

IR Materials

Q2 FY03/25

November 8, 2024

NIPRO CORPORATION



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Business Overview

Manufacturing, Purchasing, Logistics

The new installation of dialyzer lines (Odate, Akita, and Hefei, China) in FY03/25 is shown below.
 The 10th line at the Odate Plant in Akita prefecture started operation in October 2024. The 7th line of FB dialyzers and the 11th line of dialyzers at the Odate Plant will be put in operation respectively in February and in April 2025.

2024												2025			
1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4
		Hefei Plant	Odate Plant						Odate Plant				Odate Plant		Odate Plant
		Dialyzers	Dialyzers						Dialyzers				FB Dialyzers		Dialyzers
		4th line	9th line						10th line				7th line		11th line
		began	began						began				will begin		will begin
		operations	operations						operations				operations		operations

Sales

- Dialysis medical devices : Sales of dialyzers increased as we captured large projects in North America and commenced shipments for Egyptian government tenders, while there was also a switch from other companies in Europe. In Asia, single-use applications spread and shipments for government tenders started. Dialysis centers increased in Central and South America and China.
- Vascular-related products : The indication of drug-eluting balloons expanded, but a competitor put new products on the market, making our sales fell.
- SD-related products : Sales remained steady due to stronger sales and increased maintenance contracts of HeartMate 3, resulting from an indication expansion.
- Pharmaceuticals (own brand) : External preparation increased due to the launch of antigen test kit of Covid-19 and influenza, while sales of oral drugs decreased due to a fall in prices of drugs and limited shipments, and sales quantity of injection products fell due to a rise in prices of drugs.
- Pharmaceuticals (contract manufacturing) : In Japan, sales of GE products fell due to a decline in orders and contract terminations, but sales of brand-name/long-listed products grew due to an increase in orders and the start of deliveries of new consigned products. Overseas, JMI Pharma enjoyed steady sales.
- Pharma Packaging : Sales of Pharma Packaging increased due to the increasing demand of sterilized syringes in Europe, ampules and vials in India, and infusion related products and glass tubes in Japan in spite of the decreasing demand of vials and glass tubes in the U.S. and vials and ampules in China.

Acquired the Manufacturing and Sales Approval of SARS Corona Virus and Influenza Antigen Test Drugs (September 24th)

Self-administered antigen test kit for SARS Corona Virus and influenza, “V Trust® SARS-CoV-2+Flu Ag”, acquired the manufacturing and sales approval on August 7th, 2024. This kit enables the simultaneous checking of SARS-CoV-2 virus and A-type/B-type flu virus. There may be a simultaneous epidemic of Covid-19 and influenza this winter, and this test kit can be used for self checkup that the Japanese government encourages.

Q2 FY03/25 Results

	Q2 FY03/24	Q2 FY03/25	Change	Forecast of the first half of FY03/25 (% progress)	FY03/25 Forecast (as of May)	FY03/25 Forecast (as of November)	Quarterly Results				
							FY03/24		FY03/25		
							Q2	Q3	Q4	Q1	Q2
(¥ 100 million)											
Net sales	2,858.6	3,120.1	+261.5 +9.1%	3,166.2 98.5%	6,450.0	6,450.0	1,452.7	1,532.6	1,476.5	1,523.9	1,596.2
Cost of sales	2,000.6	2,176.7	+176.1 +8.8%	2,211.7 98.4%	4,525.0	4,525.0	1,025.3	1,070.0	1,084.0	1,064.8	1,111.8
Gross profit (*1)	858.0 30.0%	943.4 30.2%	+85.3 +9.9%	954.4 98.8%	1,925.0 29.8%	1,925.0 29.8%	427.3 29.4%	462.6 30.2%	392.4 26.6%	459.0 30.1%	484.3 30.3%
SG&A expenses	723.1 25.3%	808.8 25.9%	+85.6 +11.8%	808.2 100.1%	1,600.0 24.8%	1,600.0 24.8%	365.8 25.2%	373.9 24.4%	392.7 26.6%	401.1 26.3%	407.6 25.5%
Operating profit	134.8 4.7%	134.5 4.3%	△0.2 △0.2%	146.2 92.1%	325.0 5.0%	325.0 5.0%	61.5 4.2%	88.7 5.8%	△ 0.2 0.0%	57.8 3.8%	76.7 4.8%
Ordinary profit (*2)	147.3 5.2%	44.9 1.4%	△102.4 △69.5%	126.4 35.5%	276.0 4.3%	223.0 3.5%	58.3 4.0%	52.7 3.4%	△ 5.0 -0.3%	64.2 4.2%	△ 19.2 △1.2%
Profit attributable to owners of parent	99.3 3.5%	1.2 0.0%	△98.0 △98.7%	61.0 2.1%	158.0 2.4%	158.0 2.4%	58.3 4.0%	26.9 1.8%	△ 15.2 -1.0%	26.2 1.7%	△ 24.9 △1.6%

● Net sales

In the medical devices, sales in Japan decreased, but overseas, sales were strong in the B2B business and dialyzers in the North America, Europe and Asia in addition to the weaker yen. In the pharmaceutical business, net sales of own-brand generics fell because of the decreasing demand of oral drugs and injection products, but for the brand-name/long-listed drugs, new consignment of injection and an increasing demand helped net sales grow. Pharma Packaging enjoyed steady sales in Japan and Europe. As a whole, net sales increased 9.1% YoY.

(*1) Effect of unrealized gains on gross profit
Q2 FY03/24 -¥1,260 million
Q2 FY03/25 -¥2,350 million

● Gross profit

Gross profit margin increased 9.9% YoY as labor costs and electricity charges were restrained whereas there were increases in the amount deducted of unrealized gain and depreciation resulting from continuous capital investment.

(*2) Foreign exchange gains

● Operating profit

Operating profit dropped marginally YoY due to the increases in personnel expenses and commission expenses and a rise in depreciation for the dialysis centers in the North, Central and South America.

Q2 FY03/24 +¥3,600 million
Q2 FY03/25 -¥4,700 million

● Ordinary profit

Ordinary profit decreased ¥10,240 million YoY due to an equity method investment loss and higher interest expenses. In addition, ¥3,600 million of foreign exchange gain was recorded in the previous fiscal year whereas ¥4,700 million foreign exchange loss was recorded this year, resulting in a net deterioration of ¥8,300 million.

● Profit

Profit decreased ¥9,800 million YoY as there were gains from the sale of cross-held stocks and fixed assets in the previous fiscal year, which were not accounted this fiscal year, and there was a rise in the effective tax rate due to the deficit-ridden companies.



FY03/25 Forecast Changes (Overall)

(¥100 million)	Q2 FY03/25	Forecast of the first half of FY03/25 (% achievement)	FY03/25 Forecast as of May (% achievement)	FY03/25 Forecast as of November (% achievement)	FY03/25 Forecast Changes (vs. May figures)
Net Sales	3,120.1	3,166.2 98.5%	6,450.0	6,450.0	0.0 +0.0%
Cost of Sales	2,176.7	2,211.7 98.4%	4,525.0	4,525.0	0.0 +0.0%
Gross profit	943.4 30.2%	954.4 98.8%	1,925.0 29.8%	1,925.0 29.8%	0.0 +0.0%
SG&A expenses	808.8 25.9%	808.2 100.1%	1,600.0 24.8%	1,600.0 24.8%	0.0 +0.0%
Operating profit	134.5 4.3%	146.2 92.1%	325.0 5.0%	325.0 5.0%	0.0 +0.0%
Ordinary profit	44.9 1.4%	126.4 35.5%	276.0 4.3%	223.0 3.5%	△ 53.0 △19.2%
Profit attributable to owners of parent	1.2 0.0%	61.0 2.1%	158.0 2.4%	158.0 2.4%	0.0 +0.0%

- **Net sales** The first-half results were worse than expected, but foreseeing the cancellation of limited shipment and increasing shipments resulting from an increase in contract manufacturing products, the full-year forecast was unchanged.
- **Gross profit** Gross profit was worse than expected, but the net sales is expected to grow in the second-half in addition to the cost reduction caused by the subsidy in the pharmaceutical business, making the full-year forecast unchanged.
- **Operating profit** Operating profit was as expected from the initial forecast, making the full-year forecast unchanged.
- **Ordinary profit** As the non-operating expenses increased resulting from foreign-exchange loss, the full-year forecast was revised ¥5,300 million downward.
- **Profit** Foreseeing extraordinary gain in the second-half, the full-year forecast remains the same.

SG&A Expenses: Major Accounts

	Q2 FY03/24	Q2 FY03/25		Change (%)	FY03/25 Forecast (% achievement)
		Actual	% of Total		
(¥ 100 million)					
Personnel	241.9	271.7	33.6%	+29.8 +12.3%	514.4 52.8%
R&D (*1)	85.7	88.8	11.0%	+3.0 +3.6%	190.0 46.8%
Transportation	69.8	74.6	9.2%	+4.7 +6.9%	176.4 42.3%
Depreciation (*2)	64.0	76.6	9.5%	+12.6 +19.7%	132.7 57.7%
Commission expenses (*3)	33.2	51.5	6.4%	+18.2 +54.9%	99.8 51.6%
Promotion (*4)	48.3	44.4	5.5%	△3.9 △8.1%	96.5 46.0%
Travel & transportation	20.9	22.8	2.8%	+1.9 +9.1%	52.2 43.8%
Storage	17.3	19.6	2.4%	+2.3 +13.4%	31.9 61.4%
Other	141.6	158.4	19.6%	+16.7 +11.8%	305.7 51.8%
Total	723.1	808.8	100.0%	+85.6 +11.8%	1,600.0 50.6%

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

*2: Depreciation, goodwill amortization

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

*4: Commission expenses, consulting expenses

● Personnel expenses

Personnel expenses increased ¥2,980 million YoY due to a base salary hike and the increased number of employees in Japan and the impact of foreign exchange and the increased number of employees overseas.

● Transportation

Transportation increased ¥470 million due to the increasing shipment to Europe and the rise in transportation cost.

● Depreciation

Depreciation increased ¥1,260 million YoY due to the increase of goodwill amortization and the introduction of dialysis equipment in the newly-acquired dialysis clinics in North America and Central and South America.

● Commission expenses

Commission expenses increased ¥1,820 million YoY due to a rise in expenses related to patents and software license contract fees for dialysis management system as well as expenses related to the obtaining of certification, consignment, development and maintenance for dialysis devices in Europe.



SG&A Expenses: R&D Expenses

(¥ 100 million)	Q2 FY03/24	Q2 FY03/25	Change (Change %)	FY03/25 Forecast
Medical (*1)	49.7	54.9	+5.1 +10.4%	101.6
Pharmaceutical	43.5	39.2	△4.2 △9.8%	85.0
Pharma Packaging	1.5	1.6	+0.1 +10.2%	3.4
Total(*2)	94.8	95.8	+1.0 +1.1%	190.0

*1: Figures for the previous fiscal year have also been revised since research and development expenses for outsourcing were recorded from the current fiscal year.

*2: Including research and development expenses in manufacturing costs.

- **Medical-Related** Up ¥510 million YoY this year due to the development of new vascular products.
- **Pharmaceutical-Related** Down ¥420 million YoY due to a decrease in depreciation and consignment researching fee.
- **Pharma Packaging** Up ¥10 million YoY due to an increase of development expenses for new products.

Capex and Depreciation

	Capex					Depreciation			
	Q2 FY03/24	Q2 FY03/25	Change (Change %)	FY03/25 Forecast as of May (% achievement)	FY03/25 Forecast as of November (% achievement)	Q2 FY03/24	Q2 FY03/25	Change (Change %)	FY03/25 Forecast (% achievement)
(¥ 100 million)									
Medical-Related	262.9	205.8	△57.1 △21.7%	384.0 53.6%	384.0 53.6%	129.2	165.6	+36.3 +28.2%	318.1 52.1%
Pharmaceutical-Related	80.4	115.8	+35.4 +44.0%	103.0 112.5%	(*) 143.0 81.0%	71.4	75.1	+3.7 +5.2%	156.1 48.2%
Pharma Packaging	75.2	39.2	△36.0 △47.9%	125.0 31.4%	125.0 31.4%	30.6	36.7	+6.0 +19.8%	67.7 54.3%
Other	55.2	17.4	△37.7 △68.4%	12.0 145.8%	12.0 145.8%	26.8	24.8	△1.9 △7.4%	56.2 44.2%
Total	474.0	378.4	△95.5 △20.2%	624.0 60.7%	664.0 57.0%	258.2	302.3	+44.1 +17.1%	598.1 50.6%

*: ¥2,250 million out of ¥6,250 million that is to be subsidized this fiscal year will be subsidized in Q4. The rest of ¥4,000 million has been changed to be subsidized next fiscal year, making the full-year forecast from ¥10,300 million to ¥14,300 million.

● Capex

In Medical-Related, capex increased YoY due to the implementation in a new dialyzer lines of ¥3,470 million at the Hefei Plant, China and ¥9,060 million at the Odate Plant, Akita. The investment on the buildings and equipment in Odate Plant in the previous fiscal year was ¥18,120 million, causing the capex including other plants decrease ¥5,710 million YoY.

In Pharmaceutical-Related, capex increased ¥3,540 million YoY caused by the ¥8,960 million capital investment of new antibiotic building and the vial building at the Ohmi Plant of Nipro Pharma.

In Pharma Packaging, capex decreased ¥3,600 million YoY due to a decline in investments in Germany, France, India, and China.

In Other items, capex was down ¥3,770 million YoY as the construction of buildings completed at the Saitama Pharmaceutical Research Institute in the previous fiscal year.

● Depreciation

Depreciation finished as planned as there were no substantial delays in construction in all segments, and all facilities began operations.

P&L Excluding Forex Impact

	Q2 FY03/24	Q2 FY03/25	Exchange rate Impact*	FY03/25 Results Excl. Impact	Change %
(¥ 100 million)	[a]	[b]	[c]	[d=b-c]	[d÷a]
Net sales	2,858.6	3,120.1	+158.2	2,961.9	+3.6%
Cost of sales	2,000.6	2,176.7	+87.0	2,089.7	
Gross profit	858.0	943.4	+71.1	872.2	+1.7%
(%)	30.0%	30.2%		29.4%	
SG&A expenses	723.1	808.8	+40.2	768.5	
Operating profit	134.8	134.5	+30.9	103.6	△23.2%
(%)	4.7%	4.3%		3.5%	
Non-operating income	60.6	26.0		26.0	
Non-operating expenses	48.1	115.7	+83.0	32.6	
Ordinary profit	147.3	44.9	△52.1	97.0	△34.1%
Extraordinary income	51.1	1.7		1.7	
Extraordinary losses	23.9	6.2		6.2	
Profit before tax	174.5	40.5	△52.1	92.6	△46.9%
Income taxes	70.4	32.3	△41.6	74.0	
Profit attributable to non-controlling interests	4.7	6.8		6.8	
Profit	99.3	1.2	△10.4	11.7	△88.2%

*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.

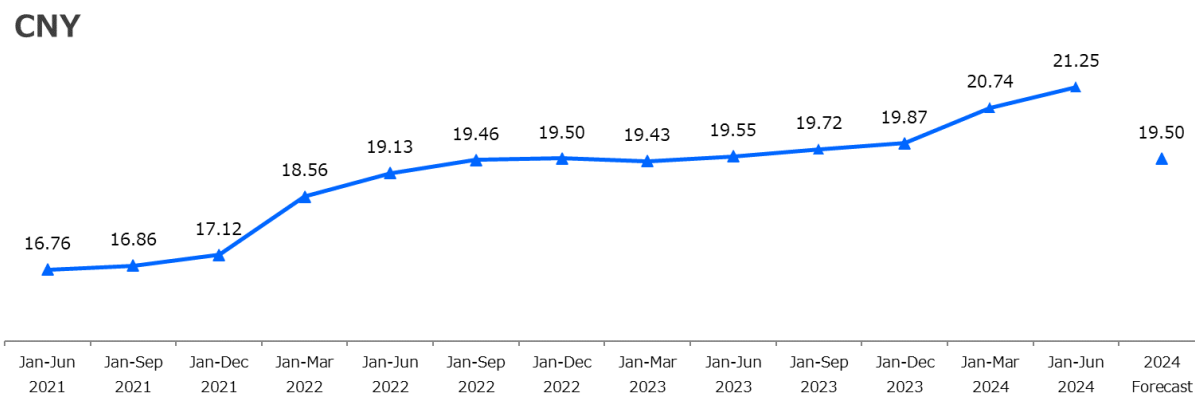
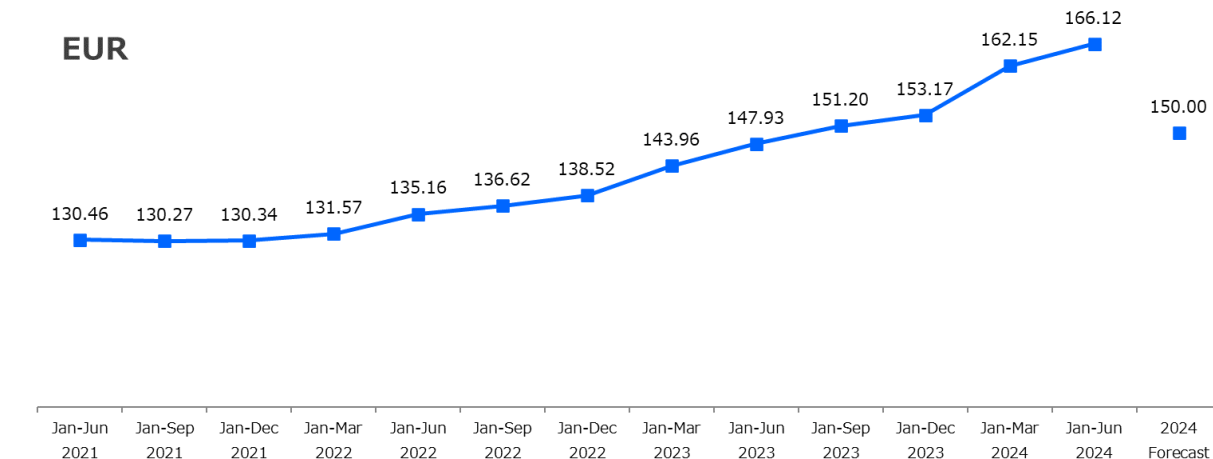
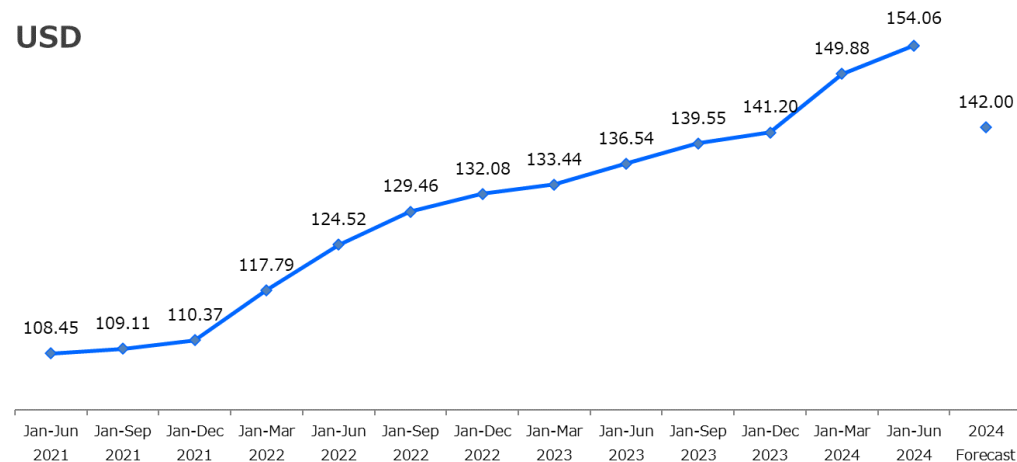
Average exchange rate	Jan-Jun 2023	Jan-Jun 2024	FY-end rate	Dec. 2022	Mar. 2023	Jun. 2023	Sep. 2023	Dec. 2023	Mar. 2024	Jun. 2024	sep. 2024
1 USD	136.54	154.06	1 USD	132.70	133.53	144.99	149.58	141.83	151.41	161.07	142.73
1 EUR	147.93	166.12	1 EUR	141.47	145.72	157.60	158.00	157.12	163.24	172.33	159.43
1 CNY	19.55	21.25	1 CNY	19.01	19.42	19.94	20.46	19.93	20.83	22.04	20.46

Exchange Rate Sensitivity

Annual impact of a ¥1 change in exchange rate

(¥ 100 million)	USD	EUR	CNY
Net sales	9.2	5.7	16.9
Operating profit	1.1	2.2	7.6

Average exchange rate



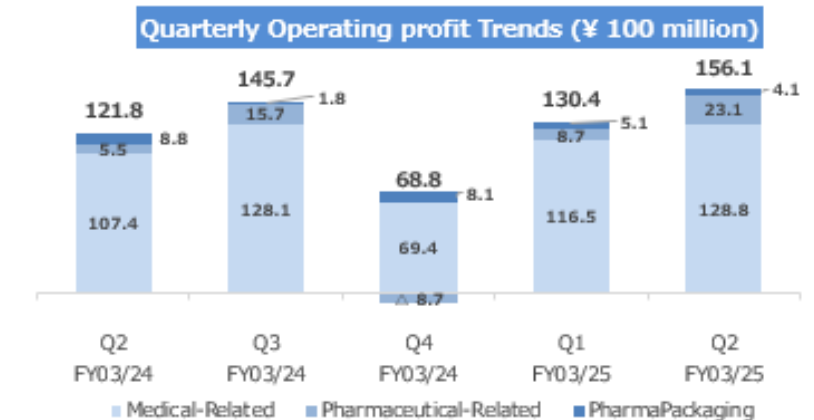
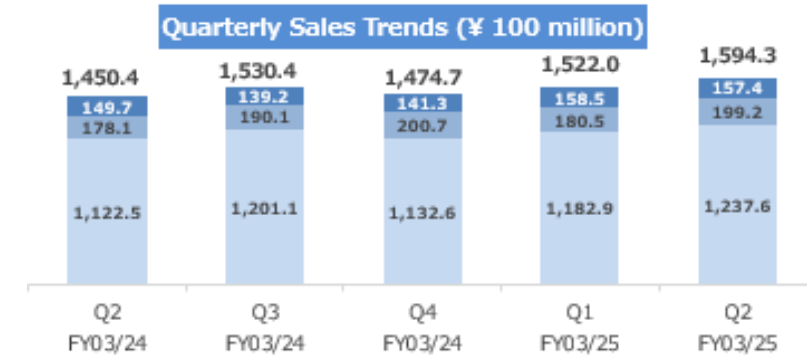
Net Sales and Operating Profit by Segment

(¥ 100 million)

Net sales	Q2 FY03/24	Q2 FY03/25	Change (Change %)	FY03/25 Forecast
Medical-Related	2,202.3	2,420.5	+218.1 +9.9%	5,013.0
Pharmaceutical-Related	352.3	379.8	+27.4 +7.8%	812.5
Pharma Packaging	299.8	315.9	+16.1 +5.4%	618.2

(¥ 100 million)

Operating profit	Q2 FY03/24	Q2 FY03/25	Change (Change %)	FY03/25 Forecast
Medical-Related	225.6 10.2%	245.4 10.1%	+19.7 +8.8%	471.0 9.4%
Pharmaceutical-Related	37.3 10.6%	31.9 8.4%	△5.4 △14.6%	90.3 11.1%
Pharma Packaging	14.5 4.8%	9.3 2.9%	△5.1 △35.8%	26.0 4.2%



- Medical-Related

Operating profit increased ¥1,970 million YoY due to strong sales of medical devices overseas despite there was an increase in raw material costs, depreciation, personnel expenses, and commission expenses.

- Pharmaceutical-Related

Net sales slightly increased caused by the strong sales of newly-contracted injection and external preparation products of brand-name/long-listed drugs although generic drugs were down due to the decreasing orders. Nevertheless, the increase of personnel expenses, depreciation, and utility costs relating to establishing a new plant made the operating profit fall ¥540 million YoY.

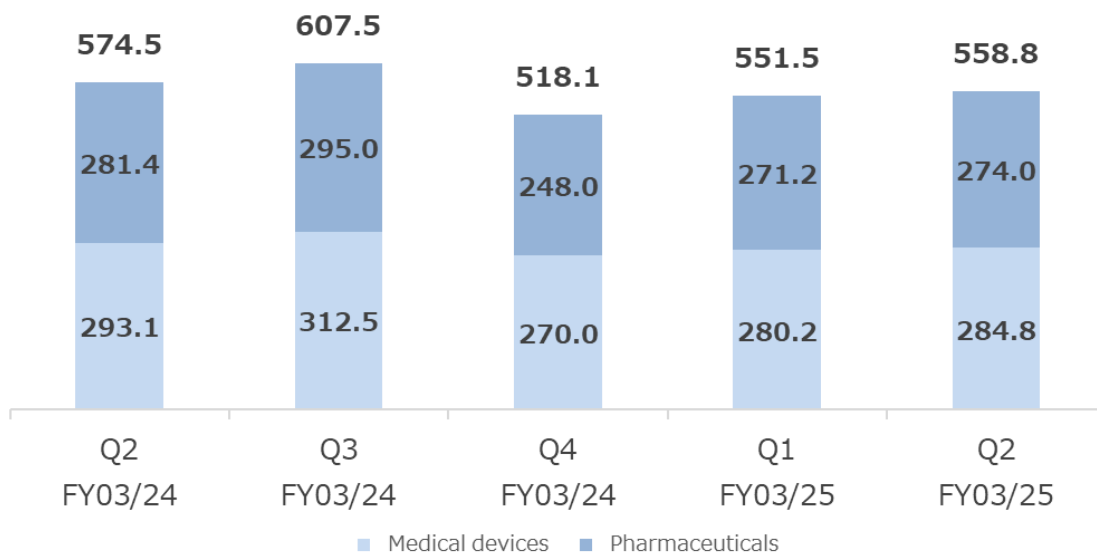
- Pharma Packaging

Whereas net sales grew, operating profit fell ¥510 million YoY due to the increased labor costs and depreciation.

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

	Q2 FY03/24	Q2 FY03/25	Change (Change %)	(¥ 100 million) FY03/25 Forecast
Net sales				
Domestic business	1,137.9	1,110.3	△ 27.6 △ 2.4%	2,367.0
Medical devices	573.3	565.0	△ 8.2 △ 1.4%	1,194.0
Pharmaceuticals	564.5	545.2	△ 19.3 △ 3.4%	1,173.0

Quarterly Sales Trends (¥ 100 million)



● Medical devices

Sales of needles, infusion-related products, and testing products increased ¥890 million, ¥670 million, and ¥160 million YoY, respectively, due to passing higher costs on to sales prices continuing from Q1 and a rebound from the slump thanks to the easing of COVID-19.

Sales of SD-related products grew ¥640 million YoY due to increases in sales and maintenance contracts associated with an indication expansion for DT cases even though the demand of HeartMate 3 temporarily fell in Q2 of the previous fiscal year.

In vascular-related products, sales of drug-eluting balloons increased ¥510 million YoY due to an indication expansion despite the decreasing demand caused by our competitor launching its new products on the market in Q1 and Q2 of the previous fiscal year. However, sales of scoring balloons and Y-connectors decreased ¥170 million compared to Q1 this year as competitors launched new products on the market.

In China, net sales were down ¥3,240 million YoY due to the transfer of sales from a subsidiary under the domestic Medical-Related business to a subsidiary under the overseas Medical-Related business.

● Pharmaceuticals

Sales of oral drugs decreased ¥2,050 million YoY as sales volumes fell due to a reduction in drug prices, including Nexium AG, and the impact of limited shipments.

Sales of injections and infusions decreased ¥390 million YoY due to the impact of the NHI drug price of re-priced unprofitable products rose, making the sales quantity down.

Sales of Other and in-vitro diagnostics increased ¥330 million YoY since the sale of test drugs that could simultaneously detect both COVID-19 and influenza as the number of infected people of COVID-19 grew during Q2.

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

	Q2 FY03/24	Q2 FY03/25	Change (Change %)	(¥ 100 million) FY03/25 Forecast
Net sales				
Overseas business	1,039.6	1,286.1	+246.4 +23.7%	2,594.0
B2B (other brands)	135.1	156.8	+21.7 +16.1%	312.5
Nipro brands	904.5	1,129.2	+224.7 +24.8%	2,281.5
Americas	381.1	486.7	+105.5 +27.7%	997.0
Europe	221.2	258.5	+37.3 +16.9%	469.4
Asia	170.0	220.5	+50.4 +29.7%	447.0
China	132.1	163.4	+31.3 +23.7%	368.0

● B2B

Sales of insulin needles were strong due to higher demand for GLP-1 in Europe, resulting in a ¥2,170 million YoY increase.

● Nipro brand

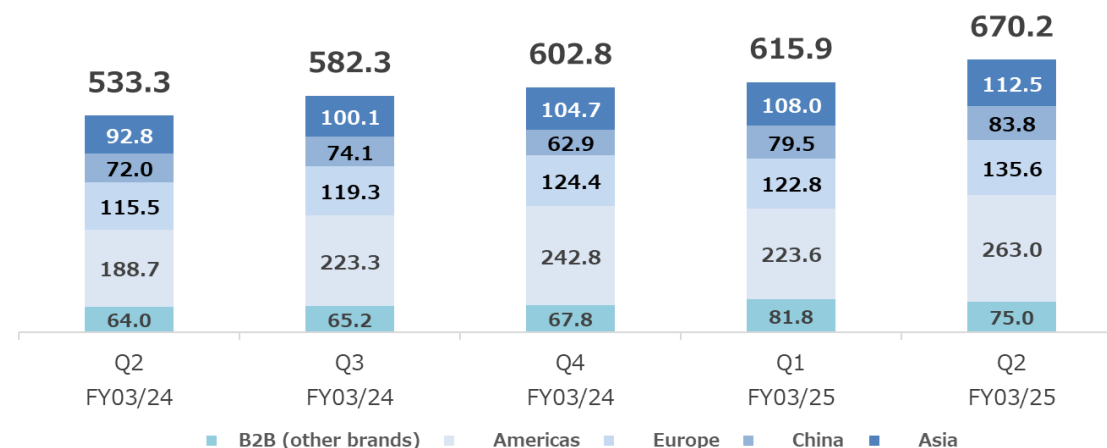
In the Americas, net sales rose ¥10,550 million YoY due to a large contract in the North America, expansion in dialysis centers in Chile and Guatemala, and the capturing of government tenders for dialysis equipment, injection and infusion products in Honduras and Mexico, in addition to the weaker yen. The sales of AVF and blood circuit also contributed to the net sales growth as there was a rebound of demand that went down due to the distributors adjusting inventories.

In Europe, net sales increased ¥3,730 million YoY due to the start of shipments of dialyzers for the Egyptian government's tenders and a switch from other companies as well as the impact of the yen's depreciation.

In Asia, net sales increased ¥5,040 million YoY due to the shift to single use in Indonesia, the effect of the yen's depreciation, the increases in sales of dialysis equipment shipped to the Saudi Arabian government and Indian government, and needles and infusion sets in Thailand.

In China, although the sales of dialyzers decreased due to the restrained buying that foresees the centralizing purchasing, net sales rose ¥3,130 million as dialysis centers expanded and sales of vascular-related products were transferred from a subsidiary under the domestic Medical-Related business to a subsidiary under the overseas Medical-Related business.

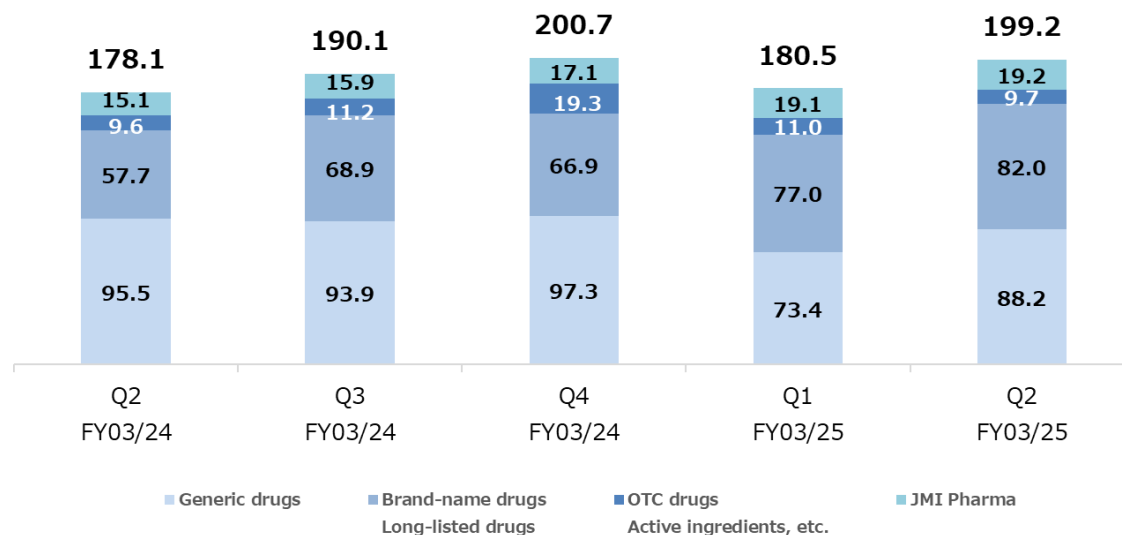
Quarterly Sales Trends (¥ 100 million)



Segment Results – (2) Pharmaceutical-Related

Net sales	(¥ 100 million)			
	Q2 FY03/24	Q2 FY03/25	Change (Change %)	FY03/25 Forecast
Pharmaceutical-Related	352.3	379.8	+27.4 + 7.8%	812.5
Generic drugs	190.1	161.7	△ 28.3 △ 14.9%	347.0
Brand-name drugs Long-listed drugs	115.3	159.0	+43.6 + 37.9%	334.9
OTC drugs Active ingredients, etc.	16.9	20.7	+3.8 + 22.6%	63.5
JMI Pharma	29.9	38.3	+8.3 + 27.9%	67.0

Quarterly Sales Trends (¥ 100 million)



● Generic drugs

Sales of oral drugs fell ¥1,000 million YoY due to a decline in orders.

Sales of injections dropped ¥1,830 million YoY due to the end of consignment of products and a decrease in orders of main anticancer drugs because of the overstock of customers.

Sales of external preparations remained flat YoY.

● Brand-name/long-listed drugs

Sales of oral drugs rose ¥770 million YoY due to an increase in orders.

Sales of injections grew ¥2,570 million YoY due to the start of deliveries of new consigned products and an increase in orders for existing items.

Sales of external preparations rose ¥1,020 million YoY due to the commencement of deliveries of new consigned products.

● OTC drugs, active ingredients, etc.

Sales grew ¥380 million YoY due to an increase in orders and price hike for OTC topical formulations.

● JMI Pharma

Net sales of JMI Pharma grew 19.5% YoY on a local currency basis as a result of putting 17 new products on the market and a growing number of adopting institutions in addition to increased promotion to physicians and a focus on chronic disease drugs.

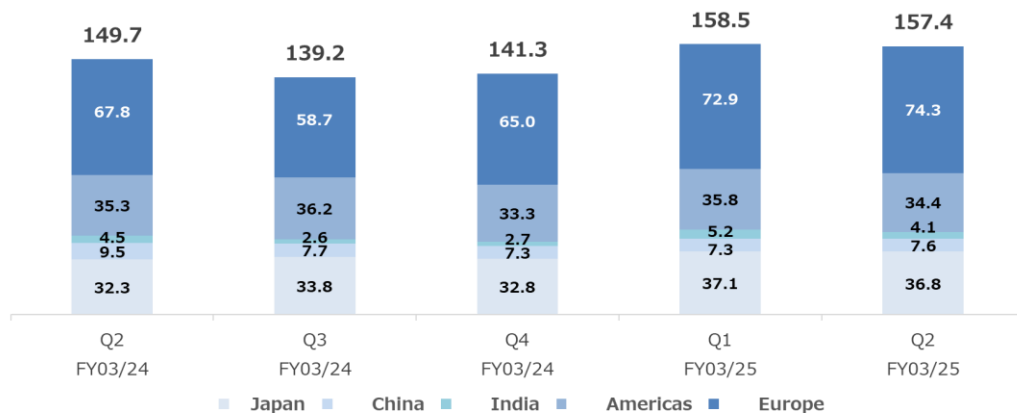
Net sales increased 27.9% YoY on a Japanese yen basis due to the impact of exchange rate fluctuations.

Segment Results – (3) Pharma Packaging

(¥ 100 million)

Net sales	Q2 FY03/24	Q2 FY03/25	Change (Change %)	FY03/25 Forecast
Pharma Packaging	299.8	315.9	+16.1 +5.4%	618.2
Japan	64.6	74.0	+9.4 +14.6%	140.4
Overseas	235.1	241.9	+6.7 +2.9%	477.7
Europe	127.8	147.3	+19.4 +15.2%	289.9
Americas	71.7	70.2	△ 1.5 △ 2.1%	147.5
China	27.9	15.0	△ 12.9 △ 46.3%	19.4
India	7.5	9.3	+1.8 +24.0%	20.8

Quarterly Sales Trends (¥ 100 million)



● Japan

Net sales were up ¥940 million YoY due to higher demand for vials and the acquisition of new customers in infusion related products and plastic parts for kits in Japan. Intense demand of glass tubes foreseeing the price hike in October, 2024 was another factor for the sales growth.

● Overseas

In Europe, net sales rose ¥1,940 million YoY due to an increase in demands of sterilized syringes and pass-through of costs.

In the U.S., net sales declined ¥150 million caused by the inventory adjusting of customers, leading to the lower demand of glass tubes and vials.

In China, net sales declined ¥1,290 million YoY as a result of excluding an entity from consolidation in Q1/FY2023 and switching the sale from lower profit to higher profit products.

In India, net sales grew ¥180 million YoY due to growth in demand for glass tubes for physics and chemistry and ampoules for Algerian government, and stacked shipment of small quantity products of vials.

Net Sales by Segment and Product Category

Segment		Medical-Related	Pharmaceutical-Related	Pharma Packaging	Other	Total
Product	(¥ 100 million)					
Medical devices	Q2 FY03/25	1,801.3	0.0	22.9	0.0	1,824.3
	Q2 FY03/24	1,578.8	0.0	20.1	0.0	1,599.0
Pharmaceuticals	Q2 FY03/25	617.4	379.8	3.1	0.0	1,000.4
	Q2 FY03/24	622.9	352.3	4.1	0.0	979.4
Pharma Packaging	Q2 FY03/25	1.5	0.0	289.1	0.0	290.6
	Q2 FY03/24	0.5	0.0	275.0	0.0	275.5
Other	Q2 FY03/25	0.1	0.0	0.7	3.8	4.7
	Q2 FY03/24	0.0	0.0	0.4	4.1	4.6
Total	Q2 FY03/25	2,420.5	379.8	315.9	3.8	3,120.1
	Q2 FY03/24	2,202.3	352.3	299.8	4.1	2,858.6

*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 FY03/25	1,112.6	337.6	74.1	3.8	1,528.2
	Q2 FY03/24	1,110.1	320.0	64.8	4.1	1,499.2
Overseas total	Q2 FY03/25	1,307.8	42.1	241.8	0.0	1,591.9
	Q2 FY03/24	1,092.1	32.3	234.9	0.0	1,359.4
Americas	Q2 FY03/25	533.1	0.0	69.0	0.0	602.2
	Q2 FY03/24	433.6	0.0	66.8	0.0	500.4
Europe	Q2 FY03/25	311.9	1.6	145.6	0.0	459.2
	Q2 FY03/24	253.3	1.0	131.5	0.0	385.8
China	Q2 FY03/25	167.1	0.2	15.0	0.0	182.3
	Q2 FY03/24	168.7	0.1	27.9	0.0	196.8
Other Asia	Q2 FY03/25	295.5	40.3	12.1	0.0	348.0
	Q2 FY03/24	236.4	31.1	8.6	0.0	276.2
Total	Q2 FY03/25	2,420.5	379.8	315.9	3.8	3,120.1
	Q2 FY03/24	2,202.3	352.3	299.8	4.1	2,858.6

● By region

Net sales were strong in all regions, with Japan making up 49.0% of net sales and overseas 51.0%.

● By segment

Regarding medical devices in Japan, sales of needles, infusion-related products and testing products rose due to the passing on of higher costs to sales prices as well as the recovery of demand that had declined during the Covid-19 pandemic. In Pharmaceuticals, sales of oral drugs, including Nexium AG, and injection products fell.

In international medical devices, sales of dialyzers in Europe, America and Asia and needles for GLP-1 in Europe's B2B in addition to the yen's depreciation. Dialysis centers multiplied in Central and South America and China.

In Pharmaceutical-Related, overseas sales of JMI Pharma were steady. In Japan, sales increased due to the commencement of deliveries of new consigned products in brand-name/long-listed products and the increase in orders of existing products although sales of GE products decreased due to a decline in orders.

In Pharma Packaging, net sales grew due to higher demand for infusion-related products, plastic parts for kits, glass tubes, and vials in Japan. Sales of sterilized syringes in Europe and glass tubes, ampules and vials in India were strong. In China, net sales declined YoY as a result of excluding an entity from consolidation, associated with the transfer of interest of subsidiaries.

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 FY03/24	Q2 FY03/25	Change	Change %	Q2 FY03/24	Q2 FY03/25	Change	Change %	Q2 FY03/24	Q2 FY03/25	Change	Change %
Medical devices	Dialyzers	446.8	519.3	+72.5	+16.2%	334.7	405.8	+71.0	+21.2%	112.0	113.4	+1.4	+1.3%
	Dialysis equipment	108.3	134.4	+26.1	+24.1%	74.5	102.2	+27.6	+37.1%	33.7	32.2	△1.5	△4.5%
	Other dialysis-related products	255.1	299.1	+43.9	+17.2%	213.3	257.0	+43.6	+20.4%	41.7	42.1	+0.3	+0.9%
	Dialysis-related products total	810.3	952.9	+142.6	+17.6%	622.7	765.1	+142.3	+22.9%	187.5	187.8	+0.2	+0.1%
	Needles	234.4	265.0	+30.6	+13.1%	153.1	174.8	+21.6	+14.1%	81.2	90.2	+8.9	+11.0%
	Vascular products	156.1	168.1	+11.9	+7.7%	38.7	46.5	+7.8	+20.2%	117.4	121.6	+4.1	+3.6%
	Infusion-related products	103.3	119.2	+15.8	+15.4%	41.7	50.9	+9.1	+21.9%	61.6	68.3	+6.7	+10.9%
	Testing products	61.4	62.3	+0.8	+1.4%	43.3	42.5	△0.7	△1.8%	18.1	19.7	+1.6	+9.0%
	Diabetes-related products	51.9	64.0	+12.1	+23.4%	44.5	58.0	+13.4	+30.1%	7.3	6.0	△1.2	△17.1%
	Surgical device-related products	41.0	49.6	+8.6	+21.0%	9.5	11.7	+2.2	+23.4%	31.5	37.9	+6.3	+20.2%
	Other products	136.8	140.5	+3.7	+2.7%	79.1	84.2	+5.0	+6.3%	57.6	56.3	△1.2	△2.3%
	Category Total	1,595.5	1,822.0	+226.4	+14.2%	1,033.0	1,233.9	+200.8	+19.4%	562.5	588.1	+25.5	+4.6%
Pharmaceuticals (own brand)	Oral drugs	256.9	236.2	△20.6	△8.1%	0.2	0.1	△0.1	△42.2%	256.6	236.0	△20.5	△8.0%
	Injection and infusion products	280.1	289.9	+9.8	+3.5%	56.6	70.3	+13.7	+24.3%	223.4	219.5	△3.9	△1.8%
	External preparations and patches	33.7	35.7	+1.9	+5.7%	-	-	-	-	33.7	35.7	+1.9	+5.7%
	Others, in vitro diagnostics, etc.	52.0	55.6	+3.5	+6.7%	1.5	1.7	+0.1	+7.5%	50.4	53.8	+3.3	+6.7%
	Category Total	622.9	617.4	△5.4	△0.9%	58.5	72.2	+13.7	+23.5%	564.3	545.1	△19.2	△3.4%
Regenerative medicines	Regenerative medicine products	3.4	2.2	△1.1	△34.7%	-	-	-	-	3.4	2.2	△1.1	△34.7%

Net Sales by Product Category (2)

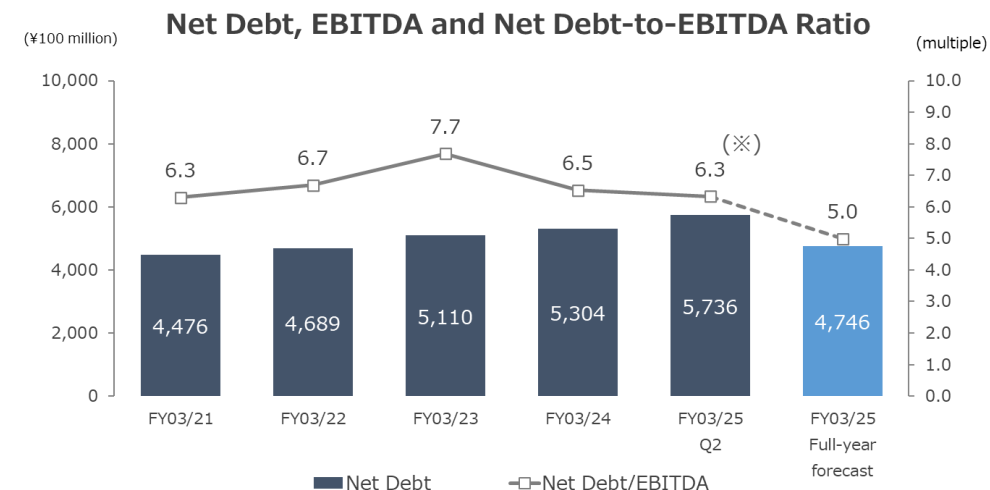
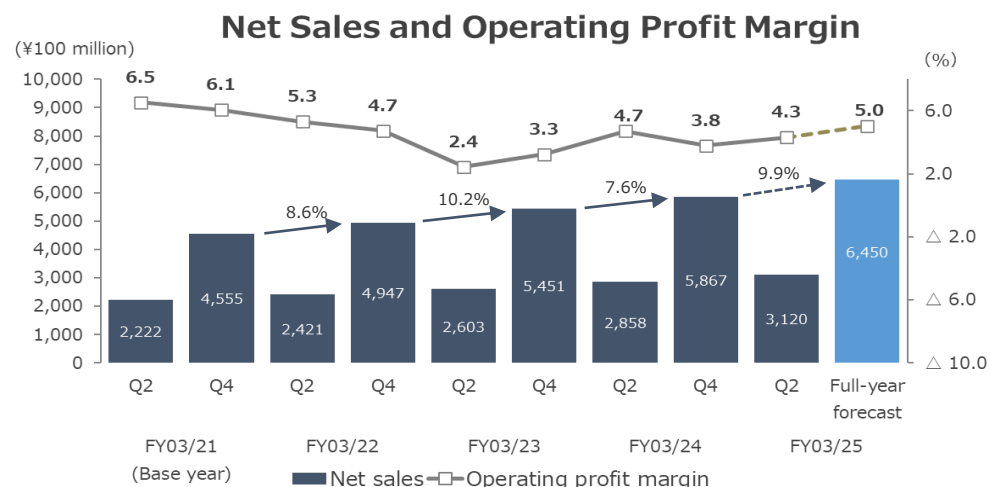
Business Category (¥ 100 million)		Overall				Overseas				Japan			
		Q2 FY03/24	Q2 FY03/25	Change	Change %	Q2 FY03/24	Q2 FY03/25	Change	Change %	Q2 FY03/24	Q2 FY03/25	Change	Change %
Pharmaceuticals (contract manufacturing)	Oral drugs	141.9	139.5	△2.4	△1.7%	0.2	0.3	+0.1	+46.9%	141.7	139.1	△2.5	△1.8%
	Injection and infusion products	154.2	160.1	+5.8	+3.8%	1.9	2.8	+0.9	+51.4%	152.3	157.2	+4.8	+3.2%
	External preparations and patches	19.2	33.1	+13.9	+72.3%	-	0.3	+0.3	-	19.2	32.8	+13.6	+70.7%
	Others, in vitro diagnostics, etc.	11.0	11.8	+0.8	+7.3%	0.2	0.3	+0.1	+45.1%	10.7	11.4	+0.7	+6.5%
	Category Total	326.5	344.6	+18.1	+5.5%	2.3	3.8	+1.4	+63.4%	324.1	340.8	+16.6	+5.1%
Pharmaceuticals (JMI Pharma)	Oral drugs	29.6	37.9	+8.2	+27.8%	29.6	37.9	+8.2	+27.8%	-	-	-	-
	Injection and infusion products	0.2	0.3	+0.0	+34.4%	0.2	0.3	+0.0	+34.4%	-	-	-	-
	Category Total	29.9	38.3	+8.3	+27.9%	29.9	38.3	+8.3	+27.9%	-	-	-	-
Pharma Packaging	Glass tube-related products	65.7	71.1	+5.3	+8.2%	54.7	58.1	+3.4	+6.3%	11.0	12.9	+1.9	+17.6%
	Glass ampoules	43.3	45.4	+2.0	+4.8%	43.2	45.3	+2.0	+4.7%	0.0	0.1	+0.0	+21.7%
	Glass vials	96.3	85.1	△11.2	△11.6%	87.5	74.9	△12.5	△14.4%	8.8	10.1	+1.3	+15.7%
	Glass syringes	33.9	52.2	+18.2	+53.8%	33.9	52.2	+18.2	+53.7%	0.0	0.0	+0.0	+137.4%
	Rubber stoppers and plugs	11.1	7.1	△4.0	△36.1%	4.6	0.0	△4.5	△99.6%	6.5	7.1	+0.5	+8.4%
	Plastic containers	9.5	10.5	+1.0	+10.9%	-	0.0	+0.0	-	9.5	10.5	+1.0	+10.9%
	Thermos bottles	2.7	2.8	+0.1	+5.8%	-	-	-	-	2.7	2.8	+0.1	+5.8%
	Other products	12.6	16.1	+3.4	+27.4%	11.3	12.5	+1.2	+11.0%	1.3	3.5	+2.2	+167.6%
	Category Total	275.5	290.6	+15.1	+5.5%	235.3	243.1	+7.8	+3.3%	40.1	47.4	+7.3	+18.3%
Other	Sales of production machinery and real estate leasing	4.6	4.7	+0.0	+1.6%	0.1	0.3	+0.1	+116.7%	4.5	4.3	△0.1	△2.5%
Consolidated Total		2,858.6	3,120.1	+261.5	+9.1%	1,359.4	1,591.9	+232.4	+17.1%	1,499.2	1,528.2	+29.0	+1.9%

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

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



(※) EBITDA is indicated with an annualized basis for H1 of FY03/25.

➤ Sales growth rate

While the growth rate of medical devices was 9.9% in H1 FY2024 against the initial forecast of 9.9%, the pharmaceuticals and PharmaPackaging fell short at 7.8% and 5.4%, respectively, resulting in overall sales of ¥312.0 billion and 9.1% YoY growth in H1 FY2024.

The cancelation of limited shipment of own-brand GE pharmaceuticals and an increase in shipping as a result of “treatment of patient’s choice” are expected in H2. In addition, shipment of contract manufacturing which was sluggish in Q1 is recovering and this trend is expected to continue, thus the full-year net sales is estimated to be ¥645.0 billion and growth rate to be 9.9% as were initially forecasted.

➤ Operating profit margin

Although gross profit margin was 30.2% in H1, which exceeds the forecast of 29.7%, the operating profit margin was 4.3% against the forecast of 4.6%, owing to the increases in SG&A expenses such as personnel expenses and commission expenses in overseas subsidiaries, and depreciation of newly acquired dialysis centers in North, Central and South America. The full-year forecast is unchanged from 5.0% as net sales are expected to grow in H2.

➤ Net interest-bearing debt

Net interest-bearing debt was ¥573.6 billion against the H1 forecast of ¥474.6 billion as the capital investment settlement was more intense in H1. Operating cashflow is expected to increase due to the growth of operating profit in H2 in addition to extraordinary income from asset liquidation, therefore the full-year forecast is unchanged from the initial forecast which is ¥474.6 billion.

➤ EBITDA

EBITDA was ¥45.2 billion in H1 against the initial forecast of ¥95.1 billion as the operating profit decreased owing to the increase of SG&A expenses. However, the full-year forecast stays the same as the operating profit is expected to rise in H2.

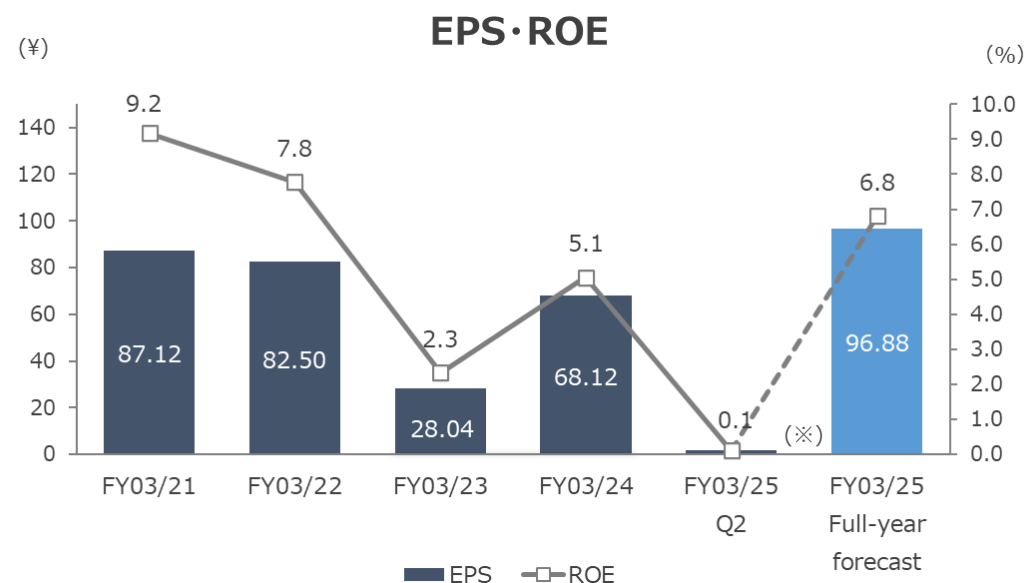
➤ Net Debt/EBITDA multiple

In H1, net debt/EBITDA multiple was 6.3X due to the reason mentioned above, but it is estimated to be 4X level.

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

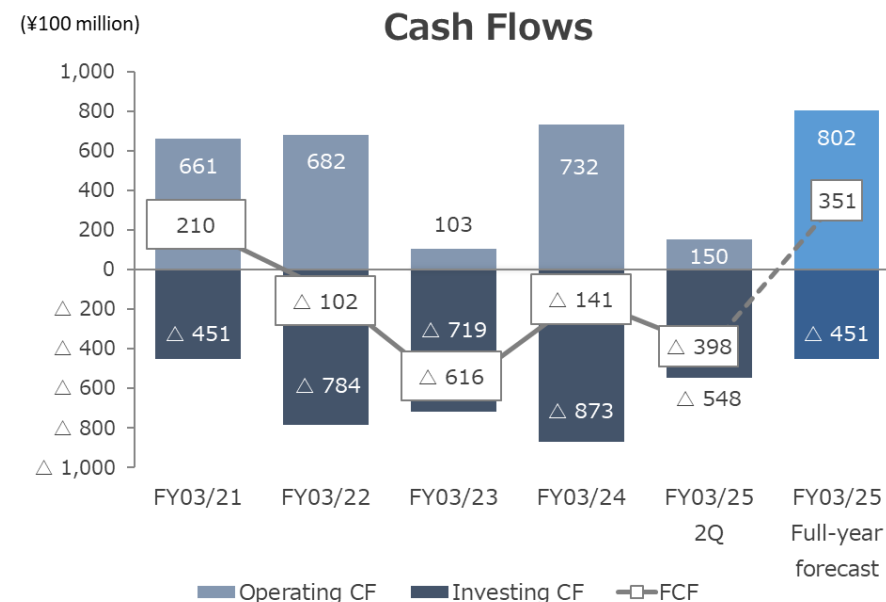


(※) EPS is ¥1.59 (Both EPS and ROE are indicated with an annualized basis for net income of Q2, FY03/25)

➤ EPS and ROE

In H1, EPS and ROE were pretty low as EPS was ¥1.59 and ROE was 0.1%. This was because operating profit was below H1 forecast and there were equity method investment loss, increase in interest expense, and recording of foreign exchange loss in addition to the increase in effective tax rate owing to the consolidation of deficit-ridden subsidiaries, and this resulted in ¥0.12 billion of net income. In H2, operating profit is expected to grow and the extraordinary income will be recorded, therefore the estimated EPS is ¥96.88 and ROE 6.8% as initially foreseen.

Investment efficiency Turn free cash flow positive



➤ Free CF

In H1, operating cash flow was ¥15 billion as the operating profit decreased and product inventory increased. In addition, capital investment settlement was more intense in H1 and the estimated subsidies were moved to H2 and next fiscal year, making the investing cashflow -¥54.8 billion. Free cash flow of -¥39.8 billion was significantly far from the H1 forecast. In H2, operating cash flow is expected to be ¥80.2 billion as the operating profit is expected to increase and working capital is going to be improved. Investing cash flow is estimated to be -¥45.1 billion thanks to the subsidy income and asset liquidation and free cash flow to be ¥35.1 billion.

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.