Torishima Pump Mfg. Co., Ltd.

Consolidated Financial Statements for the Years Ended March 31, 2007 and 2006, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Torishima Pump Mfg. Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Torishima Pump Mfg. Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for retirement benefits to be paid directors and corporate auditors as of April 1, 2006.

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

June 28, 2007

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2007 and 2006

ASSETS	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
CURRENT ASSETS:			
Cash and cash equivalents	¥ 3,155	¥ 6,593	$ 26,737
Marketable securities (Note 4)	94	35	797
Notes and accounts receivable:			
Trade	16,662	11,927	141,204
Unconsolidated subsidiaries and associated companies	71	101	602
Other	1,581	161	13,398
Allowance for doubtful accounts	(33)	(31)	(280)
Inventories (Note 5)	11,056	8,165	93,695
Deferred tax assets (Note 9)	1,265	920	10,720
Other current assets	1,971	1,176	16,703
Total current assets	35,822	29,047	303,576
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	1,462	1,462	12,390
Buildings and structures	7,249	7,225	61,432
Machinery and equipment	11,310	11,036	95,847
Construction in progress	225	3	1,907
Total	20,246	19,726	171,576
Accumulated depreciation	(12,861)	(12,213)	(108,991)
Net property, plant and equipment	7,385	7,513	62,585
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	20,315	21,749	172,161
Investments in and advances to unconsolidated subsidiaries and associated companies	555	521	4,703
Deferred tax assets (Note 9)	149	135	1,263
Other assets	1,355	1,452	11,483
Total investments and other assets	22,374	23,857	189,610
TOTAL	¥ 65,581	¥ 60,417	$ 555,771

LIABILITIES AND EQUITY	Millions of Yen 2007	Millions of Yen 2006	U.S. Dollars (Note 1) 2007
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	¥ 9,165	¥ 7,533	$ 77,670
Current portion of long-term debt (Note 6)	358	150	3,034
Notes and accounts payable:			
Trade	12,133	10,798	102,822
Unconsolidated subsidiaries and associated companies	127	60	1,076
Other	405	356	3,432
Advances received from customers	2,627	2,230	22,263
Income taxes payable	875	199	7,415
Allowance for losses on contracts	1,209	1,069	10,246
Other current liabilities	2,008	1,734	17,017
Total current liabilities	28,907	24,129	244,975
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	2,146	1,243	18,186
Liability for retirement benefits (Notes 3 and 7)	2,514	2,000	21,305
Deferred tax liabilities (Note 9)	4,070	4,753	34,492
Total long-term liabilities	8,730	7,996	73,983
MINORITY INTERESTS		10	
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11, 12 and 13)			
EQUITY (Notes 8 and 14):			
Common stock, authorized, 60,000 thousand shares; issued, 29,889 thousand shares in 2007 and 2006	1,593	1,593	13,500
Capital surplus	4,612	4,611	39,085
Retained earnings	16,427	16,101	139,212
Unrealized gain on available-for-sale securities	7,572	8,261	64,169
Deferred loss on derivatives under hedge accounting	(21)		(178)
Foreign currency translation adjustments	(72)	(114)	(610)
Treasury stock—at cost 4,138 thousand shares in 2007 and 4,128 thousand shares in 2006	(2,180)	(2,170)	(18,475)
Total	27,931	28,282	236,703
Minority interests	13		110
Total equity	27,944	28,282	236,813
TOTAL	¥ 65,581	¥ 60,417	$ 555,771

See notes to consolidated financial statements.

Thousands of

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
NET SALES	¥ 36,404	¥ 31,393	$ 308,508
COST OF SALES	30,464	26,690	258,169
Gross profit	5,940	4,703	50,339
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	5,088	4,596	43,119
Operating income	852	107	7,220
OTHER INCOME (EXPENSES):			
Interest and dividend income	295	333	2,500
Interest expense	(126)	(116)	(1,068)
Gain on sales of investment securities	721	1,380	6,110
(Loss) gain on trading and revaluation of trading securities—net (Note 2.c)	(2)	153	(17)
(Loss) gain on foreign exchange—net	(37)	45	(313)
Liability for directors and corporate auditors' retirement benefits	(510)		(4,322)
Penalty for unfulfilled contract commitment	(162)		(1,373)
Allowance for losses on contracts		(1,069)	
Compensation for product defects		(115)	
Other—net	197	197	1,670
Other income—net	376	808	3,187
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	1,228	915	10,407
INCOME TAXES (Note 9):			
Current	968	380	8,203
Extra tax for prior year	177		1,500
Deferred	(555)	158	(4,703)
Total income taxes	590	538	5,000
MINORITY INTERESTS IN NET INCOME	3		26
NET INCOME	¥ 635	¥ 377	$ 5,381

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.r):			
Net income	¥ 24.65	¥ 14.62	$ 0.21
Cash dividends applicable to the year	13.00	12.00	0.11

See notes to consolidated financial statements.

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2007 and 2006

	Thousands		Millions of Yen									
	Issued Number of Shares of Common Stock	Number of Shares of Treasury Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2005	29,889	(4,108)	¥ 1,593	¥ 4,611	¥ 16,033	¥ 4,246		¥ (169)	¥ (2,153)	¥ 24,161		¥ 24,161
Net income					377					377		377
Cash dividends, ¥12.00 per share					(309)					(309)		(309)
Net increase in unrealized gain on available-for-sale securities						4,015				4,015		4,015
Net change in foreign currency translation adjustments								55		55		55
Net increase of treasury stock		(20)							(17)	(17)		(17)
BALANCE, MARCH 31, 2006	29,889	(4,128)	1,593	4,611	16,101	8,261		(114)	(2,170)	28,282		28,282
Reclassified balance as of March 31, 2006 (Note 2.j)											¥ 10	10
Net income					635					635		635
Cash dividends, ¥13.00 per share					(309)					(309)		(309)
Net increase of treasury stock		(10)		1					(10)	(9)		(9)
Net change in the year						(689)	¥ (21)	42		(668)	3	(665)
BALANCE, MARCH 31, 2007	29,889	(4,138)	¥ 1,593	¥ 4,612	¥ 16,427	¥ 7,572	¥ (21)	¥ (72)	¥ (2,180)	¥ 27,931	¥ 13	¥ 27,944

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2006	$ 13,500	$ 39,076	$ 136,449	$ 70,008		$ (966)	$ (18,390)	$ 239,677		$ 239,677
Reclassified balance as of March 31, 2006 (Note 2.j)									$ 85	85
Net income			5,381					5,381		5,381
Cash dividends, $0.11 per share			(2,618)					(2,618)		(2,618)
Net increase of treasury stock		9					(85)	(76)		(76)
Net change in the year				(5,839)	$ (178)	356		(5,661)	25	(5,636)
BALANCE, MARCH 31, 2007	$ 13,500	$ 39,085	$ 139,212	$ 64,169	$ (178)	$ (610)	$ (18,475)	$ 236,703	$ 110	$ 236,813

See notes to consolidated financial statements.

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 1,228	¥ 915	$ 10,407
Adjustments for:			
Income taxes—paid	(512)	(517)	(4,339)
Income taxes—refunded	45	392	381
Depreciation and amortization	866	969	7,339
Gain on sales of investment securities	(721)	(1,380)	(6,110)
Loss (gain) on trading and revaluation of trading securities—net	2	(153)	17
Proceeds from sales of trading securities	(82)	395	(695)
Changes in assets and liabilities:			
Notes and accounts receivable	(4,702)	(793)	(39,847)
Inventories	(2,889)	(988)	(24,483)
Other current assets	(1,195)	296	(10,127)
Notes and accounts payable	1,402	174	11,881
Advances received from customers	397	(291)	3,364
Liability for directors and corporate auditors' retirement benefits	543		4,602
Other current liabilities	101	199	856
Other—net	299	1,007	2,534
Total adjustments	(6,446)	(690)	(54,627)
Net cash (used in) provided by operating activities	(5,218)	225	(44,220)
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(658)	(301)	(5,576)
Purchases of investment securities	(283)	(10)	(2,398)
Sales of investment securities	266	3,815	2,254
Other	75	57	635
Net cash (used in) provided by investing activities	(600)	3,561	(5,085)
FORWARD	¥ (5,818)	¥ 3,786	$ (49,305)

(Continued)

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
FORWARD	¥ (5,818)	¥ 3,786	$ (49,305)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings—net	1,631	(706)	13,822
Proceeds from long-term debt	1,201	200	10,178
Repayments of long-term debt	(158)	(354)	(1,339)
Repurchase and sales of treasury stock—net	(9)	(17)	(76)
Dividends paid	(309)	(309)	(2,619)
Net cash provided by (used in) financing activities	2,356	(1,186)	19,966
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	24	41	203
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,438)	2,641	(29,136)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,593	3,952	55,873
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 3,155	¥ 6,593	$ 26,737

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

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 ¥118 to $1, the approximate rate of exchange at March 31, 2007. 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.

On December 27, 2005, the Accounting Standard Board of Japan (ASBJ) published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the statement of changes in equity" in the current fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** - The consolidated financial statements as of March 31, 2007 include the accounts of the Company and its nine (nine in 2006) significant subsidiaries.

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

Investments in two (two in 2006) unconsolidated subsidiaries and four (four in 2006) associated companies are accounted for by the equity method.

Consolidation of remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

The differences between the cost and underlying net equity of investments in consolidated subsidiaries and associated companies at acquisition are included in other assets and are amortized on a straight-line basis over five 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. ***Cash Equivalents*** - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits which mature within three months of the date of acquisition.

c. ***Marketable and Investment Securities*** - Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
i) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; ii) available-for-sale securities, which are not classified as the trading securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Available-for-sale securities that whose fair value is not readily determinable are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

d. ***Inventories*** - Work in process is stated at cost determined by the specific identification method. Other inventories are stated at cost determined by the moving-average method.

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

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

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

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

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

g. ***Long-lived assets*** - In August 2002, the Business Accounting Council (the "BAC") issued a Statement of Opinion, *Accounting for Impairment of Fixed Assets*, and in October 2003 the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Guidance No.6, *Guidance for Accounting Standard for Impairment of Fixed Assets*. These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004. The Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The Companies reviewed its long-lived assets for impairment as of the year ended March 31, 2007 and, as a result, recognized an impairment loss of ¥59 million as other expense for the wind power generator in Hokkaido prefecture due to continuous operating losses of that unit and the carrying amount of the asset may not be recoverable.

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

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

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

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date (see Note 3).

i. ***Allowance for Losses on Contracts*** - The Companies provide foreseeable losses arising from certain sales contracts.

j. ***Presentation of Equity*** - On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

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

l. ***Leases*** - All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

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

n. ***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.

o. ***Foreign currency financial statements*** - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for shareholders' equity, which is translated at the historical exchange rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date.

p. ***Appropriations of Retained Earnings*** - Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

q. ***Derivatives and Hedging Activities***

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

The interest rate swaps that agree with 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 or income.

Hedging instruments and objects
a.Hedging instruments - Foreign exchange forward contracts
Hedging objects - Receivable and payable denominated in foreign currencies

b. Hedging instruments - Interest rate swap
Hedging objects - long-term debt

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

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

r. ***Per Share Information*** - 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 is not disclosed because it is anti-dilutive.

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

3. ACCOUNTING CHANGE

Prior to April 1, 2006 no provision was recorded for retirement benefits to be paid to the directors and corporate auditors. Effective April 1, 2006, however, the Company changed its method of accounting for such retirement benefits to an accrual basis to reflect periodic income and expenses more appropriately due to the reformation of the regulation on officers' retirement allowance. The effect of this change was to decrease income before income taxes for the year ended March 31, 2007 by ¥543 million ($4,602 thousand), which included a cumulative effect of ¥510 million ($4,322 thousand) at March 31, 2006. This cumulative effect was included in other expenses in the 2007 consolidated statement of income.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Current:			
Equity securities	¥ 56		$ 475
Other securities	38	¥ 35	322
Total	¥ 94	¥ 35	$ 797
Non-current:			
Equity securities	¥ 20,204	¥ 21,738	$ 171,220
Other securities	111	11	941
Total	¥ 20,315	¥ 21,749	$ 172,161

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading:				
Equity securities	¥ 60		¥ 4	¥ 56
Available-for-sale:				
Equity securities	7,053	¥ 12,788	22	19,819
Other securities	49	1		50
March 31, 2006				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 7,426	¥ 13,935	¥ 10	¥ 21,351
Other securities	45	1		46

	Thousands of U.S. Dollars			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading:				
Equity securities	$ 509		$ 34	$ 475
Available-for-sale:				
Equity securities	59,771	$ 108,373	187	167,957
Other securities	415	9		424

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying amount					
	Millions of Yen				Thousands of U.S. Dollars	
	2007		2006		2007	
Available-for-sale:						
Equity securities	¥	385	¥	387	$	3,263
Other securities		99				839
Total	¥	484	¥	387	$	4,102

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥1,275 million ($10,805 thousand) and ¥3,822 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥721 million ($6,110 thousand) and ¥5 million ($42 thousand) for the year ended March 31, 2007. Gross realized gains on these sales, computed on the moving average cost basis, were ¥1,380 million for the year ended March 31, 2006.

At March 31, 2007, investment securities with a total carrying value of ¥19 million ($161 thousand) were pledged as collateral for bank loan of other companies in ordinary course of business.

5. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2007		2006		2007	
Semi-finished products	¥	124	¥	131	$	1,051
Work in process		10,238		7,328		86,763
Raw materials and supplies		694		706		5,881
Total	¥	11,056	¥	8,165	$	93,695

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings were generally represented by notes to banks, which bore interest at the weighted - average interest rates of 1.56% and 1.35% at March 31, 2007 and 2006, respectively.

Long-term debt as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Unsecured loans from banks and other financial institutions, due through 2023, interest 1.15% - 6.00% (2007 and 2006)	¥ 651	¥ 726	$ 5,517
Secured loans from banks, due through 2010, interest 1.35% - 5.00%	1,853	667	15,703
Total	2,504	1,393	21,220
Less current portion	(358)	(150)	(3,034)
Long-term debt, less current portion	¥ 2,146	¥ 1,243	$ 18,186

At March 31, 2007, property, plant and equipment with a total carrying value of ¥1,992 million ($16,881 thousand) were pledged as collateral for short-term borrowings of ¥3,300 million ($27,966 thousand).

At March 31, 2007, machinery and equipment with a total carrying value of ¥616 million ($5,220 thousand) were pledged as collateral for current portion of long-term debt of ¥82 million ($695 thousand) and long-term debt of ¥571 million ($4,839 thousand).

At March 31, 2007, securities with a total carrying value of ¥1,490 million ($12,627 thousand) were pledged as collateral for long-term borrowings of ¥1,201 million ($10,178 thousand)

The aggregate annual maturities of long-term debt as of March 31, 2007 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 358	$ 3,034
2009	358	3,034
2010	1,358	11,508
2011	96	814
2012	83	703
2013 and thereafter	251	2,127
Total	¥ 2,504	$ 21,220

7. EMPLOYEES' RETIREMENT BENEFITS

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 payment 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 liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥ 4,826	¥ 4,424	$ 40,898
Fair value of plan assets	(3,314)	(3,202)	(28,085)
Unrecognized prior service cost	543	634	4,602
Unrecognized actuarial (loss) gain	(84)	144	(712)
Liability for employees' retirement benefits	¥ 1,971	¥ 2,000	$ 16,703

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost	¥ 221	¥ 210	$ 1,873
Interest cost	120	104	1,017
Expected return on plan assets	(51)	(38)	(432)
Amortization of prior service cost	(91)	(91)	(771)
Recognized actuarial loss	73	92	618
Net periodic benefit costs	¥ 272	¥ 277	$ 2,305

Assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:

	2007	2006
Discount rate	2.0%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Amortization period of prior service cost	10 years	10 years
Recognition period of actuarial gain/loss	10 years	10 years

8. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a)Dividends
Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law 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 Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.
Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law 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 Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law 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. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred Tax Assets:			
Unrealized loss on available-for-sale securities	¥ 9	¥ 4	$ 76
Loss on revaluation of available-for-sale securities	17	18	144
Liability for employees' retirement benefits	849	860	7,195
Liability for directors and auditors' retirement benefits	221		1,873
Provision for product warranties	173	180	1,466
Allowance for losses on contracts	421	364	3,568
Inventories	157	112	1,330
Accrued bonuses	248	190	2,102
Accrued enterprise tax	53	30	449
Unrealized profit on fixed assets	70	80	593
Tax loss carryforwards	389	312	3,297
Other	278	100	2,356
Less valuation allowance	(330)	(262)	(2,797)
Total	¥ 2,555	¥ 1,988	$ 21,652
Deferred Tax Liabilities:			
Unrealized gain on available-for-sale securities	¥ (5,205)	¥ (5,672)	$ (44,110)
Other	(6)	(14)	(51)
Total	¥ (5,211)	¥ (5,686)	$ (44,161)
Net deferred tax liabilities	¥ (2,656)	¥ (3,698)	$ (22,509)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	6.8	2.2
Dividend income not taxable for income tax purposes	(4.1)	(4.8)
Tax credit for research and development costs	(3.1)	
Inhabitant taxes	2.6	3.4
Prior year income taxes	2.7	
Equity Method	(2.1)	(3.1)
Less valuation allowance	5.3	20.7
Other—net	(0.8)	(0.3)
Actual effective tax rate	48.0%	58.8%

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥535 million ($4,534 thousand) and ¥562 million for the years ended March 31, 2007 and 2006, respectively.

11. LEASES

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

Total rental expense for the years ended March 31, 2007 and 2006 were ¥446 million ($3,783 thousand) and ¥415 million, respectively, including ¥107 million ($907 thousand) and ¥109 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease and depreciation expense under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

	As of March 31, 2007			As of March 31, 2006		
	Millions of Yen			Millions of Yen		
	Machinery and Equipment	Other Assets	Total	Machinery and Equipment	Other Assets	Total
Acquisition cost	¥ 471	¥ 10	¥ 481	¥ 465	¥ 4	¥ 469
Accumulated depreciation	210	3	213	286	1	287
Net leased property	¥ 261	¥ 7	¥ 268	¥ 179	¥ 3	¥ 182

	As of March 31, 2007		
	Thousands of U.S. Dollars		
	Machinery and Equipment	Other Assets	Total
Acquisition cost	$ 3,991	$ 85	$ 4,076
Accumulated depreciation	1,779	26	1,805
Net leased property	$ 2,212	$ 59	$ 2,271

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 92	¥ 86	$ 780
Due after one year	176	96	1,491
Total	¥ 268	¥ 182	$ 2,271

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense	¥ 107	¥ 109	$ 907

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

12. DERIVATIVE AND HEDGING ACTIVITIES

Use policy

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.

Risk associated with derivatives

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

13. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2007, the Company was contingently liable for guarantees of loans of unconsolidated subsidiaries, an associated company and other companies in the ordinary course of business amounting to ¥337 million ($2,856 thousand).

14. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2007 was approved at the Company's shareholders meeting held on June 28, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥7.0 ($0.06) per share	¥ 180	$ 1,525

15. SEGMENT INFORMATION

Information about industry segments, geographic segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2007 and 2006, is as follows:

(1) Industry Segments

a. Sales and Operating Income (Loss)

	Millions of Yen				
	2007				
	Pumps	Environment	New Energy	Eliminations/Corporate	Consolidated
Sales to customers	¥ 34,153	¥ 1,230	¥ 1,021		¥ 36,404
Intersegment sales					
Total sales	34,153	1,230	1,021		36,404
Operating expenses	32,016	1,225	1,294	¥ 1,017	35,552
Operating income (loss)	¥ 2,137	¥ 5	¥ (273)	¥ (1,017)	¥ 852

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen				
	2007				
	Pumps	Environment	New Energy	Eliminations/Corporate	Consolidated
Total assets	¥ 33,971	¥ 703	¥ 2,893	¥ 28,014	¥ 65,581
Depreciation	494	28	294	50	866
Impairment loss			59		59
Capital expenditures	668	47		17	732

a. Sales and Operating Income (Loss)

	Thousands of U.S. Dollars				
	2007				
	Pumps	Environment	New Energy	Eliminations/Corporate	Consolidated
Sales to customers	$ 289,432	$ 10,423	$ 8,653		$ 308,508
Intersegment sales					
Total sales	289,432	10,423	8,653		308,508
Operating expenses	271,322	10,381	10,966	$ 8,619	(301,288)
Operating income (loss)	$ 18,110	$ 42	$ (2,313)	$ (8,619)	$ 7,220

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Thousands of U.S. Dollars				
	2007				
	Pumps	Environment	New Energy	Eliminations/Corporate	Consolidated
Total assets	$ 287,890	$ 5,957	$ 24,517	$ 237,407	$ 555,771
Depreciation	4,186	237	2,492	424	7,339
Impairment loss			500		500
Capital expenditures	5,661	398		144	6,203

a. Sales and Operating Income (Loss)

	Millions of Yen				
	2006				
	Pumps	Environment	New Energy	Eliminations/Corporate	Consolidated
Sales to customers	¥ 27,748	¥ 1,740	¥ 1,905		¥ 31,393
Intersegment sales					
Total sales	27,748	1,740	1,905		31,393
Operating expenses	26,560	1,796	2,103	¥ 827	31,286
Operating income (loss)	¥ 1,188	¥ (56)	¥ (198)	¥ (827)	¥ 107

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2006				
	Pumps	Environment	New Energy	Eliminations/Corporate	Consolidated
Total assets	¥ 24,686	¥ 606	¥ 3,532	¥ 31,593	¥ 60,417
Depreciation	569	24	325	51	969
Capital expenditures	304	7	15	6	332

Notes: The pumps segment consisted of various pumps, pumps plant, mechanical seal, etc.

The environment segment consisted of environmental equipment, sludge treatment, etc.

The new energy segment consisted of wind power generation, mini and micro hydro generation, biomass and biogas co-generation, etc.

(2) Geographic segments

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

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2007 and 2006 amounted to ¥16,127 million ($136,669 thousand) and ¥9,368 million, respectively.

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