

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

[Japanese GAAP]

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Scheduled date of Annual General Meeting of Shareholders: June 22, 2023
 Scheduled date of filing of Annual Securities Report: June 23, 2023
 Scheduled date of dividend payment: June 23, 2023
 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, 2023 (April 1, 2022 - March 31, 2023)

(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, 2023	17,951	10.3	2,378	19.0	2,515	20.2	1,646	(15.2)
Fiscal year ended Mar. 31, 2022	16,276	9.2	1,998	(8.6)	2,091	(11.3)	1,940	27.4

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2023: 1,820 (down 15.4%)

Fiscal year ended Mar. 31, 2022: 2,150 (up 36.3%)

	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, 2023	214.78	–	8.1	9.0	13.2
Fiscal year ended Mar. 31, 2022	250.58	–	10.4	8.1	12.3

Reference: Investment gain (loss) by equity method (million yen) Fiscal year ended Mar. 31, 2023: 1

Fiscal year ended Mar. 31, 2022: 0

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2023	29,046	22,128	72.4	2,743.39
As of Mar. 31, 2022	26,590	20,802	74.5	2,585.01

Reference: Shareholders' equity (million yen) As of Mar. 31, 2023: 21,028 As of Mar. 31, 2022: 19,820

(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, 2023	1,937	(551)	(500)	12,795
Fiscal year ended Mar. 31, 2022	1,145	432	568	11,878

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			
Fiscal year ended Mar. 31, 2022	–	0.00	–	60.00	60.00	460	23.9	2.5
Fiscal year ended Mar. 31, 2023	–	0.00	–	120.00	120.00	971	55.9	4.5
Fiscal year ending Mar. 31, 2024 (forecasts)	–	0.00	–	85.00	85.00		34.8	

Note: The year-end dividend for the year ended Mar. 31, 2023 is made up of ordinary dividend 80.00 yen and commemorative dividend 40.00 yen.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(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	9,920	9.2	1,380	13.0	1,450	12.0	990	16.8	129.16
Full year	19,800	10.3	2,720	14.4	2,850	13.3	1,870	13.6	243.96

*** 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 issued at end of period (including treasury shares)

As of Mar. 31, 2023: 8,656,780 shares

As of Mar. 31, 2022: 8,656,780 shares

(ii) Number of treasury shares at end of period

As of Mar. 31, 2023: 991,667 shares

As of Mar. 31, 2022: 989,376 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2023: 7,665,415 shares

Fiscal year ended Mar. 31, 2022: 7,745,783 shares

Note: The Company adopts the Employee Stock Ownership Plan (J-ESOP). The company shares held by this trust is included in the number of treasury shares, which are to be deducted from the calculation of the number of treasury shares at end of period and the average number of shares outstanding during the period.

* 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

During the current fiscal year, the Group's net sales increased 10.3% year-on-year to 17,951 million yen, hitting a record high. The Group's operating profit increased 19.0% to 2,378 million yen and ordinary profit increased 20.2% to 2,515 million yen, but profit attributable to owners of parent decreased 15.2% to 1,646 million yen. The significant year-on-year decrease in profit attributable to owners of parent is due to an extraordinary factor: a fall of 660 million yen in tax expenses during the previous fiscal year resulting from the transfer of receivables related to the hospital operation business in China and the sale of shares in StemCell Institute Inc.

The Nihon Trim Group ("the Group") is committed to "contributing to the creation of healthy and comfortable lives" under its corporate philosophy. To this end, the Group operates its business under the main theme of health and medical care. The Group's mission is to contribute to people's well-being through its businesses including Electrolyzed Hydrogen Water (EHW), electrolyzed water hemodialysis, and regenerative medicine. Under the slogan "Society always needs our products," the Group will contribute to the realization of a sustainable society and achieve sustainable enhancement of its corporate and shareholder value.

As announced on November 8, 2022, the Group has revised its basic capital policy to aim for a sustainable increase in shareholder value. As long as there is no significant impact on business performance, it intends pay progressive dividends while ensuring financial soundness based on a target ROE (return on equity) of 10% or more and a DOE (dividend on equity ratio) of 3%.

ROE for the current fiscal year stood at 8.1%. For the next fiscal year, we plan to achieve 8.7%.

Based on this policy, we will revise upward the year-end ordinary dividend by 20 yen from 60 yen per share to 80 yen per share. In addition, we will pay a commemorative dividend of 40 yen per share to mark the 40th anniversary of the Company's founding, for a total of 120 yen per share (resulting in a DOE of 4.5%). For the next fiscal year, we plan to increase our dividend forecast by 5 yen from 80 yen per share to 85 yen per share, which corresponds to a DOE of 3.0% if the earnings forecast is achieved.

At the beginning of this fiscal year, we set our consolidated sales target for the fiscal year ending March 31, 2027, at 41,000 million yen. However, we took into consideration the fact that the impact of the COVID-19 pandemic over a three-year-period still remained during the current fiscal year and the current difficulty in recruiting personnel, and accordingly we have revised our medium-term target by extending the target year for achieving 20,000 million yen of EHW apparatus sales by two years. In addition, we have reviewed the roadmap for the Group operations and have set a new target of 32,000 million yen in consolidated net sales for the fiscal year ending March 31, 2027. We will focus on the following three points to realize these goals and to enhance our corporate value over the medium to long term.

1. Expanding business volume with increased efficiency of the direct sales divisions in our main business of EHW apparatus sales.
2. Expanding overseas operations of the OEM and wholesale sales division of the EHW apparatus sales business.
3. Promoting the widespread use of electrolyzed water hemodialysis as the first of its kind in the world and conducting research and development activities with an eye to having the treatment covered by public insurance.

Results by business segment were as follows.

Water Healthcare Business

In the domestic sales business for Electrolyzed Hydrogen Water (EHW) systems, sales of water purifiers for the current fiscal year increased 9.8% year-on-year to 7,991 million yen. The number of seminars in the fourth quarter is returning to a level close to that prior to the COVID-19 pandemic as the disease gradually comes under control, and the government has announced that its legal status under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Disease will be downgraded to Class 5 in May of this year. In addition, since the COVID-19 pandemic, our focus on installations in the workplace through Health and Productivity

Management proposals and also in soccer and other sports-related sites has been steadily expanding. As a result of the above, workplace sales increased 15.0% year-on-year to 3,959 million yen, installation and referral sales increased 4.1% year-on-year to 1,526 million yen, and in-store event sales increased 13.3% year-on-year to 524 million yen.

Although the recruitment of sales personnel we have been focusing on since last year has been slower than expected due to the adverse hiring environment, some of the new initiatives, including the use of recruitment agencies to secure a stable number of job seminars, have yielded positive results. We are also continuing our efforts to raise the level of our sales force by going back to the basics and brushing up our sales talk. We aim to achieve workplace sales of 5,000 units per month and installation and referral sales of 1,700 units per month by June 2023.

In the wholesale and OEM divisions, business with an OEM partner, which started in the fiscal year ended March 31, 2021, has been strong. At the end of the current fiscal year, sales were higher than expected, resulting in delays in the procurement of parts and materials and product deliveries. Since sales of products to Vietnam and other overseas markets also grew, sales increased 14.6 % year-on-year to 851 million yen.

In the web marketing division, sales increased 3.4 % year-on-year to 492 million yen. The division has focused on developing owned media and enhancing the purchase rate to increase the sales volume while maintaining the selling cost per unit and endeavoring to increase the purchase rate.

With regard to domestic cartridge sales as a stock business, net sales for the current fiscal year increased 5.3% year-on-year to 5,054 million yen, partly due to a rush demand before the price increase in April of this year.

In response to the increased procurement costs of parts and materials due to the COVID-19 pandemic and the situation in Ukraine, we raised the prices of EHW apparatuses in March of this year and water purification cartridges in April of this year. Although the impact on the current fiscal year's results was minor, it will contribute to results in the next fiscal year and beyond.

Overseas, net sales of PT. SUPER WAHANA TEHNO, a bottled water business in Indonesia, increased 16.8% year-on-year to a record high of 1,638 million yen. The sales of plastic bottlers to retailers recovered as the COVID-19 pandemic subsided, and gallon sales to individual households also grew solidly, each resulting in record sales. We will remain committed to expanding the business in full collaboration with the Sinar Mas Group, a local partner.

In the field of research and development, we have worked on research aimed at identifying the mechanism for the benefits of EHW as well as looking for new business seeds jointly with RIKEN, the University of Tokyo, Tohoku University, Waseda University, and others. In October 2022, our joint paper with Riken was published in the science journal *Nutrients*. The results of this study suggest that daily drinking of EHW is likely to alleviate symptoms of inflammatory bowel disease (IBD) by suppressing intestinal inflammation. In November last year, another joint paper with RIKEN was published in the general science journal *Heliyon*, showing that continuous daily intake of EHW is also effective for healthy adults in reducing oxidative stress in blood. The results of these joint papers have suggested that “the new habit of water-focused healthcare” is expected to be a preventive measure against diseases as it can be achieved simply by drinking EHW, thus making it easy to become habit-forming. They have also provided meaningful evidence that will contribute greatly to expanding the EHW apparatus. To further expand these results, we established the “Essential Health Care Science Collaborative Research Course” with Kobe University in April of this year.

As a result of the above, the water healthcare business recorded net sales of 15,665 million yen (up 9.0% year-on-year), with segment profit of 2,130 million yen (up 16.9% year-on-year).

Medical Business

In the electrolyzed water hemodialysis (*1) business, electrolyzed water hemodialysis was introduced at 126 beds at 5 facilities in the current fiscal year, including Kameda Medical Center of Medical Corporation Tesshokai, the flagship hospital in the Minami-Boso area of Chiba Prefecture, and Yamanouchi Hospital of Tokushukai Group. Currently, about 2,800 patients are treated with electrolyzed water hemodialysis on 945 beds at 32 facilities.

Through joint research with Tohoku University, St. Luke's International Hospital, and others, we are accumulating further evidence on the expected benefits of electrolytic water dialysis, including reduction of severe fatigue in

dialysis patients and crude mortality in patients as well as its safety. We pride ourselves that electrolyzed water hemodialysis is a revolutionary technology that can significantly enhance the well-being of dialysis patients, as reducing fatigue, which a great number of dialysis patients suffer from the most, leads to dialysis patients returning to their homes and society.

On March 10, Nihon Keizai Shimbun published an article in its morning edition featuring an interview between Shuzo Kobayashi, Director of Shonan Kamakura General Hospital in the Tokushukai Group, and our Chairman Shinkatsu Morisawa, with a focus on the well-being of dialysis patients. The article received a great response from patients and related parties as well as from medical professionals. We believe that it will provide a significant boost for the future expansion of electrolyzed water hemodialysis.

(*1) Electrolyzed water hemodialysis offers a next-generation of new dialysis treatment using electrolyzed RO water with a unique feature of containing dissolved hydrogen, which is produced by our technology, to dilute dialysate. It is unconventional technology that focuses attention on the functions of water as a solvent for the first time in the world. We obtained data that showed that electrolyzed water hemodialysis reduced the dosage of drugs after the treatment and the annual crude death rate (CDR) of patients compared to traditional hemodialysis, which has drawn attention.

In the field of regenerative medicine, StemCell Institute Inc. (listed on TSE Growth Market, Securities Code: 7096) achieved a new record high in sales. The company published its earnings results for the fiscal year ended March 31, 2023, on May 11 this year, the same date as did the Group. For details, please refer to the StemCell Institute's Summary of Financial Results for the Fiscal Year Ended March 31, 2023. Note that the market capitalization of StemCell Institute shares, based on the closing price on May 10, 2023, stood at 22,798 million yen, of which the Group holds 72.1% (16,428 million yen).

As for the hospital business in China, the number of outpatients is about 300 per day, and 100 beds for inpatients and 50 beds for hemodialysis are occupied. Both the number of visitors and the occupancy rate are steadily increasing.

As a result of the above, the medical business recorded net sales of 2,286 million yen (up 19.8% year-on-year) with segment profit of 248 million yen (up 40.0% year-on-year).

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

Total assets increased 2,456 million yen, or 9.2%, from the end of the previous fiscal year to 29,046 million yen at the end of the current fiscal year on a consolidated basis.

(i) Assets

Current assets increased 1,734 million yen, or 9.5%, from the end of the previous fiscal year to 19,894 million yen. The main factors were an increase in notes and accounts receivable—trade of 1,298 million yen and an increase in cash and deposits of 917 million yen.

Non-current assets increased 721 million yen, or 8.6%, from the end of the previous fiscal year to 9,152 million yen. The main factor was an increase in investment securities of 731 million yen.

(ii) Liabilities

Current liabilities increased 1,008 million yen, or 20.6%, from the end of the previous fiscal year to 5,905 million yen. The main factors were an increase in advances received of 390 million yen and an increase in income taxes payable of 190 million yen.

Non-current liabilities increased 121 million yen, or 13.6%, from the end of the previous fiscal year to 1,012 million yen.

(iii) Net assets

Net assets increased 1,325 million yen, or 6.4%, from the end of the previous fiscal year to 22,128 million yen. The main factors were the recognition of profit attributable to owners of parent of 1,646 million yen and an increase in non-controlling interests of 146 million yen, which were partially offset by a decrease in retained earnings resulting from dividend payments of 460 million yen.

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

Cash and cash equivalents (hereinafter “net cash”) increased 917 million yen from the end of the previous fiscal year to 12,795 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 was 1,937 million yen (1,145 million yen provided in the same period of the previous fiscal year).

The main factors include profit before income taxes of 2,523 million yen, depreciation of 389 million yen, and a 390 million yen increase in advances received, which were partially offset by a 1,288 million yen increase in trade receivables and income taxes paid of 253 million yen.

Cash flows from investing activities

Net cash used by investing activities was 551 million yen (432 million yen provided in the same period of the previous fiscal year).

The main factors were purchase of investment securities of 643 million yen, purchase of property, plant and equipment of 263 million yen, and purchase of stocks of subsidiaries and affiliates of 100 million yen, which were partially offset by proceeds from redemption of marketable securities of 500 million yen.

Cash flows from financing activities

Net cash used in financed activities was 500 million yen (568 million yen provided in the same period of the previous fiscal year).

The main factor was cash dividends paid of 459 million yen.

Reference: Trends in Cash flow indicators

	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23
Shareholders' equity ratio	75.5	74.9	69.8	74.5	72.4
Shareholders' equity ratio based on market value	201.8	100.0	128.0	74.2	80.0
Debt repayment period (years)	0.0	0.0	0.4	0.0	0.0

Notes: Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market value: Market capitalization / Total assets

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 period by the number of shares outstanding at the end of period (excluding treasury stock).
- * 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

The Group will continue to make forward-looking investments from a medium- to long-term perspective in order to achieve sustainable growth and increase corporate value by contributing to the achievement of Sustainable Development Goals (SDGs) through our business as well as further business expansion. For the fiscal year ending March 31, 2024, we plan to increase both sales and profit, with net sales of 19,800 million yen (up 10.3% year-on-year) and operating profit of 2,720 million yen (up 14.4% year-on-year).

Forecasts by business segment are as follows.

Water Healthcare Business

In the Electrolyzed Hydrogen Water (EHW) systems sales business, as COVID-19 was downgraded to Class 5 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases on May 8 of this year, removing restrictions on face-to-face sales and allowing the business to gradually normalize, we will strive to make the fiscal year ending March 2024 a year of recovery to the pre-COVID level and a further leap

forward to growth. We expect that the price increases of EHW apparatuses in March of this year and water purification cartridges in April of this year will boost sales and help improve operating margin.

We will also focus on developing the web marketing division as one of the main sales channels.

The OEM and wholesale sales division will start a new major OEM deal in Japan from May of this year. Furthermore, starting in June, EHW will be handled by kitchen-related manufacturers. We are also becoming more active in overseas business development, including Vietnam, and will strive to further develop new business opportunities.

In cartridge sales as a stock business, we expect stable sales growth in the next fiscal year due to higher unit prices, although there will be some reaction to the rush demand before the price increase from April of this year.

For the bottled water business in Indonesia, we have set a target of 1 trillion rupiah (9,000 million yen, 1 rupiah = 0.0090 yen) in sales in Fiscal 2030 with our local partner Sinar Mas Group. As the COVID-19 pandemic has subsided, we have once again begun to make upfront investments in marketing, including provision of TV commercials from the current fiscal year to realize that goal. In the first quarter of the fiscal year ending March 31, 2024 (January-March 2023), the operation temporarily slowed due to changes in wholesale routes for plastic bottles to improve logistics efficiency and reduce costs in line with the expansion of its business areas, but it will normalize from the second quarter and growth will accelerate.

Through the efforts mentioned above, for the fiscal year ending March 31, 2024, we plan to increase both sales and profit in the water healthcare business, with net sales of 16,990 million yen (up 8.5% year-on-year) and operating profit of 2,260 million yen (up 6.1% year-on-year).

Medical Business

In the electrolyzed water hemodialysis business, as the Tokushukai Group is planning to introduce electrolyzed water hemodialysis to various facilities in the current fiscal year, we expect further expansion of this business in the future. In June this year, we are planning to hold a luncheon seminar at the 68th Annual Meeting of the Japanese Society for Dialysis Therapy to be held in Kobe, and will obtain possible candidates for introduction. We will continue to strengthen our efforts to collect evidence and improve dialysis machines, aiming to expand their use as the next generation of global standard therapy.

In the field of regenerative medicine, StemCell Institute plans to achieve record-high earnings in the next fiscal year by further expanding its existing business and vigorously developing new businesses. The company published its earnings forecast for the fiscal year ending March 31, 2024, on May 11 this year, the same date as did the Group. For details, please refer to the StemCell Institute's Summary of Financial Results.

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

Through the efforts mentioned above, for the fiscal year ending March 31, 2024, we plan to increase both sales and profit in medical business, with net sales of 2,810 million yen (up 22.9% year-on-year) and operating profit of 460 million yen (up 85.3% year-on-year).

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)	
	FY3/22	FY3/23
	(As of Mar. 31, 2022)	(As of Mar. 31, 2023)
Assets		
Current assets		
Cash and deposits	11,878,323	12,795,930
Notes and accounts receivable-trade	3,861,929	5,160,185
Securities	502,520	-
Finished goods	565,610	488,000
Raw materials and supplies	858,048	1,089,184
Other	515,314	387,770
Allowance for doubtful accounts	(21,530)	(26,712)
Total current assets	18,160,216	19,894,358
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,346,504	2,396,011
Accumulated depreciation	(1,197,714)	(1,282,873)
Buildings and structures, net	1,148,789	1,113,137
Land	2,573,876	2,575,831
Other	2,261,641	2,312,128
Accumulated depreciation	(1,636,661)	(1,624,688)
Other, net	624,979	687,440
Total property, plant and equipment	4,347,646	4,376,409
Intangible assets		
Goodwill	423,149	386,029
Other	294,241	274,707
Total intangible assets	717,390	660,737
Investments and other assets		
Investment securities	2,069,977	2,801,696
Deferred tax assets	477,919	378,714
Other	867,493	984,763
Allowance for doubtful accounts	(49,698)	(49,698)
Total investments and other assets	3,365,692	4,115,475
Total non-current assets	8,430,729	9,152,622
Total assets	26,590,946	29,046,980

	(Thousands of yen)	
	FY3/22	FY3/23
	(As of Mar. 31, 2022)	(As of Mar. 31, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	474,847	525,012
Current portion of long-term borrowings	4,200	-
Income taxes payable	350,646	541,156
Advances received	2,943,568	3,334,295
Provision for bonuses	169,544	178,458
Provision for product warranties	51,000	73,000
Other	902,583	1,253,451
Total current liabilities	4,896,390	5,905,375
Non-current liabilities		
Long-term borrowings	3,150	-
Provision for retirement benefits for directors (and other officers)	245,464	280,159
Retirement benefit liability	326,027	360,343
Asset retirement obligations	51,093	55,886
Other	266,027	316,593
Total non-current liabilities	891,762	1,012,982
Total liabilities	5,788,153	6,918,358
Net assets		
Shareholders' equity		
Share capital	992,597	992,597
Capital surplus	2,201,238	1,823,945
Retained earnings	20,474,159	21,660,473
Treasury shares	(3,819,738)	(3,448,032)
Total shareholders' equity	19,848,256	21,028,983
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,223	1,159
Foreign currency translation adjustment	(26,653)	(89)
Remeasurements of defined benefit plans	(3,503)	(1,627)
Total accumulated other comprehensive income	(27,934)	(557)
Share acquisition rights	28,720	-
Non-controlling interests	953,750	1,100,196
Total net assets	20,802,792	22,128,622
Total liabilities and net assets	26,590,946	29,046,980

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

(Thousands of yen)

	FY3/22 (Apr. 1, 2021 - Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 - Mar. 31, 2023)
Net sales	16,276,960	17,951,681
Cost of sales	5,027,687	5,520,012
Gross profit	11,249,273	12,431,669
Selling, general and administrative expenses	9,250,325	10,053,163
Operating profit	1,998,947	2,378,505
Non-operating income		
Interest income	21,309	21,398
Dividend income	355	410
Commission income	1,828	1,804
Share of profit of entities accounted for using equity method	128	1,089
Rental income from real estate	79,483	82,598
Foreign exchange gains	2,223	2,435
Surrender value of insurance policies	-	7,219
Subsidy income	134	3,807
Gain on sale of non-current assets	11,794	23,380
Other	16,835	11,095
Total non-operating income	134,093	155,238
Non-operating expenses		
Interest expenses	3,794	879
Depreciation of assets for rent	14,832	14,949
Provision of allowance for doubtful accounts	858	300
Share issuance costs	6,219	-
Going public expenses	9,378	-
Other	6,048	2,558
Total non-operating expenses	41,132	18,686
Ordinary profit	2,091,909	2,515,057
Extraordinary income		
Gain on sale of non-current assets	295	732
Gain on reversal of share acquisition rights	-	28,720
Total extraordinary income	295	29,452
Extraordinary losses		
Loss on sale of non-current assets	395	-
Loss on retirement of non-current assets	36	-
Office relocation expenses	-	21,407
Total extraordinary losses	431	21,407
Profit before income taxes	2,091,773	2,523,101
Income taxes-current	23,351	648,722
Income taxes-deferred	(8,608)	99,267
Total income taxes	14,743	747,989
Profit	2,077,030	1,775,112
Profit attributable to non-controlling interests	136,119	128,753
Profit attributable to owners of parent	1,940,910	1,646,358

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/22 (Apr. 1, 2021 - Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 - Mar. 31, 2023)
Profit	2,077,030	1,775,112
Other comprehensive income		
Valuation difference on available-for-sale securities	29	(1,996)
Foreign currency translation adjustment	70,645	43,074
Remeasurements of defined benefit plans, net of tax	2,144	3,690
Share of other comprehensive income of entities accounted for using equity method	937	332
Total other comprehensive income	73,756	45,101
Comprehensive income	2,150,786	1,820,213
Comprehensive income attributable to:		
Owners of parent	1,993,703	1,673,734
Non-controlling interests	157,083	146,478

(3) Consolidated Statement of Changes in Equity

FY3/22 (Apr. 1, 2021 - Mar. 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	992,597	645,814	19,329,963	(3,473,417)	17,494,956
Cumulative effects of changes in accounting policies			(330,199)		(330,199)
Restated balance	992,597	645,814	18,999,763	(3,473,417)	17,164,757
Changes during period					
Dividends of surplus			(466,515)		(466,515)
Profit attributable to owners of parent			1,940,910		1,940,910
Purchase of treasury shares				(346,320)	(346,320)
Disposal of treasury shares					–
Purchase of shares of consolidated subsidiaries					–
Capital increase of consolidated subsidiaries		501,436			501,436
Sale of shares of consolidated subsidiaries		1,053,986			1,053,986
Net changes in items other than shareholders' equity					
Total changes during period	–	1,555,423	1,474,395	(346,320)	2,683,499
Balance at end of period	992,597	2,201,238	20,474,159	(3,819,738)	19,848,256

	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	2,194	(77,320)	(5,600)	(80,726)	28,720	379,535	17,822,486
Cumulative effects of changes in accounting policies							(330,199)
Restated balance	2,194	(77,320)	(5,600)	(80,726)	28,720	379,535	17,492,286
Changes during period							
Dividends of surplus							(466,515)
Profit attributable to owners of parent							1,940,910
Purchase of treasury shares							(346,320)
Disposal of treasury shares							–
Purchase of shares of consolidated subsidiaries							–
Capital increase of consolidated subsidiaries						158,534	659,971
Sale of shares of consolidated subsidiaries						258,596	1,312,583
Net changes in items other than shareholders' equity	29	50,666	2,096	52,792	–	157,083	209,876
Total changes during period	29	50,666	2,096	52,792	–	574,214	3,310,506
Balance at end of period	2,223	(26,653)	(3,503)	(27,934)	28,720	953,750	20,802,792

FY3/23 (Apr. 1, 2022 - Mar. 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	992,597	2,201,238	20,474,159	(3,819,738)	19,848,256
Cumulative effects of changes in accounting policies					–
Restated balance	992,597	2,201,238	20,474,159	(3,819,738)	19,848,256
Changes during period					
Dividends of surplus			(460,044)		(460,044)
Profit attributable to owners of parent			1,646,358		1,646,358
Purchase of treasury shares				(1,298,167)	(1,298,167)
Disposal of treasury shares		(377,233)		1,669,872	1,292,639
Purchase of shares of consolidated subsidiaries		(59)			(59)
Capital increase of consolidated subsidiaries					–
Sale of shares of consolidated subsidiaries					–
Net changes in items other than shareholders' equity					
Total changes during period	–	(377,292)	1,186,314	371,705	1,180,726
Balance at end of period	992,597	1,823,945	21,660,473	(3,448,032)	21,028,983

	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	2,223	(26,653)	(3,503)	(27,934)	28,720	953,750	20,802,792
Cumulative effects of changes in accounting policies							–
Restated balance	2,223	(26,653)	(3,503)	(27,934)	28,720	953,750	20,802,792
Changes during period							
Dividends of surplus							(460,044)
Profit attributable to owners of parent							1,646,358
Purchase of treasury shares							(1,298,167)
Disposal of treasury shares							1,292,639
Purchase of shares of consolidated subsidiaries							(59)
Capital increase of consolidated subsidiaries							–
Sale of shares of consolidated subsidiaries							–
Net changes in items other than shareholders' equity	(1,064)	26,564	1,875	27,376	(28,720)	146,446	145,102
Total changes during period	(1,064)	26,564	1,875	27,376	(28,720)	146,446	1,325,829
Balance at end of period	1,159	(89)	(1,627)	(557)	–	1,100,196	22,128,622

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/22 (Apr. 1, 2021 - Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 - Mar. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	2,091,773	2,523,101
Depreciation	427,841	389,402
Amortization of goodwill	37,119	37,119
Increase (decrease) in allowance for doubtful accounts	(2,395)	5,089
Increase (decrease) in provision for bonuses	6,135	8,914
Increase (decrease) in provision for loss on contract	(55,272)	-
Increase (decrease) in retirement benefit liability	25,885	38,311
Increase (decrease) in provision for retirement benefits for directors (and other officers)	17,819	34,695
Interest and dividend income	(21,664)	(21,808)
Interest expenses	3,794	879
Share of loss (profit) of entities accounted for using equity method	(128)	(1,089)
Surrender value of insurance policies	-	(7,219)
Subsidy income	(134)	(3,807)
Share issuance costs	6,219	-
Going public expenses	9,378	-
Gain on reversal of share acquisition rights	-	(28,720)
Office relocation expenses	-	21,407
Decrease (increase) in trade receivables	(2,397,501)	(1,288,202)
Decrease (increase) in accounts receivable-installment	2,582,333	-
Decrease (increase) in inventories	(284,362)	(141,563)
Increase (decrease) in trade payables	(380,218)	41,816
Increase (decrease) in advances received	277,960	390,634
Increase (decrease) in accrued consumption taxes	(28,903)	186,116
Other, net	(284,261)	(34,584)
Subtotal	2,031,416	2,150,495
Interest and dividends received	44,167	37,652
Subsidies received	134	3,807
Interest paid	(3,794)	(879)
Income taxes paid	(926,656)	(253,596)
Net cash provided by (used in) operating activities	1,145,267	1,937,478
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	750,000	-
Proceeds from redemption of securities	300,000	500,000
Purchase of property, plant and equipment	(416,805)	(263,551)
Proceeds from sale of property, plant and equipment	13,915	26,540
Purchase of intangible assets	(120,209)	(58,279)
Purchase of shares of subsidiaries and associates	-	(100,016)
Purchase of investment securities	-	(643,010)
Proceeds from sales of investment securities	1,000	-
Loan advances	(136,050)	(5,404)
Payments of leasehold and guarantee deposits	(10,029)	(53,401)
Proceeds from refund of leasehold and guarantee deposits	3,827	2,582
Proceeds from cancellation of insurance funds	-	18,725
Other, net	46,591	24,679
Net cash provided by (used in) investing activities	432,240	(551,136)

	(Thousands of yen)	
	FY3/22	FY3/23
	(Apr. 1, 2021 - Mar. 31, 2022)	(Apr. 1, 2022 - Mar. 31, 2023)
Cash flows from financing activities		
Repayments of long-term borrowings	(1,011,930)	(7,350)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	1,777,309	-
Proceeds from share issuance to non-controlling shareholders	644,373	-
Purchase of treasury shares	(346,320)	(1,298,196)
Proceeds from disposal of treasury shares	-	1,292,639
Dividends paid	(465,874)	(459,708)
Other, net	(29,185)	(27,873)
Net cash provided by (used in) financing activities	568,373	(500,489)
Effect of exchange rate change on cash and cash equivalents	55,417	31,753
Net increase (decrease) in cash and cash equivalents	2,201,299	917,607
Cash and cash equivalents at beginning of period	9,677,024	11,878,323
Cash and cash equivalents at end of period	11,878,323	12,795,930

(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 for which discrete financial information is available and which is regularly reviewed by the Group's highest decision-making body in order to determine 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

FY3/23 (Apr. 1, 2022 - Mar. 31, 2023)

(Thousands of yen)

	Reportable segment			Adjustments	Amounts recorded in consolidated financial statements (Note)
	Water healthcare	Medical	Subtotal		
Net sales					
Sales to external customers	15,665,165	2,286,515	17,951,681	–	17,951,681
Inter-segment sales and transfers	–	–	–	–	–
Total	15,665,165	2,286,515	17,951,681	–	17,951,681
Segment profit	2,130,277	248,227	2,378,505	–	2,378,505
Segment assets	21,104,668	6,505,234	27,609,902	1,437,077	29,046,980
Other items					
Depreciation	269,402	105,050	374,452	14,949	389,402
Increase in property, plant and equipment and intangible assets	268,356	119,622	387,978	–	387,978

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

Per Share Information

(Yen)

	FY3/22 (Apr. 1, 2021 - Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 - Mar. 31, 2023)
Net assets per share	2,585.01	2,743.39
Net income per share	250.58	214.78

- Notes: 1. Diluted net income per share is not presented since the Company has no outstanding dilutive securities.
2. The following is a reconciliation of net income per share.
3. For the purpose of calculating net assets per share, the number of shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for Employee Stock Ownership Plan (J-ESOP) was included in the number of treasury shares, which was to be deducted from the total number of shares issued at end of period (432,900 shares as of March 31, 2023). In addition, for the purpose of calculating net income per share, the number of shares of the Company held as trust assets was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares outstanding during the period (17,790 shares as of March 31, 2023).

	FY3/22 (Apr. 1, 2021 - Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 - Mar. 31, 2023)
Net income per share		
Profit attributable to owners of parent (thousands of yen)	1,940,910	1,646,358
Profit not attributable to common shareholders (thousands of yen)	–	–
Profit attributable to common shareholders of parent (thousands of yen)	1,940,910	1,646,358
Average number of common shares outstanding during the period (shares)	7,745,783	7,665,415
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)	No. 7 Share Acquisition Rights issued pursuant to the Board of Directors' resolution on September 2, 2015 expired on September 11, 2022 due to the expiration of the exercise period.

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.