TORISHIMA

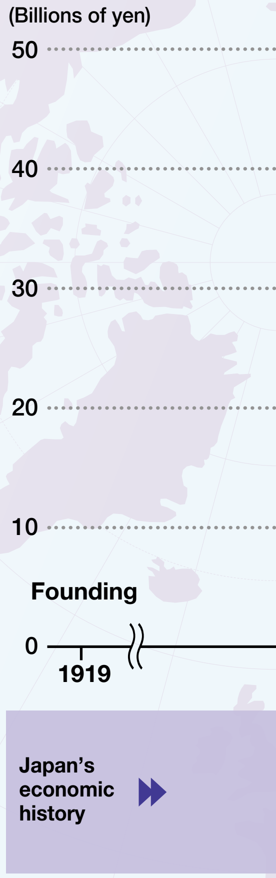
Annual Report 2015

April 1, 2014-March 31, 2015

TORISHIMA PUMP MFG. CO., LTD.

Delivering Increased Cu
through Our Global Exp

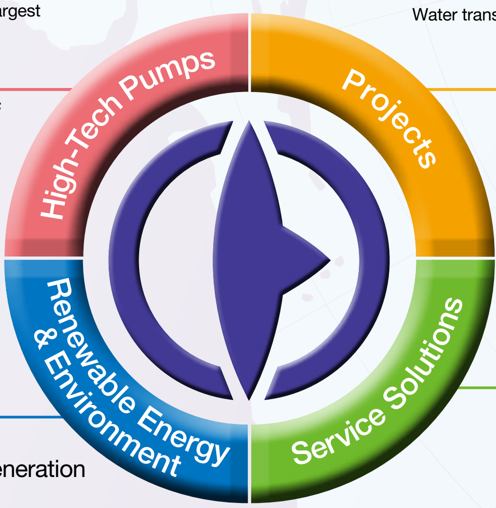
Torishima is a leading pump manufacturer, founded in 1919 in Osaka, Japan. Our primary objective is to contribute to society as a quality provider of pumping equipment and services. We continue to strive to be the market leader in our field, and our ongoing investment in research and development highlights our commitment to provide the best technology for our customers. Our mission is always to listen to our customers, understand their needs, and meet their expectations. Torishima is also firmly committed to contributing to society in total harmony with environmental demands.



Business and Products


Cooling water pump for one of the largest ammonia plants in the world


Water transmission pumping station



High-Tech Pumps

Manufacture and supply of high-efficiency, high-value-added pumps

- Power generation plants
- Desalination plants
- Waterworks
- Petrochemical plants

Projects

EPC (engineering, procurement, and construction) for turnkey pumping stations

- Water transmission
- Irrigation
- Drainage
- Balance of plant

Renewable Energy & Environment

- Wind power generation
- Mini- and Micro-hydro generation

Service Solutions

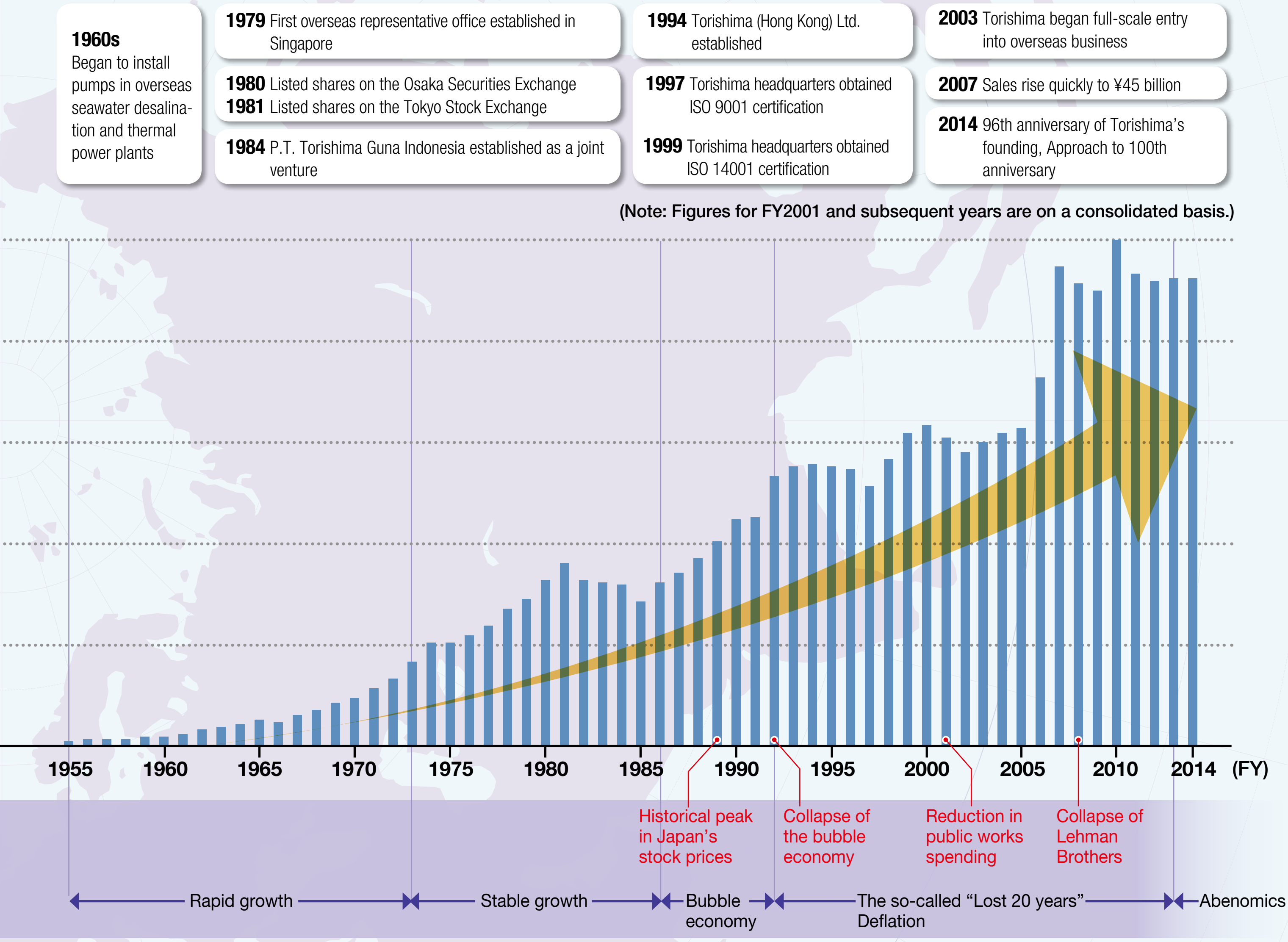
Total plant maintenance solutions for pumps and rotating machinery


Reverse-rotated pump water turbine


Overhaul of a multi-stage ring section pump

stomer Satisfaction
ansion

Sales since 1919 — Growth Trajectory —



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Cautionary Statement with Regard to Forward-Looking Statements

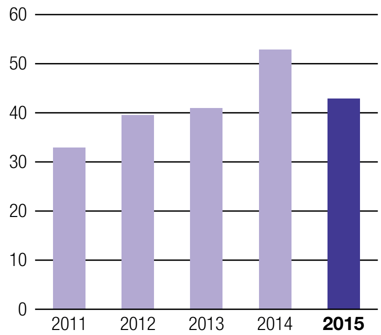
Certain of the statements made in this annual report are forward-looking statements, which involve certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which are valid only as of the date thereof. Torishima undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date thereof or to reflect the occurrence of unanticipated events.

Financial Highlights (Years ended March 31)

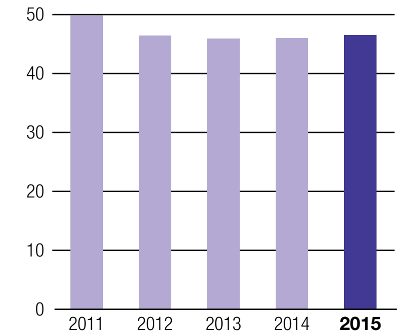
	Millions of yen except per share amounts					Thousands of U.S. dollars except per share amounts
	2015	2014	2013	2012	2011	**2015**
Orders Received	**¥ 42,878**	¥ 52,847	¥ 40,975	¥ 39,579	¥ 32,974	**$357,317**
Net Sales	**46,502**	45,985	45,975	46,453	49,880	**387,517**
Orders Backlog	**38,582**	42,205	35,342	40,342	47,216	**321,517**
Operating Income (Loss)	**400**	(945)	517	2,286	3,127	**3,333**
Net Income	**405**	442	944	1,498	1,892	**3,375**
Per Share of Common Stock (in yen and U.S. dollars):						
Net Income—Basic	**¥ 14.61**	¥ 15.74	¥ 33.64	¥ 53.38	¥ 67.45	**$ 0.12**
Net Income—Fully Diluted	**14.55**	15.69	33.54	53.27	67.35	**0.12**
Net Assets Per Share	**1,329.06**	1,209.10	1,172.56	1,112.29	1,097.71	**11.07**
Cash Dividends Applicable to Period	**18.00**	18.00	18.00	18.00	18.00	**0.15**
Total Assets	**¥ 71,987**	¥ 68,063	¥ 68,233	¥ 60,813	¥ 61,179	**$599,892**
Net Assets	**36,532**	34,524	33,602	31,775	30,969	**304,434**
Cash Flows:						
Operating Cash Flow	**¥ (1,195)**	¥ (4,086)	¥ 3,513	¥ 2,662	¥ 736	**$ (9,958)**
Investing Cash Flow	**(345)**	(4,498)	(3,966)	(1,270)	(75)	**(2,875)**
	%					
Ratios:						
Return on Equity (ROE)	**1.2%**	1.3%	2.9%	4.8%	6.1%	
Equity Ratio	**50.0%**	49.9%	48.2%	51.3%	50.3%	

Note: U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥120=U.S.$1, the exchange rate prevailing at March 31, 2015.

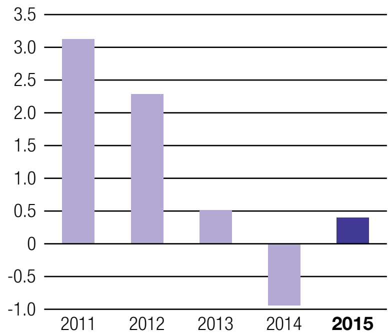
Orders Received (Billions of yen)



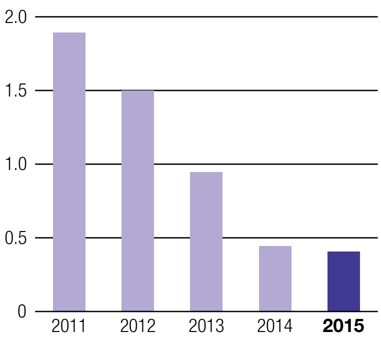
Net Sales (Billions of yen)



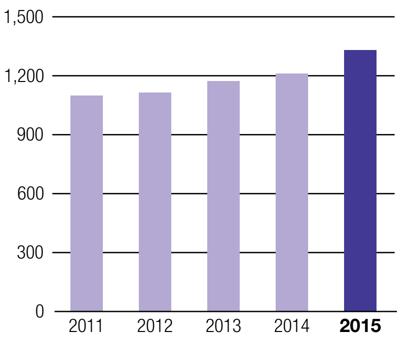
Operating Income (Loss) (Billions of yen)



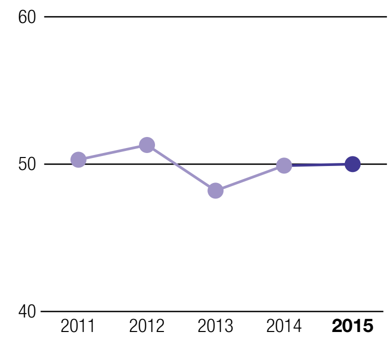
Net Income (Billions of yen)



Net Assets Per Share (Yen)



Equity Ratio (%)



A Message from the Management

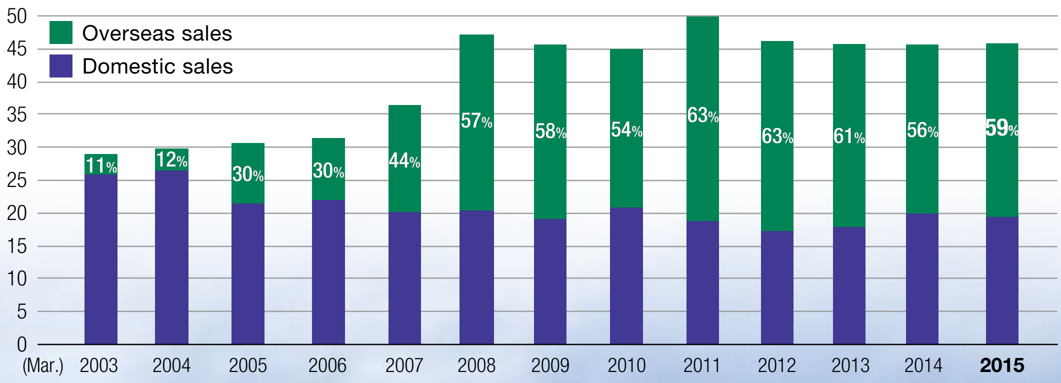
Kotaro Harada
President & CEO

Mr. Harada joined Torishima in 1997 and the Board of Directors in 1999 and became president in 2006. Previously, he worked at Daiwa Bank, Limited (currently, Resona Bank, Ltd.) and obtained an MBA degree from Bath University School of Business in the U.K.

Our Priorities as a Proactive Global Company

Torishima formed its Torishima Global Team (TGT) back in 2003. Until then, while we were winning orders mainly within Japan, our TGT began the robust development of overseas sales programs. Originally, about 10% of our net sales were to overseas customers, but five years later, in 2008, we had expanded overseas sales to account for some 50% of consolidated net sales. Moreover, since 2003, with the aim of global expansion, we have been proactively implementing capital investments and expanding the number of our overseas branches and subsidiaries, as well as our pump manufacturing and service facilities.

Net Sales
(Billions of yen,
%=Overseas sales ratio)



In order to increase our share of the global market, we determined it was necessary to objectively review and strengthen our operational processes. Over a period of two years, we worked intensively to establish an efficient and consistent business flow for receiving orders, design, procurement, production, installation, and after-sales services. We named this system our Torishima Innovation System (TIS), sparing no effort in standardizing the design of our pumps and improving operational processes. As this standardization process nears completion, we shifted our emphasis in the fiscal year ended March 31, 2015 to robust sales and marketing initiatives. With our new operational systems firmly in place, we have been able to accelerate our processes and further increase the reliability of our manufacturing operations. We are now fully prepared to respond effectively to the needs of customers the world over.

Torishima's Role in Energy Conservation

Global warming caused by rising levels of CO_2 emissions; the rapid increase in demand for electric power from emerging economies; the accidents at the Fukushima Daiichi Nuclear Power Station and their implications for Japan's energy policies: It is clear from the above that energy conservation must remain at the top of our agenda.

Pumps are undeniably essential for providing electricity and water, but the amount of energy they require to operate makes them the biggest consumers of electric power by some margin. Japan's annual electric power output is around one trillion kWh; pumps utilize about 30% of this.

In this context, Torishima's mission is to develop pumps that are highly efficient, but consume less energy, and furthermore develop best-of-breed energy-efficiency proposals, not only for pumps but also for energy-recovery devices. This commitment to energy conservation will put Torishima ahead of the pack in both energy-efficiency solutions and technological capability.

Our energy-efficiency initiatives, "Go Green with Pumps", received Japan's Minister of Economy, Trade and Industry (METI) Prize, in fiscal 2014*. This METI prize is the highest-level prize in the Energy Conservation Grand Prize, and Torishima is the first company in Japan's pump industry to receive this honor, which both recognizes and rewards our "Go Green with Pumps" initiatives. These initiatives have been raising awareness of the ways in which energy consumption can be reduced in pumping operations. Especially with standard pumps, little attention has been paid to energy efficiency. Torishima, as a leading pump manufacturer, has developed higher-efficiency standard pumps—"the Eco-Pumps", drawing on the technical knowledge and experience gathered in manufacturing large-sized high-efficiency pumps for a wide range of applications including power plants and seawater desalination plants.

In fiscal 2014, we began to manufacture these Eco-Pumps in Indonesia, and, beginning in fiscal 2015, we will intensify our promotion overseas, focusing on Southeast Asia. Going forward, we will reaffirm our commitment to offering products and services of ever higher quality and energy efficiency.

* For further background on Torishima's "Go Green with Pumps" initiatives that won the METI Energy Conservation Grand Prize, please refer to TOPIC on page 17 of this report.

Energy Conservation Grand Prize

Go Green with Pumps

Began production of the Eco-Pumps at P.T. Torishima Guna Indonesia

Impact of the Market Environment and Steady Demand

The decline in crude oil prices in fiscal 2014 dealt a serious blow to the Middle East and other oil-producing areas. Although there are concerns about the impact on Torishima in the short term, demand for the construction of thermal power plants and desalination plants, and for related services, has held firm. The long-term prospects are also promising. On the other hand, the decline in oil prices has had a positive effect on oil-importing countries. In such emerging markets as India, Southeast Asia, and elsewhere, demand for construction of thermal power plants, water supply and sewage disposal facilities, and other infrastructure is continuing.

In Japan, orders related to thermal power plants and infrastructure renewal remain steady. Following the Fukushima Daiichi Nuclear Power Station accidents, nuclear power plants have been shut down, and restarting them is proving difficult. As a result, thermal power plants are operating at full capacity. Fortunately, the Japanese economy has escaped from its more than 15-year period of deflationary trends, and there are positive signs on the horizon, including active capital spending. Other good news is the priority being placed on investment in Japan's aging infrastructure, the downward adjustment in the value of the yen, lower oil prices, the recovery of Japan's stock market prices to their highest level in more than 15 years, and the decision to hold the Olympic Games in Tokyo in 2020.

Since its founding in 1919, Torishima has delivered pumps to more than 100 countries and territories. By developing our business activities globally, we are working to minimize the effects of regional and geopolitical risks, and, with our alliance partners, we are taking up the challenge of global market development. Torishima's aim going forward is to structure an even stabler and more sustainable business portfolio.

The year 2015 marks the 96th anniversary of the founding of Torishima. With our centenary fast approaching, Torishima team members are pulling together to enable Torishima at 100 to well and truly become a global company.

I would like to take this opportunity to thank our shareholders for their continuing trust and support. I would also like to thank our customers and business partners for their close, committed, and mutually beneficial association. All of us at Torishima respectfully ask for your continuing cooperation in the years to come.

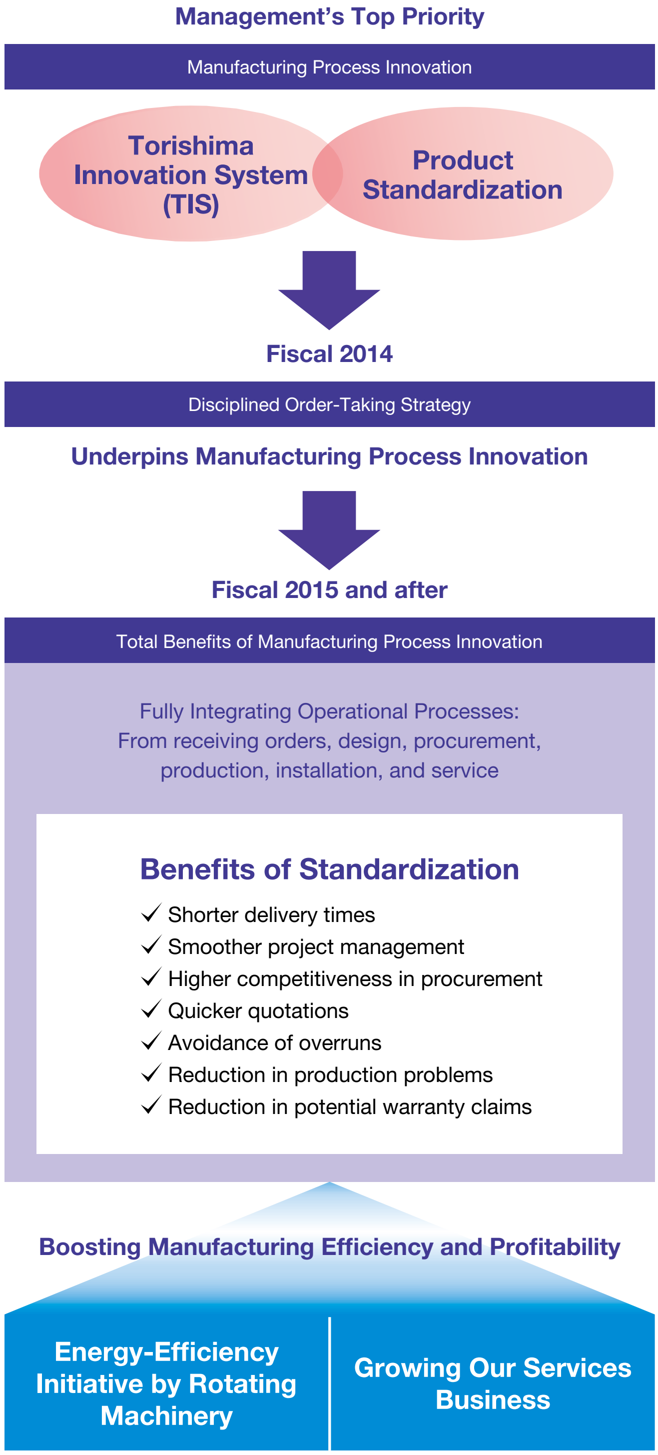
Kotaro Harada
President and Chief Executive Officer

Driving Sustainable Growth

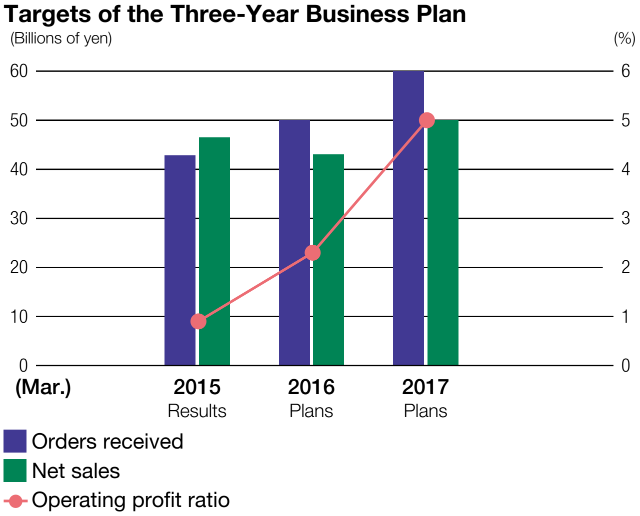
A decade-long campaign of sustained and determined commitment to overseas business development was marked in 2013. Revolutionizing our manufacturing processes was the next step and a chief management goal. Integrated operation processes from initial orders to design, procurement, production, installation, and after-sales service were established. This was achieved by undertaking a zero-base review to revitalize core systems, leading to the introduction of the Torishima Innovation System (TIS) as well as top-to-bottom standardization of pump design and operations.

A sudden and sharp rise in orders caused our standardization project to be delayed, in response to which we instituted a strategic and more-disciplined approach in order acceptance. In practice, this means analyzing volume, quality, and profitability of each and every order. As a consequence, even though orders in fiscal 2014 declined from the previous fiscal year, we came within sight of our objective of standardizing our integrated manufacturing processes.

In fiscal 2015, we expect a recovery in both the volume and profitability of orders received, thanks to proactive sales and strategic order taking focusing on profitability, as well as the favorable impact of the depreciation of the yen.



Targets of the Three-Year Business Plan



Boiler feed pumps for power plant in Argentina

FEDCO's turbocharger for seawater desalination plant in Saudi Arabia

FEDCO's new plant doubles its production capacity.

Energy-Efficiency Initiative by Rotating Machinery

Developing proposals for energy efficiency and energy recovery in rotating machinery, such as high-efficiency pumps and turbochargers, leads to expansion in orders.

Drawing on our capabilities in high-efficiency, high-pressure pumps technology, engineering, and technology development, we can offer our customers world-class products and services. Due to increases in population, urbanization, and other factors, the demand for water-related and energy-related plants is on an upward trend worldwide. We at Torishima will play a key role in this market.

In the United States, we are expecting increases in demand for products of partner company Fluid Equipment Development Company, LLC (FEDCO), which manufactures high-pressure pumps and energy-recovery devices. Expansion of Torishima's service business in the U.S. market is another key goal. To this end, in fiscal 2014, we doubled the capacity of FEDCO's plants. In fiscal 2015, we are anticipating further growth in demand as we work to realize the synergies between our energy-efficiency technology for pumps, in which we take considerable pride, and FEDCO's energy-recovery technology for turbochargers.

Also in fiscal 2014, production commenced in Indonesia of compact high-technology Eco-Pumps. In Tianjin, China, we can now also handle tasks ranging from procurement to manufacturing of high-pressure pumps for power-generation plants. We will continue to strengthen Torishima's competitiveness in this segment, too.

Torishima Service Solutions FZCO in Dubai, the U.A.E.

Re Engineering & Design Up

REDU®

Torishima's Original, High-Value-Added Services: By improving performance and lengthening the useful lives of pumps, Torishima can increase the efficiency of both individual pumps and plants as a whole.

An example of REDU: Upgrade of Impeller

Before After

Growing Our Services Business

Stepping up our marketing drive with a focus on areas around our service centers for both existing and potential customers.

Thanks to our progress toward the globalization and localization of our business functions, our orders for maintenance services are expanding steadily. Today, Torishima has service centers around the world, and is able to provide maintenance services from locations close to its customers.

In the Middle East, where we have delivered several thousand pumps for seawater desalination and thermal power plants, we successfully operate an after-sales service center in Dubai, the United Arab Emirates. This service location is driving the growth of Torishima's regional services division, and our strategy at this important center continues to be expanding orders for new pumps and maintenance services in the Middle East.

In addition, in India, we have supplied more than 300 Torishima boiler circulation pumps for thermal power plants, and about 1,000 of our boiler feed and other types of pumps are in operation. We completed a service location in India in October 2013, which went into operation in 2014. We are confident of growth in orders at this service location.

Torishima's services exceed simple maintenance; by making pumps more efficient, regardless of manufacturer, we can help customers cut electric-power consumption and save energy. We are also, where circumstances allow, expanding our services for rotating machinery other than pumps, including turbines, and other equipment. Looking ahead, we will draw on capabilities in pump engineering to strengthen our services business around the world.

What makes a successful manufacturing business? This is a question all business people ask. Good management definitely is critical to any business being a success; however, the other key components are the quality and strength of the products. There is no doubt the products within the Torishima Pump range provide a solid base on which to build our business. Torishima has supplied its reliable, high-efficiency pumping equipment into a variety of domestic and overseas markets for a wide range of applications. We have a proven track record in the desalination, water, and power industries. Our diverse product ranges are suitable for both high flow rates and high pressure.

Diverse High-Quality Product Range

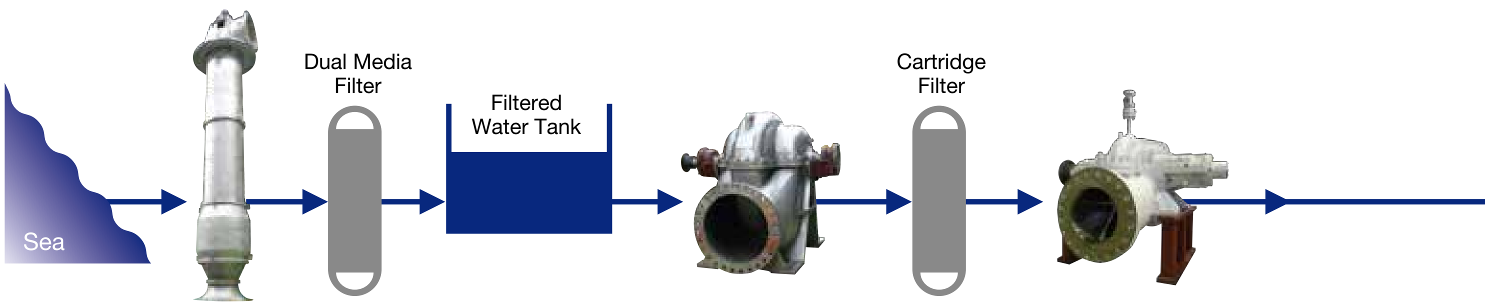
Torishima continues to develop and improve its product range to ensure that it offers the best pumping solutions to EPC contractors and end users. As mentioned above, we can supply a wide range of equipment to meet varying technologies and industry demands. For example, within the desalination industry, no matter what process a plant is using, be it multi-stage flash (MSF) or multi-effect distillation (MED) or even reverse osmosis (RO), Torishima can design and supply suitable pumping equipment. This equipment can be as diverse as 5MW brine recirculation pumps pumping 20,000 m^3/hr., large seawater intake pumps, and high-pressure RO pumps. Torishima can also supply energy-recovery equipment (manufactured by our partner FEDCO). Similarly, in the case of electric power plants, Torishima offers pumps which can be installed in thermal, combined cycle, and geothermal plants.

In this Special Feature of this year's annual report, we present a simplified explanation of various applications of our high-efficiency pumps.

Highly Competitive Pumps for Seawater Desalination Plants

The two principal methods of removing salt from seawater to make fresh water are the evaporation method and the reverse osmosis (RO) membrane process. Torishima has a long record of supplying pumps for both these types of seawater desalination plants. The RO process has become the mainstream method in recent years. As an example, let us look at the roles of pumps in the RO process.

RO System with Turbocharger



Seawater Intake Pump
This pump draws water from the sea. Typically, large vertical pumps are used to perform this function. Torishima manufactures pumps with a maximum capacity to supply 80,000 tons of seawater per hour.

Filtered Water Pump
The seawater is first treated with cleaning chemicals. After this, a filtered water pump sprays the seawater onto a filter to remove larger particles.

High-Pressure Seawater Feed Pump
The seawater is forced through the special RO membranes by this high-pressure pump to remove the salt. These membranes have a vast number of microscopic openings too small to be seen with the naked eye. As a result, water will only pass through the membrane under high pressure.

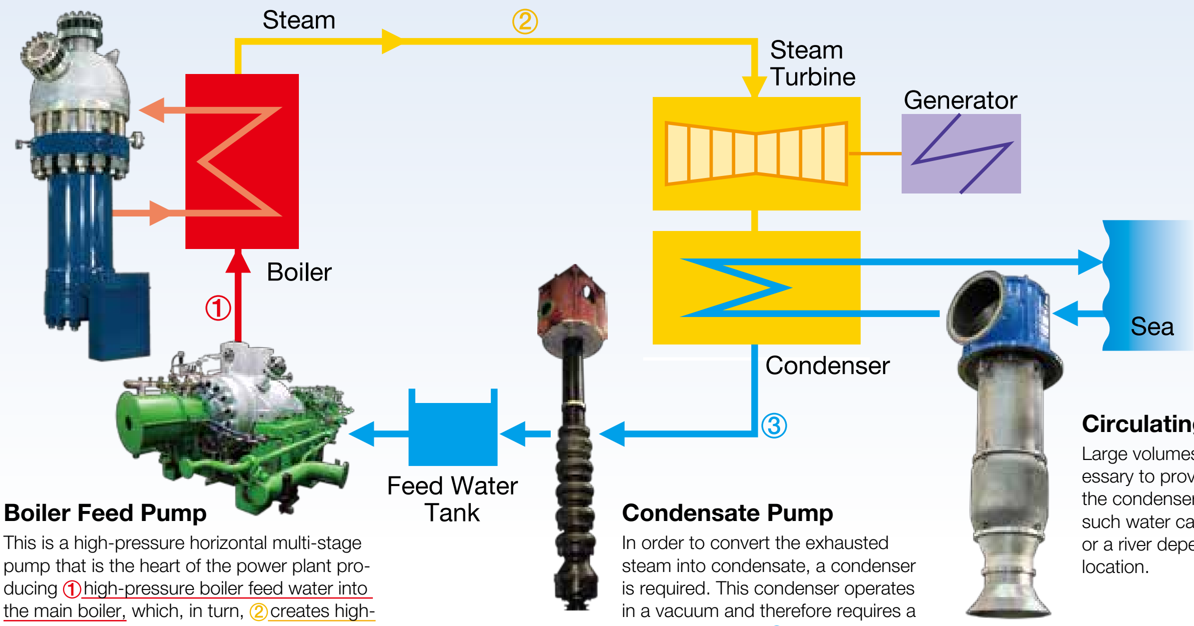
Highly Competitive Pumps for Power Plants

There are a number of widely used methods of power generation worldwide. The choice of method will depend on location, availability of fuel, and environmental controls. These can range from the large thermal fossil fuel plants which provide the largest number of megawatts globally to gas-fired combined cycle plants to geothermal plants and hydroplants which are located in suitable sites. In recent years, we have also seen shale gas used as fuel. One of the key issues to the sustainability of some of these power sources in the long term will be whether CO_2 emissions can be reduced, which could well have an impact on the design and construction of future plants.

Steam Power Generation System

Boiler Circulation Pump

This pump is essential to keep water circulating through the boiler and prevent the overheating of the boiler chamber. Manufacturing these pumps requires an extremely high level of specialized technology, and only a handful of companies manufacture such products.



Circulating Water Pump

Large volumes of water are necessary to provide cooling water to the condensers. The sources of such water can be from the sea or a river depending on plant location.

Boiler Feed Pump

This is a high-pressure horizontal multi-stage pump that is the heart of the power plant producing ① high-pressure boiler feed water into the main boiler, which, in turn, ② creates high-pressure steam to feed into the main power plant turbines creating power.

Condensate Pump

In order to convert the exhausted steam into condensate, a condenser is required. This condenser operates in a vacuum and therefore requires a specialized pump ③ to extract this condensate and start the feed-water cycle all over again. Torishima supplies such a specialized 'canister'-type pump.

Second Pass Feed Pump

After the salt has been removed by the membranes, the water is forced through another filter to improve its quality even further.

Turbocharger

A turbocharger recovers the excess energy that is generated in the RO desalination process and makes it available for reuse. This device is extremely useful in reducing the cost of the process over the life cycle of the equipment.

Potable Water Pump

The water produced by the desalination process then must be delivered to people's homes. The potable water pumps distribute the fresh water to the local area and through intermediate pumping stations to locations 100 kilometers or more from the desalination plant.

Newly Developed Technology for Flood Control

Torishima's products and systems are not limited to those for thermal power plants and seawater desalination plants. Torishima is also active in other fields and, never being complacent with the status quo, is working to continue to develop better products suited to changing times and needs.

In this section, we would like to introduce our new technology for protecting pump equipment from the increasingly frequent occurrence of localized torrential downpours and floods caused by unusual weather conditions accompanying climate change. When designing a new technology, Torishima has taken an innovative approach and looked beyond conventional thinking.

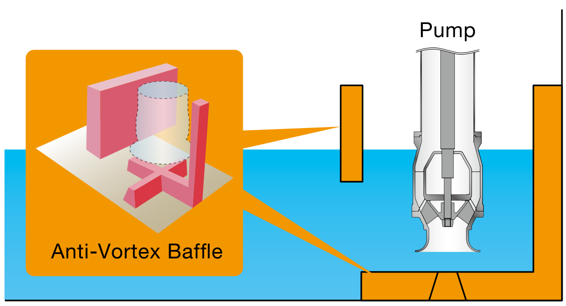
Pump with Vortex-Prevention Technology

In recent years, many facilities have expanded their pumping capacity by switching to high-volume pumps to cope with the large volumes of rainwater that may flow into water drainage areas in short periods of time.

However, if pumping volume is increased without changes in the shape and dimensions of existing pump sumps, the water flow within the sump will increase causing harmful vortices. This may have an adverse impact on pump operations, such as increased noise and vibration as well as a reduction in the volume of water discharged by the pumps. One countermeasure is the installation of anti-vortex baffles in the pump sump. However, installing such baffles is expensive and time consuming.

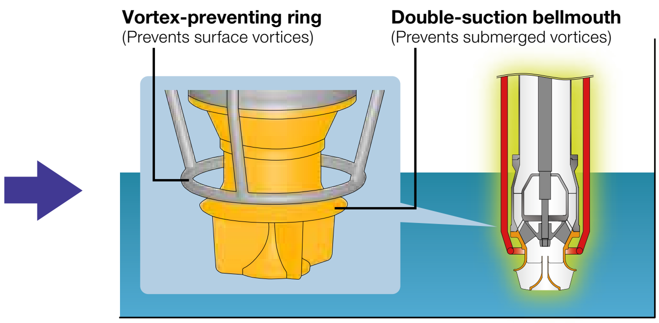
To solve these problems, Torishima has developed a pump with a double-suction bellmouth and vortex-preventing ring. This new technology removes the need to install anti-vortex baffles in the pump sump, reducing civil engineering costs and shortening the construction time schedule.

Conventional measure to prevent vortices



Installing anti-vortex baffles requires increased construction time and expenditure.

Controlling vortices at the pump stage



Restraining vortices at the pump stage makes anti-vortex baffles unnecessary. It lowers construction costs and the time needed for construction.

Research and Development

Torishima is conducting research on and developing high-efficiency, high-speed pumps that conserve energy and resources under the slogan "Strive to be the world's best."

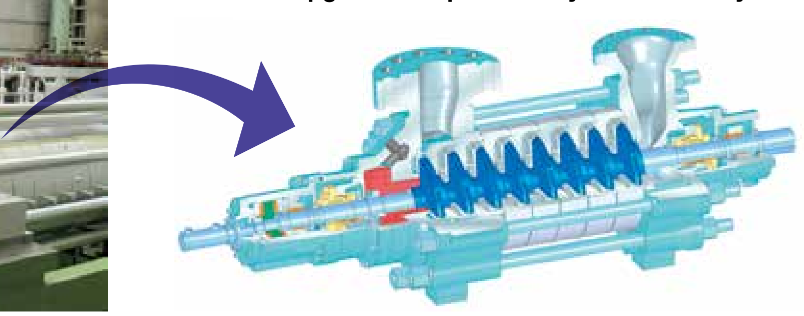
The world's population is growing rapidly, and the demand for energy and water resources is expected to continue to expand in the years ahead. Moreover, we are faced with global warming. Meanwhile, operations at all 50 of Japan's nuclear power plants have been suspended. Policies to deal with power shortages call for the construction of a substantial number of thermal power plants in the next few years, but, at present, power supply capacity is not keeping up with growth in demand. For Torishima, which provides a large number of pumps for use in thermal power plants, this represents a major business opportunity, but we also realize that thermal power plants emit large volumes of CO_2 that causes deterioration in the Earth's environment. Therefore, we cannot be wholeheartedly pleased with these developments. On the other hand, there are high expectations about the beneficial impact of energy conservation, and the need for energy-saving and energy-efficient technologies is increasing rapidly.

To respond to these needs of society, Torishima has designated its social mission as increasing the efficiency and reducing the energy consumption of pumps used in power plants, seawater desalination plants, and other applications that account for a large percentage of energy consumption. Therefore, in its R&D activities, Torishima has set an objective of contributing to the Earth's environment by developing the best high-efficiency, high-speed pumps in the world.

In fiscal 2014, under the product concept of achieving ever-higher speed, more-compact design, and greater efficiency as well as reliability, Torishima has been developing ever-more efficient products, including boiler feed pumps for frequent load changes in combined cycle power plants, new 11kV-size motors for more-compact and lighter boiler circulation pumps, and advanced double-suction centrifugal pumps. In addition, to increase the efficiency of existing medium-pressure, multi-stage pumps—a product that Torishima has already supplied to more than 12,000 installations—it is putting hydraulic analysis to good use in the development of hydrocomponents.

In fiscal 2015, Torishima is proceeding with the development of advanced boiler water feed pumps for the thermal power market, which is expected to show growth. Torishima is also working on the development of advanced double-suction centrifugal pumps, which are in strong demand for water transmission in the seawater desalination market. We are committed to continuing R&D activities to develop products that will satisfy our customers' needs for energy conservation and high reliability.

Demonstration of advanced boiler feed pump to customers



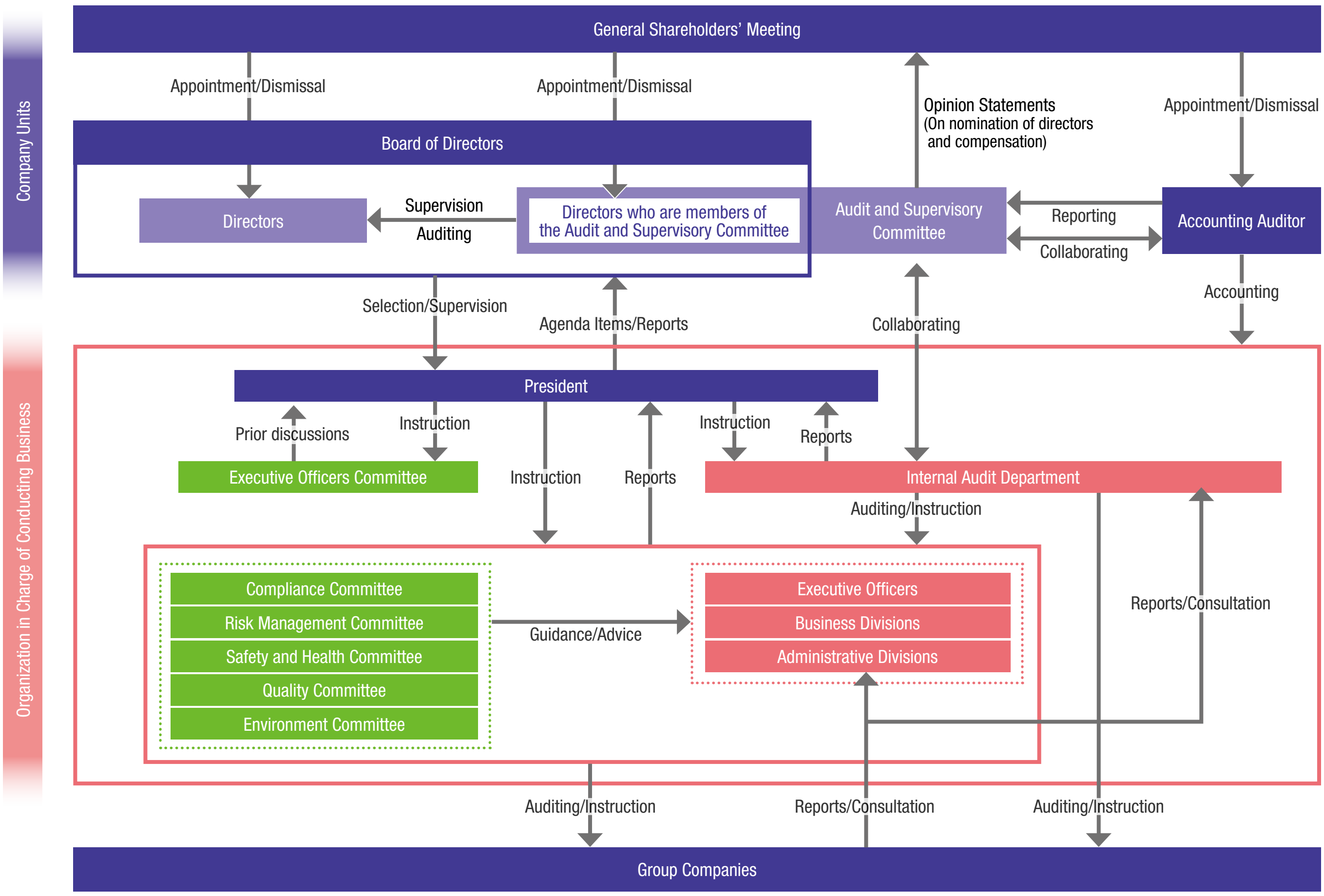
Corporate Governance and Internal Controls

In response to the social demands for corporations to be responsible, Torishima emphasizes a balance between the three values of society, economy, and the environment. We are continuing to make progress toward strengthening our corporate governance and risk management systems as well as our internal control systems as required under the Japanese version of the Sarbanes Oxley Act (J-SOX).

Corporate Governance Structure

Under Japan's Amended Companies Act, which became effective on May 1, 2015, Torishima made the transition from a corporate governance structure with an Audit & Supervisory Board to a Company with an Audit and Supervisory Committee. Under this structure, directors (including outside directors) who are members of the Audit Committee are given voting rights in the Board of Directors. This strengthens the supervisory functions of the Board of Directors and enhances Torishima's corporate governance structure. The Accounting Auditor, the Audit Committee, and the Internal Audit Department exchange opinions and provide information to conduct auditing activities efficiently and effectively. The Internal Audit Department, which is independent from the conduct of business operations, from its fair perspective, conducts internal auditing activities with an eye to the efficiency, effectiveness, and legality of business operations. In response to the globalization of Torishima's activities, these auditing activities are also conducted in Torishima Group companies overseas.

Corporate Governance Structure



Compliance Structure

In accordance with its business creed, which is expressed as follows "The Torishima Group has consistently accorded highest priority to winning and maintaining the customer's solid trust," Torishima believes that customer trust is something that is built up over time, and once a customer's trust is lost, it takes years to restore. Our commitment to maintaining the customer's utmost trust is reflected in our commitment to compliance. Therefore, Torishima's basic principles are to observe legal regulations, behave fairly and impartially, forbid behavior that violates social ethics, maintain discipline and order, forbid discrimination, and take remedial action when violations occur. Torishima provides employee training and education to make sure all personnel understand these principles. It also provides advisory functions to offer information on corporate ethics and has formed a Compliance Committee.

Duties of the Compliance Committee

1) Develop legal and ethical compliance systems in Torishima and its subsidiaries that together make up the Torishima Group

2) Provide guidance and advice to operating departments 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 consulting service regarding the "whistle blower" function

A Message from Outside Director

At Torishima, the outside directors interview the executive officers individually, and, in addition to holding question-and-answer sessions regarding the conduct of business activities, we exchange opinions proactively. President Harada has a strong concern for corporate governance, and my view is that Torishima's governance is functioning effectively, but, to strengthen governance even more, Torishima made the transition to a Company with an Audit and Supervisory Committee.

I am putting my 20 years of experience gained from being a director of a securities company, where I took care of more than 2,000 listed companies and contributed to arranging corporate acquisitions, to best use as an outside director. Through its core business of manufacturing high-efficiency pumps, Torishima contributes to the foundations of society, and, thereby, has won the trust of its customers and society. This trust helps to motivate employees and results in increasing corporate value. Outside directors must be aware of Torishima's business creed, which is "The Torishima Group has consistently accorded highest priority to winning and maintaining the customer's solid trust." With this awareness, our role should be to help Torishima pursue management within an effective governance structure.

Akira Tsuda

Mr. Tsuda was appointed an outside auditor of Torishima in June 2009 and then became director in June 2015. His other management positions include serving as outside director of Takara Printing Co., Ltd., Hitachi Capital Corporation, as well as adviser to Gexeed Co., Ltd., and Hikari Tsushin, Inc.

Directors and Executive Officers (As of July 1, 2015)

Directors

Kotaro Harada
President and Representative Director

Hiromichi Fujikawa
Vice President and Representative Director

Tetsuya Kujima
Director

Nobuyuki Yoshikawa
Director

Kinichi Yoshida
Director

Members of Audit and Supervisory Committee

Yutaka Fukuda
Director

Akira Tsuda
Outside Director

Shiro Hakukawa
Outside Director

Executive Officers

CEO

Kotaro Harada
President

Senior Managing Executive Officers

Tetsuya Kujima
General Manager of Corporate Planning Office
General Manager of Procurement Division
Responsible for Administration Division

Gerald Ashe
*General Manager of Overseas Marketing & Sales Division (TGT)**

Managing Executive Officers

Nobuyuki Yoshikawa
General Manager of Manufacturing Division

Yutaka Tsuaki
Responsible for Global Service

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

Koichiro Hamu
General Manager of Engineering Division

Executive Officers

Haruhisa Sumi
General Manager of Tokyo Branch

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

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

Takashi Kondo
General Manager of Middle East Project Branch
General Manager of TGT Project Department

Masahisa Ikuta
General Manager of Al Ain Project Office

Masahiko Ishida
General Manager of Service Division
General Manager of Service Department

Koichi Otao
General Manager of Accounting Department

Akihiro Suezawa
General Manager of Personnel Department

Masahiro Yamazaki
Chairman of Torishima Pumps India Pvt. Ltd.

Alister Flett
Managing Director of Torishima Service Solutions FZCO
General Manager of Middle East Branch

* Torishima Global Team (TGT)

Corporate Organization

(As of July 1, 2015)

President

- Corporate Planning Office
- Torishima Innovation System Project Office
- Information System Department
- Internal Audit Department
- Quality Management Department
- Domestic Marketing & Sales Division
- Overseas Marketing & Sales Division (TGT)
- Engineering Division
- Plant Engineering Division
- Manufacturing Division
- Procurement Division
- Service Division
- Administration Division

Corporate Social Responsibility (CSR)

Torishima is working to fulfill its social responsibilities in three areas:

Technology that Conserves the Environment

The issues of preserving the Earth's environment and reducing energy consumption are becoming increasingly serious. As a responsible global corporation, Torishima provides products and services that contribute to reducing the burden on the natural environment.

Environmental Management

Torishima takes account of the effects that its business activities have on the natural environment. At every stage, from product development to final disposal, we are working to reduce the impact of our business activities, including reduction of CO_2 emissions and the reuse of resources.

Contributing to Society

At Torishima, we are implementing initiatives that make contributions not only to the development of the Company but also to society as a whole. These include thoroughgoing emphasis on compliance; maintaining close communication with our stakeholders; contributing to safety, disaster prevention, and global environmental preservation; respecting human rights; and improving our workplace environments.

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 CO_2 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, coupled with ongoing enhancement of environmental protection activities
5) Compliance with environmental laws, regulations, and other appropriate demands, and formulation of and compliance with in-house rules
6) 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 24, 2011
Kotaro Harada, President & CEO,
Torishima Pump Mfg. Co., Ltd.

Initiatives to Lower the Environmental Loads

Torishima implemented the following initiatives in fiscal 2014 to reduce its environmental loads.

Conserving Energy	Torishima is taking steps to use electricity more efficiently by shortening the running time of pumps and optimizing the use of compressors. In addition, we are reducing the amount of electric power used in our factories by gradually replacing conventional lights with LED lamps.
Reducing and Reusing Industrial Waste	Torishima has achieved a ratio of resource reusage of 97.9% through such activities as recycling and reusing molding sand and unused models. We have also separated and recycled metal pump parts from pumps under repair.
Reducing Chemical Usage	Torishima has reduced the use of solvent-based cleaners by using the dry ice blast*1 and wet blast*2 cleaning methods. We raise the awareness of cleaner use by providing monthly feedback on usage in the assembly processes.

*1 Dry ice blast: A cleaning process that involves spraying tiny particles of dry ice under pressure at high speed

*2 Wet blast: A cleaning method for removing rust and certain other substances using a polisher (zirconium) and water

Torishima promotes production activities that have high regard for the environment and safety as well as quality, and has obtained the following certifications.

ISO14001 (Environment Management System) and ISO9001 (Quality Management System)	These certifications have been obtained by the Head Office as a matter of course, and the number of offices, branches, subsidiaries, etc., obtaining certification is increasing. Additionally, these certifications were received by Torishima Pump (Tianjin) Co., Ltd. in July 2013.
Occupational Safety and Hygiene Management System (OSHMS)	This certification is mainly related to risk assessment in manufacturing departments and involves assessing the frequency, possibility, and seriousness of dangerous and harmful risks, and then establishing measures for risk reduction.

Promoting Diversity

Torishima is actively hiring non-Japanese personnel in its operations in Japan and is working to develop their global instincts. In addition, Torishima provides support to these employees to help them become accustomed to the diet and living customs in Japan. Also, for female employees with children, Torishima makes arrangements for day care and other services. The percentage of female employees returning to work after childbirth is 100%. Since 2010, Torishima has hired handicapped workers from support centers for the handicapped, and 14 of these individuals are currently active in the Company. As these comments suggest, a diversity of employees are working as a team within Torishima. In addition, Torishima is training its human resources and working to draw fully on their capabilities with the goal of improving organizational performance.

Special diet for Muslims

Employee Education

Torishima provides for many kinds of education. Educational programs in progress include training for improving skill levels, on-the-job training for new employees, correspondence courses, and support for obtaining national technical qualifications and doctorates. Additionally, for younger employees, Torishima conducts on-site training, and trainees in this program went to India in 2014. This program enables employees to identify customer needs and the “seeds” of new business opportunities, while, at the same time, motivating them more strongly by being able to see Torishima products at work in environments outside Japan.

Acting as a Member of Society

Torishima implements measures to strengthen not only its internal systems but also its relationships with stakeholders. For example, we have provided financial support for scholarship funds as well as research in hydraulics since 1981. We also provide a career awareness program for primary school children, taught by young Torishima employees. This program is not only intended to help children but also give employees good opportunities for personal growth by teaching children and thereby gaining a better understanding of Torishima's mission in society and their own personal sense of mission.

A career awareness program

TOPIC

Torishima Wins Energy Conservation Grand Prize in Japan

Go Green with Pumps

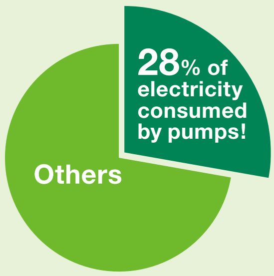
In January 2015, Torishima was awarded Japan's Minister of Economy, Trade and Industry (METI) Prize under the Business Model Category in the Energy Conservation Grand Prize. This prize was received in recognition of Torishima's "Go Green with Pumps" energy-efficiency initiatives.

Under these initiatives, Torishima applied its long experience and knowledge of high technology developed for large high-efficiency pumps to smaller standard pumps. These units are marketed under the name "The Eco-Pump." The development of more-efficient standard pumps has much potential for reducing energy consumption of pumps as well as CO_2 emissions in a wide range of applications, such as industrial plants, office buildings, commercial facilities, hospitals, hotels, and elsewhere. In fact, according to a report provided by Japan's Institute of Applied Energy, an estimated 28% of electricity consumed in Japan is accounted for by pumps. Thus, Torishima's "Go Green with Pumps" initiatives have considerable potential for "greening" the natural environment.

Along with providing the Eco-Pumps, we also promote the efficient use of energy by consulting with our customers regarding the most-suitable pumps for their facilities. We also show the power consumption and CO_2 emissions before and after installing the Eco-Pumps. In our experience, the average reduction in annual power consumption in an industrial plant is 15.1%, but we have achieved 30% to 40% reductions in some cases. In addition, we publish the *Eco-Pump News* and hold "Go Green with Pumps" seminars in which we demonstrate how to reduce energy with pumps. We call these activities the "Go Green with Pumps" initiatives.

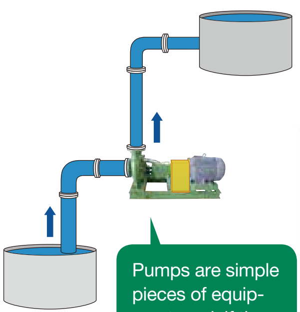
Electricity consumption in Japan by pumps is estimated at 28%. We can reduce the power consumption by improving pump efficiency, which will lead to a substantial reduction in CO_2 emissions. This means we can contribute to CO_2 reduction by promoting "Go Green with Pumps" to save the planet!

Power Consumption in Japan
(1 trillion kW)



Reference: A report provided by the Institute of Applied Energy, Japan

Little attention is given to energy efficiency in standard pumps.

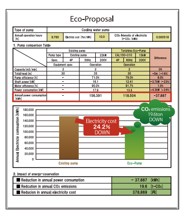


Pumps are simple pieces of equipment, and, if they can lift water and work properly, everything is fine.

Spreading the message that pumps can achieve greater energy efficiency

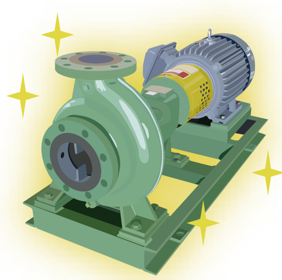
Eco-Pump News

"Go Green with Pumps" seminar



In our Eco-Proposals, we suggest the pumps that are most suitable for each installation and give specific data on the estimated reduction in power consumption and CO_2 emissions.

The end result of Torishima's "Go Green with Pumps" initiatives is….



Outstanding Energy-Saving Results

▶ See more about our energy-efficiency initiatives "Go Green with Pumps" at **www.torishima.co.jp/en/award.html**

Financial Review

Consolidated Operating Results

Analysis of Consolidated Operating Results

Results of Operations

During the fiscal year ended March 31, 2015 (Fiscal 2014), trends in the world economy were as follows. In the United States, although there were concerns regarding the effects of the possible ending of the monetary easing policy and tightening of credit, personal consumption, production, and private capital investment remained firm. Also, in Europe, while concerns continued regarding the debt problems of certain countries and geopolitical risks, movements toward moderate economic recovery emerged. In China and the emerging countries, although economic growth slowed temporarily compared with previous levels, moderate growth continued. For the world economy as a whole, economic recovery was moderate amid the decline in crude oil prices, the Ukraine issue, and the uncertainty about future trends.

In the Japanese economy, the Nikkei Stock Price average recovered the 19,000 level for the first time in 15 years, and, although growth in income in nominal terms was positive, in real terms, income declined because of the increase in prices following the rise in the consumption tax. As a result of this and other factors, consumer spending decreased. This was accompanied by a weakening of export growth, owing to the slower rates of expansion in the emerging countries, and the emergence of a substantial deficit in Japan's trade account because of the rise in raw material import prices that accompanied the weakening of the yen. Because of these and other factors, the Japanese economy did not show a full-scale recovery.

In the pump industry, overseas demand for infrastructure improvements, especially for water-related and energy-related projects, remained firm. In Japan, trends continued to be firm for activities related to the renewal of the aging infrastructure. However, the weakening of economic expansion overseas, mainly in the emerging countries, the delay in recovery of consumer spending in Japan, and other factors led to restraints on capital investment and more-intense competition for orders.

Amid these operating conditions, the Torishima Group focused on the development, production, and sales of high-efficiency pumps; promoted sales of the Eco-Pumps, which are standard pumps incorporating Torishima's know-how in high-efficiency large-scale pumps; and took other measures to continue to develop its business activities in Japan and overseas. As a result, Torishima reported orders of ¥42,878 million for the fiscal year, which was 81% of the ¥52,847 million in orders during the previous fiscal year.

Broken down by type of customer, public-sector orders were ¥12,001 million (75% of the ¥15,923 million in the previous fiscal year); domestic private-sector orders amounted to ¥6,943 million (97% of the ¥7,144 million in the prior year); and orders from overseas totaled ¥23,933 million (80% of the ¥29,779 million in the previous year).

Net sales for the fiscal year under review were ¥46,501 million (101% of the ¥45,985 million reported for the previous fiscal year). The balance of orders outstanding at the end of the fiscal year and carried over to the next year amounted to ¥38,582 million (91% of the ¥42,205 million in the prior year). The decline in the balance of orders outstanding was due to a shift in priorities toward the renewal of our core systems, which had become a priority for the Company, and adjustments in the volume of orders for certain pump products. At present, however, we have returned to normal operating status.

Operating income for the fiscal year was ¥400 million (compared with an operating loss of ¥945 million in the previous fiscal year). This recovery in operating income was due to a decrease in low margin activities, a decline in expenses related to the renewal of core systems, and other factors. Ordinary income amounted to ¥793 million (compared with an ordinary loss of ¥632 million in the previous year). Although Torishima reported a loss of ¥212 million on investments in companies accounted for under the equity method, this was offset by foreign exchange gains of ¥391 million. Regarding net income, Torishima reported an extraordinary loss, due in part to an impairment loss of ¥158 million on the disposal of an employee welfare facility, and, as a result of this and other factors, net income for the fiscal year amounted to ¥405 million (92% of the ¥442 million reported in the previous fiscal year).

Forecast for Fiscal 2015 and the Medium-Term Business Plan

The world's population has exceeded seven billion. Securing supplies of water and energy and using them efficiently continue to be major issues of global proportions. The overseas markets for water-related equipment and systems are expanding along with increases in population and urbanization, particularly in Asia and Africa. The business environment is expected to improve as new thermal power plants are constructed in Japan to deal with the electric power shortages following the Great East Japan Earthquake. In addition, public investments are being made to build a strong national infrastructure, and service industries are expanding accompanying the renewal of aging infrastructure.

Amid this operating environment, the Torishima Group aims to be a company that offers solutions to energy issues and contributes to the world's growth by developing and providing high-efficiency pumps. In fiscal 2009, to show that "pumps can be energy-saving," we brought together and combined the experience and technology that we have developed as a manufacturer of pumps over many years and began full-scale efforts to implement our "Go Green with Pumps" initiatives. In fiscal 2014, Torishima received Japan's Minister of Economy, Trade and Industry (METI) Prize in the Energy Conservation Grand Prize. This is sponsored by the Energy Conservation Center, a general corporation, and, with the support of METI, awards are presented to businesses that are promoting energy conservation and businesses that develop superior, energy-saving products. Among these awards, the METI Minister's Award is the most prestigious. Torishima, with its slogan of "saving the planet with pumps," is a manufacturer that takes a keen interest in energy efficiency and is conducting research and development on a round-the-clock basis.

*Meaning "pumps that are eco-friendly and eco-efficient"

The status of our three-year medium-term plan that we began to implement in fiscal 2014 is as follows. Under this plan, we will further develop our Torishima Global Team (TGT) activities that we have conducted over the past 10 years and proceed with further expansion with a focus on opportunities in the water and energy markets. At the same time, we will implement a thorough review of our business processes with the aim of strengthening our operating and financial positions. In addition, as a result of our consideration of progress toward our goals in fiscal 2014, we have revised our plans in fiscal 2015 and net sales in fiscal 2016.

Targets of the Three-Year Business Plan

(Millions of yen)

	FY2014 Plan	Actual	FY2015 Initial Plan	Revised Plan	FY2016 Initial Plan	Revised Plan
Orders	49,500	**42,878**	55,000	**50,000**	**60,000**	No change
Net sales	46,000	**46,501**	50,000	**43,000**	55,000	**50,000**
Operating income	500	**400**	1,500	**1,000**	**2,500**	No change
Ordinary income	700	**793**	1,700	**1,400**	**2,700**	No change
Net income attributable to the Company and shareholders of the parent	500	**405**	1,200	**1,000**	**1,900**	No change

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

Financial Position

Consolidated Assets, Liabilities, and Net Assets

Assets on a consolidated basis as of the end of the fiscal year under review amounted to ¥71,987 million, an increase of ¥3,924 million over the previous fiscal year-end. This was primarily due to an increase in marketable securities of ¥1,817 million, owing to the recovery in stock prices, and an increase in work in process of ¥1,020 million.

Liabilities on a consolidated basis at fiscal year-end amounted to ¥35,454 million, an increase of ¥1,915 million over the end of the previous fiscal year. This was mainly due to an increase in short-term borrowings of ¥1,421 million and an increase in long-term debt of ¥2,053 million, which offset a decrease in payables-trade of ¥1,771 million.

Net assets on a consolidated basis at fiscal year-end were ¥36,532 million, an increase of ¥2,008 million over the previous fiscal year-end. This was due to an increase in accumulated comprehensive income of ¥1,783 million over the previous fiscal year-end.

Consolidated Cash Flows

Consolidated cash and cash equivalents (hereinafter, cash) at the end of the fiscal year amounted to ¥4,307 million, representing an increase of ¥709 million over the previous fiscal year-end. Note that cash in the consolidated financial statements includes ¥132 million in deposits with maturities over three months.

The status of consolidated cash flows at fiscal year-end and factors influencing cash were as follows.

• Operating cash flows

Net cash provided by operating activities amounted to ¥1,194 million (compared to a decrease of ¥4,086 million used in the previous fiscal year-end). Although notes and accounts receivable decreased ¥726 million (compared to an increase of ¥2,811 million in the previous fiscal year), inventories increased ¥1,122 million (compared to an increase of ¥1,194 million in the previous fiscal year), and notes and accounts payable decreased ¥1,918 million (compared to a decrease of ¥150 million in the previous fiscal year), thus bringing a decrease in net cash from operating activities.

• Investing cash flows

Net cash used in investing activities amounted to ¥345 million (compared to net cash used of ¥4,498 million in the previous fiscal year). This decrease was due to purchases of property, plant and equipment of ¥832 million (compared to purchases of ¥1,621 million in the previous fiscal year).

• Financing cash flows

Net cash provided by financing activities amounted to ¥2,120 million (compared to net cash used in financing activities of ¥112 million in the previous fiscal year). Although there were cash outflows that included repayments of long-term debt amounting to ¥2,148 million (compared to net cash used for repayments of long-term debt of ¥1,577 million in the previous fiscal year), on the other hand, short-term borrowings increased ¥1,462 million (compared to an increase of ¥1,089 million in the previous fiscal year), and proceeds from long-term debt amounted to ¥4,095 million (compared with proceeds from long-term debt of ¥1,078 million in the previous fiscal year), resulting in a net cash inflow from financing activities.

Basic Policy for Allocation of Income and Dividends for Fiscal 2014 and Fiscal 2015

The basic policy of the Torishima Group is to pay stable dividends to shareholders. Taking account of its future needs to make investments for future growth, the Group aims to maintain a dividend payout ratio of between 20% and 30%.

Regarding retained earnings, the Torishima Group aims to invest these funds effectively for financing new growth, including the development of technologies and products for responding to future advances in the sophistication of pumping as well as related equipment and software. The Group also uses retained earnings for the maintenance of existing pump installation and plants, for the development of more-efficient production facilities, and for expanding the scope of its business portfolio to environmental businesses that will help to preserve the global environment.

For fiscal 2014, the Torishima Group paid a regular interim dividend of ¥9 per share. In paying its fiscal year-end dividend, the Group emphasized providing a return to shareholders and also paid a year-end dividend of ¥9 per share. Thus, the dividend for the full fiscal year, including interim and fiscal year-end dividends, was ¥18 per share. For fiscal 2015, the Torishima Group is planning to also pay a dividend for the full year of ¥18 per share.

Financial Statements

Consolidated Balance Sheet

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2015**	2014	**2015**
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	**¥ 4,307**	¥ 3,598	**$ 35,892**
Marketable securities (Note 3)		700	
Short-term investments (Note 3)	**132**	527	**1,100**
Receivables:			
Trade (Note 13)	**26,616**	26,927	**221,800**
Unconsolidated subsidiaries and associated companies	**243**	123	**2,025**
Other	**622**	689	**5,183**
Allowance for doubtful accounts	**(85)**	(244)	**(708)**
Inventories (Note 4)	**8,838**	7,637	**73,650**
Advance payments	**813**	423	**6,775**
Deferred tax assets (Note 10)	**905**	1,029	**7,541**
Other current assets	**513**	481	**4,275**
Total current assets	**42,904**	41,890	**357,533**
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 6)	**2,561**	2,534	**21,342**
Buildings and structures (Notes 5 and 6)	**9,613**	9,614	**80,108**
Machinery and equipment (Note 6)	**13,342**	12,737	**111,183**
Construction in progress	**93**	61	**775**
Lease assets (Note 12)	**707**	687	**5,892**
Total	**26,316**	25,633	**219,300**
Accumulated depreciation	**(15,704)**	(15,121)	**(130,867)**
Net property, plant and equipment	**10,612**	10,512	**88,433**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 13)	**8,625**	7,399	**71,875**
Investments in and advances to unconsolidated subsidiaries and associated companies	**6,057**	5,181	**50,475**
Software	**2,098**	2,102	**17,484**
Asset for retirement benefits (Note 7)	**1,103**		**9,192**
Deferred tax assets (Note 10)	**48**	130	**400**
Other assets (Note 9)	**540**	849	**4,500**
Total investments and other assets	**18,471**	15,661	**153,926**
TOTAL	**¥71,987**	¥68,063	**$599,892**

See notes to consolidated financial statements.

U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥120.00=U.S.$1, the exchange rate prevailing at March 31, 2015.

LIABILITIES AND EQUITY	Millions of Yen 2015	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2015
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 13)	**¥ 6,537**	¥ 5,365	**$ 54,475**
Current portion of long-term debt (Notes 6 and 13)	**1,960**	1,691	**16,333**
Payables:			
Trade (Note 13)	**10,081**	11,832	**84,008**
Unconsolidated subsidiaries and associated companies	**30**	50	**250**
Other	**1,039**	1,011	**8,659**
Advances received from customers	**1,812**	1,971	**15,100**
Income taxes payable (Note 13)	**111**	180	**925**
Allowance for product warranties	**636**	721	**5,300**
Allowance for losses on construction contracts	**436**	351	**3,633**
Accrued expenses	**1,267**	1,147	**10,558**
Other current liabilities	**1,231**	485	**10,259**
Total current liabilities	**25,140**	24,804	**209,500**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 13)	**8,976**	6,957	**74,800**
Liability for retirement benefits (Note 7)	**261**	1,462	**2,175**
Other long-term liabilities (Note 10)	**1,077**	316	**8,975**
Total long-term liabilities	**10,314**	8,735	**85,950**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 14)			
EQUITY (Notes 8, 9 and 17)**:**			
Common stock, authorized, 60,000 thousand shares; issued 29,889 thousand shares in 2015 and 2014	**1,593**	1,593	**13,275**
Capital surplus	**7,829**	7,823	**65,242**
Stock acquisition rights	**110**	101	**917**
Retained earnings	**24,651**	23,889	**205,425**
Treasury stock—at cost 2,402 thousand shares in 2015 and 1,815 thousand shares in 2014	**(1,499)**	(962)	**(12,492)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**1,615**	1,073	**13,458**
Deferred loss on derivatives under hedge accounting	**(457)**	(249)	**(3,808)**
Foreign currency translation adjustments	**1,503**	632	**12,525**
Defined retirement benefit plans	**725**	146	**6,042**
Total	**36,070**	34,046	**300,584**
Minority interests	**463**	478	**3,858**
Total equity	**36,533**	34,524	**304,442**
TOTAL	**¥71,987**	¥68,063	**$599,892**

Consolidated Statement of Income

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET SALES	¥46,502	¥45,985	$387,517
COST OF SALES (Notes 11 and 12)	37,340	37,664	311,167
Gross profit	9,162	8,321	76,350
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 12)	8,762	9,266	73,017
Operating income (loss)	400	(945)	3,333
OTHER INCOME (EXPENSES):			
Interest and dividend income	241	210	2,008
Interest expense	(149)	(129)	(1,242)
Gain on sales of land		766	
Gain on sales of consolidated subsidiaries		1,076	
Loss on restructuring of a subsidiary		(98)	
Gain on foreign exchange—net	391	112	3,259
Rent income	126	99	1,050
Equity in (losses) earnings of associated companies	(213)	66	(1,775)
Settlement package		(226)	
Impairment loss (Note 5)	(158)		(1,317)
Other—net	38	(18)	317
Other income—net	276	1,858	2,300
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	676	913	5,633
INCOME TAXES (Note 10):			
Current	119	286	992
Deferred	56	37	466
Total income taxes	175	323	1,458
NET INCOME BEFORE MINORITY INTERESTS	501	590	4,175
MINORITY INTERESTS IN NET INCOME	(96)	(148)	(800)
NET INCOME	¥ 405	¥ 442	$ 3,375

	Yen		U.S. Dollars
	2015	2014	2015
PER SHARE OF COMMON STOCK (Notes 2. v and 17):			
Basic net income	¥ 14.61	¥ 15.74	$ 0.12
Diluted net income	14.55	15.69	0.12
Cash dividends applicable to the year	18.00	18.00	0.15

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	¥ 501	¥ 590	$ 4,175
OTHER COMPREHENSIVE INCOME (Note 15):			
Unrealized gain on available-for-sale securities	541	170	4,508
Deferred (loss) gain on derivatives under hedge accounting	(208)	36	(1,733)
Foreign currency translation adjustments	699	631	5,825
Defined retirement benefit plans	579		4,825
Share of other comprehensive income in associates	213	108	1,775
Total other comprehensive income	1,824	945	15,200
COMPREHENSIVE INCOME	¥2,325	¥1,535	$19,375
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥2,189	¥1,385	$18,242
Minority interests	136	150	1,133

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Thousands		Millions of Yen											
								Accumulated Other Comprehensive Income						
	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 Adjust-ments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2013	29,889	(1,828)	¥1,593	¥7,814	¥ 91	¥23,952	¥ (969)	¥ 903	¥(285)	¥ (105)		¥32,994	¥608	¥33,602
Net income						442						442		442
Cash dividends, ¥18.00 per share						(505)						(505)		(505)
Purchase of treasury stock		(1)					(0)					(0)		(0)
Disposal of treasury stock		14		9			7					16		16
Net change in the year					10			170	36	737	¥146	1,099	(130)	969
BALANCE, MARCH 31, 2014 (APRIL 1, 2014 as previously reported)	29,889	(1,815)	1,593	7,823	101	23,889	(962)	1,073	(249)	632	146	34,046	478	34,524
Cumulative effect of accounting change						857						857		857
BALANCE, APRIL 1, 2014 (as restated)	29,889	(1,815)	1,593	7,823	101	24,746	(962)	1,073	(249)	632	146	34,903	478	35,381
Net income						**405**						**405**		**405**
Cash dividends, ¥18.00 per share						**(500)**						**(500)**		**(500)**
Purchase of treasury stock		**(601)**					**(544)**					**(544)**		**(544)**
Disposal of treasury stock		**14**		**6**			**7**					**13**		**13**
Net change in the year					**9**			**542**	**(208)**	**871**	**579**	**1,793**	**(15)**	**1,778**
BALANCE, MARCH 31, 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**

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	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 Adjust-ments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014 as previously reported)	$13,275	$65,192	$842	$199,075	$ (8,017)	$ 8,942	$(2,075)	$ 5,266	$1,217	$283,717	$3,983	$287,700
Cumulative effect of accounting change				7,142						7,142		7,142
BALANCE, APRIL 1, 2014 (as restated)	13,275	65,192	842	206,217	(8,017)	8,942	(2,075)	5,266	1,217	290,859	3,983	294,842
Net income				**3,375**						**3,375**		**3,375**
Cash dividends, $0.15 per share				**(4,167)**						**(4,167)**		**(4,167)**
Purchase of treasury stock					**(4,533)**					**(4,533)**		**(4,533)**
Disposal of treasury stock		**50**			**58**					**108**		**108**
Net change in the year			**75**			**4,516**	**(1,733)**	**7,259**	**4,825**	**14,942**	**(125)**	**14,817**
BALANCE, MARCH 31, 2015	**$13,275**	**$65,242**	**$917**	**$205,425**	**$(12,492)**	**$13,458**	**$(3,808)**	**$12,525**	**$6,042**	**$300,584**	**$3,858**	**$304,442**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 676**	¥ 913	**$ 5,633**
Adjustments for:			
Income taxes—paid		(191)	
Income taxes—refunded	**(277)**	60	**(2,308)**
Depreciation and amortization	**1,636**	1,646	**13,633**
Loss on sales of consolidated subsidiaries		(1,061)	
Gain on sales of land		(766)	
Impairment loss	**158**		**1,317**
Changes in assets and liabilities:			
Change in accounts receivables	**726**	(2,812)	**6,050**
Change in inventories	**(1,122)**	(1,195)	**(9,350)**
Change in advance payments	**(353)**	226	**(2,941)**
Change in accounts payables	**(2,174)**	187	**(18,116)**
Change in advances received from customers	**(198)**	(684)	**(1,650)**
Change in allowance for doubtful accounts	**(161)**	157	**(1,342)**
Change in allowance for product warranties	**(85)**	308	**(708)**
Change in allowance for losses on construction contracts	**85**	134	**708**
Change in liability for retirement benefits	**(126)**	(343)	**(1,050)**
Other—net	**20**	(665)	**166**
Total adjustments	**(1,871)**	(4,999)	**(15,591)**
Net cash used in operating activities	**(1,195)**	(4,086)	**(9,958)**
INVESTING ACTIVITIES:			
Increase in saving of time deposits	**(177)**	(527)	**(1,475)**
Proceeds from withdrawal of time deposits	**572**		**4,767**
Purchases of property, plant and equipment	**(833)**	(1,621)	**(6,942)**
Proceeds from sales of property, plant and equipment	**49**	773	**408**
Purchases of intangibles	**(389)**	(518)	**(3,242)**
Purchases of associated companies	**(14)**	(3,953)	**(117)**
Proceeds from sales of investments in consolidated subsidiaries		1,125	
Proceeds from sales of investment securities	**232**	224	**1,933**
Payments of loans receivable	**(41)**	(108)	**(342)**
Collection of loans receivable	**113**	165	**942**
Other	**143**	(58)	**1,193**
Net cash used in investing activities	**(345)**	(4,498)	**(2,875)**
FINANCING ACTIVITIES:			
Change in short-term borrowings—net	**1,463**	1,090	**12,192**
Proceeds from long-term debt	**4,096**	1,079	**34,133**
Repayments of long-term debt	**(2,270)**	(1,741)	**(18,917)**
Purchase of treasury stock	**(544)**		**(4,533)**
Dividends paid	**(501)**	(506)	**(4,175)**
Other	**(124)**	(34)	**(1,033)**
Net cash provided by (used in) financing activities	**2,120**	(112)	**17,667**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**129**	155	**1,075**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**709**	(8,541)	**5,909**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		176	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**3,598**	11,963	**29,983**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 4,307**	¥ 3,598	**$ 35,892**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2015

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Torishima Pump Mfg. Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120 to $1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2015 include the accounts of the Company and its 18 (18 in 2014) significant subsidiaries.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

Investments in zero (zero in 2014) unconsolidated subsidiaries and 6 (5 in 2014) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of less than 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

d. Business Combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

The Company acquired companies in previous years and accounted for the acquisitions by the purchase method of accounting. The related goodwill is systematically amortized over a period not exceeding 20 years.

e. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits that mature within three months of the date of acquisition.

f. Inventories

Inventories are stated at the lower of cost, determined by the specific identification method for work in process, and by the moving-average method for other inventories, or net selling value.

g. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

Available-for-sale securities, which are not classified as trading securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value investment securities are reduced to net realizable value by a charge to income.

h. Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in receivables outstanding.

i. Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Buildings and lease assets are depreciated by the straight-line method and structures, machinery and other equipment are depreciated by the declining-balance method based on the estimated useful lives of the assets.

The estimated useful lives of the assets are primarily as follows:

Buildings and structures	10 - 50 years
Machinery and equipment	2 - 20 years
Software	5 - 7 years
Lease assets	Terms of the respective lease

j. Long-Lived Assets

The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k. Retirement and Pension Plans

The Company has contributory funded defined benefit pension plans. Other consolidated subsidiaries have unfunded retirement benefit plans.

Under the accounting standard for employees' retirement benefits, the liability for employees' retirement benefits is determined based on projected benefit obligations and plan assets at the balance sheet date.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments (See Note 15).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, for (c) above effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, decreased by ¥1,330 million ($11,083 thousand), and retained earnings as of April 1, 2014, increased by ¥857 million ($7,142 thousand). The effects of (c) above on operating income, income before income taxes and minority interests, basic net income per share and diluted net income per share for the year ended March 31, 2015 were not material.

Retirement benefits for subsidiaries' directors and Audit & Supervisory Board members are recorded as a liability at the amount which would be required if all directors and Audit & Supervisory Board members retired at each balance sheet date.

l. Allowance for Product Warranties

The Companies provide an allowance for foreseeable losses arising from product warranties.

m. Allowance for Losses on Construction Contracts

The Companies provide an allowance for foreseeable losses arising from certain construction contracts.

n. Asset Retirement Obligations

In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. Stock Options

In December 2005, the ASBJ issued ASBJ Statement No. 8, “Accounting Standard for Stock Options” and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

p. Research and Development Costs

Research and development costs are charged to income as incurred.

q. Construction Contracts

In December 2007, the ASBJ issued ASBJ Statement No. 15, “Accounting Standard for Construction Contracts” and ASBJ Guidance No. 18, “Guidance on Accounting Standard for Construction Contracts.” Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied.

r. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

s. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

t. Foreign Currency Financial Statements

The balance sheet accounts and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity.

u. Derivatives and Hedging Activities

Derivatives under contract

The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:
a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and
b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign exchange forward contracts employed to hedge foreign exchange exposures for export sales are measured at the fair value and the unrealized gains/losses are recognized in income.

Foreign exchange forward contracts applied for forecasted or committed transactions are also measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Certain foreign exchange contracts are subject to appropriation if they satisfy the requirements of appropriation treatment.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense.

Hedging instruments and hedged items

a. Hedging instruments - Foreign exchange forward contracts
Hedged items - Receivables, payables and their forecasted transactions denominated in foreign currencies
b. Hedging instruments - Interest rate swaps
Hedged items - Long-term debt

Derivative use policy

The Companies manage their derivative financial instruments based on internal rules that define the dealing authority and the dealing limit.

The Companies use derivatives only for the purpose of hedging market risks associated with assets and liabilities. The Companies do not hold or issue derivatives for trading purposes.

Assessing the effectiveness of hedging

The effectiveness of hedging is assessed by comparing the accumulated cash flows between the hedging instruments and hedged items. However, with regard to interest rate swaps that meet specific matching criteria, the assessments are omitted.

Risk associated with derivatives

All derivative transactions are entered into hedge interest rate risk and foreign currency risk exposures incorporated within the business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

v. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

w. Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provision. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

x. Reclassifications
Prior to April 1, 2014, the purchase of treasury stock was included in other financing activities in the consolidated statement of cash flows. During the fiscal year ended March 31, 2015, the amount is disclosed separately in financing activities in the consolidated statement of cash flows as of March 31, 2015, due to an increase in the quantitative materiality of that item. The amount included in the financing activities as of March 31, 2014, was ¥0 million.

y. New Accounting Pronouncements
Accounting Standards for Business Combinations and Consolidated Financial Statements
In September 2013, the ASBJ issued revised ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” revised ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures,” and revised ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements.” Major accounting changes are as follows:

(a) Transactions with noncontrolling interest
A parent’s ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent’s ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet
In the consolidated balance sheet, “minority interest” under the current accounting standard will be changed to “noncontrolling interest” under the revised accounting standard.

(c) Presentation of the consolidated statement of income
In the consolidated statement of income, “income before minority interest” under the current accounting standard will be changed to “net income” under the revised accounting standard, and “net income” under the current accounting standard will be changed to “net income attributable to owners of the parent” under the revised accounting standard.

(d) Provisional accounting treatments for a business combination
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs
Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance for (a), (b), (c) and (e) above from April 1, 2015, and for (d) above for a business combination which will occur on or after April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. MARKETABLE AND INVESTMENT SECURITIES AND SHORT-TERM INVESTMENTS

Marketable and investment securities and short-term investments as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Current:			
Corporate bonds		¥ 700	
Time deposits that mature over three months from the date of acquisition	**¥132**	527	**$1,100**
Total	**¥132**	¥1,227	**$1,100**

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Non-current:			
Marketable equity securities	**¥7,521**	¥6,977	**$62,675**
Non-marketable equity securities	**333**	338	**2,775**
Corporate bonds	**700**		**5,833**
Trust funds	**71**	84	**592**
Total	**¥8,625**	¥7,399	**$71,875**

The costs and aggregate fair values of marketable and investment securities at March 31, 2015 and 2014 were as follows:

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥5,116**	**¥2,553**	**¥148**	**¥7,521**
Corporate bonds	**700**			**700**
March 31, 2014				
Securities classified as:				
Available-for-sale:				
Equity securities	¥5,300	¥1,864	¥187	¥6,977
Corporate bonds	700			700

	Thousands of U.S. Dollars			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$42,633**	**$21,275**	**$1,233**	**$62,675**
Corporate bonds	**5,833**			**5,833**

The information for available-for-sale securities that were sold during the years ended March 31, 2015 and 2014, was as follows:

	Millions of Yen		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**¥232**	**¥46**	
March 31, 2014			
Available-for-sale:			
Equity securities	¥224	¥75	¥ (4)

	Thousands of U.S. Dollars		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**$1,933**	**$383**	

The impairment losses on available-for-sale equity securities for the years ended March 31, 2015 and 2014 were ¥5 million ($42 thousand) and ¥21 million, respectively.

At March 31, 2015, investment securities with a total carrying value of ¥19 million ($158 thousand) were pledged as collateral for bank loans of other companies in the ordinary course of business.

4. INVENTORIES

Inventories at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Merchandise and finished goods	**¥ 248**	¥ 459	**$ 2,067**
Work in process	**6,656**	5,635	**55,466**
Raw materials and supplies	**1,934**	1,543	**16,117**
Total	**¥8,838**	¥7,637	**$73,650**

5. LONG-LIVED ASSETS

The Companies reviewed their long-lived assets for impairment as of March 31, 2015 and 2014. As a result, the carrying amount of welfare facilities that is scheduled to be scraped in the future was reduced to the recoverable amount that was determined to have no value. The amount of this reduction was recorded under other expenses of ¥158 million ($1,317 thousand) for the year ended March 31, 2015. No impairment loss was recognized for the year-end of March 31, 2014.

Use	Classification	Location
Welfare facilities	Buildings and structures	Takatsuki Osaka, Japan

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings generally included overdrafts, which bore interest at the weighted-average interest rates of 1.02% and 1.32% at March 31, 2015 and 2014, respectively.

Long-term debt at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unsecured loans from banks and other financial institutions, due through 2019, interest 0.40% - 11.97% (2015) and 0.35% - 11.96% (2014)	**¥ 8,598**	¥ 6,670	**$ 71,650**
Secured loans from banks, due through 2019, interest 0.63% - 4.48% (2015) and 0.79% - 4.48% (2014)	**2,003**	1,629	**16,692**
Obligations under finance leases	**335**	349	**2,791**
Total	**10,936**	8,648	**91,133**
Less current portion	**(1,960)**	(1,691)	**(16,333)**
Long-term debt, less current portion	**¥ 8,976**	¥ 6,957	**$ 74,800**

At March 31, 2015, property, plant and equipment with a total carrying value of ¥3,238 million ($26,983 thousand) were pledged as collateral for short-term borrowings of ¥768 million ($6,400 thousand) and long-term debt of ¥1,932 million ($16,100 thousand).

At March 31, 2015, machinery and equipment with a total carrying value of ¥202 million ($1,683 thousand) were pledged as collateral for the current portion of long-term debt of ¥48 million ($400 thousand) and long-term debt of ¥71 million ($592 thousand).

Annual maturities of long-term debt, excluding finance leases, at March 31, 2015, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	**¥1,819**	**$15,158**
2017	**1,033**	**8,608**
2018	**5,841**	**48,676**
2019	**1,908**	**15,900**

Annual maturities of lease obligations at March 31, 2015 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	**¥141**	**$1,175**
2017	**97**	**808**
2018	**61**	**508**
2019	**30**	**250**
2020	**6**	**50**

Long-term loans from banks include syndicated loan agreements amounting to ¥4,000 million ($33,333 thousand) at March 31, 2015. In the event that any of the following covenants are violated, the Company may lose the benefit of the term for all the liabilities under these agreements.

These agreements include the following financial restriction provisions:

(1) The amount of equity in the consolidated balance sheet at the end of the fiscal year should be more than 75% of the amount as of the previous year or as of just before the end of the year that the syndicated loan agreements were entered into.

(2) Ordinary income in the consolidated statement of income should not be negative for two consecutive years. Ordinary income means income before income taxes less extraordinary items. The amount of ordinary income in the consolidated statement of income for the year ended March 31, 2015 is ¥793 million ($6,608 thousand).

Long-term loans at March 31, 2015 include loan agreements amounting to ¥432 million ($3,600 thousand) that the Company had with lenders on a negotiation basis. In the event that any of the following covenants are violated, the Company may lose the benefit of the term for all the liabilities under these agreements.

These agreements include the following financial restriction provisions:

(1) The amount of equity in the consolidated balance sheet at the end of the fiscal year should be more than 75% of the amount as of the previous year.

(2) Ordinary income in the consolidated statement of income should not be negative for two consecutive years. Ordinary income means income before income taxes less extraordinary items. The amount of ordinary income in the consolidated statement of income for the year ended March 31, 2015 is ¥793 million ($6,608 thousand).

7. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is entitled to greater payments than in the case of voluntary termination.

The Company has contributory funded defined benefit pension plans. Certain consolidated subsidiaries have unfunded retirement benefit plans.

The liability for retirement benefits for subsidiaries' directors and Audit & Supervisory Board members is ¥12 million ($100 thousand) and ¥14 million at March 31, 2015 and 2014, respectively.

The liability for employees' retirement benefits at March 31, 2015 and 2014, consisted of the following:

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year (as previously reported)	**¥ 5,394**	¥5,307	**$ 44,950**
Cumulative effect of accounting change	**(1,330)**		**(11,083)**
Balance at beginning of year	**4,064**	5,307	**33,867**
Current service cost	**332**	332	**2,767**
Interest cost	**38**	52	**316**
Actuarial losses	**3**	332	**25**
Benefits paid	**(330)**	(629)	**(2,750)**
Balance at end of year	**¥ 4,107**	¥5,394	**$ 34,225**

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥3,946**	¥3,176	**$32,883**
Expected return on plan assets	**42**	38	**350**
Actuarial gains	**853**	878	**7,109**
Contributions from the employer	**363**	328	**3,025**
Benefits paid	**(243)**	(474)	**(2,025)**
Balance at end of year	**¥4,961**	¥3,946	**$41,342**

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Funded defined benefit obligation	**¥3,858**	¥ 5,191	**$ 32,150**
Plan assets	**(4,961)**	(3,946)	**(41,342)**
Total	**(1,103)**	1,245	**(9,192)**
Unfunded defined benefit obligation	**249**	203	**2,075**
Net (asset) liability for defined benefit obligation	**¥ (854)**	¥ 1,448	**$ (7,117)**

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Liability for retirement benefits	**¥ 249**	¥1,448	**$ 2,075**
Asset for retirement benefits	**(1,103)**		**(9,192)**
Net (asset) liability for defined benefit obligation	**¥ (854)**	¥1,448	**$(7,117)**

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Service cost	**¥332**	¥332	**$2,767**
Interest cost	**38**	52	**316**
Expected return on plan assets	**(42)**	(38)	**(350)**
Recognized actuarial gains	**(5)**	16	**(41)**
Net periodic benefit costs	**¥323**	¥362	**$2,692**

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unrecognized actuarial gains	**¥1,071**	¥227	**$8,925**
Total	**¥1,071**	¥227	**$8,925**

(6) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen	
	2015	2014
Debt investments - domestic	**23.1%**	21.4%
Debt investments - international	**5.3**	3.4
Equity investments - domestic	**41.4**	45.5
Equity investments - international	**20.2**	13.6
Call loans	**7.3**	13.9
Others	**2.7**	2.2
Total	**100.0%**	100.0%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return that are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	**1.0%**	1.0%
Expected rate of return on plan assets	**2.0%**	2.0%
Recognition period of actuarial gain / loss	**10 years**	10 years

For the expected rate of increase in salary, the rate of increase in salary index by age as of September 30, 2014 was used.

The funded entrustment that is included in 27.2% of plan assets is not estimated at the expected rate of return on plan assets.

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For Companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders that is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. STOCK OPTIONS

The stock options outstanding as of March 31, 2015 are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2008 Stock Option	5 directors 4 Audit & Supervisory Board Members	11,700 shares	2008.9.19	¥1	From September 20, 2008 to September 19, 2038
2009 Stock Option	5 directors 5 Audit & Supervisory Board Members	19,400 shares	2009.7.17	¥1	From July 18, 2009 to July 17, 2039
2010 Stock Option	6 directors 5 Audit & Supervisory Board Members	20,700 shares	2010.7.20	¥1	From July 21, 2010 to July 20, 2040
2011 Stock Option	6 directors 5 Audit & Supervisory Board Members	24,700 shares	2011.7.19	¥1	From July 20, 2011 to July 19, 2041
2012 Stock Option	6 directors 4 Audit & Supervisory Board Members	34,700 shares	2012.7.19	¥1	From July 20, 2012 to July 19, 2042
2013 Stock Option	5 directors 4 Audit & Supervisory Board Members	31,900 shares	2013.7.18	¥1	From July 19, 2013 to July 18, 2043
2014 Stock Option	4 directors 5 Audit & Supervisory Board Members	21,300 shares	2014.7.18	¥1	From July 19, 2014 to July 18, 2044

The stock option activity is as follows:

For the year ended March 31, 2014	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option
Non-vested							
March 31, 2013 - Outstanding							
Granted						31,900	
Vested						(31,900)	
March 31, 2014 - Outstanding							
Vested							
March 31, 2013 - Outstanding	5,000	12,800	16,500	19,600	34,700		
Vested						31,900	
Exercised	(1,500)	(2,500)	(2,500)	(2,900)	(4,500)		
March 31, 2014 - Outstanding	3,500	10,300	14,000	16,700	30,200	31,900	
For the year ended March 31, 2015							
Non-vested							
March 31, 2014 - Outstanding							
Granted							**21,300**
Vested							**(21,300)**
March 31, 2015 - Outstanding							
Vested							
March 31, 2014 - Outstanding	**3,500**	**10,300**	**14,000**	**16,700**	**30,200**	**31,900**	
Vested							**21,300**
Exercised			**(2,000)**	**(2,600)**	**(4,400)**	**(4,700)**	
March 31, 2015 - Outstanding	**3,500**	**10,300**	**12,000**	**14,100**	**25,800**	**27,200**	**21,300**
Exercise price	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**
Average stock price at exercise			**¥ 882**	**¥ 882**	**¥ 882**	**¥ 882**	
Fair value price at grant date	**¥2,013**	**¥ 1,257**	**¥ 1,308**	**¥ 1,213**	**¥ 728**	**¥ 872**	**¥ 901**

The Assumptions Used to Measure the Fair Value of 2015 Stock Option

- Estimate method....Black-Scholes option pricing model
- Volatility of stock price....52.1%
- Estimated remaining outstanding period .... 1.5 years
- Estimated dividend....¥18 per share
- Risk free interest rate 0.06%

Estimation of the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have actually forfeited is reflected.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Deferred tax assets:			
Unrealized loss on available-for-sale securities		¥ 57	
Loss on revaluation of available-for-sale securities	**¥ 193**	216	**$ 1,608**
Tax loss carryforwards	**498**	620	**4,150**
Allowance for doubtful accounts	**80**	119	**667**
Accrued bonuses	**224**	233	**1,867**
Allowance for product warranties	**211**	258	**1,758**
Allowance for losses on construction contracts	**144**	125	**1,200**
Asset for employees' retirement benefit	**6**		**50**
Liability for employees' retirement benefits	**36**	637	**300**
Deferred loss on derivatives under hedge accounting	**226**	137	**1,883**
Other	**282**	339	**2,350**
Less valuation allowance	**(613)**	(717)	**(5,108)**
Total	**¥ 1,287**	¥2,024	**$10,725**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ (791)**	¥ (659)	**$ (6,592)**
Other	**(264)**	(236)	**(2,200)**
Total	**¥(1,055)**	¥ (895)	**$ (8,792)**
Net deferred tax assets	**¥ 232**	¥1,129	**$ 1,933**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2015, with the corresponding figures for 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	**35.6%**	38.0%
Expenses not deductible for income tax purposes	**5.0**	3.5
Dividend income not taxable for income tax purposes	**(3.1)**	(5.2)
Tax credit mainly for research and development costs	**(0.7)**	(1.2)
Inhabitant taxes	**3.8**	2.7
Equity method	**11.2**	(2.8)
Less valuation allowance	**(5.6)**	7.8
Effect of tax rate reduction on deferred tax assets	**14.4**	7.3
Reconciliation of consolidation process	**(35.8)**	(13.9)
Other—net	**1.1**	(0.8)
Actual effective tax rate	**25.9%**	35.4%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, from approximately 35.6% to 33.1%, and for the fiscal year beginning on or after April, 2016, from approximately 35.6% to 32.3%, respectively. The effect of this change was to increase deferred tax assets by ¥1 million ($8 thousand), to increase unrealized gain on available-for-sale securities by ¥80 million ($667 thousand), to decrease deferred loss on derivatives under hedge accounting by ¥17 million ($142 thousand), to increase defined retirement benefit plans by ¥34 million ($283 thousand) in the consolidated balance sheet as of March 31, 2015, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥97 million ($808 thousand).

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥658 million ($5,483 thousand) and ¥679 million for the years ended March 31, 2015 and 2014, respectively.

12. LEASES

The Companies lease certain machinery, computer equipment and other assets.

Total rental expenses for the years ended March 31, 2015 and 2014, were ¥755 million ($6,292 thousand) and ¥674 million, respectively.

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Company Policy for Financial Instruments

The Companies use financial instruments, mainly long-term debt including bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Short-term bank loans are used to fund its ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts.

Investment securities, mainly equity instruments of customers and suppliers of the Companies, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are almost all less than five months. Although payables in foreign currencies are exposed to the market risk of fluctuations in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Almost all maturities of bank loans are less than four years after the balance sheet date. Although a part of such bank loans are exposed to the market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest-rate swaps.

Derivatives mainly include foreign currency forward contracts and interest-rate swaps that are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 14 for more details about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay according to the contractual terms. The Companies manage their credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Investment securities are managed by monitoring the market values and financial position of issuers on a regular basis.

The basic principles of derivative transactions are approved by management at meetings held on a regular basis based on internal guidelines that prescribe the authority and the limits for each transaction by the corporate treasury department. Reconciliations of the transactions and balances with customers are performed and the transaction data is reported to the chief financial officer and the management, on a regular basis.

Liquidity risk management

The Company manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning by the corporate accounting department.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If the quoted price is not available, another rational valuation technique is used instead. Please see Note 14 for more details on the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**¥ 4,307**	**¥ 4,307**	
Receivables-trade	**26,616**	**26,606**	**¥(10)**
Investment securities	**8,221**	**8,221**	
Total	**¥39,144**	**¥39,134**	**¥(10)**
Short-term borrowings	**¥ 6,537**	**¥ 6,537**	
Payables-trade	**10,081**	**10,081**	
Long-term debt	**10,936**	**10,996**	**¥ 60**
Total	**¥27,554**	**¥27,614**	**¥ 60**
Derivatives	**¥ 1,766**	**¥ 1,766**	

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 3,598	¥ 3,598	
Receivables-trade	26,927	26,794	¥(133)
Investment securities	6,976	6,976	
Total	¥37,501	¥37,368	¥(133)
Short-term borrowings	¥ 5,365	¥ 5,365	
Payables-trade	11,832	11,832	
Long-term debt	8,648	8,657	¥ 9
Total	¥25,845	¥25,854	¥ 9
Derivatives	¥ 1,154	¥ 1,154	

Current portion of long-term debt is included in long-term debt.

March 31, 2015	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	$ 35,892	$ 35,892	
Receivables-trade	221,800	221,717	$ (83)
Investment securities	68,508	68,508	
Total	$326,200	$326,117	$ (83)
Short-term borrowings	$ 54,475	$ 54,475	
Payables-trade	84,008	84,008	
Long-term debt	91,133	91,633	$500
Total	$229,616	$230,116	$500
Derivatives	$ 14,717	$ 14,717	

Cash and Cash Equivalents
The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Receivables
The fair values of receivables are measured at the amount to be received at maturity discounted at the Companies' assumed corporate discount rate and an evaluation of potential losses.

Investment Securities
The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments.
Fair value information for investment securities by classification is included in Note 3.

Payables and Short-Term Borrowing
The fair values of payables and short-term borrowings approximate fair value because of their short maturities.

Long-Term Debt
The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Companies' assumed corporate borrowing rate.
The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense.
As a result, the fair values of such interest rate swaps are included in those of hedged items in Note 14.

Derivatives
Fair value information for derivatives is included in Note 14.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Investments in equity instruments that do not have a quoted market price in an active market	¥6,033	¥5,466	$50,250
Trust funds	71	84	592

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2015	Millions of Yen		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥ 4,307		
Receivables	25,611	¥1,005	
Investment securities		700	
Total	¥29,918	¥1,705	

March 31, 2015	Thousands of U.S. Dollars		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	$ 35,892		
Receivables	213,425	$ 8,375	
Investment securities		5,833	
Total	$249,317	$14,208	

Please see Note 6 for annual maturities of long-term debt.

14. DERIVATIVES

The Companies enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap contracts to manage their interest rate exposures on certain liabilities.

All derivative transactions are entered into hedge interest and foreign currency exposures incorporated within the Companies' business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Companies have been made in accordance with internal policies that regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting is not Applied

	Millions of Yen			
At March 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
Foreign currency forward contracts:				
Selling U.S.$	**¥2,517**		**¥3,002**	**¥(485)**

	Millions of Yen			
At March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Foreign currency forward contracts:				
Buying U.S.$	¥398		¥410	¥12
NDF:				
Buying Korean won	190		192	2

	Thousands of U.S. Dollars			
At March 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
Foreign currency forward contracts:				
Selling U.S.$	**$20,975**		**$25,017**	**$(4,042)**

Derivative Transactions to Which Hedge Accounting is Applied

	Millions of Yen			
At March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	**¥8,501**		**¥9,847**
Selling Euros	Receivables	**1,401**		**1,329**
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	**3,218**	**¥3,170**	

	Millions of Yen			
At March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥8,066		¥8,432
Selling Euros	Receivables	2,542		2,727
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	2,246	¥2,191	

	Thousands of U.S. Dollars			
At March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	**$70,842**		**$82,058**
Selling Euros	Receivables	**11,675**		**11,075**
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	**26,817**	**$26,417**	

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense.

15. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	**¥ 729**	¥429	**$ 6,075**
Reclassification adjustments to profit or loss		(49)	
Amount before income tax effect	**729**	380	**6,075**
Income tax effect	**(188)**	(210)	**(1,567)**
Total	**¥ 541**	¥170	**$ 4,508**
Deferred (loss) gain on derivatives under hedge accounting:			
Gains arising during the year	**¥ (296)**	¥ 73	**$ (2,466)**
Amount before income tax effect	**(296)**	73	**(2,466)**
Income tax effect	**88**	(37)	**733**
Total	**¥ (208)**	¥ 36	**$ (1,733)**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ 699**	¥729	**$ 5,825**
Reclassification adjustments to profit or loss		(98)	
Amount before income tax effect	**699**	631	**5,825**
Total	**¥ 699**	¥631	**$ 5,825**
Defined retirement benefit plans:			
Gains arising during the year	**¥ 844**		**$ 7,033**
Amount before income tax effect	**844**		**7,033**
Income tax effect	**(265)**		**(2,208)**
Total	**¥ 579**		**$ 4,825**
Share of other comprehensive income in associates - Gains arising during the year	**¥ 213**	¥108	**$ 1,775**
Total	**¥ 213**	¥108	**$ 1,775**
Total other comprehensive income	**¥1,824**	¥945	**$15,200**

16. CASH FLOWS

Year Ended March 31, 2014

Main components of assets and liabilities in relation to the sale of all the shares of a consolidated subsidiary with cash consideration

Decreases of assets and liabilities in relation to the sale of all shares of a consolidated subsidiary and proceeds from the sale are as follows:

	Millions of Yen
Current assets	¥1,105
Noncurrent assets	589
Current liabilities	(649)
Noncurrent liabilities	(57)
Minority interests	(300)
Goodwill	(63)
Gain on sales of consolidated subsidiaries	1,076
Proceeds from sales of consolidated subsidiary	1,701
Account receivable	(552)
Cash and cash equivalents of consolidated subsidiary	(24)
Gain on sales of consolidated subsidiaries-net	¥1,125

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
For the year ended March 31, 2015:	Net Income	Weighted-Average Shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥405**	**27,738**	**¥14.61**	**$0.12**
Effect of dilutive securities				
Stock acquisition rights		**111**		
Diluted EPS				
Net income for computation	**¥405**	**27,849**	**¥14.55**	**$0.12**
For the year ended March 31, 2014:				
Basic EPS				
Net income available to common shareholders	¥442	28,071	¥15.74	
Effect of dilutive securities				
Stock acquisition rights		101		
Diluted EPS				
Net income for computation	¥442	28,172	¥15.69	

18. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2015 was approved at the board of directors' meeting held on May 15, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥9.0 ($0.08) per share	**¥247**	**$2,058**

19. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures", an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Information about products and services

For the fiscal years ended March 31, 2015 and 2014, the total sales, operating income and total assets of the Pump reporting segment exceeded 90% of the totals of the Companies, thus the Companies have omitted the disclosure of information about products and services.

2. Information about geographical areas

(1) Sales

Millions of Yen					
2015					
		Middle East			
Japan	Asia	Saudi Arabia	Other	Other	Total
¥19,105	**¥11,125**	**¥4,808**	**¥6,308**	**¥5,156**	**¥46,502**

Millions of Yen					
2014					
		Middle East			
Japan	Asia	Saudi Arabia	Other	Other	Total
¥20,097	¥9,042	¥4,795	¥4,959	¥7,092	¥45,985

Thousands of U.S. Dollars					
2015					
		Middle East			
Japan	Asia	Saudi Arabia	Other	Other	Total
$159,208	**$92,708**	**$40,067**	**$52,567**	**$42,967**	**$387,517**

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

Millions of Yen				
2015				
Japan	Asia	Middle East	Other	Total
¥7,627	**¥1,889**	**¥682**	**¥414**	**¥10,612**

Millions of Yen				
2014				
Japan	Asia	Middle East	Europe	Total
¥7,832	¥1,760	¥524	¥396	¥10,512

Thousands of U.S. Dollars				
2015				
Japan	Asia	Middle East	Other	Total
$63,558	**$15,742**	**$5,683**	**$3,450**	**$88,433**

3. Information about goodwill

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
	Pumps		Pumps
Amortization of goodwill	**¥22**	¥31	**$183**
Goodwill	**76**	21	**633**

Independent Auditor's Report

Deloitte.

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To the Board of Directors of Torishima Pump Mfg. Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Torishima Pump Mfg. Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Torishima Pump Mfg. Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

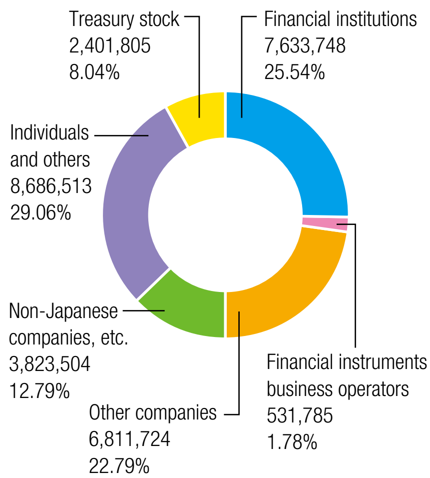
June 26, 2015

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data (As of end of March 2015)

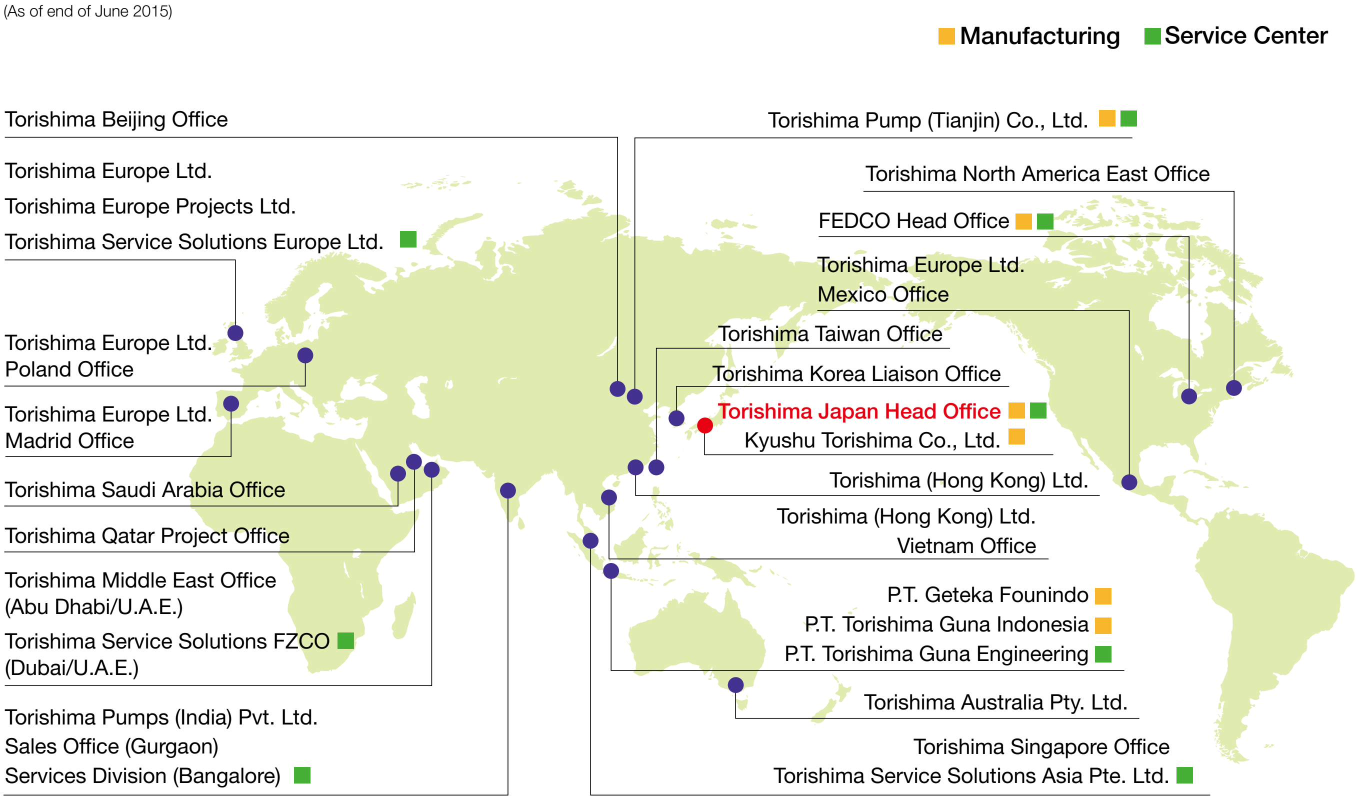
Company name	TORISHIMA PUMP MFG. CO., LTD.
Foundation	August 1, 1919
Outstanding shares	29,889,079
Paid-in capital	¥1,592,775,030
Shareholders	9,883
Employees	1,516
URL	www.torishima.co.jp/en
Places of business	
Head office	1-1-8, Miyata-cho, Takatsuki-city, Osaka 569-8660, Japan
Branch offices	Tokyo, Osaka, Kyushu, Nagoya, Sapporo, Sendai, Hiroshima, Takamatsu, Singapore, Middle East (U.A.E.), North America (U.S.A.), Saudi Arabia
Sales offices	Okinawa, Saga, Yokohama, Wakayama
Manufacturing plants	Head Office Works (Takatsuki-city, Osaka Pref.) Kyushu Works (Takeo-city, Saga Pref.) Indonesia Works (Jakarta) China Works (Tianjin)

Share Breakdown by Type of Shareholder



Global Network

(As of end of June 2015)



TORISHIMA

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Printed in Japan
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