

Consolidated Financial Results for the FY2015

(April 1st 2015 ~ March 31st 2016)

< May 12 2015 >

TORISHIMA PUMP MFG.CO.,LTD.

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

- 【1】 Financial Results for FY2015**
- 【2】 Market trend and Torishima's initiatives**
- 【3】 Financial outlook for FY2016**

FY2015 Financial Results



	Billions of yen	YOY
● Orders received	51.3	(+19.7%)
● Sales	40.5	(-13.0%)
● Operating income	0.4	(±0)
● Ordinary income	- 1.7	(-2.5B¥)
● Net income	- 2.4	(-2.8B¥)

FY2015 Consolidated Financial Results



- Orders received slightly larger than originally planned, increased by 20% YOY with strong order activities.
- Sales were below originally planned due to some project delayed.
- Gross profit margin improved despite sales decrease. Gross operating income and operating income remained at the same level of the previous year (below originally planned).
- Ordinary income and net income significantly decreased due to mainly one-time factors.

① Consolidated

	FY2014	FY2015	Increase- Decrease
Orders received	42.8	51.3	+8.5
Sales	46.5	40.5	-6.0
Gross operating income (Gross profit margin)	9.2 (19.7%)	9.2 (22.7%)	±0 (+3.0%)
SG&A expense	-8.8	-8.8	±0
Operating income (Operating profit margin)	0.4 (0.9%)	-0.4 (0.9%)	±0 (±0%)
Non-operating profit or loss	0.4	-2.1	-2.5
Ordinary income	0.8	-1.7	-2.5
Extraordinary profit or loss	-0.1	0.3	+0.4
Net income	0.4	-2.4	-2.8
Average exchange rate (\$)	¥109.9	¥120.1	

Billions of yen

FY2015 planned ※	vs.plan
50.0	+1.3
43.0	-2.5
—	—
—	—
1.0	-0.6
0.4	-2.5
1.4	-3.1
0	+0.3
1.0	-3.4

※ announced on 12th March 2015

Main factors for large decrease in profit



- Net income before tax for the FY2015 was minus 1.4 billion yen, lower 2.8 billion yen than initially planned.
- 2.5 billion yen of the 2.8 billion yen were mainly attributed to one-time factors.
- Torishima recognized the reversal of deferred tax asset, resulting in the net income of minus 2.4 billion yen.
- Torishima maintains the year-end dividend of 9 yen per share (yearly dividend is 18 yen).

	Original plan	Results	Gap
Net income before tax	+1.4B¥	-1.4B¥	-2.8B¥ { One-time factors -2.5B¥ Decreased sales -0.3B¥
Net income	+1.0B¥	-2.4B¥	-3.4B¥

※ announced on 12th March 2015

Breakdown of large decrease in profit

Billions of Yen

		Main factors	Gap between results and initial planned
※ Gaps from the initial forecast	Operating income -0.6	One-time factors	-0.3
		Allowance for doubtful debts	-0.3
		Decreased sales	-0.3
	Non-operating profit or loss -2.5	One-time factors	-2.5
		Foreign exchange loss	-1.4
		Investment loss on equity method	-1.1
	Extraordinary profit or loss +0.3	One-time factors	+0.3
		Return gains of retirement benefit trust	+0.6
		Settlement costs	-0.3
	Net Income before tax -2.8	Total of one-time factors	-2.5
Total of decreased sales factors		-0.3	

※ announced on 12th March 2015

FY2015 Financial Results

(Non-consolidated / Subsidiaries)



- Gross profit margin in non-consolidated improved but below originally planned.
- Subsidiaries made high profit contributed by service related companies.

② Non-consolidated

Billions of yen

	FY2014	FY2015	YOY
Sales	36.7	31.3	-5.4
Gross operating income (Gross profit margin)	5.1 (14.0%)	5.1 (16.4%)	±0 (+2.4%)
SG&A Expense	-6.1	-6.2	-0.1
Operating income (Operating profit margin)	-0.9 (-2.5%)	-1.1 (▲3.4%)	-0.2 (▲0.9%)

③ Subsidiaries

Billions of yen

	FY2014	FY2015	YOY
Sales	9.8	9.2	-0.6
Gross operating income (Gross profit margin)	4.1 (41.1%)	4.1 (44.3%)	±0 (+3.2%)
SG&A Expense	-2.7	-2.6	+0.1
Operating income (Operating profit margin)	1.3 (13.5%)	1.5 (15.8%)	+0.2 (+2.3%)

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

Review on the profit improvement plan (Non-consolidated)



- Gross profit margin steadily improved although it did not reach originally planned.

Billions of yen

	FY2015			One-time factors	Except one-time factors	FY2014 (reference)
	Plan	Results	vs plan [※]			
Sales	33.0	31.3	-1.7		31.3	36.7
Gross operating income (Gross profit margin)	5.9 17.9%	5.1 16.4%	-0.8 -1.5%	-0.4 Payment for liquidated damages	5.5 17.7%	5.1 14.0%
SG&A Expense	-6.1	-6.2	-0.1	-0.3 allowance for doubtful accounts	-5.9	-6.1
Operating income	-0.2	-1.1	-0.9		-0.4	-0.9

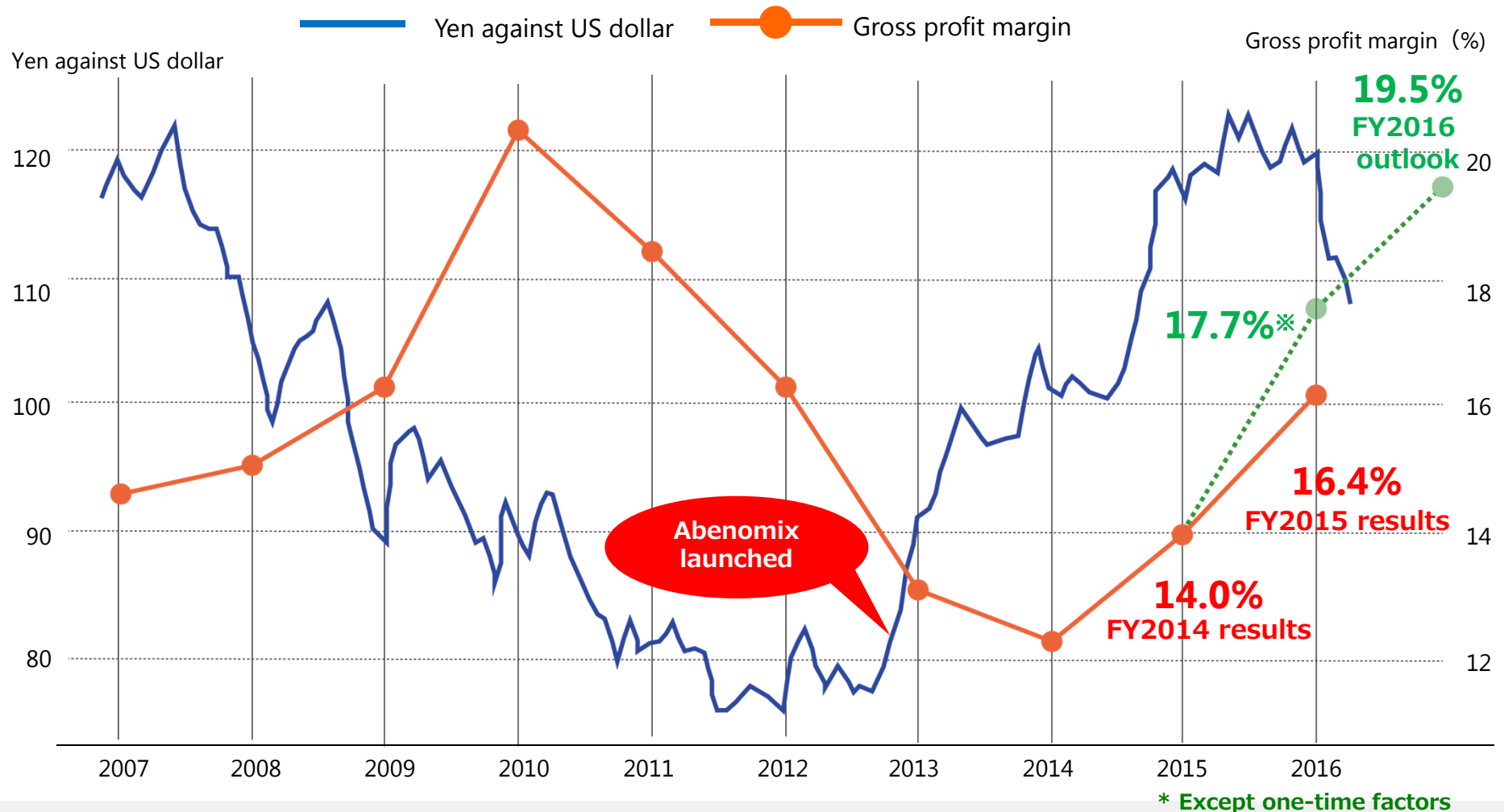
※ announced on 12th March 2015

Currency exchange rates and gross profit margin

(Non-consolidated)

The lead time of pumps is relatively long, from one year to one and a half years, the impact of currency exchange rate therefore also tend to be lagging.

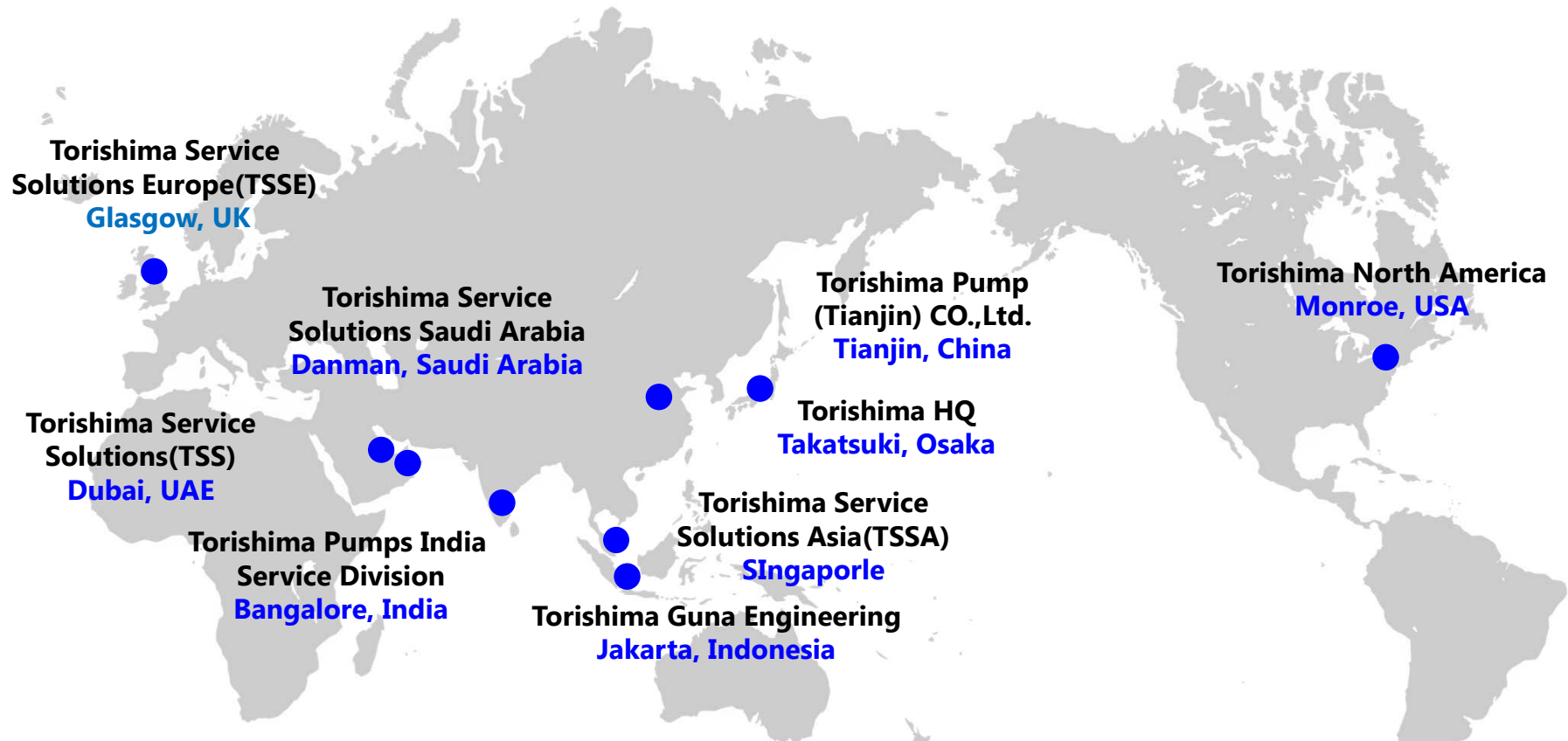
The proportion of overseas sales accounts for approximately 50 to 60% of total sales.



Expansion of service network



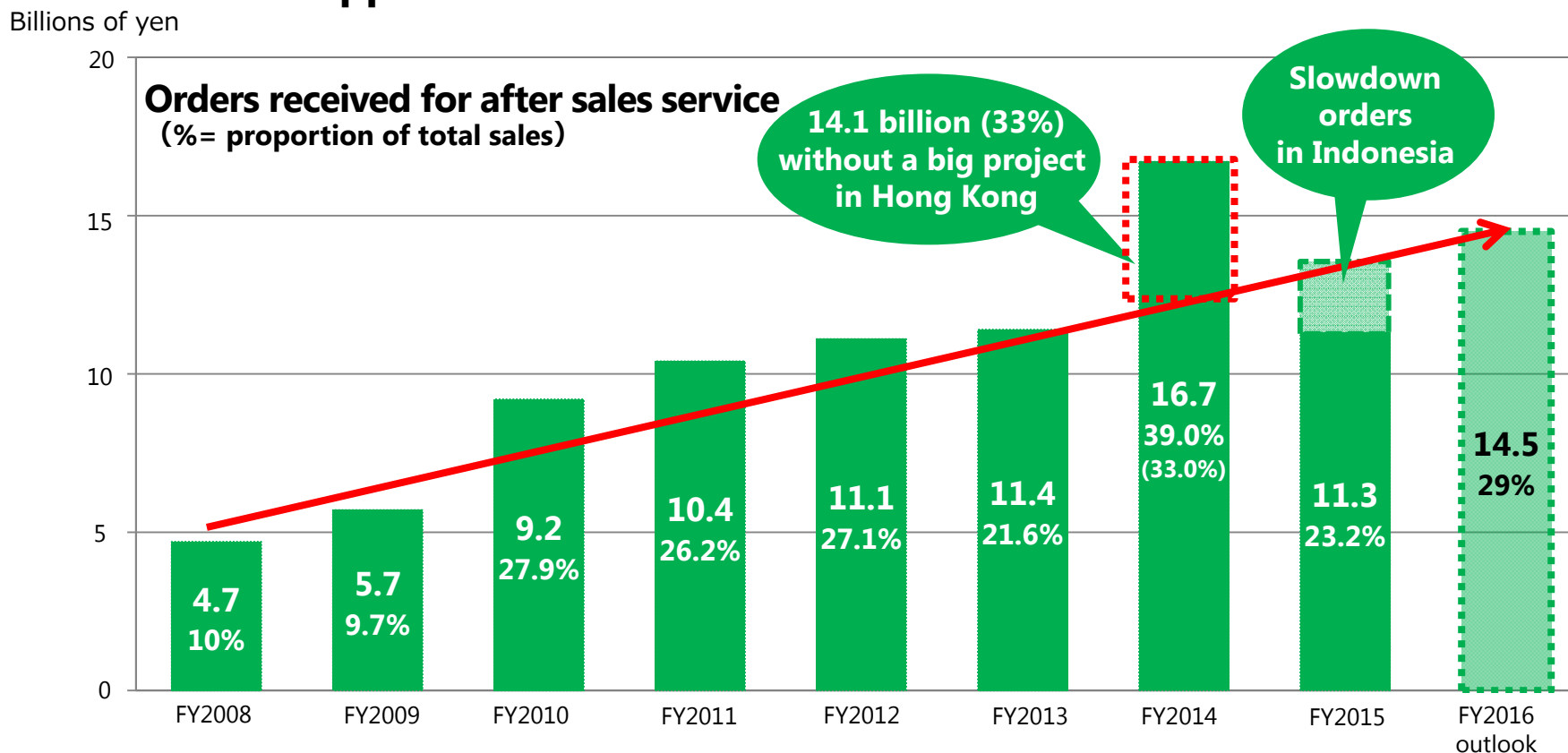
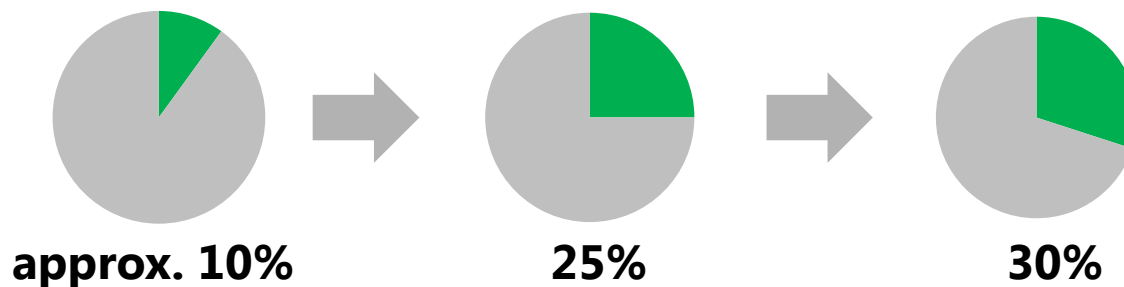
Torishima has launched service facilities mainly in areas where we installed a number of pumps. We can provide our customers with prompt handling and satisfactory services.



9 countries in the world
(including Japan)

Increase the proportion of after sales services

Focusing on after sales services and increasing its proportion of total sales.



Medium-term management plan announced in May 2014



Billions of yen

	FY2014		FY2015		FY2016	
	Plan	Results	Plan	Results	Plan	Revised plan
Orders received	49.5	42.8	50.0	51.3	60.0	50.0
Sales	46.0	46.5	43.0	40.5	50.0	45.0
Operating income (operating profit margin)	0.5 (1.1%)	0.4 (0.9%)	1.0 (2.3%)	0.4 (0.9%)	2.5 (5.0%)	2.0 (4.4%)
Ordinary income	0.7	0.8	1.4	-1.7	2.7	1.7
Net income	0.5	0.4	1.0	-2.4	1.9	1.5

※ announced on 12th March 2015

FY2016 Outlook (consolidated)



- Expecting 11% increase in sales given a large amount of order backlog at the end of the previous year.
- Medium-term management plan can be achieved with improved profitability.

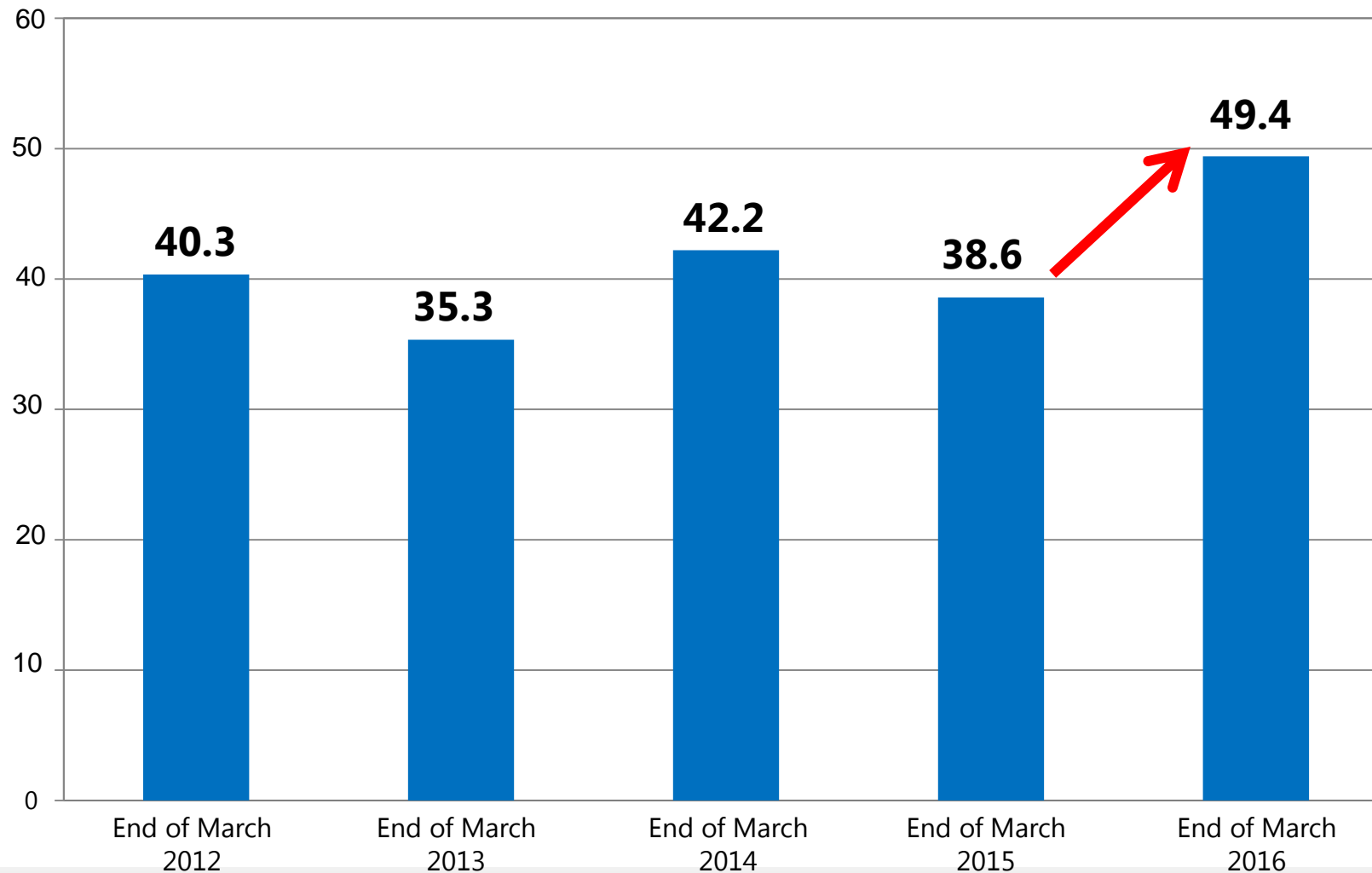
Billions of yen

	FY2015 Results	FY2016 Outlook	Increase decrease
Sales	40.5	45.0	+4.5
Gross operating income (Gross profit margin)	9.2 (22.7%)	10.8 (24.0%)	+1.6 (+1.3%)
SG&A expenses	-8.8	-8.8	±0
Operating income (Operating profit margin)	0.4 (0.9%)	2.0 (4.4%)	+1.6 (+3.5%)
Non-operating profit or loss	-2.1	-0.3	+1.8
Ordinary income	-1.7	1.7	+3.4
Extraordinary loss or profit	0.3	0	-0.3
Net income	-2.4	1.5	+3.9

Order Backlog

- Orders received during the FY2015 increased amid harsh economic conditions, leading to a large order backlog of 49.4 billion yen increased by 28% YOY.

Billions of yen



FY2016 Outlook

(Non-consolidated / Subsidiaries)



- Non-consolidated is expected to make a profit with increased sales and improved profit margin.
- Subsidiaries will continue to keep high profit margin.
- SG&A will remain on the same level of the FY2015 both in non-consolidated and subsidiaries.

Non-consolidated

Billions of yen

	FY2015 Results	FY2016 Outlook	Increase decrease
Sales	31.3	35.0	+3.7
Gross operating income (Gross profit margin)	5.1 (16.4%)	6.7 (19.1%)	+1.6 (+2.7%)
SG&A Expense	-6.2	-6.2	±0
Operating income (Operating profit margin)	-1.1 (▲3.4%)	0.5 (1.4%)	+1.6 (+4.8%)

Subsidiaries

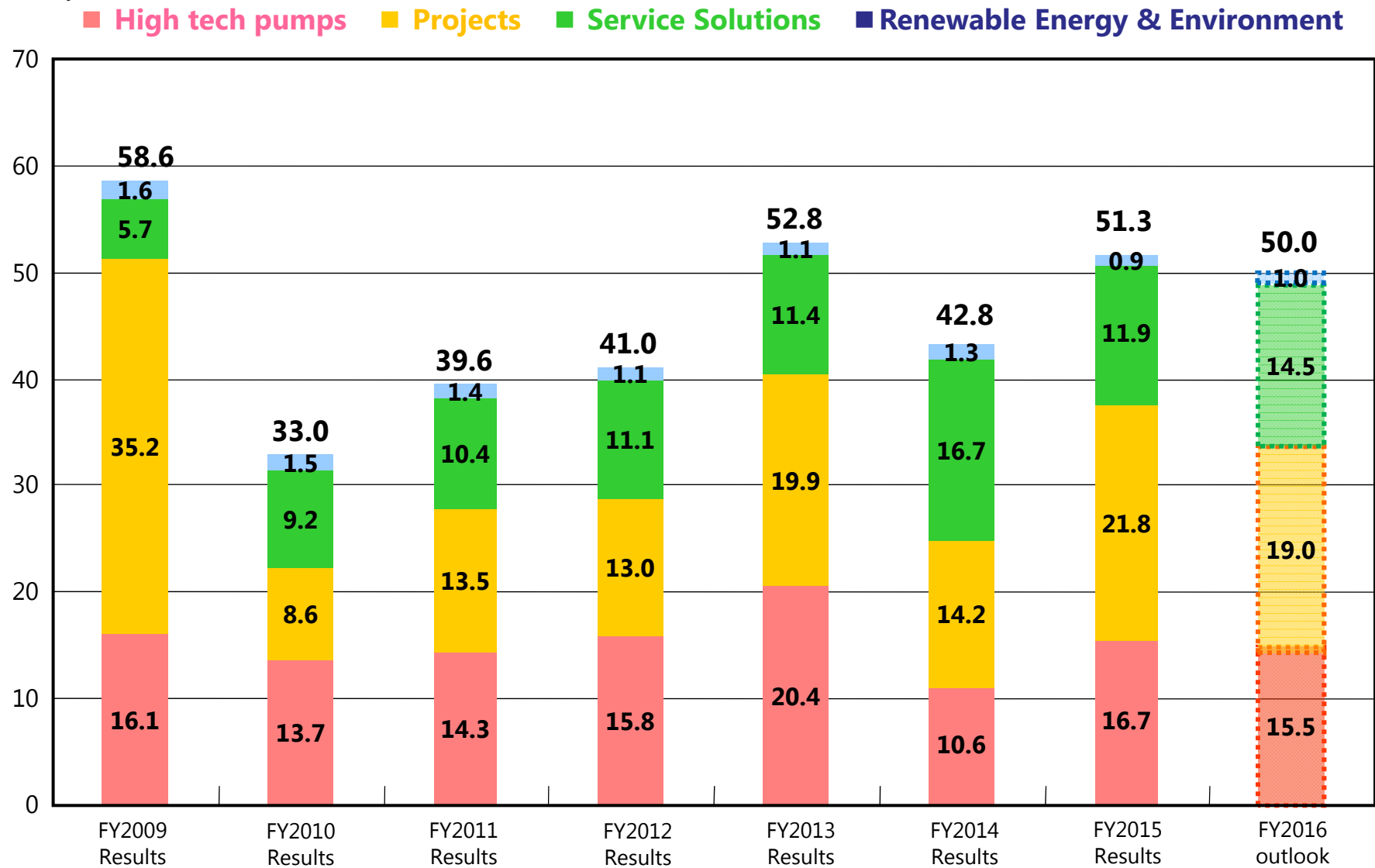
Billions of yen

	FY2015 Results	FY2016 Outlook	Increase decrease
Sales	9.2	10.0	+8
Gross operating income (Gross profit margin)	4.1 (44.3%)	4.1 (41.0%)	±0 (▲3.3%)
SG&A Expense	-2.6	-2.6	±0
Operating income (Operating profit margin)	1.5 (15.8%)	1.5 (15.0%)	±0 (▲0.8%)

Outlook for order by segment



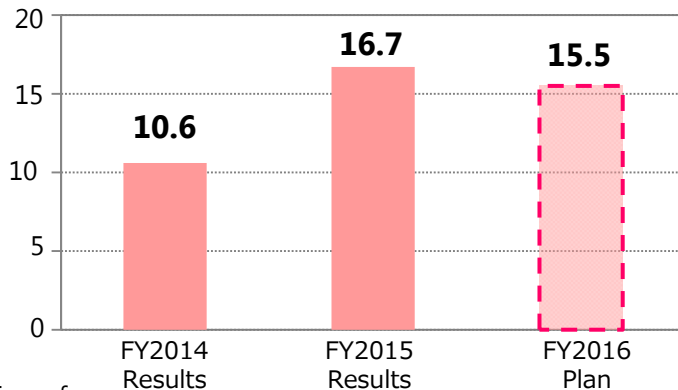
Billions of yen



Outlook for orders received by segment



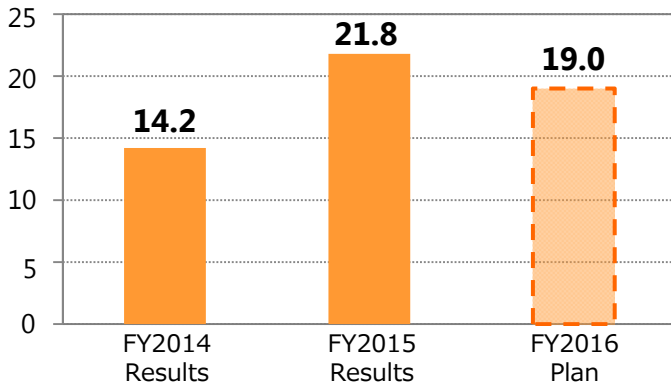
Billions of yen



● High tech pumps

- Seawater desalination market is unlikely to bounce back in the short term.
- Energy demand is steadily expected to increase particularly in emerging nations.
- Investment projects on large power plants in Japan have been underway.

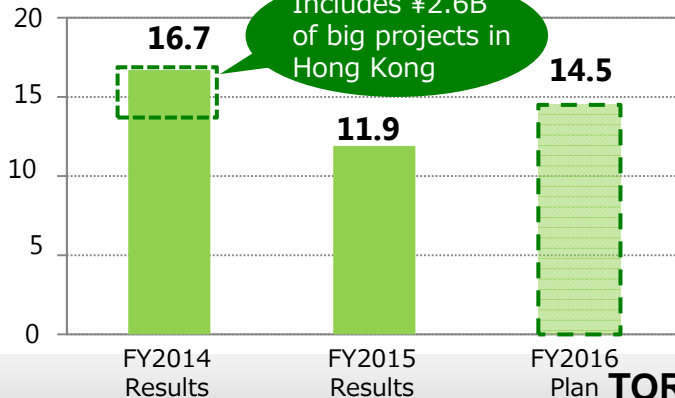
Billions of yen



● Projects

- Slightly down following big orders received in Qatar during the FY2015.
- Domestic market is expected to be firm supported by public spending.

Billions of yen

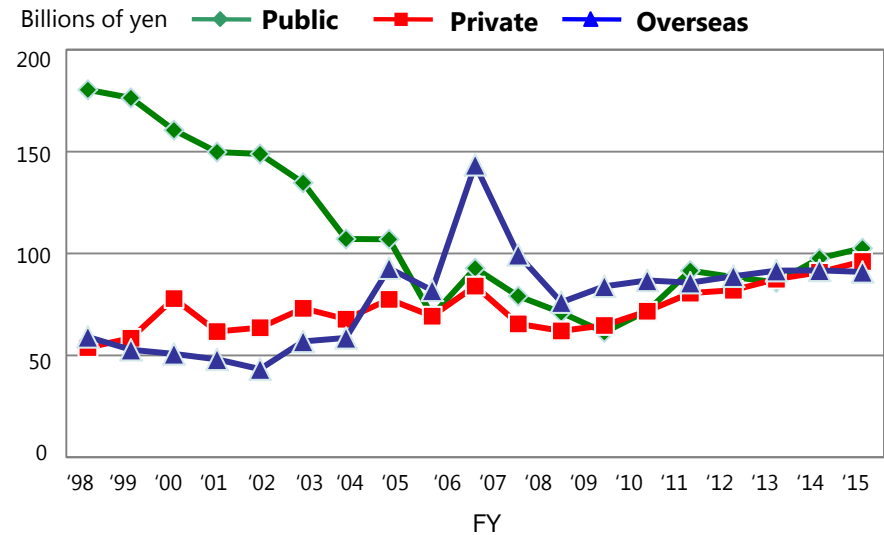
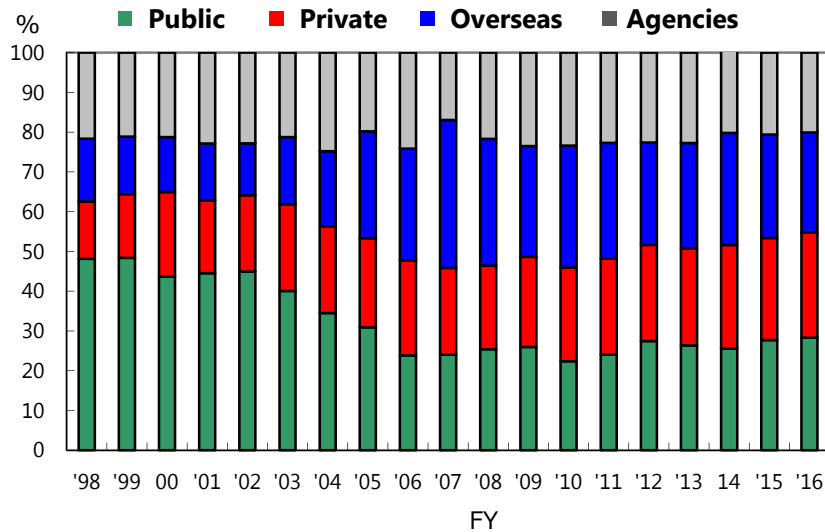


● Service Solutions

- Strong activities including newly established service facilities abroad will recover the previous year's downturn.
- Pump overhaul services for Japanese power plants has been steadily increasing.

Appendix

Orders breakdown in the Japanese pump industry



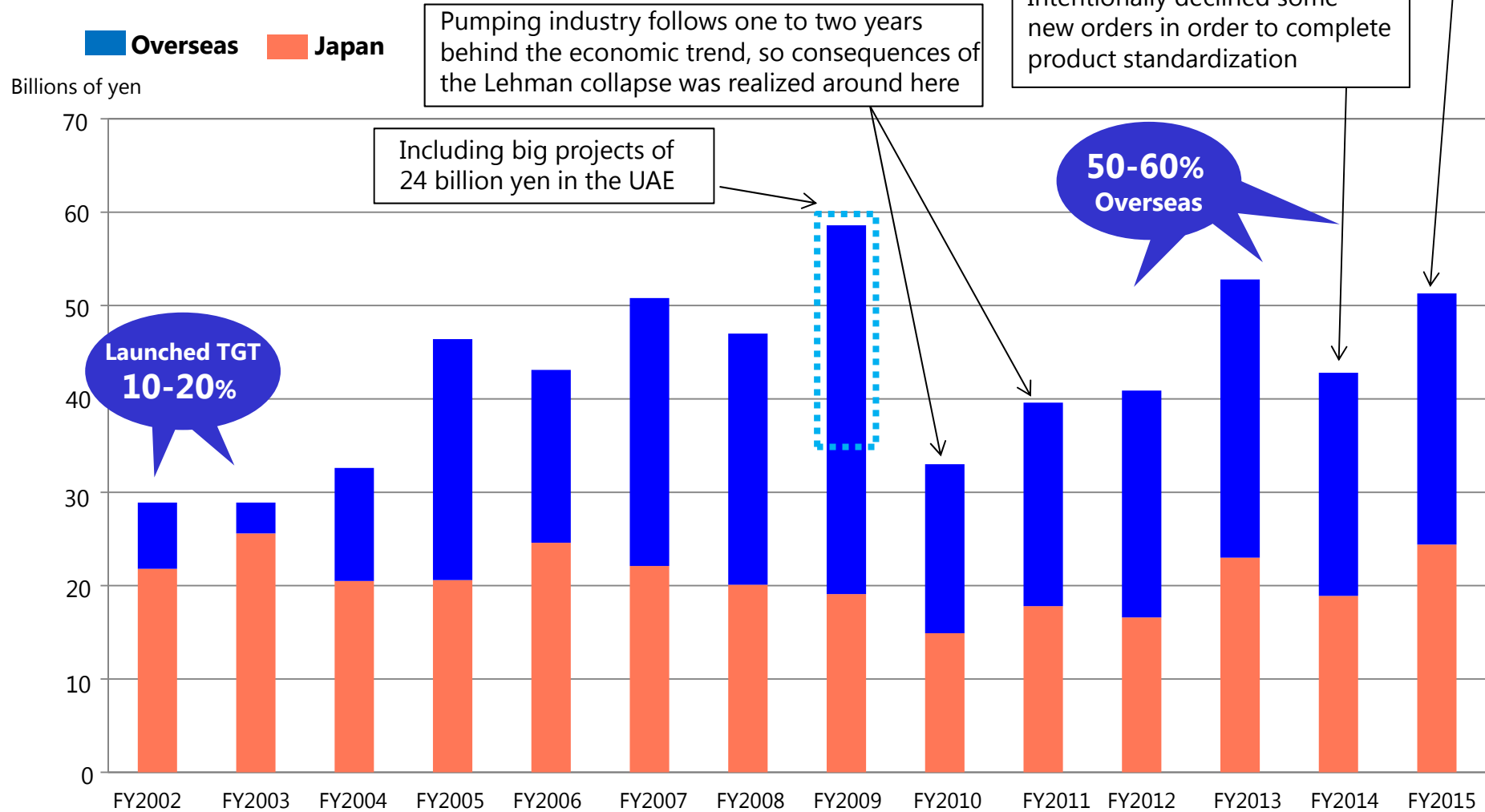
FY		1998	1999	2000	2001	2002	2010	2011	2012	2013	2014	2015	YOY
Public	Amount	180,337	176,337	160,550	149,806	148,831	61,305	71,888	91,545	81,964	85,859	102,582	+19.5%
	%	48.1	48.4	43.7	44.5	44.9	22.4	24.1	27.5	24.4	25.6	28.3	—
Private	Amount	53,878	58,396	77,895	61,733	63,572	64,668	71,698	80,560	88,445	87,442	96,140	+9.9%
	%	14.4	16.0	21.2	18.3	19.2	23.6	24.1	24.2	26.4	26.0	26.5	—
Overseas	Amount	59,055	52,766	50,737	48,032	43,247	83,883	86,763	85,712	88,787	91,612	90,925	-0.7%
	%	15.8	14.5	13.8	14.3	13.1	30.6	29.1	25.7	26.5	27.2	25.1	—
Agencies	Amount	81,143	76,961	78,116	76,978	75,608	64,080	67,712	75,455	76,231	71,510	72,963	-2.0%
	%	21.7	21.1	21.3	22.9	22.8	23.4	22.7	22.6	22.7	21.2	20.1	—
Total	Amount	374,413	364,460	367,298	336,549	331,258	273,936	298,061	333,281	335,427	336,423	362,610	+7.8%
	%	100	100	100	100	100	100	100	100	100	100	100	—

Source : The Japanese society of Industrial Machinery Manufacture

Orders received



50 to 60% of orders come from overseas



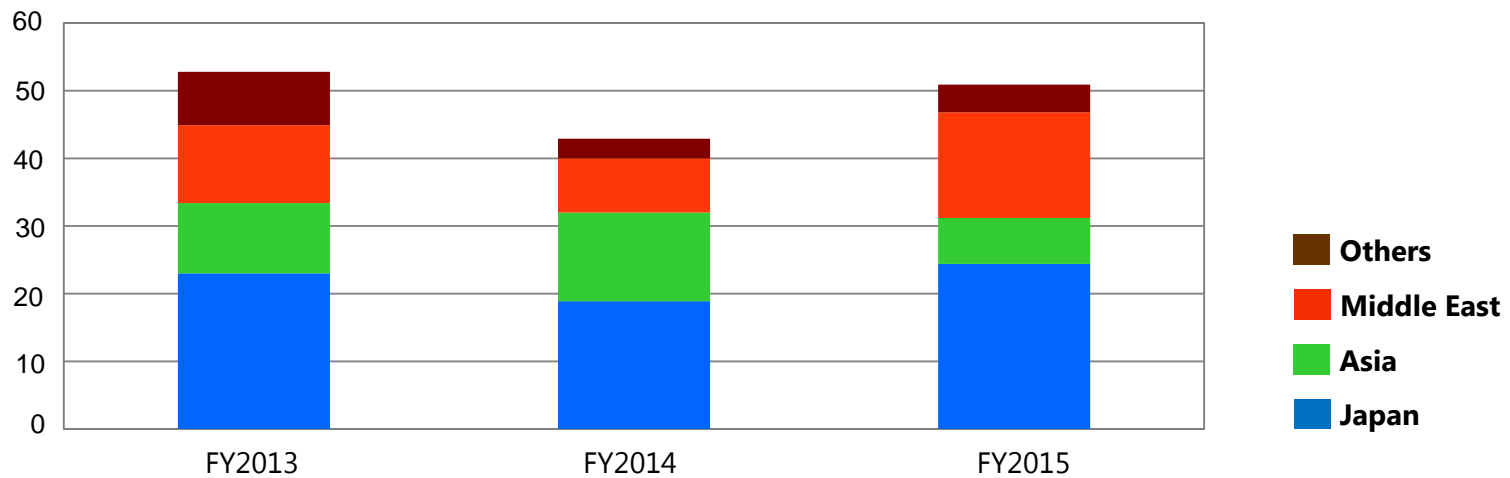
Sales breakdown



Billions of yen

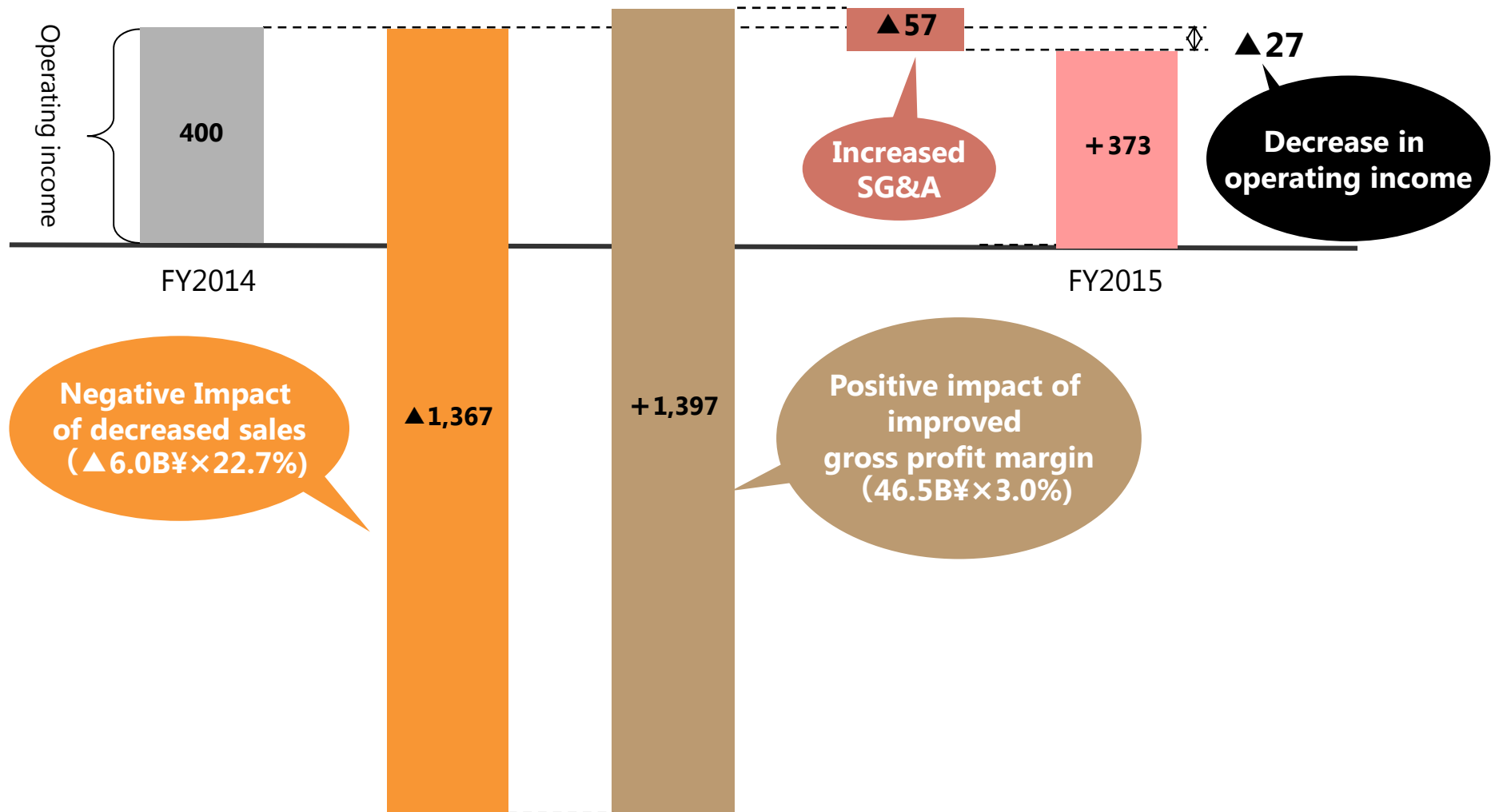
	Japan	Overseas	Breakdown			Total
			Asia	Middle East	Others	
FY2013	23.0 (43.5%)	29.8 (56.5%)	10.4 (19.7%)	11.5 (21.8%)	7.9 (15.0%)	52.8
FY2014	18.9 (44.2%)	24.0 (55.8%)	13.1 (30.5%)	8.0 (18.6%)	2.9 (6.8%)	42.9
FY2015	24.4 (47.6%)	26.9 (52.4%)	6.8 (13.3%)	16.0 (31.2%)	4.1 (8.0%)	51.3

Billions of yen



Factors of increase and decrease in consolidated operating income

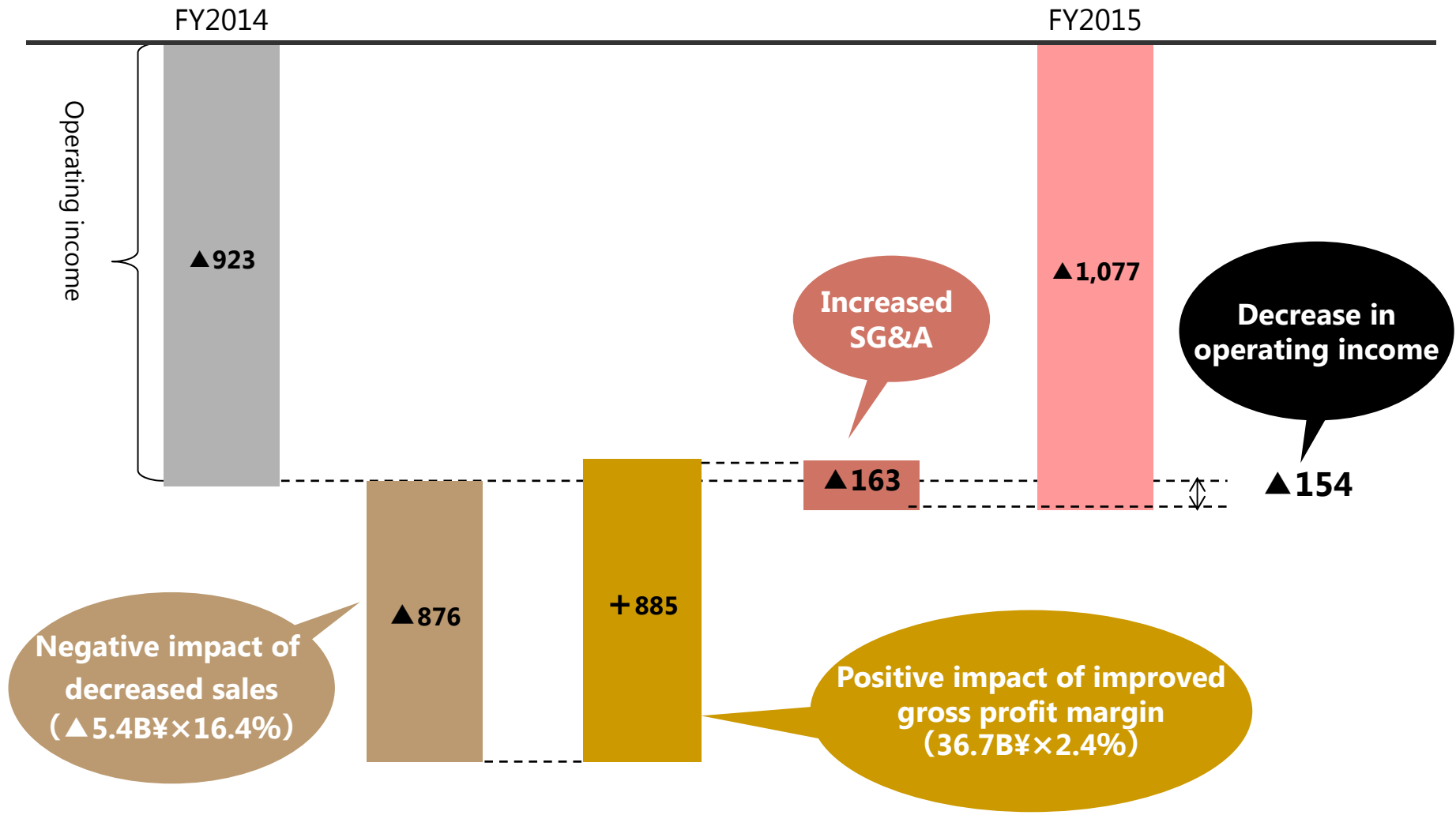
(Millions of yen)



Factors of increase and decrease in non-consolidated operating income



(Millions of yen)



Share repurchase



Torishima decided to implement of the repurchase of shares in an effort to return capital to our shareholders as well as part of the capital structure strategies. On the basis of a resolution passed at a meeting of its board of directors held on 4th February 2016, the Company authorized a repurchase of our own shares up to 600,000 shares.

Total number of authorized repurchase shares	Up to 600,000 shares
Total number of shares repurchased	210,000 shares equal to 0.76% of total issued shares excluding treasury shares
Total amount of repurchase price	JPY 191,411,100
The timing of repurchase	8 th February – 28 th March 2016
Method of repurchase	Through open market on Tokyo Stock Exchange

Keywords to understand Torishima



<p>TGT</p>	<p>Torishima Global Team A dedicated sales team for the overseas market which was launched in 2003. Although Torishima had been supplying pumps to some foreign countries since the late 1960s, its main focus had been on the domestic public sector. However, the Japanese pump market for public projects became saturated in 1998, so accordingly Torishima accelerated full-scale overseas expansion with a grim outlook for the domestic market. As a result of this decisive action, orders from overseas increased to account for approximately 60% of total sales from 10% at the time of launching TGT.</p>
<p>TSS</p>	<p>Torishima Service Solutions The service branch in Dubai, UAE. TSS offers a wide range of after sales services including spare parts replacement, maintenance and energy-efficiency initiatives for engineered pumps which Torishima installed in the Middle East. Since its launch in 2009, TSS has been expanding its business activities and grown to the biggest profit contributor of the Company among all subsidiaries. Another workshop was recently launched in Dammam, Saudi Arabia as a subsidiary of TSS.</p>
<p>TIS</p>	<p>Torishima Innovation System An ambitious project launched in June 2013 aiming to develop efficient production systems. TIS improves the manufacturing process throughout orders received, design, procurement, manufacturing to after sales services. During the initial starting period, Torishima incurred additional start-up costs and there was some confusion. However, getting past these issues, TIS has settled in and has continuously improved as a system. TIS is one of the strategic paths to becoming a proactive global company.</p>
<p>Standardization & 7:3Rule</p>	<p>Despite the fact that Torishima has rapidly boosted the amount of orders and sales following the full-scale business expansion around the world since 2003, the Company had difficulties in dealing with large numbers of orders with the Japanese conventional way of handling orders (complete made-to-order). The Company therefore undertook the task of standardizing products. The first attempt started in 2008 but didn't work well because there was not enough time due to the handling of high volumes of orders. As a result of this, the design and production departments were overwhelmed and confused, which drove the profit margin down (FY2013). Taking this failure seriously, the Company intentionally declined some new orders during FY2014 in order to prioritize production standardization, and almost completed the standardization at the end of March in 2015. The Company resumed proactive sales activities in FY2015 and the number of orders received increased again. The 7:3 Rule is the principle in which 30% customization is still allowed. This is because unlike common standard products, pumps are required to be customized to a certain extent according to customers specifications. In addition, the 7:3 Rule also means that we should spare 30% of energy for more creative jobs while managing 70% routine work in an efficient way.</p>

Company name	Torishima Pump Mfg, Co., Ltd.
Foundation	1 st August 1919
Headquarters	1-1-8 Miyata-cho, Takatsuki-city, Osaka
Paid in capital	JPY1,592,775,030
Securities code and Listed market	6363 on the Tokyo Stock Exchange
Total number of shares outstanding	29,889,079 shares
the minimum number of stock allowed per trade	100 stocks
Full-year dividend	18 JPY

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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