TORISHIMA

ANNUAL REPORT 2012

April 1, 2011-March 31, 2012

TORISHIMA PUMP MFG. CO., LTD.

What Torishima Pumps Can Do to Contribute to Sustained Global Development

Torishima Pump Mfg. Co., Ltd. is firmly committed to contributing to society in total harmony with environmental demands.

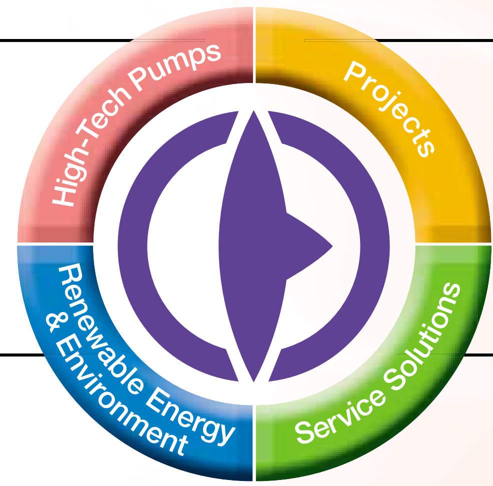
Torishima is a leading pump manufacturer, founded in 1919 in Osaka, Japan. Our primary objective is to contribute to society as a quality provider of pumping equipment and services. We continue to strive to be the market leader in our field, and our ongoing investment in research and development highlights our commitment to provide the best technology for our customers. Our mission is always to listen to our customers, understand their needs, and meet their expectations.

Contents

Cautionary Statement with Regard to Forward-Looking Statements

Certain of the statements made in this annual report are forward-looking statements, which involve certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which are valid only as of the date thereof. Torishima undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date thereof or to reflect the occurrence of unanticipated events.

Business and Products



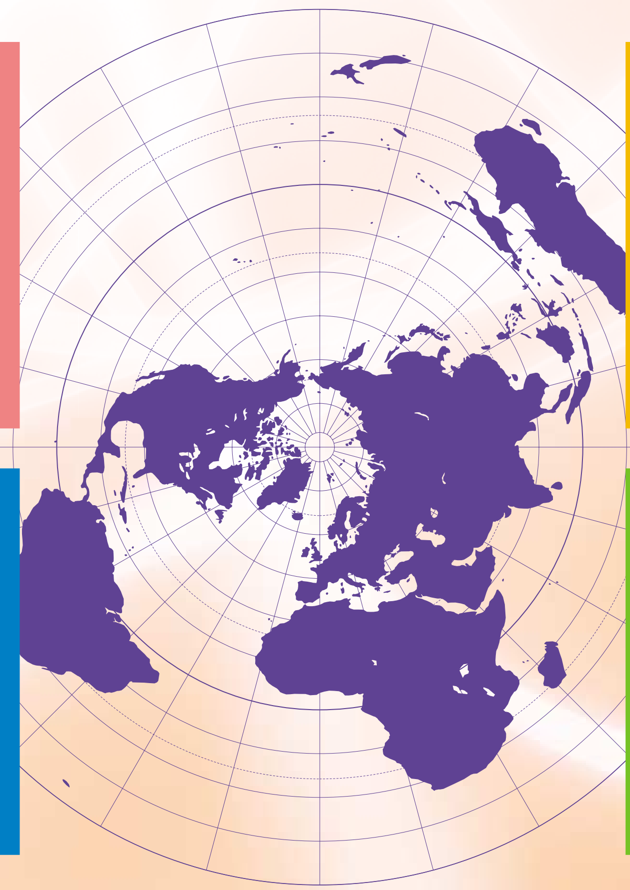
High-Tech Pumps
Manufacture and supply of high-efficiency, high-value-added pumps
- Power generation plants
- Desalination plants
- Waterworks
- Petrochemical plants

Projects
Supply EPC (engineering, procurement, and construction) for turnkey pumping stations
- Water transmission
- Irrigation
- Drainage

Renewable Energy & Environment
- Wind power generation
- Mini- & Micro-hydro generation
- Sewage transfer and treatment
- Resource recycling

Service Solutions
Total plant maintenance solutions for pumps and related equipment

Examples of Torishima Global Business



Pump delivered to power plant, Saudi Arabia

Balance of plant in gas combined cycle power plant, Vietnam

Water turbine for mini-hydro power plant, Japan

Onsite overhaul service, U.A.E.

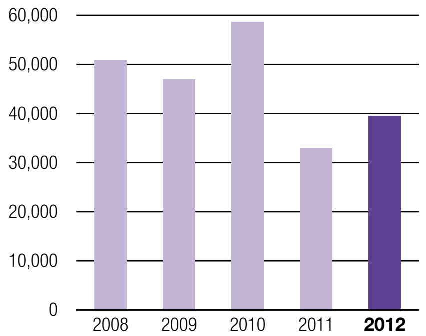
Financial Highlights (Years ended March 31)

	Millions of yen except per share amounts					Thousands of U.S. dollars except per share amounts
	2012	2011	2010	2009	2008	**2012**
Orders Received	**¥ 39,579**	¥ 32,974	¥ 58,624	¥46,988	¥ 50,794	**$482,671**
Net Sales	**46,453**	49,880	45,008	45,692	47,272	**566,500**
Orders Backlog	**40,342**	47,216	64,122	50,505	49,209	**491,976**
Operating Income	**2,286**	3,127	3,259	2,762	2,643	**27,878**
Net Income	**1,498**	1,892	2,610	1,991	1,410	**18,268**
Per Share of Common Stock (in yen and U.S. dollars):						
Net Income—Basic	**¥ 53.38**	¥ 67.45	¥ 100.07	¥ 77.32	¥ 54.77	**$ 0.65**
Net Income—Fully Diluted	**53.27**	67.35	99.96	77.31	—	**0.65**
Net Assets Per Share	**1,112.29**	1,097.71	1,105.50	931.13	1,010.45	**13.56**
Cash Dividends Applicable to Period	**18.00**	18.00	20.00*	17.00	15.00	**0.22**
Total Assets	**¥ 60,813**	¥ 61,179	¥ 65,641	¥62,132	¥ 62,076	**$741,622**
Net Assets	**31,775**	30,969	31,083	24,007	26,030	**387,500**
Cash Flows:						
Operating Cash Flow	**¥ 2,662**	¥ 736	¥ 4,440	¥ 922	¥ 2,511	**$ 32,463**
Investing Cash Flow	**(1,270)**	(75)	(3,085)	(1,259)	578	**(15,488)**
	%					
Ratios:						
Return on Equity (ROE)	**4.8%**	6.1%	9.5%	8.0%	5.2%	
Equity Ratio	**51.3%**	50.3%	47.2%	38.6%	41.9%	

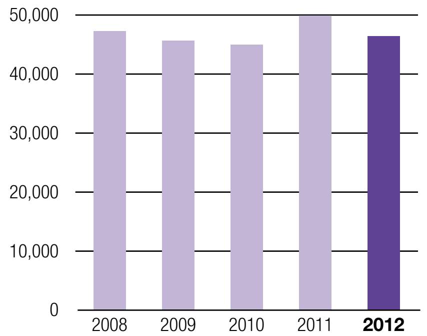
* Included a commemorative dividend of ¥2.00 for the 90th anniversary of the foundation

Note: U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥82.00=U.S.$1, the exchange rate prevailing at March 31, 2012.

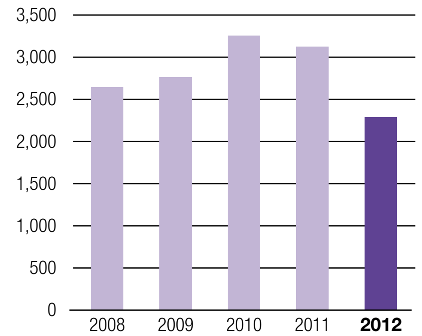
Orders Received (Millions of yen)



Net Sales (Millions of yen)

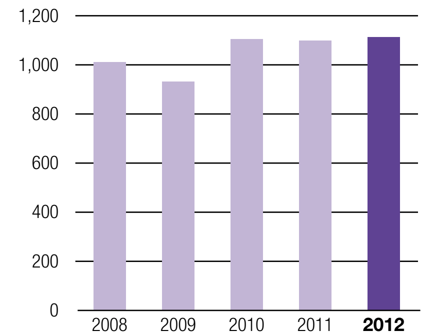


Operating Income (Millions of yen)

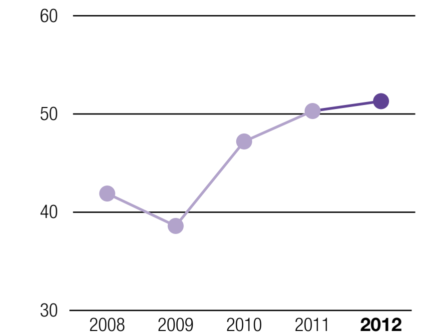


Net Income (Millions of yen)

Net Assets Per Share (Yen)



Equity Ratio (%)



A Message from the Management

Torishima stands on the brink of an unprecedented opportunity to showcase its socially responsible credentials through its environmentally conscious, energy-saving pumps.

Japan makes a strong comeback from the earthquake, and demand for reconstruction and recovery gathers momentum.

Kotaro Harada, President & CEO

In March 2012, Japan marked the first anniversary of the Great East Japan Earthquake. This disaster had an impact not only on Japan but, in many ways, throughout the world. The scars left by the earthquake were certainly deeper in Japan, and we paid a terrible price, but, thanks to the efforts of all, we are making a strong comeback and moving steadily toward recovery.

Following the disaster, the Torishima Group contributed to recovery through its business activities, including taking the initiative in upgrading and repairing pumps damaged by the disaster. Also, in keeping with our conviction that we must contribute to society, we devoted our best efforts to achieving recovery. There is still a long way to go in achieving recovery, and the real challenges may still lie ahead. However, Torishima is among the companies that are strengthening their presence in the stricken areas and is working to be prepared to respond to customer needs.

As of May 2012, resulting from the nuclear power plant accidents, we were confronting an unprecedented situation where every one of Japan's nuclear power plants was out of service. Previously, about 30% of Japan's electric power had been generated by nuclear plants. Therefore, we may be confronting serious power shortages in the months ahead. Regardless of the issue of whether some of Japan's nuclear power plants can be restarted or not, we are facing a need to rethink Japan's dependence on nuclear power. From now on, Japan must increase its reliance on non-nuclear power sources, including high-efficiency power generation that uses LNG and other fuels as well as renewable power generation, such as geothermal power. In other words, Japan must decide on the overall best mix of power sources. We have to tackle with utmost seriousness two issues: how to generate electric power and how to save more energy. The decisions Japan makes on these issues will create new demand for recovery in the broadest sense in the years ahead.

"How can we help alleviate Japan's power shortages? I believe that Torishima's energy-saving pumps can solve this dilemma and lend Japan a helping hand."

Torishima must accomplish the missions that have been at the top of its agenda for many years. These are energy saving through development of more efficient pumps and, thereby, making a contribution through our pump products. Torishima is positioned to supply virtually all types of pumps for use in thermal and geothermal plants. Even before the 2011 megaquake, Torishima was focusing and continues to focus on the development of "eco-friendly pumps" that reduce electric power consumption substantially, and orders for these units during the fiscal year under review increased 1.4 times year on year. Today, Japan is being forced to cut electric power usage. There is much work that Torishima can do in this area, including not just expanding sales of eco-friendly pumps but also improving the performance of existing pumps and offering proposals for increasing the energy efficiency of entire facilities, such as water supply and sewage systems as well as effluent treatment facilities.

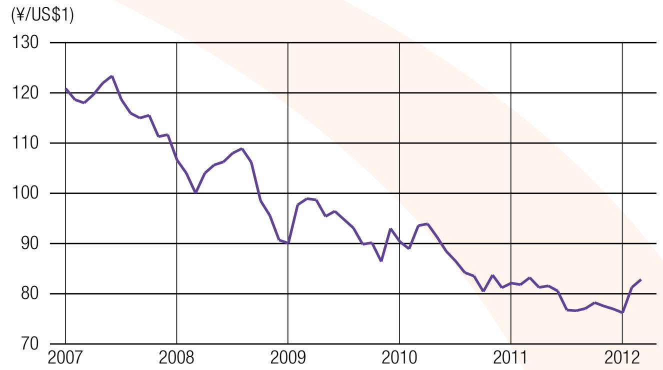
The appreciation of the yen is a big factor, but Torishima will prevail by becoming more competitive. First and foremost, we want to succeed based on the excellence of our technology.

Let's take a look at the world around us for just a moment. After the collapse of Lehman Brothers in 2008, the economies of the world slipped into recession together. Emergency measures brought some relief, but the world economy struggled to get back on track. The United States is unsteady as it approaches its next presidential election, while bearing the burdens of high unemployment and fiscal deficits. Europe is experiencing worsening monetary crises, brought on by fiscal collapse in Greece, which are having serious repercussions for the entire world. The economies of China, India, and the other emerging countries are experiencing slower growth. We have heard the phrase "the worst economic crisis in 100 years" for some time now, but the world economy is struggling to find a way forward.

The same holds for Torishima. Net sales and operating income that had shown steady growth through fiscal 2007 (ended March 31, 2008) began to weaken. Unfortunately, net sales and income both declined in fiscal 2011, and Torishima fell short of most of its initial plan targets.

We can cite various factors that led to these financial results, including the restraints we adopted in taking orders in fiscal 2010 and delays in sales of major projects. However, the biggest factor has been the unexpectedly high values of the yen against other major currencies ("the ultrastrong yen"). Over the past few years, the yen-dollar rate has moved from ¥110 to US$1 to the ¥100 level, then appreciating close to ¥10 a year to the ¥90 level, and then to ¥80 per dollar. Particularly in fiscal 2011, the yen continued to appreciate, setting record new highs against the dollar. In August 2011, the yen moved close to ¥75 to the dollar, the highest level since 1950. This has presented Japan's exporters with competitive operating conditions that have been extremely difficult to cope with.

Trends in the Yen/U.S. Dollar Exchange Rate



Note: Figures are for calendar years.

However, we cannot blame all our difficulties on the strong yen. Even without yen appreciation, it is clear that rival Chinese and Korean companies are raising their presence on the international stage and becoming stronger all the time. This means we have to change our perspective, and ask ourselves "if this is so, then what can we do?" Torishima's company policy is that the crises we face are of our own making and that we must implement whatever strategies are available to us.

In fact, as I mentioned previously, there is room for growth, including the opportunities presented by demand related to recovery in the aftermath of the 2011 megaquake. Orders of our overseas subsidiaries and local offices are rising. Overall, our new orders bottomed out in fiscal 2010; now is the time for moving forward. Therefore, we must set realistic targets and reach them one by one. If we can attain them, I am convinced that Torishima will continue to grow.

"Of total electric power consumed, around 10% to 15% is used by pumps. This means that pumps must be made to be more efficient, and that is an opportunity worthy of our strongest efforts."

First and foremost, what we want to do is to succeed through the excellence of our technology. In actuality, pumps are big electric power guzzlers. Of the total power consumed in various countries around the world, reportedly, pumps account for around 10% to 15% in Japan and Europe. This is why making pumps even 1% or 2% more efficient will result in major energy savings. This has been Torishima's goal since its establishment, and we are proud that developing high-tech, high-efficiency pumps aids our competitiveness.

Last year, in response to market needs, we made improvements in our high-pressure pumps for reverse osmosis (RO) seawater desalination plants. Thus far, we have focused our activities on obtaining orders for large desalination plants in the Middle East. With the development of these smaller-capacity high-pressure pumps, we are now in a position to expand our marketing activities to include pumps for smaller-output desalination plants in other regions of the world.

We are diversifying our procurement, production, and service centers geographically to become a global enterprise that can grow in virtually any economic scenario.

We are aiming to be the world's leading pump manufacturer through a number of initiatives. These include increasing the sophistication of our technology; further expanding our position in international markets; increasing our cost-competitiveness to be able to withstand the effects of the strong yen by raising the percentage of our procurement from Asia, Europe, and elsewhere; and strengthening our overseas production systems. It is unlikely that there will be a sudden downward correction in the value of the yen. The European debt crisis has worsened, and the effect of this on the rest of the world is unclear. In other words, as we make arrangements for hedging foreign currency risk, the key to success will be to make Torishima an enterprise that will be able to thrive under any operating conditions.

We are fortunate that, even in the midst of this era of uncertainty, demand in the pump industry is virtually unlimited. The world's population has topped seven billion, and expenditure on the water supply and electric power generating infrastructure is on a steep upward trend, especially in China, India, and the countries of Southeast Asia. Turning to Europe, Japan, and other industrialized countries, the infrastructures of these regions are aging, and there is a growing need to replace existing facilities with more efficient plants that will offer sustainable energy conservation.

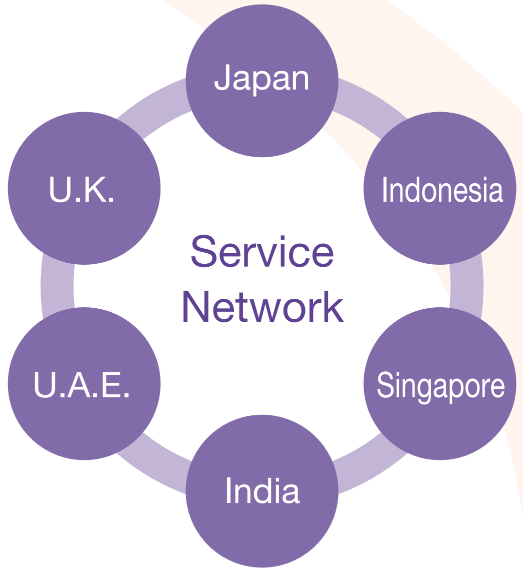
"Needs are virtually unlimited. This is a blessing for the pump industry. Torishima's growth will lead to global development."

To prepare for future growth, we are aggressively expanding Torishima's global presence. In fiscal 2011, we established Torishima Europe Projects Ltd., a U.K. subsidiary that will be in charge of project-related business. Also in fiscal 2011, Torishima Service Solutions FZCO, a service company based in Dubai, the United Arab Emirates (U.A.E.), and Torishima Pump (Tianjin) Co., Ltd., our manufacturing plant in Tianjin, China, both went into full operation.

Torishima Service Solutions FZCO, U.A.E.

Torishima Pump (Tianjin) Co., Ltd., China

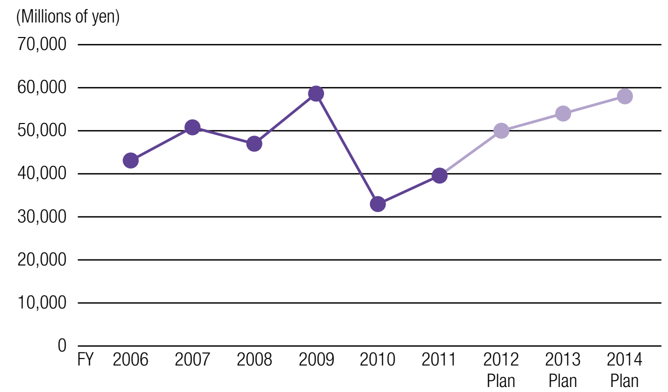
Another of our objectives is to further upgrade our high-margin service business activities. To this end, in fiscal 2012, we opened a service center in Singapore for the Asia and Oceania markets. In India, we are also planning to open a new service center to meet the demand for the maintenance of the more than 250 boiler circulation pumps that Torishima has delivered to electric power generating stations in India.



Our headquarters in Japan will remain a global center for manufacturing excellence, and continue to be the basis for strong production systems in Japan. In August 2011, we completed the rebuilding of our headquarters No. 2 Machine Plant, thus paving the way for expanding the production of pumps for electric power plants and seawater desalination plants.

Orders received by Torishima bottomed out in fiscal 2010. Torishima dealt with the 2011 megaquake, the nuclear accidents, and the appreciation of the yen to historically high levels swiftly and decisively and is continuing to address head on the issues it confronts.

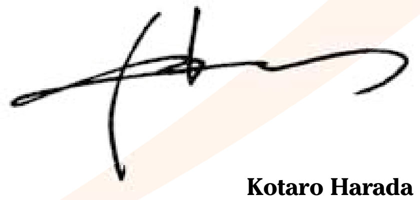
Trends in Orders on a Consolidated Basis



Note: FY stands for fiscal year; therefore, FY2011 ran from April 1, 2011 to March 31, 2012.

At Torishima, we believe that success is achieved by positive, proactive thinking. Standing still would mean reducing our growth potential. The world needs the high-efficiency pumps and energy-saving services that Torishima can provide; it is therefore our responsibility and duty to respond to these needs.

As we move closer to our corporate objectives, we anticipate and appreciate the continuing understanding and support of you, our shareholders.



Kotaro Harada
President and Chief Executive Officer

Special Feature

Power Generation

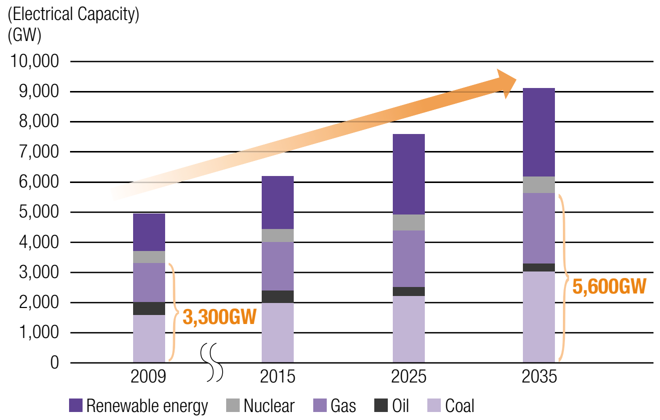
Torishima has continuously supplied a wide range of pumps for various applications in the power generation industry internationally, in particular, for fossil fuel power and geothermal power generation. Due to increasing power demand in emerging countries, such as India, China, and Southeast Asian countries, we will continue to focus on the power generation industry.

Global warming caused by carbon dioxide (CO_2) is becoming a serious issue for the power generation industry while the world is still dependent on fossil fuel power generation. Because pumps consume substantial amounts of energy for operation, it is very important to improve their efficiency to reduce energy consumption and CO_2 emissions. Torishima's mission is to contribute to addressing this global issue by developing high-efficiency pumps.

Thermal Power Generation Market

The power generation capacity of fossil fuel (coal, oil, and gas) plants is estimated to rise to approximately 5,600 GW in 2035, which will be a 70% increase from 2009. By then, thermal power generation will still account for more than 50% of total power generation.

Forecast for Electric Power Generation



Ref.: World Energy Outlook 2011

Torishima continues to be active in the fossil fuel power industry internationally and has recorded successes in a variety of projects from conventional power plants to gas combined cycle power plants covering the entire range of applications required for fossil fuel power plants.

Orders in Power Industry Won by Torishima (Non-Consolidated Basis)

In the conventional power market, Torishima continues to supply high-tech pumps, such as high-speed barrel casing pumps and boiler circulating pumps, to supercritical and subcritical stations in India, Saudi Arabia, Vietnam, and Indonesia. As the demand for power in emerging countries is increasing, Torishima has established itself as a leading pump supplier in the market. Torishima has supplied not only high-tech pumps but also balance of plant pumping equipment, such as condensate pumps and cooling water pumps where it also acts as an engineering, procurement, and construction (EPC) contractor for balance of plant equipment.

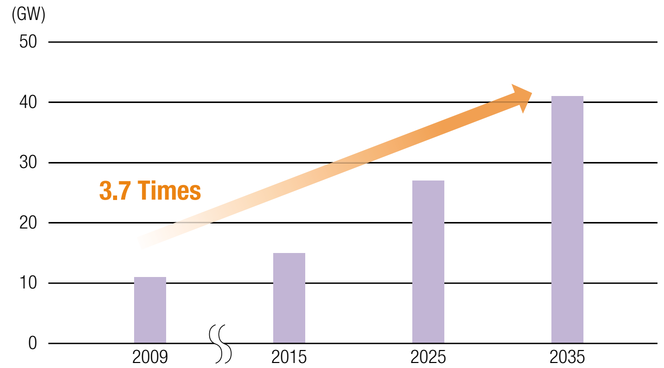
In the gas combined cycle market, Torishima has been successful in supplying installations in many locations, ranging from the West Coast of the United States to Southeast Asia and has supplied all types of pumps required for combined cycle plants. Natural gas is projected to play an important role in the global energy economy, and increased demand in the gas combined cycle power generation market is projected to boost demand for natural gas. Torishima is well positioned to take advantage of this opportunity, because it has a competitive product range, such as boiler feed pumps and condensate pumps.

Boiler feed pumps delivered for a combined cycle power plant in Thailand

Renewable Energy Market

The devastating earthquake and resulting tsunami that struck Japan in March 2011 have had repercussions for the energy market and nuclear policy strategy throughout the world and have resulted in a review of the importance of renewable energy in many countries. Renewable energy will play a very important role in combatting global warming and making sustainable development possible. Torishima has monitored the renewable energy market, including geothermal power, solar thermal power, hydro power, and wind power. The geothermal power market especially is expected to be very important to Torishima in the future.

Global Geothermal Generation Capacity



Ref.: World Energy Outlook 2011

Geothermal power generation capacity in the world is expected to climb to 41 GW in 2035, which is 3.7 times more than that in 2009. Japan has the third-biggest geothermal energy sources in the world, after the United States and Indonesia. As a matter of government policy, Indonesia is also planning to further increase its geothermal power generation capacity.

As the geothermal power industry continues to grow, Torishima is well positioned to supply engineered pumps for difficult applications, such as brine injection pumps and hot well pumps, thanks to its extensive experience in the world market. This resulted in success in fiscal 2011 in Turkey, Central America, and Indonesia. Torishima will continue making efforts to develop this product range to satisfy customers' requirements for better performance.

Research and Development

Torishima R&D Responds to the Needs of the Market and Society for High-Efficiency Pumps

The Earth's population has exceeded seven billion. The global demand for energy and water is, therefore, forecast to increase steadily in the years to come, and formulating policies to deal with global warming and other measures to protect the natural environment have become issues that all mankind share in common.

As a result of the anxieties about nuclear power that have been triggered in Japan by the nuclear accidents in Fukushima in the wake of the 2011 megaquake, Japan has been plunged into an electric power shortage crisis as all its nuclear power plants were eventually shut down. Because of this critical electric power situation, the need for energy and resource conservation technology has become paramount.

The energy consumption at electric power stations and desalination plants is mainly accounted for by pumps. Therefore, to respond to society's needs, Torishima has placed the development of more efficient pumps that will lower energy consumption at the top of its agenda. To accomplish this objective, Torishima is focusing attention on R&D for the development of high-efficiency, high-speed pumps, especially those that find application as boiler feed pumps in supercritical thermal power plants, high-pressure pumps and water transfer pumps for seawater desalination plants, vertical pumps for water intake, and compact pumps for process applications (eco-pumps).

High-pressure pump for a desalination plant

To facilitate process innovation in product development, in fiscal 2010, Torishima introduced its product manager system that achieves the integrated management of operations from market analysis for each type of pump through technology development, design, materials procurement, production, and sales. Since the introduction of this system, Torishima's development capabilities and planning capacity have become even stronger. By consolidating teamwork among the production managers and developers, Torishima is aiming to be better positioned than any of its competitors to develop products that meet customers' needs in a timely way.

Moreover, in the field of pumps for hydro-development, to shorten the development time and increase the sophistication of fluid analysis technology, Torishima has introduced a large-scale cluster system and is working toward the full automation of hydro-development.

Also, along with higher speeds, to verify cavitation erosion, Torishima has introduced specialized equipment for cavitation testing and implemented other measures to strengthen its testing equipment and, thereby, ensure the quality of new products.

A Torishima researcher reviews the results of a cavitation analysis.

CFD analysis

Corporate Governance and Internal Controls

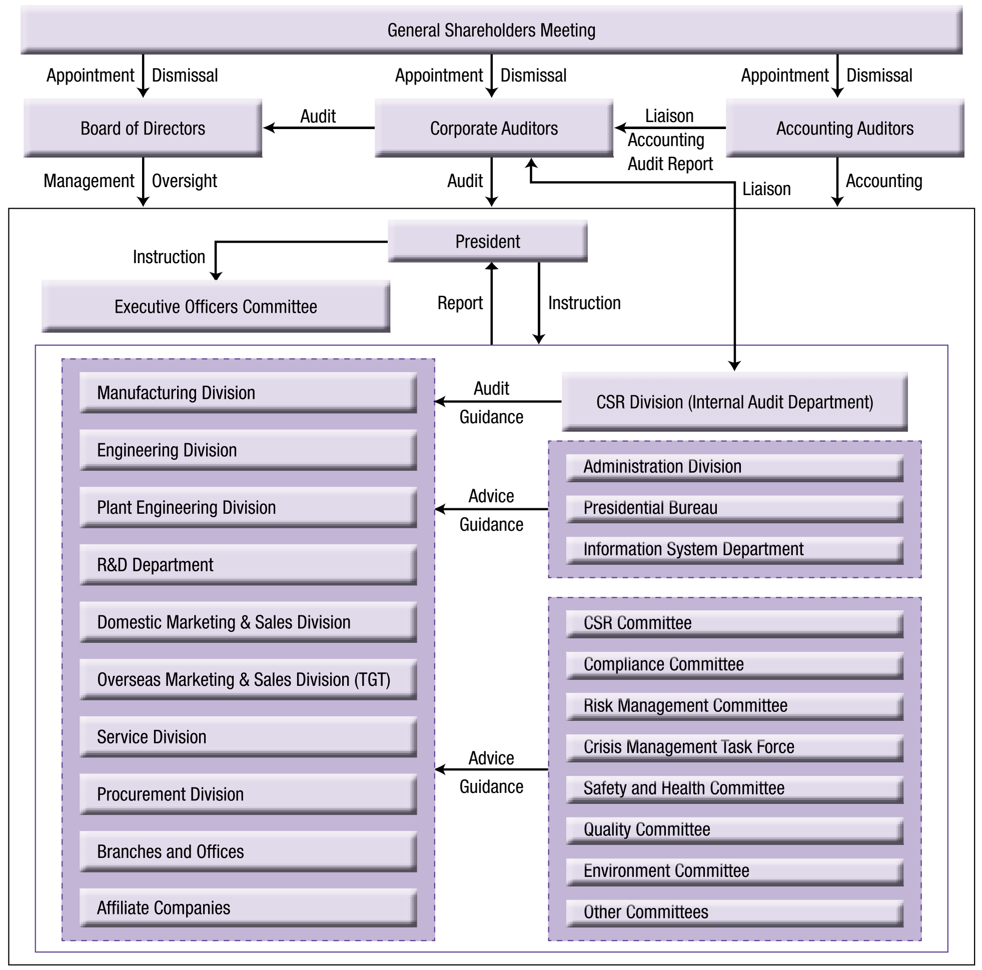
The basic approach of the Torishima Group to corporate governance is expressed in the Company's business creed as follows: "The Torishima Group has consistently accorded highest priority to winning and maintaining the customer's solid trust." This trust must be built up over time, and unlike financial trust that can be restored relatively quickly, customer trust takes years to restore. In all aspects of our activities, we maintain high standards of governance and compliance to contribute to the development of society, safety, and the preservation of the natural environment. To make this possible, in April 2003, the Torishima Group issued two guidelines, its Code of Ethics and Code of Conduct, and conducts related training activities that encourage the thoroughgoing awareness of and compliance with rules and regulations.

Corporate Governance Structure

Torishima adopts the Board of Corporate Auditors system. The Board comprises four corporate auditors, including three outside auditors. All standing auditors and outside auditors attend the regular monthly meetings of the Board of Directors, and offer their opinions when deemed necessary. They also sit in on any other meetings of importance. This access provides the auditors with overall knowledge of Torishima's business condition and, by extension, full knowledge of the performance of duties by Torishima directors and other officers. Also, when the accounting auditors have completed their audits of the accounts, the Board of Corporate Auditors receives reports from the accounting auditors.

The Company has adopted an executive officer system under which the responsibilities and functions of Torishima directors, who oversee business operations, and its executive officers,

Corporate Governance Structure



who execute Torishima business, are clearly defined. To perform management control, Torishima has two organizations in place. These are the previously mentioned Board of Directors, which is in charge of overall management control, and the Executive Officers Committee, which executes management decisions and serves as the president's highest consultative council. In principle, to implement swift and sound management decisions the Board of Directors meets once monthly and the Executive Officers Committee once weekly. Committee meetings serve as venues for conducting preliminary deliberations as well as providing progress reports and reports on results related to matters of importance to Torishima's business performance. When necessary, managers in charge of such matters are asked to attend the committee meetings.

As a company adopting a Board of Corporate Auditors system, Torishima seeks to facilitate robust and rapid decision making by the six members of the Board of Directors by establishing a compliance system and conducting management reforms that enhance the fairness and transparency of management and realize the establishment of efficient management systems. Moreover, under the objective and neutral surveillance of the three outside auditors, management believes that this corporate governance structure functions sufficiently to secure the surveillance and supervision of management.

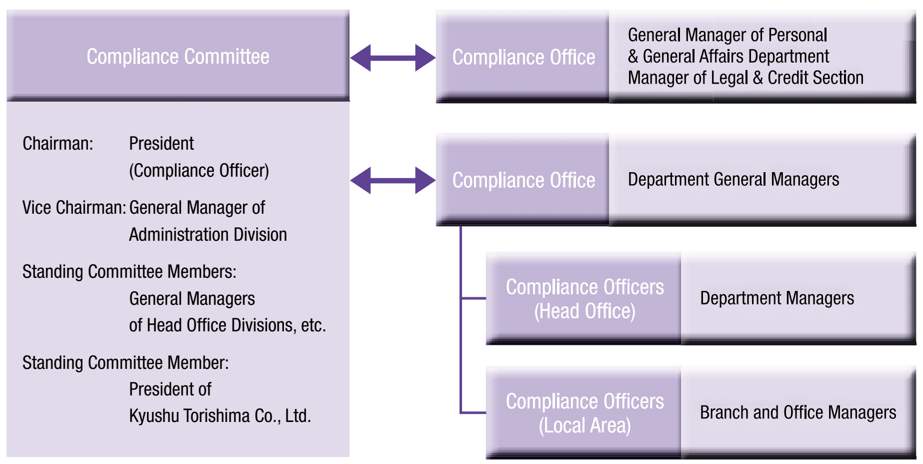
The Board of Directors has approved its "Policy for Internal Control System Design," and developed control systems to secure the appropriateness of business operations. In addition, through teamwork with the corporate auditors and the accounting auditors, including the exchange of information and opinions, Torishima conducts education and training programs and audits of operations to promote the design and improvement of internal control systems.

Compliance Structure

Compliance is implemented through the establishment of consultation venues at workplaces for discussing corporate ethics and other related matters, and the formation of the Compliance Committee, which is chaired by the president. The committee's duties fall into five general categories:

1) development of legal compliance and ethical structures within Torishima 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; and
5) response, guidance, and advice to deal with other emergency situations.

Compliance Structure



Directors and Auditors (As of end of June 2012)

Directors

Kotaro Harada
President and Representative Director

Hiromichi Fujikawa
Representative Director

Yasunao Hirota
Director

Sadao Uchida
Director

Tetsuya Kujima
Director

Manabu Fujise
Director

Auditors

Kinichi Yoshida
Standing Auditor

Akira Toyokura
Auditor

Akira Tsuda
Auditor

Shiro Hakukawa
Auditor

Executive Officers

CEO

Kotaro Harada
President

Senior Managing Executive Officer

Hiromichi Fujikawa
General Manager of Domestic Marketing & Sales Division, General Manager of Plant Engineering Division, Responsible for CSR Division

Managing Executive Officers

Yasunao Hirota
Officer Specially Assigned by the President, Responsible for Administration Division, Torishima Innovation System Project Office, and Information System Department

Sadao Uchida
General Manager of Manufacturing Division, Responsible for R&D Department and Engineering Division

Tetsuya Kujima
General Manager of Procurement Division, Responsible for Service Division

Gerald Ashe
General Manager of Overseas Marketing & Sales Division (TGT)

Hideaki Yamamoto
General Manager of Engineering Division

Executive Officers

Masahiro Yamazaki
Deputy General Manager of TGT, General Manager of TGT Management Department

Ryusuke Okada
General Manager of Presidential Bureau, General Manager of Industrial & Service Sales Department, Chairman of Torishima Pump (Tianjin) Co., Ltd.

Yutaka Tsuaki
General Manager of Service Division

Mike Choi
Managing Director of Torishima (Hong Kong) Ltd.

Fumikazu Ohya
General Manager of Middle East Branch

Nobuyuki Yoshikawa
General Manager of CSR Division, General Manager of CSR Department, General Manager of Internal Audit Department

Takayoshi Yoshida
General Manager of Tokyo Branch

Satoshi Tomizawa
Deputy General Manager of Procurement Division, General Manager of Procurement Department

Haruhisa Sumi
General Manager of Personnel & General Affairs Department

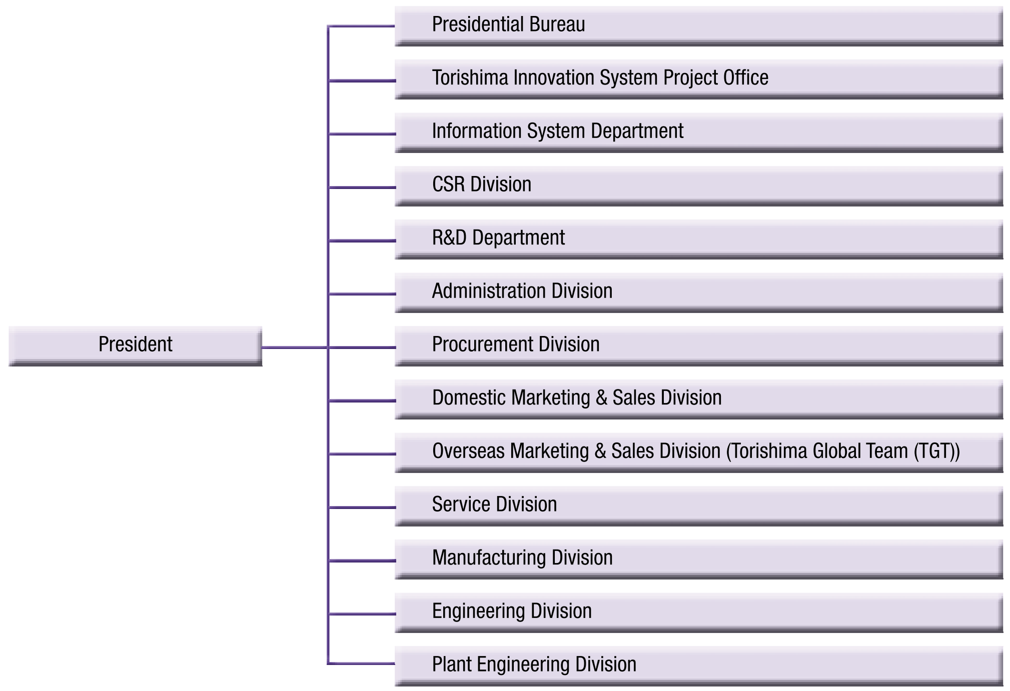
Koichi Otao
General Manager of Accounting Department, General Manager of Investor & Public Relations Office

Takashi Kondo
General Manager of TGT Project Department

Koichiro Hamu
General Manager of TGT Sales Department

Corporate Organization

(As of end of June 2012)



Corporate Social Responsibility (CSR)

The Torishima Group fulfills its corporate social responsibilities through activities to protect the environment, maintain safety, increase value for stakeholders, and promote sustainability of society in general.

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 a global scale, to ensure the continuation of a healthy global environment well into the future.

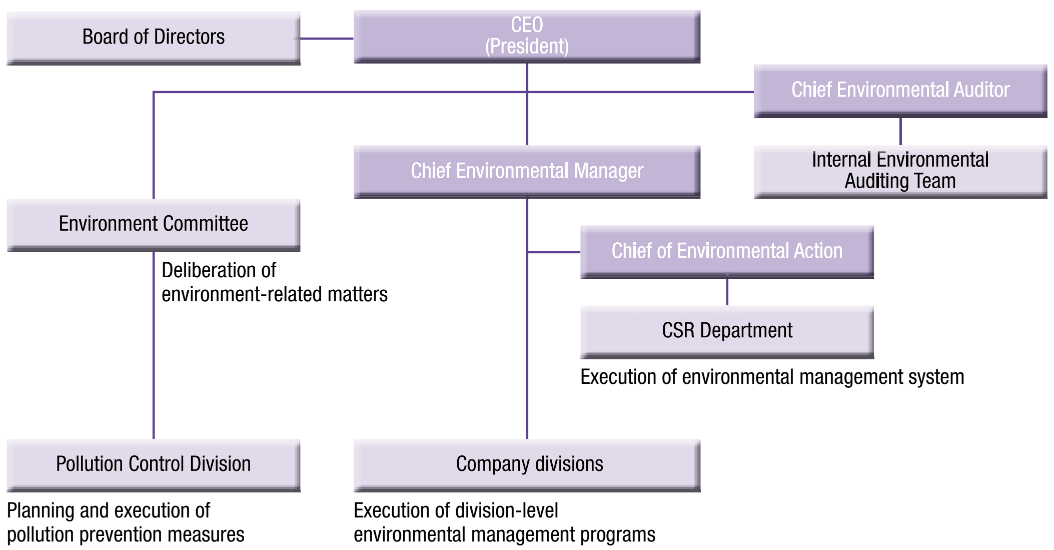
◆ Activities

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 24, 2011
Kotaro Harada,
President & CEO

Environmental Management System



Topic Volunteer Support after the Great East Japan Earthquake

A devastating earthquake and tsunami occurred on March 11, 2011, off the coast of the Tohoku (northeast) region of Japan. These disasters resulted in enormous damage to infrastructure in the region. This included the destruction of many water supply and sewage systems, facilities for the drainage of rainwater and river water, and irrigation systems as well as office buildings, factories, homes, and other structures.

Torishima volunteers helping to clean up after the earthquake

To provide relief and recovery support for the devastated region, Torishima not only took action to restore damaged pumps but also, as part of related activities, called for volunteers from among its employees. From June to August 2011, a total of more than 50 Torishima personnel in groups of between 5 and 10 people took turns in volunteering their services in Sendai in Miyagi Prefecture to help the victims of these disasters to return to their normal lives. Their assistance included the clearing away of debris, helping to clean up individual houses and personal items, lending a hand in moving, and clearing dirt from ditches.

Through these volunteer services, Torishima employees were able to experience firsthand the horrors of these natural disasters. This gave them an appreciation of their own good fortune and taught them not only the importance of working together for the common good, but also the sense of satisfaction to be gained by helping others.

Topic Torishima Receives Prize from Japan's Minister of Economy, Trade and Industry (METI) in the Second Career Education Awards Program for Its "Dreams Come True" School.

Each year since 2008, young Torishima employees have visited nearby primary schools and provided "Dreams Come True" talks that explain in simple terms the practical applications of pumps. In 2011, Torishima was awarded the top prize (awarded by the Minister) in the community career education division of the Second Career Education Awards Program of METI.

This award is presented to companies and other organizations that engage in "career education." This kind of education means teaching children about the importance of working hard and becoming a productive member of society.

The "Dreams Come True" school activities are conducted as part of the career education program of the NPO Japan Academy of Entrepreneurship, which aims to provide children with opportunities for thinking about starting their own business and about their place within society.

Torishima employees participating in these talks spent about six months choosing the theme for their lectures, what kind of talks they would give and what advice they wanted to pass on to the children, and then planning their specific program. Participants felt they had gained valuable experience through teaching in this program, gaining a sense of pride in their work, and learning about many related aspects. The receipt of the METI award has given them additional motivation, and they are looking for ways to enhance this program in the future.

Primary school children are taking a keen interest in building pumps with the guidance of Torishima employees.

Financial Section

Financial Review

Consolidated Operating Results

Analysis of Consolidated Operating Results

Results of Operations

During fiscal 2011, ended March 31, 2012, the world economy was weak. In the United States, there were signs of moderate improvement in consumption, unemployment, and other indicators. However, the debt crises in Europe proved to be prolonged. The economies of China, India, and other emerging countries in Asia and elsewhere, which had acted as driving forces for the world economy, slowed. This was due to policies implemented in those countries to restrain inflation, the decline in growth in their exports accompanying the deterioration of European economies, and other factors.

In Japan, signs of recovery began to appear as the production systems and logistics networks damaged by the Great East Japan Earthquake that occurred on March 11, 2011, were restored. Despite this, the outlook remained uncertain as companies reconsidered their production systems owing to the repercussions of the floods in Thailand, concerns about electric power shortages in Japan, and the continuation of high values of the yen against other currencies.

In the pump manufacturing industry, overseas demand for water resource and energy-related equipment remained steady. Nevertheless, the competition for new orders continued to be tough because of the decline in competitiveness caused by the appreciation of the yen, the sharp increases in raw materials prices, the stagnation in the world economy, and other factors.

Amid these operating conditions, the Torishima Group continued to develop its business activities in Japan and overseas, concentrating on the development, manufacturing, and sales of high-efficiency pumps as well as project and service businesses centered around pumps.

As a consequence, in fiscal 2011, the Torishima Group won orders on a consolidated basis totaling ¥39,579 million (representing a 20% increase over ¥32,974 million in the previous fiscal year). By demand category, orders placed by the domestic public sector amounted to ¥11,600 million (16% higher than the ¥9,973 million reported in the previous fiscal year); the domestic private sector accounted for ¥6,205 million (26% higher than the ¥4,921 million placed in the previous fiscal year); and orders placed by overseas customers totaled ¥21,772 million (20% above the ¥18,079 million of the prior fiscal year).

Net sales on a consolidated basis in fiscal 2011 were ¥46,453 million (7% below the ¥49,880 million in the previous fiscal year). At the end of fiscal 2011, the backlog of unfilled orders carried forward to fiscal 2012 amounted to ¥40,342 million (15% lower than the ¥47,216 million at the end of fiscal 2010).

Because of the weakness in total sales and an increase in products with relatively lower profit margins, operating income for the fiscal year was ¥2,286 million (representing a 27% decline from ¥3,127 million in the previous fiscal year). Ordinary income decreased to ¥2,929 million (20% below the ¥3,673 million reported in the previous fiscal year, due to the reporting of a foreign exchange gain of ¥277 million). Net income for fiscal 2011 amounted to ¥1,498 million (21% lower than the ¥1,892 million reported a year earlier). Extraordinary gains and losses influencing net income included the reporting of a gain of ¥63 million on the sale of investment securities, provision of an allowance for doubtful accounts amounting to ¥131 million, and a loss on valuation of investment securities of ¥556 million.

Forecast for Fiscal 2012 and the Medium-Term Business Plan

The forecast for operating results in fiscal 2012, which will be the third year under the Torishima Group's Medium-Term Business Plan that was formulated in fiscal 2010, is as follows. Although some demand is expected in connection with reconstruction work in the aftermath of the Great East Japan Earthquake, overall, conditions are forecast to continue to be uncertain. Overseas, demand in the emerging countries is expected to recover, but in the midst of concerns about the continuation of high values of the yen against other currencies, the operating environment for the Torishima Group is forecast to remain harsh.

In view of this outlook, the Torishima Group has reviewed the Medium-Term Business Plan that it prepared in fiscal 2010 and has formulated a revised three-year plan that will begin in the current fiscal year. Under the three years of the new business plan, the Torishima Group will strive to fully complete its Torishima Global Team (TGT) activities, which it has been implementing over the past 10 years, and will aim to further strengthen the business and financial positions of the Group through drastic reforms in its business processes.

Targets of the Revised Three-Year Business Plan

	Fiscal 2012		Fiscal 2013	Fiscal 2014
	Initial Plan (¥ million)	Revised Plan (¥ million)	Plan (¥ million)	Plan (¥ million)
Orders received	60,000	50,000	54,000	58,000
Net sales	60,000	47,000	50,000	55,000
Operating income	4,500	2,500	3,000	4,000
Ordinary income	4,600	2,700	3,200	4,200
Net income	2,800	1,700	2,000	2,600

Note: International Financial Reporting Standards (IFRS) have not been taken into account in these figures.

Analysis of Financial Position

Consolidated Assets, Liabilities, and Net Assets

Assets at the end of fiscal 2011 amounted to ¥60,813 million, ¥366 million lower than at the end of the previous fiscal year. This decrease was mainly due to a decline in investment securities, which were ¥1,084 million lower than for a year earlier, and other factors.

Liabilities at the end of fiscal 2011 were ¥29,037 million, ¥1,172 million lower than at the end of the previous fiscal year. This decline was mainly due to a decrease in long-term loans payable of ¥919 million and a drop in short-term loans payable of ¥596 million.

Total equity at the end of fiscal 2011 amounted to ¥31,775 million, ¥806 million higher than at the end of the previous fiscal year. This was mainly a result of an increase in retained earnings of ¥992 million, a decline in deferred gains or losses on hedges (from a gain of ¥82 million in the previous fiscal year to a loss of ¥265 million for fiscal 2011, or a decline of ¥347 million), and other factors.

Consolidated Cash Flows

Cash and cash equivalents (hereinafter, cash) at the end of fiscal 2011 were ¥7,522 million, ¥552 million lower than at the end of the previous fiscal year. Trends in cash flows and the reasons for movements in cash flows during the fiscal year were as follows.

- Operating cash flows

Net cash provided by operating activities amounted to ¥2,662 million (compared with ¥736 million in the previous year). Factors reducing net cash provided by operating activities included a decline in income before income taxes and minority interests of ¥919 million, to ¥2,303 million, and an increase in notes and accounts receivable to ¥645 million. However, factors increasing net cash flow provided by operating activities included an increase in advances received to ¥677 million.

- Investing cash flows

Net cash used in investing activities amounted to ¥1,270 million (an increase from ¥75 million in cash used in the previous fiscal year). Items contributing to investing cash flows included proceeds from sales of investment securities of ¥418 million. However, purchase of property, plant and equipment, which resulted in an outflow of ¥1,630 million, and other items resulted in a net cash outflow in investing activities.

- Financing cash flows

Net cash used in financing activities amounted to ¥2,371 million, compared with net cash provided by financing activities of ¥590 million in the previous fiscal year. This rise in cash outflows was due to a decrease in short-term borrowings—net of ¥1,738 million, cash dividends paid of ¥506 million, and other factors.

Basic Policy for Allocation of Income and Dividends for This and the Next Fiscal Year

The basic policy of the Torishima Group is to pay stable dividends to shareholders. Taking account of the future needs to make investments for future growth, the Group aims to maintain a dividend payout ratio of between 20% and 30%.

To aim for new growth and make investments that will be effective in expanding the scope of its business activities, the Group deems it appropriate to allocate portions of retained earnings to developing technologies that will respond to future increases in the sophistication of pumping and related equipment as well as related software. The Group also makes such allocations of retained earnings for the maintenance of existing pump installations and plants, for investments in plant and equipment production systems to modernize its production activities, and in the development of its environmental protection business.

Regarding dividends for fiscal 2011, the Torishima Group paid a regular interim dividend of ¥9 per share. In paying its fiscal year-end dividend, the Group will emphasize providing a return to shareholders and also pay a dividend of ¥9 per share. Thus, the planned dividend for the full fiscal year, including interim and fiscal year-end dividends, is scheduled to be ¥18 per share.

Consolidated Balance Sheets

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2012**	2011	**2012**
CURRENT ASSETS:			
Cash and time deposits (Note 13)	¥ 7,522	¥ 8,074	$ 91,732
Notes and accounts receivable: (Note 13)			
Trade	23,763	23,315	289,792
Unconsolidated subsidiaries and associated companies	250	330	3,049
Other	457	158	5,573
Allowance for doubtful accounts	(86)	(89)	(1,049)
Inventories (Note 4)	8,241	8,036	100,500
Advance payments	635	937	7,744
Deferred tax assets (Note 10)	1,148	1,391	14,000
Other current assets	323	386	3,939
Total current assets	42,253	42,538	515,280
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 5 and 6)	1,843	1,739	22,476
Buildings and structures (Note 6)	8,251	7,507	100,622
Machinery and equipment (Note 6)	12,836	11,937	156,537
Construction in progress	1,012	965	12,341
Lease assets (Note 12)	725	422	8,841
Total	24,667	22,570	300,817
Accumulated depreciation	(15,249)	(14,243)	(185,963)
Net property, plant and equipment	9,418	8,327	114,854
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 13)	6,405	7,489	78,110
Investments in and advances to unconsolidated subsidiaries and associated companies	876	1,058	10,683
Deferred tax assets (Note 10)	989	982	12,061
Other assets (Notes 13 and 18)	872	785	10,634
Total investments and other assets	9,142	10,314	111,488
TOTAL	¥60,813	¥61,179	$741,622

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	**2012**	2011	**2012**
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 13)	¥ 2,141	¥ 3,364	$ 26,110
Current portion of long-term debt (Notes 6, 12 and 13)	1,126	440	13,732
Notes and accounts payable: (Note 13)			
Trade	10,789	10,151	131,573
Unconsolidated subsidiaries and associated companies	55	21	671
Other	757	925	9,232
Advances received from customers	3,269	2,631	39,866
Income taxes payable (Note 13)	51	359	622
Allowance for product warranties	1,236	1,611	15,073
Allowance for losses on construction contracts	323	679	3,939
Accrued expenses	1,385	1,690	16,890
Other current liabilities	545	1,768	6,646
Total current liabilities	21,677	21,949	264,354
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6, 12 and 13)	5,126	5,950	62,512
Liability for retirement benefits (Note 7)	1,912	1,997	23,317
Other long-term liabilities (Note 10)	323	314	3,939
Total long-term liabilities	7,361	8,261	89,768
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 14)			
EQUITY (Notes 8, 9 and 17):			
Common stock, authorized, 60,000 thousand shares; issued, 29,889 thousand shares in 2012 and 2011	1,593	1,593	19,427
Capital surplus	7,804	7,804	95,171
Stock acquisition rights	81	52	988
Retained earnings	23,541	22,548	287,085
Treasury stock—at cost 1,837 thousand shares in 2012 and 2011	(973)	(972)	(11,866)
Accumulated other comprehensive income:			
Unrealized loss on available-for-sale securities	(145)	(36)	(1,768)
Deferred (loss) gain on derivatives under hedge accounting	(265)	82	(3,232)
Foreign currency translation adjustments	(353)	(226)	(4,305)
Total	31,283	30,845	381,500
Minority interests	492	124	6,000
Total equity	31,775	30,969	387,500
TOTAL	¥60,813	¥61,179	$741,622

See notes to consolidated financial statements.

U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥82.00=U.S.$1, the exchange rate prevailing at March 31, 2012.

Consolidated Statements of Income

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET SALES	¥46,453	¥49,880	$566,500
COST OF SALES (Note 11)	37,493	40,623	457,232
Gross profit	8,960	9,257	109,268
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	6,674	6,130	81,390
Operating income	2,286	3,127	27,878
OTHER INCOME (EXPENSES):			
Interest and dividend income	241	278	2,939
Interest expense	(141)	(121)	(1,720)
Loss on valuation of investment securities (Note 3)	(556)	(566)	(6,780)
Gain on foreign exchange—net	277	295	3,378
Other—net (Notes 5 and 12):	196	209	2,390
Other income—net	17	95	207
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	2,303	3,222	28,085
INCOME TAXES (Note 10):			
Current	191	1,193	2,329
Deferred	505	110	6,158
Total income taxes	696	1,303	8,487
NET INCOME BEFORE MINORITY INTERESTS	1,607	1,919	19,598
MINORITY INTERESTS IN NET INCOME	109	27	1,330
NET INCOME	¥ 1,498	¥ 1,892	$18,268

	Yen		U.S. Dollars
	2012	2011	2012
PER SHARE OF COMMON STOCK (Notes 2. v and 16):			
Basic net income	¥ 53.38	¥ 67.45	$ 0.65
Diluted net income	53.27	67.35	0.65
Cash dividends applicable to the year	18.00	18.00	0.22

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET INCOME BEFORE MINORITY INTERESTS	¥1,607	¥1,919	$19,598
OTHER COMPREHENSIVE INCOME (Note 15):			
Unrealized loss on available-for-sale securities	(109)	(1,558)	(1,329)
Deferred (loss) gain on derivatives under hedge accounting	(347)	88	(4,232)
Foreign currency translation adjustments	54	(85)	659
Share of other comprehensive income in associates	2	(9)	24
Total other comprehensive income	(400)	(1,564)	(4,878)
COMPREHENSIVE INCOME	¥1,207	¥ 355	$14,720
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥1,119	¥ 338	$13,647
Minority interests	88	17	1,073

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Thousands		Millions of Yen										
								Accumulated Other Comprehensive Income					
	Issued Number of Shares of Common Stock	Number of Shares of Treasury Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Loss on Available-for-sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjust-ments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2010	29,889	(1,844)	¥1,593	¥7,796	¥37	¥21,217	¥(975)	¥ 1,521	¥ (6)	¥(141)	¥31,042	¥ 41	¥31,083
Net income						1,892					1,892		1,892
Cash dividends, ¥20.00 per share						(561)					(561)		(561)
Purchase of treasury stock		(1)					(1)				(1)		(1)
Disposal of treasury stock		8		8			4				12		12
Net change in the year					15			(1,557)	88	(85)	(1,539)	83	(1,456)
BALANCE, MARCH 31, 2011	29,889	(1,837)	1,593	7,804	52	22,548	(972)	(36)	82	(226)	30,845	124	30,969
Net income						**1,498**					**1,498**		**1,498**
Cash dividends, ¥18.00 per share						**(505)**					**(505)**		**(505)**
Purchase of treasury stock		**0**					**(1)**				**(1)**		**(1)**
Net change in the year					**29**			**(109)**	**(347)**	**(127)**	**(554)**	**368**	**(186)**
BALANCE, MARCH 31, 2012	**29,889**	**(1,837)**	**¥1,593**	**¥7,804**	**¥81**	**¥23,541**	**¥(973)**	**¥ (145)**	**¥(265)**	**¥(353)**	**¥31,283**	**¥492**	**¥31,775**

	Thousands of U.S. Dollars (Note 1)										
						Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Loss on Available-for-sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjust-ments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2011	$19,427	$95,171	$634	$274,976	$(11,854)	$ (439)	$ 1,000	$(2,756)	$376,159	$1,512	$377,671
Net income				**18,268**					**18,268**		**18,268**
Cash dividends, $0.22 per share				**(6,159)**					**(6,159)**		**(6,159)**
Purchase of treasury stock					**(12)**				**(12)**		**(12)**
Net change in the year			**354**			**(1,329)**	**(4,232)**	**(1,549)**	**(6,756)**	**4,488**	**(2,268)**
BALANCE, MARCH 31, 2012	**$19,427**	**$95,171**	**$988**	**$287,085**	**$(11,866)**	**$(1,768)**	**$(3,232)**	**$(4,305)**	**$381,500**	**$6,000**	**$387,500**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥2,303**	¥3,222	**$28,085**
Adjustments for:			
Income taxes—paid	**(754)**	(1,618)	**(9,195)**
Depreciation	**1,097**	962	**13,378**
Loss on devaluation of investment securities	**556**	566	**6,780**
Changes in assets and liabilities:			
Increase in notes and accounts receivable	**(645)**	(3,340)	**(7,866)**
(Increase) decrease in inventories	**(28)**	2,043	**(341)**
Decrease in advance payments	**348**	4,324	**4,244**
Increase (decrease) in notes and accounts payable	**162**	(5)	**1,976**
Increase (decrease) in advances received from customers	**677**	(5,696)	**8,256**
Increase (decrease) in allowance for doubtful accounts	**117**	(501)	**1,427**
(Decrease) increase in allowance for product warranties	**(376)**	40	**(4,585)**
(Decrease) increase in allowance for losses on construction contracts	**(356)**	564	**(4,341)**
Decrease in liability for retirement benefits	**(131)**	(49)	**(1,598)**
Other—net	**(308)**	224	**(3,756)**
Total adjustments	**359**	(2,486)	**4,379**
Net cash provided by operating activities	**2,662**	736	**32,464**
INVESTING ACTIVITIES:			
Proceeds from withdrawal of time deposits		177	
Purchases of property, plant and equipment	**(1,630)**	(1,687)	**(19,878)**
Purchases of investment securities	**(2)**	(236)	**(24)**
Proceeds from sales of investment securities	**418**	29	**5,098**
Payments of loans receivable	**(72)**	(479)	**(878)**
Collection of loans receivable	**95**	1,709	**1,158**
Proceeds from cancellation of insurance reserve fund	**38**	428	**463**
Other	**(117)**	(16)	**(1,427)**
Net cash used in investing activities	**(1,270)**	(75)	**(15,488)**
FINANCING ACTIVITIES:			
Decrease in short-term borrowings—net	**(1,738)**	(1,707)	**(21,195)**
Proceeds from long-term debt	**18**	4,500	**219**
Repayments of long-term debt	**(125)**	(1,622)	**(1,524)**
Dividends paid	**(506)**	(560)	**(6,171)**
Other	**(20)**	(21)	**(244)**
Net cash (used in) provided by financing activities	**(2,371)**	590	**(28,915)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**80**	(44)	**976**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(899)**	1,207	**(10,963)**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, INCREASE	**347**		**4,232**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**8,074**	6,867	**98,463**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥7,522**	¥8,074	**$91,732**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2012 and 2011

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 2011 financial statements to conform to the classifications used in 2012.

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 ¥82 to $1, the approximate rate of exchange at March 31, 2012. 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, 2012 include the accounts of the Company and its seventeen significant (fourteen in 2011) 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 zero (three in 2011) unconsolidated subsidiaries and three (three in 2011) 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.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 5 years.

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. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

In March 2008, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 16, "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 of America 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 the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and 5) exclusion of minority interests from net income, if contained in net income.

c. Business Combination

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations", and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures". The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

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 revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This revised standard was applicable to business combinations undertaken on or after April 1, 2011.

The Company acquired 69.5% of the net assets of KRG Industries Co., Ltd on September 28, 2010 and accounted for it by the purchase method of accounting. The related goodwill is systematically amortized over 5 years.

d. 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.

e. 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.

f. Investment Securities

Investment securities are classified and accounted for, depending on management's intent, as follows:

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.

g. 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.

h. 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

i. 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.

j. 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.

k. Allowance for Product Warranties

The Companies provide an allowance for foreseeable losses arising from product warranties.

l. Allowance for Losses on Construction Contracts

The Companies provide an allowance for foreseeable losses arising from certain construction contracts.

m. Asset Retirement Obligations

In March 2008, the ASBJ published 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.

n. Stock Options

In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly 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, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

o. Research and Development Costs

Research and development costs are charged to income as incurred.

p. 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 was effective for fiscal years beginning on or after April 1, 2008.

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

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

q. 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 this 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.

r. 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.

s. 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.

t. 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" under accumulated other comprehensive income in a separate component of equity.

u. Derivatives and Hedging Activities
Derivatives under contract The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:
a) all derivatives are recognized as either assets or liabilities and measured at fair value; and gains or losses on derivative transactions are recognized in the income statement and
b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts employed to hedge foreign exchange exposures for export sales are measured at the fair value and the unrealized gains/losses are recognized in income.

Forward contracts applied for forecasted or committed transactions are also measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

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 are recognized and included in interest expense.

Hedging instruments and hedged items
a. Hedging instruments - Foreign exchange forward contracts
Hedged items - Receivables, payables and of its forecasted transactions denominated in foreign currencies
b. Hedging instruments - Interest rate swaps
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 the 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 hedge interest rate risk and foreign currency risk 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.

v. 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.

w. Accounting Changes and Error Corrections
In December 2009, the 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 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 Presentations—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.

x. New Accounting Pronouncements
Accounting Standard for Retirement Benefits On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009.
Major changes are as follows:
(a) *Treatment in the balance sheet*
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
(b) *Treatment in the statement of income and the statement of comprehensive income (or the statement of income and comprehensive income)*

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013 and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Non-current:			
Equity securities	**¥5,603**	¥6,377	**$68,329**
Corporate bonds	**700**	1,000	**8,537**
Other securities	**102**	112	**1,244**
Total	**¥6,405**	¥7,489	**$78,110**

The costs and aggregate fair values of marketable and investment securities at March 31, 2012 and 2011 were as follows:

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥5,475**	**¥614**	**¥840**	**¥5,249**
Corporate bonds	**700**			**700**
March 31, 2011				
Securities classified as:				
Available-for-sale:				
Equity securities	¥6,080	¥909	¥970	¥6,019
Corporate bonds	1,000			1,000

	Thousands of U.S. Dollars			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$66,768**	**$7,488**	**$10,244**	**$64,012**
Corporate bonds	**8,537**			**8,537**

The information of available-for-sale securities which were sold during the year ended March 31, 2012 and 2011 was as follows:

	Millions of Yen		
March 31, 2012	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	**¥415**	**¥63**	
March 31, 2011			
Available-for-sale:			
Equity securities	¥ 28		¥20

	Thousands of U.S. Dollars		
March 31, 2012	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	**$5,061**	**$768**	

The impairment losses on available-for-sale equity securities for the years ended March 31, 2012 and 2011 were ¥556 million ($6,780 thousand) and ¥566 million, respectively.

At March 31, 2012, investment securities with a total carrying value of ¥19 million ($232 thousand) were pledged as collateral for bank loans of other companies in the ordinary course of business.

4. INVENTORIES

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Semi-finished products	¥ 190	¥ 141	$ 2,317
Work in process	6,103	6,191	74,427
Raw materials and supplies	1,948	1,704	23,756
Total	¥8,241	¥8,036	$100,500

5. LONG-LIVED ASSETS

The Companies reviewed its long-lived assets for impairment as of March 31, 2012. As a result, the carrying amount of idle asset that is not expected to be used in the future was reduced to the recoverable amount, and the amount of this reduction was recorded under OTHER EXPENSES of ¥2 million ($24 thousand). No impairment loss was recognized for the year ended March 31, 2011.

Use	Classification	Location
Idle assets	Land	Hyogo, Japan

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 1.36% and 0.95% at March 31, 2012 and 2011, respectively.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Unsecured loans from banks and other financial institutions, due through 2017, interest 0.35% - 8.88% (2012) and 0.35% - 5.20% (2011)	¥4,418	¥3,854	$53,878
Secured loans from banks, due through 2017, interest 0.68% - 1.85% (2012) and 1.05% - 1.85% (2011)	1,380	2,236	16,829
Obligations under finance leases	454	300	5,537
Total	6,252	6,390	76,244
Less current portion	(1,126)	(440)	(13,732)
Long-term debt, less current portion	¥5,126	¥5,950	$62,512

At March 31, 2012, property, plant and equipment with a total carrying value of ¥3,122 million ($38,073 thousand) were pledged as collateral for short-term borrowings of ¥1,800 million ($21,951 thousand) and long-term debt of ¥1,200 million ($14,634 thousand).

At March 31, 2012, machinery and equipment with a total carrying value of ¥214 million ($2,610 thousand) were pledged as collateral for the current portion of short-term borrowings of ¥40 million ($488 thousand) and long-term debt of ¥180 million ($2,195 thousand).

Annual maturities of long-term debt, excluding finance leases (see Note 12), at March 31, 2012 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 967	$11,793
2014	1,584	19,317
2015	1,558	19,000
2016	1,540	18,780
2017	40	488
2018 and thereafter	109	1,329
Total	¥5,798	$70,707

Annual maturities of lease obligations at March 31, 2012 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥159	$1,939
2014	131	1,598
2015	81	988
2016	60	732
2017	20	244
2018 and thereafter	3	36
Total	¥454	$5,537

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 is 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 was ¥19 million ($232 thousand) and ¥15 million at March 31, 2012 and 2011, respectively.

The liability for employees' retirement benefits at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	¥4,798	¥4,795	$58,512
Fair value of plan assets	(2,548)	(2,459)	(31,073)
Unrecognized prior service cost	91	181	1,110
Unrecognized actuarial loss	(448)	(535)	(5,464)
Net liability	¥1,893	¥1,982	$23,085

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	¥287	¥235	$3,500
Interest cost	95	99	1,159
Expected return on plan assets	(31)	(37)	(378)
Amortization of prior service cost	(91)	(91)	(1,110)
Recognized actuarial loss	84	132	1,024
Net periodic retirement benefit costs	¥344	¥338	$4,195

Assumptions used for the years ended March 31, 2012 and 2011 are set forth as follows:

	2012	2011
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 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, 2012 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
2010 Stock Option	6 directors 5 corporate auditors	20,700 shares	2010.7.20	¥1	From July 21, 2010 to July 20, 2040
2011 Stock Option	6 directors 5 corporate auditors	24,700 shares	2011.7.19	¥1	From July 20, 2011 to July 19, 2041

The stock option activity is as follows:

For the year ended March 31, 2011	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option
Non-vested				
March 31, 2010 - Outstanding				
Granted			20,700	
Canceled				
Vested			(20,700)	
March 31, 2011 - Outstanding				
Vested				
March 31, 2010 - Outstanding	9,400	19,400		
Vested			20,700	
Exercised	(3,200)	(4,400)		
Canceled				
March 31, 2011 - Outstanding	6,200	15,000	20,700	

For the year ended March 31, 2012	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option
Non-vested				
March 31, 2011 - Outstanding				
Granted				**24,700**
Canceled				
Vested				**(24,700)**
March 31, 2012 - Outstanding				
Vested				
March 31, 2011 - Outstanding	**6,200**	**15,000**	**20,700**	
Vested				**24,700**
Exercised				
Canceled				
March 31, 2012 - Outstanding	**6,200**	**15,000**	**20,700**	**24,700**
Exercise price	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**
Average stock price at exercise	**¥1,718**	**¥1,718**		
Fair value price at grant date	**¥2,013**	**¥1,257**	**¥1,308**	**¥ 1,213**

The assumptions used to measure fair value of 2010 Stock Option

Estimate method.. Black-Scholes option pricing model
Volatility of stock price...35.4%
Estimated remaining outstanding period ....1.2 years
Estimated dividend.. ¥18 per share
Interest rate with risk free 0.13%

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, 2012 and 2011.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Deferred tax assets:			
Unrealized loss on available-for-sale securities	**¥ 299**	¥ 395	**$ 3,646**
Loss on revaluation of available-for-sale securities	**233**	54	**2,841**
Liability for employees' retirement benefits	**645**	787	**7,866**
Allowance for product warranties	**470**	656	**5,732**
Allowance for losses on construction contracts	**123**	276	**1,500**
Accrued bonuses	**233**	286	**2,841**
Tax loss carryforwards	**351**	387	**4,281**
Allowance for doubtful accounts	**151**	110	**1,841**
Other	**459**	416	**5,598**
Less valuation allowance	**(616)**	(563)	**(7,512)**
Total	**¥2,348**	¥2,804	**$28,634**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ (220)**	¥ (370)	**$ (2,683)**
Other	**(21)**	(61)	**(256)**
Total	**¥ (241)**	¥ (431)	**$ (2,939)**
Net deferred tax assets	**¥2,107**	¥2,373	**$25,695**

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, 2012 and 2011 are as follows:

	2012	2011
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	0.6	0.4
Dividend income not taxable for income tax purposes	(1.3)	(1.0)
Tax credit for research and development costs	(1.3)	(1.2)
Inhabitant taxes	1.1	0.8
Equity method	(1.4)	(0.9)
Less valuation allowance	3.9	0.9
Effect of tax rate reduction	8.0	
Lower income tax rates applicable to income in certain foreign countries	(19.8)	(2.2)
Other—net	(0.3)	2.9
Actual effective tax rate	30.2%	40.4%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.7% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% afterwards. The effect of this change was to decrease deferred taxes in the consolidated balance sheet as of March 31, 2012 by ¥207 million ($2,524 thousand) and to increase income taxes - deferred in the consolidated statement of income for the year then ended by ¥184 million ($2,244 thousand).

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥607 million ($7,402 thousand) and ¥568 million for the years ended March 31, 2012 and 2011, 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, 2012 and 2011 were ¥538 million ($6,561 thousand) and ¥468 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 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 continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Companies applied the ASBJ Statement No. 13 effective April 1, 2008 and accounts for such leases as operating lease transactions.

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

	Millions of Yen			
	2012	2011		
	Machinery and Equipment	Machinery and Equipment	Other Assets	Total
Acquisition cost	¥194	¥367	¥5	¥372
Accumulated depreciation	176	302	5	307
Net leased property	¥ 18	¥ 65		¥ 65

	Thousands of U.S. Dollars
	2012
	Machinery and Equipment
Acquisition cost	$2,366
Accumulated depreciation	2,146
Net leased property	$ 220

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥18	¥47	$220
Due after one year		18	
Total	¥18	¥65	$220

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Depreciation expense	¥46	¥68	$561

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, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥13	¥16	$159
Due after one year	2	16	24
Total	¥15	¥32	$183

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(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 at an early stage.

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 performed 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, 2012	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	**¥ 7,522**	**¥ 7,522**	
Notes and accounts receivable	**24,470**	**24,384**	**¥ (86)**
Investment securities	**5,949**	**5,949**	
Long-term loans	**450**	**226**	**(224)**
Total	**¥38,391**	**¥38,081**	**¥(310)**
Notes and accounts payable	**¥11,601**	**¥11,601**	
Short-term bank loans	**3,108**	**3,108**	
Income taxes payable	**51**	**51**	
Long-term bank loans	**4,831**	**4,873**	**¥ (42)**
Total	**¥19,591**	**¥19,633**	**¥ (42)**
Derivatives	**¥ 627**	**¥ 627**	

	Millions of Yen		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 8,074	¥ 8,074	
Receivables	23,358	23,263	¥ (95)
Investment securities	7,019	7,019	
Long-term loans	368	347	(21)
Total	¥38,819	¥38,703	¥(116)
Payables	¥10,172	¥10,172	
Short-term bank loans	3,704	3,704	
Income taxes payable	359	359	
Long-term debt	5,750	5,677	¥ (73)
Total	¥19,985	¥19,912	¥ (73)
Derivatives	¥ 2,767	¥ 2,767	

	Thousands of U.S. Dollars		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	**$ 91,732**	**$ 91,732**	
Notes and accounts receivable	**298,415**	**297,366**	**$(1,049)**
Investment securities	**72,549**	**72,549**	
Long-term loans	**5,488**	**2,756**	**(2,732)**
Total	**$468,184**	**$464,403**	**$(3,781)**
Notes and accounts payable	**$141,476**	**$141,476**	
Short-term bank loans	**37,903**	**37,903**	
Income taxes payable	**622**	**622**	
Long-term bank loans	**58,914**	**59,426**	**$ (512)**
Total	**$238,915**	**$239,427**	**$ (512)**
Derivatives	**$ 7,646**	**$ 7,646**	

Cash and cash equivalents

The carrying values of cash and cash equivalents 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 income taxes payable

The fair values of payables, short-term bank loans and income taxes payable 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 Companies' 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.

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) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Investments in equity instruments that do not have a quoted market price in an active market	**¥354**	¥358	**$4,317**
Other securities	**102**	112	**1,244**

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

	Millions of Yen		
March 31, 2012	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years
Cash and cash equivalents	**¥ 7,522**		
Receivables	**23,457**	**¥ 338**	
Investment securities—corporate bonds		**700**	
Long-term loans		**321**	**¥129**
Total	**¥30,979**	**¥1,359**	**¥129**

	Thousands of U.S. Dollars		
March 31, 2012	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years
Cash and cash equivalents	**$ 91,732**		
Receivables	**286,061**	**$ 4,122**	
Investment securities—corporate bonds		**8,537**	
Long-term loans		**3,915**	**$1,573**
Total	**$377,793**	**$16,574**	**$1,573**

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 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.

Derivative transactions to which hedge accounting is not applied

	Millions of Yen			
At March 31, 2012	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts:				
Buying EURO	**¥752**		**¥24**	**¥24**
Buying British POUND	**415**		**21**	**21**

	Millions of Yen			
At March 31, 2011	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts:				
Selling U.S.$	¥ 848		¥(17)	¥(17)
Selling British POUND	235		3	3
Buying EURO	1,485		(50)	(50)
Buying British POUND	24			
Foreign currency swaps:				
Receiving EURO, paying U.S.$	¥ 21		¥ 1	¥ 1

	Thousands of U.S. Dollars			
At March 31, 2012	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts:				
Buying EURO	**$9,171**		**$293**	**$293**
Buying British POUND	**5,061**		**256**	**256**

Derivative transactions to which hedge accounting is applied

		Millions of Yen		
At March 31, 2012	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	**¥10,441**		**¥10,842**
Selling EURO	Receivables	**2,301**		**2,395**
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	**1,008**	**¥163**	

		Millions of Yen		
At March 31, 2011	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥8,772		¥8,452
Selling EURO	Receivables	110		99
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	998	¥167	

		Thousands of U.S. Dollars		
At March 31, 2012	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	**¥127,329**		**¥132,220**
Selling EURO	Receivables	**28,061**		**29,207**
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	**12,293**	**¥1,988**	

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

15. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2012 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Unrealized loss on available-for-sale securities:		
Gains arising during the year	**¥(299)**	**$(3,646)**
Reclassification adjustments to profit or loss	**135**	**1,646**
Amount before income tax effect	**(164)**	**(2,000)**
Income tax effect	**55**	**671**
Total	**¥(109)**	**$(1,329)**
Deferred loss on derivatives under hedge accounting:		
Gains arising during the year	**¥(566)**	**$(6,903)**
Reclassification adjustments to profit or loss		
Amount before income tax effect	**(566)**	**(6,903)**
Income tax effect	**219**	**2,671**
Total	**¥(347)**	**$(4,232)**
Foreign currency translation adjustments:		
Adjustments arising during the year	**¥54**	**$659**
Reclassification adjustments to profit or loss		
Amount before income tax effect	**54**	**659**
Income tax effect		
Total	**¥54**	**$659**
Share of other comprehensive income in associates - Gains arising during the year	**¥2**	**$24**
Total	**¥2**	**$24**
Total other comprehensive income	**¥(400)**	**$(4,878)**

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2012 and 2011 are as follows:

	Yen in millions	Thousands of shares	Yen	Dollars
For the year ended March 31, 2012:	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥1,498**	**28,052**	**¥53.38**	**$0.65**
Effect of dilutive securities				
Stock acquisition rights		**59**		
Diluted EPS				
Net income for computation	**¥1,498**	**28,111**	**¥53.27**	**$0.65**
For the year ended March 31, 2011:				
Basic EPS				
Net income available to common shareholders	¥1,892	28,051	¥67.45	$0.81
Effect of dilutive securities				
Stock acquisition rights		42		
Diluted EPS				
Net income for computation	¥1,892	28,093	¥67.35	$0.81

17. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2012 was approved at the board of directors held on May 18, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥9.0 ($0.11) per share	**¥252**	**$3,073**

18. SEGMENT INFORMATION

For the year ended March 31, 2011 and 2010

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information", 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.

1. Information about products and services

For the fiscal years ended March 31, 2012 and 2011, the total sales, operating income and total assets of the Pump reporting segment exceeded 90% of the totals of the Companies, thus the Companies have omitted the disclosure of information about products and services.

2. Information about geographical areas

(1) Sales

Millions of Yen					
2012					
		Middle East			
Japan	Asia	United Arab Emirates	Other	Other	Total
¥17,281	**¥13,126**	**¥6,613**	**¥4,818**	**¥4,615**	**¥46,453**

Millions of Yen							
2011							
	Asia		Middle East				
Japan	Viet Nam	Other	United Arab Emirates	Qatar	Other	Other	Total
¥18,704	¥4,373	¥6,825	¥6,288	¥4,552	¥3,529	¥5,609	¥49,880

Thousands of U.S. Dollars					
2012					
		Middle East			
Japan	Asia	United Arab Emirates	Other	Other	Total
$210,744	**$160,073**	**$80,646**	**$58,756**	**$56,281**	**$566,500**

Note: Sales are classified in countries or regions based on the location of customers.

(2) Property, plant and equipment

Millions of Yen				
2012				
Japan	Asia	Middle East	Europe	Total
¥7,301	**¥985**	**¥280**	**¥852**	**¥9,418**

Millions of Yen				
2011				
Japan	Asia	Middle East	Europe	Total
¥7,269	¥260	¥30	¥768	¥8,327

Thousands of U.S. Dollars				
2012				
Japan	Asia	Middle East	Europe	Total
$89,037	**$12,012**	**$3,415**	**$10,390**	**$114,854**

3. Information about major customers

Information about major customers at March 31, 2012 is as follows.

	Millions of Yen	
	2012	
Name of customers	Sales	Related segment name
ABU DHABI TRANSMISSION & DESPATCH COMPANY (TANSCO)	**¥5,544**	**Pumps**

	Thousands of U.S. Dollars	
	2012	
Name of customers	Sales	Related segment name
ABU DHABI TRANSMISSION & DESPATCH COMPANY (TANSCO)	**$67,610**	**Pumps**

Information about major customers at March 31, 2011 is not disclosed herein because there is no customer that exceeded 10% of total sales.

4. Information about goodwill

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
	Pumps		Pumps
Amortization of goodwill	**¥ 28**	¥ 13	**$ 341**
Goodwill at March 31, 2011	**129**	113	**1,573**

Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Elgala
1-4-2, Tenjin, Chuo-ku
Fukuoka-shi, Fukuoka 810-0001
Japan
Tel: +81 (92) 751 0931
Fax: +81 (92) 751 1035
www.deloitte.com/jp

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

We have audited the accompanying consolidated balance sheet of Torishima Pump Mfg. Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Torishima Pump Mfg. Co., Ltd. and consolidated subsidiaries as of March 31, 2012, 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.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in 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

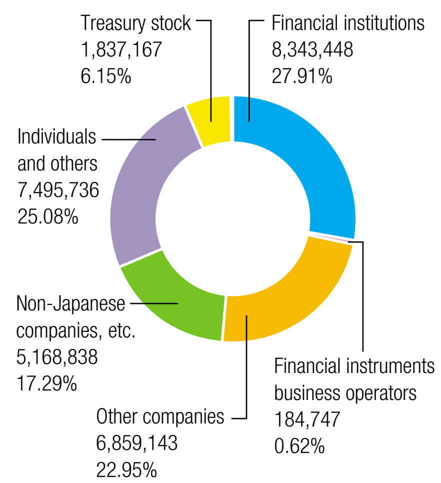
June 28, 2012

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data (As of end of March 2012)

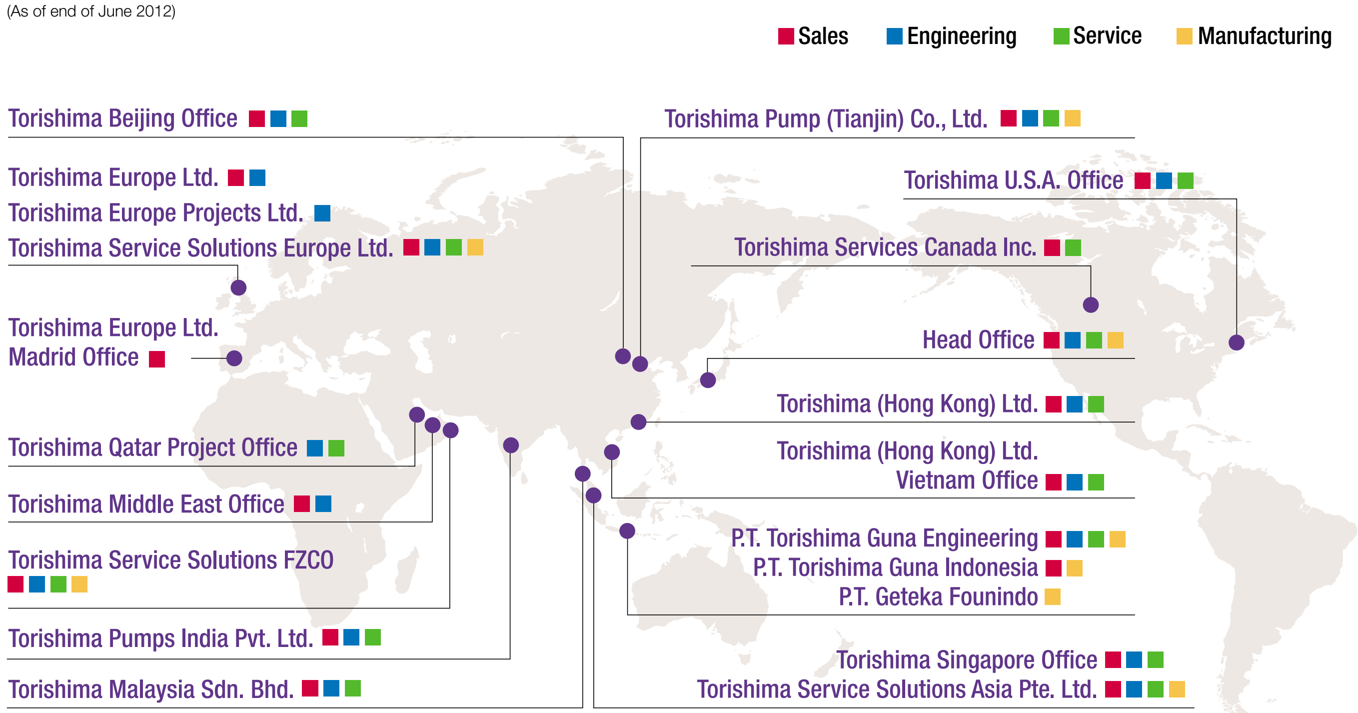
Company name	TORISHIMA PUMP MFG. CO., LTD.
Foundation	August 1, 1919
Outstanding shares	29,889,079
Paid-in capital	¥1,592,775,030
Shareholders	9,717
Employees	1,406
URL	http://www.torishima.co.jp/en
Places of business	
Head office	1-1-8, Miyata-cho, Takatsuki-city, Osaka 569-8660, Japan
Branch offices	Tokyo, Osaka, Kyushu, Nagoya, Sapporo, Sendai, Hiroshima, Takamatsu, Singapore, Middle East (U.A.E.), North America (U.S.A.)
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)

Share Breakdown by Type of Shareholder



Global Network

(As of end of June 2012)



TORISHIMA PUMP MFG. CO., LTD.
1-1-8, Miyata-cho, Takatsuki-city, Osaka 569-8660, Japan
http://www.torishima.co.jp/en

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