

IR Materials

FY03/23

May 11, 2023

Nipro Corporation



Table of Contents

Business Overview.....	2
Q4 FY03/23 Results.....	3
SG&A Expenses: Major Accounts.....	4
SG&A Expenses: Additional Information.....	5
SG&A Expenses: R&D Expenses.....	6
P&L Excluding Forex Impact.....	7
Net Sales and Operating Profit by Segment.....	8
Segment Results – (1) Medical-Related (Domestic).....	9
Segment Results – (1) Medical-Related (Overseas).....	10
Segment Results – (2) Pharmaceutical-Related.....	11
Segment Results – (3) Pharma Packaging.....	12
Net Sales by Segment and Product Category.....	13
Net Sales by Segment and Region.....	14
Product Category.....	15
Net Sales by Product Category.....	16,17
Exchange Rate Sensitivity.....	18
Capex and Depreciation.....	19
FY03/24 Forecast.....	20
Core KPIs in the Medium-Term Management Plan – (1).....	21
Core KPIs in the Medium-Term Management Plan – (2).....	22
Core KPIs in the Medium-Term Management Plan – (3).....	23
Core KPIs in the Medium-Term Management Plan – (4).....	24

Business Overview

Manufacturing, Purchasing, Logistics

Timeline of plant shutdowns in FY03/23 and construction plans for new dialyzer lines (China Hefei and India plants) are shown below. Some of Odate No. 5 Plant's production lines are currently shut down.

2022									2023				
4	5	6	7	8	9	10	11	12	1	2	3	4	5
Shanghai, China Impact of lockdown 4/1 – 5/31 Operations completely halted		Shanghai, China from 6/1 Operations resumed in phases	Hefei, China 7/15 Third dialyzer line began operations					India Third dialyzer line began operations		India Fourth dialyzer line began operations	Odate No. 5 Plant 3/17 Fire broke out Dialyzer production line partially damaged		
Reduced production at Odate was compensated for by two new lines in India and one line in Hefei, China, etc. to keep overall dialyzer supply going													

Sales

Dialysis medical devices

Sales of dialyzers were brisk in China, North America, and Japan, but sluggish in Europe. Dialysis equipment sales expanded in Central and South America as well as India.

Cardiovascular medical devices

Sales of balloon catheters and Y-connectors in China and sales of drug-eluting balloons and NSE-PTCA balloons in Japan were upbeat.

Surgical medical devices

Sales of blood flow meters were firm due to the launch of HeartMate 3 and new products.

Pharmaceuticals (own brand)

Sales of the oral drug Nexium AG, which was launched in December, were robust, while sales of injections grew significantly due to increased NHI drug prices and higher sales volumes.

Pharmaceuticals
(contract manufacturing)

Overseas sales increased YoY as JMI Pharma enjoyed steady sales.

Sales in Japan were down YoY due to a decline in orders associated with customers' inventory adjustments as well as a decline in one-off orders for injections.

Pharma packaging

In China, sales of vials and syringes for vaccines remained weak due to a decline in demand, but sales of glass tubes in the U.S., France, and Japan and ampoules, syringes, and vials in Europe remained strong.

Clinical trials

There were no significant impacts on carrying out clinical trials or submitting applications for approval.

Business Improvement Order to Nipro Pharma (February 24)

Nipro Pharma, our pharmaceutical manufacturing subsidiary, has been ordered by Akita Prefecture to improve its operations due to violations of the Act on Pharmaceutical and Medical Devices.

The entire Nipro Group takes this order very seriously and sincerely apologizes to patients and their families, medical professionals, and other stakeholders for any inconvenience and concern it may have caused. We will do our utmost to take corrective measures and prevent a recurrence in order to regain the trust of all concerned. The impact of this matter on our consolidated financial results for the fiscal year ended March 31, 2023, was immaterial.

FY03/23 Results

	FY03/22	FY03/23	Change	FY03/23 Forecast as of May (% achievement)	FY03/23 Forecast as of February (% achievement)	FY03/24 Forecast (% achievement)	Quarterly Results					
							FY03/22	FY03/23				
							Q4	Q1	Q2	Q3	Q4	
(¥100 million)												
Net sales	3,693.5	4,063.0	+369.4 +10.0%	5,400.0 75.2%	5,490.0 74.0%	5,992.4	1,254.3	1,278.9	1,324.4	1,459.6		1,388.9
Cost of sales	2,570.3	2,843.5	+273.1 +10.6%	3,707.0 76.7%	3,820.0 74.4%	4,194.6	884.8	886.8	927.9	1,028.7		973.9
Gross profit	1,123.2 (*1) 30.4%	1,219.4 30.0%	+96.2 +8.6%	1,693.0 72.0%	1,670.0 73.0%	1,797.7 30.0%	369.4 29.5%	392.0 30.7%	396.5 29.9%	430.8 29.5%		415.0 29.9%
SG&A expenses	925.8 25.1%	1,087.6 26.8%	+161.8 +17.5%	1,418.0 76.7%	1,480.0 73.5%	1,557.7 80.5%	328.0 26.2%	362.5 28.3%	362.3 27.4%	362.7 24.9%		369.5 26.6%
Operating profit	197.3 5.3%	131.7 3.2%	△65.5 △33.2%	275.0 47.9%	190.0 69.3%	240.0 4.0%	41.4 3.3%	29.5 2.3%	34.1 2.6%	68.0 4.7%		45.4 3.3%
Ordinary profit	205.5 5.6%	137.7 3.4%	△67.8 △33.0%	266.0 51.8%	184.0 74.8%	206.5 3.4%	70.3 5.6%	73.3 5.7%	42.6 3.2%	21.6 1.5%		15.7 1.1%
Profit attributable to owners of parent	110.3 3.0%	69.6 1.7%	△40.7 △36.9%	156.0 44.6%	100.0 69.6%	112.0 1.9%	24.1 1.9%	52.7 4.1%	9.7 0.7%	7.0 0.5%		△23.8 -1.7%
Profit in accordance with IFRS (estimate)	132.3	86.6	△45.7 △34.5%	185.0 46.8%	129.0 67.1%	133.0 2.2%						

*1: Impact of unrealized gains on gross profit
FY03/22: (¥2,170) million
FY03/23: (¥680) million

*2: Foreign exchange gains and losses
FY03/22: ¥4,830 million
FY03/23: ¥2,120 million

●Net sales

Sales of medical devices, domestic pharmaceuticals, and pharma packaging increased. Sales in contract manufacturing declined.

Overall sales grew YoY due to an increase in overseas sales as a result of the yen's depreciation in addition to passing higher costs, resulting from manufacturing and logistics costs, onto customers.

●Gross profit

GPM dipped slightly due to insufficient pass-through of soaring raw material and energy costs.

●Operating profit

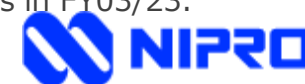
Although overseas transportation costs have been on a downward trend since December, operating profit declined YoY due to the significant impact of higher SG&A expenses, such as R&D, promotion, travel & transportation, and rent expenses.

●Ordinary profit

Ordinary profit decreased YoY due to the posting of cancellation deposits in the previous year, a ¥2,700 million YoY decrease in foreign exchange gains, and the posting of non-operating expenses due to the application of inflation accounting at European subsidiaries in FY03/23.

●Profit

Profit fell YoY partly because of a tax adjustment of ¥3,800 million due to a reversal of deferred tax assets.



SG&A Expenses

	FY03/22 (¥100 million)	FY03/23		Change	Change (%)	FY03/23 Forecast as of May	FY03/23 Forecast as of February	03/24 Forecast
		Actual	% of Total					
Personnel	411.0	416.5	28.6%	+5.5	+1.3%	442.5	440.3	474.2
R&D (*1)	186.5	212.9	14.6%	+26.4	+14.2%	197.5	200.0	190.5
Transportation	126.5	210.1	14.4%	+83.6	+66.1%	215.0	220.5	186.4
Depreciation (*2)	115.1	124.6	8.6%	+9.5	+8.3%	108.0	121.3	115.3
Promotion (*3)	82.3	99.5	6.8%	+17.2	+20.9%	92.0	102.0	102.0
Travel & transportation	33.3	47.5	3.3%	+14.2	+42.6%	34.0	44.8	47.2
Storage	30.6	34.9	2.4%	+4.3	+14.1%	27.0	34.0	35.3
Other	268.2	310.6	21.3%	+42.4	+15.8%	302.0	317.1	406.6
Total	1,253.8	1,457.2	100.0%	+203.4	+16.2%	1,418.0	1,480.0	1,557.7

*1: R&D expenses, experimentation and research expenses, and development amortization

*2: Depreciation, goodwill amortization

*3: Sales commissions, samples, advertising, and entertainment expenses

- Personnel expenses** Personnel expenses rose YoY due to an increase in the headcount, but the YoY increase was minor due to adjustments in performance-linked bonuses at major subsidiaries in Japan. Personnel expenses are expected to go up in FY03/24 due to wage increases in response to rising prices overseas.
- Transportation costs** Transportation costs increased significantly YoY due to the cumulative increase over the year although overseas transportation costs have been on a gradual downward trend since December. Transportation costs are expected to decrease in FY03/24 due to falling prices.
- Promotion expenses** Expenses for samples and sales commissions increased due to strong sales at overseas subsidiaries. Spending on entertainment has been on the rise as the impact of COVID-19 has eased. Promotion expenses are projected to increase slightly in FY03/24 as the impact of COVID-19 is expected to ease further.
- Travel & transportation expenses** Travel & transportation expenses increased YoY due to the gradual resumption of face-to-face sales and business travel as the impact of COVID-19 eased. In FY03/24, travel & transportation expenses are expected to remain generally on a par with FY03/23.
- Accounts other than the above** The main factors for the increase are explained in the next slide.

SG&A Expenses: Additional Information

	FY03/22	FY03/23	Change	Change (%)	FY03/23 Forecast	FY03/24 Forecast
Commission expenses	44.1	52.3	+8.2	18.6%	63.9	62.6
Rent expenses	35.5	49.0	+13.5	38.0%	59.1	60.6
Taxes and dues	21.9	26.5	+4.6	21.0%	19.0	19.4
Provision of allowance for doubtful accounts	5.8	14.4	+8.6	148.3%	5.7	6.7
Meeting expenses	3.3	7.3	+4.0	121.2%	4.6	9.2
Other	156.6	159.7	+3.1	2.0%	164.8	248.1
Total	267.2	309.2	+42.2	15.9%	317.1	406.6

- **Commission expenses** Commissions paid to third parties rose YoY due to increased production and sales of catheter products.
- **Rent expenses** Rent expenses increased YoY since we relocated and expanded logistics warehouses for medical equipment and pharmaceutical products in Japan during the year.
- **Taxes and dues** Non-deductible consumption tax increased due to a lower percentage of taxable sales than in previous years due to land sales.
- **Provision of allowance for doubtful accounts** Additional funds were allocated due to credit concerns with a client of a European sales company. The amount increased YoY.
- **Meeting expenses** The number of meetings increased YoY since we began to resume face-to-face meetings as the impact of COVID-19 eased.

SG&A Expenses: R&D Expenses

(¥100 million)	FY03/22	FY03/23	FY03/23 Forecast as of May	FY03/23 Forecast as of February	FY03/24 Forecast
Medical	84.2	90.4	87.5	86.0	88.1
Pharmaceutical	98.8	119.1	108.0	108.5	99.5
Pharma Packaging	3.4	3.4	3.5	5.5	2.9
Total	186.5	212.9	199.0	200.0	190.5

- **Medical** Up YoY, due to year-long development work on a dialysis information management system as well as the posting of various clinical trial costs, including clinical trials for drug-eluting stents.
 - **Pharmaceutical** Up YoY, due to the posting of the cost of purchasing active ingredients for development and various clinical trial costs, although costs related to the development of oral drugs declined.
 - **PP** Remained flat YoY, due to the posting of the cost for developing new glass products and other costs.
- Overall R&D expenses are expected to drop slightly in FY03/24 due to a decrease in pharmaceutical-related expenses although medical and pharma packaging-related expenses are expected to remain at the same level as they were in FY03/23.

P&L Excluding Forex Impact

	FY03/22	FY03/23	Exchange rate Impact*	FY03/23 Results Excl. Impact	Change (%)
(¥100 million)	[a]	[b]	[c]	[d=b-c]	[d÷a]
Net sales	4,947.8	5,451.9	+295.0	5,156.9	+4.2%
Cost of sales	3,455.1	3,817.4	+172.5	3,644.9	+5.5%
Gross profit	1,492.6	1,634.4	+122.5	1,511.9	+1.3%
(%)	30.2%	30.0%		29.3%	
SG&A expenses	1,253.8	1,457.2	+73.3	1,383.9	+10.4%
Operating profit	238.8	177.2	+49.2	128.0	△46.4%
(%)	4.8%	3.3%		2.5%	
Non-operating income	105.2	73.0	△27.0	100.0	△4.9%
Non-operating expenses	68.2	96.8		96.8	
Ordinary profit	275.8	153.4	+22.2	131.2	△52.4%
Extraordinary income	8.4	57.7		57.7	
Extraordinary losses	51.8	43.4		43.4	
Profit before tax	232.4	167.7	+22.2	145.5	△37.4%
Income taxes	81.7	108.4	+14.3	94.1	+15.1%
Profit attributable to non-controlling interests	16.1	13.6		13.6	
Profit	134.5	45.7	+7.9	37.8	△71.9%

*Total foreign currency transactions converted to yen using the difference from previous year's rate.
Forex impact on yen-denominated transactions has not been taken into account.

Average exchange rate	Jan-Dec 2022	Jan-Dec 2023	FY-end rate	Dec. 2020	Dec. 2021	Dec. 2022
1 USD	110.37	132.08	1 USD	103.50	115.02	132.70
1 EUR	130.34	138.52	1 EUR	126.95	130.51	141.47
1 CNY	17.12	19.50	1 CNY	15.88	18.06	19.01

Net Sales and Operating Profit by Segment

Net sales

		(¥100 million)	Change	Change (%)	FY03/23 Forecast as of May (% achievement)	FY03/23 Forecast as of February (% achievement)	FY03/24 Forecast (% achievement)
Medical-Related	FY03/23	4,199.5	+464.7	+12.4%	4,229.6	4,206.0	4,602.0
	FY03/22	3,734.8					
Pharmaceutical-Related	FY03/23	727.3	△16.5	△2.2%	762.6	762.0	797.0
	FY03/22	743.8					
PharmaPackaging	FY03/23	517.5	+53.9	+11.6%	521.9	515.0	589.1
	FY03/22	463.6					

Operating profit

		(¥100 million)	Change	Change (%)	FY03/23 Forecast as of November (% achievement)	FY03/23 Forecast as of February (% achievement)	FY03/23 Forecast as of February (% achievement)
Medical-Related	FY03/23	385.9	△6.4	△1.6%	406.3	412.0	433.1
	FY03/22	392.4					
Pharmaceutical-Related	FY03/23	56.1	△42.1	△42.8%	26.0	29.0	71.7
	FY03/22	98.2					
PharmaPackaging	FY03/23	27.3	△1.5	△5.2%	28.0	28.0	23.2
	FY03/22	28.8					

●Medical-Related

Net sales grew, but operating profit declined ¥640 million due to soaring raw materials and electricity costs, and higher transportation costs overseas, on top of sales commissions and travel & transportation expenses, which climbed higher than sales growth.

●Pharmaceutical-Related

Operating profit fell by ¥4,210 million due to a decline in sales on top of rising costs of raw materials and utilities.

●Pharma Packaging Business

Despite sales growth, operating profit decreased by ¥150 million due to rising raw material costs and higher amortization expenses associated with investments in production facilities in the U.S. and Germany.

Segment Results – (1) Medical-Related (Domestic)

		(¥100 million)	Change	Change (%)	FY03/23 Forecast as of May (% achievement)	FY03/23 Forecast as of February (% achievement)	FY03/24 Forecast (% achievement)
Domestic business	FY03/23	2,168.1					
	FY03/22	2,025.8	+142.3	+7.0%	2,220.0	2,174.0	2,423.7
Medical devices	FY03/23	1,194.8					
	FY03/22	1,152.1	+42.7	+3.7%	1,258.5	1,190.0	1,314.2
Pharmaceuticals	FY03/23	973.3					
	FY03/22	873.7	+99.6	+11.4%	961.5	984.0	1,109.5
Dialyzer domestic sales	FY03/23	223.1					
	FY03/22	220.5	+2.6	+1.2%	229.6	225.4	230.4

● Medical devices

Sales of dialyzers held firm, up ¥260 million YoY.

Sales of dialysis equipment were strong, up ¥410 million YoY.

Sales of dialysis-related consumables rose ¥420 million YoY due to strong sales in line with the acquisition of new customers and increased sales of dialysis equipment.

Sales of needles were up ¥440 million YoY due to an increase in sales of winged needles resulting from the acquisition of new customers.

-Catheter sales rose ¥3,170 million YoY, supported by growth in sales of mainstay drug-eluting balloons and newly launched NSE-PTCA balloon catheters due to the return of the number of surgeries, despite the impact from COVID.

Sales of surgical products increased ¥480 million YoY due to higher sales of blood flow meters following the launch of a new product, as well as an increase in sales of HeartMate 3 as a result of the increased number of new patients registered for transplants and expanded use for destination therapy with left ventricular assist devices.

● Domestic pharmaceuticals

Sales of existing oral drugs fell despite increased sales volumes that did not offset a sales decline due to price cuts. On the other hand, total oral drug sales increased ¥4,120 million YoY due to strong sales of Nexium AG, which was launched in December.

Sales rose ¥5,490 million YoY thanks to price increases for injection products like antibiotic drugs and infusion solutions, which were classified as unprofitable and were subject to re-evaluation, as well as higher sales volume.



Segment Results – (1) Medical-Related (Overseas)

		(¥100 million)	Change	Change (%)	FY03/23 Forecast as of May (% achievement)	FY03/23 Forecast as of February (% achievement)	FY03/24 Forecast (% achievement)
Overseas business	FY03/23	1,982.9	+315.1	+ 18.9%	1,828.0	1989.0	2,114.3
	FY03/22	1,667.8					
B2B (other brands)	FY03/23	261.5	+28.1	+ 12.0%	229.9	222.5	291.9
	FY03/22	233.4					
Nipro brands	FY03/23	1,721.2	+286.9	+ 20.0%	1,598.0	1766.5	1,822.4
	FY03/22	1,434.3					
Americas	FY03/23	775.8	+155.3	+ 25.0%	694.1	773.1	797.6
	FY03/22	620.5					
Europe	FY03/23	370.9	+8.8	+ 2.4%	359.8	411.4	396.5
	FY03/22	362.1					
Asia	FY03/23	306.9	+60.9	+ 24.8%	289.4	310.0	357.5
	FY03/22	246.0					
China	FY03/23	267.5	+61.9	+ 30.1%	254.6	272.0	270.7
	FY03/22	205.6					
Dialyzer overseas sales	FY03/23	639.8	+93.9	+ 17.2%	594.7	657.3	685.3
	FY03/22	545.9					

● **B2B** Sales of safe blood collection sets were strong in the Americas while sales of insulin needles were weak in Europe despite strong sales of blood collection needles, resulting in a ¥2,410 million YoY increase in overall B2B sales.

● **Nipro brands** Overall sales are on the rise due to the yen's weakening.

Sales volume of dialyzers grew steadily in North America and China. In Europe, sales volumes were down due to the Russia-Ukraine conflict, but sales increased due to foreign exchange effects. Sales in Asia were generally steady. Overall sales for overseas operations grew ¥10,560 million YoY.

Dialysis equipment sales were particularly strong in Central and South America, and overall sales in the Americas increased ¥1,820 million YoY.

Overall sales in Asia grew ¥1,120 million YoY as India's initiative to improve dialysis treatment buoyed sales.

Sales in Europe were down ¥750 million, although sales quantities are bouncing back in step with the supply chain recovery.

In other dialysis-related products and regions, progress was made in opening dialysis centers, especially in Central and South America, and sales of related products among others held firm.

Segment Results – (2) Pharmaceutical-Related

Pharmaceutical-Related

		(¥100 million)	Change	Change (%)	FY03/23 Forecast as of May (% achievement)	FY03/23 Forecast as of February (% achievement)	FY03/24 Forecast (% achievement)
	FY03/23	727.3					
	FY03/22	743.8	△16.5	△2.2%	790.0	762.0	797.0
Breakdown of contract manufacturing sales							
Generic drugs	FY03/23	387.3					
	FY03/22	399.1	△11.8	△3.0%	400.6	409.2	402.6
Brand-name drugs Long-listed drugs	FY03/23	224.6					
	FY03/22	255.4	△30.8	△12.1%	289.8	253.0	305.6
OTC drugs Active ingredients, etc.	FY03/23	58.9					
	FY03/22	41.7	+17.2	+41.2%	46.7	43.2	33.0
JMI Pharma	FY03/23	56.4					
	FY03/22	47.5	+8.9	+18.7%	52.9	56.6	55.7

- Generic drugs** Sales of oral drugs increased ¥550 million YoY, due mainly to the launch of new products manufactured under contract.
Sales of injections fell ¥1,470 million YoY due to a decline in orders as customers restructured their products and adjusted inventories.
- Brand-name/long-listed drugs** Sales of oral drugs recovered from a slump a year ago caused by damage to the Kagamiishi Plant and rose ¥1,180 million YoY.
Sales of injections fell ¥3,850 million YoY due to a lack of orders this year for COVID-19 vaccines, flu medicines for stockpiling, etc., for which we received one-off orders last year.
- OTC drugs, active ingredients, etc.** Up ¥1,720 million YoY due to an increase in validation costs and equipment-related lump-sum income.
- JMI Pharma** Up ¥890 million YoY due to increased promotion to physicians and a focus on chronic disease drugs.

Segment Results – (3) Pharma Packaging

		(¥100 million)	Change	Change (%)	FY03/23 Forecast as of May (% achievement)	FY03/23 Forecast as of February (% achievement)	FY03/24 Forecast (% achievement)
Pharma Packaging	FY03/23	517.5					
	FY03/22	463.6	+53.9	+11.6%	512.0	515.0	589.1
Sales by region							
Japan	FY03/23	118.1					
	FY03/22	115.1	+3.0	+2.6%	111.0	116.5	124.2
Overseas	FY03/23	399.3					
	FY03/22	348.4	+50.9	+14.6%	401.0	398.5	465.0
Europe	FY03/23	208.7					
	FY03/22	170.4	+38.3	+22.5%	195.5	208.2	251.5
Americas	FY03/23	123.3					
	FY03/22	94.6	+28.7	+30.3%	105.0	123.0	136.2
China	FY03/23	51.3					
	FY03/22	71.0	△19.7	△27.7%	87.0	51.3	57.5
India	FY03/23	15.8					
	FY03/22	12.3	+3.5	+28.5%	13.5	16.0	19.7

- Japan** Sales were up ¥160 million YoY due to increased pass-through of costs for glass tubes.
Overall testing product sales grew ¥240 million YoY as sales of sponge swabs for testing increased due to COVID-19.
- Overseas** In Europe, sales of glass tubes rose ¥640 million YoY due to a recovery in furnace capacity utilization in France.
Sales of ampoules were up ¥1,210 million YoY thanks to steady sales.
Sales of syringes increased ¥790 million YoY due to increased cost pass-through.
Vial sales rose ¥580 million yen YoY due to an increase in sales prices in addition to steady shipments.
In the U.S., sales of glass tubes rose ¥1,410 million YoY due to increased production capacity and the depreciation of the yen.
In China, sales of vials decreased by ¥1,920 million YoY and sales of syringes by ¥160 million YoY due to declined sales of vaccine-related products.

Net Sales by Segment and Product Category

Product	Segment	Medical-Related	Pharmaceutical-Related	Pharma Packaging	Other	Total
	(¥100 million)					
Medical devices	FY03/23	3,122.0	0.0	34.0	0.0	3,156.0
	FY03/22	2,780.9	0.0	(※3) 30.6	0.0	2,811.5
Pharmaceuticals	FY03/23	1,076.5	727.3	4.2	0.0	1,808.1
	FY03/22	(※1) 953.1	(※2) 743.8	4.3	0.0	1,701.4
Pharma packaging	FY03/23	0.6	0.0	477.0	0.0	477.6
	FY03/22	0.2	0.0	427.3	0.0	427.6
Other	FY03/23	0.3	0.0	2.2	7.5	10.1
	FY03/22	0.4	0.0	1.1	5.5	7.2
Total	FY03/23	4,199.5	727.3	517.5	7.5	5,451.9
	FY03/22	3,734.8	743.8	463.6	5.5	4,947.8

*1: In-house generic drugs

*2: Contract manufacturing of pharmaceuticals

*3: Needles, infusion-related products, testing products

Net Sales by Segment and Region

Segment		Medical-Related	Pharmaceutical-Related	Pharma Packaging	Other	Total
Region	(¥100 million)					
Japan	FY03/23	2,107.8	667.7	118.6	7.5	2,901.7
	FY03/22	1,989.8	690.6	114.8	5.5	2,800.9
Overseas total	FY03/23	2,091.6	59.5	398.9	0.0	2,550.2
	FY03/22	1,744.9	53.1	348.7	0.0	2,146.9
Americas	FY03/23	860.1	0.0	120.7	0.0	980.8
	FY03/22	691.4	0.2	90.7	0.0	782.4
Europe	FY03/23	477.1	1.1	204.6	0.0	682.9
	FY03/22	430.4	3.1	170.1	0.0	603.7
China	FY03/23	334.2	0.2	50.3	0.0	384.7
	FY03/22	259.9	0.3	66.7	0.0	327.0
Other Asia	FY03/23	420.1	58.2	23.1	0.0	501.5
	FY03/22	363.1	49.3	21.2	0.0	433.7
Total	FY03/23	4,199.5	727.3	517.5	7.5	5,451.9
	FY03/22	3,734.8	743.8	463.6	5.5	4,947.8

● **By region** Sales were strong in all regions in FY03/23, with Japan making up 53.2% of net sales and overseas 46.8%.

● **By segment** In Medical-Related, sales of dialyzers, dialysis-related products, needles, catheters, surgical products, oral drugs, injections and infusion solutions were firm both in Japan and overseas. In Pharmaceutical-Related, although JMI Pharma enjoyed steady sales overseas, sales dropped YoY due to a decline in orders associated with customers' inventory adjustments as well as a decline in one-off orders for injections in Japan.

In Pharma Packaging, demand for vials and glass tubes for vaccines declined in China, but sales were robust in the U.S. for glass tubes, and in Europe for glass tubes, ampoules, syringes, and vials.



Product Category

Medical devices	
Dialyzers	Dialyzers (artificial kidneys), HDF filters
Dialysis equipment	Dialysis systems, maintenance, dialysis equipment parts
Other dialysis-related products	Blood circuits, AVF needles, etc.
Needles	PSV needles, safetouch needles, etc.
Vascular products	Catheter sets for cardiovascular treatments, thrombus aspiration catheters, etc.
Infusion-related products	Infusion sets, IV cannulas, etc.
Testing products	Neotube (vacuum blood collection tube), blood collection needles, etc.
Diabetes-related products	Insulin needles, blood glucose meters (for overseas markets), lancets
Surgical device-related products	Mechanical circulatory support, cardiopulmonary bypass products, orthopedic products
Other products	Medical instruments, blood-related products, cell culture-related products, gloves, etc.
Pharmaceuticals	
Oral drugs	Oral drugs
Injection and infusion products	Syringe kits, vial formulations, dual chamber bags (PLW), powdered dialysate, dialysis fluids, etc.
External preparations and patches	External preparations, patches
Others, in vitro diagnostics, etc.	Reagents, pharmaceuticals, blood glucose meters, etc.
Pharma packaging	
Glass tube-related products	Medical-use glass tubes, non-medical use glass tubes, glass raw materials
Glass ampoules	Ampoules (single tip, double tip)
Glass vials	Vials (blowback, screw, sterilized, etc.)
Glass syringes	Syringes (luer lock, luer slip, sterilized, etc.)
Rubber stoppers and plugs	Rubber stoppers, plugs, closures, and caps
Plastic containers	Plastics
Thermos bottles	Glass for thermos bottles
Other products	Glass containers and others, special glass containers, cartridge glass and others, etc.

Net Sales by Product Category (1)

Business Category (¥100 million)		Overall				Overseas				Japan			
		FY03/22	FY03/23	Change	Change %	FY03/22	FY03/23	Change	Change %	FY03/22	FY03/23	Change	Change %
Medical devices	Dialyzers	766.5	863.0	+96.5	+12.6%	545.9	639.8	+93.8	+17.2%	220.5	223.1	+2.6	+1.2%
	Dialysis equipment	212.4	224.9	+12.4	+5.9%	131.4	139.7	+8.3	+6.3%	81.0	85.1	+4.1	+5.1%
	Other dialysis-related products	352.0	465.8	+113.8	+32.3%	274.0	383.7	+109.6	+40.0%	77.9	82.1	+4.1	+5.3%
	Dialysis-related products total	1,331.0	1,553.7	+222.7	+16.7%	951.4	1,163.3	+211.8	+22.3%	379.5	390.4	+10.9	+2.9%
	Needles	413.9	486.3	+72.3	+17.5%	258.1	326.0	+67.9	+26.3%	155.8	160.2	+4.4	+2.8%
	Vascular products	319.9	351.7	+31.7	+9.9%	47.1	70.0	+22.8	+48.4%	272.7	281.6	+8.8	+3.3%
	Infusion-related products	167.0	181.2	+14.2	+8.6%	54.1	69.3	+15.1	+28.0%	112.8	111.9	△0.8	△0.8%
	Testing products	109.7	119.8	+10.0	+9.2%	75.4	84.8	+9.3	+12.5%	34.3	34.9	+0.6	+2.0%
	Diabetes-related products	89.6	89.0	△0.5	△0.7%	74.8	75.8	+0.9	+1.2%	14.7	13.2	△1.5	△10.3%
	Surgical device-related products	60.6	72.2	+11.5	+19.0%	8.5	15.3	+6.7	+79.3%	52.1	56.8	+4.7	+9.1%
	Other products (※1)	316.9	297.9	△18.9	△6.0%	195.0	182.5	△12.4	△6.4%	121.9	115.4	△6.5	△5.3%
Category Total		2,808.9	3,152.2	+343.2	+12.2%	1,664.8	1,987.3	+322.4	+19.4%	1,144.1	1,164.9	+20.7	+1.8%
Pharmaceuticals (own brand)	Oral drugs	391.5	432.8	+41.3	+10.5%	0.2	0.4	+0.1	+48.0%	391.2	432.4	+41.1	+10.5%
	Injection and infusion products	403.5	482.0	+78.5	+19.5%	76.3	100.0	+23.6	+31.0%	327.1	381.9	+54.8	+16.8%
	External preparations and patches	66.3	66.5	+0.1	+0.2%	-	-	-	-	66.3	66.5	+0.1	+0.2%
	Others, in vitro diagnostics, etc.	91.7	95.1	+3.3	+3.7%	3.1	2.9	△0.1	△5.6%	88.5	92.1	+3.5	+4.0%
	Category Total	953.1	1,076.5	+123.3	+12.9%	79.7	103.4	+23.6	+29.6%	873.3	973.1	+99.7	+11.4%
Regenerative medicines	Regenerative medicine products	2.6	3.8	+1.2	+47.5%	-	-	-	-	2.6	3.8	+1.2	+47.5%

*1: From FY03/23, orthopedic products which had previously been classified as "Other products" under "Medical devices" are classified as "Surgical device-related products."

Net Sales by Product Category (2)

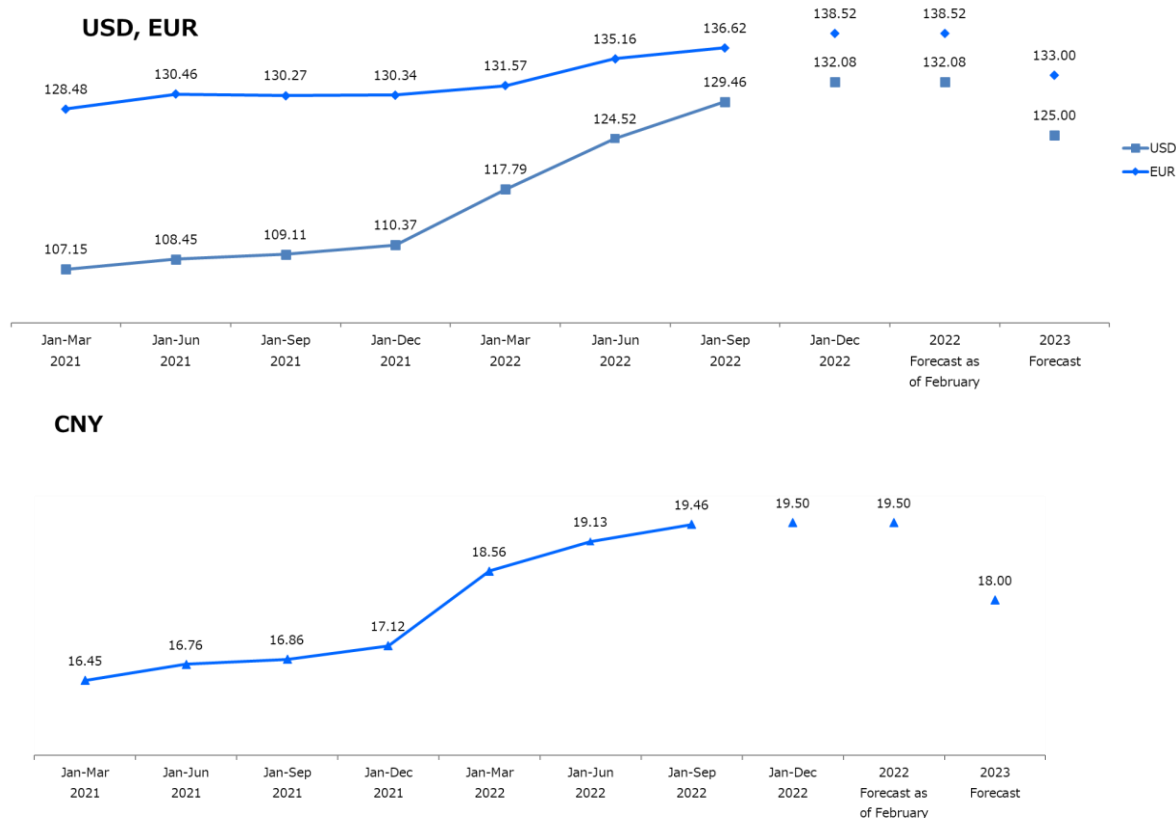
Business Category (¥100 million)		Overall				Overseas				Japan			
		FY03/22	FY03/23	Change	Change %	FY03/22	FY03/23	Change	Change %	FY03/22	FY03/23	Change	Change %
Pharmaceuticals (contract manufacturing)	Oral drugs	294.4	310.5	+16.0	+5.5%	1.0	0.4	△0.5	△53.4%	293.4	310.0	+16.6	+5.7%
	Injection and infusion products	324.3	270.6	△53.7	△16.6%	2.2	1.4	△0.7	△34.9%	322.1	269.1	△52.9	△16.4%
	External preparations and patches	55.2	48.1	△7.1	△12.9%	0.8	0.5	△0.3	△37.8%	54.4	47.6	△6.7	△12.5%
	Others, in vitro diagnostics, etc.	26.5	45.8	+19.2	+72.2%	1.5	0.6	△0.9	△59.1%	25.0	45.1	+20.1	+80.3%
	Category Total	700.6	675.1	△25.5	△3.6%	5.6	3.0	△2.5	△45.3%	695.0	672.0	△23.0	△3.3%
Pharmaceuticals (JMI Pharma)	Oral drugs	47.0	55.9	+8.9	+19.1%	47.0	55.9	+8.9	+19.1%	-	-	-	-
	Injection and infusion products	0.5	0.4	0.0	△11.6%	0.5	0.4	0.0	△11.6%	-	-	-	-
	Category Total	47.5	56.4	+8.9	+18.7%	47.5	56.4	+8.9	+18.7%	-	-	-	-
Pharma packaging	Glass tube-related products	94.7	117.7	+22.9	+24.2%	73.6	94.9	+21.3	+29.0%	21.1	22.7	+1.6	+7.8%
	Glass ampoules	50.1	67.2	+17.1	+34.2%	49.9	67.0	+17.1	+34.2%	0.1	0.1	0.0	+22.0%
	Glass vials	166.8	168.8	+1.9	+1.2%	149.8	151.8	+1.9	+1.3%	17.0	17.0	0.0	+0.2%
	Glass syringes	53.7	61.4	+7.6	+14.2%	53.5	61.1	+7.5	+14.1%	+0.2	0.3	0.0	+28.1%
	Rubber stoppers and plugs	17.6	17.9	+0.3	+2.0%	5.0	5.7	+0.6	+13.6%	12.5	12.2	△0.3	△2.7%
	Plastic containers	20.1	18.4	△1.7	△8.6%	0.0	0.0	0.0	△97.4%	20.1	18.4	△1.6	△8.3%
	Thermos bottles	3.8	4.2	+0.3	+10.0%	-	-	-	-	3.8	4.2	+0.3	+10.0%
	Other products	20.5	21.7	+1.2	+5.9%	16.5	18.4	+1.9	+11.8%	4.0	3.2	△0.7	△18.6%
	Category Total	427.6	477.6	+49.9	+11.7%	348.6	399.1	+50.5	+14.5%	79.0	78.4	△0.5	△0.7%
Other	Sales of production machinery and real estate leasing	7.2	10.1	+2.9	+40.6%	0.4	0.7	+0.2	+59.0%	6.7	9.3	+2.6	+39.4%
Consolidated Total		4,947.8	5,451.9	+504.0	+10.2%	2,146.9	2,550.2	+403.2	+18.8%	2,800.9	2,901.7	+100.8	+3.6%

Exchange Rate Sensitivity

Annual impact of a ¥1 change in exchange rate

(¥100 million)	USD	EUR	CNY
Net sales	8.7	4.6	19.5
Operating profit	0.4	1.9	10.6

Average exchange rate



Capex and Depreciation

	Capex					Depreciation				
	FY03/22	FY03/23	FY03/23 Forecast as of May	FY03/23 Forecast as of February	FY03/24 Forecast	FY03/22	FY03/23	FY03/23 Forecast as of May	FY03/23 Forecast as of February	FY03/24 Forecast
(¥100 million)										
Medical-Related	171.2	445.8	311.7 143.0%	430.0 103.7%	197.1	201.1	224.6	192.0 117.0%	216.5 103.7%	252.6
Pharmaceutical-Related	220.9	233.5	182.5 127.9%	187.5 124.5%	277.0	133.9	133.6	141.0 94.8%	133.0 100.5%	154.9
PharmaPackaging	43.4	155.6	123.0 126.5%	179.0 86.9%	96.3	48.2	54.7	52.5 104.2%	53.0 103.2%	60.4
Other	30	124.8	15.0 832.0%	121.0 103.1%	50.9	49.7	49.6	36.5 135.9%	50.0 99.2%	55.7
Total	465.6	959.9	632.2 151.8%	917.5 104.6%	621.3	433.1	462.7	422.0 109.6%	452.5 102.3%	523.6

*From FY03/23, capital expenditures are disclosed based on the timing of booking and not on the timing of acceptance inspections, as was the case previously.

● Capex

In Medical-Related, although capex increased substantially YoY as expenses related to the construction of the Odate No. 7 Plant for dialyzers continued to be incurred, the total was as budgeted.

Expenses related to the Odate No. 7 Plant will continue to be incurred in FY03/24, but capex for the year is expected to decline significantly due to the completion of new dialyzer lines in India, Vietnam, and China.

In Pharmaceutical-Related, capex increased YoY and went over budget due to the substantial equipment cost for Nipro Pharma's new Ohmi Plant.

Capex is expected to increase in FY03/24 as expenses related to the construction of new QC centers in Saitama and Osaka will be recorded in addition to expenses related to the Ohmi Plant.

In Pharma Packaging, although capex increased sharply YoY due to expenses for the construction of new glass product manufacturing facilities in the U.S., France, and Germany, it remained under budget due to some work schedule revisions and changes in payment dates in the U.S. and Germany.

Capex is expected to decline significantly in FY03/24 due to the completion of facility upgrades in the U.S. and France.

● Depreciation

Depreciation was within the budget as there were no substantial delays in construction in all segments, and all facilities began operations.

Depreciation is expected to increase in FY03/24 due to a significant rise in capex in FY03/23.



FY03/24 Forecast

Medical-Related

Breakdown (¥100 million)	FY03/22 Actual	FY03/24 Forecast	FY03/24 Forecast change	FY03/24 Forecast change %
Domestic Medical devices	1,194.8	1,314.2	+119.4	+10.0%
Pharmaceuticals	973.3	1,109.5	+136.2	+14.0%
Overseas B2B	282.0	291.9	+9.9	+3.5%
Americas	775.8	797.6	+21.8	+2.8%
Europe	350.4	396.5	+46.1	+13.2%
Asia	306.9	357.5	+50.6	+16.5%
China	267.5	270.7	+3.2	+1.2%
Fact Direct sales	48.8	64.1	+15.3	+31.4%
Total sales	4,199.5	4,602.0	+402.5	+9.6%
Operating profit	385.9	433.1	+47.2	+12.2%
Operating margin	9.2%	9.4%	-	-

Pharmaceutical-Related

Breakdown (¥100 million)	FY03/22 Actual	FY03/24 Forecast	FY03/24 Forecast change	FY03/24 Forecast change %
Generic drugs	387.3	402.6	+15.3	+4.0%
Brand-name/long-listed	224.6	305.6	+81.0	+36.1%
OTC drugs, active ingre	58.9	33.0	△25.9	△44.0%
JMI Pharma	56.4	55.7	△0.7	△1.2%
Total sales	727.3	797.0	+69.7	+9.6%
Operating profit	56.1	71.7	+15.6	+27.8%
Operating margin	7.7%	9.0%	-	-

PharmaPackaging

Breakdown (¥100 million)	FY03/22 Actual	FY03/24 Forecast	FY03/24 Forecast change	FY03/24 Forecast change %
Japan	118.1	124.2	+6.1	+5.2%
Europe	208.7	251.5	+42.8	+20.5%
Americas	123.3	136.2	+12.9	+10.5%
China	51.3	57.5	+6.2	+12.1%
India	15.8	19.7	+3.9	+24.7%
Total sales	517.5	589.1	+71.6	+13.8%
Operating profit	27.3	23.2	△4.1	△15.0%
Operating margin	5.3%	3.9%	-	-

➤Net sales

Sales of medical devices in Japan are expected to increase ¥11,940 million YoY due to favorable sales of high-performance HDF filters in addition to catheter products such as PTCA balloon catheters (non-slip type) and Y-connectors.

Sales of pharmaceuticals are projected to increase ¥13,620 million YoY as sales of Nexium AG are expected to remain strong in Japan.

Sales in the Americas are expected to increase ¥2,180 million YoY due to growing sales of dialyzers and dialysates to major U.S. dialysis providers as well as an increase in sales resulting from the opening of new dialysis centers in Central and South America.

In Asia, sales are expected to rise ¥5,060 million YoY due to increased sales of dialyzers in Indonesia and full-scale operation in Vietnam and the Philippines.

In China, sales are expected to increase ¥320 million YoY due to expansion of the dialysis center business in addition to efforts to boost sales of dialyzers and dialysis equipment.

In Europe, sales of dialysis-related products are expected to remain strong as the dialysis equipment supply chain recovers, resulting in a projected ¥4,610 million YoY increase in sales.

➤Operating profit

We expect to see a YoY increase in operating profit and a higher operating profit margin as a result of efforts to pass the higher cost of raw materials onto customers, in addition to a downward trend in freight rates, especially in overseas markets.

➤Net sales

Sales of GE products are expected to increase ¥930 million YoY due to growing demand in the overall market.

Sales of brand-name/long-listed drugs are projected to increase ¥2,840 million YoY due to contract manufacturing of new drugs.

Sales of OTC drugs, active ingredients, etc. will be up ¥3,270 million YoY due to an increase in validation and equipment-related lump-sum income.

JMI Pharma forecasts a YoY decrease of ¥70 million in sales due to the impact of currency fluctuations, although sales are expected to increase on a local currency basis.

➤Operating profit

The operating profit margin is expected to improve as higher manufacturing costs are passed on to customers.

➤Net sales

In Europe, sales are expected to increase ¥4,280 million YoY due to the increased production capacity for syringes and glass tubes.

In the U.S., sales are expected to increase ¥1,290 million YoY as the effect of the increased glass tube production capacity remains throughout the year.

In China, sales are expected to increase by ¥620 million YoY due to higher demand for ampoules made from high-performance glass.

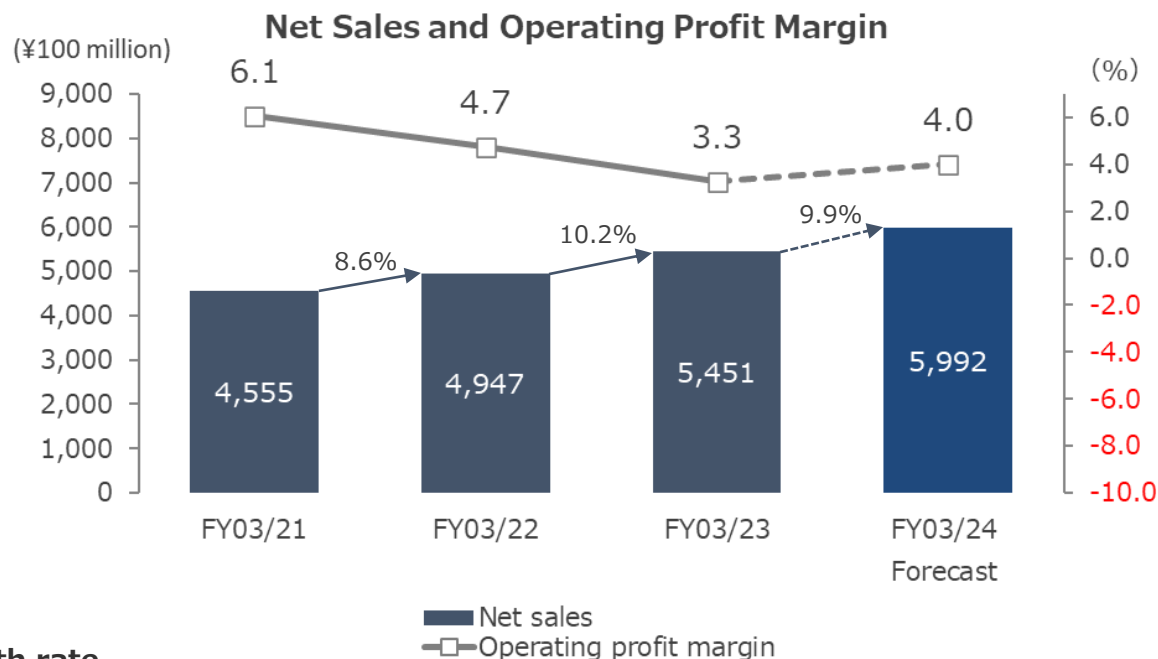
➤Operating profit

Operating profit is expected to decrease due to higher depreciation, despite a projected increase in net sales.

Core KPIs in the Medium-Term Management Plan – (1)

Guidelines for FY03/25

Growth	Sales CAGR	7.0% or higher
Profitability	Operating margin	9.0% or higher



➤Sales growth rate

The average annual sales growth rate remained close to the guideline, at 6.64%. This is due to the weak yen that drove overseas sales up in FY03/23, on top of the easing of the slowdown in growth caused by COVID-19. Growth in FY03/23 was 10.2% YoY.

The sales growth rate for FY03/24 is expected to be 9.9%, with an average growth rate exceeding the guideline, at 7.18%.

➤Operating profit margin

The operating profit margin has been on a downward trend since FY03/21 due to soaring raw material and energy costs, in addition to rising freight rates.

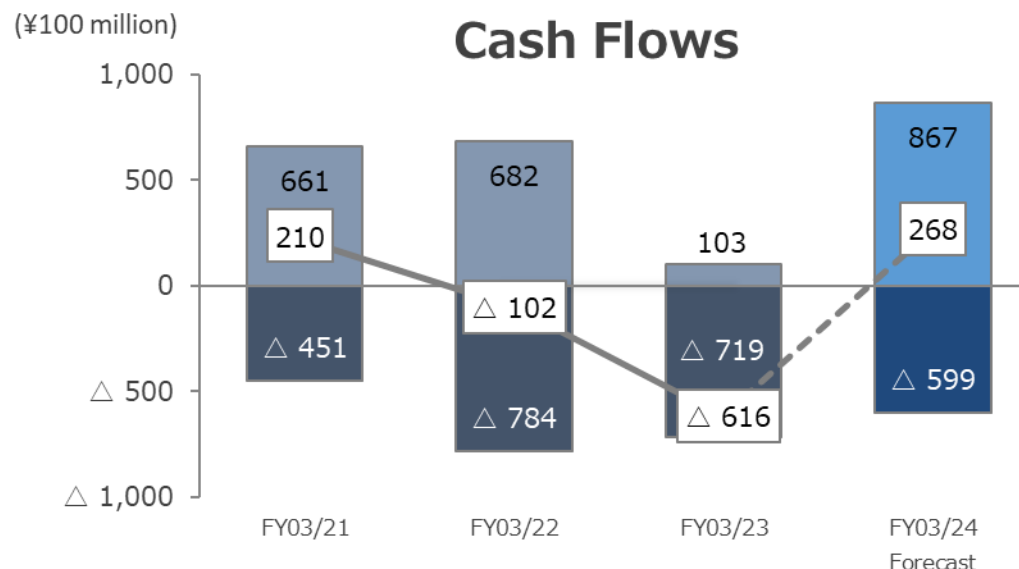
In FY03/23, operating profit improved in the second half of the year due to a decline in freight rates, but it deteriorated YoY for the full year.

The operating profit margin is expected to bounce back to 4.0% in FY03/24 due to the pass-through of higher costs and an expected continuing decline in freight rates.

Core KPIs in the Medium-Term Management Plan – (2)

Guidelines for FY03/25

Investment efficiency Achieve positive free cash flow



➤ Free CF

Operating CF Investing CF FCF

Free cash flow returned to the positive side in FY03/21 but turned negative again in F03/22 due to an increase in new investment expenditures.

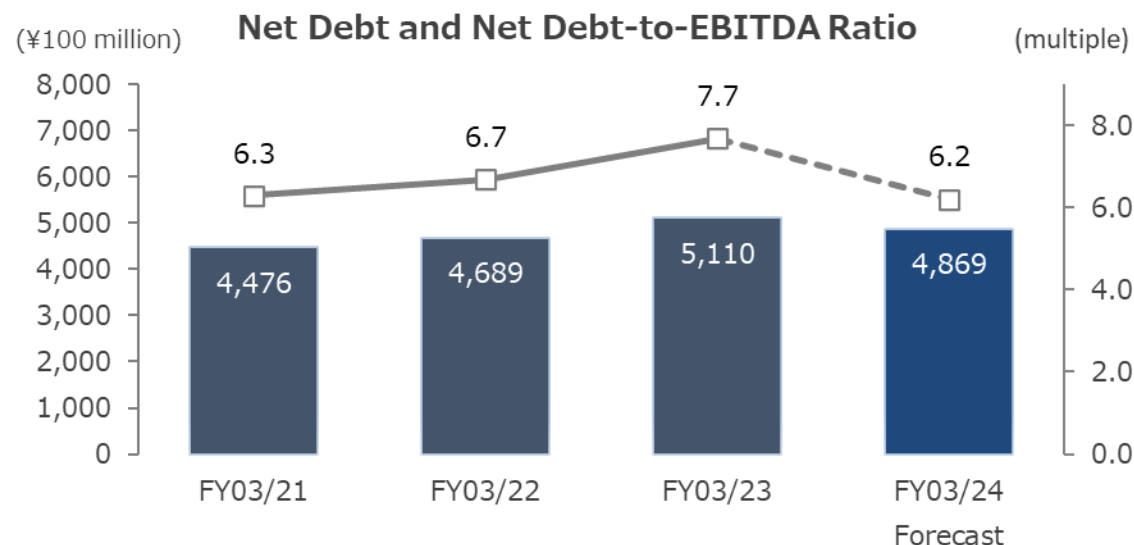
In FY03/23, operating cash flow fell significantly YoY due to a decrease in pre-tax profit as well as an increase in inventories due to the purchase of additional active ingredients in anticipation of procurement difficulties and the build-up of initial inventory for the introduction of Nexium AG. On the other hand, free cash flow was minus ¥61,600 million, significantly worse than the previous year, as investment expenditures remained high despite a decrease from the previous year.

In FY03/24, free cash flow should return to the positive side again since profits are expected to increase even though ongoing inflation is projected to bring costs up by about ¥30,000 million. On top of that, we will actively implement measures, such as reducing working capital through loan securitization and the sale of idle assets and securities.

Core KPIs in the Medium-Term Management Plan – (3)

Guidelines for FY03/25

Financial health	Net debt-to-EBITDA ratio in the 4x range
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➤ Net interest-bearing debt

Net interest-bearing debt is on the rise as a result of aggressive capital investment.

In FY03/23, interest-bearing debt increased YoY due to growing capital expenditures for building the new Odate No. 7 Plant for dialyzers and the new Nipro Pharma Ohmi Plant.

We should be able to reduce net interest-bearing debt in FY03/24 by improving free cash flow through the sale of idle assets and the securitization of loans.

➤ Net Debt/EBITDA ratio

Operating profit has not kept pace with sales growth due to capital investments, and the net debt-to-EBITDA ratio is on the rise.

The EBITDA ratio deteriorated from the previous year to reach 7.7× in FY03/23 due to an increase in net interest-bearing debt as well as a decline in operating profit caused by rising raw material and energy costs.

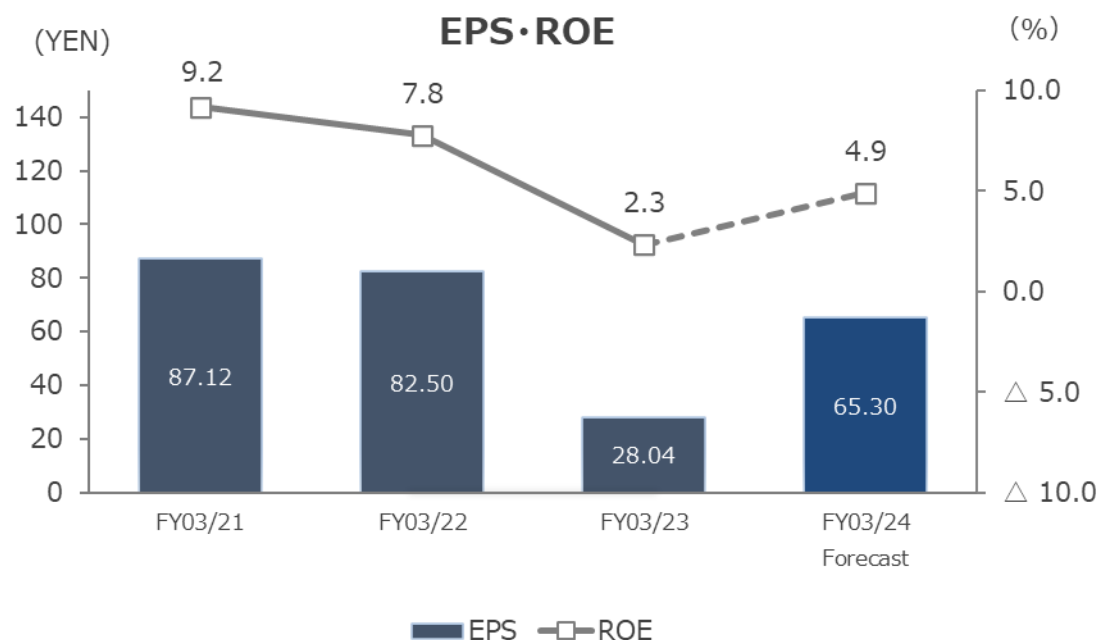
In FY03/24, the EBITDA ratio is expected to improve to 6.2× due to a reduction of interest-bearing debt and an increase in operating profit.



Core KPIs in the Medium-Term Management Plan – (4)

Guidelines for FY03/25

Capital efficiency	ROE	14.0%
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➤ ROE

In FY03/23, profit fell sharply YoY due to lower operating profit as well as growing non-operating losses as a result of the application of inflation accounting in Europe, tax effects, etc.

As a result, EPS fell significantly YoY to hit ¥28.04. ROE also deteriorated significantly, reaching 2.3%, due partly to an increase in equity capital as a result of currency translation adjustments.

In FY03/24, EPS is expected to improve to ¥65.3 and ROE to 4.9% due to a significant recovery in profit.

Forecasts and other forward-looking statements in this document are based on information currently available to the Company and certain assumptions that the Company believes to be reasonable.

Actual results may differ materially from those described in this document due to various factors that may arise in the future.

