

Nipro Corporation announced earnings results for Q1 FY03/22; see the results section for details.

Cumulative (JPYmn)	FY03/20				FY03/21				FY03/22	FY03/22			
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	% of Est.	1H Est.	% of Est.	FY Est.
Sales	109,761	222,668	336,721	442,516	108,925	222,254	341,084	455,559	118,001	48.4%	243,950	23.8%	495,000
YoY	6.4%	6.9%	4.8%	3.8%	-0.8%	-0.2%	1.3%	2.9%	8.3%		9.8%		8.7%
Gross profit	34,040	66,720	102,111	134,211	33,677	68,448	105,292	138,840	36,209				
YoY	1.3%	4.3%	2.9%	2.7%	-1.1%	2.6%	3.1%	3.4%	7.5%				
Gross profit margin	31.0%	30.0%	30.3%	30.3%	30.9%	30.8%	30.9%	30.5%	30.7%				
SG&A expenses	27,032	53,948	82,120	107,791	26,780	53,914	82,183	111,212	30,692				
YoY	3.6%	3.9%	4.2%	0.9%	-0.9%	-0.1%	0.1%	3.2%	14.6%				
SG&A ratio	24.6%	24.2%	24.4%	24.4%	24.6%	24.3%	24.1%	24.4%	26.0%				
Operating profit	7,008	12,772	19,990	26,420	6,896	14,533	23,109	27,627	5,517	43.3%	12,750	20.1%	27,500
YoY	-6.5%	6.2%	-2.1%	10.9%	-1.6%	13.8%	15.6%	4.6%	-20.0%		-12.3%		-0.5%
Operating profit margin	6.4%	5.7%	5.9%	6.0%	6.3%	6.5%	6.8%	6.1%	4.7%		5.2%		5.6%
Recurring profit	5,128	9,885	17,767	23,417	6,206	12,504	19,719	26,269	5,231	40.7%	12,850	19.6%	26,700
YoY	-35.5%	-27.8%	-5.4%	4.4%	21.0%	26.5%	11.0%	12.2%	-15.7%		2.8%		1.6%
Recurring profit margin	4.7%	4.4%	5.3%	5.3%	5.7%	5.6%	5.8%	5.8%	4.4%		5.3%		5.4%
Net income	2,792	5,886	10,858	-12,281	3,029	5,473	10,377	14,209	3,300	44.9%	7,350	22.3%	14,800
YoY	-40.4%	-22.7%	10.2%	-	8.5%	-7.0%	-4.4%	-	8.9%		34.3%		4.2%
Net margin	2.5%	2.6%	3.2%	-	2.8%	2.5%	3.0%	3.1%	2.8%		3.0%		3.0%

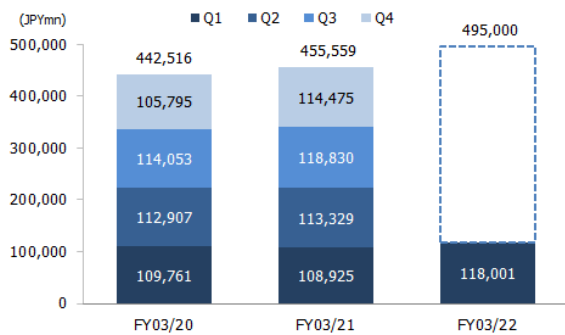
Quarterly (JPYmn)	FY03/20				FY03/21				FY03/22
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	109,761	112,907	114,053	105,795	108,925	113,329	118,830	114,475	118,001
YoY	6.4%	7.4%	0.9%	0.7%	-0.8%	0.4%	4.2%	8.2%	8.3%
Gross profit	34,040	32,680	35,391	32,100	33,677	34,771	36,844	33,548	36,209
YoY	1.3%	7.7%	0.3%	2.2%	-1.1%	6.4%	4.1%	4.5%	7.5%
Gross profit margin	31.0%	28.9%	31.0%	30.3%	30.9%	30.7%	31.0%	29.3%	30.7%
SG&A expenses	27,032	26,916	28,172	25,671	26,780	27,134	28,269	29,029	30,692
YoY	3.6%	4.2%	4.8%	-8.3%	-0.9%	0.8%	0.3%	13.1%	14.6%
SG&A ratio	24.6%	23.8%	24.7%	24.3%	24.6%	23.9%	23.8%	25.4%	26.0%
Operating profit	7,008	5,764	7,218	6,430	6,896	7,637	8,576	4,518	5,517
YoY	-6.5%	27.4%	-14.0%	88.2%	-1.6%	32.5%	18.8%	-29.7%	-20.0%
Operating profit margin	6.4%	5.1%	6.3%	6.1%	6.3%	6.7%	7.2%	3.9%	4.7%
Recurring profit	5,128	4,757	7,882	5,650	6,206	6,298	7,215	6,550	5,231
YoY	-35.5%	-17.2%	55.4%	54.4%	21.0%	32.4%	-8.5%	15.9%	-15.7%
Recurring profit margin	4.7%	4.2%	6.9%	5.3%	5.7%	5.6%	6.1%	5.7%	4.4%
Net income	2,792	3,094	4,972	-23,139	3,029	2,444	4,904	3,832	3,300
YoY	-40.4%	5.5%	122.3%	-	8.5%	-21.0%	-1.4%	-	8.9%
Net margin	2.5%	2.7%	4.4%	-	2.8%	2.2%	4.1%	3.3%	2.8%

Source: Shared Research based on company data

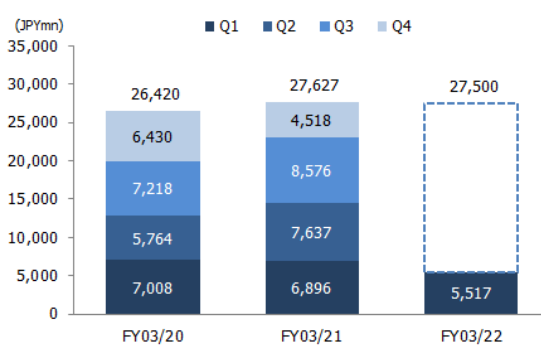
Note: Figures may differ from company materials due to differences in rounding methods.

Note: The company began applying Accounting Standard for Revenue Recognition in Q1 FY03/22. For purposes of calculating YoY changes, this new accounting standard has been applied retroactively to consolidated figures for Q1 FY03/21.

Sales by quarter



Operating profit by quarter



Source: Shared Research based on company data

Cumulative (JPYmn)	FY03/20				FY03/21				FY03/22
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1
Sales	109,761	222,668	336,721	442,516	108,925	222,254	341,084	455,559	118,001
YoY	6.4%	6.9%	4.8%	3.8%	-0.8%	-0.2%	1.3%	2.9%	8.3%
Medical-Related	83,732	168,216	255,874	335,767	79,994	167,536	258,867	347,648	90,638
YoY	5.6%	5.3%	3.2%	2.6%	-4.5%	-0.4%	1.2%	3.5%	13.3%
% of total	76.3%	75.5%	76.0%	75.9%	73.4%	75.4%	75.9%	76.3%	76.8%
Pharmaceutical-Related	17,939	35,656	53,321	70,357	18,808	34,533	52,614	68,564	16,388
YoY	21.1%	17.4%	14.6%	10.8%	4.8%	-3.1%	-1.3%	-2.5%	-12.9%
% of total	16.3%	16.0%	15.8%	15.9%	17.3%	15.5%	15.4%	15.1%	13.9%
PharmaPackaging	9,053	18,712	27,398	36,217	10,012	19,983	29,292	38,655	10,821
YoY	-0.7%	2.5%	2.0%	1.9%	10.6%	6.8%	6.9%	6.7%	8.1%
% of total	8.2%	8.4%	8.1%	8.2%	9.2%	9.0%	8.6%	8.5%	9.2%
Other	35	81	127	174	110	200	309	691	153
YoY	400.0%	440.0%	452.2%	461.3%	214.3%	146.9%	143.3%	297.1%	39.1%
% of total	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.1%
Operating profit	7,008	12,772	19,990	26,420	6,896	14,533	23,109	27,627	5,517
YoY	-6.5%	6.2%	-2.1%	10.9%	-1.6%	13.8%	15.6%	4.6%	-20.0%
Medical-Related	10,534	19,178	28,859	36,249	10,030	20,485	31,228	39,415	9,506
YoY	-5.4%	1.2%	-6.5%	-1.3%	-4.8%	6.8%	8.2%	8.7%	-5.2%
Operating profit margin	12.6%	11.4%	11.3%	10.8%	12.5%	12.2%	12.1%	11.3%	10.5%
Pharmaceutical-Related	3,888	6,085	8,532	13,196	3,392	5,243	8,083	10,072	587
YoY	81.8%	42.1%	13.7%	23.8%	-12.8%	-13.8%	-5.3%	-23.7%	-82.7%
Operating profit margin	21.7%	17.1%	16.0%	18.8%	18.0%	15.2%	15.4%	14.7%	3.6%
PharmaPackaging	-5	502	518	675	296	987	1,631	1,992	844
YoY	-	55.4%	-15.1%	-13.2%	-	96.6%	214.9%	195.1%	185.1%
Operating profit margin	-0.1%	2.7%	1.9%	1.9%	3.0%	4.9%	5.6%	5.2%	7.8%
Other	25	92	128	176	106	193	301	376	145
YoY	-24.2%	130.0%	58.0%	20.5%	324.0%	109.8%	135.2%	113.6%	36.8%
Operating profit margin	71.4%	113.6%	100.8%	101.1%	96.4%	96.5%	97.4%	54.4%	94.8%
Adjustments	-7,434	-13,087	-18,048	-23,877	-6,930	-12,376	-18,135	-24,229	-5,566
Quarterly (JPYmn)	FY03/20				FY03/21				FY03/22
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	109,761	112,907	114,053	105,795	108,925	113,329	118,830	114,475	118,001
YoY	6.4%	7.4%	0.9%	0.7%	-0.8%	0.4%	4.2%	8.2%	8.3%
Medical-Related	83,732	84,484	87,658	79,893	79,994	87,542	91,331	88,781	90,638
YoY	5.6%	5.0%	-0.6%	0.5%	-4.5%	3.6%	4.2%	11.1%	13.3%
% of total	76.3%	74.8%	76.9%	75.5%	73.4%	77.2%	76.9%	77.6%	76.8%
Pharmaceutical-Related	17,939	17,717	17,665	17,036	18,808	15,725	18,081	15,950	16,388
YoY	21.1%	13.9%	9.2%	0.6%	4.8%	-11.2%	2.4%	-6.4%	-12.9%
% of total	16.3%	15.7%	15.5%	16.1%	17.3%	13.9%	15.2%	13.9%	13.9%
PharmaPackaging	9,053	9,659	8,686	8,819	10,012	9,971	9,309	9,363	10,821
YoY	-0.7%	5.8%	0.9%	1.7%	10.6%	3.2%	7.2%	6.2%	8.1%
% of total	8.2%	8.6%	7.6%	8.3%	9.2%	8.8%	7.8%	8.2%	9.2%
Other	35	46	46	47	110	90	109	382	153
YoY	400.0%	475.0%	475.0%	487.5%	214.3%	95.7%	137.0%	712.8%	39.1%
% of total	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.3%	0.1%
Operating profit	7,008	5,764	7,218	6,430	6,896	7,637	8,576	4,518	5,517
YoY	-6.5%	27.4%	-14.0%	88.2%	-1.6%	32.5%	18.8%	-29.7%	-20.0%
Medical-Related	10,534	8,644	9,681	7,390	10,030	10,455	10,743	8,187	9,506
YoY	-5.4%	10.5%	-18.6%	25.9%	-4.8%	21.0%	11.0%	10.8%	-5.2%
Operating profit margin	12.6%	10.2%	11.0%	9.2%	12.5%	11.9%	11.8%	9.2%	10.5%
Pharmaceutical-Related	3,888	2,197	2,447	4,664	3,392	1,851	2,840	1,989	587
YoY	81.8%	2.6%	-24.1%	47.7%	-12.8%	-15.7%	16.1%	-57.4%	-82.7%
Operating profit margin	21.7%	12.4%	13.9%	27.4%	18.0%	11.8%	15.7%	12.5%	3.6%
PharmaPackaging	-5	507	16	157	296	691	644	361	844
YoY	-	82.4%	-94.4%	-6.5%	-	36.3%	3,925.0%	129.9%	185.1%
Operating profit margin	-0.1%	5.2%	0.2%	1.8%	3.0%	6.9%	6.9%	3.9%	7.8%
Other	25	67	36	48	106	87	108	75	145
YoY	-24.2%	857.1%	-12.2%	-26.2%	324.0%	29.9%	200.0%	56.3%	36.8%
Operating profit margin	71.4%	145.7%	78.3%	102.1%	96.4%	96.7%	99.1%	19.6%	94.8%
Adjustments	-7,434	-5,653	-4,961	-5,829	-6,930	-5,446	-5,759	-6,094	-5,566

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: The company began applying Accounting Standard for Revenue Recognition in Q1 FY03/22. For purposes of calculating YoY changes, this new accounting standard has been applied retroactively to consolidated figures for Q1 FY03/21.

Q1 FY03/22 results (out August 10, 2021)

Overview

Q1 FY03/22 (April–June 2022)

- Sales: JPY118.0bn (+8.3% YoY)
- Operating profit: JPY5.5bn (-20.0% YoY)
- Recurring profit: JPY5.2bn (-15.7% YoY)
- Net income attributable to owners of the parent: JPY3.3bn (+8.9% YoY)

Business environment

In the medical devices and pharmaceuticals industry, since the COVID-19 outbreak, patients have continued to cut back on hospital visits while hospitals have reduced outpatient care. However, the number of in-person medical consultations is beginning to recover as a result of progress of the vaccination program.

Sales

In Q1 FY03/22, demand surged for products used for vaccinations such as needles and syringes while patients continued to cut back on hospital visits and hospitals reduced outpatient care amid the pandemic. Sales of medical containers (mainly used for vaccines) remained brisk. Consolidated sales rose 8.3% YoY in Q1 FY03/22, because sales were depressed in Q1 FY03/21 due to cutbacks in hospital visits amid the first wave of COVID-19.

Profits

Operating profit declined 20.0% YoY. Contributing factors include a JPY679mn negative effect on operating profit of accounting for variable consideration due to adopting Accounting Standard for Revenue Recognition, reduced orders for contract manufacturing of some products such as antibiotics and postponement of heart catheterization procedures associated with the continuing trend of patients cutting back on hospital visits, lowered operating rates following damage to Nipro Pharma's Kagamiishi Factory caused by the earthquake off the coast of Fukushima, increased manufacturing costs stemming from a rise in the prices of some active ingredients, higher transportation costs due to a container shortage for exports, and an increase in labor costs due to paying additional amounts to settle unpaid year-end profit-sharing bonuses for FY03/21.

Recurring profit was down 15.7% YoY, narrowing the rate of decline, because forex rates turned favorable for the company. Net income increased 8.9% YoY, due to booking an extraordinary gain from the sale of fixed assets and investment securities and lower income tax payments on a reduction of taxable income.

Impact of change in accounting policy, etc.

The company began applying Accounting Standard for Revenue Recognition in Q1 FY03/22. The impact of this change on business segments is as follows. Sales were JPY1.1bn lower and segment profit JPY681mn lower in the Medical-Related business. Sales were JPY55mn higher and segment profit JPY0mn higher in the Pharmaceutical-Related business. Sales were JPY20mn lower and segment profit JPY1mn higher in the PharmaPackaging business.

Nipro JMI Pharma Ltd. was moved from the Medical-Related business to the Pharmaceutical-Related business from Q1 FY03/22 as a result of the company revising its organizational management structure. The figures for Q1 FY03/21 have been adjusted retroactively to reflect this change.

Performance by segment

Medical-Related business

Q1 FY03/22 segment sales (sales to external customers, same applies below) were JPY90.6bn (+13.3% YoY), and segment profit was JPY9.5bn (-5.2% YoY).

Domestic sales

Domestic market conditions are beginning to recover YoY despite the ongoing impact of the COVID-19 pandemic. In the medical sales department, demand was brisk in all categories, with a surge in demand for syringes and needles driven by vaccinations. The company expects vaccination-related demand to grow further going forward.

In the pharmaceutical sales department, sales of key products dexmedetomidine, leuprorelin acetate, and bepostasine besilate expanded on increased generic substitution while drugs newly listed in June 2021 also contributed to increased market share, counteracting the effect of production adjustment associated with damage to Nipro Pharma's Kagamiishi Factory.

Overseas sales

The impact of the global COVID-19 pandemic is ongoing, but vaccinations have started in many countries, and there are signs of sales activities gradually resuming, such as tenders (which had been suspended) and dialysis equipment installations. Syringes for vaccines for sale in Thailand and Central and South America performed favorably. That being said, the company expects the outlook to remain uncertain because of the growing threat of the COVID-19 variants, and accordingly intends to strengthen its management structure and to enhance its brand image through online exhibitions and webinars.

The company made progress with building its own dialysis centers, mainly in Central and South America. It also plans to open more of these facilities in Asia, including China, Thailand, and India. The company strengthened its sales bases and recruited more personnel, focusing on the Chinese market, and plans to do the same in the Asia Oceania market. It also

tackled the rise in delivery costs amid the COVID-19 pandemic by putting contracts out to tender and reviewing delivery routes.

Overseas production facilities

Production was suspended at some plants amid the resurgence of COVID-19 in Southeast Asia, but has since resumed under the government supervision. In China, the company plans to build an additional dialyzer production line at its Hefei plant in response to increasing local demand.

Pharmaceutical-Related business

In Q1 FY03/22, segment sales were JPY16.4bn (-12.9% YoY) and segment profit was JPY587mn (-82.7% YoY).

Lower sales and profit

In the Pharmaceutical-Related business, the company handles all dosage forms offered by the Nipro group, including oral dosage, injectables, and external preparations, and engages in contract manufacturing of drugs at all stages of the development and manufacturing process from investigational new drugs to commercial production. It also makes proposals for development (use and packaging as kits) of pharmaceutical containers and delivery systems, for which it has a development and production structure. Despite contract production of some new products such as vial and prefilled syringe formulations (including COVID-19 vaccines) in Q1 FY03/22, sales and profit fell YoY because of lower demand for some products associated with delayed hospitalization and surgery due to the prolonged COVID-19 pandemic and temporary reduction of shipment volume at the Nipro Pharma's Kagamiishi Factory, which has been affected by the earthquake off the coast of Fukushima on February 13, 2021.

PharmaPackaging business

In Q1 FY03/22, segment sales were JPY10.8bn (+8.1% YoY) and segment profit was JPY844mn (+185.1% YoY).

Overview

The company sought to increase market share in basic medical containers such as vials and ampoules, as well as focusing on promoting Nipro brand high-performance products like sterilized syringes and high value-added vials amid the global COVID-19 pandemic. In manufacturing, the company maintained operations despite the pandemic to respond to demand growth and stabilize product supply.

Overseas sales

Demand for vaccines against COVID-19 was robust, resulting in substantially increased shipments of glass tubing, vials, and sterilized glass syringes, mainly to Europe and the US. In China, shipments of vials for vaccines to major Chinese pharmaceutical manufacturers were brisk, and the company began sales of sterilized glass syringes in Q1.

Domestic sales

Sales of medical container-related products such as glass tubing and syringes, and shipments of digital needles in medical device-related products were brisk.

Other business

In Q1 FY03/22, sales in the Other business including sales in the real estate rental business were JPY153mn (+39.1% YoY) and segment profit was JPY145mn (+36.8% YoY).

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