38,511	38,511	—
Investment securities	14,079	14,079	—
Total	71,367	71,367	—
Notes and accounts payable-trade	26,535	26,535	—
Short-term loans payable	23,448	23,448	—
Current portion of long-term debt	2,336	11,800	19
Long-term debt	9,443		
Total	¥ 61,764	¥ 61,784	¥ 19
Derivative financial instruments	(5)	(5)	—

	Thousands of U. S. dollars		
	2016		
	Carrying amounts	*Fair value*	*Unrecognized gain (loss)*
Cash and deposits	$ 151,361	$ 151,361	$ —
Notes and accounts receivable-trade	354,406	354,406	—
Investment securities	89,183	89,183	—
Total	594,951	594,951	—
Notes and accounts payable-trade	227,629	227,629	—
Short-term loans payable	193,112	193,112	—
Current portion of long-term debt	27,167	92,818	106
Long-term debt	65,544		
Total	$ 513,454	$ 513,561	$ 106
Derivative financial instruments	70	70	—

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	$ 7,304

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. 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 2015 and 2016 is as follows:

	Millions of yen					
	2016					
	Reportable segment					
	Pipe system business	*Machinery system business*	*Industrial materials business*	*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.

	Millions of yen					
	2015					
	Reportable segment					
	Pipe system business	*Machinery system business*	*Industrial materials business*	*Total*	*Adjustment *1*	*Consolidated *2*
Net sales						
Sales to customers	¥ 56,751	¥ 18,515	¥ 23,127	¥ 98,394	¥ —	¥ 98,394
Intersegment	278	—	826	1,104	(1,104)	—
Total sales	57,029	18,515	23,954	99,498	(1,104)	98,394
Segment income	2,016	490	642	3,148	(223)	2,925
Segment assets	57,601	15,095	21,312	94,009	33,875	127,884
Other items						
Depreciation	1,466	278	468	2,213	142	2,355
Increase in property, plant and equipment, and intangible assets	¥ 1,864	¥ 170	¥ 241	¥ 2,276	¥ 145	¥ 2,421

1. The minus 223 million yen segment income adjustment includes: 35 million yen resulting from the elimination of intersegment transactions; minus 148 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 110 million yen resulting from inventory asset adjustment.
   The 33,875 million yen segment asset adjustment includes: minus 1,929 million yen resulting from the elimination of intersegment transactions; and 35,804 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 142 million yen depreciation adjustment and 145 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.

	Thousands of U.S. dollars					
	2016					
	Reportable segment					
	Pipe system business	*Machinery system business*	*Industrial materials business*	*Total*	*Adjustment *1*	*Consolidated *2*
Net sales						
Sales to customers	$ 518,139	$ 191,916	$ 194,850	$ 904,906	$ —	$ 904,906
Intersegment	2,743	6	5,046	7,796	(7,796)	—
Total sales	520,882	191,923	199,897	912,703	(7,796)	904,906
Segment income	19,372	9,058	1,396	29,827	(271)	29,556
Segment assets	501,798	154,882	177,603	834,285	269,569	1,103,854
Other items						
Depreciation	13,804	2,473	4,082	20,360	1,501	21,861
Increase in property, plant and equipment, and intangible assets	$ 10,183	$ 2,727	$ 2,442	$ 15,352	$ 10,779	$ 26,132

1. The minus 271 thousand US dollar segment income adjustment includes: 333 thousand US dollars resulting from the elimination of intersegment transactions; minus 28 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 576 thousand US dollars resulting from inventory asset adjustment.
   The 269,569 thousand US dollar segment asset adjustment includes: minus 17,137 thousand US dollars resulting from the elimination of intersegment transactions; and 286,706 thousand US dollars due to a working capital surplus, investment securities and land, etc., which are company-wide assets and not attributable to any specific reportable segment.
   The 1,501 thousand US dollar depreciation adjustment and 10,779 thousand US dollar adjustment for increases in tangible and intangible fixed assets are basic research-related assets that are not attributable to any specific reportable segment, and assets that belong to headquarters, etc.
2. Adjustment is made between segment income and Operating Income in the Consolidated Statement of Income.

(4) Geographic Segments

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

(5) Sales to Foreign Customers

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

Note 11. Subsequent Events

Cash Dividends

Cash dividends of the Company's retained earnings for the year ended March 31, 2016 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 29, 2016, as follows:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends (¥2.0 per share)	¥ 258	$ 2,293

Independent Auditors' 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, 2016, 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, 2016, 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.

February 10, 2017

PKF Hibiki Audit Corporation

Corporate Information

Kurimoto, Ltd.

(as of June 29, 2016)

Outline

Founded	1909
Incorporated	1934
Common stock	¥31,186 million*
Total assets	¥107,665 million*
Employees	1,364*

**as of March 31, 2016*

Board of Directors

(as of June 29, 2016)

Chairman	Hideaki Fukui
President	Moriyoshi Kushida
Senior Managing Director	Motohito Sawai
Managing Director	Hirobumi Okada
Director	Yoshiaki Shingu Mikio Yaji
Outside Director	Shigehiro Shibakawa Minoru Takahashi
Audit & Supervisory Board Member	Toshitsugu Emura Minoru Murata Hideyo Akamatsu Tomonori Kobayashi
Managing Executive Officer	Mitsuo Amagaya
Executive Officer	Naofumi Saito Kazutaka Kikumoto Shinya Kojima Shin Ikuta Takehisa Fukui Hisato Sato Yukitaka Fujimoto Takayuki Miyazaki

Stock

(as of March 31, 2016)

Common Stock

Number of authorized shares 393,766,000
Number of issued shares 133,984,908
Number of shareholders 9,541

Principal Shareholders

(as of March 31, 2016)

	Number of shares held (in thousands)	*Ratio of shareholding*
Taiyo Life Insurance Company	12,090	9.3%
Japan Trustee Services Bank, Ltd.	9,514	7.3%
Nippon Life Insurance Company	6,786	5.2%
Resona Bank, Limited	4,440	3.4%
Mizuho Bank, Ltd.	3,623	2.8%
Mizuho Trust & Banking Co., Ltd.	3,200	2.4%

Offices

Head Office
12-19, Kitahorie 1-chome, Nishi-ku, Osaka 550-8580, Japan
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Telephone: +62-21-570-0800 Fax: +62-21-570-0088

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, 2016)

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.

Sasebo Metal, Co., Ltd.

Operations: Manufacture and sales of castings

Yamatogawa Co., Ltd.

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

Motoyama Eng. Works, Ltd.

Operations: Manufacture and sales of industrial valves

Ks-Tech Co., Ltd.

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

Hokkaido Kanzai Co., Ltd.

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

Yashima Chemical Engineering Co., Ltd.

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

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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