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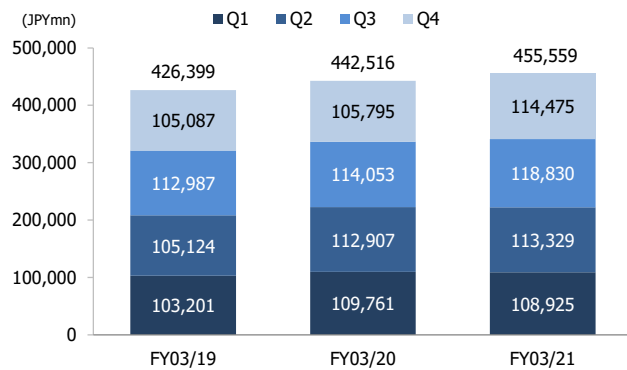
On May 11, 2021, Nipro Corporation announced earnings results for full-year FY03/21.

Cumulative (JPYmn)	FY03/20				FY03/21				FY03/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	FY Est.
Sales	109,761	222,668	336,721	442,516	108,925	222,254	341,084	455,559	100.7%	452,500
YoY	6.4%	6.9%	4.8%	3.8%	-0.8%	-0.2%	1.3%	2.9%		2.3%
Gross profit	34,040	66,720	102,111	134,211	33,677	68,448	105,292	138,840		
YoY	1.3%	4.3%	2.9%	2.7%	-1.1%	2.6%	3.1%	3.4%		
Gross profit margin	31.0%	30.0%	30.3%	30.3%	30.9%	30.8%	30.9%	30.5%		
SG&A expenses	27,032	53,948	82,120	107,791	26,780	53,914	82,183	111,212		
YoY	3.6%	3.9%	4.2%	0.9%	-0.9%	-0.1%	0.1%	3.2%		
SG&A ratio	24.6%	24.2%	24.4%	24.4%	24.6%	24.3%	24.1%	24.4%		
Operating profit	7,008	12,772	19,990	26,420	6,896	14,533	23,109	27,627	104.3%	26,500
YoY	-6.5%	6.2%	-2.1%	10.9%	-1.6%	13.8%	15.6%	4.6%		0.3%
Operating profit margin	6.4%	5.7%	5.9%	6.0%	6.3%	6.5%	6.8%	6.1%		5.9%
Recurring profit	5,128	9,885	17,767	23,417	6,206	12,504	19,719	26,269	105.9%	24,800
YoY	-35.5%	-27.8%	-5.4%	4.4%	21.0%	26.5%	11.0%	12.2%		5.9%
Recurring profit margin	4.7%	4.4%	5.3%	5.3%	5.7%	5.6%	5.8%	5.8%		5.5%
Net income	2,792	5,886	10,858	-12,281	3,029	5,473	10,377	14,209	105.3%	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%	3.1%		3.0%

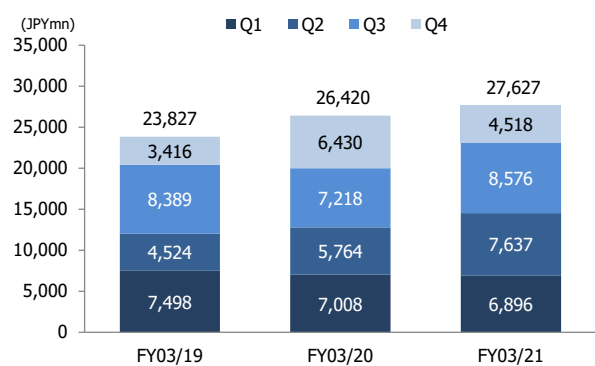
Quarterly (JPYmn)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	109,761	112,907	114,053	105,795	108,925	113,329	118,830	114,475
YoY	6.4%	7.4%	0.9%	0.7%	-0.8%	0.4%	4.2%	8.2%
Gross profit	34,040	32,680	35,391	32,100	33,677	34,771	36,844	33,548
YoY	1.3%	7.7%	0.3%	2.2%	-1.1%	6.4%	4.1%	4.5%
Gross profit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

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	Q4
Total sales	103,201	208,325	321,312	426,399	109,761	222,668	336,721	442,516	108,925	222,254	341,084	455,559
YoY	10.3%	10.9%	9.3%	7.8%	6.4%	6.9%	4.8%	3.8%	-0.8%	-0.2%	1.3%	2.9%
Medical-Related	79,257	159,686	247,883	327,359	83,732	168,216	255,874	335,767	80,954	167,536	258,867	347,648
YoY	14.3%	14.6%	12.0%	9.1%	5.6%	5.3%	3.2%	2.6%	-3.3%	-0.4%	1.2%	3.5%
% 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%	76.3%
Pharmaceutical-Related	14,818	30,375	46,548	63,482	17,939	35,656	53,321	70,357	17,848	34,533	52,614	68,564
YoY	-7.5%	-3.2%	0.5%	-5.0%	21.1%	17.4%	14.6%	10.8%	-0.5%	-3.1%	-1.3%	-2.5%
% 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%	15.1%
PharmaPackaging	9,118	18,247	26,856	35,526	9,053	18,712	27,398	36,217	10,012	19,983	29,292	38,655
YoY	11.3%	6.2%	2.7%	25.1%	-0.7%	2.5%	2.0%	1.9%	10.6%	6.8%	6.9%	6.7%
% 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%	8.5%
Other	7	15	23	31	35	81	127	174	110	200	309	691
YoY	0.0%	7.1%	4.5%	6.9%	400.0%	440.0%	452.2%	461.3%	214.3%	146.9%	143.3%	297.1%
% 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%	0.2%
Operating profit	7,498	12,022	20,411	23,827	7,008	12,772	19,990	26,420	6,896	14,533	23,109	27,627
YoY	22.0%	4.6%	-1.8%	-12.0%	-6.5%	6.2%	-2.1%	10.9%	-1.6%	13.8%	15.6%	4.6%
Medical-Related	11,134	18,959	30,852	36,722	10,534	19,178	28,859	36,249	10,157	20,485	31,228	39,415
YoY	42.8%	15.3%	11.2%	0.0%	-5.4%	1.2%	-6.5%	-1.3%	-3.6%	6.8%	8.2%	8.7%
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%	11.3%
Pharmaceutical-Related	2,139	4,281	7,505	10,662	3,888	6,085	8,532	13,196	3,266	5,243	8,083	10,072
YoY	-34.6%	-15.3%	-8.9%	0.0%	81.8%	42.1%	13.7%	23.8%	-16.0%	-13.8%	-5.3%	-23.7%
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%	14.7%
PharmaPackaging	45	323	610	778	-5	502	518	675	296	987	1,631	1,992
YoY	-	1918.8%	47.3%	0.0%	-	55.4%	-15.1%	-13.2%	-	96.6%	214.9%	195.1%
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%	5.2%
Other	33	40	81	146	25	92	128	176	106	193	301	376
YoY	266.7%	53.8%	92.9%	94.7%	-24.2%	130.0%	58.0%	20.5%	324.0%	109.8%	135.2%	113.6%
Operating profit margin	47.1.4%	266.7%	352.2%	471.0%	71.4%	113.6%	100.8%	101.1%	96.4%	96.5%	97.4%	54.4%
Adjustments	-5,853	-11,582	-18,637	-24,482	-7,434	-13,087	-18,048	-23,877	-6,930	-12,376	-18,135	-24,229
Quarterly (JPY mn)	FY03/19				FY03/20				FY03/21			
Total sales	103,201	105,124	112,987	105,087	109,761	112,907	114,053	105,795	108,925	113,329	118,830	114,475
YoY	10.3%	11.4%	6.6%	3.5%	6.4%	7.4%	0.9%	0.7%	-0.8%	0.4%	4.2%	8.2%
Medical-Related	79,257	80,429	88,197	79,476	83,732	84,484	87,658	79,893	80,954	86,582	91,331	88,781
YoY	14.3%	14.9%	7.5%	0.9%	5.6%	5.0%	-0.6%	0.5%	-3.3%	2.5%	4.2%	11.1%
% 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%	77.6%
Pharmaceutical-Related	14,818	15,557	16,173	16,934	17,939	17,717	17,665	17,036	17,848	16,685	18,081	15,950
YoY	-7.5%	1.3%	8.1%	-17.5%	21.1%	13.9%	9.2%	0.6%	-0.5%	-5.8%	2.4%	-6.4%
% 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%	13.9%
PharmaPackaging	9,118	9,129	8,609	8,670	9,053	9,659	8,686	8,819	10,012	9,971	9,309	9,363
YoY	11.3%	1.6%	-3.9%	283.1%	-0.7%	5.8%	0.9%	1.7%	10.6%	3.2%	7.2%	6.2%
% 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%	8.2%
Other	7	8	8	8	35	46	46	47	110	90	109	382
YoY	0.0%	14.3%	0.0%	14.3%	400.0%	475.0%	475.0%	487.5%	214.3%	95.7%	137.0%	712.8%
% 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%	0.3%
Operating profit	7,498	4,524	8,389	3,416	7,008	5,764	7,218	6,430	6,896	7,637	8,576	4,518
YoY	22.0%	-15.4%	-9.6%	-45.9%	-6.5%	27.4%	-14.0%	88.2%	-1.6%	32.5%	18.8%	-29.7%
Medical-Related	11,134	7,825	11,893	5,870	10,534	8,644	9,681	7,390	10,157	10,328	10,743	8,187
YoY	42.8%	-9.5%	5.3%	-	-5.4%	10.5%	-18.6%	25.9%	-3.6%	19.5%	11.0%	10.8%
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%	9.2%
Pharmaceutical-Related	2,139	2,142	3,224	3,157	3,888	2,197	2,447	4,664	3,266	1,977	2,840	1,989
YoY	-34.6%	20.0%	1.4%	-	81.8%	2.6%	-24.1%	47.7%	-16.0%	-10.0%	16.1%	-57.4%
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%	12.5%
PharmaPackaging	45	278	287	168	-5	507	16	157	296	691	644	361
YoY	-	54.4%	-27.9%	-	-	82.4%	-94.4%	-6.5%	-	36.3%	3925.0%	129.9%
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%	3.9%
Other	33	7	41	65	25	67	36	48	106	87	108	75
YoY	266.7%	-58.8%	156.3%	-	-24.2%	857.1%	-12.2%	-26.2%	324.0%	29.9%	200.0%	56.3%
Operating profit margin	47.1.4%	87.5%	512.5%	812.5%	71.4%	145.7%	78.3%	102.1%	96.4%	96.7%	99.1%	19.6%
Adjustments	-5,853	-5,729	-7,055	-5,845	-7,434	-5,653	-4,961	-5,829	-6,930	-5,446	-5,759	-6,094

Source: Shared Research based on company data

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

Full-year FY03/21 results (out May 11, 2021)

Overview:

Full-year FY03/21 (April 2020–March 2021)

- ▷ Sales: JPY455.6bn (+2.9% YoY)
- ▷ Operating profit: JPY27.6bn (+4.6% YoY)
- ▷ Recurring profit: JPY26.3bn (+12.2% YoY)
- ▷ Net income*: JPY14.2bn (net loss of JPY12.3bn in FY03/20)

* 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 trends such as the shift to in-home care and progress with deregulation of online medical consultations accelerated.

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 vaccines, medical containers, medical instruments, and hygiene products such as gloves and masks. As a result, consolidated sales rose 2.9% YoY in FY03/21.

Profits

Operating profit grew 4.6% YoY as a result of solid sales of mainstay dialyzers, profit growth on a temporary spike in demand for PPE-related products in North, Central, and South America, GPM improvement 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 was up 12.2% YoY on reduced forex losses. The company turned profitable at net income level despite booking an extraordinary loss relating to a lawsuit filed in the US in 1H and losses from an accident at Nipro Pharma's Kagamiishi Factory caused by an earthquake off the coast of Fukushima in February 2021, thanks to consolidated tax payments at Nipro Medical Corporation (US) and a reduction in deferred income taxes from the reassessment of deferred tax assets.

Performance by segment

Medical-Related business

- ▷ Segment sales*: JPY347.6bn (+3.5% YoY).
- ▷ Segment profit: JPY39.4bn (+8.7% YoY).

*Sales to external customers, same applies below

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 vaccinations have started in many countries, and tenders, which had been suspended, are gradually resuming. The company engaged actively in marketing with the use of online tools in Europe and restructured its sales organization for vascular products in North America. The company expanded its dialysis center footprint by opening locations in Central and South America, China, 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.

Overseas production facilities

The company had been preparing to add a new dialyzer production line at its Indian factory, but the outlook for starting operation is clouded by the resurgence of COVID-19. Other production bases were operating more or less as normal, although some product categories recorded sales declines.

Pharmaceutical-Related business

- ▷ Segment sales: JPY68.6bn (-2.5% YoY).
- ▷ Segment profit: JPY10.1bn (-23.7% 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. Sales and profit fell YoY because of lower production volume for some products due to COVID-19, and temporary reduction of shipment volume at the Nipro Pharma Corporation's Kagamiishi Factory, which has been affected by the earthquake off the coast of Fukushima on February 13, 2021.

PharmaPackaging business

- ▷ Sales: JPY38.7bn (+6.7% YoY).
- ▷ Segment profit: JPY2.0bn (+195.1% YoY)

Overview

The company sought to increase market share in basic medical containers such as vials and ampoules, as well as focusing on promoting the Nipro brand of 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, focusing on fulfilling tougher quality requirements and reducing manufacturing costs. Sales grew 6.7% YoY and segment profit tripled, due in part to growth of high value-added products, including Nipro brand products.

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, which led to a sharp increase in demand.

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 (real-estate rental business, etc.): JPY691mn (+297.1% YoY).
- ▷ Segment profit: JPY376mn (+113.6% YoY)

Full-year company forecasts

(JPYmn)	FY03/19			FY03/20			FY03/21			FY03/22		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Sales	208,325	218,074	426,399	222,668	219,848	442,516	222,254	233,305	455,559	243,950	251,050	495,000
YoY	10.9%	5.1%	7.8%	6.9%	0.8%	3.8%	-0.2%	6.1%	2.9%	9.8%	7.6%	8.7%
Cost of sales	144,380	151,388	295,768	155,947	152,357	308,304	153,806	162,912	316,718			
Gross profit	63,944	66,687	130,631	66,720	67,491	134,211	68,448	70,392	138,840			
Gross profit margin	30.7%	30.6%	30.6%	30.0%	30.7%	30.3%	30.8%	30.2%	30.5%			
SG&A expenses	51,922	54,882	106,804	53,948	53,843	107,791	53,914	57,298	111,212			
SG&A ratio	24.9%	25.2%	25.0%	24.2%	24.5%	24.4%	24.3%	24.6%	24.4%			
Operating profit	12,022	11,805	23,827	12,772	13,648	26,420	14,533	13,094	27,627	12,750	14,750	27,500
YoY	4.6%	-24.3%	-12.0%	6.2%	15.6%	10.9%	13.8%	-4.1%	4.6%	-12.3%	12.6%	-0.5%
Operating profit margin	5.8%	5.4%	5.6%	5.7%	6.2%	6.0%	6.5%	5.6%	6.1%	5.2%	5.9%	5.6%
Recurring profit	13,699	8,732	22,431	9,885	13,532	23,417	12,504	13,765	26,269	12,850	13,850	26,700
YoY	16.3%	-19.9%	-1.1%	-27.8%	55.0%	4.4%	26.5%	1.7%	12.2%	2.8%	0.6%	1.6%
Recurring profit margin	6.6%	4.0%	5.3%	4.4%	6.2%	5.3%	5.6%	5.9%	5.8%	5.3%	5.5%	5.4%
Net income	7,615	4,521	12,136	5,886	-18,167	-12,281	5,473	8,736	14,209	7,350	7,450	14,800
YoY	-8.1%	27.5%	2.6%	-22.7%	-501.8%	-201.2%	-7.0%	-	-	34.3%	-14.7%	4.2%
Net margin	3.7%	2.1%	2.8%	2.6%	-8.3%	-2.8%	2.5%	3.7%	3.1%	3.0%	3.0%	3.0%

Source: Shared Research based on company data

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

- ▷ The company's FY3/22 forecast calls for sales of JPY495.0bn (+8.7% YoY), operating profit of JPY27.5bn (-0.5% YoY), recurring profit of JPY26.7bn (+1.6% YoY), and net income attributable to owners of the parent of JPY14.8bn (+4.2% YoY). Forex rate assumptions are as follows: JPY107/USD, JPY129/EUR, and JPY16.5/CNY.

Forecast by segment

The company forecasts 7.6% YoY sales growth in the Medical-Related business on brisk sales of dialyzers and other dialysis-related products, 11.3% growth in the Pharmaceutical-Related business on growth of generic drugs and brand-name/long-listed drugs, and 15.5% growth in the PharmaPackaging business on continuing growth in vaccine-related demand. The company projects a 0.5% operating profit decline, because it foresees an increase in transport costs amid a global shipping container shortage.

Medical-Related business: sales of JPY373.9bn (+7.6% YoY) and segment profit of JPY38.2bn (-3.6% YoY).

Pharmaceutical-Related business: sales of JPY76.3bn (+11.3% YoY) and segment profit of JPY10.2bn (+1.6% YoY).

PharmaPackaging business: JPY44.6bn (+15.5% YoY) and segment profit of JPY2.1bn (+6.5% YoY).

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

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Contact Details

Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: info@sharedresearch.jp