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On November 9, 2020, Nipro Corporation announced earnings results for 1H FY03/21

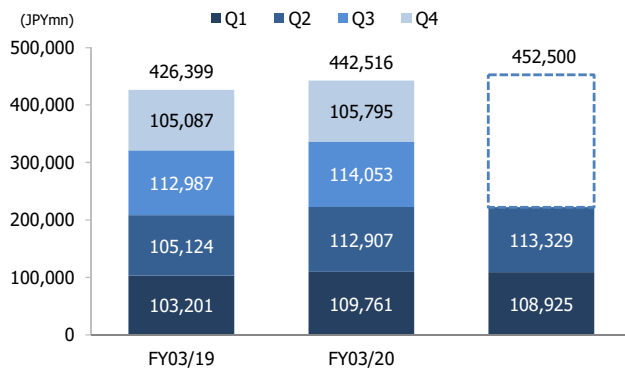
Cumulative (JPYmn)	FY03/19				FY03/20				FY03/21		FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of Est.	1H Est.	% of Est.	FY Est.
Sales	103,201	208,325	321,312	426,399	109,761	222,668	336,721	442,516	108,925	222,254	96.8%	229,650	49.1%	452,500
YoY	10.3%	10.9%	9.3%	7.8%	6.4%	6.9%	4.8%	3.8%	-0.8%	-0.2%		3.1%		2.3%
Gross profit	33,589	63,944	99,220	130,631	34,040	66,720	102,111	134,211	33,677	68,448				
YoY	10.5%	7.7%	5.1%	2.8%	1.3%	4.3%	2.9%	2.7%	-1.1%	2.6%				
GPM	32.5%	30.7%	30.9%	30.6%	31.0%	30.0%	30.3%	30.3%	30.9%	30.8%				
SG&A expenses	26,091	51,922	78,808	106,804	27,032	53,948	82,120	107,791	26,780	53,914				
YoY	7.6%	8.4%	7.0%	6.8%	3.6%	3.9%	4.2%	0.9%	-0.9%	-0.1%				
SG&A ratio	25.3%	24.9%	24.5%	25.0%	24.6%	24.2%	24.4%	24.4%	24.6%	24.3%				
Operating profit	7,498	12,022	20,411	23,827	7,008	12,772	19,990	26,420	6,896	14,533	121.6%	11,950	54.8%	26,500
YoY	22.0%	4.6%	-1.8%	-12.0%	-6.5%	6.2%	-2.1%	10.9%	-1.6%	13.8%		-6.4%		0.3%
OPM	7.3%	5.8%	6.4%	5.6%	6.4%	5.7%	5.9%	6.0%	6.3%	6.5%		5.2%		5.9%
Recurring profit	7,953	13,699	18,772	22,431	5,128	9,885	17,767	23,417	6,206	12,504	109.7%	11,400	50.4%	24,800
YoY	27.4%	16.3%	-6.7%	-1.1%	-35.5%	-27.8%	-5.4%	4.4%	21.0%	26.5%		15.3%		5.9%
RPM	7.7%	6.6%	5.8%	5.3%	4.7%	4.4%	5.3%	5.3%	5.7%	5.6%		5.0%		5.5%
Net income	4,682	7,615	9,852	12,136	2,792	5,886	10,858	-12,281	3,029	5,473	116.4%	4,700	40.5%	13,500
YoY	10.4%	-8.1%	-28.7%	2.6%	-40.4%	-22.7%	10.2%	-	8.5%	-7.0%		-20.1%		-
Net margin	4.5%	3.7%	3.1%	2.8%	2.5%	2.6%	3.2%	-	2.8%	2.5%		2.0%		3.0%

Quarterly (JPYmn)	FY03/19				FY03/20				FY03/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	103,201	105,124	112,987	105,087	109,761	112,907	114,053	105,795	108,925	113,329
YoY	10.3%	11.4%	6.6%	3.5%	6.4%	7.4%	0.9%	0.7%	-0.8%	0.4%
Gross profit	33,589	30,355	35,276	31,411	34,040	32,680	35,391	32,100	33,677	34,771
YoY	10.5%	4.7%	0.8%	-4.0%	1.3%	7.7%	0.3%	2.2%	-1.1%	6.4%
GPM	32.5%	28.9%	31.2%	29.9%	31.0%	28.9%	31.0%	30.3%	30.9%	30.7%
SG&A expenses	26,091	25,831	26,886	27,996	27,032	26,916	28,172	25,671	26,780	27,134
YoY	7.6%	9.2%	4.5%	6.0%	3.6%	4.2%	4.8%	-8.3%	-0.9%	0.8%
SG&A ratio	25.3%	24.6%	23.8%	26.6%	24.6%	23.8%	24.7%	24.3%	24.6%	23.9%
Operating profit	7,498	4,524	8,389	3,416	7,008	5,764	7,218	6,430	6,896	7,637
YoY	22.0%	-15.4%	-9.6%	-45.9%	-6.5%	27.4%	-14.0%	88.2%	-1.6%	32.5%
OPM	7.3%	4.3%	7.4%	3.3%	6.4%	5.1%	6.3%	6.1%	6.3%	6.7%
Recurring profit	7,953	5,746	5,073	3,659	5,128	4,757	7,882	5,650	6,206	6,298
YoY	27.4%	3.8%	-39.2%	42.6%	-35.5%	-17.2%	55.4%	54.4%	21.0%	32.4%
RPM	7.7%	5.5%	4.5%	3.5%	4.7%	4.2%	6.9%	5.3%	5.7%	5.6%
Net income	4,682	2,933	2,237	2,284	2,792	3,094	4,972	-23,139	3,029	2,444
YoY	10.4%	-27.4%	-59.6%	-	-40.4%	5.5%	122.3%	-	8.5%	-21.0%
Net margin	4.5%	2.8%	2.0%	2.2%	2.5%	2.7%	4.4%	-	2.8%	2.2%

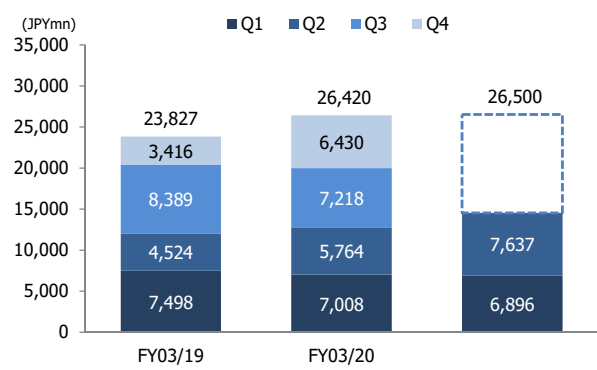
Source: Shared Research based on company data

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

Sales by quarter



Operating profit by quarter



Source: Shared Research based on company data

Quarterly earnings by segment

Cumulative (JPY mn)	FY03/19				FY03/20				FY03/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total sales	103,201	208,325	321,312	426,399	109,761	222,668	336,721	442,516	108,925	222,254
YoY	10.3%	10.9%	9.3%	7.8%	6.4%	6.9%	4.8%	3.8%	-0.8%	-0.2%
Medical-Related	79,257	159,686	247,883	327,359	83,732	168,216	255,874	335,767	80,954	167,536
YoY	14.3%	14.6%	12.0%	9.1%	5.6%	5.3%	3.2%	2.6%	-3.3%	-0.4%
% of total sales	76.8%	76.7%	77.1%	76.8%	76.3%	75.5%	76.0%	75.9%	74.3%	75.4%
Pharmaceutical-Related	14,818	30,375	46,548	63,482	17,939	35,656	53,321	70,357	17,848	34,533
YoY	-7.5%	-3.2%	0.5%	-5.0%	21.1%	17.4%	14.6%	10.8%	-0.5%	-3.1%
% of total sales	14.4%	14.6%	14.5%	14.9%	16.3%	16.0%	15.8%	15.9%	16.4%	15.5%
PharmaPackaging	9,118	18,247	26,856	35,526	9,053	18,712	27,398	36,217	10,012	19,983
YoY	11.3%	6.2%	2.7%	25.1%	-0.7%	2.5%	2.0%	1.9%	10.6%	6.8%
% of total sales	8.8%	8.8%	8.4%	8.3%	8.2%	8.4%	8.1%	8.2%	9.2%	9.0%
Other	7	15	23	31	35	81	127	174	110	200
YoY	0.0%	7.1%	4.5%	6.9%	400.0%	440.0%	452.2%	461.3%	214.3%	146.9%
% of total sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Operating profit	7,498	12,022	20,411	23,827	7,008	12,772	19,990	26,420	6,896	14,533
YoY	22.0%	4.6%	-1.8%	-12.0%	-6.5%	6.2%	-2.1%	10.9%	-1.6%	13.8%
Medical-Related	11,134	18,959	30,852	36,722	10,534	19,178	28,859	36,249	10,157	20,485
YoY	42.8%	15.3%	11.2%	0.0%	-5.4%	1.2%	-6.5%	-1.3%	-3.6%	6.8%
OPM	14.0%	11.9%	12.4%	11.2%	12.6%	11.4%	11.3%	10.8%	12.5%	12.2%
Pharmaceutical-Related	2,139	4,281	7,505	10,662	3,888	6,085	8,532	13,196	3,266	5,243
YoY	-34.6%	-15.3%	-8.9%	0.0%	81.8%	42.1%	13.7%	23.8%	-16.0%	-13.8%
OPM	14.4%	14.1%	16.1%	16.8%	21.7%	17.1%	16.0%	18.8%	18.3%	15.2%
PharmaPackaging	45	323	610	778	-5	502	518	675	296	987
YoY	-	1918.8%	47.3%	0.0%	-	55.4%	-15.1%	-13.2%	-	96.6%
OPM	0.5%	1.8%	2.3%	2.2%	-0.1%	2.7%	1.9%	1.9%	3.0%	4.9%
Other	33	40	81	146	25	92	128	176	106	193
YoY	266.7%	53.8%	92.9%	94.7%	-24.2%	130.0%	58.0%	20.5%	324.0%	109.8%
OPM	471.4%	266.7%	352.2%	471.0%	71.4%	113.6%	100.8%	101.1%	96.4%	96.5%
Adjustments	-5,853	-11,582	-18,637	-24,482	-7,434	-13,087	-18,048	-23,877	-6,930	-12,376
Quarterly (JPY mn)	FY03/19				FY03/20				FY03/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total sales	103,201	105,124	112,987	105,087	109,761	112,907	114,053	105,795	108,925	113,329
YoY	10.3%	11.4%	6.6%	3.5%	6.4%	7.4%	0.9%	0.7%	-0.8%	0.4%
Medical-Related	79,257	80,429	88,197	79,476	83,732	84,484	87,658	79,893	80,954	86,582
YoY	14.3%	14.9%	7.5%	0.9%	5.6%	5.0%	-0.6%	0.5%	-3.3%	2.5%
% of total sales	76.8%	76.5%	78.1%	75.6%	76.3%	74.8%	76.9%	75.5%	74.3%	76.4%
Pharmaceutical-Related	14,818	15,557	16,173	16,934	17,939	17,717	17,665	17,036	17,848	16,685
YoY	-7.5%	1.3%	8.1%	-17.5%	21.1%	13.9%	9.2%	0.6%	-0.5%	-5.8%
% of total sales	14.4%	14.8%	14.3%	16.1%	16.3%	15.7%	15.5%	16.1%	16.4%	14.7%
PharmaPackaging	9,118	9,129	8,609	8,670	9,053	9,659	8,686	8,819	10,012	9,971
YoY	11.3%	1.6%	-3.9%	283.1%	-0.7%	5.8%	0.9%	1.7%	10.6%	3.2%
% of total sales	8.8%	8.7%	7.6%	8.3%	8.2%	8.6%	7.6%	8.3%	9.2%	8.8%
Other	7	8	8	8	35	46	46	47	110	90
YoY	0.0%	14.3%	0.0%	14.3%	400.0%	475.0%	475.0%	487.5%	214.3%	95.7%
% of total sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Operating profit	7,498	4,524	8,389	3,416	7,008	5,764	7,218	6,430	6,896	7,637
YoY	22.0%	-15.4%	-9.6%	-45.9%	-6.5%	27.4%	-14.0%	88.2%	-1.6%	32.5%
Medical-Related	11,134	7,825	11,893	5,870	10,534	8,644	9,681	7,390	10,157	10,328
YoY	42.8%	-9.5%	5.3%	-	-5.4%	10.5%	-18.6%	25.9%	-3.6%	19.5%
OPM	14.0%	9.7%	13.5%	7.4%	12.6%	10.2%	11.0%	9.2%	12.5%	11.9%
Pharmaceutical-Related	2,139	2,142	3,224	3,157	3,888	2,197	2,447	4,664	3,266	1,977
YoY	-34.6%	20.0%	1.4%	-	81.8%	2.6%	-24.1%	47.7%	-16.0%	-10.0%
OPM	14.4%	13.8%	19.9%	18.6%	21.7%	12.4%	13.9%	27.4%	18.3%	11.8%
PharmaPackaging	45	278	287	168	-5	507	16	157	296	691
YoY	-	54.4%	-27.9%	-	-	82.4%	-94.4%	-6.5%	-	36.3%
OPM	0.5%	3.0%	3.3%	1.9%	-0.1%	5.2%	0.2%	1.8%	3.0%	6.9%
Other	33	7	41	65	25	67	36	48	106	87
YoY	266.7%	-58.8%	156.3%	-	-24.2%	857.1%	-12.2%	-26.2%	324.0%	29.9%
OPM	471.4%	87.5%	512.5%	812.5%	71.4%	145.7%	78.3%	102.1%	96.4%	96.7%
Adjustments	-5,853	-5,729	-7,055	-5,845	-7,434	-5,653	-4,961	-5,829	-6,930	-5,446

Source: Shared Research based on company data

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

1H FY03/21 results (out November 9, 2020)

Overview:

1H FY03/21 (April–September 2020)

- ▷ Sales: JPY222.3bn (-0.2% YoY)
- ▷ Operating profit: JPY14.5bn (+13.8% YoY)
- ▷ Recurring profit: JPY12.5bn (+26.5% YoY)
- ▷ Net income*: JPY5.5bn (-7.0% YoY)

* Net income attributable to owners of the parent

- ▷ 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, and deregulation of online medical consultations progressed.
- ▷ Company response: Demand declined for some products used by hospital departments in the Medical-Related business and for contract manufacturing in the Pharmaceutical-Related business. In contrast, demand grew for vaccine-related products, medical containers, and hygiene products such as gloves and masks. As a result, consolidated sales in 1H were only down marginally (-0.2% YoY).
- ▷ Operating profit grew 13.8% YoY on lower manufacturing costs and a reduction in expenses due to factors such as restrictions on sales activities, reduced travel, and scaled-back sales promotion activities in efforts to prevent the spread of COVID-19. Recurring profit increased 26.5% YoY on a narrowing in forex losses, while net income fell 7.0% YoY, because the company booked an extraordinary loss relating to a lawsuit filed in the US.

Performance by segment

Medical-Related business

- ▷ In 1H FY03/21, sales (to external customers) declined 0.4% YoY to JPY167.5bn.
- ▷ Segment profit: JPY20.5bn (+6.8% YoY)
- ▷ Domestic sales: Domestic market conditions remain severe because of the COVID-19 outbreak. Although demand remained brisk for hygiene products such as gloves and masks, a decline in outpatient and inpatient care and a substantially lower number of surgical procedures led to a decline in sales of injectable/infusion-related products, enteral nutrition-related products, testing-related products, and vascular-related products. In contrast, sales of implantable mechanical circulatory support were robust among cardiovascular surgical (CVS)-related products, and sales of mainstay dialysis-related products (dialyzers and HDF filters*), which are not as susceptible to adverse effects from the outbreak, held firm. In pharmaceuticals, increased market share of dexmedetomidine and leuporelin and drugs newly listed in June contributed to sales, but not enough to compensate for depressed sales of antibacterial products due to fewer surgical procedures being performed and promotion of the appropriate use of drugs.
- ▷ Overseas sales: The global COVID-19 pandemic made it difficult to engage in aggressive sales activities by attending academic conferences and visiting hospitals. In China, which resumed economic activity ahead of the rest of the world, the company participated in academic conferences to make the Nipro brand better known. The company also benefited from one-time demand for personal protective equipment (PPE) in Latin America and other regions. In 1H FY03/21, the company opened dialysis centers in Chile (Latin America) and China. It plans to set up more centers in Asia and Africa.
- ▷ Overseas production facilities: Dialyzer production has been slow at factories in India, where economic activity was restricted nationwide in April 2020 and regionally in July 2020 in response to the spread of COVID-19. It has become difficult to predict prospects for expansion of new production lines scheduled for India. At other production facilities, the Vietnam factory began

shipments of blood circuits for dialyzers to Japan in late July 2020. The company plans to utilize the Vietnam factory to increase production capacity and stabilize supply of dialysis-related products.

Pharmaceutical-Related business

- ▷ In 1H FY03/21, sales (to external customers) in this business were down 3.1% YoY to JPY34.5bn.
- ▷ Segment profit: JPY5.2bn (-3.8% YoY)
- ▷ Contract pharmaceutical manufacturing and development: Proposing contract manufacturing of all dosage forms handled by Nipro group, including oral dosage, injectables, and external preparations, and contract manufacturing of drugs at all stages of the development and manufacturing process from investigational new drugs to commercial production, as well as development proposals for use (and packaging as kits) of pharmaceutical containers and delivery systems, for which Nipro has a development and production structure.
- ▷ Drug manufacturing: For some products, production lines were revamped to boost capacity, which has delayed deliveries scheduled for Q1. In addition, the COVID-19 outbreak depressed production volumes for some products.

PharmaPackaging business

- ▷ In 1H FY03/21, sales (to external customers) were JPY20.0bn (+6.8% YoY).
- ▷ Segment profit: JPY987mn (+96.6% YoY)
- ▷ The company sought to increase market share in basic medical containers such as vials and ampoules, as well as focusing on promoting the Nipro brand of high-performance products like sterilized syringes and high value-added vials. In manufacturing, the company maintained operations despite the impact of the COVID-19 outbreak, focusing on fulfilling tougher quality requirements and reducing manufacturing costs.
- ▷ Overseas sales: Demand for vaccines against COVID-19 was robust, resulting in substantially increased shipments of glass tubing, vials, and sterilized syringes, mainly to Europe and the US. In China, Nipro began deliveries of medical containers that meet global quality standards to a major Chinese vaccine manufacturer.
- ▷ Domestic sales: Shipments of medical container-related products such as glass tubing, vials, and rubber stoppers expanded briskly, as did medical device-related products like sponge swabs for COVID-19 antigen test kits.

Other business

- ▷ Sales (to external customers) in the Other business in 1H FY03/21 including sales in the real-estate rental business were JPY200mn (+146.9% YoY).
- ▷ Segment profit: JPY193mn (+109.8% YoY)

Full-year company forecasts

(JPYmn)	FY03/18			FY03/19			FY03/20			FY03/21		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Sales	187,903	207,494	395,397	208,325	218,074	426,399	222,668	219,848	442,516	222,254	230,246	452,500
YoY	5.8%	13.9%	9.9%	10.9%	5.1%	7.8%	6.9%	0.8%	3.8%	-0.2%	4.7%	2.3%
Cost of sales	128,510	139,762	268,272	144,380	151,388	295,768	155,947	152,357	308,304	153,806	159,194	313,000
Gross profit	59,393	67,732	127,125	63,944	66,687	130,631	66,720	67,491	134,211	68,448	71,052	139,500
GPM	31.6%	32.6%	32.2%	30.7%	30.6%	30.6%	30.0%	30.7%	30.3%	30.8%	30.9%	30.8%
SG&A expenses	47,897	52,139	100,036	51,922	54,882	106,804	53,948	53,843	107,791	53,914	63,086	117,000
SG&A ratio	25.5%	25.1%	25.3%	24.9%	25.2%	25.0%	24.2%	24.5%	24.4%	24.3%	27.4%	25.9%
Operating profit	11,495	15,593	27,088	12,022	11,805	23,827	12,772	13,648	26,420	14,533	11,967	26,500
YoY	-27.9%	21.6%	-5.8%	4.6%	-24.3%	-12.0%	6.2%	15.6%	10.9%	13.8%	-12.3%	0.3%
OPM	6.1%	7.5%	6.9%	5.8%	5.4%	5.6%	5.7%	6.2%	6.0%	6.5%	5.2%	5.9%
Recurring profit	11,776	10,908	22,684	13,699	8,732	22,431	9,885	13,532	23,417	12,504	12,296	24,800
YoY	76.8%	-33.9%	-2.1%	16.3%	-19.9%	-1.1%	-27.8%	55.0%	4.4%	26.5%	-9.1%	5.9%
RPM	6.3%	5.3%	5.7%	6.6%	4.0%	5.3%	4.4%	6.2%	5.3%	5.6%	5.3%	5.5%
Net income	8,282	3,547	11,829	7,615	4,521	12,136	5,886	-18,167	-12,281	5,473	8,027	13,500
YoY	183.3%	-57.9%	4.3%	-8.1%	27.5%	2.6%	-22.7%	-501.8%	-201.2%	-7.0%	-	-
Net margin	4.4%	1.7%	3.0%	3.7%	2.1%	2.8%	2.6%	-8.3%	-2.8%	2.5%	3.5%	3.0%

Source: Shared Research based on company data

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

The company lowered its FY03/21 sales forecast to reflect business conditions in Q2 onward when announcing 1H results on November 9, 2020, but left profit forecasts at all levels more or less unchanged, due in part to improved GPM and expense savings associated with the COVID-19 pandemic. The revised forecast calls for sales of JPY452.5bn (+2.3% YoY), operating profit of JPY26.5bn (+0.3% YoY), recurring profit of JPY24.8bn (+5.9% YoY), and net income attributable to owners of the parent of JPY13.5bn (JPY12.3bn loss in FY03/20).

Planned capital expenditure (acceptance basis [after inspection]) of JPY59.6bn includes JPY35.3bn for the Medical-Related business, JPY18.1bn for the Pharmaceutical-Related business, JPY4.0bn for PharmaPackaging business, and JPY2.2bn for other businesses. Investment for regenerative medicine is included in the capex budget for the Medical-Related business. Depreciation is projected at JPY39.0bn.

Forex rate assumptions are as follows: JPY105/USD, JPY115/EUR, and JPY15.3/CNY. The company assumes yen appreciation for all three currencies. Forex sensitivity for each currency (annual impact of a one-yen swing in the forex rate) is as follows: for USD, JPY160mn in sales and JPY40mn in operating profit; for EUR, JPY110mn in sales and JPY30mn in operating profit; and for CNY, JPY410mn in sales and JPY130mn in operating profit.

This note is the most recent addition to the [full report](#).

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