TORISHIMA PUMP MFG. CO., LTD.

2010 ANNUAL REPORT

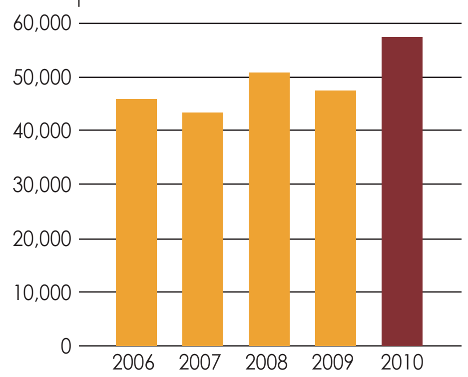
TORISHIMA

Contents

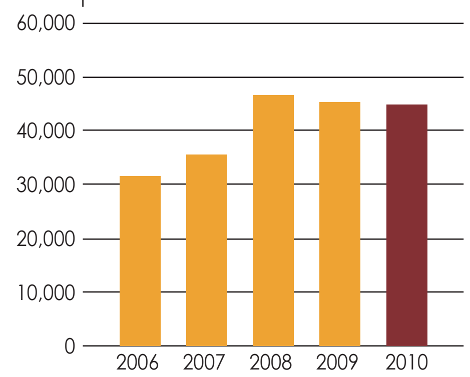
Consolidated Financial Highlights

(Years ended March 31)

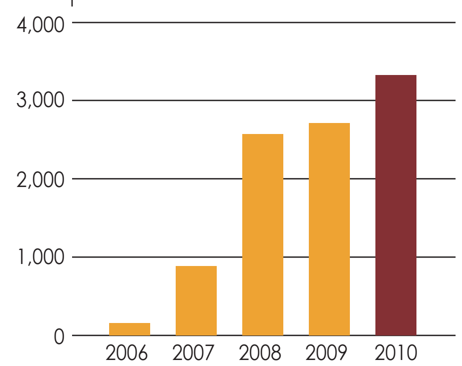
Order Received (millions of yen)



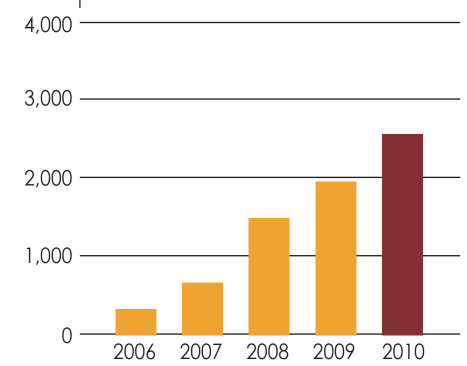
Net Sales (millions of yen)



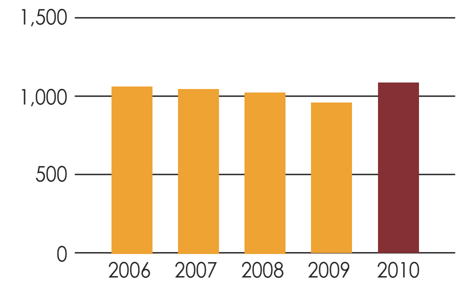
Operating Income (millions of yen)



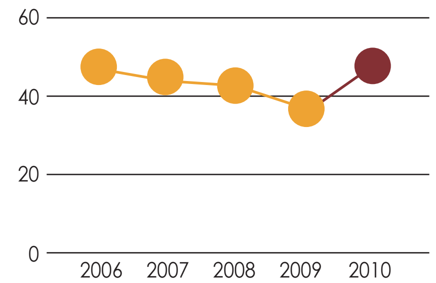
Net Income (millions of yen)



Net Assets Per Share (yen)



Equity Ratio (%)



	millions of yen except per share amounts					thousands of U.S. dollars except per share amounts
	2006	2007	2008	2009	**2010**	**2010**
Order Received	¥ 46,443	¥ 43,088	¥ 50,794	¥ 46,988	**¥ 58,624**	**$ 630,375**
Net Sales	31,393	36,404	47,272	45,692	**45,008**	**483,957**
Order Backlog	39,003	45,687	49,209	50,505	**64,122**	**689,490**
Operating Income	107	852	2,643	2,761	**3,258**	**35,039**
Net Income	377	635	1,410	1,990	**2,609**	**28,060**
Per Share of Common Stock:						
Net Income—Basic	¥ 14.62	¥ 24.65	¥ 54.77	¥ 77.32	**¥ 100.07**	**$ 1.08**
Net Income—Fully Diluted	—	—	—	77.30	**99.96**	**1.07**
Net Assets Per Share*	1,097.87	1,084.65	1,010.45	931.13	**1,105.50**	**11.89**
Cash Dividends Applicable to Period	12.00	13.00	15.00	17.00	**20.00**	**0.22**

* yen / dollars

Total Assets	¥ 60,416	¥ 65,581	¥ 62,076	¥ 62,132	**¥ 65,641**	**$ 705,820**
Net Assets	28,282	27,943	26,030	24,006	**31,083**	**334,228**
Cash Flows:						
Operating Cash Flow	¥ 224	¥ -5,218	¥ 2,511	¥ 922	**¥ 4,439**	**$ 49,330**
Investing Cash Flow	3,560	-599	578	-1,259	**-3,084**	**-34,276**

Ratios:	%				
Return on Equity (ROE)	1.4%	2.3%	5.2%	8.0%	**9.5%**
Equity Ratio	46.8%	42.6%	41.9%	38.6%	**47.2%**

Note: U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥93.00=U.S.$1, the exchange rate prevailing at March 31, 2010.

A Message From The Management

The Torishima Group is firmly committed to contributing to society in total harmony with environmental demands.

As its operations steadily globalize, the Company aims to remain a responsible global citizen in the emerging era of dramatic changes and fierce competition.

Kotaro Harada
President & CEO

Torishima Pump Mfg. Co., Ltd.

Torishima was founded in 1919 with the specific aim of manufacturing high-quality products which would have a direct and positive impact on people's lives. While the Torishima Group lists the needs of its customers as its top priority, it has always been very mindful of its responsibilities to the environment, and to preserving the natural world.

With this in mind, as we move forward we are seeking new markets to develop, areas where we can create new demand for our products, in ways which will not compromise our environmental principles. We are facing an era of increasingly fierce competition and dramatic changes in the marketplace. If we are to continue to prosper during this difficult and challenging time, we will need to strengthen our cost-competitiveness.

The Year In Review

Fiscal 2009 – the year spanning from April 2009 through March 2010 – saw the emerging economies, especially China and other Asian nations, mark solid recovery from the economic recession tracing to autumn 2008, largely thanks to their respective economic stimulus measures. By contrast, recovery of the American and European economies was only modest.

In Japan, in spite of signs of recovery in some sectors, economic circumstances remained severe largely under the impact of deterioration in the employment situation and adverse effects of the strong yen on the nation's export industries. In the pump manufacturing industry, although overseas demand remained firm for products relating to water and energy applications, competition to win orders was fierce as both the public and private sectors moved to curb their capital investments.

Against this global and domestic backdrop, in fiscal 2009 Torishima and its worldwide subsidiaries and affiliates continued to conduct robust sales activities to respond to customer needs, focusing on large-scale, high-tech pumps for use in water- and energy-related projects.

As a result of those collective efforts, on a consolidated basis the Group attracted a total of ¥58,624 million in new orders, up 25% from the ¥46,988 million recorded in fiscal 2008. Of that total, ¥14,575 million came from the public sector, down 2% from ¥14,835 million the previous year; ¥4,517 million from the domestic private sector, down 14% from ¥5,245 million in fiscal 2008; and ¥39,532 million from overseas clients, up 46% from ¥26,907 million the preceding term.

Consolidated net sales reached ¥45,008 million, down 2% from ¥45,692 million in fiscal 2008. At the term's end, outstanding orders carried over to fiscal 2010 totaled ¥64,122 million, a 27% increase over ¥50,505 million one year earlier.

Consolidated operating profit in fiscal 2009 was ¥3,258 million, up 18% from ¥2,761 million a year earlier. Ordinary profit totaled ¥3,833 million, up 12% from ¥3,410 million primarily on the back of ¥323 million booked this past year in exchange gains. Net profit finished at ¥2,609 million, up 31% from ¥1,990 million in fiscal 2008, attributable primarily to ¥1,003 million in extraordinary profit derived from reversal from the provision against construction losses, which offset extraordinary losses in the amounts of ¥362 million in provision set aside against doubtful accounts and ¥54 million in securities investment losses.

Effective April 1, 2009 the Company took over all business operations of the consolidated subsidiary Torishima Engineering Co., Ltd. In conjunction with the transfer, on June 29, 2009 the Company received a surplus dividend in the amount of ¥1,189 million. This payment was duly booked as non-operating profit, but as it canceled out in the consolidated balance sheets, it had no impact on business results.

Medium- to Long-term Business Strategies

The Torishima Group's mission is to provide products, technologies and services which meet the demand for energy savings and reduced maintenance needs.

To achieve our corporate mission, we pursue "The Torishima Way." This philosophy has three commitments: environmental responsibility, customer satisfaction, and the achievement of globalized operations. To fulfill these commitments we are pursuing three strategies: our Super Eco strategy, focused on saving energy, developing renewable energies and responding to environmental needs; our Loyal Customer strategy, centering on the needs of the end-user; and our Global strategy, targeting a customer network spanning the globe. At the same time we are working to enhance our total performance in engineering and manufacturing design, including QCD.

The Company pledges it will at all times conduct its operations responsibly, heeding all laws and regulations and executing full internal controls, and will carry out its corporate responsibilities to society through contributions to the local communities in which it operates.

We sincerely look forward to the continued understanding and support of our shareholders.

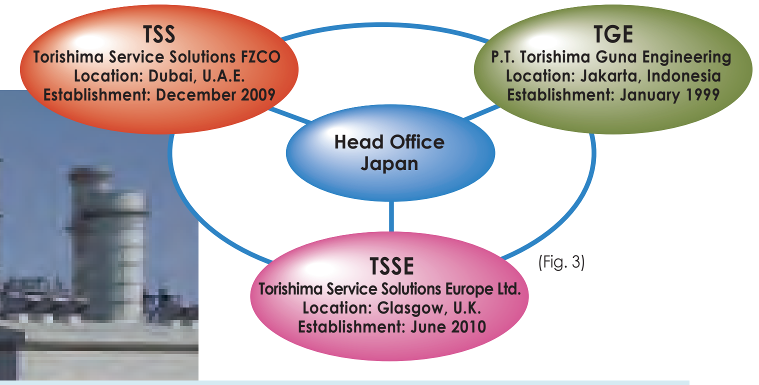
Kotaro Harada
President & CEO

Business Focus

Groupwide, we will be working proactively to serve markets where demand for water and electricity are expected to expand – such as the Middle East and Asia.

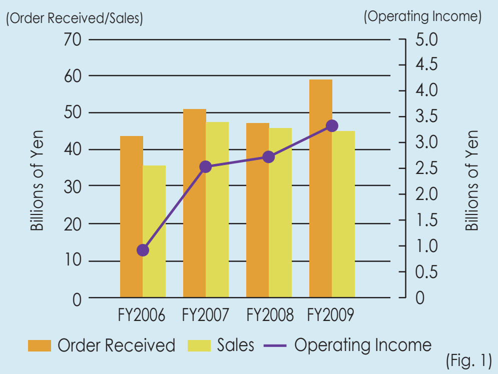
Under our new Medium Term Business Plan, we are targeting growth based on catering to the needs of expanding markets.

Global Service Network Expansion



(Fig. 3)

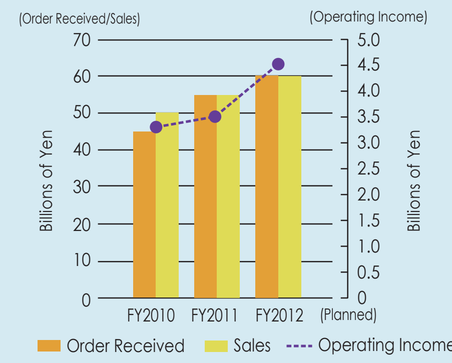
Medium Term Business Plan Summary
(FY2007—FY2009)



(Fig. 1)

MSF seawater desalination plant, U.A.E.

New Medium Term Business Plan Summary
(FY2010—FY2012)



(Billions of yen)

	FY2010 Planned	FY2011 Planned	FY2012 Planned
Order Received	45.0	55.0	60.0
Sales	50.0	55.0	60.0
Operating Income	3.3	3.5	4.5
Ordinary Income	3.4	3.6	4.6
Net Income	2.0	2.2	2.8

(Fig. 2)

Medium Term Business Plan

◆ FY2007-FY2009 Results Overview

Business results in the three terms (FY2007-FY2009) covered by the Medium Term Business Plan formulated in 2007 exceeded targets with only a few exceptions. Order received undershot the target for FY2008, and sales and operating income fell short in FY2008 and FY2009. (see Fig. 1)

◆ New Medium Term Business Plan (FY2010-FY2012)

In particular, we are proactively taking steps to promote business in overseas markets where demand for electric power and water can be expected to grow significantly, such as the Middle East and Asia. Going forward we will undertake capital investment to boost production capacity at our main plant in Japan, and establish new production and service bases to respond to demand expansion overseas.

To achieve our targeted growth in the foregoing areas in the medium to long term, this year we drew up a new Medium Term Business Plan for FY2010 - FY2012. Concerted efforts will be taken Groupwide toward the achievement of our goals.

◆ Medium Term Targets

On a consolidated basis, we have set the following medium-term targets for FY2012: order received, ¥60 billion; net sales, ¥60 billion; operating income, ¥4.5 billion; ordinary income, ¥4.6 billion. These targets do not reflect International Financial Reporting Standards (IFRS). (see Fig. 2)

◆ Medium Term Challenges

In order to achieve the foregoing business targets and carry out our Groupwide business strategies, we are actively addressing a number of important challenges, as described below.

Stronger Service Operations

Effective April 1, 2010 we will establish a Service Headquarters at the Company's Head Office to comprehensively manage all domestic and overseas service operations. This initiative has two objectives: to strengthen maintenance services provided to users of the Company's large-scale and high-tech pumps, and to expand operations as a solution provider for improving customer plants and facilities to meet their diverse requirements.

Earlier, we created two new overseas bases in conjunction with the latter goal: P.T. Torishima Guna Engineering, established in Indonesia in January 1999 to cover the needs of customers in Asia; and Torishima Service Solutions FZCO, established in Dubai, U.A.E., in December 2009 to serve the needs of customers throughout the Middle East. In June 2010, operations will be additionally launched at Torishima Service Solutions Europe Ltd. in the United Kingdom, charged with serving customer needs throughout Europe as well as in Russia, Turkey and North Africa.(see Fig. 3)

With these three overseas bases and Service Headquarters in Japan, the Group will now proceed to avail of its new four-base network to strengthen service operations all around the globe.

Increased Global Competitiveness

To enhance the Group's competitive strength in global markets, this past year we expanded production facilities at the Head Office and set up a new manufacturing base in Asia: Torishima Tianjin Ltd. in Tianjin, China. We are also taking steps to boost our sales and marketing capabilities overseas through reorganization of the Overseas Marketing & Sales Division at the Head Office and localization of top management at consolidated subsidiaries outside Japan. In addition, we are continuing efforts to steadily enhance the overseas competitiveness of our products by strengthening our R&D Department and boosting cost competitiveness through improvements in productivity and a higher overseas procurement ratio.

Optimal Quality Control

In keeping with our commitment to maintaining total customer satisfaction, we recognize the importance of quality as a major contributor to competitive strength. In order to achieve the highest possible standards we are committed to ensuring that all tasks are undertaken with the utmost diligence, thus securing optimal quality in all production processes.

Enhanced Risk Management

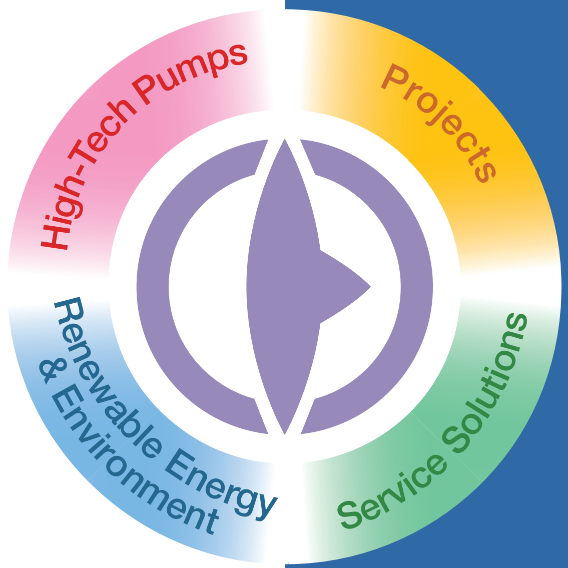
Globalization is ongoing, and as a consequence direct export orders are becoming increasingly common. As the number of overseas projects grows, overseas procurements in tandem with such projects also increase. Together these trends translate to expanding foreign exchange risks. To counter such risks, the Company is undertaking thorough management of foreign currency-denominated debt and building a structure to conduct appropriate foreign-exchange risk management.

Proper measures are also being taken to manage other risks borne by the Torishima Group: project cost risk, product liability risk, product warranty risk, fund recovery credit risk, country risk, etc.

Business Domains

As demand for our products, services and technologies expands beyond traditional markets, exciting horizons are opening up in vibrant emerging regions.

With Group operations spanning four major business domains, we are taking our innovative technologies to markets the world over.



Boiler feed pump for super-critical power plants

Torishima and its Group subsidiaries and affiliates conduct business in four domains:

High-Tech Pumps:
Manufacture and supply of high-efficiency, high value-added pumps for power generation, desalination and other industrial applications.
Projects:
Engineering, procurement and construction (EPC) services in areas including water supply and sewage, irrigation and drainage equipment.
Service Solutions:
Provision of operation and maintenance services and related solutions.
Renewable Energy and Environment:
Provision of wind-power generation and sewage transport/treatment systems.

High-Tech Pumps

◆ Pumps for Power Plants

Demand for pumps for power plants was firm in the emerging economies, where demand for power is expanding sharply along with population growth and rapid economic expansion.

New orders received this year included: boiler circulating pumps (BCP) for thermal power plants in India; boiler feed pumps (BFP) for combined-cycle power plants in Turkey, Iran, Singapore and Taiwan; and large-size circulating water pumps (CWP) for thermal plants in Saudi Arabia, Vietnam and China.

In India especially, as power demand expands sharply, many new thermal plants are being constructed. Since 2007 we have received orders for BCPs for coal-fired power plants at more than 20 locations.

Amid rising interest in super-critical power plants, which feature high energy efficiency and enable significant reductions in CO_2 emissions through use of high-temperature, high-pressure steam, we delivered BFPs for a super-critical power plant in Indonesia. Going forward, we target further order expansion in this area.

At Torishima, we supply high-quality pumps that are safe and highly economical, used in various power plant processes to help provide a stable supply of energy.

◆ Pumps for Desalination Plants

The need for construction of desalination plants is strong in the Middle East and North Africa, where water resources are scarce and population growth rates are high, and this year orders remained steady. In particular, demand is increasing for pumps for reverse osmosis (RO) desalination plants.

This year we received orders from Australia and Algeria for pumps for the world's largest-scale RO desalination plants. The order from Australia called for an RO high-pressure pump and drinking-water transfer pump for a plant with a water conversion rate of 411,000m^3/d. The order from Algeria was for a seawater transfer pump for a plant with a conversion rate of 500,000m^3/d.

Desalination pumps are required to operate in harsh climates 24 hours a day, 365 days a year; they must also be highly durable, resistant to corrosion from seawater, and offer outstanding efficiency to minimize power consumption. Torishima has delivered numerous pumps worldwide, especially to the Middle East, which is the world's largest market for desalination, thereby building up a solid track record and trust.

◆ Expanding Sales of Eco Pumps in the Home Market

Approximately 90% of the life-cycle cost of a pump is power consumption. For this reason, we pursued improvements in pump efficiency and developed high-efficiency pumps incorporating proprietary technologies.

The adoption of our ultra-high-efficiency motor (IEC IE3), offering enhanced efficiency through reduced copper electrical resistance, etc., enables a 10-30% reduction in power consumption compared to earlier products. Going forward, we will expand sales in the domestic market under the brand name "Eco Pumps."

Projects

This year we received an order for construction of a water distribution pumping station in Al Ain, U.A.E. The station will supply 1 million tons of domestic water per day to a reservoir and to the city of Al Ain, at elevations up to 110 meters above the pumping station.

In Asia, we received orders for cooling systems and water treatment systems in Vietnam. One order is for a gas combined-cycle power plant in the country's south, and the other for a coal-fired thermal power plant in the north.

Service Solutions

This year we established a sales base in Dubai, U.A.E., in a quest to expand pump maintenance operations in the Middle East; a new service plant is scheduled for completion in fiscal 2010. Going forward, we will expand our maintenance services for the approximately 10,000 pumps delivered to the Middle East, and also build up our solutions business in proposing plant facility improvements capable of responding to the diversified needs of our customers.

In fiscal 2010 we are slated to establish a service base in Europe. In the coming years, we will develop and strengthen our service operations centering on four bases: at the Head Office in Japan and in Asia (Indonesia), the Middle East and Europe.

Renewable Energy & Environment

Torishima promotes the use of renewable, clean energy sources aiming at reducing CO_2 emissions through wind-power generation and mini- and micro-hydro generation systems.

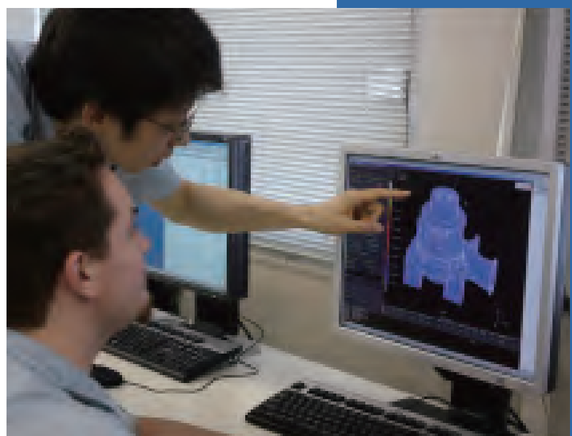
We support customers comprehensively through the provision of total engineering solutions relating to the introduction of wind-power generation systems. Our services range from wind assessment and location surveys to project planning, design, installation and maintenance.

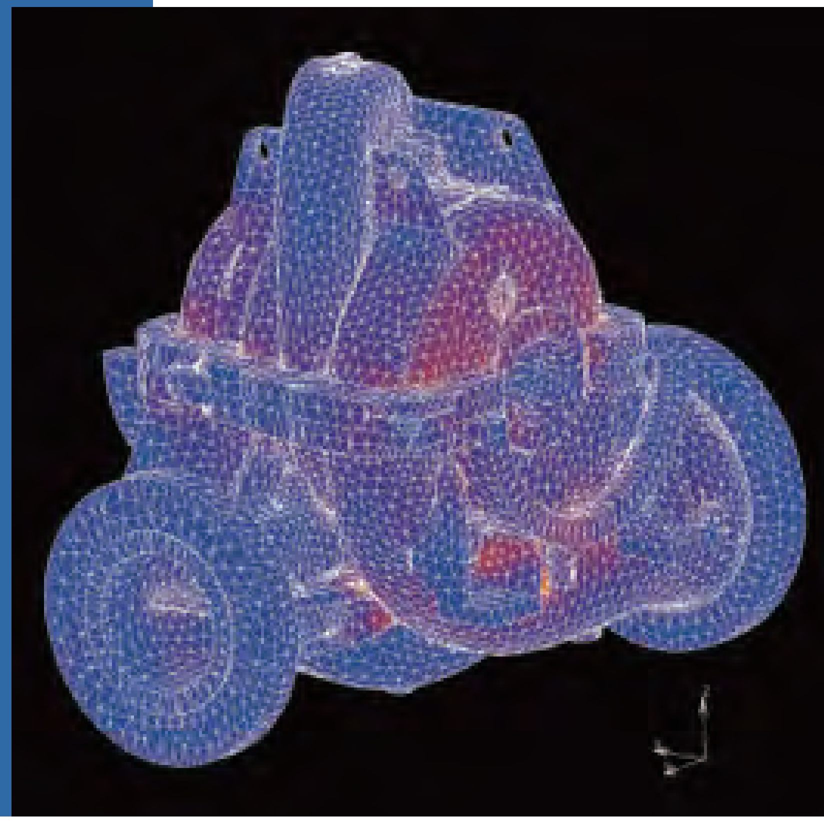
Mini- and micro-hydro generation systems can convert previously unutilized potential energy in the form of small quantities of water discharged from dams into a power source for adjusting water levels. We supply reversible pump turbines and inline turbines for these systems, resulting in reduction of CO_2 emissions.

Research and Development

Today's R&D will bring a better tomorrow not only for Torishima and its Group companies but also, more importantly, for our customers and the environment.

The innovative R&D we are undertaking today will open doors to a more environment-friendly world tomorrow.





Structure analysis

High-Pressure Pump for RO desalination plants

100kW wind turbine

Torishima and its consolidated subsidiaries undertake R&D in response to short- and medium-term needs of the market in the areas of high-tech pumps, the environment and renewable energy. Overseeing these initiatives are the R&D Department, Environment Engineering Department and New Energy Department, all working in line with well-coordinated medium- and long-term product development plans.

"Eco Pump":
A product of R&D realizing lower life-cycle costs and reduced CO_2 emissions

High-Tech Pumps

For tomorrow's energy system needs, R&D is currently developing more efficient energy-saving boiler feed pumps and lightweight, compact circulating water pumps fabricated from sheet metal. Development also continues of our series of high-efficiency, high-pressure pumps for reverse osmosis membrane desalination plants, with continued emphasis on achieving further improvements in performance.

To meet the needs of the public sector, development is moving ahead on underwater bearing wear monitoring systems that employ air pressure for their vertical pump. Orders have already been received for applications at a number of pumping stations.

In order to accelerate product development and respond to demand for pumps offering enhanced speed and performance, we introduced automated optimization software. This, together with parallel computers, is aimed at reducing the time required for fluid analysis, the most time-consuming process in the design of hydropower systems.

In addition, in response to the need for pumps offering higher speeds and broader application diversity, basic research is under way in collaboration with universities to reduce cavitation strength and improve pump performance in the partial flow-rate zone. R&D makes use of fluid analysis and internal flow calculation technologies.

The Environment

In the field of water treatment, R&D is focusing on achieving an expanded range of lower-cost equipment for small- and medium-scale sewage plants. These include ejector type vacuum generators, wireless alarm systems and solid separation devices.

In the wake of orders for large-scale sludge carbonization equipment and our movable sludge hydro-extraction and drying devices, in FY2009 we received orders for our stationary electrically heated sludge hydro-extraction and drying devices capable of unmanned operation.

We also developed a phosphate removal system to enable use of our sludge reduction systems in regions where phosphate regulations are especially strict. A test system was launched at a sewage treatment plant in actual operation.

Renewable Energy

In conjunction with applications of renewable energy, R&D is moving toward the use of auxiliary fuel and viable bio-oilification at wood gas-heating plants, applying previously developed technologies in woody biomass gas co-generation systems.

In FY2010 woody biomass conversion technology is being combined with our sludge hydro-extraction and drying technology in new R&D aiming toward the development of practical use of woody biomass as auxiliary fuel for heating furnaces by carbonization of waste sawdust.

In the field of wind-power generation, in FY2008 we undertook verification testing of the strength of 100kW wind turbines engineered to withstand high winds, installed on the island of Kumejima in Okinawa Prefecture. In the past year the turbines were combined with lithium batteries in a development program aimed at an optimal operation control system together with existing power generation equipment for offshore islands.

Corporate Governance

A Code of Ethics and sound corporate governance structures are in place to clarify duties and responsibilities and make sure they are carried out properly.

Compliance Policy and Implementation Commitment

Torishima Group Declaration of Compliance

The Torishima Group has consistently accorded highest priority to winning and maintaining the customer's solid trust – a commitment etched in the Company's business creed. Trust is something that is built up slowly over time. Unlike financial debts that can be repaid and allow recommencement with a clean slate, once a customer's trust is lost, it takes years to restore; and in some instances it may be beyond recovery altogether, thereby serving a fatal blow to a company's survival.

Our commitment to maintaining, and meriting, the customer's utmost trust is reflected in our commitment to compliance. To promote optimum compliance, we have had two guidelines in place: our Code of Ethics and Code of Conduct. Recently, both of these guidelines have been amended in order to respond to new revisions to Japan's legislation aimed at strengthening corporate compliance even further.

Going forward, the Torishima Group will conduct all business in line with its rewritten codes. In the event of any infringement of our compliance standards, the matter will be rectified with maximum speed, measures will be taken to prevent any reoccurrence, and information on the incident will be disclosed in order to carry out our responsibility to our stakeholders.

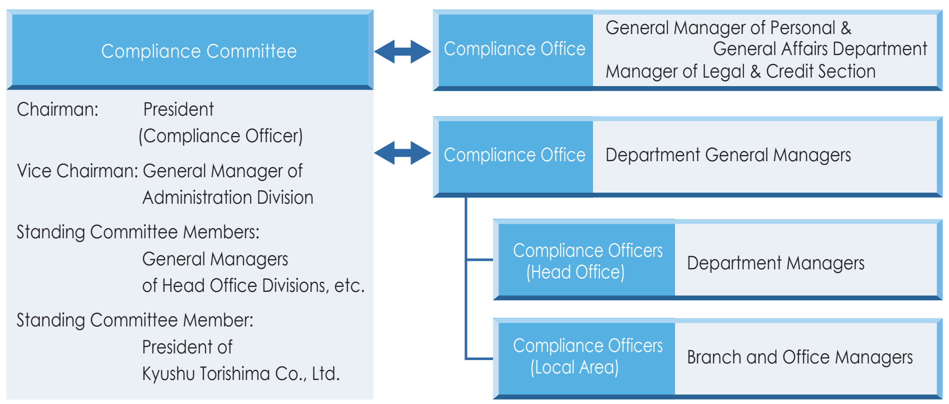
To prevent such infringements, all Torishima officers and staff declare their firm commitment to pursue compliance at all levels, individual and cross-organizational, in the strong determination that the execution of compliance by all Group members will ensure the achievement of supreme corporate ethics.

September 1, 2007
Kotaro Harada,
President & CEO

Compliance Structure

Compliance is carried out through the establishment of consultation venues at workplaces for discussing corporate ethics, etc. and a Compliance Committee chaired by the President. The Committee's duties fall into five general categories:

1) development of legal compliance and ethical structures within the Company and its subsidiaries, and monitoring of related progress;
2) guidance and advice for audit reports relating to corporate ethics;
3) guidance, advice and authorization relating to educational planning and activities pertaining to corporate ethics;
4) response to contacts from consultation venues, and provision of guidance and advice;
5) response, guidance and advice to deal with other emergency situations.



Full attention is given to corporate governance to ensure proper performance of duties by all officers and staff.

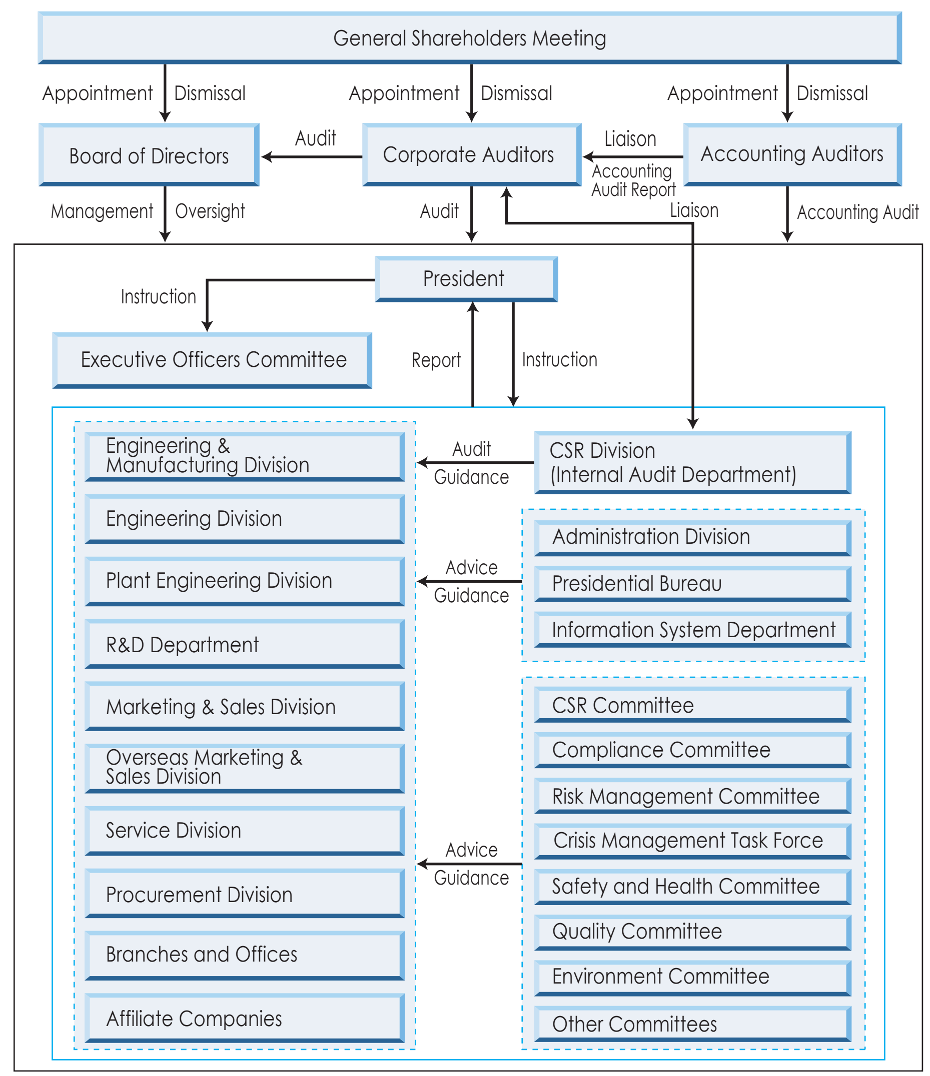
Pump manufacture and assembly at Main Factory, Japan

Corporate Governance Structure

Torishima adopts a Board of Corporate Auditors system. As of June 29, 2010 the Board comprises five corporate auditors, including three outside auditors. All standing auditors and outside auditors attend the regular monthly meetings of the Board of Directors, offering up their opinions when deemed necessary, and they also sit in on any other Company meetings of importance. This access provides the auditors with overall knowledge of the Company's business conditions, and by extension full knowledge of the performance of duties by Company directors and other officers. Accounting auditors also regularly report the results of their account audits.

In order to implement swift and sound management decisions, the Company has two organizations in place: to perform management control, the Board of Directors chaired by the Company president; and to execute management decisions, an Executive Committee serving as the President's highest consultative council. In principle, the Board of Directors meets once monthly; the Executive Committee, once weekly. In addition, the Company also employs an executive officer system under which the responsibilities and functions of Company directors, who oversee business operations, and executive officers, who execute Company business, are clearly defined. The Executive Committee is made up of all Company executive officers, including those of its subsidiaries. Committee meetings serve as venues for conducting preliminary deliberations, progress reports and results reports on matters of importance to the Company's business performance. When necessary, managers in charge of such matters are asked to attend the Committee meetings.

Corporate Governance Structure



Corporate Social Responsibility

We carry out our corporate responsibility to society through broad-ranging measures to manage and protect the environment. We also make significant contributions to our local community.

Environmental Policy

Philosophy

At Torishima, we believe that protecting the Earth's natural environment is a vital task that must be addressed by all mankind. In a quest to create a global environment of natural beauty conducive to pleasurable living, for the sake of the planet and all its inhabitants, through the provision of pumps and other environmentally friendly products we supply environment-sustainable systems engineered to enrich living environments everywhere. Meanwhile, through production activities in harmony with environmental demands and the provision of products having minimal environmental loads, we strive to contribute to the formation of a developmentally sustainable society on global scale, to ensure the continuation of a healthy global environment well into the future.

Activities

To carry out the foregoing philosophy, we undertake the following activities:

1) Development and supply of highly efficient, environmentally friendly pumps, as a way of contributing to energy savings.

2) Development and supply of wind and hydro power generation systems availing of natural energy sources, as a way of contributing to reduction of CO_2 emissions.

3) Provision of technologies targeting reuse of waste materials, as a way of contributing to enhanced recycling of natural resources.

4) Proactive promotion of reductions in environmental loads and prevention of environmental contamination based on environmental assessment results, coupled with ongoing enhancement of environmental protection activities.

5) Compliance with environmental laws, regulations and other appropriate demands, and formulation of and compliance with in-house rules.

6) In the performance of production activities, pursuit of energy and natural resource savings, recycling, waste reduction and proper management of chemical substances, as a way of lightening environmental burdens.

October 26, 2006
Kotaro Harada,
President & CEO

At Torishima, fulfilling our corporate social responsibilities is central to our inherent mission to always serve in the public's interest.

Torishima Pump – A name that equates to solid execution of corporate social responsibility.

Dreams Come True School

Structure for Promoting Environmental Management

To implement the environmental policy formulated by top management, environmental plans are proposed and deliberated by the Company's Environment Committee, which is chaired by the officer in charge of environmental management. Based on those plans, specific environmental activities are developed and carried out within each department. Results are discussed by the Committee and reported to top management. Management reviews enable taking the Company's environmental promotion activities to increasingly higher levels.

Interaction with the Local Community

Contributing to the Local Community: Teaching Classes at Local Primary Schools

Since 2008 Torishima has actively participated in "Dreams Come True School," a program launched in 2005 by the Japan Association for Educational Innovation (JAE), a non-profit organization. The program is targeted at primary school students and is designed to foster a career-minded approach to education. Participation in the program is pursued to enable the Company to contribute to the local community, especially its educational institutions, as well as to hone the skills and elevate the motivation of Company employees.

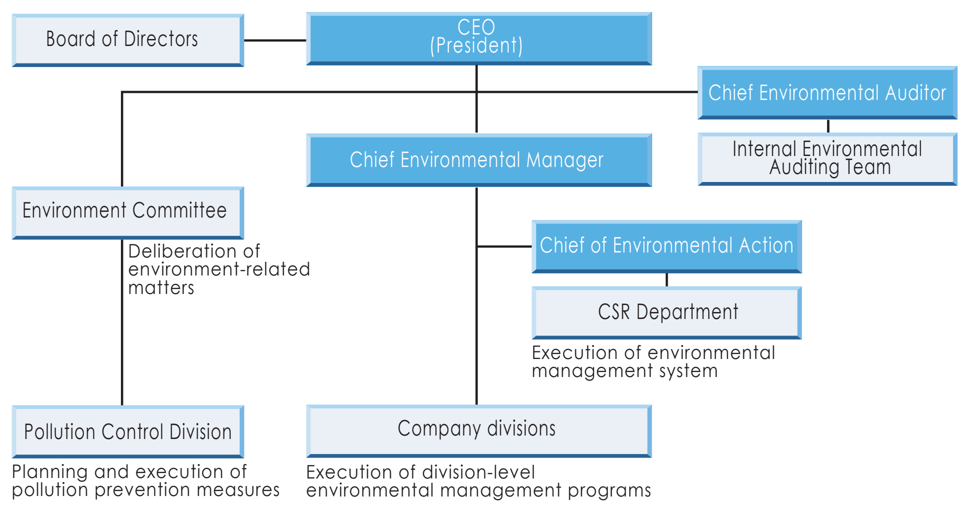
The classes all aimed at demonstrating the enjoyment and fulfillment that can be reaped from making things. Topics included describing how the employees feel about working at Torishima, having the students create a Heron's fountain or pumps or rockets made from plastic bottles, and a contest to see which students could make items having the best design and performance. The experience proved enormously enjoyable both for the students and for the Company employees who participated.

Harada Memorial Foundation: Supporting Development of Human Resources for the Next Generation

The Harada Memorial Foundation was created in March 1981 by the late Ryuhei Harada, then-president of Torishima. The Foundation was established with two aims: 1) to support individuals and groups involved in academic research in areas of natural science closely relating to the pump industry: e.g., hydrodynamics, hydromechanics and hydraulic machinery; and 2) to provide scholarship support to promising young individuals destined to lead the next generation.

On the occasion of setting up the Foundation, Mr. Harada remarked that Torishima had been involved in the pump industry since 1949, and he pointed out that the relationship between society and fluids was not just close but actually inseparable. He further noted that the social mission of the pump industry was destined to expand in scope ever further in the years ahead, and his wish was that the Foundation would be of service in that respect, regardless of the scale of its contribution.

Environmental Management System



Directors and Auditors

(As of June 29, 2010)

Directors

Kotaro Harada	Representative Director
Yasunao Hirota	Director
Hiromichi Fujikawa	Director
Sadao Uchida	Director
Tetsuya Kujima	Director
Hirofumi Himeno	Director

Auditors

Kinichi Yoshida	Standing Auditor
Shojiro Tsukajima	Standing Auditor
Akira Toyokura	Auditor
Isamu Imoto	Auditor
Akira Tsuda	Auditor

Executive Officers

CEO

Kotaro Harada	President

Senior Managing Executive Officer

John Frew	R&D, Engineering, Production

Managing Executive Officers

Yasunao Hirota	Middle East Operations
Sadao Uchida	General Manager of Engineering Division
Tetsuya Kujima	General Manager of Procurement Division
Hirofumi Himeno	General Manager of Administration Division, General Manager of Investor & Public Relations Office
Gerald Ashe	General Manager of TGT (Overseas Marketing & Sales Division), Regional Director of TGT Europe
Kouzi Itou	General Manager of Marketing & Sales Division, General Manager of Plant Engineering Division
Hideaki Yamamoto	General Manager of Manufacturing Division, General Manager of Pump Manufacturing Department

Executive Officers

Masahiro Yamazaki	Regional Director of TGT Head Office, General Manager of TGT Sales Department
Yutaka Tsuaki	General Manager of Service Division
Ryusuke Okada	General Manager of Presidential Bureau
Mike Choi	Regional Director of TGT Asia
Fumikazu Ohya	Regional Director of TGT Middle East, General Manager of Middle East Office
Tadashi Sasaki	General Manager of Singapore Office
Nobuyuki Yoshikawa	General Manager of CSR Division, General Manager of CSR Department
Takayoshi Yoshida	General Manager of Tokyo Branch

Corporate Organization

(As of June 29, 2010)

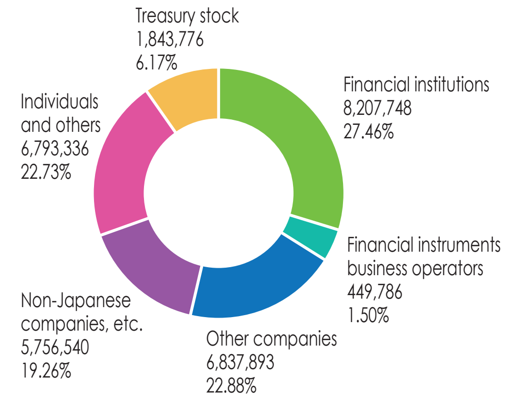
President
- Presidential Bureau
- CSR Division
- Information System Department
- R&D Department
- Administration Division
- Procurement Division
- Marketing & Sales Division
- Overseas Marketing & Sales Division (TGT)
- Service Division
- Manufacturing Division
- Engineering Division
- Plant Engineering Division

Corporate Data

(As of June 29, 2010)

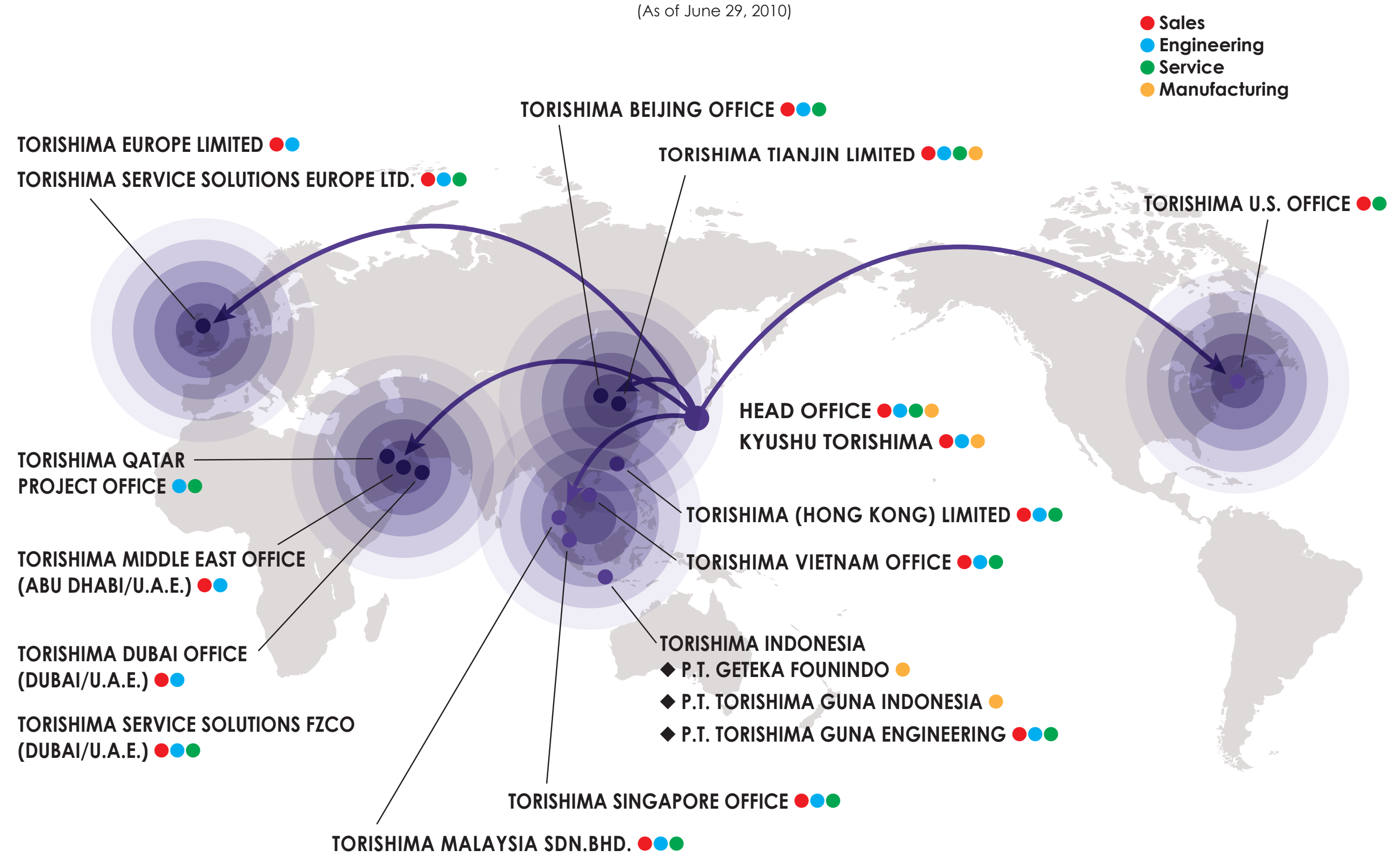
Company name	TORISHIMA PUMP MFG. CO., LTD.
Foundation	August 1, 1919
Outstanding shares	29,889,079
Paid-in capital	¥1,592,775,030
Shareholders	8,630
Employees	850
URL	http://www.torishima.co.jp/english/index.html
Places of business	
Head office	1-1-8, Miyata-cho, Takatsuki City, Osaka 569-8660, Japan
Branch offices	Tokyo, Osaka, Kyushu, Nagoya, Sapporo, Sendai, Hiroshima, Takamatsu, Singapore, Middle East (U.A.E.), North America (U.S.)
Sales offices	Okinawa, Saga, Yokohama, Wakayama
Manufacturing plants	Head Office Works (Takatsuki City, Osaka Pref.) Kyushu Works (Takeo City, Saga Pref.) Indonesia Works (Jakarta) China Works (Tianjin: scheduled to go into operation in late 2010)

Share Breakdown by Type of Shareholder



Global Network

(As of June 29, 2010)



Consolidated Balance Sheets

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2010**	2009	**2010**
CURRENT ASSETS:			
Cash and time deposits (Notes 3 and 13)	¥ 7,071	¥ 3,657	$ 76,032
Marketable securities (Note 4)		5	
Notes and accounts receivable: (Note 13)			
Trade	19,785	22,104	212,742
Unconsolidated subsidiaries and associated companies	63	46	678
Other	2,162	815	23,247
Allowance for doubtful accounts	(592)	(28)	(6,366)
Inventories (Note 5)	10,045	11,848	108,011
Advance payments	5,282	2,559	56,796
Deferred tax assets (Note 10)	1,388	1,537	14,925
Other current assets	262	481	2,817
Total current assets	45,466	43,024	488,882
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 6)	1,485	1,485	15,968
Buildings and structures (Note 6)	7,652	7,442	82,280
Machinery and equipment (Note 6)	11,829	11,502	127,193
Construction in progress	159	108	1,710
Lease assets (Note 12)	303	143	3,258
Total	21,428	20,680	230,409
Accumulated depreciation	(14,157)	(13,826)	(152,226)
Net property, plant and equipment	7,271	6,854	78,183
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4, 6 and 13)	10,742	9,587	115,505
Investments in and advances to unconsolidated subsidiaries and associated companies	881	782	9,473
Deferred tax assets (Note 10)	87	493	935
Other assets (Note 13)	1,194	1,392	12,839
Total investments and other assets	12,904	12,254	138,752
TOTAL	¥ 65,641	¥ 62,132	$ 705,817

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	**2010**	2009	**2010**
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 13)	¥ 4,900	¥ 5,756	$ 52,688
Current portion of long-term debt (Notes 6, 12 and 13)	1,715	1,446	18,441
Notes and accounts payable: (Note 13)			
Trade	9,902	12,069	106,473
Unconsolidated subsidiaries and associated companies	80	20	860
Other	1,026	803	11,032
Advances received from customers	8,311	6,932	89,366
Income taxes payable (Note 13)	751	1,221	8,075
Allowance for product warranties	1,571	1,450	16,893
Allowance for losses on construction contracts	115	1,105	1,237
Other current liabilities	1,887	1,520	20,290
Total current liabilities	30,258	32,322	325,355
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6, 12 and 13)	1,676	3,121	18,021
Liability for retirement benefits (Note 7)	2,043	2,000	21,968
Other long-term liabilities	581	682	6,247
Total long-term liabilities	4,300	5,803	46,236
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14 and 15)			
EQUITY (Notes 8, 9 and 17):			
Common stock, authorized, 60,000 thousand shares; issued, 29,889 thousand shares in 2010 and 2009	1,593	1,593	17,129
Capital surplus	7,796	4,612	83,828
Stock acquisition rights	37	18	398
Retained earnings	21,217	19,056	228,140
Unrealized gain on available-for-sale securities	1,521	1,091	16,355
Deferred (gain) loss on derivatives under hedge accounting	(6)	106	(65)
Foreign currency translation adjustments	(141)	(295)	(1,516)
Treasury stock—at cost 1,844 thousand shares in 2010 and 4,144 thousand shares in 2009	(975)	(2,190)	(10,484)
Total	31,042	23,991	333,785
Minority interests	41	16	441
Total equity	31,083	24,007	334,226
TOTAL	¥ 65,641	¥ 62,132	$ 705,817

See notes to consolidated financial statements.

Consolidated Statements of Income

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
NET SALES	¥ 45,008	¥ 45,692	$ 483,957
COST OF SALES (Note 11)	35,459	37,096	381,280
Gross profit	9,549	8,596	102,677
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	6,290	5,834	67,634
Operating income	3,259	2,762	35,043
OTHER INCOME (EXPENSES):			
Interest and dividend income	222	294	2,387
Interest expense	(125)	(160)	(1,344)
Gain on sales of investment securities	103	184	1,107
Gain on foreign exchange—net	324	470	3,484
Reversal of allowance for losses on construction contracts	1,003		10,785
Other—net	(364)	(156)	(3,914)
Other income—net	1,163	632	12,505
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	4,422	3,394	47,548
INCOME TAXES (Note 10):			
Current	1,481	1,794	15,924
Deferred	336	(395)	3,613
Total income taxes	1,817	1,399	19,537
MINORITY INTERESTS	(5)	4	(54)
NET INCOME	¥ 2,610	¥ 1,991	$ 28,065

	Yen		U.S. Dollars
	2010	2009	2010
PER SHARE OF COMMON STOCK (Notes 2.s and 16):			
Basic net income	¥ 100.07	¥ 77.32	$ 1.08
Diluted net income	99.96	77.31	1.07
Cash dividends applicable to the year	20.00	17.00	0.22

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Thousands		Millions of Yen										
	Issued Number of Shares of Common Stock	Number of Shares of Treasury Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred (Gain) loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjust-ments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2008	29,889	(4,140)	¥ 1,593	¥ 4,612		¥ 17,477	¥ 4,032	¥ 250	¥ 237	¥ (2,184)	¥ 26,017	¥ 14	¥ 26,031
Net income						1,991					1,991		1,991
Cash dividends, ¥16.00 per share						(412)					(412)		(412)
Net increase of treasury stock		(4)								(6)	(6)		(6)
Net change in the year					¥ 18		(2,941)	(144)	(532)		(3,599)	2	(3,597)
BALANCE, MARCH 31, 2009	29,889	(4,144)	1,593	4,612	18	19,056	1,091	106	(295)	(2,190)	23,991	16	24,007
Net income						2,610					2,610		2,610
Cash dividends, ¥18.00 per share						(464)					(464)		(464)
Purchase of treasury stock										(2)	(2)		(2)
Disposal of treasury stock		2,300		3,184						1,217	4,401		4,401
Changes in reporting entities						15					15		15
Net change in the year					19		430	(112)	154		491	25	516
BALANCE, MARCH 31, 2010	29,889	(1,844)	¥ 1,593	¥ 7,796	¥ 37	¥ 21,217	¥ 1,521	¥ (6)	¥ (141)	¥ (975)	¥ 31,042	¥ 41	¥ 31,083

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred (Gain) loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjust-ments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2009	$ 17,129	$ 49,591	$ 194	$ 204,903	$ 11,731	$ 1,140	$ (3,172)	$ (23,548)	$ 257,968	$ 172	$ 258,140
Net income				28,065					28,065		28,065
Cash dividends, $0.19 per share				(4,989)					(4,989)		(4,989)
Purchase of treasury stock								(22)	(22)		(22)
Disposal of treasury stock		34,237						13,086	47,323		47,323
Changes in reporting entities				161					161		161
Net change in the year			204		4,624	(1,205)	1,656		5,279	269	5,548
BALANCE, MARCH 31, 2010	$ 17,129	$ 83,828	$ 398	$ 228,140	$ 16,355	$ (65)	$ (1,516)	$ (10,484)	$ 333,785	$ 441	$ 334,226

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 4,422	¥ 3,394	$ 47,548
Adjustments for:			
Income taxes—paid	(1,967)	(1,224)	(21,151)
Depreciation	852	874	9,161
Gain on sales of investment securities	(3)	(184)	(32)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	2,347	(3,098)	25,237
Decrease (increase) in inventories	1,809	(2,081)	19,452
Increase in advance payments	(2,723)	(193)	(29,280)
Decrease (increase) in other current assets	627	(595)	6,742
Decrease in notes and accounts payable	(2,113)	(658)	(22,720)
Increase in advances received from customers	1,371	3,206	14,742
Increase in allowance for doubtful accounts	578	135	6,215
Increase in allowance for product warranties	121	1,017	1,301
(Decrease) increase in allowance for losses on construction contracts	(990)	81	(10,645)
Decrease in liability for retirement benefits to directors and corporate auditors	(9)	(567)	(97)
(Decrease) increase in other current liabilities	(468)	291	(5,032)
Other—net	586	524	6,301
Total adjustments	18	(2,472)	194
Net cash provided by operating activities	4,440	922	47,742
INVESTING ACTIVITIES:			
Payments into time deposits	(204)		(2,194)
Purchases of property, plant and equipment	(900)	(739)	(9,677)
Purchases of investment securities	(1,022)	(402)	(10,989)
Proceeds from sales of investment securities	507	377	5,452
Payments of loans receivavle	(2,939)	(543)	(31,602)
Collection of loans receivable	1,422	57	15,290
Other	51	(9)	548
Net cash used in investing activities	(3,085)	(1,259)	(33,172)
FORWARD	¥ 1,355	¥ (337)	$ 14,570

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
FORWARD	¥ 1,355	¥ (337)	$ 14,570
FINANCING ACTIVITIES:			
Decrease in short-term borrowings—net	(836)	(35)	(8,989)
Proceeds from long-term debt		200	
Repayments of long-term debt	(1,400)	(403)	(15,054)
Dividends paid	(461)	(412)	(4,957)
Proceeds from sales of treasury stock	4,401		47,323
Other	(26)	(19)	(280)
Net cash provided by (used in) financing activities	1,678	(669)	18,043
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	169	(28)	1,817
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,202	(1,034)	34,430
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, INCREASE	8		86
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,657	4,691	39,323
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	¥ 6,867	¥ 3,657	$ 73,839

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Torishima Pump Mfg. Co., Ltd. (the "Company") and consolidated subsidiaries (together the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93 to $1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Consolidation -** The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its twelve (ten in 2009) significant subsidiaries.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

Investments in two (two in 2009) unconsolidated subsidiaries and three (four in 2009) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

b. **Cash Equivalents -** Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits which mature within three months of the date of acquisition.

c. **Marketable and Investment Securities -** Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

i) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value and the related unrealized gains and losses are included in earnings and ii) available-for-sale securities, which are not classified as trading securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

d. **Inventories –** Inventories are stated at the lower of cost, determined by the specific identification method for work in process, and by the moving-average method for other inventories, or net selling value.

e. **Allowance for Doubtful Accounts -** The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in receivables outstanding.

f. **Property, Plant and Equipment -** Property, plant and equipment are stated at cost, less gains deferred on acquisition by subsidies of certain assets.

Buildings are depreciated by the straight-line method and machinery and other equipment are depreciated by the declining-balance method over the estimated useful lives of the assets.

The estimated useful lives of the assets are primarily as follows:

Buildings and structures	10 - 50 years
Machinery and equipment	2 - 20 years

g. **Long-lived assets -** The Companies review its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. **Retirement and Pension Plans -** The Company and certain consolidated subsidiaries have non-contributory funded defined benefit pension plans. Other consolidated subsidiaries have unfunded retirement benefit plans.

Under the accounting standard for employees' retirement benefits, the liability for employees' retirement benefits is determined based on projected benefit obligations and plan assets at the balance sheet date.

The Company contributed certain securities to the employees' retirement benefit trust for the Company's non-contributory pension plans and recognized a non-cash gain. The securities held in this trust qualify as plan assets.

Retirement benefits to subsidiaries' directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at each balance sheet date.

i. **Allowance for product warranties -** The Companies provide an allowance for foreseeable losses arising from product warranties.

j. **Allowance for Losses on Construction Contracts -** The Companies provide an allowance for foreseeable losses arising from certain sales contracts.

k. **Stock Options -** The Accounting Standards Board of Japan (the "ASBJ") Statement No.8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, stock options are presented as a stock acquisition right as a separate component of equity until exercised.

l. **Research and Development Costs -** Research and development costs are charged to income as incurred.

m. **Leases -** In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and did not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Companies applied the revised accounting standard effective April 1, 2008. In addition, the Companies accounted for leases which existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions.

n. **Construction Contracts -** In December 2007, the ASBJ issued ASBJ Statement No.15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No.18 "Guidance on Accounting Standard for Construction Contracts ". Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009. The Companies applied the new accounting standard effective April 1, 2009. The effect of this change was to increase net sales by ¥2,906 million ($31,247 thousand) and operating income and income before income taxes and minority interests by ¥736 million ($7,914 thousand), respectively, for the year ended March 31, 2010.

o. **Income Taxes -** The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

p. **Foreign Currency Transactions -** All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

q. **Foreign Currency Financial Statements -** The balance sheet accounts and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical exchange rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

r. **Derivatives and Hedging Activities**

Derivatives under contract

Foreign currency forward contracts are utilized to hedge foreign currency exposures for exports and imports. The receivables and payables denominated in foreign currencies which qualify for hedge accounting are measured at market value at the balance sheet date. Gains or losses on derivatives are deferred until maturity of hedged transactions and deferred gains/losses are accounted as a separate component of equity.

The interest rate swaps that meet with specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

Hedging instruments and hedged items

a. Hedging instruments - Foreign exchange forward contracts
Hedged items - Receivables and payables denominated in foreign currencies

b. Hedging instruments - Interest rate swap
Hedged items - Long-term debt

Derivative use policy

The Companies manage their derivative financial instruments based on internal rules that define the dealing authority and the dealing limit.

The Companies use derivatives only for the purpose of hedging market risks associated with assets and liabilities. The Companies do not hold or issue derivatives for trading purposes.

Assessing the effectiveness of hedging

The effectiveness of hedging is assessed by comparing the accumulated cash flows between hedging instruments and hedged items. However, with regard to interest rate swaps that meet specific matching criteria, the assessments are omitted.

Risk associated with derivatives

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

s. **Per Share Information -** Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

t. **New Accounting Pronouncements**

Business Combinations - In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:
(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires companies to account for such business combinations by the purchase method and the pooling of interests

method of accounting is no longer allowed.
(2) The current accounting standard accounts for research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.
(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method - The current accounting standard requires companies to unify accounting policies within the consolidation group. However, the current guidance allows companies to apply the equity method for the financial statements of its foreign associated companies which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

In December 2008, the ASBJ issued ASBJ Statement No.16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments". The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of fair value model accounting for property, plant, and equipment and investment properties and incorporation of cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations - In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting Changes and Error Corrections - In December 2009, ASBJ issued ASBJ Statement No.24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows:
(1) Changes in Accounting Policies:
When a new accounting policy is applied with a revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.
(2) Changes in Presentation
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.
(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures - In March 2008, the ASBJ revised ASBJ Statement No.17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No.20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Cash and time deposits	**¥ 7,071**	¥ 3,657	**$ 76,032**
Less: time deposits which mature or become due within three months from the date of acquisition	**(204)**		**(2,193)**
Cash and cash equivalents	**¥ 6,867**	¥ 3,657	**$ 73,839**

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current:			
Equity securities		¥ 5	
Non-current:			
Equity securities	**¥ 9,616**	9,450	**$ 103,397**
Corporate bonds	**1,000**		**10,752**
Other securities	**126**	137	**1,356**
Total	**¥ 10,742**	¥ 9,587	**$ 115,505**

The cost and aggregate fair values of marketable and investment securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 6,694	¥ 2,905	¥ 340	¥ 9,259
Corporate bonds	1,000			1,000

	Millions of Yen			
March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading:				
Equity securities	¥ 17		¥ 12	¥ 5
Available-for-sale:				
Equity securities	7,248	¥ 2,748	908	9,088

March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	Thousands of U.S. Dollars			
Securities classified as:				
Available-for-sale:				
Equity securities	$ 71,978	$ 31,237	$ 3,656	$ 99,559
Corporate bonds	10,753			10,753

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 were as follows.
Similar information for 2010 is disclosed in Note 13.

March 31, 2009	Carrying amount Millions of Yen
Available-for-sale:	
Equity securities	¥ 362
Other securities	137
Total	¥ 499

Proceeds from sales of available-for-sale securities for the year ended March 31, 2009 were ¥368 million. Gross realized gains on these sales, computed on the moving average cost basis for the year ended March 31, 2009, were ¥184 million.

The information of available-for-sale securities which were sold during the year ended March 31, 2010 was as follows:

March 31, 2010	Proceeds	Realized gains	Realized losses
	Millions of Yen		
Available-for-sale:			
Equity securities	¥ 503	¥ 104	¥ 101

March 31, 2010	Proceeds	Realized gains	Realized losses
	Thousands of U.S. Dollars		
Available-for-sale:			
Equity securities	$ 5,409	$ 1,118	$ 1,086

The impairment losses on available-for-sale equity securities for the years ended March 31, 2010 and 2009 were ¥55 million ($591 thousand) and ¥166 million, respectively.

At March 31, 2010, investment securities with a total carrying value of ¥20 million ($215 thousand) were pledged as collateral for bank loans of other companies in the ordinary course of business.

5. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Semi-finished products	¥ 141	¥ 162	$ 1,516
Work in process	8,247	10,177	88,678
Raw materials and supplies	1,657	1,509	17,817
Total	¥ 10,045	¥ 11,848	$ 108,011

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings were generally represented by notes to banks, which bore interest at the weighted-average interest rates of 0.86% and 1.08% at March 31, 2010 and 2009, respectively.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Unsecured loans from banks and other financial institutions, due through 2021, interest 1.52% - 5.20% (2010) and 0.85% - 5.20% (2009)	¥ 2,396	¥ 2,804	$ 25,764
Secured loans from banks, due through 2017, interest 1.85% - 4.48% (2010) and 1.35% - 7.40% (2009)	743	1,627	7,989
Obligations under finance leases	252	136	2,709
Total	3,391	4,567	36,462
Less current portion	(1,715)	(1,446)	(18,441)
Long-term debt, less current portion	¥ 1,676	¥ 3,121	$ 18,021

At March 31, 2010, property, plant and equipment with a total carrying value of ¥2,747 million ($29,538 thousand) were pledged as collateral for short-term borrowings of ¥2,900 million ($31,183 thousand) and long-term debt of ¥400 million ($4,301 thousand).

At March 31, 2010, machinery and equipment with a total carrying value of ¥327 million ($3,516 thousand) were pledged as collateral for the current portion of long-term debt of ¥54 million ($581 thousand) and long-term debt of ¥323 million ($3,473 thousand).

Annual maturities of long-term debt, excluding finance leases (see Note 12), at March 31, 2010 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 1,645	$ 17,688
2012	324	3,484
2013	924	9,936
2014	64	688
2015	64	688
2016 and thereafter	118	1,269
Total	¥ 3,139	$ 33,753

Annual maturities of lease obligations at March 31, 2010 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 70	$ 753
2012	70	753
2013	62	666
2014	41	441
2015 and thereafter	9	96
Total	¥ 252	$ 2,709

7. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payments than in the case of voluntary termination.

The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans. Other certain consolidated subsidiaries have unfunded retirement benefit plans.

Liability for retirement benefits for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Companies Act of Japan.

The Companies recorded a liability for its unfunded retirement allowance plan covering all of its directors and corporate auditors.

The liability for retirement benefits for directors and corporate auditors were ¥13 million ($140 thousand) and ¥21 million at March 31, 2010 and 2009, respectively.

The liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Projected benefit obligation	¥ 4,974	¥ 5,214	$ 53,484
Fair value of plan assets	(2,766)	(2,484)	(29,742)
Unrecognized prior service cost	272	362	2,925
Unrecognized actuarial loss	(450)	(1,113)	(4,839)
Net liability	¥ 2,030	¥ 1,979	$ 21,828

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Service cost	¥ 256	¥ 243	$ 2,753
Interest cost	103	101	1,108
Expected return on plan assets	(34)	(41)	(366)
Amortization of prior service cost	(91)	(91)	(978)
Recognized actuarial loss	180	120	1,935
Net periodic benefit costs	¥ 414	¥ 332	$ 4,452

Assumptions used for the years ended March 31, 2010 and 2009 are set forth as follows:

	2010	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%
Amortization period of prior service cost	10 years	10 years
Recognition period of actuarial gain/loss	10 years	10 years

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a)Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. STOCK OPTIONS

The stock options outstanding as of March 31, 2010 are as follows:

Stock Option	Persons Granted	Number of Options granted	Date of Grant	Exercise Price	Exercise Period
2008 Stock Option	5 directors 4 corporate auditors	11,700 shares	2008.9.19	¥ 1	From September 20, 2008 to September 19, 2038
2009 Stock Option	5 directors 5 corporate auditors	19,400 shares	2009.7.17	¥ 1	From July 18, 2009 to July 17, 2039

The stock option activity is as follows:

	2008 Stock Option	2009 Stock Option
For the year ended March31, 2009		
Non-vested		
March 31, 2008 - Outstanding		
Granted	11,700	
Canceled		
Vested	(11,700)	
March 31, 2009 - Outstanding		
Vested		
March 31, 2008 - Outstanding		
Vested	11,700	
Exercised		
Canceled		
March 31, 2009 - Outstanding	11,700	
For the year ended March31, 2010		
Non-vested		
March 31, 2009 - Outstanding		
Granted		19,400
Canceled		
Vested		(19,400)
March 31, 2010 - Outstanding		
Vested		
March 31, 2009 - Outstanding	11,700	
Vested		19,400
Exercised	(2,300)	
Canceled		
March 31, 2010 - Outstanding	9,400	19,400
Exercise price	¥ 1	¥ 1
Average stock price at exercise	¥ 1,293	
Fair value price at grant date	¥ 2,013	¥ 1,257

The assumptions used to measure fair value of 2009 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	64.3%
Estimated remaining outstanding period:	2.2 years
Estimated dividend:	¥ 17 per share
Interest rate with risk free:	0.28%

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deferred Tax Assets:			
Unrealized loss on available-for-sale securities	¥ 138	¥ 370	$ 1,484
Loss on revaluation of available-for-sale securities	36	23	387
Liability for employees' retirement benefits	814	858	8,753
Liability for directors and auditors' retirement benefits	230	234	2,473
Allowance for product warranties	640	590	6,882
Allowance for losses on construction contracts	47	450	505
Inventories	46	44	495
Accrued bonuses	271	240	2,914
Accrued enterprise tax	80	76	860
Unrealized profit on fixed assets	47	54	505
Tax loss carryforwards	418	474	4,495
Allowance for doubtful accounts	321	76	3,452
Other	137	297	1,473
Less valuation allowance	(564)	(561)	(6,065)
Total	¥ 2,661	¥ 3,225	$ 28,613
Deferred Tax Liabilities:			
Unrealized gain on available-for-sale securities	¥ (1,182)	¥ (1,118)	$ (12,710)
Deferred gain on derivatives under hedge accounting		(73)	
Other	(4)	(4)	(43)
Total	¥ (1,186)	¥ (1,195)	$ (12,753)
Net deferred tax assets	¥ 1,475	¥ 2,030	$ 15,860

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009 are as follows:

	2010	2009
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	0.4	0.4
Dividend income not taxable for income tax purposes	(0.7)	(1.3)
Tax credit for research and development costs	(0.8)	(1.1)
Inhabitant taxes	0.6	0.6
Equity method	(0.8)	(1.1)
Less valuation allowance	0.9	3.0
Other—net	0.8	
Actual effective tax rate	41.1%	41.2%

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥731 million ($7,860 thousand) and ¥604 million for the years ended March 31, 2010 and 2009, respectively.

12. LEASES

The Companies lease certain machinery, computer equipment and other assets.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2010 and 2009 were ¥482 million ($5,183 thousand) and ¥449 million, respectively.

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No.13, "Accounting Standard for Lease Transactions", requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No.13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Companies applied ASBJ Statement No.13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of Yen					
	2010			2009		
	Machinery and Equipment	Other Assets	Total	Machinery and Equipment	Other Assets	Total
Acquisition cost	¥ 456	¥ 5	¥ 461	¥ 485	¥ 5	¥ 490
Accumulated depreciation	323	3	326	255	2	257
Net leased property	¥ 133	¥ 2	¥135	¥ 230	¥ 3	¥ 233

	Thousands of U.S. Dollars		
	2010		
	Machinery and Equipment	Other Assets	Total
Acquisition cost	$ 4,903	$ 54	$ 4,957
Accumulated depreciation	3,473	32	3,505
Net leased property	$ 1,430	$ 22	$ 1,452

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 71	¥ 95	$ 764
Due after one year	64	138	688
Total	¥ 135	¥ 233	$ 1,452

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Depreciation expense	¥ 95	¥ 108	$ 1,022

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, is computed by the straight-line method.

The minimum rental commitments under noncancellable operating leases at March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 20	$ 215
Due after one year	19	204
Total	¥ 39	$ 419

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No.10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Companies applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Company policy for financial instruments

The Companies use financial instruments, mainly long-term debt including bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Short-term bank loans are used to fund ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Investment securities, mainly equity instruments of customers and suppliers of the Company, are exposed to the risk of market price fluctuations. There are long-term loans to customers.

Payment terms of payables, such as trade notes and trade accounts, are less than five months. Although payables in foreign currencies are exposed to the risk of fluctuations in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Almost all maturities of bank loans are less than three years after the balance sheet date. Although a part of such bank loans are exposed to the risk of changes in variable interest rates, those risks are mitigated by using interest-rate swaps.

Derivatives mainly include foreign currency forward contracts, foreign currency swaps and interest-rate swaps which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables and from changes in interest rates of bank loans. Please see Note 14 for more detail about derivatives.

(3) Risk management for financial instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Companies manage its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers of an early stage. The fair values of certain loans, which are subjected to interest rate swaps which qualify for hedge accounting and meet specific matching criteria (see Note 14), are determined by discounting the cash flows related to the loans with the interest rate swaps at the Companies' assumed corporate borrowing rate.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risks are hedged principally by forward foreign currency contracts.

Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Marketable and investment securities are managed by monitoring the market values and financial position of issuers on a regular basis.

Basic principles of derivative transactions have been approved by management meeting on a regular basis based on internal guidelines which prescribe the authority and the limit for each transaction by the corporate treasury department. Reconciliations of the transactions and balances with customers are perfomed and the transaction data has been reported to the chief financial officer and the management meeting on a regular basis.

Liquidity risk management

Liquidity risk comprises the risk that the Company cannot meet its contractual obligations in full on maturity dates.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 14 for the detail of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2010	Carrying amount	Fair Value	Unrealized gain/(loss)
Cash and time deposits	¥ 7,071	¥ 7,071	
Receivables	19,836	19,602	¥ (234)
Investment securities	10,259	10,259	
Long-term loans	458	447	(11)
Total	¥ 37,624	¥ 37,379	¥ (245)
Payables	¥ 9,983	¥ 9,983	
Short-term bank loans	6,545	6,545	
Accured income taxes	751	751	
Long-term debt	1,494	1,564	¥ 70
Total	¥ 18,773	¥ 18,843	¥ 70
Derivatives	¥ 2	¥ 2	

	Thousands of U.S. Dollars		
March 31, 2010	Carrying amount	Fair Value	Unrealized gain/(loss)
Cash and time deposits	$ 76,032	$ 76,032	
Receivables	213,290	210,774	$ (2,516)
Investment securities	110,312	110,312	
Long-term loans	4,925	4,807	(118)
Total	$ 404,559	$ 401,925	$ (2,634)
Payables	$ 107,344	$ 107,344	
Short-term bank loans	70,376	70,376	
Accured income taxes	8,075	8,075	
Long-term debt	16,065	16,818	$ 753
Total	$ 201,860	$ 202,613	$ 753
Derivatives	$ 22	$ 22	

Cash and time deposits

The carrying values of cash and time deposits approximate fair value because of their short maturities.

Receivables

The fair values of receivables are measured at the amount to be received at maturity discounted at the Companies' assumed corporate discount rate and an evaluation of potential losses.

Investment securities

The fair values of investment securities are measured at the quoted market prices of the stock exchange for equity instruments.

Payables, short-term bank loans and accured income taxes

The fair values of payables, short-term bank loans and accured income taxes approximate fair value because of their short maturities.

Long-term loans and long-term debt

The fair values of long-term loans and long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

As a result, the fair values of such interest rate swaps are included in those of hedged items in Note 14.

Derivatives

Information on the fair value of derivatives is included in Note 14.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying amount	
March 31, 2010	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥ 357	$ 3,838
Other securities	¥ 126	$ 1,355

(5) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen		
March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash and time deposits	¥ 7,071		
Receivables	18,105	¥ 1,731	
Investment securities-corporate bonds			¥ 1,000
Long-term loans		303	155
Total	¥ 25,176	¥ 2,034	¥ 1,155

	Thousands of U.S. Dollars		
March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years
Cash and time deposits	$ 76,032		
Receivables	194,677	$ 18,613	
Investment securities-corporate bonds			$ 10,753
Long-term loans		3,258	1,667
Total	$ 270,709	$ 21,871	$ 12,420

Please see Note 6 for annual maturities of long-term debt.

14. DERIVATIVES

The Companies enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amount.

As noted in Note 13, the Companies applied ASBJ Statement No.10, "Accounting Standard for Financial Instruments" and ASBJ Guidance No.19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative transactions to which hedge accounting is not applied at March 31, 2010

	Millions of Yen			
March 31, 2010	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain
Foreign currency swaps:				
Receiving U.S.$, paying EURO	¥ 329		¥ 11	¥ 11
Receiving EURO, paying U.S.$	239		1	1

	Thousands of U.S. Dollars			
March 31, 2010	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain
Foreign currency swaps:				
Receiving U.S.$, paying EURO	$ 3,538		$ 118	$ 118
Receiving EURO, paying U.S.$	2,570		11	11

Derivative transactions to which hedge accounting is applied at March 31, 2010

	Millions of Yen			
March 31, 2010	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥ 10,514		¥ 10,435
Selling EURO	Receivables	2,109		2,013
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	1,042	¥ 1,010	

	Thousands of U.S. Dollars			
March 31, 2010	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	$ 113,054		$ 112,204
Selling EURO	Receivables	22,677		21,645
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	11,204	$ 10,860	

The fair value of interest rate swaps is disclosed in the fair value of long-term debt.

15. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2010, the Company was contingently liable for guarantees of loans in the ordinary course of business amounting to ¥20 million ($215 thousand).

16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010 and 2009 is as follows:

	Yen in millions	Thousands of shares	Yen	Dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2010:				
Basic EPS				
Net income available to common shareholders	¥ 2,610	26,077	¥ 100.07	$ 1.08
Effect of Dilutive Securities				
Stock aquisition rights		28		
Diluted EPS				
Net income for computation	¥ 2,610	26,105	¥ 99.96	$ 1.07
For the year ended March 31, 2009:				
Basic EPS				
Net income available to common shareholders	¥ 1,991	25,746	¥ 77.32	
Effect of Dilutive Securities				
Stock aquisition rights		6		
Diluted EPS				
Net income for computation	¥ 1,991	25,752	¥ 77.31	

17. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2010 was approved at the Board of Directors held on May 13, 2010:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥ 11.0 ($ 0.12) per share	¥ 308	$ 3,312

b. Specified as securities under supervision of the Company's business partner

A business customer of the Company, Japan Wind Development Co., Ltd. was specified as a security under supervision by the Tokyo Stock Exchange on June 14, 2010 because Japan Wind Development Co., Ltd. did not disclose its financial report in time as required by law.

The Company has stock of Japan Wind Development Co., Ltd. (cost of ¥675 million ($7,258 thousand) with fair value of ¥1,762 million ($18,946 thousand)), corporate bonds with a subscription right to shares of ¥1,000 million ($10,753 thousand) and short-term loans of ¥1,648 million ($17,720 thousand). The effect of this event is not clear as of now.

18. SEGMENT INFORMATION

Information about industry segments, geographic segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2010 and 2009, is as follows:

(1) Industry Segments

For the fiscal years ended March 31, 2010 and 2009, the percentages of the Pumps' segment of total sales, operating income and total assets exceeded 90%, thus the Companies have omitted the disclosure of industry segments.

(2) Geographical Segments

Geographical segments information is not disclosed herein because the Companies' operations are concentrated primarily in Japan.

(3)Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2010 and 2009 amounted to ¥24,070 million ($258,817 thousand) and ¥26,567 million, respectively.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Torishima Pump Mfg. Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Torishima Pump Mfg. Co., Ltd. (the "Company") and consolidated subsidiaries (together the "Companies") as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Torishima Pump Mfg. Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2. n to the consolidated financial statements, the Companies applied the new accounting standard for construction contracts effective April 1, 2009.

As discussed in Note 17. b to the consolidated financial statements, a business customer of the Company, Japan Wind Development Co., Ltd., was specified as a security under supervision by the Tokyo Stock Exchange at June 14, 2010 because Japan Wind Development Co., Ltd. did not disclose its financial report in time as required by law.

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

Deloitte Touche Tohmatsu LLC

June 29, 2010

Member of
Deloitte Touche Tohmatsu

TORISHIMA PUMP MFG. CO., LTD.

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