

Consolidated Financial Results for the Second Quarter FY2017

(April 1st 2017 ~ September 30th 2017)

< November 9 2017 >

TORISHIMA PUMP MFG.CO.,LTD.

Securities Code : 6363
www.torishima.co.jp/en

FY2017 Second quarter highlights

Orders received

Domestic- As planned for both private demand and public demand amid continuing challenging circumstances.

Overseas- Although the competition remains severe, it recovered, 46% up compared to the same period last year.

Sales

Decreased mainly due to decrease in orders in the previous term, and postponement of recording sales of an overseas project with percentage-of-completion method.

Profit

Decreased mainly due to provision for loss on construction.

Second quarter of FY2017 Financial Results



| | | Y-O-Y increase decrease | | Full year plan |
|--------------------|------|-------------------------|-------|----------------|
| | | Amount | Ratio | progress rate |
| | | billions of yen | | |
| ● Orders received | 23.8 | +2.3 | +11% | 54.1 |
| ● Sales | 15.1 | -2.1 | -12% | 33.9 |
| ● Operating income | -0.8 | -0.6 | — | — |
| ● Ordinary income | -0.7 | -0.1 | — | — |
| ● Net income | -0.8 | -0.3 | — | — |

Second Quarter of FY2017 Consolidated Financial Results

- Orders received increased by 2.3 billion yen, 11% up, year-on-year, largely as planned both in Japan and overseas.
- Sales decreased by 2.1 billion yen, 12% down, year-on-year mainly due to a decrease in orders in the previous term and postponement of recording sales of an overseas project with percentage-of-completion method.
- Although gross operating income decreased along with decline in sales, gross profit margin improved by 2% to 25.1%.
- Operating income decreased by 600 million yen, mainly due to an increase in personnel expenses (mainly overseas subsidiaries), and the provision for construction losses for an overseas project.

● Consolidated

Billion of yens

| | FY2016 first half | FY2017 first half | Increase- Decrease |
|---|----------------------|----------------------|-----------------------|
| Orders received | 21.5 | 23.8 | +2.3 |
| Sales | 17.2 | 15.1 | -2.1 |
| Gross operating income (Gross profit margin) | 4.0 (23.1%) | 3.8 (25.1%) | -0.2 (+2.0%) |
| SG&A expense | 4.2 | 4.6 | +0.4 |
| Operating income (Operating profit margin) | -0.2 (-1.3%) | -0.8 (-5.3%) | -0.6 (-4.0%) |
| Non-operating profit or loss | -0.4 | 0.1 | +0.5 |
| Ordinary income | -0.6 | -0.7 | -0.1 |
| Extraordinary profit or loss | 0.1 | ±0 | -0.1 |
| Net income | -0.5 | -0.8 | -0.3 |

| FY2017 Full year plan | vs. plan |
|--------------------------|----------|
| 44.0 | 54.1% |
| 44.5 | 33.9% |
| | |
| | |
| 2.0 (4.5%) | — |
| | |
| 2.5 | — |
| | |
| 1.8 | — |

*Foreign exchange rate (1USD) ¥112.68 as of end of March 2016 ¥112.19 as of end of March 2017
 ¥101.12 as of end of June 2016 ¥112.73 as of end of June 2017

Financial Results for the 2Q FY2017

(Non-consolidated / Subsidiaries)

-Non-consolidated

Sales declined as an overseas project did not post sales as planned.

Profit also declined due to an overseas project totaling approximately 600 million yen for provision for construction losses.

However, the gross profit margin recovered steadily, it is the same level as the previous year, despite increase in provision.

- Subsidiaries

Orders received abroad recovered, increased both in sales and profit.

In particular, after-sales service companies keep high profitability, however, operating income slightly decreased due to an increase in personnel expenses along with business expansion.

● Non-consolidated

Billion of yens

| | FY2016 first half | FY2017 first half | Increase- Decrease |
|--|----------------------|----------------------|-----------------------|
| Sales | 14.3 | 11.7 | -2.6 |
| Gross operating income (Gross profit margin) | 2.6 (17.9%) | 2.1 (18.0%) | -0.5 (+0.1%) |
| SG&A expense | 3.1 | 3.1 | ±0 |
| Operating income (Operating profit margin) | -0.5 (-3.4%) | -1.0 (-8.7%) | -0.5 (-5.3%) |

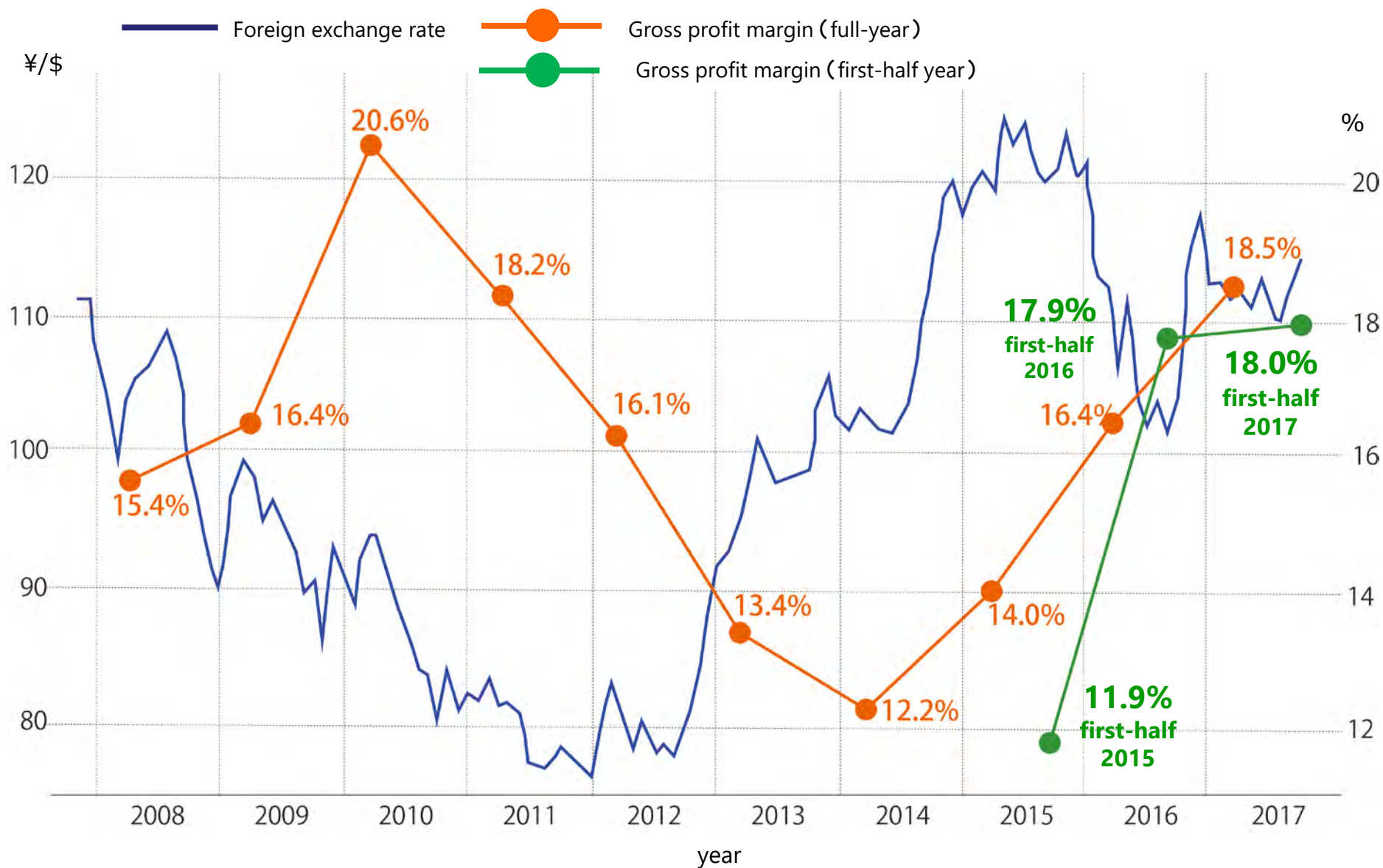
● Subsidiaries

Billion of yens

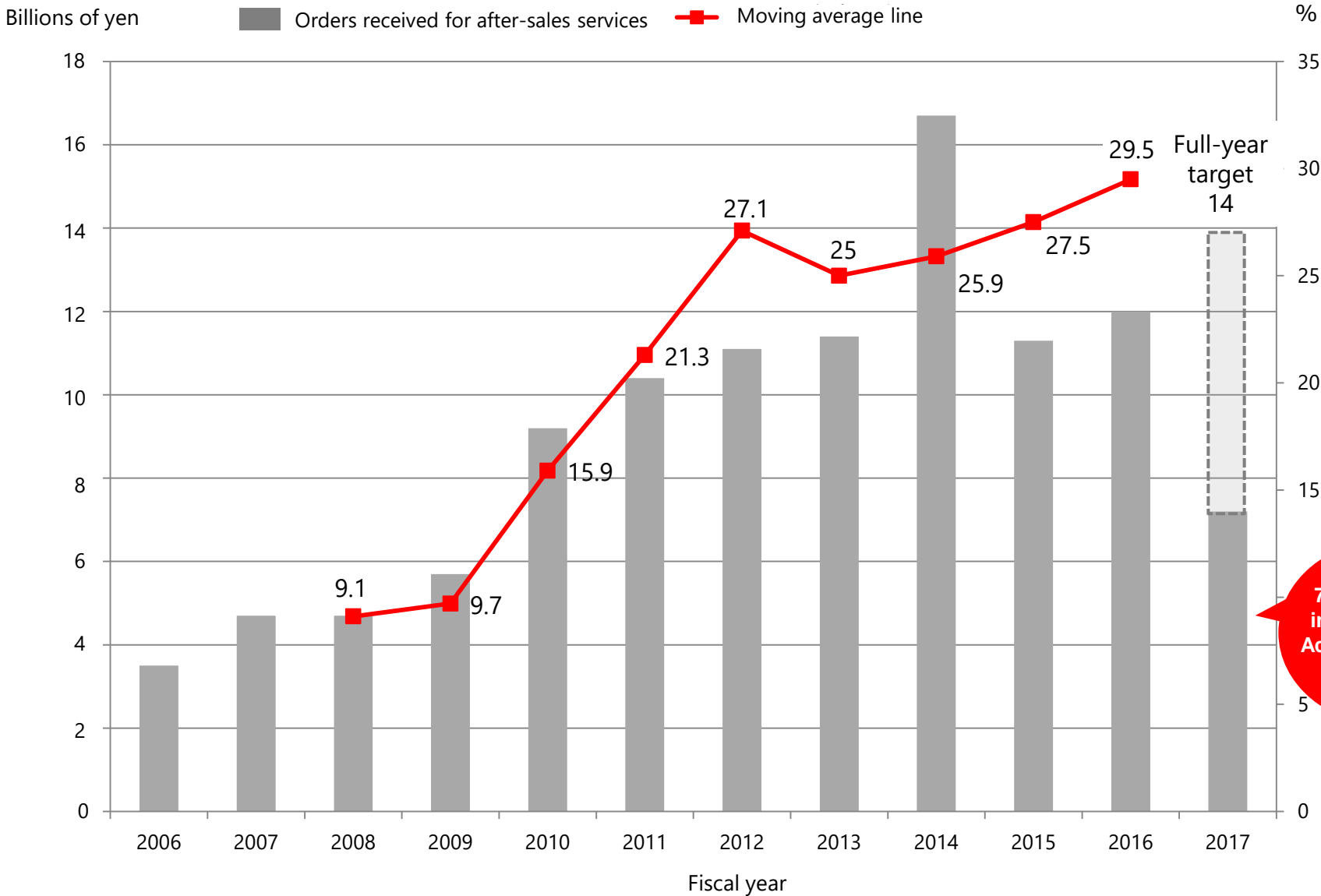
| | FY2016 first half | FY2017 first half | Increase- Decrease |
|--------------------------------------|----------------------|----------------------|-----------------------|
| Sales | 2.9 | 3.4 | +0.5 |
| Gross operating income (48.3%) | 1.4 (48.3%) | 1.7 (50.0%) | +0.5 (+7.6%) |
| SG&A expense | 1.1 | 1.5 | +0.4 |
| Operating income (10.3%) | 0.3 (10.3%) | 0.2 (5.9%) | -0.1 (-4.4%) |

Note: The figure of subsidiaries (3) = the figure of consolidated results (1) – the figure of non-consolidated results (2)

Improvement of gross profit margin (non-consolidated)



Expansion of after-sales services

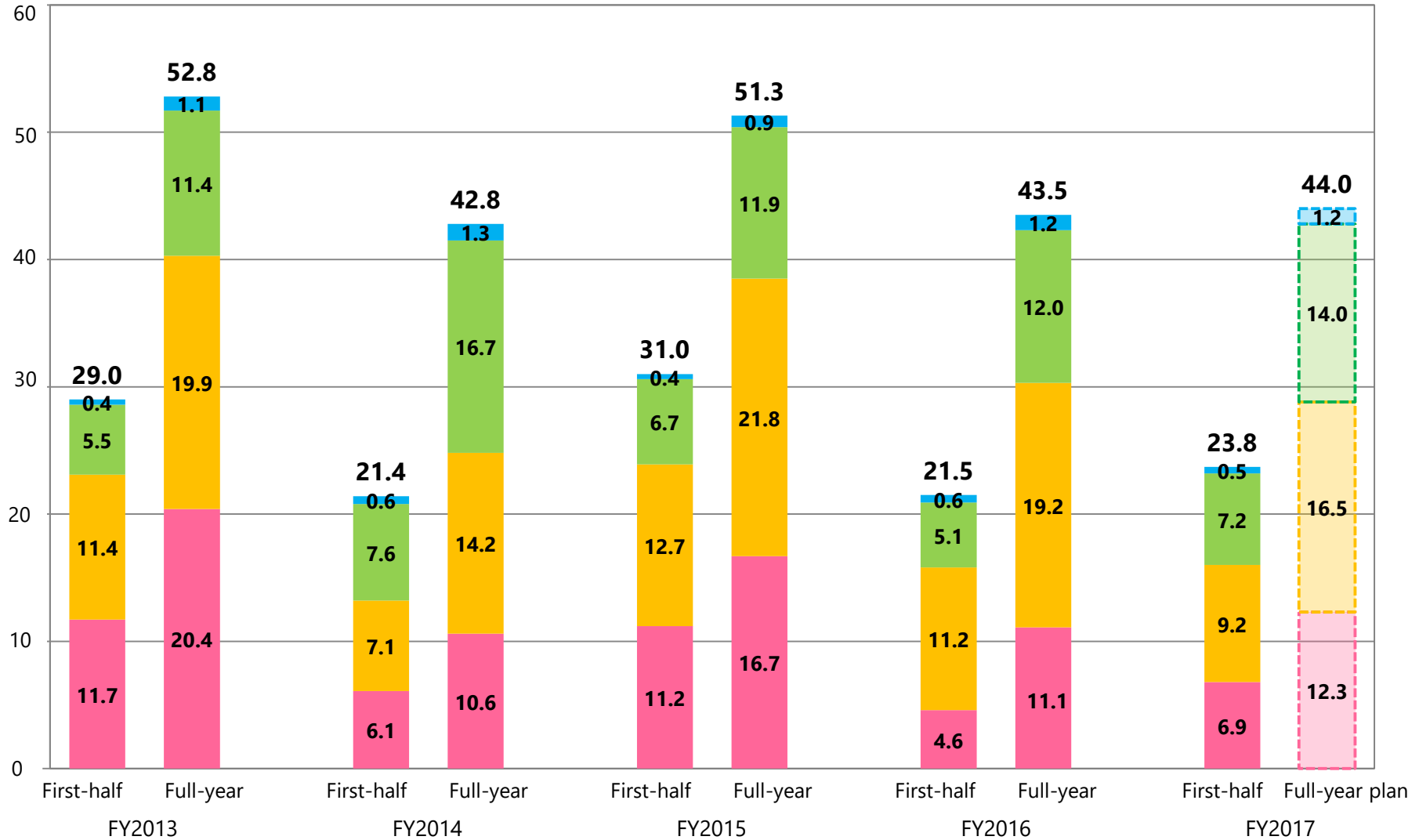


**7.2 billion yen in the first-half
Achieved 51% of the target**

Orders received by segment

Billions of yen

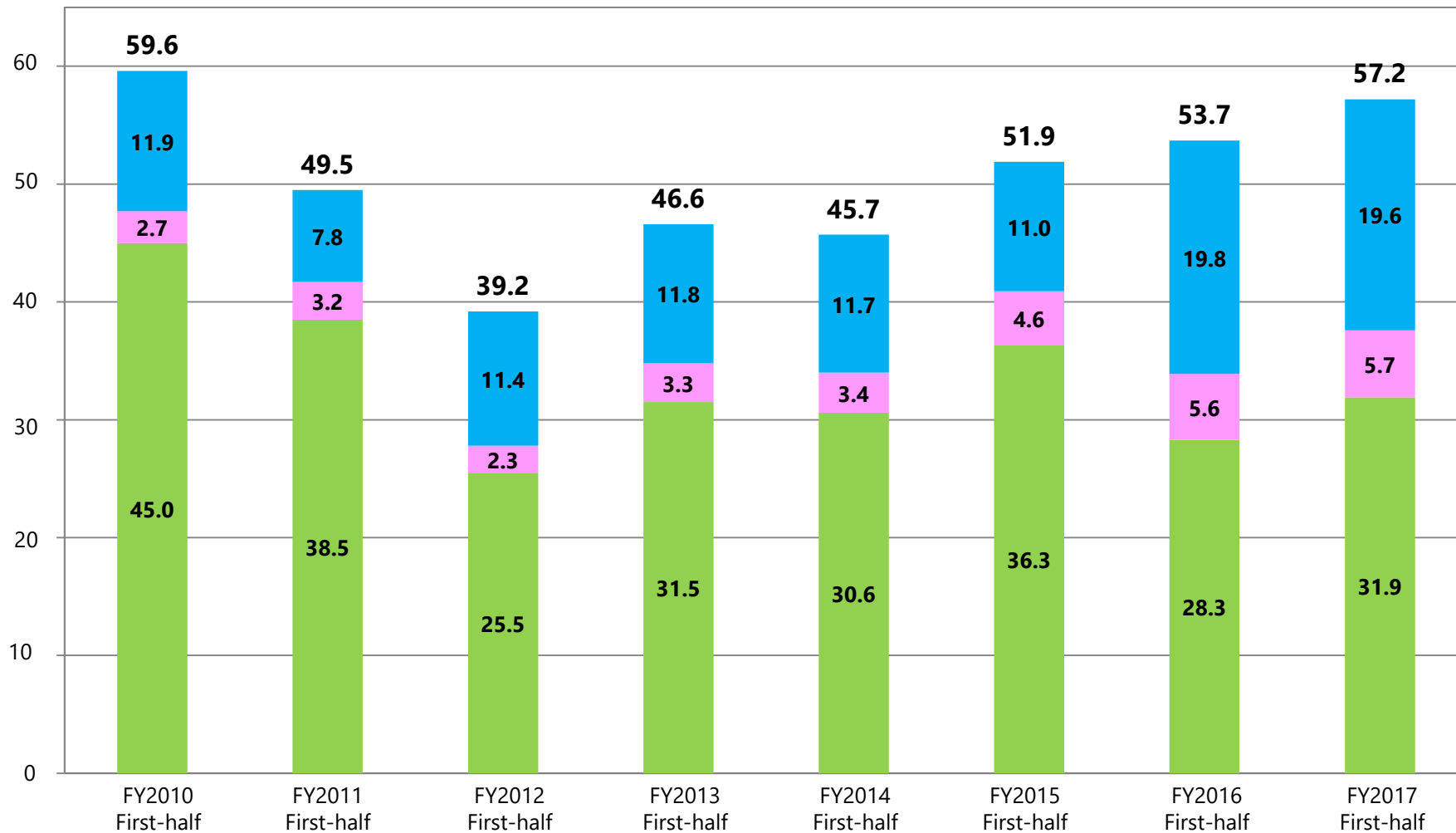
■ High-tech pumps
 ■ Projects
 ■ After-sales service
 ■ Renewable energy & Environment



Order backlog at the end of first half year (consolidated)

Billions of yen

Public Private Overseas



FY2017 full year forecast

No change

● Consolidated

billions of yen

| | F2016 Full-year | FY2017 | |
|---|-------------------------------|-------------------------------|-------------------------------|
| | | First half results | Full year forecast |
| Orders received | 43.5 | 23.8 | 44.0 |
| Sales | 44.4 | 15.1 | 44.5 |
| Gross profit <i>(Gross profit margin)</i> | 10.5 <i>(23.7%)</i> | 3.8 <i>(25.1%)</i> | 10.9 <i>(24.5%)</i> |
| SG&A expense | 9.1 | 4.6 | 8.9 |
| Operating income <i>(Operating profit margin)</i> | 1.5 <i>(3.3%)</i> | -0.8 <i>(-5.3%)</i> | 2.0 <i>(4.5%)</i> |
| Non-operating profit or loss | +0.4 | +0.1 | +0.5 |
| Ordinary income | 1.9 | -0.7 | 2.5 <i>(5.6%)</i> |
| <i>Extraordinary profit of loss</i> | +0.1 | ±0 | 0 |
| Net income | 1.5 | -0.8 | 1.8 |

BEYOND 100 

Progress of three years plan

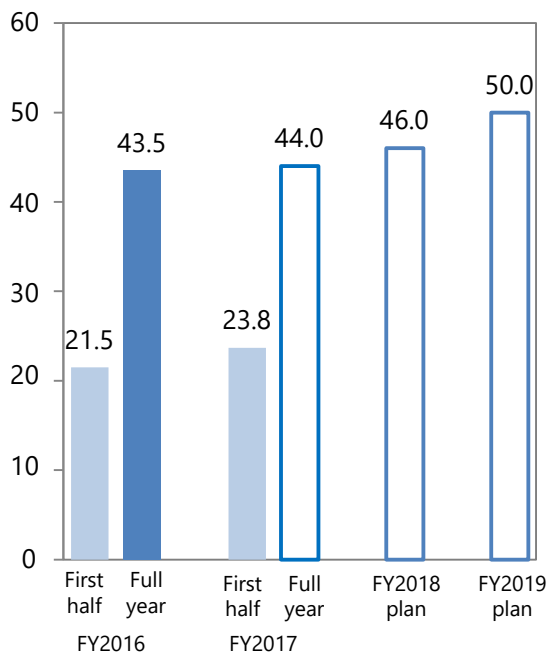
FY2019 three years business plan

Billions of yen

| | FY2016 | | FY2017 | | FY2018 plan | 2019 plan |
|-------------------------|------------|-----------|------------|----------------|-------------|-----------|
| | First-half | Full-year | First-half | Full-year plan | | |
| Orders received | 21.5 | 43.5 | 23.8 | 44.0 | 46.0 | 50.0 |
| Sales | 17.2 | 44.4 | 15.1 | 44.5 | 45.5 | 46.5 |
| Operating income | -0.2 | 1.5 | -0.8 | 2.0 | 2.5 | 3.0 |
| Operating profit margin | -1.3% | 3.3% | -5.3% | 4.5% | 5.5% | 6.5% |

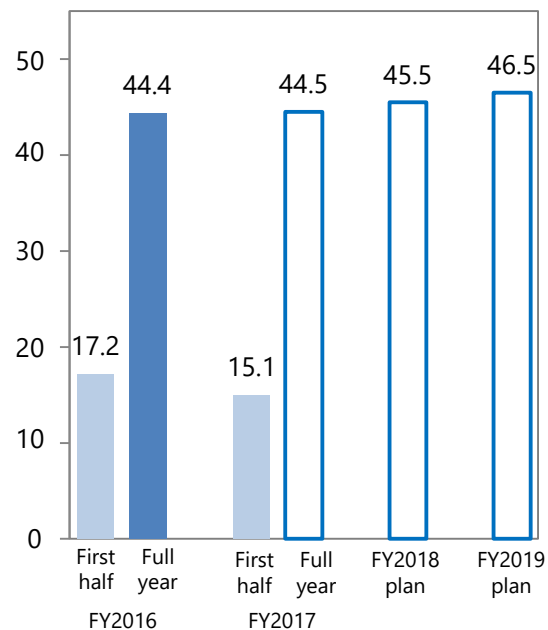
Billions of yen

Orders received



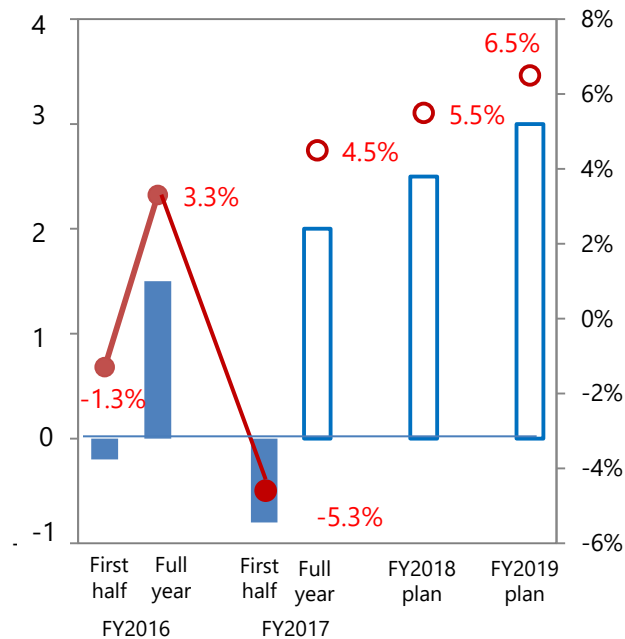
Billions of yen

Sales



Billions of yen

■ Operating income
● Operating profit margin

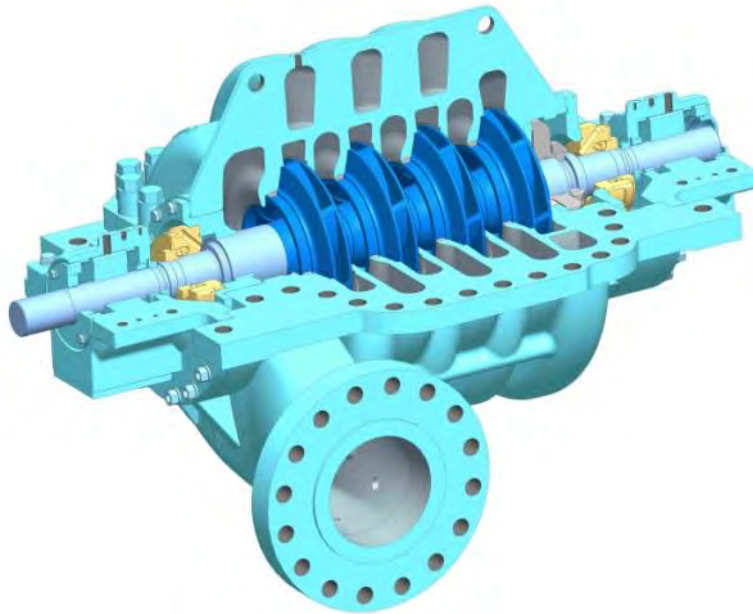


長期的課題と2019中期経営計画

| Torishima's long term challenges | Measures | |
|--|------------------------------------|--|
| Develop world-leading products that offer energy efficiency, safety, and reliability, and create a business model to this end | Innovative Capabilities | <ul style="list-style-type: none"> ● Enhance core pump products, introduce new products ● Develop new systems for the after-sales service market by utilizing technologies such as IoT and 3D |
| Improve company's fundamental strengths to withstand external environmental factors | Global Strength | <ul style="list-style-type: none"> ● Build an optimal global production system (plants in Japan, China, Indonesia, India) |
| | Productivity, Work Process Quality | <ul style="list-style-type: none"> ● Have state-of-the-art equipment boost productivity and expand production capacity ● Firmly establish and continuously improve process innovation |
| | After-Sales Service Capabilities | <ul style="list-style-type: none"> ● Cover more regions (Americas, Southeast Asia) ● Increase number of supervisors and train them ● Make service solutions business account for 35% or more of all orders received ● Increase number of products that can be serviced |
| Build flexible corporate infrastructure (mechanisms, people) | Governance | <ul style="list-style-type: none"> ● Improve viability of Board of Directors ● Introduce performance-based compensation system ● Strengthen management of worldwide subsidiaries |
| | Human Resources | <ul style="list-style-type: none"> ● Reform working styles ● Promote diversity (create work environment conducive to women and foreign nationals) ● Hire and foster globally minded people |

Improved high pressure pump for RO seawater desalination plant

TORISHIMA New MHH



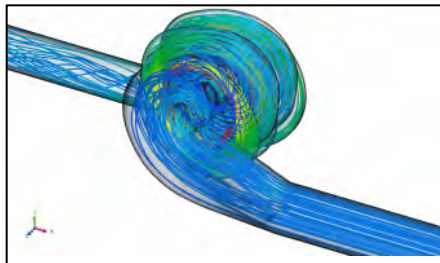
Expanded product range
to meet market needs

Orders received for seawater
desalination plants in Singapore
and Saudi Arabia

Improved pump efficiency

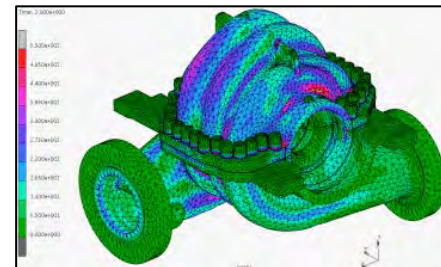
Improved reliability

Easy maintenance



Improved pump efficiency

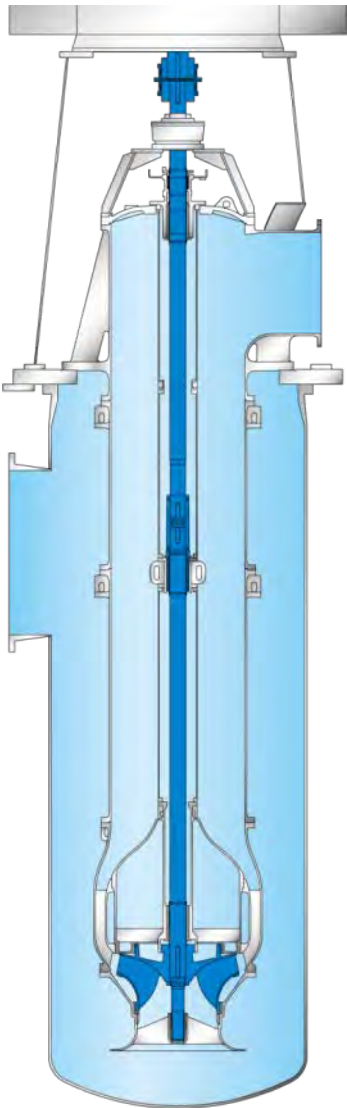
CFD, Computation fluid dynamics, analysis ensured smooth fluid flow.



Improved durability

The latest structural analysis technology increased the durability of the pump, and improved stability of the rotating body and realized low vibration.

Improved hot well pump for geothermal power plant



TORISHIMA New SPTV

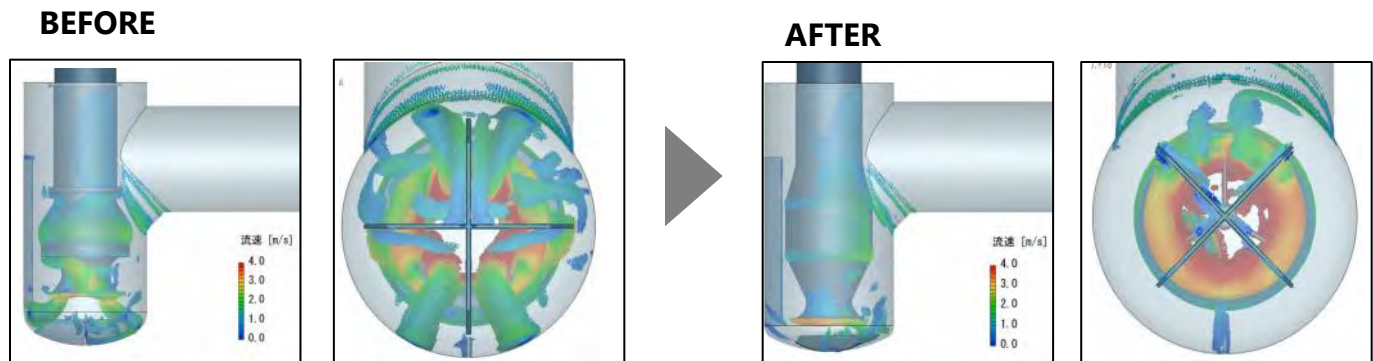
Orders received for geothermal power
plants in Kenya and Indonesia

Downsizing

Space saving

Eco-friendly

Controlling submerged vortices



Expansion of TSSA service facility (Torishima Service Solutions Asia)

Along with an increase in orders, TSSA, who handles maintenance of pumps delivered to Singapore and neighboring countries, moved and expanded its service facility.

- **4.3 times wider, improved productivity**
- **Closer to Jurong Island, Tuas industrial area where many of our customers are located**

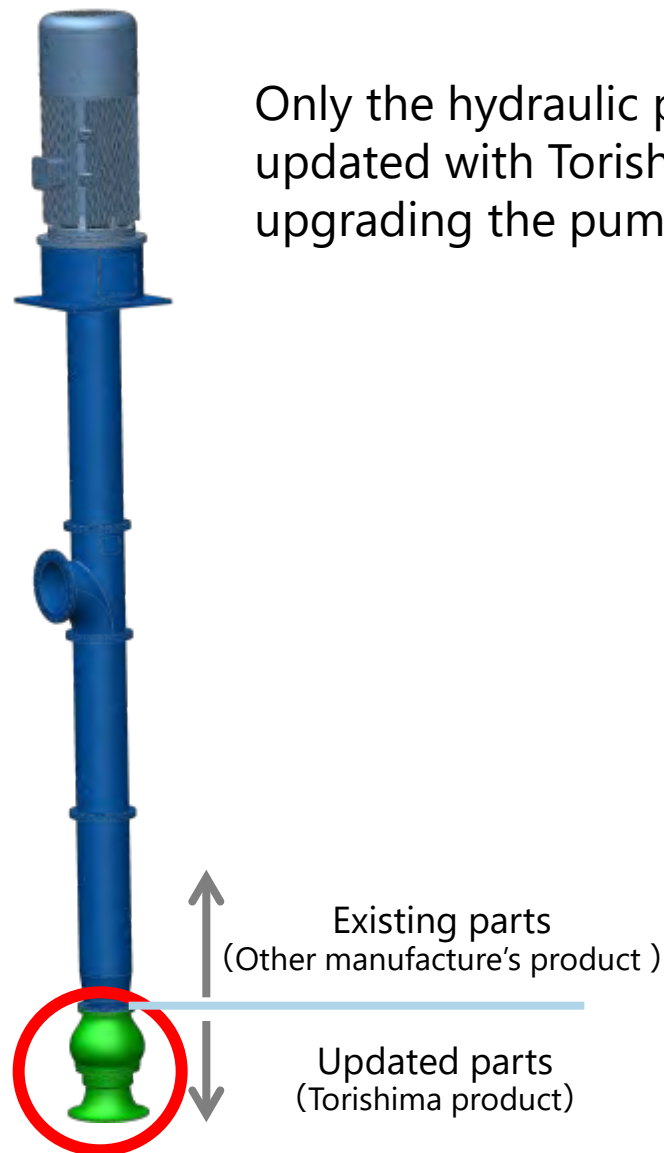
Singapore is one of the most important markets for Torishima, where we delivered more than 400 pumps and worked on lots of projects for many years since opening Torishima's first overseas representative office (now Singapore branch) in 1979.



| | Before | After |
|------------|-------------------|---------------------|
| Total area | 659m ² | 2,800m ² |



Upgrade of pump for water treatment pumping station in Malaysia by REDU



Only the hydraulic part, which is the heart part of the pump, was updated with Torishima's unique high-value-added technology, upgrading the pump performance while reducing costs.

What is REDU?



The REDU (Re Engineering and Design Up) service provides a review of pump specifications, regardless of the original supplier, and lengthening the useful lives of pumps. This service also includes the restoration and improvement of obsolete and worn parts as well as the replacement of parts. Using the latest technology, we can increase the efficiency and reliability of existing pumps.

Torishsima pumps in Thailand

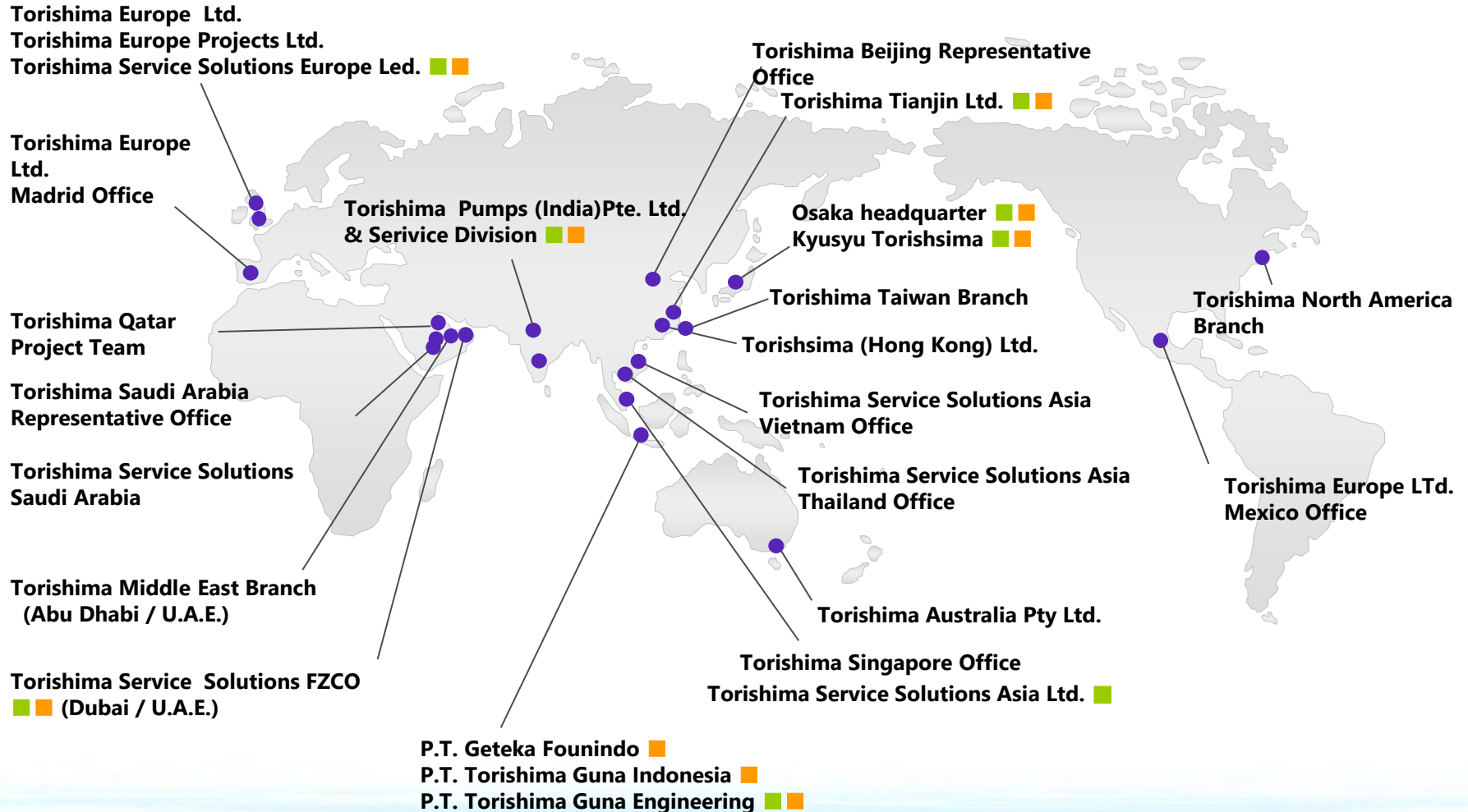


Torishima Global Network

3 cities in 3 countries
as of 2003



23 cities in 17 countries
as of 2017



■ Service basis
■ Manufacruing

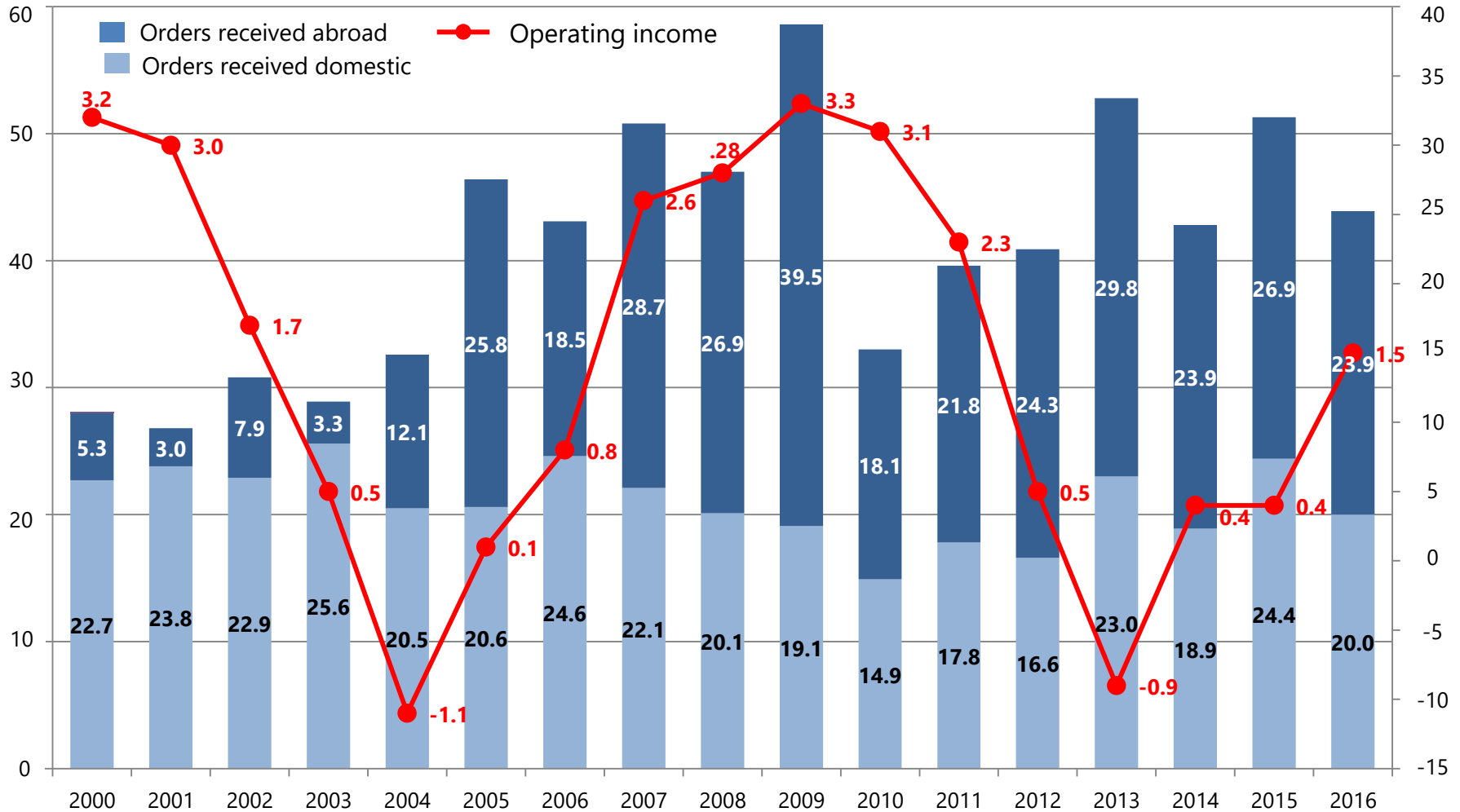
Appendix

Long term trend of orders received and operating income



Orders received
Billions of yen

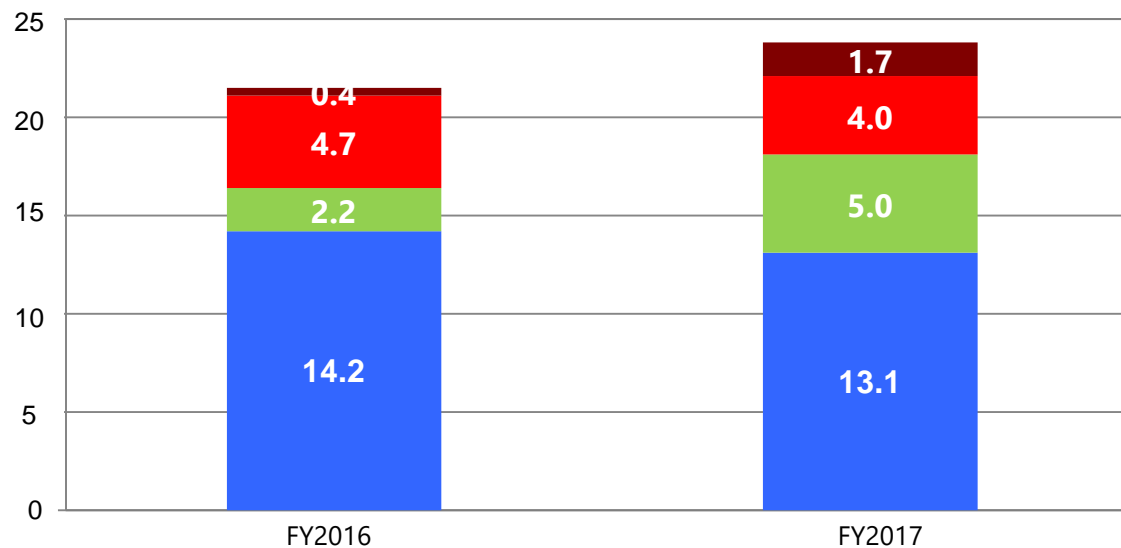
Operating income
Billions of yen



Orders received by area

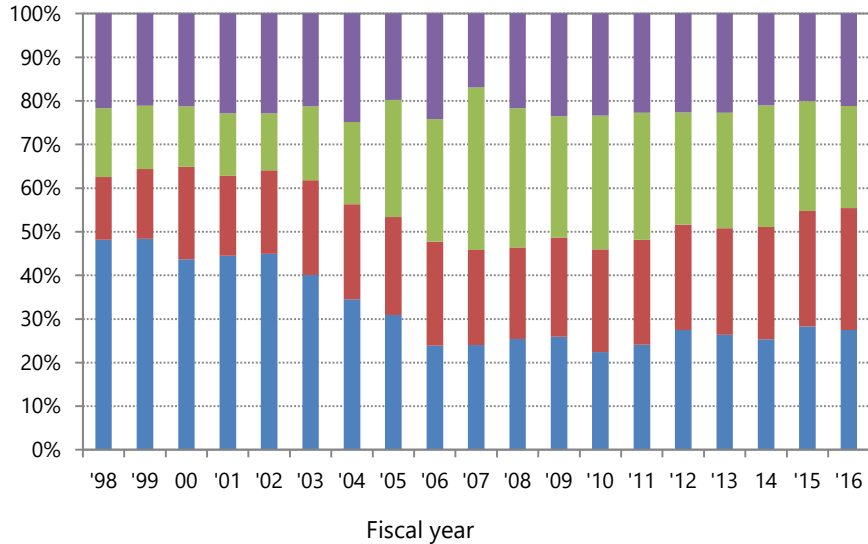
Billions of yen

| | Japan | Overseas | Breakdown | | | Total |
|----------------------|----------------|-----------------|----------------|----------------|---------------|-------|
| | | | Asia | Middle East | Othres | |
| First-half FY2016 | 142 (66.0%) | 7.3 (34.0%) | 2.2 (10.3%) | 4.7 (21.7%) | 0.4 (2.0%) | 21.5 |
| First-half FY2017 | 131 (55.1%) | 10.7 (44.9%) | 5.0 (21.1%) | 4.0 (16.8%) | 1.7 (7.0%) | 23.8 |



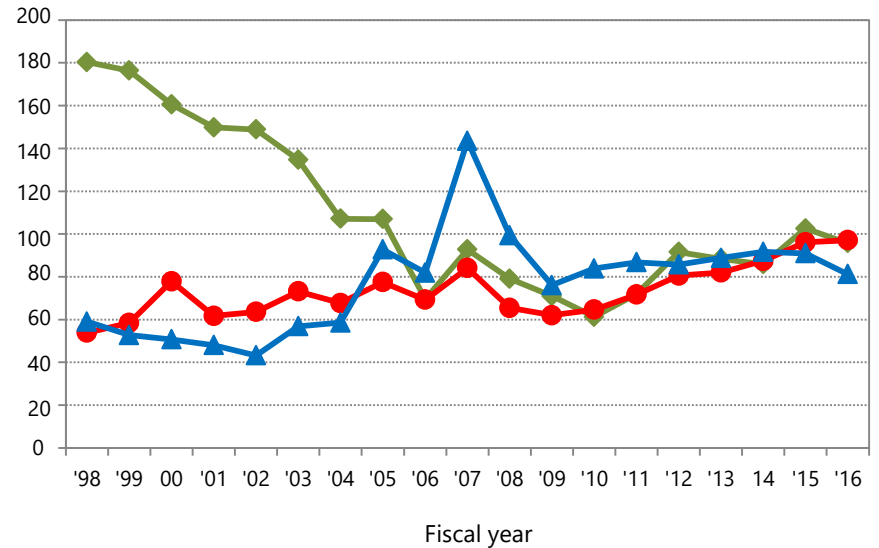
Orders received in Japanese pump industry

Public Private Overseas Agents



Billions of yen

Public Private Overseas



| Fiscal year | | 1998 | 1999 | 2000 | 2001 | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Y-O-Y | |
|-------------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-------|
| Public | Amount | 180,337 | 176,337 | 160,550 | 149,806 | 148,831 | 61,305 | 71,888 | 91,545 | 81,964 | 85,859 | 102,582 | 95,735 | 93.3% | |
| | % | 48.1 | 48.4 | 43.7 | 44.5 | 44.9 | 22.4 | 24.1 | 27.5 | 24.4 | 25.6 | 28.3 | 27.5 | — | |
| Private | Amount | 53,878 | 58,396 | 77,895 | 61,733 | 63,572 | 64,668 | 71,698 | 80,560 | 88,445 | 87,442 | 96,140 | 97,087 | 101.0% | |
| | % | 14.4 | 16.0 | 21.2 | 18.3 | 19.2 | 23.6 | 24.1 | 24.2 | 26.4 | 26.0 | 26.5 | 27.9 | — | |
| Overseas | Amount | 59,055 | 52,766 | 50,737 | 48,032 | 43,247 | 83,883 | 86,763 | 85,712 | 88,787 | 91,612 | 90,925 | 81,236 | 89.3% | |
| | % | 15.8 | 14.5 | 13.8 | 14.3 | 13.1 | 30.6 | 29.1 | 25.7 | 26.5 | 27.2 | 25.1 | 23.4 | — | |
| Agents | Amount | 81,143 | 76,961 | 78,116 | 76,978 | 75,608 | 64,080 | 67,712 | 75,455 | 76,231 | 71,510 | 72,963 | 73,839 | 101.2% | |
| | % | 21.7 | 21.1 | 21.3 | 22.9 | 22.8 | 23.4 | 22.7 | 22.6 | 22.7 | 21.2 | 20.1 | 21.2 | — | |
| Total | | Amount | 374,413 | 364,460 | 367,298 | 336,549 | 331,258 | 273,936 | 298,061 | 333,281 | 335,427 | 336,423 | 362,610 | 347,897 | 95.9% |

Source : Japan Industrial Machinery Industry Association

Forecasts regarding future performance in these materials are based on judgment made in accordance with information available at the time this presentation was prepared. Therefore, please notice that there is a risk or uncertainty that the actual results may be different from these predicted results, depending on various factors.

【Inquiries】

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