

April 27, 2017

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

[Japanese GAAP]

Company name: NIHON TRIM CO., LTD. Listing: Tokyo Stock Exchange, First Section
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 Scheduled date of Annual General Meeting of Shareholders: June 27, 2017
 Scheduled date of filing of Annual Securities Report: June 28, 2017
 Scheduled date of dividend payment: June 28, 2017
 Supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes (for investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Consolidated results of operations (Percentages shown for net sales and incomes 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	%
Fiscal year ended Mar. 31, 2017	15,251	(0.2)	2,929	(6.2)	2,905	(10.8)	1,969	(6.4)
Fiscal year ended Mar. 31, 2016	15,280	19.1	3,123	38.7	3,258	28.9	2,104	61.0

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2017: 2,083 (up 2.2%)

Fiscal year ended Mar. 31, 2016: 2,037 (up 57.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2017	234.46	234.30	11.4	12.2	19.2
Fiscal year ended Mar. 31, 2016	249.50	249.36	13.0	14.4	20.4

Reference: Investment gain (loss) by equity method (million yen) Fiscal year ended Mar. 31, 2017: (6)

Fiscal year ended Mar. 31, 2016: (1)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	24,018	18,135	73.9	2,130.27
As of Mar. 31, 2016	23,704	17,233	71.0	2,000.12

Reference: Shareholders' equity (million yen) As of Mar. 31, 2017: 17,754 As of Mar. 31, 2016: 16,819

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2017	1,438	(1,134)	(969)	10,980
Fiscal year ended Mar. 31, 2016	2,573	(768)	(871)	11,674

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen			
Fiscal year ended Mar. 31, 2016	-	-	-	60.00	60.00	504	24.0	3.1
Fiscal year ended Mar. 31, 2017	-	-	-	60.00	60.00	500	25.6	2.9
Fiscal year ending Mar. 31, 2018 (forecasts)	-	-	-	60.00	60.00		25.0	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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
First half	7,800	(4.0)	1,370	(22.4)	1,440	(16.3)	930	(21.3)	111.59
Full year	16,030	5.1	3,010	2.8	3,110	7.0	2,000	1.5	239.98

Note: Average number of shares outstanding to be used as a basis for calculating net income per share is a number of shares issued as of March 31, 2017, excluding the number of treasury shares.

*** 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) Changes in accounting policies and accounting estimates, and restatements

(i) Changes in accounting policies due to revisions in accounting standards, others: Yes

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(3) Number of outstanding shares (common shares)

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

As of Mar. 31, 2017: 8,656,780 shares

As of Mar. 31, 2016: 8,656,780 shares

(ii) Number of treasury shares at end of period

As of Mar. 31, 2017: 322,588 shares

As of Mar. 31, 2016: 247,610 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2017: 8,401,566 shares

Fiscal year ended Mar. 31, 2016: 8,436,975 shares

* The current financial report is not subject to audit procedures.

* 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 "Overview of Results of Operations for the Current Fiscal Year and Future Outlook" on page 2 of the attachments for assumptions for forecasts and notes of caution for usage.

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1. Overview of Results of Operations, etc.

(1) Overview of Results of Operations for the Current Fiscal Year and Future Outlook

During the current fiscal year, net sales of Nihon Trim Co., Ltd. and its consolidated subsidiaries (the Nihon Trim Group) decreased 0.2% year-on-year to 15,251 million yen, operating profit decreased 6.2% to 2,929 million yen, ordinary profit decreased 10.8% to 2,905 million yen, and profit attributable to owners of parent decreased 6.4% to 1,969 million yen.

The business of electrolyzed hydrogen water (EHW) apparatus progressed very favorably in the first quarter, and posted record sales and profits in June. However, the efficiency of sales declined from the second quarter due to the effects of a series of negative media reports about hydrogen water that started with an article in Sankei News in May 2016, as well as the press release on hydrogen water issued in December 2016 by the National Consumer Affairs Center of Japan. As various specific countermeasures have already been taken to recover sales efficiency, we are confident that the current slump will be bottomed out and the situation will gradually improve.

EHW apparatus is a household medical device. Most people are convinced these days that improving the function of intestine, or as sometimes referred to as the second brain, is important for staying healthy. Since EHW apparatus is effective for improving gastrointestinal conditions, we believe that this trend will help it gain renewed attention. Research to understand the effect of hydrogen is advancing rapidly through clinical trials and other various studies not only at Nihon Trim but also at university hospitals and other institutions. For example, in November 2016, the hydrogen inhalation therapy for patients after resuscitation from cardiopulmonary arrest was approved as Advanced Medical Care B by the Ministry of Health, Labour and Welfare. As a pioneer in research on hydrogen water, Nihon Trim has been involved in joint research projects with universities on EHW for more than 20 years, and has published numerous papers on the results in international academic journals. To further clarify the effect of drinking EHW, we are currently having discussion with a major research institute in Japan to conduct comprehensive joint research on EHW. This joint research aims to develop a deeper understanding of various effects of drinking electrolyzed hydrogen water, including antioxidant and anti-inflammatory effect, anti-fatigue effect, and absorption kinetics through basic research, animal research and clinical research. We also continue vigorously on the basic and clinical research projects with Tohoku University, the University of Tokyo, Karolinska Institute and other institutes, and keep releasing evidence on the effects of EHW.

In February 2017, the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi jointly certified Nihon Trim as one of the “Certified Health and Productivity Management Organizations,” or “White 500.” “Health and Productivity Management” aims to improve productivity by investing in the health of employees to achieve more efficient management and higher profitability. Under the idea that prevention is important to realize a society of good health and longevity and to reduce medical expenses, Nihon Trim has been advocating and promoting a lifestyle of taking good water under a slogan of “water for health care.” There is a track record that the medical expenses for Nihon Trim employees are approximately 40% below the national average, according to Japan Health Insurance Association. We are actively promoting to companies and health insurance associations the use of Nihon Trim’s EHW apparatus, a household medical device which all of our employees are currently using. In fact there are several corporate customers who installed our EHW apparatus at all of their business sites at one time. We will strive to promote and expand our EHW apparatus.

As for our efforts in the medical business, Trim Medical Holdings Inc., our strategic holding company in the advanced medical care field, is currently working to strengthen the business foundation in the fields of regenerative and restoration medicine and reproductive medicine (for fertility treatment), where significant market expansion are expected in the future. StemCell Institute Inc., which operates the largest cord blood bank in Japan, has steadily increased the number of stored specimens, and recorded the highest profit since its inception. Furthermore in April 2017, we established a new company Human Life CORD Japan Inc. aiming at medicating cells derived from human tissues such as placenta and umbilical cord. We will establish a system that can stably supply high quality and safe cell medicines made in Japan through strategic alliances with Japanese and U.S. companies, and will work on industrializing the cell medicine. Also in April, we entered into a capital and business alliance agreement with STREX Inc., which has headquarters in Osaka and plans, develops,

manufactures and distributes medical and research devices. Regarding the hospital operation in China, preparations for the start of business around fall 2017 have been progressing steadily.

In the electrolyzed water hemodialysis business, we have newly launched the Electrolyzed Water Dialysis Office to make full-scale sales activities, as well as gained significant progress in academic fields.

Each of these medical businesses has very promising potential, and we develop these businesses into the Nihon Trim Group's new business vectors.

Business segment performance was as follows.

[Water Healthcare Business]

<Electrolyzed hydrogen water (EHW) apparatus>

(Japan)

In the direct sales divisions consisting of workplace sales (DS Division), installation and referral sales (HS Division) and store sales (SS Division), sales efficiency dropped as mentioned earlier due to the effect of the series of media reports about hydrogen water. While focusing on proposal of Health and Productivity Management with EHW to companies, we have signed an advisory contract with PR professionals who help renew sales tools from the PR perspective to recover and further improve sales efficiency.

The OEM and wholesale sales division is working to increase the number of new customers in Japan and to expand overseas sales while strengthening sales support to existing customers. The division is planning to start selling EHW apparatus to a new major corporate customer in Japan this coming summer.

Sales of water purification cartridges, which generate a consistent revenue stream once an EHW apparatus is installed, were not affected at all by the series of media reports. The sales are increasing steadily, and we are reasonably confident that it demonstrates how highly the users value and trust our EHW. We will continue to strengthen information dissemination and follow-up activities to customers for further improving customer satisfaction and cartridge replacement rate.

In February 2017, we published an article on the U.S. scientific journal "PLOS ONE" in collaboration with the School of Agriculture of Kyushu University and the School of Engineering of the University of Tokyo, claiming that "EHW exerts about five times more intracellular reactive oxygen species (ROS)-scavenging activity than bubbling hydrogen water with the same dissolved hydrogen content, and about 60% of ROS-scavenging activity remains in EHW even after hydrogen was removed." Regarding the epidemiological survey in a partnership with the city of Susaki in Kochi Prefecture on health examination and medical expense data to be collected from people who drink EHW, and clinical trials over EHW drinking on metabolic syndrome patients and those likely to develop the syndrome, we have entered into preparation for implementation from August 2017. The EHW clinical test with Tohoku University School of Medicine involving EHW consumption by people with diabetes is scheduled to be completed by the end of 2017. Nihon Trim continues to work on other research projects to further discover the functions of EHW. One project is a joint study with Karolinska Institute on the benefits of drinking EHW to reduce depression. Based on these accomplishments, Nihon Trim will continue working on expanding the EHW apparatus market to achieve strong growth of this business.

(Overseas)

The bottled water business in Indonesia is steadily expanding with sales growth of about 60% year-on-year. In collaboration with Sinarmas Group, our business partner, Nihon Trim has now expanded into 24,000 stores nationwide, including Alfamart. We will expand and strengthen the production bases, public relations, and advertisement activities to increase our market share in Indonesia. In South Korea, we are proceeding with medical device approval procedures and other necessary actions to start full-scale business operations. In China, we will continue to work on expanding our business with possible consideration over cooperation with the hospital operation business in the future. In Vietnam, we have started a full-scale product launch through wholesale agents since April 2017.

<Agriculture>

The Kangen Vegetable* Project is a joint undertaking that brings together industry, government and academia to grow vegetables in Kochi Prefecture using reduced (*Kangen*) water. A next-generation large vegetable growing facility was completed and production of bell peppers has started since February 2017. Compared to those cultivated using groundwater on part of the experiment field, those cultivated using EHW have already shown a difference in growth. In May 2017, we plan to experimentally introduce EHW apparatus for Kangen Vegetables as an agricultural promotion measure adopted by the city of Noshiro in Akita Prefecture. Attention to Kangen Vegetable is increasing as our effort on them was covered many times last year in media such as TVs including NHK and Mainichi Broadcasting System, and newspapers including Nihon Keizai Shimbun. We will continue to work vigorously on promoting and expanding our EHW apparatus for agriculture.

In collaboration with Obihiro University of Agriculture and Veterinary Medicine, we published a paper in JRA journal *Equine Science* in March 2017, claiming that “drinking electrolyzed hydrogen water prevents ‘loss of appetite,’ which may impair racehorse performance.” Nihon Trim has developed an EHW unit for livestock and sales activities have started.

* Kangen Vegetable is defined as a vegetable cultivated using EHW.

Overall, sales in the water healthcare business decreased by 0.3% year-on-year to 14,418 million yen and operating profit decreased by 8.3% to 2,898 million yen.

[Medical Business]

<Advanced medical care>

StemCell Institute Inc. provides a long-term storage service for stem cells from cord blood in anticipation of their use in regenerative medicine, cellular therapy and treatment of intractable blood diseases. The institute has a dominant 95% share of the Japanese market for stem cell storage. The number of new clients is growing steadily with a year-on-year increase of around 7% to reach a total of 40,382 clients at the end of March 2017. Since January 2017 Kochi Medical School has implemented a clinical research on autologous umbilical cord blood infusion registration for cerebral palsy or cerebral damage in accordance with the Act on the Safety of Regenerative Medicine. The news of the clinical research was covered by NHK, newspapers and other media. StemCell Institute will continue to pursue collaboration with universities and other institutions to conduct clinical researches on stem cells from cord blood. The Institute will strive to expand its business and enhance corporate value of the Nihon Trim Group by ensuring synergies with the abovementioned Human Life CORD Japan Inc. and STREX Inc. with which we have signed a capital and business alliance agreement.

<Electrolyzed water hemodialysis>

Nihon Trim is vigorously promoting sales of Electrolyzed Water Hemodialysis® primarily to major hospital groups. We expect this business to start generating a revenue stream from the fiscal year ending March 31, 2018. Regarding research and development, we have submitted a jointly authored paper describing the first year’s results of the five-year prognosis study to an international academic journal. This five-year study was already completed in December 2016 and currently in the data analysis phase. We are in great hopes that the results of the study will significantly facilitate the spread of Electrolyzed Water Hemodialysis.

<Hospital operation in China>

Nihon Trim is steadily preparing to launch an operation of hospitals to treat diabetes, hemodialysis and other chronic diseases in China. We signed a contract in February 2017 with a major domestic trading firm and other parties to raise 9.40 million US dollar, which is used to finance capital expenditures for opening the flagship hospital in Beijing this fall. As the effect of this business on the Nihon Trim Group’s earnings is uncertain at this moment, we have not incorporated the effect in the earnings forecast for the next fiscal year.

Overall, sales in the medical business increased 1.3% year-on-year to 832 million yen and operating profit was 30 million yen compared with operating loss of 35 million yen one year earlier.

To ensure sustainable growth in the future, we will expand the EWH apparatus business and the medical care and agriculture businesses and, at the same time, aggressively take actions aimed at developing Asia and other overseas markets and entering new business domains such as the field of advanced medical care with M&A as a possible option.

We would greatly appreciate the continued support and guidance of shareholders.

(2) Overview of Financial Position for the Current Fiscal Year

Total assets increased 313 million yen, or 1.3%, from the end of the previous fiscal year to 24,018 million yen at the end of the current fiscal year on a consolidated basis.

(i) Assets

Current assets decreased 1,054 million yen, or 5.8%, from the end of the previous fiscal year to 17,228 million yen. The main factor was a decrease of 1,114 million yen in cash and deposits.

Non-current assets increased 1,368 million yen, or 25.3%, from the end of the previous fiscal year to 6,789 million yen. The main factor was an increase of 1,393 million yen in investment securities.

(ii) Liabilities

Current liabilities decreased 629 million yen, or 17.8%, from the end of the previous fiscal year to 2,897 million yen. The main factor was a decrease of 609 million yen in income taxes payable.

Non-current liabilities increased 41 million yen, or 1.4%, from the end of the previous fiscal year to 2,985 million yen. The main factor was an increase of 30 million yen in net defined benefit liability.

(iii) Net assets

Net assets increased 901 million yen, or 5.2%, from the end of the previous fiscal year to 18,135 million yen. The main factors include a recording of profit attributable to owners of parent of 1,969 million yen, which was partially offset by payment of dividends of 504 million yen; a decrease of 250 million yen in capital surplus due to additional purchase of shares of subsidiaries and associates; and purchase of treasury shares of 307 million yen.

(3) Overview of Cash Flows for the Current Fiscal Year

Cash and cash equivalents (hereinafter “net cash”) decreased 694 million yen from the end of the previous fiscal year to 10,980 million yen at the end of the current fiscal year on a consolidated basis.

Cash flows from operating activities

Net cash provided by operating activities totaled 1,438 million yen.

The main factors were profit before income taxes of 2,976 million yen and depreciation of 190 million yen, which were partially offset by income taxes paid of 1,535 million yen and a 150 million yen decrease in notes and accounts payable-trade.

Cash flows from investing activities

Net cash used in investing activities totaled 1,134 million yen.

The main factor was purchase of investment securities of 1,268 million yen.

Cash flows from financing activities

Net cash used in financing activities totaled 969 million yen.

The main factors were cash dividends paid of 504 million yen and a 375 million yen payment from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation.

Reference: Cash flow indicators

	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Shareholders' equity ratio	78.6	74.5	72.8	71.0	73.9
Shareholders' equity ratio based on market value	85.0	259.8	123.0	185.2	129.1
Average debt repayment period (years)	0.3	0.2	0.7	0.6	1.2

Notes: Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market value: Market capitalization / Total assets

Average debt repayment period: Interest-bearing debt / Operating cash flows

* All indicators are calculated based on consolidated figures.

* Market capitalization is calculated by multiplying the closing price at the end of period by the number of shares outstanding at the end of period (excluding treasury shares).

* Operating cash flows are the figures for operating cash flows in the consolidated statement of cash flows. Interest-bearing debt includes all debt on the consolidated balance sheet that incur interest.

* Disclosure of interest coverage ratio (operating cash flows / interest payments) is omitted because the amount of interest payments is insignificant.

2. Basic Approach for the Selection of Accounting Standards

The Nihon Trim Group will continue to prepare consolidated financial statements using Generally Accepted Accounting Principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies. We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

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

	(Thousands of yen)	
	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	12,595,031	11,480,112
Notes and accounts receivable-trade	2,234,859	2,287,875
Accounts receivable-installment	2,461,510	2,363,687
Finished goods	231,086	300,811
Raw materials and supplies	470,064	508,735
Deferred tax assets	157,873	121,514
Other	141,480	174,889
Allowance for doubtful accounts	(8,070)	(8,692)
Total current assets	18,283,836	17,228,934
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,671,041	1,706,015
Accumulated depreciation	(959,806)	(1,008,054)
Buildings and structures, net	711,234	697,960
Land	2,504,159	2,503,670
Other	1,439,526	1,487,222
Accumulated depreciation	(1,168,416)	(1,145,967)
Other, net	271,110	341,254
Total property, plant and equipment	3,486,504	3,542,885
Intangible assets		
Goodwill	597,458	563,318
Other	105,139	71,920
Total intangible assets	702,598	635,238
Investments and other assets		
Investment securities	44,399	1,438,252
Deferred tax assets	165,207	141,175
Long-term time deposits	500,000	500,000
Other	713,329	546,145
Allowance for doubtful accounts	(191,067)	(13,893)
Total investments and other assets	1,231,868	2,611,679
Total non-current assets	5,420,971	6,789,804
Total assets	23,704,808	24,018,738

	(Thousands of yen)	
	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	962,955	812,088
Current portion of bonds	-	300,000
Income taxes payable	786,270	176,492
Provision for bonuses	148,994	145,091
Provision for product warranties	24,000	44,000
Provision for sales returns	56,000	48,000
Other	1,548,526	1,372,045
Total current liabilities	3,526,746	2,897,717
Non-current liabilities		
Bonds payable	300,000	-
Long-term loans payable	1,126,430	1,426,258
Provision for directors' retirement benefits	171,051	175,715
Net defined benefit liability	194,767	225,126
Long-term guarantee deposited	175,518	142,118
Other	976,486	1,016,211
Total non-current liabilities	2,944,253	2,985,430
Total liabilities	6,471,000	5,883,148
Net assets		
Shareholders' equity		
Capital stock	992,597	992,597
Capital surplus	856,479	606,369
Retained earnings	15,695,068	17,156,173
Treasury shares	(659,940)	(967,521)
Total shareholders' equity	16,884,204	17,787,619
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,974	8,539
Foreign currency translation adjustment	(60,981)	(31,929)
Remeasurements of defined benefit plans	(9,823)	(10,122)
Total accumulated other comprehensive income	(64,831)	(33,511)
Subscription rights to shares	9,642	23,158
Non-controlling interests	404,792	358,324
Total net assets	17,233,808	18,135,590
Total liabilities and net assets	23,704,808	24,018,738

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income**Consolidated Statement of Income**

	(Thousands of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Net sales	15,280,067	15,251,226
Cost of sales	3,840,738	3,868,708
Gross profit	11,439,328	11,382,518
Reversal of provision for sales returns	-	8,000
Gross profit-net	11,439,328	11,390,518
Selling, general and administrative expenses	8,315,593	8,461,404
Operating profit	3,123,734	2,929,114
Non-operating income		
Interest income	6,518	6,209
Dividend income	285	307
Commission fee	10,655	1,518
Real estate rent	94,309	94,342
Foreign exchange gains	8,889	-
Insurance premiums refunded cancellation	13,197	6,552
Other	31,912	23,935
Total non-operating income	165,768	132,865
Non-operating expenses		
Interest expenses	7,275	10,834
Interest on bonds	1,052	1,047
Depreciation of assets for rent	11,387	10,755
Foreign exchange losses	-	111,767
Share of loss of entities accounted for using equity method	1,430	6,446
Other	9,445	15,610
Total non-operating expenses	30,591	156,461
Ordinary profit	3,258,911	2,905,517
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	-	69,456
Gain on sales of non-current assets	-	1,898
Total extraordinary income	-	71,354
Extraordinary losses		
Loss on sales of non-current assets	-	105
Total extraordinary losses	-	105
Profit before income taxes	3,258,911	2,976,766
Income taxes-current	1,244,192	928,969
Income taxes-deferred	(75,344)	3,117
Total income taxes	1,168,847	932,086
Profit	2,090,063	2,044,680
Profit (loss) attributable to non-controlling interests	(14,926)	74,864
Profit attributable to owners of parent	2,104,990	1,969,816

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Profit	2,090,063	2,044,680
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,540)	2,565
Foreign currency translation adjustment	(31,087)	31,949
Remeasurements of defined benefit plans, net of tax	(18,485)	(298)
Share of other comprehensive income of entities accounted for using equity method	(636)	4,206
Total other comprehensive income	(52,749)	38,423
Comprehensive income	2,037,314	2,083,104
Comprehensive income attributable to:		
Owners of parent	2,066,479	2,001,135
Non-controlling interests	(29,164)	81,968

(3) Consolidated Statement of Changes in Equity

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	992,597	972,532	14,018,199	(295,234)	15,688,094
Changes of items during period					
Dividends of surplus			(425,358)		(425,358)
Profit attributable to owners of parent			2,104,990		2,104,990
Purchase of treasury shares				(369,952)	(369,952)
Disposal of treasury shares		(2,763)		5,246	2,483
Purchase of shares of consolidated subsidiaries		(116,052)			(116,052)
Transfer to capital surplus from retained earnings		2,763	(2,763)		-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(116,052)	1,676,868	(364,706)	1,196,109
Balance at end of current period	992,597	856,479	15,695,068	(659,940)	16,884,204

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	8,514	(43,496)	8,661	(26,320)	1,637	500,304	16,163,715
Changes of items during period							
Dividends of surplus							(425,358)
Profit attributable to owners of parent							2,104,990
Purchase of treasury shares							(369,952)
Disposal of treasury shares							2,483
Purchase of shares of consolidated subsidiaries							(116,052)
Transfer to capital surplus from retained earnings							-
Net changes of items other than shareholders' equity	(2,540)	(17,485)	(18,485)	(38,510)	8,005	(95,511)	(126,016)
Total changes of items during period	(2,540)	(17,485)	(18,485)	(38,510)	8,005	(95,511)	1,070,092
Balance at end of current period	5,974	(60,981)	(9,823)	(64,831)	9,642	404,792	17,233,808

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	992,597	856,479	15,695,068	(659,940)	16,884,204
Changes of items during period					
Dividends of surplus			(504,550)		(504,550)
Profit attributable to owners of parent			1,969,816		1,969,816
Purchase of treasury shares				(318,240)	(318,240)
Disposal of treasury shares		(4,160)		10,660	6,500
Purchase of shares of consolidated subsidiaries		(250,109)			(250,109)
Transfer to capital surplus from retained earnings		4,160	(4,160)		-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(250,109)	1,461,105	(307,580)	903,415
Balance at end of current period	992,597	606,369	17,156,173	(967,521)	17,787,619

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	5,974	(60,981)	(9,823)	(64,831)	9,642	404,792	17,233,808
Changes of items during period							
Dividends of surplus							(504,550)
Profit attributable to owners of parent							1,969,816
Purchase of treasury shares							(318,240)
Disposal of treasury shares							6,500
Purchase of shares of consolidated subsidiaries							(250,109)
Transfer to capital surplus from retained earnings							-
Net changes of items other than shareholders' equity	2,565	29,052	(298)	31,319	13,516	(46,468)	(1,632)
Total changes of items during period	2,565	29,052	(298)	31,319	13,516	(46,468)	901,782
Balance at end of current period	8,539	(31,929)	(10,122)	(33,511)	23,158	358,324	18,135,590

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	3,258,911	2,976,766
Depreciation	197,150	190,151
Amortization of goodwill	34,140	34,140
Increase of subscription rights to shares	8,376	14,360
Increase (decrease) in allowance for doubtful accounts	(31,372)	(25,379)
Increase (decrease) in provision for bonuses	19,429	(3,902)
Increase (decrease) in net defined benefit liability	17,038	29,979
Increase (decrease) in provision for directors' retirement benefits	13,295	4,663
Interest and dividend income	(6,803)	(6,516)
Surrender value of insurance	-	(6,552)
Interest expenses	7,275	10,834
Interest on bonds	1,052	1,047
Share of (profit) loss of entities accounted for using equity method	1,430	6,446
Foreign exchange losses (gains)	(8,889)	111,767
Loss (gain) on sales of shares of subsidiaries and associates	-	(69,456)
Decrease (increase) in notes and accounts receivable-trade	(432,928)	(57,119)
Decrease (increase) in accounts receivable-installment	(16,811)	97,823
Decrease (increase) in inventories	(174,857)	(141,954)
Increase (decrease) in notes and accounts payable-trade	396,084	(150,742)
Increase (decrease) in accrued consumption taxes	(51,640)	(100,190)
Other, net	288,008	57,965
Subtotal	3,518,888	2,974,131
Interest and dividend income received	6,869	9,201
Interest expenses paid	(5,290)	(9,481)
Income taxes paid	(947,082)	(1,535,474)
Net cash provided by (used in) operating activities	2,573,385	1,438,377
Cash flows from investing activities		
Payments into time deposits	(620,610)	(500,000)
Proceeds from withdrawal of time deposits	-	920,610
Purchase of property, plant and equipment	(82,482)	(211,802)
Proceeds from sales of property, plant and equipment	-	12,808
Purchase of intangible assets	(2,900)	(6,856)
Purchase of investment securities	-	(1,268,492)
Purchase of shares of subsidiaries and associates	-	(146,828)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	61,753
Payments for lease and guarantee deposits	(5,890)	(7,448)
Proceeds from collection of lease and guarantee deposits	8,034	3,470
Proceeds from cancellation of insurance funds	-	6,552
Other, net	(64,950)	1,671
Net cash provided by (used in) investing activities	(768,799)	(1,134,560)

	(Thousands of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from financing activities		
Proceeds from long-term loans payable	182,270	299,828
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(182,400)	(375,159)
Repayments of guarantee deposits received	(32,817)	(32,817)
Purchase of treasury shares	(369,952)	(318,240)
Proceeds from exercise of share options	2,112	5,656
Cash dividends paid	(423,638)	(504,182)
Other, net	(46,682)	(44,436)
Net cash provided by (used in) financing activities	(871,108)	(969,352)
Effect of exchange rate change on cash and cash equivalents	(6,918)	(28,773)
Net increase (decrease) in cash and cash equivalents	926,559	(694,309)
Cash and cash equivalents at beginning of period	10,747,862	11,674,421
Cash and cash equivalents at end of period	11,674,421	10,980,112

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Changes in Accounting Policies

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Following the revision of the Corporation Tax Act, we have applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) effective from the current fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

This change has immaterial effect on the consolidated financial statements for the current fiscal year.

Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the current fiscal year, we have applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

(Changes in matters on the fiscal year, etc. of consolidated subsidiaries)

For the purpose of consolidating the financial statements of Trim Medical Holdings Inc., which is our consolidated subsidiary with the original closing date of December 31, we previously used its financial statements as of December 31 and made necessary adjustments for material transactions that took place between December 31 and the consolidated closing date. However, as Trim Medical Holdings Inc. has changed its closing date to March 31, we have consolidated its financial statements for the 15-month period from January 1, 2016 to March 31, 2017 to prepare the Group’s consolidated financial statements for the current fiscal year.

Segment and Other Information

(Segment 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 performs R&D for medical and preventive healthcare, and has a genetic diagnostic business and a regenerative medicine business.

2. Calculation methods for net sales, profits or losses, assets, liabilities and other items of each reportable segment

The accounting method used for reportable business segments is generally the same as the methods adopted in the preparation of consolidated financial statements.

Profits for reportable segments are operating profit figures.

3. Information related to net sales, profits or losses, assets, liabilities and other items of each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Reportable segment			Adjustments	Total
	Water healthcare	Medical	Subtotal		
Net sales					
Sales to external customers	14,418,837	832,388	15,251,226	-	15,251,226
Inter-segment sales and transfers	-	-	-	-	-
Total	14,418,837	832,388	15,251,226	-	15,251,226
Segment profits	2,898,322	30,791	2,929,114	-	2,929,114
Segment assets	19,327,712	3,249,845	22,577,557	1,441,181	24,018,738
Other items					
Depreciation and amortization	142,712	36,683	179,395	10,755	190,151
Increase in property, plant and equipment and intangible assets	195,655	25,811	221,467	-	221,467

Per Share Information

(Yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net assets per share	2,000.12	2,130.27
Net income per share	249.50	234.46
Diluted net income per share	249.36	234.30

Note 1: The following is a reconciliation of net income per share and diluted net income per share.

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net income per share		
Profit attributable to owners of parent (thousands of yen)	2,104,990	1,969,816
Profit not attributable to common shareholders (thousands of yen)	-	-
Profit attributable to common shareholders of parent (thousands of yen)	2,104,990	1,969,816
Average number of common shares outstanding during the period (shares)	8,436,975	8,401,566
Diluted net income per share		
Adjustment to profit attributable to owners of parent (thousands of yen)	-	-
Number of shares of common stock to be increased (shares)	4,656	5,746
Summary of potentially dilutive shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	-	-

Subsequent Events

Not applicable.

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.