

IR Materials

Q2 FY03/24

November 9, 2023

NIPRO CORPORATION



Table of Contents

Business Overview.....	2
Q2 FY03/24 Results.....	3
FY03/24 Forecast Changes (Overall)	4
SG&A Expenses: Major Accounts.....	5
SG&A Expenses: Additional Information.....	6
SG&A Expenses: R&D Expenses.....	7
Capex and Depreciation.....	8
P&L Excluding Forex Impact.....	9
Exchange Rate Sensitivity.....	10
Net Sales and Operating Profit by Segment.....	11
Segment Results – (1) Medical-Related (Domestic).....	12
Segment Results – (1) Medical-Related (Overseas).....	13
Segment Results – (2) Pharmaceutical-Related.....	14
Segment Results – (3) Pharma Packaging.....	15
Net Sales by Segment and Product Category.....	16
Net Sales by Segment and Region.....	17
Product Category.....	18
Net Sales by Product Category.....	19,20
Core KPIs in the Medium-Term Management Plan – (1).....	21
Core KPIs in the Medium-Term Management Plan – (2)	22

Business Overview

Manufacturing, Purchasing, Logistics

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

The eighth line of the Odate, Akita Plant started operation in October, and the ninth line is scheduled to begin operation in April 2024.

2023												2024			
1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4
	India: Dialyzers fourth line began operations	Odate 5th Plant Part of dialyzer production line damaged due to fire							Odate Plant Dialyzers eighth line began operations						Odate Plant Dialyzers ninth line scheduled to begin operations

Sales

Dialysis medical devices	: Although sales of dialyzers decreased in North America, they remained strong in China, Europe and Asia. Dialysis centers expanded in Central and South America.
Cardiovascular medical devices	: Sales of drug-eluting balloons, which used to be an exclusive market in Japan, decreased due to the impact of the entry of other companies.
Surgical medical devices	: HeartMate 3, including sales from maintenance, remained steady.
Pharmaceuticals (own brand)	: Sales of the oral drug Nexium AG were robust, while sales of injections grew significantly due to increased NHI drug prices of re-priced unprofitable products and higher sales volumes.
Pharmaceuticals (contract manufacturing)	: In Japan, sales of oral drugs fell YoY due to customers' inventory adjustments, while those of injections increased mainly because the shipment of newly consigned products started. In overseas sales, 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 pass-through of costs to sales prices. A raise in vial prices in the U.S. and an increase in ampoule demand in Europe contributed to higher sales.

Clinical trials

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

Introduced CLEARSHIELD®, a new packaging material with consideration for sustainability (September 11)

Developed and introduced dialyzers produced by hollow fibers, hemodiafilters, and CLEARSHIELD® as a packaging material for continuous slow hemodiafilters in October. This packaging material, like existing aluminum materials, has excellent gas-barrier properties to maintain the high performance and quality of each product and strength to reduce the risk of breakage, while helping to reduce CO₂ emissions during production.

Q2 FY03/24 Results

	Q2 FY03/23	Q2 FY03/24	Change	Plan (% progress)	FY03/24 Forecast as of May (% achievement)	FY03/24 Forecast as of November (% achievement)	Quarterly Results				
							FY03/23			FY03/24	
							Q2	Q3	Q4	Q1	Q2
(¥100 million)											
Net sales	2,603.3	2,858.6	+255.2 +9.8%	2,943.9 97.1%	5,992.4	5,992.4	1,324.4	1,459.6	1,272.3	1,405.9	1,452.7
Cost of sales	1,814.7	2,000.6	+185.8 +10.2%	2,050.5 97.6%	4,194.6	4,199.1	927.9	1,028.7	886.2	975.3	1,025.3
Gross profit	788.6	858.0	+69.3	893.3	1,797.7	1,793.3	396.5	430.8	386.1	430.6	427.4
(*)	30.3%	30.0%	+8.8%	96.0%	30.0%	29.9%	29.9%	29.5%	30.3%	30.6%	29.4%
SG&A expenses	724.9	723.1	△1.7	779.2	1,557.7	1,553.3	362.3	362.7	317.4	357.2	365.9
	27.8%	25.3%	△0.2%	92.8%	46.5%	46.6%	27.4%	24.9%	24.9%	25.4%	25.2%
Operating profit	63.7	134.8	+71.1	114.1	240.0	240.0	34.1	68.0	68.7	73.3	61.5
	2.4%	4.7%	+111.7%	118.1%	4.0%	4.0%	2.6%	4.7%	5.4%	5.2%	4.2%
Ordinary profit	116.0	147.3	+31.3	94.6	206.5	206.5	42.6	21.6	81.1	89.0	58.3
(*)	4.5%	5.2%	+27.0%	155.7%	3.4%	3.4%	3.2%	1.5%	6.4%	6.3%	+4.0%
Profit attributable to owners of parent	62.5	99.3	+36.7	54.2	112.0	112.0	9.7	7.0	37.3	40.9	58.4
	2.4%	3.5%	+58.8%	183.2%	1.9%	1.9%	0.7%	0.5%	2.9%	2.9%	+4.0%
Profit in accordance with IFRS (estimate)	73.8	110.2	+36.4 +49.3%	64.7 170.3%	133.0	133.0					

*1: Impact of unrealized gains on gross profit
Q2 FY03/23 (¥1,145) million
Q2 FY03/24 (¥1,264) million

*2: Foreign exchange gains and losses
Q2 FY03/23 ¥6,543 million
Q2 FY03/24 ¥3,604 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 strong in overall markets and sales of pharma packaging were boosted by increased sales of glass tubes in Europe and the U.S., due mainly to the yen's depreciation.
- **Gross profit** Gross profit slightly decreased YoY, due to increasing raw materials, labor and energy costs, as well as depreciation.
- **Operating profit** Operating profit increased ¥7,110 million YoY due to a decrease in transportation costs owing to a decline in container costs overseas, as well as reduced R&D expenses.
- **Ordinary profit** Despite a decrease in foreign exchange gains of ¥2,940 million and an increase in interest expenses of ¥820 million, ordinary profit grew ¥3,130 million YoY.
- **Profit** Despite a loss on the transfer of interests of subsidiaries of ¥1,670 million, profit increased by ¥3,670 million YoY due to a gain on the sale of equity holdings of ¥3,460 million.

FY03/24 Forecast Changes (Overall)

(¥100 million)	FY03/23	FY03/24 Forecast as of May (% achievement)	FY03/24 Forecast as of November (% achievement)	FY03/24 Forecast Changes (vs. Nov. figures)
Net sales	5,451.9	5,992.4	5,992.4	0.0 +0.0%
Cost of sales	3,817.4	4,194.6	4,199.1	4.5 +0.1%
Gross profit	1,634.4 30.0%	1,797.7 30.0%	1,793.3 29.9%	△ 4.4 △0.2%
SG&A expenses	1,457.2 26.7%	1,557.7 26.0%	1,553.3 25.9%	△ 4.4 △0.3%
Operating profit	177.2 3.3%	240.0 4.0%	240.0 4.0%	0.0 +0.0%
Ordinary profit	153.4 2.8%	206.5 3.4%	206.5 3.4%	0.0 +0.0%
Profit attributable to owners of parent	45.7 0.8%	112.0 1.9%	112.0 1.9%	0.0 +0.0%

- **Net sales** The first-half results were worse than expected but the second-half forecasts were revised upward, making the full-year forecasts unchanged.
- **Gross profit** Gross profit forecast was revised downward from the initial forecast due to increasing raw materials and energy costs.
- **Operating profit** While personnel expenses are expected to increase from the initial forecast, operating profit margin forecast remained unchanged due to decreasing transportation expenses and R&D expenses.
- **Ordinary profit** Unchanged from the initial forecast.
- **Profit** As extraordinary gain and loss remained mostly unchanged from the initial forecast, profit forecast is unchanged from the initial forecast.

SG&A Expenses

	Q2 FY03/23	Q2 FY03/24		Change	Change (%)	FY03/24 Forecast (as of May)	FY03/24 Forecast (as of November)
		Actual	% of Total				
(¥100 million)							
Personnel	216.4	241.9	33.5%	+25.5	+11.8%	474.2	504.2
R&D (*1)	101.2	85.7	11.9%	△15.5	△15.3%	190.5	170.8
Transportation	110.8	69.8	9.7%	△41.0	△37.0%	186.4	140.0
Depreciation (*2)	53.9	64.0	8.9%	+10.1	+18.7%	115.3	132.0
Promotion (*3)	48.7	48.3	6.7%	△0.4	△0.8%	102.0	102.0
Travel & transportation	20.8	26.5	3.7%	+5.7	+27.4%	47.2	53.0
Storage	18.1	17.3	2.4%	△0.8	△4.4%	35.3	35.3
Other	154.5	169.3	23.4%	+14.8	+9.6%	406.6	416.0
Total	724.9	723.1	100.0%	△1.8	△0.2%	1,557.7	1,553.3

*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 grew ¥2,550 million YoY, due to the impact of yen's depreciation overseas and an increase in the number of employees.
- R&D expenses**

R&D expenses decreased ¥1,550 million YoY. The main factors are explained in the next slide.
- Transportation costs**

Overseas container freight costs, etc., have declined since the end of last year. As a result, transportation costs fell ¥4,100 million YoY.
- Depreciation**

Depreciation increased ¥1,010 million YoY due to license amortization of Nexium AG, etc.
- Travel and transportation expenses**

Travel and transportation expenses grew ¥570 million YoY due to the gradual resumption of face-to-face sales and business travel as the impact of COVID-19 eased.
- Accounts other than the above**

The main factors for the increases are explained in the next part.

SG&A Expenses: Additional Information

	Q2 FY03/23	Q2 FY03/24		Change	Change (%)	FY03/24 Forecast (as of May)	FY03/24 Forecast (as of November)
		Actual	% of Total				
(¥100 million)							
Commission expenses	30.6	33.2	4.6%	+2.6	+8.5%	62.6	67.0
Rent expenses	23.9	25.1	3.5%	+1.2	+5.0%	60.6	51.0
Enterprise taxes	7.0	8.2	1.1%	+1.2	+17.1%	19.7	17.0
Insurance premium	3.2	4.1	0.6%	+0.9	+28.1%	9.8	9.0
Communication exp	5.2	6.1	0.8%	+0.9	+17.3%	14.7	13.0
Meeting expenses	2.6	4.2	0.6%	+1.6	+61.5%	9.2	9.2
Other	74.6	81.1	11.2%	+6.5	+8.7%	230.0	249.8
Total	154.5	169.3	23.4%	+14.8	+9.6%	406.6	416.0

- **Commission expenses** Commission expenses grew ¥260 million YoY. The reasons for this were increases in processing fees for sales consignment and consignment costs for the development and maintenance of dialysis equipment.
- **Rent expenses** Rent expenses rose ¥120 million YoY due to the relocation and expansion of logistics warehouses for medical devices and pharmaceutical products in Japan.
- **Enterprise taxes** Enterprise taxes grew ¥120 million YoY due to capital increase.
- **Insurance premiums** Insurance premiums grew ¥90 million YoY due to an increase in overseas business travel insurance premiums paid for more overseas business travelers, in addition to a rise in insurance premium rates in the Americas due to frequent natural disasters in the previous year.
- **Communication expenses** Communication expenses grew ¥90 million YoY due to expenses for infrastructure construction related to headquarters relocation, as well as the financial consolidation of a dialysis center in China.
- **Meeting expenses** Meeting expenses were up ¥160 million YoY since we began to resume face-to-face meetings as the impact of COVID-19 eased.

SG&A Expenses: R&D Expenses

	Q2 FY03/23	Q2 FY03/24	Change Change (%)	FY03/24 Forecast as of May (% achievement)	FY03/24 Forecast as of November (% achievement)
(¥100 million)					
Medical	44.1	42.2	△1.8 △4.1%	88.1 47.9%	81.2 52.0%
Pharmaceutical	55.3	41.9	△13.4 △24.2%	99.5 42.1%	86.5 48.5%
Pharma Packaging	1.8	1.5	△0.3 △15.3%	2.9 53.1%	3.1 49.6%
Total	101.2	85.7	△15.5 △15.3%	190.5 45.0%	170.8 50.2%

- **Medical** Down ¥180 million YoY this year, because we posted clinical trial expenses related to drug-eluting stents for coronary arteries last year.
- **Pharmaceutical** Down ¥1,340 million YoY due to more clinical trials being conducted in the previous year.
- **PP** The cost for developing new glass products decreased ¥30 million YoY.

Capex and Depreciation

	Capex					Depreciation				
	Q2 FY03/23	Q2 FY03/24	Change Change (%)	FY03/24 Forecast as of May (% achievement)	FY03/24 Forecast as of November (% achievement)	Q2 FY03/23	Q2 FY03/24	Change Change (%)	FY03/24 Forecast as of May (% achievement)	FY03/24 Forecast as of November (% achievement)
(¥100 million)										
Medical-Related	245.9	262.9	+17.0 +6.9%	197.1 133.4%	306.8 85.7%	104.1	129.2	+25.1 +24.1%	252.6 51.1%	265.4 48.7%
Pharmaceutical-Related	109.3	80.4	△28.9 △26.4%	277.0 29.0%	162.1 49.6%	63.6	71.4	+7.8 +12.3%	154.9 46.1%	147.5 48.4%
PharmaPackaging	62.8	75.2	+12.4 +19.7%	96.3 78.1%	96.3 78.1%	24.5	30.6	+6.1 +24.9%	60.4 50.7%	63.7 48.0%
Other	16.6	55.2	+38.6 +232.5%	50.9 108.4%	56.1 98.4%	23.0	26.8	+3.8 +16.5%	55.7 48.1%	58 46.2%
Total	434.7	474.0	+39.3 +9.0%	621.3 76.3%	621.3 76.3%	215.3	258.2	+42.9 +19.9%	523.6 49.3%	534.6 48.3%

*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 increased ¥1,700 million YoY as expenses related to the construction of the Odate No. 7 Plant for dialyzers were incurred.

In Pharmaceutical-Related, capex declined ¥2,890 million YoY, although Nipro Pharma continued to post expansion expenses related to the construction of a new Nipro Pharma Ohmi Plant, a syringe line at the Ise Plant, and a new QC center of Saitama Plant.

In Pharma Packaging, capex increased ¥1,240 million YoY due to capital investment in sterilized glass syringe D2F® cleaning lines in Germany.

Other capex increased ¥3,860 million YoY as expenses related to the construction of a new research lab for medical products in Saitama were incurred.

● Depreciation

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



P&L Excluding Forex Impact

	Q2 FY03/23	Q2 FY03/24	Exchange rate Impact*	Q2 FY03/24 Results Excl. Impact	Change (%)
(¥100 million)	[a]	[b]	[c]	[d=b-c]	[d÷a]
Net sales	2,603.3	2,858.6	+89.1	2,769.5	+6.4%
Cost of sales	1,814.7	2,000.6	+51.6	1,949.0	
Gross profit	788.6	858.0	+37.5	820.5	+4.0%
(%)	30.3%	30.0%		29.6%	
SG&A expenses	724.9	723.1	+20.9	702.2	
Operating profit	63.7	134.8	+16.6	118.2	+85.6%
(%)	2.4%	4.7%		4.3%	
Non-operating income	88.1	60.6	△29.3	89.9	
Non-operating expenses	35.8	48.1		48.1	
Ordinary profit	116.0	147.3	△12.7	160.0	+37.9%
Extraordinary income	25.0	51.1		51.1	
Extraordinary losses	9.6	23.9		23.9	
Profit before tax	131.4	174.5	△12.7	187.2	+42.5%
Income taxes	60.9	70.4	△5.1	75.5	
Profit attributable to non-controlling interests	7.9	4.7		4.7	
Profit	62.5	99.3	△7.6	106.9	+71.0%

*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	FY-end rate	Dec. 2021	Mar. 2022	Jun. 2022	Sep. 2022	Dec. 2022	Mar. 2023	Jun. 2023	Sep. 2023
1 USD	124.52	136.54	1 USD	115.02	122.39	136.68	144.81	132.70	133.53	144.99	149.58
1 EUR	135.16	147.93	1 EUR	130.51	136.70	142.67	142.32	141.47	145.72	157.60	158.00
1 CNY	19.13	19.55	1 CNY	18.06	19.26	20.38	20.37	19.01	19.42	19.94	20.46

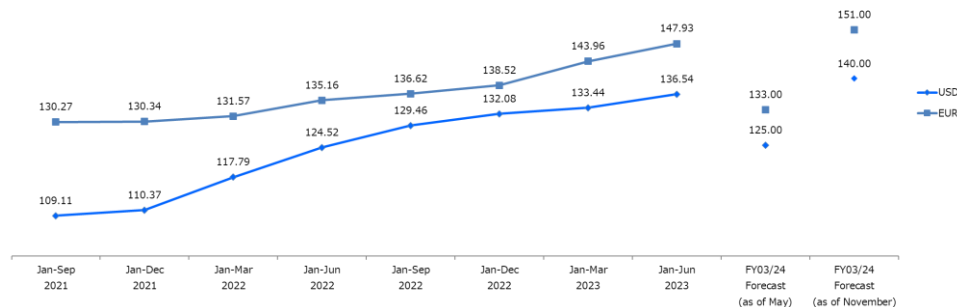
Exchange Rate Sensitivity

Annual impact of a ¥1 change in exchange rate

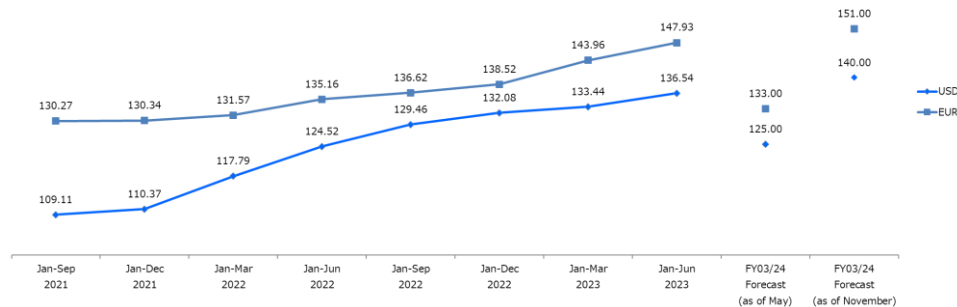
(¥100 million)	USD	EUR	CNY
Net sales	8.7	5.3	20.0
Operating profit	0.4	1.9	10.3

Average exchange rate

USD, EUR



USD, EUR



Net Sales and Operating Profit by Segment

Net sales

		(¥100 million)	Change	Change (%)	FY03/24 Forecast (as of May)	FY03/24 Forecast (as of November)
Medical-Related	Q2 FY03/24	2,202.3	+194.1	+9.7%	4,602.0	4,664.9
	Q2 FY03/23	2,008.2				
Pharmaceutical-Related	Q2 FY03/24	352.3	+10.9	+3.2%	797.0	715.0
	Q2 FY03/23	341.3				
PharmaPackaging	Q2 FY03/24	299.8	+49.3	+19.7%	589.1	608.1
	Q2 FY03/23	250.4				

Operating profit

		(¥100 million)	Change	Change (%)	FY03/24 Forecast (as of May)	FY03/24 Forecast (as of November)
Medical-Related	Q2 FY03/24	225.6	+39.7	+21.4%	433.1	453.4
	Q2 FY03/23	185.9				
Pharmaceutical-Related	Q2 FY03/24	37.3	+28.8	+339.9%	71.7	36.0
	Q2 FY03/23	8.4				
PharmaPackaging	Q2 FY03/24	14.5	△6.4	△30.8%	23.2	23.4
	Q2 FY03/23	20.9				

● Medical-Related

Despite rising raw materials prices, operating profit increased YoY due to strong sales of Nexium AG and higher NHI drug prices of unprofitable injection products.

● Pharmaceutical-Related

Operating profit increased YoY due to the pass-through of costs related to high prices to sales prices.
Growth slowed from the previous quarter due to rising raw material costs, energy costs, and depreciation.

● Pharma Packaging Business

Operating profit decreased due to rising labor costs, fuel expenses, and depreciation.

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

		(¥100 million)	Change	Change (%)	FY03/24 Forecast (as of May)	FY03/24 Forecast (as of November)
Domestic business	Q2 FY03/24	1,137.9				
	Q2 FY03/23	1,043.1	+94.8	+9.1%	2,423.7	2,325.0
Medical devices	Q2 FY03/24	573.3				
	Q2 FY03/23	587.4	△14.1	△2.4%	1,314.2	1,215.5
Pharmaceuticals	Q2 FY03/24	564.5				
	Q2 FY03/23	455.6	+108.9	+23.9%	1,109.5	1,109.5
Dialyzer domestic sales	Q2 FY03/24	112.0				
	Q2 FY03/23	112.1	△0.1	△0.1%	230.4	228.1

● Medical devices Net sales of dialyzers in Japan were unchanged YoY.

Sales of dialysis equipment fell ¥860 million YoY due to a decrease in the number of installation projects.

Sales of injection needles increased ¥400 million YoY owing to a demand increase and price revisions.

Sales of infusion-related products increased ¥270 million YoY owing to price revisions.

Sales of catheter-related products were down ¥1,990 million YoY due to the impact of other companies' entry into the domestic market for drug-eluting balloons, which used to be an exclusive market in Japan.

● Domestic pharmaceuticals

Sales of oral drugs including Nexium AG, which was launched in December last year, and new products were strong. Despite a decrease in existing drugs due to a fall in drug prices, overall sales increased ¥6,800 million YoY.

Sales rose ¥3,140 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.

Sales of Other and in-vitro diagnostics increased ¥320 million YoY due to sales of a SARS coronavirus antigen kit launched in October last year.



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

		(¥100 million)	Change	Change (%)	FY03/24 Forecast (as of May)	FY03/24 Forecast (as of November)
Overseas business	Q2 FY03/24	1,039.7	+103.7	+11.1%	2,114.3	2,285.0
	Q2 FY03/23	936.0				
B2B (other brands)	Q2 FY03/24	129.2	+16.9	+13.1%	291.9	310.2
	Q2 FY03/23	123.1				
Nipro brands	Q2 FY03/24	910.4	+86.6	+10.7%	1,822.4	1,974.7
	Q2 FY03/23	812.9				
Americas	Q2 FY03/24	387.0	+11.6	+3.1%	797.6	853.9
	Q2 FY03/23	375.4				
Europe	Q2 FY03/24	221.2	+36.2	+21.6%	396.5	440.7
	Q2 FY03/23	174.0				
Asia	Q2 FY03/24	170.0	+27.2	+19.0%	357.5	396.4
	Q2 FY03/23	142.8				
China	Q2 FY03/24	132.1	+11.5	+9.5%	270.7	283.8
	Q2 FY03/23	120.6				
Dialyzer overseas sales	Q2 FY03/24	334.7	+33.6	+11.3%	685.3	729.3
	Q2 FY03/23	292.4				

- **B2B**

Sales of insulin needles were strong in Europe, resulting in a ¥1,700 million YoY increase.

- **Nipro brand**

Dialyzer volume remained weak in North America but strong in China, Europe and Asia. As a result, sales of dialyzers in the total international business increased ¥3,360 million YoY.

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 ¥1,160 million YoY due to the effect of the yen's depreciation and the expansion of dialysis centers in Central and South America.

Sales in Europe increased ¥3,620 million YoY due to the yen's depreciation and an increase in sales of dialysis equipment, blood circuits, and Safetouch PSV.

In Asia, sales increased ¥2,720 million YoY due to the effect of the yen's depreciation, strong sales of dialysis equipment and Surefuser, and winning the bid for IV cannulas.

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 increased ¥1,150 million YoY due to an increase in sales of dialyzers.



Segment Results – (2) Pharmaceutical-Related

Pharmaceutical-Related		(¥100 million)	Change	Change (%)	FY03/24 Forecast (as of May)	FY03/24 Forecast (as of November)
	Q2 FY03/24	352.3				
	Q2 FY03/23	341.3	+10.9	+3.2%	797.0	715.0
Breakdown of contract manufacturing sales						
Generic drugs	Q2 FY03/24	190.1				
	Q2 FY03/23	187.2	+2.9	+1.5%	402.6	392.2
Brand-name drugs Long-listed drugs	Q2 FY03/24	115.3				
	Q2 FY03/23	106.4	+8.9	+8.4%	305.6	222.9
OTC drugs Active ingredients, etc.	Q2 FY03/24	16.9				
	Q2 FY03/23	20.3	△3.4	△16.7	33.0	42.5
JMI Pharma	Q2 FY03/24	29.9				
	Q2 FY03/23	27.2	+2.7	+9.9%	55.7	57.0

- Generic drugs**

Sales of oral drugs fell ¥170 million YoY due to a decline in orders associated with customers' inventory adjustments.
The number of injectables increased by 720 million yen from the previous year due to the recovery of orders after inventory adjustment by customers.
Sales of topical formulations fell ¥260 million YoY due to a decline in orders.
- Brand-name/long-listed drugs**

Sales of oral drugs fell ¥580 million YoY due to a decline in orders associated with customers' inventory adjustments. Sales of injectables rose ¥1,690 million YoY due to the start of shipments of newly consigned products, the addition of certifications, and the recovery in product shipments that decreased in the previous year. Sales of topical formulations fell ¥230 million YoY due to the end of consignment of certain products.
- OTC drugs, active ingredients, etc.**

Sales dropped ¥120 million YoY due to a decrease in one-time income for experimental production costs. Sales of topical formulations fell ¥120 million YoY due to reduced production of certain products because of a shortage of raw materials.
- JMI Pharma**

Up 19.6% YoY on a local currency basis due to increased promotion to physicians and a focus on chronic disease drugs. However, up only 9.8% on a Japanese yen basis due to the effect of the yen's appreciation. As a result, sales increased ¥270 million YoY.

Segment Results – (3) PharmaPackaging

		(¥100 million)	Change	Change (%)	FY03/24 Forecast (as of May)	FY03/24 Forecast (as of November)
Pharma Packaging	Q2 FY03/24	299.8				
	Q2 FY03/23	250.4	+49.3	+19.7%	589.1	608.1
Sales by region						
Japan	Q2 FY03/24	64.6				
	Q2 FY03/23	57.6	+7.0	+12.2%	124.2	127.3
Overseas	Q2 FY03/24	235.1				
	Q2 FY03/23	192.7	+42.4	+22.0%	465.0	480.8
Europe	Q2 FY03/24	127.8				
	Q2 FY03/23	102.7	+25.1	+24.4%	251.5	267.5
Americas	Q2 FY03/24	71.7				
	Q2 FY03/23	55.7	+16.0	+28.7%	136.2	144.3
China	Q2 FY03/24	27.9				
	Q2 FY03/23	25.3	+2.6	+10.3%	57.5	51.5
India	Q2 FY03/24	7.5				
	Q2 FY03/23	8.8	△1.3	△14.8%	19.7	17.5

- Japan** Sales of infusion-related products increased ¥290 million YoY owing to a market share increase in injection sets. Sales of injections and infusions increased ¥220 million YoY owing to an increased shipment of alternative products due to competitors' supply issues.
- Overseas** Sales of ampoules increased ¥760 million YoY in Europe due to the impact of a review of products sold by competitors. Sales of glass tubes increased ¥540 million YoY due to the pass-through of higher costs to sales prices and increased orders. Sales of syringes grew ¥530 million YoY due mainly to the effect of currency fluctuations and greater production to satisfy increased demand from the latter half of 1Q to 2Q. In the U.S., sales of vials increased ¥1,000 million YoY due to the price revision in consideration of the impact of inflation. Sales of glass tubes increased ¥600 million YoY due to the pass-through of higher costs to sales price. In China, sales of vials fell YoY due to a decrease in demand for products for vaccines in the previous year. However, an increase in demand for other vials resulted in an increase in sales by ¥280 million YoY. In India, sales of glass tubes fell ¥260 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	Q2 FY03/24	1,578.8	0.0	20.1	0.0	1,599.0
	Q2 FY03/23	1,504.6	0.0	16.8	0.0	1,521.5
Pharmaceuticals	Q2 FY03/24	622.9	352.3	4.1	0.0	979.4
	Q2 FY03/23	503.3	341.3	1.8	0.0	846.5
Pharma packaging	Q2 FY03/24	0.5	0.0	275.0	0.0	275.5
	Q2 FY03/23	0.1	0.0	230.6	0.0	230.7
Other	Q2 FY03/24	0.0	0.0	0.4	4.1	4.6
	Q2 FY03/23	0.0	0.0	1.1	3.4	4.5
Total	Q2 FY03/24	2,202.3	352.3	299.8	4.1	2,858.6
	Q2 FY03/23	2,008.2	341.3	250.4	3.4	2,603.3

*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 FY03/24	1,110.1	320.0	64.8	4.1	1,499.2
	Q2 FY03/23	1,014.5	312.7	57.9	3.4	1,388.6
Overseas total	Q2 FY03/24	1,092.1	32.3	234.9	0.0	1,359.4
	Q2 FY03/23	993.7	28.6	192.4	0.0	1,214.7
Americas	Q2 FY03/24	433.6	0.0	66.8	0.0	500.4
	Q2 FY03/23	419.4	0.0	53.2	0.0	472.7
Europe	Q2 FY03/24	253.3	1.0	131.5	0.0	385.8
	Q2 FY03/23	224.6	0.3	101.0	0.0	326.0
China	Q2 FY03/24	168.7	0.1	27.9	0.0	196.8
	Q2 FY03/23	152.0	0.1	24.4	0.0	176.6
Other Asia	Q2 FY03/24	236.4	31.1	8.6	0.0	276.2
	Q2 FY03/23	197.5	28.1	13.6	0.0	239.3
Total	Q2 FY03/24	2,202.3	352.3	299.8	4.1	2,858.6
	Q2 FY03/23	2,008.2	341.3	250.4	3.4	2,603.3

- **By region** Sales were strong in all regions in FY03/24, with Japan making up 53.3% of net sales and overseas 46.7%.
- **By segment**

In Medical-Related, 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 an increase in NHI drug prices of re-priced unprofitable injection products.

Sales of international medical devices increased due to the effect of the yen's depreciation and the expansion of dialysis centers in Central and South America.

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 increased in Europe for glass tubes and ampoules and in the U.S. for glass tubes and vials due to the effect of the yen's depreciation and the pass-through of costs to sales prices.

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 FY03/23	Q2 FY03/24	Change	Change %	Q2 FY03/23	Q2 FY03/24	Change	Change %	Q2 FY03/23	Q2 FY03/24	Change	Change %
Medical devices	Dialyzers	404.5	446.8	+42.3	+10.5%	292.4	334.7	+42.3	+14.5%	112.1	112.0	0.0	△0.1%
	Dialysis equipment	107.9	108.3	+0.3	+0.4%	65.5	74.5	+9.0	+13.8%	42.3	33.7	△8.6	△20.4%
	Other dialysis-related products	217.1	255.1	+37.9	+17.5%	176.2	213.3	+37.1	+21.1%	40.9	41.7	+0.8	+2.1%
	Dialysis-related products total	729.6	810.3	+80.6	+11.1%	534.2	622.7	+88.5	+16.6%	195.3	187.5	△7.8	△4.0%
	Needles	245.9	234.4	△11.5	△4.7%	170.1	153.1	△16.9	△10.0%	75.8	81.2	+5.4	+7.2%
	Vascular products	170.6	156.1	△14.4	△8.5%	32.9	38.7	+5.8	+17.6%	137.6	117.4	△20.2	△14.7%
	Infusion-related products	87.3	103.3	+16.0	+18.3%	31.4	41.7	+10.3	+32.8%	55.9	61.6	+5.6	+10.2%
	Testing products	58.4	61.4	+3.0	+5.2%	40.9	43.3	+2.4	+5.9%	17.5	18.1	+0.6	+3.5%
	Diabetes-related products	43.1	51.9	+8.7	+20.2%	36.6	44.5	+7.9	+21.6%	6.5	7.3	+0.8	+12.3%
	Surgical device-related products	33.2	41.0	+7.8	+23.5%	6.2	9.5	+3.2	+51.3%	26.9	31.5	+4.5	+17.0%
	Other products	151.2	136.8	△14.4	△9.5%	93.0	79.1	△13.8	△14.9%	58.1	57.6	△0.5	△0.9%
	Category Total	1,519.7	1,595.5	+75.8	+5.0%	945.7	1,033.0	+87.3	+9.2%	573.9	562.5	△11.4	△2.0%
Pharmaceuticals (own brand)	Oral drugs	188.6	256.9	+68.2	+36.2%	0.0	0.2	+0.2	+475.1%	188.6	256.6	+68.0	+36.0%
	Injection and infusion products	238.4	280.1	+41.7	+17.5%	46.3	56.6	+10.2	+22.2%	192.0	223.4	+31.4	+16.4%
	External preparations and patches	31.5	33.7	+2.2	+7.2%	-	-	-	-	31.5	33.7	+2.2	+7.2%
	Others, in vitro diagnostics, etc.	44.7	52.0	+7.3	+16.4%	1.4	1.5	+0.1	+11.2%	43.3	50.4	+7.1	+16.5%
	Category Total	503.3	622.9	+119.5	+23.7%	47.8	58.5	+10.6	+22.4%	455.5	564.3	+108.8	+23.9%
Regenerative medicines	Regenerative medicine products	1.7	3.4	+1.6	+94.0%	-	-	-	-	1.7	3.4	+1.6	+94.0%

Net Sales by Product Category (2)

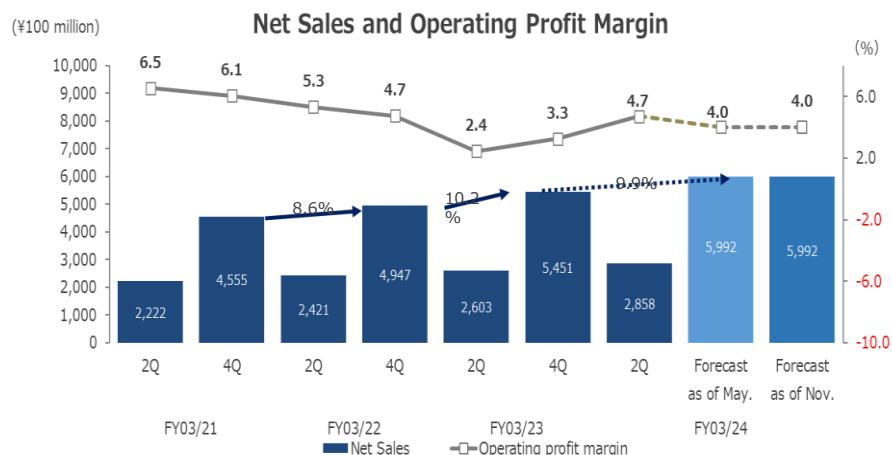
Business Category (¥100 million)		Overall				Overseas				Japan			
		Q2 FY03/23	Q2 FY03/24	Change	Change %	Q2 FY03/23	Q2 FY03/24	Change	Change %	Q2 FY03/23	Q2 FY03/24	Change	Change %
Pharmaceuticals (contract manufacturing)	Oral drugs	149.3	141.9	△7.3	△4.9%	0.3	0.2	0.0	△29.9%	149.0	141.7	△7.2	△4.9%
	Injection and infusion products	127.9	154.2	+26.3	+20.6%	0.6	1.9	+1.2	+205.2%	127.2	152.3	+25.0	+19.7%
	External preparations and patches	25.5	19.2	△6.2	△24.6%	0.2	-	△0.2	△100.0%	25.3	19.2	△6.0	△23.9%
	Others, in vitro diagnostics, etc.	13.0	11.0	△2.0	△15.8%	0.1	0.2	0.0	+40.3%	12.9	10.7	△2.1	△16.5%
	Category Total	315.8	326.5	+10.6	+3.4%	1.3	2.3	+1.0	+79.0%	314.5	324.1	+9.6	+3.1%
Pharmaceuticals (JMI Pharma)	Oral drugs	27.0	29.6	+2.6	+9.8%	27.0	29.6	+2.6	+9.8%	-	-	-	-
	Injection and infusion products	0.2	0.2	0.0	+9.6%	0.2	0.2	0.0	+9.6%	-	-	-	-
	Category Total	27.2	29.9	+2.6	+9.8%	27.2	29.9	+2.6	+9.8%	-	-	-	-
Pharma packaging	Glass tube-related products	57.4	65.7	+8.2	+14.4%	46.9	54.7	+7.7	+16.5%	10.5	11.0	+0.5	+4.8%
	Glass ampoules	33.5	43.3	+9.7	+29.1%	33.5	43.2	+9.7	+29.1%	0.0	0.0	0.0	+30.7%
	Glass vials	79.8	96.3	+16.4	+20.6%	71.1	87.5	+16.3	+23.0%	8.7	8.8	0.0	+1.0%
	Glass syringes	28.7	33.9	+5.2	+18.3%	28.4	33.9	+5.4	+19.2%	+0.2	0.0	△0.2	△88.4%
	Rubber stoppers and plugs	9.8	11.1	+1.3	+13.4%	3.7	4.6	+0.8	+23.7%	6.1	6.5	+0.4	+7.2%
	Plastic containers	9.2	9.5	+0.2	+3.0%	0.0	-	0.0	△100.0%	9.2	9.5	+0.2	+3.1%
	Thermos bottles	1.8	2.7	+0.8	+42.4%	-	-	-	-	1.8	2.7	+0.8	+42.4%
	Other products	10.0	12.6	+2.5	+25.6%	8.5	11.3	+2.7	+31.9%	1.4	1.3	△0.1	△10.7%
	Category Total	230.7	275.5	+44.7	+19.4%	192.3	235.3	+42.9	+22.3%	38.3	40.1	+1.7	+4.6%
Other	Sales of production machinery and real estate leasing	4.5	4.6	0.0	+1.9%	0.2	0.1	0.0	△31.7%	4.3	4.5	+0.1	+3.7%
Consolidated Total		2,603.3	2,858.6	+255.2	+9.8%	1,214.7	1,359.4	+144.6	+11.9%	1,388.6	1,499.2	+110.5	+8.0%

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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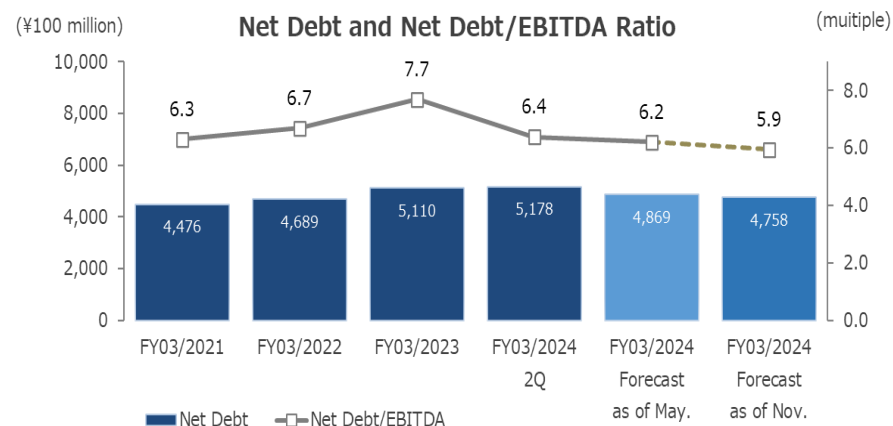
➤ Sales growth rate

Due mainly to the easing of COVID-19 since the second half of FY03/22 and increased overseas sales amid the yen's depreciation, the average annual sales growth rate for the two years until FY03/23 was 9.4%. Growth in the first half of FY03/24 was 9.8% YoY. The full-year sales growth rate for FY03/24 is expected to be 9.9%, with an average growth exceeding the 7.0% guideline.

➤ Operating profit margin

Operating profit margin in and after FY03/21 fell due to increased transportation costs, as well as rising raw materials costs and energy costs. However, the rate began to take a recovery track since the second half of FY03/23 thanks to falling overseas ship fares.

The rate stood at 4.7% in the first half of FY03/24 due to falling overseas ship fares and suppressed R&D expenses. The rate is expected to be 4.0% on a full-year basis, considering the depreciation burden of the new building of the Odate, Akita Plant and a new line of Nipro Pharma.



➤ Net interest-bearing debt

Net interest-bearing debt is on the rise as a result of active capital investment. In the first half of FY03/24, growth of capex for the new building of the Odate, Akita Plant and the new Nipro Pharma Ohmi Plant kept the interest-bearing debt higher. In the second half, the Company expects to suppress net interest-bearing debt by improving free cash flows by selling assets, cutting inventories, and liquidating receivables.

➤ Net Debt/EBITDA ratio

In the first half of FY03/24, EBITDA increased due to the improved operating profit.

The Net Debt/EBITDA ratio improved to 6.4x in the first half of FY03/24, due to the improved EBITDA although net interest-bearing debt increased. The Company will suppress interest-bearing debt in the second half of FY03/24, expecting the ratio to be improved to 5.9x on a full-year basis.



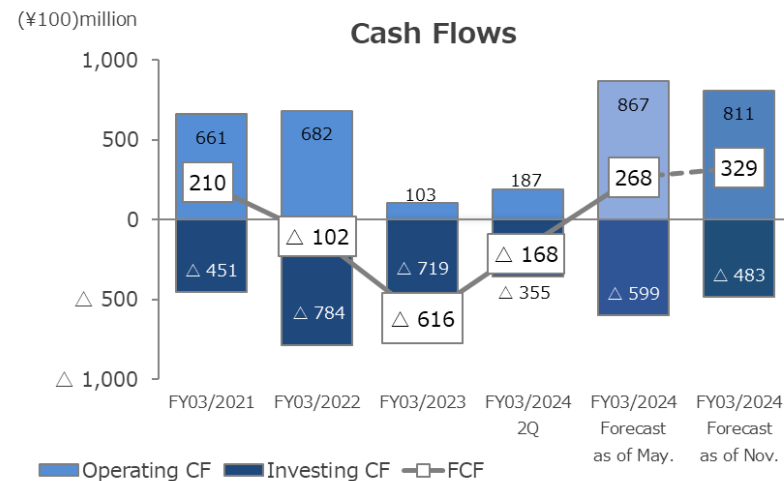
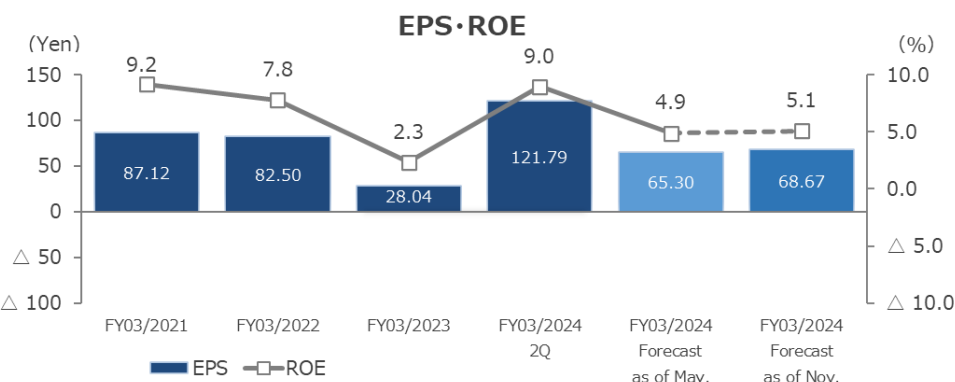
Core KPIs in the Medium-Term Management Plan – (2)

Guidelines for FY03/25

Capital efficiency ROE 14.0%

Investment
efficiency

Achieve positive free cash flow



➤ ROE

Profit for the first half of FY03/24 grew YoY due to an increase in operating profit and a gain on the sale of equity holdings.

Profit grew significantly despite an increase in equity capital, with annualized EPS of 121.79 yen and annualized ROE of 9.0%, exceeding the full-year forecasts.

Profit for the second half is expected to decrease from that for the first half, with ROE of 5.1% and EPS of 68.67 yen on a full-year basis.

➤ Free CF

For the first half of FY03/24, operating CF stood at ¥18.7 billion due to an increase in Inventories and trade receivables. Investment CF of ¥35.5 billion was generated by selling cross-held stocks, offset by purchasing fixed assets. As operating cash flow remained higher YoY but failed to cover new investment expenditure, the Company incurred a negative free cash flow of -¥16.8 billion.

For the second half of FY03/24, the free CF forecast was revised upward from the initial forecast, boosted by operating CF that improved with liquidation of receivables and reduced inventories, and investment CF suppressed by the sale of fixed assets.



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.

