

**Summary of Consolidated Financial Results for
the Third Quarter of the Fiscal Year Ending March 31, 2023
(Nine Months Ended December 31, 2022)**

[Japanese GAAP]

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 Scheduled date of filing of Quarterly Report: February 14, 2023
 Scheduled date of dividend payment: –
 Supplementary materials for quarterly results: Yes
 Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Nine Months Ended December 31, 2022
(April 1, 2022 – December 31, 2022)**

(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	%
Nine months ended Dec. 31, 2022	13,411	7.2	1,733	1.2	1,845	3.8	1,189	(32.5)
Nine months ended Dec. 31, 2021	12,512	12.0	1,712	(1.8)	1,779	(3.0)	1,762	47.1

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2022: 1,438 (down 24.8%)
 Nine months ended Dec. 31, 2021: 1,911 (up 57.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2022	155.22	–
Nine months ended Dec. 31, 2021	227.04	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2022	28,050	21,746	73.5	2,691.11
As of Mar. 31, 2022	26,590	20,802	74.5	2,585.01

Reference: Shareholders' equity (million yen) As of Dec. 31, 2022: 20,627 As of Mar. 31, 2022: 19,820

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, 2022	–	0.00	–	60.00	60.00
Fiscal year ending Mar. 31, 2023	–	0.00	–		
Fiscal year ending Mar. 31, 2023 (forecasts)				120.00	120.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	18,130	11.4	2,500	25.1	2,610	24.8	1,600	(17.6)	208.68

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

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: –

Excluded: –

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatements

- (i) Changes in accounting policies due to revisions in accounting standards, others: None
- (ii) Changes in accounting policies other than (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

(4) Number of outstanding shares (common shares)

(i) Number of shares issued at end of period (including treasury shares)

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

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

(ii) Number of treasury shares at end of period

As of Dec. 31, 2022: 991,667 shares

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

(iii) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2022: 7,665,513 shares

Nine months ended Dec. 31, 2021: 7,765,241 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

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 strives to realize well-being within a sustainable society through its business under the main theme of health and medical care.

As it announced on November 8, 2022, the Group has revised its basic capital policy to aim for a sustainable increase in shareholder value. We will ensure shareholder returns by delivering a progressive dividend policy with a baseline dividend on equity (DOE) of 3%. Based on this policy, we will revise upward the year-end dividend forecast for the fiscal year ending March 31, 2023, 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%).

During the first nine months of the current fiscal year, the Group’s net sales increased 7.2% year on year to 13,411 million yen, operating profit increased 1.2% to 1,733 million yen, and ordinary profit increased 3.8% to 1,845 million yen while profit attributable to owners of parent decreased 32.5% to 1,189 million yen. The significant year-on-year decrease in profit attributable to owners of parent is due to an extraordinary factor: a fall 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.

In the electrolyzed hydrogen water (EHW) apparatus sales business, sales through face-to-face interactions are finally returning to normal. This is because the number of new cases of COVID-19 is on the decline after peaking at the beginning of the year and because the Japanese government decided to lower the classification of COVID-19 under the Infectious Diseases Act to Category V in May this year. We also prepared for a last-minute surge in demand for the products before raising the prices of the EHW apparatus on March 1 and the water purification cartridges and other parts on April 1, 2023. In the medical business, StemCell Institute Inc. has been performing strongly.

Although both net sales and profit fell slightly behind the plan at the beginning of the current fiscal year, we will diligently strive to achieve the plan against the backdrop of the situation mentioned above.

We aim to improve our corporate value over the medium to long term by focusing on the following three initiatives:

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 ahead of the rest of 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 EHW apparatus sales business, we have been enhancing the recruitment of sales personnel to build a structure that enables us to achieve workplace sales of 5,000 units per month and installation and referral sales of 1,700 units per month by June 2023. We have also been implementing new initiatives to regularly create opportunities to conduct seminars at the workplace by using employment agencies. Although these initiatives have just begun, we believe they could trigger a substantial expansion of workplace sales.

The OEM and wholesale sales division will start new OEM deals in the fourth quarter. We will also start new deals with two major domestic customers during the first half of the next fiscal year. Furthermore, we plan to launch new products only for wholesale. As for overseas sales, we are striving to acquire new agents to further expand into countries including China and Vietnam.

The web marketing division has focused on developing owned media (media proprietary to the Group) in a bid to increase the sales volume while maintaining the selling cost per unit, and it has also endeavored to increase the purchase rate.

During the nine months ended December 31, 2022, net sales of water purification cartridges, which generate a consistent revenue stream once an EHW apparatus is installed, amounted to 3,814 million yen (up 1.9% year on year), having continued to show stable growth.

Overseas, net sales of PT. SUPER WAHANA TEHNO, a bottled water business in Indonesia, increased 13.6% year on year on a local currency basis as the sales volume of plastic bottles recovered and sales of gallon bottles to individual households grew steadily. We aim to achieve dramatic growth during the fiscal year ending March 31, 2024. To this end, we will commit to enhancing our production system while focusing on marketing as an upfront investment.

In the field of research and development, our joint paper with RIKEN was published in the general science journal *Heliyon* in November last year, showing that continuous daily intake of EHW is also effective for healthy adults in reducing oxidative stress in blood. The result of this joint paper has 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 a habit. It has also provided meaningful evidence that will contribute greatly to expanding the EHW apparatus. As such, we have been proactively engaged in industrial-academic research projects with RIKEN, the University of Tokyo, and Tohoku University.

As a result of the above, the water healthcare business recorded net sales of 11,694 million yen (up 5.4% year on year) with segment profit of 1,517 million yen (down 4.3% year on year). Segment profit decreased year on year partly due to increases in the costs for procuring parts and materials. We will offset these costs by raising the prices of our products as mentioned above.

Medical Business

In the electrolyzed water hemodialysis (*1) business, about 2,700 patients are currently treated with electrolyzed water hemodialysis on 929 beds at 29 facilities. During the fourth quarter of the current fiscal year, we plan to newly install our electrolyzed water hemodialysis systems in five facilities (those for multiple patients in three facilities and for a single patient in two facilities).

Electrolyzed water hemodialysis has drawn attention as a new treatment method developed in Japan by Nihon Trim that can help dialysis patients improve their Quality of Life (QOL), return home, and go back to work with well-being enhanced by reducing the fatigue many dialysis patients suffer as their worst symptom. We will also endeavor to raise awareness of electrolyzed water hemodialysis among medical personnel and patients by conducting public relation activities through newspapers and other media. Japan has a total of about 4,500 dialysis facilities nationwide. We will strive to promote the adoption of electrolyzed water hemodialysis by these facilities and to establish electrolyzed water hemodialysis as a global standard.

(*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 regenerative medicine business segment, StemCell Institute Inc. continued to perform strongly during the third quarter. The company published its third-quarter earnings results on February 7, the same date as the Group’s earnings results were released. For details, please refer to the StemCell Institute’s Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2023. Note that the market capitalization of StemCell Institute shares, based on the closing price on February 6, 2023, stood at 28,280 million yen, of which the Group holds 72.1% (20,379 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 fully occupied. We are currently applying for additional beds for inpatients.

As a result of the above, the medical business recorded net sales of 1,716 million yen (up 21.5% year on year) with segment profit of 215 million yen (up 70.9% year on year).

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year on a consolidated basis increased 1,459 million yen, or 5.5%, from the end of the previous fiscal year to 28,050 million yen. The main factors were a decrease in securities of 502 million yen, an increase in cash and deposits of 1,085 million yen, an increase in notes and accounts receivable–trade of 751 million yen, and an increase in investment securities of 217 million yen.

Total liabilities increased 515 million yen, or 8.9%, from the end of the previous fiscal year to 6,304 million yen. The main factors were a decrease in provision for bonuses of 105 million yen, an increase in advances received of 271 million yen, an increase in accrued consumption taxes included in other current liabilities of 127 million yen, an increase in accounts payable–other included in other current liabilities of 127 million yen, and an increase in long-term guarantee deposits included in other non-current liabilities of 77 million yen.

Net assets increased 943 million yen, or 4.5%, from the end of the previous fiscal year to 21,746 million yen. The main factors were the recognition of profit attributable to owners of parent of 1,189 million yen and an increase in non-controlling interests of 165 million yen, which were partially offset by a decrease in retained earnings resulting from dividend payments of 460 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, 2023, which was announced in the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022,” dated May 12, 2022.

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

(Thousands of yen)

	FY3/22 (As of Mar. 31, 2022)	Third quarter of FY3/23 (As of Dec. 31, 2022)
Assets		
Current assets		
Cash and deposits	11,878,323	12,963,736
Notes and accounts receivable-trade	3,861,929	4,613,079
Securities	502,520	-
Finished goods	565,610	589,960
Raw materials and supplies	858,048	1,030,111
Other	515,314	336,732
Allowance for doubtful accounts	(21,530)	(24,635)
Total current assets	18,160,216	19,508,985
Non-current assets		
Property, plant and equipment		
Land	2,573,876	2,580,720
Other, net	1,773,769	1,779,046
Total property, plant and equipment	4,347,646	4,359,766
Intangible assets		
Goodwill	423,149	395,309
Other	294,241	293,297
Total intangible assets	717,390	688,607
Investments and other assets		
Investment securities	2,069,977	2,287,222
Other	1,345,413	1,255,746
Allowance for doubtful accounts	(49,698)	(49,698)
Total investments and other assets	3,365,692	3,493,270
Total non-current assets	8,430,729	8,541,644
Total assets	26,590,946	28,050,629
Liabilities		
Current liabilities		
Accounts payable-trade	474,847	469,771
Current portion of long-term borrowings	4,200	-
Income taxes payable	350,646	306,880
Advances received	2,943,568	3,214,975
Provision for bonuses	169,544	64,534
Provision for product warranties	51,000	64,000
Other	902,583	1,171,963
Total current liabilities	4,896,390	5,292,126
Non-current liabilities		
Long-term borrowings	3,150	-
Provision for retirement benefits for directors (and other officers)	245,464	269,780
Retirement benefit liability	326,027	347,885
Other	317,120	394,214
Total non-current liabilities	891,762	1,011,880
Total liabilities	5,788,153	6,304,006

	(Thousands of yen)	
	FY3/22	Third quarter of FY3/23
	(As of Mar. 31, 2022)	(As of Dec. 31, 2022)
Net assets		
Shareholders' equity		
Share capital	992,597	992,597
Capital surplus	2,201,238	2,201,178
Retained earnings	20,474,159	21,203,978
Treasury shares	(3,819,738)	(3,825,266)
Total shareholders' equity	19,848,256	20,572,488
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,223	(933)
Foreign currency translation adjustment	(26,653)	58,552
Remeasurements of defined benefit plans	(3,503)	(2,470)
Total accumulated other comprehensive income	(27,934)	55,148
Share acquisition rights	28,720	-
Non-controlling interests	953,750	1,118,986
Total net assets	20,802,792	21,746,622
Total liabilities and net assets	26,590,946	28,050,629

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income**Quarterly Consolidated Statement of Income
(For the Nine-month Period)**

(Thousands of yen)

	First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)	First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)
Net sales	12,512,101	13,411,374
Cost of sales	3,803,510	4,115,484
Gross profit	8,708,591	9,295,889
Selling, general and administrative expenses	6,996,380	7,562,493
Operating profit	1,712,211	1,733,396
Non-operating income		
Interest and dividend income	16,016	17,379
Share of profit of entities accounted for using equity method	182	1,190
Rental income from real estate	59,374	61,845
Foreign exchange gains	1,058	4,835
Surrender value of insurance policies	–	7,219
Other	26,245	34,139
Total non-operating income	102,878	126,609
Non-operating expenses		
Interest expenses	3,223	695
Depreciation of assets for rent	11,053	11,289
Provision of allowance for doubtful accounts	632	300
Share issuance costs	6,219	–
Going public expenses	9,378	–
Other	5,485	1,825
Total non-operating expenses	35,993	14,109
Ordinary profit	1,779,096	1,845,895
Extraordinary income		
Gain on sale of non-current assets	–	628
Gain on reversal of share acquisition rights	–	28,720
Total extraordinary income	–	29,348
Profit before income taxes	1,779,096	1,875,244
Income taxes-current	(54,528)	422,725
Income taxes-deferred	(27,522)	154,502
Total income taxes	(82,050)	577,228
Profit	1,861,146	1,298,016
Profit attributable to non-controlling interests	98,148	108,153
Profit attributable to owners of parent	1,762,998	1,189,862

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

	(Thousands of yen)	
	First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021)	First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)
Profit	1,861,146	1,298,016
Other comprehensive income		
Valuation difference on available-for-sale securities	(55)	(4,913)
Foreign currency translation adjustment	48,648	143,373
Remeasurements of defined benefit plans, net of tax	1,467	956
Share of other comprehensive income of entities accounted for using equity method	688	781
Total other comprehensive income	50,749	140,197
Comprehensive income	1,911,896	1,438,213
Comprehensive income attributable to:		
Owners of parent	1,798,911	1,272,944
Non-controlling interests	112,984	165,268

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

1. Overview of reportable segment

The Group's reportable segment is a component 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. Information related to net sales and profit or loss of each reportable segment

First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)

(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	11,694,663	1,716,711	13,411,374	–	13,411,374
Inter-segment sales and transfers	–	–	–	–	–
Total	11,694,663	1,716,711	13,411,374	–	13,411,374
Segment profit	1,517,696	215,699	1,733,396	–	1,733,396

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

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.