Torishima Pump Mfg. Co., Ltd.

Consolidated Financial Statements for the Years Ended March 31, 2009 and 2008, 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, 2009 and 2008, 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, 2009 and 2008, 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.

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 26, 2009

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

Consolidated Balance Sheets
March 31, 2009 and 2008

ASSETS	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2009
CURRENT ASSETS:			
Cash and cash equivalents	¥ 3,657	¥ 4,691	$ 37,316
Marketable securities (Note 3)	5	7	51
Notes and accounts receivable:			
Trade	22,104	19,513	225,551
Unconsolidated subsidiaries and associated companies	46	48	470
Other	815	125	8,316
Allowance for doubtful accounts	(28)	(10)	(286)
Inventories (Note 4)	11,848	9,916	120,898
Deferred tax assets (Note 9)	1,537	1,049	15,684
Other current assets	3,040	2,956	31,021
Total current assets	43,024	38,295	439,021
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 5)	1,485	1,466	15,153
Buildings and structures (Note 5)	7,442	7,331	75,939
Machinery and equipment (Note 5)	11,502	11,643	117,367
Construction in progress	108	217	1,102
Lease assets (Note 11)	143		1,459
Total	20,680	20,657	211,020
Accumulated depreciation	(13,826)	(13,532)	(141,082)
Net property, plant and equipment	6,854	7,125	69,938
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 5)	9,587	14,600	97,826
Investments in and advances to unconsolidated subsidiaries and associated companies	782	587	7,980
Deferred tax assets (Note 9)	493	159	5,031
Other assets	1,392	1,310	14,204
Total investments and other assets	12,254	16,656	125,041
TOTAL	¥ 62,132	¥ 62,076	$ 634,000

LIABILITIES AND EQUITY	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2009
CURRENT LIABILITIES:			
Short-term borrowings (Note 5)	¥ 5,756	¥ 5,780	$ 58,735
Current portion of long-term debt (Note 5)	1,446	419	14,755
Notes and accounts payable:			
Trade	12,069	12,882	123,153
Unconsolidated subsidiaries and associated companies	20	78	204
Other	803	607	8,194
Advances received from customers	6,932	3,876	70,735
Income taxes payable	1,221	646	12,459
Allowance for losses on contracts	1,105	1,024	11,275
Other current liabilities	2,970	2,018	30,306
Total current liabilities	32,322	27,330	329,816
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	3,121	4,333	31,847
Liability for retirement benefits (Note 6)	2,000	2,557	20,408
Deferred tax liabilities (Note 9)		1,690	
Other long-term liabilities (Note 6)	682	135	6,959
Total long-term liabilities	5,803	8,715	59,214
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11 and 12)			
EQUITY (Notes 7,8 and 14):			
Common stock, authorized, 60,000 thousand shares; issued, 29,889 thousand shares in 2009 and 2008	1,593	1,593	16,255
Capital surplus	4,612	4,612	47,061
Stock acquisition rights	18		184
Retained earnings	19,056	17,477	194,449
Unrealized gain on available-for-sale securities	1,091	4,032	11,133
Deferred gain on derivatives under hedge accounting	106	250	1,082
Foreign currency translation adjustments	(295)	237	(3,010)
Treasury stock—at cost 4,144 thousand shares in 2009 and 4,140 thousand shares in 2008	(2,190)	(2,184)	(22,347)
Total	23,991	26,017	244,807
Minority interests	16	14	163
Total equity	24,007	26,031	244,970
TOTAL	¥ 62,132	¥ 62,076	$ 634,000

See notes to consolidated financial statements.

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

Consolidated Statements of Income
Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
NET SALES	¥ 45,692	¥ 47,273	$ 466,245
COST OF SALES (Note 10)	37,096	39,003	378,531
Gross profit	8,596	8,270	87,714
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	5,834	5,626	59,531
Operating income	2,762	2,644	28,183
OTHER INCOME (EXPENSES):			
Interest and dividend income	294	320	3,000
Interest expense	(160)	(197)	(1,632)
Gain on sales of land		117	
Gain on sales of investment securities	184	101	1,877
Gain (loss) on foreign exchange—net	470	(379)	4,796
Other—net	(156)	(35)	(1,592)
Other income (expenses)—net	632	(73)	6,449
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	3,394	2,571	34,632
INCOME TAXES (Note 9):			
Current	1,794	1,092	18,306
Deferred	(395)	69	(4,031)
Total income taxes	1,399	1,161	14,275
MINORITY INTERESTS IN NET INCOME	4		41
NET INCOME	¥ 1,991	¥ 1,410	$ 20,316

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.q and 13):			
Basic net income	¥ 77.32	¥ 54.77	$ 0.79
Diluted net income	77.31		0.79
Cash dividends applicable to the year	17.00	15.00	0.16

See notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity
Years Ended March 31, 2009 and 2008

	Thousands		Millions of Yen										
	Issued Number of Shares of Common Stock	Number of Shares of Treasury Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred (loss) gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2007	29,889	(4,138)	¥ 1,593	¥ 4,612		¥ 16,427	¥ 7,572	¥ (21)	¥ (72)	¥ (2,180)	¥ 27,931	¥ 13	¥ 27,944
Net income						1,410					1,410		1,410
Cash dividends, ¥14.00 per share						(360)					(360)		(360)
Purchase of treasury stock		(2)								(4)	(4)		(4)
Net change in the year							(3,540)	271	309		(2,960)	1	(2,959)
BALANCE, MARCH 31, 2008	29,889	(4,140)	1,593	4,612		17,477	4,032	250	237	(2,184)	26,017	14	26,031
Net income						1,991					1,991		1,991
Cash dividends, ¥16.00 per share						(412)					(412)		(412)
Net increase of treasury stock		(4)								(6)	(6)		(6)
Net change in the year					¥ 18		(2,941)	(144)	(532)		(3,599)	2	(3,597)
BALANCE, MARCH 31, 2009	29,889	(4,144)	¥ 1,593	¥ 4,612	¥ 18	¥ 19,056	¥ 1,091	¥ 106	¥ (295)	¥ (2,190)	¥ 23,991	¥ 16	¥ 24,007

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred (loss) gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2008	$ 16,255	$ 47,061		$ 178,337	$ 41,143	$ 2,551	$ 2,418	$ (22,286)	$ 265,479	$ 143	$ 265,622
Net income				20,316					20,316		20,316
Cash dividends, $0.16 per share				(4,204)					(4,204)		(4,204)
Net increase of treasury stock								(61)	(61)		(61)
Net change in the year			$ 184		(30,010)	(1,469)	(5,428)		(36,723)	20	(36,703)
BALANCE, MARCH 31, 2009	$ 16,255	$ 47,061	$ 184	$ 194,449	$ 11,133	$ 1,082	$ (3,010)	$ (22,347)	$ 244,807	$ 163	$ 244,970

See notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows
Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 3,394	¥ 2,571	$ 34,632
Adjustments for:			
Income taxes—paid	(1,224)	(1,318)	(12,490)
Depreciation	874	911	8,919
Gain on sales of investment securities	(184)	(101)	(1,877)
Gain on sales of land		(117)	
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(3,098)	(2,929)	(31,612)
(Increase) decrease in inventories	(2,081)	1,093	(21,235)
Increase in other current assets	(788)	(599)	(8,041)
(Decrease) increase in notes and accounts payable	(658)	856	(6,714)
Increase in advances received from customers	3,206	1,285	32,714
Increase in allowance for product warranties	1,017	10	10,378
(Decrease) increase in liability for retirement benefits to directors and corporate auditors	(567)	45	(5,786)
Increase in other current liabilities	426	590	4,347
Other—net	605	214	6,173
Total adjustments	(2,472)	(60)	(25,224)
Net cash provided by operating activities	922	2,511	9,408
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(739)	(412)	(7,541)
Proceeds from sales of property, plant and equipment		117	
Purchases of investment securities	(402)	(457)	(4,102)
Proceeds from sales of investment securities	377	1,300	3,847
Other	(495)	31	(5,051)
Net cash (used in) provided by investing activities	(1,259)	579	(12,847)
FORWARD	¥ (337)	¥ 3,090	$ (3,439)

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

Consolidated Statements of Cash Flows
Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
FORWARD	¥ (337)	¥ 3,090	$ (3,439)
FINANCING ACTIVITIES:			
Decrease in short-term borrowings—net	(35)	(3,364)	(357)
Proceeds from long-term debt	200	2,600	2,041
Repayments of long-term debt	(403)	(339)	(4,112)
Dividends paid	(412)	(359)	(4,204)
Other	(19)	(4)	(194)
Net cash used in financing activities	(669)	(1,466)	(6,826)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(28)	(88)	(286)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,034)	1,536	(10,551)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,691	3,155	47,867
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 3,657	¥ 4,691	$ 37,316

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 Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to 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. In addition, certain reclassifications have been made in the 2008 financial statements to conform to the classifications used in 2009.

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 ¥98 to $1, the approximate rate of exchange at March 31, 2009. 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, 2009 include the accounts of the Company and its ten (nine in 2008) 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 2008) unconsolidated subsidiaries and four (four in 2008) 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 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 and 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.

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

d. ***Inventories -*** Prior to April 1, 2008, work in process was stated at cost determined by the specific identification method and other inventories were stated at cost determined by the moving-average method. In July 2006, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No.9," Accounting Standard for Measurement of Inventories", which was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

The Company applied this new accounting standard for measurement of inventories effective April 1, 2008. No loss of this change was recognized.

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

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

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

Effective June 27, 2008, the Company terminated its unfunded retirement allowance plan for all directors and corporate auditors. The outstanding balance of liability for retirement benefits for directors and corporate auditors as of March 31, 2008 was reclassified to other long-term liabilities in the year ended March 31, 2009.

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

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

j. ***Stock Options*** - The ASBJ Statement No.8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.
This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

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

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

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

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. No gain or loss this change was recognized.

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

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

p. ***Derivatives and Hedging Activities***

Derivatives under contract
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 meet 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

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

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

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

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

q. ***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.

Diluted net income per share for the year ended March 31, 2008 is not disclosed because no potentially dilutive shares of commn stock were outstanding.

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.

r. New Accounting Pronouncements

Asset Retirement Obligations – On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

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

Construction Contracts – Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. In December 2007, the ASBJ issued a new accounting standard for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Current:			
Equity securities	¥ 5	¥ 7	$ 51
Non-current:			
Equity securities	¥ 9,450	¥ 14,493	$ 96,428
Other securities	137	107	1,398
Total	¥ 9,587	¥ 14,600	$ 97,826

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen			
March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading:				
Equity securities	¥ 17		¥ 12	¥ 5
Available-for-sale:				
Equity securities	7,248	¥ 2,748	908	9,088
March 31, 2008				
Securities classified as:				
Trading:				
Equity securities	¥ 17		¥ 10	¥ 7
Available-for-sale:				
Equity securities	7,327	¥ 7,004	206	14,125
Other securities	10	1		11

	Thousands of U.S. Dollars			
March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading:				
Equity securities	$ 173		$ 122	$ 51
Available-for-sale:				
Equity securities	73,959	$ 28,041	9,266	92,734

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 and 2008 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Available-for-sale:			
Equity securities	¥ 362	¥ 367	$ 3,694
Other securities	137	96	1,398
Total	¥ 499	¥ 463	$ 5,092

Proceeds from sales of available-for-sale securities for the years ended March 31, 2009 and 2008 were ¥368 million ($3,755 thousand) and ¥216 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis for the years ended March 31, 2009 and 2008 were ¥184 million ($1,877 thousand) and ¥102 million, respectively.

At March 31, 2009, investment securities with a total carrying value of ¥19 million ($194 thousand) were pledged as collateral for bank loan of other companies in ordinary course of business.

4. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Semi-finished products	¥ 162	¥ 158	$ 1,653
Work in process	10,177	8,973	103,847
Raw materials and supplies	1,509	785	15,398
Total	¥ 11,848	¥ 9,916	$ 120,898

5. 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 1.08% and 1.26% at March 31, 2009 and 2008, respectively.

Long-term debt as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Unsecured loans from banks and other financial institutions, due through 2021, interest 0.85% - 5.20% (2009) and 1.02% - 5.20% (2008)	¥ 2,804	¥ 2,977	$ 28,612
Secured loans from banks, due through 2013, interest 1.35% - 7.40% (2009) and 1.35% - 5.00% (2008)	1,627	1,775	16,602
Obligations under finance leases	136		1,388
Total	4,567	4,752	46,602
Less current portion	(1,446)	(419)	(14,755)
Long-term debt, less current portion	¥ 3,121	¥ 4,333	$ 31,847

At March 31, 2009, property, plant and equipment with a total carrying value of ¥2,225 million ($22,704 thousand) were pledged as collateral for short-term borrowings of ¥2,900 million ($29,592 thousand).

At March 31, 2009, machinery and equipment with a total carrying value of ¥388 million ($3,959 thousand) were pledged as collateral for current portion of long-term debt of ¥90 million ($918 thousand) and long-term debt of ¥336 million ($3,429 thousand).

At March 31, 2009, investment securities with a total carrying value of ¥1,353 million ($13,806 thousand) were pledged as collateral for current portion of long-term debt of ¥1,201 million ($12,255 thousand).

The aggregate annual maturities of long-term debt, excluding finance leases (see Note 11), as of March 31, 2009 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 1,414	$ 14,428
2011	1,631	16,643
2012	329	3,357
2013	900	9,184
2014	35	357
2015 and thereafter	122	1,245
Total	¥ 4,431	$ 45,214

The aggregate annual maturities of leases obligations as of March 31, 2009 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 32	$ 327
2011	32	327
2012	32	327
2013	24	244
2014	15	153
2015 and thereafter	1	10
Total	¥ 136	$ 1,388

6. 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 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.

Liability for retirement benefits for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Japanese Companies Act.
The Company recorded a liability for its unfunded retirement allowance plan covering all of its directors and corporate auditors.

The liability for retirement benefits for directors and corporate auditors are ¥21 million ($214 thousand) and ¥588 million at March 31, 2009 and 2008, respectively.

The outstanding balance of retirement allowances for the Company’s directors and corporate auditors as of March 31, 2008 was ¥573 million and was reclassified to other long-term liabilities in the year ended March 31, 2009.
The liability for employees’ retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2009		2008		2009	
Projected benefit obligation	¥	5,214	¥	5,109	$	53,204
Fair value of plan assets		(2,484)		(2,957)		(25,347)
Unrecognized prior service cost		362		453		3,694
Unrecognized actuarial loss		(1,113)		(636)		(11,357)
Liability for employees' retirement benefits	¥	1,979	¥	1,969	$	20,194

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2009		2008		2009	
Service cost	¥	243	¥	239	$	2,480
Interest cost		101		96		1,031
Expected return on plan assets		(41)		(45)		(418)
Amortization of prior service cost		(91)		(91)		(929)
Recognized actuarial loss		120		59		1,224
Net periodic benefit costs	¥	332	¥	258	$	3,388

Assumptions used for the years ended March 31, 2009 and 2008 are set forth as follows:

	2009	2008
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%
Amortization period of prior service cost	10 years	10 years
Recognition period of actuarial gain/loss	10 years	10 years

7. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a)Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having 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 Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

8. STOCK OPTIONS

The stock options outstanding as of March 31, 2009 are as follows:

Stock Option	Persons Granted	Number of Options granted	Date of Grant	Exercise Price	Exercise Period
2008 Stock Option	5 directors 4 corporate auditors	11,700 shares	2008.9.19	¥ 1	From September 20, 2008 To September 19, 2038

The stock option activity is as follows:

	2008 Stock Option
For the year ended March31, 2009	
Non-vested	
March 31, 2008 – Outstanding	
Granted	11,700
Canceled	
Vested	(11,700)
March 31, 2009 – Outstanding	
Vested	
March 31, 2008 - Outstanding	
Vested	11,700
Exercised	
Canceled	
March 31, 2009 – Outstanding	11,700
Exercise price	¥ 1
Fair value price at grant date	¥ 2,013

The assumptions used to measure fair value of 2008 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	40.9%
Estimated remaining outstanding period:	ten months
Estimated dividend:	¥15 per share
Interest rate with risk free:	0.61%

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, 2009 and 2008.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred Tax Assets:			
Unrealized loss on available-for-sale securities	¥ 370	¥ 84	$ 3,775
Loss on revaluation of available-for-sale securities	23	18	235
Liability for employees' retirement benefits	858	850	8,755
Liability for directors and auditors' retirement benefits	234	239	2,388
Allowance for product warranties	590	176	6,020
Allowance for losses on contracts	450	417	4,592
Inventories	44	119	449
Accrued bonuses	240	266	2,449
Accrued enterprise tax	76	53	776
Unrealized profit on fixed assets	54	62	551
Tax loss carryforwards	474	409	4,837
Other	373	314	3,806
Less valuation allowance	(561)	(461)	(5,724)
Total	¥ 3,225	¥ 2,546	$ 32,909
Deferred Tax Liabilities:			
Unrealized gain on available-for-sale securities	¥ (1,118)	¥ (2,851)	$ (11,408)
Deferred gain on derivatives under hedge accounting	(73)	(172)	(745)
Other	(4)	(5)	(41)
Total	¥ (1,195)	¥ (3,028)	$ (12,194)
Net deferred tax assets (liabilities)	¥ 2,030	¥ (482)	$ 20,715

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, 2009 and 2008 are as follows:

	2009	2008
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	0.4	0.6
Dividend income not taxable for income tax purposes	(1.3)	(1.9)
Tax credit for research and development costs	(1.1)	(1.5)
Inhabitant taxes	0.6	1.2
Equity Method	(1.1)	(0.5)
Less valuation allowance	3.0	5.1
Other—net		1.4
Actual effective tax rate	41.2%	45.1%

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥604 million ($6,163 thousand) and ¥638 million for the years ended March 31, 2009 and 2008, respectively.

11. LEASES

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

Total rental expense for the years ended March 31, 2009 and 2008 were ¥449 million ($4,582 thousand) and ¥449 million, respectively, including ¥108 million ($1,102 thousand) and ¥116 million of lease payments under finance leases.

As discussed in Note 2. l, the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

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, 2009 and 2008 was as follows:

	As of March 31, 2009			As of March 31, 2008		
	Millions of Yen			Millions of Yen		
	Machinery and Equipment	Other Assets	Total	Machinery and Equipment	Other Assets	Total
Acquisition cost	¥ 485	¥ 5	¥ 490	¥ 573	¥ 9	¥ 582
Accumulated depreciation	255	2	257	237	5	242
Net leased property	¥ 230	¥ 3	¥ 233	¥ 336	¥ 4	¥ 340

	As of March 31, 2009		
	Thousands of U.S. Dollars		
	Machinery and Equipment	Other Assets	Total
Acquisition cost	$ 4,949	$ 51	$ 5,000
Accumulated depreciation	2,602	21	2,623
Net leased property	$ 2,347	$ 30	$ 2,377

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	¥ 95	¥ 108	$ 969
Due after one year	138	232	1,408
Total	¥ 233	¥ 340	$ 2,377

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Depreciation expense	¥ 108	¥ 116	$ 1,102

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

12. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2009, the Company was contingently liable for guarantees of loans of an unconsolidated subsidiary, an associated company and other companies in the ordinary course of business amounting to ¥105 million ($1,071 thousand).

13. NET INCOME PER SHARE

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

	Yen in millions	Thousands of shares	Yen	Dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2009:				
Basic EPS				
Net income available to common shareholders	¥ 1,991	25,746	¥ 77.32	$ 0.79
Effect of Dilutive Securities				
Stock aquisition rights		6		
Diluted EPS				
Net income for computation	¥ 1,991	25,740	¥ 77.31	$ 0.79

14. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2009 was approved at the Board of Directors held on May 13, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥9.0 ($0.09) per share	¥ 232	$ 2,367

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, 2009 and 2008, is as follows:

(1) Industry Segments

For the fiscal year ended March 31, 2009, the percentages of the Pumps segment in total sales, in operating income and in total assets exceeded 90%, thus the Companies have omitted the disclosure of Industry Segments.

a. Sales and Operating Income (Loss)

	Millions of Yen				
	2008				
	Pumps	Environment	New Energy	Eliminations/Corporate	Consolidated
Sales to customers	¥ 45,877	¥ 835	¥ 561		¥ 47,273
Intersegment sales					
Total sales	45,877	835	561		47,273
Operating expenses	41,999	890	597	¥ 1,143	44,629
Operating income (loss)	¥ 3,878	¥ (55)	¥ (36)	¥ (1,143)	¥ 2,644

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2008				
	Pumps	Environment	New Energy	Eliminations/Corporate	Consolidated
Total assets	¥ 37,202	¥ 518	¥ 2,452	¥ 21,904	¥ 62,076
Depreciation	587	27	249	48	911
Capital expenditures	495	4	11	144	654

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, 2009 and 2008 amounted to ¥26,567 million ($271,092 thousand) and ¥26,748 million, respectively.

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