Visit this site for Torishima's 100-year history, 100th anniversary projects by employees, the Pumpride Quiz, and more.

https://www.torishima.co.jp/en/100/

The electricity used to print this report is converted by 100% green power (wind power).
Torishima’s 100-Year History

Committed to pumps for 100 years, we’ll keep evolving and making the world a better place.

On August 1, 2019, we open the door to our next century of business. Our evolution continues.

Energy-Efficient Solutions
We contribute to greater efficiency in plants and other infrastructure by supplying high-efficiency pumps and other energy-efficient products, and by providing energy-efficient solutions for pumping equipment and pumping stations.

Providing Safety and Reliability
Our state-of-the-art technology ensures safety under all conditions.

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1919
The birth of Torishima Seisakusho ("Works"), a pioneer in pumps.

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Agricultural-use pumps won first prize in a competition sponsored by the Ministry of Agriculture and Forestry in Japan.

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Torishima’s 4 Business Domains

Torishima is an expert in pumps. We develop and supply pumps for various industry and infrastructure applications. We also provide comprehensive pump solutions ranging from the engineering, procurement, and construction of pumping stations to their operation and maintenance.


corporate value, including the company’s financial and non-financial elements. Please refer to our website for further information of the company.

The data and forward-looking statements disclosed in the Torishima Report are based on decisions made and on information obtained up until the day this report was published. The forward-looking statements are subject to change due to various factors, and they do not guarantee the attainment of objectives, forecasts, or future business performance. The information in the report is subject to change without prior notice. Therefore, readers are cautioned to use the information in the report at their discretion while referring to—or comparing the report with—other sources of information. Torishima bears no obligation whatsoever to compensate for any damages that may occur as a result of using this report.
The Torishima Group is implementing its Medium-Term Business Plan, which runs from fiscal 2017 to 2019, the year of Torishima’s 100th anniversary. In the three-year period covered by our ‘Beyond’ 2019 Medium-Term Business Plan, we will complete measures we have been implementing up to now and prepare to build momentum for our second century of business. In the process, we will improve our fundamental strengths so that we can withstand external environmental factors.

**Financial Highlights**

- **Orders Received (millions of yen):**
  - FY2014: 42,878
  - FY2015: 43,483
  - FY2016: 42,350
  - FY2017: 48,501
  - FY2018: 46,047

- **Net Sales (millions of yen):**
  - FY2014: 44,414
  - FY2015: 43,381
  - FY2016: 48,154
  - FY2017: 46,201
  - FY2018: 40,786

- **Operating Income (millions of yen):**
  - FY2014: 1,627
  - FY2015: 1,627
  - FY2016: 1,544
  - FY2017: 1,295
  - FY2018: 1,137

**Non-Financial Highlights**

- **Net Income or Loss Attributable to Owners of the Parent (millions of yen):**
  - FY2014: 1,825
  - FY2015: 1,825
  - FY2016: 1,797
  - FY2017: 1,731
  - FY2018: 1,602

- **Net Assets per Share (yen):**
  - FY2014: 1,179.57
  - FY2015: 1,221.94
  - FY2016: 1,270.43
  - FY2017: 1,270.43
  - FY2018: 1,270.43

- **Equity Ratio (%):**
  - FY2014: 658
  - FY2015: 658
  - FY2016: 643
  - FY2017: 413
  - FY2018: 47.7

**Global Network**

- **Torishima’s after-sales service network covering 13 bases worldwide:**
  - March 2018: Established Torishima Service Solutions Malaysia Sdn. Bhd. (Malaysia)
  - June 2018: Established Torishima Service Solutions Formosa Co., Ltd. (Taiwan)
  - September 2018: Established Torishima Service Solutions of Michigan LLC (Michigan, U.S.)

**Progress in BEYOND 2019 Medium-Term Business Plan**

- **Orders received:**
  - FY2017: 44.0
  - FY2018: 45.0
  - FY2019: 51.8

- **Net sales:**
  - FY2017: 44.5
  - FY2018: 48.0
  - FY2019: 48.2

- **Operating income:**
  - FY2017: 2.0
  - FY2018: 2.3
  - FY2019: 2.3

- **Ordinary income:**
  - FY2017: 2.5
  - FY2018: 2.0
  - FY2019: 2.3

**Torishima’s long-term challenges and measures towards achieving the 2019 Medium-Term Business Plan**

- **Innovative Capabilities:**
  - Enhance core pump products, introduce new products: Enhanced pumps for desalination plants, large-diameter water transmission pumps, and pumps for pumping skid stations
  - Launch sales of TR-COM system

- **Global Strength:**
  - Build an optimal global production system (plants in Japan, China, Indonesia, India, U.S., etc.): Continued technology transfer to manufacture boiler circulation pumps for power plants in India. Pumps were manufactured locally and their performance was confirmed
  - Upgraded and installed equipment in head office factory: boosted productivity
  - Improved systems for information sharing while introducing RPA in various departments and promoting digitalization

- **Productivity, Work Process Quality:**
  - Use state-of-the-art equipment to boost productivity and expand production capacity: Achieved a 35.8% rate in fiscal 2018
  - Increased number of supervisors and train them: Expanded the number of supervisors to 45

- **After-Sales Service Capabilities:**
  - Have world-class service business account for 35% or more: Achieved a 35.8% rate in fiscal 2018
  - Improve viability of Board of Directors: Increased number of products that can be serviced

- **Governance:**
  - Improve visibility of Board of Directors: Improved and expanding sales in servicing of small-medium steam/gas turbines in Indonesia
  - Highlight performance-based compensation system: Introduced transfer-extended stock compensation for directors. Plan to expand it to executive officers

- **Human Resources:**
  - Promote diversity (improve work environment for women and foreign nationals): Improving working environment for all employees
  - Establish initiatives for overseas employees at head office: Foreign nationals accounted for 42% of employees (on consolidated basis) in fiscal 2018. Expanded training for overseas employees at head office.

In order to survive fierce global competition, we must aggressively in production facilities, related equipment, software, and R&D. For example, we are expanding our service bases overseas.
Torishima completed the second year of our 2019 medium-term business plan. Our performance in fiscal 2018 was strong right from the start of the first quarter. In particular, our orders received totaled ¥51.8 billion thanks to increased global demand primarily in Asia and the Middle East. Thus, we were able to surpass our target by ¥6.8 billion and achieve 22.6% year-on-year growth. Further, an increase in overseas sales helped boost our net sales to ¥48.2 billion, which is a 6.1% year-on-year increase. Operating income increased 37.7% year-on-year to ¥1.7 billion as a result of steadily recovering non-consolidated profit margins. As a result of this strong performance, we were able to pay shareholders both a regular interim dividend and year-end dividend of ¥9, as well as an additional ¥7 dividend commemorating Torishima’s 100th year of business.

Business performance within our overseas service bases, including Torishima Service Solutions Thailand (TSST), established in fiscal 2016, and Torishima Service Solutions Asia (TSSA), which underwent relocation and expansion in fiscal 2017, has also continued to grow steadily. This has been further enhanced by the addition in fiscal 2018 of two new service bases: Torishima Service Solutions Formosa (TSSF) in Taiwan and Torishima Service Solutions Michigan (TSSMI) in the United States. With such growth within our global network, we have seen a 21.8% year-on-year increase in service orders received, and our service solutions business has expanded to encompass 35.7% of our total business.

The outlook for the coal-fired power generation market remains grim. On the other hand, increased crude oil prices have spurred demand for water-related projects in the Middle East. We have received orders for numerous pumps in the region, including those for large-scale water supply projects and seawater desalination plants in Saudi Arabia. This is a positive reflection on the technological strength and reputation for reliability that Torishima has cultivated over its many years of business.

One of the ways that Torishima is helping meet the need for new innovation is with the TR-COM rotating equipment monitoring system. We launched this system in fiscal 2018, following several years of development. TR-COM stands for “Torishima Rotating equipment COndition Monitoring,” with “COM” also standing for “COMMunication.” This service enables customers to share with Torishima data on the condition of their rotating machinery, so that this machinery revolution is underway in a variety of different industries around the world. It is being driven by the vast amounts of data gathered via the Internet of Things (IoT) and analyzed by artificial intelligence (AI) and other technologies. Japan’s low birth rate and aging population is causing labor shortages. To support the continuing development of society, we must harness the innovations emerging from IoT and AI. Of course, the manufacturing sector is no exception. In fact, it is the manufacturing sector in particular where applying a combination of IoT and AI is crucial to creating Japan’s future.

Contributing to innovation in Japanese manufacturing with the TR-COM

Currently, an ever-accelerating fourth industrial revolution is underway in a variety of different industries around the world. It is being driven by the vast amounts of data gathered via the Internet of Things (IoT) and analyzed by artificial intelligence (AI) and other technologies. Japan’s low birth rate and aging population is causing labor shortages. To support the continuing development of society, we must harness the innovations emerging from IoT and AI. Of course, the manufacturing sector is no exception. In fact, it is the manufacturing sector in particular where applying a combination of IoT and AI is crucial to creating Japan’s future.

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The TR-COM system helps to ensure that a secondary process like daily pump management can be carried out quickly, easily, and cost-effectively. In November 2018, we launched a 1,000-company campaign to provide customers with opportunities to experience the convenience of the TR-COM system firsthand. Customers’ response to the TR-COM system has been quite positive. Several companies have already opted to introduce the system into their power generation plants, factories, and other facilities. TR-COM reduces the amount of time required for machinery inspection and helps ensure that problems are discovered early. We also aim to have TR-COM use AI and other technologies to analyze the data it accumulates. This will help us develop new services that will enable customers to innovate their work processes. Although the TR-COM system has only just been introduced, we are excited about the tremendous potential it shows for the future.

Building a target platform for Torishima

According to the “smiling curve” concept, it is typically thought that the manufacturing and assembly processes that occur in the middle of the value chain are the processes with the least profitability. Thus, over the past several years we have focused on downstream service solutions by expanding the number and size of our service bases around the world, enabling Torishima to be closer to its customers (localization). In the past, shortages in manpower and experience have hindered the effective management of data. But with the TR-COM system, you can easily collect, analyze, and diagnose data. This enhances communication between Torishima and its customers and improves the effectiveness of our services. Moreover, the data gathered by the TR-COM system can be used to develop new products and strengthen manufacturing. These new products will then lead to new and better services. By building a platform for generating this sort of virtuous cycle, we can continue to provide high-value-added products and services that will make Torishima irreplaceable in the eyes of our customers.

Work-style reform to change employees’ mindset

The Administration Division supports the operations of the business divisions. It established the Work-Style Reform Promotion Group in April 2018. The Group has sought to introduce RPA to handle simple office tasks in order to free up employees for more creative work. It has promoted the transition from paper-based to paperless operations, and this has led to more flexible working styles in terms of work location as well as a more efficient use of space. Since April 2019, we have launched pilot offices where we test out different ideas aimed at improving work efficiency and stimulating communication. Examples include a hot-desk system and concentration cubicles.

Work-style reform is also a way of enabling us to better capitalize on diversity, which has long been a strength of Torishima. At present, our corporate group comprises more than 1,500 employees of roughly 35 nationalities. It is precisely because our group contains so many different languages, cultures, ways of thinking, and working styles that we put such a strong emphasis on information sharing and openness. But can we successfully integrate our organizational structure to create better working environments for everyone while also fostering individual strengths and creativity? Our challenge is to shift from “Diversity” to “Inclusion.”

These changes are also in preparation for the relocation of our head office factory to a new building scheduled to be completed in February 2021. This new facility will incorporate manufacturing facilities on the lower floors, and concentrated office space on the upper floors to eliminate the large physical distances that currently separate our departments. It will also include spaces for fostering ongoing debate and discussion, open information sharing, and the cultivation of communication channels. In order to effect change in Torishima’s rigid infrastructure, we must first effect a change in our own mindsets (soft infrastructure). Although it will involve a significant investment, we firmly believe that instituting such change will foster a virtuous cycle in the long term. This cycle will be driven by improved productivity, greater customer and employee satisfaction, and an influx of talented new employees.
TR-COM Rotating Equipment Monitoring System

Torishima began supplying a system that monitors the operational status of rotating machinery such as pumps and fans. The system utilizes IoT technology and sensors attached to the machinery. The sensors are battery operated and don’t need wiring. They can be set up in minutes. Data from the sensors is collected by a smartphone and can be viewed either on that device or on a PC screen. The system lets operators streamline the day-to-day management of machinery and monitor trends in the machinery’s condition. As well as helping to create a positive work environment, this system can be used to address issues such as an aging workforce or a skills drain.

Starting November 2018, we launched a campaign to let customers try TR-COM for free. In the trial, sensors are attached to the customer’s equipment and the collected data is used to check the machinery’s operational status. Many customers have tried TR-COM, and orders have followed.

We plan to upgrade TR-COM with useful features. One example is a function for managing maintenance schedules. We have introduced TR-COM, and orders have followed. We plan to upgrade TR-COM with useful features. One example is a function for managing maintenance schedules. We have tried TR-COM, and orders have followed.

Expanding Service Bases in Taiwan and the U.S.

Torishima has delivered many high-pressure pumps and large pumps for thermal power plants. In fiscal 2018, we established local subsidiaries in Taiwan and the U.S. to provide on-site servicing in Taiwan and the U.S. Expanding service networks throughout the world: in Japan, China, Taiwan, Indonesia, Singapore, Thailand, Malaysia, the Philippines, India, the U.A.E., Saudi Arabia, the U.K., and the U.S. Expanding our service network throughout each country will help to improve our marketing and service activities in the local communities.

Today Torishima has 13 service bases around the world: in Japan, China, Taiwan, Indonesia, Singapore, Thailand, Malaysia, the Philippines, India, the U.A.E., Saudi Arabia, the U.K., and the U.S. Expanding our service network throughout each country will help to improve our marketing and service activities in the local communities. This will enhance our presence, boost customer satisfaction, and lead to further business growth.

Rebuilding the Head Office Factory

Torishima has launched a project to rebuild the head office factory and make it earthquake-proof. The concept of the project is to integrate the factory and the office, with the aim of boosting communication among those in the sales, R&D, design, and production departments. At the same time, the project seeks to create a more comfortable environment. This should help motivate employees and boost productivity for the entire company.

March 2019 saw us finish the first step of the rebuilding project: a warehouse for storing wooden patterns used for casting. The new head office factory is being built on the site of this former storehouse. It is scheduled for completion in February 2021.

Reforming Working Styles

Starting in April 2019, Japan is enacting a labor reform bill that addresses work-related issues faced by Japanese society. One issue is the country’s shrinking workforce caused by its low birthrate and aging population. Another issue is changing work styles that involve balancing work with childcare or nursing care. Companies need to do more than just improve productivity through investments and innovations. They also need to create an environment where people have more opportunities to work and where they can express their capabilities and abilities.

In fiscal 2018, Torishima established a Work-Style Reform Promotion Section. We have already launched three reforms to achieve an inspiring and virtuous cycle in the workplace: operational reform; systemic reform; and awareness reform.

First, for operational reform, we have introduced RPA (robotic process automation) to automate routine tasks. We are also eliminating the use of paper wherever possible and digitizing and sharing information to cut down on paper document storage space.

Secondly, systemic reform aims to bring about diverse ways of working, unlimited by place or time. To this end, we’re reviewing our work regulations and systems. So far, we’ve introduced staggered working shifts in the head office sales department as well as an hourly paid vacation system, to which all employees are entitled.

Lastly, to bring the above reforms to fruition, we must change our conventional working styles. To help employees buy in to changing their working styles, we’re pursuing awareness reform. The head office factory rebuilding project has given us an opportunity to completely revamp the office layout, so we’re trialing a hot-desk system. Not having your own private desk can change an employee’s attitude to work. It can also facilitate the digitization of paper documents and the sharing of information, and it can ultimately energize communication among different departments.

Development and Design of High-Head, High-Power Pumps

We have developed a range of high head (generated pressure) for water transmission applications suited to delivering water long distances over variable terrain. Compared to previous large water pumps used for similar purposes, our new pump has improved pressure generation capabilities with high efficiency design.

In developing the pump, we performed repeated structural analysis using FEM (finite element method) to determine the optimal configuration for achieving high-head capabilities. We also designed the bearings to give the pump stable rotor-dynamic performance. To achieve high efficiency, we optimized the configuration of the pump’s internal flow channel using our flow analysis technology.

This newly improved pump is being used in Saudi Arabia in a project for which we received an order in fiscal 2018. Demand for water transmission pumps is expected to grow, mainly in the Middle East, and we expect more new orders for our pumps.
Torishima focuses on contributing to the environment through its products and business activities, while also lowering the environmental burden of all its business activities.

**Torishima Environmental Policy**

At Torishima, we believe that protecting the Earth's natural environment is a vital task that must be addressed by all mankind. For the sake of the planet and all of its inhabitants, our goal must be to cultivate a naturally beautiful global environment that is conducive to comfortable living.

To put the foregoing philosophy into practice, we undertake the following activities:

1. We develop and supply highly efficient, environmentally friendly products such as energy-efficient pumps (high-efficiency boiler feed pumps, Eco-Pumps, and large high-efficiency pumps), wind power systems, and mini/micro hydropower systems. Torishima contributed to saving energy and reducing CO₂ emissions, as shown in the graph below.

2. By developing and supplying environmentally friendly products, we contribute to energy savings and reducing CO₂ emissions.

3. We provide technologies that contribute to the recycling of natural resources.

4. We actively promote reductions in environmental loads and prevention of environmental contamination, based on environmental assessment results.

5. We continually strengthen our environmental management systems in order to raise environmental performance.

6. We comply with environmental laws, regulations, and other applicable obligations. We also formulate and comply with our own in-house rules.

7. Throughout our production activities, we seek to preserve energy and natural resources and promote recycling, waste reduction, and proper management of chemical substances. These actions serve to reduce environmental burdens.

**Status of Fiscal 2018 Environmental Objectives**

### Pump Business, Renewable Energy and the Environment Business

By developing and supplying environmentally friendly products such as energy-efficient pumps (high-efficiency boiler feed pumps, Eco-Pumps, and large high-efficiency pumps), wind power systems, and mini/micro hydropower systems, Torishima contributed to saving energy and reducing CO₂ emissions, as shown in the graph below.

- CO₂ reductions (t-CO₂)
  - mini/micro hydropower systems (t-CO₂)
  - high-efficiency pumps (t-CO₂)
  - wind power systems (t-CO₂)

**Initiatives for Reducing Environmental Burden in Production Activities**

### Saving Resources and Energy

In fiscal 2018, total CO₂ emissions from the head office factory decreased by 28% year-on-year, and CO₂ emissions per production unit went down by 12.5%.

- CO₂ emissions (t-CO₂) and CO₂ emissions per production unit (kg/1 million yen) decreased by 12.5%.

**Reducing Waste**

In fiscal 2018 at the head office factory, the amount of waste per production unit was down 13% year-on-year, while the amount of waste rose by 4.0%.

<table>
<thead>
<tr>
<th>Year</th>
<th>Waste per production unit (kg/1 million yen)</th>
<th>Total waste (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015</td>
<td>21.3</td>
<td>94.2</td>
</tr>
<tr>
<td>FY2016</td>
<td>29.3</td>
<td>128.0</td>
</tr>
<tr>
<td>FY2017</td>
<td>24.6</td>
<td>103.6</td>
</tr>
<tr>
<td>FY2018</td>
<td>23.6</td>
<td>91.0</td>
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</tbody>
</table>

**Reducing Discharge of PRTR Class 1-Designated Chemicals**

In fiscal 2018 Torishima achieved a 4.1% year-on-year reduction in the amount of discharged and transferred chemical substances covered by the PRTR (pollutant release and transfer register) system in Japan. We keep striving to estimate the required paint volumes more accurately, while reducing the amount of clearing agents we use.

- PRTR Class 1-designated chemicals released and transferred (tonnes)

**Energy Consumption and Input**

Torishima fully understands the impact its business activities place on the environment. Ever aware of this impact, we do all we can to reduce the environmental burden at every stage of our activities, from product development to disposal. In fiscal 2018 at the head office, electricity usage decreased by 77% year-on-year, while waste increased by 4.0%.

- Electricity consumption (kWh)
  - FY2015: 117.2
  - FY2016: 115.4
  - FY2017: 115.4
  - FY2018: 123.3

**Environmental Friendliness throughout the Value Chain**

Torishima's freight volume is below that of a specified consigner, as designated under the Japanese Act on the Rational Use of Energy. Nevertheless, we implement various measures to further reduce freight volume. We have set a target in our environmental management program of reducing freight volume tonne-km* between shippers and suppliers in an effort to lessen our environmental impact.

Specifically, we are raising the load efficiencies of freight trucks and pursuing well-planned freighting to prevent sporadic shipments. These and other steady day-to-day efforts enable us to achieve company-wide improvements in transport efficiency.

*Tonne-km = Freight weight (tonne) × transport distance (kilometer)
Torishima strives to be a trusted company in its relationship with society by fulfilling its social responsibilities. To this end, we communicate in every way possible with our stakeholders.

**Relationship with Business Partners**

To maintain a good relationship with our subcontractor partners, Torishima selects such partners on the basis of transparent and impartial transactions. We also seek to establish equal partnerships with them while complying with all related laws and regulations.

- **Torishima’s efforts**
  - In order to improve the level of occupational safety and health at both Torishima and our subcontractor partners, we hold a variety of events tailored to different workplaces and aimed at eliminating workplace hazards and accidents. These include joint Torishima-subcontractor occupational safety and health meetings held at manufacturing sites, safety conferences at sales offices, and hazard prevention workshops at construction sites.

**Relationship with Shareholders and Investors**

We do everything possible to release company information in a timely, fair manner so that shareholders and investors can get a deeper understanding of our sustainable growth.

- **Torishima’s efforts**
  - General shareholders' meetings, financial results briefings for institutional investors, etc.
- **Communication tools**
  - Website, financial results summaries, financial results presentation materials, financial statements, shareholder newsletters, Torishima Report, fact sheets, etc.

**Relationship with Communities**

We contribute to society, communities, and education, and strive for safe and stable operation of our factories so that everyone living near Torishima bases can live in safety and peace of mind.

- **Torishima’s efforts**
  - Harada Memorial Foundation
    - The Harada Memorial Foundation is a public interest incorporated foundation. In 1981, then-president Ryuhei Harada launched the foundation with a personal contribution. The foundation provides grants to individuals and organizations engaged in research in natural science domains connected to the pump industry, such as hydraulics and fluid mechanics. It also offers scholarships to young people.

**Technical Intern Training for Foreign Trainees**

The technical intern training program for foreign trainees was established in Japan in 1993 for the purpose of instructing foreign trainees in those skills, technologies, work habits, quality control, and other manufacturing and operational practices at which Japan excels so that they can then apply their knowledge to industrial development back in their home countries. Since 1999, Torishima has worked with the internship coordination organization IM Japan to accept close to 90 trainees from Indonesia and various other countries. The year 2018 marked 20 years of involvement by Torishima in this training program. The Indonesian Minister of Manpower and Transmigration and IM Japan presented Torishima with a letter of appreciation for the significant contribution Torishima has made to the development of human resources through its enthusiastic acceptance and tailored instruction of so many trainees over so many years.

**Pump Classes at Elementary Schools**

Children represent the future, and we want to contribute to building that future by nurturing the dreams and ambitions of children. Towards that end, Torishima has been visiting elementary schools near the company’s head office and factory in Takatsuki, Osaka Prefecture since fiscal 2008 to teach students about the excitement and challenges of manufacturing. The instructors are young members from different departments who spend six months developing and running a program that sees both the students and the instructors learn and grow.

**Local Activities**

In October 2018, Torishima opened its head office factory for public tours as part of the hands-on, interactive Open Takatsuki program sponsored by the Takatsuki City Tourism Association. Even participants who live close to the factory do not often have such opportunities to learn about what exactly Torishima does, and their response was positive. One participant said that, “I didn’t realize that there was such a globally active Japanese company right here in Takatsuki.”
Relationship with Employees

Human resources are a vital asset that companies should nurture. We consistently create workplace environments that enable employees to work safely and worry-free, and we provide learning opportunities that promote employees' growth.

**Employee Education**
Torishima actively offers educational opportunities and support, such as providing technical training on pumps and the job-training for new employees. We also offer grants to help employees obtain a Ph.D. in engineering or a national technical qualification. In addition, we provide distance learning, in-house English conversation lessons, and seminars by outside organizations to boost employees' skills. “Seeing is believing” is the motto for Torishima's overseas on-site training for young employees. The goal of this intensive training program is to enable employees to identify customer needs and the seeds of new business beyond national boundaries.

**Diversity**
For Torishima to grow sustainably in a global market, we need to use personnel diversity to our advantage. Torishima actively hires non-Japanese staff and works to foster employees with a global perspective so that we can strengthen our competitive edge in the global market.

We also provide employees support for raising children. In addition to an in-house daycare center, we strive to create an environment conducive to employees taking maternity leave and parental leave. As a result of such measures, our percentage of women returning to work after childbirth is 100%.

The percentage of disabled employees at Torishima in fiscal 2018 was 2.85%. This figure far exceeds the legally mandated rate of 2.2%. Torishima provides guidance and support so that these employees can feel they are part of the Torishima team and nurture their own hopes and dreams for the future.

On July 19, 2017, Torishima received the "Kurumin" mark of certification from the Osaka Labor Bureau of the Ministry of Health, Labor, and Welfare in recognition of the various ways in which Torishima supports employees in balancing work and child-rearing responsibilities.

In 2016, Torishima was registered as, and received a mark of certification from Osaka Prefecture as a company actively engaged in the employment of disabled persons.

Corporate Governance Structure

As of June 26, 2015, Torishima shifted its corporate governance structure to one of a company with an Audit and Supervisory Committee. Under this structure, directors who are members of the Audit and Supervisory Committee (including three outside Audit and Supervisory Committee members) are given voting rights on the Board of Directors. This strengthens the supervisory functions of the Board of Directors and enhances Torishima’s corporate governance structure.

The accounting auditor cooperates with the Audit and Supervisory Committee and the Internal Audit Department to efficiently conduct effective audits while exchanging information and views.

The Internal Audit Department, which is independent from business operations, conducts internal audits from an unbiased perspective and with a focus on the effort, effectiveness, and legality of business operations. It also audits overseas Torishima Group companies in light of the globalization of Torishima's business activities.

For the future, Torishima will aim to raise corporate value by increasing the effectiveness of the Board of Directors. We will also enhance management of domestic and overseas subsidiaries in an effort to strengthen governance. Furthermore, we will introduce a performance-based compensation system that will enable the sharing of value between directors and shareholders.

**Overview of the Corporate Governance Structure**

- **Organization:** Company with an Audit and Supervisory Committee
- **Directors (excluding directors on the Audit and Supervisory Committee):** Five: One-year term
- **Directors on the Audit and Supervisory Committee:** Four (of whom three are outside directors): Two-year term
- **Executive officer system:** Yes

**Initiatives for Strengthening Corporate Governance**

- **June 2015:** Transition to company with an Audit and Supervisory Committee
- **November 2015:** Report disclosure in line with adoption of the Corporate Governance Code (establishment of corporate governance-related basic policies)
- **May 2017:** Start of Board of Director effectiveness evaluations
- **June 2018:** Introduction of a restricted stock compensation system

Compliance Structure

“The Torishima Group has consistently accorded highest priority to winning and maintaining the customer’s solid trust.” In line with this corporate motto, Torishima has formulated a basic policy to ensure compliance in business management. The policy covers the observance of laws and regulations, while also stipulating fair and impartial behavior and prohibiting discrimination and acts that violate social ethics. There are further stipulations on maintaining discipline and order, and on remedial action to take when violations of the policy occur.

Torishima works to thoroughly communicate the content of the policy to all directors and employees, so that they understand and follow it properly.

Torishima also has a Compliance Committee and a consultation service for discussing matters such as workplace ethics and related laws and regulations.

Duties of the Compliance Committee

1. Develop legal and ethical compliance systems for Torishima and its subsidiaries, which together make up the Torishima Group
2. Provide guidance and advice to business execution divisions regarding the results of internal audits of corporate ethics
3. Provide guidance and advice regarding educational planning and activities related to corporate ethics
4. Provide guidance and advice to the internal consultation service regarding whistle-blowing
More and more of Torishima's overseas subsidiaries and branches have been achieving ISO 9001 certification.

We make group-wide efforts to raise quality.

**Basic Quality Philosophy**

1. We place top priority on abiding by laws, regulations, and rules, and on giving customers satisfaction and reliability.
2. In order to provide products with customers and services of value, we make proposals and respond with a clear understanding of customers’ needs and expectations.
3. We clarify and execute all items stipulated in contracts with customers.
4. We constantly create and improve on quality in all processes.
5. We set quality targets and plans to ensure the concrete measures to realize these targets.
6. To ensure that non-conforming products and customer complaints never happen, we conduct thorough design reviews and initial product quality control.
7. In the case of non-conforming products, we respond appropriately and thoroughly.
8. In the case of non-conforming products or customer complaints, we analyze them from a range of viewpoints to ensure they never happen again.
9. We systematically develop employees’ capabilities as part of fostering them into self-directed individuals.
10. We constantly improve our quality management system to ensure its maximum effectiveness.

**ISO 14001 Certification**

Torishima actively pursues ISO 14001 certification, an international standard for environmental management systems, and strives to protect the environment. All of our bases in Japan operate environmental management systems that comply with ISO 14001:2015.

**Directors and Executive Officers**

**Directors (As of June 27, 2019)**

Maximizing our experience and knowledge to raise the medium- and long-term corporate value of the Torishima Group

**President**

Tetsuya Kujima

Chair of Audit and Supervisory Committee

Akira Tsuda

Executive Officer

Establishing a culture of safety and health that aims for a virtuous cycle and to be a vibrant company that continues to grow forever.

We will always be a company that always strives to achieve the Medium- and Long-term Corporate Value and aims to create a virtuous cycle.

**ISO Certification**

**Safety and Health Policy, ISO 45001**

To ensure a safe work environment with the cooperation of employees and other relevant personnel, Torishima has been certified for the ISO 45001 occupational health and safety management standard and is carrying out health and safety activities.

**President**

Kotaro Harada

President and CEO

We guarantee the health and safety of our employees, supporting their development and growth.

We aim to build a workplace for everyone and ensure the safety and health of employees, as well as the health and safety of our stakeholders. We will make efforts to ensure the health and safety of our employees and the public.

**ISO 9001 Certification**

Torishima has been certified for ISO 9001, an international standard on quality management systems. This assures we deliver products, engineering, and maintenance services of a quality that satisfies customers and earns their trust.

**ISO 45001 Certification**

Torishima has been certified for ISO 45001, a health and safety management standard and is carrying out health and safety activities.

**Date**

**Name**

**Date**

**Name**

**Date**

**Name**

**Date**

**Name**

**Date**

**Name**

**Date**

**Name**

**Date**

**Name**

www.torishima.co.jp/en/outline/csr/
# Financial Data from the Past 11 Years

## (Fiscal years ended March 31)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Orders received</strong></td>
<td>46,988</td>
<td>58,624</td>
<td>32,974</td>
<td>39,579</td>
<td>40,975</td>
<td>52,847</td>
<td>42,878</td>
<td>51,304</td>
<td>43,483</td>
<td>42,233</td>
<td>51,768</td>
<td>466,378</td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td>45,692</td>
<td>45,008</td>
<td>49,880</td>
<td>46,453</td>
<td>45,974</td>
<td>45,985</td>
<td>46,501</td>
<td>40,479</td>
<td>44,414</td>
<td>43,581</td>
<td>48,185</td>
<td>433,820</td>
</tr>
<tr>
<td><strong>Gross operating income</strong></td>
<td>8,596</td>
<td>9,548</td>
<td>9,257</td>
<td>8,959</td>
<td>8,015</td>
<td>8,320</td>
<td>9,162</td>
<td>9,191</td>
<td>10,538</td>
<td>10,954</td>
<td>11,763</td>
<td>105,973</td>
</tr>
<tr>
<td><strong>Operating income or loss</strong></td>
<td>2,761</td>
<td>3,258</td>
<td>3,127</td>
<td>2,286</td>
<td>517</td>
<td>(945)</td>
<td>400</td>
<td>373</td>
<td>1,462</td>
<td>1,257</td>
<td>1,731</td>
<td>15,595</td>
</tr>
<tr>
<td><strong>Ordinary income or loss</strong></td>
<td>3,410</td>
<td>3,833</td>
<td>3,673</td>
<td>2,929</td>
<td>1,389</td>
<td>(632)</td>
<td>793</td>
<td>(1,663)</td>
<td>1,871</td>
<td>1,549</td>
<td>2,275</td>
<td>20,495</td>
</tr>
<tr>
<td><strong>Net income or loss attributable to owners of the parent</strong></td>
<td>1,990</td>
<td>2,609</td>
<td>1,892</td>
<td>1,497</td>
<td>943</td>
<td>442</td>
<td>405</td>
<td>(2,422)</td>
<td>1,532</td>
<td>854</td>
<td>2,183</td>
<td>19,667</td>
</tr>
<tr>
<td><strong>Gross profit margin (%)</strong></td>
<td>18.8%</td>
<td>21.2%</td>
<td>18.6%</td>
<td>19.3%</td>
<td>17.4%</td>
<td>18.1%</td>
<td>19.7%</td>
<td>22.7%</td>
<td>23.7%</td>
<td>24.1%</td>
<td>24.4%</td>
<td>24.4%</td>
</tr>
<tr>
<td><strong>Operating profit margin (%)</strong></td>
<td>6.0%</td>
<td>7.2%</td>
<td>6.3%</td>
<td>4.9%</td>
<td>1.1%</td>
<td>(2.1)%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>3.3%</td>
<td>2.8%</td>
<td>3.6%</td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>ROE (return on equity) (%)</strong></td>
<td>8.0%</td>
<td>9.5%</td>
<td>6.1%</td>
<td>4.8%</td>
<td>2.9%</td>
<td>1.3%</td>
<td>1.1%</td>
<td>(7.5)%</td>
<td>4.7%</td>
<td>2.6%</td>
<td>6.4%</td>
<td>6.4%</td>
</tr>
<tr>
<td><strong>ROA (return on assets) (%)</strong></td>
<td>3.2%</td>
<td>4.0%</td>
<td>3.1%</td>
<td>2.5%</td>
<td>1.4%</td>
<td>0.6%</td>
<td>0.6%</td>
<td>(3.7)%</td>
<td>2.3%</td>
<td>1.2%</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

### Business performance

#### Financial status

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S.$*1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>62,132</td>
<td>65,641</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>24,006</td>
<td>31,083</td>
</tr>
<tr>
<td><strong>Equity ratio (%)</strong></td>
<td>38.6%</td>
<td>47.2%</td>
</tr>
</tbody>
</table>

#### Breakdown of orders received, net sales, and order backlog

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S.$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public sector</strong></td>
<td>14,835</td>
<td>15,595</td>
</tr>
<tr>
<td><strong>Private sector</strong></td>
<td>5,245</td>
<td>5,468</td>
</tr>
<tr>
<td><strong>Overseas</strong></td>
<td>26,907</td>
<td>28,193</td>
</tr>
</tbody>
</table>

#### Orders received by segment

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S.$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public sector</strong></td>
<td>15,496</td>
<td>16,123</td>
</tr>
<tr>
<td><strong>Private sector</strong></td>
<td>5,025</td>
<td>5,590</td>
</tr>
<tr>
<td><strong>Overseas</strong></td>
<td>26,566</td>
<td>27,923</td>
</tr>
</tbody>
</table>

#### Sales by region

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S.$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Japan</strong></td>
<td>19,126</td>
<td>20,939</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td>8,449</td>
<td>9,408</td>
</tr>
<tr>
<td><strong>Middle East</strong></td>
<td>13,347</td>
<td>14,369</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>4,770</td>
<td>5,609</td>
</tr>
</tbody>
</table>

#### Order backlog by segment

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S.$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public sector</strong></td>
<td>11,209</td>
<td>12,001</td>
</tr>
<tr>
<td><strong>Private sector</strong></td>
<td>3,428</td>
<td>3,842</td>
</tr>
<tr>
<td><strong>Overseas</strong></td>
<td>35,867</td>
<td>37,329</td>
</tr>
</tbody>
</table>

### Major expenditures

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S.$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SG&amp;A (selling, general, and administrative expenses)</strong></td>
<td>5,834</td>
<td>6,290</td>
</tr>
<tr>
<td><strong>SG&amp;A-to-sales ratio (%)</strong></td>
<td>12.8%</td>
<td>14.0%</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>873</td>
<td>961</td>
</tr>
<tr>
<td><strong>Capital investment</strong></td>
<td>739</td>
<td>2,297</td>
</tr>
<tr>
<td><strong>R&amp;D expense</strong></td>
<td>603</td>
<td>678</td>
</tr>
</tbody>
</table>

### Cash flow

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S.$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from operations</strong></td>
<td>922</td>
<td>1,007</td>
</tr>
<tr>
<td><strong>Cash flow from investments</strong></td>
<td>(1,259)</td>
<td>(1,269)</td>
</tr>
<tr>
<td><strong>Cash flow from financial activities</strong></td>
<td>(689)</td>
<td>(2,371)</td>
</tr>
</tbody>
</table>

### Per share information

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S.$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income per share (yen)</strong></td>
<td>17,731</td>
<td>19,369</td>
</tr>
<tr>
<td><strong>Net assets per share (yen)</strong></td>
<td>931,13</td>
<td>1,055,50</td>
</tr>
</tbody>
</table>

### Stock information

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S.$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dividends (yen)</strong></td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td><strong>Stock price ratio (%)</strong></td>
<td>22.0%</td>
<td>20.0%</td>
</tr>
</tbody>
</table>

---

*1* U.S. dollar amounts have been translated from yen—solely for the convenience of the reader—at the rate of ¥110 to U.S.$1.00, the exchange rate prevailing on March 31, 2019.

*2* Includes an additional 2-year dividend commemorating Torishima’s 90th year of business.

*3* Includes an additional 7-year dividend commemorating Torishima’s 100th year of business.

Note: Figures on pages 21 to 27 have been calculated based on Japanese disclosure rules.
### Consolidated balance sheet

<table>
<thead>
<tr>
<th>Assets</th>
<th>FY2017 (March 31, 2018)</th>
<th>FY2018 (March 31, 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>11,474</td>
<td>15,931</td>
</tr>
<tr>
<td>Notes and accounts receivable - trade</td>
<td>26,784</td>
<td>25,778</td>
</tr>
<tr>
<td>Merchandise and finished goods</td>
<td>228</td>
<td>217</td>
</tr>
<tr>
<td>Work in process</td>
<td>7,639</td>
<td>6,462</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>1,663</td>
<td>1,647</td>
</tr>
<tr>
<td>Advance payments - trade</td>
<td>661</td>
<td>624</td>
</tr>
<tr>
<td>Other</td>
<td>946</td>
<td>1,301</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>-841</td>
<td>-966</td>
</tr>
<tr>
<td>Total current assets</td>
<td>48,556</td>
<td>50,998</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>10,084</td>
<td>10,658</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-6,215</td>
<td>-6,541</td>
</tr>
<tr>
<td>Buildings and structures, net</td>
<td>3,869</td>
<td>4,117</td>
</tr>
<tr>
<td>Machinery, equipment and vehicles</td>
<td>10,772</td>
<td>11,186</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-8,387</td>
<td>-8,807</td>
</tr>
<tr>
<td>Machinery, equipment and vehicles, net</td>
<td>2,384</td>
<td>2,378</td>
</tr>
<tr>
<td>Tools, furniture and fixtures</td>
<td>2,718</td>
<td>3,082</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-2,371</td>
<td>-2,609</td>
</tr>
<tr>
<td>Tools, furniture and fixtures, net</td>
<td>346</td>
<td>473</td>
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<tr>
<td>Land</td>
<td>2,490</td>
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<tr>
<td>Leased assets</td>
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<td>815</td>
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<tr>
<td>Accumulated depreciation</td>
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<td>-338</td>
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<tr>
<td>Leased assets, net</td>
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<td>477</td>
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<tr>
<td>Construction in progress</td>
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<td>225</td>
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<tr>
<td>Total property, plant and equipment</td>
<td>9,631</td>
<td>10,106</td>
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<tr>
<td>Intangible assets</td>
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<td>909</td>
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<tr>
<td>Investments and other assets</td>
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<tr>
<td>Investment securities</td>
<td>10,497</td>
<td>9,542</td>
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<tr>
<td>Long-term loans receivable</td>
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<td>333</td>
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<tr>
<td>Retirement benefit asset</td>
<td>597</td>
<td>455</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>86</td>
<td>105</td>
</tr>
<tr>
<td>Other</td>
<td>561</td>
<td>654</td>
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<tr>
<td>Allowance for doubtful accounts</td>
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<td>-491</td>
</tr>
<tr>
<td>Total investments and other assets</td>
<td>11,567</td>
<td>10,609</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>22,615</td>
<td>21,675</td>
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<tr>
<td>Total assets</td>
<td>71,171</td>
<td>72,674</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>FY2017 (March 31, 2018)</th>
<th>FY2018 (March 31, 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable - trade</td>
<td>10,998</td>
<td>11,145</td>
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<td>Short-term loans payable</td>
<td>4,196</td>
<td>2,443</td>
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<td>Income taxes payable</td>
<td>379</td>
<td>140</td>
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<tr>
<td>Advances received</td>
<td>3,091</td>
<td>2,292</td>
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<tr>
<td>Provision for bonuses</td>
<td>856</td>
<td>872</td>
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<tr>
<td>Provision for product warranties</td>
<td>722</td>
<td>797</td>
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<tr>
<td>Provision for loss on construction contracts</td>
<td>1,635</td>
<td>584</td>
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<tr>
<td>Other</td>
<td>2,250</td>
<td>2,237</td>
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<tr>
<td>Total current liabilities</td>
<td>24,130</td>
<td>20,513</td>
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<tr>
<td>Non-current liabilities</td>
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<td>Long-term loans payable</td>
<td>11,095</td>
<td>15,470</td>
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<td>Deferred tax liabilities</td>
<td>928</td>
<td>659</td>
</tr>
<tr>
<td>Provision for retirement benefits for directors (and other officers)</td>
<td>19</td>
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<tr>
<td>Retirement benefit liability</td>
<td>300</td>
<td>301</td>
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<tr>
<td>Other</td>
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<td>779</td>
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<td>Total non-current liabilities</td>
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<td>Total liabilities</td>
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<td>37,726</td>
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<tr>
<td>Net assets</td>
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<td></td>
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<tr>
<td>Shareholders' equity</td>
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<tr>
<td>Capital stock</td>
<td>1,592</td>
<td>1,592</td>
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<tr>
<td>Capital surplus</td>
<td>7604</td>
<td>7621</td>
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<tr>
<td>Retained earnings</td>
<td>23,138</td>
<td>24,793</td>
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<td>Treasury shares</td>
<td>-1,841</td>
<td>-1,736</td>
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<tr>
<td>Total shareholders' equity</td>
<td>30,494</td>
<td>32,271</td>
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<tr>
<td>Accumulated other comprehensive income</td>
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<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>2,039</td>
<td>1,638</td>
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<tr>
<td>Deferred gains or losses on hedges</td>
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<td>-59</td>
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<tr>
<td>Foreign currency translation adjustment</td>
<td>621</td>
<td>420</td>
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<tr>
<td>Remeasurements of defined benefit plans</td>
<td>461</td>
<td>381</td>
</tr>
<tr>
<td>Total accumulated other comprehensive income</td>
<td>3,196</td>
<td>2,380</td>
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<tr>
<td>Share acquisition rights</td>
<td>142</td>
<td>121</td>
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<tr>
<td>Non-controlling interests</td>
<td>184</td>
<td>174</td>
</tr>
<tr>
<td>Total net assets</td>
<td>34,017</td>
<td>34,947</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>71,171</td>
<td>72,674</td>
</tr>
</tbody>
</table>

*1: U.S. dollar amounts have been translated from yen—solely for the convenience of the reader—at the rate of ¥111 to U.S.$1.00, the exchange rate prevailing on March 31, 2019.
Consolidated financial statements

Consolidated statements of (comprehensive) income
(Consolidated statements of income)

FY2017 FY2018
(Millions of Yen) (Thousand of U.S. Dollars)*1
Net sales 45,361 48,154 433,828
Cost of sales 34,426 36,391 327,847
Gross profit 10,954 11,763 105,981
Selling, general and administrative expenses 9,697 10,032 90,385
Operating profit 1,257 1,731 15,596
Non-operating income
Interest income 25 71 640
Dividend income 242 220 1,983
Share of profit of entities accounted for using equity method 96 99 896
Rent income 143 131 1,182
Other 169 290 2,614
Total non-operating income 676 811 7,215

Operating income
Profit before income taxes 1,444 2,254 20,315
Income taxes - current 385 107 971
Income taxes - deferred 183 -7 -68
Total income taxes 569 100 904
Profit 875 2,154 19,411
Profit (loss) attributable to non-controlling interests 20 -28 -260
Profit attributable to owners of parent 854 2,183 19,671

Net changes of items during period
Extraordinary losses 384 267 2,409

Other comprehensive income
Deferred gains or losses on hedges -80 -726
Other comprehensive income attributable to owners of parent 1,160 1,367 12,322
Comprehensive income attributable to non-controlling interests 5 -41 -374

Comprehensive income attributable to owners of parent 1,549 2,275 20,501

Comprehensive income attributable to non-controlling interests 875 2,154 19,411

Total other comprehensive income 569 100 904

Total comprehensive income 1,549 2,275 20,501

*1: U.S. dollar amounts have been translated from yen—solely for the convenience of the reader—at the rate of ¥111 to U.S.$1.00, the exchange rate prevailing on March 31, 2019.

Consolidated statements of changes in net assets
(Consolidated statements of (comprehensive) income)

FY2017 FY2018
(Millions of Yen) (Thousands of U.S. Dollars)*1
Net changes of items during period
Extraordinary losses 384 267 2,409

Net changes of items other than shareholders' equity
Change of scope of consolidation -31 -9 -846
Sales of shares of consolidated subsidiaries 17 -1 -1,819
Dividends of surplus -492 -492
Profit attributable to owners of parent -2,275 -2,254 -20,501
Purchases of treasury shares -1,736 -1,736 -15,596
Sales of shares of consolidated subsidiaries -1 -1 -105
Change of scope of consolidation -31 -31 -31
Net changes of items other than shareholders' equity 2,183 19,671

Balance at end of current period 1,592 7,821 24,793 -1,736 32,271

*1: U.S. dollar amounts have been translated from yen—solely for the convenience of the reader—at the rate of ¥111 to U.S.$1.00, the exchange rate prevailing on March 31, 2019.

Consolidated statements of changes in net assets
(Shareholders' equity)

FY2017 FY2018
(Millions of Yen) (Thousands of U.S. Dollars)*1
Changes of items during period
Dividends of surplus -492 -492
Profit attributable to owners of parent -2,275 -2,254 -20,501
Purchases of treasury shares -1,736 -1,736 -15,596
Sales of shares of consolidated subsidiaries -1 -1 -105
Change of scope of consolidation -31 -31 -31
Net changes of items other than shareholders' equity 2,183 19,671

Balance at end of current period 1,592 7,821 24,793 -1,736 32,271

*1: U.S. dollar amounts have been translated from yen—solely for the convenience of the reader—at the rate of ¥111 to U.S.$1.00, the exchange rate prevailing on March 31, 2019.
### Consolidated statements of cash flows

<table>
<thead>
<tr>
<th>Period</th>
<th>Millions of ¥</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
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</tr>
<tr>
<td>Profit before income taxes</td>
<td>1,444</td>
<td>20,315</td>
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<tr>
<td>Depreciation</td>
<td>1,636</td>
<td>16,445</td>
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<tr>
<td>Increase (decrease) in allowance for doubtful accounts</td>
<td>430</td>
<td>907</td>
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<tr>
<td>Increase (decrease) in provision for product warranties</td>
<td>-32</td>
<td>973</td>
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<tr>
<td>Increase (decrease) in provision for loss on construction contracts</td>
<td>678</td>
<td>-433</td>
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<tr>
<td>Increase (decrease) in retirement benefit liability</td>
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<td>430</td>
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<tr>
<td>Interest and dividend income</td>
<td>-287</td>
<td>-2,823</td>
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<tr>
<td>Interest expenses</td>
<td>1,111</td>
<td>1,160</td>
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<tr>
<td>Share of loss (profit) of entities accounted for using equity method</td>
<td>-96</td>
<td>-886</td>
</tr>
<tr>
<td>Loss (gain) on valuation of investment securities</td>
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<td>14</td>
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<tr>
<td>Loss (gain) on sales of investment securities</td>
<td>-13</td>
<td>-118</td>
</tr>
<tr>
<td>Loss (gain) on valuation of subsidiaries and associates</td>
<td>154</td>
<td>253</td>
</tr>
<tr>
<td>Loss (gain) on sales of shares of subsidiaries and associates</td>
<td>—</td>
<td>-9</td>
</tr>
<tr>
<td>Loss (gain) on sales and retirement of property, plant and equipment</td>
<td>1</td>
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</tr>
<tr>
<td>Decrease (increase) in notes and accounts receivable - trade</td>
<td>-5,180</td>
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<td>Decrease (increase) in inventories</td>
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<td>10,293</td>
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<tr>
<td>Decrease (increase) in accounts payable</td>
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<td>Other, net</td>
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<td>-2,366</td>
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<tr>
<td>Subtotal</td>
<td>719</td>
<td>36,077</td>
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<tr>
<td>Interest and dividend income received</td>
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<td>2,629</td>
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<tr>
<td>Interest expenses paid</td>
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<td>-1,155</td>
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<tr>
<td>Income taxes paid</td>
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<td>-3,640</td>
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<tr>
<td>Income taxes refund</td>
<td>83</td>
<td>—</td>
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<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>587</td>
<td>33,982</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
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<tr>
<td>Payments into time deposits</td>
<td>-136</td>
<td>-78</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
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<td>105</td>
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<tr>
<td>Purchase of intangible assets</td>
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<td>-622</td>
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<tr>
<td>Proceeds from sale of investment securities</td>
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<td>-759</td>
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<tr>
<td>Proceeds from sales of investment securities</td>
<td>29</td>
<td>3,519</td>
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<td>Payments of loans receivable</td>
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<td>-417</td>
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<tr>
<td>Collection of loans receivable</td>
<td>15</td>
<td>180</td>
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<tr>
<td>Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation</td>
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<td>-206</td>
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<tr>
<td>Other, net</td>
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<td>-1,749</td>
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<td>Net cash provided by (used in) investing activities</td>
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<td>-12,384</td>
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<td>Cash flows from financing activities</td>
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<tr>
<td>Increase (decrease) in short-term loans payable</td>
<td>59</td>
<td>442</td>
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<tr>
<td>Proceeds from long-term loans payable</td>
<td>8,000</td>
<td>47,181</td>
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<tr>
<td>Repayments of long-term loans payable</td>
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<td>-23,783</td>
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<tr>
<td>Proceeds from sale of treasury shares</td>
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<td>548</td>
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<tr>
<td>Purchase of treasury shares</td>
<td>-8</td>
<td>-1</td>
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<tr>
<td>Proceeds from share issue to non-controlling shareholders</td>
<td>—</td>
<td>347</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cash dividends paid</td>
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<td>-4,421</td>
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<tr>
<td>Payments for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation</td>
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<td>—</td>
</tr>
<tr>
<td>Other, net</td>
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<td>-1,573</td>
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<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>1,583</td>
<td>19,376</td>
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<tr>
<td>Effect of foreign exchange rate change on cash and cash equivalents</td>
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<td>31</td>
</tr>
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<td>Net increase (decrease) in cash and cash equivalents</td>
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<td>40,405</td>
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<tr>
<td>Net cash and cash equivalents at beginning of period</td>
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<td>Increase in cash and cash equivalents from new subsidiary</td>
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<td>Cash and cash equivalents at end of period</td>
<td>11,379</td>
<td>142,482</td>
</tr>
</tbody>
</table>

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