

**Summary of Consolidated Financial Results for the Third Quarter  
of the Fiscal Year Ending March 31, 2019  
(Nine Months Ended December 31, 2018)**

[Japanese GAAP]

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 Scheduled date of filing of Quarterly Report: February 8, 2019  
 Scheduled date of dividend payment: -  
 Supplementary materials for quarterly results: None  
 Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Nine Months Ended December 31, 2018 (April 1, 2018 – December 31, 2018)**

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2018	11,574	10.0	1,892	22.7	1,804	9.5	1,096	6.8
Nine months ended Dec. 31, 2017	10,521	(8.8)	1,541	(34.1)	1,648	(28.5)	1,027	(33.1)

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2018: 1,095 (up 2.1%)

Nine months ended Dec. 31, 2017: 1,073 (down 32.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2018	137.39	137.31
Nine months ended Dec. 31, 2017	123.98	123.94

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2018	23,779	17,259	71.2	2,144.63
As of Mar. 31, 2018	24,038	17,788	72.5	2,147.35

Reference: Shareholders' equity (million yen)

As of Dec. 31, 2018: 16,933

As of Mar. 31, 2018: 17,425

**2. Dividends**

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	0.00	-	60.00	60.00
Fiscal year ending Mar. 31, 2019	-	0.00	-		
Fiscal year ending Mar. 31, 2019 (forecasts)				60.00	60.00

Note: Revisions to the most recently announced dividend forecast: None

**3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	15,430	10.0	2,440	51.9	2,345	39.4	1,460	23.5	182.04

Note: Revisions to the most recently announced consolidated forecast: None

**\* Notes**

(1) Changes in consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatements

- (i) Changes in accounting policies due to revisions in accounting standards, others: None
- (ii) Changes in accounting policies other than (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

(4) Number of outstanding shares (common shares)

(i) Number of shares outstanding at end of period (including treasury shares)

As of Dec. 31, 2018: 8,656,780 shares

As of Mar. 31, 2018: 8,656,780 shares

(ii) Number of treasury shares at end of period

As of Dec. 31, 2018: 761,064 shares

As of Mar. 31, 2018: 541,743 shares

(iii) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2018: 7,983,587 shares

Nine months ended Dec. 31, 2017: 8,286,318 shares

\* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

\* Cautionary statement with respect to forward-looking statements, and other special items

Earnings forecasts regarding future performance in this material are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ significantly from these forecasts for a number of factors. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of the Future Outlook, including Consolidated Performance Forecasts" on page 4 of the attachments for assumptions for forecasts and notes of caution for usage.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

During the first nine months of the current fiscal year, net sales of Nihon Trim Co., Ltd. and its consolidated subsidiaries (the Nihon Trim Group) increased 10.0% year-on-year to 11,574 million yen, operating profit increased 22.7% to 1,892 million yen, ordinary profit increased 9.5% to 1,804 million yen, and profit attributable to owners of parent increased 6.8% to 1,096 million yen. It is noted that non-operating expenses include share of loss of entities accounted for using the equity method in the amount of 158 million yen, which was attributable to the hospital operation in China.

In the water healthcare business, we remained committed to the growth of the electrolyzed hydrogen water (EHW) apparatus business by promoting lump-sum purchase by corporate clients with “Health and Productivity Management” as a key concept and strengthening capabilities of our sales employees. Overseas, the bottling business in Indonesia grew steadily with its net sales having increased 35.0% year-on-year (on a local currency basis).

In the medical business, we continued to focus on sales activities of the electrolyzed water hemodialysis systems to dialysis facilities across Japan. At the moment, we are negotiating deals with about 300 facilities.

StemCell Institute Inc., the largest private cord blood bank in Japan, maintained the number of new contracts at the highest level, demonstrating that the business has been growing strongly.

The hospital operation business in China has been making a steady progress for full-fledged operations, with our flagship Beijing HanKun Hospital scheduled to start offering electrolyzed water hemodialysis in this coming February. Although the business is still in an upfront investment phase, it is expected to generate revenue of 4 to 5 billion yen per hospital with the operating margin of 20% or higher once it goes into full-fledged operations. We believe that the business is going to grow into a major earnings contributor for the Nihon Trim Group with future horizontal development of the hospital operation in China.

While we have been making upfront investments from a medium- to long-term perspective, we are reaping the harvest of the seeds we sowed in the past. Overall, the Nihon Trim Group is making steady strides toward becoming a global medical company.

Results by business segment were as follows.

#### [Water Healthcare Business]

The EHW apparatus business is driven by two divisions: the direct sales divisions consisting of workplace sales (DS Division), installation and referral sales (HS Division), and store sales (SS Division); and the OEM and wholesale sales division. Among those divisions, the DS Division continued focusing on a business model where we realize sales from a B2C channel that has been developed in the course of establishing a B2B channel with our Health and Productivity Management proposal. As reported on the *Nihon Ryutsu Sangyo Shimbun* dated January 1, 2019, Hyogo Toyota Motor Co., Ltd. installed our EHW systems to its all 36 business sites as well as the homes of more than 300 of its employees to push forward with its health and productivity management. We are now reinforcing our sales activities to further expand such success cases. The DS Division also has delivered some tangible results in the effort to develop major corporate customers that we had not approached in the past. We will keep focusing on this initiative, while exploring a more efficient method, with an aim to grow into a full-fledged business. The OEM and wholesale sales division has continued to make efforts to win new accounts both at home and abroad. Sales of water purification cartridges, which generate a consistent revenue stream once an EHW apparatus is installed, have been growing steadily.

Overseas, the bottling business in Indonesia has reached full production capacity at the current plant. Given this situation, we plan to make capital expenditure around this summer to strengthen its quality control system and expand production capacity.

In the agricultural sector, we have continued to study the feasibility of the cultivating technique and growing method utilizing EHW.

Regarding the research and development activities, jointly with Tohoku University School of Medicine, we have posted a research paper on clinical trials which examines the effect of drinking EHW on diabetic patients to an international academic journal, and the paper is currently under review. Another research paper on physical properties of EHW is also under preparation jointly with School of Engineering, The University of Tokyo. Also,

the joint research with Riken, a national research and development agency, and the clinical research in Susaki City, Kochi Prefecture, have been making steady strides. Going forward, we will accelerate our research activities by further strengthening cooperation with research institutions to ultimately enhance the use of EHW systems.

As a result, the water healthcare business recorded net sales of 10,655 million yen (up 8.3% year-on-year) with operating profit of 1,825 million yen (up 17.3% year-on-year).

#### [Medical Business]

In the electrolyzed water hemodialysis business, we focused on aggressive sales activities. As electrolyzed water hemodialysis systems are capital investments for medical facilities, some deals can take several years before these systems are practically installed. Nevertheless, sales from the business are expected to grow in line with the steady increase in the number of medical facilities installing the systems. In fact, we are aiming to grow the electrolyzed water hemodialysis into a globally recognized standard method of treatment in the next generation.

In the field of advanced medical care, StemCell Institute Inc., the largest private cord blood bank in Japan, accounting for approximately 99% of the market in terms of the total number of new cord blood storages per year, recorded a 31.3% year-on-year increase in net sales and a 93.4% year-on-year increase in operating profit, backed by persistently strong growth in the number of new cord blood storages per year. In Japan, clinical research on cord blood has gathered momentum and many expect a great deal from the research, which we believe will drive demand for cord blood storages further in the future. To prepare for such growing demand, we have proactively strengthened our human resources and business infrastructure. We have also been seeking to develop the regenerative medicine and cellular therapy into one of the Nihon Trim Group's core business pillars through collaboration with STREX Inc., which manufactures and sells regenerative medicine equipment; and Human Life CORD Japan Inc., which aims to develop cell medicine produced in Japan.

Regarding the hospital operation in China, we are committed to increasing the number of patients received by Beijing HanKun Hospital so that the hospital will go into full-fledged operations and contribute to the Group's earnings from the next fiscal year. In addition, we have been preparing for opening three more hospitals in China.

As a result, the medical business recorded net sales of 919 million yen (up 34.0% year-on-year) with operating profit of 66 million yen (compared with operating loss of 13 million yen a year earlier).

The Nihon Trim Group has sought to shift to a medical company by evolving the medical business in its growth phase into a new business pillar, while enhancing the water healthcare business, which is currently the core business for the Group. Also, to ensure our sustainable growth in the future, we will aggressively develop business through expansion into overseas markets, M&A and other measures.

## **(2) Explanation of Financial Position**

Total assets at the end of the third quarter of the current fiscal year on a consolidated basis decreased 258 million yen, or 1.1%, from the end of the previous fiscal year to 23,779 million yen. The main factors were decreases of 461 million yen in cash and deposits and 128 million yen in notes and accounts receivable-trade, which were partially offset by increases of 245 million yen in accounts receivable-installment and 149 million yen in finished goods.

Total liabilities increased 269 million yen, or 4.3%, from the end of the previous fiscal year to 6,519 million yen. The main factors were increases of 200 million yen in long-term unearned revenue included in other of non-current liabilities and 108 million yen in notes and accounts payable-trade, which were partially offset by a decrease of 126 million yen in income taxes payable.

Net assets decreased 528 million yen, or 3.0%, from the end of the previous fiscal year to 17,259 million yen. The main factors were purchase of treasury shares of 1,101 million yen and payment of dividends of 486 million yen, which were partially offset by recording of profit attributable to owners of parent of 1,096 million yen.

**(3) Explanation of the Future Outlook, including Consolidated Performance Forecasts**

There are no revisions to the full-year consolidated forecast for the fiscal year ending March 31, 2019, which was announced in the “Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019” dated October 25, 2018.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY3/18 (As of Mar. 31, 2018)	Third quarter of FY3/19 (As of Dec. 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	11,520,948	11,059,842
Notes and accounts receivable-trade	1,886,108	1,757,121
Accounts receivable-installment	2,495,764	2,741,091
Finished goods	308,092	457,504
Raw materials and supplies	626,833	666,732
Other	221,069	207,099
Allowance for doubtful accounts	(8,244)	(7,474)
Total current assets	17,050,574	16,881,917
Non-current assets		
Property, plant and equipment		
Land	2,502,203	2,466,431
Other, net	1,066,597	1,046,372
Total property, plant and equipment	3,568,801	3,512,804
Intangible assets		
Goodwill	571,626	543,787
Other	38,361	30,910
Total intangible assets	609,988	574,697
Investments and other assets		
Other	2,822,948	2,824,000
Allowance for doubtful accounts	(13,893)	(13,893)
Total investments and other assets	2,809,054	2,810,106
Total non-current assets	6,987,844	6,897,608
Total assets	24,038,419	23,779,526
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	822,267	930,956
Current portion of long-term loans payable	13,840	1,495,398
Income taxes payable	404,451	278,203
Provision for bonuses	148,140	51,936
Provision for product warranties	9,000	2,000
Provision for sales returns	52,000	22,000
Provision for loss on contract	275,773	223,732
Other	1,359,646	1,578,050
Total current liabilities	3,085,119	4,582,277
Non-current liabilities		
Long-term loans payable	1,497,138	13,680
Provision for directors' retirement benefits	187,568	205,619
Net defined benefit liability	251,215	271,323
Other	1,228,811	1,446,781
Total non-current liabilities	3,164,733	1,937,403
Total liabilities	6,249,853	6,519,680

	(Thousands of yen)	
	FY3/18 (As of Mar. 31, 2018)	Third quarter of FY3/19 (As of Dec. 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	992,597	992,597
Capital surplus	636,631	644,162
Retained earnings	17,835,206	18,460,364
Treasury shares	(2,006,146)	(3,108,018)
Total shareholders' equity	17,458,288	16,989,105
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,019	7,686
Foreign currency translation adjustment	(35,231)	(58,171)
Remeasurements of defined benefit plans	(7,222)	(5,223)
Total accumulated other comprehensive income	(32,434)	(55,709)
Share acquisition rights	28,720	28,720
Non-controlling interests	333,990	297,729
Total net assets	17,788,565	17,259,845
Total liabilities and net assets	24,038,419	23,779,526



**(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income****Quarterly Consolidated Statement of Income  
(For the Nine-month Period)**

(Thousands of yen)

	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)
Net sales	10,521,509	11,574,979
Cost of sales	2,839,434	3,236,899
Gross profit	7,682,075	8,338,079
Selling, general and administrative expenses	6,140,315	6,445,886
Operating profit	1,541,760	1,892,192
Non-operating income		
Interest and dividend income	18,294	19,504
Real estate rent	70,231	48,839
Foreign exchange gains	857	1,723
Insurance premiums refunded cancellation	28,265	-
Other	18,782	32,225
Total non-operating income	136,432	102,293
Non-operating expenses		
Interest expenses	4,839	3,851
Interest on bonds	789	-
Share of loss of entities accounted for using equity method	9,868	160,135
Depreciation of assets for rent	7,919	12,272
Other	5,891	13,270
Total non-operating expenses	29,307	189,530
Ordinary profit	1,648,885	1,804,955
Extraordinary losses		
Loss on sales of non-current assets	-	19,190
Loss on retirement of non-current assets	162	8,942
Total extraordinary losses	162	28,133
Profit before income taxes	1,648,722	1,776,822
Income taxes-current	515,808	592,767
Income taxes-deferred	53,159	47,547
Total income taxes	568,967	640,314
Profit	1,079,755	1,136,507
Profit attributable to non-controlling interests	52,446	39,642
Profit attributable to owners of parent	1,027,308	1,096,865

**Quarterly Consolidated Statement of Comprehensive Income**  
**(For the Nine-month Period)**

(Thousands of yen)

	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)
Profit	1,079,755	1,136,507
Other comprehensive income		
Valuation difference on available-for-sale securities	2,696	(2,333)
Foreign currency translation adjustment	(9,238)	(39,916)
Remeasurements of defined benefit plans, net of tax	2,801	1,998
Share of other comprehensive income of entities accounted for using equity method	(2,828)	(471)
Total other comprehensive income	(6,569)	(40,722)
Comprehensive income	1,073,185	1,095,785
Comprehensive income attributable to:		
Owners of parent	1,025,815	1,073,590
Non-controlling interests	47,370	22,194

**(3) Notes to Quarterly Consolidated Financial Statements****Assumption for Going Concern**

Not applicable.

**Significant Changes in Shareholders' Equity**

The Company acquired 219,200 treasury shares upon resolution at the Board of Directors meetings on April 27, May 25 and September 12 of 2018. These transactions resulted in an increase of 1,101,872 thousand yen in treasury shares for the first nine months of the current fiscal year and the balance of 3,108,018 thousand yen in treasury shares as of December 31, 2018.

**Additional Information**

(Application of *Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.*)

The Company started using *Partial Amendments to Accounting Standard for Tax Effect Accounting* (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and other related pronouncements at the beginning of the first quarter of the current fiscal year. Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

**Segment and Other Information**

## 1. Overview of reportable segment

The Group's reportable segment is a component of the Group for which discrete financial information is available and which is regularly reviewed by the Group's highest decision-making body to make decisions about management resources to be allocated to the segment and assess its performance.

There are two reportable operating segments: the water healthcare business and the medical business.

The water healthcare business includes EHW apparatus sales and associated operations. The medical business includes business operations in the fields of medical and preventive healthcare and regenerative medicine.

## 2. Information related to net sales and profit or loss of each reportable segment

First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)

(Thousands of yen)

	Reportable segment			Adjustments	Total
	Water Healthcare	Medical	Subtotal		
Net sales					
Sales to external customers	10,655,672	919,306	11,574,979	-	11,574,979
Inter-segment sales and transfers	-	-	-	-	-
Total	10,655,672	919,306	11,574,979	-	11,574,979
Segment profit	1,825,526	66,666	1,892,192	-	1,892,192

*This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*