KITZ CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

ERNST & YOUNG

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197

Independent Auditor's Report

The Board of Directors
KITZ CORPORATION

We have audited the accompanying consolidated financial statements of KITZ CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, 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. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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 KITZ CORPORATION and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 27, 2013
Tokyo, Japan

KITZ CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 31,		March 31,
ASSETS	2013	2012	2013
Current Assets:			
Cash in hand and in banks (Notes 4 and 12) ….	¥ 6,662	¥ 5,674	$ 70,888
Notes and accounts receivable - (Note 5)			
Trade (Note 12) ……………………………	22,857	22,782	243,190
Other ………………………………………	513	509	5,460
Electronically recorded monetary claims-operating (Note 5)……………………	952	-	10,139
Merchandise and finished goods ……………	7,095	6,344	75,490
Work in process ………………………………	3,744	3,819	39,838
Raw materials and supplies …………………	6,277	6,309	66,788
Deferred income tax assets (Note 9) ………	1,196	1,140	12,731
Other current assets …………………………	687	701	7,315
Less: Allowance for doubtful accounts ……	(31)	(33)	(334)
Total current assets ………………………	49,956	47,247	531,504
Property, Plant and Equipment:			
Buildings and structures ……………………	39,760	39,095	423,033
Machinery and equipment …………………	49,299	46,439	524,516
	89,060	85,535	947,548
Less: Accumulated depreciation …………..	(64,710)	(62,715)	(688,480)
	24,349	22,820	259,069
Land (Note 7) ………………………………	10,981	11,198	116,836
Construction in progress …………………..	480	749	5,114
Total property, plant, and equipment …..	35,811	34,767	381,019
Intangible assets …………………………………	3,269	2,404	34,785
Investments and Other Assets:			
Investments in securities (Notes 6 and 12) ……	6,601	5,626	70,235
Deferred income tax assets (Note 9) …….	392	904	4,176
Other assets …………………………………	4,299	4,550	45,744
Less: Allowance for doubtful accounts ……	(358)	(519)	(3,809)
Total investments and other assets …….	10,935	10,561	116,346
Total assets ……………………………..	¥ 99,972	¥ 94,981	$ 1,063,653

The accompanying notes are an integral part of these financial statements.

KITZ CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

LIABILITIES AND NET ASSETS	Millions of yen March 31, 2013	Millions of yen March 31, 2012	Thousands of U.S. dollars (Note 3) March 31, 2013
Current Liabilities:			
Accounts payable -			
Trade (Note 12)	¥ 5,259	¥ 5,541	$ 55,959
Other	2,359	1,880	25,106
Current portion of long-term debt (Notes 7 and 12)	5,304	5,270	56,434
Short-term borrowings (Note 7)	2,403	2,894	25,570
Income taxes payable	1,718	484	18,282
Consumption tax payable	202	223	2,153
Accrued bonuses to employees	1,624	1,428	17,288
Accrued bonuses to directors	163	99	1,742
Asset retirement obligations (Note 14)	-	67	-
Other current liabilities	2,113	2,292	22,485
Total current liabilities	21,149	20,182	225,019
Long-term Liabilities:			
Long-term debt (Notes 7 and 12)	14,612	16,125	155,465
Accrued retirement benefits to employees (Note 10)	514	360	5,471
Accrued retirement benefits to directors, corporate auditors and operating officers	301	278	3,203
Deferred income tax liabilities (Note 9)	706	907	7,520
Asset retirement obligations (Note 14)	425	416	4,525
Other long-term liabilities	2,043	2,219	21,743
Total long-term liabilities	18,603	20,309	197,929
Contingent Liabilities (Note 15)			
Net Assets (Note 17)			
Shareholders' Equity			
Common stock -	21,207	21,207	225,631
Authorized: 400,000,000 shares in 2013 and 2012			
Issued: 120,396,511 shares in 2013 and 2012			
Capital surplus	9,430	9,430	100,337
Retained earnings	33,675	30,563	358,286
Less: Treasury stock -	(3,918)	(3,917)	(41,687)
(11,175,323 shares in 2013 and 11,173,721 shares in 2012)			
Total shareholders' equity	60,394	57,283	642,567
Accumulated other comprehensive income			
Net unrealized gains on other securities	1,697	977	18,065
Translation adjustments	(2,849)	(4,670)	(30,321)
Total accumulated other comprehensive income	(1,151)	(3,692)	(12,256)
Minority interests	977	898	10,395
Total net assets	60,219	54,489	640,706
Total liabilities and net assets	¥ 99,972	¥ 94,981	$ 1,063,653

The accompanying notes are an integral part of these financial statements.

KITZ CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	Millions of yen		Thousands of U.S. dollars (Note 3)
	Year ended March 31,		Year ended March 31,
	2013	2012	2013
Net Sales	¥ 111,275	¥ 108,446	$ 1,183,904
Cost of Sales (Note 11)	85,071	84,674	905,112
Gross profit	26,203	23,772	278,792
Selling, General and Administrative Expenses (Notes 8 and 11)	19,645	19,134	209,019
Operating income	6,558	4,638	69,773
Other Income (Expenses):			
Interest income	12	14	131
Dividend income	146	130	1,555
Assurance income	112	176	1,197
Interest expenses	(282)	(392)	(3,001)
Sales discounts	(303)	(310)	(3,228)
Foreign exchange gains (losses)	120	(41)	1,287
Losses on sales of notes receivable	(28)	(37)	(298)
Gains (losses) on sales or disposal of property, plant, and equipment, net	(63)	2	(673)
Gains on sales of investments in securities	5	18	54
Gains on sales of real estate for investment	4	-	51
Gains on redemption of membership	-	32	-
Reversal of provision for loss on disaster	-	12	-
Loss on disaster	-	(26)	-
Impairment losses on fixed assets	(105)	(62)	(1,117)
Write-down of investments in securities	(21)	(4)	(232)
Other, net	181	201	1,930
	(220)	(287)	(2,344)
Income before income taxes and minority interests	6,337	4,350	67,429
Income Taxes (Note 9):			
Current	2,297	1,486	24,447
Deferred	(35)	354	(374)
	2,262	1,841	24,074
Income before minority interests	4,075	2,509	43,356
Minority Interests	(35)	(28)	(373)
Net income	¥ 4,039	¥ 2,480	$ 42,983

	Yen		U.S. dollars
Per Share Information (Notes 17 and 18):			
Net income - Basic	¥ 36.98	¥ 22.71	$ 0.39
- Diluted	—	—	—
Cash dividends	8.50	7.50	0.09
Weighted average number of shares (thousands)	109,222	109,224	109,222

The accompanying notes are an integral part of these financial statements.

KITZ CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Millions of yen				Thousands of U.S. dollars (Note 3)	
	Year ended March 31,				Year ended March 31,	
	2013		2012		2013	
Income before minority interests	¥	4,075	¥	2,509	$	43,356
Other comprehensive income:						
Net unrealized gains (losses) on other securities		720		136		7,665
Translation adjustments		1,869		(760)		19,893
Total other comprehensive income (Note 16)		2,590		(623)		27,558
Comprehensive income	¥	6,665	¥	1,885	$	70,913
- Attributable to shareholders of the parent	¥	6,580	¥	1,886	$	70,015
- Attributable to minority interests	¥	84	¥	(0)	$	898

The accompanying notes are an integral part of these financial statements.

KITZ CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 3)
	Year ended March 31,		Year ended March 31,
	2013	2012	2013
Shareholders' equity			
Common stock			
Balance at the beginning of the year	¥21,207	¥21,207	$225,631
Balance at the end of the year	¥21,207	¥21,207	$225,631
Capital surplus			
Balance at the beginning of the year	¥9,430	¥9,430	$100,337
Changes during the year			
Disposal of treasury stock	0	0	0
Total change during the year	0	0	0
Balance at the end of the year	¥9,430	¥9,430	$100,337
Retained earnings			
Balance at the beginning of the year	¥30,563	¥28,901	$325,181
Changes during the year			
Dividends from surplus	(928)	(819)	(9,878)
Net income	4,039	2,480	42,983
Total change during the year	3,111	1,661	33,105
Balance at the end of the year	¥33,675	¥30,563	$358,286
Treasury stock			
Balance at the beginning of the year	(¥3,917)	(¥3,917)	($41,681)
Changes during the year			
Acquisition of treasury stock	(0)	(0)	(7)
Disposal of treasury stock	0	0	0
Total change during the year	(0)	(0)	(7)
Balance at the end of the year	(¥3,918)	(¥3,917)	($41,687)
Total shareholders' equity			
Balance at the beginning of the year	¥57,283	¥55,622	$609,468
Changes during the year			
Dividends from surplus	(928)	(819)	(9,878)
Net income	4,039	2,480	42,983
Acquisition of treasury stock	(0)	(0)	(7)
Disposal of treasury stock	0	0	0
Total change during the year	3,110	1,661	33,099
Balance at the end of the year	¥60,394	¥57,283	$642,567

The accompanying notes are an integral part of these financial statements.

KITZ CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 3)
	Year ended March 31,		Year ended March 31,
	2013	2012	2013
Accumulated other comprehensive income			
Net unrealized gains (losses) on other securities			
Balance at the beginning of the year	¥977	¥840	$10,402
Changes during the year			
Net changes in items other than those in shareholders' equity	720	136	7,663
Total change during the year	720	136	7,663
Balance at the end of the year	¥1,697	¥977	$18,065
Translation adjustments			
Balance at the beginning of the year	(¥4,670)	(¥3,938)	($49,691)
Changes during the year			
Net changes in items other than those in shareholders' equity	1,820	(731)	19,370
Total change during the year	1,820	(731)	19,370
Balance at the end of the year	(¥2,849)	(¥4,670)	($30,321)
Minority interests			
Balance at the beginning of the year	¥898	¥908	$9,561
Changes during the year			
Net changes in items other than those in shareholders' equity	78	(9)	834
Total change during the year	78	(9)	834
Balance at the end of the year	¥977	¥898	$10,395

The accompanying notes are an integral part of these financial statements.

KITZ CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars (Note 3)
	Year ended March 31,		Year ended March 31,
	2013	2012	2013
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 6,337	¥ 4,350	$ 67,429
Depreciation	3,012	2,965	32,055
Amortization of goodwill	171	171	1,828
Foreign exchange (gains) losses	(69)	17	(741)
Write-down of investments in securities	21	4	232
Increase (decrease) in provision for allowance for doubtful accounts	(165)	(35)	(1,762)
Increase (decrease) in accrued bonuses to employees	174	(13)	1,853
Increase (decrease) in accrued retirement benefits to employees	55	(5)	592
Increase (decrease) in accrued retirement benefits to directors, corporate auditors and operating officers	(15)	(101)	(160)
Increase (decrease) in accrued bonuses to directors	54	(15)	580
Interest and dividend income	(158)	(145)	(1,686)
Interest expenses	282	392	3,001
(Gains) losses on sales or disposal of property, plant and equipment, net	63	(2)	673
Impairment losses of fixed assets	105	62	1,117
(Increase) decrease in notes and accounts receivable	(82)	(842)	(879)
(Increase) decrease in inventories	517	(2,550)	5,508
(Increase) decrease in other current assets	(69)	31	(745)
Increase (decrease) in accounts payable	(861)	(52)	(9,169)
Increase (decrease) in other current liabilities	(328)	633	(3,499)
Other, net	15	12	170
Sub-total	9,059	4,876	96,391
Interest and dividend income received	159	144	1,694
Interest expenses paid	(282)	(442)	(3,009)
Income taxes paid	(1,050)	(2,362)	(11,174)
Net cash provided by operating activities	7,885	2,217	83,901
Cash Flows from Investing Activities:			
Payments for purchases of property, plant and equipment	(3,545)	(2,668)	(37,725)
Proceeds from sales of property, plant and equipment	513	55	5,464
Payments for purchase of intangible assets	(851)	(337)	(9,059)
Payments for purchases of investments in securities	(14)	(81)	(156)
Proceeds from collections of long-term loans receivable	2	0	22
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(531)	-	(5,650)
Other, net	(92)	523	(982)
Net cash used in investing activities	(4,519)	(2,508)	(48,086)

The accompanying notes are an integral part of these financial statements.

KITZ CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars (Note 3)
	Year ended March 31,		Year ended March 31,
	2013	2012	2013
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings, net	(595)	1,113	(6,336)
Proceeds from long-term debt	3,030	4,640	32,237
Repayments of long-term debt	(4,251)	(6,005)	(45,232)
Proceeds from issuance of bonds	984	1,486	10,477
Payments for redemption of bonds	(1,278)	(7,058)	(13,597)
Proceeds from sales of treasury stock	0	0	0
Payments for acquisition of treasury stock	(0)	(0)	(7)
Cash dividends paid	(928)	(819)	(9,878)
Cash dividends paid to minority interests	(6)	(9)	(65)
Other, net	(167)	15	(1,786)
Net cash provided by (used in) financing activities	(3,213)	(6,638)	(34,186)
Effect of exchange rate changes on cash and cash equivalents	253	(143)	2,699
Net increase (decrease) in cash and cash equivalents	406	(7,072)	4,329
Cash and cash equivalents at the beginning of the year	5,635	12,707	59,958
Cash and cash equivalents at the end of the year (Note 4)	¥ 6,042	¥ 5,635	$ 64,287

The accompanying notes are an integral part of these financial statements.

KITZ CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting the Consolidated Financial Statements:

The accompanying consolidated financial statements of KITZ CORPORATION ("the Company") and its subsidiaries (together, "the Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies:

(1) Scope of Consolidation -

Under Japanese accounting standards, a subsidiary and an affiliate are defined as follows:

- a subsidiary: a company in which the reporting entity directly or indirectly holds more than 50% of the voting rights thereof or which is deemed to be controlled directly or indirectly by the reporting entity; and,
- an affiliate: a company in which the reporting entity directly or indirectly hold 20% or more of the voting rights or in which the reporting entity is deemed to exercise significant influence, directly or indirectly, on its decision making.

The Company had 32 subsidiaries as of March 31, 2013. All subsidiaries have been consolidated in the accompanying consolidated financial statements.

(*) Mikuni Engineering (Singapore) Pte.Ltd. was newly included in the scope of consolidation as a result of acquisition of majority of ownership during the year ended March 31, 2013.

The major consolidated subsidiaries are listed below:

Name of subsidiary	Equity ownership percentage (*)	Common stock (in millions) (*)	Year end (the last day of)
KITZ Corporation of America	100%	US$ 3	December
KITZ Corporation of Taiwan	100%	NT$ 200	December
KITZ Corporation of Kunshan	100%	CNY 62	December
KITZ Corporation of Jiangsu Kunshan	100%	CNY 49	December
KITZ Corporation of Lian Yun Gang	100%	CNY 42	December
KITZ SCT of Kunshan	100%	CNY 22	December
KITZ (Thailand) Ltd.	92%	T.Baht 500	December
KITZ Corp. of Europe S.A.	100%	Euro 0.4	December
Perrin GmbH	100%	Euro 1.5	December
Toyo Valve Co., Ltd.	100%	¥100	March
Shimizu Alloy MFG. Co., Ltd.	90%	¥90	March
KITZ SCT Co., Ltd.	100%	¥300	March
Miyoshi Valve Co., Ltd.	100%	¥50	March
KITZ Micro Filter Co., Ltd.	100%	¥90	March
KITZ Metalworks Co., Ltd.	100%	¥490	March
KITZ Wellness Co., Ltd.	100%	¥300	March
Hotel Beniya Co., Ltd.	100%	¥490	March

(*) As of March 31, 2013

(2) Principles of Consolidation -

All significant inter-company accounts and transactions and unrealized profits among the Companies, if any, have been eliminated on consolidation.

The accounts of those subsidiaries who employ fiscal year-end dates other than March 31, have been consolidated with the Company based on the account balances at their respective year-ends (the difference is within 3 months) with appropriate adjustments for any material transactions taking place between the two year-end dates.

(3) Cash and Cash Equivalents -

Cash and cash equivalents in the accompanying consolidated statements of cash flows are composed of cash in hand, bank deposits readily convertible into cash, short-term investments with an original maturity of three months or less, which represent minor risks of fluctuation in value, and negative cash equivalents of overdrafts.

(4) Financial Instruments -

(Investments in debt and equity securities)

Securities other than those relating to investments in subsidiaries and affiliates are classified into three categories; trading securities, held-to-maturity debt securities, and other securities. Trading securities held for the purpose of generating profits from changes in market values are recognized at their fair value and unrealized gains and losses are included in the determination of current income. Held-to-maturity debt securities are those expected to be held to maturity and these are recognized at their historical or amortized cost. Other securities, classified as other than trading securities, held-to-maturity debt securities, investments in subsidiaries and affiliates, are recognized at fair value and unrealized gains and losses on these other securities are reported as net unrealized gains on other securities in net assets after netting the tax effects thereon.

Where the value of those securities is deemed impaired, the amounts deemed impaired are immediately charged to current income. With respect to investments with market value, the investments are written down to the market value if market value thereof is 50% or less of the book value at the year-end. For investments whose market value is more than 50% but is 70% or less than 70% of the book value at the year-end, the recoverability of the market value of such investments is considered at the judgment of impairment.

(Derivative financial instruments)

Gains or losses arising from changes in the fair value of derivatives designated as hedging instruments are deferred as an asset or liability and included in net profit or loss in the period in which the gains and losses on the hedged items or transactions are recognized in accordance with the Japanese accounting standard for financial instruments.

The derivatives designated as hedging instruments are principally interest swaps and forward exchange contracts. The related hedged items are trade accounts receivable and payable, long-term bank loans, and debt securities.

The Companies have a policy of utilizing the above hedging instruments in order to reduce the exposure to the risk of interest rate fluctuation. Thus, the purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items. The effectiveness of hedging activities is evaluated by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedge transactions.

(5) Allowance for Doubtful Accounts -

The allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses for doubtful receivables in addition to the amount calculated using a rate based on historical experience from certain prior years for normal receivables.

(6) Inventories -

Inventories are valued by a cost method, which evaluates the amount of the inventories shown on the balance sheet by writing them down based on any decrease in profitability. Cost is determined according to inventory classification as follows:

・Finished goods and work-in-process ……………………… Mainly the average cost method
・Raw materials ……………………………………………… Mainly the moving average cost method
・Supplies ……………………………………………………… Last-purchase price method

(7) Property, Plant and Equipment (except Leased Assets)-

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment held by the Company and its domestic consolidated subsidiaries is computed primarily using the declining-balance method at rates based on the estimated useful lives of the assets. Certain consolidated subsidiaries employ the straight-line method.

With respect to buildings (except for building fixtures) acquired on or after April 1, 1998 by the Company and its domestic consolidated subsidiaries, the straight-line method is applied.

The estimated useful lives range from 2 to 60 years for buildings and structures and from 2 to 19 years for machinery and equipment.

(8) Intangible Assets (except Leased Assets)-

Amortization of intangible assets is computed using the straight-line method. The effective useful life of capitalized software for internal use is deemed as 5 years.

(9) Leased Assets -

Leased assets related to finance lease transactions without title transfer

Depreciation or amortization of leased assets is computed using the straight-line method, with the lease periods used as their useful lives and no residual value.
The previous accounting treatment for finance lease transactions without title transfer, commencing on or before March 31, 2008, continues to be applied, which is based on the method applied for ordinary operating lease transactions.

(10) Impairment of Fixed Assets -

Under Japanese accounting standard, fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount, which is to be measured as the higher of net selling price and value in use.

The accumulated amounts of impairment recognized are deducted from the carrying amount of the respective assets in accordance with relevant accounting standards.

(11) Research and Development Expenses -

Research and development expenses are charged to income as incurred.

(12) Deferred Charges -

Bond issuance expenses are charged to income as incurred.

(13) Income Taxes -

Income taxes of the Company and its domestic subsidiaries and affiliates consist of corporate income taxes, municipal inhabitants' taxes and enterprise taxes.

Income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements as well as losses carried forward for the tax purposes.

The Company files consolidated tax returns. All 100% owned domestic subsidiaries are included in these consolidated tax returns and those subsidiaries other than 100% owned domestic subsidiaries file their tax returns separately.

(14) Accrued Bonuses to Employees -

Accrued bonuses to employees are provided for the amount attributable to each fiscal year calculated based on the estimated bonus payments.

(15) Accrued Bonuses to Directors -

Accrued bonuses to directors are provided for the estimated bonus payments based on operating results for fiscal year.

(16) Accrued Retirement Benefits to Employees -

The Company and some consolidated subsidiaries have a non-contributory pension plan, which provides for an annuity and/or lump-sum payments to employees who terminate their services with the companies. The amount of annuity or lump-sum is determined by reference to current basic rates of pay, length of service and conditions under which the termination occurs.

The accounting standards require that accrued retirement benefits and prepaid pension cost for employees have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date, as adjusted for unrecognized net retirement benefit obligation at transition, unrecognized actuarial gain or loss, and unrecognized prior service cost. Unrecognized prior service costs are being amortized as incurred by the straight-line method over periods (5 years) which are shorter than the average remaining years of service of the employees. Unrecognized actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized primarily by the straight-line method over periods (5 years) which are shorter than the average remaining years of service of the employees.

(17) Accrued Retirement Benefits to Directors, Corporate Auditors and Operating Officers -

In Japan, directors and corporate auditors are customarily paid a lump-sum upon their retirement which is subject to the prior approval of shareholders at the annual general meeting. For the proper calculation of the profit for the period, an accounting policy of recognizing such retirement benefits on an accrual basis has been employed as general practice in Japan provided that approved internal rules have been established.

(18) Consumption Taxes -

Transactions subject to consumption taxes are recorded at amounts excluding consumption taxes.

(19) Amortization of Goodwill -

Goodwill is amortized on a straight-line basis over its estimated useful life.
Amortization is calculated mainly over 10 years.

(20)Other -

(Changes in Accounting Policies)

(Changes in Accounting Policies that are difficult to distinguish from changes in accounting standards)
In accordance with the revision of the Corporation Tax Act, from the consolidated fiscal year under review, the Company and its domestic consolidated subsidiaries have changed the method of depreciation based on the revised act and applied the new method to property, plant and equipment obtained on or after April 1, 2012. The effects of this change on the Company's profit and loss for the consolidated fiscal year under review are minimal.

(Accounting Standards not adopted)
"Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012) and "Guidance on Accountings Standard for Retirement Benefits" (ASBJ Guidance No.25, May 17, 2012)

1. Overview
Actuarial gains and losses and prior service cost that have yet to be recognized in profit or loss shall be recognized within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

2. Scheduled date for adoption
The scheduled implementation date is the end of the year ending March 31, 2014. However, the estimated amount of retirement benefit and attributing them to accounting period will be adopted from the start of the fiscal year ending March 31, 2015.

3. Effects of the adoption of the accounting standard and guidance
The company is currently evaluating the effect these modifications will have on its consolidated results of operations and financial position.

3. U.S. Dollar Amounts:

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥93.99= US$1, the approximate rate of exchange prevailing at March 31, 2013 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rates.

Japanese yen and U.S. dollars amounts of less than ¥1 million and US$1 thousand in the consolidated financial statements and the accompanying notes are rounded off.

4. Cash and Cash Equivalents:

Reconciliation between "Cash in hand and in banks" and "Cash and cash equivalents" at March 31, 2013 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Cash in hand and in banks	¥6,662	¥5,674	$70,888
Time deposits due over 3 months	(620)	(38)	(6,600)
Cash and cash equivalents	¥6,042	¥5,635	$64,287

5. Notes Receivable, etc Maturing at Year-end:

Notes receivable are settled on the relevant dates of clearance.
As March 31, 2013 and 2012 fell on a bank holiday, the following notes receivable maturing on that date were included in the balance of notes receivable in the accompanying consolidated balance sheet and settled on the next business day:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Notes receivable	¥766	¥845	$8,154
Electronically recorded monetary claims-operating	75	-	806
Contingent liabilities of notes receivable negotiated under a factoring arrangement	71	71	760

6. Investments in Securities:

(1) Information regarding securities classified as other securities.

	Millions of yen		
	March 31, 2013		
	Carrying Value	Acquisition Cost	Unrealized Gain (Loss)
Equity securities	¥6,384	¥3,953	¥2,431
Debt securities	-	-	-
Other	-	-	-
Total	¥6,384	¥3,953	¥2,431

	Millions of yen		
	March 31, 2012		
	Carrying Value	Acquisition Cost	Unrealized Gain (Loss)
Equity securities	¥5,389	¥3,995	¥1,394
Debt securities	-	-	-
Other	-	-	-
Total	¥5,389	¥3,995	¥1,394

	Thousands of U.S. dollars		
	March 31, 2013		
	Carrying Value	Acquisition Cost	Unrealized Gain (Loss)
Equity securities …..	$67,932	$42,059	$25,873
Debt securities …….	-	-	-
Other ………………..	-	-	-
Total ……….	$67,932	$42,059	$25,873

Investments in unlisted equity securities other than those traded in the OTC market which are extremely difficult to determine the fair value at March 31, 2013 and 2012 were ¥216 million ($2,303 thousand) and ¥237 million, respectively. They are not included in the above table.

(2)Sales of securities classified as other securities and aggregate gain and loss for the year ended March 31,2013

The proceeds from sales of investments in securities amounted to ¥59 million ($634 thousand) for the year ended March 31, 2013. Gain on sale of investments in securities of ¥5 million ($54 thousand) and loss on sale of investments in securities ¥1 million ($11 thousand) were recorded for the year ended March 31, 2013.

The proceeds from sales of investments in securities amounted to ¥71 million for the year ended March 31, 2012. Gain on sale of investments in securities of ¥18 million was recorded for the year ended March 31, 2012.

(3) Impairment of investments in securities

Write-downs of other securities included in investments in securities for the year ended March 31, 2013 were ¥21 million ($232 thousand). (Listed securities of ¥11 million ($126 thousand) and Unlisted securities of ¥9 million ($105 thousand)).

Write-downs of other securities included in investments in securities at March 31, 2012 were not presented as the amounts was immaterial.

7. Short-term Borrowings and Long-term Debt:

Short-term borrowings consist principally of overdrafts and notes bearing interest at annual rates ranging from 0.51% to 3.55% and from 0.53% to 3.83% as of March 31, 2013 and 2012, respectively.

The maximum and average outstanding balances of short-term borrowings for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Maximum balance	¥4,382	¥3,878	$46,624
Average balance	3,005	2,196	31,979

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

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Long-term bank loans with interest at annual rates ranging from 0.86% to 3.30% due from 2006 to 2020	¥9,906	¥11,108	$105,399
1.36% yen notes due from 2008 to 2015	210	308	2,234
1.395% yen notes due from 2008 to 2013	100	300	1,064
1.49% yen notes due from 2008 to 2013	100	200	1,064
1.374% yen notes due from 2009 to 2014	600	700	6,384
1.295% yen notes due from 2009 to 2014	600	900	6,384
0.853% yen notes due from 2010 to 2015	200	300	2,128
0.84% yen notes due from 2010 to 2015	120	180	1,277
0.72% yen notes due from 2010 to 2015	6,000	6,000	63,837
0.55% yen notes due from 2011 to 2016	700	900	7,448
1.125% yen notes due from 2012 to 2019	430	500	4,575
1.09% yen notes due from 2012 to 2022	950	-	10,107
Sub-total	19,916	21,396	211,899
Less: Current portion of long-term debt	(5,304)	(5,270)	(56,434)
Total	¥14,612	¥16,125	$155,465

Annual maturities of long-term debt as of March 31, 2013 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥5,304	$56,434
2015	3,398	36,158
2016	7,945	84,531
2017	1,402	14,924
2018 and thereafter	1,865	19,852
Total	¥19,916	$211,899

Assets pledged as collateral for long-term bank loans of ¥154 million ($1,647 thousand) and ¥147 million as of March 31, 2013 and 2012, respectively are summarized as follows:

	Millions of yen March 31,		Thousands of U.S. dollars March 31,
	2013	2012	2013
Land	¥96	¥84	$1,022

The Company concluded syndicated commitment line contracts with certain banks for efficient procurement of working capital. The unused loan balances based on these contracts as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Total amount of the loan commitment line (Short-term loan)..	¥3,800	¥3,800	$40,430
Loan executed	-	-	-
Unused loan balance	¥3,800	¥3,800	$40,430

8. Research and Development Expenses:

Research and development expenses included in selling, general and administrative expenses totaled ¥1,587 million ($16,891 thousand) and ¥1,590 million for the years ended March 31, 2013 and 2012, respectively:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
Reportable Segment	2013	2012	2013
Valve manufacturing business	¥1,542	¥1,558	$16,416
Brass bar manufacturing business	44	31	475
Total	¥1,587	¥1,590	$16,891

9. Income Taxes:

Japanese income taxes applicable to the Company and its domestic subsidiaries for the years ended March 31, 2013 and 2012 consisted of corporate income tax, enterprise tax and municipal inhabitants' taxes, which in the aggregate, indicate a statutory income tax rate of 37.3% and 39.9% for 2013 and 2012.

The differences between the Companies' statutory income tax rate and the effective income tax rates reflected in the consolidated statements of income for the years ended March 31, 2012 were reconciled as follows:

	Years ended March 31,
	2012
Statutory income tax rate	39.9%
Reconciliation:	
Permanent differences	(3.0)
Tax credit	(2.3)
Allocated levy of municipal inhabitants' taxes	1.3
Decrease in valuation allowance	0.6
Downward adjustment of deferred tax assets at end of year due to tax rate change	2.5
Other	3.3
Effective income tax rates	42.3%

For the year ended March 31, 2013, the reconciliation from the statutory income tax rate to the income tax rate per statements of income is not presented as the difference between them is less than five percent of the statutory income tax rate.

The significant components of deferred income tax assets and liabilities at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Deferred income tax assets:			
Tax loss carried forward	¥91	¥154	$978
Accrued bonuses to employees	528	502	5,624
Enterprise taxes accrued	134	60	1,433
Depreciation expenses	55	59	588
Development costs for software	110	162	1,171
Accrued retirement benefits to employees	665	643	7,083
Write-down of investments in securities	229	221	2,446
Impairment losses on fixed assets	2,065	2,306	21,973
Other	1,560	1,951	16,604
Total gross deferred income tax assets	5,442	6,061	57,900
Less valuation allowance	(3,031)	(3,497)	(32,258)
Net deferred income tax assets	2,410	2,564	25,642
Deferred income tax liabilities:			
Net unrealized gains on other securities	(732)	(416)	(7,796)
Valuation of equity in subsidiaries and affiliates on acquisition at fair value	(756)	(985)	(8,050)
Other	(78)	(43)	(835)
Total gross deferred income tax liabilities	(1,567)	(1,444)	(16,681)
Net deferred income tax assets	¥842	¥1,119	$8,961

10. Accrued Retirement Benefits to Employees:

1. The Company and some consolidated subsidiaries have defined contribution plans, such as defined contribution pension plans and prepaid retirement allowance plans in combination with defined benefit plans, such as corporate pension plans, lump-sum payment plans and Multi-employers Welfare Pension Fund plans.

The amount of unfunded obligation for settlements previously occurred has been fixed and classified into 'other' account in Long-term Liabilities in the accompanying consolidated balance sheets.

The latest information about the Multi-employers Welfare Pension Fund plans is as follows;

(1) Funded status of the Multi-employers Welfare Pension Fund plans

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
	Funded status as of March 31, 2012	Funded status as of March 31, 2011	Funded status as of March 31, 2012
Plan assets	¥ 137,594	¥ 145,553	$ 1,463,922
Benefit obligations under the plan	197,263	200,303	2,098,766
Difference	(¥59,669)	(¥54,750)	($634,844)

(2) The Companies' proportionate share of contributions paid to the plan

Fund period ended March 31, 2012	5.2%
Fund period ended March 31, 2011	4.4%

(3) Supplemental information

The reconciliation for the difference in (1) above is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
	As of March 31, 2012	As of March 31, 2011	As of March 31, 2012
Capital fund (Deficit)	(¥33,806)	(¥16,191)	($359,677)
Valuation adjustment of plan assets	-	12,264	-
Unrecognized past service cost	25,863	26,295	275,168
Deficit for the year	(¥59,669)	(¥54,750)	($634,844)

The Companies' proportionate share of contributions paid in (2) above is not corresponding to proportionate share of the benefit obligation incurred by the Companies.

2. The funded status of retirement benefit obligations at March 31, 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Retirement benefit obligations ………………………….	(¥5,917)	(¥5,768)	($62,963)

Plan assets at fair value	5,475	5,201	58,256
Unfunded retirement benefit obligation	(442)	(566)	(4,708)
Unrecognized items:			
Actuarial difference	(125)	157	(1,337)
Prior service costs	56	72	606
Net	(511)	(337)	(5,438)
Prepaid pension cost	3	23	32
Accrued retirement benefits to employees	(¥514)	(¥360)	($5,471)

3. The composition of accrued retirement benefits to employees charged to income for the years ended March 31, 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Service cost	¥680	¥588	$7,237
Interest cost	103	102	1,102
Expected return on plan assets	(56)	(57)	(603)
Amortization of actuarial difference	100	95	1,065
Amortization of prior service cost	15	3	162
Other	691	642	7,362
Charged to income for the year	¥1,534	¥1,375	$16,325

4. The assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2013 and 2012 were as follows:

		March 31	
		2013	2012
Allocation method of expected pension benefit	:	Straight-line method	
Discount rate	:	2.1%	
Expected rate of return on plan assets	:	1.2%	
Amortization period of unrecognized net actuarial loss	:	5 years from the following year of recognition	
Amortization period of unrecognized prior service costs	:	5 years from the year of recognition	

11. Lease Transactions -

The lease expenses under finance lease contracts that do not transfer the ownership of the leased property to the lessee for the years ended March 31, 2013 and 2012 amounted to ¥58 million ($619 thousand) and ¥109 million, respectively.

As of March 31, 2013 and 2012, summarized information showing estimated acquisition cost, accumulated depreciation and amortization and net book value, which include the portion of interest thereon, of the leased properties under finance leases contracts that do not transfer the ownership of the leased property to the lessee commencing on or before March 31, 2008 was as follows:

	Millions of yen						Thousands of U.S. dollars		
	March 31,						March 31,		
	2013			2012			2013		
	Cost	Accumulated depreciation/ amortization	Net book value	Cost	Accumulated depreciation/ amortization	Net book value	Cost	Accumulated depreciation/ amortization	Net book value
Machinery and equipment …..	¥239	¥177	¥62	¥549	¥429	¥120	$2,552	$1,891	$661
Total……….	¥239	¥177	¥62	¥549	¥429	¥120	$2,552	$1,891	$661

The above amounts include the future interest expense and future lease payments.
The scheduled maturities of future lease payments on these lease contracts as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Due within one year …………	¥26	¥58	$282
Due over one year …………….	35	62	378
Total …………….	¥62	¥120	$661

The above amounts of future lease payments include the future interest expense.

Future lease payments for non-cancelable operating leases at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Due within one year …………	¥354	¥307	$3,773
Due over one year …………….	1,365	1,495	14,533
Total …………….	¥1,720	¥1,802	$18,305

12. Financial Instruments -

1. Status of financial instruments

(1) Policy regarding financial instruments

In light of plans for capital investment, the Companies raise funds mainly by bank borrowings and bond issuance. The Companies manage temporary fund surpluses through financial assets with high liquidity. Further, the Companies raise short-term working capital through bank borrowings.
Regarding derivatives policy, the Companies make use of derivatives only to reduce risks as described below and do not enter into speculative transactions.

(2) Details of financial instruments and associated risks

Trade receivables - trade notes and accounts receivable - are exposed to credit risks of customers. Receivables denominated in foreign currencies in the course of business activities abroad are exposed to foreign currency exchange risks. The Companies employ foreign exchange forward contracts to hedge risks relating to foreign currency exchange fluctuations in accordance with internal rules.

Investments in securities are primarily the shares of companies with business relationships with the Company and are exposed to market price fluctuation risks.

Trade payables - accounts payable - are settled within almost 3 months. Some payables denominated in foreign currencies are exposed to foreign currency exchange risks.
The Companies employs foreign exchange forward contracts to hedge risks relating to foreign currency exchange fluctuations in accordance with internal rules.

Long-term debt (Corporate bonds) and long-term debt (Bank loans) are held primarily for fund raising purposes for capital investments. Certain long-term debt, with variable interest rates that is exposed to interest rate fluctuation risk, is hedged by derivative transactions (interest swap transactions).
Further information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities are provided in Note 2 (4) Financial Instruments (Derivative financial instruments).

(3) Systems for risk management of financial instruments

①Credit risk management (the risk that transactions partners may default)

In accordance with the internal regulations regarding credit exposures, the Accounting and Finance Department of the Company periodically monitors principal partners' credit conditions to manage credit risks of partners by confirming due dates and outstanding account balances for each partner.
The Department also actively works on gaining understandings of early stage concerns about recoverability of receivables because of financial difficulties of partner companies and may acquire assets pledged as collateral or credit insurance and so on. Consolidated subsidiaries conduct similar risk management in accordance with the internal regulations of the Company.
There is almost no risks regarding derivative instruments realized by the Companies since the Companies arrange such transactions with highly rated financial institutions to minimize credit risks.

②Market risk management (the risks arising from fluctuations in exchange rates, interest rates, and other indicators)

As for trade receivables and payables denominated in foreign currencies, the Companies hedge the foreign exchange risks by forward foreign exchange contracts in accordance with internal rules. Furthermore, the Company and some of the consolidated subsidiaries arrange the interest rate swap transactions to reduce fluctuation risks of interest payment regarding long-term debt.

For investments in securities, the Companies periodically confirm the market value of such financial instruments and the financial position of the issuers (companies having business transactions with the Companies).
As for derivative transactions, related departments of the Companies conduct and manage transactions with approvals, based on the internal rules and regulations which describe authorization and trade limitation.

③Liquidity risk management (the risk that the Companies are unable to settle its payment obligations on due dates)
The Administration Department of the Companies appropriately creates and updates cash budget plans, based on the information from other departments and group companies, to control liquidity risks by maintaining sufficient liquid fund for daily operations.

(4) Supplementary explanation of items relating to the market value of financial instruments
The estimated fair value of financial instruments includes prices based on their quoted market prices, or includes prices reasonably estimated if there is no quoted market price. Since the estimations of these prices incorporate fluctuating factors, the prices might be fluctuated due to applying different assumptions. In addition, the contract (notional) amount of derivatives in Note 2 (4) Financial Instruments (Derivative financial instruments) is not an indicator of actual risks involved in derivative transactions.

2. Estimated Fair Value and Other Matters Related to Financial Instruments
Carrying value on the consolidated balance sheet, estimated fair value and the difference between them as of March 31, 2013 and 2012 are as follows:. The following table does not include financial instruments for which it is extremely difficult to determine the fair value or immaterial items.

	Millions of yen						Thousands of U.S. dollars		
	March 31,						March 31,		
	2013			2012			2013		
	Carrying value (*1)	Estimated fair value (*1)	Difference	Carrying value (*1)	Estimated fair value (*1)	Difference	Carrying value (*1)	Estimated fair value (*1)	Difference
Cash in hand and in banks ……….	¥6,662	¥6,662	-	¥5,674	¥5,674	-	$70,888	$70,888	-
Notes and accounts receivable -trade …………..	22,857	22,857	-	22,782	22,782	-	243,190	243,190	-
Investments in securities -Other securities….	6,384	6,384	-	5,389	5,389	-	67,932	67,932	-
Accounts payable -trade ……………..	(5,259)	(5,259)	-	(5,541)	(5,541)	-	(55,959)	(55,959)	-
Long-term debt (Corporate bonds) ….	(10,010)	(10,154)	(144)	(10,288)	(10,400)	(112)	(106,501)	(108,038)	(1,538)
Long-term debt (Bank loan) …..	(9,906)	(10,065)	(158)	(11,108)	(11,261)	(152)	(105,399)	(107,090)	(1,691)
Derivative transactions (*2) …	13	13	-	(96)	(96)	-	138	138	-

(*1) Liabilities are shown in parentheses.
(*2) The assets or liabilities arising from derivatives are shown at net value.

Note i : Methods for computing the estimated fair value of financial instruments and items related to securities and derivative transactions

(Cash in hand and in banks, Notes and accounts receivable-trade, Accounts payable-trade)
Since these accounts are settled in a short period of time and their estimated fair values are almost the same as the carrying values, the carrying values are used.

(Investments in securities)
The estimated fair values of these items are as follows: Stocks are measured at quoted market prices of exchange markets. Bonds are measured at trading prices. Classification of investments in securities is presented in Note 6. Investments in Securities.

(Long-term debt - Corporate bonds)
The fair value of corporate bonds is measured at quoted market price, or at the price computed as the sum of the present value of the principal payment, using a discount rate considering the remaining period and credit risks, if there is no quoted market price.

(Long-term debt - Bank loans)
The fair value of bank loans is computed as the sum of the present value of the principal payment discounted at the assumed market rate of interest applied when a similar new loan is entered into.

(Derivative transactions)
Please refer to Note 13. Derivative Transactions.

Note ii: Financial instruments for which it is extremely difficult to determine the fair value

	Carrying value		
	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Unlisted equity securities	¥213	¥234	$2,275
Others	2	2	28

These items are not included in the above investments in securities – other securities since there are no market values, and estimating their future cash flows is deemed to be extremely difficult.

Note iii: Redemption schedule for cash in banks and notes and accounts receivable-trade with maturity dates after the year ended March 31, 2013 and 2012:

	Within 1 Year		
	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Cash in banks	¥6,584	¥5,619	$70,053
Notes and accounts receivable－trade ...	22,857	22,782	243,190
Total	¥29,441	¥28,402	$313,243

Note iv: Redemption schedule for corporate bonds and bank loans with maturity dates, scheduled after the year ended March 31, 2013 and 2012:

	Millions of yen					
	March 31,2013					
	Within 1 Year	Over 1 Year Within 2 Year	Over 2 Year Within 3 Year	Over 3 Year Within 4 Year	Over 4 Year Within 5 Year	Over 5 Year
Long-term debt (Corporate bonds)	¥1,728	¥942	¥6,370	¥270	¥170	¥530
Long-term debt (Bank loans)	3,576	2,456	1,575	1,132	404	761
Total.....................	¥5,304	¥3,398	¥7,945	¥1,402	¥574	¥1,291

	Millions of yen					
	March 31,2012					
	Within 1 Year	Over 1 Year Within 2 Year	Over 2 Year Within 3 Year	Over 3 Year Within 4 Year	Over 4 Year Within 5 Year	Over 5 Year
Long-term debt (Corporate bonds) ……	¥1,228	¥1,628	¥842	¥6,270	¥170	¥150
Long-term debt (Bank loans) ….. …	4,042	2,956	1,850	1,017	638	601
Total…………………	¥5,270	¥4,584	¥2,692	¥7,287	¥808	¥751

	Thousands of U.S. dollars					
	March 31,2013					
	Within 1 Year	Over 1 Year Within 2 Year	Over 2 Year Within 3 Year	Over 3 Year Within 4 Year	Over 4 Year Within 5 Year	Over 5 Year
Long-term debt (Corporate bonds) ……	$18,385	$10,022	$67,773	$2,873	$1,809	$5,639
Long-term debt (Bank loans) ….. …	38,049	26,135	16,758	12,052	4,304	8,101
Total…………………	$56,434	$36,158	$84,531	$14,924	$6,113	$13,740

13. Derivative Transactions -

1. Derivatives not subject to hedge accounting

Foreign exchange forward contracts

		Millions of yen			
		March 31,			
		2013			
Classification	Types of transaction	Contract amount	Contract amount exceeding 1 year	Estimated fair value (*1)	Valuation gain (loss)
Over-the-counter transactions	Foreign exchange forward contracts (*2)				
	Sell				
	US dollars	¥1,073	-	(¥16)	(¥16)
	Euros	700	-	19	19
	Total	¥1,773	-	¥3	¥3
	Buy				
	US dollars	¥803	-	¥9	¥9
	Total	¥803	-	¥9	¥9

Classification	Types of transaction	Millions of yen			
		March 31,			
		2012			
		Contract amount	Contract amount exceeding 1 year	Estimated fair value (*1)	Valuation gain (loss)
Over-the-counter transactions	Foreign exchange forward contracts (*2)				
	Sell				
	US dollars	¥884	-	(¥23)	(¥23)
	Euros	1,102	-	(83)	(83)
	Total	¥1,987	-	(¥107)	(¥107)
	Buy				
	US dollars	¥658	-	¥10	¥10
	Total	¥658	-	¥10	¥10

Classification	Types of transaction	Thousands of U.S. dollars			
		March 31,			
		2013			
		Contract amount	Contract amount exceeding 1 year	Estimated fair value (*1)	Valuation gain (loss)
Over-the-counter transactions	Foreign exchange forward contracts(*2)				
	Sell				
	US dollars	$11,416	-	($174)	($174)
	Euros	7,452	-	209	209
	Total	$18,868	-	$35	$35
	Buy				
	US dollars	$8,554	-	$103	$103
	Total	$8,554	-	$103	$103

(*1)The estimated fair value is assessed using prices provided by counterparty financial institutions.

(*2)Foreign exchange forward contracts are employed to hedge risks relating to foreign currency exchange fluctuations. Gains or losses on the foreign exchange forward contracts are recognized in profit and loss.

2. Derivatives subject to hedge accounting

Hedge accounting

The contract amounts or the amount corresponding to principal as specified by the contract as of March 31, 2013 and 2012 are shown below by type of hedge accounting method.

Interest rate swaps

			Millions of yen		
			March 31,		
			2013		
Method of hedge accounting	Types of transaction	Principal hedged items	Contract amount	Contract amount exceeding 1 year	Fair value
Exceptional method	Interest swap transactions Receive floating / pay fixed	Long-term debt (Bank loans)	¥7,063	¥4,750	(*)

			Millions of yen		
			March 31,		
			2012		
Method of hedge accounting	Types of transaction	Principal hedged items	Contract amount	Contract amount exceeding 1 year	Fair value
Exceptional method	Interest swap transactions Receive floating / pay fixed	Long-term debt (Bank loans)	¥7,388	¥4,987	(*)

			Thousands of U.S. dollars		
			March 31,		
			2013		
Method of hedge accounting	Types of transaction	Principal hedged items	Contract amount	Contract amount exceeding 1 year	Fair value
Exceptional method	Interest swap transactions Receive floating / pay fixed	Long-term debt (Bank loans)	$75,153	$50,548	(*)

(*) Fair value of the derivative instruments is included in the fair value of the Long-term debt (Bank loans) since the interest rate swaps are accounted for as a part of the principal hedged items.

14. Asset Retirement Obligations:

(1)Overview of the asset retirement obligations

The company records the asset retirement obligations related to the future expenses for removing Asbestos (under the Industrial Safety and Health Law and the Ordinance on Prevention of Asbestos Hazards) on the demolition of buildings, and expenses related to the restoration obligations of store facilities for fitness clubs under real estate lease agreements.

(2) Basis for calculating the asset retirement obligations

Asset retirement obligations are calculated on the assumption of prospective usable years of 9 years to 38 years (expenses for removing Asbestos used in buildings),10 years to 30 years (expenses related to the restoration obligations of store facilities for fitness clubs under real estate lease agreements) and discount rates of 1.245% to 2.52%.

(3) Change in the asset retirement obligations for the years ended March 31, 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Balance at the beginning of the period	¥484	¥416	$5,154
Accretion expense	7	7	84
Decrease due to settlement	(65)	(0)	(697)
Other increase (decrease)	(1)	60	(15)
Balance at the end of the period	¥425	¥484	$4,525

15. Contingent Liabilities:

The Companies have the following contingent liabilities as guarantor as of March 31, 2013 and 2012.

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Housing loans borrowed by employees of the Company	¥23	¥30	$252
Leasehold deposits assigned for securitization	2	9	29
Notes receivable discounted	-	27	-
Notes receivable negotiated under a factoring arrangement	164	190	1,754

16. Other comprehensive income

Reclassifications adjustments and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2013 and 2012 were as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	March 31,	March 31,	March 31,
	2013	2012	2013
Net unrealized gains (losses) on other securities :			
Amount arising during the year	¥1,025	¥143	$10,916
Reclassification adjustments to profit or loss	10	(13)	117
Amount before income tax effect	1,036	130	11,033
Income tax effect	(316)	6	(3,368)
Total	720	136	7,665
Translation adjustments :			
Amount arising during the year	1,869	(760)	19,893
Total other comprehensive income	¥2,590	(¥623)	$27,558

17. Net Assets :

The Japanese Companies Act provides that an amount equal to 10% of dividends shall be appropriated as legal capital surplus or legal retained earnings on the date of distribution until an aggregated amount of legal capital surplus and legal retained earnings equals 25% of common stock.
Under the Japanese Companies Act, such distributions can be made at any time by resolution of the shareholders, or by the board of directors if certain conditions are met.

The Company may make dividend payments as the appropriation of retained earnings by a resolution of the

Board of Directors pursuant to the provisions of The Japanese Companies Act.

The amounts of year-end cash dividends per share and interim cash dividends per share, which the Company paid to the shareholders of record as at the respective period-ends for the years ended March 31, 2013 and 2012, were as follows:

	Yen		U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Year-end ……………	¥4.00	¥4.00	$0.04
Interim ……………..	4.50	3.50	0.05
	¥8.50	¥7.50	$0.09

The effective dates for the distribution of year-end and interim cash dividends, which were paid during the year ended March 31, 2013, were June 13, 2012 and December 5, 2012, respectively.

The cash dividends of retained earnings of the Company for the year ended March 31, 2013 approved at the Board of Directors meeting, which was held on May 31, 2013, was as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends ……………….	¥546	$5,810
	Yen	U.S. dollars
Cash dividends per share …..	¥5.00	$0.05

18. Per Share Information:

Calculation of net income per share for the years ended March 31, 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Net income ………………………………………………….	¥4,039	¥2,480	$42,983
Amounts not attributable to ordinary shareholders …..	(-)	(-)	(-)
Net income attributable to ordinary shares …………….	¥4,039	¥2,480	$42,983
Weighted average number of shares outstanding ……...	109,222,186	109,223,535	109,222,186
Increase in shares (stock options) - Diluted……………..	-	-	-
	Yen	Yen	U.S. dollars
Net income per share – Basic ……………………………..	¥36.98	¥22.71	$0.39
- Diluted ……………………………	-	-	-
Net assets per share ………………………………………..	¥542.41	¥490.65	$5.77

19. Segment Information:

1. Overview of reportable segments

The reportable segments of the Company are those units for which separate financial information can be obtained among the constituent units of the Company and whose operating results are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

The Companies plan inclusive domestic and overseas strategies according to product and service, conduct business, and operate the valve manufacturing business, brass bar manufacturing business, fitness club business and hotel and restaurant business.

On the basis of its organizational make-up, therefore, the Company classified two segments: “Valve manufacturing business” and “Brass bar manufacturing business” as the reportable segments.

The “Valve manufacturing business” involves manufacturing and sales of bronze valves, steel valves, and other valves, products related to filtration and accessories.
The “Brass bar manufacturing business” involves manufacturing and sales of brass bar goods and brass bar finished goods.

2. Basis for calculating Sales, Income or Loss, Assets, Liabilities, and Other Items by reportable segment

The method of the accounting treatment of the reportable business segments is carried out through principles and policies set forth in "Note 2. Summary of Significant Accounting Policies. "
Segment performance is evaluated based on operating income basis. Internal revenues and inter-segment transfers are based on prevailing market prices.

3. Information on sales, income or loss, assets and other items by reportable segment

	Year ended March 31, 2013				
	Millions of yen				
	Reportable segments				
	Valve manufacturing business	Brass bar manufacturing business	Other (*1)	Adjustments (*2, 4)	Amount recorded in consolidated financial statements(*3)
Sales					
Sales to outside customers	¥84,472	¥17,948	¥8,855	¥ -	¥111,275
Inter-segment sales/transfers	167	2,337	41	(2,546)	-
Total	84,639	20,285	8,896	(2,546)	111,275
Segment income	¥8,808	¥441	¥330	(¥3,022)	¥6,558
Segment assets (*4)	¥ -	¥ -	¥ -	¥99,972	¥99,972
Other items					
Depreciation	¥2,168	¥364	¥238	¥220	¥2,991
Amortization of goodwill	¥146	¥ -	¥24	¥ -	¥171

	Year ended March 31, 2012				
	Millions of yen				
	Reportable segments				
	Valve manufacturing business	Brass bar manufacturing business	Other (*1)	Adjustments (*2, 4)	Amount recorded in consolidated financial statements(*3)
Sales					
Sales to outside customers	¥78,976	¥20,065	¥9,404	¥ -	¥108,446
Inter-segment sales/transfers	171	2,546	36	(2,754)	-
Total	79,148	22,612	9,441	(2,754)	108,446
Segment income	¥6,913	¥267	¥354	(¥2,896)	¥4,638
Segment assets (*4)	¥ -	¥ -	¥ -	¥94,981	¥94,981
Other items					
Depreciation	¥2,069	¥395	¥247	¥236	¥2,948
Amortization of goodwill	¥146	¥ -	¥24	¥ -	¥171

	Year ended March 31, 2013				
	Thousands of U.S. dollars				
	Reportable segments				
	Valve manufacturing business	Brass bar manufacturing business	Other (*1)	Adjustments (*2, 4)	Amount recorded in consolidated financial statements(*3)
Sales					
Sales to outside customers	$898,735	$190,957	$94,213	$ -	$1,183,904
Inter-segment sales/transfers	1,778	24,873	443	(27,094)	-
Total	900,512	215,830	94,655	(27,094)	1,183,904
Segment income	$93,714	$4,700	$3,514	($32,153)	$69,773
Segment assets (*4)	$ -	$ -	$ -	$1,063,653	$1,063,653
Other items					
Depreciation	$23,067	$3,877	$2,538	$2,344	$31,827
Amortization of goodwill	$1,563	$ -	$265	$ -	$1,828

(*1) "Other" included the fitness club business, hotel and restaurant business and other business which are not classified into the reportable segments.

(*2) Adjustments in details

Segment income

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Elimination in inter-segment transactions	¥2	¥4	$31
Unallocable operating expenses most of which were general and administration costs incurred in the Company.	(3,025)	(2,901)	(32,184)
Total	(¥3,022)	(¥2,896)	($32,153)

Depreciation

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Unallocable operating expenses most of which were general and administration costs incurred in the Company.	¥220	¥236	$2,344
Total	¥220	¥236	$2,344

(*3) Segment income is adjusted with operating income of the consolidated statement of income.

(*4) Segment assets included only the total amount as the Company and consolidated subsidiaries are deemed to be a management division.

(*5) Segment liabilities are not used separately as part of decision making for reportable segments.

(Related Information)

(1) Information by product and service

Since similar information is presented in the segment information table, this information is omitted.

(2) Geographical information

(ⅰ) Sales

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Japan	¥81,509	¥82,974	$867,213
North America	8,622	6,691	91,738
Asia and Middle East	16,955	14,802	180,401
Other	4,187	3,978	44,552
Total	¥111,275	¥108,446	$1,183,904

(*)Sales ･･･The information above is based on customer location.

(ⅱ) Property, plant and equipment

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Japan	¥29,255	¥29,716	$311,257
Asia	5,172	3,764	55,032
Other	1,384	1,286	14,730
Total	¥35,811	¥34,767	$381,019

（iii）Major customer

The company does not have any customers for which net sales exceeded 10% of total net sales.

(Information on impairment losses in fixed assets by reportable segments)

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2013	2012	2013
Valve manufacturing business	¥105	¥62	$1,117
Brass bar manufacturing business	-	-	-
Other	-	-	-
Adjustment	-	-	-
Total	¥105	¥62	$1,117

(*)"Other" included the fitness club business, hotel and restaurant business and other business which are not classified into the reportable segments.

(Information on amortization and balance of goodwill by reportable segments)

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
(Amortization)	2013	2012	2013
Valve manufacturing business	¥146	¥146	$1,563
Brass bar manufacturing business	-	-	-
Other	24	24	265
Adjustment	-	-	-
Total	¥171	¥171	$1,828
(Balance at end of fiscal year)			
Valve manufacturing business	¥1,285	￥1,175	$13,679
Brass bar manufacturing business	-	-	-
Other	99	124	1,059
Adjustment	-	-	-
Total	¥1,385	¥1,299	$14,739

(*)"Other" included the fitness club business, hotel and restaurant business and other business which are not classified into the reportable segments.

(Information on gain negative of goodwill by reportable segments)

Not applicable.

20. Related Party Transactions:

There are no significant transactions.