

# IR Materials

Q4 FY03/24

May 10, 2024

NIPRO CORPORATION



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# Business Overview

## Manufacturing, Purchasing, Logistics

The new installation of dialyzer lines (India, Odate, Akita and Hefei, China) in FY03/24 is shown below.

The 4th line at the Hefei, China Plant was put in operation in March 2024. The 10th line and the 11th line at the Odate, Akita Plant will start operation in October 2024 and April 2025, respectively.

2023												2024												2025			
1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4
	India 4th line of dialyzers began operations	Odate 5th Plant Fire broke out Part of dialyzer production line damaged							Odate Plant 8th line of dialyzers began operations					Hefei Plant 4th line of dialyzers began operations	Odate Plant 9th line of dialyzers began operations			Odate Plant 7th line of FB dialyzers began operations			Odate Plant 10th line of dialyzers began operations					Odate Plant 11th line of dialyzers began operations	

## Sales

Dialysis medical devices: Sales of dialyzers increased due to the winning of large projects in Europe and the U.S. and the spread of single-use products in Asia. Dialysis centers multiplied in Central and South America.

Vascular-related products: Sales of drug-eluting balloons decreased due to the impact of the entry of other company into the domestic market, in which we were dominant.

SD-related products: HeartMate 3 remained steady due to an indication expansion (the range of diseases for which the drug is said to be effective expanded).

Pharmaceuticals (own brand): Sales of the oral drug Nexium AG were robust, while sales of injections grew significantly due to higher NHI drug prices of re-priced unprofitable products.

Pharmaceuticals (contract manufacturing): In Japan, sales of oral drugs fell YoY due to customers' inventory adjustments, while those of injections increased thanks to an increase in orders received.  
Overseas, JMI Pharma enjoyed steady sales.

Pharma Packaging: In the U.S. and Europe, sales of glass tubes increased due to the yen's depreciation and the passing on of costs to sales prices.  
Growth in demand for vials in the U.S. and syringes and ampoules in Europe contributed to higher sales.

## Clinical trials

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

## Nipro Pharma's Odate Plant obtained U.S. Food and Drug Administration (FDA) approval for manufacturing facilities.

In respect of lyophilized antibacterial injectable formulation of lyophilized antimicrobial agent, a contract manufacturing product, the company proceeded with the establishment of a production line for the purpose of supplying this product to the U.S. and obtained approval from the FDA for the manufacture of this product after an onsite inspection took place in January 2024. The FDA approval of Nipro Pharma is its second after the Kagamiishi Plant.

# FY03/24 Results

	FY03/23	FY03/24	Change	FY03/24 Forecast as of May (% achievement)	FY03/24 Forecast as of November (% achievement)	FY03/25 Forecast (% achievement)
(¥100 million)						
Net sales	5,451.9	<b>5,867.8</b>	+415.8 +7.6%	5,992.4 97.9%	5,992.4 97.9%	<b>6,450.0</b>
Cost of sales	3,817.4	<b>4,154.6</b>	+337.1 +8.8%	4,194.6 99.0%	4,199.1 98.9%	<b>4,525.0</b>
Gross profit (*1)	1,634.4 30.0%	<b>1,713.2</b> 29.2%	+78.7 +4.8%	1,797.7 95.3%	1,793.3 95.5%	<b>1,925.0</b> 29.8%
SG&A expenses	1,457.2 26.7%	<b>1,489.8</b> 25.4%	+32.6 +2.2%	1,557.7 95.6%	1,553.3 95.9%	<b>1,600.0</b> 24.8%
Operating profit	177.2 3.3%	<b>223.3</b> 3.8%	+46.0 +26.0%	240.0 93.0%	240.0 93.0%	<b>325.0</b> 5.0%
Ordinary profit (*2)	153.4 2.8%	<b>195.0</b> 3.3%	+41.6 +27.1%	206.5 94.4%	206.5 94.4%	<b>276.0</b> 4.3%
Profit attributable to owners of parent	45.7 0.8%	<b>111.0</b> 1.9%	+65.3 +142.9%	112.0 99.1%	112.0 99.1%	<b>158.0</b> 2.4%
Profit in accordance with IFRS (estimate)	62.7	<b>136.1</b>	+73.4 +117.1%	133.0 102.3%	133.0 102.3%	<b>182.0</b> 4.0%

Quarterly Results				
FY03/23	FY03/24			
Q4	Q1	Q2	Q3	Q4
1,272.3	1,405.9	1,452.7	1,532.7	<b>1,476.5</b>
886.2	975.3	1,025.3	1,070.0	<b>1,084.0</b>
386.1	430.6	427.4	462.7	<b>392.5</b>
30.3%	30.6%	29.4%	30.2%	26.6%
317.4	357.2	365.9	373.9	<b>392.8</b>
24.9%	25.4%	25.2%	24.4%	26.6%
68.7	73.3	61.5	88.8	<b>△ 0.3</b>
5.4%	5.2%	4.2%	5.8%	△0.0%
81.1	89.0	58.3	52.8	<b>△ 5.1</b>
6.4%	6.3%	4.0%	3.4%	△0.3%
37.3	40.9	58.4	26.9	<b>△15.2</b>
2.9%	2.9%	4.0%	1.8%	△1.0%

\*1: Impact of unrealized gains on gross profit  
FY03/23: (¥680)million  
FY03/24: ¥470 million

\*2: Foreign exchange gains and losses  
FY03/23: ¥2,120 million  
FY03/24: ¥2,520 million

- **Net sales** Drug sales in Japan increased due to strong sales of Nexium AG and an increase in NHI drug prices of injections as a result of unprofitable product re-pricing. In overseas markets, sales of medical devices were weak in China, but strong in other regions. In Pharma Packaging, sales of glass tubes grew in Europe and the U.S.
- **Gross profit** Gross profit margin decreased YoY due to a year-on-year increase in performance-based term-end bonuses in Japan, a rise in labor costs due to wage increases linked to rising prices in Europe, higher depreciation costs resulting from continued capital investment, and an increase in electricity costs.
- **Operating profit** Operating profit increased YoY due to a decrease in transportation costs owing to a decline in container costs overseas and reduced R&D expenses.
- **Ordinary profit** Ordinary profit margin increased YoY as net foreign exchange gains increased by ¥430 million, and European subsidiaries recorded non-operating expenses by application of inflation accounting in the previous year.
- **Profit** Despite a loss on the transfer of interests of subsidiaries of ¥1,670 million, a gain on the sale of cross-held stocks increased by ¥1,720 million. Profit increased YoY because tax adjustments mainly from the reversal of deferred tax assets were recorded in the previous year.

# SG&A Expenses

	FY03/23	FY03/24		Change	Change (%)	FY03/24 Forecast as of May	FY03/24 Forecast as of	03/25 Forecast
		Actual	% of Total					
(¥100 million)								
Personnel	400.0	481.8	32.3%	+81.8	+20.5%	474.2	504.2	514.5
R&D (*1)	212.9	186.5	12.5%	△26.4	△12.4%	190.5	170.8	190.0
Transportation	210.1	140.9	9.5%	△69.2	△32.9%	186.4	140.0	176.4
Depreciation (*2)	124.6	133.8	9.0%	+9.2	+7.4%	115.3	132.0	132.8
Promotion (*3)	99.5	90.9	6.1%	△8.6	△8.6%	102.0	102.0	96.5
Travel & transportation	36.9	43.8	2.9%	+6.9	+18.7%	47.2	53.0	52.2
Storage	34.9	38.5	2.6%	+3.6	+10.3%	35.3	35.3	32.0
Other	337.7	373.3	25.1%	+35.6	+10.6%	406.6	416.0	405.6
<b>Total</b>	<b>1,457.2</b>	<b>1,489.8</b>	<b>100.0%</b>	<b>+32.6</b>	<b>+2.2%</b>	<b>1,557.7</b>	<b>1,553.3</b>	<b>1,600.0</b>

\*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 increased ¥8,180 million YoY due to the impact of the yen's depreciation and a rise in the number of employees overseas and a year-on-year increase in performance-based term-end bonuses in Japan.
- **R&D expenses** R&D expenses fell ¥2,640 million YoY. The main factors are explained in the later slide.
- **Transportation costs** Overseas container freight costs, etc., have declined since the end of 2022. As a result, transportation costs fell ¥6,920 million YoY.
- **Depreciation** Depreciation increased ¥920 million YoY mainly due to license amortization of Nexium AG, etc.
- **Travel and transportation expenses** Travel and transportation expenses grew ¥690 million YoY due to the gradual resumption of face-to-face sales and business travel as the impact of COVID-19 eased.
- **Items other than the above** The main factors for the increases are explained in the next slide.

# SG&A Expenses: Additional Information

	FY03/23	FY03/24		Change	Change (%)	FY03/24 Forecast as of May	FY03/24 Forecast as of November	03/25 Forecast
		Actual	% of Total					
(¥100 million)								
Commission expenses	68.9	73.9	5.0%	+5.0	+7.2%	62.6	67.0	99.9
Rent expenses	49.0	51.4	3.5%	+2.5	+5.0%	60.6	51.0	61.4
Taxes and dues	26.5	26.3	1.8%	△0.2	△0.8%	19.4	7.3	15.7
PROVISION OF allowance for doubtful accounts	14.4	16.2	1.1%	+1.8	+12.4%	6.7	4.5	12.4
Meeting expenses	7.3	7.6	0.5%	+0.3	+3.8%	9.2	9.2	2.4
Other	171.6	197.9	13.3%	+26.3	+15.3%	248.1	276.9	213.8
<b>Total</b>	<b>337.7</b>	<b>373.3</b>	<b>25.1%</b>	<b>+35.6</b>	<b>+10.5%</b>	<b>406.6</b>	<b>416.0</b>	<b>405.6</b>

- **Commission expenses** Commission expenses grew ¥500 million YoY. The reasons for this were increases in cloud services for internal use, maintenance fees for the network at the new head office, and expenses related to litigation and patents.
- **Rent expenses** Rent expenses rose ¥250 million YoY due to the relocation and expansion of logistics warehouses for medical devices and pharmaceutical products in Japan.
- **Taxes and dues** Taxes and dues decreased ¥20 million yen YoY due to a decrease in non-deductible consumption taxes.
- **Meeting expenses** Meeting expenses were up ¥30 million YoY due to the resumption of face-to-face meetings as the impact of COVID-19 eased.

# SG&A Expenses: R&D Expenses

(¥100 million)	FY03/23	FY03/24	Change (Change %)	FY03/24 Forecast as of May (% achievement)	FY03/24 Forecast as of November (% achievement)	FY03/25 Forecast
Medical	90.4	87.3	△3.1 △3.4%	88.1 99.1%	81.2 107.5%	101.6
Pharmaceutical	119.1	95.8	△23.4 △19.6%	99.5 96.3%	86.5 110.8%	85.0
Pharma Packaging	3.4	3.1	△0.2 △6.1%	2.9 106.9%	3.1 100.0%	3.4
Total	212.9	186.5	△26.4 △12.4%	190.5 97.9%	170.8 109.2%	190.0

- **Medical** Down ¥310 million YoY this year because we posted clinical trial expenses related to drug-eluting stents for coronary arteries last year.
- **Pharmaceutical** Down ¥2,340 million YoY due to more clinical trials being conducted in the previous year.
- **PP** The cost for developing new glass products decreased ¥20 million YoY.

# Capex and Depreciation

	Capex							Depreciation					
	FY03/23	FY03/24	Change (Change %)	FY03/24	FY03/24	FY03/24	FY03/25 Forecast	FY03/23	FY03/24	Change (Change %)	FY03/23	FY03/23	FY03/25 Forecast
				Forecast as of May (% achievement)	Forecast as of November (% achievement)	Forecast as of February (% achievement)					Forecast as of May (% achievement)	Forecast as of November (% achievement)	
(¥100 million)													
Medical-Related	445.8	336.5	△109.3 △24.5%	197.1 170.7%	306.8 109.7%	381.7 88.2%	384.0	224.6	291.1	+66.5 +29.6%	252.6 115.2%	265.4 109.7%	318.1
Pharmaceutical-Related	233.5	316.5	83.0 +35.5%	277.0 114.3%	162.1 195.2%	277.0 30.0%	103.0	133.6	150.3	+16.7 +12.5%	154.9 97.0%	147.5 101.9%	156.1
Pharma Packaging	155.6	144.5	△11.1 △7.1%	96.3 150.1%	96.3 150.1%	131.3 110.1%	125.0	54.7	63.7	+9.0 +16.5%	60.4 105.5%	63.7 100.0%	67.7
Other	124.8	63.6	△61.2 △49.0%	50.9 125.0%	56.1 113.4%	59.8 106.4%	12.0	49.6	55.0	+5.4 +10.9%	55.7 98.7%	58.0 94.8%	56.2
Total	959.9	861.3	△98.6 △10.3%	621.3 138.6%	621.3 138.6%	849.8 101.4%	624.0	462.7	560.3	+97.6 +21.1%	523.6 107.0%	534.6 104.8%	598.1

\*From this fiscal year, the presentation format of capital expenditures has been changed from an acceptance basis to a recording basis.

## ● Capex

In Medical-Related, capex totaled ¥33,650 million due to the recording of investments including ¥25,000 million spent on a new building for dialyzers in the Odate Plant and ¥2,750 million injected in increasing production capacity to meet a demand increase for GLP-1.

In Pharmaceutical-Related, following the previous fiscal year, Nipro Pharma posted ¥18,500 million for the new construction of the Ohmi Plant, ¥1,600 million for an expansion of the syringe line at the Ise Plant and ¥1,600 million for the new construction of a QC center in the Saitama Plant.

Zensei Pharmaceutical recorded ¥3,600 million for the installation of a new packaging line at the Izumi Plant, and JMI Pharma posted ¥900 million for a new production building for injectable drugs. The total amount reached ¥31,650 million.

Pharma Packaging recorded ¥5,100 million for NPG, ¥3,000 million for NPF, ¥2,200 million for NPA, and ¥1,700 million yen for NPH, etc., totaling ¥14,450 million.

Other items included recordings of ¥4,200 million for new construction in the Saitama Pharmaceutical Research Institute and ¥1,200 million for information systems, for a total of ¥6,360 million.

## ● Depreciation

In Medical-Related, depreciation increased ¥6,650 billion YoY due to new recordings of investments in building a new dialyzer facility at the Odate Plant and increasing production capacity of insulin needles in response to demand growth for GLP-1.

In Pharmaceutical-Related, capex for the next fiscal year will be curbed, and an increase in depreciation too is likely to be held down.

In PP, an increase in depreciation for the next fiscal year is expected to be below ¥400 million.



# P&L Excluding Forex Impact

	FY03/23	FY03/24	Exchange rate Impact*	FY03/24 Results Excl. Impact	Change (%)
(¥100 million)	[a]	[b]	[c]	[d=b-c]	[d÷a]
Net sales	5,451.9	5,867.8	+164.4	<b>5,703.4</b>	+4.6%
Cost of sales	3,817.4	4,154.6	+84.8	<b>4,069.8</b>	
Gross profit	1,634.4	1,713.2	+79.6	<b>1,633.6</b>	△0.0%
(%)	30.0%	29.2%		<b>28.6%</b>	
SG&A expenses	1,457.2	1,489.8	+40.6	<b>1,449.2</b>	
Operating profit	177.2	223.3	+39.0	<b>184.3</b>	+4.0%
(%)	3.3%	3.8%		<b>3.2%</b>	
Non-operating income	73.0	89.4	+4.3	<b>85.1</b>	
Non-operating expenses	96.8	117.6		<b>117.6</b>	
Ordinary profit	153.4	195.0	+43.3	<b>151.7</b>	△1.1%
Extraordinary income	57.7	78.7		<b>78.7</b>	
Extraordinary losses	43.4	81.6		<b>81.6</b>	
Profit before tax	167.7	192.1	+43.3	<b>148.8</b>	△11.3%
Income taxes	108.4	70.4	+15.9	<b>54.5</b>	
Profit attributable to non-controlling interests	13.6	10.6		<b>10.6</b>	
Profit	45.7	111.0	+27.4	<b>83.6</b>	+82.9%

Average exchange rate	Jan-Dec 2022	Jan-Dec 2023	FY-end rate	Mar. 2022	Jun. 2022	Sep. 2022	Dec. 2022	Mar. 2023	Jun. 2023	Sep. 2023	Dec. 2023	Mer. 2024
1 USD	136.85	141.20	1 USD	122.39	136.68	144.81	132.70	133.53	144.99	149.58	141.83	151.41
1 EUR	140.83	153.17	1 EUR	136.70	142.67	142.32	141.47	145.72	157.60	158.00	157.12	163.24
1 CNY	19.81	19.87	1 CNY	19.26	20.38	20.37	19.01	19.42	19.94	20.46	19.93	20.83

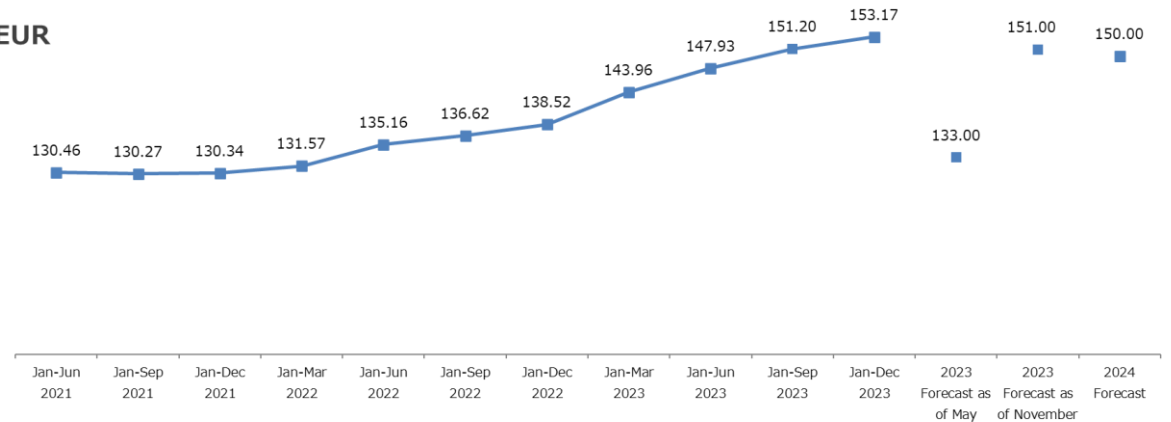
# Exchange Rate Sensitivity

## Annual impact of a ¥1 change in exchange rate

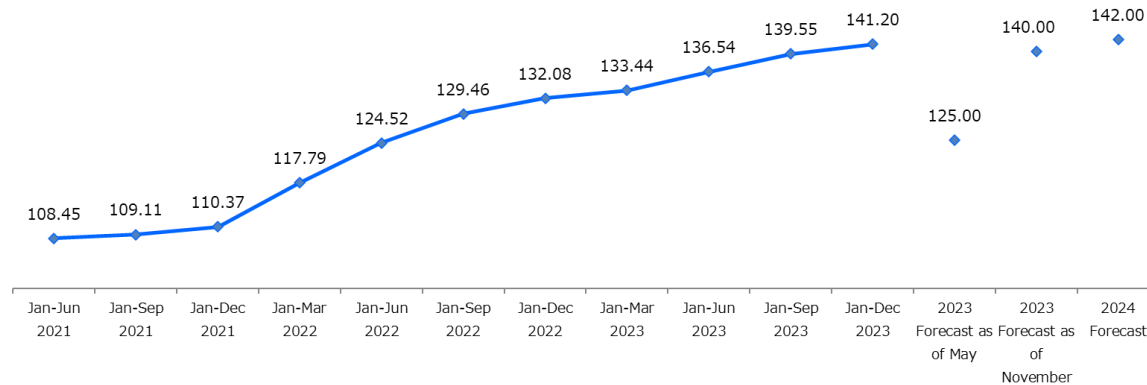
(¥100 million)	USD	EUR	CNY
Net sales	9.1	5.3	18.9
Operating profit	0.8	1.9	10.0

## Average exchange rate

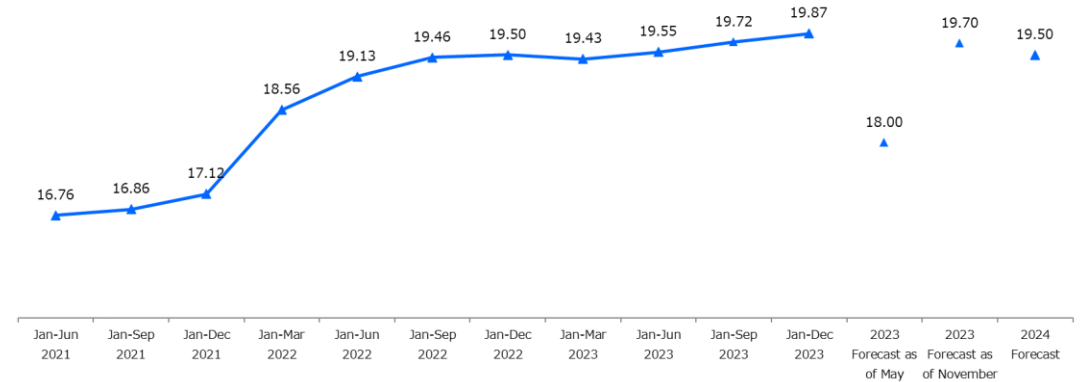
### EUR



### USD



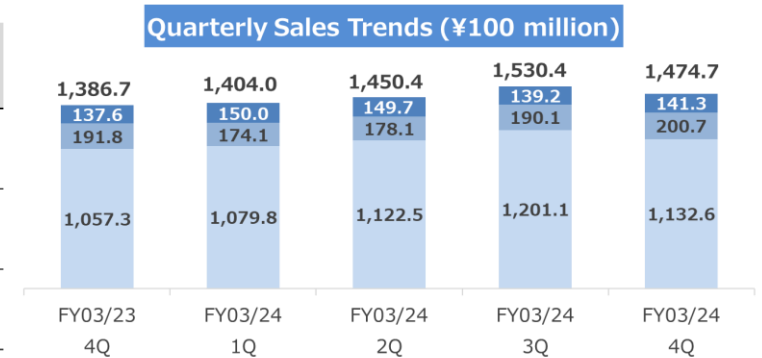
### CNY



# Net Sales and Operating Profit by Segment

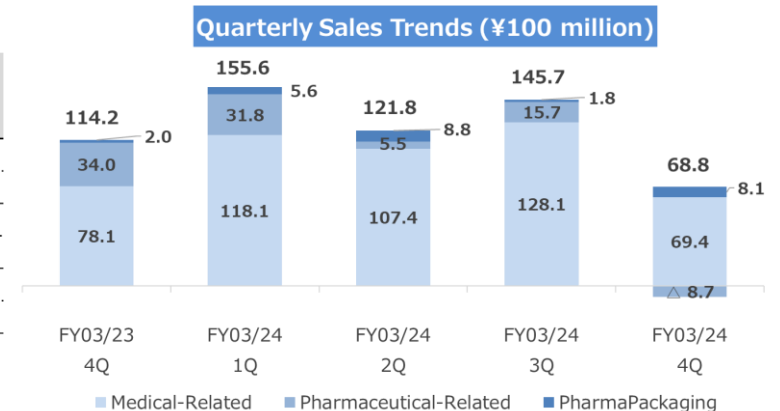
(¥100 million)

Net sales	FY03/23	FY03/24	Change (Change %)	FY03/24 Forecast as of May	FY03/24 Forecast as of November	FY03/25 Forecast
Medical-Related	4,199.5	4,536.1	+336.6 +8.0%	4,602.0	4,664.9	5,013.0
Pharmaceutical-Related	727.3	743.2	+15.9 +2.2%	797.0	715.0	812.5
Pharma Packaging	517.5	580.3	+62.8 +12.1%	589.1	608.1	618.2



(¥100 million)

Operating profit	FY03/23	FY03/24	Change (Change %)	FY03/24 Forecast as of May	FY03/24 Forecast as of November	FY03/25 Forecast
Medical-Related	385.9 9.2%	423.2 9.3%	+37.3 +9.7%	433.1 9.4%	453.4 9.7%	471.0 9.4%
Pharmaceutical-Related	56.1 7.7%	44.3 6.0%	△11.8 △21.0%	71.7 9.0%	36.0 5.0%	90.3 11.1%
Pharma Packaging	27.3 5.3%	24.5 4.2%	△2.8 △10.3%	23.2 3.9%	23.4 3.8%	26.0 4.2%



- **Medical-Related**

Despite rising labor costs and depreciation, operating profit increased YoY due to strong sales of Nexium AG and higher NHI drug prices of re-priced unprofitable products in injections in domestic pharmaceuticals, and brisk overseas sales.

- **Pharmaceutical-Related**

Operating profit decreased YoY due to disposal despite passing on higher costs to sales prices.

- **Pharma Packaging Business**

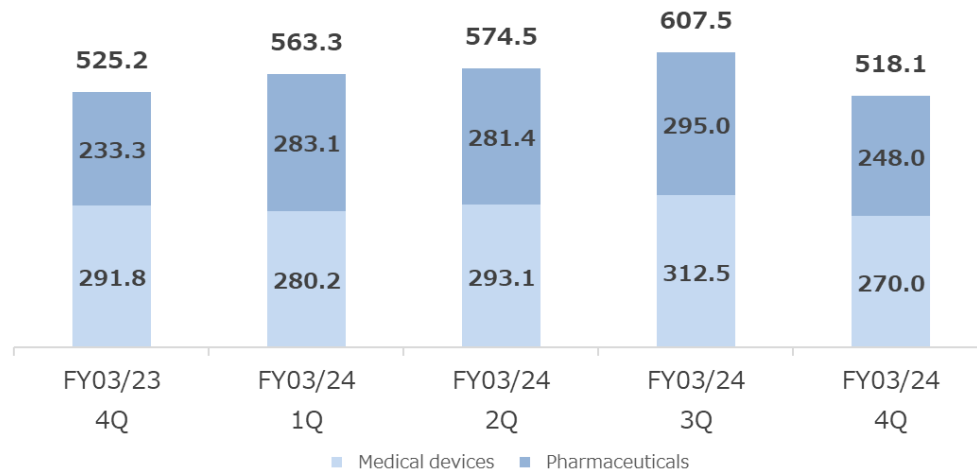
Whereas net sales grew, operating profit fell YoY due to increased labor costs, raw material costs and depreciation.



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

Net sales	FY03/23	FY03/24	Change (Change %)	FY03/24 Forecast as of May	FY03/24 Forecast as of November	FY03/25 Forecast
<b>Domestic business</b>	2,168.1	<b>2,263.6</b>	+95.5 +4.4%	2,423.6	2,325.0	2,367.0
<b>Medical devices</b>	1,194.8	<b>1,156.0</b>	△ 38.8 △ 3.2%	1,314.1	1,215.5	1,194.0
<b>Pharmaceuticals</b>	973.3	<b>1,107.6</b>	+134.3 +13.8%	1,109.5	1,109.5	1,173.0

Quarterly Sales Trends (¥100 million)



## ● Medical devices

Net sales of dialyzers grew ¥350 million YoY due to an increase in sales of HDF filters.

Sales of dialysis equipment fell ¥930 million YoY due to a decrease in the number of installation projects.

Sales of infusion-related products were up ¥930 million YoY owing to price revisions.

Sales of testing products grew ¥490 million YoY due to an increase in the sales volume of vacuum blood collection tubes, which had fallen because of the Shanghai lockdown.

Sales of SD-related products grew ¥1,000 million YoY resulting from higher sales from an indication expansion for HeartMate 3.

Sales of vascular-related products were down ¥4,750 million YoY due to the impact of other company's entry into the domestic market for drug-eluting balloons, in which we were dominant. In China, net sales decreased ¥1,300 million YoY due to the transfer of sales from a subsidiary under the domestic Medical-Related management to a subsidiary under the overseas Medical-Related management.

## ● Domestic pharmaceuticals

Sales of oral drugs, mainly Nexium AG, were strong. Overall sales rose ¥6,770 million YoY despite a decrease in sales of other existing drugs due to a fall in drug prices.

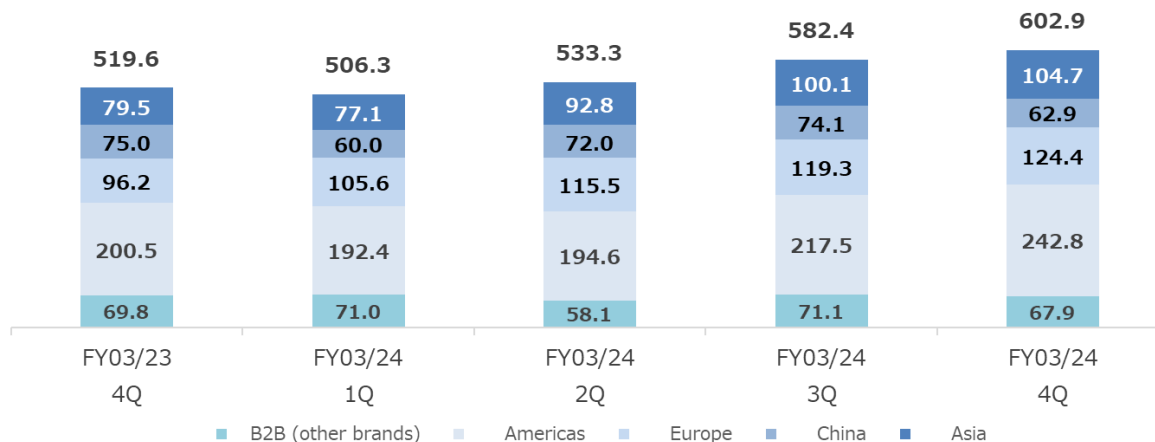
Sales rose ¥3,710 million YoY thanks to price increases for injection products like antibiotic drugs and infusion solutions, which were classified as unprofitable and were subject to re-evaluation.

Sales of Other and in-vitro diagnostics increased ¥1,260 million YoY due to an increase in sales of a SARS coronavirus antigen kit launched last October.

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

(¥100 million)						
Net sales	FY03/23	FY03/24	Change (Change %)	FY03/24 Forecast as of May	FY03/24 Forecast as of November	FY03/25 Forecast
Overseas business	1,982.8	2,225.0	+242.2 +12.2%	2,114.3	2,284.9	2,594.0
B2B (other brands)	261.5	268.4	+6.9 +2.6%	291.9	310.2	312.5
Nipro brands	1,721.2	1,956.6	+235.4 +13.7%	1,822.4	1,974.7	228.1
Americas	775.8	847.4	+71.6 +9.2%	797.6	853.8	997.0
Europe	370.9	465.0	+94.1 +25.4%	396.5	440.6	469.4
Asia	306.9	374.9	+68.0 +22.2%	357.5	396.4	447.0
China	269.2	269.2	+0.0 +0.0%	270.7	283.7	368.0

Quarterly Sales Trends (¥100 million)



## ● B2B

Sales of insulin needles were strong due to higher demand for GLP-1 in Europe, resulting in a ¥690 million YoY increase.

## ● Nipro brand

Sales of dialyzers grew ¥8,650 million YoY due to the capturing of large projects and bids in Europe and the U.S. and an increase in demand for single-use products in Asia.

In the Americas, special demand for vaccine syringes ended in Canada, and sales of gloves declined due to the easing of the impact of COVID-19. However, sales rose ¥7,160 million YoY due to the effect of the yen's depreciation, large projects in North America, the expansion of dialysis centers in Central and South America, and an increase in sales of dialysate in Mexico.

Sales in Europe increased ¥9,410 million YoY due to the yen's depreciation, an increase in sales of Safetouch PSV and the winning of large bids in Turkey and others.

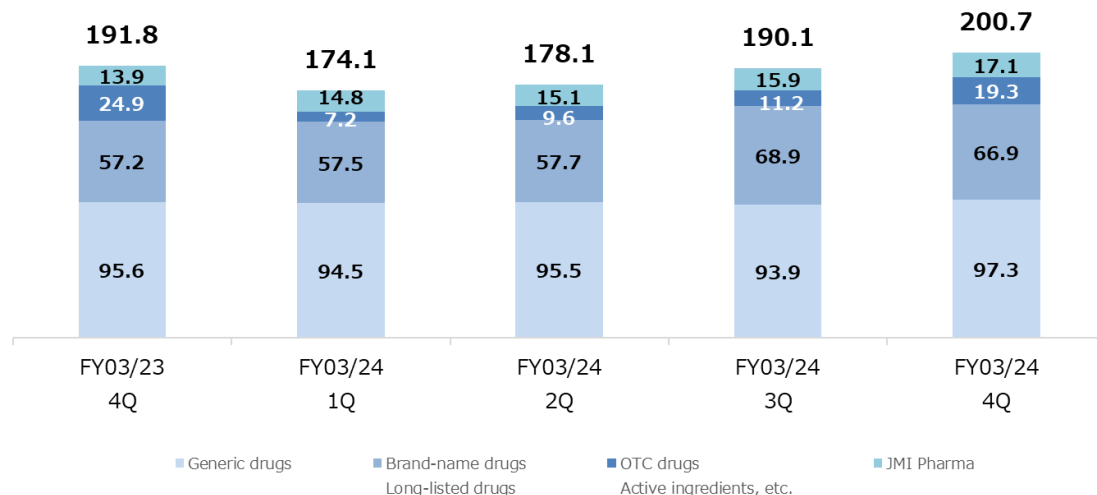
In Asia, sales increased ¥6,800 million YoY due to the effect of the yen's depreciation and higher sales of dialysis equipment and Surefuser.

In China, sales of dialysis equipment declined due to the preferential purchasing policy of domestic equipment for public hospitals by the Chinese authorities. However, sales stayed flat YoY due to an expansion of dialysis centers.

# Segment Results – (2) Pharmaceutical-Related

	FY03/23	FY03/24	Change (Change %)	FY03/24 Forecast as of May	FY03/24 Forecast as of November	(¥100 million) FY03/25 Forecast
Net sales						
Pharmaceutical-Related	727.3	743.2	+15.9 +2.2%	796.9	715.0	812.5
Generic drugs	387.3	381.3	△ 6.0 △1.5%	402.6	305.3	347.0
Brand-name drugs Long-listed drugs	224.6	251.2	+26.6 +11.8%	305.6	294.7	334.9
OTC drugs Active ingredients, etc.	58.9	47.4	△ 11.5 △19.5%	33.0	55.8	63.5
JMI Pharma	56.4	63.0	+6.6 +11.7%	55.7	58.9	67.0

Quarterly Sales Trends (¥100 million)



## ● Generic drugs

Sales of oral drugs fell ¥2,590 million YoY due to a decline in orders associated with customers' inventory adjustments and the expiration of contract manufacturing.

Sales of injections rose ¥2,500 million YoY due to an increase in orders from higher demand and the passing on of higher costs to sales prices.

Sales of topical formulations fell ¥500 million YoY due to a decline in orders associated with the end of consignment of products.

## ● Brand-name/long-listed drugs

Sales of oral drugs fell ¥730 million YoY due to a decline in orders associated with customers' inventory adjustments.

Sales of injections grew ¥3,560 million YoY due to an increase in orders from higher demand and the passing on of higher costs to sales prices.

Sales of topical formulations fell ¥170 million YoY due to the end of consignment of products.

## ● OTC drugs, active ingredients, etc.

Sales decreased ¥1,150 million YoY as validation costs and one-time revenue from equipment increased in the previous year.

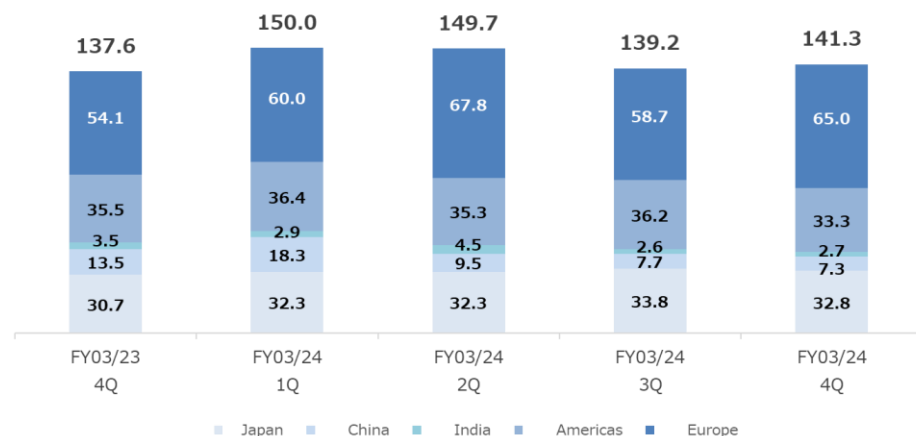
## ● JMI Pharma

Sales of JMI Pharma grew 20.0% YoY on a local-currency basis due to increased promotion to physicians and a focus on chronic disease drugs. However, they were up only 11.7% on a Japanese-yen basis due to the effect of the yen's depreciation.

# Segment Results – (3) Pharma Packaging

(¥100 million)						
Net sales	FY03/23	FY03/24	Change (Change %)	FY03/24 Forecast as of May	FY03/24 Forecast as of November	FY03/25 Forecast
<b>Pharma Packaging</b>	517.5	<b>580.3</b>	+62.8 +12.1%	589.1	608.1	618.2
<b>Japan</b>	118.1	<b>131.2</b>	+13.1 +11.1%	124.1	127.2	140.4
<b>Overseas</b>	399.3	<b>449.0</b>	+49.7 +12.4%	464.9	480.8	477.7
<b>Europe</b>	208.7	<b>251.7</b>	+43.0 +20.6%	251.5	267.5	289.9
<b>Americas</b>	123.3	<b>141.3</b>	+18.0 +14.6%	136.2	144.2	147.5
<b>China</b>	51.3	<b>43.0</b>	△ 8.3 △16.2%	57.5	51.5	19.4
<b>India</b>	15.8	<b>12.9</b>	△ 2.9 △18.4%	19.6	17.5	20.8

Quarterly Sales Trends (¥100 million)



## ● Japan

Sales of infusion-related products grew ¥640 million YoY owing to a greater market share in injection sets. Sales of needles rose ¥330 million due to an increase in sales of products for other companies.

## ● Overseas

Sales of ampoules increased ¥1,310 million YoY in Europe due to the impact of a review of products sold by competitors. Sales of glass tubes grew ¥940 million YoY due to the passing on of higher costs to sales prices and increased orders. Sales of syringe glass rose ¥1,220 million YoY due to an increase in sales of high-value-added sterilized syringes.

In the U.S., sales of vials were up ¥1,040 million YoY due to an increase in sales of high-unit-price products. Sales of glass tubes increased ¥730 million YoY due to the passing on of higher costs to sales prices.

In China, sales of glass tubes fell ¥150 million YoY due to a decrease in sales caused by weaker demand for vaccine vials. Sales of vial glass dropped ¥590 million YoY resulting from the gradual termination of production and sales of low-margin vials.

In India, sales of glass tubes fell ¥370 million YoY due to customers' inventory adjustment and termination of a contract with them.

# Net Sales by Segment and Product Category

Segment		Medical-Related	Pharmaceutical-Related	Pharma Packaging	Other	Total
Product	(¥100 million)					
Medical devices	FY03/24	3,295.8	0.0	41.1	0.0	3,337.0
	FY03/23	3,122.0	0.0	34.0	0.0	3,156.0
Pharmaceuticals	FY03/24	1,239.1	743.2	7.0	0.0	1,989.4
	FY03/23	1,076.5	727.3	4.2	0.0	1,808.1
Pharma packaging	FY03/24	1.0	0.0	530.6	0.0	531.7
	FY03/23	0.6	0.0	477.0	0.0	477.6
Other	FY03/24	0.0	0.0	1.4	8.1	9.6
	FY03/23	0.3	0.0	2.2	7.5	10.1
Total	FY03/24	4,536.1	743.2	580.3	8.1	5,867.8
	FY03/23	4,199.5	727.3	517.5	7.5	5,451.9

\*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	FY03/24	2,228.7	677.2	131.8	8.0	3,046.0
	FY03/23	2,107.8	667.7	118.6	7.5	2,901.7
Overseas total	FY03/24	2,307.3	65.9	448.4	0.0	2,821.8
	FY03/23	2,091.6	59.5	398.9	0.0	2,550.2
Americas	FY03/24	945.1	0.0	134.9	0.0	1,080.1
	FY03/23	860.1	0.0	120.7	0.0	980.8
Europe	FY03/24	519.6	△ 0.6	253.1	0.0	772.0
	FY03/23	477.1	1.1	204.6	0.0	682.9
China	FY03/24	320.2	0.2	43.1	0.0	363.5
	FY03/23	334.2	0.2	50.3	0.0	384.7
Other Asia	FY03/24	522.3	66.3	17.2	0.0	606.0
	FY03/23	420.1	58.2	23.1	0.0	501.5
Total	FY03/24	4,536.1	743.2	580.3	8.1	5,867.8
	FY03/23	4,199.5	727.3	517.5	7.5	5,451.9

## ● By region

Net sales were strong in all regions in FY03/24, with Japan making up 51.9% of net sales and overseas 48.1%.

## ● By segment

Regarding medical devices in Japan, sales of catheter-related products and dialysis equipment decreased.

On the other hand, sales of pharmaceuticals grew due to strong sales of Nexium AG and higher NHI drug prices of re-priced unprofitable injection products.

In international medical devices, sales of insulin needles increased due to the impact of the yen's depreciation and increased demand for dialyzers in Europe and the U.S. and for GLP-1 in Europe.

In Pharmaceutical-Related, overseas sales of JMI Pharma were steady.

In Japan, while sales of oral drugs fell YoY due to a decline in orders associated with customers' inventory adjustments, overall sales increased due to a recovery of orders for injections.

In Pharma Packaging, sales of glass tubes grew in Europe and the U.S. due to the effect of the yen's depreciation and the passing on of higher costs to sales prices.

Growth in demand for vials in the U.S. and syringes and ampoules in Europe contributed to higher sales.

# 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			
		FY03/23	FY03/24	Change	Change %	FY03/23	FY03/24	Change	Change %	FY03/23	FY03/24	Change	Change %
Medical devices	Dialyzers	863.0	952.8	+89.7	+10.4%	639.8	725.8	+85.9	+13.4%	223.1	227.0	+3.8	+1.7%
	Dialysis equipment	224.9	238.6	+13.7	+6.1%	139.7	162.6	+22.9	+16.4%	85.1	75.9	△9.2	△10.8%
	Other dialysis-related products	465.8	544.8	+79.0	+17.0%	383.7	460.4	+76.7	+20.0%	82.1	84.4	+2.3	+2.8%
	<b>Dialysis-related products total</b>	<b>1,553.7</b>	<b>1,736.2</b>	<b>+182.5</b>	<b>+11.7%</b>	<b>1,163.3</b>	<b>1,348.9</b>	<b>+185.5</b>	<b>+16.0%</b>	<b>390.4</b>	<b>387.3</b>	<b>△3.0</b>	<b>△0.8%</b>
	Needles	486.3	477.1	△9.2	△1.9%	326.0	311.2	△14.7	△4.5%	160.2	165.8	+5.5	+3.5%
	Vascular products	351.7	309.9	△41.7	△11.9%	70.0	63.8	△6.2	△8.9%	281.6	246.1	△35.5	△12.6%
	Infusion-related products	181.2	216.8	+35.5	+19.6%	69.3	89.0	+19.6	+28.4%	111.9	127.8	+15.8	+14.2%
	Testing products	119.8	122.4	+2.6	+2.2%	84.8	85.0	+0.1	+0.2%	34.9	37.4	+2.4	+6.9%
	Diabetes-related products	89.0	113.3	+24.3	+27.4%	75.8	98.8	+23.0	+30.4%	13.2	14.5	+1.3	+10.3%
	Surgical device-related products	72.2	86.4	+14.2	+19.7%	15.3	19.5	+4.2	+27.9%	56.8	66.8	+9.9	+17.6%
	Other products	297.9	267.2	△30.6	△10.3%	182.5	158.2	△24.3	△13.3%	115.4	109.0	△6.3	△5.5%
	<b>Category Total</b>	<b>3,152.2</b>	<b>3,329.8</b>	<b>+177.6</b>	<b>+5.6%</b>	<b>1,987.3</b>	<b>2,174.7</b>	<b>+187.3</b>	<b>+9.4%</b>	<b>1,164.9</b>	<b>1,155.1</b>	<b>△9.7</b>	<b>△0.8%</b>
Pharmaceuticals (own brand)	Oral drugs	432.8	500.6	+67.8	+15.7%	0.4	0.5	+0.1	+30.0%	432.4	500.1	+67.7	+15.7%
	Injection and infusion products	482.0	554.9	+72.8	+15.1%	100.0	128.3	+28.2	+28.3%	381.9	426.5	+44.5	+11.7%
	External preparations and patches	66.5	68.5	+2.0	+3.0%	-	-	-	-	66.5	68.5	+2.0	+3.0%
	Others, in vitro diagnostics, etc.	95.1	115.0	+19.8	+20.9%	2.9	2.7	△0.1	△6.8%	92.1	112.2	+20.0	+21.8%
	<b>Category Total</b>	<b>1,076.5</b>	<b>1,239.1</b>	<b>+162.6</b>	<b>+15.1%</b>	<b>103.4</b>	<b>131.6</b>	<b>+28.2</b>	<b>+27.3%</b>	<b>973.1</b>	<b>1,107.5</b>	<b>+134.4</b>	<b>+13.8%</b>
Regenerative medicines	Regenerative medicine products	3.8	7.1	+3.3	+85.9%	-	-	-	-	3.8	7.1	+3.3	+85.9%

# Net Sales by Product Category (2)

Business Category (¥100 million)		Overall				Overseas				Japan			
		FY03/23	FY03/24	Change	Change %	FY03/23	FY03/24	Change	Change %	FY03/23	FY03/24	Change	Change %
Pharmaceuticals (contract manufacturing)	Oral drugs	310.5	277.5	△33.0	△10.6%	0.4	0.4	0.0	△2.8%	310.0	277.0	△33.0	△10.7%
	Injection and infusion products	270.6	333.9	+63.2	+23.4%	1.4	4.4	+3.0	+205.7%	269.1	329.4	+60.2	+22.4%
	External preparations and patches	48.1	42.0	△6.0	△12.6%	0.5	0.4	0.0	△13.8%	47.6	41.6	△6.0	△12.6%
	Others, in vitro diagnostics, etc.	45.8	33.7	△12.0	△26.3%	0.6	△2.4	△3.1	△496.8%	45.1	36.2	△8.9	△19.7%
	<b>Category Total</b>	<b>675.1</b>	<b>687.2</b>	<b>+12.1</b>	<b>+1.8%</b>	<b>3.0</b>	<b>+2.8</b>	<b>△0.2</b>	<b>△6.7%</b>	<b>672.0</b>	<b>684.3</b>	<b>+12.3</b>	<b>+1.8%</b>
Pharmaceuticals (JMI Pharma)	Oral drugs	55.9	62.3	+6.4	+11.4%	55.9	62.3	+6.4	+11.4%	-	-	-	-
	Injection and infusion products	0.4	0.6	+0.1	+35.0%	0.4	0.6	+0.1	+35.0%	-	-	-	-
	<b>Category Total</b>	<b>56.4</b>	<b>63.0</b>	<b>+6.5</b>	<b>+11.6%</b>	<b>56.4</b>	<b>63.0</b>	<b>+6.5</b>	<b>+11.6%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Pharma Packaging	Glass tube-related products	117.7	129.7	+12.0	+10.2%	94.9	106.8	+11.8	+12.5%	22.7	22.9	+0.1	+0.7%
	Glass ampoules	67.2	81.9	+14.7	+21.9%	67.0	81.7	+14.7	+21.9%	0.1	0.2	0.0	+31.6%
	Glass vials	168.8	177.2	+8.3	+4.9%	151.8	158.4	+6.6	+4.4%	17.0	18.7	+1.6	+9.9%
	Glass syringes	61.4	73.1	+11.7	+19.1%	61.1	73.0	+11.9	+19.5%	+0.3	0.1	△0.1	△47.8%
	Rubber stoppers and plugs	17.9	18.5	+0.5	+3.3%	5.7	5.7	0.0	△0.2%	12.2	12.8	+0.6	+5.0%
	Plastic containers	18.4	18.4	0.0	+0.0%	0.0	0.0	0.0	+86.1%	18.4	18.4	0.0	△0.0%
	Thermos bottles	4.2	5.6	+1.4	+34.0%	-	-	-	-	4.2	5.6	+1.4	+34.0%
	Other products	21.7	26.9	+5.2	+24.0%	18.4	23.2	+4.8	+26.1%	3.2	3.6	+0.4	+12.4%
	<b>Category Total</b>	<b>477.6</b>	<b>531.7</b>	<b>+54.1</b>	<b>+11.3%</b>	<b>399.1</b>	<b>449.0</b>	<b>+49.9</b>	<b>+12.5%</b>	<b>78.4</b>	<b>82.6</b>	<b>+4.1</b>	<b>+5.3%</b>
Other	Sales of production machinery and real estate leasing	10.1	9.6	△0.4	△4.7%	0.7	0.4	△0.2	△37.0%	9.3	9.1	△0.2	△2.2%
<b>Consolidated Total</b>		<b>5,451.9</b>	<b>5,867.8</b>	<b>+415.8</b>	<b>+7.6%</b>	<b>2,550.2</b>	<b>2,821.8</b>	<b>+271.6</b>	<b>+10.7%</b>	<b>2,901.7</b>	<b>3,046.0</b>	<b>+144.2</b>	<b>+5.0%</b>

# FY03/25 Forecast - (1) Medical-related business

## Medical-Related

Breakdown (¥100 million)		FY03/24 Actual	FY03/25 Forecast	FY03/25 Forecast change	FY03/25 Forecast change %
Domestic	Medical devices	1,156.0	<b>1,194.0</b>	+38.0	+3.3%
	Pharmaceuticals	1,107.6	<b>1,173.0</b>	+65.4	+5.9%
Overseas	B2B	268.4	<b>312.5</b>	+44.1	+16.4%
	Americas	847.4	<b>997.0</b>	+149.6	+17.7%
	Europe	465.0	<b>469.5</b>	+4.5	+1.0%
	Asia	374.9	<b>447.0</b>	+72.1	+19.2%
	China	269.2	<b>368.0</b>	+98.8	+36.7%
Factory	Direct sales	47.6	<b>51.9</b>	+4.3	+9.1%
Total sales		4,536.1	<b>5,013.0</b>	+476.9	+10.5%
Operating profit		423.2	<b>471.0</b>	+47.8	+11.3%
Operating margin		9.3%	9.4%	-	-

### ● Net sales

With regard to medical devices in Japan, we will continue passing higher costs on to sales prices of general consumables and attempt to gain market shares in main products and expand and reinforce a comprehensive medical network system. In respect of vascular-related products, we forecast sales to increase ¥3,800 million YoY in expectation of a sales recovery due to an indication expansion for drug-eluting balloons and stronger sales of PTCA balloons.

Regarding pharmaceuticals in Japan, sales of Nexium AG itself will remain strong despite a NHI price revision. We will further revise the sales mix and put new products on market, thereby improving the earning power. Due in part to reinforcement of shipping capacity, sales are expected to increase ¥6,540 million YoY.

In the Americas, a significant increase is expected due to the renewal of a contract for dialyzers for a major U.S. dialysis provider.

The new line at the Odate Plant is now in operation, ensuring sufficient supply capacity. Together with the launch of new dialysis machines on the market, this business will be a market that drives sales in this fiscal year. We expect a YoY sales increase of ¥14,960 million.

In Europe, we will expand business by placing stronger sales of high-added value products at the core. Although sales are expected to slightly increase ¥450 million YoY, a significant sales increase is forecast in the overall European market, including the growth of the B2B business.

In Asia, we position this region as our key strategic market and forecast a YoY increase in sales of ¥7,210 million as a result of expanding and reinforcing dialysis-related products, hospital products, and infection control products.

In China, sales volumes are expected to increase due to accommodating the move to centralized purchasing of dialysis-related products. Sales are forecasted to grow ¥9,880 million YoY partly due to an expansion of dialysis centers.

Overall, we plan to significantly increase domestic and international sales, especially overseas, based on the reinforcement of production capacity.

### ● Operating profit

While making progress in passing surging costs of raw materials on to sales prices, we will vigorously drive cost reductions. We forecast operating profit to increase YoY by boosting the earnings power and improving operating profit margin by means of shifting to high-added-value products and improving productivity, coupled with production capacity reinforcement.

# FY03/25 Forecast - (2) Pharmaceutical-Related and Pharma Packaging Business

## Pharmaceutical-Related

Breakdown (¥100 million)	FY03/24 Actual	FY03/25 Forecast	FY03/25 Forecast change	FY03/25 Forecast change %
Generic drugs	381.3	<b>347.0</b>	△34.3	△9.0%
Brand-name/long-listed drugs	251.2	<b>334.9</b>	+83.7	+33.3%
OTC drugs, active ingredients	47.4	<b>63.5</b>	+16.1	+34.0%
JMI Pharma	63.0	<b>67.0</b>	+4.0	+6.3%
Total sales	743.2	<b>812.5</b>	+69.3	+9.3%
Operating profit	44.3	<b>90.3</b>	+46.0	+103.8%
Operating margin	6.0%	11.1%	-	-

### ● Net sales

Sales of GE products are expected to decrease ¥3,430 million YoY due to a new contract of new pharmaceuticals.

In brand-name/long-listed drugs, sales are forecasted to grow ¥8,370 million due to a new contract of pharmaceuticals.

In OTC drugs, active ingredients, etc., sales are forecasted to increase ¥1,610 million YoY primarily due to validation and an increase in one-time revenue from equipment.

In JMI Pharma, sales are forecast to increase ¥400 million YoY through stepping up promotions to physicians and focusing on chronic disease drugs.

### ● Operating profit

Operating profit margin is expected to improve by passing a cost increase from surging raw materials on to sales prices of products.

## Pharma Packaging

Breakdown (¥100 million)	FY03/24 Actual	FY03/25 Forecast	FY03/25 Forecast change	FY03/25 Forecast change %
Japan	131.2	<b>140.5</b>	+9.3	+7.1%
Europe	251.7	<b>289.9</b>	+38.2	+15.2%
Americas	141.3	<b>147.6</b>	+6.3	+4.4%
China	43.0	<b>19.4</b>	△23.6	△54.9%
India	12.9	<b>20.8</b>	+7.9	+61.2%
Total sales	580.3	<b>618.2</b>	+37.9	+6.5%
Operating profit	24.5	<b>26.0</b>	+1.5	+6.1%
Operating margin	4.2%	4.2%	-	-

### ● Net sales

In the Japanese market, net sales are forecasted to grow ¥930 million YoY due to continued increases in high-added-value devices and material-related items.

In Europe, we expect net sales to increase ¥3,820 million YoY in anticipation of stronger sales of D2F syringes in Germany and glass tubes in France.

In the U.S., net sales of vials and glass tubes will rise, associated with their production capacity increase. Net sales are expected to grow ¥630 million YoY as customers' inventory adjustments will run their course.

In China, net sales are forecasted to decrease ¥2,360 million YoY as we will proceed with liquidating a joint subsidiary following Jilin in the previous year.

### ● Operating profit

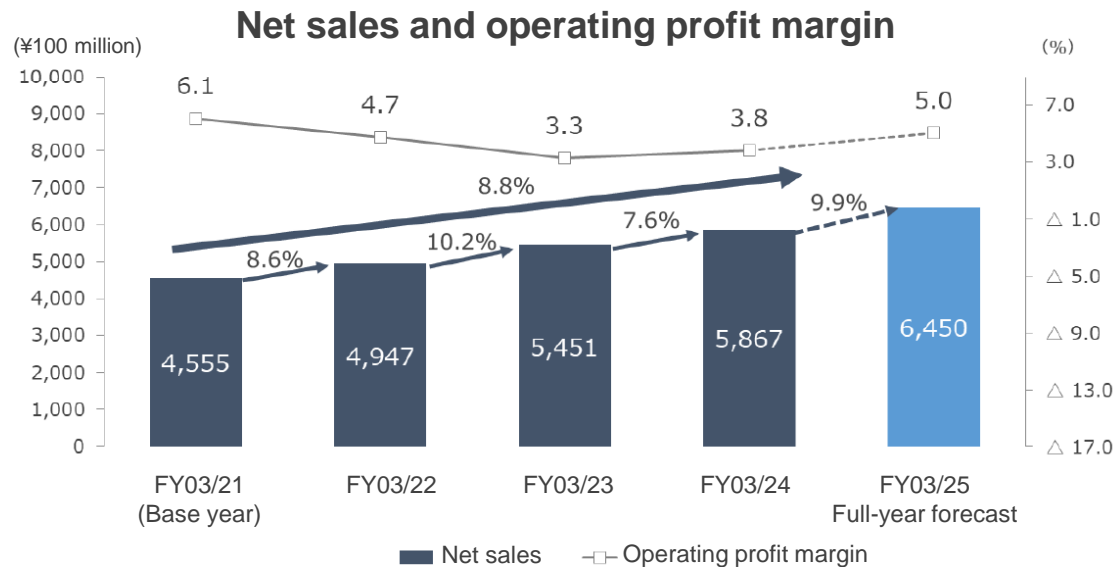
Although net sales are expected to grow, an increase in operating profit will be limited due to higher labor costs and higher expenses for equipment maintenance such as cold repair. Operating profit is forecasted to remain mostly unchanged.



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

## Guidelines for FY03/25

Sales growth rate	Annual average of 7.0% or more
Operating profit margin	9.0% or more



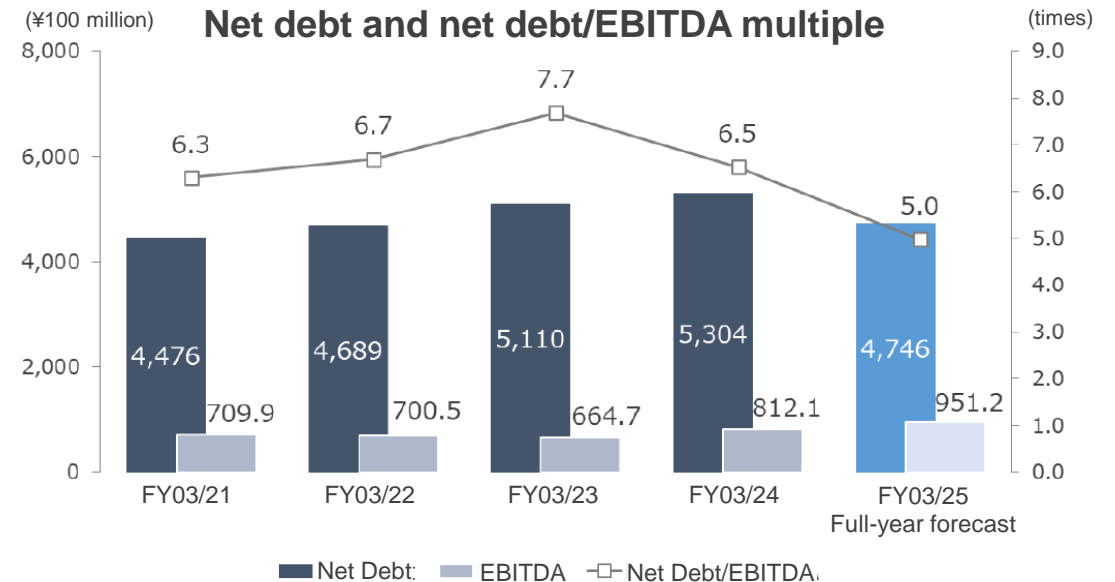
### ➤ Sales growth rate

The growth rate for FY03/24 was 7.6% YoY, exceeding the planned value. In domestic pharmaceuticals, strong AG sales and higher NHI prices for injections boosted sales. In overseas medical equipment, contract renewals in North America, bid wins in Europe, and increased single-use demand in Asia led to higher sales. In pharma packaging, increased demand in North America and Europe boosted sales. In FY03/25, the Company aims to achieve a sales growth rate of 9.9%. Expanding sales of dialysis products and needles for GLP-1 formulations in North America will contribute to the growth. In Asia and China, increasing sales through expanding dialysis products and dialysis centers will contribute to the growth.

### ➤ Operating profit margin

In FY03/24, overseas shipping rates decreased, and R&D expenses were curbed. However, the profit margin was 3.8% due to increased labor costs. The target of 9.0% was not achieved. In FY03/25, the profit margin is expected to improve to 5.0% due to stronger sales of high-profit products such as dialysis products, dialysis centers, and injection needles, but the target of 9.0% will not be reached.

Net debt (net interest-bearing debt)	Maintain around ¥450.0 billion
EBITDA	Aiming for a level of ¥100.0 billion or more
Net debt/EBITDA multiple	4 × level



### ➤ Net interest-bearing debt

In FY03/24, net interest-bearing debt increased to ¥530.4 billion, exceeding the target of ¥450.0 billion and not meeting it. The main reason is that investment CF amounted to ¥87.3 billion due to the addition of new dialyzer lines, acquisition of dialysis centers, construction of new pharmaceutical plants, and addition of glass container facilities in Europe and North America.

In FY03/25, the Company aims to reduce net interest-bearing debt to ¥474.6 billion through inventory reduction, liquidation of receivables, fire insurance for the Odate Plant, asset sales, etc.

### ➤ EBITDA

In FY03/24, earnings before interest taxes, depreciation and amortization (EBITDA) increased ¥15.0 billion YoY to ¥81.2 billion due to improved operating profit.

In FY03/25, the Company aims to raise EBITDA to ¥95.1 billion from further improving operating profit.

### ➤ Net debt/EBITDA multiple

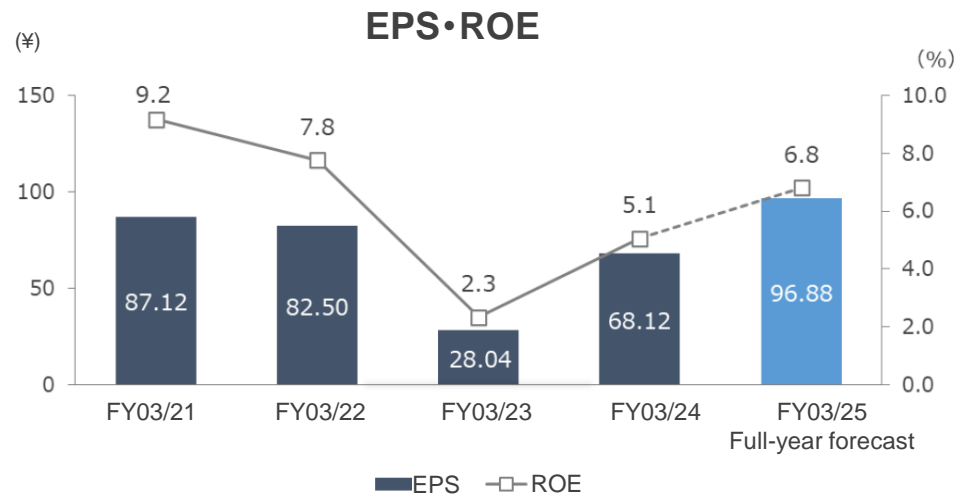
In FY03/24, net debt increased, but an improvement in EBITDA reduced the multiple to 6.5×

In FY03/25, the Company aims to achieve 5.0× by reducing net debt and increasing EBITDA.

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

## Guidelines for FY03/25

EPS (earnings per share)	Aiming for ¥200 or more
ROE	14.0% or more

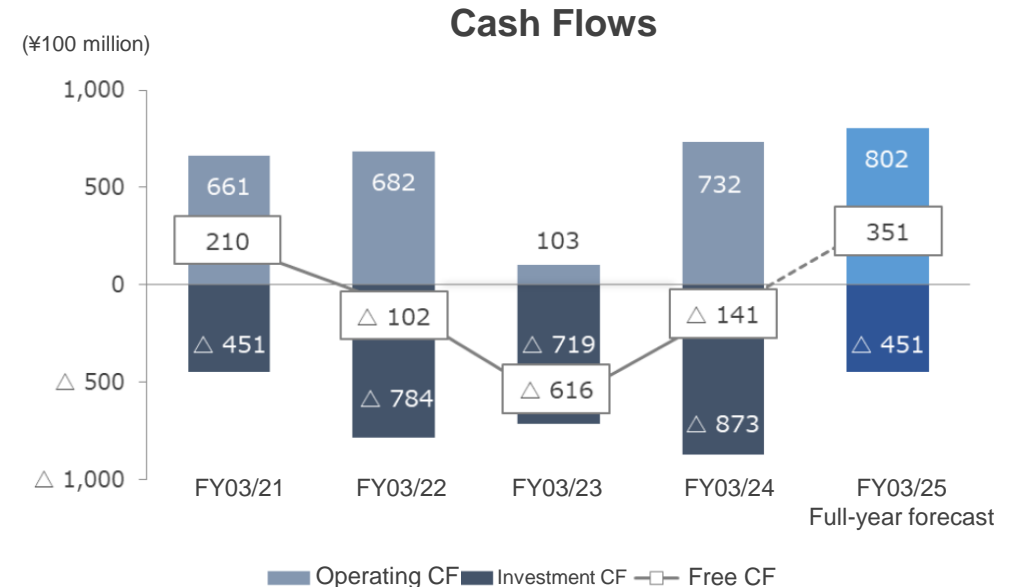


### ➤ ROE

In FY03/24, profit increased YoY due to higher operating profit and an improvement in the effective tax rate YoY, despite extraordinary loss from the dissolution of a joint venture of a subsidiary. EPS recovered to ¥68.12 and ROE was 5.1%.

In FY03/25, EPS and ROE are expected to improve to ¥96.88 and 6.8%, respectively, with a further increase in profit due to insurance fees and asset sales, in addition to an increase in operating profit. However, the Company is not expected to reach the targets of the Medium-Term Management Plan for FY03/25 of ¥200 in EPS and 14.0% or more in ROE.

investment efficiency      Turn free cash flow positive



### ➤ Free CF

In FY03/24, operating CF improved to ¥73.2 billion, but investment CF was ¥87.3 billion, much higher than budgeted. As a result, free CF was a deficit of ¥14.1 billion.

In FY03/25, free cash flow is expected to improve significantly to ¥35.1 billion and become profitable. Becoming profitable is a target of the Medium-Term Management Plan. The measures for improving free cash flow will be an increase in operating profit, liquidation of receivables and reducing inventories, increasing operating CF through insurance fees, and reducing investment CF by selling assets and receiving subsidies from factories.



# Progress of the Medium-Term Management Plan: Core KPIs

## (Sales Growth/Operating Profit Margin)

- The Company's planned sales growth rate was 7.0% on average per year compared with 2019. As a result, the plan was expected to be achieved with an average annual growth rate of 7.8%.  
In terms of growth by business segment, the domestic business was almost in line with the plan, while the overseas and pharma packaging businesses were well above the planned 8.0%. On the other hand, the pharmaceuticals and vascular businesses fell short of the plan. Sales of dialyzers in Europe, the U.S., China, and Asia, as well as dialysis equipment sales in Latin America, were the main reasons for the strong sales growth in the overseas business. In the pharma packaging business, sales of vials for vaccines increased due to special demand for COVID-19 after 2020. In addition, sales of glass tubes and vials for biopharmaceuticals in the U.S. and Europe increased significantly. The vascular business is expected to fall short of the plan due to a drop in sales caused by the COVID disaster, and the launch of a new competing product, despite increased sales in China. In the pharmaceuticals business, sales declined in FY03/21 due to earthquake damage at the oral drug plant. Although sales recovered in FY03/22, they have been flat due to the termination of contracts for unprofitable products caused by quality problems at other companies and inventory adjustments. The planned figure is not expected to be achieved.
- Operating profit margin is expected to reach 5.0% in FY03/25. No year exceeded the planned value of 9.0%, peaking at 6.1% in FY03/21. It remained below the plan due to the spread of the COVID-19, inflation, and other factors.  
By business segment, the overseas business exceeded the planned value of 9.0%, except for FY03/23, despite the burden of overseas container costs in the COVID-19 disaster. The pharmaceuticals business experienced a decline in profitability rate in FY03/23 and FY03/24 due to higher costs from inflation and a weaker yen. However, it is expected to show a recovery trend in FY03/25.

### Guidelines for FY03/25

Growth potential	Sales growth rate	Annual average of 7.0% or more
Profitability	Operating profit margin	9.0% or more

Sales growth rate and operating profit margin		FY03/21	FY03/22	FY03/23	FY03/24	FY03/25 (Budget)	2019-2024 CAGR	FY03/25 (Plan)	Difference between planned and actual forecast CAGR
Sales growth rate	Domestic business	+2.1%	+4.1%	+6.5%	+8.6%	+7.5%	+5.7%	+5.0%	+0.7%
	Overseas business	+4.2%	+13.4%	+18.9%	+12.2%	+16.6%	+12.9%	+8.0%	+4.9%
	Vascular business	+5.1%	+9.2%	+9.2%	△15.5%	△14.2%	△1.9%	+15.0%	△16.9%
	Pharmaceutical business	△2.6%	+8.5%	△2.2%	+2.2%	+9.3%	+2.9%	+5.0%	△2.1%
	Pharma packaging business	+6.7%	+19.9%	+11.6%	+12.2%	+6.5%	+11.3%	+8.0%	+3.3%
	Regenerative medicines business	+132.0%	△24.1%	+38.6%	+39.3%	+60.0%	+40.5%	+2.4%	+38.1%
	Total	+2.9%	+8.6%	+10.2%	+7.6%	+9.9%	+7.8%	+7.0%	+0.8%
Operating profit margin	Total	6.1%	4.8%	3.3%	3.8%	5.0%	-	-	-

# Progress of the Medium-Term Management Plan: Core KPIs (ROE)

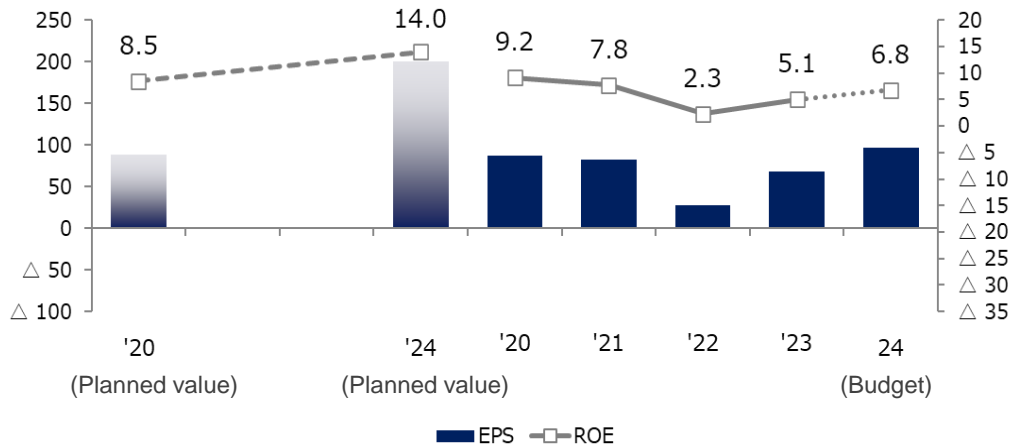
- ROE is expected to be 6.8% in FY03/25. Since FY03/21, ROE has not exceeded the planned value of 14.0% in any year. The figures of 9.2% and 7.8% in FY03/21 and FY03/22 were outliers due to the decrease in shareholders' equity caused by the loss in FY03/21. ROE hit a bottom of 2.3% in FY03/23 and has been improving since FY03/24.

ROE of 6.8% for FY03/25 fell short of the planned value of 14.0% because profit was expected to be ¥15.8 billion and fell short of the planned value of ¥45.6 billion by ¥29.8 billion. This means that operating profit is expected to be ¥32.5 billion and fall short of the planned value of ¥64.1 billion by ¥31.6 billion.

The Company aims to expand operating profit and further increase ROE in the future.

## Guidelines for FY03/25

Capital efficiency	ROE	14.0%
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## Comparison by fiscal year of operating profit and other accounts

¥100 million

	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25 (budget)	FY03/25 (plan)	Difference between plan and budget
Operating profit	276.3	238.8	177.3	223.4	325.0	641.0	△ 316.0
Non-operating expenses (income)	△ 13.6	△ 30.6	△ 23.8	△ 28.3	△ 49.0	△ 4.0	△ 45.0
Extraordinary loss (income)	△ 87.5	△ 43.4	14.3	△ 2.9	10.0	△ 18.0	28.0
Corporate tax, etc.	24.8	81.8	108.4	70.5	118.0	149.0	△ 31.0
Profit	142.1	134.6	45.7	111.1	158.0	456.0	△ 298.0
Shareholders' equity*	1,549.1	1,731.3	1,957.8	2,194.9	2,321.2	3,257.1	△ 935.9
ROE	9.2%	7.8%	2.3%	5.1%	6.8%	14.0%	△ 7.2%

\*Shareholders' equity is the average during the period, calculated as (beginning of period + end of period) / 2

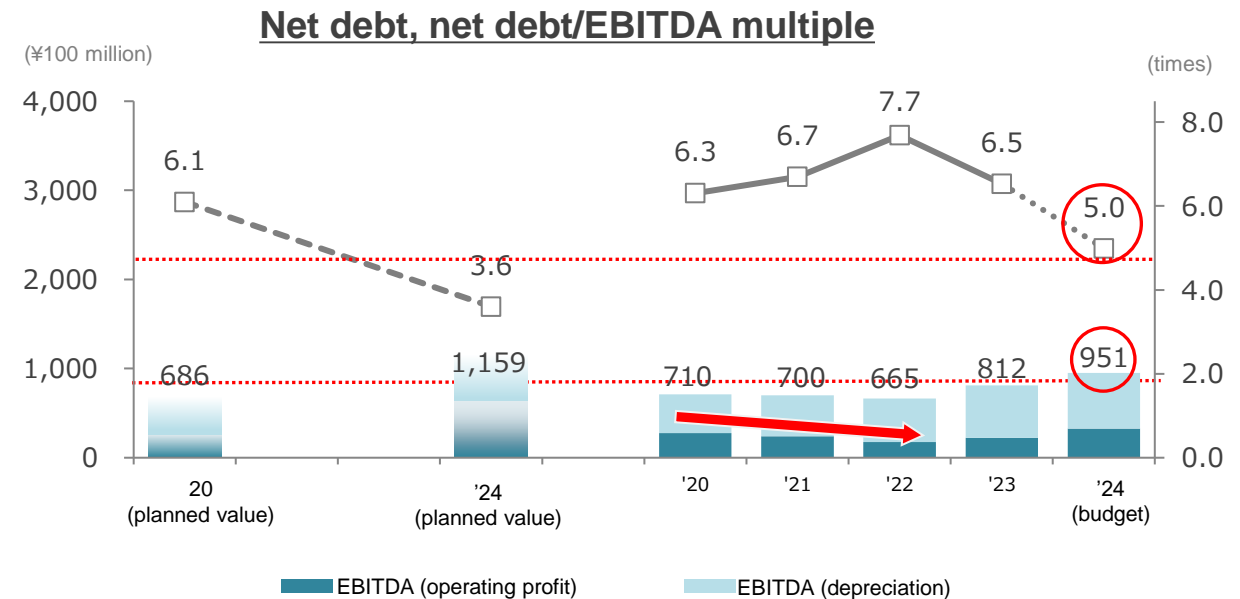
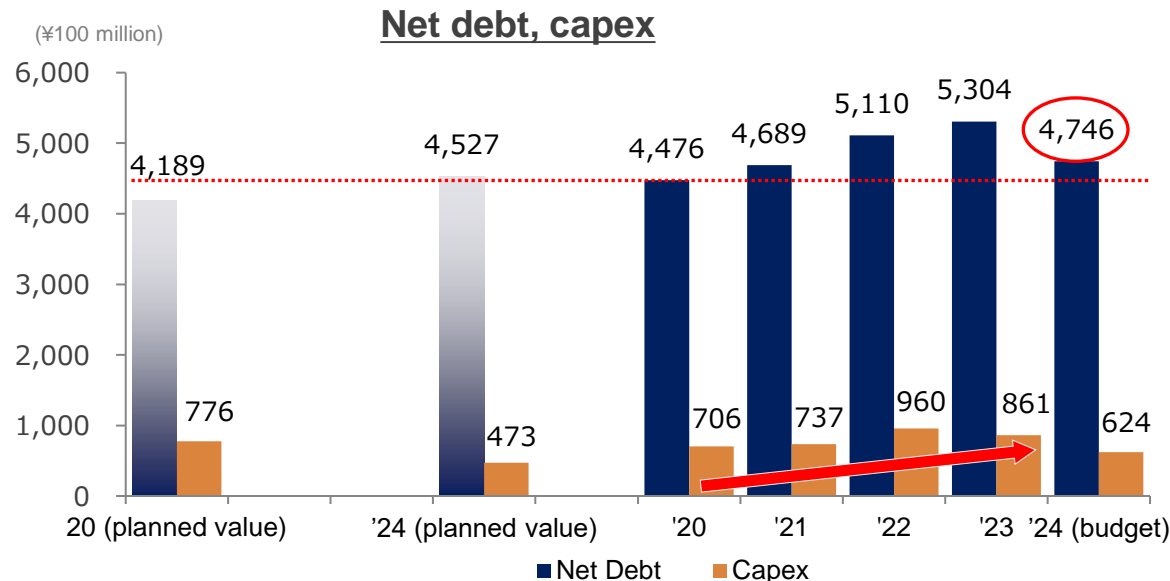
# Progress of the Medium-Term Management Plan: Core KPIs

## (EBITDA)

- Net debt is expected to be ¥474.6 billion due to increased interest-bearing debt associated with increased capex. It will exceed the plan of ¥450.0 billion and fall short of the target.  
The amount has been increasing in excess of the planned amount of ¥450.0 billion since FY03/22, but is expected to decrease in FY03/25.
- To obtain EBITDA of ¥100.0 billion, operating profit was planned to be ¥64.1 billion, and depreciation, including goodwill, was planned to be ¥51.8 billion. However, the forecast is ¥95.1 billion because operating profit will not be achieved, although depreciation was ¥60.0 billion.
- The net debt/EBITDA multiple is expected to be 4.99×, and the 4× level is expected to be achieved.

### Five-year guidelines starting in FY03/21

Net debt (net interest-bearing debt)	Maintain around ¥450.0 billion
EBITDA	Aiming for a level of ¥100.0 billion or more
Net debt/EBITDA multiple	4× level



# Progress of the Medium-Term Management Plan: Core KPIs

## (Dividend Payout Ratio)

- The dividend policy in the medium-term management plan was to decrease the dividend payout ratio by 1% each year from 37% in FY03/21 to 35% in FY03/23 and to maintain it thereafter.

The Company planned to raise EPS to ¥200 in FY03/25, which would have resulted in a dividend of ¥70. However, the budgeted dividend for this fiscal year is ¥32, which is expected to fall short of the target.

In FY03/23, the Company was affected by inflation and the yen's depreciation associated with the COVID disaster. EPS fell to ¥28 as profits declined significantly due to higher raw material, energy, and overseas logistics costs, overseas inflation accounting, and the tax effects of loss-making subsidiaries. However, the Company increased its dividend payout ratio to 78.4% and set the dividend amount at ¥22. In FY03/24, the Company changed its dividend policy. It unified the basic dividend profit to consolidated profit, maintained a dividend payout ratio of 35%, and set the minimum annual dividend amount at ¥25.

The Company will continue to strive for stable dividends by growing sales activities and increasing profits through cost efficiencies.

	Profit as the basis for dividends		Dividend resource ratio
Before FY03/22	Consolidated profit 75% + Non-consolidated profit 25%	×	35%
FY03/23	75% of consolidated profit <b>before income taxes</b> + 25% of non-consolidated profit <b>before income taxes</b>	×	24.5%
FY03/24	Consolidated profit	×	35%

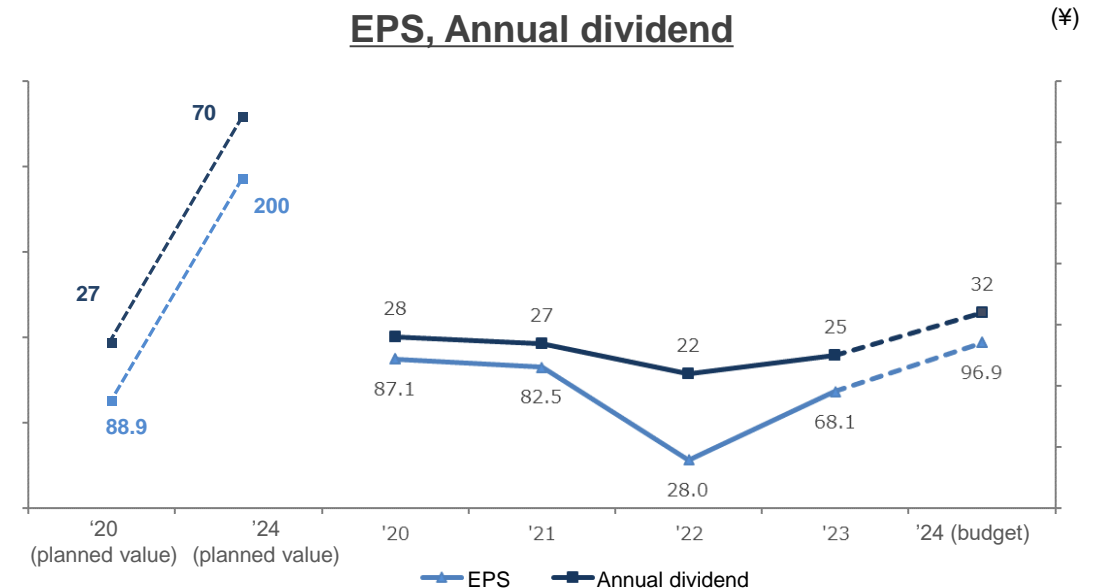
	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25 (Budget)
Effective tax rate	14.2%	35.2	64.6	36.7	41.0
Dividend payout ratio	32.1%	32.7	78.4	36.7	35.0
Annual dividend (¥)	28	27	22	* 25	32

\*Dividend per share is set at a minimum of ¥25 per year, aiming for a stable dividend

### Five-year guidelines starting in FY03/21

The target dividend payout ratio is 37.0% in FY03/21, 36.0% in FY03/22, and 35.0% in FY03/23. For FY03/24 and beyond, the rate will be maintained at 35.0%.

\*The source of the dividend shall be the sum of 75.0% of consolidated profit and 25.0% of non-consolidated profit.



# Progress of the Medium-Term Management Plan: Core KPIs

## (Capex and EBITDA)

- The medium-term management plan stated that the Company would generate ¥441.7 billion EBITDA from ¥320.0 billion capex over five years, EBITDA would be 1.38 times capex, and the EBITDA/capex average annual growth rate would be 6.7%. In the results, capex over the five years was ¥388.8 billion and exceeded the plan by about ¥70.0 billion. In addition, EBITDA was ¥383.8 billion, and it is expected that the plan will not be achieved by about ¥60.0 billion.

Against increased capex to meet the growing demand for dialyzers, operating profit growth was sluggish due to increased capital construction costs caused by inflation and the impact of rising raw material and energy costs. That was a factor in why the EBITDA target was not achieved.

Going forward, the Company will continue to select investments to improve return on investment and increase EBITDA and operating CF.

	¥100 million	2015–2020 Actual	Plan	2020–2023 Actual +2024 Forecast
Medical	Capex	1,367	1,680	1,958
	EBITDA		2,324	2,433
Pharmaceutical	Capex	980	920	1,153
	EBITDA		1,506	1,115
Pharma Packaging	Capex	340	300	606
	EBITDA		359	384
Cellular Medicine	Capex	69	300	263
	EBITDA		228	△94
Total	Capex	2,756	3,200	3,888
	EBITDA		4,417	3,838

\*Business seeds are allocated to each segment as they are mainly laboratory expenses

### ● Medical

Conducted aggressive investments, such as dialyzer production line expansion and acquisition of overseas dialysis centers.

With the effect of a weak yen, in particular, the higher overseas sales and profit contributed to the increase in EBITDA. However, this segment is not expected to generate EBITDA equal to increased capex as domestic medical equipment failed to boost profit.

### ■ Pharmaceutical

For both own-brand and contract manufacturing, the Company made a capital investment of ¥115.3 billion to expand sales. However, EBITDA is expected to reach ¥111.5 billion, falling short of the target. EBITDA includes ¥82.3 billion of depreciation and ¥29.2 billion of operating profit. The Company expects EBITDA to increase due to improved profits as a result of efforts to strengthen the quality control system.

### ■ Pharma Packaging

Operating profit increased significantly due to special demand for the COVID disaster. Therefore, capital investment was doubled over the five years from the original plan to capture sales demand; however, the EBITDA obtained is expected to be slightly higher than originally planned. In the future, the Company aims to increase its profit margin by expanding sales further and obtain the target figure for EBITDA.

### ■ Cellular Medicine

During the two years of the COVID disaster, it was difficult to administer STEMIRAC because priority was given to patients with severe disease. Therefore, the Company could not generate the originally planned sales and profit. The Company will obtain sales and profit by submitting applications for formal approval in 2025 and expanding the number of affiliated hospitals. By doing so, the Company aims to obtain the target figure for EBITDA.

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.

