2023

Kurimoto, Manufacturing the Future

ANNUAL REPORT

Year ended March 31, 2023

KURIMOTO

KURIMOTO, LTD.

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

The major divisions of Kurimoto now provide ductile iron pipes, plant equipment and engineering services, valves, and construction materials. Involvement with and commitment to large-scale projects has enabled Kurimoto to expand its areas of expertise, be it in land development, industrial modernization, or urban renewal and construction. 12 factories located throughout Japan comprise the company's industrial base which, together with 20 subsidiaries and 1 associate, make up the Kurimoto Group employing about 2,100 people. Today, Kurimoto plays a vital role in supplying basic industrial products, machines, and services domestically and abroad.

Contents

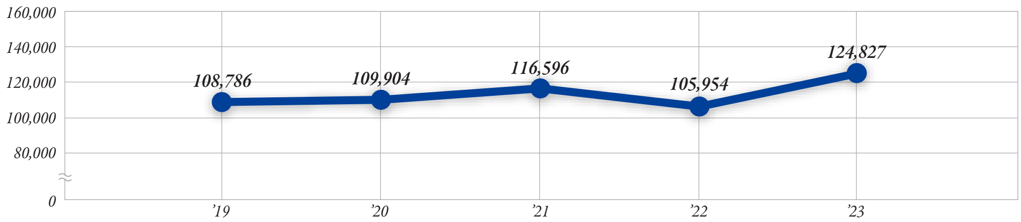
Financial Highlights

Years ended March 31	**2023**	2022	2021	2020	2019	**2023**
	Millions of yen (thousands of U.S. dollars) except per 100 share information					
Net sales	**¥ 124,827**	¥ 105,954	¥ 116,596	¥ 109,904	¥ 108,786	**$ 934,829**
Profit (loss) attributable to owners of parent	**4,727**	2,917	3,174	2,773	2,075	**35,401**
Total assets	**145,164**	139,722	134,477	134,216	136,469	**1,087,127**
Total shareholders' equity (including Accumulated other comprehensive income)	**¥ 71,608**	¥ 66,342	¥ 63,966	¥ 57,892	¥ 58,070	**$ 536,270**
Per 100 shares of common stock						
Profit (loss) attributable to owners of parent	**38,727**	23,917	26,042	22,283	16,565	**290**
Cash dividends	**9,000**	7,000	7,000	6,000	6,000	**67**

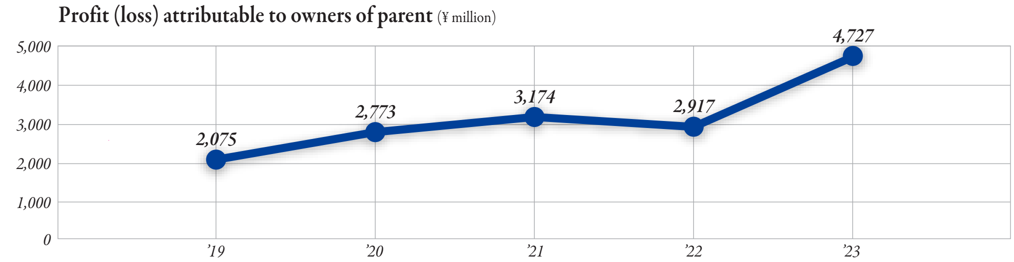
Note 1: The U.S. dollar amounts are calculated at the exchange rate of ¥133.53 to $1, the rate prevailing on March 31, 2023.

Note 2: The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the fiscal year ended March 31, 2022, and key management indicators for the fiscal year ended March 31, 2022 and thereafter are those after the application of the said accounting standard.

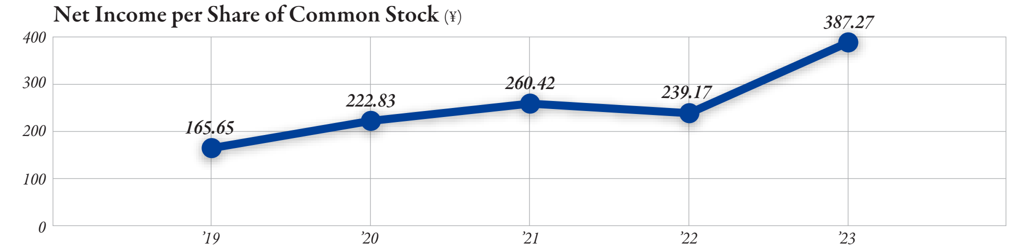
Net Sales (¥ million)



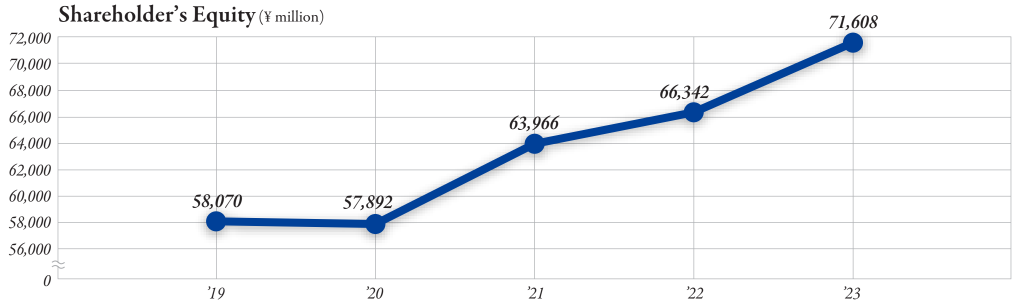
Profit (loss) attributable to owners of parent (¥ million)



Net Income per Share of Common Stock (¥)



Shareholder's Equity (¥ million)



Message from the President

"Without fear of failure, we will continue seeking to produce new value that contributes to social infrastructure and more."

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

Kurimoto was founded in February 1909 to manufacture cast-iron pipe for water supply based on our iron foundry expertise. For 114 years now we have been committed to bringing people greater comfort and safety by improving social infrastructure, lifeline systems, and industrial machinery. I thank you and all of the group's stakeholders for your ongoing support.

Thanks to the loosening of restrictions amidst the pandemic, Japan's economy was on the path to recovery in the current consolidated fiscal year, but other factors complicated the situation, causing economic uncertainty. These factors include Russia's invasion of Ukraine and the prolonged conflict there, exchange rate fluctuations, and the impact of rising prices in materials and goods. In these circumstances, the Kurimoto Group has been working to ensure the stable production and supply of products while taking measures to prevent the spread of COVID-19. We have also strengthened our sales and cost-reduction efforts to fortify our financial structure. As a result, in all three of our business segments—lifeline business, machinery system business, and industrial materials business—the group's consolidated net sales and operating income improved over the previous fiscal year.

In social infrastructure, particularly in water supply, we are seeing a new trend of pipeline design-build orders for a package that covers the entire process from water pipeline design to installation and maintenance. The Group has already gotten multiple orders in this method. These new projects will undoubtedly have a positive impact on business performance going forward.

There has also been a sharp increase in highway improvement projects. We are providing new products and technologies, as well as carrying out installation and offering other solutions that facilitate road maintenance and upkeep.

In industrial equipment as well, new projects are springing up with greater frequency. For example, with the growing trend toward vehicle electrification and autonomization, there is a strong demand for lighter vehicle bodies, and we are developing strong, lightweight CFRP parts made of carbon fiber reinforced plastic coordinated by the Kurimoto Composite Center. Drawing upon the developmental strength of Kurimoto to persist through difficulties and speed up technological innovation, I am certain that we will be able to build competitive advantages.

The fact that we have been able to run our business successfully for such a long time is due in no small part to the guidance and encouragement of our stakeholders. I am extremely grateful for that and hope you will continue to lend us your warm support.

Kazutaka Kikumoto
President

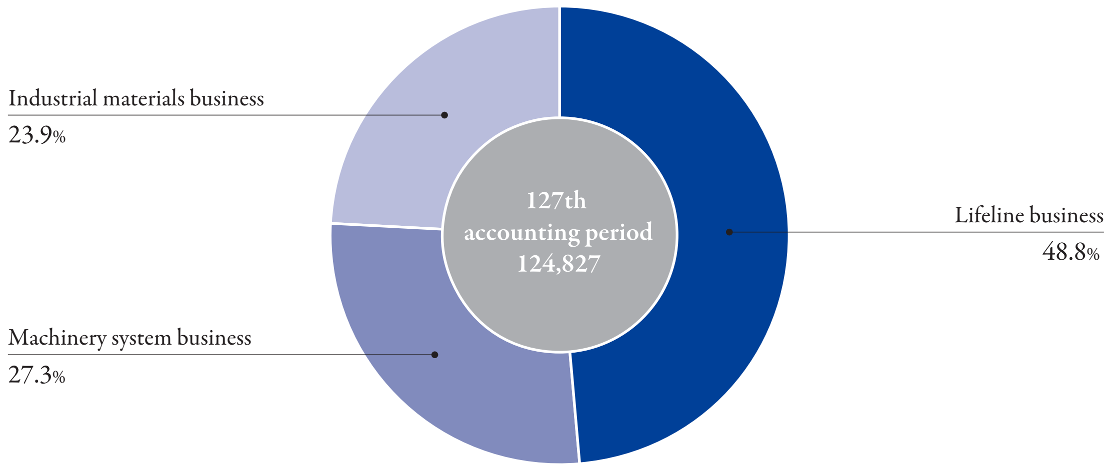
June 2023

K. Kikumoto

Kazutaka Kikumoto
President

Business Operations

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



Lifeline business

Sales of the lifeline business amounted to 60,879 million yen, an increase of 3,401 million yen over the previous consolidated fiscal year, primarily due to sales growth recorded by the Pipe Systems Division and the Valve Systems Division.
Operating income of this business rose to 3,679 million yen, an increase of 662 million yen over the previous consolidated fiscal year. Despite soaring raw material prices, the Pipe Systems Division and the Valve Systems Division increased sales mainly from the revision of selling prices, leading to the increase in operating income.

Industrial materials business

Sales of the industrial materials business were 29,845 million yen, an increase of 3,464 million yen over the previous consolidated fiscal year. Growth in sales of air-conditioning products and noise-reduction products posted by the Construction Materials Division and sewage products and FRP inspection passages posted by the Plastic Products Division were key drivers for the increase in overall segment sales.
Operating income of this business rose to 1,404 million yen, an increase of 364 million yen over the previous consolidated fiscal year. Despite the soaring raw material prices, sales growth posted by the Construction Materials Division and the Plastic Products Division was the main factor of the increase in operating income.

Machinery system business

The machinery system business enjoyed a 12,006 million yen increase in sales over the previous consolidated fiscal year to 34,102 million yen. The increase is mainly driven by growth in sales of powder systems and press machines, which was partly supported by the recovery from temporary restraint on investment amid the COVID-19 pandemic, recorded by the Plant Engineering and Machinery Division, along with growth in sales of pulverizers and casting parts posted by the Materials & Machinery Division.
Operating income of this business rose to 2,208 million yen, an increase of 1,770 million yen over the previous consolidated fiscal year. The major contributor to the increase was the substantial increase in sales posted mainly by the Plant Engineering and Machinery Division.

Sustainability Approach and Initiatives

The Kurimoto Group's approach to sustainability and its initiatives are as follows.
Forward-looking statements are based on the group's judgment as of the end of the current consolidated fiscal year.

(1) Basic Approach to Sustainability

Our company was founded 114 years ago by Yunosuke Kurimoto, who wished to "deliver hygienic and clean water to people throughout the world." Since then, the Group has passed down this mindset and continued to carry out its business activities with the aim of ensuring that people around the world can enjoy safe and secure lives. In April 2023, to further step up these efforts, we established the "Basic Sustainability Policy." We will continue to provide unique technologies, products, services, and optimal systems, thereby enhancing our corporate value over the long term and contributing to the realization of a sustainable society.

Basic Sustainability Policy—
Creating a future through "Inheritance and Innovation!"
Based on our corporate creed and philosophy, we, the Kurimoto Group, aim to enhance our long-term corporate value and contribute to the sustainable development of society and the earth with manufacturing that makes everyone happy, using the technology and experience (inheritance) we have cultivated since our founding, as well as our creativity (innovation) and the spirit of challenging ourselves to overcome huge obstacles.

(2) Initiatives against Climate Change (Information Disclosure Based on TCFD Recommendations)

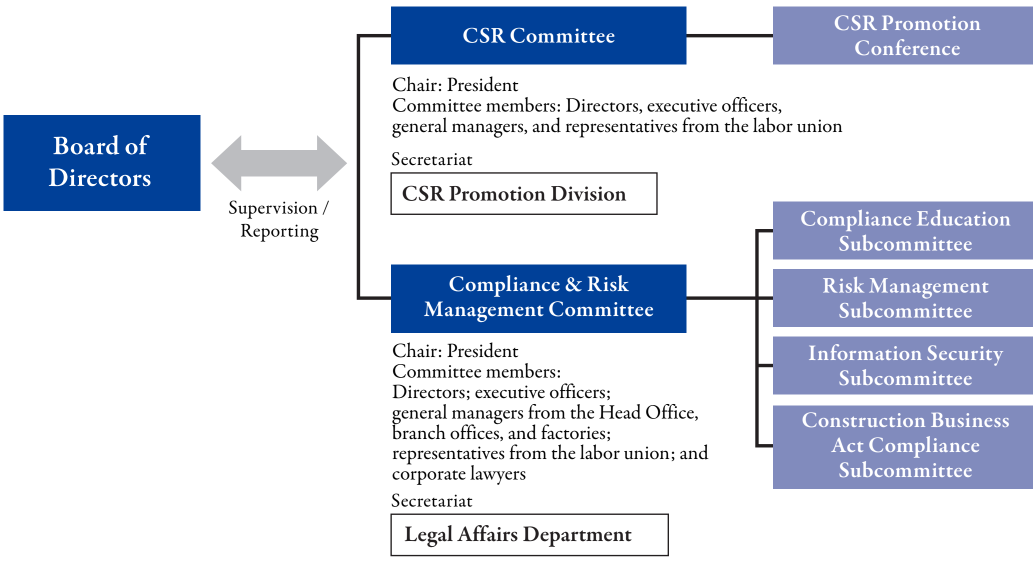
Based on recommendations by the TCFD (Task Force on Climate-related Financial Disclosure), Kurimoto is committed to disclosing information on risks and opportunities posed by climate change to our business in terms of governance, strategy, risk management, and metrics and targets.

① Governance
In order to pursue the sustainable development of society and the company, a CSR Committee chaired by the President has been established to promote management from the perspective of sustainability.

The committee meets twice a year to discuss climate change as an important agenda item. Decisions made at the meetings are reported to the Board of Directors and reflected in the management of the entire group.

In fiscal 2021, the Board of Directors discussed the switch to carbon-free electricity, the use of biofuels, and a production system that contributes to reducing greenhouse gas (GHG) emissions, resolving to reduce GHG emissions by 50% in fiscal 2030 compared to fiscal 2013.

Fig. 1: Sustainability Promotion Organization Diagram



② Strategy

We conducted a scenario analysis to help understand risks and opportunities arising from climate change.

・Scenario Analysis Method

To clarify the influence of climate change on our business, we analyzed the following two scenarios: the 1.5°C scenario, in which temperature rise is controlled by proactive policies and regulations to address climate change, and the 4°C scenario, in which passive responses accelerate climate change. In analyzing each scenario, we referred to RCP scenarios given by the Intergovernmental Panel on Climate Change (IPCC) and scenarios given by the International Energy Agency (IEA). The RCP scenarios were used for the analysis of physical risks (physical impacts) due to climate change and the IEA scenarios were used to analyze transition risks (impacts associated with the transition to a decarbonized economy) (Table 1). The target time axis was set to 2030, which is considered a critical point in time for achieving carbon neutrality by 2050.

Furthermore, we estimated the financial impact for calculable items in order to understand the effects of climate change in comparison with conventional financial items (Fig. 2).

Table 1: Climate Change Scenarios Referenced in Scenario Analysis

		A world where temperature rise is controlled by policies	A world undergoing temperature increases and climate change
		1.5°C scenario	4°C scenario
Overview		The increase in temperature by 2100 is limited to 1.5°C compared to levels in the late 19th century and risks pertaining to the transition to a decarbonized society, such as the implementation of carbon pricing (transition risks), affect the world. The influence of physical risks is relatively small compared to the 4°C scenario.	The temperature in 2100 rises by 4°C compared to temperatures in the late 19th century, and climate change exerts physical effects on the world such as disasters (physical risks). The influence of transition risks is small, as there will be no strengthening of regulations on climate change.
Reference scenario	Transition risk	IEA Net Zero Emission by 2050 (NZE) IEA Sustainable Development Scenario（SDS）	IEA Stated Policies Scenario (STEPS)
	Physical risk	IPCC RCP 2.6	IPCC RCP 8.5

＊In the absence of information on the 1.5°C scenario, reference scenarios classified as 2°C scenarios were used.

・Scenario Analysis Results (Table 2)

<1.5°C Scenario>

In the 1.5°C scenario, the transition to a decarbonized society is expected to have various effects on us, including the introduction of a carbon tax and the promotion of policies and regulations related to renewable energy and energy conservation. Risks pertaining to our business include the introduction of systems related to carbon pricing (carbon tax and emissions trading system) and policies on renewable energy and energy conservation, as well as increased raw material costs. To address these issues, we are taking measures such as introducing carbon-free electricity derived from renewable energy sources and reviewing energy efficiency by optimizing our production facilities. Going forward, we will also consider reducing the weights of products and the introduction of alternative materials. Opportunities, on the other hand, include increased sales with renewable energy and energy-saving related products and products related to the secondary battery manufacturing process due to the expected dissemination of renewable energy, further energy conservation in production facilities used by customers, and increased demand for secondary batteries on a global scale in step with the shift to EVs in the automobile industry. In view of the above, we are working to strategically expand sales of renewable energy-related products such as valves for power generation facilities and plant equipment for power generation, and energy-saving products and systems such as twin-screw continuous kneaders used in the secondary battery manufacturing process.

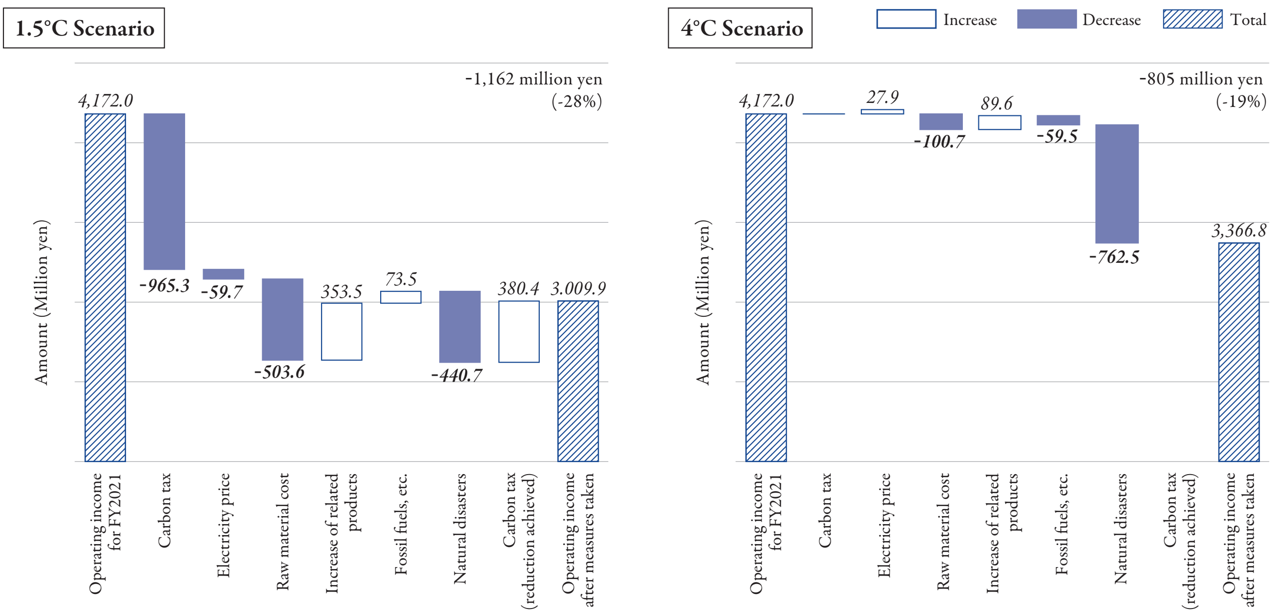
<4°C Scenario>

In the 4°C scenario, physical effects are expected to emerge in various forms such as intensifying extreme weather brought about by climate change. Risks pertaining to our business include wind and flood damage to our facilities due to extreme weather, and resultant delays or stoppages in product sales. In view of the above, we are developing a BCP that involves not only our company but also our suppliers and promoting decentralized procurement to mitigate risks. Opportunities, on the other hand, include increased demand for iron pipes in pace with the expansion of water supply networks, which are lifeline systems, as a result of intensifying extreme weather. Going forward, as a corporate group involved in social infrastructure, we will focus more on sales of products related to disaster response.

Table 2: Scenario Analysis Results

Effects of Climate-related Issues (Risks and Opportunities)			Potential Events	Severity Assessment		Internal Initiatives
				1.5°C Scenario	4°C Scenario	
Effects of the transition to a decarbonized economy	Risks	Introduction of a carbon price	[Company-wide] The introduction of carbon taxes, emissions trading, and other carbon pricing mechanisms will incur costs, such as tax payments and purchases of emission allowances, depending on the amount of greenhouse gas (GHG) emissions in a company.	High	Low	• Introduction of carbon-free electricity • Improving productivity by optimizing factory equipment • Switch to low-carbon vehicles (commercial vehicles)
		Regulations on the use of fossil fuels	[Lifeline] The use of fossil fuels in iron pipe production will be regulated, incurring costs in switching to alternative fuels.	Medium	Low	• Bio-coke introduction test
		Regulation of plastics	[Machinery system] Sales from customers in the petrochemical and steel industries will slow down, and demand for related products will decline.	Medium	Low	
		Introduction of renewable energy and energy conservation policies	[Company-wide] • Renewable energy introduction will push up electricity costs. • Equipment costs will increase due to the need for companies to save energy, which will necessitate equipment renewal, etc.	High	Low	• Optimizing factory equipment to improve productivity • Promoting equipment introduction through the introduction of ICP
		Information disclosure requirements	[Machinery system] • CO_2 emission calculation per product (CFP calculation) is requested mainly by the automobile and battery industries, and costs will be incurred to deal with these requests. • If CFP is not calculated, our products will be excluded from customers' choices.	Low	Low	
		Changes in the energy mix	[Machinery system] Demand for products related to coal-fired power generation will decline.	Medium	Low	
		Changes in raw material costs	[Company-wide] • Prices of fossil fuels used in manufacturing will fluctuate. • Prices of steel and metals used as raw materials will rise sharply.	High	Low	• Diversification of raw material procurement routes • Examination of alternative products
	Opportunities	Recycling regulations	[Machinery system] Tightened recycling regulations will increase demand for recycling business-related products.	Medium	Low	
		Introduction of a renewable energy policy	[Machinery system / Lifeline] Sales of products related to renewable energy will increase with the spread of renewable energy.	Medium	Low	• Expanding sales in products related to renewable energy (Valves for power generation facilities, plant equipment for power generation, etc.)
		Introduction of an energy conservation policy	[Machinery system] With the spread of EVs, demand for products related to secondary batteries will increase.	Medium	Low	• Expanding sales in energy-saving products (Secondary battery manufacturing process products, etc.)
		Changes in customer/investor reputations	[Company-wide] Disclosure of proactive environmental initiatives will increase opportunities to acquire new customers and make investments and loans.	Medium	Low	• Information disclosure based on TCFD recommendations • Disclosure of environmental information through CSR reports • Consideration given to green procurement
Physical effects of climate change	Risks	Intensification of extreme weather	[Company-wide] • Delays in delivery, securing substitute products, etc. will occur. • Possibilities of damage to our equipment will increase. • Reduced purchasing power with customers affected by disaster will push down our sales.	Medium	High	• Promotion of our company's BCP
		Rising average temperatures	[Company-wide] Rising temperatures will increase air conditioning costs during the summer months.	Low	Medium	• Appropriate temperature setting
		Deteriorating working conditions Stricter labor laws	[Company-wide] • If outdoor work is involved, extreme summer heat will reduce labor productivity, resulting in lower profitability. • If labor laws are tightened, the working environment needs to be improved.	Low	Low	• Capital investment that contributes to improving the working environment • Acquisition of Certified Health and Productivity Management Organization Recognition (Large Enterprise Category)
	Opportunities	Intensification of extreme weather	[Lifeline] Extended water supply networks will increase demand for iron pipes.	Low	Medium	• Focus on sales for products related to disaster response

Fig. 2: Estimated Financial Impacts



③ Risk Management

We have established a risk management system in place with the aim of enabling accurate management and implementation of measures against various risks surrounding our business (Fig. 1). Risks posed by climate change are integrated into the company-wide risk management system in cooperation with the CSR Committee. In accordance with our risk management regulations, risks related to each business division and our Group company are identified and reviewed every three years, and a risk matrix is prepared by the Risk Management Subcommittee, a specialized committee under the Compliance & Risk Management Committee. Identified risks are assessed based on their type, severity, frequency or probability of occurrence, and impact on management. Specifically, the risk matrix is prepared by classifying risks into four categories: human, property, liability, and credit, and by rating risks on four levels of severity (including impact on management) and four levels of frequency or probability of occurrence (reviewed in April every year or when a significant change arises in the business environment). The results are examined and approved by the Compliance & Risk Management Committee. For the management of assessed risks, we have established a specialized subcommittee to study and implement countermeasures. Matters discussed by the committee and specialized subcommittee are shared by employees to promote and implement initiatives. Through the risk management system described above, risks that could have a significant influence on our business are identified and reflected in our management plan.

④ Metrics and Targets

To assess and manage the progress of sustainability management and the effects of policies and other measures on climate change, we have set greenhouse gas emissions as metrics. Our target is to reduce greenhouse gas emissions by 50% or more in fiscal 2030 compared to fiscal 2013. To achieve this goal, we will continue moving forward with energy conservation at our factories and with the introduction of renewable energy.

Table 3: Greenhouse Gas (GHG) Emissions Reduction [t-CO_2]

		FY2013	FY2021
GHG emissions from our company's operations (Scope 1 + Scope 2)		76,134	62,823
(Breakdown)	Scope 1 (Emissions from fuel use)	50,015	44,600
	Scope 2 (Emissions from electricity use)	26,119	18,223

Scope of coverage: Kurimoto, Ltd. on a non-consolidated basis

(3) Human Capital

① Governance

We have established a framework centered on the Human Resource Development Committee, which is chaired by the President and composed of directors, to deliberate on company-wide policies and initiatives that contribute to the utilization of human resources (recruitment, staffing, appraisal, and training) and drive our company's human capital management.

② Strategy

a) Personnel Policy

Based on the concept that "People are the most important capital for companies," the Kurimoto Group has set the following personnel policy to achieve sustainable growth.

◇ We will reform the corporate culture and the mindsets and behaviors of employees.

- We will develop a system that gives all employees opportunities to take on challenges voluntarily supports them.
- We will promote the creation of an organization where people take full responsibility for their actions and self-contained.
- We aim to develop a corporate culture where all the abilities of those who belong to the organization are mobilized and demonstrated to foster creative and original values.

◇ We will create a workplace that motivates employees.
- We will promote work-life balance and develop a flexible mechanism that enables diverse human resources to work actively.
- With an aim to improve employee engagement, we will establish a system where those who have taken action and made achievements are rewarded fairly regardless of age and develop a system where employees are motivated and can feel happy.

◇ We will promote diversity initiatives.
- In line with our corporate creed of "cultivating wisdom and asking many people for advice," we create a work environment where a diverse range of human resources, including women, non-Japanese, people with disabilities, and mid-career hires with various professional backgrounds can play an active role, and create opportunities for them to build capacities required.
- By bringing together diverse values and making the most of them, we aim to respond to the rapidly changing market environment and achieve sustainable growth.

b) Human Resources Development Policy

Based on our corporate philosophy "We aim for the happiness of our employees and the happiness of mankind through manufacturing products," we are striving to realize the basic policy stated below.

◇ We will produce value-added products and services through capacity building for employees and revitalization of the organization to create customer value and make social contributions.

◇ We will support employees in their career development and capacity building and foster abilities to make social contributions as well as foster rich humanity as members of society and as members of the organization.

As specific themes to work on, we are carrying out training programs and other educational measures with a focus on the following five items, thereby promoting employees' capacity building and improvement of organizational strength.
- Cultivation of a corporate culture that encourages employees to study
- Strengthening of the organizational management abilities of management staff who play pivotal roles in corporate management
- Strengthening of conceptual skills (abilities to think logically and solve problems) of young and midlevel employees
- Finding and fostering candidates as the next executives and innovative human resources
- CSR education for work style reform, promotion of diversity, and achievement of a sustainable society

c) Internal Environment Improvement Policy

Based on the aforementioned policy, with the following human resources strategies set forth in the current three-year mid-term business plan (fiscal 2021 to 2023), we are working to improve the internal environment.

◇ Creating a corporate culture that encourages change and reform
- Evaluation of action-for-change process
  We highly evaluate taking on challenges without fear of failure and review the target management system to utilize results for capacity building.
- Promotion of diversified work styles
  To create an environment that facilitates change, we review our business processes to facilitate reform and diversification of our work styles.
- Promotion of diversity
  In order to diversify our human resources, we will conduct recruitment activities with targets set for women, people with disabilities, and mid-career hires, and promote the development of an environment that encourages these employees to play active roles.

◇ Creating a human resource management system that encourages individual development and growth and leverages employee strengths
- Early development of core human resources (for managers, overseas reps, leaders, etc.)
  Based on the future business concept, we formulate and analyze human resource portfolios and make efforts in early development of core human resources for the positions of manager, overseas representative, and leader.
- Fostering spontaneous career orientation and creating a system for career development
  In addition to establishing means for each employee to recognize their own strengths and for what they need to raise awareness, we enhance systems and tools to support voluntary and spontaneous capacity building and strengthening, including reskilling (training programs and educational materials).

◇ Improvement of engagement (job satisfaction)
- Initiatives to improve employee engagement
  Given that the relationship between individuals and the company is more focused on equality, we will examine the gap between "expectations" and "satisfaction" to better understand the current state of the workplace and resolve organizational issues, thereby improving employee engagement.
- Revision to an improved (distinctive) personnel system
  In preparation for the coming of the "100-year life era," we will establish a personnel system that enables employees to realize "growth," including the "extension of retirement age," as a foundation to sustain long-term job satisfaction.

③ Metrics and Targets

Regarding human capital, we have set and are monitoring the following goals in terms of "diversity" and a "comfortable work environment."

Metrics	Targets (%)	FY2022 Results (%)	Remarks
Percentage of women in managerial positions	3	0.3	Target for FY2030
Continuous employment rate of regular hires after around 10 years of employment	80	62.8	

Scope of coverage: Kurimoto, Ltd. on a non-consolidated basis

Consolidated Balance Sheets

March 31, 2023 and 2022

Assets	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 2) 2023
Current assets			
Cash and deposits	¥ 20,334	¥21,358	$ 152,281
Notes and accounts receivable-trade and contract assets	50,608	44,436	379,006
Notes and accounts receivable-trade —— unconsolidated subsidiaries and affiliates	7	10	56
Merchandise and finished goods	11,338	9,736	84,913
Work in process	6,246	8,575	46,782
Raw materials and supplies	3,804	3,650	28,491
Prepaid expenses and other current assets	1,253	1,507	9,389
Allowance for doubtful accounts	(127)	(126)	(952)
Total current assets	93,466	89,149	699,968
Property, plant and equipment			
Buildings and structures	28,961	28,539	216,893
Machinery, equipment and vehicles	57,703	56,930	432,138
Tools, furniture and fixtures	10,577	10,469	79,215
Land	13,846	13,787	103,697
Lease assets	1,100	299	8,239
Construction in progress	790	678	5,917
Accumulated depreciation	(79,684)	(78,179)	(596,757)
Total property, plant and equipment	33,295	32,525	249,345
Investments and other assets			
Investment securities —— other	12,204	11,333	91,400
Investment securities —— unconsolidated subsidiaries and affiliates	142	192	1,068
Long-term loans —— other	11	12	89
Long-term loans —— unconsolidated subsidiaries and affiliates	169	—	1,265
Other investments	1,458	1,458	10,923
Allowance for doubtful accounts	(227)	(83)	(1,701)
Deferred tax assets (Note 9)	3,177	3,337	23,797
Long-term prepaid expenses and other	1,464	1,796	10,970
Total investments and other assets	18,402	18,047	137,813
Total assets	¥ 145,164	¥139,722	$1,087,127

Liabilities and Shareholders' Equity	*Millions of yen* 2023	*Millions of yen* 2022	*Thousands of U.S. dollars (Note 2)* 2023
Current liabilities			
Notes and accounts payable-trade	**¥ 29,556**	¥ 28,602	**$ 221,347**
Notes and accounts payable-trade —— unconsolidated subsidiaries and affiliates	**54**	59	**408**
Short-term loans payable (Note 4)	**19,850**	22,250	**148,655**
Current portion of long-term debt (Note 4)	**696**	1,222	**5,217**
Lease obligations	**65**	33	**492**
Income taxes payable	**2,231**	426	**16,711**
Accrued liabilities	**4,841**	3,736	**36,258**
Advances received	**1,830**	2,628	**13,710**
Employees' savings deposits	**407**	403	**3,049**
Other current liabilities	**2,776**	2,484	**20,796**
Total current liabilities	**62,311**	61,846	**466,646**
Long-term liabilities			
Net defined benefit liability (Note 5)	**8,347**	8,830	**62,513**
Long-term debt (Note 4)	**118**	714	**883**
Lease obligations	**830**	68	**6,218**
Provision for environmental measures	**13**	20	**101**
Asset retirement obligations	**324**	319	**2,433**
Other long-term liabilities	**254**	302	**1,909**
Total long-term liabilities	**9,889**	10,256	**74,059**
Total liabilities	**72,200**	72,102	**540,706**
Net assets			
Shareholders' equity			
Capital stock	**31,186**	31,186	**233,551**
Authorized: 39,376,600 shares			
Issued: 13,098,490 shares in 2022			
13,098,490 shares in 2023			
Capital surplus	**6,873**	6,873	**51,477**
Retained earnings	**30,828**	27,029	**230,869**
Treasury stock	**(1,778)**	(1,802)	**(13,320)**
Total shareholders' equity	**67,109**	63,287	**502,577**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	4,212	3,256	**31,549**
	0	1	**1**
Foreign currency translation adjustment	198	44	**1,489**
Remeasurements of defined benefit plans	87	(247)	**652**
Total accumulated other comprehensive income	4,498	3,054	**33,692**
Non-controlling interests	1,355	1,277	**10,150**
Total net assets	72,963	67,619	**546,421**
Total liabilities and net assets	¥145,164	¥139,722	**$1,087,127**

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

Consolidated Statements of Income

Years ended March 31, 2023 and 2022

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2023	2022	**2023**
Net sales	**¥ 124,827**	¥ 105,954	**$ 934,829**
Cost of sales	**95,477**	80,615	**715,029**
Gross profit	**29,349**	25,338	**219,800**
Selling, general and administrative expenses	**22,509**	21,166	**168,569**
Operating income	**6,840**	4,172	**51,230**
Other income and (expenses)			
Interest and dividend income	**416**	369	**3,117**
Interest expense	**(152)**	(153)	**(1,145)**
Gain on sales of investment securities	**95**	23	**713**
Loss on valuation of investment securities	**—**	(5)	**—**
Loss on sales of investment securities	**—**	(6)	**—**
Loss on valuation of stocks of subsidiaries and affiliates	**(49)**	(8)	**(374)**
Provision for loss on litigation	**—**	(238)	**—**
Reversal of provision for loss on disaster	**—**	247	**—**
Fixed asset removal cost	**(172)**	—	**(1,289)**
Provision of allowance for doubtful accounts for subsidiaries and associates	**(163)**	—	**(1,226)**
Impairment loss	**(28)**	(41)	**(210)**
Others, net	**93**	22	**702**
Income before income taxes	**6,879**	4,381	**51,517**
Income taxes (Note 9)			
Current	**2,490**	727	**18,653**
Deferred	**(436)**	577	**(3,266)**
Total	**2,054**	1,304	**15,386**
Profit	**4,824**	3,077	**36,130**
Profit (loss) attributable to non-controlling interests	**97**	159	**729**
Profit attributable to owners of parent	**¥ 4,727**	¥ 2,917	**$ 35,401**

	yen		*U.S. dollars (Note 2)*
	2023	2022	**2023**
Net income per 100 shares:			
Basic	**¥ 38,727**	¥ 23,917	**$ 290**
Diluted	**38,727**	23,917	**290**
Cash dividends per 100 shares	**9,000**	7,000	**67**

Consolidated Statements of Comprehensive Income

Years ended March 31, 2023 and 2022

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2023	2022	**2023**
Profit	**¥ 4,824**	¥ 3,077	**$ 36,130**
Other comprehensive income			
Valuation difference on available-for-sale securities	**956**	(49)	**7,160**
Deferred gains (losses) on hedges	**(0)**	1	**(7)**
Foreign currency translation adjustment	**153**	97	**1,152**
Remeasurements of defined benefit plans	**335**	311	**2,509**
Total other comprehensive income	**1,444**	359	**10,815**
Comprehensive income	**6,268**	3,436	**46,945**
Comprehensive income attributable to owners of the parent	**6,171**	3,277	**46,215**
Profit (loss) attributable to non-controlling interests	**97**	159	**729**

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2023 and 2022

	Millions of yen									
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance as of March 31, 2021	¥ 31,186	¥ 6,873	¥ 25,028	¥ (1,817)	¥ 3,306	¥ —	¥ (52)	¥ (558)	¥ 1,144	¥ 65,111
Dividends of surplus	—	—	(916)	—	—	—	—	—	—	(916)
Profit attributable to owners of parent	—	—	2,917	—	—	—	—	—	—	2,917
Purchase of treasury shares	—	—	—	(0)	—	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	15	—	—	—	—	—	15
Net changes of items other than shareholders' equity	—	—	—	—	(49)	1	97	310	133	492
Balance as of March 31, 2022	¥ 31,186	¥ 6,873	¥ 27,029	¥ (1,802)	¥ 3,256	¥ 1	¥ 44	¥ (247)	¥ 1,277	¥ 67,619
Dividends of surplus	—	—	(916)	—	—	—	—	—	—	(916)
Profit attributable to owners of parent	—	—	4,727	—	—	—	—	—	—	4,727
Purchase of treasury shares	—	—	—	(56)	—	—	—	—	—	(56)
Disposal of treasury shares	—	(12)	—	80	—	—	—	—	—	67
Transfer to capital surplus from retained earnings	—	12	(12)	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	956	(0)	153	335	77	1,521
Balance as of March 31, 2023	¥ 31,186	¥ 6,873	¥ 30,828	¥ (1,778)	¥ 4,212	¥ 0	¥ 198	¥ 87	¥ 1,355	¥ 72,963

	Thousands of U.S. dollars (Note 2)									
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance as of March 31, 2022	$ 233,551	$ 51,477	$ 202,425	$(13,498)	$ 24,389	$ 8	$ 336	$ (1,856)	$ 9,569	$ 506,402
Dividends of surplus	—	—	(6,862)	—	—	—	—	—	—	(6,862)
Profit attributable to owners of parent	—	—	35,401	—	—	—	—	—	—	35,401
Purchase of treasury shares	—	—	—	(423)	—	—	—	—	—	(423)
Disposal of treasury shares	—	(94)	—	602	—	—	—	—	—	507
Transfer to capital surplus from retained earnings	—	94	(94)	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	7,160	(7)	1,152	2,508	581	11,396
Balance as of March 31, 2023	$ 233,551	$ 51,477	$230,869	$(13,320)	$ 31,549	$ 1	$1,489	$ 652	$ 10,150	$ 546,421

Consolidated Statements of Cash Flows

Years ended March 31, 2023 and 2022

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2023	2022	**2023**
Net cash provided by (used in) operating activities			
Income before income taxes	**¥ 6,879**	¥ 4,381	**$ 51,517**
Depreciation and amortization	**2,930**	2,711	**21,945**
Impairment loss	**28**	41	**210**
Decrease (increase) in notes and accounts receivable-trade	**(6,925)**	88	**(51,864)**
Increase (decrease) in notes and accounts payable-trade	**693**	1,711	**5,193**
Decrease (increase) in inventories	**587**	(4,057)	**4,398**
Interest and dividends income	**(416)**	(369)	**(3,117)**
Interest expenses	**152**	153	**1,145**
Loss (gain) on sales of short-term and long-term investment securities	**(95)**	(17)	**(713)**
Loss (gain) on valuation of short-term and long-term investment securities	**49**	13	**374**
Loss (gain) on sales of property, plant and equipment and intangible assets	**(4)**	(1)	**(31)**
Loss on retirement of property, plant and equipment and intangible assets	**45**	42	**341**
Increase (decrease) in allowance for doubtful accounts	**143**	40	**1,078**
Increase (decrease) in provision for retirement benefits	**(0)**	(26)	**(3)**
Other, net	**1,515**	(1,118)	**11,346**
Sub-total	**5,584**	3,593	**41,820**
Interest and dividends income received	**399**	338	**2,989**
Interest expenses paid	**(152)**	(153)	**(1,144)**
Income taxes paid	**(766)**	(964)	**(5,739)**
Net cash provided by (used in) operating activities	**5,064**	2,813	**37,926**
Net cash provided by (used in) investing activities			
Purchase of short-term and long-term investment securities	**(4)**	(0)	**(37)**
Proceeds from sales of short-term and long-term investment securities	**634**	93	**4,750**
Purchase of property, plant and equipment and intangible assets	**(2,379)**	(2,488)	**(17,823)**
Proceeds from sales of property, plant and equipment and intangible assets	**14**	4	**111**
Collection of loans receivable	**35**	0	**265**
Other, net	**(41)**	(65)	**(307)**
Net cash provided by (used in) investing activities	**(1,741)**	(2,455)	**(13,039)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**(2,400)**	1,930	**(17,973)**
Repayments of lease obligations	**(37)**	(36)	**(277)**
Proceeds from long-term loans payable	**100**	200	**748**
Repayment of long-term loans payable	**(1,222)**	(668)	**(9,153)**
Cash dividends paid	**(915)**	(915)	**(6,857)**
Dividends paid to non-controlling interests	**(19)**	(26)	**(148)**
Purchase of treasury shares	**(0)**	(0)	**(4)**
Net cash provided by (used in) financing activities	**(4,495)**	482	**(33,665)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**147**	99	**1,108**
Net Increase (Decrease) in Cash and Cash Equivalents	**(1,024)**	939	**(7,669)**
Cash and Cash Equivalents at Beginning of Year	**21,299**	20,359	**159,508**
Cash and Cash Equivalents at End of Year	**¥ 20,275**	¥ 21,299	**$ 151,838**

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

Cash and deposits	**¥ 20,334**	¥ 21,358	**$ 152,281**
Time deposits due over three months	**(59)**	(59)	**(442)**
Cash and cash equivalents	**¥ 20,275**	¥ 21,299	**$ 151,838**

Notes to Financial Statements

Note 1. Significant Accounting Policies

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

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

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

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

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

Translation of Foreign Currencies
Monetary assets and liabilities denominated in foreign currencies have been translated into Japanese yen at the rate as of the date of each balance sheet presentation, and their exchange profit or loss has been appropriated as their profit or loss in the current period. The balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rates except for shareholders' equity accounts, which are translated at historical rates. Income statements of consolidated overseas subsidiaries are translated at the average rates during the year. Translation adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of net income but are reported as "Foreign currency translation adjustments" in a component of net assets and non-controlling interests.

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

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

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

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

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

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

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

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

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

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

Building and construction: 2 to 60 years.

Machinery and automotive equipment: 2 to 22 years.

The cost of repair or small amount reformation is expensed as incurred, but any large scale repair or reformation is classified as assets.

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

Research and Development and Computer Software
Research & development expenses have been charged as incurred.

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

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

Per Share Information
The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each period. The average number of shares used in the computation was 12,206,206 and 12,199,013 for the years ended March 31, 2023 and 2022, 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, 2023 are as follows.

	Millions of yen		
	2023		
	Carrying amounts	*Market value*	*Unrealized gain (loss)*
Other securities	¥ 5,846	¥11,804	¥ 5,958

	Thousands of U.S. dollars		
	2023		
	Carrying amounts	*Market value*	*Unrealized gain (loss)*
Other securities	$ 43,782	$ 88,402	$ 44,620

(Changes in accounting policies)
(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)
"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) is applied from the beginning of the current consolidated fiscal year. In accordance with the transitional treatment provided for in Article 27-2 of the same Implementation Guidance, the new accounting policy set forth in the same Implementation Guidance is to be applied in the future. This change has no effect on the consolidated financial statements.

Additionally, as for Matters regarding the breakdown of each level of market value for financial instruments contained in Notes to financial instruments, notes on investment trusts for the previous consolidated fiscal year are omitted in accordance with Article 27-3 of the same Implementation Guidance.

Note 2. U.S. Dollar Amounts

The dollar amounts are included solely for convenience: they should not be construed as exact translations of current yen figures, nor are they the dollar amounts into which yen amounts have been or could be converted.

The exchange rate of US$1=¥133.53 as of March31, 2023, has been used for the purpose of presenting the dollar amounts in the accompanying consolidated financial statements.

Note 3. Significant Accounting Estimates

1. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

	Millions of yen		*Thousands of U.S. dollars*
	2023	2022	2023
Deferred tax assets	¥ 3,177	¥ 3,337	$ 23,797

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

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

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

2. Calculation of retirement benefit obligations

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

	Millions of yen		*Thousands of U.S. dollars*
	2023	2022	2023
Net defined benefit liability	¥ 8,347	¥ 8,830	$ 62,513

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

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

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

3. Application of percentage-of-completion method

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

	Millions of yen		*Thousands of U.S. dollars*
	2023	2022	2023
Net sales	¥ 18,293	¥ 7,769	$ 136,999

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

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

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

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

The annual average interest rates applicable to short-term bank loans at March 31, 2023 and 2022 are 0.5% and 0.5%, respectively.

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

	Millions of yen		*Thousands of U.S. dollars*
	2023	2022	**2023**
Loans from financial institution, due 2023 to 2024 with interest rates between 0.30% and 0.49%	**814**	1,936	**6,101**
Sub-total	**814**	1,936	**6,101**
Less current portion of loans	**696**	1,222	**5,217**
	¥ 118	¥ 714	**$ 883**

The aggregate annual maturities of long-term financial debt at March 31, 2023 and 2022 respectively are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2023	2022	**2023**
2023	**—**	1,222	**—**
2024	**696**	646	**5,217**
2025	**118**	68	**883**
	¥ 814	¥ 1,936	**$ 6,101**

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, 2023, assets pledged as collateral for short-term bank loans were as follows:

	Millions of yen	*Thousands of U.S. dollars*
	2023	**2023**
Buildings and structures	**¥ 3,179**	**¥ 23,813**
Machinery, equipment	**899**	**6,736**
Land	**362**	**2,714**
	¥ 4,441	**$ 32,264**

Note 5. Retirement Benefits

The following are matters concerning the defined benefit plan as of March 31, 2023 and 2022, respectively.

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

	Millions of yen		*Thousands of U.S. dollars*
	2023	2022	**2023**
Balance at beginning of the year	**¥ 12,801**	¥ 12,990	**$ 95,868**
Service cost	**613**	634	**4,590**
Interest cost	**26**	17	**196**
Actuarial loss (gain)	**(189)**	(121)	**(1,416)**
Benefits paid	**(727)**	(718)	**(5,445)**
Balance at end of the year	**¥ 12,524**	¥ 12,801	**$ 93,793**

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

	Millions of yen		*Thousands of U.S. dollars*
	2023	2022	**2023**
Balance at beginning of the year	**¥ 4,685**	¥ 4,380	**$ 35,086**
Expected return on plan assets	**128**	154	**963**
Actuarial gain (loss)	**128**	159	**960**
Benefits paid	**(9)**	(9)	**(68)**
Balance at end of the year	**¥ 4,932**	¥ 4,685	**$ 36,941**

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

	Millions of yen		*Thousands of U.S. dollars*
	2023	2022	**2023**
Balance at beginning of the year	**¥ 714**	¥ 696	**$ 5,348**
Retirement benefit costs	**117**	125	**883**
Benefits paid	**(67)**	(71)	**(505)**
Contributions paid by the employer	**(8)**	(35)	**(66)**
Balance at end of the year	**¥ 755**	¥ 714	**$ 5,660**

(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*
	2023	2022	**2023**
Funded retirement benefit obligations	**¥ 13,099**	¥ 13,365	**$ 98,105**
Plan assets	**(5,279)**	(5,036)	**(39,539)**
	7,820	8,329	**58,565**
Unfunded retirement benefit obligations	**527**	501	**3,947**
Total net liability (asset) for retirement benefits at March 31	**8,347**	8,830	**62,513**
Liability for retirement benefits	**8,347**	8,830	**62,513**
Asset for retirement benefits	**—**	—	**—**
Total net liability (asset) for retirement benefits at end of the year	**¥ 8,347**	¥ 8,830	**$ 62,513**

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥ 613	¥ 634	$ 4,590
Interest cost	26	17	196
Expected return on plan assets	(128)	(154)	(963)
Net actuarial loss amortization	165	167	1,237
Retirement benefit costs calculated by the simplified method	117	125	883
Total retirement benefit costs for the fiscal year	¥ 793	¥ 790	$ 5,944

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Actuarial loss (gain)	¥ (482)	¥ (448)	$ (3,614)
Total	¥ (482)	¥ (448)	$ (3,614)

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized actuarial differences	¥ (126)	¥ 356	$ (944)
Total	¥ (126)	¥ 356	$ (944)

(8) Accumulated adjustments for retirement benefit

①Plan assets comprise:

	2023	2022
Equity securities	55%	53%
Cash and cash equivalents	5%	3%
Investment trust	37%	41%
Other	3%	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:

	2023	2022
Discount rate	0.0%~0.8%	0.0%~0.8%
Long-term expected rate of return	2.8%	3.6%
Expected rate of salary increase	0.0%~5.6%	0.0%~5.5%

Defined contribution plans
The required contribution amount for consolidated subsidiaries for the defined contribution plan was 169 million yen (1,267 thousand US dollars) as of March 31, 2023.

Note 6. Contingent Liabilities

As of March 31, 2023 and 2022, This Company was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
As guarantor of indebtedness of unconsolidated subsidiaries and others	¥ 14	¥ 29	$ 111

Note 7. Derivatives and Hedging Activities

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

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

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

Note 8. Research and Development Expenses

Research and development expenditures charged to income were ¥1,600 million ($11,988 thousand) for the year ended March 31, 2023.

Note 9. Income Taxes

This Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 30.6% and 30.6% for the year ended March 31, 2023 and 2022, 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, 2023 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, 2023 and 2022 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets			
Net defined benefit liability	¥ 3,612	¥ 3,758	$ 27,054
Accrued bonus indemnities	845	580	6,335
Allowance for doubtful accounts	64	25	486
Allowance for loss on construction work	164	98	1,233
Loss on revaluation of investment securities	140	142	1,053
Amalgamated received property	543	543	4,072
Impairment loss	21	13	160
Operating loss carry-forwards	193	145	1,448
Elimination of inter-company profits	34	43	254
Other	1,079	1,027	8,086
Total gross deferred tax assets	6,701	6,377	50,187
Valuation allowance related to tax loss carryforward	(146)	(115)	(1,095)
Valuation allowance related to total deductible temporary differences	(1,545)	(1,531)	(11,574)
Subtotal of valuation allowance (Note 1)	(1,691)	(1,646)	(12,670)
Net deferred tax assets	¥ 5,009	¥ 4,730	$ 37,516

(Note 1)
Valuation allowance increased by 45 million yen (338 thousand US dollars). The primary factor of the increase was an increase in the valuation allowance related to tax loss carryforward at consolidated subsidiaries.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax liabilities			
Evaluated difference of other securities	¥ (1,745)	¥ (1,296)	$ (13,069)
Dividends receivable	(65)	(60)	(491)
Other	(21)	(36)	(158)
Total deferred tax liabilities	(1,831)	(1,392)	(13,718)
Net deferred tax assets	¥ 3,177	¥ 3,337	$ 23,797

Note 10. Financial Instruments and Related Disclosures

(1) Policy for Financial Instruments

The 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. The 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 the 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		
	2023		
	Carrying amounts	Fair value	Unrecognized gain (loss)
Investment securities	¥ 11,804	¥ 11,804	¥ —
Total	11,804	¥ 11,804	—
Current portion of long-term debt	696	814	0
Long-term debt	118		
Total	¥ 814	¥ 814	¥ 0
Derivative transactions	¥ 0	¥ 0	¥ —

	Millions of yen		
	2022		
	Carrying amounts	Fair value	Unrecognized gain (loss)
Investment securities	¥ 10,912	¥ 10,912	¥ —
Total	10,912	10,912	—
Current portion of long-term debt	1,222	1,937	0
Long-term debt	714		
Total	¥ 1,936	¥ 1,937	¥ 0
Derivative transactions	¥ 1	¥ 1	¥ —

	Thousands of U.S. dollars		
	2023		
	Carrying amounts	Fair value	Unrecognized gain (loss)
Investment securities	$ 88,402	$ 88,402	$ —
Total	88,402	88,402	—
Current portion of long-term debt	5,217	6,102	1
Long-term debt	883		
Total	$ 6,101	$ 6,102	$ 1
Derivative transactions	$ 1	$ 1	$ —

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
	2023	
Unlisted equity securities	¥ 542	$ 4,066
Investment in silent partnerships	¥ —	$ —

(5) Matters concerning the breakdown of each level of market value for financial instruments

The market value of financial instruments is classified into the following three levels according to the observability and importance of the input related to the calculation of market value.

Level 1 market value: Of the inputs related to the calculation of the observable market value, the market value of the asset or liability formed in an active market and subject to the calculation of market value.

Level 2 market value: Of the inputs related to the calculation of observable market value, the market value calculated using the inputs related to the calculation of market value other than for Level 1 input.

Level 3 market value: Market value calculated using inputs related to the calculation of unobservable market value.

When using multiple inputs that have a significant impact on the market value calculation, the market value is classified into the lowest priority level in the calculation of market value calculation among the respective levels to which each inputs belongs.

① Financial instruments recorded on the consolidated balance sheets at market value

	Market value (Millions of yen)			
	2023			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale-securities				
Securities	¥ 11,485	—	—	¥ 11,485
Others	319	—	—	319
Derivative transactions				
Foreign currency forward exchange	—	0	—	0
Total assets	¥ 11,804	¥ 0	—	¥ 11,804

	Market value (Millions of yen)			
	2022			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale-securities				
Securities	¥ 10,571	—	—	¥ 10,571
Others	340	—	—	340
Derivative transactions				
Foreign currency forward exchange	—	1	—	1
Total assets	¥ 10,912	¥ 1	—	¥ 10,913

	Market value (Thousands of U.S. dollars)			
	2023			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale-securities				
Securities	$ 86,010	—	—	$ 86,010
Others	2,391	—	—	2,391
Derivative transactions				
Foreign currency forward exchange	—	1	—	1
Total assets	$ 88,402	$ 1	—	$ 88,403

② Financial instruments other than those recorded on the consolidated balance sheets at market value

	Market value (Millions of yen)			
	2023			
	Level 1	Level 2	Level 3	Total
Long-term loans payable	—	¥ 814	—	¥ 814
Total liabilities	—	¥ 814	—	¥ 814

	Market value (Millions of yen)			
	2022			
	Level 1	Level 2	Level 3	Total
Long-term loans payable	—	¥ 1,937	—	¥ 1,937
Total liabilities	—	¥ 1,937	—	¥ 1,937

	Market value (Thousands of U.S. dollars)			
	2023			
	Level 1	Level 2	Level 3	Total
Long-term loans payable	—	$ 6,102	—	$ 6,102
Total liabilities	—	$ 6,102	—	$ 6,102

(Note) Explanation of valuation techniques and inputs used to calculate market value

Investment securities
Listed stocks and investment trust are valued using market prices. Because listed stocks and investment trust are traded in active markets, their market value is classified as Level 1 market value.

Long-term loans payable
These are classified as Level 2 market value based on the total amount of principal and interest and the present value discounted by the interest rate and including the remaining period of the said liability and credit risk.

Derivative transactions
The fair value of derivatives are based on quoted price offered by counterparty financial institutions and classified as Level 2.

Note 11. Revenue Recognition

1. Information on disaggregated revenue from contracts with customers For the current consolidated fiscal year (from April 1, 2022 to March 31, 2023)

	Millions of yen			
	Reportable segment			*Total*
	Lifeline business	*Machinery system business*	*Industrial materials business*	
Ductile iron pipes and various control valves	¥ 60,879	¥ —	¥ —	¥ 60,879
Industrial machinery and plant engineering	—	23,273	—	23,273
Cast iron/steel products	—	10,828	—	10,828
Construction materials	—	—	17,563	17,563
Various synthetic resin molded products	—	—	12,282	12,282
Revenue from contracts with customers	¥ 60,879	¥ 34,102	¥ 29,845	¥ 124,827
Sales to customers	¥ 60,879	¥ 34,102	¥ 29,845	¥ 124,827

	Thousands of U.S. dollars			
	Reportable segment			*Total*
	Lifeline business	*Machinery system business*	*Industrial materials business*	
Ductile iron pipes and various control valves	$ 455,926	$ —	$ —	$ 455,926
Industrial machinery and plant engineering	—	174,296	—	174,296
Cast iron/steel products	—	81,093	—	81,093
Construction materials	—	—	131,530	131,530
Various synthetic resin molded products	—	—	91,982	91,982
Revenue from contracts with customers	$ 455,926	$ 255,389	$ 223,513	$ 934,829
Sales to customers	$ 455,926	$ 255,389	$ 223,513	$ 934,829

2. Basic information for understanding revenue from contracts with customers

The main business of the Group is the manufacture and sale of merchandise and finished goods in its reportable business segments: Lifeline, Machinery System, and Industrial Materials. With respect to the sale of these merchandise and finished goods, since the performance obligation is deemed to have been fulfilled at the time when the merchandise and finished goods are accepted and inspected by the customer, and the customer acquires control of those merchandise and finished goods, revenue is usually recognized at that time. However, in domestic sale of merchandise and finished goods, revenue is recognized at the time of shipment when it takes place in a normal time period from the shipment to the transfer of control of the merchandise and finished goods to the customer, by applying an alternative treatment stipulated in paragraph 98 of “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021).
In addition to the manufacture and sale of products, the Group also engages in business related to the design and construction works including installations of products sold. Regarding contracts for these construction works, except immaterial ones with a very short construction period, the degree of progress in fulfilling the performance obligations is estimated and revenue is recognized over time based on the degree of progress.

For transactions in which the Group is deemed to be acting as an agent in providing goods or services to customers, revenue is recognized at the net amount after deducting the amount paid to the supplier from the amount received from the customer.

Variable consideration such as sales commissions and sales incentives for some transactions is deducted from net sales.

Consideration for transactions of merchandise and finished products is generally received within one year after delivery of the merchandise and finished products. Consideration for transactions of construction contracts is received either in stages according to the progress in fulfilling the performance obligations or after the performance obligations are fully satisfied, generally within one year based on the terms of contract.

3. Information on the relationship between fulfillment of performance obligation based on contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in the next consolidated fiscal year and beyond from contracts with customers existing at the end of the current consolidated fiscal year

(1) Balances of contract assets and contract liabilities

	Millions of yen		*Thousands of U.S. dollars*
	2023	2022	**2023**
Receivables from contracts with customers (beginning balance)	**¥ 40,543**	¥ 38,246	**$ 303,630**
Receivables from contracts with customers (ending balance)	**¥ 41,637**	¥ 40,543	**$ 311,823**
Contract assets (beginning balance)	**¥ 3,903**	¥ 4,956	**$ 29,229**
Contract assets (ending balance)	**¥ 8,978**	¥ 3,903	**$ 67,238**
Contract liabilities (beginning balance)	**¥ 2,628**	¥ 1,281	**$ 19,688**
Contract liabilities (ending balance)	**¥ 1,830**	¥ 2,628	**$ 13,710**

Contract assets are rights of This Company and its consolidated subsidiaries to consideration for performance obligations in construction contracts with customers that have been fulfilled but unclaimed at the end of the current fiscal year. Contract assets are transferred to receivables generated from contracts with customers at the point when This Company and its consolidated subsidiaries' rights to consideration become unconditional. Consideration for such performance obligations is billed and received in line with the terms of the contract.

Contract liabilities are primarily advances received from customers in accordance with the payment terms of contracts with customers for which revenue is recognized upon fulfillment of performance obligations. Contract liabilities are reversed upon recognition of revenue.

Of the revenue recognized during the current fiscal year, the amount included in the beginning balance of contract liabilities was 2,423 million yen.

(2) Trading prices allocated to the remaining performance obligations

This Company and its consolidated subsidiaries have applied a practical expedient to the notes to the trading prices allocated to the remaining performance obligations, and the notes do not include contracts initially expected contract period of which is within one year. The main components of the performance obligations are related to construction contracts, and the total trading price allocated to the remaining performance obligations and the expected period for revenue recognition are as follows:

	Fiscal year ended March 31, 2023	
	Millions of yen	*Thousands of U.S. dollars*
Within one year	**¥ 13,819**	**$ 103,493**
More than one year	**¥ 5,702**	**$ 42,704**
Total	**¥ 19,521**	**$ 146,197**

Note 12. Segment Information

(1) Outline of Reportable Segments

This 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, This Company consists of division-based reportable segments; the Lifeline Consolidated Division, the Machinery System Consolidated Division and the Industrial Materials Consolidated Division.

The Lifeline 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 2022 and 2023 is as follows:

	Millions of yen					
	2023					
	Reportable segment					
	Lifeline business	*Machinery system business*	*Industrial materials business*	*Total*	*Adjustment* *1	*Consolidated* *2
Net sales						
Sales to customers	**¥ 60,879**	**¥ 34,102**	**¥ 29,845**	**¥ 124,827**	**¥ —**	**¥ 124,827**
Intersegment	**137**	**85**	**42**	**265**	**(265)**	**—**
Total sales	**61,017**	**34,187**	**29,888**	**125,092**	**(265)**	**124,827**
Segment income	**3,679**	**2,208**	**1,404**	**7,292**	**(451)**	**6,840**
Segment assets	**58,315**	**27,747**	**26,303**	**112,365**	**32,798**	**145,164**
Other items						
Depreciation	**1,278**	**536**	**579**	**2,393**	**537**	**2,930**
Increase in property, plant and equipment, and intangible assets	**¥ 1,572**	**¥ 1,441**	**¥ 267**	**¥ 3,281**	**¥ 162**	**¥ 3,444**

1. The minus 451 million yen segment income adjustment includes: 20 million yen resulting from the elimination of intersegment transactions; minus 656 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 184 million yen resulting from inventory asset adjustment.
   The 32,798 million yen segment asset adjustment includes: minus 7,445 million yen resulting from the elimination of intersegment transactions; and 40,243 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 537 million yen depreciation adjustment and 162 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					
	2022					
	Reportable segment					
	Lifeline business	*Machinery system business*	*Industrial materials business*	*Total*	*Adjustment* *1	*Consolidated* *2
Net sales						
Sales to customers	¥ 57,478	¥ 22,095	¥ 26,381	¥ 105,954	¥ —	¥ 105,954
Intersegment	127	114	128	370	(370)	—
Total sales	57,605	22,210	26,509	106,325	(370)	105,954
Segment income	3,016	437	1,040	4,494	(322)	4,172
Segment assets	56,310	23,768	26,682	106,761	32,961	139,722
Other items						
Depreciation	1,258	514	519	2,292	419	2,711
Increase in property, plant and equipment, and intangible assets	¥ 1,201	¥ 474	¥ 400	¥ 2,077	¥ 383	¥ 2,460

1. The minus 322 million yen segment income adjustment includes: 19 million yen resulting from the elimination of intersegment transactions; minus 214 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 127 million yen resulting from inventory asset adjustment.
   The 32,961 million yen segment asset adjustment includes: minus 6,757 million yen resulting from the elimination of intersegment transactions; and 39,719 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 419 million yen depreciation adjustment and 383 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.

	Lifeline business	Machinery system business	Industrial materials business	Total	Adjustment *1	Consolidated *2
	Thousands of U.S. dollars					
	2023					
	Reportable segment					
Net sales						
Sales to customers	$ 455,926	$ 255,389	$ 223,513	$ 934,829	$ —	$ 934,829
Intersegment	1,027	639	319	1,986	(1,986)	-
Total sales	456,954	256,028	223,832	936,815	(1,986)	934,829
Segment income	27,553	16,538	10,521	54,613	(3,382)	51,230
Segment assets	436,720	207,798	196,982	841,501	245,625	1,087,127
Other items						
Depreciation	9,571	4,014	4,337	17,923	4,021	21,945
Increase in property, plant and equipment, and intangible assets	$ 11,774	$ 10,793	$ 2,006	$ 24,573	$ 1,220	$ 25,794

1. The minus 3,382 thousand US dollar segment income adjustment includes: 155 thousand US dollars resulting from the elimination of intersegment transactions; minus 4,916 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 1,378 thousand US dollars resulting from inventory asset adjustment.
The 245,625 thousand US dollar segment asset adjustment includes: minus 55,758 thousand US dollars resulting from the elimination of intersegment transactions; and 301,384 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 4,021 thousand US dollar depreciation adjustment and 1,220 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 13. Subsequent Events

(Disposal of treasury stock through a third-party allocation)
Kurimoto, Ltd. hereby announces that at a meeting of the Board of Directors held on September 28, 2023, its Board of Directors resolved to dispose of the Company's treasury stock through a third-party allocation (hereinafter, the "Disposal of Treasury Stock" or "Disposal") as follows.

1. Overview of the Disposal of Treasury Stock

(1) Disposal date	December 27, 2023
(2) Class and number of shares subject to Disposal	163,100 shares of common stock of the Company (Note)
(3) Disposal price	2,872 yen (21 US dollars) per share
(4) Total value of Disposal	468,423,200 yen (3,507,999 US dollars) (Note)
(5) Disposal method (Grantees of shares)	By way of third-party allocation (Kurimoto employee stock ownership plan; hereinafter, the "Plan")
(6) Other	The Disposal of Treasury Stock is conditioned on the effectuation of the securities registration statement in accordance with the Financial Instruments and Exchange Act.

(Note) "Number of shares subject to Disposal" and "Total value of Disposal" represent maximum values, which assume that all employees eligible for the incentive scheme for the Plan (special incentive scheme; hereinafter, the "Scheme") join the Plan and agree to the Scheme. The Plan will conduct promotions for inviting employees to join it with a sufficient notice period after the board meeting of the Plan to be held on September 29, 2023, to solicit applicants for the Plan. For this reason, the "Number of shares subject to Disposal" and "Total value of Disposal" will be finalized when the promotions end. The "Number of shares subject to Disposal" and "Total value of Disposal" with the finalized number of eligible employees will be announced promptly after the number is finalized.

2. Purpose and reasons for Disposal

The Company has resolved the details of the Scheme, which would provide employees who are eligible to join the Plan and agree to the Scheme (hereinafter, the "Eligible Employee(s)") with a special incentive for allotting the Company's shares (hereinafter, the "Special Incentive") and allocate shares of the Company to the Plan by means of the payment of the Special Incentive, for the purpose of enhancing their sense of participation in the management through holding the treasury shares to be disposed of by the Company (hereinafter, the "Shares of the Company") and increasing their motivation toward the mid-to-long term shareholder value of the Company, and also helping the employees build assets as a welfare policy. The Company resolved at a Board of Directors meeting held on September 28, 2023, to dispose of 163,100 shares of its treasury stock (equivalent to approx. 468,420,000 yen (3,507,975 US dollars)) to the Plan.

(Business combinations)
(Transactions under common control)

1. Regarding additional acquisition of shares of Yamatogawa Co., Ltd., a consolidated subsidiary of Kurimoto, Ltd.

(1) Overview of transaction

① Name and business description of the acquired company
Name: Yamatogawa Co., Ltd.
Description of business: Sale of ductile iron pipes, synthetic resin products, and various types of iron pipes
② Acquisition date
August 1, 2023 (deemed acquisition date: July 1)
③ Legal form of acquisition
Acquisition of shares for cash
④ Name of the company after acquisition
There is no change.
⑤ Other matters concerning the overview of the transaction
The Company's investment ratio changed from 95.05% to 100% after the transaction.

(2) Overview of accounting treatment applied

In accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," we processed the business combination as a transaction with non-controlling interests among transactions under common control.

(3) Matters regarding additional acquisition of the subsidiary's shares

Acquisition cost and breakdown by type of consideration

Consideration for acquisition	Cash	138 million yen (1,038 thousand US dollars)
Acquisition cost		138 million yen (1,038 thousand US dollars)

(4) Matters regarding changes in the Company's equity arising from transactions with non-controlling interests

① Main reason for changes in capital surplus
Additional acquisition of the subsidiary's shares
② Amount of capital surplus decreased by transactions with non-controlling interests
17 million yen (134 thousand US dollars)

2. Regarding additional acquisition of a consolidated subsidiary's shares by another consolidated subsidiary

Yamatogawa Co., Ltd., a consolidated subsidiary of Kurimoto, Ltd., acquired additional shares of Hokkaido Kanzai Co., Ltd., a consolidated subsidiary of Kurimoto, Ltd.

(1) Overview of transaction

① Name and business description of the acquired company
Name: Hokkaido Kanzai Co., Ltd.
Description of business: Sale of ductile iron pipes, etc.
② Acquisition date
July 28, 2023 (deemed acquisition date: July 1)
③ Legal form of acquisition
Acquisition of shares for cash
④ Name of the company after acquisition
There is no change.
⑤ Other matters concerning the overview of the transaction
The investment ratio of Yamatogawa Co., Ltd., a consolidated subsidiary of Kurimoto, Ltd., changed from 50% to 68.75% after the transaction.

(2) Overview of accounting treatment applied

In accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," we processed the business combination as a transaction with non-controlling interests among transactions under common control.

(3) Matters regarding additional acquisition of the subsidiary's shares

Acquisition cost and breakdown by type of consideration

Consideration for acquisition	Cash	299 million yen (2,241 thousand US dollars)
Acquisition cost		299 million yen (2,241 thousand US dollars)

(4) Matters regarding changes in the Company's equity arising from transactions with non-controlling interests

① Main reason for changes in capital surplus
Additional acquisition of the subsidiary's shares
② Amount of capital surplus increased by transactions with non-controlling interests
40 million yen (300 thousand US dollars)

Note 14. Additional Information

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

Independent Auditor's Report

To the Board of Directors of Kurimoto, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Kurimoto, Ltd. (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Reasonableness of Estimating Total Construction Cost in Revenue Recognition of Construction Contracts Related to Machinery System Business	
Key Audit Matters and Reasons for the Determination	**Auditor's Response**
As stated in (Significant Accounting Estimates), the amount of revenue recognition of 18,293 million yen for construction contracts in the consolidated income statement for the current consolidated fiscal year was mostly derived from the machinery system business of Kurimoto, Ltd. As stated in (Revenue Recognition) 2. Basic information for understanding revenue from contracts with customers, regarding performance obligations set forth in construction contracts in the machinery system business to be fulfilled over a certain period of time, the Company estimates the degree of progress in fulfilling the performance obligations and recognizes revenue over that period of time based on the degree of progress. The degree of progress is determined based on the percentage of actual cost incurred before the	Our main audit procedures conducted to verify the reasonableness of estimating total construction cost related to the machinery system business are as follows. ・We examined the effectiveness of the design and implementation of internal controls over the estimation of the total cost of construction. ・We examined the effectiveness of the design and implementation of internal controls to ensure that changes in circumstances after the start of construction are reflected in the total cost of construction in a timely and appropriate manner. ・We confirmed that the construction work whose total construction cost was reviewed at the end of the fiscal year was consistent with the estimate at completion.

Reasonableness of Estimating Total Construction Cost in Revenue Recognition of Construction Contracts Related to Machinery System Business	
Key Audit Matters and Reasons for the Determination	**Auditor's Response**
end of the period to the total cost of construction. In revenue recognition for construction contracts, the total construction cost should be estimated reasonably to estimate the degree of completion. The total construction cost is characterized by fluctuation due to various changes in circumstances. In order to make a reliable estimate of the total construction cost, the estimate needs to be appropriately reviewed in comparison with the actual costs incurred. The total construction cost therefore has uncertainty in regard to the estimation of material cost, labor cost, and others. As stated above, estimating total construction cost involves uncertainty due to changes in the environment surrounding construction contract, as well as the management's decision. For this reason, we judged that the said matter is particularly significant in the audit of financial statements for the current consolidated fiscal year and corresponds to a key audit matter.	• We confirmed that the total cost of uncompleted construction projects at the end of the fiscal year was consistent with documented evidence by the use of sampling. • We confirmed by reviewing the meeting minutes that analysis of causes was conducted when a significant change in the total cost of construction occurred. • We compared the pre-estimated total construction cost with its finalized or re-estimated amount, and analyzed the causes of the discrepancies for construction projects with large discrepancies. • We conducted a comparative review of the profit margins of construction contracts with those of similar construction contracts.

Other information

The other information comprises the information included in the Annual Report, that contains audited consolidated financial statements but does not include the consolidated financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. Audit & Supervisory Board and its members are responsible for overseeing the Group's reporting process of the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit & Supervisory Board and its members are responsible for overseeing the Group's financial reporting process.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. These audit procedures are based on auditor's professional judgment and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, for the risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, and the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board and its members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board and its members with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements and the notes with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amount into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

PKF HIBIKI AUDIT CORPORATION
Osaka, Japan
November 17, 2023

Masahiko Tomita
[Representative Partner]
Engagement Partner
Certified Public Accountant

Katsuyuki Matsumoto
[Representative Partner]
Engagement Partner
Certified Public Accountant

Haruhito Urabe
[Representative Partner]
Engagement Partner
Certified Public Accountant

Corporate Information

Kurimoto, Ltd.

(as of June 28, 2023)

Outline

Founded	1909
Incorporated	1934
Common stock	¥31,186 million*
Total assets	¥139,722 million*
Employees	1,327*

**as of March 31, 2023*

Board of Directors

(as of June 28, 2023)

President
Kazutaka Kikumoto

Director and Senior Managing Executive Officer
Yoshiaki Shingu

Directors and Senior Executive Officers
Akitoshi Oda
Yasuharu Yoshinaga
Yoshihiro Uraji
Hitoshi Marutani

Outside Directors
Keiko Kondo
Tomohiko Sato
Kiyoshi Sawai

Full-Time Audit & Supervisory Board Member
Yukitaka Fujimoto

Outside Audit & Supervisory Board Members
Maki Arita
Osamu Honda

Chairman
Moriyoshi Kushida

Senior Executive Officer
Shinya Kojima

Executive Officers
Yasuji Noguchi
Liao Jinsun
Masanobu Mino
Yasuo Sano
Yasushi Tabuchi
Hiroshi Fujimoto
Soichiro Nakanishi
Takanori Kuzuoka
Ken Kurimoto
Shin Matsumura

Stock

(as of March 31, 2023)

Common Stock

Number of authorized shares 39,376,600
Number of issued shares 13,098,490
Number of shareholders 7,788

Principal Shareholders

(as of March 31, 2023)

	Number of shares held (in thousands)	*Ratio of shareholding*
The Master Trust Bank of Japan, Ltd.	1,215	9.9%
Taiyo Life Insurance Company	1,209	9.8%
Custody Bank of Japan, Ltd.	951	7.7%
Nippon Life Insurance Company	678	5.5%
Resona Bank, Limited	444	3.6%
Mizuho Bank, Ltd.	362	2.9%

Offices

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

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

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

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

Nagoya Office
1-17-23, Meiekiminami, Nakamura-ku, Nagoya 450-0003, Japan
Telephone: (052) 551-6930 Fax: (052) 551-6940

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

Kyushu Office
3-11, Hakataeki-minami 1-chome, Hakata-ku, Fukuoka 812-0016, Japan
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Europe Office
Address: Berliner Allee 40 40212 Dusseldorf, Germany
Telephone: +49-211-550-46411 Fax: +49-211-550-46420

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

Banking References

Head Office

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

Tokyo Office

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

Kurimoto Group

(as of June 28, 2023)

The Kurimoto Group consists of Kurimoto, Ltd. and 20 subsidiaries and 1 associate, including the following.

Kurimoto Trading Co., Ltd.

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

Kurimoto Logistics Corporation

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

Japan Castering Co., Ltd.

Operations: Manufacture and sales of castings

Yamatogawa Co., Ltd.

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

Motoyama Eng. Works, Ltd.

Operations: Manufacture and sales of industrial valves

Ks-Tech Co., Ltd.

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

Hokkaido Kanzai Co., Ltd.

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

Yashima Chemical Engineering Co., Ltd.

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

Nihon Kaiser Co., Ltd.

Operations: Manufacture and sales of half precast products

Kurimoto Business Associates Co., Ltd.

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

Kurimoto USA, Inc.

Operations: Holding company

Readco Kurimoto, LLC

Operations: Manufacture and sales of industrial machinery

Kurimoto Polymers Co., Ltd.

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

Zentec Co., Ltd.

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

Kurimoto Pipe Engineering Co., Ltd.

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

Riko, Ltd.

Operations: Production of valves

Kuritetsu (Shanghai) Trading Co., Ltd.

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

KURIMOTO

12-19, Kitahorie 1-chome, Nishi-ku, Osaka 550-8580, Japan
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URL https://www.kurimoto.co.jp/worldwide/en/