

April 26, 2018

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

[Japanese GAAP]

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Scheduled date of Annual General Meeting of Shareholders: June 26, 2018
 Scheduled date of filing of Annual Securities Report: June 27, 2018
 Scheduled date of dividend payment: June 27, 2018
 Supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(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, 2018	14,027	(8.0)	1,606	(45.2)	1,681	(42.1)	1,181	(40.0)
Fiscal year ended Mar. 31, 2017	15,251	(0.2)	2,929	(6.2)	2,905	(10.8)	1,969	(6.4)

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2018: 1,230 (down 40.9%)
 Fiscal year ended Mar. 31, 2017: 2,083 (up 2.2%)

	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, 2018	143.36	143.30	6.7	7.0	11.5
Fiscal year ended Mar. 31, 2017	234.46	234.30	11.4	12.2	19.2

Reference: Investment gain (loss) by equity method (million yen) Fiscal year ended Mar. 31, 2018: (60)
 Fiscal year ended Mar. 31, 2017: (6)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	24,038	17,788	72.5	2,147.35
As of Mar. 31, 2017	24,018	18,135	73.9	2,130.27

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 17,425 As of Mar. 31, 2017: 17,754

(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, 2018	2,151	(321)	(1,890)	10,920
Fiscal year ended Mar. 31, 2017	1,438	(1,134)	(969)	10,980

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, 2017	-	0.00	-	60.00	60.00	500	25.6	2.9
Fiscal year ended Mar. 31, 2018	-	0.00	-	60.00	60.00	486	41.9	2.8
Fiscal year ending Mar. 31, 2019 (forecasts)	-	0.00	-	60.00	60.00		40.2	

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
First half	7,820	12.6	1,090	8.8	1,040	(2.9)	590	(11.3)	72.70
Full year	15,340	9.4	2,130	32.6	2,030	20.7	1,210	2.4	149.11

*** 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: None

(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, 2018: 8,656,780 shares

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

(ii) Number of treasury shares at end of period

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

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

(iii) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2018: 8,244,509 shares

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

* The current financial report is not subject to audits 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. Overview of Results of Operations, etc., (1) Overview of Results of Operations for the Current Fiscal Year" 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

During the current fiscal year, net sales of Nihon Trim Co., Ltd. and its consolidated subsidiaries (the Nihon Trim Group) decreased 8.0% year-on-year to 14,027 million yen, operating profit decreased 45.2% to 1,606 million yen, ordinary profit decreased 42.1% to 1,681 million yen, and profit attributable to owners of parent decreased 40.0% to 1,181 million yen.

While operating results have largely been in line with the earnings forecast announced on October 26, 2017, recognizing provision for loss on contract of 275 million yen has led to the above-mentioned results. Excluding the impact of recognizing the provision, operating profit, ordinary profit and profit attributable to owners of parent would have been 1,882 million yen, 1,957 million yen, and 1,373 million yen, respectively.

The business of electrolyzed hydrogen water (EHW) apparatus is getting on a recovery track. In addition, up-front investments to achieve future growth have been made in strengthening evidence through conducting a joint research with RIKEN (the Institute of Physical and Chemical Research) since last May and other institutions, and in entering new business domains including the hospital operation in China in the medical business. The business of the Nihon Trim Group as a whole has steadily been expanding.

In the next fiscal year, we will continue to make aggressive up-front investments particularly in the medical business to grow into a medical company that we aspire to be.

Results by business segment were as follows.

[Water Healthcare Business]

For direct sales divisions of EHW systems (consisting of workplace sales, installation and referral sales, and store sales) in Japan, a decline in sales efficiency in the previous fiscal year affected the operating results for the first half of the current fiscal year. However, owing mainly to corporate customers' bulk purchase backed by growing interest in Health and Productivity Management in Japan and strengthening of sales employee training, sales efficiency in the second half of the current fiscal year has been on a recovery trend. Entering the fourth quarter, operating results on a unit basis have recovered enough to exceed those for the same period last year. Last September, we launched a new product, TRIM ION GRACE. Thanks to the higher unit price of this product than that of TRIM ION HYPER, our previous main product, sales in the second half of the current fiscal year have turned positive compared to those in the first half. At present, the percent composition of TRIM ION GRACE in direct sales has reached around 60%. Nihon Trim was certified as the "White 500," a group of large companies showing outstanding health and productivity management, for the second consecutive year by the Ministry of Economy, Trade and Industry (METI) of Japan and *Nippon Kenko Kaigi*, a forum for health promotion in Japan. Under a sales strategy from a perspective of Health and Productivity Management, lump-sum corporate purchase of EHW systems shows robust results. A major auto dealer installing 172 units in bulk is an example of our achievements.

The OEM and wholesale sales division has been taking some time to recover sales and earnings. While strengthening sales support to existing customers, the division is striving to develop new customers in Japan and expand sales overseas. Outside of Japan, China-based Trim (Guangzhou) Water & Health Co., Ltd. achieved a 198.2% year-on-year increase in sales and is expected to grow further into the future as it successfully developed its business with existing agents and also concluded an agent contract with a major company in Hangzhou. We also have launched business in Vietnam.

Sales in the bottling business in Indonesia rose a solid 8.6% year-on-year. In order to dramatically expand the business, it is vital to upgrade production capacity. As a preliminary step toward this goal, we have hired a professional with experience in quality control in the beverage division of a leading pharmaceutical company, and sent this professional to Indonesia to further strengthen quality control system.

Sales of water purification cartridges, which generate a consistent revenue stream once an EHW apparatus is installed, are steadily growing.

In the agriculture sector, various data on the application of EHW revealed an increased level of antioxidants, sugar content, and yields in leafy and stem vegetables. Regarding the Kangen Vegetables Project conducted in cooperation with industry, academia, and government in Kochi Prefecture, we have continued to cultivate bell peppers at the next-generation, large vegetable growing facility in Nankoku City to validate the cultivating technique and growing method with an aim to improve production efficiency. Since the Noshiro City Agricultural Technology Center in Akita Prefecture revealed that application of EHW for cultivating tomatoes increased the crop yield by 1.8 times when compared to tap water or groundwater, the Center has continued experimental cultivation of other crops in addition to tomatoes. We are also focusing on developing a sales agent network to fully commercialize the Kangen Vegetable business and promote the EHW apparatus for Kangen Vegetables®.

Regarding the research and development activities, the joint research with RIKEN is making steady strides, aiming at the mechanism elucidation of the effect of EHW. Moreover, as a measure to prevent lifestyle-related diseases, participant recruiting in a clinical trial by drinking EHW is earnestly promoted in Susaki City, Kochi Prefecture. In Tohoku University, data analysis is currently underway in the clinical trial for the diabetes. In addition, we also get involved in research in new fields to expand the application of EHW and the promotion of EHW apparatus including the below-mentioned electrolyzed water hemodialysis. We will announce the results as needed.

As a result, the water healthcare business posted net sales of 13,046 million yen (down 9.5% year-on-year) with operating profit of 1,629 million yen (down 43.8% year-on-year).

[Medical Business]

While addressing the full-scale development of electrolyzed water hemodialysis operations in medical business, Trim Medical Holdings Inc., which is our strategic holding company in the advanced medical field, aggressively gets involved in the hospital management business with growth prospects expected mainly overseas as well as the expansion of the business foundation in the field of regenerative medicine, cellular therapy, and reproductive medicine (fertility treatment) with phenomenal market growth expected in the future.

In the field of advanced medical care, StemCell Institute Inc., which manages a private cord blood bank, is steadily growing and has posted a record-high level of net sales. The number of storage was 43,207 individuals at the end of March, 2018 and they accounted for approximately 99% of the domestic total on a basis of the annual number of the new cord blood storage (Source: The Health Service Bureau of the Ministry of Health, Labour and Welfare).

Kochi Medical School has conducted the first phase trial (Phase I) since January, 2017 under the Act on the Safety of Regenerative Medicine, and has made a steady progress for 6 instances of administration, which completed as scheduled, using the autologous cord blood for cerebral damage caused by cerebral palsy. Moreover, a clinical research (Phase I) using autologous cord blood is newly under planning in Japan for autism spectrum disorder (ASD). The incidence rate of ASD is said to be 1 to 2 out of 100 births in Japan, and the regenerative medicine (cellular therapy) using autologous cord blood attracts much attention as a completely new approach against pathologies such as cerebral palsy with no remedy until now.

A study group of Duke University in the United States, a pioneer in this field, accomplished their clinical research on cerebral palsy (Phase II) last year and published their study. They subsequently have started a more extensive clinical trial (Phase III) than at present under the approval of U.S. FDA (Food and Drug Administration). The findings of the clinical research (Phase I) has also been published on ASD.

In addition, StemCell Institute placed a full-page advertisement for the first time on the front page of the nationwide morning edition of Yomiuri Shimbun in March 2018. In the newspaper, there appeared a professional golfer, Mrs. Riko Higashio, who stores the cord blood of her eldest son and eldest daughter and gave birth to her third child in April, as well as Professor Mamoru Tanaka, Department of Obstetrics and Gynecology, Keio University School of Medicine. The advertisement received great feedback not only from general readers but also

from doctors of obstetrics and gynecology, and nursing staff.

As described above, we expect that the demand for the storage of cord blood will gradually increase for the future of a baby or its family with progressive research development for the practical use of regenerative medicine using cord blood and with the improved recognition of cord blood. In preparation for this, we will also approach the global quality standardization of storage services and the expansion of business infrastructure including collection and storage.

Human Life CORD Japan Inc., which aims to develop Japanese cell medicine, concluded a license agreement in August 2017 with Tissue Genesis LLC, a U.S. company holding a patent of stem cell isolation and extraction equipment for clinical use. Under the license agreement, Human Life CORD is allowed to conduct research and development on and promote sales of the equipment in the licensed areas of Japan and China. Moreover, a joint research agreement was concluded with The Institute of Medical Science, The University of Tokyo, in September 2017 for the purpose of the adaptation acquisition to rare diseases in the blood tumor area of umbilical cord-derived mesenchymal cells, where medical treatment needs are not yet satisfied. Furthermore, they concluded a joint research agreement with Kansai Medical University in October concerning research and development to establish the generative and restoration medical treatment for minimally invasive breast reconstruction. As such, Human Life CORD developed many alliances vigorously in the first year of the company establishment, and enhanced the business value steadily in the field of regenerative medicine and cellular therapy.

STREX Inc., which manufactures and sells regenerative medicine equipment, conducts product development to meet the needs of researchers in the field of regenerative medicine and reproductive medicine, recording steady sales and profits.

We are vigorously developing the field of regenerative medicine and cellular therapy to make them one of the pillars of the future Nihon Trim Group.

Regarding the hospital operation as our new business in overseas, we have overcome a delay in opening the flagship hospital in Beijing, China, and now expect to have an opening ceremony on May 9, 2018 in the presence of stakeholders including affiliated companies and Cabinet Secretariat, Office of Healthcare Policy of the Japanese government. This business has received a great deal of attention as the first full-fledged Japanese-style hospital overseas, and has been taken as one of the examples that represents “the present status of international medical care business locations by Japanese companies (supported by the Japanese government)” in the 18th meeting of Office of Healthcare Policy held last June at the Prime Minister’s Office. Starting with Beijing, we plan to promptly develop multiple facilities and already began to prepare for it.

We estimate sales of 4 to 5 billion yen from the flagship hospital in Beijing in full operation with roughly 20% operating margin, and expect it to contribute to our consolidated earnings from the fiscal year ending March 31, 2020. However, a 53 million loss on investment in equity method affiliates was reported for the current fiscal year, the period which we consider as a start-up period of the business.

Regarding Trim Medical Holdings Inc., we are actively expanding the business through new business development and M&A and preparing for IPO as a step aiming for making another leap forward in the future.

In the electrolyzed water hemodialysis business, in January 2018, we published the results of the five-year prognosis survey on electrolyzed water hemodialysis jointly conducted with Tohoku University on *Scientific Reports*, a British scientific online journal issued by the Nature Publishing Group. This survey reported that, compared to conventional hemodialysis, Electrolyzed Water Hemodialysis® (EWH) helped dialysis patients to suppress the mortality risk and the risk of developing cardio-cerebrovascular diseases (such as congestive heart failure, ischemic heart disease, cerebral apoplexy, and ischemic lower-limb amputation) by 41%. The survey also reported that EWH lowered high blood pressure after hemodialysis and reduced the required daily dosage of antihypertensive drugs. This news gained a great deal of attention, getting a high access ranking on the websites viewed by medical and healthcare professionals.

We have received good reputation from the facilities that introduced EWH system with typical comments: “It can be used safely and in relief because it does not cause side effects.” and “A dialysis room became quiet due to reduced frequency of hemodialysis treatments.” and also from patients with typical comments: “My physical activity

of daily life increased.” and “I could go home earlier from hospital because of less fatigue by dialysis.”

EWH contributes not only to improve patients’ quality of life but also to streamline hospital operation through reduction of frequency of changing hospital due to complication onset in cardio-cerebrovascular diseases that requires hospitalization, dosage of inclusive medication, and labor cost of clinical engineer and nurse. In the circumstance that revision of medical service fee system is expected to affect negatively on revenue of dialysis facilities, we believe these contributions to hospital management will give a tremendous boost in promoting our EWH system. In fact, in response to publication on *Scientific Reports* described above, a dialysis clinic in Kyoto introduced a multi-user EWH system in March 2018, followed by a major hospital in Osaka. As we have also received many other inquiries, we will continue to proactively promote sales activities to prospective customers including major hospital groups.

As a result, the medical business posted net sales of 981 million yen (up 18.0% year-on-year) with operating loss of 23 million yen (compared with operating profit of 30 million yen one year earlier).

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

Total assets increased 19 million yen, or 0.1%, from the end of the previous fiscal year to 24,038 million yen at the end of the current fiscal year on a consolidated basis.

(i) Assets

Current assets increased 17 million yen, or 0.1%, from the end of the previous fiscal year to 17,246 million yen.

Non-current assets increased 1 million yen, or 0.03%, to 6,791 million yen.

(ii) Liabilities

Current liabilities decreased 1,238 million yen, or 28.7%, from the end of the previous fiscal year to 3,085 million yen. The main factor was a decrease of 1,412 million yen in current portion of long-term loans payable.

Non-current liabilities increased 1,605 million yen, or 103.0%, to 3,164 million yen. The main factor was an increase of 1,497 million yen in long-term loans payable.

(iii) Net assets

Net assets decreased 347 million yen, or 1.9%, from the end of the previous fiscal year to 17,788 million yen. The main factors include purchase of treasury shares of 1,038 million yen and payment of dividends of 500 million yen, which were partially offset by a profit attributable to owners of parent of 1,181 million yen.

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

Cash and cash equivalents (hereinafter “net cash”) decreased 59 million yen from the end of the previous fiscal year to 10,920 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 2,151 million yen.

The main factors were profit before income taxes of 1,842 million yen and a 413 million yen decrease in notes and accounts receivable-trade, which were partially offset by income taxes paid of 469 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 321 million yen.

The main factors were payments into time deposits of 600 million yen, purchase of investment securities of 527 million yen, and purchase of property, plant and equipment of 200 million yen, which were partially offset by proceeds from withdrawal of time deposits of 1,000 million yen.

Cash flows from financing activities

Net cash used in financing activities totaled 1,890 million yen.

The main factors were purchase of treasury shares of 1,044 million yen and cash dividends paid of 499 million yen.

Reference: Cash flow indicators

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Shareholders' equity ratio	74.5	72.8	71.0	73.9	72.5
Shareholders' equity ratio based on market value	259.8	123.0	185.2	129.1	185.7
Average debt repayment period (years)	0.2	0.7	0.6	1.2	0.7

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.

(4) Future Outlook

Looking ahead to the next fiscal year, the Nihon Trim Group will continue to challenge ourselves with an entrepreneurial spirit to grow to be a global medical company we aspire to be.

[Water Healthcare Business]

To further expand sales of EHW apparatus in the domestic market through the direct sales divisions consisting of workplace sales, installation and referral sales, and store sales, we will further focus on the B-to-B sales approach on top of the ongoing B-to-C sales approach. In addition, we will pursue specific projects of collaborating with major players in other industries to develop new sales channels.

The OEM and wholesale division will start business negotiations to enter into the Southeast Asian markets including India, the Philippines, and Cambodia markets, as well as to cultivate major new customers in Japan.

In the bottling business in Indonesia, we will further strengthen the quality control system in manufacturing and the alliance with Sinarmas Group, our local partner, with an initial goal to grow the business scale to a 10 billion yen.

As for sales of water purification cartridges, which generate a consistent revenue stream once an EHW apparatus is installed, we will focus on information dissemination to customers and post-sale follow up to enhance customer satisfaction and the cartridge replacement rate. Currently, we have approximately 850 thousand users of the EHW apparatus, of which roughly 450 thousand users are in our registered customer list. This suggests that steadily increasing the number of registered users will lead to a solid revenue foundation for the business. With this approach in place, we will further expand sales of water purification cartridge, which at the moment account for around 30% of the Group's sales.

In the agriculture business, we will strive to develop a sales agent network that helps fully commercialize Kangen Vegetables® and promote the EHW apparatus for Kangen Vegetables. Further, we will consider a specific approach to entering into the overseas market to respond to inquiries from overseas.

Regarding research and development, we will focus on clinical studies with Tohoku University and a joint project with Susaki City, Kochi Prefecture to substantiate benefits of drinking EHW as well as a joint research project with RIKEN (the Institute of Physical and Chemical Research). We will continue to gather more empirical evidence to promote our EHW apparatus and pursue research to cultivate new business fields.

[Medical Business]

The Nihon Trim Group will continue to work hard to expand the advanced medical care business.

Specifically, StemCell Institute Inc. will pursue clinical studies by partnering with universities and other institutions to realize an innovative medical care utilizing stem cells derived from cord blood.

Human Life CORD Japan Inc. signed a license agreement with Tissue Genesis LLC last August to market stem cell isolation and extraction equipment for clinical use. At the same time, it will make efforts to obtain a certification for a medical device for clinical use in Japan.

STREX Inc. will continue to focus on developing unique devices and expanding business in the field of reproductive medicine.

Regarding the hospital operation business, the flagship hospital in Beijing, China will start its operation in May. Although we expect to report a loss on investment in equity method affiliates of roughly 180 million yen in the following fiscal year, the hospital operation business will start contributing to the Group's financial performance from the fiscal year ending March 31, 2020 as described above.

In the electrolyzed water hemodialysis business, we will continue to put a priority on developing a customer base with an aim to introduce our system to key dialysis facilities in both east and west Japan. Further, we will make efforts to closely coordinate with facilities that have adopted our system to promote an establishment of more evidence.

To ensure sustainable growth in the future, the Nihon Trim Group will aggressively take actions to develop overseas markets and to enter new business domains such as the field of advanced medical care with M&A as a possible option as well as to expand the EHW apparatus, medical care and agriculture businesses.

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)	
	FY3/17	FY3/18
	(As of Mar. 31, 2017)	(As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	11,480,112	11,520,948
Notes and accounts receivable-trade	2,287,875	1,886,108
Accounts receivable-installment	2,363,687	2,495,764
Finished goods	300,811	308,092
Raw materials and supplies	508,735	626,833
Deferred tax assets	121,514	196,295
Other	174,889	221,069
Allowance for doubtful accounts	(8,692)	(8,244)
Total current assets	17,228,934	17,246,869
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,706,015	1,759,200
Accumulated depreciation	(1,008,054)	(1,053,106)
Buildings and structures, net	697,960	706,093
Tools, furniture and fixtures	1,101,825	1,232,018
Accumulated depreciation	(912,712)	(1,017,317)
Tools, furniture and fixtures, net	189,112	214,701
Land	2,503,670	2,502,203
Other	385,396	271,175
Accumulated depreciation	(233,255)	(125,372)
Other, net	152,141	145,803
Total property, plant and equipment	3,542,885	3,568,801
Intangible assets		
Goodwill	563,318	571,626
Other	71,920	38,361
Total intangible assets	635,238	609,988
Investments and other assets		
Investment securities	1,438,252	1,893,464
Deferred tax assets	141,175	145,966
Long-term time deposits	500,000	-
Other	546,145	587,221
Allowance for doubtful accounts	(13,893)	(13,893)
Total investments and other assets	2,611,679	2,612,759
Total non-current assets	6,789,804	6,791,549
Total assets	24,018,738	24,038,419

	(Thousands of yen)	
	FY3/17	FY3/18
	(As of Mar. 31, 2017)	(As of Mar. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	812,088	822,267
Current portion of bonds	300,000	-
Current portion of long-term loans payable	1,426,258	13,840
Income taxes payable	176,492	404,451
Provision for bonuses	145,091	148,140
Provision for product warranties	44,000	9,000
Provision for sales returns	48,000	52,000
Provision for loss on contract	-	275,773
Other	1,372,045	1,359,646
Total current liabilities	4,323,976	3,085,119
Non-current liabilities		
Long-term loans payable	-	1,497,138
Provision for directors' retirement benefits	175,715	187,568
Net defined benefit liability	225,126	251,215
Long-term guarantee deposited	142,118	63,297
Other	1,016,211	1,165,514
Total non-current liabilities	1,559,171	3,164,733
Total liabilities	5,883,148	6,249,853
Net assets		
Shareholders' equity		
Capital stock	992,597	992,597
Capital surplus	606,369	636,631
Retained earnings	17,156,173	17,835,206
Treasury shares	(967,521)	(2,006,146)
Total shareholders' equity	17,787,619	17,458,288
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,539	10,019
Foreign currency translation adjustment	(31,929)	(35,231)
Remeasurements of defined benefit plans	(10,122)	(7,222)
Total accumulated other comprehensive income	(33,511)	(32,434)
Share acquisition rights	23,158	28,720
Non-controlling interests	358,324	333,990
Total net assets	18,135,590	17,788,565
Total liabilities and net assets	24,018,738	24,038,419

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

	(Thousands of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Net sales	15,251,226	14,027,984
Cost of sales	3,868,708	4,221,480
Gross profit	11,382,518	9,806,503
Provision for sales returns	-	4,000
Reversal of provision for sales returns	8,000	-
Gross profit-net	11,390,518	9,802,503
Selling, general and administrative expenses	8,461,404	8,196,089
Operating profit	2,929,114	1,606,414
Non-operating income		
Interest income	6,209	22,817
Dividend income	307	401
Commission fee	1,518	1,494
Real estate rent	94,342	79,067
Foreign exchange gains	-	3,203
Insurance premiums refunded cancellation	6,552	28,265
Other	23,935	25,336
Total non-operating income	132,865	160,585
Non-operating expenses		
Interest expenses	10,834	5,545
Interest on bonds	1,047	874
Depreciation of assets for rent	10,755	10,559
Foreign exchange losses	111,767	-
Share of loss of entities accounted for using equity method	6,446	60,446
Other	15,610	7,775
Total non-operating expenses	156,461	85,201
Ordinary profit	2,905,517	1,681,798
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	69,456	-
Gain on sales of non-current assets	1,898	-
Gain on cancellation of rental contracts	-	161,192
Total extraordinary income	71,354	161,192
Extraordinary losses		
Loss on sales of non-current assets	105	-
Loss on retirement of non-current assets	-	162
Total extraordinary losses	105	162
Profit before income taxes	2,976,766	1,842,828
Income taxes-current	928,969	690,799
Income taxes-deferred	3,117	(82,948)
Total income taxes	932,086	607,850
Profit	2,044,680	1,234,977
Profit attributable to non-controlling interests	74,864	53,084
Profit attributable to owners of parent	1,969,816	1,181,893

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Profit	2,044,680	1,234,977
Other comprehensive income		
Valuation difference on available-for-sale securities	2,565	1,480
Foreign currency translation adjustment	31,949	(7,590)
Remeasurements of defined benefit plans, net of tax	(298)	2,899
Share of other comprehensive income of entities accounted for using equity method	4,206	(788)
Total other comprehensive income	38,423	(3,999)
Comprehensive income	2,083,104	1,230,978
Comprehensive income attributable to:		
Owners of parent	2,001,135	1,182,971
Non-controlling interests	81,968	48,007

(3) Consolidated Statement of Changes in Equity

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				Share acquisition rights	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

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	992,597	606,369	17,156,173	(967,521)	17,787,619
Changes of items during period					
Dividends of surplus			(500,051)		(500,051)
Profit attributable to owners of parent			1,181,893		1,181,893
Purchase of treasury shares				(1,044,684)	(1,044,684)
Disposal of treasury shares		(2,810)		6,060	3,250
Purchase of shares of consolidated subsidiaries		30,261			30,261
Transfer to capital surplus from retained earnings		2,810	(2,810)		-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	30,261	679,032	(1,038,624)	(329,330)
Balance at end of current period	992,597	636,631	17,835,206	(2,006,146)	17,458,288

	Accumulated other comprehensive income				Share acquisition rights	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	8,539	(31,929)	(10,122)	(33,511)	23,158	358,324	18,135,590
Changes of items during period							
Dividends of surplus							(500,051)
Profit attributable to owners of parent							1,181,893
Purchase of treasury shares							(1,044,684)
Disposal of treasury shares							3,250
Purchase of shares of consolidated subsidiaries							30,261
Transfer to capital surplus from retained earnings							-
Net changes of items other than shareholders' equity	1,480	(3,301)	2,899	1,077	5,561	(24,333)	(17,694)
Total changes of items during period	1,480	(3,301)	2,899	1,077	5,561	(24,333)	(347,025)
Balance at end of current period	10,019	(35,231)	(7,222)	(32,434)	28,720	333,990	17,788,565

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	2,976,766	1,842,828
Depreciation	190,151	264,396
Amortization of goodwill	34,140	36,374
Increase of share acquisition rights	14,360	5,983
Increase (decrease) in allowance for doubtful accounts	(25,379)	(447)
Increase (decrease) in provision for bonuses	(3,902)	3,049
Increase (decrease) in provision for loss on contract	-	275,773
Increase (decrease) in net defined benefit liability	29,979	30,299
Increase (decrease) in provision for directors' retirement benefits	4,663	11,852
Gain on cancellation of rental contracts	-	(161,192)
Interest and dividend income	(6,516)	(23,218)
Surrender value of insurance	(6,552)	(28,265)
Interest expenses	10,834	5,545
Interest on bonds	1,047	874
Share of loss (profit) of entities accounted for using equity method	6,446	60,446
Foreign exchange losses (gains)	111,767	(3,203)
Loss (gain) on sales of shares of subsidiaries and associates	(69,456)	-
Decrease (increase) in notes and accounts receivable-trade	(57,119)	413,912
Decrease (increase) in accounts receivable-installment	97,823	(132,077)
Decrease (increase) in inventories	(141,954)	(104,696)
Increase (decrease) in notes and accounts payable-trade	(150,742)	7,988
Increase (decrease) in accrued consumption taxes	(100,190)	(51,912)
Other, net	57,965	139,470
Subtotal	2,974,131	2,593,782
Interest and dividend income received	9,201	33,048
Interest expenses paid	(9,481)	(5,216)
Income taxes paid	(1,535,474)	(469,742)
Net cash provided by (used in) operating activities	1,438,377	2,151,872
Cash flows from investing activities		
Payments into time deposits	(500,000)	(600,000)
Proceeds from withdrawal of time deposits	920,610	1,000,000
Purchase of property, plant and equipment	(211,802)	(200,308)
Proceeds from sales of property, plant and equipment	12,808	6,179
Purchase of intangible assets	(6,856)	(9,483)
Purchase of investment securities	(1,268,492)	(527,270)
Purchase of shares of subsidiaries and associates	(146,828)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(36,293)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	61,753	-
Payments for lease and guarantee deposits	(7,448)	(6,135)
Proceeds from collection of lease and guarantee deposits	3,470	3,007
Proceeds from cancellation of insurance funds	6,552	59,225
Other, net	1,671	(10,424)
Net cash provided by (used in) investing activities	(1,134,560)	(321,503)

	(Thousands of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from financing activities		
Proceeds from long-term loans payable	299,828	56,880
Redemption of bonds	-	(300,000)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(375,159)	(59,280)
Proceeds from share issuance to non-controlling shareholders	-	15,000
Repayments of guarantee deposits received	(32,817)	(24,613)
Purchase of treasury shares	(318,240)	(1,044,684)
Proceeds from exercise of share options	5,656	2,828
Cash dividends paid	(504,182)	(499,432)
Other, net	(44,436)	(37,129)
Net cash provided by (used in) financing activities	(969,352)	(1,890,432)
Effect of exchange rate change on cash and cash equivalents	(28,773)	900
Net increase (decrease) in cash and cash equivalents	(694,309)	(59,163)
Cash and cash equivalents at beginning of period	11,674,421	10,980,112
Cash and cash equivalents at end of period	10,980,112	10,920,948

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

Not applicable.

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 includes business operations in the fields of medical and preventive healthcare and regenerative medicine.

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

The accounting method used for reportable operating 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, profit or loss, assets, liabilities and other items of each reportable segment

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Reportable segment			Adjustments	Total
	Water healthcare	Medical	Subtotal		
Net sales					
Sales to external customers	13,046,069	981,915	14,027,984	-	14,027,984
Inter-segment sales and transfers	-	-	-	-	-
Total	13,046,069	981,915	14,027,984	-	14,027,984
Segment profit (loss)	1,629,749	(23,335)	1,606,414	-	1,606,414
Segment assets	18,984,029	3,574,195	22,558,225	1,480,194	24,038,419
Other items					
Depreciation and amortization	218,423	35,413	253,837	10,559	264,396
Increase in property, plant and equipment and intangible assets	232,350	26,599	258,950	-	258,950

Per Share Information

(Yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net assets per share	2,130.27	2,147.35
Net income per share	234.46	143.36
Diluted net income per share	234.30	143.30

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

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net income per share		
Profit attributable to owners of parent (thousands of yen)	1,969,816	1,181,893
Profit not attributable to common shareholders (thousands of yen)	-	-
Profit attributable to common shareholders of parent (thousands of yen)	1,969,816	1,181,893
Average number of common shares outstanding during the period (shares)	8,401,566	8,244,509
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)	5,746	3,028
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.