

Consolidated Financial Results for the Q2 FY2014

(April 1st 2014 ~ September 30 2014)

< 13 November 2014 >

TORISHIMA PUMP MFG.CO.,LTD.

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Financial Results Outline for the 2Q FY2014



- Sales, Operating income, Ordinarily income, Net income were almost as planned
- Orders received decreased nearly 30% year-over-year

	(in billion yen)	vs. Previous FY	vs. plan
● Orders received	21.4	(▲26.5%)	(—)
● Sales	17.9	(+0.7%)	(+5.6%)
● Operating income	▲1.0	(▲0.1 bln¥)	(±0 bln¥)
● Ordinary income	▲0.8	(▲0.1 bln¥)	(+0.2 bln¥)
● Net income	▲0.6	(▲0.2 bln¥)	(±0 bln¥)

Financial Results for the 2Q FY2014



Overall, almost as planned, except for decreased orders received.

This is primarily due to our effort for *strategically-planned orders received that prioritizes profit rate and quantitative restriction on orders. *hereinafter called "Strategic Orders Received"

1. Consolidated

in billion yen

	FY2013 first half results	FY2014 first half results	Increase- Decrease
Orders received	29.0	21.4	▲7.6
Sales	17.8	17.9	+0.1
Gross operating income (Gross profit margin)	3.4 (18.9%)	3.2 (17.7%)	▲0.2 (▲1.2%)
SG&A expenses	▲4.3	▲4.2	+0.1
Operating income (Operating profit margin)	▲0.9 (▲5.1%)	▲1.0 (▲5.8%)	▲0.1 (▲0.7%)
Non-operating profit or loss	0.2	0.2	±0
Ordinary income	▲0.7	▲0.8	▲0.1
Extraordinary profit or loss	0	0	±0
Net income	▲0.4	▲0.6	▲0.2

FY2014 first half plan	vs. plan
—	—
17.0	+0.9
—	—
—	—
▲1.0 (▲5.9%)	±0 (+0.1%)
—	—
▲1.0	+0.2
—	—
▲0.6	±0

Average exchange rate (\$)	98.9 yen	103.0yen
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Financial Results for the 2Q FY2014 (Non-consolidated / Subsidiaries)



- Breakdown into the non-consolidated results and the subsidiaries results
 - Non-consolidated made a loss, subsidiaries made a profit as previous fiscal year.
 - Decline in gross profit margin is primarily due to provision for product warranties and provision for loss on construction contracts (hereinafter called "provision")
 - : release of provision in FY2013, reverse of provision in FY2014.
- The details are shown on the next page.

- Subsidiaries profits increased largely driven by strong growth of some of service subsidiaries.

2. Non-consolidated

in billion yen

	FY2013 first half results	FY2014 first half results	Increase- Decrease
Sales	13.0	13.6	+0.6
Gross operating income (gross profit margin)	1.7 (12.8%)	1.3 (9.4%)	▲0.4 (▲3.4%)
SG&A expenses	▲3.2	▲3.1	+0.1
Operating income (operating income margin)	▲1.5 (▲11.7%)	▲1.8 (▲13.3%)	▲0.3 (▲1.6%)

3. Subsidiaries

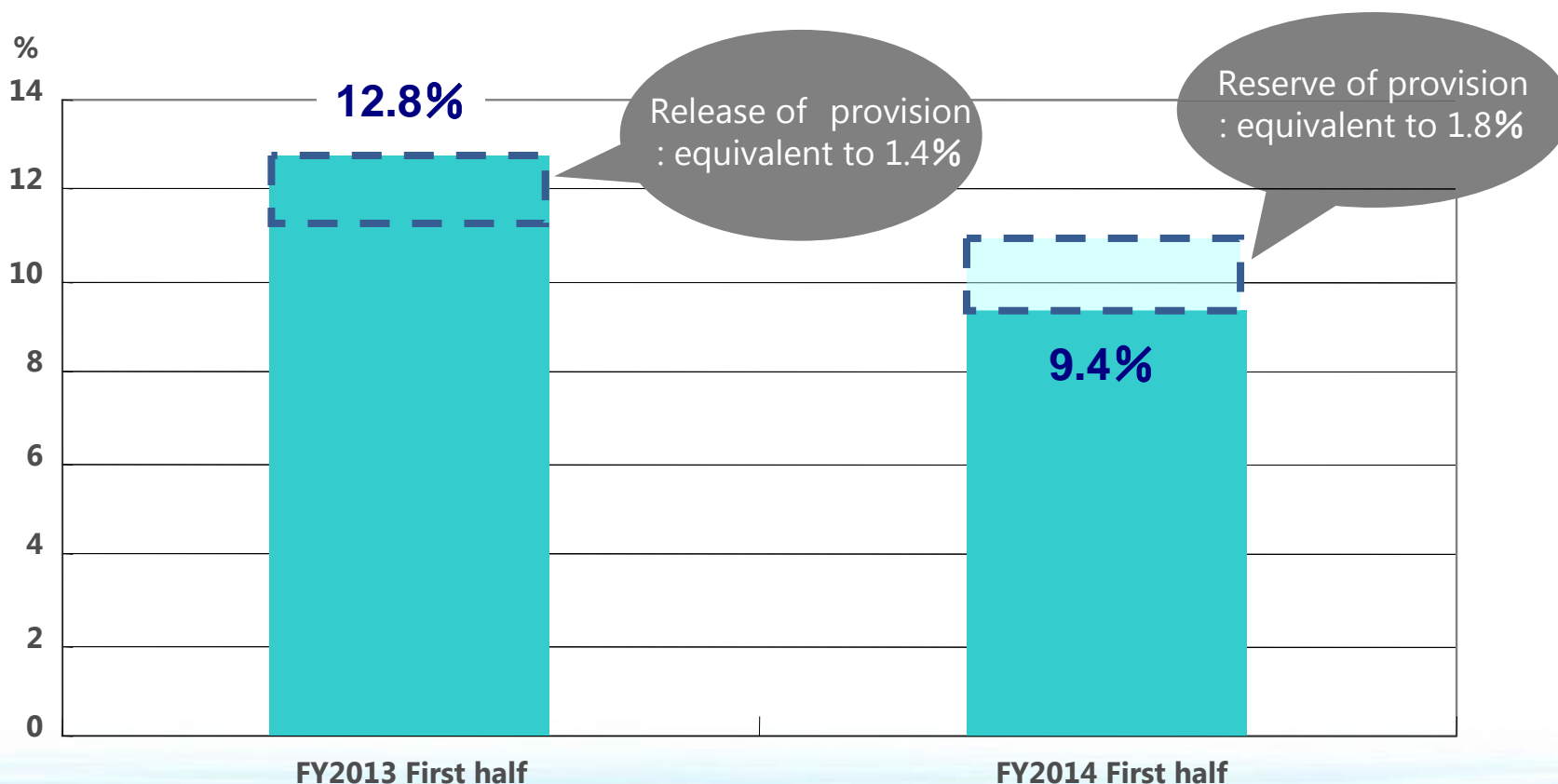
in billion yen

	FY2013 first half results	FY2014 first half results	Increase- Decrease
	4.8	4.3	▲0.5
	1.7 (35.4%)	1.9 (44.0%)	+0.2 (+8.6%)
	▲1.1	▲1.1	±0
	0.6 (13.0%)	0.8 (18.0%)	+0.2 (+5.0%)

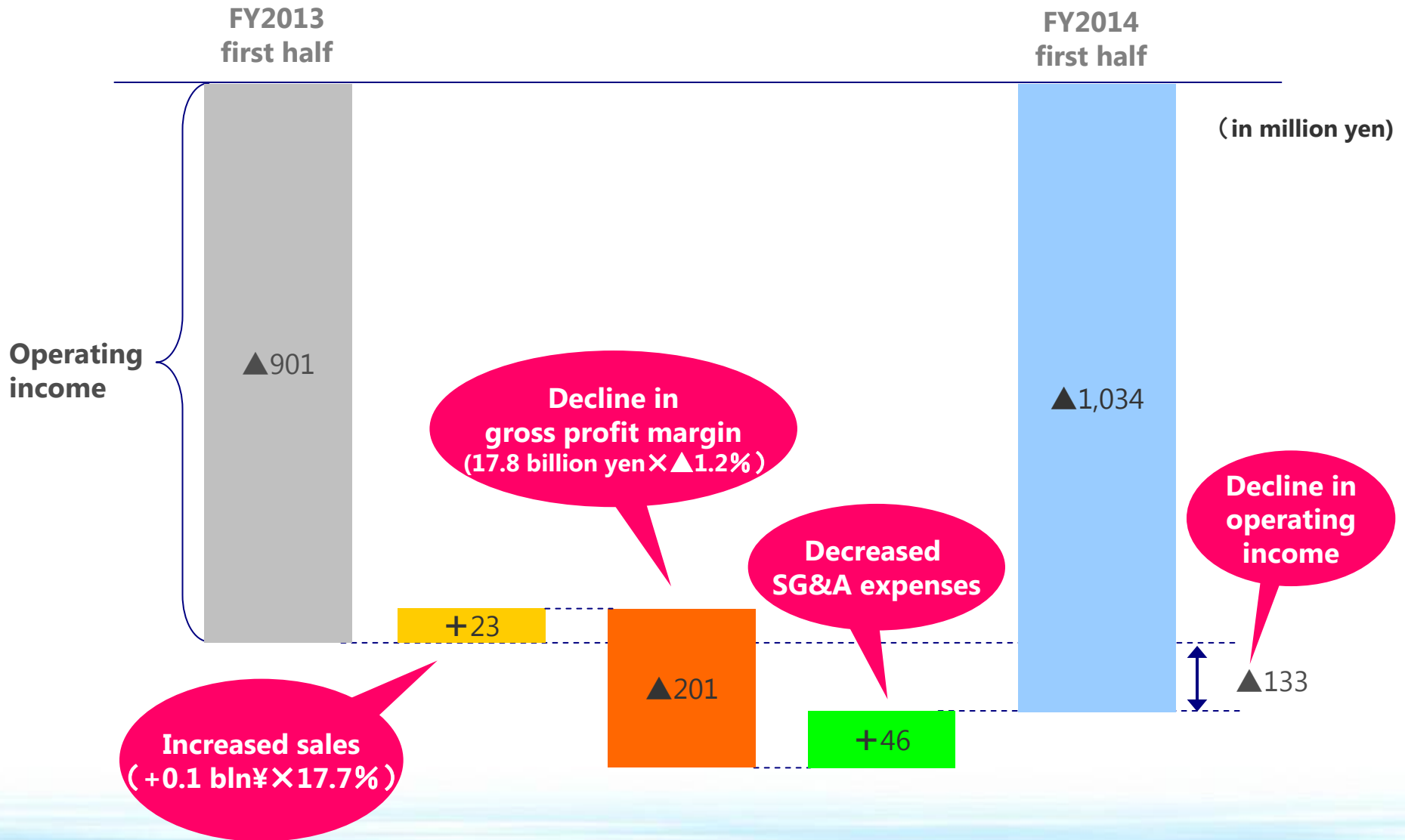
Note: The figure of subsidiaries (3) = the figure of consolidated results (1) – the figure of non-consolidated results (2)

Analysis of gross profit margin for the 2Q FY2014 (non-consolidated)

- Gross profit margin declined primarily due to release of provision of 180 million yen (1.4%) in FY2013 and reverse of provision of 240 million yen (1.8%) in FY2014, resulting in a total of 3.2% decline.
- Subsequently, without the effect of the provision, gross profit margin would have remained at the same level as previous fiscal year.

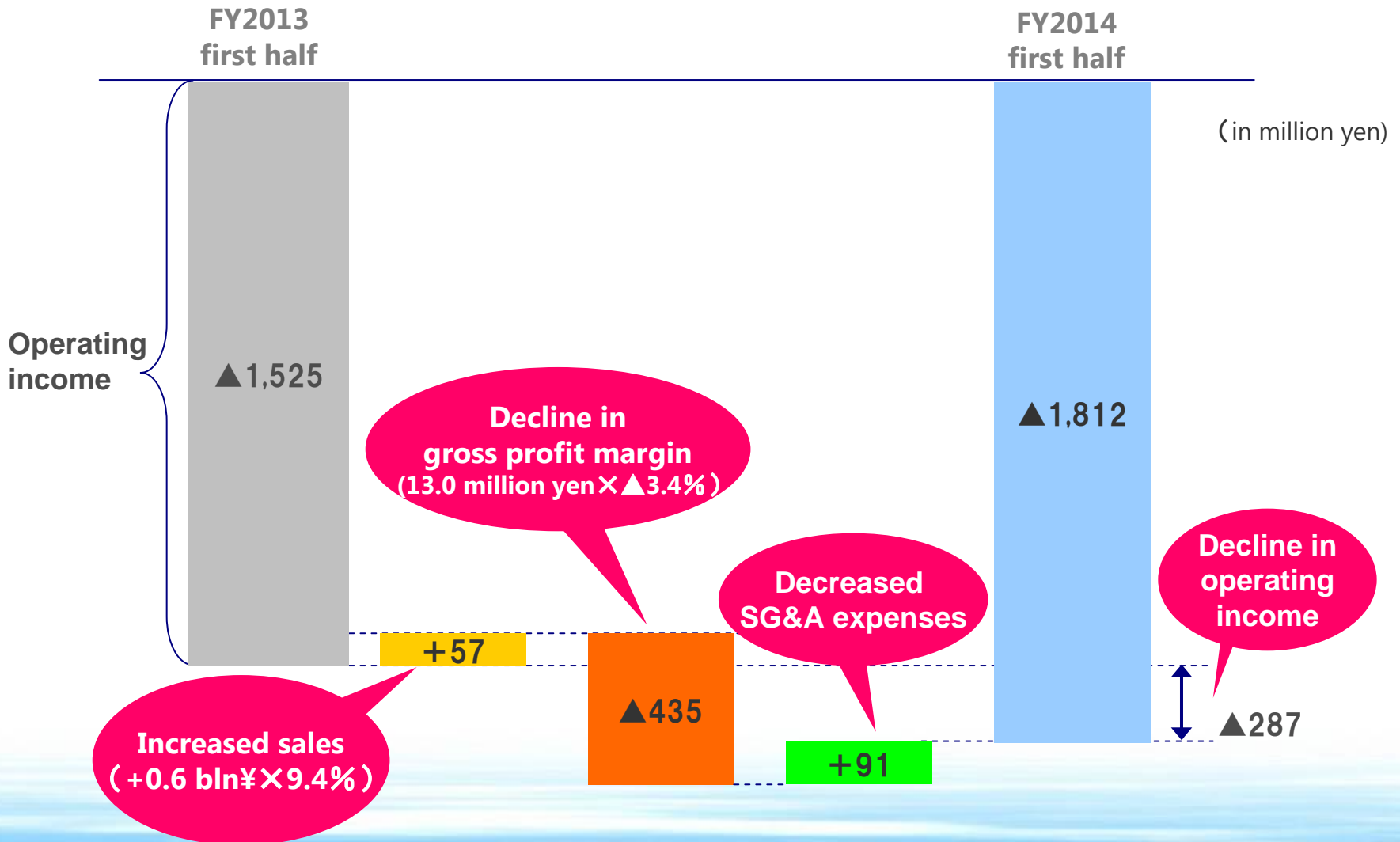


Factor of increase and decrease in consolidated operating income



Factor of increase and decrease in non-consolidated operating income

- Declined gross profit margin by 3.4%. The details as page5 shows.



Restructuring of manufacturing process

7:3 Rule | Standardization initiative

- orders received increased sharply
- TIS project into a mess

⇒ much busier and delayed in standardization

Executing the Strategic Orders Received

- put more people into the standardization initiative.
 - schedule to complete standardization 100% by the end of this fiscal year

※ the percentage is calculated by dividing each pump model's number of orders by the total number of orders in FY2013

Period	Progress (%)
as of Nov 2014	63%
Dec 2014 planned	69%
Mar 2015 planned	100%

TIS Project | Platform development

Launched in June 2013
 system defects found -> program correction
 ⇒ additional costs, confusing procedure

Tackling the defects / clarifying the rule

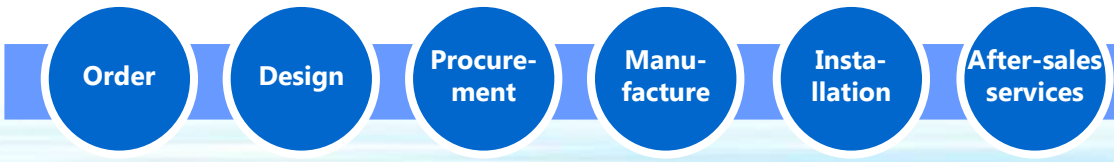
- System defects almost resolved ⇒ costs declined
 - Utilizing the IT system more efficiently and extensively

← problems →

← taken measures →

← present situations →

Innovative manufacturing process



Improvement of non-consolidated performance is the key to this fiscal year.

Page 9 to 14 describe its current situations and the outlook.

The following is a scenario shown at the previous full-year earnings announcement on 14 May 2014 about improvement outlook of profitability.

Improvement outlook for profitability (non-consolidated)

(as shown in the presentation material of consolidated financial results for FY2013)

1. Sales outlook (increase) → 2.0 – 3.0 bln¥ UP

2. Improve of gross profit margin → 3 - 4% UP

3. Decrease in SG&A → 0.3 bln¥ DOWN

1+2+3 => prospect improvement in profitability of 1.8 – 2.0 bln¥

1. Sales outlook (increase)

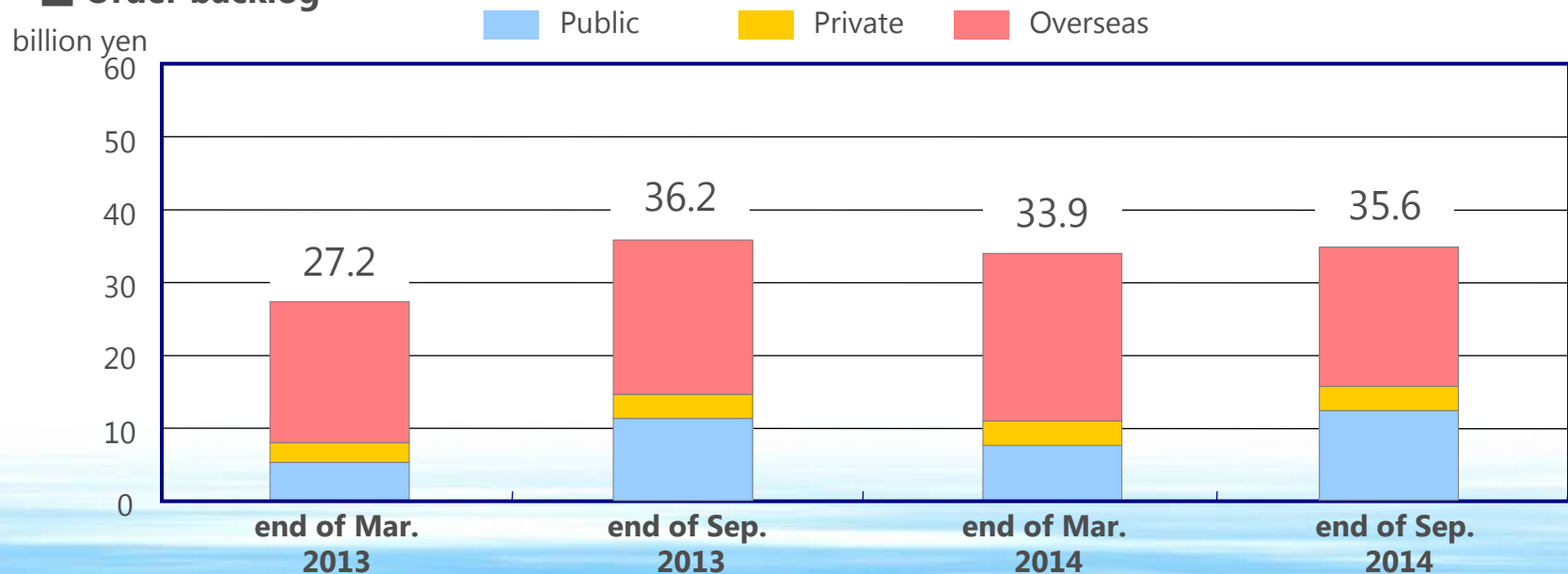
Outlook

Reviewed the original outlook of 2.0-3.0 bln¥UP to the same level **(36bln¥)** as previous fiscal year

Reasons

- Orders received y-o-y considerably decreased due to
 - * the Strategic Order Received (2Q orders received decreased ▲7.6 billion yen)
 - *"Quantity control" that prioritizes promotion of TIS project and 7:3 rule
 - *"Quality control" that focuses on profit rate
- Order backlog remains at the same level as previous fiscal year, thus, sales possibly would stay flat.

Order backlog



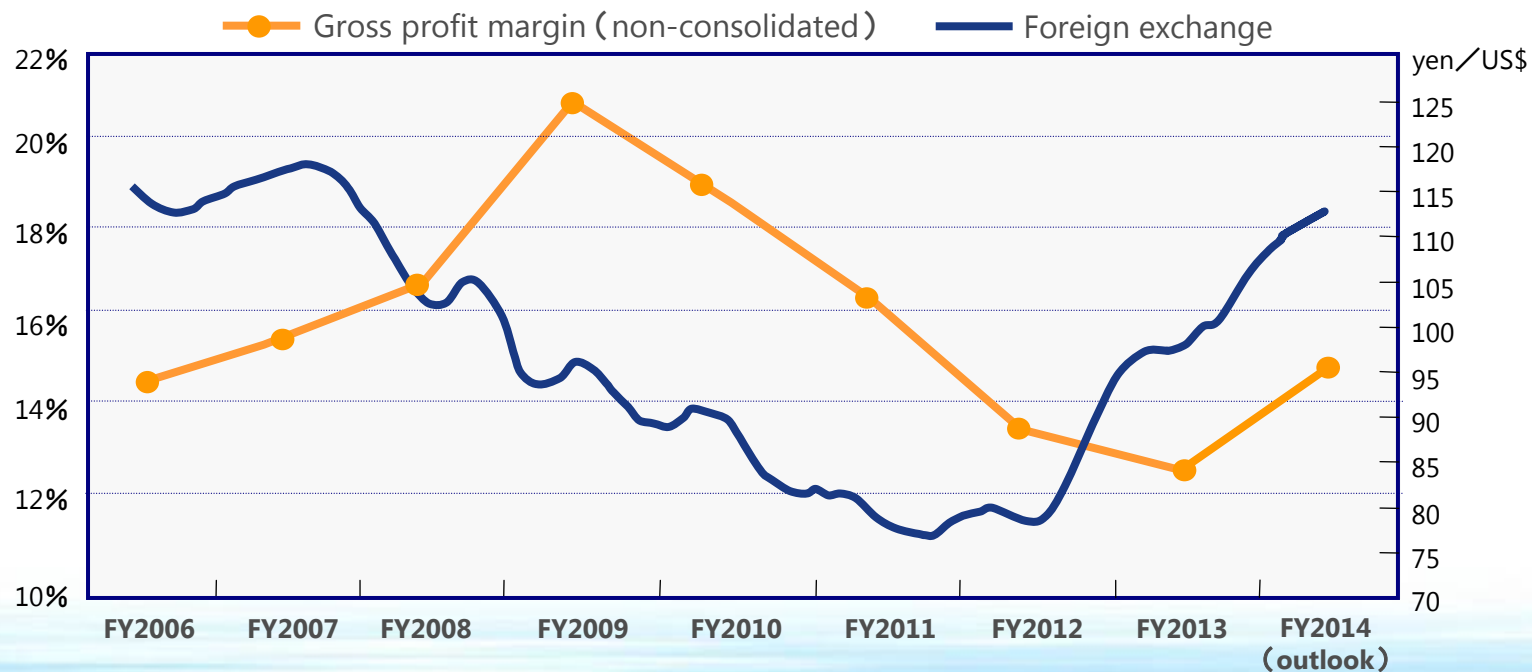
2. Improvement of gross profit margin (non-consolidated)

Outlook

Reviewed the original outlook of 3-4%UP to **2-3%UP**

Reasons

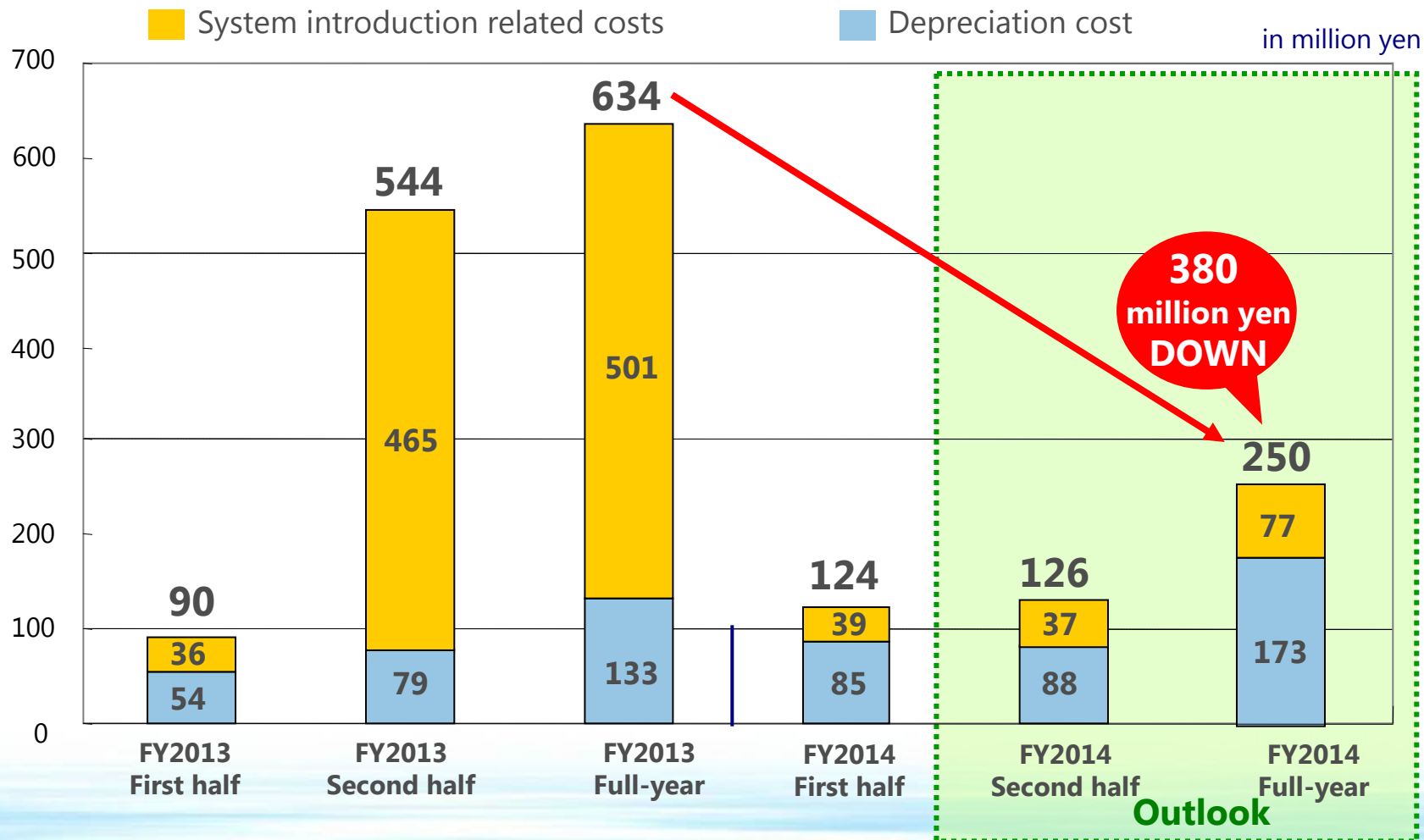
While depreciation of the yen and the Strategic Orders Received that prioritize profit rate improved gross profit margin, imported material costs were adversely affected by weaker yen, resulting in slightly below the original plan.



3-1. Decline in SG&A expenses (non-consolidated)

【IT system related costs】

Although IT system related costs had been ballooning at the time of introduction of the system, it has been gradually stabilized in this fiscal year, reducing the expenses.



3-2 Decline in SG&A expenses (non-consolidated)

Outlook | Reviewed the original outlook of approx. 0.3 billion yen
DOWN to approx. **0.5 billion yen DOWN**

Reasons | -Decrease in IT system related costs
 -Decrease in other SG&A expenses

in million yen

	First half results	Second half outlook	Full-year outlook
System (TIS) introduction related costs	30	▲410	▲380
Other SG&A expenses	▲120	±0	▲120
Total	▲90	▲410	▲500

FY2014 full-year outlook (consolidated / non-consolidated)

【Outlook for non-consolidated profitability improvement】

Non-consolidated profitability improvement was prospected for a total of 1.8 – 2.0 billion yen as of FY2013 earnings announcement , however, it would remain at 1.4 billion yen on the basis of present situations. The details as follows.

	Original outlook	The amount of improvement	Present outlook	The amount of improvement
(1) Sales outlook (increase)	2.0~3.0 bln¥ UP	0.3bln¥	—	—
(2) Improvement in gross profit margin	3~4%UP	1.2~1.4bln¥	2~3%UP	0.9bln¥
(3) Decrease in SG&A	0.3 bln ¥DOWN	0.3bln¥	0.5bln¥DOWN	0.5bln¥
		Total 1.8~2.0bln¥		Total 1.4bln¥

1. Consolidated

in billion yen

	FY2013 Full-year results	FY2014		
		First half results	Second half outlook	Full-year outlook
Sales	35.5	13.6	22.4	36.0
Gross operating income (gross profit margin)	4.3 (12.2%)	1.3 (9.4%)	3.9 (17.4%)	5.2 (14.4%)
SG&A	▲6.7	▲3.1	▲3.1	▲6.2
Operating income (operating profit margin)	▲2.4 (▲6.7%)	▲1.8 (▲13.3%)	0.8 (3.6%)	▲1.0* (▲2.8%)

2. Non-consolidated

in billion yen

FY2013 Full-year results	FY2014		
	First half results	Second half outlook	Full-year outlook
10.5	4.3	5.7	10.0
4.0 (38.9%)	1.9 (44.0%)	1.9 (33.5%)	3.8 (38.0%)
▲2.5	▲1.1	▲1.2	▲2.3
1.5 (13.9%)	0.8 (18.0%)	0.7 (12.7%)	1.5 (15.0%)

* FY2014 full-year operating income▲2.4 billion yen+improvement outlook as of present situations 1.4 billion yen

FY2014 full-year outlook



With regard to sales, non-consolidated outlook is downgraded, consolidated outlook is also reviewed to 46 billion yen.

3. Consolidated

in billion yen

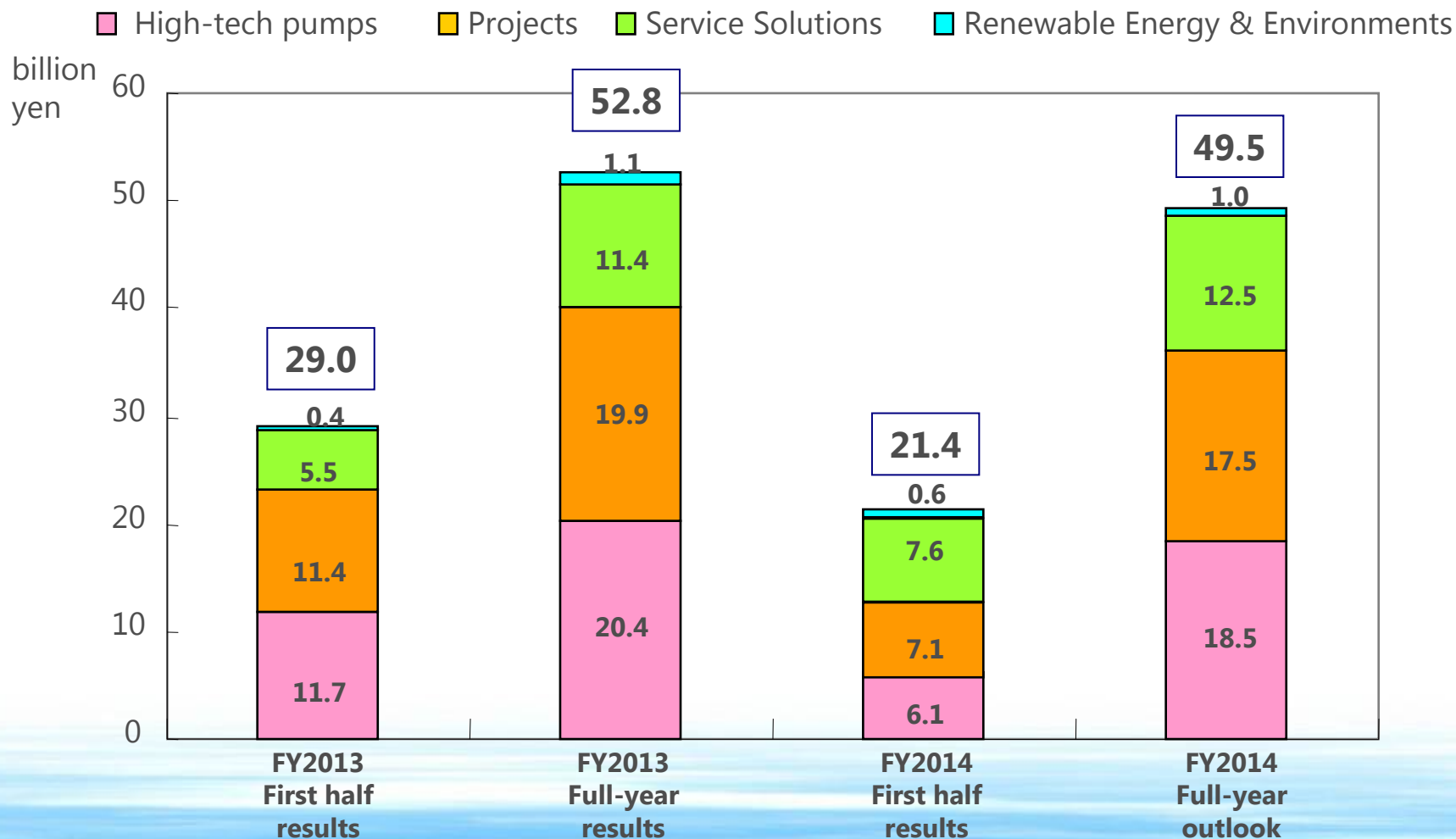
	FY2013 Full-year results	FY2014		
		First half results	Second half outlook	Full-year outlook
Orders received	52.8	21.4	examination	examination
Sales	46.0	17.9	28.1	<u>46.0</u>
Gross operating income (gross profit margin)	8.3 (18.1%)	3.2 (17.7%)	5.8 (20.7%)	9.0 (19.6%)
SG&A expenses	▲9.2	▲4.2	▲4.3	▲8.5
Operating income (operating profit margin)	▲0.9 (▲2.1%)	▲1.0 (▲5.8%)	1.5 (5.3%)	0.5 (1.1%)
Non-operating profit or loss	0.3	0.2	0	0.2
Ordinary income	▲0.6	▲0.8	1.5	0.7
Extraordinary profit or loss	1.5	0	0	0
Net income	0.4	▲ 0.6	1.1	0.5

Average exchange rate (\$)	103.0 yen	110.0 yen (assumed)
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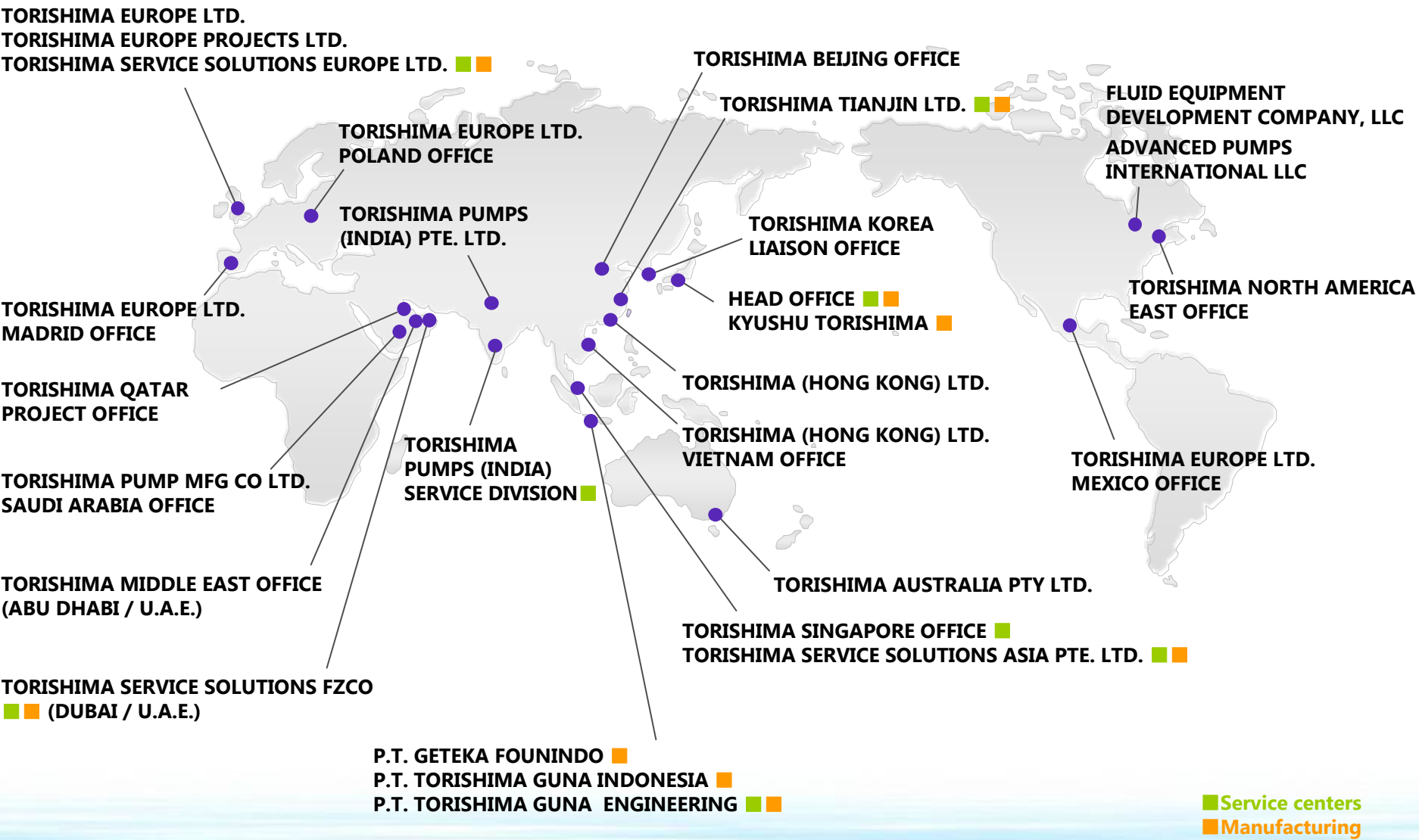
Orders received by segment (Consolidated)



- High-tech pumps slightly decreased partly because of the Strategic Orders Received.
- Service business steadily increased driven by the past results, service network expansion and strengthened operating activities etc..



> Global Network



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.

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