

May 13, 2021

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2021

[Japanese GAAP]

Company name: NIHON TRIM CO., LTD.

Listing: Tokyo Stock Exchange, First Section

Securities code: 6788

URL: <http://www.nihon-trim.co.jp/>

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Scheduled date of Annual General Meeting of Shareholders: June 22, 2021

Scheduled date of filing of Annual Securities Report: June 23, 2021

Scheduled date of dividend payment: June 23, 2021

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, 2021 (April 1, 2020 – March 31, 2021)

(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, 2021	14,911	(7.5)	2,187	(5.0)	2,357	133.9	1,523	597.2
Fiscal year ended Mar. 31, 2020	16,116	6.2	2,303	2.4	1,007	(52.5)	218	(82.5)

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2021: 1,578 (up 565.3%)

Fiscal year ended Mar. 31, 2020: 237 (down 80.8%)

	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, 2021	195.45	-	8.9	10.0	14.7
Fiscal year ended Mar. 31, 2020	27.67	27.66	1.3	4.5	14.3

Reference: Investment gain (loss) by equity method (million yen) Fiscal year ended Mar. 31, 2021: (1)

Fiscal year ended Mar. 31, 2020: (1,466)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2021	24,931	17,822	69.8	2,239.70
As of Mar. 31, 2020	22,416	17,123	74.9	2,128.85

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2021: 17,414

As of Mar. 31, 2020: 16,779

(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, 2021	2,679	(887)	109	9,677
Fiscal year ended Mar. 31, 2020	1,823	(2,644)	(518)	7,790

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, 2020	-	0.00	-	70.00	70.00	551	253.0	3.3
Fiscal year ended Mar. 31, 2021	-	0.00	-	60.00	60.00	466	30.7	2.7
Fiscal year ending Mar. 31, 2022 (forecasts)	-	0.00	-	60.00	60.00		25.8	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(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	8,580	-	1,260	-	1,300	-	860	-	110.61
Full year	17,580	-	2,700	-	2,800	-	1,810	-	232.79

Note: Year-on-year changes are not presented in the above table because the forecast represents the amounts after the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc., which is applied from the fiscal year ending March 31, 2022.

*** 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, 2021: 8,656,780 shares

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

(ii) Number of treasury shares at end of period

As of Mar. 31, 2021: 881,527 shares

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

(iii) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2021: 7,792,494 shares

Fiscal year ended Mar. 31, 2020: 7,894,879 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 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. Overview of Results of Operations, etc., (4) Future Outlook" on page 5 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

November 2020 marked 20 years since the Group went public on the over-the-counter market. We would like to express our sincere gratitude to our shareholders and other various stakeholders for their support.

Amid the drastic changes in society caused by the COVID-19 crisis, the Group believes that a company that can adapt quickly to the times can achieve sustainable growth. In keeping with the venture spirit that has guided us since our founding, we consistently strive to enhance our corporate value with a spirit of challenge. We look forward to your continued support and encouragement.

During the current fiscal year, the Group's net sales decreased 7.5% year-on-year to 14,911 million yen, operating profit decreased 5.0% to 2,187 million yen, ordinary profit increased 133.9% to 2,357 million yen, and profit attributable to owners of parent increased 597.2% to 1,523 million yen.

Although net sales decreased due to the effects of the COVID-19 crisis, our prior research results and investments in sales measures and new businesses began to bear fruit. The Group as a whole made steady progress toward its goal of becoming a global medical company.

Results by business segment were as follows.

[Water Healthcare Business]

In the electrolyzed hydrogen water (EHW) apparatus business in Japan, workplace sales saw a significant drop in the number of seminars in April and May 2020 due to disruptions under the state of emergency declared in April over the COVID-19 crisis. However, as a result of our efforts focused on preparing safe environments for participants with hygiene and other measures, workplace sales in the third quarter returned to the level of a year earlier. In the fourth quarter, the second state of emergency, declared in January 2021, put some strain on workplace sales and store sales, but the impact was not so significant as the first time. In March 2021, we secured as many seminars as its pre-crisis level.

Despite the above effects of the COVID-19 crisis, the growing awareness of health and immunity promoted the recognition of EHW apparatus—the medical device for home use with approved efficacy in improving gastrointestinal symptoms. At the same time, we responded to the increase in stay-at-home demand due to the prolonged COVID-19 crisis and the resulting increase in water consumption in households. We carefully examined and updated our distribution targets in each sales channel and strengthened sales promotion to potential customers, in line with our central concept of “life with EHW apparatus.”

Meanwhile, the changes in lifestyles and work styles accelerated by the COVID-19 crisis brought diverse opportunities for people to come into contact with our products for the first time. In response, we have strengthened our web marketing as a measure for sustainable growth. As a part of this effort, we released a renewed version of Trim Ion Cure as a web-only product in December 2020, followed by the launch of Trim Mizu Labo (Trim Water Laboratory), an information website on water and health, in February 2021. At this point, we are still in the initial investment stage, but the number of requests for information, which is used as a leading KPI, is growing steadily as planned. This measure will also be a big boost to the conventional sales channel by increasing awareness of electrolyzed hydrogen water and EHW apparatus. We will continue to step up related measures, such as SEO and content creation to increase the purchase rate.

As previously, we have continued our effort of proposing the lump-sum introduction of EHW apparatus to corporations, centering around the Health and Productivity Management proposals. During the current fiscal year, 1,802 corporations newly introduced EHW apparatus, up 6.4% from the previous fiscal year.

In addition, the introduction of EHW apparatus to athletic clubs of universities and high schools has been expanding, prompted by the paper titled “Proof of energy saving by drinking electrolyzed hydrogen water during continuous exercise in hot weather” published in June 2020 with Ritsumeikan University.

In the OEM and wholesale sales division, net sales increased 25.5% year-on-year due to the start of transactions with two major customers in May and November 2020, reflecting our efforts to develop new customers in Japan and overseas.

As a result, domestic net sales of EHW apparatus decreased 13.0% year-on-year for the full year, but increased 9.9% year-on-year for the second half, setting a trend for growth into the next fiscal year.

Sales of water purification cartridges, which generate a consistent revenue stream once an EHW system is installed, grew 5.8% year-on-year, showing stable growth even under the COVID-19 crisis.

In December 2020, the Group started the advance sale of the hypochlorous acidic water generator Trim Jia as a hygiene measure during the COVID-19 crisis. Trim Jia is the first product that satisfies the JIS standard relating to hypochlorous acidic water producing apparatus (JIS B 8701). Customers and distributors who purchased the product have praised the product not only for its usefulness as a remedy for bacteria, odor, or mold, but also for its ease of production at home and eco-friendliness. In preparation for full-scale sales, we made necessary arrangements and worked to improve production efficiency.

In terms of profits, despite the upfront investment of approximately 200 million yen in web marketing as mentioned above, operating profit increased slightly from the previous fiscal year, thanks to cost reduction based on review of costs and other efforts during the COVID-19 crisis.

Overseas, in the bottling business in Indonesia, net sales declined 7.4% year-on-year (on a local currency basis). Although a stay-at-home order caused a decrease in sales of plastic bottled beverages to in-store sales agents, stay-at-home demand contributed to the growing sales of beverages in gallon bottles through home delivery, indicating a recovery trend. As a result of a significant reduction in promotion expenses related to product sales, the bottling business in the country recorded operating profit of 16,590 million rupiahs (122 million yen, 1 rupiah = 0.0074 yen), compared to operating loss of 4,986 million rupiahs (39 million yen, 1 rupiah = 0.0079 yen) a year earlier.

Regarding research and development, we made significant progress in research by publishing the following joint papers: as mentioned above, “Proof of energy saving by drinking electrolyzed hydrogen water during continuous exercise in hot weather (Ritsumeikan University)” published in June 2020; “Proof of the high hydrogen generation efficiency of the electrode plates of electrolyzed water hemodialysis manufactured by Nihon Trim and proof of the existence of platinum nanoparticles in electrolyzed hydrogen water (Graduate School of Engineering, University of Tokyo),” published in December 2020; and “Proof of the enhancement of stress resistance by drinking electrolyzed hydrogen water (RIKEN),” published in January 2021. In particular, the joint paper with the Graduate School of the University of Tokyo was ranked among the top 100 papers downloaded in the 2020 chemistry paper category of the journal *Scientific Reports*, and was featured on its special page. The editorial board of *Scientific Reports* recognized that paper for its extraordinary number of downloads and real value in this research field.

As a result of the above, the water healthcare business recorded net sales of 13,276 million yen (down 6.7% year-on-year) with segment profit of 2,118 million yen (up 7.4% year-on-year).

[Medical Business]

In the electrolyzed water hemodialysis business, net sales declined 12.3% year-on-year due to the restrictions on visits and face-to-face interviews imposed by hospital policies in the COVID-19 crisis. Meanwhile, we saw improvement in both qualitative and quantitative evaluation results from facilities already using our system. At the 65th Annual Meeting of the Japanese Society for Dialysis Therapy held in November 2020, nine new studies on electrolyzed water hemodialysis treatment were presented online, including a case in which a patient’s leg amputation was avoided and another in which post-dialysis fatigue was recovered. In addition, the co-hosted seminar held at the meeting was distributed on-demand for 20 days. Viewed approximately 1,600 times during the period, the seminar attracted the attention of dialysis treatment professionals nationwide. The number of potential customers for the introduction of the product increased due to the strengthening of our web marketing efforts, including the distribution of videos on the medical website “m3.com” and the release of “New option: electrolyzed water hemodialysis,” a video explaining electrolyzed water hemodialysis. As of March 31, 2021, 25 facilities had already introduced the system and more than 2,100 patients were receiving electrolyzed water hemodialysis treatment.

In the area of regenerative medicine, net sales declined 13.3% year-on-year. At StemCell Institute Inc., although sales activities were restricted during the COVID-19 crisis, we worked to improve the efficiency of operations by strengthening web marketing and promoting digital transformation (DX), and also adopted medium- to long-term

measures for future business expansion. Our web marketing efforts began from the current fiscal year, but with the strength of our 99% market share, we were able to quickly see results. In March 2021, the number of monthly new storage samples recovered to the highest level compared to the same month in past years. As part of our effort to expand the business from a medium- to long-term perspective, in December 2020, we participated in a joint investment in Cuorips Inc., a company aiming to obtain pharmaceutical regulatory approval for its iPS cell-derived sheets. Furthermore, in January 2021, we entered into a capital and business tie-up with Grace Group, Inc., which operates an egg storage business. In addition, the construction of a new CPC (Cell Processing Center) in Yokohama was completed in March 2021. The CPC is set to meet a future growing need for the storage of cord blood and operate a new cell storage business.

In December 2020, StemCell Institute Inc. filed an application for IPO with the Tokyo Stock Exchange. We will make a timely announcement if there is anything to be disclosed regarding this matter.

The hospital business in China obtained approval as to provision of the treatment covered by public insurance, and that treatment started in February 2021. The number of patients for the hospital is increasing. There is no impact on our consolidated business results as we recorded equity in losses of total investments in the previous fiscal year.

As a result of the above, the medical business recorded net sales of 1,635 million yen (down 13.2% year-on-year) with segment profit of 68 million yen (down 79.2% year-on-year).

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

Total assets increased 2,515 million yen, or 11.2%, from the end of the previous fiscal year to 24,931 million yen at the end of the current fiscal year on a consolidated basis.

(i) Assets

Current assets increased 1,967 million yen, or 13.6%, from the end of the previous fiscal year to 16,441 million yen. The main factor was an increase of 1,886 million yen in cash and deposits.

Non-current assets increased 548 million yen, or 6.9%, to 8,490 million yen. The main factor was an increase of 436 million yen in buildings and structures.

(ii) Liabilities

Current liabilities increased 1,726 million yen, or 37.5%, from the end of the previous fiscal year to 6,333 million yen. The main factors were increases of 995 million yen in current portion of long-term borrowings, 388 million yen in income taxes payable and 338 million yen in advances received.

Non-current liabilities increased 89 million yen, or 13.1%, from the end of the previous fiscal year to 776 million yen. The main factor was an increase of 41 million yen in asset retirement obligations.

(iii) Net assets

Net assets increased 699 million yen, or 4.1%, from the end of the previous fiscal year to 17,822 million yen. The main factors include payment of dividends of 551 million yen and purchase of treasury shares of 327 million yen, which were partially offset by profit attributable to owners of parent of 1,523 million yen.

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

Cash and cash equivalents (hereinafter “net cash”) increased 1,886 million yen from the end of the previous fiscal year to 9,677 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 2,679 million yen.

The main factors include profit before income taxes of 2,368 million yen and depreciation of 201 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 887 million yen.

The main factors were purchase of property, plant and equipment of 752 million yen and purchase of intangible

assets of 160 million yen.

Cash flows from financing activities

Net cash provided by financing activities totaled 109 million yen.

The main factors were repayments of long-term borrowings of 2,003 million yen, dividends paid of 551 million yen and purchase of treasury shares of 327 million yen, which were partially offset by proceeds from long-term borrowings of 3,000 million yen.

Reference: Cash flow indicators

	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21
Shareholders' equity ratio	73.9	72.5	75.5	74.9	69.8
Shareholders' equity ratio based on market value	129.1	185.7	201.8	100.0	128.0
Average debt repayment period (years)	1.2	0.7	0.0	0.0	0.4

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 the period by the number of shares outstanding at the end of the 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 order to achieve sustainable growth and increase its corporate value, the Group will continue to make upfront investments from a medium- to long-term perspective, thereby broadening the scope of its business. In this way, we will realize our goal of becoming a global medical company.

Forecasts by business segment were as follows.

[Water Healthcare Business]

We are confident that our products are well positioned to serve the needs of the times.

In the midst of the COVID-19 crisis, it is particularly important to note that the intestines, which are responsible for 70% of the immune system, are the key to immunity. Nihon Trim's electrolyzed hydrogen water (EHW) apparatus is a controlled medical device that helps improve gastrointestinal problems. We believe the demand for our EHW apparatus will grow further in the future, as just switching the water we drink every day to electrolyzed hydrogen water is expected to help improve our gastrointestinal conditions. In this context, we aim to achieve three million users of our EHW apparatus. In the next fiscal year, we will promote measures to achieve three million users from the current 850,000 users. One such measure is to further increase our web marketing efforts, which began in the current fiscal year. With such activities currently performing well, we will continue to acquire potential customers and expand our prospect base. For web-based sales, we are rolling out the web-only product "Trim Ion Cure" within a lower price range compared to conventional products. Going forward, we will proactively develop measures to expand the scope of business that generates a consistent revenue stream while keeping a comprehensive perspective. In addition, we will continue to build up evidence and engage in PR activities, which we believe are essential for dramatic expansion of the use of our EHW apparatus.

With regard to domestic sales of EHW apparatus, we expect the market environment to remain unstable in the first half of the year ending March 31, 2022, as it is still uncertain when the COVID-19 crisis will be under control. However, since vaccination is now underway, we believe that the restrictions on sales activities will become minimal from the second half. In the direct sales division, consisting of workplace sales, referral and installation sales, and store sales, we will accelerate our promotion of the efficacy to improve gastrointestinal symptoms as people are keen on improving their "gut health." In addition, we continue focusing on sales expansion to companies and across sports-related organizations based on the Health and Productivity Management proposals.

The wholesale and OEM division will reinforce support for new large customers whose transactions started in the current fiscal year, as well as securing transactions with new customers that we are currently negotiating with, including overseas customers, primarily in Southeast Asia.

As for sales of water purification cartridges, which generate a consistent revenue stream once an EHW system is installed, we expect to continue seeing stable growth during the next fiscal year by enhancing post-sale follow-up activities, although the growth margin will be slightly reduced due to little progress in the sales volume of EHW apparatus in the current fiscal year.

For the bottling business in Indonesia, we will reinforce alliance with local partner Sinarmas Group, and tap new markets in the country, taking advantage of our high quality and evidence. A new production line has been in operation since November 2020. As the local economy will continue to grow, we will enhance the production system, revamp promotions, and fortify the supply chain with a view to growth after the COVID-19 crisis is under control.

As for research and development, in addition to the paper that was postponed due to the effects of the COVID-19 crisis, the results of the joint research with RIKEN, which is in the final year of its contract, will be published as a paper. Moreover, we plan to submit a total of six papers in the next fiscal year, including a joint paper with Waseda University. 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.

Due to the application of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. from the beginning of the fiscal year ending March 31, 2022, the forecast for the fiscal year ending March 31, 2022, is expected to increase net sales and selling, general and administrative expenses by approximately 500 million yen each, compared to the forecast before the application of the said accounting standard.

The impact of the adoption of this accounting standard on operating profit and below is expected to be insignificant.

On the basis of the existing accounting standards, the water healthcare business is forecast to increase 13.6% in net sales for the fiscal year ending March 31, 2022, compared to the fiscal year ended March 31, 2021.

[Medical Business]

For the electrolyzed water hemodialysis business, we plan to present the results of new studies at the 66th Annual Meeting of the Japanese Society for Dialysis Therapy to be held in June 2021. In addition, we will proactively use web marketing, a tool that has brought positive feedback. At the same time, we will continue to focus on improving our electrolyzed water hemodialysis systems and building up the evidence to promote their widespread use as the next generation global standard treatment.

In April 2021, StemCell Institute Inc., a regenerative medicine business, launched Japan’s first umbilical cord storage service based on joint research with the Institute of Medical Science, the University of Tokyo. Additionally, on the basis of the technology cultivated through the cord blood storage business, the institute has started the ultra-low temperature clinical specimen transportation service and the cell storage service for peripheral blood and the like. In the next fiscal year, StemCell Institute Inc. will continue to proactively implement web-marketing measures, as well as solidify its business platform from a medium-to long-term view.

As for the hospital business in China, we will continue to broaden the scope of the business through cooperation with local partners.

As a result of the above efforts, the forecast for the fiscal year ending March 31, 2022, in the medical business based on the existing accounting standards is a 22.1% increase in net sales compared to the fiscal year ended March 31, 2021. The impact of the change in accounting standards on this business is expected to be insignificant.

2. Basic Approach for the Selection of Accounting Standards

The 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)	
	FY3/20 (As of Mar. 31, 2020)	FY3/21 (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	8,540,829	10,427,024
Notes and accounts receivable-trade	1,803,718	1,947,502
Accounts receivable-installment	2,967,347	2,582,333
Securities	-	300,335
Finished goods	371,078	291,322
Raw materials and supplies	603,401	685,695
Other	204,678	231,179
Allowance for doubtful accounts	(16,485)	(23,634)
Total current assets	14,474,567	16,441,758
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,731,347	2,216,162
Accumulated depreciation	(1,066,065)	(1,114,268)
Buildings and structures, net	665,281	1,101,894
Land	2,467,898	2,465,454
Other	1,758,307	2,051,650
Accumulated depreciation	(1,324,285)	(1,399,323)
Other, net	434,022	652,326
Total property, plant and equipment	3,567,202	4,219,674
Intangible assets		
Goodwill	497,387	460,268
Other	72,228	246,370
Total intangible assets	569,616	706,638
Investments and other assets		
Investment securities	2,829,500	2,594,034
Deferred tax assets	322,891	323,169
Other	702,222	696,263
Allowance for doubtful accounts	(49,619)	(49,698)
Total investments and other assets	3,804,994	3,563,769
Total non-current assets	7,941,813	8,490,083
Total assets	22,416,381	24,931,841

	(Thousands of yen)	
	FY3/20	FY3/21
	(As of Mar. 31, 2020)	(As of Mar. 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	759,700	846,867
Current portion of long-term borrowings	11,390	1,007,350
Income taxes payable	189,204	577,471
Advances received	2,061,308	2,399,395
Provision for bonuses	168,980	163,408
Provision for product warranties	31,000	45,000
Provision for sales returns	24,000	13,000
Provision for loss on contract	121,180	55,272
Other	1,240,079	1,225,436
Total current liabilities	4,606,844	6,333,201
Non-current liabilities		
Long-term borrowings	11,550	11,930
Provision for retirement benefits for directors (and other officers)	212,604	227,645
Retirement benefit liability	288,063	301,791
Asset retirement obligations	-	41,474
Other	174,144	193,311
Total non-current liabilities	686,362	776,153
Total liabilities	5,293,207	7,109,355
Net assets		
Shareholders' equity		
Share capital	992,597	992,597
Capital surplus	645,641	645,814
Retained earnings	18,358,675	19,329,963
Treasury shares	(3,145,917)	(3,473,417)
Total shareholders' equity	16,850,996	17,494,956
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,716	2,194
Foreign currency translation adjustment	(68,789)	(77,320)
Remeasurements of defined benefit plans	(8,222)	(5,600)
Total accumulated other comprehensive income	(71,295)	(80,726)
Share acquisition rights	28,720	28,720
Non-controlling interests	314,753	379,535
Total net assets	17,123,174	17,822,486
Total liabilities and net assets	22,416,381	24,931,841

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

(Thousands of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Net sales	16,116,796	14,911,159
Cost of sales	4,758,137	4,424,843
Gross profit	11,358,659	10,486,316
Reversal of provision for sales returns	1,000	11,000
Gross profit - net	11,359,659	10,497,316
Selling, general and administrative expenses	9,056,385	8,309,756
Operating profit	2,303,273	2,187,559
Non-operating income		
Interest income	23,162	20,230
Dividend income	451	345
Commission income	1,573	1,687
Rental income from real estate	78,529	78,493
Foreign exchange gains	-	3,872
Surrender value of insurance policies	70,637	56,697
Subsidy income	-	27,491
Other	32,760	29,245
Total non-operating income	207,115	218,062
Non-operating expenses		
Interest expenses	3,038	11,691
Depreciation of assets for rent	15,958	15,225
Foreign exchange losses	1,979	-
Share of loss of entities accounted for using equity method	1,466,545	1,968
Provision of allowance for doubtful accounts	10,575	8,569
Other	4,403	10,870
Total non-operating expenses	1,502,500	48,325
Ordinary profit	1,007,889	2,357,297
Extraordinary income		
Gain on sales of non-current assets	502	2,799
Gain on sales of investment securities	-	10,193
Gain on sales of shares of subsidiaries and associates	14,134	-
Total extraordinary income	14,637	12,992
Extraordinary losses		
Loss on retirement of non-current assets	3,877	1,393
Total extraordinary losses	3,877	1,393
Profit before income taxes	1,018,649	2,368,895
Income taxes-current	770,853	770,567
Income taxes-deferred	10,739	(522)
Total income taxes	781,593	770,045
Profit	237,056	1,598,850
Profit attributable to non-controlling interests	18,593	75,819
Profit attributable to owners of parent	218,462	1,523,031

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Profit	237,056	1,598,850
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,977)	(3,522)
Foreign currency translation adjustment	4,626	(19,676)
Remeasurements of defined benefit plans, net of tax	(1,500)	2,622
Share of other comprehensive income of entities accounted for using equity method	53	97
Total other comprehensive income	202	(20,478)
Comprehensive income	237,259	1,578,372
Comprehensive income attributable to:		
Owners of parent	214,034	1,513,600
Non-controlling interests	23,224	64,771

(3) Consolidated Statement of Changes in Equity

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	992,597	645,641	18,613,932	(3,110,232)	17,141,939
Changes during period					
Dividends of surplus			(473,720)		(473,720)
Profit attributable to owners of parent			218,462		218,462
Purchase of treasury shares				(35,685)	(35,685)
Purchase of shares of consolidated subsidiaries		-			-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(255,257)	(35,685)	(290,942)
Balance at end of period	992,597	645,641	18,358,675	(3,145,917)	16,850,996

	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 period	8,693	(68,838)	(6,722)	(66,867)	28,720	291,529	17,395,320
Changes during period							
Dividends of surplus							(473,720)
Profit attributable to owners of parent							218,462
Purchase of treasury shares							(35,685)
Purchase of shares of consolidated subsidiaries							-
Net changes in items other than shareholders' equity	(2,977)	49	(1,500)	(4,428)	-	23,224	18,796
Total changes during period	(2,977)	49	(1,500)	(4,428)	-	23,224	(272,146)
Balance at end of period	5,716	(68,789)	(8,222)	(71,295)	28,720	314,753	17,123,174

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	992,597	645,641	18,358,675	(3,145,917)	16,850,996
Changes during period					
Dividends of surplus			(551,742)		(551,742)
Profit attributable to owners of parent			1,523,031		1,523,031
Purchase of treasury shares				(327,500)	(327,500)
Purchase of shares of consolidated subsidiaries		172			172
Net changes in items other than shareholders' equity					
Total changes during period	-	172	971,288	(327,500)	643,960
Balance at end of period	992,597	645,814	19,329,963	(3,473,417)	17,494,956

	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 period	5,716	(68,789)	(8,222)	(71,295)	28,720	314,753	17,123,174
Changes during period							
Dividends of surplus							(551,742)
Profit attributable to owners of parent							1,523,031
Purchase of treasury shares							(327,500)
Purchase of shares of consolidated subsidiaries							172
Net changes in items other than shareholders' equity	(3,522)	(8,531)	2,622	(9,430)	-	64,782	55,351
Total changes during period	(3,522)	(8,531)	2,622	(9,430)	-	64,782	699,311
Balance at end of period	2,194	(77,320)	(5,600)	(80,726)	28,720	379,535	17,822,486

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	1,018,649	2,368,895
Depreciation	215,328	201,912
Amortization of goodwill	37,119	37,119
Increase (decrease) in allowance for doubtful accounts	7,313	7,568
Increase (decrease) in provision for bonuses	16,440	(5,571)
Increase (decrease) in provision for loss on contract	(86,715)	(65,908)
Increase (decrease) in retirement benefit liability	22,457	19,287
Increase (decrease) in provision for retirement benefits for directors (and other officers)	17,931	15,041
Interest and dividend income	(23,614)	(20,575)
Interest expenses	3,038	11,691
Share of loss (profit) of entities accounted for using equity method	1,466,545	1,968
Foreign exchange losses (gains)	1,979	0
Surrender value of insurance policies	(70,637)	(56,697)
Subsidy income	-	(27,491)
Loss (gain) on sales of investment securities	-	(10,193)
Loss (gain) on sales of shares of subsidiaries and associates	(14,134)	-
Decrease (increase) in trade receivables	131,755	(154,708)
Decrease (increase) in accounts receivable-installment	(176,515)	385,013
Decrease (increase) in inventories	59,557	(3,437)
Increase (decrease) in trade payables	(154,713)	92,418
Increase (decrease) in accrued consumption taxes	66,143	(87,164)
Other, net	272,505	305,751
Subtotal	2,810,437	3,014,921
Interest and dividends received	54,308	44,499
Subsidies received	-	27,491
Interest paid	(3,038)	(11,691)
Income taxes paid	(1,038,311)	(395,886)
Net cash provided by (used in) operating activities	1,823,395	2,679,334
Cash flows from investing activities		
Payments into time deposits	(750,000)	(750,000)
Proceeds from withdrawal of time deposits	750,000	750,000
Purchase of property, plant and equipment	(253,014)	(752,717)
Proceeds from sale of property, plant and equipment	18,148	15,276
Purchase of intangible assets	(50,265)	(160,065)
Purchase of investment securities	(1,334,820)	(105,100)
Proceeds from sales of investment securities	-	19,569
Purchase of shares of subsidiaries and associates	(100,000)	-
Loan advances	(1,108,093)	(1,730)
Payments of leasehold and guarantee deposits	(43,956)	(10,316)
Proceeds from refund of leasehold and guarantee deposits	4,130	2,928
Proceeds from cancellation of insurance funds	123,581	56,697
Other, net	100,082	48,345
Net cash provided by (used in) investing activities	(2,644,205)	(887,111)

	(Thousands of yen)	
	FY3/20	FY3/21
	(Apr. 1, 2019 – Mar. 31, 2020)	(Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	3,000,000
Repayments of long-term borrowings	(2,500)	(2,003,660)
Purchase of treasury shares	(35,685)	(327,500)
Dividends paid	(473,273)	(551,639)
Other, net	(6,984)	(7,854)
Net cash provided by (used in) financing activities	(518,443)	109,346
Effect of exchange rate change on cash and cash equivalents	(5,792)	(15,373)
Net increase (decrease) in cash and cash equivalents	(1,345,045)	1,886,195
Cash and cash equivalents at beginning of period	9,135,874	7,790,829
Cash and cash equivalents at end of period	7,790,829	9,677,024

(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

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Thousands of yen)

	Reportable segment			Adjustments	Amounts recorded in consolidated financial statements
	Water healthcare	Medical	Subtotal		
Net sales					
Sales to external customers	13,276,001	1,635,157	14,911,159	-	14,911,159
Inter-segment sales and transfers	-	-	-	-	-
Total	13,276,001	1,635,157	14,911,159	-	14,911,159
Segment profit	2,118,671	68,888	2,187,559	-	2,187,559
Segment assets	18,912,255	4,586,725	23,498,981	1,432,860	24,931,841
Other items					
Depreciation	153,039	33,647	186,686	15,225	201,912
Increase in property, plant and equipment and intangible assets	528,218	510,838	1,039,057	-	1,039,057

Per Share Information

(Yen)

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Net assets per share	2,128.85	2,239.70
Net income per share	27.67	195.45
Diluted net income per share	27.66	-

Notes 1: Diluted net income per share in FY3/21 is not presented since the Company has no outstanding dilutive securities.

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

	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)
Net income per share		
Profit attributable to owners of parent (thousands of yen)	218,462	1,523,031
Profit not attributable to common shareholders (thousands of yen)	-	-
Profit attributable to common shareholders of parent (thousands of yen)	218,462	1,523,031
Average number of common shares outstanding during the period (shares)	7,894,879	7,792,494
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)	2,600	-
Summary of potentially dilutive shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	-	No. 7 Share acquisition rights issued pursuant to the Board of Directors' resolution on September 2, 2015 Number of share acquisition rights: 200 (common shares: 20,000 shares)

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.