

IR Materials

Q2 FY03/23

November 11, 2022

Nipro Corporation



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Business Impact of COVID-19

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. Other domestic and overseas plants are operating normally.

2022												2023			
1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	
		Shanghai, China Impact of lockdown 3/13 - 3/15 Operations suspended 3/16 - 3/20 Limited the share of commuting employees to 10% or less	Shanghai, China 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 scheduled for launch		India Fourth dialyzer line scheduled for launch	

Sales

Dialysis medical devices

Sales of dialyzers were brisk in China, North America, and Japan, but sluggish in Europe. Dialysis centers expanded in Central and South America.

Cardiovascular medical devices

Sales of catheters, both mainstay and new products, grew YoY in China and Japan. Sales of cardiovascular bypass products and HeartMate II were firm.

Surgical medical devices

Although sales of orally administered drugs and external preparations were weak, overall sales increased owing to increased NHI drug prices for injections and higher sales volume.

Pharmaceuticals (own brand)

Although overseas sales remained firm, domestic sales decreased YoY due to customers' inventory adjustments and a drop in orders for end-of-sales items.

Pharmaceuticals (contract manufacturing)

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

PharmaPackaging

Clinical trials

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

Announcement of the sales launch of AIR ZIPPER™ - infection control isolation unit (August 30)

It is a unit that can treat patients in isolation, who are at risk of droplet infections or airborne infections. Infected patients are isolated in a clear tent, while preventing the leakage of air that may contain viruses with a negative pressure device, with HEPA filters for sterilization and air exhaustion.

Q2 FY03/23 Results

							Quarterly Results				
	Q2 FY03/22	Q2 FY03/23	Change	Plan (% progress)	FY03/23 Forecast as of May (% achievement)	FY03/23 Forecast as of November (% achievement)	FY03/22			FY03/23	
	(¥100 million)						Q2	Q3	Q4	Q1	Q2
Net sales	2,421.2	2,603.3	+182.1 +7.5%	2,625.0 99.2%	5,400.0 48.2%	5,518.0 47.2%	1,241.1	1,272.3	1,254.3	1,278.9	1,324.4
Cost of sales	1,684.1	1,814.7	+130.5 +7.8%	1,797.0 101.0%	3,707.0 49.0%	3,842.0 47.2%	866.2	886.2	884.8	886.8	927.9
Gross profit (*2)	737.0 30.4%	788.6 30.3%	+51.5 +7.0%	828.0 95.2%	1,693.0 46.6%	1,676.0 47.1%	374.9 30.2%	386.1 30.3%	369.4 29.5%	392.0 30.7%	396.5 29.9%
SG&A expenses	608.4 25.1%	724.9 27.8%	+116.5 +19.1%	713.0 101.7%	1,418.0 51.1%	1,499.0 48.4%	301.4 24.3%	317.4 24.9%	328.0 26.2%	362.5 28.3%	362.3 27.4%
Operating profit	128.6 5.3%	63.7 2.4%	△64.9 △50.5%	115.0 55.4%	275.0 23.2%	177.0 36.0%	73.4 5.9%	68.7 5.4%	41.4 3.3%	29.5 2.3%	34.1 2.6%
Ordinary profit (*3)	124.3 5.1%	116.0 4.5%	△8.2 △6.7%	114.0 101.8%	266.0 43.6%	266.0 43.6%	72.0 5.8%	81.1 6.4%	70.3 5.6%	73.3 5.7%	42.6 3.2%
Profit attributable to owners of parent	73.0 3.0%	62.5 2.4%	△10.5 △14.4%	67.0 93.3%	156.0 40.1%	156.0 40.1%	40.0 3.2%	37.3 2.9%	24.1 1.9%	52.7 4.1%	9.7 0.7%
Profit in accordance with IFRS (estimate)	87.6	73.8	△13.8 △15.8%	-	185.0 39.9%	185.0 39.9%					

*2: Impact of unrealized gains on gross profit
Q1 FY03/22: ¥712 million
Q1 FY03/23: (¥1,145) million

*3: Foreign exchange gains and losses
Q1 FY03/22: ¥695 million
Q1 FY03/23: ¥6,543 million

Net sales

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

Gross profit

Overall sales grew YoY due to an increase in overseas sales as a result of the yen's depreciation, although sales price hikes in response to rising material, energy, and shipping costs did not proceed as planned. Despite higher net sales, GPM had slightly declined as increases in materials and energy costs were not fully covered.

Operating profit

Operating profit halved due to increases in promotion and travel & transportation expenses accompanying resumption of sales activities and a substantial rise in shipping costs in Japan and overseas.

Ordinary profit Profit

Ordinary profit decreased YoY, although a ¥5.84 billion increase in forex gains. Income before income taxes increased YoY, supported by extraordinary gains on sales of real estate, but the tax burden grew and profit fell from the previous year.

SG&A Expenses

SG&A Expenses

	Q2 FY03/22	Q2 FY03/23		Change	Change (%)	FY03/23 Forecast as of May	FY03/23 Forecast as of November
		Actual	% of Total				
(¥100 million)							
Personnel	205.8	216.4	29.9%	+10.6	+5.2%	442.5	462.1
R&D (*1)	88.0	101.2	14.0%	+13.2	+15.0%	197.5	200.0
Transportation	58.3	110.8	15.3%	+52.5	+90.1%	215.0	227.2
Depreciation (*2)	54.6	53.9	7.4%	△0.7	△1.3%	108.0	109.0
Promotion (*3)	41.0	48.7	6.7%	+7.7	+18.8%	92.0	100.5
Travel & transportation	14.5	20.8	2.9%	+6.3	+43.4%	34.0	36.6
Storage	14.4	18.1	2.5%	+3.7	+25.7%	27.0	32.1
Other	131.5	154.5	21.3%	+23.0	+17.5%	302.0	331.5
Total	608.4	724.9	100.0%	+116.5	+19.1%	1,418.0	1,499.0

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

*2: Depreciation, goodwill amortization

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

R&D (*1) Expenses (consolidated)*

	Q2 FY03/22	Q2 FY03/23	FY03/23 Forecast as of May	FY03/23 Forecast as of November
Medical	40.3	44.1	87.5	91.5
Pharmaceutical	46.3	55.3	108.0	105.0
Pharma-Packaging	1.5	1.8	3.5	3.5
Total	88.0	101.2	199.0	200.0

*Includes R&D expenses included in manufacturing spending

SG&A expenses

Affected by the high global crude oil prices and continued container shortages, transportation (shipping) expenses have increased significantly YoY.

Travel & transportation and promotion expenses rose YoY as COVID-related restrictions were eased. The full-year forecast was revised up by ¥8.1 billion from the initial one due to higher transportation (shipping) and sales promotion costs, an increase in storage fees caused by the relocation of warehouses in Japan, and an increase in overseas labor costs as a result of inflation and the Forex Impact.

R&D expenses

Medical Up YoY, due to the start of a project to develop a dialysis information management system, while clinical trials costs for drug-eluting stents were posted as expenses.

Accordingly, the FY03/23 forecast was revised up by ¥400 million from the initial forecast.

Pharmaceutical Up YoY, due to rises in the purchase cost of active ingredients for development and various clinical trial costs, although costs related to the development of orally administered drugs declined.

PP Up YoY, due to an increase in R&D-related personnel costs.

P&L Excluding Forex Impact

	Q2 FY03/22	Q2 FY03/23	Exchange rate Impact*	FY03/23 Results Excl. Impact	Change (%)
(¥100 million)	[a]	[b]	[c]	[d=b-c]	[d÷a]
Net sales	2,421.2	2,603.3	+112.7	2,490.6	+2.9%
Cost of sales	1,684.1	1,814.7	+59.9	1,754.8	+4.2%
Gross profit	737.0	788.6	+52.8	735.8	△0.2%
(%)	30.4%	30.3%		29.5%	
SG&A expenses	608.4	724.9	+27.6	697.3	+14.6%
Operating profit	128.6	63.7	+25.2	38.5	△70.1%
(%)	5.3%	2.4%		1.5%	
Non-operating income	28.7	88.1	+58.4	29.7	+3.5%
Non-operating expenses	33.0	35.8		35.8	
Ordinary profit	124.3	116.0	+83.6	32.4	△73.9%
Extraordinary income	5.3	25.0		25.0	
Extraordinary losses	8.4	9.6		9.6	
Profit before tax	121.2	131.4	+83.6	47.8	△60.6%
Income taxes	40.4	60.9	+38.7	22.2	△45.2%
Profit attributable to non-controlling interests	7.7	7.9		7.9	
Profit	73.0	62.5	+44.9	17.6	△75.8%

*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-Jun 2022	Jan-Jun 2023
1 USD	108.45	124.52
1 EUR	130.46	135.16
1 CNY	16.76	19.13

FY-end rate	December FY03/21	June FY03/22	December FY03/22	June FY03/23
1 USD	103.50	110.58	115.02	136.68
1 EUR	126.95	131.58	130.51	142.67
1 CNY	15.88	17.11	18.06	20.38

Net Sales and Operating Profit by Segment

Net sales

		(¥100 million)	Change	Change (%)	FY03/23 Forecast (as of May)	FY03/23 Forecast (as of November)
Medical-Related	Q2 FY03/23	2,008.2	+173.8	+9.5%	4,095.0	4,229.6
	Q2 FY03/22	1,834.3				
Pharmaceutical-Related	Q2 FY03/23	341.3	△8.3	△2.4%	790.0	762.6
	Q2 FY03/22	349.7				
PharmaPackaging	Q2 FY03/23	250.4	+16.2	+6.9%	512.0	521.9
	Q2 FY03/22	234.1				

Operating profit

		(¥100 million)	Change	Change (%)	FY03/23 Forecast (as of May)	FY03/23 Forecast (as of November)
Medical-Related	Q2 FY03/23	185.9	△10.0	△5.1%	407.0	406.3
	Q2 FY03/22	195.9				
Pharmaceutical-Related	Q2 FY03/23	8.4	△17.5	△67.4%	99.0	26.0
	Q2 FY03/22	26.0				
PharmaPackaging	Q2 FY03/23	20.9	△0.1	△0.6%	33.0	28.0
	Q2 FY03/22	21.1				

Medical-Related

Net sales grew, but operating profit declined due to soaring shipping costs, primarily overseas, and increased promotion and travel & transportation expenses as COVID-related restrictions were eased.

Pharmaceutical-Related

Net sales were up, but operating profit fell due to sharp increases in material and utility costs, as well as quality enhancement costs.

PharmaPackaging business

Net sales grew, but operating profit declined due to soaring shipping costs, primarily overseas, and increased promotion and travel & transportation expenses as COVID-related restrictions were eased.

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

		(¥100 million)	Change	Change (%)	FY03/23 Forecast (as of May)	FY03/23 Forecast (as of May)
Domestic business	Q1 FY03/23	1,043.1	+44.9	+4.5%	2,220.0	2,179.1
	Q1 FY03/22	998.2				
Medical devices	Q1 FY03/23	587.4	+27.2	+4.9%	1,258.5	1,200.2
	Q1 FY03/22	560.2				
Pharmaceuticals	Q1 FY03/23	455.6	+17.6	+4.0%	961.5	978.9
	Q1 FY03/22	438.0				
Dialyzer domestic sales	Q1 FY03/23	112.1	+2.6	+2.4%	229.6	227.3
	Q1 FY03/22	109.5				

Medical devices

Sales of dialyzers held firm.

Catheter sales rose sharply YoY, supported by growth in sales of mainstay drug-eluting balloons and newly launched PTCA balloon catheters against a backdrop of a recovery in the number of surgeries as COVID-related impacts lessened.

Sales of dialysis equipment remained steady.

Domestic pharmaceuticals

Sales rose YoY, notwithstanding price cuts of orally administered drugs as a result of NHI drug price revisions, thanks to price increases for injection 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)	FY03/23 Forecast (as of November)
Overseas business	Q2 FY03/23	936.1	+120.5	+14.8%	1,828.0	2,003.5
	Q2 FY03/22	815.6				
B2B (other brands)	Q2 FY03/23	113.2	+7.3	+6.9%	229.9	227.6
	Q2 FY03/22	105.9				
Nipro brands	Q2 FY03/23	822.7	+113.1	+15.9%	1,598.0	1,775.9
	Q2 FY03/22	709.6				
Americas	Q2 FY03/23	375.4	+73.9	+24.5%	694.1	796.8
	Q2 FY03/22	301.5				
Europe	Q2 FY03/23	183.9	△15.8	△7.9%	359.8	402.5
	Q2 FY03/22	199.7				
Asia	Q2 FY03/23	142.8	+24.9	+21.1%	289.4	314.5
	Q2 FY03/22	117.9				
China	Q2 FY03/23	120.6	+30.2	+33.4%	254.6	262.0
	Q2 FY03/22	90.4				
Dialyzer	Q2 FY03/23	297.9	+33.9	+12.8%	594.7	652.7
	Q2 FY03/22	264.0				

B2B Nipro brands

While sales of needles for insulin declined, butterfly needles and blood collection needles remained firm. Overall sales are on the rise due to the yen's weakening.

Sales volume of dialyzers continued to grow sharply as demand for products manufactured at Hefei Plant expanded supported by China's promotion of domestically manufactured products.

Sales in North America were favorable buoyed by increased demand. Sales in Europe remained sluggish due to the impact of the Russia-Ukraine conflict.

Sales of dialysis machines were up, as increased demand in Asia made up for lackluster sales in Europe. In other dialysis-related products and regions, progress was made in opening dialysis centers, 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)	FY03/23 Forecast (as of November)
Q2 FY03/23	341.3				
Q2 FY03/22	349.7	△8.3	△2.4%	790.0	

Breakdown of contract manufacturing sales

Generic drugs	Q2 FY03/23	187.2	△3.1	△1.6%	400.6	409.2
	Q2 FY03/22	190.3				
Brand-name drugs Long-listed drugs	Q2 FY03/23	106.4	△10.5	△9.0%	289.8	253.0
	Q2 FY03/22	116.9				
OTC drugs Active ingredients, etc.	Q2 FY03/23	20.3	△0.6	△2.9%	46.7	43.2
	Q2 FY03/22	20.9				
JMI Pharma	Q2 FY03/23	27.2	+5.4	+24.8%	52.9	57.2
	Q2 FY03/22	21.8				

Generic drugs

Down YoY due to customers' inventory adjustments and a decline in orders for end-of-life items.

Brand-name/long-listed drugs OTC drugs, active ingredients, etc.

Down YoY due to a decline in orders for antibiotics in general. Sales were slightly down YoY, as orders for active ingredients were concentrated in FY03/22.

JMI Pharma

Sales rose YoY, thanks to an increase in sales personnel and acquisition of new customers supported by higher promotional spending.

Segment Results – (3) PharmaPackaging

		(¥100 million)	Change	Change (%)	FY03/23 Forecast (as of May)	FY03/23 Forecast (as of May)
Pharma Packaging	Q2 FY03/23	250.4				
	Q2 FY03/22	234.1	+16.2	+6.9%	512.0	521.9
Sales by region						
Japan	Q2 FY03/23	57.6				
	Q2 FY03/22	55.8	+1.8	+3.2%	111.0	115.9
Overseas	Q2 FY03/23	192.7				
	Q2 FY03/22	178.2	+14.5	+8.1%	401.0	406.1
Europe	Q2 FY03/23	102.7				
	Q2 FY03/22	86.4	+16.3	+18.9%	195.5	215.1
Americas	Q2 FY03/23	55.7				
	Q2 FY03/22	49.6	+6.1	+12.3%	105.0	128.7
China	Q2 FY03/23	25.3				
	Q2 FY03/22	35.9	△10.6	△29.5%	87.0	44.3
India	Q2 FY03/23	8.8				
	Q2 FY03/22	6.2	+2.6	+41.9%	13.5	18.0

Japan Up YoY due to increase in shipments of vials for antibiotics and demand for glass tubes for vaccines and physical/chemical science.
Shipments of sponge swabs for testing increased due to the impact of COVID-19.

Overseas Sales of glass tubes were up YoY due to operational recovery in France and stronger demand in Americas and India.
Sales of vials were brisk in Americas and Europe, while demand for generic drugs increased in India, leading to YoY growth.
Sales of ampoules grew thanks to acquisition of a Croatian company in Europe.
Sales lagged in China as demand for vials and syringes for vaccines slowed.

Net Sales by Segment and Product Category

Segment		Medical-Related	Pharmaceutical-Related	Pharma Packaging	Other	Total
Product	(¥100 million)					
Medical devices	Q2 FY03/23	1,504.6	0.0	16.8	0.0	1,521.5
	Q2 FY03/22	668.1	0.0	7.4	0.0	675.5
Pharmaceuticals	Q2 FY03/23	503.3	341.3	1.8	0.0	846.5
	Q2 FY03/22	237.8	163.8	0.8	0.0	402.6
Pharma packaging	Q2 FY03/23	0.1	0.0	230.6	0.0	230.7
	Q2 FY03/22	0.0	0.0	99.6	0.0	99.7
Other	Q2 FY03/23	0.0	0.0	1.1	3.4	4.5
	Q2 FY03/22	0.2	0.0	0.2	1.5	2.0
Total	Q2 FY03/23	2,008.2	341.3	250.4	3.4	2,603.3
	Q2 FY03/22	906.3	163.8	108.2	1.5	1,180.0

*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	Q2 FY03/23	1,014.5	312.7	57.9	3.4	1,388.6
	Q2 FY03/22	489.2	152.0	27.5	1.4	670.3
Overseas total	Q2 FY03/23	993.7	28.6	192.4	0.0	1,214.7
	Q2 FY03/22	417.0	11.8	80.7	0.0	509.7
Americas	Q2 FY03/23	419.4	0.0	53.2	0.0	472.7
	Q2 FY03/22	159.2	0.2	22.1	0.0	181.6
Europe	Q2 FY03/23	224.6	0.3	101.0	0.0	326.0
	Q2 FY03/22	112.7	0.6	39.5	0.0	153.1
China	Q2 FY03/23	152.0	0.1	24.4	0.0	176.6
	Q2 FY03/22	59.2	0.0	14.8	0.0	74.1
Other Asia	Q2 FY03/23	197.5	28.1	13.6	0.0	239.3
	Q2 FY03/22	85.7	10.8	4.1	0.0	100.7
Total	Q2 FY03/23	2,008.2	341.3	250.4	3.4	2,603.3
	Q2 FY03/22	906.3	163.8	108.2	1.5	1,180.0

By region Sales were strong in all regions in Q2 FY03/23, with Japan making up 53.3% of net sales and overseas 46.7%.

By Segment In Medical-Related, sales of dialyzers, needles, dialysis-related products, and vascular products were firm both in Japan and overseas.

In pharmaceutical-related, Sales were down due to a decline in orders from domestic customers caused by inventory adjustments, despite firm overseas sales.

In PharmaPackaging, demand for vials and syringes for vaccines has declined in China but, sales were robust in Japan for vials for antibiotics and glass tubes for vaccines and physical/chemical science, in Americas for vials and glass tubes, and in Europe for ampoules and vials/glass tubes.

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			
		Q2 FY03/22	Q2 FY03/23	Change	Change %	Q2 FY03/22	Q2 FY03/23	Change	Change %	Q2 FY03/22	Q2 FY03/23	Change	Change %
Medical devices	Dialyzers	373.5	410.0	+36.5	+9.8%	264.0	297.9	+33.9	+12.9%	109.5	112.1	+2.5	+2.4%
	Dialysis equipment	105.1	107.9	+2.7	+2.6%	67.7	65.5	△2.2	△3.3%	37.3	42.3	+4.9	+13.3%
	Other dialysis-related products	171.5	211.1	+39.6	+23.1%	132.8	170.2	+37.3	+28.1%	38.6	40.9	+2.2	+5.9%
	Dialysis-related products total	650.2	729.1	+78.8	+12.1%	464.6	533.7	+69.0	+14.9%	185.5	195.3	+9.8	+5.3%
	Needles	201.7	245.9	+44.2	+21.9%	124.1	170.1	+45.9	+37.0%	77.5	75.8	△1.7	△2.3%
	Vascular products	150.6	170.6	+20.0	+13.3%	23.7	32.9	+9.1	+38.7%	126.8	137.6	+10.8	+8.5%
	Infusion-related products	82.1	87.3	+5.2	+6.4%	26.5	31.4	+4.9	+18.5%	55.5	55.9	+0.3	+0.6%
	Testing products	54.2	58.9	+4.6	+8.6%	37.9	41.4	+3.5	+9.3%	16.3	17.5	+1.1	+7.0%
	Diabetes-related products	42.9	43.1	+0.1	+0.5%	35.0	36.6	+1.5	+4.5%	7.8	6.5	△1.3	△17.3%
	Surgical device-related products ^(※1)	29.0	33.2	+4.2	+14.5%	3.4	6.2	+2.8	+82.2%	25.5	26.9	+1.3	+5.4%
	Other products	161.1	151.2	△9.8	△6.1%	100.5	93.0	△7.4	△7.4%	60.5	58.1	△2.3	△3.9%
Category Total	1,372.1	1,519.7	+147.6	+10.8%	816.1	945.7	+129.6	+15.9%	555.9	573.9	+18.0	+3.2%	
Pharmaceuticals (own brand)	Oral drugs	194.7	188.6	△6.0	△3.1%	0.1	0.0	0.0	△62.2%	194.6	188.6	△5.9	△3.1%
	Injection and infusion products	201.5	238.4	+36.8	+18.3%	35.6	46.3	+10.7	+30.1%	165.9	192.0	+26.1	+15.8%
	External preparations and patches	33.3	31.5	△1.8	△5.6%	-	-	-	-	33.3	31.5	△1.8	△5.6%
	Others, in vitro diagnostics, etc.	45.6	44.7	△0.8	△1.8%	1.6	1.4	△0.2	△15.3%	43.9	43.3	△0.5	△1.3%
	Category Total	475.2	503.3	+28.0	+5.9%	37.4	47.8	+10.3	+27.7%	437.8	455.5	+17.7	+4.0%
Pharmaceuticals (contract manufacturing)	Oral drugs	142.4	149.3	+6.9	+4.8%	0.4	0.3	△0.1	△36.5%	141.9	149.0	+7.0	+5.0%
	Injection and infusion products	146.0	127.9	△18.1	△12.4%	1.2	0.6	△0.5	△48.5%	144.8	127.2	△17.5	△12.1%
	External preparations and patches	28.2	25.5	△2.7	△9.8%	0.2	0.2	0.0	△9.6%	28.0	25.3	△2.7	△9.8%
	Others, in vitro diagnostics, etc.	13.4	13.0	△0.4	△3.0%	0.2	0.1	0.0	△26.4%	13.2	12.9	△0.3	△2.6%
	Category Total	330.3	315.8	△14.4	△4.4%	2.1	1.3	△0.8	△39.2%	328.1	314.5	△13.5	△4.1%
Pharmaceuticals (JMI Pharma)	Oral drugs	21.6	27.0	+5.3	+24.9%	21.6	27.0	+5.3	+24.9%	-	-	-	-
	Injection and infusion products	0.2	0.2	0.0	+3.4%	0.2	0.2	0.0	+3.4%	-	-	-	-
	Category Total	21.8	27.2	+5.4	+24.7%	21.8	27.2	+5.4	+24.7%	-	-	-	-

*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)

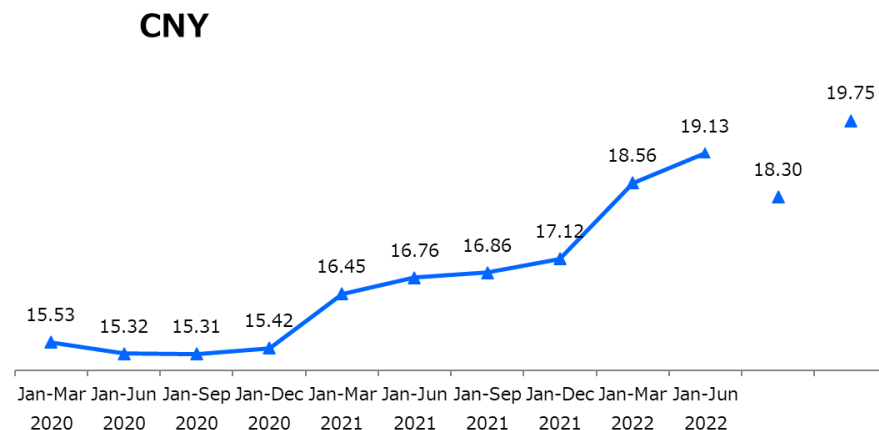
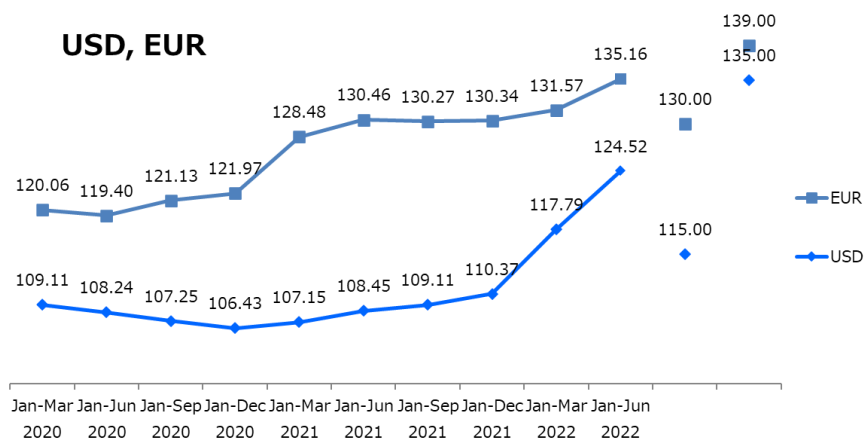
Business Category (¥100 million)		Overall				Overseas				Japan			
		Q2 FY03/22	Q2 FY03/23	Change	Change %	Q2 FY03/22	Q2 FY03/23	Change	Change %	Q2 FY03/22	Q2 FY03/23	Change	Change %
Pharma packaging	Glass tube-related products	47.1	57.4	+10.3	+21.8%	37.1	46.9	+9.8	+26.5%	10.0	10.5	+0.4	+4.7%
	Glass ampoules	23.8	33.5	+9.7	+40.9%	23.7	33.5	+9.7	+41.0%	0.0	0.0	0.0	+12.2%
	Glass vials	82.5	79.8	△2.7	△3.3%	74.6	71.1	△3.5	△4.7%	7.9	8.7	+0.7	+9.9%
	Glass syringes	30.4	28.7	△1.6	△5.6%	30.2	28.4	△1.7	△5.7%	+0.2	0.2	0.0	+17.3%
	Rubber stoppers and plugs	9.8	9.8	0.0	+0.0%	3.8	3.7	△0.1	△3.1%	6.0	6.1	+0.1	+2.0%
	Plastic containers	10.9	9.2	△1.6	△15.4%	0.0	0.0	0.0	△99.0%	10.8	9.2	△1.6	△14.8%
	Thermos bottles	1.8	1.8	0.0	+1.4%	-	-	-	-	1.8	1.8	0.0	+1.4%
	Other products	10.0	10.0	0.0	+0.2%	8.1	8.5	+0.4	+5.0%	1.8	1.4	△0.3	△20.8%
Category Total		216.7	230.7	+14.0	+6.5%	177.8	192.3	+14.5	+8.2%	38.9	38.3	△0.5	△1.4%
Regenerative medicines	Regenerative medicine products	1.2	1.7	+0.5	+44.0%	-	-	-	-	1.2	1.7	+0.5	+44.0%
Other	Sales of production machinery and real estate leasing	3.5	4.5	+0.9	+27.2%	0.3	0.2	△0.1	△34.3%	3.2	4.3	+1.1	+34.0%
Consolidated Total		2,421.2	2,603.3	+182.1	+7.5%	1,055.8	1,214.7	+158.9	+15.1%	1,365.3	1,388.6	+23.2	+1.7%

Exchange Rate Sensitivity

Annual impact of a ¥1 change in exchange rate

(¥100 million)	USD	EUR	CNY
Net sales	8.9	4.4	18.3
Operating profit	0.8	1.8	12.2

Average exchange rate



Capex and Depreciation

	Capex				Depreciation			
	Q2 FY03/22	Q2 FY03/23	FY03/23 Forecast as of May Progress vs. Plan	FY03/23 Forecast as of November Progress vs. Plan	Q2 FY03/22	Q2 FY03/23	FY03/23 Forecast as of May Progress vs. Plan	FY03/23 Forecast as of November Progress vs. Plan
(¥100 million)								
Medical-Related	134.6	245.9	311.7 78.9%	430.0 57.2%	45.5	49.6	192.0 25.8%	204.5 24.3%
Pharmaceutical-Related	118.1	109.3	182.5 59.9%	187.5 58.3%	30.4	31.0	141.0 22.0%	133.0 23.3%
PharmaPackaging	36.3	62.8	123.0 51.1%	179.0 35.1%	11.3	11.8	52.5 22.5%	53.0 22.3%
Other	14.1	16.6	15.0 110.7%	121.0 13.7%	11.3	11.4	36.5 31.2%	62.0 18.4%
Total	303.1	434.7	632.2 68.8%	917.5 47.4%	98.8	103.9	422.0 24.6%	452.5 23.0%

* 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, capex increased substantially YoY as expenses related to the construction of the Odate No. 7 Plant for dialyzers were recorded.

The FY03/23 forecast also showed a large increase from the initial forecast, due to an earlier posting in the second half of FY03/23 of equipment costs related to the construction of the Odate No. 7 Plant, which were planned to be posted in FY03/24.

In Pharmaceutical-Related, capex declined slightly YoY, despite the posting of equipment expenses related to the construction of a new Nipro Pharma Ohmi Plant. It is because equipment expenses related to the construction of a new building at the Nipro Pharma Ise Plant inflated the figure in the previous year.

In PharmaPackaging, capex increased YoY due to the recording of the cost of tank expansion in the US, as well as the recording of the cost of repairing and installing new glass furnaces in France, which was shifted from the previous year to this year. The Company's FY03/23 forecast also rose sharply from its initial forecast, due to a delay in the accounting for repairs and new construction costs for a glass kiln in France.

In addition, capital investment expenses for the new head office building, planned to be posted in the next fiscal year, are expected to be delayed to the second half of the fiscal year, leading to a significant increase from the initial forecast.

Depreciation

Depreciation was within the budget and flat YoY as there were no substantial delays in construction in all segments, and all facilities were able to begin operations.

FY03/23 Forecast Changes (by Business Segment)

Medical-Related

Breakdown	(¥100 million)	FY03/22 Actual	FY03/23 Forecast (as of May)	FY03/23 Forecast (as of November)	FY03/23 Forecast Change	FY03/23 Forecast Change %
Domestic Medical devices		1,152.1	1,258.5	1,200.2	△58.3	-4.6%
Pharmaceuticals		873.7	961.5	978.9	+17.4	1.8%
Overseas B2B		216.5	229.9	227.6	△2.3	-1.0%
Americas		620.5	694.1	796.8	+102.7	14.8%
Europe		379.1	359.8	402.5	+42.7	11.9%
Asia		246.0	289.4	314.5	+25.1	8.7%
China		205.6	254.6	262.0	+7.4	2.9%
Plant Direct sales		41.3	47.2	47.1	△0.1	-0.2%
Total sales		3,734.8	4,095.0	4,229.6	+134.6	3.3%
Operating profit		392.4	407.0	406.3	△0.7	-0.2%
(%)		10.5%	9.9%	9.6%	-	-

Net sales

Sales forecast for domestic medical devices is revised down, due to the substantial impact of inventory adjustments caused by the lockdown in Shanghai since the first half of this fiscal year. Positive contributors, which did not reverse the downward revision, include selling vaccination syringes to the Ministry of Health, Labour and Welfare, a further increase in the market share of HDF dialyzers, price hike of overall consumables, and rapid expansion of new product sales.

Sales forecast for domestic pharmaceuticals is revised up, with efforts to increase the market share of existing products, while expecting sales growth with a central focus on Nexium AG.

Sales in overseas segment are expected to grow due to the yen's further weakening. Meanwhile, Americas see a demand increase and steady sales growth of large-size syringes for vaccines, while India continues its strong sales, leading to an upward revision of the forecast.

Operating profit

The downward revision of operating profit forecast is mainly due to the lack of progress in the overseas segment in passing on rising material, energy, and transportation (shipping) costs to retail prices.

Pharmaceutical-Related

Breakdown	(¥100 million)	FY03/22 Actual	FY03/23 Forecast (as of May)	FY03/23 Forecast (as of November)	FY03/23 Forecast Change	FY03/23 Forecast Change %
GE products		399.1	400.6	409.2	+8.6	2.1%
Brand-name/long-listed drugs		257.0	289.8	253.0	△36.8	-12.7%
OTC drugs, active ingredients		40.0	46.7	43.2	△3.5	-7.5%
JMI Pharma		47.5	52.9	57.2	+4.3	8.1%
Total sales		743.8	790.0	762.6	△27.4	-3.5%
Operating profit		98.2	99.0	26.0	△73.0	-73.7%
(%)		13.2%	12.5%	3.4%	-	-

Net sales

Overall sales forecast is revised down. Despite steady overseas sales, customers' inventory adjustments, a decline in orders for end-of-life items, and delays in shipments of some products are negative contributors to domestic sales.

Operating profit

Operating profit forecast is revised down, due to a decrease in net sales as well as expected cost hikes caused by a sharp rise in raw materials and energy costs.

PharmaPackaging

Breakdown	(¥100 million)	FY03/22 Actual	FY03/23 Forecast (as of May)	FY03/23 Forecast (as of November)	FY03/23 Forecast Change	FY03/23 Forecast Change %
Japan		115.1	111.0	115.9	+4.9	4.4%
Europe		170.4	195.5	215.1	+19.6	10.0%
Americas		94.6	105.0	128.7	+23.7	22.6%
China		71.0	87.0	44.3	△42.7	-49.1%
India		12.3	13.5	18.0	+4.5	33.3%
Total sales		463.6	512.0	521.9	+9.9	1.9%
Operating profit		28.8	33.0	28.0	△5.0	-15.2%
(%)		6.2%	6.4%	5.4%	-	-

Net sales

Net sales forecast of PharmaPackaging is revised up. The impact of lower sales in China is expected to be offset by the continued sales growth in Americas, Europe, and India.

Operating profit

The operating profit forecast thereof is revised down, as efforts to pass on rising raw material and energy costs to retail prices will only partially offset the negative impact.

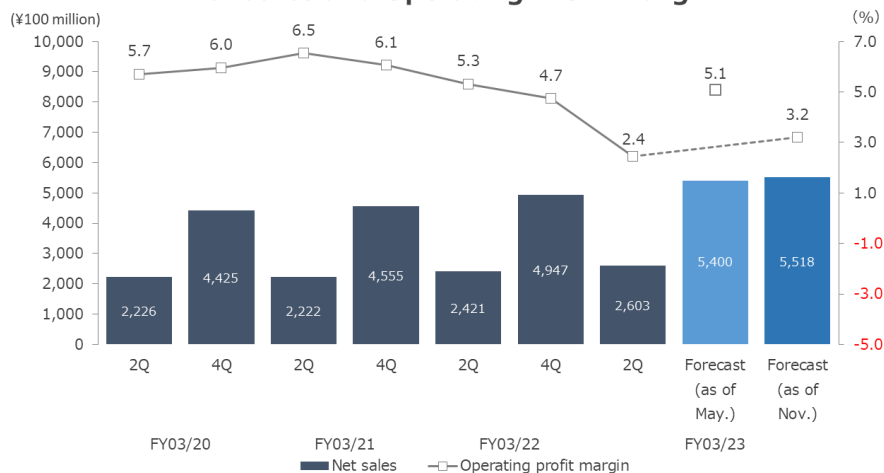
Core KPIs in the Medium-Term Management Plan – (1)

Guidelines for FY03/25

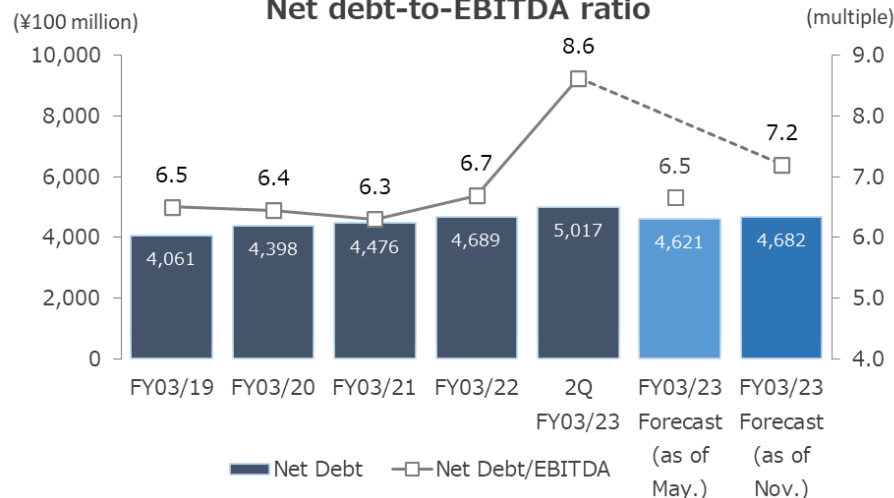
Growth	Sales CAGR	7.0% or higher
Profitability	Operating margin	9.0% or higher

Financial health	Net debt-to-EBITDA ratio in the 4x range
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Net Sales and Operating Profit Margin



Net debt-to-EBITDA ratio



➤ Sales growth rate

Due largely to the slowdown in growth caused by the coronavirus pandemic, the average annual sales growth rate through FY03/22 was 5.8%, which was below the guideline. Growth in the first half of FY03/23 was 7.5% YoY.

For the full FY03/23, the Company revised up its sales forecast, taking into account an upward trend in overseas sales due to the yen's depreciation around the world. As a result, sales growth rate is expected to be 11.5%, exceeding the guideline.

➤ Operating profit margin

The operating profit margin gradually improved through FY03/21, but has since declined.

In the first half of FY03/23, the margin plummeted to 2.4% due to soaring transportation (shipping) and raw material costs. The Company lowered its full FY03/23 operating profit margin forecast to 3.2% YoY, as rising transportation (shipping) and raw material costs are expected to continue in the second half.

➤ Net interest-bearing debt

Net interest-bearing debt is on the rise due to growth of capex through FY03/22.

In the first half of FY03/23, growth of capex for the new Odate Plant and the new Nipro Pharma Ohmi Plant has kept the interest-bearing debt higher. In the second half, the Company will pursue more profit and keep new borrowing in check, leading to a downward revision of the FY03/23 forecast and suppressing the year-end net interest-bearing debt to about the same level YoY.

➤ Net Debt/EBITDA ratio

In FY03/22, the EBITDA ratio increased to 6.7x due to an increase in net interest-bearing debt in addition to a decrease in operating profit.

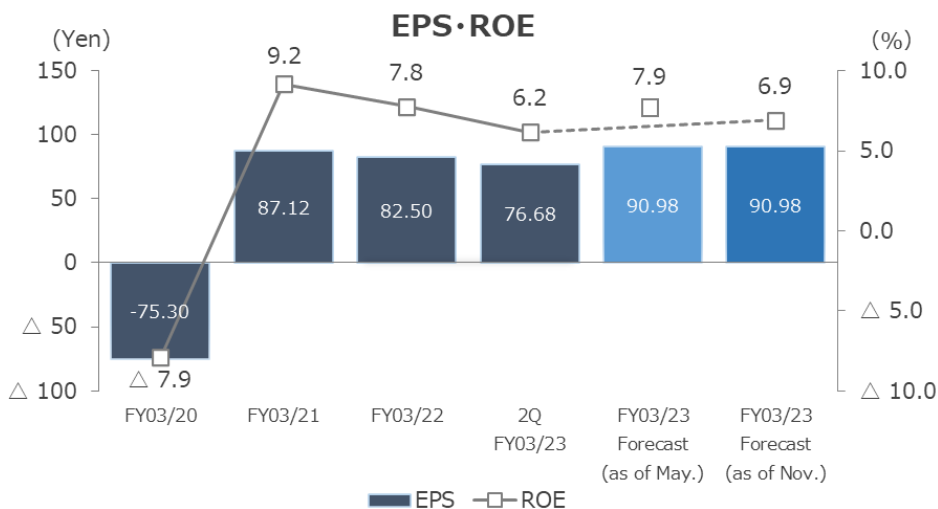
In the first half of FY03/23, the EBITDA ratio deteriorated to 8.6x, due to a further decline in operating profit caused by the soaring transportation (shipping) and raw material costs.

Despite efforts to reduce interest-bearing debt in the second half, the full-year EBITDA ratio forecast of 7.2x (revised down) is higher YoY.

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

Guidelines for FY03/25

Capital efficiency ROE 14.0%



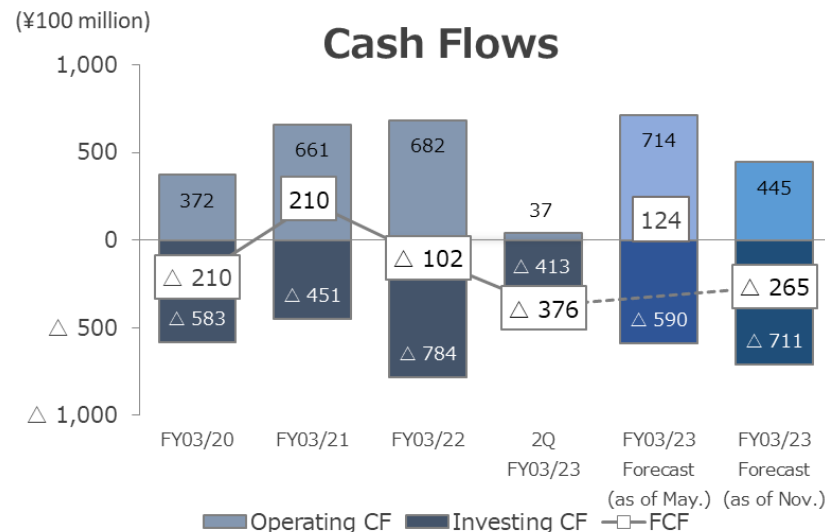
➤ ROE

In the first half of FY03/23, a decline in operating profit due to soaring expenses across the board has failed to be covered by a larger forex gains, leading to a slight decrease in net income YoY.

As a result, EPS remained below the full-year forecast at an annualized level of ¥76.68. In addition, as equity capital increased due to currency translation adjustments accompanying the rapid depreciation of the yen, ROE was annualized at 6.2%, slightly below the previous year's level.

For FY03/23, EPS will stay at the year's initial forecast, but ROE is revised down and will decline YoY.

Investment efficiency Achieve positive free cash flow



➤ Free CF

Although operating cash flow remained high in FY03/22, new investment expenditure increased significantly, and free cash flow was -¥10.2 billion. In the first half of FY03/23, the operating cash flow remained low at ¥3.7 billion, reflecting an increase in inventories, compensation payments for disputed projects, and an increase in weight of forex gains in pretax income. As a result, free cash flow also turned minus significantly.

In the second half of FY03/23, operating cash flow is expected to improve significantly due to the promotion of securitization of receivables and the reduction of inventories. However, the full-year forecast of free cash flow is revised downward and will deteriorate YoY, as the negative impact of investment cash flow will not be offset.

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.

