

**Summary of Consolidated Financial Results for the Second Quarter
of the Fiscal Year Ending March 31, 2022
(Six Months Ended September 30, 2021)**

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: November 12, 2021

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, 2021****(April 1, 2021 – September 30, 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	%
Six months ended Sep. 30, 2021	8,411	13.8	1,213	4.5	1,253	1.8	1,455	82.7
Six months ended Sep. 30, 2020	7,393	(15.0)	1,160	(28.2)	1,230	(18.9)	796	(20.5)

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2021: 1,553 (up 90.5%)

Six months ended Sep. 30, 2020: 815 (down 19.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2021	187.25	-
Six months ended Sep. 30, 2020	102.03	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2021	26,007	20,455	75.2	2,517.00
As of Mar. 31, 2021	24,931	17,822	69.8	2,239.70

Reference: Shareholders' equity (million yen) As of Sep. 30, 2021: 19,570 As of Mar. 31, 2021: 17,414

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, 2021	-	0.00	-	60.00	60.00
Fiscal year ending Mar. 31, 2022	-	0.00	-	-	-
Fiscal year ending Mar. 31, 2022 (forecasts)	-	-	-	60.00	60.00

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

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
Full year	17,580	17.9	2,700	23.4	2,800	18.8	2,100	37.9	270.09

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: Yes
- (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, 2021: 8,656,780 shares

As of Mar. 31, 2021: 8,656,780 shares

(ii) Number of treasury shares at end of period

As of Sep. 30, 2021: 881,576 shares

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

(iii) Average number of shares outstanding during the period

Six months ended Sep. 30, 2021: 7,775,243 shares

Six months ended Sep. 30, 2020: 7,809,615 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 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 13.8% year-on-year to 8,411 million yen, operating profit increased 4.5% to 1,213 million yen, ordinary profit increased 1.8% to 1,253 million yen, and profit attributable to owners of parent increased 82.7% to 1,455 million yen.

During the second quarter of the current fiscal year, the Japanese government's declaration to extend the state of emergency affected the direct sales divisions more severely than expected at the beginning of the current fiscal year. This is because, in the electrolyzed hydrogen water (EHW) apparatus business, the direct sales divisions sell the apparatus mainly through face-to-face interactions with customers. However, given that direct sales of EHW apparatus have been recovering gradually since the end of September this year when the declaration of the state of emergency was lifted, we expect that the sales will progress as initially planned at the beginning of the current fiscal year. Profit attributable to owners of parent exceeded its forecast following the revision to the amount of income taxes in line with a change in the parent's equity stake in StemCell Institute Inc., which is resulting from the sale of part of consolidated subsidiary Trim Medical Holdings, Inc's shareholding in StemCell Institute in November this year.

Results by business segment were as follows.

[Water Healthcare Business]

In this business segment, during the first half of the current fiscal year, net sales of the EHW apparatus amounted to 3,959 million yen (up 29.3% year-on-year). While the prolonged COVID-19 crisis affected the business segment more than expected as mentioned above, we have been fairly successful in lump-sum sales to corporate customers through the sales approach centered on the "Health and Productivity Management" concept as well as the introduction to sports organizations, which we have worked on since last year. TRIM ION Refine, a more compact and lower priced version of the highest end TRIM ION GRACE model, which was launched June this year, has recorded brisk sales and represented more than 80% of direct sales as of October. The environment for direct sales has been improving gradually since the declaration of the state of emergency was lifted at the end of September. We have been strengthening our salesforce to take advantage of the growing awareness of health amid the COVID-19 crisis as a tailwind. Specifically, we will reinforce our salesforce by introducing tools to promote DX in sales & marketing and refining sales pitch, and will also increase employees engaging in workplace sales (DS Division) and installation and referral sales (HS Division), aiming to sell 5,000 units/month through the DS Division and 1,700 units/month through the HS Division.

In the OEM and wholesale sales division, we have been striving to develop new customers.

Web marketing, which we have focused on since last fiscal year with a view to the "New Normal" post COVID-19, has been growing consistently – with both the number of requests for brochures and net sales having reached record highs in September. In July this year, we added two new colors "Champaign Gold" and "Platinum Green" to Trim Ion Cure as a measure to drive sales, which has been quite successful. We will increase sales volume while maintaining cost efficiency, and will build up a solid track record of sales by implementing measures such as increasing the number of call center employees.

In the first half of the current fiscal year, net sales of water purification cartridges, which generate a consistent revenue stream once an EHW apparatus is installed, amounted to 2,551 million yen (down 0.6% year-on-year). During the first quarter, net sales decreased year-on-year. This is attributable to a temporary surge in sales of the cartridges during the same period last year to the users who had not replaced the cartridges for long, which was caused by the COVID-19 crisis. Sales of the cartridges, however, are currently back to normal and net sales during the second quarter (July to September 2021) increased 2.8% year-on-year. Sales of the water purification cartridges are expected to grow further in the third quarter and beyond backed by the replacement demand for the cartridges for TRIM ION CURE relaunched December last year.

Overseas, net sales from the bottling business in Indonesia amounted to 631 million yen (up 5.7% year-on-year, actual net sales from January through June 2021). Sales of plastic bottled beverages to in-store sales agents declined due to a series of restrictions on outings, but sales from the home delivery of beverages in gallon bottles remained strong. On the profit side, as a result of the detailed review of promotional activities, operating profit soared to 106

million yen (up 64.1% year-on-year). In Indonesia, the number of daily infections exceeded 50,000 in July 2021 but has now peaked out. In addition, as local economic activities are gradually returning to normal, we expect that the recovery of operating performance will accelerate toward the fourth quarter. The future potential of Indonesian market is huge in that the middle-income class has been expanding in pace with economic growth and the health awareness has been rising since the outbreak of COVID-19. In the years ahead, we will strive to expand business in the country in collaboration with Sinar Mas Group, a local partner.

In the field of research and development, we published a joint paper in July with Tohoku University about “How drinking electrolyzed hydrogen water helps improve high insulin resistance in type 2 diabetes” on *Diabetology International*, a western language academic journal issued by the Japan Diabetes Society. Given that patients with high insulin resistance tend to maintain high blood sugar levels and are exposed to a higher risk of developing metabolic syndrome and consequently suffering severer complications, high insulin resistance is positioned upstream of metabolic domino. Curbing such high insulin resistance potentially helps mitigate a variety of disease risks. Improving high insulin resistance had been considered difficult, but the research has proved that drinking 1.5L to 2L of electrolyzed hydrogen water per day improves high insulin resistance without side effects for about three months.

Also, in May this year, we published a joint research paper with Waseda University on Antioxidants, a scientific journal. The paper is about how electrolyzed hydrogen water reduces the damage of alcohol to cultured hepatocytes.

The results of these research activities have provided meaningful evidences that support the expansion and promotion of the EHW apparatus.

Further, in the field of agriculture, the results of estimates were announced at an academic conference in September this year that spraying EHW on persimmons helps prevent the blackening of their skin, which lowers their commercial value, and also helps raise the average wholesale price of persimmons by approximately 27%. We will push forward with research activities in the field of agriculture as EHW is expected to contribute to increasing the income for farmers.

In the second half of the current fiscal year, we plan to publish additional 8 research papers (including those having been submitted for publication), including the paper on the results of a joint research with Riken, a national research and development agency.

As a result of the above, the water healthcare business recorded net sales of 7,473 million yen (up 13.8% year-on-year) with segment profit of 1,131 million yen (up 2.1% year-on-year).

[Medical Business]

In the electrolyzed water hemodialysis business, during the second quarter of the current fiscal year, we newly installed our electrolyzed water hemodialysis systems in two facilities. Currently, nearly 2,400 patients are treated using the systems on 799 beds at 27 facilities. In October 2021, we published the results of a joint research on *Renal Replacement Therapy*, an English journal, showing that electrolyzed water hemodialysis alleviates the severe fatigue a dialysis patient usually suffers to the extent the patient practically has no sense of fatigue in eight weeks. Another study shows that 34.3% of the unemployed dialysis patients who desire to be employed have no job due to poor health conditions. Electrolyzed water hemodialysis is expected to alleviate the sense of fatigue of these patients and thus help increase the chances they get job. Precedent studies also have provided evidences that electrolyzed water hemodialysis reduces the total mortality of dialysis patients as well as the risk that they develop cardiovascular complications by 41% and also meaningfully alleviates the fatigue on the day of dialysis treatment in two weeks. With the release of these evidences, electrolyzed water hemodialysis has drawn significant attention. We are currently negotiating with 49 facilities that are expected to introduce the system within three years (which is estimated to worth a total of 1.0 billion yen in sales). To establish electrolyzed water hemodialysis as a global standard, we will strive to strengthen both our sales and research activities.

In the regenerative medicine business segment, StemCell Institute Inc. has been performing strongly. The company floated its shares on Mothers of the Tokyo Stock Exchange (Securities Code: 7096) on June 25 this year. Following the IPO and a subsequent secondary offering by way of over-allotment in July, our shareholding in StemCell stands at 72.6%. StemCell Institute has announced its earnings results for the second quarter of the fiscal

year ending March 31, 2022 on November 9, as we have on the same date. For details, please refer to the Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022 of StemCell Institute.

As for the hospital business in China, the number of outpatients has been increasing steadily since the hospital started to provide the treatment covered by public insurance in February this year. In order to turn the business profitable on monthly basis, we will continue efforts to enhance the hospital business in China in cooperation with our partners.

As a result of the above, the medical business recorded net sales of 938 million yen (up 13.3% year-on-year) with segment profit of 81 million yen (up 57.9% 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 1,075 million yen, or 4.3%, from the end of the previous fiscal year to 26,007 million yen. The main factor is an increase of 1,092 million yen in cash and deposits.

Total liabilities decreased 1,557 million yen, or 21.9%, from the end of the previous fiscal year to 5,551 million yen. The main factor is decreases of 997 million yen in current portion of long-term borrowings and 435 million yen in notes and accounts payable-trade.

Net assets increased 2,633 million yen, or 14.8%, from the end of the previous fiscal year to 20,455 million yen. The main factors are recordings of profit attributable to owners of parent of 1,455 million yen, non-controlling interests of 406 million yen following a capital increase of a subsidiary and partial sale of subsidiary shares, and capital surplus of 1,470 million yen, which were partially offset by payment of dividends of 466 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, 2022, which was announced in the “Notice of Upward Revision to Consolidated Forecasts and Recognition of Deferred Income Tax Benefit” (Japanese version only) dated August 5, 2021.

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

(Thousands of yen)

	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	10,427,024	11,519,574
Notes and accounts receivable-trade	1,947,502	1,567,877
Accounts receivable-installment	2,582,333	2,525,741
Securities	300,335	508,400
Finished goods	291,322	502,388
Raw materials and supplies	685,695	738,748
Other	231,179	279,281
Allowance for doubtful accounts	(23,634)	(20,757)
Total current assets	16,441,758	17,621,254
Non-current assets		
Property, plant and equipment		
Land	2,465,454	2,466,920
Other, net	1,754,220	1,787,278
Total property, plant and equipment	4,219,674	4,254,199
Intangible assets		
Goodwill	460,268	441,708
Other	246,370	319,105
Total intangible assets	706,638	760,814
Investments and other assets		
Investment securities	2,594,034	2,076,897
Other	1,019,433	1,343,749
Allowance for doubtful accounts	(49,698)	(49,698)
Total investments and other assets	3,563,769	3,370,949
Total non-current assets	8,490,083	8,385,963
Total assets	24,931,841	26,007,217
Liabilities		
Current liabilities		
Notes and accounts payable-trade	846,867	411,355
Current portion of long-term borrowings	1,007,350	9,830
Income taxes payable	577,471	343,187
Advances received	2,399,395	2,609,908
Provision for bonuses	163,408	167,269
Provision for product warranties	45,000	49,000
Provision for sales returns	13,000	-
Provision for loss on contract	55,272	23,377
Other	1,225,436	1,121,837
Total current liabilities	6,333,201	4,735,765
Non-current liabilities		
Long-term borrowings	11,930	5,250
Provision for retirement benefits for directors (and other officers)	227,645	234,450
Retirement benefit liability	301,791	312,451
Other	234,786	263,442
Total non-current liabilities	776,153	815,593
Total liabilities	7,109,355	5,551,359

	(Thousands of yen)	
	FY3/21	Second quarter of FY3/22
	(As of Mar. 31, 2021)	(As of Sep. 30, 2021)
Net assets		
Shareholders' equity		
Share capital	992,597	992,597
Capital surplus	645,814	2,115,973
Retained earnings	19,329,963	19,989,141
Treasury shares	(3,473,417)	(3,473,605)
Total shareholders' equity	17,494,956	19,624,105
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,194	2,149
Foreign currency translation adjustment	(77,320)	(51,525)
Remeasurements of defined benefit plans	(5,600)	(4,551)
Total accumulated other comprehensive income	(80,726)	(53,928)
Share acquisition rights	28,720	28,720
Non-controlling interests	379,535	856,960
Total net assets	17,822,486	20,455,857
Total liabilities and net assets	24,931,841	26,007,217

(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 FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	7,393,255	8,411,708
Cost of sales	2,172,849	2,544,568
Gross profit	5,220,406	5,867,140
Selling, general and administrative expenses	4,059,973	4,654,118
Operating profit	1,160,432	1,213,021
Non-operating income		
Interest and dividend income	10,563	10,666
Share of profit of entities accounted for using equity method	-	1,606
Rental income from real estate	39,177	39,177
Foreign exchange gains	88	471
Other	43,566	18,249
Total non-operating income	93,396	70,171
Non-operating expenses		
Interest expenses	4,710	2,424
Share of loss of entities accounted for using equity method	1,622	-
Depreciation of assets for rent	7,845	7,242
Provision of allowance for doubtful accounts	5,792	929
Share issuance costs	-	6,219
Going public expenses	-	9,378
Other	3,271	3,803
Total non-operating expenses	23,242	29,997
Ordinary profit	1,230,585	1,253,195
Extraordinary income		
Gain on sale of investment securities	10,193	-
Total extraordinary income	10,193	-
Profit before income taxes	1,240,778	1,253,195
Income taxes-current	393,599	(104,421)
Income taxes-deferred	9,979	(159,864)
Total income taxes	403,579	(264,285)
Profit	837,199	1,517,480
Profit attributable to non-controlling interests	40,392	61,588
Profit attributable to owners of parent	796,806	1,455,892

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

	(Thousands of yen)	
	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Profit	837,199	1,517,480
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,018)	(45)
Foreign currency translation adjustment	(18,325)	34,185
Remeasurements of defined benefit plans, net of tax	1,517	978
Share of other comprehensive income of entities accounted for using equity method	73	574
Total other comprehensive income	(21,753)	35,692
Comprehensive income	815,446	1,553,173
Comprehensive income attributable to:		
Owners of parent	781,681	1,482,690
Non-controlling interests	33,764	70,482

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	1,240,778	1,253,195
Depreciation	94,877	202,202
Amortization of goodwill	18,559	18,559
Increase (decrease) in allowance for doubtful accounts	4,977	(2,970)
Increase (decrease) in provision for bonuses	(463)	3,860
Increase (decrease) in provision for loss on contract	(35,435)	(31,895)
Interest and dividend income	(10,563)	(10,666)
Interest expenses	4,710	2,424
Share of loss (profit) of entities accounted for using equity method	1,622	(1,606)
Loss (gain) on sale of investment securities	(10,193)	-
Share issuance costs	-	6,219
Going public expenses	-	9,378
Decrease (increase) in accounts receivable-installment	311,521	56,592
Decrease (increase) in trade receivables	188,611	(112,204)
Decrease (increase) in inventories	5,032	(104,799)
Increase (decrease) in trade payables	15,181	(439,025)
Increase (decrease) in accrued consumption taxes	(92,155)	(74,347)
Other, net	106,503	(6,739)
Subtotal	1,843,564	768,178
Interest and dividends received	25,740	22,883
Interest paid	(4,710)	(2,424)
Income taxes paid	(175,554)	(534,479)
Net cash provided by (used in) operating activities	1,689,039	254,157
Cash flows from investing activities		
Payments into time deposits	(650,000)	-
Proceeds from withdrawal of time deposits	650,000	650,000
Proceeds from redemption of securities	-	300,000
Purchase of property, plant and equipment	(388,361)	(208,806)
Purchase of intangible assets	(9,500)	(110,329)
Proceeds from sales of investment securities	19,569	-
Loan advances	(1,000)	-
Other, net	44,495	28,430
Net cash provided by (used in) investing activities	(334,797)	659,294
Cash flows from financing activities		
Proceeds from long-term borrowings	3,000,000	-
Repayments of long-term borrowings	-	(1,004,200)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	-	1,644,260
Proceeds from share issuance to non-controlling shareholders	-	644,373
Purchase of treasury shares	(327,230)	(188)
Dividends paid	(550,967)	(465,683)
Other, net	(5,276)	(16,798)
Net cash provided by (used in) financing activities	2,116,525	801,764
Effect of exchange rate change on cash and cash equivalents	(14,996)	27,333
Net increase (decrease) in cash and cash equivalents	3,455,770	1,742,550
Cash and cash equivalents at beginning of period	7,790,829	9,677,024
Cash and cash equivalents at end of period	11,246,599	11,419,574

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

Not applicable.

Significant Changes in Shareholders' Equity

As part of its IPO on Mothers of the Tokyo Stock Exchange on June 25, 2021, StemCell Institute Inc., a consolidated subsidiary of Nihon Trim, issued new shares to sell in a primary offering. In addition, as part of the IPO, Trim Medical Holdings Inc., another consolidated subsidiary of Nihon Trim, sold part of its shareholding in StemCell Institute in a secondary offering on June 25 and July 27, 2021. As a result, during the first half of the fiscal year ending March 31, 2022, capital surplus increased 1,470,159 thousand yen to 2,115,973 thousand yen at the end of the second quarter of the current fiscal year.

Changes in Accounting Policies**Application of the Accounting Standard for Revenue Recognition**

Nihon Trim has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) from the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the promised goods and services is transferred to customers. Following the changes in accounting policies, sales of EHW apparatus and water purification cartridges, which were recognized together with repair and warranty services and recognized upon shipment, will be recognized upon fulfillment of relevant obligations when products are received by customers or installation of products is completed, independently of the obligations relevant to the repair and warranty services for EHW apparatus. Revenues from the repair and warranty services for EHW apparatus will be recognized over the warranty period. In addition, for some transactions with sales agents, although we had traditionally recognized the amount of payment by customers less the amount of commissions to sales agents as revenues, we changed the method to recognize the gross amount of payment by customers as revenues and recognize the amount of commissions to sales agents as expense. Also, with StemCell Institute, the split fees, which were traditionally recognized upon cell separation, will be recognized over the period of installment payment.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures prescribed in the proviso of Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting policies, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new accounting policies are then applied beginning with this amount of retained earnings.

As a result, net sales increased 418,661 thousand yen, cost of sales increased 47,228 thousand yen, and selling, general and administrative expenses increased 230,410 thousand yen. Operating profit, ordinary profit and profit before income taxes increased 141,023 thousand yen each in the first half of the current fiscal year. In addition, there was a decrease of 330,199 thousand yen in retained earnings at the beginning of the current fiscal year.

Furthermore, in accordance with the transitional measures prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), Nihon Trim has not presented information on revenue from contracts with customers broken down for the first half of the previous fiscal year.

Application of the Accounting Standard for Fair Value Measurement

Nihon Trim has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

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 FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)

(Thousands of yen)

	Reportable segment			Adjustments	Amounts recorded in quarterly consolidated statement of income (Note)
	Water Healthcare	Medical	Subtotal		
Net sales					
Sales to external customers	7,473,550	938,157	8,411,708	-	8,411,708
Inter-segment sales and transfers	-	-	-	-	-
Total	7,473,550	938,157	8,411,708	-	8,411,708
Segment profit	1,131,905	81,116	1,213,021	-	1,213,021

Note: The segment profit subtotal is consistent with the operating profit of the quarterly consolidated statement of income.

Business Combinations

Transaction under common control

Issuance of new shares by way of primary offering by a consolidated subsidiary and sale of shareholding in the subsidiary by another consolidated subsidiary

As part of its IPO on Mothers of the Tokyo Stock Exchange on June 25, 2021, StemCell Institute Inc., a consolidated subsidiary of Nihon Trim, issued new shares (256,200 shares of common stock) to sell in a primary offering. In addition, as part of the IPO, Trim Medical Holdings Inc., another consolidated subsidiary of Nihon Trim, sold part of its shareholding (638,300 shares of common stock) in StemCell Institute in a secondary offering on June 25 and July 27, 2021.

(1) Summary of transaction

1) Main purpose of transaction

The main purpose of the transaction is to increase awareness and creditworthiness of StemCell Institute Inc., diversify the methods of funding its capital investments, R&D, etc., on its own for further expanding its business, and ultimately improve the corporate value of the Nihon Trim Group.

2) Name and content of business of the company party to business combination

Name of the company party to the business combination: StemCell Institute Inc. (a consolidated subsidiary of Nihon Trim)

Content of business: Cell banking business, engaged in treatment and storage of perinatal tissue-derived stem cells

3) Date of business combination

June 25, 2021, July 27, 2021

4) Legal method of combination

Issuance of new shares by way of primary offering and sales of part of shares in a subsidiary to a non-controlling shareholder resulting in no changes in the scope of consolidation

5) Name of the company after combination

Unchanged

(2) Summary of accounting treatment

The transaction was treated as a transaction with a non-controlling shareholder among transactions under common control in accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).

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.