

Shareholder's Information

- Fiscal year: From April 1 of each year to March 31 of the following year
- Ordinary general meeting of shareholders: June every year
- Record date: Ordinary general meeting of shareholders: March 31
Other record dates publicly will be announced in advance as and when necessary
- Record date for dividends payment:
Term-end dividend: March 31 of every year
Interim dividend: September 30 of every year
- Administrator of the register of shareholders:
Mitsubishi UFJ Trust and Banking Corporation
1-4-5 Marunouchi, Chiyoda-ku, Tokyo
- Transfer agent:
(Contact office)
Stock Transfer Agency Department, Osaka Branch, Mitsubishi UFJ Trust and Banking Corporation
1-1-5 Dojima-hama, Kita-ku, Osaka-shi, Osaka 530-0004
Phone: 0120-094-777 (toll-free number)
- Transfer agent office:
Head office and branches nationwide of Mitsubishi UFJ Trust and Banking Corporation
Request for stock-related procedure forms are accepted at the following telephone numbers of Mitsubishi UFJ Trust and Banking Corporation as well as via the Internet 24 hours a day.
Phone (toll-free numbers)
0120-244-479 (Stock Transfer Agency Department of Head Office)
0120-684-479 (Stock Transfer Agency Department of Osaka Branch)
Website:
<http://www.tr.mufg.jp/daikou/>
- Request for sale and purchase of less-than-one-unit shares:
Requests for the sale and purchase of less-than-one-unit shares are accepted at the transfer agent office of the administrator of the register of shareholders, mentioned above. (Please contact your securities company regarding use of the central securities custody and book-entry transfer system.)
- Method of public notice:
Public notices of the Company shall be given via on our website (<http://www.teikokudenki.co.jp/>). However, in case when public notices cannot be given via electronic means due to accidents or other unavoidable reasons, they shall be given in the Nihon Keizai Shimbun.

Information on the Company is also available on our website.

<http://www.teikokudenki.co.jp/>



Business Report

To our shareholders

Business Report for the 103rd Term
From April 1, 2006 to March 31, 2007

TEIKOKU ELECTRIC MFG. CO., LTD.

60 Hirano, Shingu-cho, Tatsuno-shi, Hyogo 679-4395, Japan
Phone: +81-791-75-0411



TEIKOKU ELECTRIC MFG. CO., LTD.

Strong Points of the Company

- Largest market share in the canned motor pump market in Japan and worldwide
- Highly competitive technological capability featuring original technologies unique to TEIKOKU
- Excellent track record in adoption for petrochemical plants, Shinkansen bullet trains and nuclear power stations

Financial Highlights

Net sales:	Operating income:	Ordinary income:	Net income:	Net income per share:
¥15,214 million	¥1,735 million	¥1,797 million	¥1,032 million	¥119.55
Up 12.3%	Up 56.8%	Up 48.8%	Up 38.0%	Up 43.0%

- Increased sales and income for the fourth straight term

Sales grew thanks to favorable performance of the mainstay pump business both in the domestic and overseas markets. Income increased due to the improvement of gross profit margin through cost reduction and other measures and efforts to slash selling, general and administrative expenses.

- Implementation of commemorative dividend

Interim dividend: 10 yen per share (ordinary dividend: 8 yen; and dividend in commemoration of listing on the first section of the Tokyo Stock Exchange: 2 yen)

Term-end dividend: 12 yen per share (ordinary dividend: 10 yen; and dividend in commemoration of listing on the first section of the Osaka Securities Exchange: 2 yen)

Topics for the Term under Review

- Exhibited products at the International Exhibition-Congress on Chemical Engineering, Environmental Protection and Biotechnology (ACHEMA) in Frankfurt, Germany.
- Listed the stock on the first section of the Tokyo Stock Exchange and the first section of the Osaka Securities Exchange.
- Changed representative directors
*For more information, see pages 11 and 12.

We listed our stock on the First Section of the Tokyo Stock Exchange and Osaka Securities Exchange, and achieved record profits. We will strive to improve shareholder value for further realization of our dreams.

During the term under review, the world economy was generally on an expansion track as a whole. Though the U.S. economy showed signs of deceleration, centering on housing investment, China and other countries in Asia maintained high economic growth. The Japanese economy also continued to grow slowly thanks to increased capital investment following the recovery of corporate earnings and expanded consumer spending, although there was also uncertainty from misgivings about the slowdown of the U.S. economy, and concern about the high price levels of raw materials. Therefore, the TEIKOKU Group proactively developed overseas strategies, as it had in the previous term, under the slogan of “quickly and boldly.” Specifically, we pushed forward with enhancement of the marketing capability of TEIKOKU USA INC., our U.S. subsidiary, aimed at expanding the canned motor pump market in North America, and the strengthening of the marketing capability and enhancement of the management system of DALIAN TEIKOKU CANNED MOTOR PUMP CO., LTD., our Chinese subsidiary. Meanwhile, in Japan we made efforts to strengthen our continuous relationship of mutual trust with our users, evolved proposal-based marketing to meet market and customer needs, and did our utmost to reinforce our management base through cost reduction, technological development, quality improvement, productivity improvement and enhancement of the service structure. In the term under review, the



Kunio Miyaji,
President and Representative Director

TEIKOKU Group posted net sales of 15,214 million yen (up 1,670 million yen, or 12.3%, year-on-year) primarily due to favorable performance of the mainstay pump business in both domestic and overseas markets. We were able to achieve record profits through the improvement of gross profit margin resulting from cost reduction and through our efforts to trim selling, general and administrative expenses. Operating income amounted to 1,735 million yen (up 628 million yen, or 56.8%, year-on-year) and ordinary income was 1,797 million yen (up 589 million yen, or 48.8%), with net income standing at 1,032 million yen (up 284 million yen, or 38.0%). We would like to ask for your continued support and encouragement.

June 2007

We will aim to become a one and only company that in size by expanding into such growth markets as the U.S. our canned motor pump technologies, of which we can



Kunio Miyaji, President and Representative Director

Q. Will you tell us about the current status of TEIKOKU and its position in the world market?

We are proactively developing global strategy as the top manufacturer of canned motor pumps, which are indispensable in various industrial sectors. We are driving forward the expansion and enhancement of our overseas operations, establishing a production subsidiary in Dalian, China, and acquiring a company that originated canned motor pumps in the U.S. As a result, our overseas sales ratio has topped 40% on a consolidated basis. We also maintain overwhelming predominance in our mainstay canned motor pumps, controlling about 40% of the world market and about 60% of the domestic market.

Q. What do you think has made you the world's largest manufacturer?

We started as a small corporation about 70 years ago. When we entered the canned motor pump market, the market had been controlled by an early comer. We started by taking on a challenge of tackling projects that were so difficult that other companies had given up. Although repeating failures many times, we solved problems one by one, built up our experience, and differentiated ourselves from others making the most of our mobility and excellent after-sales services. We have steadily

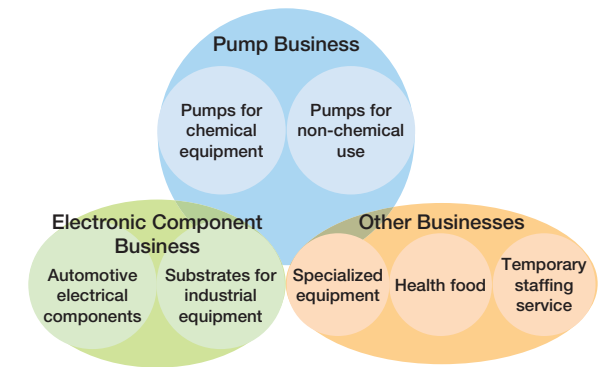
stands out though it is small and China while enhancing boast to the world.

increased our market share while being trained and educated by our customers. During our long history, we were once under the control of a bank. I believe that our hungry spirit and extremely steady management, which are based on the bitter experience I just mentioned, are the greatest driving forces of our remarkable progress.

Q. What is the merit of canned motor pumps in a word?

What is a canned motor pump? An answer to such a question is simple. First, leakage is structurally inevitable in a pump. Even only a tiny drop of some substances, such as “sarin” for example, can cause massive damage. However, such deleterious substances are also often important and indispensable to our lives. Pumps that never leak even a drop of substances that must never be leaked are our products. It is important to know the difference between “pumps that prevent leaks” and “pumps that never leak.” Pumps that prevent leaks simply prevent leakage using a component called a mechanical seal which is attached to them. Liquid leakage is certain to occur with them unless the component is periodically replaced with a new one. On the other hand, our canned motor pumps will never leak liquid because of their unique structure. In recognition of this feature, our canned motor pumps are

■ Business domain diagram



used in various categories, including petrochemical plants, nuclear power stations and Shinkansen bullet trains. They have become in a word, essential.

Q. What overseas strategies will you take in mega-markets such as the U.S. and China?

Using “canned motor pumps where leaks must never be allowed” is coming to stay as common knowledge in Japan and many overseas markets. The U.S. is the only exception. Canned motor pumps were initially developed by a company named Chempump of the U.S., which we have acquired. However, due to a lack of proper measures to handle the market, a popular misconception became established in the U.S. that canned motor pumps easily break down. As a result, mechanical seal pumps, which are competitive products of canned motor pumps, are the mainstream in the U.S. and account for about 90% of the market. In Japan, we have successfully established the current position of canned motor pumps by steadily resolving diversified complaints, one by one. Our strategy is to gain market share in the U.S. through this Japanese style approach. A challenge facing us in and after the current fiscal



TEIKOKU USA INC.



DALIAN TEIKOKU CANNED MOTOR PUMP CO.,LTD.

year is how to combine the existing agent system with a direct marketing system in developing the U.S. market. On the other hand, the situation in the Chinese market is totally contrary to that in the U.S. China, which is at the dawn of an age of the chemical industry, is in the middle of an unprecedented infrastructure boom in such sectors as petrochemicals and electric power. We made inroads into the Chinese market through direct marketing in 1994. However, the market is expanding so rapidly that we are unable to fully meet the demand. With regard to the petrochemical industry, which is our mainstay market, the wind is favorable at present, as demand is expanding mainly in overseas markets. In particular, demand for large products in the U.S. markets of pumps for Refrigerating and biodiesel is robust. Therefore, we are aggressively striving to enhance sales.



Q. Can you tell us about the growth potential of canned motor pumps in the future?

Another pillar of our future growth strategies, along with the strategies to expand overseas market, is the development of new market categories. Typical of such categories is sanitary pumps. The strictness of hygienic requirements in the sanitary category is exemplified by saying that it takes four hours to disassemble and clean sanitary pumps while it takes only three hours to produce them. Sanitary pumps require a lot of time for cleaning, since sanitary pumps currently used comprise a large number of components. Our sanitary pumps achieve reduction of the time needed for disassembly, cleaning and assembly, since they have a simple structure made up of only three units: motor, impeller and casing. We have started a full marketing program for our sanitary pumps aimed at the food and pharmaceutical markets. Existing markets also have room for further expansion. There are corporations that handle dangerous liquid around the world. Some of them do not adopt canned motor pumps simply because they have not used such pumps. We believe that they are certain to use our products if we can only establish a relationship of mutual trust with them.

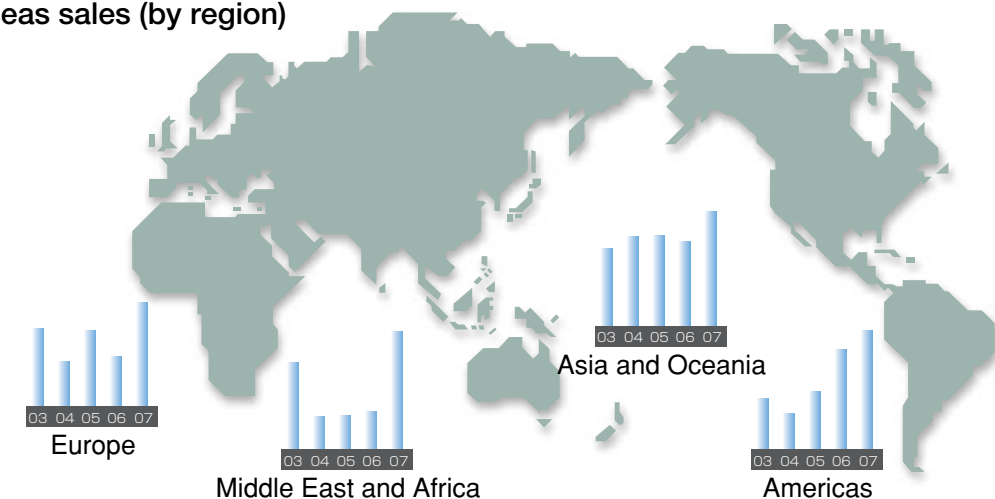
Q. What kind of corporate image do you aim to project?

It is our management target to become a muscular company that can flexibly cope with changes. We believe that the size of the company, even if it is small, does not matter. In other words, our target corporate image and management challenge are to become a steady corporation with full of innovative and challenging spirit. Our task from now on is to foster personnel who help realize our goal.

Q. What are your future business prospects?

I feel that the wind will remain favorable in general in the current term, though there are some elements of uncertainty such as the high prices of raw materials. In the U.S. market, our users are planning projects related to alternative energies and nuclear power. If such plans are carried out, we will see an increase in orders. I believe that these plans will finally move forward in the current term. Growth can be expected over the medium term as well, unless the Chinese economy should suddenly fail. We believe that we can expect growth from a global standpoint as well, as we will expand the European market and focus on the Russian market, which is drawing attention.

■ Overseas sales (by region)



Canned motor pump that realized complete no leakage

As the top manufacturer of canned motor pumps, TEIKOKU has diversified types of products and much experience in delivering them. In particular, the TEIKOKU Motor Pump, which is our mainstay product, is the fruit of proprietary technologies we accumulated through consistent efforts to develop equipment with zero liquid leakage. It has been adopted in many petrochemical plants, nuclear power stations and Shinkansen bullet trains, as our original technologies that achieve complete zero leakage and high reliability are highly respected.

- The TEIKOKU Motor Pump is suitable for handling liquids harmful to human bodies, explosive and inflammable liquids, expensive liquids, corrosive liquids, etc., since there is no danger of such liquids leaking outside the pump.
- It does not require an oil supply, and the liquid it handles will not become dirty, since the product does not require lubricant.
- It is also compact and light, since its motor shaft also functions as a pump shaft. As a result, TEIKOKU Motor Pump does not require much installation space and is easy to be disassembled and inspected.
- Also it is not noisy during operation, since it does not have fans to cool the motor.
- It is suitable for operation in vacuum systems and for handling liquids that change in quality when they come in contact with the open air, since it does not contact or take in the air.
- The product can be easily applied to make pumps for high pressure systems, high-temperature liquids, low-temperature liquids and high melting-point liquids, since it does not have a shaft seal.



Our original technologies help satisfy strict quality standards that demand perfection

Most of domestic pump manufacturers are supplied with motors, which are the power source of the pump, from motor manufacturers on an original equipment manufacturing (OEM) basis, even though they produce the pump units on their own. With the technological capabilities and state-of-the-art facilities to design the main unit of pumps and the motor at the same time, we have a design and production system that enables us to satisfy all specifications requested by our customers. We believe that it is our mission to maintain a strong development capability and supply products of the highest quality at all times.



TEIKOKU Motor Pump plays an active role in various fields such as petrochemical plants, Shinkansen bullet trains and nuclear power stations



For instance, the TEIKOKU Motor Pump is playing an active role in cooling transformers of the Shinkansen. It satisfied the strict quality standards, which require high speed, small size and reduced weight, and the product has been adopted by all Shinkansen trains since 1973, from the 0 Series up to the new N700 Series bullet trains. TEIKOKU products also meet strict quality standards and needs at nuclear power stations,



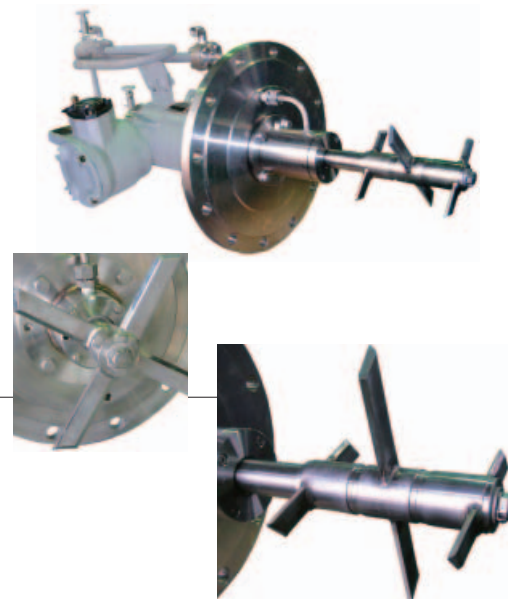
where perfection is demanded in all aspects of performance since radioactive substances are handled; petrochemical plants, which use numerous dangerous liquids; and other places.

Thorough analysis of the features of new products that support the future of TEIKOKU

CLOSE UP NEW

●●● Canned Motor Crusher

The Canned Motor Crusher — a new concept in crushers — utilizes the know-how acquired during the development of the TEIKOKU Canned Motor Agitator. Cutter blades directly attached to the motor shaft rotate at high speed (1000-3600rpm). These hardened blades collide with the solids and effectively crush them through a scraping action. The Canned Motor Crusher crushes solid matter accumulated in the process lines, including pipes and tanks, to solve clogging in pipes. It can be installed in three ways: directly to a tank, in a pit and in a line.



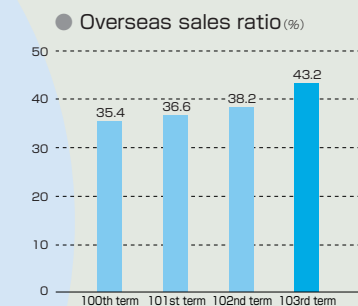
●●● Supercritical Experiment Facility Using CO₂

The ultimate physical state in which liquid changes to gas or gas changes to liquid is called “supercriticality.” Supercriticality is drawing attention as a new technology to establish the “green process,” an environmentally-friendly chemical process, and realize an environmentally-friendly chemical industry and “green chemistry,” an environmentally-friendly chemistry and chemical technology to make environmentally-friendly products. We are striving to realize high-level, total coordination using proprietary equipment and experimental devices, and we are creating new devices and processes in collaboration with and through cooperation and exchanges with customers. We would like to contribute to the popularization of the “green process” to support the global environment, using this supercritical process.



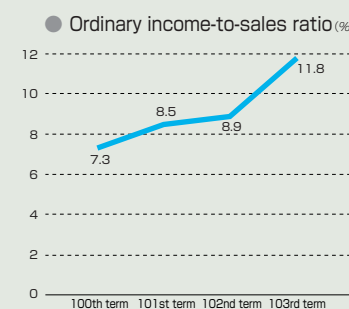
Overseas sales ratio: 43.2%

The overseas sales ratio, which stood at 35.4% (consolidated sales: 11,491 million yen; overseas sales: 4,069 million yen) in the 100th term (the fiscal year ended March 2004), reached 43.2% (consolidated net sales: 15,214 million yen; overseas sales: 6,577 million yen) in the term under review, topping 40%, which had been a long-held wish of ours. The result was attributed to our efforts to push forward with aggressive overseas strategies, including the purchase of Chempump Division in the U.S. in February 2003 and the establishment of TEIKOKU KOREA CO., LTD., our sales subsidiary in South Korea, in October 2005, and to robust sales in the current term of motor pumps for non-chemical use such as motor pumps for power-related equipment, in addition to motor pumps for chemical equipment for overseas markets.



Ordinary income-to-sales ratio: 11.8%

The ordinary income-to-sales ratio, which stood at 7.3% (consolidated net sales: 11,491 million yen; ordinary income: 840 million yen) in the 100th term (the fiscal year ended March 2004), was 11.8% (consolidated net sales: 15,214 million yen; ordinary income: 1,797 million yen) in the term under review. We were able to achieve our target ordinary income-to-sales ratio of 10% thanks to our improvement in productivity, continued efforts to reduce the purchase cost of raw materials, improvement of gross profit margins, realized through cost reductions and other measures, and finally to our efforts to reduce selling, general and administrative expenses in the current term.

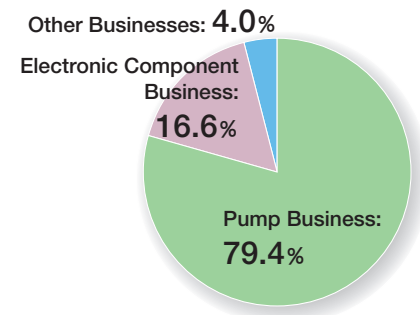


Consolidated business results

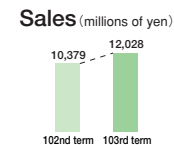
In the consolidated fiscal year under review, the TEIKOKU Group posted net sales of 15,214 million yen (up 1,670 million yen, or 12.3%, year-on-year) primarily due to steady performance of the mainstay pump business in both domestic and overseas markets.

As a result of improved gross profit margin through cost reduction and also due to our efforts to trim selling, general and administrative expenses, operating income amounted to 1,735 million yen (up 628 million yen, or 56.8%, year-on-year) and ordinary income was 1,797 million yen (up 589 million yen, or 48.8%), with net income standing at 1,032 million yen (up 284 million yen, or 38.0%).

Sales composition ratio by business segment



Pump business

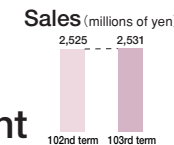


The pump business comprises motor pumps for chemical equipment, which are used mainly in the petrochemical industry, and motor pumps for non-chemical equipment, which are used in power-related equipment. Sales of this segment amounted to 12,082 million yen (up 1,702 million yen, or 16.4%, year-on-year), accounting for 79.4% of consolidated net sales, thanks to both a steady increase in the sales of our mainstay motor pumps for chemical equipment as a result of active capital investment in both the domestic and overseas petrochemical industries, and a sharp increase in the sales of motor pumps for non-chemical use due to robust sales of motor pumps for power-related equipment in overseas markets and motor pumps for semiconductor equipment for cleaning liquid crystal.

Operating income for this segment was 1,544 million yen (up 542 million yen, or 54.2%) as a result of sales increase and reduction of selling, general and administrative expenses.

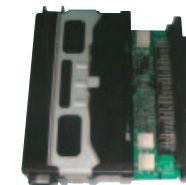
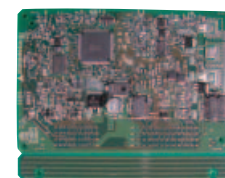


Electronic component business

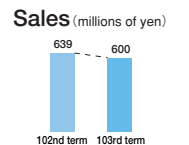


The electronic component business mainly handles automotive electrical components, including control units, and electronic substrates for industrial equipment such as substrates for sequencers. Such products are manufactured at Hirafuku Electric Mfg. Co., Ltd., a subsidiary of the Company. Sales of this business segment totaled 2,531 million yen (up 5 million yen, or 0.2%), accounting for 16.6% of consolidated net sales, as demand for electronic equipment units for automotive electrical equipment remained strong both within the country and abroad.

Operating income for this segment was 159 million yen (up 97 million yen, or 160.1%) on a drastic improvement in the gross profit margin resulting from the improvement in productivity.

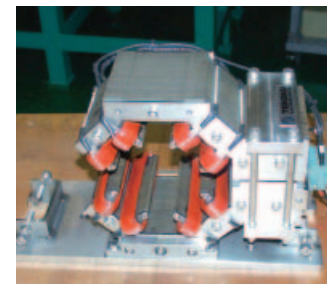
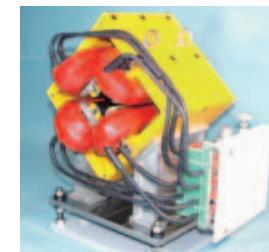


Other businesses



Other businesses are mainly operated through subsidiaries, and include sales of special equipment, such as hoists, and health food. Sales of other businesses stood at 600 million yen (down 38 million yen, or 6.0%) due to a year-on-year decline in sales of electromagnet-related equipment, and accounted for 4.0% of consolidated net sales.

As a result, operating income for this segment was 32 million yen (down 12 million yen, or 27.6%).



Topics

May: Exhibited products at ACHEMA, held in Germany

The International Exhibition-Congress on Chemical Engineering, Environmental Protection and Biotechnology (ACHEMA) is the largest exhibition in the industry held once every three years in Frankfurt, Germany, where chemical machinery manufacturers from around the world gather. This is the second time we independently exhibited our products at the exhibition. Our exhibition drew much attention with its unique quiz-style display, asking visitors the shipment volume of our canned motor pumps.



September: Listed on the First Section of the Tokyo Stock Exchange

Though the stock of the Company had been listed on the Second Section of the Tokyo Stock Exchange since February 28, 2005, our stock was designated the First Section of the Tokyo Stock Exchange as of September 1, 2006 with the consent of the Exchange. Our stock was also designated as an issue of the First Section of the Osaka Securities Exchange as of February 1, 2007.



January: Made changes in Representative Directors

Keijiro Irie, who had been President and Representative Director, took office as Chairman and Representative Director, and Kunio Miyaji, who had been Vice President and Representative Director, became President and Representative Director as of January 1, 2007.

Keijiro Irie retired from his office of Director on June 28, 2007, when his term of directorship expired, and became Advisor.

Consolidated Balance Sheets

Assets	2007	2006
	(As of March 31)	(As of March 31)
Current assets	9,823,237	8,928,182
Cash and deposits	1,616,063	1,581,792
Notes and accounts receivable-trade	5,326,131	4,899,125
Inventories	2,425,542	2,092,963
Deferred tax assets	362,499	318,133
Other	223,641	173,835
Allowance for doubtful accounts	(130,640)	(137,668)
Fixed assets	5,408,292	5,243,168
Property, plant and equipment	3,823,500	3,883,932
Buildings and structures	1,587,658	1,598,417
Machinery, equipment and vehicles	865,822	928,817
Land	1,126,385	1,130,950
Construction in progress	115,350	89,149
Other	128,283	136,598
Intangible fixed assets	12,191	11,710
Goodwill	—	1,989
Other	12,191	9,720
Investments and other assets	1,572,601	1,347,526
Investment securities	1,357,612	1,151,407
Long-term loans	25,739	25,596
Deferred tax assets	80,279	66,394
Other	140,564	136,558
Allowance for doubtful accounts	(31,594)	(32,430)
Total Assets	15,231,530	14,171,351

*Fractional sums of less than 1,000 yen in the amounts listed above are rounded down.

(Unit: Thousands of yen)

Liabilities	2007	2006
	(As of March 31)	(As of March 31)
Current liabilities	4,537,528	4,100,940
Notes and accounts payable-trade	1,704,420	1,784,266
Short-term loans payable	775,663	351,305
Bonds due within one year	80,000	80,000
Current portion of Long-term loans payable	193,966	206,238
Accrued income taxes	459,580	305,442
Deferred tax liabilities	36,474	23,257
Reserve for product warranty	17,151	16,911
Reserve for bonuses	431,168	394,952
Reserve for directors' and corporate auditors' bonuses	26,000	—
Other	813,103	938,564
Long-term liabilities	1,202,382	1,465,262
Bonds payable	40,000	120,000
Long-term loans payable	79,862	268,290
Deferred tax liabilities	88,926	66,253
Reserve for retirement benefits	805,062	799,837
Reserve for directors' and corporate auditors' retirement benefits	136,985	129,517
Other	51,545	81,364
Total Liabilities	5,739,911	5,566,202
Shareholders' equity		
Capital stock	—	1,101,303
Capital surplus	—	889,094
Retained earnings	—	6,144,523
Net revaluations gains (losses) of stocks	—	407,492
Translation adjustment	—	71,317
Treasury stock	—	(8,582)
Total Shareholders' equity	—	8,605,148
Total Liabilities and Shareholders' equity	—	14,171,351
Net assets		
Owners' equity	8,957,892	—
Capital stock	1,101,303	—
Capital surplus	889,094	—
Retained earnings	6,976,136	—
Treasury stock	(8,641)	—
Valuation and translation adjustments	533,726	—
Net unrealized holding gains (losses) on securities and other	426,879	—
Translation adjustment	106,847	—
Total Net assets	9,491,619	—
Total Liabilities and Net assets	15,231,530	—

Consolidated Statements of Income

	2007	2006
	(From April 1, 2006 to March 31, 2007)	(From April 1, 2005 to March 31, 2006)
Net sales	15,214,714	13,544,482
Cost of sales	9,661,734	8,830,223
Gross profit	5,552,980	4,714,259
Selling, general and administrative expenses	3,817,513	3,607,309
Operating income	1,735,466	1,106,950
Non-operating income	128,747	167,020
Non-operating expenses	66,710	65,653
Ordinary income	1,797,502	1,208,316
Extraordinary income	6,165	74,823
Extraordinary loss	13,730	19,076
Net income before income taxes	1,789,937	1,264,063
Income taxes-current	804,204	564,724
Income taxes-deferred	(47,192)	(49,146)
Net income	1,032,925	748,484

*Fractional sums of less than 1,000 yen in the amounts listed above are rounded down.

Consolidated Statements of Cash Flows

	2007	2006
	(From April 1, 2006 to March 31, 2007)	(From April 1, 2005 to March 31, 2006)
Net cash from operating activities	873,387	400,908
Net cash from investing activities	(830,203)	(59,508)
Net cash from financing activities	(43,782)	(977,432)
Effect of exchange rate change on cash and cash equivalents	33,876	75,667
Increase (decrease) in cash and cash equivalents	33,278	(560,364)
Cash and cash equivalent at beginning of the year	1,548,973	2,109,338
Cash and cash equivalent at end of the year	1,582,252	1,548,973

*Fractional sums of less than 1,000 yen in the amounts listed above are rounded down.

Consolidated Statements of Changes in Net Assets

From April 1, 2006 to March 31, 2007

(Unit: Thousands of yen)

	Owners' equity					Valuation and translation adjustments			Total Net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Owners' equity	Net unrealized holding gains (losses) on securities and other	Translation adjustments	Total Valuation and translation adjustments	
Balance, March 31, 2006	1,101,303	889,094	6,144,523	(8,582)	8,126,338	407,492	71,317	478,809	8,605,148
Changes of items during the period									
Reversal of reserve for advanced depreciation of fixed assets			(2,512)		(2,512)			—	(2,512)
Dividends from surplus(Note 1)			(86,399)		(86,399)			—	(86,399)
Dividends from surplus			(86,399)		(86,399)			—	(86,399)
Directors' and corporate auditors' bonuses(Note 1)			(26,000)		(26,000)			—	(26,000)
Net income			1,032,925		1,032,925			—	1,032,925
Purchase of treasury stock				(59)	(59)			—	(59)
Net Changes of items other than shareholders' equity						19,386	35,530	54,916	54,916
Total changes of items during the period	—	—	831,613	(59)	831,554	19,386	35,530	54,916	886,470
Balance, March 31, 2007	1,101,303	889,094	6,976,136	(8,641)	8,957,892	426,879	106,847	533,726	9,491,619

Notes:

- Appropriation of retained earnings at the 102nd Ordinary General Meeting of Shareholders, held on June 29, 2006.
- Fractional sums of less than 1,000 yen in the amounts listed above are rounded down.

■ Non-Consolidated Balance Sheets

	2007 (As of March 31)	2006 (As of March 31)
Assets		
Current assets	7,485,447	6,503,612
Cash and deposits	865,428	998,022
Notes receivable-trade	698,579	628,320
Accounts receivable-trade	3,507,337	2,931,197
Inventories	1,449,862	1,243,119
Prepaid expenses	9,353	11,604
Deferred tax assets	265,218	234,950
Other	689,668	456,398
Fixed assets	5,170,591	4,973,240
Property, plant and equipment	2,391,973	2,393,672
Buildings	845,211	893,248
Structures	80,464	74,263
Machinery and equipment	357,428	363,101
Vehicles	2,857	4,454
Tools and equipment	97,070	102,515
Land	895,452	899,464
Construction in progress	113,487	56,624
Intangible fixed assets	7,748	5,756
Software	3,593	1,601
Telephone subscription right	4,154	4,154
Investments and other assets	2,770,869	2,573,811
Investment securities	1,326,035	1,126,930
Stocks of affiliates	562,756	562,756
Investments in capital	6,094	7,559
Investments in capital of affiliates	773,657	773,657
Long-term prepaid expenses	5,571	3,295
Insurance reserve	40,686	37,476
Membership	43,400	43,400
Other	84,275	91,184
Allowance for doubtful accounts	(71,609)	(72,449)
Total Assets	12,656,039	11,476,853

*Fractional sums of less than 1,000 yen in the amounts listed above are rounded down.

(Unit: Thousands of yen)

	2007 (As of March 31)	2006 (As of March 31)
Liabilities		
Current liabilities	3,316,855	2,526,405
Notes payable-trade	889,747	757,155
Accounts payable-trade	328,178	336,798
Short-term loans payable	650,000	140,000
Bonds due within one year	80,000	80,000
Current portion of Long-term loans payable	112,219	117,664
Accounts payable-other	275,724	289,760
Accrued expenses	80,896	54,259
Accrued income taxes	230,272	215,300
Accrued consumption tax	41,204	—
Deposits received	260,363	197,406
Reserve for product warranty	17,151	16,911
Reserve for bonuses	287,280	276,266
Reserve for directors' and corporate auditors' bonuses	26,000	—
Other	37,816	44,882
Long-term liabilities	928,527	1,106,948
Bonds payable	40,000	120,000
Long-term loans payable	37,868	150,088
Long-term accrued expenses	51,545	51,963
Deferred tax liabilities	81,537	66,204
Reserve for retirement benefits	580,590	589,175
Reserve for directors' and corporate auditors' retirement benefits	136,985	129,517
Total Liabilities	4,245,382	3,633,354
Shareholders' equity		
Capital stock	—	1,101,303
Capital surplus	—	889,094
Legal capital surplus	—	889,094
Retained earnings	—	5,461,243
Legal retained earnings	—	145,275
Voluntary reserve	—	4,331,773
Reserve for advanced depreciation of fixed assets	—	220,773
General reserve	—	4,111,000
Unappropriated retained earnings	—	984,193
Net revaluation gains (losses) of stocks	—	400,439
Treasury stock	—	(8,582)
Total Shareholders' equity	—	7,843,498
Total Liabilities and Shareholders' equity	—	11,476,853
Net assets		
Owners' equity	7,994,129	—
Capital stock	1,101,303	—
Capital surplus	889,094	—
Legal capital surplus	889,094	—
Retained earnings	6,012,373	—
Legal retained earnings	145,275	—
Other retained earnings	5,867,098	—
Reserve for advanced depreciation of fixed assets	208,258	—
General reserve	4,411,000	—
Retained earnings brought forward	1,247,839	—
Treasury stock	(8,641)	—
Valuation and translation adjustments	416,527	—
Net unrealized holding gains (losses) on securities and other	416,527	—
Total Net assets	8,410,656	—
Total Liabilities and Net assets	12,656,039	—

■ Non-Consolidated Statement of Income

	2007 (From April 1, 2006 to March 31, 2007)	2006 (From April 1, 2005 to March 31, 2006)
Net sales	8,671,366	7,567,213
Cost of sales	5,833,387	5,015,595
Gross profit	2,837,978	2,551,618
Selling, general and administrative expenses	2,017,212	1,928,502
Operating income	820,766	623,115
Non-operating income	365,373	496,475
Non-operating expenses	40,042	42,488
Ordinary income	1,146,097	1,077,103
Extraordinary income	1,260	1,600
Extraordinary loss	9,425	15,931
Income before income taxes	1,137,932	1,062,772
Income taxes-current	421,786	359,835
Income taxes-deferred	(36,296)	(43,336)
Net income	752,442	746,273
Retained earnings brought forward	—	307,041
Interim dividends	—	69,121
Unappropriated retained earnings	—	984,193

*Fractional sums of less than 1,000 yen in the amounts listed above are rounded down.

■ Non-Consolidated Statements of Changes in Net Assets

From April 1, 2006 to March 31, 2007

(Unit: Thousands of yen)

	Owners' equity								Valuation and translation adjustments	Net unrealized holding gains (losses) on securities and other	Total Net assets
	Capital stock	Capital surplus	Retained earnings			Treasury stock	Total Owners' equity				
			Legal retained earnings	Other retained earnings	Total Retained earnings						
Balance, March 31, 2006	1,101,303	889,094	145,275	220,773	4,111,000	984,193	5,461,243	(8,582)	7,443,059	400,439	7,843,498
Changes of items during the period											
Reversal of reserve for advanced depreciation of fixed assets as a result of appropriation of retained earnings in previous year				(5,030)		5,030	—				
Reversal of reserve for advanced depreciation of fixed assets				(4,971)		4,971	—				
Reversal of reserve for advanced depreciation of fixed assets due to change of tax rate by merger of municipalities				(2,512)			(2,512)			(2,512)	(2,512)
Reserve for general reserve(Note 1)					300,000	(300,000)	—				
Dividends from surplus(Note 1)						(86,399)	(86,399)			(86,399)	(86,399)
Dividends from surplus						(86,399)	(86,399)			(86,399)	(86,399)
Directors' bonuses(Note 1)						(26,000)	(26,000)			(26,000)	(26,000)
Net income						752,442	752,442			752,442	752,442
Purchase of treasury stock								(59)	(59)		(59)
Net Changes of items other than shareholders' equity										16,087	16,087
Total changes of items during the period	—	—	—	(12,515)	300,000	263,645	551,130	(59)	551,070	16,087	567,158
Balance, March 31, 2007	1,101,303	889,094	145,275	208,258	4,411,000	1,247,839	6,012,373	(8,641)	7,994,129	416,527	8,410,656

Notes:

1. Appropriation of retained earnings at the 102nd Ordinary General Meeting of Shareholders, held on June 29, 2006.
2. Fractional sums of less than 1,000 yen in the amounts listed above are rounded down.

■ State of shares (as of March 31, 2007)

Number of shares authorized:	34,600,000
Number of shares issued:	8,650,069
Number of shareholders:	2,065

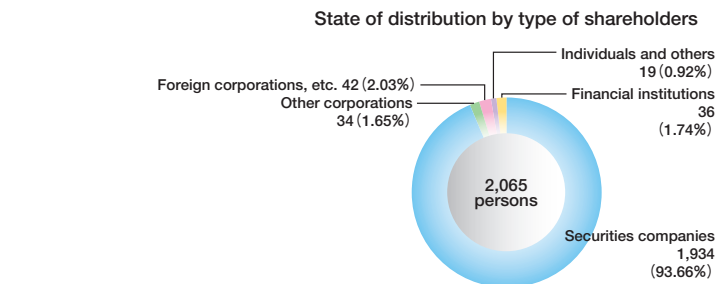
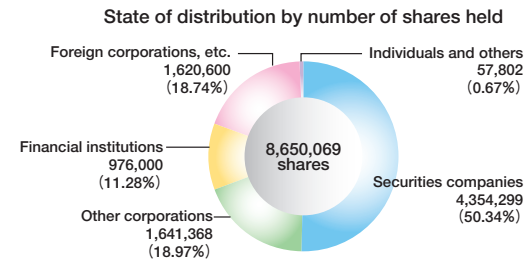
■ Major shareholders

Name of shareholder	State of investment in the Company	
	Number of shares held	Ownership ratio
Mitsubishi Electric Corporation	1,143,240	13.23%
Employee stock ownership society of TEIKOKU ELECTRIC MFG. CO., LTD.	365,262	4.23%
Bank of New York GCM Client Accounts EISG	338,778	3.92%
Kotaro Karita	292,722	3.39%
The Master Trust Bank of Japan, Ltd. (Trust A/C)	230,200	2.66%
Kozo Tokunaga	220,300	2.55%
Catherine Otto GmbH	211,344	2.45%
Tina Otto GmbH	211,344	2.45%
Keijiro Irie	205,314	2.38%
Kenjiro Egashira	205,200	2.38%

Notes:

- The ownership ratio is calculated after subtracting treasury stock (10,126 shares).
- Ratios are rounded to three decimal places.

■ State of distribution of shares

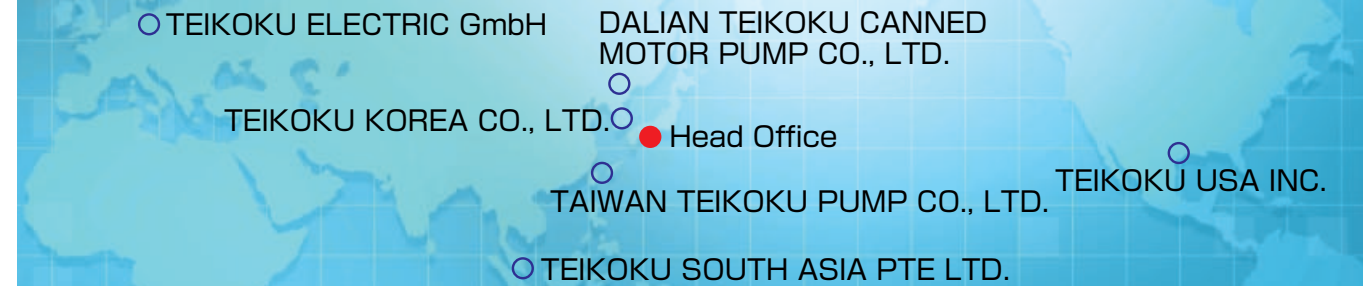


■ Corporate profile (as of March 31, 2007)

Company name: TEIKOKU ELECTRIC MFG. CO., LTD.
Establishment: September 12, 1939
Capital: 1,101,303,450 yen
Number of employees: 1,128 on a consolidated basis; 309 on a non-consolidated basis
Head office: 60 Hirano, Shingu-cho, Tatsuno-shi, Hyogo 679-4395, Japan
Phone: +81-791-75-0411 (Main number)
Website: <http://www.tekokudenki.co.jp/>

■ Directors (as of June 28, 2007)

President and Representative Director: Kunio Miyaji
Managing Director: Osamu Nakano
Managing Director: Naoyuki Shibata
Director: Noboru Takahashi
Director: Shoji Sonohara
Director: Yoshiharu Nakamura
Director: Kiichiro Onoe
Standing Corporate Auditor: Kotaro Karita
Standing Corporate Auditor: Kozo Kario
Corporate Auditor: Iwao Soga
Corporate Auditor: Katsuhiko Hasegawa



■ Head Office and major offices

- Head Office and Shingu plant
60 Hirano, Shingu-cho, Tatsuno-shi, Hyogo 679-4395, Japan
Phone: +81-791-75-0411 (Main number)
Fax: +81-791-75-4317
- International Business Headquarters (Shitaya Bldg. 6F) 5-2-5 Higashi-Ueno, Taito-ku, Tokyo 110-0015, Japan
Phone: +81-3-3841-9311 (Main number)
Fax: +81-3-3841-7334
- Tokyo Business Office (Shitaya Bldg. 6F) 5-2-5 Higashi-Ueno, Taito-ku, Tokyo 110-0015, Japan
Phone: +81-3-3841-9311 (Main number)
Fax: +81-3-3841-7332
- Osaka Business Office (Kokudo Bldg. 6F) 2-1-12 Sonezaki, Kita-ku, Osaka 530-0057, Japan
Phone: +81-6-6360-1171 (Main number)
Fax: +81-6-6315-5018
- Seibu Business Office 60 Hirano, Shingu-cho, Tatsuno-shi, Hyogo 679-4395, Japan
Phone: +81-791-75-0412
Fax: +81-791-75-4190
- Nagoya Business Office (Meinan Kuriyama Bldg. 7F) 1-28-19 Meieki-minami, Nakamura-ku, Nagoya 450-0003, Japan
Phone: +81-52-571-3691 (Main number)
Fax: +81-52-561-8097
- Kyushu Business Office (Marumi Kokuraekimae Bldg. 9F) 2-1-1 Sakaimachi, Kokurakita-ku, Kitakyushu-shi, Fukuoka 802-0005, Japan
Phone: +81-93-531-4311 (Main number)
Fax: +81-93-531-4274
- Chiba Branch Office (I Bldg. 2F) 4-10-11 Chuo, Chuo-ku, Chiba 260-0013, Japan
Phone: +81-43-222-5036
Fax: +81-43-222-5037
- Shizuoka Branch Office (Fujix C-101) 279-1 Ishizaka, Fuji-shi, Shizuoka 417-0862, Japan
Phone: +81-545-23-2700
Fax: +81-545-23-2701
- Hokuriku Branch Office 3-1301-1 Kasuga, Fukui 918-8108, Japan
Phone: +81-776-35-8330
Fax: +81-776-35-9068
- Tokyo Service Plant 4-12-4 Bente, Soka-shi, Saitama 340-0004, Japan
Phone: +81-48-931-7177
Fax: +81-48-936-1610



■ Domestic subsidiaries

- Kyowa Electric Mfg. Co., Ltd. 12 Oyacho-natsume, Yabu-shi, Hyogo, Japan
Phone: +81-796-69-0022
Fax: +81-796-69-1852
- Teishin Electric Mfg. Co., Ltd. 440 Yoshima, Shingu-cho, Tatsuno-shi, Hyogo, Japan
Phone: +81-791-75-0315
Fax: +81-791-75-0455
- Hirafuku Electric Mfg. Co., Ltd. 745-1 Fukuji, Taishi-cho, Ibo-gun, Hyogo, Japan
Phone: +81-792-77-4094
Fax: +81-792-77-4023
- Kozuki Denso Co., Ltd. 150 Suyasu, Sayo-cho, Sayo-gun, Hyogo, Japan
Phone: +81-790-86-0136
Fax: +81-790-86-1028
- Teiwa Engineering Co., Ltd. 60 Hirano, Shingu-cho, Tatsuno-shi, Hyogo, Japan
Phone: +81-791-75-4162
Fax: +81-791-75-0619

■ Overseas subsidiaries

- TEIKOKU U.S.A. INC. 7010 Empire Central Drive, Houston, TX 77040-3214
Phone: +1-713-983-9901
Fax: +1-713-983-9919
- DALIAN TEIKOKU CANNED MOTOR PUMP CO., LTD. Sanjianpu Science & Technology Industry Area, Dalian, China
Phone: +86-411-8626-9662
Fax: +86-411-8626-9499
- TAIWAN TEIKOKU PUMP CO., LTD. 9F-1, No.5, Jinzhou ST., Zhongshan District, Taipei, Taiwan
Phone: +886-2-2567-9800
Fax: +886-2-2567-9800
- TEIKOKU SOUTH ASIA PTE LTD. 43 Gul Drive, Jurong, Singapore 629490
Phone: +65-6897-7250
Fax: +65-6897-7096
- TEIKOKU ELECTRIC GmbH Nuemberger Strasse 24, D-40599 Dusseldorf, Germany
Phone: +49-211-700-6778
Fax: +49-211-749-0011
- TEIKOKU KOREA CO., LTD. 3F Hannam Tower Annex Building II #730 Hannam-dong, Yongsan-gu, Seoul, Korea
Phone: +82-2-790-7012
Fax: +82-2-790-7014

