

**Summary of Consolidated Financial Results for
the First Quarter of the Fiscal Year Ending March 31, 2024
(Three Months Ended June 30, 2023)**

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: August 10, 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 Three Months Ended June 30, 2023 (April 1, 2023–June 30, 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	%
Three months ended Jun. 30, 2023	4,796	10.7	554	9.1	592	9.2	425	30.1
Three months ended Jun. 30, 2022	4,332	8.4	508	4.2	542	7.6	327	(50.8)

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2023: 478 (up 11.6%)

Three months ended Jun. 30, 2022: 429 (down 40.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2023	55.49	–
Three months ended Jun. 30, 2022	42.66	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2023	28,733	21,635	71.4	2,677.38
As of Mar. 31, 2023	29,046	22,128	72.4	2,743.39

Reference: Shareholders' equity (million yen)

As of Jun. 30, 2023: 20,522

As of Mar. 31, 2023: 21,028

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, 2023	–	0.00	–	120.00	120.00
Fiscal year ending Mar. 31, 2024	–	–	–	–	–
Fiscal year ending Mar. 31, 2024 (forecasts)	–	0.00	–	85.00	85.00

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

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

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 shares issued (common shares)

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

As of Jun. 30, 2023: 8,656,780 shares

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

(ii) Number of treasury shares at end of period

As of Jun. 30, 2023: 991,667 shares

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

(iii) Average number of shares outstanding during the period

Three months ended Jun. 30, 2023: 7,665,113 shares

Three months ended Jun. 30, 2022: 7,665,946 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	4
(3) Explanation of the Future Outlook, including Consolidated Performance Forecasts	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	9
Assumption for Going Concern	9
Significant Changes in Shareholders' Equity	9
Segment and Other Information	9

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first three months of the current fiscal year, net sales of the Nihon Trim Group (the “Group”) increased 10.7% year on year to 4,796 million yen, achieving a record high in quarterly net sales. Operating profit increased 9.1% to 554 million yen, ordinary profit increased 9.2% to 592 million yen, and profit attributable to owners of parent increased 30.1% to 425 million yen.

In June 2023, the workplace sales division of the electrolyzed hydrogen water (EHW) apparatus sales business received orders of 5,064 units, hitting a monthly all-time high. We saw signs of change in both direct and indirect sales as requests for sales and marketing activities increased beginning around March, when we made price revisions. This was due to returning to face-to-face business activities aided by the subsiding of the COVID-19 pandemic. The other divisions and the Group’s business have also been performing strongly and thus strong progress has been made toward achieving the goals of the plan made at the beginning of the current fiscal year, announced on May 11, 2023.

Setting a target of 32,000 million yen in consolidated net sales for the fiscal year ending March 31, 2027, we have focused on the following three points to realize these goals and 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 EHW apparatus sales business, domestic sales of the EHW apparatus increased 15.8% year on year to 2,165 million yen, partly reflecting the effect of the price revisions in March.

Starting from the previous fiscal year, we have strived to enhance sales capabilities 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. As a result, for the month of June, the workplace sales division not only achieved the target but also recorded a historic high number of units ordered within a month. The installation and referral sales division, while just failing to achieve the target, recorded an all-time high number of units ordered since the start of the COVID-19 pandemic. In this way, both divisions drove the performance of the EHW apparatus sales business. The in-store event for the sales division also progressed favorably, reaching a historic high number of units ordered for the month of June. Note that net sales of apparatuses in these direct sales divisions are recorded after installation, which means more than half of the units that orders were received for during the month of June will be recorded as net sales after July. Moreover, the number of seminars in workplace sales and visitors to exhibitions has gradually recovered to the level before the pandemic thanks to the reclassification of COVID-19 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases to Class 5 in May this year. Against the backdrop of this situation, we will strive to strengthen our sales capabilities and increase sales personnel.

In the wholesale and OEM divisions, business with existing OEM partners remained steady and deals with new OEM partners began to be made, leading to a 53.5% increase in net sales year on year. Overseas business also progressed satisfactorily as negotiations for sales in Vietnam and other Southeast Asian countries proved successful.

The web marketing division experienced a decline in reaction to a rush demand before the price increases in March, which has now returned to normal. We continue to focus on developing media proprietary to the Group in a bid to increase the sales volume while endeavoring to increase the purchase rate by improving the efficiency of our sales process.

Net sales of water purification cartridges, which generate a consistent revenue stream once an EHW apparatus is installed, amounted to 1,338 million yen (up 7.6% year on year). This sales growth was attributable to the price

increases in April this year, although the sales volume of the cartridges, affected by a reaction to a last-minute surge in demand before the price revisions, rose only slightly.

PT. SUPER WAHANA TEHNO, a bottled water business in Indonesia, performed well in the first quarter of the fiscal year ending December 31, 2023 (January 1–March 31, 2023), with sales of gallon bottles in each month exceeding those of the previous fiscal year. Sales of plastic bottles temporarily slowed due to substantial changes in wholesale routes to acquire new agencies and improve profitability. These changes started from January 2023, and time was required to switch the routes. As a result, net sales of plastic bottles decreased 3.5% year on year to 398 million yen. Plastic bottle sales have now normalized and been performing strongly as they hit a new record high in monthly net sales. As for profitability, PT. SUPER WAHANA TEHNO recorded an operating loss of 100 million yen (compared with operating profit of 69 million yen one year earlier) and ordinary loss of 90 million yen (compared with ordinary profit of 77 million yen one year earlier). This was due to aggressive upfront investments in marketing with an eye toward the next fiscal year and beyond, including the first provision of TV commercials in February and March this year. The second phase of TV commercials has been launched in July and August as a part of efforts to dramatically boost performance. The plan at the beginning of the current fiscal year incorporated impacts on performance by the aforementioned factors such as changes in wholesale routes of plastic bottles and investments in TV commercials and has progressed as expected.

In the field of research and development, we established the “Essential Health Care Science Collaborative Research Course” with Kobe University in April of this year. In addition, we have continued to work 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.

As a result of the above, the water healthcare business recorded net sales of 4,158 million yen (up 10.6% year on year) with segment profit of 467 million yen (up 7.0% year on year). Though impacted by the losses in the business in Indonesia stated above, the water healthcare business performed favorably. The results benefited from the price revisions of EHW apparatuses in March and water purification cartridges in April this year, in addition to the growth in the domestic EHW apparatus sales business.

Medical Business

In the electrolyzed water hemodialysis business, electrolyzed water hemodialysis was newly introduced at Shonan Kamakura General Hospital in the Tokushukai Group and Tokyo Nephrology Clinic during the first three months of the current fiscal year. As of the end of June, about 2,900 patients were treated with electrolyzed water hemodialysis on 961 beds at 32 facilities. In June, we held a luncheon seminar at the 68th Annual Meeting of the Japanese Society for Dialysis Therapy at Kobe International Conference Center. Entitled “Electrolyzed Water Hemodialysis—New Discovery,” the seminar attracted over 360 participants, including medical practitioners and clinical engineers engaged in hemodialysis treatment. The number of participants revealed a growing recognition of electrolyzed water hemodialysis and an increasing number of facilities enthusiastic for introducing it. Currently, we are discussing business with around 60 facilities that showed a positive attitude to the introduction of electrolyzed water hemodialysis in a questionnaire conducted at the meeting. The reputation of electrolyzed water hemodialysis is now growing, driven by presentations in a range of papers and research councils. Meanwhile, the introduction of electrolyzed water hemodialysis at famous hospitals across the country has provided opportunities to partner with multiple top agencies. This has opened up new sales channels to achieve greater proliferation of electrolyzed water hemodialysis, in addition to existing direct sales and marketing activities.

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 hemodialysis, 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. We will thus 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 Inc. (listed on TSE Growth Market, Securities Code: 7096) achieved a new record high in quarterly net sales. The company published its earnings results for the three

months ended June 30, 2023, on August 8 this year, as did the Group on the same date. For details, please refer to the StemCell Institute's Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024. The company has been performing well and has set the goal for the reporting a new record high earnings figure. Note that the market capitalization of StemCell Institute shares, based on the closing price on August 7, 2023, stood at 29,817 million yen, of which the Group holds 72.1% (21,486 million yen).

As for the hospital business in China, we continue operating through cooperation with local partners.

As a result of the above, the medical business recorded net sales of 637 million yen (up 11.6% year on year) with segment profit of 86 million yen (up 22.0% year on year).

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.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the current fiscal year on a consolidated basis decreased 313 million yen, or 1.1%, from the end of the previous fiscal year to 28,733 million yen. The main factors were a decrease in cash and deposits of 499 million yen, which was partially offset by increases in finished goods of 138 million yen and notes and accounts receivable-trade of 71 million yen.

Total liabilities increased 179 million yen, or 2.6%, from the end of the previous fiscal year to 7,097 million yen. The main factors were increases in accounts payable-other included in other current liabilities of 418 million yen and advances received of 103 million yen, which were partially offset by a decrease in income taxes payable of 348 million yen.

Net assets decreased 492 million yen, or 2.2%, from the end of the previous fiscal year to 21,635 million yen. The main factors were a decrease in retained earnings resulting from dividend payments of 971 million yen, which was partially offset by the recognition of profit attributable to owners of parent of 425 million yen and an increase in foreign currency translation adjustment of 26 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, 2024, which was announced in the "Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023," dated May 11, 2023.

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

(Thousands of yen)

	FY3/23 (As of Mar. 31, 2023)	First quarter of FY3/24 (As of Jun. 30, 2023)
Assets		
Current assets		
Cash and deposits	12,795,930	12,296,719
Notes and accounts receivable-trade	5,160,185	5,232,015
Finished goods	488,000	626,409
Raw materials and supplies	1,089,184	1,085,477
Other	387,770	414,363
Allowance for doubtful accounts	(26,712)	(25,691)
Total current assets	19,894,358	19,629,294
Non-current assets		
Property, plant and equipment		
Land	2,575,831	2,577,787
Other, net	1,800,577	1,876,156
Total property, plant and equipment	4,376,409	4,453,943
Intangible assets		
Goodwill	386,029	376,749
Other	274,707	255,716
Total intangible assets	660,737	632,466
Investments and other assets		
Investment securities	2,801,696	2,777,362
Other	1,363,477	1,289,954
Allowance for doubtful accounts	(49,698)	(49,698)
Total investments and other assets	4,115,475	4,017,619
Total non-current assets	9,152,622	9,104,029
Total assets	29,046,980	28,733,323
Liabilities		
Current liabilities		
Accounts payable-trade	525,012	473,119
Income taxes payable	541,156	193,132
Advances received	3,334,295	3,438,144
Provision for bonuses	178,458	64,742
Provision for product warranties	73,000	80,000
Other	1,253,451	1,716,394
Total current liabilities	5,905,375	5,965,533
Non-current liabilities		
Provision for share-based payments	-	21,100
Provision for retirement benefits for directors (and other officers)	280,159	280,991
Retirement benefit liability	360,343	370,915
Other	372,479	459,007
Total non-current liabilities	1,012,982	1,132,013
Total liabilities	6,918,358	7,097,547

	(Thousands of yen)	
	FY3/23 (As of Mar. 31, 2023)	First quarter of FY3/24 (As of Jun. 30, 2023)
Net assets		
Shareholders' equity		
Share capital	992,597	992,597
Capital surplus	1,823,945	1,823,945
Retained earnings	21,660,473	21,114,063
Treasury shares	(3,448,032)	(3,448,032)
Total shareholders' equity	21,028,983	20,482,573
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,159	15,118
Foreign currency translation adjustment	(89)	26,099
Remeasurements of defined benefit plans	(1,627)	(1,378)
Total accumulated other comprehensive income	(557)	39,839
Non-controlling interests	1,100,196	1,113,364
Total net assets	22,128,622	21,635,776
Total liabilities and net assets	29,046,980	28,733,323

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

(Thousands of yen)

	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)	First three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)
Net sales	4,332,578	4,796,396
Cost of sales	1,350,061	1,401,822
Gross profit	2,982,516	3,394,574
Selling, general and administrative expenses	2,474,399	2,840,046
Operating profit	508,116	554,528
Non-operating income		
Interest and dividend income	5,512	6,033
Share of profit of entities accounted for using equity method	566	648
Rental income from real estate	20,615	20,615
Foreign exchange gains	1,874	913
Surrender value of insurance policies	–	5,305
Other	9,949	14,014
Total non-operating income	38,518	47,531
Non-operating expenses		
Interest expenses	300	779
Depreciation of assets for rent	3,763	3,608
Loss on cancellation of insurance policies	–	4,758
Other	494	843
Total non-operating expenses	4,557	9,990
Ordinary profit	542,076	592,069
Extraordinary income		
Gain on sale of non-current assets	628	597
Gain on sale of investment securities	–	22,327
Gain on reversal of office relocation expenses	–	1,746
Total extraordinary income	628	24,671
Profit before income taxes	542,705	616,740
Income taxes-current	112,208	175,780
Income taxes-deferred	56,476	27,541
Total income taxes	168,685	203,322
Profit	374,019	413,417
Profit (loss) attributable to non-controlling interests	46,984	(11,933)
Profit attributable to owners of parent	327,035	425,351

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

	(Thousands of yen)	
	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)	First three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)
Profit	374,019	413,417
Other comprehensive income		
Valuation difference on available-for-sale securities	210	18,985
Foreign currency translation adjustment	54,453	46,268
Remeasurements of defined benefit plans, net of tax	333	134
Share of other comprehensive income of entities accounted for using equity method	253	110
Total other comprehensive income	55,251	65,498
Comprehensive income	429,271	478,916
Comprehensive income attributable to:		
Owners of parent	361,252	465,748
Non-controlling interests	68,018	13,167

(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 three months of FY3/24 (Apr. 1, 2023–Jun. 30, 2023)

(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	4,158,947	637,449	4,796,396	–	4,796,396
Inter-segment sales and transfers	–	–	–	–	–
Total	4,158,947	637,449	4,796,396	–	4,796,396
Segment profit	467,714	86,813	554,528	–	554,528

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.