

**Summary of Consolidated Financial Results for the Second Quarter
of the Fiscal Year Ending March 31, 2021
(Six Months Ended September 30, 2020)**

[Japanese GAAP]

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 Scheduled date of filing of Quarterly Report: November 12, 2020
 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, 2020
(April 1, 2020 – September 30, 2020)**

(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, 2020	7,393	(15.0)	1,160	(28.2)	1,230	(18.9)	796	(20.5)
Six months ended Sep. 30, 2019	8,693	10.0	1,615	17.4	1,517	14.1	1,002	21.2

Note: Comprehensive income (million yen) Six months ended Jun. 30, 2020: 815 (down 19.3%)
 Six months ended Jun. 30, 2019: 1,010 (up 23.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2020	102.03	-
Six months ended Sep. 30, 2019	126.96	126.90

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2020	25,600	17,059	65.2	2,145.58
As of Mar. 31, 2020	22,416	17,123	74.9	2,128.85

Reference: Shareholders' equity (million yen) As of Sep. 30, 2020: 16,682 As of Mar. 31, 2020: 16,779

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, 2020	-	0.00	-	70.00	70.00
Fiscal year ending Mar. 31, 2021	-	0.00	-	-	-
Fiscal year ending Mar. 31, 2021 (forecasts)	-	-	-	60.00	60.00

Note: Revisions to the most recently announced dividend forecast: Yes

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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	15,200	(5.7)	2,350	2.0	2,450	143.1	1,640	650.7	210.46

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, 2020: 8,656,780 shares

As of Mar. 31, 2020: 8,656,780 shares

(ii) Number of treasury shares at end of period

As of Sep. 30, 2020: 881,458 shares

As of Mar. 31, 2020: 774,738 shares

(iii) Average number of shares outstanding during the period

Six months ended Sep. 30, 2020: 7,809,615 shares

Six months ended Sep. 30, 2019: 7,895,342 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, and the Company does not in any way guarantee the achievement of the forecasts. 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.

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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 decreased 15.0% year-on-year to 7,393 million yen, operating profit decreased 28.2% to 1,160 million yen, ordinary profit decreased 18.9% to 1,230 million yen, and profit attributable to owners of parent decreased 20.5% to 796 million yen. Compared with the earnings forecast announced on May 14, 2020, net sales were up 19.4%, operating profit up 222.3%, ordinary profit up 200.1%, and profit attributable to owners of parent up 206.5%. The initial forecast was developed based on the assumption that the effect of state of emergency would continue until the end of the second quarter due to the lingering influence of COVID-19 and gradually get back to normal beginning in the third quarter. In actuality, since there was severe restrictions on our conventional face-to-face sales approach due to the COVID-19 pandemic we shifted our focus on various other activities— a proposal-based sales approach centered on “Health and Productivity Management” to promote lump-sum sales to corporate customers, and intensive marketing mainly to local major small- and medium-sized enterprises (SMEs). As a result, the Group performed far better than initially estimated, backed also by a campaign to spur replacement demand, and strong sales of water purification cartridges. Given these results of operations for the first half, the Group has revised upward its earnings forecast for the current fiscal year as follows: net sales to 15,200 million yen (up 4.8% from the initial forecast; the same applies hereinafter), operating profit to 2,350 million yen (up 32.8%), ordinary profit to 2,450 million yen (up 31.0%), profit attributable to owners of parent to 1,640 million yen (up 34.4%). Of the earnings forecast for the current fiscal year, the figures for the second half include an upfront investment of approximately 300 million yen in web-based marketing measures. In addition, we have conservatively revised the earnings forecast for the Indonesia business and StemCell Institute, since the novel coronavirus cases are still on the rise in Indonesia, and access to medical facilities will likely continue to be restricted for some time in the future.

As for the dividend forecast for the fiscal year ending March 2021, the Group announced on May 14, 2020 that it planned to pay a dividend of 35.00 yen per share, believing that it should first stabilize its financial position for the recovery of its earnings capacity. This is because at the time of the announcement, the operating environment had deteriorated rapidly due to the COVID-19 pandemic and the Group was not sure when the pandemic would be contained. However, as the earnings for the current fiscal year are expected to beat the initial forecast, we have revised our forecast of the year-end dividend upward by 25.00 yen from previously announced 35.00 yen to 60.00 yen per share.

We are confident that the role of our product has increased further since the public awareness on health and immunity has risen during the COVID-19 pandemic. We are now committed to wide-ranging promotion efforts to provide our EHW apparatus to as many customers as possible for their health enhancement, including gathering more empirical evidence, strengthening PR activities to further raise the public awareness of our product, developing a new product affordable enough to help dramatically expand the use of the EHW apparatus, and building its new sales channels. In the medical business segment, we believe each of the electrolyzed water hemodialysis business, the regenerative medicine business and the hospital business in China has massive growth potential. We regard the current COVID-19 as a potential tailwind for these businesses. Aside from the above, we have proactively made upfront investments in assets that will help enhance our corporate value, including a promising drug discovery venture firm in the field of regenerative medicine.

The Group has been making steady strides to be a global medical company.

Results by business segment were as follows.

[Water Healthcare Business]

In this segment, sales of the EHW apparatus has recovered to near pre-COVID-19 levels. Despite the number of seminars held by the workplace in April and May decreased to nearly 20% year-on-year, we have managed to sustain the earnings by more intensive marketing activities, such as strengthening the sales approach centered on the “Health and Productivity Management” concept primarily to major local SMEs. In fact, the year-on-year growth in sales of the EHW apparatus is expected to turn positive in the second half of the current fiscal year. Our workplace sales division has also conducted the seminars on sanitary measures, providing a wide range of information on health

and sanitary measures which could be implemented in daily life. The seminars are quite popular and the number of units sold per seminar has soared year-on-year. In September, we focused on efforts to increase the number of the seminars, such as placing ads about the seminars on sanitary measures on Nikkei Shimbun Morning Edition every week for a total of four times. Since before the state-of-emergency declaration, for these seminars, we have implemented thoroughgoing measures to prevent infections with COVID-19, including those for avoiding 3Cs at the seminar venues and sterilizing. We have remained alert to COVID-19 even as the state-of-emergency was lifted so that all participants feel safe participating in the seminars.

Nevertheless, amid the COVID-19 pandemic, face-to-face sales interactions are often restricted in terms of the number of participants. We therefore have decided to make an upfront investment totaling more than 300 million yen in a web-marketing channel during the current fiscal year, since creating a new sales channel is essential to the Group's sustainable growth.

During the first half, the OEM and wholesale sales division started new OEM deals in May – which resulted in a 4.7% year-on-year increase in net sales. The division also plans to start deals with a new OEM customer in the third quarter. As deals with OEM customers overseas were suspended during the first months of COVID-19 pandemic, we have been putting efforts to revitalize existing agents as well as add major customers.

Net sales of water purification cartridges, which generate a consistent revenue stream once an EHW apparatus is installed, have been growing steadily with a 4.7% year-on-year increase. The Group will continue to further enhance its services to customers.

We are launching new products catered to growing sanitation needs in the post-COVID-19 society, developed as part of our efforts to start a new business segment, by the end of 2020. We believe these products will contribute substantially to the Group's earnings.

As for research and development, a joint research paper with Ritsumeikan University, Faculty of Sport and Health Science, was published on *Temperature* in April. In addition, a joint research paper with School of Engineering, The University of Tokyo was published on *Scientific Reports* in June. On top of these joint research papers, the Group plans to publish seven joint research papers by the end of this fiscal year, including a joint research paper on diabetes with Tohoku University, which has been delivered for publication, and a joint research paper with Riken. We believe these research papers will help further build up evidence and raise the awareness of electrolyzed hydrogen water, and ultimately drive expansion of our EHW apparatus.

Overseas, net sales of the bottling business in Indonesia increased 4.1% year-on-year (on a local currency basis, actual net sales from January through June). In the country where the spread of COVID-19 is still rampant, sales of plastic bottled beverages to nationwide chain stores have dropped, sales of beverages in gallon bottles through home delivery have continued to grow. We believe that the trend of increasing consumption in line with population growth in the country will be back on track after COVID-19 is contained. We therefore are determined to make upfront investments to meet growing demand in the future, while continuing efforts to realize more efficient management jointly with Sinarmas Group, our business partner.

As a result of the above, the water healthcare business recorded net sales of 6,565 million yen (down 15.5% year-on-year) with segment profit of 1,109 million yen (down 21.6% year-on-year).

[Medical Business]

In the electrolyzed water hemodialysis business, we installed an electrolyzed water hemodialysis system designed for use by multiple patients (45 beds) to St. Luke's International Hospital in June, and also another two systems for 90 beds and 63 beds at a major hospital in the Tokai region in August. Although the business is somewhat impacted by the COVID-19 pandemic due to restraints, such as restricted access to hospitals, the Group has continued to receive many inquiries from customers expecting that the systems will help improve the QOL of patients and contribute to their earnings. The Group will continue to strengthen research and development, sales activities, and PR activities, to expand the use of its electrolyzed water hemodialysis systems.

In the area of regenerative medicine, StemCell Institute Inc., the largest private cord blood bank representing nearly 99% of the market share in Japan, continued to be affected by restricted access to medical facilities amid the COVID-19 crisis during the first half. However, the number of monthly new storage samples has recovered to near

pre-COVID-19 levels, backed by successful implementation of web marketing measures.

In September, the Group commenced a joint research with The Institute of Medical Science, The University of Tokyo, and The University of Tokyo Hospital on congenital malformation (e.g. cleft palate, esophageal atresia, abdominal wall defect) towards realizing Japan's first clinical application of cells derived from autologous umbilical cord. Also, during the same month, the clinical research in the field of regenerative medicine aimed at treating a brain damage of a child by infusing their sibling's umbilical cord blood that StemCell has stored, planned by Kochi Medical School, was approved by Health Sciences Council, Ministry of Health, Labor, and Welfare (a working group for evaluation of regenerative medicine, etc.) This is the first-ever trial in Japan, and many media outlets, including NHK, have covered the story, attracting much attention on umbilical cord blood.

The joint research on autologous umbilical cord storage service with The Institute of Medical Science, The University of Tokyo, has been progressing well and making preparations steadily in order to launch the service next year, including the construction of a new CPC (Cell Processing Center). Moreover, the Group has pushed forward with the development of cell medicines utilizing its existing infrastructure as a cell bank and in collaboration with universities, pharmaceutical companies, ventures and other institutions.

As stated above, StemCell has worked on efforts to expand its business globally. It will also strengthen and enhance its business platform from a medium- to long-term perspective, including the development of other cell storage businesses and cell drugs, with its private cord blood bank business as the foothold. We believe the growth potential of these businesses is large.

StemCell Institute Inc. obtained a formal approval for listing from Tokyo Stock Exchange March 2020 but postponed the listing by taking into account comprehensive factors, including the IPO market climate amid the COVID-19 pandemic. StemCell, however, aims to further enhancing its corporate value and to be listed on the stock exchange during the current fiscal year.

With regard to the hospital operation business in China, despite largely affected by the COVID-19 pandemic and the delay in public insurance approval, the number of patients has been increasing gradually, as restrictions on social activities are eased and consumption is recovering. We therefore are confident the growth potential for the business remains significant. The total amount of investments in the business was recognized as losses at the end of the previous fiscal year, and therefore, will not affect earnings for the current fiscal year.

As a result of the above, the medical business recorded net sales of 827 million yen (down 10.8% year-on-year) with segment profit of 51 million yen (down 74.5% 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 3,183 million yen, or 14.2%, from the end of the previous fiscal year to 25,600 million yen. The main factor is an increase of 3,455 million yen in cash and deposits.

Total liabilities increased 3,247 million yen, or 61.4%, from the end of the previous fiscal year to 8,540 million yen. The main factor is an increase of 3,000 million yen in current portion of long-term borrowings.

Net assets decreased 63 million yen, or 0.4%, from the end of the previous fiscal year to 17,059 million yen. The main factors are payment of dividends of 551 million yen and purchase of treasury shares of 327 million yen, which were partially offset by recording of profit attributable to owners of parent of 796 million yen.

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

Nihon Trim has reviewed the current performance trends and made a revision to full-year consolidated forecast for the fiscal year ending March 31, 2021, which was announced in the "Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020" dated May 14, 2020. For more information, please refer to the press release titled "Notice of upward revision to the full-year consolidated forecast" dated October 26, 2020 (Japanese version only).

Earnings forecasts 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.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/20 (As of Mar. 31, 2020)	Second quarter of FY3/21 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	8,540,829	11,996,599
Notes and accounts receivable-trade	1,803,718	1,608,903
Accounts receivable-installment	2,967,347	2,655,825
Securities	-	301,464
Finished goods	371,078	354,676
Raw materials and supplies	603,401	609,969
Other	204,678	206,798
Allowance for doubtful accounts	(16,485)	(21,765)
Total current assets	14,474,567	17,712,472
Non-current assets		
Property, plant and equipment		
Land	2,467,898	2,466,431
Other, net	1,099,304	1,419,143
Total property, plant and equipment	3,567,202	3,885,575
Intangible assets		
Goodwill	497,387	478,828
Other	72,228	78,058
Total intangible assets	569,616	556,887
Investments and other assets		
Investment securities	2,829,500	2,497,892
Other	1,025,113	996,463
Allowance for doubtful accounts	(49,619)	(49,113)
Total investments and other assets	3,804,994	3,445,242
Total non-current assets	7,941,813	7,887,705
Total assets	22,416,381	25,600,177
Liabilities		
Current liabilities		
Notes and accounts payable-trade	759,700	769,283
Current portion of long-term borrowings	11,390	3,012,290
Income taxes payable	189,204	406,376
Advances received	2,061,308	2,242,796
Provision for bonuses	168,980	168,516
Provision for product warranties	31,000	36,000
Provision for sales returns	24,000	21,000
Provision for loss on contract	121,180	85,744
Other	1,240,079	1,092,089
Total current liabilities	4,606,844	7,834,097
Non-current liabilities		
Long-term borrowings	11,550	9,450
Provision for retirement benefits for directors (and other officers)	212,604	217,151
Retirement benefit liability	288,063	293,951
Other	174,144	186,159
Total non-current liabilities	686,362	706,711
Total liabilities	5,293,207	8,540,809

	(Thousands of yen)	
	FY3/20	Second quarter of FY3/21
	(As of Mar. 31, 2020)	(As of Sep. 30, 2020)
Net assets		
Shareholders' equity		
Share capital	992,597	992,597
Capital surplus	645,641	645,814
Retained earnings	18,358,675	18,603,739
Treasury shares	(3,145,917)	(3,473,148)
Total shareholders' equity	16,850,996	16,769,001
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,716	698
Foreign currency translation adjustment	(68,789)	(80,412)
Remeasurements of defined benefit plans	(8,222)	(6,705)
Total accumulated other comprehensive income	(71,295)	(86,420)
Share acquisition rights	28,720	28,720
Non-controlling interests	314,753	348,067
Total net assets	17,123,174	17,059,368
Total liabilities and net assets	22,416,381	25,600,177

(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 FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Net sales	8,693,605	7,393,255
Cost of sales	2,505,929	2,172,849
Gross profit	6,187,675	5,220,406
Selling, general and administrative expenses	4,572,082	4,059,973
Operating profit	1,615,592	1,160,432
Non-operating income		
Interest and dividend income	22,297	10,563
Rental income from real estate	39,214	39,177
Foreign exchange gains	-	88
Other	20,568	43,566
Total non-operating income	82,081	93,396
Non-operating expenses		
Interest expenses	1,011	4,710
Share of loss of entities accounted for using equity method	159,691	1,622
Foreign exchange losses	259	-
Depreciation of assets for rent	8,101	7,845
Provision of allowance for doubtful accounts	6,755	5,792
Other	3,920	3,271
Total non-operating expenses	179,739	23,242
Ordinary profit	1,517,933	1,230,585
Extraordinary income		
Gain on sales of investment securities	-	10,193
Gain on sales of shares of subsidiaries and associates	14,134	-
Total extraordinary income	14,134	10,193
Profit before income taxes	1,532,068	1,240,778
Income taxes-current	531,839	393,599
Income taxes-deferred	(6,175)	9,979
Total income taxes	525,663	403,579
Profit	1,006,404	837,199
Profit attributable to non-controlling interests	4,014	40,392
Profit attributable to owners of parent	1,002,390	796,806

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

	(Thousands of yen)	
	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Profit	1,006,404	837,199
Other comprehensive income		
Valuation difference on available-for-sale securities	36	(5,018)
Foreign currency translation adjustment	(4,445)	(18,325)
Remeasurements of defined benefit plans, net of tax	1,240	1,517
Share of other comprehensive income of entities accounted for using equity method	7,294	73
Total other comprehensive income	4,125	(21,753)
Comprehensive income	1,010,530	815,446
Comprehensive income attributable to:		
Owners of parent	1,006,515	781,681
Non-controlling interests	4,014	33,764

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	1,532,068	1,240,778
Depreciation	85,616	94,877
Amortization of goodwill	18,559	18,559
Increase (decrease) in allowance for doubtful accounts	7,669	4,977
Increase (decrease) in provision for bonuses	7,474	(463)
Increase (decrease) in provision for loss on contract	(54,619)	(35,435)
Interest and dividend income	(22,297)	(10,563)
Interest expenses	1,011	4,710
Share of loss (profit) of entities accounted for using equity method	159,691	1,622
Foreign exchange losses (gains)	259	-
Loss (gain) on sales of investment securities	-	(10,193)
Loss (gain) on sales of shares of subsidiaries and associates	(14,134)	-
Decrease (increase) in accounts receivable-installment	(174,121)	311,521
Decrease (increase) in trade receivables	(548,720)	188,611
Decrease (increase) in inventories	211,433	5,032
Increase (decrease) in trade payables	(75,188)	15,181
Increase (decrease) in accrued consumption taxes	39,829	(92,155)
Other, net	149,644	106,503
Subtotal	1,324,176	1,843,564
Interest and dividends received	37,917	25,740
Interest paid	(1,011)	(4,710)
Income taxes paid	(664,463)	(175,554)
Net cash provided by (used in) operating activities	696,619	1,689,039
Cash flows from investing activities		
Payments into time deposits	(650,000)	(650,000)
Proceeds from withdrawal of time deposits	650,000	650,000
Purchase of property, plant and equipment	(81,759)	(388,361)
Purchase of intangible assets	(5,216)	(9,500)
Purchase of investment securities	(1,034,820)	-
Proceeds from sales of investment securities	-	19,569
Loan advances	(456,755)	(1,000)
Other, net	74,388	44,495
Net cash provided by (used in) investing activities	(1,504,163)	(334,797)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	3,000,000
Purchase of treasury shares	-	(327,230)
Dividends paid	(472,982)	(550,967)
Other, net	(4,485)	(5,276)
Net cash provided by (used in) financing activities	(477,467)	2,116,525
Effect of exchange rate change on cash and cash equivalents	(7,630)	(14,996)
Net increase (decrease) in cash and cash equivalents	(1,292,642)	3,455,770
Cash and cash equivalents at beginning of period	9,135,874	7,790,829
Cash and cash equivalents at end of period	7,843,232	11,246,599

(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 FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)

(Thousands of yen)

	Reportable segment			Adjustments	Total (Note)
	Water Healthcare	Medical	Subtotal		
Net sales					
Sales to external customers	6,565,372	827,882	7,393,255	-	7,393,255
Inter-segment sales and transfers	-	-	-	-	-
Total	6,565,372	827,882	7,393,255	-	7,393,255
Segment profit	1,109,064	51,367	1,160,432	-	1,160,432

Note: The segment profit is consistent with the operating profit of the Quarterly Consolidated Statement of Income.

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.