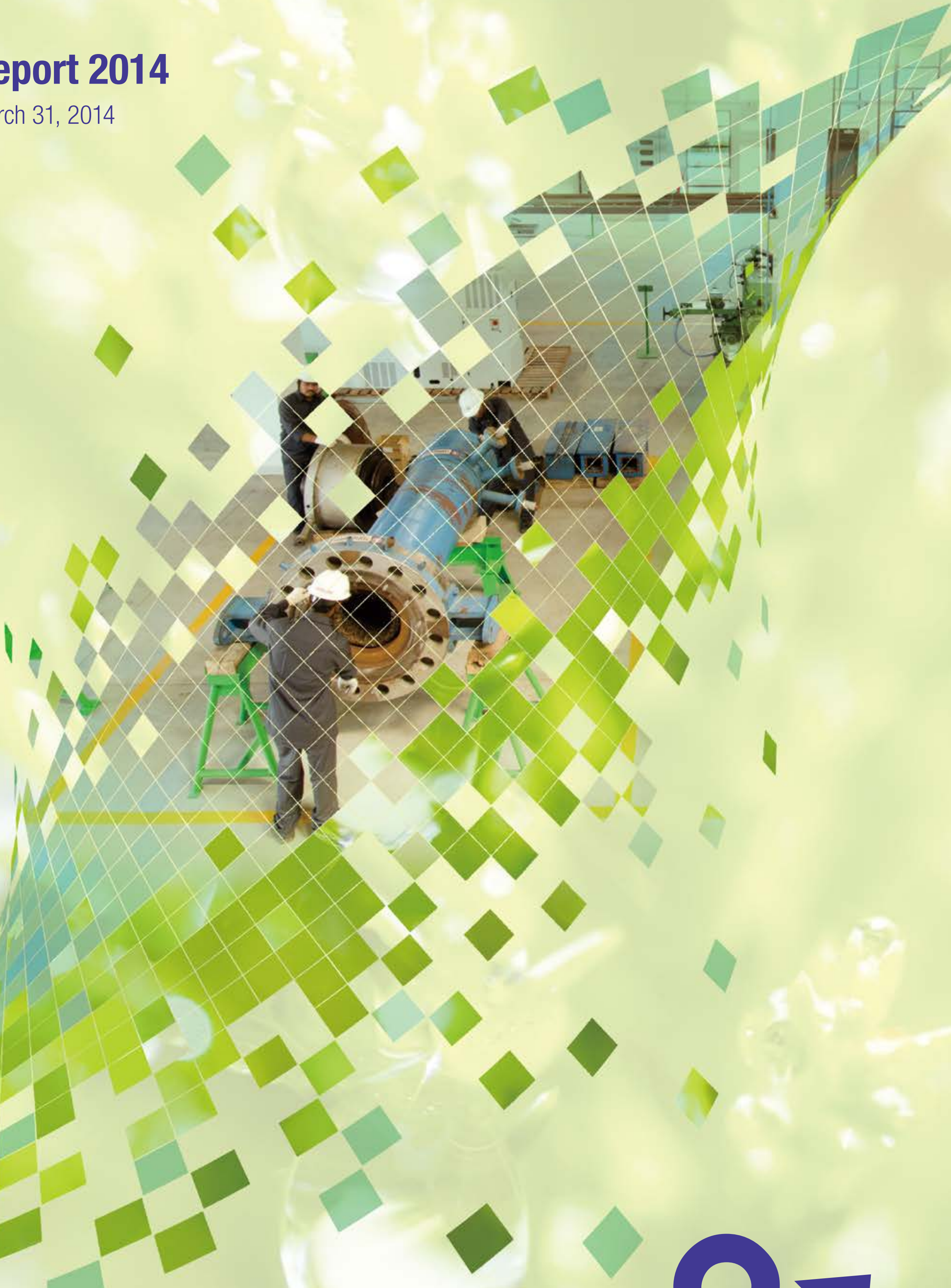
TORISHIMA

Annual Report 2014

April 1, 2013-March 31, 2014



Go Green with Pumps

TORISHIMA PUMP MFG. CO., LTD.

Torishima Way—Continu
Energy Recovery and

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.

Business and Products


Circulation water pump for power plant

High-Tech Pumps

Manufacture and supply of high-efficiency, high-value-added pumps

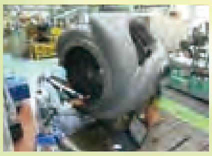
- Power generation plants
- Desalination plants
- Waterworks
- Petrochemical plants


Water transfer pumping station

Projects

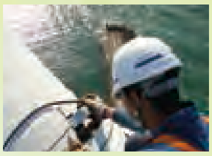
EPC (engineering, procurement, and construction) for turnkey pumping stations

- Water transmission
- Irrigation
- Drainage
- Balance of plant


3D scan of pump casing

Service Solutions

Total plant maintenance solutions for pumps and rotating machinery


Examination of a large-scale wind power generator

Renewable Energy & Environment

- Wind power generation
- Mini- and micro-hydro generation

Torishima Delivers Its Products to More than 100 Countries.

ing Our Focus on Energy Efficiency

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.

Nations where Torishima products have been delivered (As of June 2014)

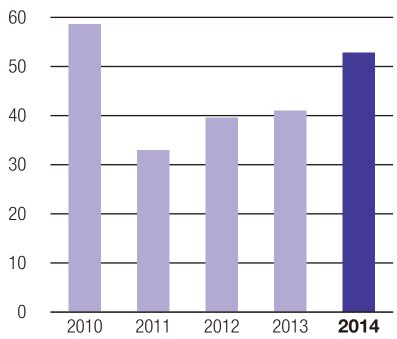
Financial Highlights (Years ended March 31)

	Millions of yen except per share amounts					Thousands of U.S. dollars except per share amounts
	2014	2013	2012	2011	2010	**2014**
Orders Received	**¥ 52,847**	¥ 40,975	¥ 39,579	¥ 32,974	¥ 58,624	**$513,078**
Net Sales	**45,985**	45,975	46,453	49,880	45,008	**446,456**
Orders Backlog	**42,205**	35,342	40,342	47,216	64,122	**409,757**
Operating Income (Loss)	**(945)**	517	2,286	3,127	3,259	**(9,175)**
Net Income	**442**	944	1,498	1,892	2,610	**4,291**
Per Share of Common Stock (in yen and U.S. dollars):						
Net Income—Basic	**¥ 15.74**	¥ 33.64	¥ 53.38	¥ 67.45	¥ 100.07	**$ 0.15**
Net Income—Fully Diluted	**15.69**	33.54	53.27	67.35	99.96	**0.15**
Net Assets Per Share	**1,209.10**	1,172.56	1,112.29	1,097.71	1,105.50	**11.74**
Cash Dividends Applicable to Period	**18.00**	18.00	18.00	18.00	20.00*	**0.17**
Total Assets	**¥ 68,063**	¥ 68,233	¥ 60,813	¥ 61,179	¥ 65,641	**$660,806**
Net Assets	**34,524**	33,602	31,775	30,969	31,083	**335,184**
Cash Flows:						
Operating Cash Flow	**¥ (4,086)**	¥ 3,513	¥ 2,662	¥ 736	¥ 4,440	**$ (39,670)**
Investing Cash Flow	**(4,498)**	(3,966)	(1,270)	(75)	(3,085)	**(43,670)**
	%					
Ratios:						
Return on Equity (ROE)	**1.3%**	2.9%	4.8%	6.1%	9.5%	
Equity Ratio	**49.9%**	48.2%	51.3%	50.3%	47.2%	

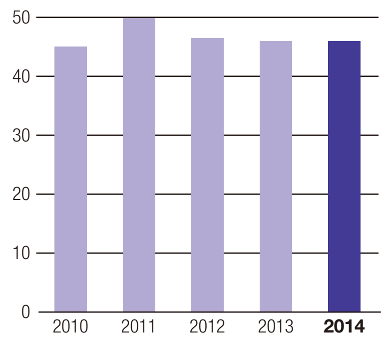
* Included a commemorative dividend of ¥2.00 for the 90th anniversary of the foundation

Note: U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥103.00=U.S.$1, the exchange rate prevailing at March 31, 2014.

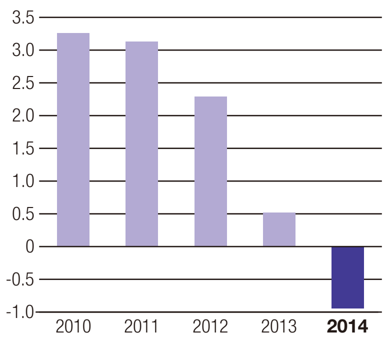
Orders Received (Billions of yen)



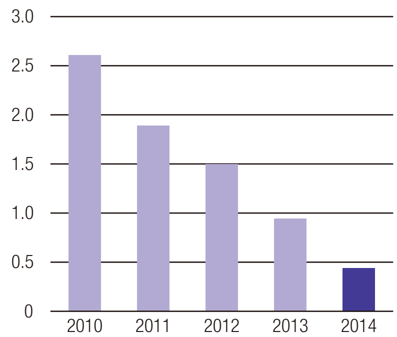
Net Sales (Billions of yen)



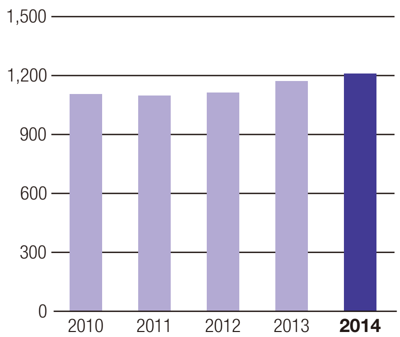
Operating Income (Loss) (Billions of yen)



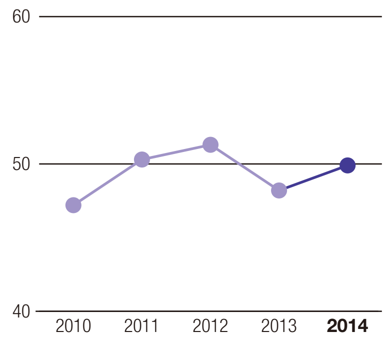
Net Income (Billions of yen)



Net Assets Per Share (Yen)



Equity Ratio (%)



Review of FY2013

Market Conditions Improved

Looking back over the past year, it is clear that the emerging country economies slowed, but in the economies of the industrialized nations, particularly the United States, the trend was one of moderate recovery. In Japan, the market environment for Torishima's business activities improved substantially. The overvaluation of the yen corrected, with the yen to U.S. dollar rate moving from ¥80 to over ¥100. Also, the Japanese government began major investments in Japan's aging infrastructure as part of its fiscal stimulus, monetary easing, and structural reform policies collectedly known as "Abenomics." We succeeded in winning a steady stream of new orders both in Japan and overseas, with orders for the fiscal year about 30% higher than in the previous year. Our forecasts for the current fiscal year call for recovery in profit.

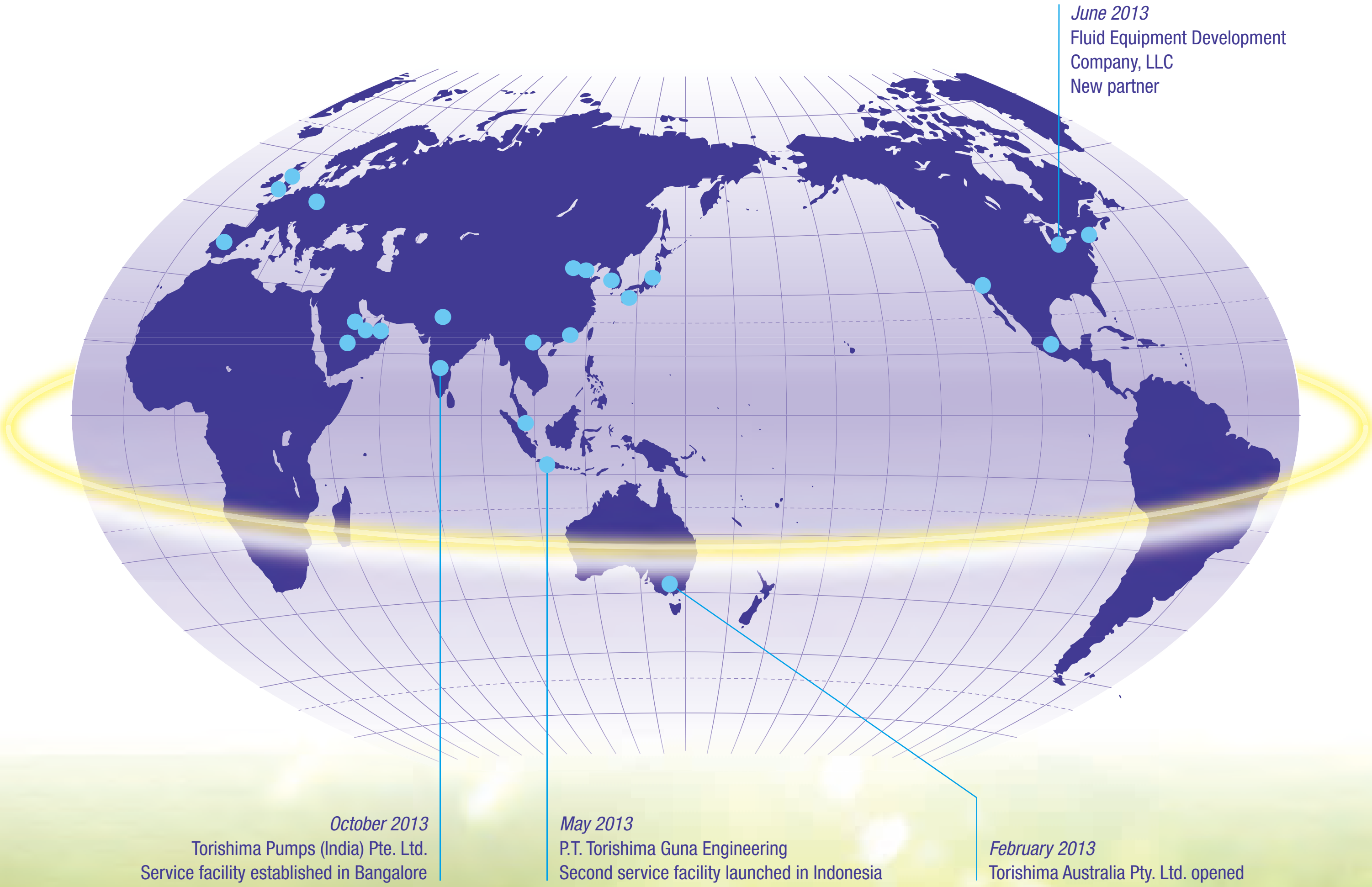
Kotaro Harada
President & CEO

Torishima Completed its Global Network

We launched full-scale development of our global operations some 10 years ago, and, in 2013, we began to write a new chapter in Torishima's progress. Major overseas events and investments included entering into a new partnership with Fluid Equipment Development Company, LLC (FEDCO) in the United States. In India, we completed a new service facility, and, in Indonesia, we began operations at a second service facility at P.T. Torishima Guna Engineering. In Australia, Torishima Australia Pty. Ltd. began operations. As a result, today Torishima operates a globe-spanning network of businesses on a round-the-clock basis.

Focusing Corporate Resources on Our Core Competence

Torishima's core competence is rotating machinery, with a concentration on pumps. Accordingly, we recently conducted a thorough review of our business portfolio to better allocate corporate resources to our core business. In line with focusing resources in this way, in June 2013, we took the major step of investing in FEDCO, which also counts rotating equipment as its strategic advantage. As the next step, in February 2014, we sold all our shares in KRG Industries Ltd., which demonstrated only limited synergies with our main business.



Corporate Directions and Objectives

Working as Global Leader in "Energy Efficiency" and "Energy Recovery"

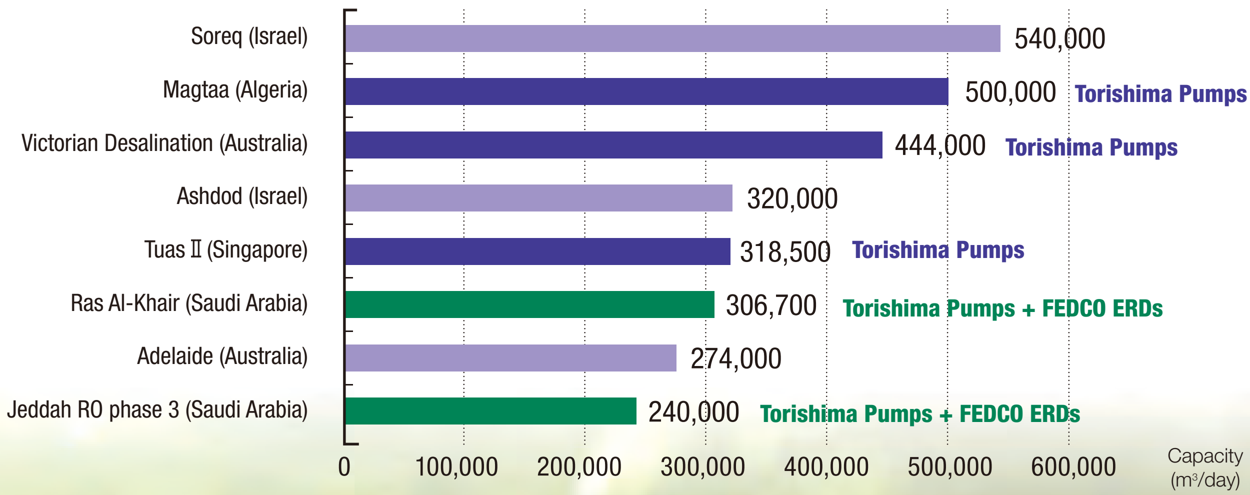
The world faces major environmental problems, including the exhaustion of water and energy resources, and climate change linked with CO_2 emissions. The amount of energy consumed by operating pumps differs by region but, for the world as a whole, it ranges from 10% to 30% of all electric power consumed. Pumps are essential to maintaining modern lifestyles, and yet are by far among the biggest consumers of energy. This means if we could conserve even only 10% of the electricity consumed by pumps, we could reduce world electric power consumption by about 1% to 3%. Such an outcome would also contribute to substantial reductions in CO_2 emissions. Therefore, increasing the efficiency of pumps and recovering energy could bring major reductions in the world's energy use and CO_2 emissions. Torishima's mission is clear: Offer these energy-efficiency options to its customers.

Torishima will use the global network it has built up over the last 10 years to maximum advantage. Both in the fields of supplying rotating machinery, including pumps, and offering related services, Torishima will propose energy-efficiency solutions that it alone can provide, and work to differentiate itself from other companies. Torishima is focusing on the following specific markets.

Pumps and Other Rotating Machinery for Markets Ranging from Desalination and Power Generation to Oil and Gas

In the desalination equipment market, the traditional principal processes were the multi-stage flash (MSF) and multi-effect distillation (MED) methods. In recent years, however, the trend has been toward the reverse osmosis (RO) membrane method. Torishima has delivered equipment for five of the largest RO desalination plants that began operations in 2012 or later.

World's Largest RO Desalination Plants in Operation and Scheduled for Operation in 2012 and Subsequent Years



Source: Prepared by Torishima from data available from GWI Desal Data

Of these five, FEDCO has delivered energy-recovery devices (ERDs) to two plants (see chart on previous page). Looking ahead, the two companies will combine their proposal performance and technological capabilities to offer both high-pressure pumps and ERDs in a comprehensive package.

In the thermal power plant market, along with the increase in the world's population, coal or natural gas fired power plants are increasing because these can provide stable power supplies and are more economical. Torishima's strengths in this market include its ability to manufacture the full lineup of pumps needed in these power plants. Moreover, Torishima has begun to review its existing lineup of boiler feed pumps and upgraded to more highly efficient and reliable pumps, especially for use in gas combined cycle power plants since 2013. Torishima will continue to respond to the high-level requirements of pumps for use in thermal power plants.

As a new entrant into the oil and gas equipment market, Torishima is targeting equipment for oil and gas refining plants as well as for chemical and fertilizer plants that use oil and natural gas as raw materials. In fiscal 2013, Torishima made a full-scale entry into the oil and gas market and won orders to deliver equipment for fertilizer production plants. Along with growth in the world's population, demand for food is rising, and this, in turn, is bringing an increase in the demand for fertilizer to increase food production efficiency. As a consequence, plans have been drawn up for the construction of new fertilizer plants in many parts of the world.

Advanced Pumps International LLC, which is a joint venture between Torishima and FEDCO, is planning to manufacture pumps for oil and gas plant use. Looking forward, Advanced Pumps International will actively develop the market, including in the United States, where the market is expanding due to the shale gas revolution.

Service Solutions Business

In fiscal 2013, Torishima worked to expand its service facilities in Indonesia and India where population increases are high even by world standards. Since entering the Indonesian market in 1984, Torishima has positioned Indonesia as one of its major overseas production bases and has undertaken not only the manufacturing of pumps but also invested in casting and service facilities. Looking ahead, to prepare for increasing demand for servicing rotating machinery within the Indonesian market, Torishima opened its second service facility in that country in 2013. In India, Torishima completed a service facility in Bangalore and is placing emphasis on providing maintenance services for boiler circulation pumps, close to 300 of which have already been installed in India.

With our service facilities in good order in India, Torishima has created a global service network that can provide maintenance and other services to the countries and regions where it supplies pumps. In the service business, Torishima is not confining its activities to providing maintenance for pumps it has delivered; it is also working to expand its orders by providing proposals to customers for increasing the efficiency of existing plant equipment, identifying energy conservation needs, and offering other assistance.

☞ See pages 8 to 10 for more information on Torishima Service Solutions.

How Can We Raise Corporate Value?

In Fiscal 2014: Strengthen Our Business Base

Over the past 10 years, we have made progress toward globalization, and as we have grown we have encountered some new challenges. As we begin the next 10 years, we intend to consolidate and strengthen our business base. In more specific terms, to increase efficiency and further globalize our activities, we have launched a new business operations integration system, which we call our Torishima Innovation System (TIS). At the same time, to make this system more effective, we have begun to standardize our designs. These reforms will be a major step for Torishima toward the goal of “same quality pumps, no matter who selects them” and “same products, pump stations, and quality, no matter who engineers, manufactures, or constructs them anywhere in the world.”

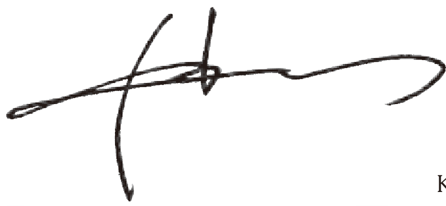
In fiscal 2014, we will make a thorough shift to the standardization of designs and use the TIS efficiently. First, by reinforcing our base for excellence in manufacturing, we will raise productivity and improve QCD (quality, cost, and delivery) and thereby maintain the trust of our customers and preserve our reputation for reliability. Taking up the challenge of implementing these business reforms will be essential in ensuring Torishima’s continued growth and emergence as a top-class, global company.

Additional Growth through Globalization and Localization

As a manufacturer of rotating machinery, including pumps, on a global scale, we are nurturing staff who can function effectively in the world of international business, who can conduct operations, marketing, research and development, and production with a multinational staff, and can carry out our manufacturing and processing activities not only in Japan but also in countries overseas. At the same time, Torishima’s business style is to localize its business operations in overseas markets, including delegating the management of overseas operations to local nationals. This is preferable because it enables us to stay in close touch with changing market requirements. We believe globalization and localization go hand in hand. We will work side by side with our customers throughout the world, and, by providing Torishima’s outstanding energy-efficiency solutions, we will be able to identify latent needs. Through these activities, we will underpin the strengths that enable us to be a winner in highly competitive global markets. I firmly believe Torishima will in this way be positioned to make further strides in its growth and development.

Torishima was founded in 1919, and in five years, in 2019, will mark its 100th anniversary. I would like to invite all management and team members to rededicate themselves to achieving our corporate mission and get ready to start our second century together.

Most of all, I would like to take this opportunity to sincerely thank our shareholders for their continued trust as well as our customers and business partners for their long-standing support.



Kotaro Harada

President and Chief Executive Officer

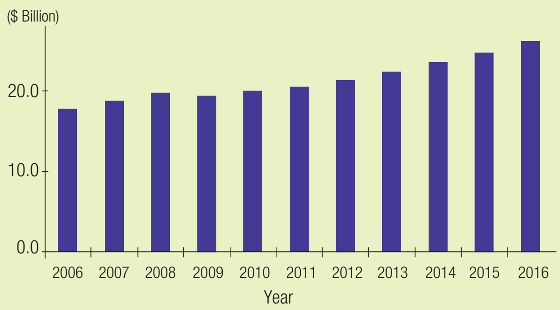
Service Solutions

Growth of the Pump Service Market

Pumps are essential for the efficient use of water and energy, and the pump industry is forecast to expand in the years ahead (Graph 1). Factors accounting for this will be increases in population, urbanization, and economic growth in emerging countries, as well as demand for the replacement of the aging infrastructure in industrialized countries. At the same time, demand for after-sales services for pumps, including maintenance, will also increase.

Also, as the demand for energy rises, so too will the increase of emissions of greenhouse gases, such as CO_2. Globally, issues such as rising temperatures and the exhaustion of natural resources need to be confronted, so interest in energy conservation is rising around the world. There is no denying that pumps use enormous amounts of electric power. Some estimates place the ratio of the world's total energy use by pumps at about 20%. Moreover, electric power costs account for a high proportion of the total life-cycle costs of pumps. Upgrading existing models can result in energy savings, which in turn is creating a new stream of revenue for the pump service sector.

Graph 1: Total Centrifugal Pumps Market: Revenue Forecasts (World)

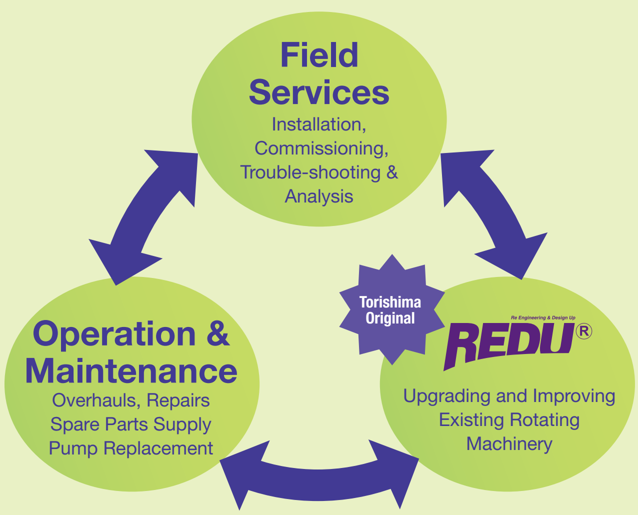


Note: All figures are rounded; the base is 2009
Source: Frost & Sullivan, Strategic Analysis of World Centrifugal Pumps Market (M5AO), published in August 2010

Torishima Service Solutions Increase Energy Efficiency

Torishima's service solutions go beyond simple maintenance. By raising the overall efficiency of pumps and related equipment, we can reduce energy consumption and thereby improve energy efficiency. The "REDU" (Re Engineering & Design Up) service is one example of this. This service provides a review of pump specifications, regardless of the original supplier, and gives consideration to the optimization of materials as well as lengthening the useful lives of pumps. This service also includes the restoration and improvement of old and worn parts, as well as the replacement of parts. Using the latest technology, we can increase the efficiency and reliability of existing pumps and contribute to cutting operating and maintenance costs.

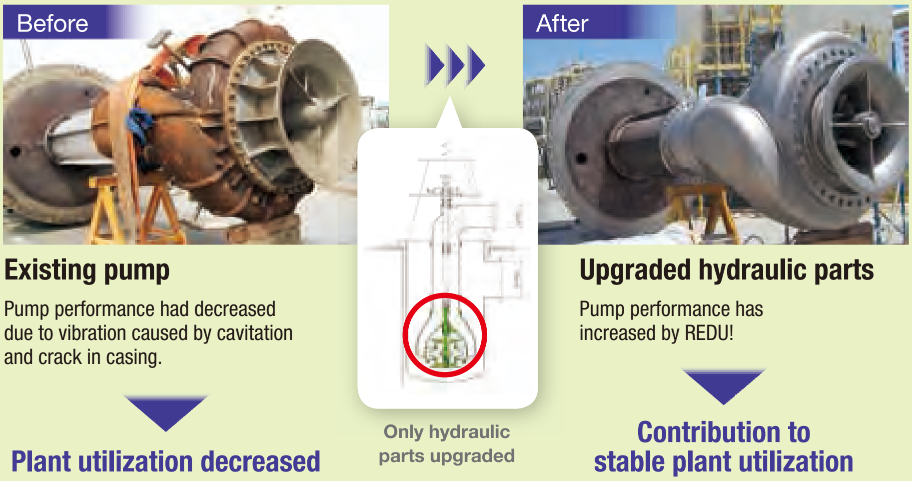
Torishima Service Solutions



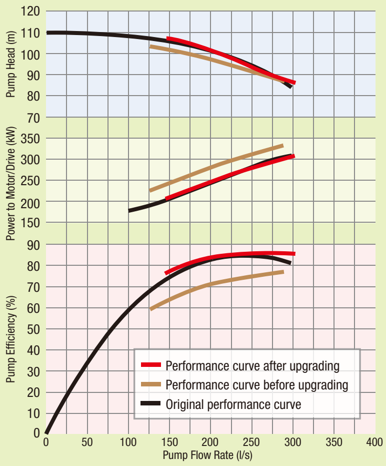
Depending on the stage in the life cycle of pumps, Torishima offers field service, spare parts supply, operation and maintenance, and pump replacement services. In addition, Torishima offers its original pump upgrade and parts replacement services.

Torishima Original Service Solutions: An Example of REDU Services

Hydraulic Parts Upgrade



Improved Pump Efficiency, Performance and Reliability!

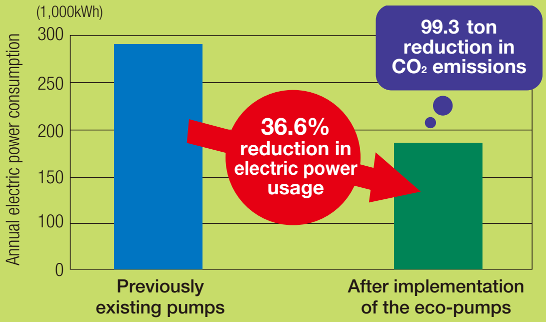


TOPIC Realizing Energy Conservation with the Eco-Pumps Campaign

The eco-pump

Torishima applies high-efficiency engineering pump technology, and, in 2009, launched the Torishima Eco-Pumps in the standard pump market. Optimizing the efficiency of pumps and pump-related equipment allows us to convince customers that major energy savings can be realized with the eco-pumps. Because Torishima has developed advanced technology in the manufacturing of large-scale pumps for electric power plants, desalination plants, and other applications, where high efficiency is a vital requirement, it is possible to cut electric power consumption by 10% to 30% with the eco-pumps in general industrial use. These pumps are truly eco-friendly and economical.

Energy-Conserving Impact of Renewal Work on Nine Pumps of a Beverage Manufacturing Company



In fiscal 2013, Torishima launched these eco-pumps not only in Japan but also overseas, particularly in Southeast Asia. A portion of the eco-pump production originally took place in the Indonesia plant, and, going forward, all stages of production, including procurement, will take place in Indonesia, and production will be increased. In the emerging countries of Southeast Asia and elsewhere, where there are shortages of electric power, energy conservation is a major requirement for products, and this need is expected to continue to grow in the years ahead. To meet this need, Torishima aims to provide the eco-pumps and expand sales of these products.

Torishima Service Solutions Network

In order to respond to the diverse needs of global markets, Torishima has expanded and strengthened its service solutions network. In 2012, to meet the demand for service for the several thousand pumps it has installed in thermal electric power plants and desalination plants in the Middle East, Torishima established a service facility in Dubai, in the United Arab Emirates. This has resulted in a steady flow of orders for service from the Middle East.

In Southeast Asia, in 2012, Torishima established a local subsidiary in Singapore to set up a service facility there. In May 2013, Torishima also completed its second service facility in Indonesia, which will meet the growing demand for services in the fast-growing countries of Southeast Asia.

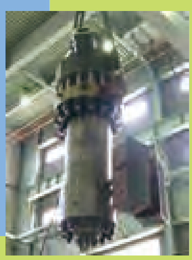
Moreover, in India, since receiving its first order for a boiler circulation pump for a thermal electric power plant in 2007, Torishima has installed close to 300 boiler circulation pumps. The first of these to be installed is now approaching five years of service, which is regarded as the appropriate time for an overhaul. Since it will be necessary to provide for maintenance service facilities, in October 2013, Torishima set up such a facility in Bangalore. Also, since Torishima has installed many other pumps besides boiler circulation types, plans are being made to provide for their maintenance services.

TOPIC Service Facility Launched in India

Boiler circulation pumps are key to the operation of thermal power plants. These pumps incorporate advanced structural design and technology that enables them to withstand the high temperatures and high pressures of boiler water. There are only a few companies in the world manufacturing them today. None of the other pump companies has service facilities for maintaining boiler circulation pumps in India, but Torishima has already set up the only such service function in the country.

●: Power Plants where Torishima's Boiler Circulation/Feed Pumps are in Use in India

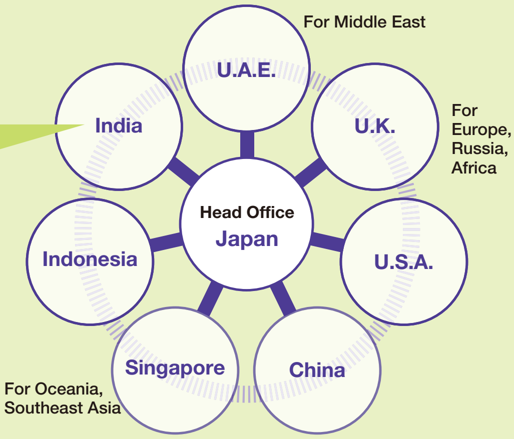
Boiler Feed Pump



Boiler Circulation Pump

Torishima Service Solutions Network

Torishima has service facilities in 8 countries, centered on Japan to meet the service needs of customers globally.



Research and Development

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

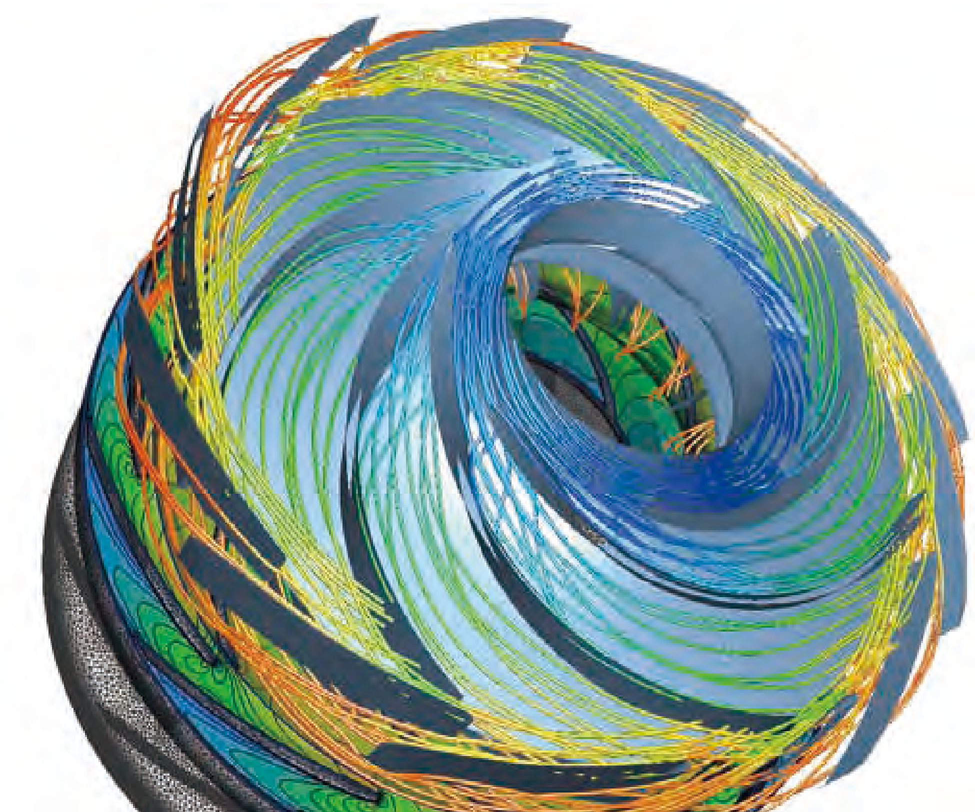
The population of the world has exceeded seven billion, and forecasts predict further growth in the demand for energy and water resources. Global warming and protecting the environment are issues that should concern all of us. The accidents at the Fukushima Daiichi nuclear power plant subsequent to the Great East Japan Earthquake resulted in the closure of 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.

Performance test for a boiler feed pump

In fiscal 2013, under the product concept of achieving ever-higher efficiency and speed, Torishima has been developing new products by utilizing hydro-developed systems with large-scale cluster and advanced structural analysis technology. Developed products especially include boiler feed pumps for high vibration load in combined-cycle power plants, double suction centrifugal pumps, and expansion of the applications range of high-efficiency end-suction centrifugal pumps combined with ultra high-efficiency motors.

In fiscal 2014, 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 industries. We are committed to continuing R&D activities that will satisfy our customers.



Example of the analysis of the smoothness of liquid flows inside pumps using computational fluid dynamics (CFD)

Corporate Governance and Internal Controls

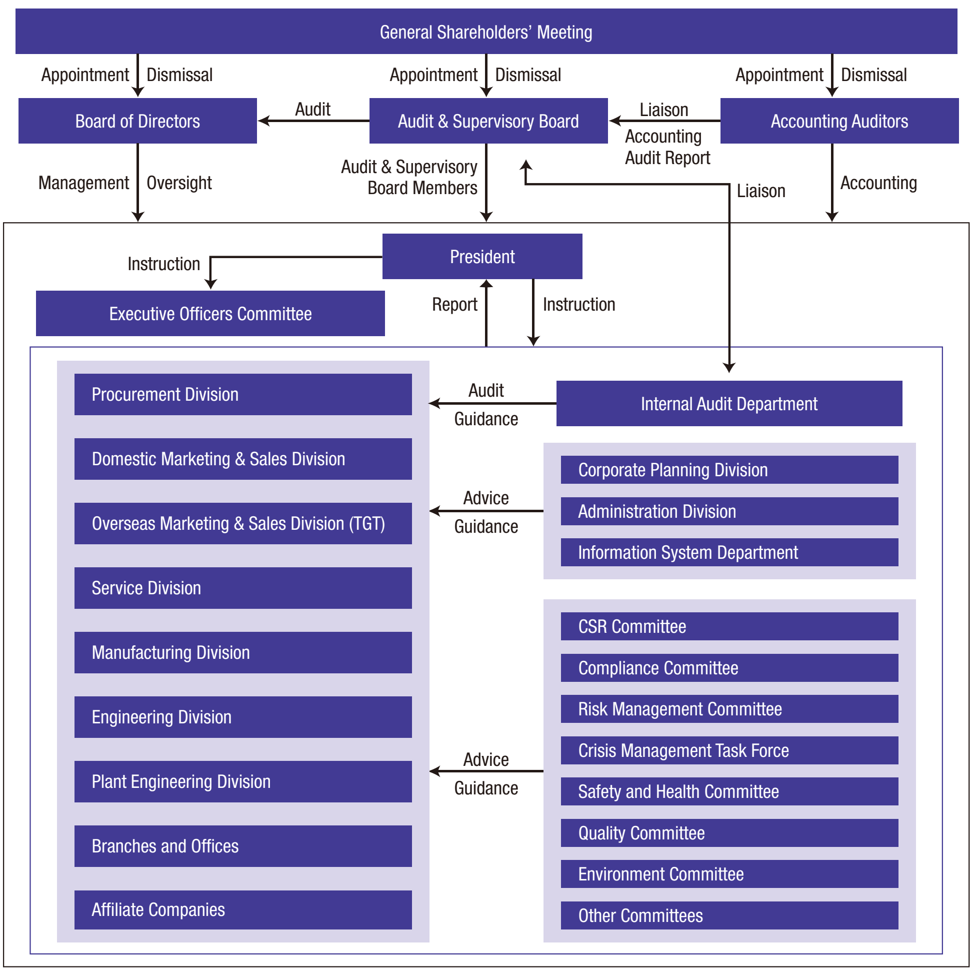
The basic approach of the Torishima Group to corporate governance is expressed in the Company's business creed as follows: "The Torishima Group has consistently accorded highest priority to winning and maintaining the customer's solid trust." This trust must be built up over time, and unlike financial 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 five 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, who oversee business operations, and its executive officers, who execute Torishima business, are clearly defined. To

Corporate Governance Structure



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 four 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.

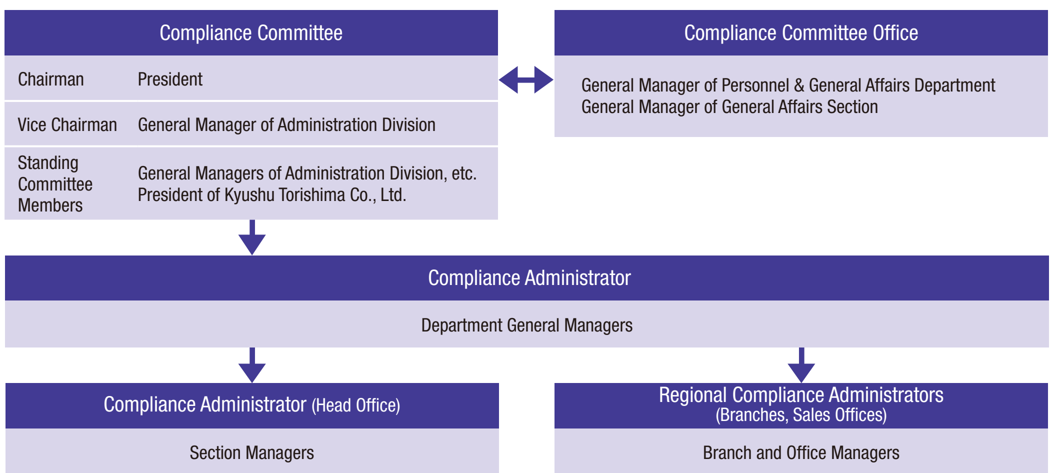
The Board of Directors has approved its "Policy for Internal Control System Design," and developed control systems to secure the appropriateness of business operations. In addition, through teamwork with the Audit & Supervisory Board Members and the accounting auditors, including the exchange of information 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



Directors and Audit & Supervisory Board Members (As of July 1,2014)

Directors

Kotaro Harada
President and Representative Director

Hiromichi Fujikawa
Vice President and Representative Director

Tetsuya Kujima

Manabu Fujise

Audit & Supervisory Board Members

Kinichi Yoshida

Yutaka Fukuda

Akira Toyokura

Akira Tsuda

Shiro Hakukawa

Executive Officers

CEO

Kotaro Harada
President

Senior Managing Executive Officer

Tetsuya Kujima
General Manager of Procurement Division
Responsible for Eco-Pumps

Managing Executive Officers

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

Nobuyuki Yoshikawa
General Manager of Manufacturing Division

Yutaka Tsuaki
Responsible for Global Service

Executive Officers

Satoshi Tomizawa
General Manager of Corporate Planning Division
General Manager of Group Management Office
General Manager of Investor & Public Relations Office

Haruhisa Sumi
General Manager of Administration Division

Koichi Otao
Deputy General Manager of Administration Division (Accounting & Management Accounting)
General Manager of Accounting Department

Takayoshi Yoshida
General Manager of Tokyo Branch

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

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

Mike Choi
Regional Director of TGT Hong Kong & Vietnam
Managing Director of Torishima (Hong Kong) Ltd.

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

Masahiko Ishida
General Manager of Service Division
General Manager of Service Department

Koichiro Hamu
General Manager of Engineering Division

Yoshiaki Inuyama
General Manager of Plant Engineering Division
General Manager of Public Department

Masahisa Ikuta
General Manager of Al Ain Project Office

Corporate Organization

(As of July 1, 2014)

President
- Corporate Planning Division
- Internal Audit Department
- Quality Management 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)

With the rapid increase of the world's population and economic development in the emerging countries, there is growing concern about environmental issues, such as energy consumption and resource depletion. 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 Conserves the Environment | Environmental Management | Contributing to Society

Technology that Conserves the Environment

Today, the issues of preserving the Earth's environment and reducing energy consumption are becoming increasingly serious. As a responsible global corporation, Torishima provides products and services that contribute to reducing the burden on the environment.

Reuse of wastewater energy

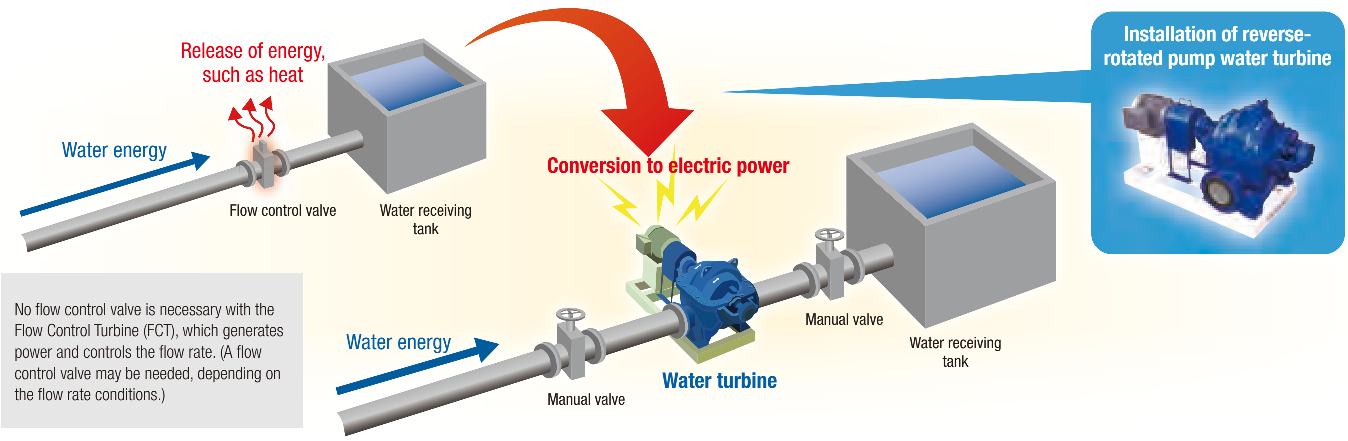
Drawing on its strengths as a pump manufacturer, Torishima provides its clean and highly efficient reverse-rotated pump water turbines.

In water supply systems, which are an integral part of the lifelines sustaining human life and activities, it is a fact that a considerable amount of energy in water is wasted in the processes of controlling water flows to meet needs in differing seasons and times of the day. With this realization, Torishima developed its reverse-rotated pump water turbine systems, which use this energy, that was formerly wasted, for generating electric power. Since these systems significantly reduce electric power usage, orders not only from Japan but also from overseas, including Hong Kong and Kenya, are increasing.

Features of the Reverse-Rotated Pump Water Turbine

1. Zero impact on water quality
2. Low-cost products
3. Easy to maintain
4. Highly efficient

Reverse-rotated pump water turbine installed in Tuen Mun WTW in Hong Kong. This installation handles water flows of up to 76.4m³ per minute and generates power of up to 211.2kW.



In addition, Torishima is continuing to offer eco-friendly products and services. These include "energy recovery equipment," which recovers and reuses the excess energy given off by RO desalination processes. Torishima also supplies wind power generation systems, including integrated services from surveys of wind conditions to installation and maintenance.

REDU (Re Engineering & Design Up) services offer energy-efficiency solutions for overall pump installation.

Energy recovery equipment (turbocharger)

1,500kW wind power generators

Corporate Social Responsibility (CSR)

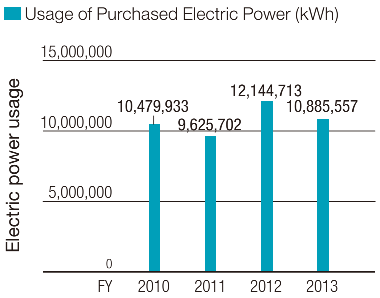
Environmental Management

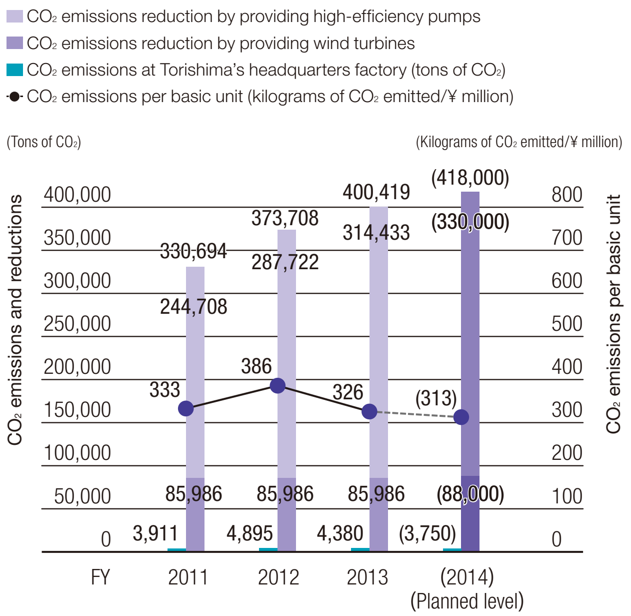
Torishima engages mainly in the following initiatives in its production activities to reduce the environmental burden and prevent environmental pollution.

- Reduction in CO_2 emissions
- Reduction in waste substances and recycling
- Reduction in hazardous chemical substances
- Environmental preservation and improvement activities

Resource and Energy Conservation: Activities to Reduce CO_2 Emissions

Accompanying the shutdown of nuclear power plants in Japan, dependence on thermal power generation has increased. As companies are called on to reduce CO_2 emissions through their own initiatives, Torishima is working actively not only to reduce energy consumption through its eco-friendly products but also is endeavoring to lower CO_2 emissions in production activities through increasing energy efficiency.





■ Emissions per value unit of output are defined as the volume of CO_2 emissions divided by the value of output stated in millions of yen.

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 environmentally 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 power and hydropower generation systems that use 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, Torishima Pump Mfg. Co., Ltd.

Contributing to Society

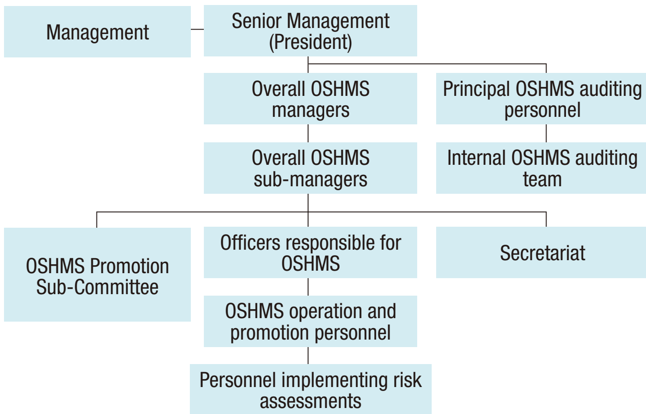
In response to demands for greater corporate social responsibility, Torishima continues to strive to achieve a balance between the three values of “society, economy, and environment” while also working to strengthen its internal systems, including those related to corporate governance, risk management,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

Risk Assessment Activities

In April 2010, Torishima obtained certification for its occupational safety and health management systems (OSHMS) from the Japan Industrial Safety and Health Association (JISHA), based on standards established by JISHA, and is continuing to implement occupational safety and health activities. As part of these, Torishima is conducting risk assessments, mainly in its manufacturing departments. These assessments are aimed at determining the risk level, including the frequency, probability, and seriousness of potential hazards and toxicity and taking measures to reduce this risk.

As a result of this exercise, in fiscal 2013, a total of 165 cases of potential risk were examined, and improvement measures were implemented for 113 of them. Thanks to this, Torishima was able to minimize the level of risk on a Companywide basis.

System for Implementation of OSHMS



Business Continuity Plan (BCP)

Torishima has prepared a BCP manual and gives instruction to employees on proper behavior during times of disaster. As part of these measures, a disaster drill to prepare for possible major disasters (including earthquakes and fires) was held on November 12, 2013. To ensure the safety of employees in the event of such a disaster, Torishima has reviewed and collected information on its action plans and manuals for taking emergency action in cases of disasters, including its Business Continuity Plan. The November 2013 drill was held under the assumption that an earthquake of magnitude 6 has occurred, and all departments in the Torishima headquarters participated.

Contributing to Society

Also, Torishima is working to build closer ties with its stakeholders. For example, Torishima participates in the “career mind” development program of NPO Japan Academy of Entrepreneurship (JAE), which aims to increase contributions of companies to society, the region, and educational venues as well as raise the level of employee motivation. Younger Torishima employees visit nearby primary schools and provide in-person instruction.

In addition, as part of employee education, we always insist on having on-site training tours to the Middle East to enable employees to have a glimpse of Torishima’s pumps operating valiantly in scorching, 50-degree centigrade environments. By having employees actually visit scenes like that, the objective is to enable them to be better able to understand customers’ needs and new business opportunities.

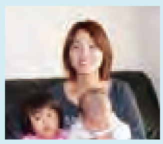
TOPIC

Every single employee is a “human resource.” Torishima provides a pleasant working environment.

To develop sustainably into the future, Torishima believes that its most-important assets are its “human resources.” That is why Torishima emphasizes training and development programs to enable its employees to play active roles in business around the world, regardless of nationality, age, or gender. Today, more than ever, companies are focusing on helping “female employees realize their full potential.” To allow its employees to have a good work/life balance that enables them to have children and raise a family, Torishima has introduced its “Family Support Leave” and other benefits, including the creation of in-Company childcare facilities.

100% of Employees Taking Child-Rearing Leaves Return to Work

“I am very happy that Torishima adopts a kind and understanding attitude toward its female employees. In some companies, it is difficult for women to obtain permission for leaves to give birth and rear children. In Torishima, however, there are many working mothers. Moreover, after returning to work, Torishima working mothers are eligible for shorter working hours and special leaves for raising our children for one year, so we can continue our working careers with peace of mind.”



Benefits for Employees

- Leaves for taking care of senior family members,
- Childcare facilities on Company premises,
- Housing for employees,
- Diagnostic clinics on Company premises, and other benefits

Financial Review

Consolidated Operating Results

Analysis of Consolidated Operating Results

Results of Operations

During fiscal 2013, ended March 31, 2014, key developments in the world economy included the following. In the United States, both consumer spending and private capital investment showed moderate recovery, and even Europe, where stagnation has been prolonged because of government debt issues, began to show signs of improvement. However, economic growth rates in China and other emerging countries declined slightly. Even in the United States, where economic conditions remained firm, concerns arose about the effects of the tapering of quantitative easing policies and other issues, and, overall, recovery remained moderate.

In Japan, the economy showed moderate recovery because of firm trends in public investment and the positive effects of the surge in consumer demand prior to the increase in the consumption tax. Nevertheless, export-related demand was weak, and, because of the significant rise in prices of imported materials, the contribution of the external sector to growth was negative, and the economy did not attain full-scale, sustained growth.

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, in part because of uncertainty about the world economy, principally the emerging countries, corporations continued to adopt a cautious stance toward making capital investments, and competition for orders was severe.

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 the project and service businesses centered around pumps. As a result, in fiscal 2013, the Torishima Group won orders on a consolidated basis totaling ¥52,847 million (representing a 29% increase over ¥40,975 million in the previous fiscal year). By demand category, orders placed by the domestic public sector amounted to ¥15,923 million (45% higher than the ¥10,971 million reported in the previous fiscal year), and the domestic private sector accounted for ¥7,144 million (25% higher than the ¥5,733 million placed in the previous fiscal year). Orders placed by overseas customers totaled ¥29,779 million (23% higher than the ¥24,270 million in the prior fiscal year).

Net sales on a consolidated basis in fiscal 2013 were ¥45,985 million (slightly higher than the ¥45,975 million in the previous fiscal year). At the end of fiscal 2013, the backlog of unfilled orders carried forward to fiscal 2014 amounted to ¥42,205 million (19% higher than the ¥35,342 million of the prior fiscal year).

Because of the weakness in net sales growth, a decline in the profit margins on certain projects, and the costs of renewing our core IT systems, an operating loss of ¥945 million was reported (compared with operating income of ¥517 million in the previous fiscal year). The ordinary loss amounted to ¥633 million (compared with ordinary income of ¥1,389 million in the previous fiscal year), despite the reporting of ¥112 million in gains on foreign exchange and other factors. After the sale of shares in a subsidiary having few synergies with the Torishima Group (which was reported as a gain on the sale of shares of a subsidiary of ¥1,076 million), and the sale of idle land assets for ¥766 million, net income for fiscal 2013 amounted to ¥442 million (53% lower than the ¥944 million reported in the prior fiscal year).

Forecast for Fiscal 2014
and the Medium-Term Business Plan

At the present time, although there are concerns about the effects of the increase in the consumption tax, the world's population has exceeded seven billion, and 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 2014, 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, further 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 continuation of the Bank of Japan's quantitative monetary easing policy.

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 2013 and is formulating a new three-year plan that will commence in fiscal 2014. 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 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
	Actual (¥ million)	Planned (¥ million)	Planned (¥ million)	Planned (¥ million)
Orders received	52,847	49,500	55,000	60,000
Net sales	45,985	49,000	50,000	55,000
Operating income (loss)	(945)	500	1,500	2,500
Ordinary income (loss)	(633)	700	1,700	2,700
Net income	442	500	1,200	1,900

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 2013 amounted to ¥68,063 million, ¥170 million lower than at the end of the previous fiscal year. The change in total assets was mainly influenced by new investments in securities of subsidiaries and affiliates, which amounted to ¥3,436 million, and an increase in notes and accounts receivable amounting to ¥2,671 million, due to a concentration of sales at the end of the fiscal year owing to higher domestic sales. Both of these factors were offset by a decrease in cash and time deposits of ¥8,365 million.

Liabilities at the end of fiscal 2013 were ¥33,539 million, ¥1,092 million lower than at the end of the previous fiscal year. The change in total liabilities was mainly influenced by a rise in short-term loans payable within one year amounting to ¥1,524 million. This increase was offset by a decline in other current liabilities of ¥1,326 million in connection with a decrease in liabilities related to forward foreign exchange contracts and a decline in long-term loans payable of ¥942 million.

Net assets amounted to ¥34,524 million at the end of the fiscal year, ¥922 million higher than at the end of the prior fiscal year. This was mainly due to an increase in accumulated other comprehensive income of ¥1,089 million over the end of the previous fiscal year.

Consolidated Cash Flows

Cash and cash equivalents (hereinafter, cash) at the end of fiscal 2013 amounted to ¥3,598 million, ¥8,365 million lower than at the end of the previous fiscal year.

• Operating cash flows

Net cash used in operating activities amounted to ¥4,086 million (compared with net cash provided by operating activities of ¥3,513 million in the previous fiscal year). This was due to an increase in notes and accounts receivable–trade of ¥2,812 million (compared with an increase of ¥101 million in the previous fiscal year), an increase in inventories of ¥1,195 million (compared with a decrease of ¥1,520 million in the prior year), and other factors.

• Investing cash flows

Net cash used in investing activities amounted to ¥4,498 million (compared with net cash of ¥3,966 million used in the previous fiscal year). This cash outflow was accounted for mainly by purchases of property, plant and equipment amounting to ¥1,621 million (compared with such purchases of ¥1,467 million in the previous year) and purchases of associated companies of ¥3,953 million (compared with zero purchases in the previous year) as well as other factors.

• Financing cash flows

Net cash used in financing activities amounted to ¥112 million (compared with net cash provided by financing activities of ¥4,357 million in the previous fiscal year). Factors increasing financing cash flows included an increase in short-term loans payable of ¥1,090 million (compared with ¥1,607 million in the prior year) and proceeds from long-term loans payable of ¥1,079 million (compared with proceeds of ¥4,500 million in the previous year). These factors were offset by repayments of long-term loans payable amounting to ¥1,577 million (compared with repayments of ¥1,095 million in the prior year) and other factors.

Basic Policy for Allocation of Income and Dividends for Fiscal 2013 and Fiscal 2014

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%.

Regarding retained earnings, the Torishima Group aims to invest these funds effectively for financing new growth, including the development of technologies and products for responding to future advances in the sophistication of pumping as well as related equipment and software. The Group also uses retained earnings for the maintenance of existing pump installations and plants, for the development of more-efficient production facilities, and for expanding the scope of its business portfolio to environmental businesses that will help to preserve the global environment.

For fiscal 2013, 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 2014, the Torishima Group is planning to also pay a dividend for the full year of ¥18 per share.

Financial Statements

Consolidated Balance Sheet

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2014**	2013	**2014**
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	**¥ 3,598**	¥11,963	**$ 34,932**
Marketable securities (Note 3)	**700**		**6,796**
Short-term investments (Note 3)	**527**		**5,116**
Receivables:			
Trade (Note 13)	**26,927**	24,201	**261,427**
Unconsolidated subsidiaries and associated companies	**123**	255	**1,194**
Other	**689**	506	**6,689**
Allowance for doubtful accounts	**(244)**	(113)	**(2,369)**
Inventories (Note 4)	**7,637**	6,757	**74,146**
Advance payments	**423**	582	**4,107**
Deferred tax assets (Note 10)	**1,029**	749	**9,990**
Other current assets	**481**	794	**4,670**
Total current assets	**41,890**	45,694	**406,698**
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 5 and 6)	**2,534**	1,978	**24,602**
Buildings and structures (Note 6)	**9,614**	9,099	**93,340**
Machinery and equipment (Note 6)	**12,737**	12,552	**123,660**
Construction in progress	**61**	287	**592**
Lease assets (Note 12)	**687**	918	**6,670**
Total	**25,633**	24,834	**248,864**
Accumulated depreciation	**(15,121)**	(14,990)	**(146,806)**
Net property, plant and equipment	**10,512**	9,844	**102,058**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 13)	**7,399**	7,897	**71,835**
Investments in and advances to unconsolidated subsidiaries and associated companies	**5,181**	1,792	**50,301**
Software	**2,102**	103	**20,408**
Software in progress		1,763	
Deferred tax assets (Note 10)	**130**	799	**1,262**
Other assets (Notes 13 and 20)	**849**	341	**8,244**
Total investments and other assets	**15,661**	12,695	**152,050**
TOTAL	**¥68,063**	¥68,233	**$660,806**

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 ¥103.00=U.S.$1, the exchange rate prevailing at March 31, 2014.

LIABILITIES AND EQUITY	Millions of Yen 2014	2013	Thousands of U.S. Dollars (Note 1) 2014
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 13)	**¥ 5,365**	¥ 3,824	**$ 52,087**
Current portion of long-term debt (Notes 6 and 13)	**1,691**	1,750	**16,417**
Payables:			
Trade (Note 13)	**11,832**	11,991	**114,874**
Unconsolidated subsidiaries and associated companies	**50**	23	**485**
Other	**1,011**	744	**9,816**
Advances received from customers	**1,971**	2,452	**19,136**
Income taxes payable (Note 13)	**180**	127	**1,748**
Allowance for product warranties	**721**	413	**7,000**
Allowance for losses on construction contracts	**351**	217	**3,408**
Accrued expenses	**1,147**	1,152	**11,136**
Other current liabilities	**485**	1,913	**4,709**
Total current liabilities	**24,804**	24,606	**240,816**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 13)	**6,957**	7,957	**67,544**
Liability for retirement benefits (Note 7)	**1,462**	1,806	**14,194**
Other long-term liabilities (Note 10)	**316**	262	**3,068**
Total long-term liabilities	**8,735**	10,025	**84,806**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14 and 15)			
EQUITY (Notes 8, 9 and 19)**:**			
Common stock, authorized, 60,000 thousand shares; issued 29,889 thousand shares in 2014 and 2013	**1,593**	1,593	**15,466**
Capital surplus	**7,823**	7,814	**75,951**
Stock acquisition rights	**101**	91	**981**
Retained earnings	**23,889**	23,952	**231,932**
Treasury stock—at cost 1,815 thousand shares in 2014 and 1,828 thousand shares in 2013	**(962)**	(969)	**(9,340)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**1,073**	903	**10,418**
Deferred loss on derivatives under hedge accounting	**(249)**	(285)	**(2,417)**
Foreign currency translation adjustments	**632**	(105)	**6,136**
Defined retirement benefit plans	**146**		**1,417**
Total	**34,046**	32,994	**330,544**
Minority interests	**478**	608	**4,640**
Total equity	**34,524**	33,602	**335,184**
TOTAL	**¥68,063**	¥68,233	**$660,806**

Consolidated Statement of Income

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
NET SALES	**¥45,985**	¥45,975	**$446,456**
COST OF SALES (Notes 11 and 12)	**37,664**	37,960	**365,670**
Gross profit	**8,321**	8,015	**80,786**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 12)	**9,266**	7,498	**89,961**
Operating (loss) income	**(945)**	517	**(9,175)**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**210**	193	**2,039**
Interest expense	**(129)**	(107)	**(1,252)**
Gain on sales of land	**766**		**7,437**
Gain on sales of consolidated subsidiaries	**1,076**		**10,447**
Loss on restructuring of a subsidiary	**(98)**		**(952)**
Gain on foreign exchange—net	**112**	398	**1,087**
Rent income	**99**	69	**961**
Equity in earnings of associated companies	**66**	152	**641**
Settlement package	**(226)**		**(2,194)**
Other—net (Note 5):	**(18)**	92	**(175)**
Other income—net	**1,858**	797	**18,039**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**913**	1,314	**8,864**
INCOME TAXES (Note 10)**:**			
Current	**286**	141	**2,777**
Deferred	**37**	134	**359**
Total income taxes	**323**	275	**3,136**
NET INCOME BEFORE MINORITY INTERESTS	**590**	1,039	**5,728**
MINORITY INTERESTS IN NET INCOME	**(148)**	(95)	**(1,437)**
NET INCOME	**¥ 442**	¥ 944	**$ 4,291**

	Yen		U.S. Dollars
	2014	2013	**2014**
PER SHARE OF COMMON STOCK (Notes 2. v and 18)**:**			
Basic net income	**¥ 15.74**	¥ 33.64	**$ 0.15**
Diluted net income	**15.69**	33.54	**0.15**
Cash dividends applicable to the year	**18.00**	18.00	**0.17**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
NET INCOME BEFORE MINORITY INTERESTS	**¥ 590**	¥1,039	**$ 5,728**
OTHER COMPREHENSIVE INCOME (Note 16)**:**			
Unrealized gain on available-for-sale securities	**170**	1,048	**1,650**
Deferred gain (loss) on derivatives under hedge accounting	**36**	(20)	**350**
Foreign currency translation adjustments	**631**	276	**6,126**
Share of other comprehensive income in associates	**108**	3	**1,049**
Total other comprehensive income	**945**	1,307	**9,175**
COMPREHENSIVE INCOME	**¥1,535**	¥2,346	**$14,903**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥1,385**	¥2,220	**$13,447**
Minority interests	**150**	126	**1,456**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2014

	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 on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjust-ments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 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 of scope of consolidation...........						(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
Net income						**442**						**442**		**442**
Cash dividends, ¥18.00 per share.........						**(505)**						**(505)**		**(505)**
Purchase of treasury stock		**(1)**					**(0)**					**(0)**		**(0)**
Disposal of treasury stock..........................		**14**		**9**			**7**					**16**		**16**
Net change in the year					**10**			**170**	**36**	**737**	**¥146**	**1,099**	**(130)**	**969**
BALANCE, MARCH 31, 2014	**29,889**	**(1,815)**	**¥1,593**	**¥7,823**	**¥101**	**¥23,889**	**¥(962)**	**¥1,073**	**¥(249)**	**¥632**	**¥146**	**¥34,046**	**¥478**	**¥34,524**

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjust-ments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013................	$15,466	$75,864	$883	$232,544	$(9,408)	$ 8,767	$(2,767)	$(1,019)		$320,330	$5,903	$326,233
Net income				**4,291**						**4,291**		**4,291**
Cash dividends, $0.17 per share..........				**(4,903)**						**(4,903)**		**(4,903)**
Purchase of treasury stock..................					**(0)**					**(0)**		**(0)**
Disposal of treasury stock		**87**			**68**					**155**		**155**
Net change in the year			**98**			**1,651**	**350**	**7,155**	**$1,417**	**10,671**	**(1,263)**	**9,408**
BALANCE, MARCH 31, 2014................	**$15,466**	**$75,951**	**$981**	**$231,932**	**$(9,340)**	**$10,418**	**$(2,417)**	**$ 6,136**	**$1,417**	**$330,544**	**$4,640**	**$335,184**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 913	¥ 1,314	$ 8,864
Adjustments for:			
Income taxes—paid	(191)	(165)	(1,855)
Income taxes—refunded	60	259	583
Depreciation and amortization	1,646	1,231	15,981
Gain (loss) on sales of consolidated subsidiaries	(1,061)	66	(10,301)
Gain on sales of land	(766)		(7,437)
Changes in assets and liabilities:			
Change in notes and accounts receivable	(2,812)	(101)	(27,301)
Change in inventories	(1,195)	1,520	(11,602)
Change in advance payments	226	79	2,194
Change in notes and accounts payable	187	1,133	1,816
Change in advances received from customers	(684)	(903)	(6,641)
Change in allowance for doubtful accounts	157	(102)	1,524
Change in allowance for product warranties	308	(823)	2,990
Change in allowance for losses on construction contracts	134	(106)	1,301
Change in liability for retirement benefits	(343)	(100)	(3,330)
Other—net	(665)	211	(6,456)
Total adjustments	(4,999)	2,199	(48,534)
Net cash (used in) provided by operating activities	(4,086)	3,513	(39,670)
INVESTING ACTIVITIES:			
Increase in saving of time deposits	(527)		(5,116)
Purchases of property, plant and equipment	(1,621)	(1,467)	(15,738)
Proceeds from property, plant and equipment	773	5	7,505
Purchases of intangibles	(518)	(1,617)	(5,029)
Purchases of associated companies	(3,953)		(38,379)
Increase in investments in unconsolidated subsidiaries		(239)	
Proceeds from sales of investments in consolidated subsidiaries (Note 17)	1,125		10,922
Proceeds from sales of investment securities	224	7	2,175
Payments of loans receivable	(108)	(305)	(1,049)
Collection of loans receivable	165	82	1,602
Other	(58)	(432)	(563)
Net cash used in investing activities	(4,498)	(3,966)	(43,670)
FINANCING ACTIVITIES:			
Change in short-term borrowings—net	1,090	1,607	10,583
Proceeds from long-term debt	1,079	4,500	10,476
Repayments of long-term debt	(1,577)	(1,095)	(15,311)
Dividends paid	(506)	(505)	(4,913)
Other	(198)	(150)	(1,922)
Net cash (used in) provided by financing activities	(112)	4,357	(1,087)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	155	529	1,505
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,541)	4,433	(82,922)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	176	8	1,708
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,963	7,522	116,146
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 3,598	¥11,963	$ 34,932

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2014

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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

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 ¥103 to $1, the approximate rate of exchange at March 31, 2014. 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, 2014 include the accounts of the Company and its 18 (17 in 2013) significant subsidiaries.

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

Investments in zero (zero in 2013) unconsolidated subsidiaries and 5 (3 in 2013) 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 less than 20 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 Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No.18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or accounting principles generally accepted in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; (5) exclusion of minority interests from net income, if contained in net income.

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

In March 2008, 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 accounting principles generally accepted 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.

d. 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 cost (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 price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

The Company acquired some companies this year and in previous years and accounted for the acquisitions by the purchase method of accounting. The related goodwill is systematically amortized over a period not exceeding twenty years.

e. 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 that mature within three months of the date of acquisition.

f. 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.

g. Marketable and Investment Securities
Marketable and 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.

h. 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.

i. Property, Plant and Equipment
Property, plant and equipment are stated at cost.

Buildings and lease assets 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
Software	5 - 7 years
Lease assets	Terms of the respective lease

j. 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.

k. 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.

In May 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 guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period 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 are 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) 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 applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and expects to apply (c) above from April 1, 2014. As a result, liability for retirement benefits of ¥1,448 million ($14,058 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, increased by ¥146 million ($1,417 thousand). The effect of (c) above is a decrease in liability for retirement benefits and an increase in retained earnings of ¥1,330 million ($12,913 thousand) each beginning April 1, 2014.

Retirement benefits for subsidiaries' directors and Audit & Supervisory Board members are recorded at the amount which would be required if all directors and Audit & Supervisory Board members retired at each balance sheet date.

l. Allowance for Product Warranties
The Companies provide an allowance for foreseeable losses arising from product warranties.

m. Allowance for Losses on Construction Contracts
The Companies provide an allowance for foreseeable losses arising from certain construction contracts.

n. 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.

o. 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.

p. Research and Development Costs

Research and development costs are charged to income as incurred.

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 rates 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 that 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 statement 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, 2013, the software was included in the other assets in the consolidated balance sheet. During the fiscal year ended March 31, 2014, the amount is disclosed separately in the investments and other assets section in the consolidated balance sheet as of March 31, 2014 due to an increase in the quantitative materiality of that item. The amount included in the other assets as of March 31, 2013, was ¥5 million.

Prior to April 1, 2013, the reversal of allowance for doubtful accounts was disclosed separately in the other income (expenses) in the consolidated statement of income. During the fiscal year ended March 31, 2014, the amount is not disclosed separately in other income (expenses) in the consolidated statement of income as of March 31, 2014, due to decrease in the quantitative materiality of that item. The amount included in the other income (expenses) as of March 31, 2013, was ¥132 million.

Prior to April 1, 2013, the rent income was included in the other income (expenses) in the consolidated statement of income. During the fiscal year ended March 31, 2014, the amount is disclosed separately in other income (expenses) in the consolidated statement of income as of March 31, 2014, due to increase in the quantitative materiality of that item. The amount included in the other income (expenses) as of March 31, 2013, was ¥69 million.

Prior to April 1, 2013, the gain on sales of consolidated subsidiaries was included in the other-net operating activities in the consolidated statement of cash flows. During the fiscal year ended March 31, 2014, the amount is disclosed separately in operating activities in the consolidated statement of cash flows as of March 31, 2014, due to an increase in the quantitative materiality of that item. The amount included in the operating activities as of March 31, 2013, was ¥66 million.

Prior to April 1, 2013, the proceeds from property, plant and equipment was included in the other investing activities in the consolidated statement of cash flows. During the fiscal year ended March 31, 2014, the amount is disclosed separately in investing activities in the consolidated statement of cash flows as of March 31, 2014, due to an increase in the quantitative materiality of that item. The amount included in the investing activities as of March 31, 2013, was ¥5 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.

Please see Note 2.k for details of major changes.

The Company applied the revised accounting standard for (a) and (b) above effective March 31, 2014, and expects to apply (c) above from April 1, 2014.

Accounting Standards for Business Combinations and Consolidated Financial Statements - On September 13, 2013, the ASBJ issued revised ASBJ Statement No.21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No.10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No.22, "Accounting Standard for Consolidated Financial Statements."

Major accounting changes are as follows:
Transactions with noncontrolling interest
A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

Presentation of the consolidated balance sheet
In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

Presentation of the consolidated statement of income
In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

Provisional accounting treatments for a business combination
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisioned amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

Acquisition-related costs
Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for "transactions with noncontrolling interest," "acquisition-related costs" and "presentation changes in the consolidated financial statements" are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for the presentation changes in the consolidated financial statements. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs," accumulated effects of retrospective adjustments for all "transactions with noncontrolling interest" and "acquisition-related costs" which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for "provisional accounting treatments for a business combination" is effective for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination that will occur on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance from the beginning of the annual period beginning on April 1, 2015, and the evaluation for the effect of application on its consolidated financial statements has not been performed.

3. MARKETABLE AND INVESTMENT SECURITIES AND SHORT-TERM INVESTMENTS

Marketable and investment securities and short-term investments as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Current:			
Corporate bonds	**¥ 700**		**$ 6,796**
Time deposits that mature over three months from the date of acquisition	**527**		**5,116**
Total	**¥1,227**		**$11,912**

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Non-current:			
Marketable equity securities	**¥6,977**	¥6,770	**$67,738**
Non-marketable equity securities	**338**	339	**3,281**
Corporate bonds		700	
Trust funds	**84**	88	**816**
Total	**¥7,399**	¥7,897	**$71,835**

The costs and aggregate fair values of marketable and investment securities at March 31, 2014 and 2013 were as follows:

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥5,300**	**¥1,864**	**¥187**	**¥6,977**
Corporate bonds	**700**			**700**
March 31, 2013				
Securities classified as:				
Available-for-sale:				
Equity securities	¥5,475	¥1,666	¥371	¥6,770
Corporate bonds	700			700

	Thousands of U.S. Dollars			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$51,456**	**$18,097**	**$1,815**	**$67,738**
Corporate bonds	**6,796**			**6,796**

The information for available-for-sale securities that were sold during the years ended March 31, 2014 and 2013 was as follows:

	Millions of Yen		
March 31, 2014	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**¥224**	**¥75**	**¥ (4)**
March 31, 2013			
Available-for-sale:			
Equity securities	¥ 7	¥ 2	

	Thousands of U.S. Dollars		
March 31, 2014	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**$2,175**	**$728**	**$(39)**

The impairment losses on available-for-sale equity securities for the year ended March 31, 2014 were ¥21 million ($204 thousand).

At March 31, 2014, investment securities with a total carrying value of ¥19 million ($184 thousand) were pledged as collateral for bank loans of other companies in the ordinary course of business.

4. INVENTORIES

Inventories at March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Merchandise and finished goods	**¥ 459**	¥ 250	**$ 4,456**
Work in process	**5,635**	4,711	**54,709**
Raw materials and supplies	**1,543**	1,796	**14,981**
Total	**¥7,637**	¥6,757	**$74,146**

5. LONG-LIVED ASSETS

The Companies reviewed their long-lived assets for impairment as of March 31, 2014 and 2013. As a result, the carrying amount of an 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 for the year ended March 31, 2013.

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 1.32% and 1.09% at March 31, 2014 and 2013, respectively.

Long-term debt at March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Unsecured loans from banks and other financial institutions, due through 2018, interest 0.35% - 11.96% (2014) and 0.35% - 10.76% (2013)	**¥ 6,670**	¥8,227	**$ 64,757**
Secured loans from banks, due through 2018, interest 0.79% - 4.48% (2014) and 0.79% - 4.48% (2013)	**1,629**	1,031	**15,816**
Obligations under finance leases	**349**	449	**3,388**
Total	**8,648**	9,707	**83,961**
Less current portion	**(1,691)**	(1,750)	**(16,417)**
Long-term debt, less current portion	**¥ 6,957**	¥7,957	**$ 67,544**

At March 31, 2014, property, plant and equipment with a total carrying value of ¥3,504 million ($34,019 thousand) were pledged as collateral for short-term borrowings of ¥1,000 million ($9,709 thousand) and long-term debt of ¥1,500 million ($14,563 thousand).

At March 31, 2014, machinery and equipment with a total carrying value of ¥224 million ($2,175 thousand) were pledged as collateral for the current portion of long-term debt of ¥52 million ($505 thousand) and long-term debt of ¥129 million ($1,252 thousand).

Annual maturities of long-term debt, excluding finance leases, at March 31, 2014, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	**¥1,570**	**$15,243**
2016	**1,552**	**15,068**
2017	**652**	**6,330**
2018	**4,525**	**43,932**

Annual maturities of lease obligations at March 31, 2014 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	**¥121**	**$1,174**
2016	**124**	**1,204**
2017	**73**	**709**
2018	**28**	**272**
2019	**3**	**29**

Long-term loans from banks include syndicate loan agreements amounting to ¥3,000 million ($29,126 thousand) at March 31, 2014. In the event that any of the following covenants are violated, the company may lose the benefit of the term for all the liabilities under these agreements.

These agreements include the following financial restriction provisions:
(1) The amount of equity in the consolidated balance sheet at the end of fiscal year should be more than75% as of previous year or as of just before the end of year that the syndicate loan agreements was made contracts.
(2) Ordinary income in the consolidated statement of income should not be negative for two consecutive years. Ordinary income means income before income taxes less extraordinary items. The amount of ordinary loss in the consolidated statement of income on the year ended March 31, 2014 is ¥633 million ($6,146 thousand).

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 ¥14 million ($136 thousand) and ¥12 million at March 31, 2014 and 2013, respectively.

The liability for employees' retirement benefits at March 31, 2014 and 2013, consisted of the following:

Year Ended March 31, 2014

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥5,307	$51,524
Current service cost	332	3,223
Interest cost	52	505
Actuarial losses	332	3,223
Benefits paid	(629)	(6,106)
Balance at end of year	¥5,394	$52,369

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥3,176	$30,835
Expected return on plan assets	38	369
Actuarial gains	878	8,524
Contributions from the employer	328	3,185
Benefits paid	(474)	(4,602)
Balance at end of year	¥3,946	$38,311

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 5,394	$ 52,369
Plan assets	(3,946)	(38,311)
	1,448	14,058
Net liability for defined benefit obligation	¥ 1,448	$ 14,058

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥1,448	$14,058
Net liability for defined benefit obligation	¥1,448	$14,058

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥332	$3,223
Interest cost	52	505
Expected return on plan assets	(38)	(369)
Recognized actuarial gains	16	156
Net periodic benefit costs	¥362	$3,515

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized actuarial gains	¥227	$2,204
Total	¥227	$2,204

(6) Plan assets as of March 31, 2014

a. Components of plan assets

Plan assets consisted of the followings:

	Millions of Yen
Debt investments - domestic	21.4%
Debt investments - international	3.4
Equity investments - domestic	45.5
Equity investments - international	13.6
Call loans	13.9
Others	2.2
Total	100.0%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return that are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1.0%
Expected rate of return on plan assets	2.0%
Recognition period of actuarial gain / loss	10 years

Funded entrustment that is included in 46.0% of plan asset is not estimated at the expected rate of return on plan assets.

Year Ended March 31, 2013
The liability for retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥ 5,307
Fair value of plan assets	(3,176)
Unrecognized actuarial loss	(337)
Net liability	¥ 1,794

The components of net periodic benefit costs are as follows:

	Millions of Yen
Service cost	¥291
Interest cost	94
Expected return on plan assets	(33)
Amortization of prior service cost	(91)
Recognized actuarial loss	71
Net periodic benefit costs	¥332

Assumptions used for the year ended March 31, 2013 are set forth as follows:

Discount rate	1.0%
Expected rate of return on plan assets	2.0%
Amortization period of prior service cost	10 years
Recognition period of actuarial gain / loss	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 that 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, 2014 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
2013 Stock Option	5 directors 4 Audit & Supervisory Board Members	31,900 shares	2013.7.18	¥1	From July 19, 2013 to July 18, 2043

The stock option activity is as follows:

For the year ended March 31, 2013	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option
Non-vested						
March 31, 2012 - Outstanding						
Granted					34,700	
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)		
March 31, 2013 - Outstanding	5,000	12,800	16,500	19,600	34,700	
For the year ended March 31, 2014						
Non-vested						
March 31, 2013 - Outstanding						
Granted						**31,900**
Vested						**(31,900)**
March 31, 2014 - Outstanding						
Vested						
March 31, 2013 - Outstanding	**5,000**	**12,800**	**16,500**	**19,600**	**34,700**	
Vested						**31,900**
Exercised	**(1,500)**	**(2,500)**	**(2,500)**	**(2,900)**	**(4,500)**	
March 31, 2014 - Outstanding	**3,500**	**10,300**	**14,000**	**16,700**	**30,200**	**31,900**
Exercise price	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**
Average stock price at exercise	**¥ 811**	**¥ 811**	**¥ 811**	**¥ 811**	**¥ 811**	
Fair value price at grant date	**¥2,013**	**¥ 1,257**	**¥ 1,308**	**¥ 1,213**	**¥ 728**	**¥ 872**

The Assumptions Used to Measure the Fair Value of 2013 Stock Option

Estimate method....Black-Scholes option pricing model
Volatility of stock price.... 41.1%
Estimated remaining outstanding period .... 1.7 years
Estimated dividend.... ¥18 per share
Risk free interest rate 0.12%

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% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2014 and 2013 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Deferred tax assets:			
Unrealized loss on available-for-sale securities	**¥ 57**	¥ 117	**$ 553**
Loss on revaluation of available-for-sale securities	**216**	238	**2,097**
Liability for employees’ retirement benefits	**637**	609	**6,185**
Allowance for product warranties	**258**	157	**2,505**
Allowance for losses on construction contracts	**125**	82	**1,214**
Accrued bonuses	**233**	211	**2,262**
Tax loss carryforwards	**620**	764	**6,019**
Allowance for doubtful accounts	**119**	99	**1,155**
Other	**476**	399	**4,621**
Less valuation allowance	**(717)**	(646)	**(6,961)**
Total	**¥2,024**	¥2,030	**$19,650**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ (659)**	¥ (510)	**$ (6,398)**
Other	**(236)**	(32)	**(2,291)**
Total	**¥ (895)**	¥ (542)	**$ (8,689)**
Net deferred tax assets	**¥1,129**	¥1,488	**$10,961**

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, 2014 and 2013 are as follows:

	2014	2013
Normal effective statutory tax rate	38.0%	38.0%
Expenses not deductible for income tax purposes	3.5	1.4
Dividend income not taxable for income tax purposes	(5.2)	(1.9)
Tax credit for research and development costs	(1.2)	
Inhabitant taxes	2.7	1.9
Equity method	(2.8)	(4.4)
Less valuation allowance	7.8	2.3
Effect of tax rate reduction	7.3	(0.2)
Lower income tax rates applicable to income in certain foreign countries	(14.8)	(16.8)
Other—net	0.1	0.6
Actual effective tax rate	35.4%	20.9%

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38.0% to 35.6%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥76 million ($738 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥76 million ($738 thousand).

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥679 million ($6,592 thousand) and ¥692 million for the years ended March 31, 2014 and 2013, 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, 2014 and 2013 were ¥674 million ($6,544 thousand) and ¥562 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 almost all 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 four 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 that 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 that 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
The Company manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning by the corporate accounting department.

(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, 2014	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	**¥ 3,598**	**¥ 3,598**	
Receivables-trade	**26,927**	**26,794**	**¥(133)**
Investment securities	**7,399**	**7,399**	
Long-term loans (Other assets)	**472**	**330**	**(142)**
Total	**¥38,396**	**¥38,121**	**¥(275)**
Payables-trade	**¥11,832**	**¥11,832**	
Short-term borrowings	**5,365**	**5,365**	
Income taxes payable	**180**	**180**	
Long-term debt	**8,648**	**8,657**	**¥ 9**
Total	**¥26,025**	**¥26,034**	**¥ 9**
Derivatives	**¥ 1,154**	**¥ 1,154**	

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥11,963	¥11,963	
Receivables-trade	24,201	24,109	¥ (92)
Investment securities	7,897	7,897	
Long-term loans (Other assets)	624	545	(79)
Total	¥44,685	¥44,514	¥(171)
Payables-trade	¥11,991	¥11,991	
Short-term borrowings	3,824	3,824	
Income taxes payable	127	127	
Long-term debt	9,707	9,763	¥ 56
Total	¥25,649	¥25,705	¥ 56
Derivatives	¥ 3,941	¥ 3,941	

Current portion of long-term debt is included in long-term debt.

	Thousands of U.S. Dollars		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	**$ 34,932**	**$ 34,932**	
Receivables-trade	**261,427**	**260,136**	**$(1,291)**
Investment securities	**71,835**	**71,835**	
Long-term loans (Other assets)	**4,582**	**3,204**	**(1,378)**
Total	**$372,776**	**$370,107**	**$(2,669)**
Payables-trade	**$114,874**	**$114,874**	
Short-term borrowings	**52,087**	**52,087**	
Income taxes payable	**1,748**	**1,748**	
Long-term debt	**83,961**	**84,049**	**$ 88**
Total	**$252,670**	**$252,758**	**$ 88**
Derivatives	**$ 11,204**	**$ 11,204**	

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 3.

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 that 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
	2014	2013	**2014**
Investments in equity instruments that do not have a quoted market price in an active market	**¥338**	¥339	**$3,281**
Trust funds	**84**	88	**816**

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

	Millions of Yen		
March 31, 2014	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	**¥ 3,598**		
Receivables	**26,724**	**¥203**	
Long-term loans	**420**	**52**	
Total	**¥30,742**	**¥255**	

	Thousands of U.S. Dollars		
March 31, 2014	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	**$ 34,932**		
Receivables	**259,456**	**$1,971**	
Long-term loans	**4,077**	**505**	
Total	**$298,465**	**$2,476**	

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 that regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting is not Applied

	Millions of Yen			
At March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying U.S.$	**¥398**		**¥410**	**¥12**
NDF:				
Buying Korean won	**190**		**192**	**2**

	Millions of Yen			
At March 31, 2013	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts:				
Selling U.S.$	¥9,246		¥10,531	¥(1,285)
Selling EURO	7		7	0
Buying U.S.$	4,316		4,698	382

At March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
	Thousands of U.S. Dollars			
Foreign currency forward contracts:				
Buying U.S.$	$3,864		$3,981	$117
NDF:				
Buying Korean won	1,845		1,864	19

Derivative Transactions to Which Hedge Accounting is Applied

At March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Millions of Yen			
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥8,066		¥8,432
Selling EURO	Receivables	2,542		2,727
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	2,246	¥2,191	

At March 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Millions of Yen			
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	

At March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Thousands of U.S. Dollars			
Foreign currency forward contracts:				
Selling U.S.$	Receivables	$78,311		$81,864
Selling EURO	Receivables	24,680		26,476
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	21,806	$21,272	

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

15. CONTINGENT LIABILITIES

At March 31, 2014, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees and similar items of bank loans	¥32	$311

16. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥429	¥1,521	$4,165
Reclassification adjustments to profit or loss	(49)		(476)
Amount before income tax effect	380	1,521	3,689
Income tax effect	(210)	(473)	(2,039)
Total	¥170	¥1,048	$1,650
Deferred gain (loss) on derivatives under hedge accounting:			
Gains arising during the year	¥ 73	¥ (33)	$ 709
Amount before income tax effect	73	(33)	709
Income tax effect	(37)	13	(359)
Total	¥ 36	¥ (20)	$ 350
Foreign currency translation adjustments:			
Adjustments arising during the year	¥729	¥ 276	$7,078
Reclassification adjustments to profit or loss	(98)		(952)
Amount before income tax effect	631	276	6,126
Total	¥631	¥ 276	$6,126
Share of other comprehensive income in associates - Gains arising during the year	¥108	¥ 3	$1,049
Total	¥108	¥ 3	$1,049
Total other comprehensive income	¥945	¥1,307	$9,175

17. CASH FLOWS

Main components of assets and liabilities in relation to the sale of all the shares of a consolidated subsidiary with cash consideration

Decrease of assets and liabilities in relation to the sale of all shares of a consolidated subsidiary and proceeds from the sale are as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Current assets	¥1,105	$10,728
Noncurrent assets	589	5,718
Current liabilities	(649)	(6,301)
Noncurrent liabilities	(57)	(553)
Minority interests	(300)	(2,912)
Goodwill	(63)	(612)
Gain on sales of consolidated subsidiaries	1,076	10,447
Proceeds from sales of consolidated subsidiary	1,701	16,515
Account receivable	(552)	(5,360)
Cash and cash equivalents of consolidated subsidiary	(24)	(233)
Gain on sales of consolidated subsidiaries-net	¥1,125	$10,922

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share (“EPS”) for the years ended March 31, 2014 and 2013 are as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
For the year ended March 31, 2014:	Net Income	Weighted-Average Shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥442**	**28,071**	**¥15.74**	**$0.15**
Effect of dilutive securities				
Stock acquisition rights		**101**		
Diluted EPS				
Net income for computation	**¥442**	**28,172**	**¥15.69**	**$0.15**
For the year ended March 31, 2013:				
Basic EPS				
Net income available to common shareholders	¥ 944	28,058	¥33.64	
Effect of dilutive securities				
Stock acquisition rights		81		
Diluted EPS				
Net income for computation	¥ 944	28,139	¥33.54	

19. SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2014 was approved at the board of directors' meeting held on May 16, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥9.0 ($0.10) per share	**¥253**	**$2,456**

20. 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, 2014 and 2013, 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					
2014					
		Middle East			
Japan	Asia	Saudi Arabia	Other	Other	Total
¥20,097	**¥9,042**	**¥4,795**	**¥4,959**	**¥7,092**	**¥45,985**

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

Thousands of U.S. Dollars					
2014					
		Middle East			
Japan	Asia	Saudi Arabia	Other	Other	Total
$195,117	**$87,786**	**$46,553**	**$48,146**	**$68,854**	**$446,456**

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

(2) Property, plant and equipment

Millions of Yen				
2014				
Japan	Asia	Middle East	Other	Total
¥7,832	**¥1,760**	**¥524**	**¥396**	**¥10,512**

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

Thousands of U.S. Dollars				
2014				
Japan	Asia	Middle East	Other	Total
$76,039	**$17,087**	**$5,087**	**$3,845**	**$102,058**

3. Information about goodwill

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
	Pumps		Pumps
Amortization of goodwill	**¥31**	¥35	**$301**
Goodwill	**21**	94	**204**

Independent Auditor's Report

Deloitte.

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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, 2014, 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, 2014, 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

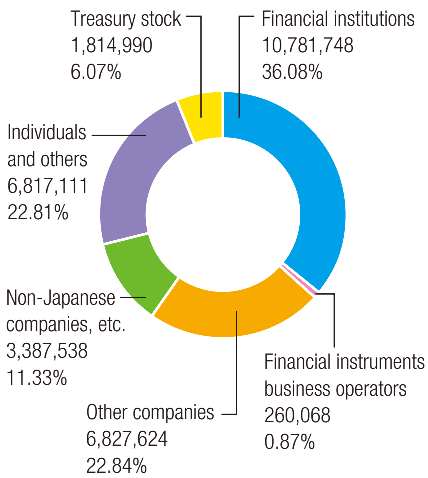
June 11, 2014

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data (As of end of March 2014)

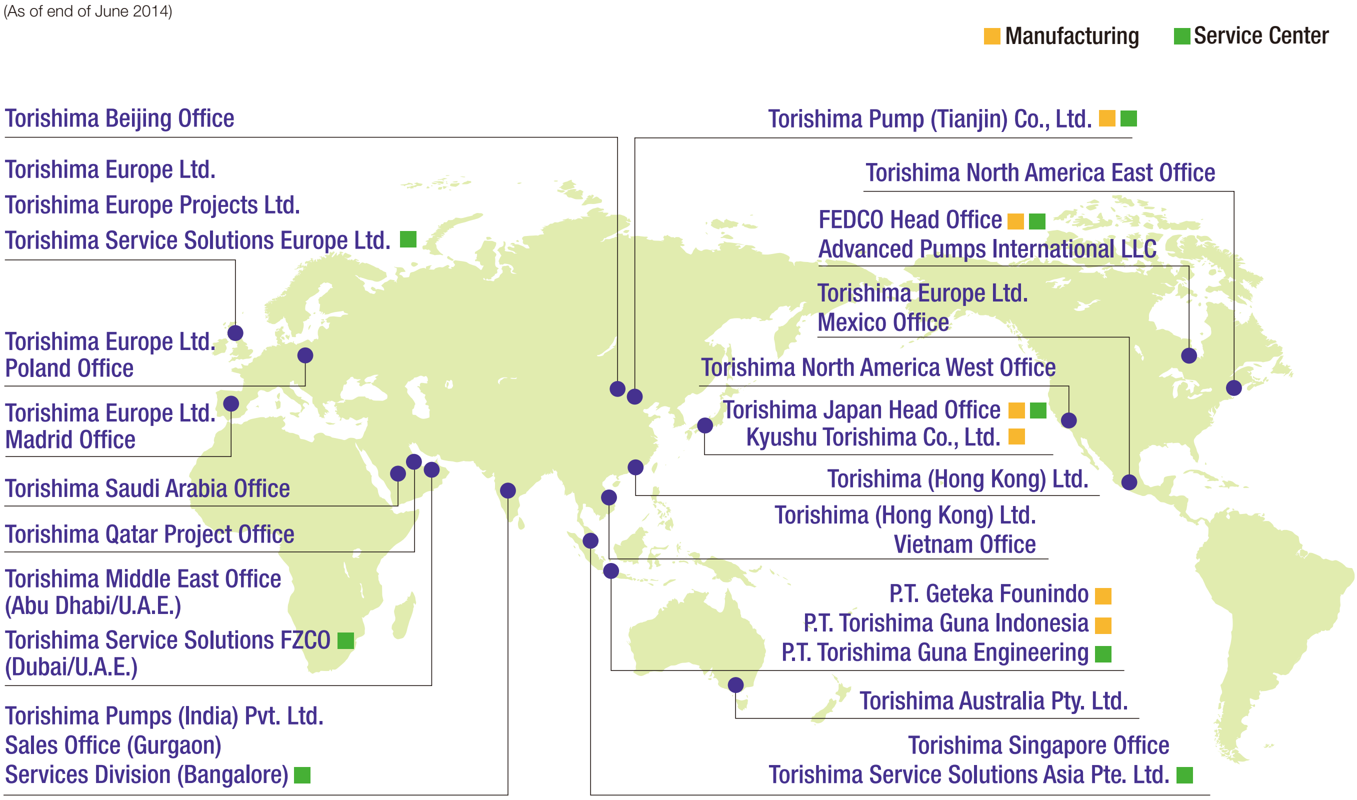
Company name	TORISHIMA PUMP MFG. CO., LTD.
Foundation	August 1, 1919
Outstanding shares	29,889,079
Paid-in capital	¥1,592,775,030
Shareholders	8,158
Employees	1,472
URL	www.torishima.co.jp/en
Places of business	
Head office	1-1-8, Miyata-cho, Takatsuki-city, Osaka 569-8660, Japan
Branch offices	Tokyo, 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 2014)



TORISHIMA

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4. Factory -Tour Manufacturing-
5. Service Solutions -Solutions-
6. Globalization -World Presence-
7. Ending -Passion-

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'14.08.800 Ⓣ