

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

[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 18, 2019  
 Scheduled date of filing of Annual Securities Report: June 19, 2019  
 Scheduled date of dividend payment: June 19, 2019  
 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, 2019 (April 1, 2018 – March 31, 2019)

## (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	%
Fiscal year ended Mar. 31, 2019	15,179	8.2	2,250	40.1	2,121	26.2	1,250	5.8
Fiscal year ended Mar. 31, 2018	14,027	(8.0)	1,606	(45.2)	1,681	(42.1)	1,181	(40.0)

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2019: 1,233 (up 0.2%)

Fiscal year ended Mar. 31, 2018: 1,230 (down 40.9%)

	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, 2019	157.05	156.95	7.2	9.1	14.8
Fiscal year ended Mar. 31, 2018	143.36	143.30	6.7	7.0	11.5

Reference: Investment gain (loss) by equity method (million yen) Fiscal year ended Mar. 31, 2019: (243)

Fiscal year ended Mar. 31, 2018: (60)

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	22,613	17,395	75.5	2,162.68
As of Mar. 31, 2018	24,038	17,788	72.5	2,147.35

Reference: Shareholders' equity (million yen) As of Mar. 31, 2019: 17,075 As of Mar. 31, 2018: 17,425

## (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, 2019	1,875	(500)	(3,115)	9,135
Fiscal year ended Mar. 31, 2018	2,151	(321)	(1,890)	10,920

### 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, 2018	-	0.00	-	60.00	60.00	486	41.9	2.8
Fiscal year ended Mar. 31, 2019	-	0.00	-	60.00	60.00	473	38.2	2.8
Fiscal year ending Mar. 31, 2020 (forecasts)	-	0.00	-	70.00	70.00		37.7	

### 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	8,420	6.6	1,450	5.4	1,400	5.2	840	1.6	105.50
Full year	16,360	7.8	2,630	16.9	2,530	19.2	1,480	18.4	185.89

**\* 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, 2019: 8,656,780 shares

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

(ii) Number of treasury shares at end of period

As of Mar. 31, 2019: 761,438 shares

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

(iii) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2019: 7,961,911 shares

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

\* The current financial report is not subject to audit 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 Nihon Trim. 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) increased 8.2% year-on-year to 15,179 million yen, operating profit increased 40.1% to 2,250 million yen, ordinary profit increased 26.2% to 2,121 million yen, and profit attributable to owners of parent increased 5.8% to 1,250 million yen.

In the water healthcare business, we 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. As a result, the direct sales divisions came out of doldrums started in the fiscal year ended March 31, 2017 by achieving a 7.5% increase in net sales year-on-year. Overseas, the bottling business in Indonesia has been growing steadily, with a 37.7% year-on-year increase in its net sales (on a local currency basis).

In the medical business, we are currently negotiating with about 300 dialysis facilities over the sale of our electrolyzed water hemodialysis systems. Now that we have received some large-sized orders to deliver the systems during the next fiscal year, we believe the business of electrolyzed water hemodialysis systems is finally growing into an earnings contributor for the Nihon Trim Group.

StemCell Institute Inc., which operates 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 towards full-scale operation. During the current fiscal year, we recorded share of loss of entities accounted for using equity method of 240 million yen, arisen from our upfront investment in the business, as non-operating expenses.

Overall, the Nihon Trim Group is making steady strides toward becoming a global medical company.

For the fiscal year ending March 31, 2020, while we will make proactive upfront investments to grow into a medical company that we aspire to be, we expect to record net sales of 16,360 million yen (up 7.8% year-on-year), operating profit of 2,630 million yen (up 16.9% year-on-year), ordinary profit of 2,530 million yen (up 19.2% year-on-year), and profit attributable to owners of parent of 1,480 million yen (up 18.4% year-on-year).

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, installation and referral sales, and store sales; and the OEM and wholesale sales division. The workplace sales division sold as many as 918 units to 104 corporate customers through lump-sum purchase based on the Health and Productivity Management proposals during the current fiscal year. We are convinced that we can improve the purchase rate of our EHW apparatus by first letting the employees of corporate customers try using the systems and then holding related seminars. We have been striving hard to further expand sales through B2C channels on top of the existing B2B channel by proposing the Health and Productivity Management concept. The OEM and wholesale division, which now has a prospect of signing new contracts in the near term, has continued to strengthen activities to support sales to existing customers, tap new customers and expand sales overseas. Also, sales of water purification cartridges, which generate a consistent revenue stream once an EHW apparatus is installed, have been growing steadily.

Overseas, net sales for the bottling business in Indonesia increased 37.7% year-on-year, as described above. Given this situation, we have been preparing for establishing production systems that have twice the production capacity as the existing facilities. Also, we have further strengthened alliance with Sinarmas Group, a business partner, to jointly achieve a long-term goal of expanding the size of the bottling business by about 18-fold in FY2025 (with net sales of about 2.25 trillion rupiah, equivalent to 17.3 billion yen (based on the exchange rate of IDR/JPY: 0.0077)).

In the agricultural sector, we have continued to study the feasibility of the cultivating technique and growing method utilizing EHW. Although it is taking long to launch full-scale operation, we are confident that our

technology that helps increase the crop yield per unit land area and grow highly functional crops with outstanding nutrition will contribute to the sector not only in Japan but also globally. In fact, we believe the business will grow into one of our business pillars in the future.

As for research and development activities, jointly with Tohoku University School of Medicine, we have posted a research paper on clinical trials which examine 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, part of the results of the joint research with RIKEN, a national research and development agency, aimed at identifying the mechanism for the benefits of EHW, is to be presented at the 15th General Meeting / Study Group Meeting of Japanese Society of Fatigue Science scheduled for May this year. With regard to the clinical research on effects of drinking EHW on lifestyle diseases in Susaki City, Kochi Prefecture, the trial drinking period is scheduled to end in May and the results are expected to be reported by the end of this year. In August this year, we will start a joint study with the city based on public-private partnership to collect and analyze the medical checkup data of the members of the households that have installed and used our EHW systems, and to investigate medical expenses for the city. From the joint research with the Faculty of Human Sciences, Waseda University, started in April last year, we have secured meaningful interim results and expect much from the progress of the research. We also are earnestly engaged in research on new fields, to expand the application of EHW and the promotion of EHW apparatus. We would like to announce progress and results of these researches as needed.

As a result, the water healthcare business posted net sales of 13,922 million yen (up 6.7% year-on-year) with operating profit of 2,153 million yen (up 32.1% year-on-year).

#### [Medical Business]

In the Medical Business segment, while we focused on sales activities for electrolyzed water hemodialysis systems, we also worked on enhancing the business foundation in the field of the regenerative medicine and cellular therapy with phenomenal market growth expected in the future, as well as expanding the new hospital operation business in China.

For medical facilities to introduce electrolyzed water hemodialysis systems, they need to incur capital investments. Therefore, closing of some deals, originally scheduled for this fiscal year, have been delayed to the next fiscal year. Nevertheless, sales from the business have been on the steady rise. As of today, our electrolyzed water hemodialysis systems have been installed in 16 facilities or 378 beds. In order to further raise public awareness and expand use of our electrolyzed water hemodialysis systems, we have proactively held luncheon seminars at meetings of nephrology and hemodialysis related societies. In July last year, the Ministry of Health, Labour and Welfare published a report, compiled by the investigation committee on measures against renal disease. In this report, the ministry noted, as its key goals, that it will make every effort to prevent aggravation of chronic kidney disease (CKD) and help maintain the QOL (Quality of Life) of CKD patients, including dialysis patients and kidney transplant recipients. Electrolyzed water hemodialysis is a perfect approach for achieving these goals. Recently, we have an increasing number of opportunities to negotiate related deals, as more hemodialysis facilities are aware of the fact. We have started electrolyzed water hemodialysis in HanKun Hospital in Beijing and are aiming to develop this therapy into a globally recognized standard method of treatment in the next generation.

The operating performance of StemCell Institute Inc., which operates the largest private cord blood bank in Japan, renewed its record high, with a 34.3% year-on-year increase in net sales and a 97.8% year-on-year increase in ordinary profit. According to the Health Service Bureau of the Ministry of Health, Labour and Welfare, the number of cord blood held by StemCell Institute Inc. accounts for approximately 99% of the domestic total (on a basis of the annual number of the new cord blood storage). In the clinical research on therapy using autologous cord blood aimed at practical application, Kochi Medical School's conduct of the first phase trial (Phase I) for cerebral infantile paralysis and other cerebral damages have completed successfully. In addition, the Phase I clinical research on autism spectrum disorder (ASD) is scheduled to start by the end of this fiscal year (the incidence rate of

ASD is said to be 1 to 2 out of 100 births in Japan). The regenerative medicine (cellular therapy) using autologous cord blood has attracted much attention as a completely new approach against pathologies such as cerebral palsy with no remedy until now. With the progress of these clinical researches, demand for the storage of cord blood is expected to grow markedly in the future. To provide for such growing demand, we worked on standardizing the global quality of storage services and strengthening our infrastructure for collection, storage and other services. 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.

The hospital operation business in China is still in an upfront investment phase but has been making a steady progress towards full-scale operation of Beijing HanKun Hospital opened last year. The hospital was featured as one of the international medical service bases of Japan (supported by the Japanese government), in the discussion material titled "Overview of Overseas Development Strategy (Medical)" distributed at the 37th Ministerial Meeting on Strategy relating Infrastructure Export and Economic Cooperation held in June last year. The material is posted on the website of Prime Minister's Office of Japan. Although we estimate that the hospital will record net sales of 4.0 to 5.0 billion yen with the operating margin of at least 20% once it launches full-scale operation, the business has yet to attract as many patients as initially projected due to its prudent and cautious launch process. Upfront investment will continue and prevail in the next fiscal year, and therefore, the hospital is unlikely to contribute to the Group's earnings until before the fiscal year ending March 31, 2021. To attract patients, the hospital is partnering and is currently negotiating with a state-owned insurance company in a bid to provide health management services to thousands of its policyholders. In addition, we launched a range of marketing activities, including promotions on our websites. As a next step, we have already embarked on preparations for opening three more hospitals in China.

As a result, the medical business recorded net sales of 1,256 million yen (up 28.0% year-on-year) with operating profit of 96 million yen (compared with operating loss of 23 million yen a year earlier).

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

Total assets decreased 1,425 million yen, or 5.9%, from the end of the previous fiscal year to 22,613 million yen at the end of the current fiscal year on a consolidated basis.

### **(i) Assets**

Current assets decreased 1,245 million yen, or 7.3%, from the end of the previous fiscal year to 15,805 million yen. The main factor was a decrease of 1,635 million yen in cash and deposits, which was partially offset by an increase of 295 million yen in accounts receivable-installment.

Non-current assets decreased 179 million yen, or 2.6%, to 6,808 million yen. The main factors were decreases of 108 million yen in investment securities, 37 million yen in goodwill, and 35 million yen in land.

### **(ii) Liabilities**

Current liabilities increased 122 million yen, or 4.0%, from the end of the previous fiscal year to 3,207 million yen. The main factor was an increase of 92 million yen in notes and accounts payable-trade.

Non-current liabilities decreased 1,154 million yen, or 36.5%, to 2,010 million yen. The main factor was a decrease of 1,484 million yen in long-term loans payable.

### **(iii) Net assets**

Net assets decreased 393 million yen, or 2.2%, from the end of the previous fiscal year to 17,395 million yen. The main factors include purchase of treasury shares of 1,104 million yen and payment of dividends of 486 million yen, which were partially offset by a profit attributable to owners of parent of 1,250 million yen.

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

Cash and cash equivalents (hereinafter “net cash”) decreased 1,785 million yen from the end of the previous fiscal year to 9,135 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 1,875 million yen.

The main factor was profit before income taxes of 2,055 million yen, which was partially offset by income taxes paid of 675 million yen.

**Cash flows from investing activities**

Net cash used in investing activities totaled 500 million yen.

The main factors were payments into time deposits of 750 million yen, purchase of investment securities of 150 million yen, and purchase of property, plant and equipment of 168 million yen, which were partially offset by proceeds from withdrawal of time deposits of 600 million yen.

**Cash flows from financing activities**

Net cash used in financing activities totaled 3,115 million yen.

The main factors were repayments of long-term loans payable of 1,485 million yen, purchase of treasury shares of 1,104 million yen, and cash dividends paid of 486 million yen.

**Reference: Cash flow indicators**

	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Shareholders' equity ratio	72.8	71.0	73.9	72.5	75.5
Shareholders' equity ratio based on market value	123.0	185.2	129.1	185.7	201.8
Average debt repayment period (years)	0.7	0.6	1.2	0.7	0.0

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**

In the next fiscal year, the Nihon Trim Group will continue to challenge itself with an entrepreneurial spirit to grow into a global medical company it aspires for.

**[Water Healthcare Business]**

Of the direct sales divisions for EHW apparatus, consisting of workplace sales, installation and referral sales, and store sales in Japan, the workplace sales division will focus on further expanding sales through B2C channels on top of the existing B2B channel based the Health and Productivity Management concept. The OEM and wholesale division will focus on developing new major customers in Japan and expanding business overseas, primarily in the Southeast Asian markets. The division will also strengthen PR activities, with the release of a joint research paper with Tohoku University on the efficacy of drinking EHW for the diabetes as the first step, to further raise public awareness of EHW and vitalize the EHW market. As for sales of water purification cartridges, which generate a consistent revenue stream once an EHW system is installed, we will continue focusing on information dissemination to customers and post-sale follow-up activities to enhance customer satisfaction and the cartridge replacement rate, to ultimately establish the business as a stable source of revenue.

For the bottling business in Indonesia, we will strengthen alliance with Sinarmas Group and develop new customers in the country by utilizing our proprietary technologies and evidence, and will also consider making

capital investments with a view to achieving a marked growth in the future. For the fiscal year ending December 31, 2019, we expect net sales from the business to increase 13.4% year-on-year.

In the agricultural business, we plan to commence a joint research project with RIKEN to make clear the benefits of EHW so that we can fully commercialize the Kangen Vegetable® business and promote the EHW apparatus for Kangen Vegetables®. We also plan to start related initiatives in Indonesia to ultimately expand the business overseas.

Regarding research and development, we will continue focusing on joint research projects with RIKEN; School of Engineering, The University of Tokyo; and Faculty of Human Sciences, Waseda University; as well as a joint project with Susaki City, Kochi Prefecture. 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 focusing on sales activities of the electrolyzed water hemodialysis systems so it can deliver strong results. In the fiscal year ending March 31, 2020, among others, the Group aims to achieve net sales of 200 million yen. Further, we will also make efforts to closely coordinate with facilities that have adopted our systems to gather more empirical evidence with a view to expanding the use of our electrolyzed water hemodialysis systems as medical devices.

StemCell Institute Inc. will strengthen its sales operating system by adding sales personnel to further improve its solid operating performance, which reached record highs in the latest period, and will also focus on advertisement and PR activities to raise public awareness. In addition, the institute will pursue clinical researches by partnering with universities and other institutions to realize an innovative medical care utilizing stem cells derived from cord blood. The institute will also remain committed to the joint research with The Institute of Medical Science, The University of Tokyo, aimed at expanding the Group's business domains in the future to launch Japan's first autologous umbilical cord storage service and its clinical application.

In the fiscal year ending March 31, 2020, we expect net sales from the business to increase 16.3% year-on-year.

The hospital operation business in China is still in an upfront investment phase because this business has yet to attract patients as initially projected as mentioned above, but is striving hard to turn profitable. We will continue preparing for opening three more hospitals in China as a next step.

Through the initiatives above, the Nihon Trim Group are committed to shifting to a medical company and achieving sustainable growth.

## **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)	
	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	11,520,948	9,885,874
Notes and accounts receivable-trade	1,886,108	1,935,474
Accounts receivable-installment	2,495,764	2,790,831
Finished goods	308,092	370,252
Raw materials and supplies	626,833	666,467
Other	221,069	168,010
Allowance for doubtful accounts	(8,244)	(11,840)
Total current assets	17,050,574	15,805,069
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,759,200	1,717,309
Accumulated depreciation	(1,053,106)	(1,016,653)
Buildings and structures, net	706,093	700,656
Land	2,502,203	2,466,920
Other	1,503,194	1,561,254
Accumulated depreciation	(1,142,689)	(1,209,592)
Other, net	360,504	351,661
Total property, plant and equipment	3,568,801	3,519,239
Intangible assets		
Goodwill	571,626	534,507
Other	38,361	27,595
Total intangible assets	609,988	562,102
Investments and other assets		
Investment securities	1,893,464	1,785,341
Deferred tax assets	342,261	329,833
Other	587,221	658,515
Allowance for doubtful accounts	(13,893)	(46,952)
Total investments and other assets	2,809,054	2,726,738
Total non-current assets	6,987,844	6,808,079
Total assets	24,038,419	22,613,149

	(Thousands of yen)	
	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	822,267	914,414
Current portion of long-term loans payable	13,840	12,490
Income taxes payable	404,451	457,999
Provision for bonuses	148,140	152,540
Provision for product warranties	9,000	2,000
Provision for sales returns	52,000	25,000
Provision for loss on contract	275,773	207,895
Other	1,359,646	1,435,056
<b>Total current liabilities</b>	<b>3,085,119</b>	<b>3,207,396</b>
<b>Non-current liabilities</b>		
Long-term loans payable	1,497,138	12,950
Provision for retirement benefits for directors (and other officers)	187,568	194,672
Retirement benefit liability	251,215	263,389
Long-term unearned revenue	1,159,855	1,425,555
Other	68,956	113,864
<b>Total non-current liabilities</b>	<b>3,164,733</b>	<b>2,010,432</b>
<b>Total liabilities</b>	<b>6,249,853</b>	<b>5,217,828</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	992,597	992,597
Capital surplus	636,631	645,641
Retained earnings	17,835,206	18,613,932
Treasury shares	(2,006,146)	(3,110,232)
<b>Total shareholders' equity</b>	<b>17,458,288</b>	<b>17,141,939</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	10,019	8,693
Foreign currency translation adjustment	(35,231)	(68,838)
Remeasurements of defined benefit plans	(7,222)	(6,722)
<b>Total accumulated other comprehensive income</b>	<b>(32,434)</b>	<b>(66,867)</b>
Share acquisition rights	28,720	28,720
Non-controlling interests	333,990	291,529
<b>Total net assets</b>	<b>17,788,565</b>	<b>17,395,320</b>
<b>Total liabilities and net assets</b>	<b>24,038,419</b>	<b>22,613,149</b>

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

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net sales	14,027,984	15,179,260
Cost of sales	4,221,480	4,359,223
Gross profit	9,806,503	10,820,037
Provision for sales returns	4,000	-
Reversal of provision for sales returns	-	27,000
Gross profit-net	9,802,503	10,847,037
Selling, general and administrative expenses	8,196,089	8,596,943
Operating profit	1,606,414	2,250,093
Non-operating income		
Interest income	22,817	25,984
Dividend income	401	498
Commission income	1,494	8,237
Real estate rent	79,067	68,455
Foreign exchange gains	3,203	1,278
Insurance premiums refunded cancellation	28,265	-
Other	25,336	66,644
Total non-operating income	160,585	171,099
Non-operating expenses		
Interest expenses	5,545	6,105
Interest on bonds	874	-
Depreciation of assets for rent	10,559	16,364
Share of loss of entities accounted for using equity method	60,446	243,581
Other	7,775	33,226
Total non-operating expenses	85,201	299,277
Ordinary profit	1,681,798	2,121,914
Extraordinary income		
Gain on cancellation of rental contracts	161,192	-
Total extraordinary income	161,192	-
Extraordinary losses		
Loss on sales of non-current assets	-	19,190
Loss on retirement of non-current assets	162	10,227
Loss on liquidation of subsidiaries and associates	-	35,558
Loss on liquidation of subsidiaries and associates	-	1,761
Total extraordinary losses	162	66,738
Profit before income taxes	1,842,828	2,055,176
Income taxes-current	690,799	758,932
Income taxes-deferred	(82,948)	13,070
Total income taxes	607,850	772,002
Profit	1,234,977	1,283,174
Profit attributable to non-controlling interests	53,084	32,740
Profit attributable to owners of parent	1,181,893	1,250,434

**Consolidated Statement of Comprehensive Income**

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Profit	1,234,977	1,283,174
Other comprehensive income		
Valuation difference on available-for-sale securities	1,480	(1,325)
Foreign currency translation adjustment	(7,590)	(38,707)
Remeasurements of defined benefit plans, net of tax	2,899	500
Share of other comprehensive income of entities accounted for using equity method	(788)	(10,166)
Total other comprehensive income	(3,999)	(49,699)
Comprehensive income	1,230,978	1,233,474
Comprehensive income attributable to:		
Owners of parent	1,182,971	1,216,000
Non-controlling interests	48,007	17,473

**(3) Consolidated Statement of Changes in Equity**

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
Change of scope of consolidation					-
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
Change of scope of consolidation							-
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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	992,597	636,631	17,835,206	(2,006,146)	17,458,288
Changes of items during period					
Dividends of surplus			(486,902)		(486,902)
Profit attributable to owners of parent			1,250,434		1,250,434
Purchase of treasury shares				(1,104,086)	(1,104,086)
Disposal of treasury shares					-
Change of scope of consolidation			15,194		15,194
Purchase of shares of consolidated subsidiaries		9,010			9,010
Transfer to capital surplus from retained earnings					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	9,010	778,726	(1,104,086)	(316,349)
Balance at end of current period	992,597	645,641	18,613,932	(3,110,232)	17,141,939

	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	10,019	(35,231)	(7,222)	(32,434)	28,720	333,990	17,788,565
Changes of items during period							
Dividends of surplus							(486,902)
Profit attributable to owners of parent							1,250,434
Purchase of treasury shares							(1,104,086)
Disposal of treasury shares							-
Change of scope of consolidation							15,194
Purchase of shares of consolidated subsidiaries							9,010
Transfer to capital surplus from retained earnings							-
Net changes of items other than shareholders' equity	(1,325)	(33,607)	500	(34,433)	-	(42,461)	(76,894)
Total changes of items during period	(1,325)	(33,607)	500	(34,433)	-	(42,461)	(393,244)
Balance at end of current period	8,693	(68,838)	(6,722)	(66,867)	28,720	291,529	17,395,320

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	1,842,828	2,055,176
Depreciation	264,396	185,083
Amortization of goodwill	36,374	37,119
Increase of share acquisition rights	5,983	-
Increase (decrease) in allowance for doubtful accounts	(447)	3,596
Increase (decrease) in provision for bonuses	3,049	4,399
Increase (decrease) in provision for loss on contract	275,773	(67,877)
Increase (decrease) in retirement benefit liability	30,299	12,858
Increase (decrease) in provision for retirement benefits for directors (and other officers)	11,852	7,104
Loss (gain) on sales of non-current assets	-	19,190
Gain on cancellation of rental contracts	(161,192)	-
Interest and dividend income	(23,218)	(26,483)
Surrender value of insurance policies	(28,265)	-
Interest expenses	5,545	6,105
Interest on bonds	874	-
Share of loss (profit) of entities accounted for using equity method	60,446	243,581
Foreign exchange losses (gains)	(3,203)	(1,278)
Loss on liquidation of subsidiaries and associates	-	35,558
Decrease (increase) in notes and accounts receivable-trade	413,912	(49,365)
Decrease (increase) in accounts receivable-installment	(132,077)	(295,067)
Decrease (increase) in inventories	(104,696)	(95,450)
Increase (decrease) in notes and accounts payable-trade	7,988	92,147
Increase (decrease) in accrued consumption taxes	(51,912)	102,865
Other, net	139,470	249,287
Subtotal	2,593,782	2,518,551
Interest and dividend income received	33,048	38,548
Interest expenses paid	(5,216)	(6,105)
Income taxes paid	(469,742)	(675,039)
Net cash provided by (used in) operating activities	2,151,872	1,875,955
Cash flows from investing activities		
Payments into time deposits	(600,000)	(750,000)
Proceeds from withdrawal of time deposits	1,000,000	600,000
Purchase of property, plant and equipment	(200,308)	(168,046)
Proceeds from sales of property, plant and equipment	6,179	24,902
Purchase of intangible assets	(9,483)	(3,477)
Purchase of investment securities	(527,270)	(150,000)
Payments of loans receivable	-	(53,058)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(36,293)	-
Payments for leasehold and guarantee deposits	(6,135)	(8,978)
Proceeds from collection of leasehold and guarantee deposits	3,007	6,670
Proceeds from cancellation of insurance funds	59,225	-
Other, net	(10,424)	1,635
Net cash provided by (used in) investing activities	(321,503)	(500,351)

	(Thousands of yen)	
	FY3/18	FY3/19
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from financing activities		
Proceeds from long-term loans payable	56,880	-
Repayments of long-term loans payable	-	(1,485,538)
Redemption of bonds	(300,000)	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(59,280)	(51,120)
Proceeds from share issuance to non-controlling shareholders	15,000	22,000
Repayments of guarantee deposits received	(24,613)	-
Purchase of treasury shares	(1,044,684)	(1,104,086)
Proceeds from exercise of employee share options	2,828	-
Cash dividends paid	(499,432)	(486,586)
Other, net	(37,129)	(10,026)
Net cash provided by (used in) financing activities	(1,890,432)	(3,115,357)
Effect of exchange rate change on cash and cash equivalents	900	(25,514)
Net increase (decrease) in cash and cash equivalents	(59,163)	(1,765,269)
Cash and cash equivalents at beginning of period	10,980,112	10,920,948
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(19,805)
Cash and cash equivalents at end of period	10,920,948	9,135,874



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

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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Reportable segment			Adjustments	Total
	Water healthcare	Medical	Subtotal		
Net sales					
Sales to external customers	13,922,371	1,256,889	15,179,260	-	15,179,260
Inter-segment sales and transfers	-	-	-	-	-
Total	13,922,371	1,256,889	15,179,260	-	15,179,260
Segment profit	2,153,614	96,478	2,250,093	-	2,250,093
Segment assets	17,267,503	3,881,602	21,149,105	1,464,043	22,613,149
Other items					
Depreciation and amortization	132,971	35,748	168,719	16,364	185,083
Increase in property, plant and equipment and intangible assets	142,151	26,857	169,008	-	169,008

**Per Share Information**

(Yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net assets per share	2,147.35	2,162.68
Net income per share	143.36	157.05
Diluted net income per share	143.30	156.95

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

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net income per share		
Profit attributable to owners of parent (thousands of yen)	1,181,893	1,250,434
Profit not attributable to common shareholders (thousands of yen)	-	-
Profit attributable to common shareholders of parent (thousands of yen)	1,181,893	1,250,434
Average number of common shares outstanding during the period (shares)	8,244,509	7,961,911
Diluted net income per share		
Adjustment to profit attributable to owners of parent (thousands of yen)	-	-
Increase in the number of shares of common stock (shares)	3,028	5,070
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.*