

Nihon Trim (6788)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2017		15,251	2,929	2,905	1,969	234.46	60.00	2,130.27
FY03/2018		14,027	1,606	1,681	1,181	143.36	60.00	2,147.35
FY03/2019CoE		15,430	2,440	2,345	1,460	182.04	60.00	-
FY03/2018	YoY	(8.0%)	(45.2%)	(42.1%)	(40.0%)	-	-	-
FY03/2019CoE	YoY	10.0%	51.9%	39.4%	23.5%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY03/2018		6,944	1,001	1,070	664	-	-	-
Q3 to Q4 FY03/2018		7,083	604	611	516	-	-	-
Q1 to Q2 FY03/2019		7,900	1,375	1,330	827	-	-	-
Q3 to Q4 FY03/2019CoE		7,529	1,064	1,014	632	-	-	-
Q1 to Q2 FY03/2019	YoY	13.8%	37.3%	24.3%	24.4%	-	-	-
Q3 to Q4 FY03/2019CoE	YoY	6.3%	76.0%	65.9%	22.4%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (10 December 2018)

Emerging Evidence

Nihon Trim, advocating to set up “a global medical company group”, is seeing favorable business performance. Although frontloaded investment to materialize said management target being implemented at the moment, increasing earnings from existing operations associated with water healthcare are more than compensating as far as we could gather. The Company’s electrolyzed reduced water (ERW) system is of household medical equipment whose effect to improve gastrointestinal problems is approved in Japan’s regulations on medical equipment, which are sold to consumers mainly through the Company’s proprietary channel of work-area vending. The Company has successfully launched new product, driving sales, beefing up volume effect and thus earnings favorably. More importantly, the Company is trying to get at sales promotions of a different dimension by means of starting up those on a BtoB basis versus on a BtoC basis so far, including entrance into the markets overseas. For example, the Company is to contribute paper to international journal on its clinical trial for diabetic to drink electrolyzed reduced water in collaborative research with medical school of Tohoku university. On top of this, the Company suggests that there are more issues like this with fairly extensive domains, mainly those of medical care, likely providing epoch-making effect near term. In the first place, ERW system represents equipment to generate alkaline water full of hydrogen by means of electrolyzing tap water after elimination of impurities such as chlorine and lead dissolved through water purifying filter. Thus, ERW system offers above-mentioned effect that cannot be found in water purification system to simply purify water and/or water server to simply provide natural water, etc., implying a possibility for ERW system to even replace them all going forward, according to the Company.

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2.0 Company Profile

“Water Healthcare or New Habitual Practice”

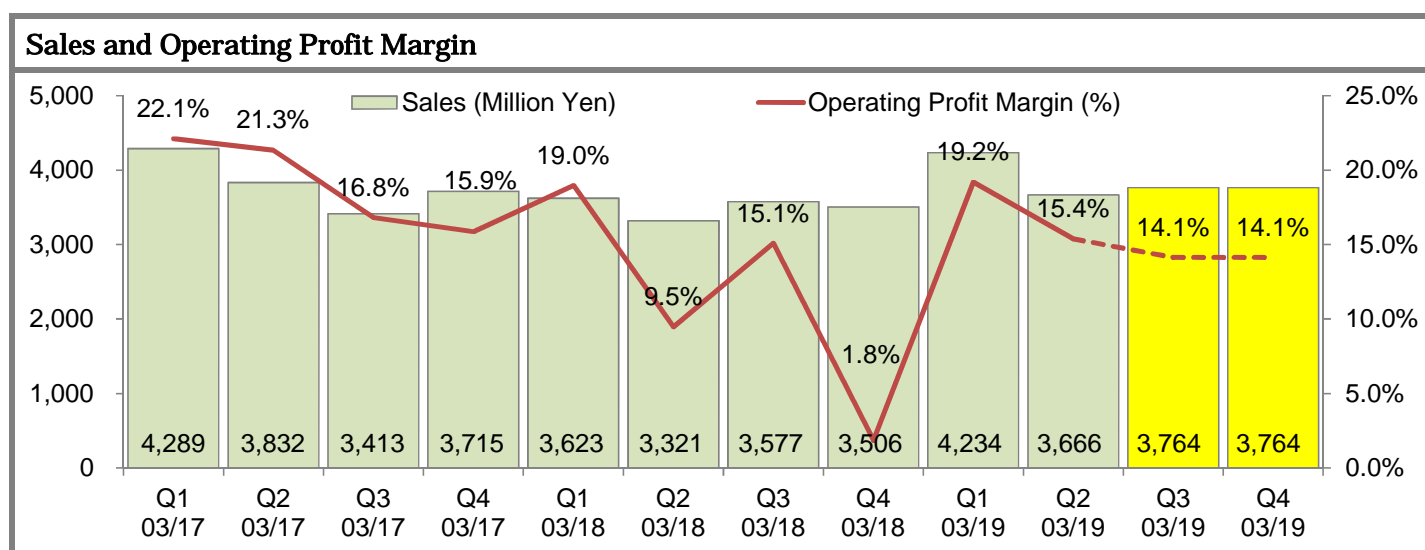
Company Name	Nihon Trim Co.,Ltd. Website IR Information Share Price (Japanese)	 NIHON TRIM CO.,LTD.
Established	12 June 1982	
Listing	28 November 2000: Tokyo Stock Exchange 1st section (ticker: 6788)	
Capital	¥ 992m (as of the end of September 2018)	
No. of Shares	8,656,780 shares, including 705,743 treasury shares (as of the end of Sep. 2018)	
Main Features	<ul style="list-style-type: none"> ● Leading the market for electrolyzed reduced water (ERW) system ● Proprietary work-area vending, the mainstay sales channel ● Focus on application in extensive domains and development of markets overseas 	
Business Segments	<ul style="list-style-type: none"> . Water Healthcare Business . Medical-related Business 	
Top Management	President : Shinkatsu Morisawa	
Shareholders	Shinkatsu Morisawa 42.1%, Japan Trustee (trust account) 13.3%, Japan Master (trust account) 4.4% (as of the end of September 2018)	
Headquarters	Kita-ku, Osaka-city, Osaka-prefecture, JAPAN	
No. of Employees	Consolidated: 487, Parent: 346 (as of the end of September 2018)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY03/2019 Results

In Q1 to Q2 FY03/2019, sales came in at ¥7,900m (up 13.8% YoY), operating profit ¥1,375m (up 37.3%), recurring profit ¥1,330m (up 24.3%) and profit attributable to owners of parent ¥827m (up 24.4%). When compared with initial Company forecasts, sales were exceeded by ¥80m (1.0%) and operating profit by ¥285m (26.2%), implying a major overshoot on earnings. According to the Company, this is due mainly to gross profit margin higher than initially expected. In the direct sales division (work-area vending) of electrolyzed reduced water (ERW) system, the Company sees demand for new product launched in September 2017 increasing so fast, driving volume and thus effect from increasing volume at the same time, leading to earnings better than expected.

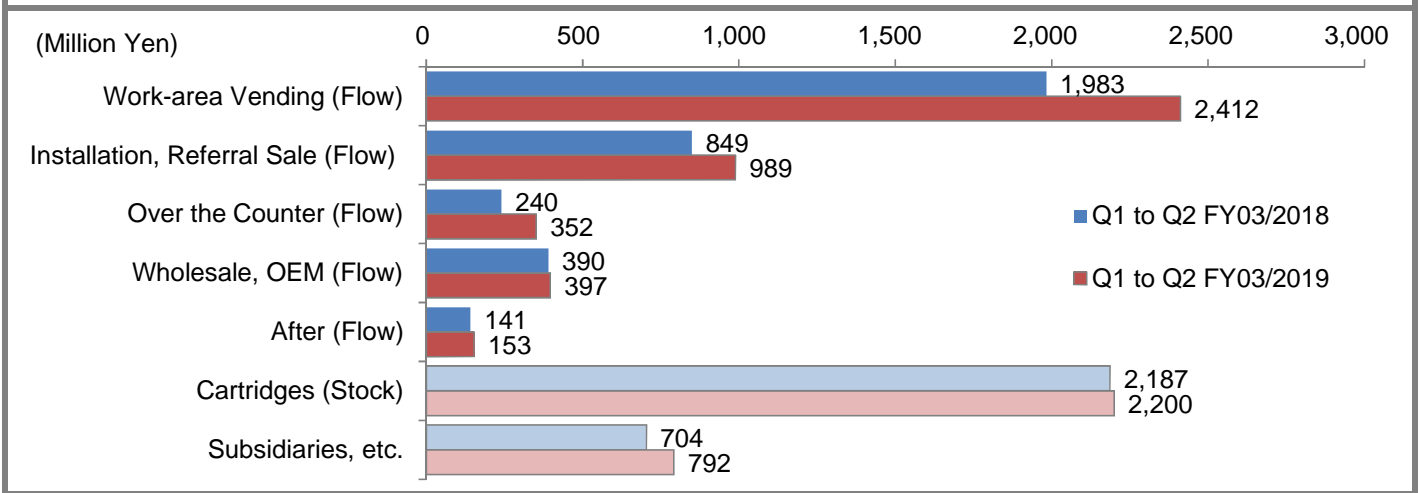


Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2019: H2 Company forecasts pro rata)

By business segment, Water Healthcare Business saw sales of ¥7,300m (up 12.3%) and operating profit of ¥1,331m (up 32.1%), while Medical-related Business sales of ¥599m (up 34.5%) and operating profit of ¥44m (versus negative ¥5m during the same period in the previous year).

Sales of the mainstay Water Healthcare Business comprise those of a) flow business, b) stock business and subsidiaries, i.e., Trim (Guangzhou) Water & Health Co.,Ltd., PT SUPER WAHANA TEHNO, etc. Sales of a) flow business are generated by selling hardware of ERW system through own sales channels represented by work-area vending, while sales of b) stock business by selling water-purifying cartridge adopted in ERW system. In Q1 to Q2, the Company saw sales of ¥2,412m (up 21.6%) in regards to work-area vending of a) flow business, having seen net increases by no less than ¥428m over the same period in the previous year, which was the key driver for net increases by ¥955m as a whole for the Company. As mentioned above, this is due mainly to favorable sales of new product "GRACE".

Sales of Water Healthcare Business / Sales of ERW System by Sales Channel

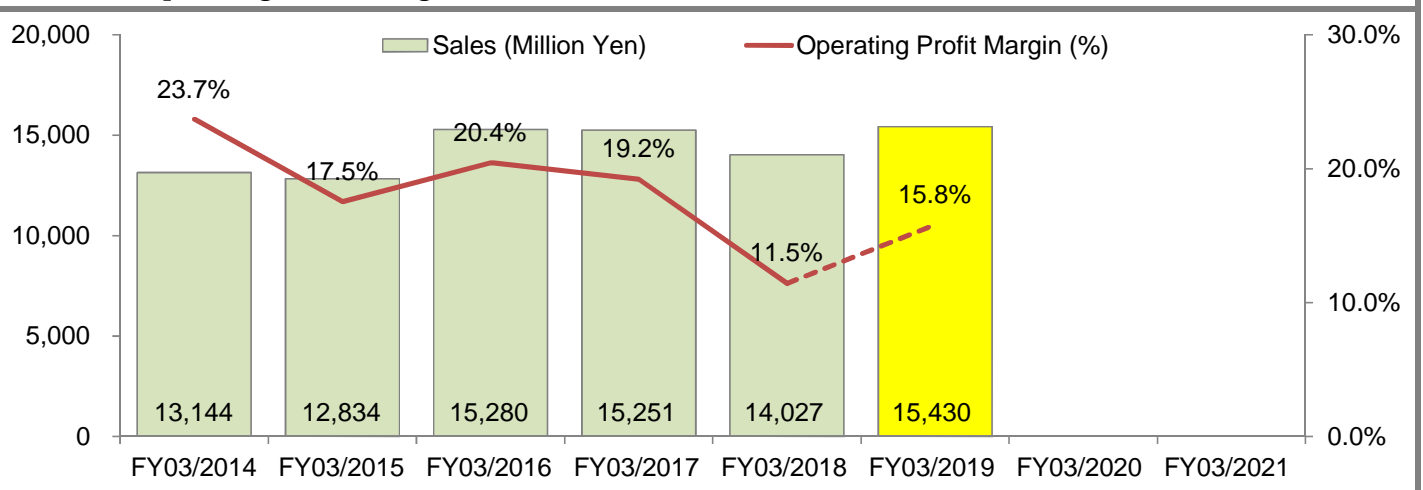


Source: Company Data, WRJ Calculation

FY03/2019 Company Forecasts

FY03/2019 Company forecasts (revised on 25 October 2018) are going for prospective sales of ¥15,430m (up 10.0% YoY), operating profit of ¥2,440m (up 51.9%), recurring profit of ¥2,345m (up 39.4%) and profit attributable to owners of parent of ¥1,460m (up 23.5%). When compared with initial Company forecasts, prospective sales have been upgraded by ¥90m (0.6%) and operating profit by ¥310m (14.6%), i.e., roughly to the extent of overshoot in Q1 to Q2. Thus, H2 Company forecasts have remained unchanged effectively. Still, it appears that this is based on conservative assumptions, implying a probability for earnings to overshoot. Meanwhile, prospective full-year dividend has also remained unchanged, i.e., ¥60.0 per share, implying payout ratio of 33.0%.

Sales and Operating Profit Margin



Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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