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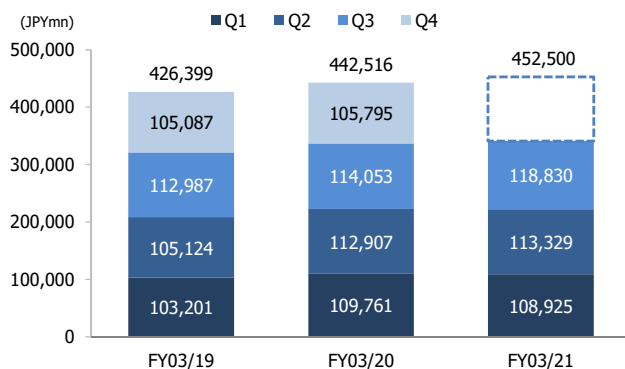
On February 8, 2021, Nipro Corporation announced earnings results for Q3 FY03/21.

Cumulative (JPYmn)	FY03/20				FY03/21			FY03/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of Est.	FY Est.
Sales	109,761	222,668	336,721	442,516	108,925	222,254	341,084	75.4%	452,500
YoY	6.4%	6.9%	4.8%	3.8%	-0.8%	-0.2%	1.3%		2.3%
Gross profit	34,040	66,720	102,111	134,211	33,677	68,448	105,292		
YoY	1.3%	4.3%	2.9%	2.7%	-1.1%	2.6%	3.1%		
Gross profit margin	31.0%	30.0%	30.3%	30.3%	30.9%	30.8%	30.9%		
SG&A expenses	27,032	53,948	82,120	107,791	26,780	53,914	82,183		
YoY	3.6%	3.9%	4.2%	0.9%	-0.9%	-0.1%	0.1%		
SG&A ratio	24.6%	24.2%	24.4%	24.4%	24.6%	24.3%	24.1%		
Operating profit	7,008	12,772	19,990	26,420	6,896	14,533	23,109	87.2%	26,500
YoY	-6.5%	6.2%	-2.1%	10.9%	-1.6%	13.8%	15.6%		0.3%
Operating profit margin	6.4%	5.7%	5.9%	6.0%	6.3%	6.5%	6.8%		5.9%
Recurring profit	5,128	9,885	17,767	23,417	6,206	12,504	19,719	79.5%	24,800
YoY	-35.5%	-27.8%	-5.4%	4.4%	21.0%	26.5%	11.0%		5.9%
Recurring profit margin	4.7%	4.4%	5.3%	5.3%	5.7%	5.6%	5.8%		5.5%
Net income	2,792	5,886	10,858	-12,281	3,029	5,473	10,377	76.9%	13,500
YoY	-40.4%	-22.7%	10.2%	-	8.5%	-7.0%	-4.4%		-
Net margin	2.5%	2.6%	3.2%	-	2.8%	2.5%	3.0%		3.0%

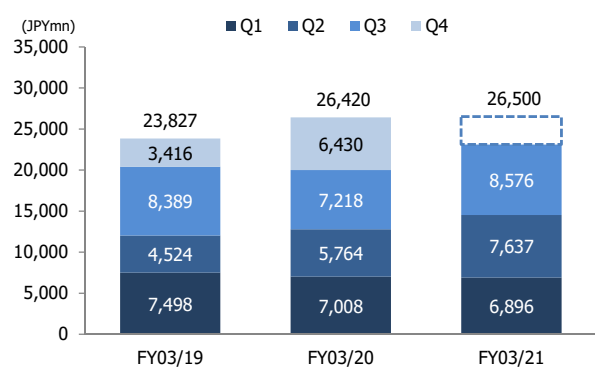
Quarterly (JPYmn)	FY03/20				FY03/21		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	109,761	112,907	114,053	105,795	108,925	113,329	118,830
YoY	6.4%	7.4%	0.9%	0.7%	-0.8%	0.4%	4.2%
Gross profit	34,040	32,680	35,391	32,100	33,677	34,771	36,844
YoY	1.3%	7.7%	0.3%	2.2%	-1.1%	6.4%	4.1%
Gross profit margin	31.0%	28.9%	31.0%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

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	Q3
Total sales	103,201	208,325	321,312	426,399	109,761	222,668	336,721	442,516	108,925	222,254	341,084
YoY	10.3%	10.9%	9.3%	7.8%	6.4%	6.9%	4.8%	3.8%	-0.8%	-0.2%	1.3%
Medical-Related	79,257	159,686	247,883	327,359	83,732	168,216	255,874	335,767	80,954	167,536	258,867
YoY	14.3%	14.6%	12.0%	9.1%	5.6%	5.3%	3.2%	2.6%	-3.3%	-0.4%	1.2%
% of total sales	76.8%	76.7%	77.1%	76.8%	76.3%	75.5%	76.0%	75.9%	74.3%	75.4%	75.9%
Pharmaceutical-Related	14,818	30,375	46,548	63,482	17,939	35,656	53,321	70,357	17,848	34,533	52,614
YoY	-7.5%	-3.2%	0.5%	-5.0%	21.1%	17.4%	14.6%	10.8%	-0.5%	-3.1%	-1.3%
% of total sales	14.4%	14.6%	14.5%	14.9%	16.3%	16.0%	15.8%	15.9%	16.4%	15.5%	15.4%
PharmaPackaging	9,118	18,247	26,856	35,526	9,053	18,712	27,398	36,217	10,012	19,983	29,292
YoY	11.3%	6.2%	2.7%	25.1%	-0.7%	2.5%	2.0%	1.9%	10.6%	6.8%	6.9%
% of total sales	8.8%	8.8%	8.4%	8.3%	8.2%	8.4%	8.1%	8.2%	9.2%	9.0%	8.6%
Other	7	15	23	31	35	81	127	174	110	200	309
YoY	0.0%	7.1%	4.5%	6.9%	400.0%	440.0%	452.2%	461.3%	214.3%	146.9%	143.3%
% of total sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	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	23,109
YoY	22.0%	4.6%	-1.8%	-12.0%	-6.5%	6.2%	-2.1%	10.9%	-1.6%	13.8%	15.6%
Medical-Related	11,134	18,959	30,852	36,722	10,534	19,178	28,859	36,249	10,157	20,485	31,228
YoY	42.8%	15.3%	11.2%	0.0%	-5.4%	1.2%	-6.5%	-1.3%	-3.6%	6.8%	8.2%
Operating profit margin	14.0%	11.9%	12.4%	11.2%	12.6%	11.4%	11.3%	10.8%	12.5%	12.2%	12.1%
Pharmaceutical-Related	2,139	4,281	7,505	10,662	3,888	6,085	8,532	13,196	3,266	5,243	8,083
YoY	-34.6%	-15.3%	-8.9%	0.0%	81.8%	42.1%	13.7%	23.8%	-16.0%	-13.8%	-5.3%
Operating profit margin	14.4%	14.1%	16.1%	16.8%	21.7%	17.1%	16.0%	18.8%	18.3%	15.2%	15.4%
PharmaPackaging	45	323	610	778	-5	502	518	675	296	987	1,631
YoY	-	1918.8%	47.3%	0.0%	-	55.4%	-15.1%	-13.2%	-	96.6%	214.9%
Operating profit margin	0.5%	1.8%	2.3%	2.2%	-0.1%	2.7%	1.9%	1.9%	3.0%	4.9%	5.6%
Other	33	40	81	146	25	92	128	176	106	193	301
YoY	266.7%	53.8%	92.9%	94.7%	-24.2%	130.0%	58.0%	20.5%	324.0%	109.8%	135.2%
Operating profit margin	471.4%	266.7%	352.2%	471.0%	71.4%	113.6%	100.8%	101.1%	96.4%	96.5%	97.4%
Adjustments	-5,853	-11,582	-18,637	-24,482	-7,434	-13,087	-18,048	-23,877	-6,930	-12,376	-18,135
Quarterly (JPY mn)	FY03/19				FY03/20				FY03/21		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total sales	103,201	105,124	112,987	105,087	109,761	112,907	114,053	105,795	108,925	113,329	118,830
YoY	10.3%	11.4%	6.6%	3.5%	6.4%	7.4%	0.9%	0.7%	-0.8%	0.4%	4.2%
Medical-Related	79,257	80,429	88,197	79,476	83,732	84,484	87,658	79,893	80,954	86,582	91,331
YoY	14.3%	14.9%	7.5%	0.9%	5.6%	5.0%	-0.6%	0.5%	-3.3%	2.5%	4.2%
% of total sales	76.8%	76.5%	78.1%	75.6%	76.3%	74.8%	76.9%	75.5%	74.3%	76.4%	76.9%
Pharmaceutical-Related	14,818	15,557	16,173	16,934	17,939	17,717	17,665	17,036	17,848	16,685	18,081
YoY	-7.5%	1.3%	8.1%	-17.5%	21.1%	13.9%	9.2%	0.6%	-0.5%	-5.8%	2.4%
% of total sales	14.4%	14.8%	14.3%	16.1%	16.3%	15.7%	15.5%	16.1%	16.4%	14.7%	15.2%
PharmaPackaging	9,118	9,129	8,609	8,670	9,053	9,659	8,686	8,819	10,012	9,971	9,309
YoY	11.3%	1.6%	-3.9%	283.1%	-0.7%	5.8%	0.9%	1.7%	10.6%	3.2%	7.2%
% of total sales	8.8%	8.7%	7.6%	8.3%	8.2%	8.6%	7.6%	8.3%	9.2%	8.8%	7.8%
Other	7	8	8	8	35	46	46	47	110	90	109
YoY	0.0%	14.3%	0.0%	14.3%	400.0%	475.0%	475.0%	487.5%	214.3%	95.7%	137.0%
% of total sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	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	8,576
YoY	22.0%	-15.4%	-9.6%	-45.9%	-6.5%	27.4%	-14.0%	88.2%	-1.6%	32.5%	18.8%
Medical-Related	11,134	7,825	11,893	5,870	10,534	8,644	9,681	7,390	10,157	10,328	10,743
YoY	42.8%	-9.5%	5.3%	-	-5.4%	10.5%	-18.6%	25.9%	-3.6%	19.5%	11.0%
Operating profit margin	14.0%	9.7%	13.5%	7.4%	12.6%	10.2%	11.0%	9.2%	12.5%	11.9%	11.8%
Pharmaceutical-Related	2,139	2,142	3,224	3,157	3,888	2,197	2,447	4,664	3,266	1,977	2,840
YoY	-34.6%	20.0%	1.4%	-	81.8%	2.6%	-24.1%	47.7%	-16.0%	-10.0%	16.1%
Operating profit margin	14.4%	13.8%	19.9%	18.6%	21.7%	12.4%	13.9%	27.4%	18.3%	11.8%	15.7%
PharmaPackaging	45	278	287	168	-5	507	16	157	296	691	644
YoY	-	54.4%	-27.9%	-	-	82.4%	-94.4%	-6.5%	-	36.3%	3925.0%
Operating profit margin	0.5%	3.0%	3.3%	1.9%	-0.1%	5.2%	0.2%	1.8%	3.0%	6.9%	6.9%
Other	33	7	41	65	25	67	36	48	106	87	108
YoY	266.7%	-58.8%	156.3%	-	-24.2%	857.1%	-12.2%	-26.2%	324.0%	29.9%	200.0%
Operating profit margin	471.4%	87.5%	512.5%	812.5%	71.4%	145.7%	78.3%	102.1%	96.4%	96.7%	99.1%
Adjustments	-5,853	-5,729	-7,055	-5,845	-7,434	-5,653	-4,961	-5,829	-6,930	-5,446	-5,759

Source: Shared Research based on company data

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

Q3 FY03/21 results (out February 8, 2021)

Overview:

- ▷ Q3 FY03/21 (April–December 2020) sales: JPY341.1bn (+1.3% YoY)
- ▷ Operating profit: JPY23.1bn (+15.6% YoY)
- ▷ Recurring profit: JPY19.7bn (+11.0% YoY)
- ▷ Net income*: JPY10.4bn (-4.4% 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 sales: Demand declined for some products used by hospital departments (such as cardiology and orthopedics) in the Medical-Related business and for contract manufacturing in the Pharmaceutical-Related business due to lower demand for antibacterial products and cold medicine. In contrast, sales were solid for dialysis-related products, which are less susceptible to the impact of COVID-19, and demand grew for vaccine-related products, medical containers, and hygiene products such as gloves and masks. As a result, consolidated sales in Q3 rose 1.3% YoY.
- ▷ Operating profit grew 15.6% YoY on solid sales of mainstay dialyzers, 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, and deferred experiment and research expenses due to the postponement of clinical trials. Despite narrower forex losses, recurring profit (+11.0% YoY) was affected by interest payments and issuance costs accompanying the issuance of corporate bonds in September 2020. Net income fell 4.4% YoY despite an increase in extraordinary gains on the sale of investment securities, because the company booked an extraordinary loss relating to a lawsuit filed in the US in 1H.

Performance by segment

Medical-Related business

- ▷ In Q3 FY03/21, sales (to external customers) increased 1.2% YoY to JPY258.9bn.
- ▷ Segment profit was JPY31.2bn (+8.2% YoY).
- ▷ Domestic sales: Domestic market conditions remain severe because of the COVID-19 outbreak. In the medical sales department, a decline in outpatient and inpatient care and a substantially lower number of surgical procedures led to lower sales of vascular-related and infusion-related products. Meanwhile, sales of cardiovascular surgical (CVS)-related products and of mainstay dialysis-related products (dialyzers and HDF filters*), which are not as susceptible to adverse effects from the outbreak, held firm. Furthermore, strong sales of syringes/needles (driven by vaccinations and special syringe demand) added to sales of hygiene products such as masks and gloves. In the pharmaceutical sales department, despite no signs of recovery in cold-related products due to COVID-19, antibacterial product sales grew YoY, and the company increased market share of focus products such as dexmedetomidine and drugs newly listed in June and December 2020.
*HDF filters are similar in structure to dialyzers, but use hemofiltration versus hemodialysis in dialyzers.
- ▷ Overseas sales: The impact of the global COVID-19 pandemic is ongoing, but economic activities are gradually resuming in countries the world over and academic conference and research activities are resuming with the use of online resources. In China in particular, activities extended beyond conferences as numerous Nipro product workshops were held as part of academic activities. The company expanded its dialysis center footprint by opening locations in Central and South America and

Thailand. It plans to set up more centers, primarily in developing nations. The company has a focus on growing sales in China, and plans to set up sales offices and boost employee headcount there. In October 2020, with the aim of improving profits, it established a global management headquarters inside the international business division.

- ▷ Overseas production facilities: The impact of the global COVID-19 pandemic is ongoing. This has resulted in reduced production volume due to missed orders and temporary production halts at some factories. In response, the company is dispatching personnel from Japan to stabilize factory supply and cut costs in Indonesia and Bangladesh, and is working to get a new dialyzer production line operating as soon as possible in India.

Pharmaceutical-Related business

- ▷ In Q3 FY03/21, sales (to external customers) in this business were down 1.3% YoY to JPY52.6bn.
- ▷ Segment profit was JPY8.1bn (-5.3% YoY)
- ▷ Contract pharmaceutical manufacturing and development: 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. In this business, the company 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. The company has won new contract manufacturing orders, some of which started shipments in Q3 (October–December 2020).
- ▷ Drug manufacturing: The COVID-19 outbreak depressed production volumes for some products including antibacterial products, influenza treatments, allergy medicines, and cold medicines at the group's pharmaceutical plants, affecting sales.

PharmaPackaging business

- ▷ In Q3 FY03/21, sales (to external customers) were JPY29.3bn (+6.9% YoY).
- ▷ Segment profit was JPY1.6bn (+214.9% 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 Q3 FY03/21 including sales in the real-estate rental business were JPY309mn (+143.3% YoY).
- ▷ Segment profit was JPY301mn (+135.2% YoY)

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