

**Summary of Consolidated Financial Results for the Second Quarter  
of the Fiscal Year Ending March 31, 2020  
(Six Months Ended September 30, 2019)**

[Japanese GAAP]

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 Scheduled date of filing of Quarterly Report: November 8, 2019  
 Scheduled date of dividend payment: -  
 Supplementary materials for quarterly results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors)

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

**1. Consolidated Financial Results for the Six Months Ended September 30, 2019 (April 1, 2019 – September 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	%
Six months ended Sep. 30, 2019	8,693	10.0	1,615	17.4	1,517	14.1	1,002	21.2
Six months ended Sep. 30, 2018	7,900	13.8	1,375	37.3	1,330	24.3	827	24.4

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2019: 1,010 (up 23.9%)

Six months ended Sep. 30, 2018: 815 (up 18.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2019	126.96	126.90
Six months ended Sep. 30, 2018	103.13	103.08

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2019	23,321	17,932	75.5	2,230.16
As of Mar. 31, 2019	22,613	17,395	75.5	2,162.68

Reference: Shareholders' equity (million yen) As of Sep. 30, 2019: 17,607 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	-	0.00	-	-	-
Fiscal year ending Mar. 31, 2020 (forecasts)	-	-	-	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
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 Sep. 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 Sep. 30, 2019: 761,438 shares

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

(iii) Average number of shares outstanding during the period

Six months ended Sep. 30, 2019: 7,895,342 shares

Six months ended Sep. 30, 2018: 8,020,424 shares

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

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

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

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

During the first half of the current fiscal year, the Group's net sales increased 10.0% year-on-year to 8,693 million yen, operating profit increased 17.4% to 1,615 million yen, ordinary profit increased 14.1% to 1,517 million yen, and profit attributable to owners of parent increased 21.2% to 1,002 million yen.

During the first quarter, the operating performance generally kept pace with the initial plan in terms of year-on-year comparison. However, in the second quarter, it was better than the initial plan, with a 23.3% year-on-year increase in net sales, a 57.4% year-on-year increase in operating profit, a 53.7% year-on-year increase in ordinary profit and a 69.0% year-on-year increase in profit attributable to owners of parent.

In the water healthcare business, the Group remained committed to sales expansion of our product through an approach centered on "Health and Productivity Management." As a result, it sold as many as 1,598 units to 1,055 companies in the first half of the current fiscal year; the sales efficiency per person also has improved. Rush demand before the consumption tax hike helped drive sales of water purifiers, but it had little impact on sales of EHW apparatus. The bottling business in Indonesia has been growing steadily with a 42.6% year-on-year increase in net sales (on a local currency basis).

In the medical business, the Group finally recorded net sales of 91 million yen from the sale of electrolyzed water hemodialysis systems and has continued to make intensive sales efforts to improve the performance in the second half of the current fiscal year and beyond. Moreover, we are currently under negotiation with about 100 dialysis facilities in a bid to install the systems to these facilities within three years (with a prospect of net sales approximately 2.8 billion yen if we can sign contracts with all of them). StemCell Institute Inc. recorded a 48.5% year-on-year increase in net sales and a 71.9% year-on-year increase in operating profit, backed by solid growth in the number of monthly new storage samples. The hospital operation business in China is still in an upfront investment phase but has made focused efforts towards profitability, including preparations for the launch of treatment covered by public insurance.

Overall, the Group has been making steady progress toward its goal of transforming itself into to a global medical company.

Results by business segment were as follows.

#### [Water Healthcare Business]

In this business segment, B2B sales of Electrolyzed Hydrogen Water (EHW) apparatus to corporate customers have been increasing steadily, backed by the sales approach centered on the "Health and Productivity Management". We will develop this approach to further penetrate to individual customers who work at those companies. We have also worked on online sales initiatives, such as building an e-commerce site. Most importantly, we also focus on building the evidence that helps dramatically expand the usage of the EHW apparatus. Such efforts include a number of joint industry-government-academia research projects, such as one with Tohoku University School of Medicine on the efficacy of drinking EHW on diabetic patients, in which the result is currently under review with an international academic journal; one with the School of Engineering, the University of Tokyo, for identifying the mechanism of benefits of EHW; another comprehensive research on EHW with RIKEN; and another study with Susaki City and Kochi Medical School to examine the efficacy of drinking EHW on lifestyle diseases and the impact on public medical expenditures. Using the success of these researches as a driver, we aim to create a market environment whereby customers can voluntarily purchase our products.

The sales of water purifiers, which generates a consistent revenue stream once an EHW apparatus is installed, can be a stable revenue base. The number of our EHW apparatus users currently stand at about 850,000. If we can increase the users to our targeted number of 3.0 million, we will be able to earn annual sales of approximately 20.0 billion yen with the cartridges alone (with a replacement rate assumed conservatively at 70%). We have made every effort to ensure that the above research projects will progress further so that we can achieve this target sooner; and also published and distributed quarterly and online magazines and provided follow-up services by phone to enhance the satisfaction of existing customers.

With regard to the bottling business in Indonesia, our “Pristine<sup>®</sup>” brand has gained wide recognition especially in the Jakarta Metropolitan area. We have been consulting with Sinarmas Group, a local business partner, on strategies towards achieving net sales of 17.0 billion yen in fiscal 2025; we expect the bottling business to grow dramatically in the future.

As a result, the water healthcare business reported net sales of 7,765 million yen (up 6.4% year-on-year) with operating profit of 1,414 million yen (up 6.2% year-on-year).

[Medical Business]

The public awareness of and expectations for electrolyzed water hemodialysis have been on the steady rise since the publication of a research paper on *Scientific Reports* in 2018, indicating that electrolyzed water hemodialysis helps reduce the number of deaths and diseases that cause such deaths by 41%. At present, our electrolyzed water hemodialysis systems have been introduced in 22 facilities or 483 beds, and used for treatment on about 1,500 patients. The seminars targeted at researchers and those engaged in dialysis treatment have been so popular that we have received many inquiries, and accordingly, the number of prospective customers for the systems has increased. We will grow this method of treatment into a new standard not only domestically but also globally.

In the area of regenerative medicine, StemCell Institute Inc., which operates the largest private cord blood bank in Japan, has made a big leap forward; the cumulative total number of storage samples have reached more than 50,000 and the number of monthly new storage samples has continued to increase. Our joint research on autologous cord blood storage services with the Institute of Medical Science, the University of Tokyo has made steady progress. In addition, more institutions such as Kochi Medical School and Osaka City University have also pushed forward with clinical researches on therapy using autologous cord blood to develop its practical application. In pace with the progress of these clinical researches, the public awareness of and demand for cord blood storage have been growing. The rate of blood cord storage has remained at only about 0.6% of all births in Japan, contrasting sharply with other countries such as the U.S. (3 to 5%) and Korea (12%), implying that Japan has a significant demand growth potential. To provide for growing demand in the future, we will expedite the construction of infrastructure necessary for this business segment.

For the hospital operation business in China, we have obtained a permission to apply for starting treatment covered by public insurance. We have also launched promotion activities online and worked to enhance the scope of the health management service contract with PICC (People’s Insurance Company of China), a state-owned insurer, while preparing for treatment covered by public insurance. Although the hospital is still in an upfront investment phase, we believe the authorization will help increase the number of patients, along with the number of more profitable uninsured medical treatments for the hospital, since the hospital will be allocated certain medical districts following the authorization. In China where the number of diabetic patients and those likely to develop diabetes exceeds 100 million, we see a strong demand for Japanese-style medical treatment, which is highly effective. As a next step, we will establish a business model in Beijing and expand the model to other cities in China.

As a result, the medical business recorded net sales of 928 million yen (up 54.8% year-on-year) with operating profit of 201 million yen (up 352.1% year-on-year).

**(2) Explanation of Financial Position**

Total assets at the end of the second quarter of the current fiscal year on a consolidated basis increased 708 million yen, or 3.1%, from the end of the previous fiscal year to 23,321 million yen. The main factors were increases of 869 million yen in investment securities, 548 million yen in notes and accounts receivable-trade, and 533 million yen in other of current assets, which were partially offset by a decrease of 1,292 million yen in cash and deposits.

Total liabilities increased 171 million yen, or 3.3%, from the end of the previous fiscal year to 5,389 million yen. The main factors were increases of 208 million yen in other of non-current liabilities and 185 million yen in other of current liabilities, which were partially offset by decreases of 126 million yen in income taxes payable and 75 million yen in notes and accounts payable-trade.

Net assets increased 536 million yen, or 3.1%, from the end of the previous fiscal year to 17,932 million yen. The main factor was the recording of profit attributable to owners of parent of 1,002 million yen, which was partially offset by the payment of dividends of 473 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)	Second quarter of FY3/20 (As of Sep. 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	9,885,874	8,593,232
Notes and accounts receivable-trade	1,935,474	2,484,194
Accounts receivable-installment	2,790,831	2,964,952
Finished goods	370,252	249,507
Raw materials and supplies	666,467	571,900
Other	168,010	701,876
Allowance for doubtful accounts	(11,840)	(12,754)
Total current assets	15,805,069	15,552,909
Non-current assets		
Property, plant and equipment		
Land	2,466,920	2,466,920
Other, net	1,052,318	1,127,317
Total property, plant and equipment	3,519,239	3,594,238
Intangible assets		
Goodwill	534,507	515,947
Other	27,595	30,284
Total intangible assets	562,102	546,232
Investments and other assets		
Investment securities	1,785,341	2,655,135
Other	988,348	1,026,402
Allowance for doubtful accounts	(46,952)	(53,707)
Total investments and other assets	2,726,738	3,627,830
Total non-current assets	6,808,079	7,768,301
Total assets	22,613,149	23,321,210
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	914,414	839,225
Current portion of long-term borrowings	12,490	13,290
Income taxes payable	457,999	331,053
Provision for bonuses	152,540	160,014
Provision for product warranties	2,000	1,000
Provision for sales returns	25,000	37,000
Provision for loss on contract	207,895	153,276
Other	1,435,056	1,620,363
Total current liabilities	3,207,396	3,155,223
Non-current liabilities		
Long-term borrowings	12,950	10,850
Provision for retirement benefits for directors (and other officers)	194,672	203,638
Retirement benefit liability	263,389	271,638
Other	1,539,420	1,747,729
Total non-current liabilities	2,010,432	2,233,856
Total liabilities	5,217,828	5,389,080

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Net assets		
Shareholders' equity		
Share capital	992,597	992,597
Capital surplus	645,641	645,641
Retained earnings	18,613,932	19,142,602
Treasury shares	(3,110,232)	(3,110,232)
Total shareholders' equity	17,141,939	17,670,608
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,693	8,730
Foreign currency translation adjustment	(68,838)	(65,989)
Remeasurements of defined benefit plans	(6,722)	(5,481)
Total accumulated other comprehensive income	(66,867)	(62,741)
Share acquisition rights	28,720	28,720
Non-controlling interests	291,529	295,543
Total net assets	17,395,320	17,932,130
Total liabilities and net assets	22,613,149	23,321,210



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

	(Thousands of yen)	
	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Net sales	7,900,122	8,693,605
Cost of sales	2,187,208	2,505,929
Gross profit	5,712,913	6,187,675
Selling, general and administrative expenses	4,337,025	4,572,082
Operating profit	1,375,888	1,615,592
Non-operating income		
Interest and dividend income	13,048	22,297
Rental income from real estate	29,361	39,214
Foreign exchange gains	2,028	-
Other	23,277	20,568
Total non-operating income	67,715	82,081
Non-operating expenses		
Interest expenses	2,276	1,011
Share of loss of entities accounted for using equity method	90,868	159,691
Foreign exchange losses	-	259
Depreciation of assets for rent	8,181	8,101
Provision of allowance for doubtful accounts	-	6,755
Other	11,469	3,920
Total non-operating expenses	112,796	179,739
Ordinary profit	1,330,807	1,517,933
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	-	14,134
Total extraordinary income	-	14,134
Extraordinary losses		
Loss on sales of non-current assets	5,329	-
Loss on retirement of non-current assets	6,486	-
Total extraordinary losses	11,815	-
Profit before income taxes	1,318,991	1,532,068
Income taxes-current	467,415	531,839
Income taxes-deferred	(1,007)	(6,175)
Total income taxes	466,407	525,663
Profit	852,583	1,006,404
Profit attributable to non-controlling interests	25,416	4,014
Profit attributable to owners of parent	827,166	1,002,390

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

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Profit	852,583	1,006,404
Other comprehensive income		
Valuation difference on available-for-sale securities	1,474	36
Foreign currency translation adjustment	(34,437)	(4,445)
Remeasurements of defined benefit plans, net of tax	1,332	1,240
Share of other comprehensive income of entities accounted for using equity method	(5,044)	7,294
Total other comprehensive income	(36,673)	4,125
Comprehensive income	815,909	1,010,530
Comprehensive income attributable to:		
Owners of parent	805,759	1,006,515
Non-controlling interests	10,150	4,014

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,318,991	1,532,068
Depreciation	93,478	85,616
Amortization of goodwill	18,559	18,559
Increase (decrease) in allowance for doubtful accounts	(687)	7,669
Increase (decrease) in provision for bonuses	609	7,474
Increase (decrease) in provision for loss on contract	(37,602)	(54,619)
Interest and dividend income	(13,048)	(22,297)
Interest expenses	2,276	1,011
Share of loss (profit) of entities accounted for using equity method	90,868	159,691
Foreign exchange losses (gains)	(2,028)	259
Loss (gain) on sales of shares of subsidiaries and associates	-	(14,134)
Decrease (increase) in accounts receivable-installment	(301,494)	(174,121)
Decrease (increase) in trade receivables	2,742	(548,720)
Decrease (increase) in inventories	(145,340)	211,433
Increase (decrease) in trade payables	267,400	(75,188)
Increase (decrease) in accrued consumption taxes	89,141	39,829
Other, net	(20,572)	149,644
Subtotal	1,363,294	1,324,176
Interest and dividends received	14,541	37,917
Interest paid	(2,276)	(1,011)
Income taxes paid	(337,640)	(664,463)
Net cash provided by (used in) operating activities	1,037,919	696,619
<b>Cash flows from investing activities</b>		
Payments into time deposits	(650,000)	(650,000)
Proceeds from withdrawal of time deposits	500,000	650,000
Purchase of property, plant and equipment	(91,532)	(81,759)
Purchase of intangible assets	-	(5,216)
Purchase of investment securities	(150,000)	(1,034,820)
Loan advances	(36,500)	(456,755)
Other, net	(5,010)	74,388
Net cash provided by (used in) investing activities	(433,043)	(1,504,163)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	150,000	-
Purchase of treasury shares	(783,439)	-
Proceeds from share issuance to non-controlling shareholders	22,000	-
Dividends paid	(486,199)	(472,982)
Other, net	(9,701)	(4,485)
Net cash provided by (used in) financing activities	(1,107,340)	(477,467)
Effect of exchange rate change on cash and cash equivalents	(18,938)	(7,630)
Net increase (decrease) in cash and cash equivalents	(521,403)	(1,292,642)
Cash and cash equivalents at beginning of period	10,920,948	9,135,874
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(19,805)	-
Cash and cash equivalents at end of period	10,379,740	7,843,232

**(4) 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 six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)

(Thousands of yen)

	Reportable segment			Adjustments	Total
	Water Healthcare	Medical	Subtotal		
Net sales					
Sales to external customers	7,765,099	928,505	8,693,605	-	8,693,605
Inter-segment sales and transfers	-	-	-	-	-
Total	7,765,099	928,505	8,693,605	-	8,693,605
Segment profit	1,414,112	201,479	1,615,592	-	1,615,592

*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.*