

**Summary of Consolidated Financial Results for the First Quarter
of the Fiscal Year Ending March 31, 2020
(Three Months Ended June 30, 2019)**

[Japanese GAAP]

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

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2019 (April 1, 2019 – June 30, 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	%
Three months ended Jun. 30, 2019	4,172	(1.4)	728	(10.4)	660	(14.6)	414	(13.6)
Three months ended Jun. 30, 2018	4,234	16.9	812	18.2	773	7.6	479	5.0

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2019: 431 (down 1.7%)

Three months ended Jun. 30, 2018: 438 (down 4.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2019	52.44	52.41
Three months ended Jun. 30, 2018	59.35	59.32

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2019	22,860	17,352	74.5	2,156.29
As of Mar. 31, 2019	22,613	17,395	75.5	2,162.68

Reference: Shareholders' equity (million yen) As of Jun. 30, 2019: 17,024 As of Mar. 31, 2019: 17,075

2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	0.00	-	60.00	60.00
Fiscal year ending Mar. 31, 2020	-				
Fiscal year ending Mar. 31, 2020 (forecasts)		0.00	-	70.00	70.00

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

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

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

*** Notes**

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

Newly added: -

Excluded: -

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

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

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

(4) Number of outstanding shares (common shares)

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

As of Jun. 30, 2019: 8,656,780 shares

As of Mar. 31, 2019: 8,656,780 shares

(ii) Number of treasury shares at end of period

As of Jun. 30, 2019: 761,438 shares

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

(iii) Average number of shares outstanding during the period

Three months ended Jun. 30, 2019: 7,895,342 shares

Three months ended Jun. 30, 2018: 8,072,564 shares

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

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

Earnings forecasts regarding future performance in this material are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ significantly from these forecasts for a number of factors. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of the Future Outlook, including Consolidated Performance Forecasts" on page 5 of the attachments for assumptions for forecasts and notes of caution for usage.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	4
(3) Explanation of the Future Outlook, including Consolidated Performance Forecasts	5
2. Quarterly Consolidated Financial Statements and Notes	6
(1) Quarterly Consolidated Balance Sheet	6
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	8
(3) Notes to Quarterly Consolidated Financial Statements	10
Assumption for Going Concern	10
Significant Changes in Shareholders' Equity	10
Segment and Other Information	10

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first quarter of the current fiscal year, net sales of Nihon Trim Co., Ltd. and its consolidated subsidiaries (the Nihon Trim Group) decreased 1.4% year-on-year to 4,172 million yen, operating profit decreased 10.4% to 728 million yen, ordinary profit decreased 14.6% to 660 million yen, and profit attributable to owners of parent decreased 13.6% to 414 million yen.

The year-on-year decrease in net sales can be explained by the fact that the electrolyzed hydrogen water (EHW) apparatus business reported special sales of about 240 million yen in the previous fiscal year, which were generated from replacement demand due to discontinuing maintenance service for the TI-8000 model. As we prepared the initial plan for the current fiscal year by excluding the effect of such special sales in the previous fiscal year, the Group's net sales thus far have kept pace with the initial plan. Operating profit was above the plan, backed by steady growth in performance of StemCell Institute Inc. with its operating margin as high as 26.5%. Ordinary profit was roughly in line with the plan, as the hospital operation business in China, accounted for using the equity method, performed as expected but incurred a foreign exchange loss.

In the water healthcare business, the Group remained committed to sales expansion of the electrolyzed hydrogen water (EHW) apparatus through a strengthened proposal based sales approach centered on "Health and Productivity Management." As a result, it sold 655 units to 445 companies during the first quarter of the current fiscal year. The Group has continued with efforts to further expand sales of the EHW apparatus. The bottling business in Indonesia has also been growing steadily with a 33.0% year-on-year increase in net sales (on a local currency basis).

In the medical business, we have been negotiating with more than 300 dialysis facilities over sale of our electrolyzed water hemodialysis systems. The Group has secured orders and contracts worth a total of about 100 million yen, which will be recognized as sales for the first half of the current fiscal year; and has been striving to further expand sales. StemCell Institute Inc. performed strongly, having recorded a 53.5% year-on-year increase in sales and a 98.2% year-on-year increase in operating profit. The number of monthly new storage samples also has been on the rise. Further, StemCell Institute has worked to strengthen its organizational structure with a view to diversifying its business portfolio. The hospital operation business in China is still in an upfront investment phase as the business has yet to attract sufficient number of patients as initially projected. The business has signed a contract to provide health management services through partnership with PICC, China's largest state-owned insurer; and has been authorized to provide, and is scheduled to shortly start providing, treatment covered by public insurance. The business is heading towards profitability, given that the number of patients is expected to increase dramatically in the near future.

Overall, the Nihon Trim Group has made progress as expected, making steady strides toward becoming a global medical company.

Results by business segment were as follows.

[Water Healthcare Business]

The EHW apparatus business is driven by two divisions: the direct sales divisions consisting of workplace sales, installation and referral sales, and store sales; and the OEM and wholesale sales division. The workplace sales division has gradually increased B2B sales as described above through the sales approach centered on the "Health and Productivity Management" concept. We are determined to push forward with this sales approach to develop corporate customers, and further drive sales to individual customers who work for them. The OEM and wholesale division has focused on developing new major corporate customers in Japan, as well as expanding sales overseas, especially in Southeast Asia. We expect a series of successful results to be released from our joint research projects with universities as mentioned below. It includes the release of a joint research paper with Tohoku University on the efficacy of drinking EHW for the diabetes, which is currently under review. With such research and development activities as a starting point, we will actively work on promotional activities. It contributes to raise the public awareness of EHW and vitalize the EHW market to dramatically expand the usage of our EHW apparatus. Sales of water purification cartridges, which generate a consistent revenue stream once an EHW

apparatus is installed, also have continued to grow steadily. We will solidify the business as a stable revenue source by enhancing information dissemination and follow-up services to customers.

Overseas, net sales for the bottling business in Indonesia increased 33.0% year-on-year, as mentioned above. To further accelerate the growth of the business, we have proactively made upfront investment in marketing. Also, we plan to double the production capacity by the end of the year, since we can no longer keep up with demand with existing production facilities. To prepare for dramatic growth in the future, we will further develop the Indonesian market by strengthening alliance with Sinarmas Group, our business partner, and using our technologies and empirical evidence. In parallel, we will examine in detail how and where to make additional capital investments.

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. Recently, the joint venture between the Group and Kobe University for cultivating high-quality and highly functional “persimmons” using EHW was chosen as one of Hyogo Prefecture’s “Agribusiness Creation Support Projects FY2019,” and thus, is awarded a subsidy. The Group also intends to start a study of the effect of EHW on fruit trees.

As for research and development activities jointly done with Tohoku University School of Medicine, we have posted a research paper to an international academic journal. It is about clinical trials examined the effect of drinking EHW on diabetic patients, and the paper is currently under review. Another research paper on physical properties of EHW is also under preparation jointly with the School of Engineering, the University of Tokyo. Also, in the joint research with RIKEN, a national research and development agency, aimed at identifying the mechanism of the benefits of EHW, we have diligently worked on research on humans and animals, in parallel with basic research. As part of the results of the joint research with RIKEN, the anti-fatigue effect of EHW was presented at the 15th General Meeting / Study Group Meeting of the Japanese Society of Fatigue Science held in May this year. With regard to the clinical research on the effect of drinking EHW on lifestyle diseases in Susaki City, Kochi Prefecture, the results are expected to be reported by the end of this year. In August, we will start an epidemiological study jointly with the city to collect and analyze the medical checkup data of the members of 500 households that have installed and used our EHW systems, and to investigate medical expenses for the city. We are also working diligently on research in new fields so that we can expand the application of EHW and promote the usage of the EHW apparatus. We would like to announce progress and results of these researches as appropriate.

As a result, the water healthcare business reported net sales of 3,780 million yen (down 4.6% year-on-year) with operating profit of 640 million yen (down 19.7% year-on-year).

[Medical Business]

In the Medical Business segment, while we focused on sales and marketing of electrolyzed water hemodialysis systems, we also worked on enhancing business foundations in the fields of regenerative medicine and cellular therapy. They are expected to grow dramatically in the future, as well as expanding the new hospital operation business in China.

As of today, our electrolyzed water hemodialysis systems have been installed in 19 facilities or 467 beds. In order to further raise the public awareness and expand the use of our systems, we have proactively held luncheon seminars at meetings of nephrology and hemodialysis related societies.

At the 64th General Meeting / Study Group Meeting of the Japanese Society for Dialysis Therapy held at PACIFICO Yokohama in June this year, three presentations were made in relation to electrolyzed water hemodialysis. The luncheon seminars held by the society were attended by 370 participants including physicians,

medical technologists and nurses; the seminars were so popular that venues were filled to overflowing. Exhibition booths were also visited by many, a clear sign that the awareness of and interest in electrolyzed water hemodialysis have been rising. We will continue to focus on sales activities, and closely coordinate with facilities that have adopted our electrolyzed water hemodialysis systems to gather more empirical evidence with a view to evolving the systems into a medical device. In fact, we are aiming to grow the electrolyzed water hemodialysis into a globally recognized standard method of treatment of the next generation.

StemCell Institute Inc., which operates the largest private cord blood bank in Japan, performed strongly during the first quarter of the current fiscal year, with a 66.0% year-on-year increase in the number of storage samples. For the clinical research on therapy using autologous cord blood aimed at practical application, Kochi Medical School successfully completed the first phase trial (Phase I) on cerebral infantile paralysis and other cerebral damages and has reported positive results. In addition, the Osaka City University group is scheduled to shortly start the clinical research (Phase II) on hypoxic ischemic encephalopathy (a condition in which the brain does not receive enough oxygen). StemCell Institute has continued to renew its record high in terms of the number of monthly storage samples; with the progress of these clinical researches, the demand for cord blood storage will likely grow further in the future. To provide for such growing demand, we have focused on strengthening our infrastructure for collection, storage and other services, as well as securing qualified human resources. The institute also has remained committed to the joint research with the Institute of Medical Science, the University of Tokyo, aimed at launching Japan's first autologous umbilical cord storage service and its clinical application, to further diversify the Group's business portfolio for the future.

We have also been seeking to develop the regenerative medicine and cellular therapy into one of the Nihon Trim Group's core business pillars in the near future through collaboration with partner companies, such as STREX Inc., which manufactures and sells regenerative medicine equipment.

The hospital operation business in China, for which the Group recorded share of loss of entities accounted for using equity method, is still in an upfront investment phase this fiscal year. During the first quarter, the business incurred a foreign exchange loss of approximately 50 million yen due to the yen's appreciation. Except for such an extraordinary factor, the performance of the hospital operation itself was in line with the initial plan. To attract patients, the hospital opened its website and has launched promotions online. In addition, the hospital entered into a partnership with PICC, a state-owned insurer, and has signed a contract to provide health management services to 500 customers; the hospital now plans to expand the service to 5,000 employees of PICC. In China, although it usually takes about two years from their opening for hospitals to obtain an authorization to provide treatment covered by public insurance, it took only about a year for Beijing HanKun Hospital to obtain the authorization. HanKun Hospital plans to shortly start providing treatment covered by public insurance. We believe the authorization will help increase the number of patients for the hospital, and as a result, will dramatically accelerate its shift towards providing uninsured medical treatment, which is more profitable. As a next step, we have continued to work on preparations for opening three more hospitals in China.

As a result, the medical business recorded net sales of 392 million yen (up 45.6% year-on-year) with operating profit of 87 million yen (up 521.5% year-on-year).

Through the measures described above, the Group seeks to transform into a medical company and achieve sustainable growth in the future.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year on a consolidated basis increased 246 million yen, or 1.1%, from the end of the previous fiscal year to 22,860 million yen. The main factors were increases of 935 million yen in investment securities, 438 million yen in notes and accounts receivable-trade, and 640 million yen in other of current assets, which were partially offset by a decrease of 1,749 million yen in cash and deposits.

Total liabilities increased 289 million yen, or 5.6%, from the end of the previous fiscal year to 5,507 million yen. The main factor was an increase of 643 million yen in other of current liabilities, which was partially offset by a decrease of 385 million yen in income taxes payable.

Net assets decreased 42 million yen, or 0.2%, from the end of the previous fiscal year to 17,352 million yen. The main factor was payment of dividends of 473 million yen, which was partially offset by recording of profit attributable to owners of parent of 414 million yen.

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

There are no revisions to the full-year consolidated forecast for the fiscal year ending March 31, 2020, which was announced in the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019” dated April 25, 2019.

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

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	First quarter of FY3/20 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	9,885,874	8,136,582
Notes and accounts receivable-trade	1,935,474	2,374,386
Accounts receivable-installment	2,790,831	2,878,534
Finished goods	370,252	345,899
Raw materials and supplies	666,467	618,449
Other	168,010	808,817
Allowance for doubtful accounts	(11,840)	(12,436)
Total current assets	15,805,069	15,150,233
Non-current assets		
Property, plant and equipment		
Land	2,466,920	2,467,409
Other, net	1,052,318	1,060,928
Total property, plant and equipment	3,519,239	3,528,338
Intangible assets		
Goodwill	534,507	525,227
Other	27,595	27,985
Total intangible assets	562,102	553,212
Investments and other assets		
Investment securities	1,785,341	2,721,194
Other	988,348	954,034
Allowance for doubtful accounts	(46,952)	(46,952)
Total investments and other assets	2,726,738	3,628,277
Total non-current assets	6,808,079	7,709,828
Total assets	22,613,149	22,860,061
Liabilities		
Current liabilities		
Notes and accounts payable-trade	914,414	927,553
Current portion of long-term borrowings	12,490	12,940
Income taxes payable	457,999	72,151
Provision for bonuses	152,540	54,914
Provision for product warranties	2,000	1,000
Provision for sales returns	25,000	36,000
Provision for loss on contract	207,895	179,604
Other	1,435,056	2,078,377
Total current liabilities	3,207,396	3,362,540
Non-current liabilities		
Long-term borrowings	12,950	11,900
Provision for retirement benefits for directors (and other officers)	194,672	199,101
Retirement benefit liability	263,389	266,795
Other	1,539,420	1,667,109
Total non-current liabilities	2,010,432	2,144,906
Total liabilities	5,217,828	5,507,447

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	First quarter of FY3/20 (As of Jun. 30, 2020)
Net assets		
Shareholders' equity		
Share capital	992,597	992,597
Capital surplus	645,641	645,641
Retained earnings	18,613,932	18,554,259
Treasury shares	(3,110,232)	(3,110,232)
Total shareholders' equity	17,141,939	17,082,265
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,693	8,525
Foreign currency translation adjustment	(68,838)	(60,050)
Remeasurements of defined benefit plans	(6,722)	(6,101)
Total accumulated other comprehensive income	(66,867)	(57,626)
Share acquisition rights	28,720	28,720
Non-controlling interests	291,529	299,255
Total net assets	17,395,320	17,352,614
Total liabilities and net assets	22,613,149	22,860,061

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

(Thousands of yen)

	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Net sales	4,234,007	4,172,737
Cost of sales	1,178,807	1,181,292
Gross profit	3,055,200	2,991,444
Selling, general and administrative expenses	2,243,028	2,263,335
Operating profit	812,171	728,109
Non-operating income		
Interest and dividend income	6,148	8,353
Rental income from real estate	9,883	19,625
Foreign exchange gains	909	566
Other	7,458	8,487
Total non-operating income	24,399	37,032
Non-operating expenses		
Interest expenses	1,101	489
Share of loss of entities accounted for using equity method	55,920	96,475
Depreciation of assets for rent	4,090	4,050
Other	2,232	3,464
Total non-operating expenses	63,344	104,480
Ordinary profit	773,226	660,662
Extraordinary losses		
Loss on sales of non-current assets	4,934	-
Loss on retirement of non-current assets	6,486	-
Total extraordinary losses	11,420	-
Profit before income taxes	761,805	660,662
Income taxes-current	247,492	199,962
Income taxes-deferred	21,014	41,241
Total income taxes	268,506	241,203
Profit	493,299	419,458
Profit attributable to non-controlling interests	14,219	5,411
Profit attributable to owners of parent	479,079	414,047

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

(Thousands of yen)

	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Profit	493,299	419,458
Other comprehensive income		
Valuation difference on available-for-sale securities	217	(168)
Foreign currency translation adjustment	(28,332)	7,563
Remeasurements of defined benefit plans, net of tax	4,858	620
Share of other comprehensive income of entities accounted for using equity method	(31,474)	3,540
Total other comprehensive income	(54,730)	11,555
Comprehensive income	438,568	431,014
Comprehensive income attributable to:		
Owners of parent	437,434	423,287
Non-controlling interests	1,134	7,726

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

1. Overview of reportable segment

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

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

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

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

First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)

(Thousands of yen)

	Reportable segment			Adjustments	Total
	Water Healthcare	Medical	Subtotal		
Net sales					
Sales to external customers	3,780,445	392,292	4,172,737	-	4,172,737
Inter-segment sales and transfers	-	-	-	-	-
Total	3,780,445	392,292	4,172,737	-	4,172,737
Segment profit	640,763	87,346	728,109	-	728,109

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.