TORISHIMA

Annual Report 2013

April 1, 2012-March 31, 2013

TORISHIMA PUMP MFG. CO., LTD.

The Way Forward—Energy Energy Efficiency and Recovery

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

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.

History and Development

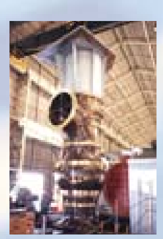
1919
Torishima Pump Manufacturing started in Torishima-cho, Osaka city.

1920
Started production of single-stage single-suction turbine pumps

1949
Started first systematic study of mechanical seals for shaft sealings in Japan

1976
Pumping station for a chemical complex in Kuwait. First order for a turnkey pumping station in the Middle East

1980
World's largest circulating water pump installed in Yanbu industrial city, Saudi Arabia



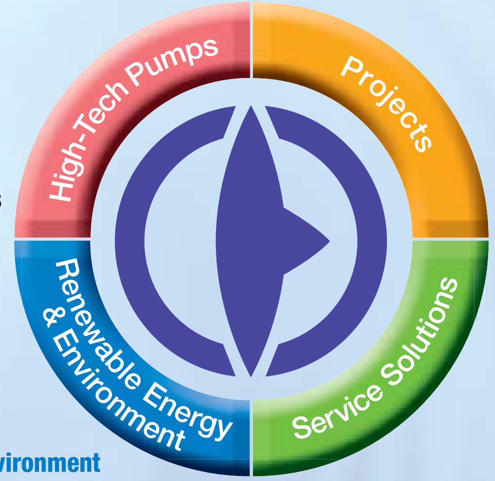
1920 1930 1940 1950 1960 1970 1980 1990 2000 2010

1993
Largest impeller manufactured in Torishima at that time for a large flow, 3.6-meter diameter drainage pump. The pump can fill water in a 25-meter pool within 10 seconds.

2009
Received an order for a turnkey water distribution pumping station in the U.A.E. to provide one million metric tons per day of water to a reservoir at a maximum elevation differential of 110 meters

2012
Solar power generation is an environment-friendly, next-generation market. Received an order for boiler feed pumps for a solar power plant in the U.S.A.

Business and Products



Brine recirculation pump for seawater desalination

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

BOP (balance of plant) project in gas combined cycle power plant excluding from main plant

Wind turbine

Renewable Energy & Environment

- Wind power generation
- Mini- and Micro-hydro generation

Service Solutions

Total plant maintenance solutions for pumps and related equipment

Pump overhaul

Financial Highlights (Years ended March 31)

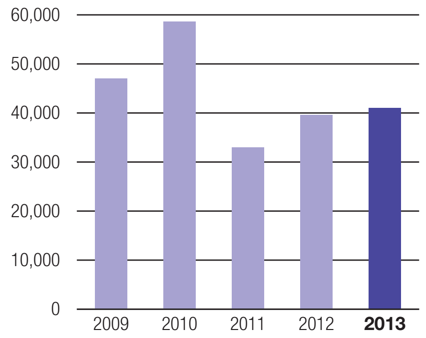
	Millions of yen except per share amounts					Thousands of U.S. dollars except per share amounts
	2013	2012	2011	2010	2009	**2013**
Orders Received	**¥ 40,975**	¥ 39,579	¥ 32,974	¥ 58,624	¥46,988	**$435,904**
Net Sales	**45,975**	46,453	49,880	45,008	45,692	**489,096**
Orders Backlog	**35,342**	40,342	47,216	64,122	50,505	**375,979**
Operating Income	**517**	2,286	3,127	3,259	2,762	**5,500**
Net Income	**944**	1,498	1,892	2,610	1,991	**10,043**
Per Share of Common Stock (in yen and U.S. dollars):						
Net Income—Basic	**¥ 33.64**	¥ 53.38	¥ 67.45	¥ 100.07	¥ 77.32	**$ 0.36**
Net Income—Fully Diluted	**33.54**	53.27	67.35	99.96	77.31	**0.36**
Net Assets Per Share	**1,172.56**	1,112.29	1,097.71	1,105.50	931.13	**12.47**
Cash Dividends Applicable to Period	**18.00**	18.00	18.00	20.00*	17.00	**0.19**
Total Assets	**¥ 68,233**	¥ 60,813	¥ 61,179	¥ 65,641	¥62,132	**$725,883**
Net Assets	**33,602**	31,775	30,969	31,083	24,007	**357,468**
Cash Flows:						
Operating Cash Flow	**¥ 3,513**	¥ 2,662	¥ 736	¥ 4,440	¥ 922	**$ 37,372**
Investing Cash Flow	**(3,966)**	(1,270)	(75)	(3,085)	(1,259)	**(42,191)**

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

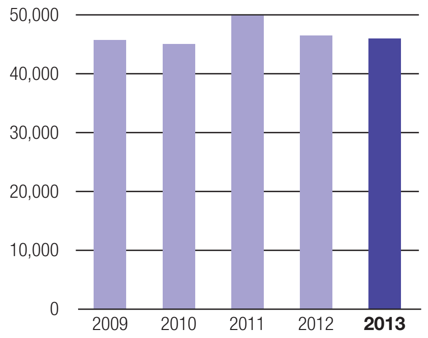
	%				
Ratios:					
Return on Equity (ROE)	**2.9%**	4.8%	6.1%	9.5%	8.0%
Equity Ratio	**48.2%**	51.3%	50.3%	47.2%	38.6%

Note: U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥94.00=U.S.$1, the exchange rate prevailing at March 31, 2013.

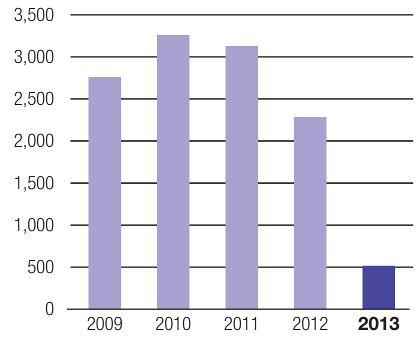
Orders Received (Millions of yen)



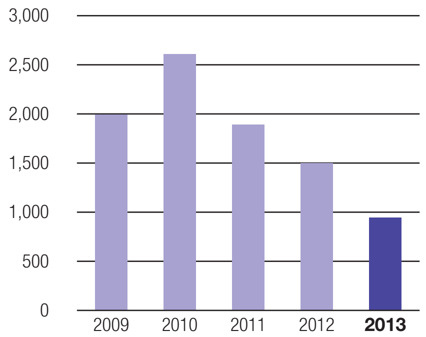
Net Sales (Millions of yen)



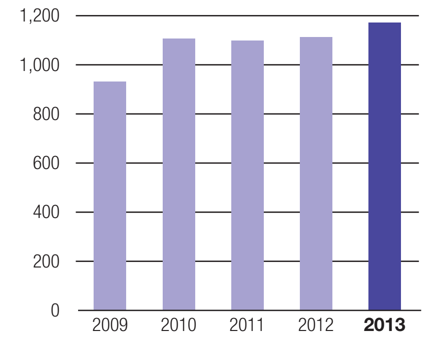
Operating Income (Millions of yen)



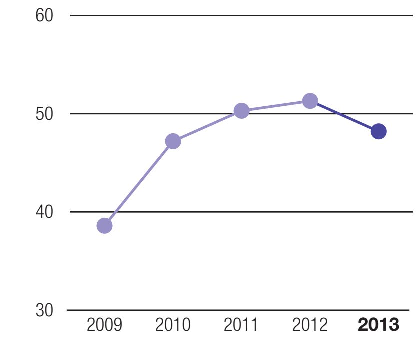
Net Income (Millions of yen)



Net Assets Per Share (Yen)



Equity Ratio (%)



A Message from the Management

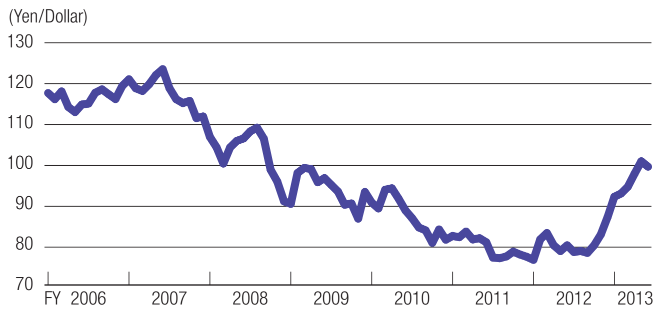
The Recovering Economy—What Next for Torishima?

The world economy, especially in the United States, is showing signs of recovery. The Japanese economy is following suit, with "Abenomics" and a weaker yen contributing to its increased momentum.

Fiscal 2012, ended March 31, 2013, was a year characterized by many destabilizing developments. These included the so-called "fiscal cliff" in government finances in the United States, financial crises in Europe, the deceleration of growth in the emerging economies, and other factors. However, the monetary-easing policy of the U.S. Federal Reserve Board has begun to take effect, and both the employment and housing markets are recovering. In conjunction with the rise in the stock market, personal consumption is expanding, and the overall economic picture has brightened. There is growing global optimism that the economic downturn has stabilized.

In Japan, the change of government towards the end of 2012 is beginning to have an impact, and a new sense of momentum is evident, particularly with regard to economics and monetary policy: "Abenomics". As a result of this new government approach, the ultra-strong yen—which previously set a new high of ¥76 to the U.S. dollar—began to weaken and as of May 2013, stood at approximately ¥102 (Graph 1). The Nikkei Stock Average rose above ¥15,000 for the first time in over five years. Any optimism must be tempered with caution, but Japanese exports have increased and signs of economic recovery are evident.

Graph 1: Trends in the Yen/U.S. Dollar Exchange Rate

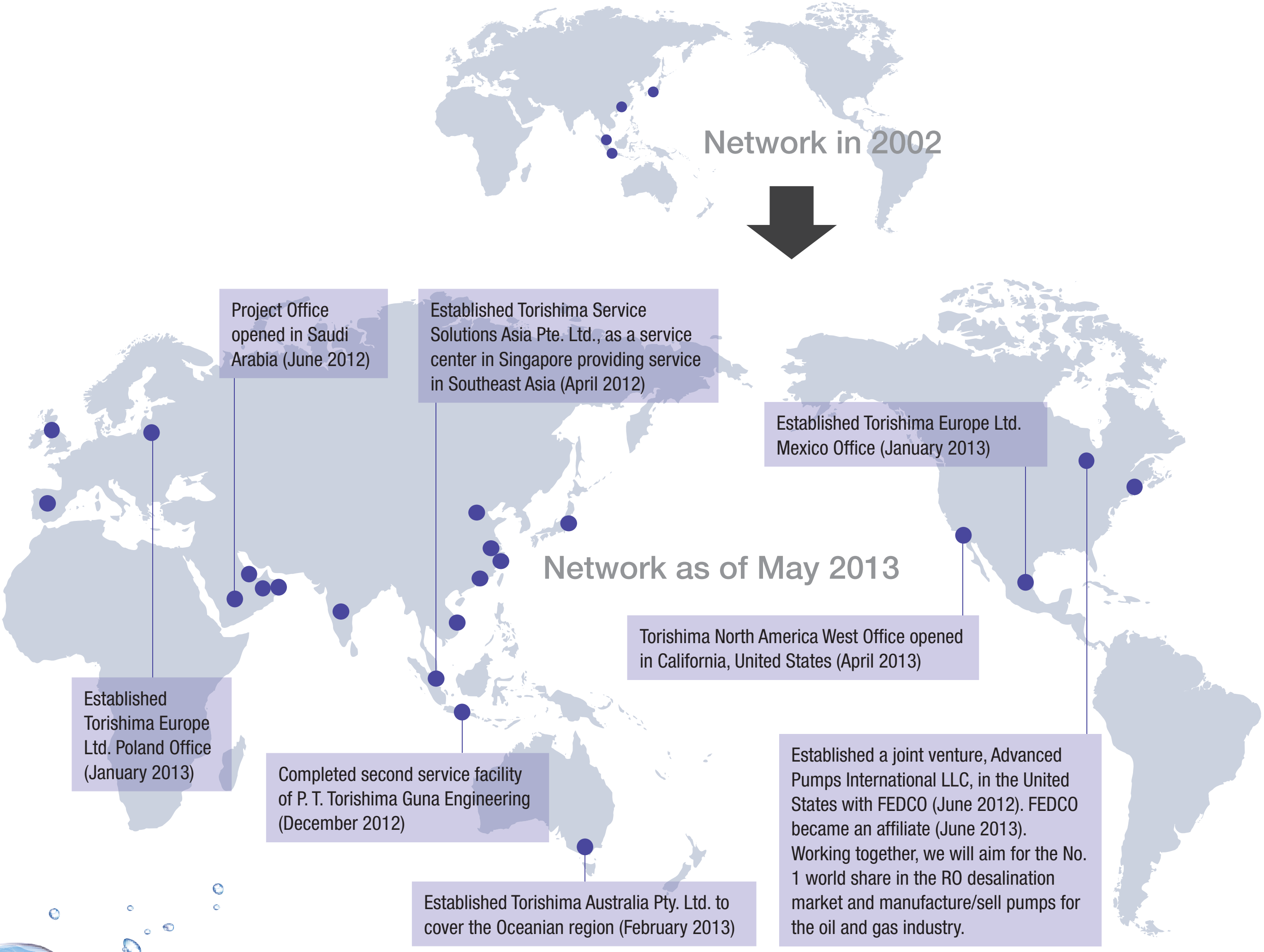


Kotaro Harada, President & CEO

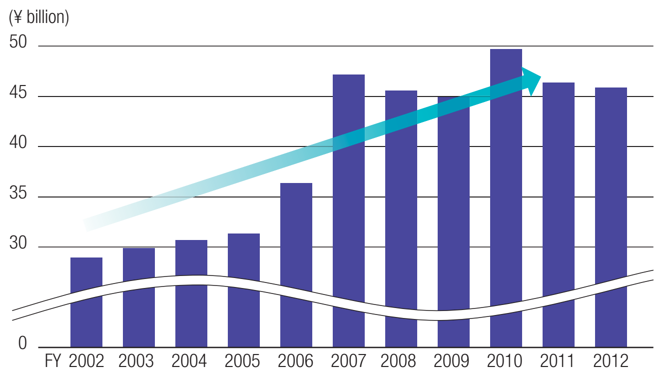
Torishima's drive for globalization 10 years on. Major results through spreading our network around the world

It was in the midst of these developments that Torishima celebrated a decade of globalization started since 2003. The efforts of the first half of this decade began to come to fruition in the second half, despite the very difficult conditions brought about by the Lehman Shock, the Great East Japan Earthquake, the nuclear accidents, the ultrastrong yen, and other factors. Today, the spread of the Torishima Group's network is demonstrably wider than it was 10 years ago (Diagram 1). Moreover, the overseas business offices, while holding fast to the goals and guiding principles of the Torishima Head Office, operate autonomously in an environment of devolved control and delegated responsibility, allowing them to be dynamic and responsive within their own local markets. It is our belief that local businesses do best under local management; the majority of the heads of Torishima's overseas offices and affiliated companies are nationals of the countries they operate in. Proof of the strength of this approach is in the sales figures, which rose from the ¥20.0 billion level to almost ¥50.0 billion (Graph 2).

Diagram 1: Development of Torishima's Global Network



Graph 2: Trends in Net Sales



One recent success is Torishima Service Solutions FZCO (TSS), a workshop set up in the United Arab Emirates (U.A.E.). This company provides service for the large number of Torishima pumps that have been installed in the Middle East. TSS is well positioned to respond quickly to the expanding needs in the local markets, and it has substantially broadened the range of opportunities for orders and new business. In addition, KRG Industries Ltd., our precision engineering solution company in the United Kingdom, is capturing demand in the rapidly expanding oil and gas market, and recording major increases in sales.

In addition, in fiscal 2012, we established local subsidiaries, branches, or other operations in areas where we formerly did not have a presence, including Australia, Mexico, Saudi Arabia, and Poland, and have gained an understanding of local needs and strengthened our networks. We also established a new service company in Singapore as well as new service facilities in India and Indonesia, areas where Torishima already has a presence. In the United States, we also formed a joint venture with a local company and have worked to strengthen our alliances.

With the beginning of fiscal 2013, we are entering the second decade of our globalization.

Now, we have entered fiscal 2013, the beginning of the second decade of our globalization. Now that the Japanese economy is stronger and has begun to recover, we want to build on this momentum. Specifically, we will give priority to the following three points and aim for further globalization, cementing our position as an internationally competitive enterprise.

1. Strengthen our positions in the power- and water-related markets, and target the oil and gas market

The world's population has exceeded seven billion people, and continues to rise. The demand for electric power and water, essential for people's lives, is rising as a consequence. Torishima—which has its greatest strengths in providing pumps for desalination plants, water pumping stations, power plants, and other applications—is therefore committed to strengthening its competitiveness by providing even higher quality in its products and services.

In the power plant market, plans are being drawn up for the construction of thermal power facilities in virtually all countries. Torishima is one of the few manufacturing companies in the world that has the capacity to produce the full range of pumps required for power plants. Torishima has earned a strong reputation for its boiler feed pumps and boiler circulation pumps, which require extremely sophisticated technology, and is continuing to respond at a high level to growing expansion in demand.

The same applies to the desalination plant market. Torishima can supply pumps for a range of different types of desalination methods, including reverse osmosis (RO), multi-stage flash (MSF), and multi-effect distillation (MED). Torishima has delivered pumps to the world's largest desalination plants, and we will continue to respond to changes in market needs and will be able to offer state-of-the-art products.

Also, we have recently purchased 50% of the shares of U.S. company Fluid Equipment Development Company, LLC (FEDCO). We plan to combine FEDCO's and Torishima's products and technologies to create a leading company in the rotating machinery field and become the No. 1 world supplier in the RO desalination plant market, which has become the principal method for desalination in recent years.

We will also focus on breaking into the oil and gas market. This will be a major challenge for us, but, for a global corporation in energy-related businesses, this market cannot be overlooked. In 2012, we set up a joint venture, Advanced Pumps International LLC, in partnership with FEDCO, in the United States. As a result of the shale gas revolution, the United States may become the world's largest energy exporter, and shale oil and gas is a business area within the oil and gas market that is predicted to show substantial growth in the years ahead. Our plans are to make our U.S. operations a base for entering the oil and gas market throughout the world.

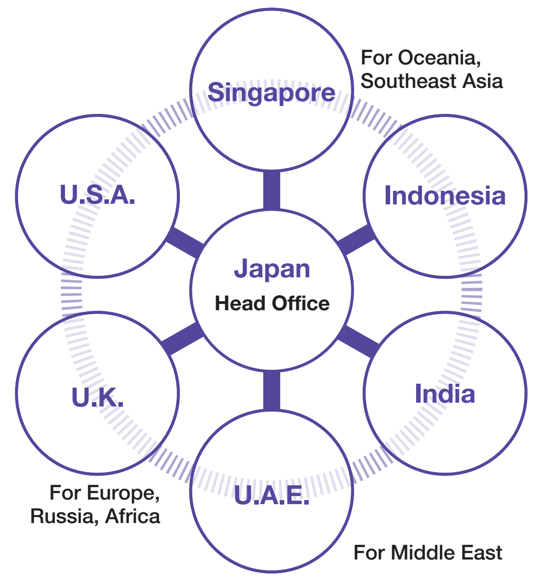
2. Expanding our after-sales service business

Over the past 10 years, Torishima has gained a strong performance record in its service business. Our successful strategy in this business has been based on establishing service facilities at our centers (with some currently under construction), including the previously mentioned TSS in the U.A.E. (Diagram 2). Since the 1960s, we have delivered a large number of pumps to the Middle East, and, as these pumps and plants have aged in recent years, the need for maintenance services has risen. By building a specialized service center in this region, we have been able to respond to service needs more urgently and with increased accuracy. When we respond efficiently to customer needs for maintenance, this gives rise to further needs and business opportunities, thereby creating a virtuous circle. Also, at P.T. Torishima Guna Engineering in Indonesia, our service center in that country, we are responding to needs that are growing annually and expanded our service facilities there last year. We plan to substantially strengthen our service operations in Indonesia going forward.

We have also set up service facilities in Singapore, and our service facilities in India is scheduled for completion this year. We have already delivered several hundred boiler circulation pumps in India and are, therefore, forecasting growth in service needs, and are making preparations to respond to these expanding service requirements.

Torishima's service business consists of more than the maintenance of aging pumps and changing parts and components. It includes providing customers with proposals for comprehensive energy-saving solutions, including improving pump efficiency, lengthening the lives of existing equipment, improving overall performance of customer facilities, and reducing running costs. Looking ahead, we will continue to implement strategies appropriate for the needs of each market, drawing on Torishima's strengths and capabilities.

Diagram 2: Torishima's Service Network



3. Actively implementing proposal-based sales of energy conservation solutions

As mentioned previously, there is a global requirement for energy-saving solutions and sustainable development. This is particularly true in Japan, where electric power shortages have persisted. Since the nuclear accidents in 2011, electric utilities, one after another, have raised power rates. As a result, there has been a paradigm shift, and the idealist view of "it will be good if we can save electricity" has given way to "we must save electricity."

Under the banner of "Saving the world with pumps," Torishima is conducting its "Go green with pumps" campaign to communicate broadly how pumps can help save energy. Particularly in recent years, mainly in Japan, we have placed emphasis on promoting sales of "Eco-pumps," which are compact, energy-saving pumps, with standard industrial application. These pumps achieve major savings in power usage because we have drawn on the technology we developed in manufacturing large-scale, high-pressure pumps for use in desalination plants and power plants. We have insisted that these Eco-pumps be designed to be highly energy-saving, and this has won favorable response from our customers.

Japan is also in the midst of efforts to renew its infrastructure. Since this is Torishima's original area of business, we believe this infrastructure renewal will bring opportunities for us to play a major role.

As we have outlined, we are fortunate now to have a relatively positive external environment. However, we feel strongly that we cannot rest on our laurels; in times like these, we must evaluate our current position and create a resolute and firm business style.

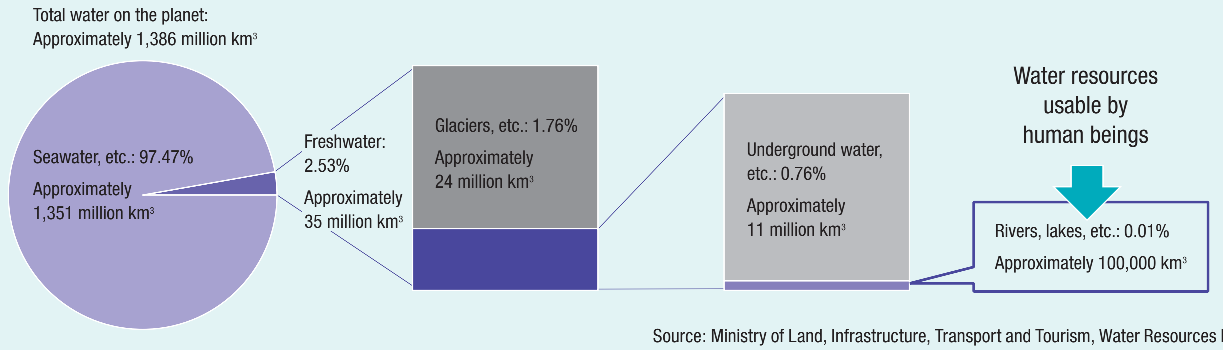
As we continue to make progress in globalization and other areas, we look forward to your continuing understanding and support.

Kotaro Harada
President and Chief Executive Officer

Seawater Desalination

The Earth is often called the "Water Planet." However, almost 97.5% of the water on the face of the planet is seawater. Only 2.5% is freshwater, and the proportion available for domestic use and for industrial purposes is an even smaller fraction of that, about 0.01% of all the water on the planet.

Balance Sheet of the Earth's Water Resources

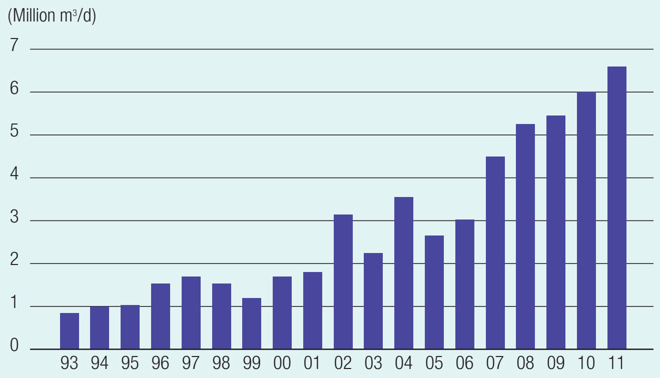


Source: Ministry of Land, Infrastructure, Transport and Tourism, Water Resources Bureau, Water Resources Department, *Japan's Water Resources in 2010*

Water is a precious resource, and the volume of water that is usable is declining because of climate change and environmental damage. The world's population has exceeded seven billion people and is expanding steadily. Continuing economic development in emerging countries has resulted in an increased demand for water resources. Many of the world's regions have scarce water resources to begin with. Water shortages are a serious problem. The technology that can solve this problem and has been given most attention is seawater desalination. Pumps are used at all stages of the seawater desalination process, from supplying seawater to the desalination plant, to the desalination process itself, to delivering the usable water output of the plant to factories, farms, and households.

In point of fact, the world market for seawater desalination has been expanding rapidly over the past 10 years, and, by 2025, desalination capacity is forecast to rise to three times the level in 2007. The market is expanding around the world, with the Middle East accounting for one-third of all desalination capacity.

New Desalination Capacity Online: 1993 to 2011



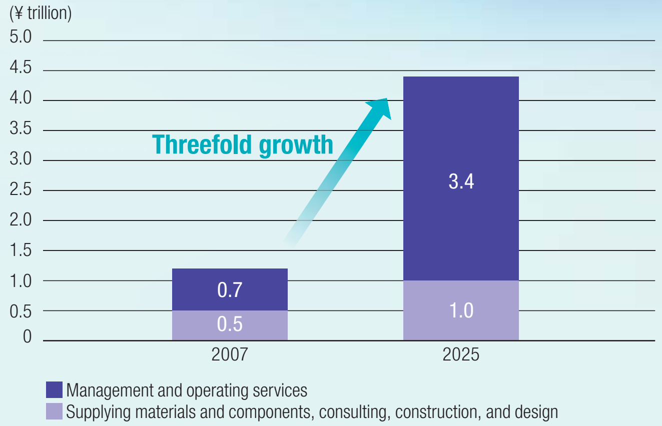
Source: GWI Desal Data/IDA

Torishima has played a pioneering role in the seawater desalination field and manufactures pumps for all stages of the desalination process for the thermal methods (multi-stage flash (MSF), the multi-effect distillation (MED)) and the reverse osmosis (RO) method of desalination. These Torishima capabilities contribute to facilitating integrated plant construction and are one of its strengths.

Torishima has supplied pumps for thermal method desalination plants for 40 years and has delivered a large number of pumps to the largest desalination facilities in the world. In general, under the thermal desalination method, as represented by the MSF process, electric power plants are located adjacent to the desalination plants, and the heat emitted by the power plants is used in the desalination process, making it possible to produce large volumes of freshwater. Many facilities of this type have been built in the Middle East, where not only water but also electric power tends to be in short supply, accompanying economic development and population growth. Torishima pumps have been in service since 2009 in the largest MSF plant in the world, which is located in Saudi Arabia and has an output of 880,000 m³ per day.

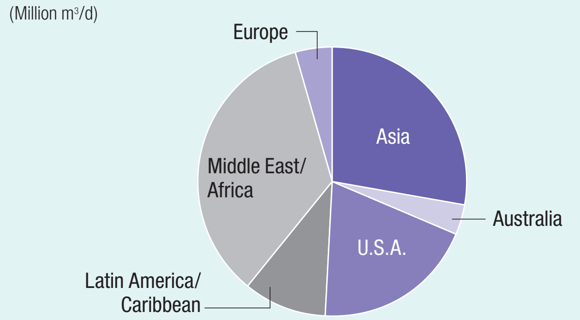
In recent years, the use of the RO method of seawater desalination has expanded rapidly throughout the world. Under the RO method, seawater is forced through tiny openings, too small to be seen by the naked eye, in RO membranes to produce freshwater. The seawater needs to be pumped through the RO membranes under high pressure, so high-pressure pumps are at the heart of RO desalination technology. Torishima has a successful record of supplying these RO plant pumps for more than 25 years and has delivered large numbers of large-scale, high-pressure pumps. Major orders received have included high-pressure pumps for the largest RO plant in North Africa in 2005, some of the largest high-pressure pumps with a flow volume of 2,000 m³ per hour to Australia in 2007, and high-pressure pumps for the

Outlook for Growth of the Seawater Desalination Market



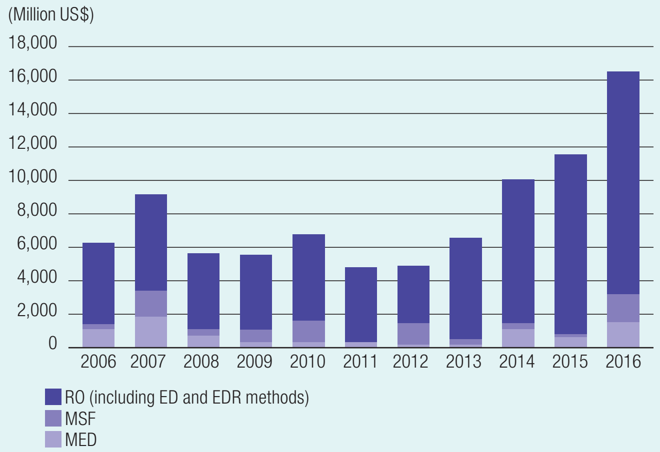
Source: Prepared from materials published by the Ministry of Economy, Trade and Industry

Annual New Contracted Capacity by Region in 2011



Source: Prepared from *IDA Yearbook 2012-2013*

Demand Forecast by Desalination Technology



Source: GWI Desal Data

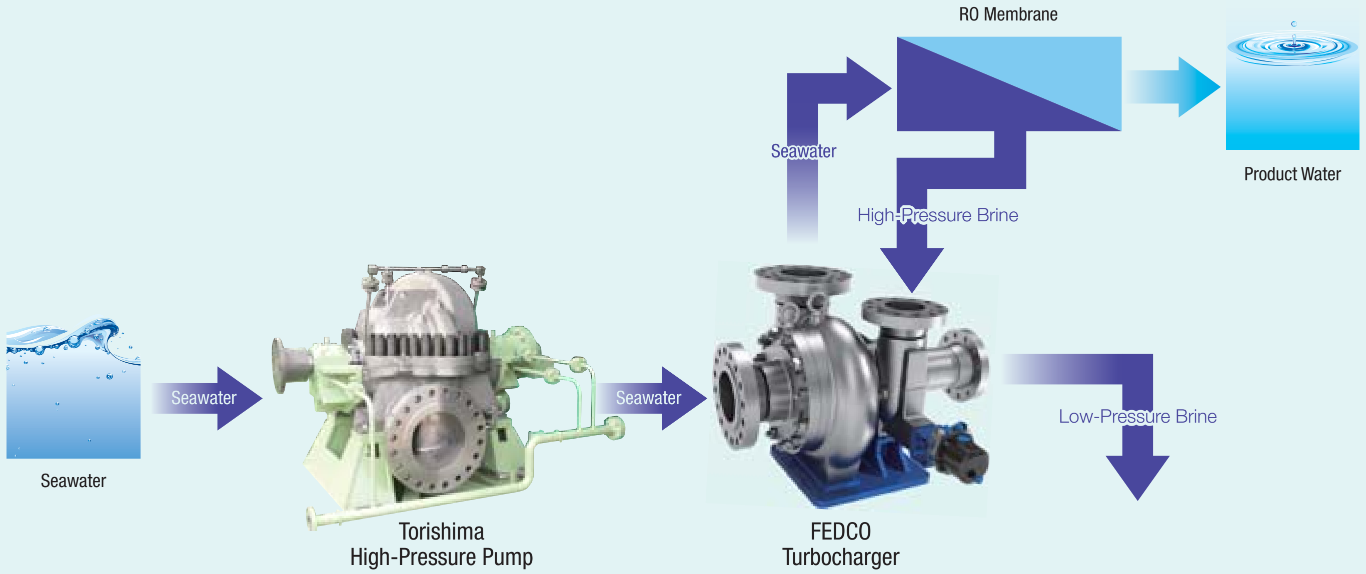
largest RO plant in Australia in 2009. Also, in 2011, Torishima received orders for pumps for the RO process in the largest-scale seawater desalination plant in the world, with a capacity of more than one million m³ per day, which is now under construction in Saudi Arabia.

In June 2013, U.S. company FEDCO became an affiliate of Torishima. FEDCO has the largest share in the world market for turbochargers used for energy recovery in RO desalination plants and top-level technologies in the field of water transfer rotary equipment, especially small and medium-sized high-pressure pumps for RO use.

As a result, Torishima has become the only company in the world offering a full lineup of high-pressure pumps, from small to large units, and energy-recovery equipment. Going forward, Torishima will continue to respond to client needs as the demand for water rises.

First-pass high-pressure pump delivered for the seawater desalination plant in Saudi Arabia in 2012

Abbreviated Outline of an RO Seawater Desalination Process



TOPIC Torishima and FEDCO as Partners

In June 2013, Fluid Equipment Development Company, LLC (FEDCO) became an affiliate of Torishima. The strengths of FEDCO include its leading position in the design, manufacturing, and sales of high-pressure pumps and energy-recovery devices that are especially suited to desalination plants. Working in partnership, Torishima and FEDCO are strengthening their drive for greater penetration of global markets, and accelerating the development of unique "energy-efficient" and "energy-recovery" pumps and other rotating equipment.

Prior to the purchase of 50% of FEDCO's shares, in June 2012, Torishima and FEDCO established a joint venture, Advanced Pumps International LLC, to develop, manufacture, sell, and service pumps for the oil and gas industry. This joint venture will be Torishima and FEDCO's operations base in the United States, where the shale gas business is expected to show substantial growth in the years ahead, as well as their global base for building a strong position in the worldwide oil and gas market.

The principal strategic benefits of the close partnership between Torishima and FEDCO will include

- **A full range of products:**
  The combined capabilities and product lineups of Torishima and FEDCO will consolidate the dominance of both companies in the desalination market. It will also make their joint venture, Advanced Pumps International, well-placed to increase its penetration of the fast-growing oil and gas sector.
- **A manufacturing and service base in the United States:**
  Previously, Torishima lacked production and after-sales service bases in the United States. The partnership with FEDCO will have an immediate effect for conventional pump operations and give Torishima a presence in all major continents.
- **Lean manufacturing:**
  FEDCO's advanced Lean Engineering System will facilitate efficient global expansion.

Company Name	Fluid Equipment Development Company, LLC
Headquarters	Monroe, MI, U.S.A.
Representative	Eli Oklejas, President
Business Description	Design, manufacturing, and sales of high-pressure pumps and energy recovery devices especially suited to desalination plants

FEDCO's High-Pressure Pump

FEDCO's Turbocharger

Research and Development

Torishima is researching and developing high-efficiency, high-speed pumps under the slogan, "Strive to be the world's best."

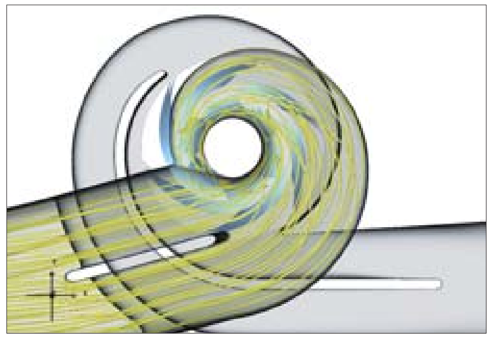
The population of the world has exceeded seven billion, and forecasts predict further growth in the demand for energy and water resources. Global warming and protecting the environment are issues that should concern all of us. The accidents at the Daiichi Fukushima nuclear power plant subsequent to the Great East Japan Earthquake resulted in the closure of almost all nuclear power generating facilities in Japan, and we are facing power shortages of crisis proportions. Under these tight supply and demand conditions for electric power, the need for technologies to conserve energy and other resources has never been greater.

What is Torishima's role in this? Much of the energy consumed at electric power, desalination, and other industrial plants goes on running pumps. That is why, in our R&D activities, we are working to reduce pump power requirements by developing the best high-efficiency, high-speed pumps in the world. This is an important contribution to preserving energy and natural resources.

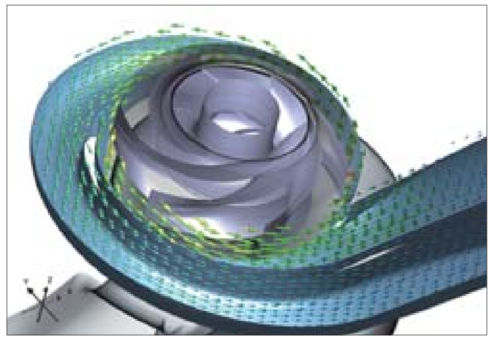
In-house testing of a double-suction centrifugal pump for use in desalination plants

In fiscal 2012, we worked to accelerate hydropower development by using our large-scale cluster system. Principal areas of focus were large-scale boiler feed pumps for supercritical coal fired power plants, boiler feed pumps for incinerating power plants, new-type double-suction centrifugal pumps for desalination plants, and standard pumps sold under the name "Eco-pumps" for industrial process use.

In fiscal 2013, we will develop new products to meet the needs of existing markets, including boiler feed pumps for the thermal power plant market, which is expected to expand in the years ahead. In addition, we will develop pumps for new markets, including the oil and gas industry. We are committed to continuing R&D activities that will satisfy our customers.



Suction volute



Discharge volute

Example of the analysis of the smoothness of liquid flows inside pumps using Computational Fluid Dynamics (CFD)

Corporate Governance and Internal Controls

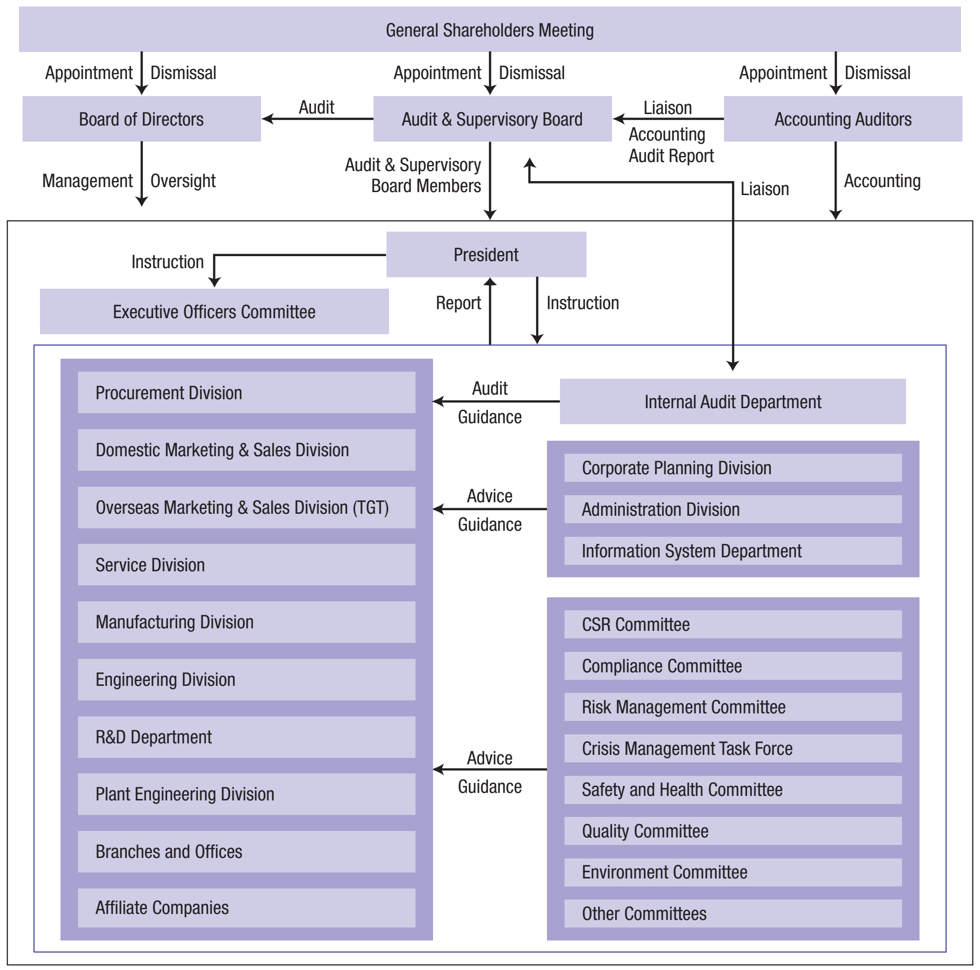
The basic approach of the Torishima Group to corporate governance is expressed in the Company's business creed as follows: "The Torishima Group has consistently accorded highest priority to winning and maintaining the customer's solid trust." This trust must be built up over time, and unlike financial 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 Audit & Supervisory Board system. The Board comprises four Audit & Supervisory Board Members, including three outside members. All standing members and outside members 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 members 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 Audit & Supervisory Board receives reports from the accounting auditors.

The Company has adopted an executive officer system under which the responsibilities and functions of Torishima directors,

Corporate Governance Structure



who oversee business operations, and its executive officers, 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 the Audit & Supervisory Board 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 one outside director and three outside Audit & Supervisory Board Members, 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 Audit & Supervisory Board Members 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

Compliance Committee	
Chairman	President
Vice Chairman	General Manager of Administration Division
Standing Committee Members	General Managers of Administration Division, etc. President of Kyushu Torishima Co., Ltd.

↔

Compliance Committee Office
General Manager of Personnel & General Affairs Department General Manager of General Affairs Section

↓

Compliance Administrator
Department General Managers

↓

Compliance Administrator (Head Office)
Section Managers

Regional Compliance Administrators (Branches, Sales Offices)
Branch and Office Managers

Directors and Audit & Supervisory Board Members (As of July 1, 2013)

Directors

Kotaro Harada
President and Representative Director

Hiromichi Fujikawa
Representative Director

Yasunao Hirota

Sadao Uchida

Tetsuya Kujima

Manabu Fujise

Audit & Supervisory Board Members

Kinichi Yoshida

Akira Toyokura

Akira Tsuda

Shiro Hakukawa

Executive Officers

CEO
Kotaro Harada
President

Senior Managing Executive Officer
Hiromichi Fujikawa
General Manager of Domestic Marketing & Sales Division

Managing Executive Officers
Sadao Uchida
General Manager of Manufacturing Division

Tetsuya Kujima
General Manager of Procurement Division

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

Executive Officers
Satoshi Tomizawa
General Manager of Corporate Planning Division, General Manager of Investor & Public Relations Office

Haruhisa Sumi
General Manager of Administration Division, General Manager of Personnel & General Affairs Department

Koichi Otao
General Manager of Accounting Department

Ryusuke Okada
Deputy General Manager of Domestic Marketing & Sales Division

Takayoshi Yoshida
General Manager of Tokyo Branch

Masahiro Yamazaki
Deputy General Manager of Overseas Marketing & Sales Division (TGT)
General Manager of TGT Management Department

Mike Choi
Managing Director of Torishima Hong Kong Ltd.

Fumikazu Ohya
Deputy General Manager of Overseas Marketing & Sales Division (TGT)

Yutaka Tsuaki
General Manager of Service Division

Nobuyuki Yoshikawa
Deputy General Manager of Manufacturing Division

Koichiro Hamu
General Manager of Engineering Division

Masahisa Ikuta
General Manager of Plant Engineering Division, General Manager of Al Ain Project Office

Takashi Kondo
General Manager of Middle East Branch, General Manager of TGT Project Department

Corporate Organization

(As of July 1, 2013)

President
- Corporate Planning Division
- Torishima Innovation System Project Office
- Information System Department
- Corporate Social Responsibility Department
- Internal Audit Department
- Quality Management Department
- Research & Development Department
- Administration Division
- Procurement Division
- Domestic Marketing & Sales Division
- Overseas Marketing & Sales Division (Torishima Global Team (TGT))
- Service Division
- Manufacturing Division
- Engineering Division
- Plant Engineering Division

Corporate Social Responsibility (CSR)

The increase in the world's population, the growth in the world economy, especially in the emerging countries, consumer spending, and the scale of production are on upward trends, making the consumption of resources and energy and the load on the environment major issues for society today. Amid these operating conditions, corporate management that takes account of the need to be environmentally conscious is becoming increasingly important. Torishima is working to fulfill its social responsibilities in three areas:

Technology That Safeguards the Environment | Environmental Management | Contributing to Society

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

Technologies That Safeguard the Environment

With the overarching theme of "Protecting resources through energy-efficient products," Torishima is providing society with products, especially high-efficiency pumps that contribute to reducing the burden on the environment, as well as products that form the basis for renewable energy sources. In July 2012, a system for fixed-price purchasing of renewable energy went into effect in Japan. As efforts to reduce the burden on the environment and the role of renewable energy become more important, Torishima will aim to contribute to the Earth's future by being an enterprise that is committed to energy conservation.

Torishima's environmentally conscious products

- High-efficiency pumps for seawater desalination, thermal power generation, geothermal power generation, and solar thermal power generation
- Standard industrial "Eco-pumps" that apply the technology developed for large-scale, high-pressure pumps
- Reverse pump water turbine for mini- and micro-hydro power generation
- Provision and maintenance services for wind power generation systems

Environmental Management

Torishima engages mainly in the following initiatives in its production activities to reduce the environmental burden and prevent environmental pollution.

- **Resource and energy conservation:**
  Reduced CO_2 emitted per unit of production by 6% or more in fiscal 2011 (which was 20% lower than the level of CO_2 emissions in fiscal 1990)
- **Recycling:**
  Aiming to increase the ratio of resource reuse and reduce wastes to zero (reuse ratio of 98% or higher)
- **Reduction in hazardous chemical substances:**
  Optimizing paint usage / Restraining emissions of volatile organic compounds (VOCs) through the reuse of detergent compounds
- **Environmental preservation and improvement activities:**
  Strengthening measures to clean up soil and groundwater / Measures to deal with odors

Also related to environmental management in fiscal 2012, Torishima continued to improve its environmental performance by reducing the burden that its corporate activities, products, and services place on the environment. Torishima's Qatar project office and its Middle East office in Abu Dhabi, U.A.E., received certifications for meeting the requirements of ISO 14001 (Environmental Management Systems) and ISO 9001 (Quality Management Systems).

Contributing to Society

In response to demands for greater corporate social responsibility, Torishima continued to strive to achieve a balance between the three values of "society, economy, and environment" while also working to strengthen its internal systems, including those related to corporate governance, risk management, and internal control (as required under J-SOX regulations).

(Please refer also to page 13, Corporate Governance and Internal Controls.)

Torishima implemented measures to strengthen not only its internal systems but also its relationships with stakeholders. For example, we provided financial support for research in hydraulics, and also for scholarship funds. We also participate in a career awareness program, and young Torishima employees visit nearby primary schools to teach children the importance of contributing to society through their work.

Torishima staff visit nearby primary schools to conduct "Dreams Come True" classes to demonstrate how pumps work.

Among other activities, Torishima has received certification under the Occupational Safety and Hygiene Management System (OSHMS) criteria and implemented related safety and hygiene activities. Torishima has also prepared a Business Continuity Management (BCM) manual and conducted employee training and education in preparation for times of disasters.

Fire drill training at Torishima's Head Office plant

TOPIC Introduction of the Building Energy Management System

Torishima introduced its Building Energy Management System (BEMS) in fiscal 2012 to make the volume of energy usage for air conditioning, lighting, and other purposes more transparent. BEMS makes planned electric power conservation and the restraint of peak power demand possible.

In August 2012, to determine how much the power load can be adjusted during times of power shortages, Torishima participated in power load adjustment tests implemented by Kansai Electric Power Co., Inc. Torishima was able to restrain its peak power demand by stopping elevators and turning off fluorescent lighting during the three hours between 1PM and 4PM.

Kansai Electric Power is accumulating knowledge on how to restrain the peak power load through these tests, including the collection and analysis of various kinds of related data, with the objective of maximizing its capabilities for stable power supply. Through the introduction of BEMS at Torishima, power usage has become more transparent, and the awareness of the need for energy conservation has risen. Going forward, efforts will be made to restrain unnecessary power usage and conserve electricity.

Financial Review

Consolidated Operating Results

Analysis of Consolidated Operating Results

Results of Operations

During fiscal 2012, ended March 31, 2013, developments in the world economy included the following. The prolonged European debt crises moved out of their temporary worst phases as a result of the creation of a safety net. Although consumer spending in the United States showed firm expansion, supported by recovery in employment and housing markets, the Chinese economy exhibited further signs of deceleration because of the decline in economic growth rates.

In addition, in Europe, movements toward placing public finances on a sounder footing continued to provide support for the economies of the regions. In the emerging countries, including India and other Asian countries, conditions were generally severe, as policies to restrain inflation and the decline in exports from these countries accompanying the deterioration in the European economies led to a weakening of growth rates.

In Japan, positive expectations are arising from bold monetary and fiscal policies, and sentiment regarding future directions has brightened because of the rise in stock prices and the correction of the overvaluation of the yen. However, this has not led to the emergence of clear signs of improvement in the real economy. Overall, the economy remains in a moderate recovery phase supported by signs of recovery in personal consumption and the movement toward reconstruction and recovery in the regions affected by the Great East Japan Earthquake of March 2011.

In the pumps industry, trends continued to remain firm in demand linked to overseas water and energy sectors, and expectations of full-scale economic recovery increased. However, competition for orders was severe because of such factors as the rise in raw material commodity prices, the stagnation in the global economy, and the cautious attitude of corporations regarding capital investment.

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 2012, the Torishima Group won orders on a consolidated basis totaling ¥40,975 million (representing a 4% increase over ¥39,579 million in the previous fiscal year). By demand category, orders placed by the domestic public sector amounted to ¥10,971 million (5% lower than the ¥11,600 million reported in the previous fiscal year); the domestic private sector accounted for ¥5,733 million (8% lower than the ¥6,205 million placed in the previous fiscal year); and orders placed by overseas customers totaled ¥24,270 million (11% higher than the ¥21,772 million of the prior fiscal year).

Net sales on a consolidated basis in fiscal 2012 were ¥45,975 million (1% below the ¥46,453 million in the previous fiscal year). At the end of fiscal 2012, the backlog of unfilled orders carried forward to fiscal 2012 amounted to ¥35,342 million (12% lower than the ¥40,342 million at the end of fiscal 2011).

Because of the weakness in total sales and an increase in products with relatively lower profit margins, operating income for the fiscal year was ¥517 million (representing a 77% decline from ¥2,286 million in the previous fiscal year). Ordinary income decreased to ¥1,389 million (53% below the ¥2,929 million reported in the previous fiscal year) and included a foreign exchange gain of ¥398 million. Net income for fiscal 2012 amounted to ¥944 million (37% lower than the ¥1,498 million reported a year earlier). Extraordinary gains and losses influencing net income included the reporting of a loss of ¥66 million on the sale of the stock of subsidiaries and an impairment loss of ¥8 million due revaluation losses on idle land assets.

Forecast for Fiscal 2013 and the Medium-Term Business Plan

At the present time, although there are concerns about a slowdown in growth in the emerging countries, the world's population has exceeded seven billion, major issues for the world economy as a whole continue to include securing sufficient water and food and energy resources as well as using them efficiently. In fiscal 2013, the business environment is forecast to take a turn for the better. Major developments expected include expansion in the overseas water market accompanying the population increase, urbanization, and industrialization, an active market for gas combined-cycle power generation facilities stimulated by the shale gas revolution, public works construction in Japan in connection with plans to strengthen the country, expansion in the equipment service business accompanying the renewal of Japan's aging infrastructure, and the correction in the ultrahigh values of the yen (which has been stronger than ¥80 to the U.S. dollar since 2010) that has accompanied the Bank of Japan's bold policy of monetary easing.

In view of this outlook, through the development and offering of high-efficiency pumps, Torishima is aiming for energy-conservation solutions that contribute to world development. To attain this goal, in addition to "growth within the Torishima Group," we are actively considering alliances outside our Group.

The Torishima Group has reviewed the three-year Medium-Term Business Plan that it prepared in fiscal 2012 and is formulating a new three-year plan that will commence in fiscal 2013. Under this new plan, Torishima will move forward with its TGT (Torishima Global Team) activities that it has pursued for the past 10 years and proceed to attain further expansion with a focus on business opportunities in water and energy related businesses. At the same time, Torishima will also conduct a thoroughgoing review of its business processes and work to strengthen its business and financial positions.

Targets of the Three-Year Business Plan

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
	Actual (¥ million)	Planned (¥ million)	Planned (¥ million)	Planned (¥ million)
Orders received	40,975	46,000	52,000	58,000
Net sales	45,974	42,000	47,000	52,000
Operating income	517	1,000	2,000	4,000
Ordinary income	1,389	1,000	2,000	4,000
Net income	943	700	1,500	3,000

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 2012 amounted to ¥68,233 million, ¥7,420 million higher than at the end of the previous fiscal year. This increase was mainly due to an increase in cash and time deposits accompanying borrowings (an increase of ¥4,441 million) and a rise in the value of investment securities due to the recovery in stock market prices (amounting to an increase of ¥1,896 million).

Liabilities at the end of fiscal 2012 were ¥34,631 million, ¥5,593 million higher than at the end of the previous fiscal year. This increase was mainly due to a rise in long-term debt (amounting to ¥2,840 million) and an increase in short-term borrowings (amounting to ¥2,303 million).

Net assets amounted to ¥33,602 million at the end of the fiscal year, ¥1,827 million higher than at the end of the prior fiscal year. This was mainly due to an unrealized gain on available-for-sale securities (amounting to ¥1,048 million) accompanying the recovery in stock market prices.

Consolidated Cash Flows

Cash and cash equivalents (hereinafter, cash) at the end of fiscal 2012 were ¥11,963 million, ¥4,441 million higher than at the end of the previous fiscal year. Trends in cash flows and the reason for movements in cash flows during the fiscal year were as follows.

• Operating cash flows

Net cash provided by operating activities amounted to ¥3,513 million (compared with net cash provided of ¥2,662 million in the previous fiscal year). Although income before income taxes and minority interests decreased ¥988 million, to ¥1,314 million, this was offset by a decrease in inventories of ¥1,520 million and an increase in notes and accounts payable-trade of ¥948 million.

• Investing cash flows

Net cash used in investing activities amounted to ¥3,966 million (compared with net cash of ¥1,270 million used in the previous fiscal year). This cash outflow was accounted for mainly by purchases of intangible fixed assets amounting to ¥1,617 million and purchases of tangible fixed assets of ¥1,467 million as well as other factors.

• Financing cash flows

Net cash provided by financing activities amounted to ¥4,357 million (compared with net cash used in financing activities of ¥2,371 million in the previous fiscal year). Although total cash dividends of ¥505 million were paid to shareholders, this was offset by proceeds from long-term debt of ¥4,500 million and other factors.

Basic Policy for Allocation of Income and Dividends for Fiscal 2012 and Fiscal 2013

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 2012, the Torishima Group paid a regular interim dividend of ¥9 per share. In paying its fiscal year-end dividend, the Group emphasized providing a return to shareholders and also paid a dividend of ¥9 per share. Thus, the dividend for the full fiscal year, including interim and fiscal year-end dividends, was ¥18 per share.

For fiscal 2013, the Torishima Group is planning to pay a dividend for the full year of ¥18 per share.

Consolidated Balance Sheets

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2013**	2012	**2013**
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	**¥11,963**	¥ 7,522	**$127,266**
Notes and accounts receivable: (Note 13)			
Trade	**24,201**	23,763	**257,457**
Unconsolidated subsidiaries and associated companies	**255**	250	**2,713**
Other	**506**	457	**5,383**
Allowance for doubtful accounts	**(113)**	(86)	**(1,202)**
Inventories (Note 4)	**6,757**	8,241	**71,883**
Advance payments	**582**	635	**6,191**
Deferred tax assets (Note 10)	**749**	1,148	**7,968**
Other current assets	**794**	323	**8,447**
Total current assets	**45,694**	42,253	**486,106**
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 5 and 6)	**1,978**	1,843	**21,043**
Buildings and structures (Note 6)	**9,099**	8,251	**96,798**
Machinery and equipment (Note 6)	**12,552**	12,836	**133,532**
Construction in progress	**287**	1,012	**3,053**
Lease assets (Note 12)	**918**	725	**9,766**
Total	**24,834**	24,667	**264,192**
Accumulated depreciation	**(14,990)**	(15,249)	**(159,468)**
Net property, plant and equipment	**9,844**	9,418	**104,724**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 13)	**7,897**	6,405	**84,011**
Investments in and advances to unconsolidated subsidiaries and associated companies	**1,792**	876	**19,064**
Deferred tax assets (Note 10)	**799**	989	**8,500**
Software in progress	**1,763**	208	**18,755**
Other assets (Notes 13 and 19)	**444**	664	**4,723**
Total investments and other assets	**12,695**	9,142	**135,053**
TOTAL	**¥68,233**	¥60,813	**$725,883**

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 ¥94.00=U.S.$1, the exchange rate prevailing at March 31, 2013.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	**2013**	2012	**2013**
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 13)	**¥ 3,824**	¥ 2,141	**$ 40,681**
Current portion of long-term debt (Notes 6, 12 and 13)	**1,750**	1,126	**18,617**
Notes and accounts payable: (Note 13)			
Trade	**11,991**	10,789	**127,564**
Unconsolidated subsidiaries and associated companies	**23**	55	**245**
Other	**744**	757	**7,915**
Advances received from customers	**2,452**	3,269	**26,085**
Income taxes payable (Note 13)	**127**	51	**1,351**
Allowance for product warranties	**413**	1,236	**4,394**
Allowance for losses on construction contracts	**217**	323	**2,308**
Accrued expenses	**1,152**	1,385	**12,255**
Other current liabilities	**1,913**	545	**20,351**
Total current liabilities	**24,606**	21,677	**261,766**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 13)	**7,957**	5,126	**84,649**
Liability for retirement benefits (Note 7)	**1,806**	1,912	**19,213**
Other long-term liabilities (Note 10)	**262**	323	**2,787**
Total long-term liabilities	**10,025**	7,361	**106,649**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14 and 15)			
EQUITY (Notes 8, 9 and 18):			
Common stock, authorized, 60,000 thousand shares; issued 29,889 thousand shares in 2013 and 2012	**1,593**	1,593	**16,947**
Capital surplus	**7,814**	7,804	**83,128**
Stock acquisition rights	**91**	81	**968**
Retained earnings	**23,952**	23,541	**254,809**
Treasury stock—at cost 1,828 thousand shares in 2013 and 1,837 thousand shares in 2012	**(969)**	(973)	**(10,309)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	**903**	(145)	**9,606**
Deferred loss on derivatives under hedge accounting	**(285)**	(265)	**(3,032)**
Foreign currency translation adjustments	**(105)**	(353)	**(1,117)**
Total	**32,994**	31,283	**351,000**
Minority interests	**608**	492	**6,468**
Total equity	**33,602**	31,775	**357,468**
TOTAL	**¥68,233**	¥60,813	**$725,883**

Consolidated Statements of Income

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET SALES	¥45,975	¥46,453	$489,096
COST OF SALES (Notes 11 and 12)	37,960	37,493	403,830
Gross profit	8,015	8,960	85,266
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 12)	7,498	6,674	79,766
Operating income	517	2,286	5,500
OTHER INCOME (EXPENSES):			
Interest and dividend income	193	241	2,053
Interest expense	(107)	(141)	(1,138)
Loss on valuation of investment securities (Note 3)		(556)	
Gain on foreign exchange—net	398	277	4,234
Reversal of allowance for doubtful accounts	132	8	1,404
Equity in earnings of associated companies	152	77	1,617
Other—net (Note 5):	29	111	309
Other income—net	797	17	8,479
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	1,314	2,303	13,979
INCOME TAXES (Note 10):			
Current	141	191	1,500
Deferred	134	505	1,426
Total income taxes	275	696	2,926
NET INCOME BEFORE MINORITY INTERESTS	1,039	1,607	11,053
MINORITY INTERESTS IN NET INCOME	95	109	1,010
NET INCOME	¥ 944	¥ 1,498	$ 10,043

	Yen		U.S. Dollars
	2013	2012	2013
PER SHARE OF COMMON STOCK (Notes 2. v and 17):			
Basic net income	¥ 33.64	¥ 53.38	$ 0.36
Diluted net income	33.54	53.27	0.36
Cash dividends applicable to the year	18.00	18.00	0.19

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET INCOME BEFORE MINORITY INTERESTS	¥1,039	¥1,607	$11,053
OTHER COMPREHENSIVE INCOME (Note 16):			
Unrealized gain (loss) on available-for-sale securities	1,048	(109)	11,149
Deferred loss on derivatives under hedge accounting	(20)	(347)	(213)
Foreign currency translation adjustments	276	54	2,936
Share of other comprehensive income in associates	3	2	32
Total other comprehensive income	1,307	(400)	13,904
COMPREHENSIVE INCOME	¥2,346	¥1,207	$24,957
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥2,220	¥1,119	$23,617
Minority interests	126	88	1,340

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2013

	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 Gain (Loss) on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjust-ments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 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
Net income						944					944		944
Cash dividends, ¥18.00 per share						(505)					(505)		(505)
Purchase of treasury stock		(4)					(3)				(3)		(3)
Disposal of treasury stock		13		10			7				17		17
Changes in reporting entity						(28)					(28)		(28)
Net change in the year					10			1,048	(20)	248	1,286	116	1,402
BALANCE, MARCH 31, 2013	29,889	(1,828)	¥1,593	¥7,814	¥91	¥23,952	¥(969)	¥ 903	¥(285)	¥(105)	¥32,994	¥608	¥33,602

	Thousands of U.S. Dollars (Note 1)										
						Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjust-ments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2012	$16,947	$83,021	$862	$250,436	$(10,351)	$ (1,543)	$(2,819)	$(3,755)	$332,798	$5,234	$338,032
Net income				10,043					10,043		10,043
Cash dividends, $0.19 per share				(5,372)					(5,372)		(5,372)
Purchase of treasury stock					(32)				(32)		(32)
Disposal of treasury stock		107			74				181		181
Changes in reporting entities				(298)					(298)		(298)
Net change in the year			106			11,149	(213)	2,638	13,680	1,234	14,914
BALANCE, MARCH 31, 2013	$16,947	$83,128	$968	$254,809	$(10,309)	$ 9,606	$(3,032)	$(1,117)	$351,000	$6,468	$357,468

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 1,314	¥2,303	$ 13,979
Adjustments for:			
Income taxes—paid	(165)	(754)	(1,755)
Income taxes—refunded	259		2,755
Depreciation and amortization	1,231	1,097	13,096
Loss on devaluation of investment securities		556	
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(101)	(645)	(1,075)
Decrease (increase) in inventories	1,520	(28)	16,170
Decrease in advance payments	79	348	840
Increase in notes and accounts payable	1,133	162	12,053
(Decrease) increase in advances received from customers	(903)	677	(9,606)
(Decrease) increase in allowance for doubtful accounts	(102)	117	(1,085)
Decrease in allowance for product warranties	(823)	(376)	(8,755)
Decrease in allowance for losses on construction contracts	(106)	(356)	(1,128)
Decrease in liability for retirement benefits	(100)	(131)	(1,064)
Other—net	277	(308)	2,947
Total adjustments	2,199	359	23,393
Net cash provided by operating activities	3,513	2,662	37,372
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(1,467)	(1,630)	(15,606)
Purchases of intangibles	(1,617)	(109)	(17,202)
Increase in investments in unconsolidated subsidiaries	(239)	(2)	(2,542)
Proceeds from sales of investment securities	7	418	75
Payments of loans receivable	(305)	(72)	(3,245)
Collection of loans receivable	82	95	872
Proceeds from cancellation of insurance reserve fund		38	
Other	(427)	(8)	(4,543)
Net cash used in investing activities	(3,966)	(1,270)	(42,191)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings—net	1,607	(1,738)	17,096
Proceeds from long-term debt	4,500	18	47,872
Repayments of long-term debt	(1,095)	(125)	(11,649)
Dividends paid	(505)	(506)	(5,372)
Other	(150)	(20)	(1,596)
Net cash provided by (used in) financing activities	4,357	(2,371)	46,351
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	529	80	5,628
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,433	(899)	47,160
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	8	347	85
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,522	8,074	80,021
CASH AND CASH EQUIVALENTS, END OF YEAR	¥11,963	¥7,522	$127,266

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2013

1. BASIS OF PRESENTATION OF 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 accordance 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 2012 consolidated financial statements to conform to the classifications used in 2013.

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 ¥94 to $1, the approximate rate of exchange at March 31, 2013. 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, 2013 include the accounts of the Company and its seventeen significant (seventeen in 2012) 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 (zero in 2012) unconsolidated subsidiaries and three (three in 2012) 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 such 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 Combinations

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 allowed 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 are 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.

The Company consolidated P.T. Torishima Gura Indonesia and P.T. Geteka Founindo from April 1, 2011. 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.

Nonmarketable 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 based on 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 their long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is 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 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 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 Audit & Supervisory Board Members are provided at the amount which would be required if all directors and Audit & Supervisory Board Members 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 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 adjustment to 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 measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense 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. 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 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 is deemed to 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 rate. Differences arising from such translation are 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 consolidated statements of income and
b) for derivatives used for hedging purposes, if such 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.

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.

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 their 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 following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

x. Reclassifications
Prior to April 1, 2012, the software in progress was included in the other assets among the investments and other assets section in the consolidated balance sheet. During the fiscal year ended March 31, 2013, the amount is disclosed separately in the investments and other assets section in the consolidated balance sheet as of March 31, 2013 due to an increase in the quantitative materiality of that item. The amount included in the other assets as of March 31, 2012, was ¥208 million.

Prior to April 1, 2012, the reversal of allowance for doubtful accounts was included in the other income (expenses) in the consolidated statement of income. During the fiscal year ended March 31, 2013, the amount is disclosed separately in other income (expenses) in the consolidated statement of income as of March 31, 2013 due to an increase in the quantitative materiality of that item. The amount included in the other income (expenses) as of March 31, 2012, was ¥8 million.

Prior to April 1, 2012, the purchase of intangibles was included in the investing activities in the consolidated statement of cash flows. During the fiscal year ended March 31, 2013, the amount is disclosed separately in investing activities in the consolidated statement of cash flows as of March 31, 2013 due to an increase in the quantitative materiality of that item. The amount included in the investing activities as of March 31, 2012, was ¥109 million.

y. 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 an effective date of April 1, 2000 and the other related practical guidances, and 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, is 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 any resulting 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*

The revised accounting standard does 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 have not yet been 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.

(c) *Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases*

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013 and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both 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 for (a) and (b) above from the end of the annual period beginning on April 1, 2013 and for (c) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2013 and 2012 consisted of the following:

	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars 2013
Non-current:			
Equity securities	**¥7,109**	¥5,603	**$75,628**
Corporate bonds	**700**	700	**7,447**
Trust funds	**88**	102	**936**
Total	**¥7,897**	¥6,405	**$84,011**

The costs and aggregate fair values of investment securities at March 31, 2013 and 2012 were as follows:

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥5,475**	**¥1,666**	**¥371**	**¥6,770**
Corporate bonds	**700**			**700**
March 31, 2012				
Securities classified as:				
Available-for-sale:				
Equity securities	¥5,475	¥614	¥840	¥5,249
Corporate bonds	700			700

	Thousands of U.S. Dollars			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$58,245**	**$17,723**	**$3,947**	**$72,021**
Corporate bonds	**7,447**			**7,447**

Securities whose fair value cannot be reliably determined are included in Note 13 (4) (b).

The information for available-for-sale securities which were sold during the years ended March 31, 2013 and 2012 was as follows:

	Millions of Yen		
March 31, 2013	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**¥7**	**¥2**	
March 31, 2012			
Available-for-sale:			
Equity securities	¥415	¥63	

	Thousands of U.S. Dollars		
March 31, 2013	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**$75**	**$21**	

The impairment losses on available-for-sale equity securities for the year ended March 31, 2012 were ¥556 million.

At March 31, 2013, investment securities with a total carrying value of ¥19 million ($202 thousand) were pledged as collateral for bank loans of other companies in the ordinary course of business.

4. INVENTORIES

Inventories at March 31, 2013 and 2012 consisted of the following:

	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars 2013
Merchandise and finished goods	**¥ 250**	¥ 190	**$ 2,660**
Work in process	**4,711**	6,103	**50,117**
Raw materials and supplies	**1,796**	1,948	**19,106**
Total	**¥6,757**	¥8,241	**$71,883**

5. LONG-LIVED ASSETS

The Companies reviewed their long-lived assets for impairment as of March 31, 2013 and 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 ¥9 million ($96 thousand) and ¥2 million, respectively.

Use	Classification	Location
Idle assets	Land	Wakayama, Japan

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings were generally represented by overdrafts, which bore interest at the weighted-average interest rates of 1.09% and 1.36% at March 31, 2013 and 2012, respectively.

Long-term debt at March 31, 2013 and 2012 consisted of the following:

	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars 2013
Unsecured loans from banks and other financial institutions, due through 2018, interest 0.35% - 10.76% (2013) and 0.35% - 8.88% (2012)	**¥8,227**	¥4,418	**$ 87,521**
Secured loans from banks, due through 2018, interest 0.79% - 1.85% (2013) and 0.68% - 1.85% (2012)	**1,031**	1,380	**10,968**
Obligations under finance leases	**449**	454	**4,777**
Total	**9,707**	6,252	**103,266**
Less current portion	**(1,750)**	(1,126)	**(18,617)**
Long-term debt, less current portion	**¥7,957**	¥5,126	**$ 84,649**

At March 31, 2013, property, plant and equipment with a total carrying value of ¥3,223 million ($34,287 thousand) were pledged as collateral for short-term borrowings of ¥1,600 million ($17,021 thousand) and long-term debt of ¥900 million ($9,574 thousand).

At March 31, 2013, machinery and equipment with a total carrying value of ¥211 million ($2,245 thousand) were pledged as collateral for the current portion of short-term borrowings of ¥70 million ($745 thousand) and long-term debt of ¥130 million ($1,383 thousand).

Annual maturities of long-term debt, excluding finance leases (see Note 12), at March 31, 2013, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥1,587	$16,883
2015	1,562	16,617
2016	1,544	16,425
2017	44	468
2018	4,521	48,096

Annual maturities of lease obligations at March 31, 2013 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥163	$1,734
2015	123	1,309
2016	97	1,032
2017	56	596
2018	10	106

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.

The Companies recorded a liability for their unfunded retirement allowance plan covering all of its directors and Audit & Supervisory Board members.

The liability for retirement benefits for directors and Audit & Supervisory Board members is ¥12 million ($128 thousand) and ¥19 million at March 31, 2013 and 2012, respectively.

The liability for employees' retirement benefits at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	¥5,307	¥4,798	$56,457
Fair value of plan assets	(3,176)	(2,548)	(33,787)
Unrecognized prior service cost		91	
Unrecognized actuarial loss	(337)	(448)	(3,585)
Net liability	¥1,794	¥1,893	$19,085

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥291	¥287	$3,096
Interest cost	94	95	1,000
Expected return on plan assets	(33)	(31)	(351)
Amortization of prior service cost	(91)	(91)	(968)
Recognized actuarial loss	71	84	755
Net periodic retirement benefit costs	¥332	¥344	$3,532

Assumptions used for the years ended March 31, 2013 and 2012, are set forth as follows:

	2013	2012
Discount rate	1.0%	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, 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 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, 2013 are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2008 Stock Option	5 directors 4 Audit & Supervisory Board Members	11,700 shares	2008.9.19	¥1	From September 20, 2008 to September 19, 2038
2009 Stock Option	5 directors 5 Audit & Supervisory Board Members	19,400 shares	2009.7.17	¥1	From July 18, 2009 to July 17, 2039
2010 Stock Option	6 directors 5 Audit & Supervisory Board Members	20,700 shares	2010.7.20	¥1	From July 21, 2010 to July 20, 2040
2011 Stock Option	6 directors 5 Audit & Supervisory Board Members	24,700 shares	2011.7.19	¥1	From July 20, 2011 to July 19, 2041
2012 Stock Option	6 directors 4 Audit & Supervisory Board Members	34,700 shares	2012.7.19	¥1	From July 20, 2012 to July 19, 2042

The stock option activity is as follows:

For the year ended March 31, 2012	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 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	
For the year ended March 31, 2013					
Non-vested					
March 31, 2012 - Outstanding					
Granted					**34,700**
Canceled					
Vested					**(34,700)**
March 31, 2013 - Outstanding					
Vested					
March 31, 2012 - Outstanding	**6,200**	**15,000**	**20,700**	**24,700**	
Vested					**34,700**
Exercised	**(1,200)**	**(2,200)**	**(4,200)**	**(5,100)**	
Canceled					
March 31, 2013 - Outstanding	**5,000**	**12,800**	**16,500**	**19,600**	**34,700**
Exercise price	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**
Average stock price at exercise	**¥ 795**	**¥ 795**	**¥ 795**	**¥ 795**	
Fair value price at grant date	**¥2,013**	**¥1,257**	**¥1,308**	**¥1,213**	**¥728**

The Assumptions Used to Measure the Fair Value of 2012 Stock Option

Estimate method	Black-Scholes option pricing model
Volatility of stock price	34.9%
Estimated remaining outstanding period	1.5 years
Estimated dividend	¥18 per share
Risk free interest rate	0.10%

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 38.0% and 40.7% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Deferred tax assets:			
Unrealized loss on available-for-sale securities	**¥ 117**	¥ 299	**$ 1,245**
Loss on revaluation of available-for-sale securities	**238**	233	**2,532**
Liability for employees' retirement benefits	**609**	645	**6,479**
Allowance for product warranties	**157**	470	**1,670**
Allowance for losses on construction contracts	**82**	123	**872**
Accrued bonuses	**211**	233	**2,245**
Tax loss carryforwards	**764**	351	**8,128**
Allowance for doubtful accounts	**99**	151	**1,053**
Other	**399**	459	**4,244**
Less valuation allowance	**(646)**	(616)	**(6,872)**
Total	**¥2,030**	¥2,348	**$21,596**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ (510)**	¥ (220)	**$ (5,426)**
Other	**(32)**	(21)	**(340)**
Total	**¥ (542)**	¥ (241)	**$ (5,766)**
Net deferred tax assets	**¥1,488**	¥2,107	**$15,830**

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, 2013 and 2012 are as follows:

	2013	2012
Normal effective statutory tax rate	**38.0%**	40.7%
Expenses not deductible for income tax purposes	**1.4**	0.6
Dividend income not taxable for income tax purposes	**(1.9)**	(1.3)
Tax credit for research and development costs		(1.3)
Inhabitant taxes	**1.9**	1.1
Equity method	**(4.4)**	(1.4)
Less valuation allowance	**2.3**	3.9
Effect of tax rate reduction	**(0.2)**	8.0
Lower income tax rates applicable to income in certain foreign countries	**(16.8)**	(19.8)
Other—net	**0.6**	(0.3)
Actual effective tax rate	**20.9%**	30.2%

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥692 million ($7,362 thousand) and ¥607 million for the years ended March 31, 2013 and 2012, 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, 2013 and 2012 were ¥562 million ($5,979 thousand) and ¥538 million, respectively.

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 its 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 market 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.

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 market 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 five years after the balance sheet date. Although a part of such bank loans are exposed to the market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest-rate swaps.

Derivatives mainly include foreign currency forward contracts 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 their 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 risk is 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.

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

The basic principles of derivative transactions are approved by management at meetings held on a regular basis based on internal guidelines which prescribe the authority and the limits for each transaction by the corporate treasury department. Reconciliations of the transactions and balances with customers are performed and the transaction data is reported to the chief financial officer and the management, on a regular basis.
Liquidity risk management
Liquidity risk comprises the risk that the Company cannot meet its contractual obligations in full on their maturity dates.

(4) Fair Values of Financial Instruments
Fair values of financial instruments are based on quoted prices in active markets. If quoted price is not available, another rational valuation technique is used instead. Please see Note 14 for more detail on the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	**¥11,963**	**¥11,963**	
Notes and accounts receivable	**24,260**	**24,168**	**¥ (92)**
Investment securities	**7,470**	**7,470**	
Long-term loans	**624**	**545**	**(79)**
Total	**¥44,317**	**¥44,146**	**¥(171)**
Notes and accounts payable	**¥12,014**	**¥12,014**	
Short-term borrowings	**5,411**	**5,411**	
Income taxes payable	**127**	**127**	
Long-term debt	**7,671**	**7,727**	**¥ 56**
Total	**¥25,223**	**¥25,279**	**¥ 56**
Derivatives	**¥ 3,941**	**¥ 3,941**	

	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 borrowings	3,108	3,108	
Income taxes payable	51	51	
Long-term debt	4,831	4,873	¥ (42)
Total	¥19,591	¥19,633	¥ (42)
Derivatives	¥ 627	¥ 627	

	Thousands of U.S. Dollars		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	**$127,266**	**$127,266**	
Notes and accounts receivable	**258,085**	**257,106**	**$ (979)**
Investment securities	**79,468**	**79,468**	
Long-term loans	**6,638**	**5,798**	**(840)**
Total	**$471,457**	**$469,638**	**$(1,819)**
Notes and accounts payable	**$127,809**	**$127,809**	
Short-term borrowings	**57,564**	**57,564**	
Income taxes payable	**1,351**	**1,351**	
Long-term debt	**81,606**	**82,202**	**$ 596**
Total	**$268,330**	**$268,926**	**$ 596**
Derivatives	**$ 41,926**	**$ 41,926**	

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.

Fair value information for investment securities by classification is included in Note 5.

Long-Term Loans
The fair values of long-term loans are determined by discounting the cash flows related to the credit risk.

Payables, Short-Term Borrowings 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 Debt
The fair values of 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
Fair value information for 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
	2013	2012	2013
Investments in equity instruments that do not have a quoted market price in an active market	¥339	¥354	$3,606
Trust funds	88	102	936

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen		
March 31, 2013	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥11,963		
Receivables	22,982	¥1,278	
Investment securities—corporate bonds		700	
Long-term loans		380	¥244
Total	¥34,945	¥2,358	¥244

	Thousands of U.S. Dollars		
March 31, 2013	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	$127,266		
Receivables	244,489	$13,596	
Investment securities—corporate bonds		7,447	
Long-term loans		4,042	$2,596
Total	$371,755	$25,085	$2,596

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 their 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, 2013	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	¥9,246		¥10,531	¥1,285
Selling EURO	7		6	(1)
Buying U.S.$	4,316		3,934	(382)

	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		¥776	¥24
Buying British POUND	415		436	21

	Thousands of U.S. Dollars			
At March 31, 2013	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	$98,362		$112,032	$13,670
Selling EURO	74		63	(11)
Buying U.S.$	45,915		41,851	(4,064)

Derivative Transactions to Which Hedge Accounting is Applied

		Millions of Yen		
At March 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥4,196		¥4,675
Selling EURO	Receivables	1,791		2,068
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	1,676	¥1,626	

		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	

		Thousands of U.S. Dollars		
At March 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	$44,638		$49,734
Selling EURO	Receivables	19,053		22,000
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	17,830	$17,298	

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

15. CONTINGENT LIABILITIES

At March 31, 2013, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees and similar items of bank loans	¥67	$713

16. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2013 and 2012, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥1,521	¥(299)	$16,181
Reclassification adjustments to profit or loss		135	
Amount before income tax effect	1,521	(164)	16,181
Income tax effect	(473)	55	(5,032)
Total	¥1,048	¥(109)	$11,149
Deferred loss on derivatives under hedge accounting:			
Gains arising during the year	¥ (33)	¥(566)	$ (351)
Amount before income tax effect	(33)	(566)	(351)
Income tax effect	13	219	138
Total	¥ (20)	¥(347)	$ (213)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 276	¥ 54	$ 2,936
Amount before income tax effect	276	54	2,936
Total	¥ 276	¥ 54	$ 2,936
Share of other comprehensive income in associates - Gains arising during the year	¥ 3	¥ 2	$ 32
Total	¥ 3	¥ 2	$ 32
Total other comprehensive income	¥1,307	¥(400)	$13,904

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2013 and 2012 are as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
For the year ended March 31, 2013:	Net Income	Weighted-Average Shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥ 944**	**28,058**	**¥33.64**	**$0.36**
Effect of dilutive securities Stock acquisition rights		**81**		
Diluted EPS				
Net income for computation	**¥ 944**	**28,139**	**¥33.54**	**$0.36**
For the year ended March 31, 2012:				
Basic EPS				
Net income available to common shareholders	¥1,498	28,052	¥53.38	
Effect of dilutive securities Stock acquisition rights		59		
Diluted EPS				
Net income for computation	¥1,498	28,111	¥53.27	

18. SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2013 was approved at the board of directors' meeting held on May 16, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥9.0 ($0.10) per share	**¥253**	**$2,691**

19. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures", 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, 2013 and 2012, 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					
2013					
		Middle East			
Japan	Asia	Saudi Arabia	Other	Other	Total
¥18,070	**¥10,260**	**¥7,012**	**¥4,875**	**¥5,758**	**¥45,975**

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

Thousands of U.S. Dollars					
2013					
		Middle East			
Japan	Asia	Saudi Arabia	Other	Other	Total
$192,234	**$109,149**	**$74,596**	**$51,862**	**$61,255**	**$489,096**

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

(2) Property, plant and equipment

Millions of Yen				
2013				
Japan	Asia	Middle East	Europe	Total
¥7,262	**¥1,242**	**¥424**	**¥916**	**¥9,844**

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

Thousands of U.S. Dollars				
2013				
Japan	Asia	Middle East	Europe	Total
$77,255	**$13,213**	**$4,510**	**$9,745**	**$104,723**

3. Information about major customers

Information about major customers at March 31, 2013, is not disclosed herein because there is no customer that exceeded 10% of total sales.

Information about major customer at March 31, 2012 is as follows:

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

4. Information about goodwill

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
	Pumps		Pumps
Amortization of goodwill	**¥35**	¥ 28	**$ 372**
Goodwill	**94**	129	**1,000**

Independent Auditor's Report

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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. and its consolidated subsidiaries as of March 31, 2013, 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 accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material 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 accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Torishima Pump Mfg. Co., Ltd. and its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance 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 accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

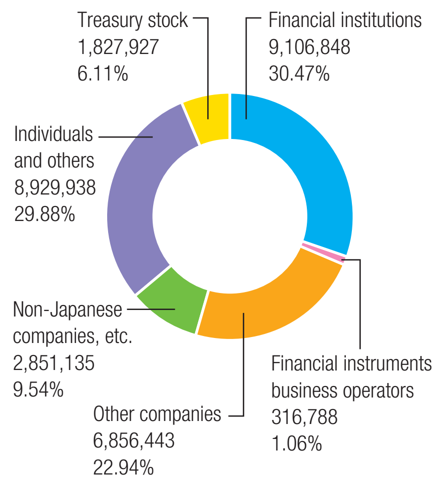
June 4, 2013

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data (As of end of March 2013)

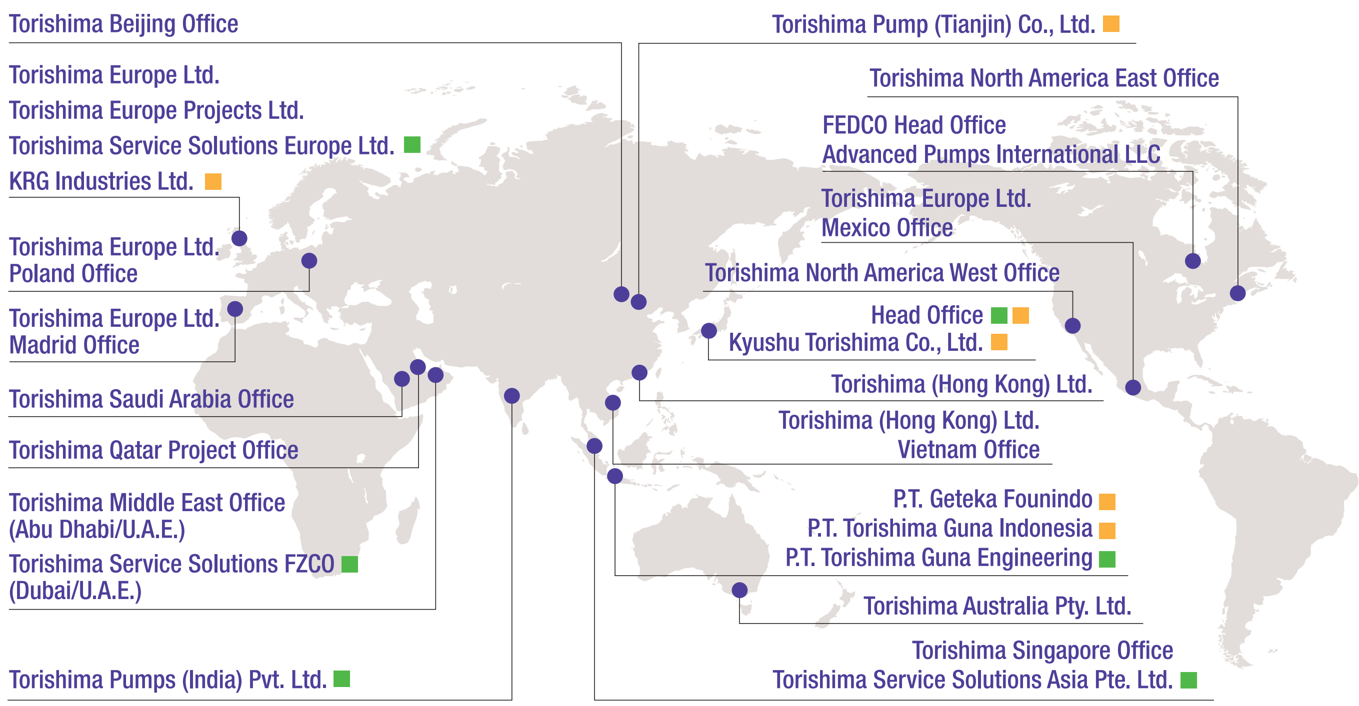
Company name	TORISHIMA PUMP MFG. CO., LTD.
Foundation	August 1, 1919
Outstanding shares	29,889,079
Paid-in capital	¥1,592,775,030
Shareholders	10,644
Employees	1,536
URL	http://www.torishima.co.jp/en
Places of business	
Head office	1-1-8, Miyata-cho, Takatsuki-city, Osaka 569-8660, Japan
Branch offices	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 2013)



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http://www.torishima.co.jp/en

Printed in Japan
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