

Torishima Report 2017

Fiscal 2016 (For the year ended March 31, 2017)

BEYOND 100 

Meet Torishima

CSV *Creating Shared Value*

Torishima conducts CSV (creating shared value) management in which we help solve society's challenges while making a profit for the company.

By providing energy-efficient solutions and products that can address society's challenges, Torishima is enhancing profitability and providing a competitive edge while creating value both for society and for itself.

Torishima's Role

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.

Contents

Meet Torishima	
CSV — Creating Shared Value	P. 1
4 Business Domains	P. 3
Financial and Non-Financial Highlights	P. 4
Business Model	P. 5
Management Strategy and Message from the President	P. 7
Research and Development	P. 13
ESG	
Environment	P. 14
Society	P. 16
Governance	P. 19
Directors	P. 21
Executive Officers	P. 22
Financial Section	P. 23
Financial Data from the Past 11 Years	P. 23
Fiscal 2016 Financial Review	P. 25
Consolidated Financial Statements	P. 27
Corporate Data	P. 32

Editorial Policy

In order to communicate to the public Torishima's corporate value—including the company's financial and non-financial elements—we have consolidated and improved the contents of the *CSR Report* (in Japanese) and the *Annual Report* (in English) to create the *Torishima Report* (Japanese and English editions). Please refer to our website for further information of the company.

Financial Data Reference Source

In preparing the Japanese and English editions of the *Torishima Report*, we strove to avoid any major discrepancies between the two in terms of content. Please note, however, that the financial results (including consolidated financial statements) in the Japanese edition were excerpted from the securities report for the year ending March 31, 2017. The English edition, meanwhile, contains excerpts from financial statements that were audited by an audit company. Please visit the IR section of our website for further information, including financial statements.

Organizations Covered

This report covers the activities of Torishima Pump Mfg. Co., Ltd. and its consolidated subsidiaries. Some of the information is on Torishima Pump Mfg. Co., Ltd. only.

Period Covered

The report basically covers the financial reporting period from April 1, 2016 to March 31, 2017.

For information on items occurring after April 1, 2017, the date is included on the relevant page.

Referenced Guidelines

Torishima has endeavored to make a report that will generate unique value for the company.

We referred to the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) and the Environmental Reporting Guidelines (2012 version) published by the Ministry of the Environment, Japan.

Cautionary Statement with Regard to Forward-Looking Statements

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.

torishima pump

<http://www.torishima.co.jp/en>



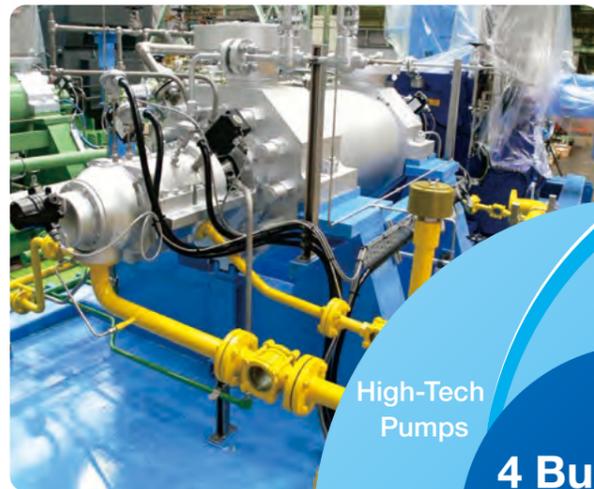
Torishima's 4 Business Domains

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.

Providing high-efficiency and reliable engineered pumps that respond to customers' increasingly advanced and diversified needs

Torishima supplies highly engineered pumps for a wide range of applications such as power plants, seawater desalination plants, petrochemical plants, and other general industrial plants. We continually revise and improve our technology to meet our customers' needs.



Offering well-proven expertise and experience as an EPC (engineering, procurement, construction) contractor

Not just a pump supplier, Torishima has a long history of supplying pumping stations. We have been providing a turnkey service to our customers whereby we can design, engineer, procure, construct, and commission all the equipment within a pumping station.



4 Businesses Centered on Pumps

High-Tech Pumps

Projects

Service Solutions

Renewable Energy and the Environment

Contributing to a low-carbon society through the use of renewable energy

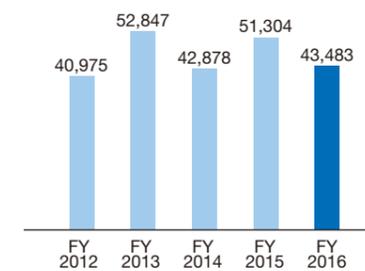
We offer customers total support in the design, installation, and maintenance of facilities such as wind power and mini/micro hydropower systems.

Maximizing the life span of plants with integrated service solutions

Torishima is committed to providing the highest-quality aftermarket services. Our innovative solutions can enhance performance and increase the life span of pumps. This allows operators to maximize efficiency, reduce maintenance costs, and conserve energy.

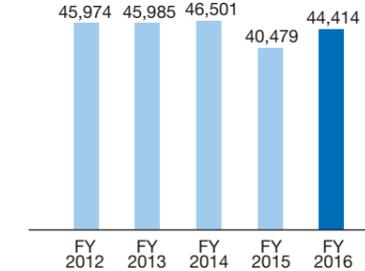
Financial Highlights

■ Orders Received (millions of yen)



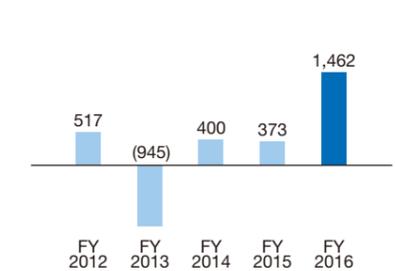
FY2016: A long-term drop in crude oil prices led to worsening finances in oil-producing countries. The result was a sluggish desalination market and stagnant orders received from overseas, mainly Middle East countries. However, profitability was secured through a strategy of focusing on quality rather than quantity.

■ Net Sales (millions of yen)



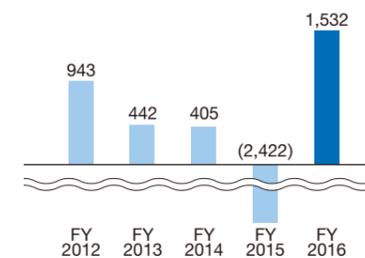
FY2016: Due to a large backlog of orders and other factors, targets were mostly reached as planned.

■ Operating Income or Loss (millions of yen)



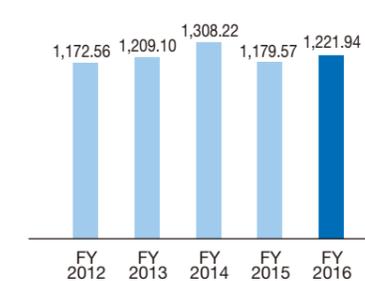
FY2013: Income fell due to several factors: sales were affected by yen appreciation, and product standardization and system reforms disrupted engineering and manufacturing.
FY2014-2015: Profit was back on track thanks to a thorough revamping of profitability.
FY2016: Substantial increase in profit due to steady recovery of profit margin.

■ Net Income or Loss Attributable to Owners of the Parent (millions of yen)

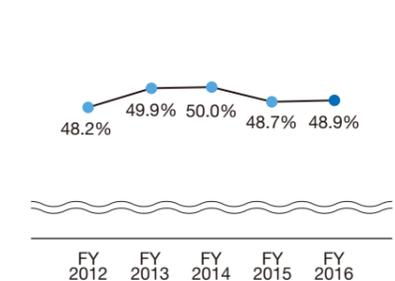


FY2015: Income fell due mainly to transient factors including exchange-rate losses and investment losses.
FY2016: No major problems arose, so targets were met.

■ Net Assets per Share (yen)



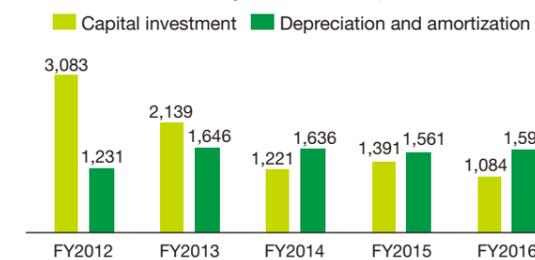
■ Equity Ratio



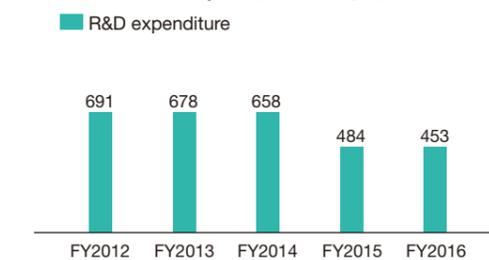
Note: Fiscal years ended March 31.

Non-Financial Highlights

■ Manufactured Capital (millions of yen)



■ Intellectual Capital (millions of yen)



In order to survive fierce global competition and maintain a competitive edge, we invest aggressively in production facilities, related equipment, software, and R&D. For example, we are expanding our service bases overseas.

- 2012: Established Torishima Service Solutions Asia Pte. Ltd. (Singapore)
Completed 2nd service facility, P.T. Torishima Guna Engineering (Indonesia)
- 2013: Completed service facility, Torishima Pumps (India) Pvt. Ltd. (Bengaluru, India)
- 2016: Established Torishima Service Solutions (Saudi Arabia) Ltd. (Dammam, Saudi Arabia)
Established Torishima Service Solutions (Thailand) Ltd.



Torishima's Business Model: CSV Management

It is our mission to address society's challenges by providing energy-efficient solutions, safety, and reliability. We do this by creating value through an integrated system covering everything from receiving orders to product delivery.

Torishima Pumps: Integral to Our Lives

Desalination Plants

In the Middle East and other regions where there is a shortage of water, desalination plants convert seawater into fresh water. To make this possible, seawater intake pumps, high-pressure pumps, and other pumps play an important role in desalination plants.

Power Plants

Boiler feed pumps, boiler circulation pumps, circulating water pumps, condensate pumps, and other pumps work around the clock in power plants to provide electricity that lights up the streets of cities.

Factories, Towns

Torishima pumps support industrial development and comfortable lifestyles by delivering water and other liquids to factories and towns.

Irrigation

Pumps deliver water to farms.

Rainwater Drainage Facilities

Drainage pumps protect houses and towns from flood damage caused by heavy rainfall.

Potable Water Facilities

Water that is delivered to homes and businesses comes from purification plants that purify river water, and from desalination plants that convert seawater into fresh water. These plants rely on the crucial role played by water supply and distribution pumps.

Sewage Treatment Plants

Pumps also send wastewater to sewage treatment plants and return purified water to rivers or seas.

Society's Challenges

Water and energy shortages caused by worldwide population growth and development in emerging countries

Global warming from CO₂ emissions

Aging infrastructure in industrialized countries

Frequent flood damage due to extreme weather

Pumps are a crucial part of the solution

Management Strategy

New Medium-Term Business Plan

BEYOND 100

Management Foundation

◆ Finance

◆ Production

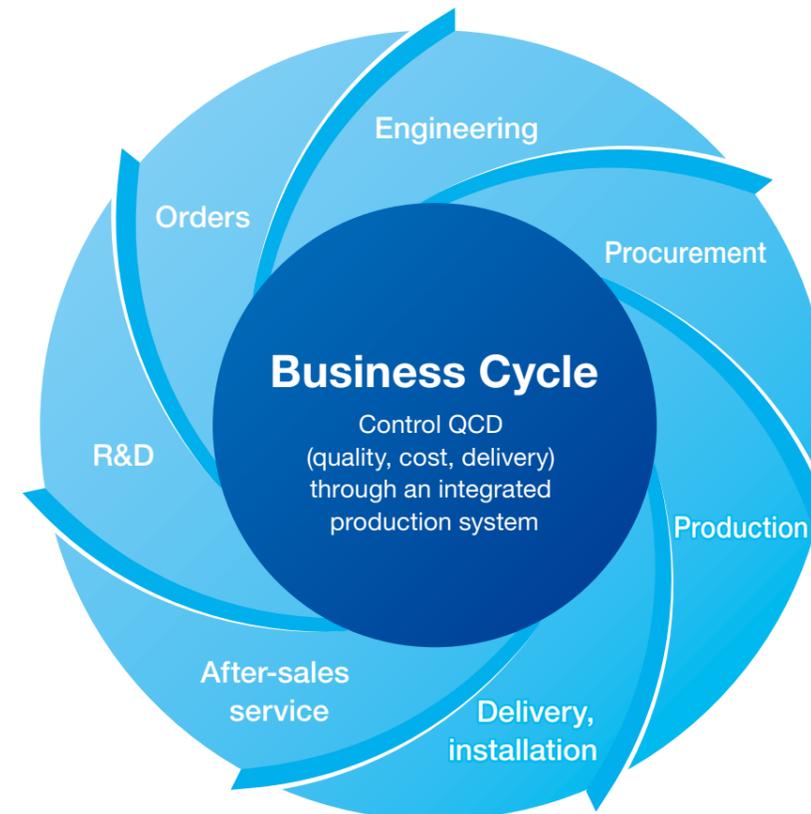
Bases and facilities related to manufacturing, after-sales service, and sales

◆ Technologies

R&D, certified skill training, human resource development

◆ ESG

Environment, society, governance



Value Creation

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. We can thus play our part in solving issues like water and energy shortages, and reducing CO₂ emissions.

Providing Safety and Reliability

We help expand and maintain worldwide infrastructure such as waterworks, sewerage, rainwater drainage, irrigation, power plants, and other pumping facilities. Wherever they're deployed, Torishima's advanced technologies ensure safety and reliability under all conditions.



Management Strategy and Message from the President

Continual Strengthening of Our Foundations

Kotaro Harada
President and CEO

Our Business Environment

Solving the world's challenges is a business opportunity, and Torishima's pump technology can be part of the solution.

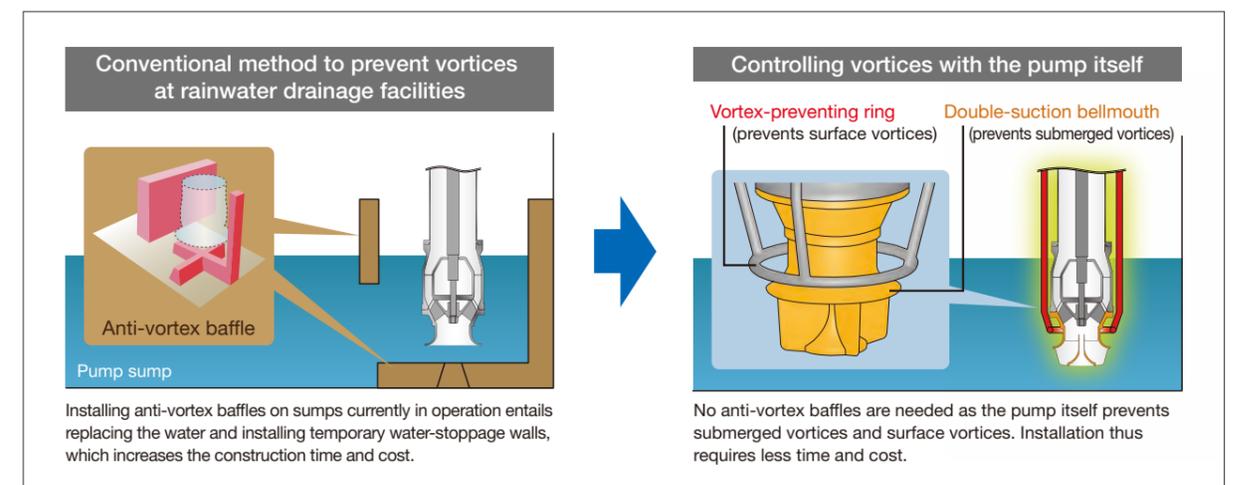
The 20th century was a time of rapid technological advances, but these advances came at a price; excessive use of energy and depletion of resources. But as the 21st century unfolds, there has been a paradigm shift with respect to issues such as global warming and the increasing world population. Resources are limited, and sustainability must be at the heart of any future developments. These issues, and continued globalization, transcend borders, creating opportunities for Torishima to rise to the challenge by providing high-quality, energy-efficient products.

The world's population now exceeds 7 billion. Demand for water and electricity is rising, particularly in developing countries, and pumps play a crucial role in meeting that demand. It is an undeniable irony that while pumps are essential for

providing water and electricity, they themselves require an enormous amount of power to function; they account for about 30% of the electricity consumed in Japan. So, any energy-efficiency gains in our pumps is a gain for all of society. The energy consumed by pumps necessitates the burning of fossil fuels to create energy, which of course releases CO₂ into the atmosphere. If we are to reduce these CO₂ emissions and thus curb global warming, we need to achieve greater energy efficiency. Rallying around Torishima's slogan of "Save the world with pumps," we have dedicated ourselves to research and development, utilizing state-of-the-art analysis technologies and testing equipment to provide even more highly efficient pumps. But we don't stop there. At Torishima, we use the technologies we have developed in large, high-pressure pumps, which require high efficiency and safety, and apply these to small pumps known as standard pumps. And through an initiative we call "Go green with pumps," we have been doing more than any other manufacturer to help the public understand how pumps can contribute to energy efficiency.

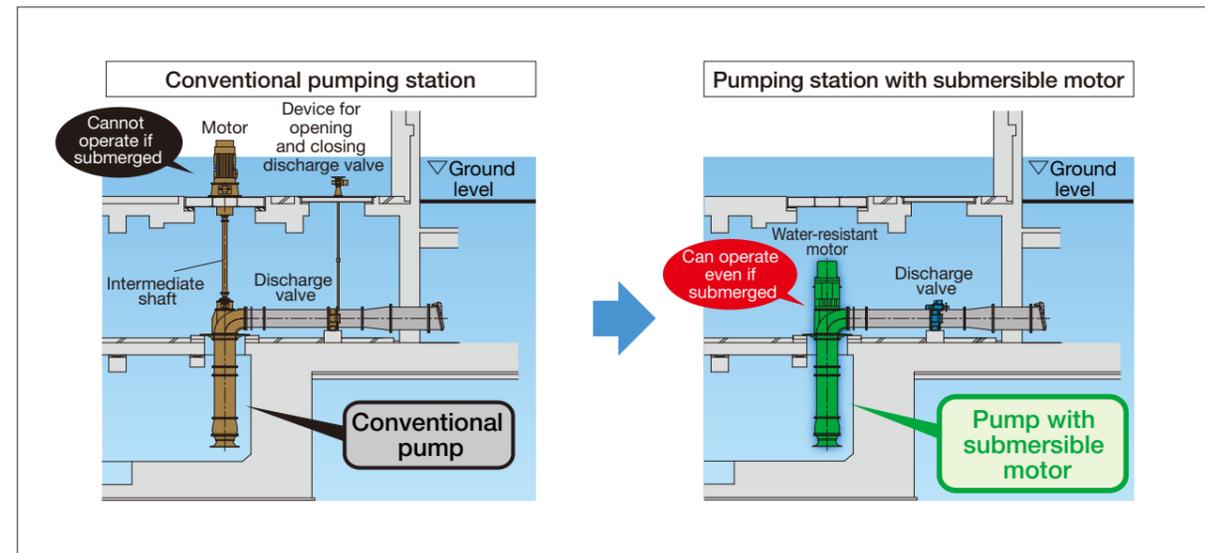
Our pumps provide a safety net for people in times of natural disasters. Urbanization is leading to decreased water-retention capacity, and increasingly frequent torrential rains are sending massive amounts of rainwater into drainage facilities, requiring that municipalities convert to or newly install high-volume pumps. However, if pumping volume is increased without changing the shape and dimensions of existing pump sumps, the water flow within the sump will increase, causing vortices that can damage the pumps. Traditionally, concrete anti-vortex baffles have been used to prevent these

vortices. Installing such baffles, however, is expensive and time-consuming, not to mention dangerous. Torishima has made such concrete anti-vortex baffles obsolete by developing pumps with two patented technologies—double-suction bellmouths and vortex-preventing rings—that allow the pumps themselves to prevent vortices. Pumps with these highly touted technologies have been installed on facilities in municipalities all over Japan.

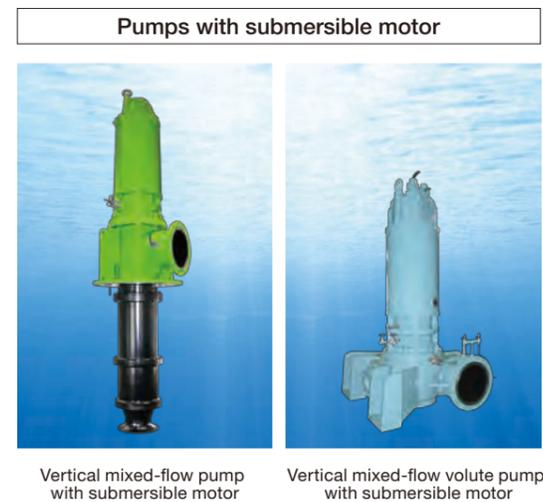


Recent years have brought torrential rains that in some cases totally submerge pumping stations. In response, we developed a patented pump with a submersible motor that can operate even if the pump room is flooded. Normally, motors are installed above ground-level to avoid the risk of becoming submerged, requiring auxiliary

equipment such as an intermediate shaft between the motor and the pump. Torishima's new pump is capable of operating under water. It also has its equipment consolidated in one room, which simplifies the facility design and reduces maintenance costs. The lack of an intermediate shaft makes it highly earthquake-resistant.



Over the past five years, facilities in Japan have been steadily installing Torishima's double-suction bellmouths, vortex-preventing rings, and pumps with submersible motors—prime examples of how Torishima's pump technology is keeping things running smoothly.

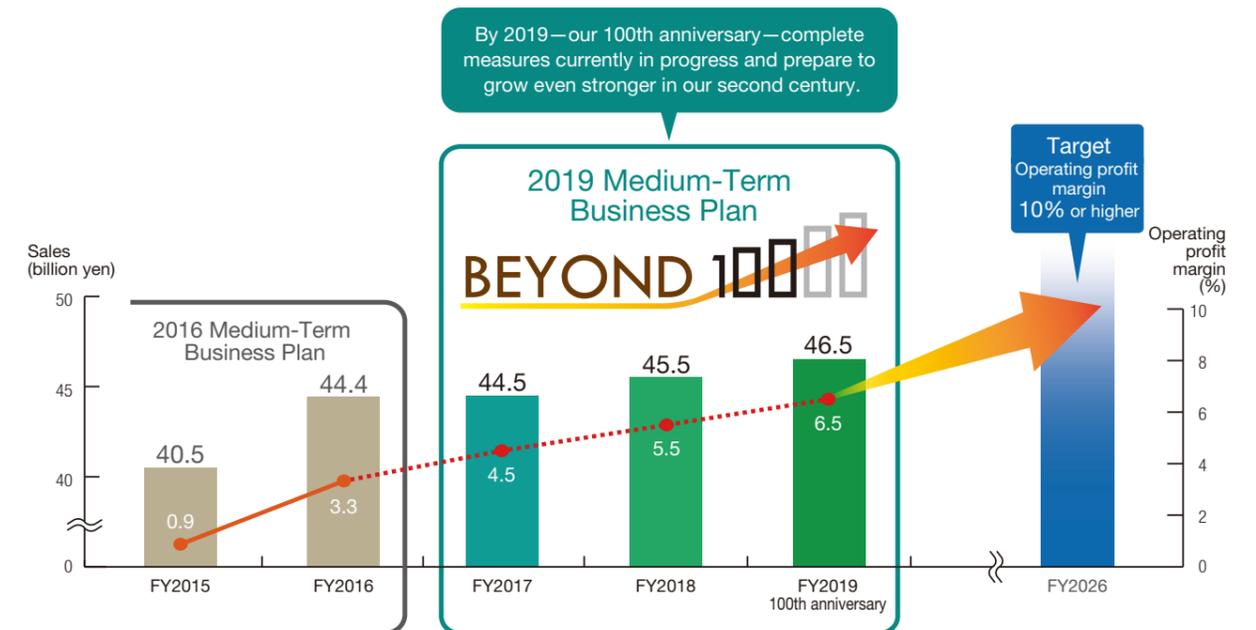


In Japan, investment in public infrastructure peaked around 1997 but dropped to about one-third of this in 2010. Since then, however, there has been an increase in the upgrading of aging infrastructure, and Torishima has been successfully tapping into this new area of demand. This trend is not just limited to Japan: we foresee increasing demand in the industrialized countries of Europe, North America, and other world regions.

We therefore believe worldwide pump demand will show a steady rise in the long term. At Torishima, it is our mission to use our technologies, along with our proven track record and the trust we have built up around the world, to provide high-efficiency pumps that offer society energy efficiency, safety, and reliability. We will continue to dedicate ourselves to meeting society's increasingly sophisticated and diverse needs.

New Medium-Term Business Plan (Fiscal 2017–2019) for Achieving Long-Term Targets

The next three years leading up to fiscal 2019, Torishima's 100th anniversary, are a time for us to consolidate the steps taken so far, and at the same time prepare to grow even stronger in our second century of business. We aim to improve our fundamental strengths so that we can withstand external environmental factors.

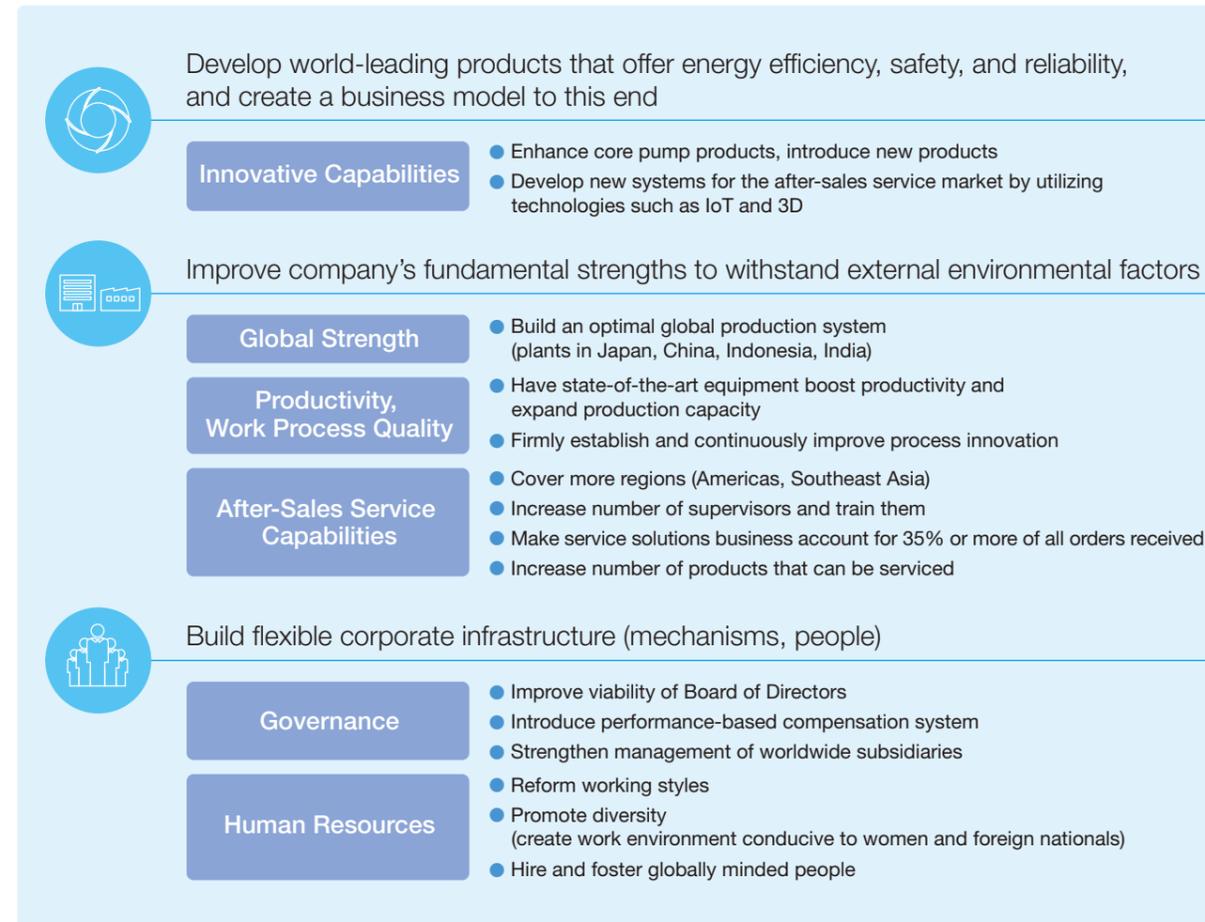


In order to strengthen our internal systems and build a solid foundation as a global company, for three years starting in fiscal 2013 we made reforming manufacturing processes a top priority. To achieve this, in fiscal 2013 we upgraded our core systems to secure integrated operational processes, covering everything from receiving orders and design to procurement, production, installation, and after-sales service. In fiscal 2014, we embarked on standardization of pump design.

Our entire company pulled together to carry out these plans, and as of fiscal 2016 we had achieved certain targets in the reform of manufacturing processes and we had streamlined our order-receiving policy to secure profits by focusing

on quality rather than quantity. The end result was a return to higher levels of profitability. However, the long-term drop in crude oil prices led to a slump in overseas demand for construction of new plants, such as desalination plants and power plants. As a result, competition with rivals intensified and orders overseas were hard to come by. Fortunately, demand was strong in Japan for thermal power plant construction and infrastructure upgrading, and we were able to end fiscal 2016 with increased sales and profits for our worldwide operations as a whole. Considering this situation, however, we are well aware that we must improve our company's fundamental strengths so that we can withstand external environmental factors such as crude oil prices and currency fluctuations.

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



One way to improve our fundamental strengths is to build an optimal global production system that will make us immune to currency fluctuations. We are expanding product lineups at our existing plants in China and Indonesia. In addition, in India we have a service facility able to respond to the needs of the many thermal power plants that have installed Torishima boiler circulation pumps. We plan to make this service facility capable of manufacturing boiler circulation pumps.

At the same time, there is no end to the work we have been doing to reform our manufacturing processes and thus achieve greater QCD (quality, cost, delivery) capabilities. We must firmly establish process innovation in order to continue to achieve improvements. In addition, it is imperative that we make our factory equipment state of the art so that we can realize increased productivity and expanded production capacity.

In the realm of service solutions, we have achieved steady progress in our efforts to expand our after-sales service network, with a focus on regions where many Torishima pumps are installed. In fiscal 2016, we established service facilities in Saudi Arabia and Thailand that have begun serving our customers in the respective regions. Torishima's service solutions now account for 30% of all orders received, a figure we plan to raise to 35% in fiscal 2019. By continuing to raise the ratio of service solutions to overall orders, our aim is to achieve a profit structure in which we secure stable profits through service solutions even when our orders for new pumps are sluggish. With this in mind, we are preparing to establish service facilities in countries where we have yet to establish them, including the nations of the Americas and Southeast Asia. We are also taking our servicing and maintenance business beyond just pumps, forming alliances with dedicated manufacturers of motors, turbines, and

other pump-related rotating machinery. By doing so, we offer our customers even greater convenience.

Torishima must set itself apart not only from its traditional rival manufacturers but also from budget manufacturers in emerging countries. Here again, the key is quality—quality in pumps and their servicing. End users need pumps to operate for several decades, so quality means giving them safety, durability, and satisfying after-sales services. To ensure that these end users ask for Torishima pumps by name, we must make pumps that work reliably for years and build a service network that is always there when customers need it.

We must also elevate overall product strength to new levels. That is, we need to boost the reliability, efficiency, and competitiveness of Torishima's core pumps so that we can offer better energy efficiency, safety, and reliability through our products and become industry-leaders in innovation. With today's lightning-fast pace of innovation in IoT, AI, 3D, and other data-rich technologies giving birth to new value in our world, we are witnessing what many are calling the fourth industrial revolution. We are harnessing these technologies to develop original systems and tap into new markets where we can secure new orders.

To succeed in the aforementioned efforts, governance and human resources are key factors supporting our company. To boost governance capabilities, we have improved the viability of our Board of Directors and introduced a performance-based compensation system, as well as strengthened management of our subsidiaries. This will allow us to improve the quality of our management and grow our business sustainably in the medium and long term.

To boost human resource capabilities, we must realize that people are the lifeblood of a corporation. There is much to be done: reform working styles, promote diversity, and hire and foster globally minded people. As one example of fostering human resources, with increasing demand from our customers around the world for maintenance and servicing, we will increase the number of supervisors and further train them so that when they are visiting customers to carry out inspections and repairs, they can at the same time



Torishima Service Solutions (Saudi Arabia) Ltd.

offer energy-efficient solutions and suggest ways to better operate their pumps. This will lead to improved service solutions and take our service division to a whole new level.

Torishima will celebrate its 100th anniversary in August 2019. The next three years leading up to 2019—under the new 2019 Medium-Term Management Plan—are a time for us to complete the measures we have taken up to now and prepare to grow even stronger in our second century of business. We will boost manufacturing efficiency and improve our company's fundamental strengths, with the goal of securing profit even in the face of external environmental factors. Our aim is to be fully prepared for the day when the market overcomes its current stagnancy, returns to vibrant growth, and provides us with improved sales.

Torishima's business is all about creating shared value (CSV): providing high-efficiency pumps and pump technologies that help solve society's sustainability problems by offering energy efficiency, safety, and reliability—while also helping us profit and grow as a company. My mission as president of Torishima is to raise our corporate value as a global company that can grow sustainably well into its second century of business. I would like to once again offer my gratitude to the many stakeholders who have continued to support us—shareholders, customers, suppliers, business partners, and of course the many employees who endeavor to proliferate our high-efficiency pumps. I ask for your continued support as we at Torishima strive to raise our corporate value and build good relations with all of our stakeholders.

Kotaro Harada
President and CEO

In an everchanging world our organization must continually develop and improve to remain competitive and influential in the Engineered Pump market. We have achieved this by innovation in the form of products that meet the new challenges in our society, which are linked to energy efficiency, predictive maintenance, and improved safety. The goal being ever improved products with higher efficiencies and reliability.

To emphasize our R&D strategy, our team's plan is to be first to market with products that respond to customer needs, particularly in the field of hydraulics. Therefore we have shortened our development lead time by incorporating a large-scale cluster system that utilizes a supercomputer and by automating our hydraulics development system. In addition to these systems, so as to improve product quality, we are also improving our analysis of cavitation erosion, caused by increasing pump speed, by using visualization test loops.

In parallel to ongoing activities mentioned above we also strive to make our R&D more efficient by working with partners through open innovation. With pumps continually increasing in size and speed as well as meeting dimensional restrictions and improving efficiencies, improved rotor dynamic technology is needed in meeting such targets. Torishima is conducting joint research with an American university to advance such rotor dynamic analysis technology and thus further improve the reliability of pumps.

To boost development efficiency and give rise to innovation, we are conducting hydraulic design of multistage pumps using multipurpose optimized design. We are also conducting joint research with universities with the goal of improving the performance of low-specific speed pumps used in high-head applications. Other basic research we are currently conducting with universities and other external research institutes covers elementary technologies in areas such as structure and materials.

In fiscal 2016, research and development focused on the following pumps in the fields of energy and desalination.

■ Circulating Water Pump for Power Plants

This is a vertical mixed-flow pump that supplies cooling water to the condenser in a power plant. By optimizing the water flow inside the pump, we achieved a pump that is higher speed, more compact, and highly efficient. We also succeeded in giving it higher-head and larger-capacity capabilities. It went on sale in 2016 and is already playing a major role at power plants around the world.

■ Boiler Circulation Pump for Thermal Power Plants

We completed development of a next-generation boiler circulation pump that can reduce the amount of cooling water needed and is thus more economic as well as a reduction on auxiliary systems needed for operation. We intend to bring this to market in fiscal 2017.



Boiler circulation pump

■ Reverse-Osmosis High-Pressure Pump for Seawater Desalination Plants

There is an increase in seawater desalination plant construction as demand for fresh water continues to grow worldwide. The reverse osmosis system has become the preferred technology for these plants due to its ability to meet the growing need for energy efficiency. The heart of a desalination plant is a reverse-osmosis high-pressure pump, which sends high-pressure water through a reverse-osmosis membrane. Through optimal design utilizing the latest fluid and structural analysis technologies, we have achieved a reverse-osmosis high-pressure pump with improved efficiency and stability. And thanks to our ability to provide products of even higher reliability, we are confident our product is more competitive as our objective is to maintain our position as a leading pump supplier in the desalination market.



Reverse-osmosis high-pressure pump

In the environmental area of CSR, Torishima focuses on contributing to the environment through its products and business activities, while also lowering the environmental burden of all its business activities.

Environmental Management

Torishima Environmental Policy



Philosophy

At Torishima, we believe that protecting the Earth's natural environment is a vital task that must be addressed by all mankind. In a quest to create a global environment of natural beauty conducive to pleasurable living, for the sake of the planet and all its inhabitants, through the provision of pumps and other environmentally friendly products, we supply environmentally sustainable systems engineered to enrich living environments everywhere. Meanwhile, through production activities in harmony with environmental demands and the provision of products having minimal environmental loads, we strive to contribute to the formation of a developmentally sustainable society on a global scale, to ensure the continuation of a healthy global environment well into the future.

Activities

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

- 1) Development and supply of highly efficient, environmentally friendly pumps, as a way of contributing to energy savings
- 2) Development and supply of wind power and hydropower generation systems that use natural energy sources, as a way of contributing to reduction of CO₂ emissions
- 3) Provision of technologies targeting reuse of waste materials, as a way of contributing to enhanced recycling of natural resources
- 4) Proactive promotion of reductions in environmental loads and prevention of environmental contamination based on environmental assessment results
- 5) Ongoing enhancement of environmental management systems in order to raise environmental performance
- 6) Compliance with environmental laws, regulations, and other appropriate demands, and formulation of and compliance with in-house rules
- 7) In the performance of production activities, pursuit of energy and natural resource savings, recycling, waste reduction, and proper management of chemical substances, as a way of lightening environmental burdens

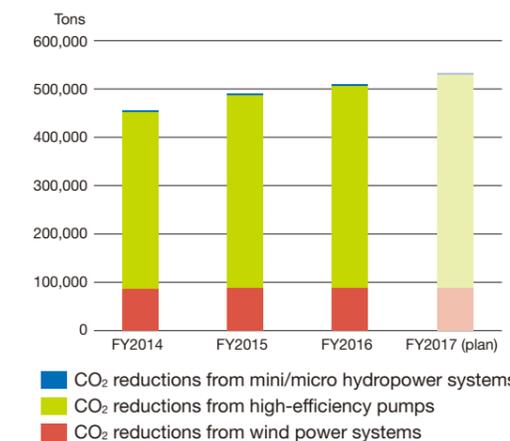
October 27, 2016
Kotaro Harada, President and CEO,
Torishima Pump Mfg. Co., Ltd.

Developing and Supplying Environmentally Friendly Products

Pump Business, Renewable Energy and the Environment Business

By providing energy-efficient pumps (high-efficiency boiler feed pumps, Eco-Pumps, and large high-efficiency pumps) along with wind power and mini/micro hydropower systems, Torishima contributed to reducing CO₂ emissions.

CO₂ reductions (tons)

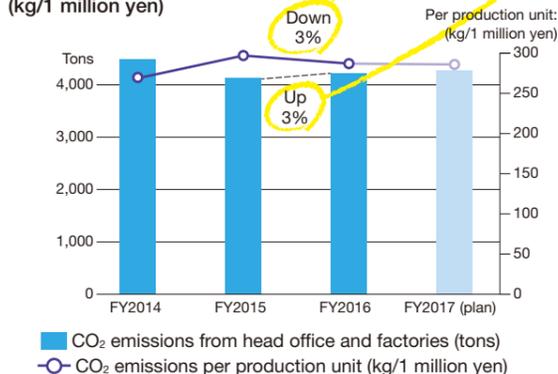


Initiatives for Reducing Environmental Burden in Production Activities

1 Saving Resources and Energy

In fiscal 2016, total CO₂ emissions from the head office and factories rose by 3% year-on-year, but CO₂ emissions per production unit* actually fell by 3%.

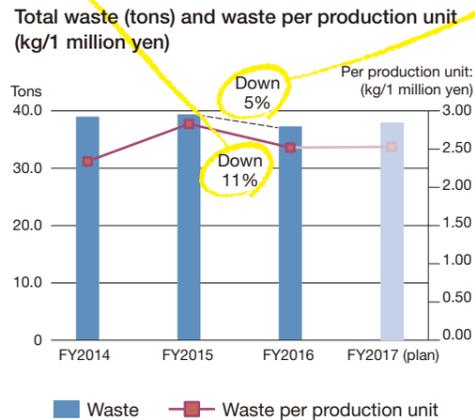
CO₂ emissions (tons) and CO₂ emissions per production unit (kg/1 million yen)



*Per production unit: The load generated per production of a certain amount of product. Torishima uses a benchmark of "per production output (one million yen)".

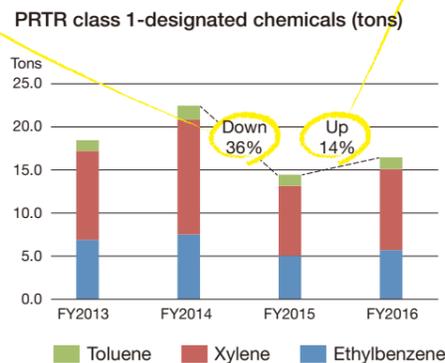
2 Reducing Waste

The total amount of waste at the head office and the changes in the amount of waste per production unit were as follows. In fiscal 2016, the amount of waste was down 5% year-on-year, due to factors such as a reduction in sludge. Meanwhile, waste generated per production unit was down 11% year-on-year.



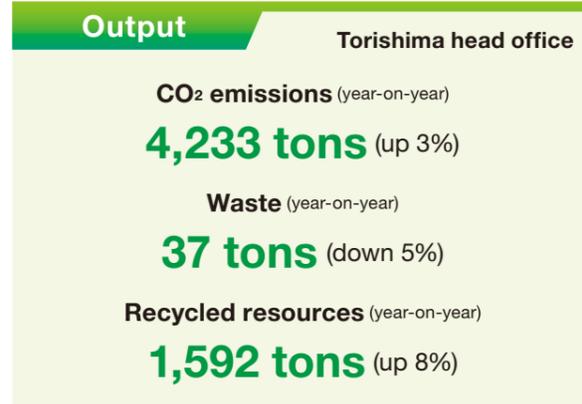
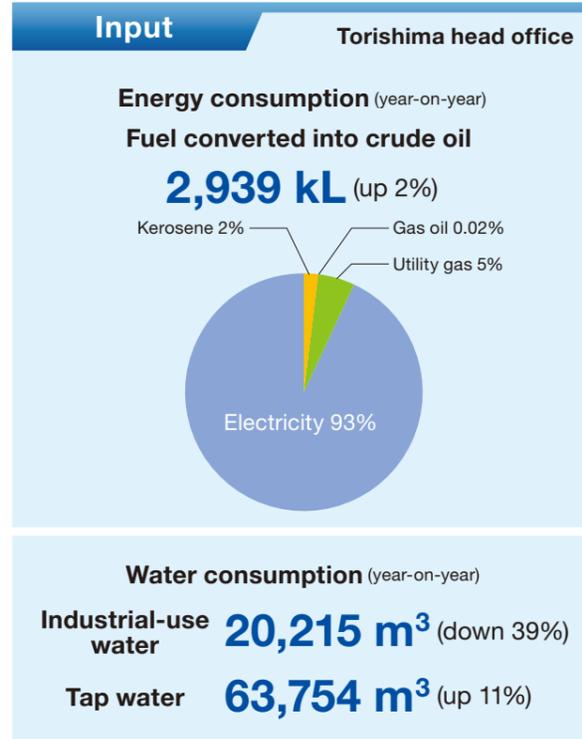
3 Reducing Discharge of PRTR Class 1-Designated Chemicals

In fiscal 2015 Torishima achieved a 36% 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. However, owing to an increase in production output, this figure rose 14% year-on-year in fiscal 2016. We keep striving to estimate the required paint volumes more accurately, while reducing the amount of cleaning agents we use.



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 2016, plant electricity usage increased by 2% year-on-year. Meanwhile, a reduction in sludge output resulted in overall waste reductions of 5% year-on-year.



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 reduce freight volume. We have set a target in our environmental management program of reducing freight volume ton-km* between shippers and suppliers in an effort to lessen our environmental impact.

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

*Ton-km = Freight weight (ton) × transport distance (kilometer)

In the social dimension of CSR, Torishima carries out various activities for all its stakeholders.



Relationship with Customers

“Go Green with Pumps” Seminars

We hold “Go Green with Pumps” seminars for customers who have installed Torishima Eco-Pumps. We believe just delivering pumps is not enough. These training sessions embody Torishima's years of experience and know-how as pump professionals. We aim to give customers a deeper understanding of pumps, while enabling them to apply what they have learned to their own pumping facilities. Instruction includes classroom lectures and hands-on practical training. We also make visits to hold lectures and travel to sites across Japan in our demo truck loaded with Eco-Pumps. These efforts have been well received by participants.



A “Go Green with Pumps” training session at the Torishima head office

Relationship with Business Partners

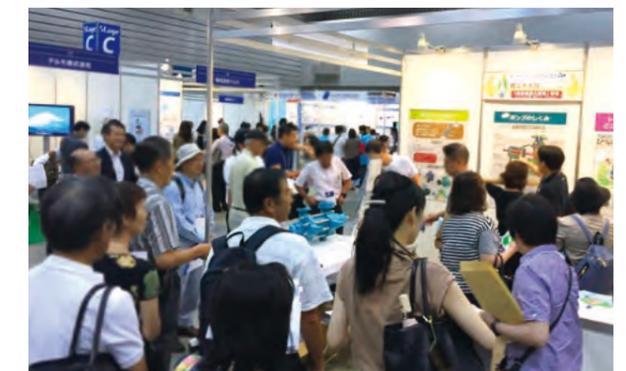
To maintain a good relationship with our subcontractor partners, Torishima selects such partners on the basis of transparent and impartial transactions. We also seek to establish equal partnerships with them while complying with all related laws and regulations.

Cooperation in Safety and Health

Together with subcontractors stationed at Torishima sites in Japan, Torishima holds joint monthly meetings aimed at enhancing safety and health activities. We also hold safety conferences focused on eliminating workplace accidents as well as workshops for persons in charge of safety and health in their respective workplaces. Torishima and our subcontractors are working as one to boost technical skills and raise awareness of safety and health.

Relationship with Shareholders and Investors

It is a challenging task to maintain effective communication with every Torishima shareholder and investor in Japan and overseas, whether they are individuals or institutions. Even so, we do everything we can to deepen the understanding that shareholders and investors have of the company's sustainable growth. Torishima strives for fair disclosure of corporate information, which is made available on the company website. In fiscal 2016, Torishima held a general shareholders' meeting and financial results briefings for institutional investors. We also participated in the Sawakami Fund's investment briefing for individual investors.



The Torishima booth at the investment briefing let individual investors get to know us better

Relationship with the General Public

■ Pump Classes at Elementary Schools

Every year, Torishima visits local elementary schools in Japan to teach children about pumps, manufacturing, and other topics. This gives us the opportunity to contribute to the local community and to children's education while also boosting the skills and motivation of Torishima employees.

In February 2017, students of the Japanese School in Dubai, U.A.E., paid a visit to Torishima's local service center and observed pumps and their assembly.



During the tour of the Dubai service center, the children had a great time trying their hand at making an Archimedes screw, the world's first pump

■ 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.

Research grants and scholarships **771 million yen** (Total from 1981 to 2016)

■ Co-sponsoring the Takatsuki Citizens' Sports Day

Torishima co-sponsored the 35th Takatsuki Citizens' Sports Day, held in Takatsuki, the city where our head office is located. This event allows disabled people to boost their wellbeing through athletic activities that they might not usually have the chance to partake in. Local citizens pitch in to plan and run the event, and people of all abilities get to enjoy sporting activities. It's an enlightening experience for everyone involved.



Under a bright autumn sky, 1,300 people took part in the 35th Takatsuki Citizens' Sports Day

Relationship with Employees

Torishima has always considered human resources 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.

■ Safety and Health Policy, Major Activities

In April 2010, Torishima was certified for the JISHA (Japan Industrial Safety and Health Association) OSHMS (Occupational Safety and Health Management System) standards. We work to reduce risks by conducting risk assessments of mechanical equipment, operational procedures, and chemical substances.

Safety and Health Policy

Basic Philosophy

Torishima contributes to society through business activities that include the development and manufacture of pumps and related products. At the same time, we regard creating a safe, healthy environment—one where employees can work free of worries and where their health is maintained or even enhanced—as the basis of our QCD (quality, cost, and delivery) actions. We have thus formulated a basic policy on safety and health and are building a culture of safety and health that aims for a virtuous cycle. And we seek to be a vibrant company that continues to grow forever.

Basic Policy

- 1) We constantly aim to raise the level of safety and health by steadily implementing our occupational safety and health management system and through ongoing improvement activities.
- 2) We identify hazardous factors in the workplace through risk assessments and take countermeasures on an ongoing basis so that we can reduce risks to an absolute minimum.
- 3) We comply with all safety and health-related laws and regulations and company standards in an effort to further our safety and health management.
- 4) We seek to create a comfortable workplace for everyone concerned by ensuring effective communication among Torishima employees and among other people working at Torishima sites.
- 5) We aim for zero accidents and disasters by raising employees' awareness of safety and health through education and training.
- 6) In executing safety and health activities, we invest the appropriate management resources and implement effective improvements on an ongoing basis.

April 1, 2017
Kotaro Harada,
President and CEO

Haruhisa Sumi,
Safety and Health
General Manager

■ Employee Education

Torishima actively offers educational opportunities and support, such as providing technical training on pumps and on-the-job training for new employees. We also offer grants to help employees obtain a Ph.D. in engineering or a national technical qualification, and we facilitate distance learning 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.

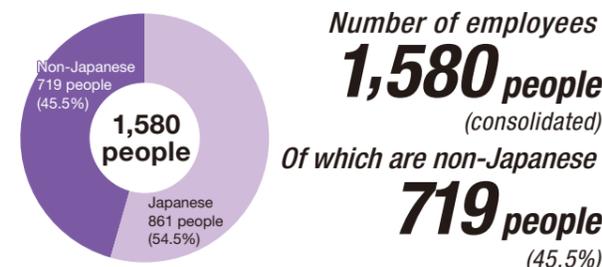
■ Diversity

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.

In Japan, the Act on Promotion of Women's Participation and Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children have come into effect. Companies are obliged to formulate action plans for creating workplace environments in line with these acts. To support employees in raising children, Torishima has an in-house daycare center.

■ Percentage of Non-Japanese Employees



Thanks to such measures, our percentage of women returning to work after childbirth is 100%.

Torishima also offers two-week workplace experience and training mainly for students from local special-needs schools. As of fiscal 2017, a total of 18 students with disabilities who have undergone this training have gone on to join the company. Torishima provides guidance and support so that they can feel they are part of the Torishima team and nurture their own hopes and dreams for the future.



For further information on Torishima's ESG initiatives, please visit our corporate website.

<https://www.torishima.co.jp/en/au/csr.html>

ISO-Certified Torishima Group Companies and Offices

ISO 9001

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.

Date	Name
February 1997	Torishima Pump Mfg. Co., Ltd. head office, factories, branches, and sales offices (Japan)
December 1998	P.T. Torishima Guna Indonesia (Indonesia)
April 2002	P.T. Geteka Founindo (Indonesia)
April 2003	P.T. Torishima Guna Engineering (Indonesia)
September 2010	Torishima Service Solutions Europe Ltd. (U.K.)
August 2012	Torishima Pump Mfg. Co., Ltd. Qatar Project Office (Qatar)
July 2013	Torishima Pump (Tianjin) Co., Ltd. (China)
December 2013	Torishima Service Solutions FZCO (U.A.E.)
June 2014	Torishima Service Solutions Asia Pte. Ltd. (Singapore)
January 2015	Torishima Pump Mfg. Co., Ltd. Middle East Project Office (U.A.E.)
August 2015	Torishima Pumps (India) Pvt. Ltd. (India)

ISO 14001

Torishima actively pursues ISO 14001 certification, an international standard on environmental management systems, and strives to protect the environment. We have completed compliance with ISO 14001:2015 at all of our bases in Japan (head office, factories, branches, and sales offices).

Date	Name
July 1999	Torishima Pump Mfg. Co., Ltd. head office and factories (Japan)
March 2004	P.T. Torishima Guna Indonesia (Indonesia)
	P.T. Torishima Guna Engineering (Indonesia)
May 2005	Kyushu Torishima Co., Ltd. (Japan)
September 2010	Torishima Service Solutions Europe Ltd. (U.K.)
May 2012	Torishima Sapporo, Sendai, Tokyo, Nagoya, Osaka, Takamatsu, Hiroshima, and Kyushu branches; Yokohama, Saga, and Okinawa sales offices (Japan)
August 2012	Torishima Pump Mfg. Co., Ltd. Qatar Project Office (Qatar)
January 2013	Torishima Pump Mfg. Co., Ltd. Middle East Project Office (U.A.E.)
July 2013	Torishima Pump (Tianjin) Co., Ltd. (China)

To grow sustainably and raise corporate value in the medium to long term, Torishima is strengthening its corporate governance and its framework for risk management, internal control, J-SOX compliance, and other items.

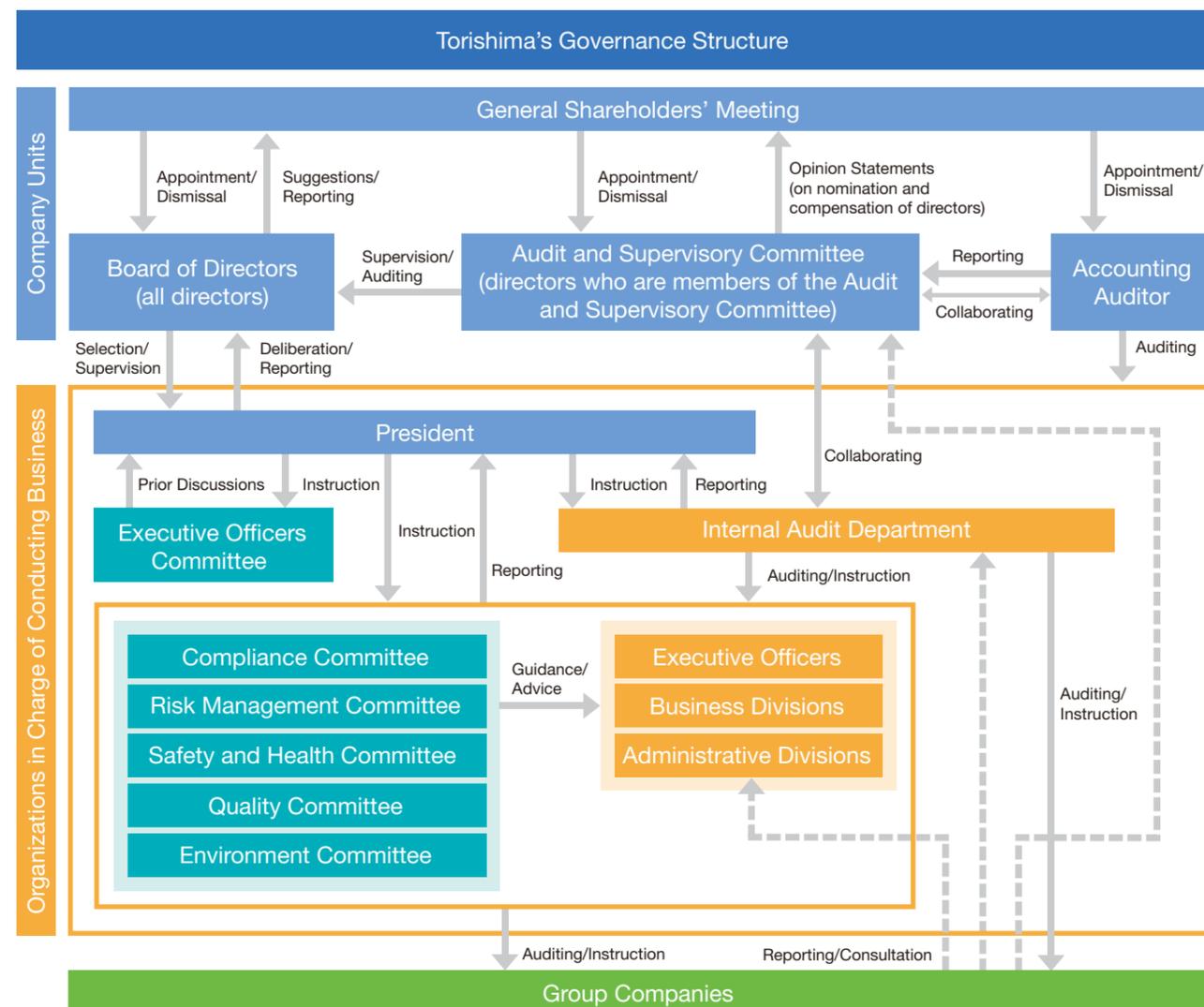
Corporate Governance Structure

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 efficiency, 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. And we will look into implementing a performance-based compensation system as a means of boosting business performance.



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.

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

Interview with an Outside Director

Q What's your impression of Torishima after being appointed director in June 2016?

A: In my first days as director, I felt discussions at Torishima's Board of Directors meetings were more lively than those at other companies, and it felt fresh. Participants could speak their minds freely. My unchanged impression from the start is that Torishima directors all have a sunny disposition. Still, I think there's some room for improvement—for example, in speeding up the organization of information and sharing awareness of issues as a premise for discussions.

Q How do you assess the effectiveness of Torishima's Board of Directors?

A: There's no fixed assessment method, but Japanese people tend to prefer established routines. So we used a questionnaire in line with the Japanese Corporate Governance Code, which each director filled out. We then summarized our responses and made an assessment this April—a first for Torishima. I believe this has provided a starting point from which Torishima's Board of Directors can grasp the state of the company's corporate governance and spread awareness of it. This time, the Board was found to be acting effectively. We should continue making such assessments in the future, as they are highly worthwhile.

Q What should Torishima do to boost the effectiveness of the Board?

A: The Corporate Governance Code simply outlines typical examples. What's really important, and what's the best form to follow, differs from one company to the next. So it's crucial for Torishima to go deep into discussion to reveal what exactly is vital to the company and what the issues are. This in turn helps to enhance the Board's effectiveness. It's also important that we directors—while keeping in mind the company's value—have meaningful discussions on whether we're going in the right direction.

Q What is your role as an outside director?

A: Being an attorney-at-law, my role as an outside director taking part in Board discussions among experts in business management is to listen attentively to their opinions and scrutinize them from a mainly legal perspective. Of course, that's not the only role I have as director, but I believe that's chiefly what's expected of me.



Hiroshi Akiyama, Outside Director
(Member of Audit and Supervisory Committee)

Profile

- 1994 Registered as attorney, Osaka Bar Association
- Joins Midotsuji Law Firm (now Midotsuji Legal Profession Corporation)
- 2003 Said firm reorganized into legal profession corporation; becomes member (present)
- 2011 Outside Audit and Supervisory Board member, Kotaro Pharmaceutical Co., Ltd. (present)
- 2015 Outside Audit and Supervisory Board member, Fujiki Komuten Co., Ltd. (present)
- 2016 Director (Audit and Supervisory Committee member), Torishima (present)



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

Newly appointed

Director
Koichiro Hamu

Besides doing work related to engineering, Mr. Hamu is in charge of R&D and overseas marketing and sales. His job is to promote the planning and development of new products and boost Torishima's overseas marketing capabilities.

Director
Nobuyuki Yoshikawa

Mr. Yoshikawa has a wealth of experience in quality assurance, CSR promotion, and manufacturing. Since April 2017, he has been supporting business operations by strengthening procurement.

Director
Tetsuya Kujima

Mr. Kujima's duties have focused on sales planning, wind power, and procurement. Since April 2017, he has been promoting innovation in manufacturing.

Director (Member of Audit and Supervisory Committee)
Yutaka Fukuda

Mr. Fukuda draws on his experience and knowledge in accounting, general affairs, and internal auditing to strengthen Torishima's governance and compliance systems.

Outside Director (Member of Audit and Supervisory Committee)
Hiroshi Akiyama

Mr. Akiyama was appointed as a director in June 2016. Using his wealth of experience that includes being a lawyer and working as an outside auditor at other companies, he oversees the strengthening of Torishima's governance and compliance systems, particularly from a legal perspective.

Vice President and Representative Director
Hiomichi Fujikawa

Mr. Fujikawa has mainly been involved in sales and plant engineering, and he also works towards globalizing Torishima's business. He uses this experience and knowledge in managing large-scale overseas projects that will contribute to making Torishima stronger around the world.

President and Representative Director
Kotaro Harada

Since being appointed President and Representative Director in June 2006, Mr. Harada has demonstrated strong leadership at the core of Torishima's management and has striven to boost the company's corporate value. He will continue to play an indispensable role in raising corporate value over the medium and long term.

Outside Director (Member of Audit and Supervisory Committee)
Akira Tsuda

Mr. Tsuda has a wealth of experience, knowledge, and success working at other companies as a director and in other management positions. Using an objective viewpoint independent of Torishima's management members, he provides sound proposals and advice to the company's Board of Directors.

Outside Director (Member of Audit and Supervisory Committee)
Shiro Hakukawa

With his wealth of specialized knowledge in taxes, finance, and accounting gained through years of experience as a certified public accountant, Mr. Hakukawa brings strengthened oversight and transparency to Torishima's management.

Chief Executive Officer



Kotaro Harada
President

Senior Managing Executive Officers



Tetsuya Kujima
Corporate Planning Office,
General Manager of
Manufacturing Division



Gerald Ashe
Corporate Planning Office,
General Manager of Overseas
Marketing & Sales Division

Managing Executive Officers



Nobuyuki Yoshikawa
General Manager of
Procurement Division



Yoshiaki Inuyama
General Manager of
Plant Engineering Division,
General Manager of Public-Sector
Management Department



Koichiro Hamu
General Manager of
Engineering Division,
General Manager of Research &
Development Department

Executive Officers



Alister Flett
General Manager of
Middle East Sales Department,
Managing Director of Torishima
Service Solutions FZCO



Masahisa Ikuta
General Manager of
Middle East Project Branch,
General Manager of
TGT Project Department



Masahiro Yamazaki
Chairman of Torishima Pumps
(India) Pvt. Ltd.



Mike Choi
Regional Director of
TGT Hong Kong & Vietnam,
Managing Director of
Torishima (Hong Kong) Ltd.



Haruhisa Sumi
General Manager of
Administration Division

Executive Officers



Masahiko Ishida
General Manager of
Service Division



Hiroto Takahashi
General Manager of
Human Resource Department,
General Manager of
General Affairs Department



Satoshi Tomizawa
Deputy General Manager of
Overseas Marketing &
Sales Division,
TGT Regional Director,
General Manager of
TGT Sales Department



Akihiro Suezawa
General Manager of
Tokyo Branch



Takumi Yoshimura
In charge of Indonesia
Service Solutions

(Fiscal years ended March 31)		(Millions of yen)											(Thousands of U.S. dollars*)	
		FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2016	
【1】 Business performance	Orders received	43,088	50,794	46,988	58,624	32,974	39,579	40,975	52,847	42,878	51,304	43,483	388,241	
	Net sales	36,404	47,272	45,692	45,008	49,880	46,453	45,974	45,985	46,501	40,479	44,414	396,554	
	Gross operating income	5,940	8,269	8,596	9,548	9,257	8,959	8,015	8,320	9,162	9,191	10,538	94,089	
	Operating income or loss	852	2,643	2,761	3,258	3,127	2,286	517	(945)	400	373	1,462	13,054	
	Ordinary income or loss	1,245	2,566	3,410	3,833	3,673	2,929	1,389	(632)	793	(1,663)	1,871	16,705	
	Net income or loss attributable to owners of the parent	635	1,410	1,990	2,609	1,892	1,497	943	442	405	(2,422)	1,532	13,679	
	Gross profit margin (%)	16.3%	17.5%	18.8%	21.2%	18.6%	19.3%	17.4%	18.1%	19.7%	22.7%	23.7%	23.7%	
	Operating profit margin (%)	2.3%	5.6%	6.0%	7.2%	6.3%	4.9%	1.1%	(2.1)%	0.9%	0.9%	3.3%	3.3%	
	ROE (return on equity) (%)	2.3%	5.2%	8.0%	9.5%	6.1%	4.8%	2.9%	1.3%	1.1%	(7.5)%	4.7%	4.7%	
	ROA (return on assets) (%)	1.0%	2.3%	3.2%	4.0%	3.1%	2.5%	1.4%	0.6%	0.6%	(3.7)%	2.3%	2.3%	
【2】 Financial status	Total assets	65,581	62,076	62,132	65,641	61,178	60,812	68,232	68,062	71,987	66,198	67,719	604,634	
	Net assets	27,943	26,030	24,006	31,083	30,968	31,775	33,602	34,524	36,532	32,794	33,713	301,009	
	Equity ratio (%)	42.6%	41.9%	38.6%	47.2%	50.3%	51.3%	48.2%	49.9%	50.0%	48.7%	48.9%	48.9%	
【3】 Breakdown of orders received, net sales, and order backlog	Net sales by region	Japan	20,278	20,524	19,126	20,939	18,703	17,281	18,070	20,096	19,104	17,060	22,153	197,795
		Asia	4,089	8,733	8,449	5,408	11,196	13,125	10,259	9,042	11,124	11,307	8,612	76,893
		Middle East	10,798	14,682	13,347	16,248	14,369	11,430	11,887	9,753	11,115	8,225	10,940	97,679
		Others	1,239	3,331	4,770	2,412	5,609	4,615	5,758	7,092	5,156	3,887	2,708	24,179
		Overseas ratio (%)	44.3%	56.6%	58.1%	53.5%	62.5%	62.8%	60.7%	56.3%	58.9%	57.9%	50.1%	50.1%
	Orders received by segment	Public sector	17,643	16,525	14,835	14,575	9,973	11,600	10,971	15,923	12,001	16,013	15,913	142,080
		Private sector	6,924	5,578	5,245	4,517	4,921	6,205	5,733	7,144	6,943	8,396	7,973	71,188
		Overseas	18,520	28,690	26,907	39,532	18,079	21,772	24,270	29,779	23,933	26,895	19,595	174,955
	Net sales by segment	Public sector	14,236	14,445	14,099	15,469	13,760	11,317	12,277	13,797	12,957	9,980	13,832	123,500
		Private sector	6,040	6,079	5,025	5,468	4,942	5,963	5,792	6,299	6,146	7,078	8,320	74,286
		Overseas	16,127	26,748	26,566	24,069	31,176	29,172	27,904	25,888	27,397	23,419	22,261	198,759
	Order backlog by segment	Public sector	8,394	10,473	11,209	10,316	6,528	6,811	5,505	7,631	6,675	12,707	14,788	132,036
		Private sector	3,709	3,208	3,428	2,477	2,455	2,698	2,639	3,484	4,281	5,598	5,251	46,884
Overseas		33,584	35,526	35,867	51,329	38,231	30,832	27,198	31,089	27,625	31,101	28,436	253,893	
【4】 Major expenditures	SG&A (selling, general, and administrative expenses)	5,088	5,625	5,834	6,290	6,130	6,673	7,497	9,265	8,761	8,818	9,075	81,027	
	SG&A-to-sales ratio (%)	14.0%	11.9%	12.8%	14.0%	12.3%	14.4%	16.3%	20.1%	18.8%	21.8%	20.4%	20.4%	
	Depreciation	866	910	873	851	961	1,096	1,231	1,646	1,636	1,561	1,599	14,277	
	Capital investment	731	654	739	1,311	2,297	2,224	3,083	2,139	1,221	1,391	1,084	9,679	
	R&D expense	534	638	603	730	567	606	691	678	658	484	453	4,045	
【5】 Cash flow	Cash flow from operations	(5,218)	2,511	922	4,439	735	2,661	3,513	(4,086)	(1,194)	5,000	6,496	58,000	
	Cash flow from investments	(599)	578	(1,259)	(3,084)	(75)	(1,269)	(3,966)	(4,498)	(345)	(415)	1,376	12,286	
	Cash flow from financial activities	2,355	(1,465)	(669)	1,678	590	(2,371)	4,356	(112)	2,120	(1,624)	(4,140)	(36,964)	
【6】 Per share information	Net income per share (yen)	24.65	54.77	77.32	100.07	67.45	53.38	33.64	15.74	14.61	(88.13)	56.15	0.5 dollars	
	Net assets per share (yen)	1,084.65	1,010.45	931.13	1,105.50	1,097.71	1,112.29	1,172.56	1,209.10	1,308.22	1,179.57	1,221.94	10.9 dollars	
【7】 Stock information	Dividends (yen)	13	15	17	20*2	18	18	18	18	18	18	18	0.2 dollars	
	Payout ratio (%)	52.7%	27.4%	22.0%	20.0%	26.7%	33.7%	53.5%	-	-	-	32.1%	32.1%	

*1: U.S. dollar amounts have been translated from yen—solely for the convenience of the reader—at the rate of ¥112 to U.S.\$1.00, the exchange rate prevailing on March 31, 2017.

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

Note: Figures on pages 25 to 28 have been calculated based on Japanese disclosure rules.

1 Analysis of Consolidated Operating Results

1. Fiscal 2016 Operating Results

The world economy in fiscal 2016 showed slowing growth against a background of a sluggish U.S. economy in the first fiscal half and chaos in financial markets driven by fears of deceleration in the Chinese economy and the “Brexit shock.” In the second fiscal half, the U.S. economy rebounded, the Chinese government took measures to buoy the economy, and the central banks of major countries took prompt steps to deal with Brexit, all of this resulting in mild recovery.

The Japanese economy also saw a mild recovery thanks to improved employment and earnings situations, a bottoming out of resource prices in the second fiscal half, a halting of the yen’s upward movement, a recovery in the international economy, and rebounding exports and manufacturing in Japan.

But there is increasing uncertainty as to what the effect will be on the Japanese and world economies as the Trump administration seeks to pursue protectionist, “America first” policies and enforce stricter immigration policies in the U.S.

In the pump industry, promising movement could be seen amidst infrastructure building, particularly water-resource-related, to meet the needs of a growing world population, and the construction of thermal power plants in response to revised energy policies. At the same time, the industry was struggling on the orders front worldwide as projects mainly in the Middle East slowed down due to declining oil demand and capital investment in the private sector dropped off.

Against this background, the Torishima Group continued to focus on developing, producing, and selling high-efficiency pumps, pushing ahead with the sale of Eco-Pumps, promoting new technologies to the public sector, and expanding its maintenance service. As a result, orders for fiscal 2016 totaled ¥43,483 million (84.8% of the ¥51,304 million in orders of the previous year).

Broken down by customer type, public-sector orders were ¥15,913 million (99.4% of the ¥16,013 million in the previous fiscal year), domestic private-sector orders were ¥7,973 million (95% of the ¥8,396 million in the previous fiscal year), and orders from overseas were ¥19,595 million (72.9% of the ¥26,895 million in the previous fiscal year).

Net sales for fiscal 2016 were ¥44,414 million (109.7% of the ¥40,479 million reported for the previous fiscal year). The balance of orders outstanding at the end of fiscal 2016 and carried over to the next year amounted to ¥48,476 million (98.1% of the ¥49,407 million in the previous fiscal year).

Operating income for the fiscal year was ¥1,462 million (compared with ¥373 million in the previous fiscal year). This was thanks to an increase in net sales and an improvement in gross profit margin.

Ordinary income was ¥1,871 million (compared with an ordinary loss of ¥1,663 million in the previous fiscal year). This was due to factors including foreign exchange income of ¥126 million as non-operating income.

Net income attributable to owners of the parent company was ¥1,532 million (compared to a net loss attributable to owners of the parent company of ¥2,422 million in the previous fiscal year). Reasons included a gain on sales of subsidiary stocks of ¥168 million as extraordinary income and a loss on valuation of investment securities of ¥103 million as extraordinary loss.

2. Forecast for Fiscal 2017 and the New Medium-Term Business Plan

With the world’s population exceeding 7 billion, the securing and effective use of water, food, and energy continues to present global challenges. In response, it is expected that the world’s water market will expand and more thermal power plants will be constructed around the world to ensure a stable supply of electricity. In Japan, the business environment is expected to stabilize as maintenance service expands in response to the need to upgrade aging infrastructure and as public works projects are carried out to build infrastructure capable of withstanding natural disasters.

Against this background, the Torishima Group formulated its new medium-term business plan covering a three-year period culminating in fiscal 2019, our 100th anniversary.

Under this plan, we aim to improve our fundamental strengths to withstand external environmental factors and build a flexible corporate infrastructure (mechanisms, people). Keys will be developing world-leading products that offer energy efficiency, safety, and reliability, and creating a business model to this end. This will allow us to make our 100th anniversary of 2019 a new launching point for further growth.

2 Analysis of Financial Position

1. Consolidated Assets, Liabilities, and Net Assets

Assets on a consolidated basis at the end of fiscal 2016 amounted to ¥67,719 million, an increase of ¥1,521 million over the previous fiscal year-end. This was primarily due to an increase in cash and deposits (¥3,687 million increase over the previous fiscal year-end) and a decrease in investment securities (¥1,660 million decrease over the previous fiscal year-end).

Targets of the New Three-Year Business Plan

(Millions of yen)

	FY2017	FY2018	FY2019
	Plan	Plan	Plan
Orders received	44,000	46,000	50,000
Net sales	44,500	45,500	46,500
Operating income	2,000	2,500	3,000
Ordinary income	2,500	3,000	3,500
Net income attributable to owners of the parent company	1,800	2,000	2,500

Note: These figures do not take into account the International Financial Reporting Standards (IFRS).

Liabilities on a consolidated basis at fiscal year-end amounted to ¥34,006 million, an increase of ¥602 million yen over the previous fiscal year-end. Despite a decrease in long-term debt (down ¥4,055 million yen over the previous fiscal year-end), there were increases in notes and accounts payable (¥1,193 million increase over the 2015 fiscal year-end), advances received (¥1,179 million increase over the 2015 fiscal year-end), and short-term borrowings (¥868 million increase over the fiscal 2015 year-end).

Net assets on a consolidated basis at fiscal year-end were ¥33,713 million, an increase of ¥918 million over the previous fiscal year-end.

2. Consolidated Cash Flows

Consolidated cash and cash equivalents (hereinafter, cash) at the end of the fiscal year amounted to ¥10,871 million, an increase of ¥3,696 million over the previous fiscal year-end. Note that the cash in the consolidated financial statements includes ¥58 million in time deposits with maturities over three months.

Operating Cash Flows

Net cash provided by operating activities amounted to ¥6,496 million (compared to ¥5,000 million in the previous fiscal year). Despite a decrease in net cash due to items such as an increase in trade receivable of ¥915 million yen (compared to a trade receivable decrease of ¥3,471 million in the previous fiscal year), this was offset by an increase in net cash in the form of a trade payable increase of ¥1,304 million (compared to a decrease of ¥1,735 million in the previous fiscal year) and an increase in advances received of ¥1,222 million (compared to an increase of ¥1,421 million in the previous fiscal year).

Investing Cash Flows

Net cash provided by investing activities was ¥1,376 million (compared to net cash used in investing activities of ¥415 million in the previous fiscal year). Despite cash outflows due to purchases of property, plant, and equipment of ¥924 million yen (compared to ¥1,109 million in the previous fiscal year), this

was offset by cash inflows, including proceeds from sales of investment securities of ¥2,524 million (compared to ¥1,449 million in the previous fiscal year).

Financing Cash Flows

Net cash used in financing activities amounted to ¥4,140 million (compared to net cash used in financing activities of ¥1,624 million in the previous fiscal year). Despite cash inflows that included proceeds from long-term debt of ¥1,892 million (compared to ¥2,008 million in the previous fiscal year), these were offset by factors such as a decrease in short-term borrowings of ¥4,029 million (¥999 million in the previous fiscal year) and cash outflows in the form of repayment of long-term debt amounting to ¥1,000 million (compared to ¥1,729 million in the previous fiscal year).

3 Basic Policy for Allocation of Income, and Dividends for Fiscal 2016 and Fiscal 2017

It is the Torishima Group’s policy to pay shareholders consistent dividends. In order to achieve further growth through the allocation of our profit, we aim to maintain a dividend payout ratio of about 30%.

Our retained earnings are invested so that future growth is achieved in the most effective manner. Retained earnings are invested to develop new technologies and new products that will respond to the increasingly sophisticated needs of pumps, related equipment, and software; to maintain existing pumping facilities and stations; to develop more efficient, streamlined production facilities; and to expand the scope of business into environmental sectors for conserving the natural environment.

For fiscal 2016, the Torishima Group paid a regular interim dividend of ¥9 per share. The focus of the year-end dividend of ¥9 per share was to share business profits with shareholders. The full-year dividend was thus ¥18 per share.

For fiscal 2017, a full-year dividend of ¥18 per share is planned.

(1) Consolidated Balance Sheet

 Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
 Years ended March 31

ASSETS	Millions of Yen		Thousands of U.S. Dollars**1
	FY2016	FY2017	FY2017
CURRENT ASSETS:			
Cash and cash equivalents	¥ 7,175	¥ 10,871	\$ 97,063
Short-term investments	69	59	527
Receivables:			
Trade	22,999	23,665	211,295
Unconsolidated subsidiaries and associated companies	85	48	429
Other	574	199	1,776
Allowance for doubtful accounts	(355)	(372)	(3,321)
Inventories	9,288	8,996	80,321
Advance payments	243	418	3,732
Deferred tax assets	512	655	5,848
Other current assets	943	780	6,964
Total current assets	41,533	45,319	404,634
PROPERTY, PLANT, AND EQUIPMENT:			
Land	2,510	2,499	22,313
Buildings and structures	9,948	10,142	90,553
Machinery and equipment	12,670	13,115	117,098
Construction in progress	69	71	634
Lease assets	644	644	5,750
Total	25,841	26,471	236,348
Accumulated depreciation	(15,752)	(16,534)	(147,625)
Net property, plant, and equipment	10,089	9,937	88,723
INVESTMENTS AND OTHER ASSETS:			
Investment securities	7,196	8,564	76,464
Investments in and advances to unconsolidated subsidiaries and associated companies	4,548	1,533	13,688
Software	1,961	1,656	14,786
Asset for retirement benefits	173	375	3,348
Deferred tax assets	51	53	473
Other assets	647	283	2,527
Total investments and other assets	14,576	12,464	111,286
TOTAL	¥ 66,198	¥ 67,720	\$ 604,643

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars**1
	FY2016	FY2017	FY2017
CURRENT LIABILITIES:			
Short-term borrowings	¥ 5,619	¥ 1,580	\$ 14,107
Current portion of long-term debt	1,096	5,998	53,554
Payables:			
Trade	8,218	9,397	83,902
Unconsolidated subsidiaries and associated companies	47	61	544
Other	1,268	1,224	10,929
Advances received from customers	3,202	4,381	39,116
Income taxes payable	196	337	3,009
Allowance for product warranties	654	848	7,571
Allowance for losses on construction contracts	314	957	8,545
Accrued expenses	1,470	1,289	11,509
Other current liabilities	44	129	1,152
Total current liabilities	22,128	26,201	233,938
LONG-TERM LIABILITIES:			
Long-term debt	9,916	5,881	52,509
Liability for retirement benefits	314	337	3,009
Deferred tax liabilities	701	1,221	10,902
Other long-term liabilities	344	366	3,268
Total long-term liabilities	11,275	7,805	69,688
COMMITMENTS AND CONTINGENT LIABILITIES			
EQUITY:			
Common stock, authorized, 60,000 thousand shares; issued 29,889 thousand shares in 2017 and 2016	1,593	1,593	14,223
Capital surplus	7,800	7,770	69,375
Stock acquisition rights	100	119	1,063
Retained earnings	21,734	22,775	203,348
Treasury stock— at cost 2,781 thousand shares in 2017 and 2,581 thousand shares in 2016	(1,671)	(1,904)	(17,000)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	801	1,833	16,366
Deferred gain on derivatives under hedge accounting	241	7	62
Foreign currency translation adjustments	1,523	743	6,634
Defined retirement benefit plans	191	308	2,750
Total	32,312	33,244	296,821
Noncontrolling interests	483	470	4,196
Total equity	32,795	33,714	301,017
TOTAL	¥ 66,198	¥ 67,720	\$ 604,643

*1: U.S. dollar amounts have been translated from yen—solely for the convenience of the reader—at the rate of ¥112 to U.S.\$1.00, the exchange rate prevailing on March 31, 2017.

(2) Consolidated Statement of Operations

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen		Thousands of U.S. Dollars*1
	FY2016	FY2017	FY2017
NET SALES	¥ 40,479	¥ 44,415	\$ 396,563
COST OF SALES	31,287	33,876	302,464
Gross profit	9,192	10,539	94,099
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	8,819	9,076	81,036
Operating income	373	1,463	13,063
OTHER INCOME (EXPENSES) :			
Interest and dividend income	214	338	3,018
Interest expense	(176)	(124)	(1,107)
Loss on valuation of investment securities	(7)	(103)	(920)
Gain on redemption investment securities	300		
Gain (Loss) on foreign exchange—net	(1,395)	126	1,125
Rent income	138	145	1,295
Equity in losses of associated companies	(1,076)	(17)	(152)
Gain on sales of subsidiaries	201	169	1,509
Gain on return of assets from retirement benefit trust	467		
Settlement expense	(337)		
Other—net	(117)	(60)	(536)
Other income (expenses) —net	(1,788)	474	4,232
INCOME (LOSS) BEFORE INCOME TAXES	(1,415)	1,937	17,295
INCOME TAXES:			
Current	244	337	3,009
Deferred	733	(59)	(527)
Total income taxes	977	278	2,482
NET INCOME (LOSS)	(2,392)	1,659	14,813
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(30)	(126)	(1,125)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ (2,422)	1,533	13,688

	Yen		U.S. Dollars*1
	FY2016	FY2017	FY2017
PER SHARE OF COMMON STOCK:			
Basic net income (loss)	¥ (88.14)	¥ 56.16	\$ 0.50
Diluted net income		55.92	0.50
Cash dividends applicable to the year	18.00	18.00	0.16

(3) Consolidated Statement of Comprehensive Income

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen		Thousands of U.S. Dollars*1
	FY2016	FY2017	FY2017
NET INCOME (LOSS)	¥ (2,392)	¥ 1,659	\$ 14,813
OTHER COMPREHENSIVE INCOME (LOSS):			
Unrealized gain (loss) on available-for-sale securities	(814)	1,032	9,214
Deferred (loss) gain on derivatives under hedge accounting	698	(234)	(2,089)
Foreign currency translation adjustments	52	(823)	(7,348)
Defined retirement benefit plans	(534)	117	1,044
Share of other comprehensive loss in associates	(1)	(4)	(36)
Total other comprehensive income (loss)	(599)	88	785
COMPREHENSIVE INCOME (LOSS)	¥ (2,991)	¥ 1,747	\$ 15,598
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ (3,052)	¥ 1,667	\$ 14,884
Noncontrolling interests	61	80	714

*1: U.S. dollar amounts have been translated from yen—solely for the convenience of the reader—at the rate of ¥112 to U.S.\$1.00, the exchange rate prevailing on March 31, 2017.

(4) Consolidated Statement of Changes in Equity

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2017

	Thousands							Millions of Yen						
	Issued Number of Shares of Common Stock	Number of Shares of Treasury Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2015	29,889	(2,402)	¥1,593	¥7,829	¥110	¥24,651	¥(1,499)	¥1,615	¥(457)	¥1,503	¥725	¥36,070	¥463	¥36,533
Net income attributable to owners of the parent						(2,422)						(2,422)		(2,422)
Cash dividends, ¥18.00 per share						(495)						(495)		(495)
Purchase of treasury stock		(210)					(191)					(191)		(191)
Disposal of treasury stock		31		10			19					29		29
Change in the parent's ownership interest due to transactions with noncontrolling interests					(39)							(39)		(39)
Net change in the year					(10)			(814)	698	20	(534)	(640)	20	(620)
BALANCE, MARCH 31, 2016	29,889	(2,581)	¥1,593	¥7,800	¥100	¥21,734	¥(1,671)	¥801	¥241	¥1,523	¥191	¥32,312	¥483	¥32,795
Net income attributable to owners of the parent						1,533						1,533		1,533
Cash dividends, ¥18.00 per share						(492)						(492)		(492)
Purchase of treasury stock		(208)					(240)					(240)		(240)
Disposal of treasury stock		8		1			7					8		8
Change in the parent's ownership interest due to transactions with noncontrolling interests					(31)							(31)		(31)
Net change in the year					19			1,032	(234)	(780)	117	154	(13)	141
BALANCE, MARCH 31, 2017	29,889	(2,781)	¥1,593	¥7,770	¥119	¥22,775	¥(1,904)	¥1,833	¥7	¥743	¥308	¥33,244	¥470	¥33,714

	Thousands of U.S. Dollars*1							Millions of Yen						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity		
BALANCE, MARCH 31, 2016	\$14,223	\$69,643	\$893	\$194,053	\$(14,920)	\$7,152	\$2,151	\$13,598	\$1,706	\$288,499	\$4,312	\$292,811		
Net income attributable to owners of the parent				13,688						13,688		13,688		
Cash dividends, \$0.16 per share				(4,393)						(4,393)		(4,393)		
Purchase of treasury stock					(2,143)					(2,143)		(2,143)		
Disposal of treasury stock			9		63					72		72		
Change in the parent's ownership interest due to transactions with noncontrolling interests			(277)							(277)		(277)		
Net change in the year				170		9,214	(2,089)	(6,964)	1,044	1,375	(116)	1,259		
BALANCE, MARCH 31, 2017	\$14,223	\$69,375	\$1,063	\$203,348	\$(17,000)	\$16,366	\$62	\$6,634	\$2,750	\$296,821	\$4,196	\$301,017		

(5) Consolidated Statement of Cash Flows

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen		Thousands of U.S. Dollars*1
	FY2016	FY2017	FY2017
OPERATING ACTIVITIES:			
Income (Loss) before income taxes	¥ (1,415)	¥ 1,937	\$17,295
Adjustments for:			
Income taxes—paid	(155)	(264)	(2,357)
Income taxes—refunded	101	33	295
Depreciation and amortization	1,562	1,599	14,277
Loss on valuation of investment securities	12	101	902
Gain on redemption of investment securities	(300)		
Gain on sales of subsidiaries	(201)	(169)	(1,509)
Gain on return of assets from retirement benefits trust	(467)		
Equity in losses of associated companies	1,076	17	152
Changes in assets and liabilities:			
Change in accounts receivables	3,471	(915)	(8,170)
Change in inventories	(505)	242	2,161
Change in advance payments	558	(186)	(1,661)
Change in accounts payables	(1,174)	1,218	10,875
Change in advances received from customers	1,422	1,223	10,920
Change in allowance for doubtful accounts	415	224	2,000
Change in allowance for product warranties	18	193	1,723
Change in allowance for losses on construction contracts	(122)	644	5,750
Change in liability for retirement benefits	672	(13)	(116)
Other—net	32	612	5,463
Total adjustments	6,415	4,559	40,705
Net cash provided by operating activities	5,000	6,496	58,000
INVESTING ACTIVITIES:			
Increase in saving of time deposits	(19)	(19)	(170)
Proceeds from withdrawal of time deposits	69	30	268
Purchases of property, plant, and equipment	(1,110)	(925)	(8,259)
Proceeds from sales of property, plant, and equipment	145	27	241
Purchases of intangibles	(281)	(159)	(1,420)
Proceeds from sales of investments in consolidated subsidiary with change in consolidation scope	96		
Purchases of investment securities	(1,001)	(39)	(348)
Proceeds from sales of investment securities	1,449	2,524	22,536
Payments of loans receivable		(111)	(991)
Collection of loans receivable	249	24	215
Other	(12)	25	223
Net cash provided by (used in) investing activities	(415)	1,377	12,295
FINANCING ACTIVITIES:			
Change in short-term borrowings—net	(1,000)	(4,030)	(35,982)
Proceeds from long-term debt	2,009	1,892	16,893
Repayments of long-term debt	(1,870)	(1,148)	(10,250)
Purchase of treasury stock	(191)	(240)	(2,143)
Dividends paid	(498)	(492)	(4,393)
Purchase of shares of subsidiaries without change in scope of consolidation		(87)	(777)
Other	(75)	(35)	(312)
Net cash used in financing activities	(1,625)	(4,140)	(36,964)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS			
ON CASH AND CASH EQUIVALENTS	(92)	(37)	(331)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,868	3,696	33,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,307	7,175	64,063
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 7,175	¥ 10,871	\$97,063

*1: U.S. dollar amounts have been translated from yen—solely for the convenience of the reader—at the rate of ¥112 to U.S.\$1.00, the exchange rate prevailing on March 31, 2017.

Torishima has delivered products to more than 100 countries and today our network of offices, factories, and service centers spans the globe.



Corporate Data As of March 31, 2017

Torishima Pump Mfg. Co., Ltd.

Foundation: August 1, 1919
Paid-in-capital: 1,592,775,030 yen
Outstanding shares: 29,889,079
Shareholders: 6,531
Employees: 1,580 (consolidated); 858 (non-consolidated)

Major Japanese Bases

Head office: 1-1-8 Miyata-cho, Takatsuki City, Osaka 569-8660, Japan
Branch offices: Tokyo, Osaka, Sapporo, Sendai, Nagoya, Takamatsu, Hiroshima, Kyushu
Sales offices: Yokohama, Wakayama, Saga, Okinawa

Manufacturing Bases

Head office factory (Osaka, Japan)
Kyushu Torishima Co., Ltd. (Saga, Japan)
P.T. Torishima Guna Indonesia, P.T. Geteka Founindo (Jakarta, Indonesia)
Torishima Pump (Tianjin) Co., Ltd. (Tianjin, China)

Overseas Branches and Offices

Singapore Branch
Middle East Project Branch (U.A.E.)
North America Branch (U.S.)
Taiwan Branch
Beijing Representative Office (China)
Saudi Arabian Representative Office
Qatar Project Office

