

Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021: Reference

Analysis of Business Performance

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1. Overview of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021

(1) Overview of Consolidated Business Results

In the first quarter of the current fiscal year (from April 1 to June 30, 2020), in the healthcare market there was a decline in demand from postponement of elective procedures, the decline in exams and diagnostics, and the decline in the number of days of hospitalizations, etc. for various clinical departments, especially in April and May due to the major impacts of the COVID-19 pandemic. The Company saw impacts emerge in Cardiac and Vascular Company, but impacts on General Hospital Company and Blood and Cell Technologies Company were minimal. Also, demand increased for certain products. Financial results for the first quarter indicate the entire company was able to mitigate the impacts of the COVID-19 pandemic to a certain degree.

Financial results for the first quarter of the fiscal year ending March 31, 2021 are as follows:

| | Q1 FYE3/2020 | Q1 FYE3/2021 | Growth (%) | Growth excluding impact of FX translations (%) |
|----------------------------------------------------------------------|-----------------|-----------------|------------|------------------------------------------------------|
| Revenue | 152,526 | 131,298 | (13.9) | (11.4) |
| Gross profit | 85,169 | 68,873 | (19.1) | (15.4) |
| Adjusted operating profit | 33,949 | 21,685 | (36.1) | (30.2) |
| Operating profit | 29,168 | 18,073 | (38.0) | (31.2) |
| Profit before tax | 28,844 | 17,885 | (38.0) | — |
| Profit for the period | 22,751 | 13,971 | (38.6) | — |
| Profit for the period attributable to the owners of the parent | 22,791 | 14,002 | (38.6) | — |

Sales revenue by region for the first quarter is as follows:

| Region | Q1 FYE3/2020 | Q1 FYE3/2021 | Growth (%) | Growth excluding impact of FX translations (%) |
|-----------------|-----------------|-----------------|------------|---------------------------------------------------------|
| Japan | 45,954 | 44,334 | (3.5) | (3.5) |
| Europe | 30,037 | 25,464 | (15.2) | (11.9) |
| Americas | 46,025 | 36,288 | (21.2) | (17.8) |
| Asia and others | 30,509 | 25,211 | (17.4) | (13.2) |
| Overseas total | 106,572 | 86,963 | (18.4) | (14.8) |
| Total | 152,526 | 131,298 | (13.9) | (11.4) |

Revenue

Revenue totaled 131.3 billion JPY, a decrease of 13.9% versus the same period in the previous fiscal year.

In Japan, overall revenue decreased by 3.5% year on year. The impacts of the COVID-19 pandemic on Cardiac and Vascular Company were smaller than other regions, and there was increased demand for certain products, such as thermometers and hand sanitizer in General Hospital Company.

Revenue overseas declined by 18.4% in comparison with a year earlier. The impacts of the COVID-19 pandemic on General Hospital Company and Blood and Cell Technologies Company were small, but these same impacts were larger for TIS business (interventional devices) in Cardiac and Vascular Company.

Gross profit

Gross profit came to 68.9 billion JPY, a decrease of 19.1% compared with the previous fiscal year, reflecting a decline in revenue mainly due to the impacts of the COVID-19 pandemic on Cardiac and Vascular Company.

Adjusted operating profit

In the quarter under review, adjusted operating profit came to 21.7 billion JPY, a decrease of 36.1% year on year, due to the decline in gross profit, despite efforts to curtail certain selling, general and administrative expenses.

Adjusted operating profit factors out amortization expense for intangible assets obtained during acquisitions and one-off income and expenses from operating profit. In addition, adjusted operating profit is consistent with segment profit. We are disclosing adjusted operating profit as we are using it as an earnings management indicator.

Operating profit

Operating profit came to 18.1 billion JPY, a decrease of 38.0% year on year, owing to the decrease in adjusted operating profit.

Profit before tax

Profit before tax was 17.9 billion JPY, a decrease of 38.0% versus the same quarter a year earlier owing to the decrease in operating profit.

Profit for the period attributable to owners of the parent

Profit for the period attributable to owners of the parent totaled 14.0 billion JPY, a decrease of 38.6% year on year, driven by the decrease in profit before tax.

Revenue results by company are as follows:

Furthermore, the segment previously named as “Blood Management Company” was changed to “Blood and Cell Technologies Company” from the fiscal year ended March 31, 2020. This change in name does not affect the segment information. The name of reportable segment for the first quarter of the fiscal year ended March 31, 2020 was also revised as “Blood and Cell Technologies Company”.

| (million JPY) | | | | | |
|-------------------------------------------|------------|-----------------|-----------------|------------|------------------------------------------------------------|
| Segment | | Q1 FYE3/2020 | Q1 FYE3/2021 | Growth (%) | Growth excluding impact of FX translations (%) |
| Cardiac and Vascular Company | Revenue | 88,502 | 67,315 | (23.9) | (21.5) |
| | (Japan) | 12,148 | 10,911 | (10.2) | (10.2) |
| | (Overseas) | 76,354 | 56,403 | (26.1) | (23.3) |
| General Hospital Company | Revenue | 39,756 | 39,183 | (1.4) | (0.3) |
| | (Japan) | 31,207 | 30,821 | (1.2) | (1.2) |
| | (Overseas) | 8,548 | 8,362 | (2.2) | 3.1 |
| Blood and Cell Technologies Company | Revenue | 24,212 | 24,733 | 2.2 | 7.1 |
| | (Japan) | 2,543 | 2,535 | (0.3) | (0.3) |
| | (Overseas) | 21,669 | 22,197 | 2.4 | 8.0 |

Cardiac and Vascular Company

In Japan, sales were driven by extracorporeal membrane oxygenation (ECMO) systems in the Cardiovascular business, but revenue declined because of the significant impacts of the COVID-19 pandemic on other businesses. Overseas, the same impacts were significant particularly on TIS business (interventional devices) in the Americas and Europe. Accordingly, revenue in Cardiac and Vascular Company totaled 67.3 billion JPY, a decrease of 23.9% year on year.

General Hospital Company

In Japan, the COVID-19 pandemic impacted many products, but sales were driven by narcotic analgesic, thermometers, UV light robots, hand sanitizer, etc., in the Hospital Systems business. Overseas, the B2B business with pharmaceutical companies in the Alliance business grew. Reflecting these, revenue in General Hospital Company was 39.2 billion JPY, a decrease of just 1.4% versus the period a year earlier.

Blood and Cell Technologies Company

In Japan, sales of blood center products declined slightly due to the slowdown in demand for blood preparations caused by the impacts of the COVID-19 pandemic. Overseas, therapeutic apheresis systems saw a slowdown in demand for the same reasons, but sales were driven by new software for blood component collection systems and there was an increase in collection demand for COVID-19 convalescent plasma therapy. Consequently, revenue in Blood and Cell Technologies Company totaled 24.7 billion JPY, a rise of 2.2% year on year.

(2) Overview of Consolidated Balance Sheets

Total assets stood at 1,286.6 billion JPY, an increase of 45.3 billion JPY. This was mainly owing to an increase in cash and cash equivalents of 45.1 billion JPY caused by long-term borrowings, as well as an increase in property, plant and equipment of 5.2 billion JPY from investments in manufacturing facility. In contrast, goodwill and intangible assets declined by 5.3 billion JPY due to the impacts of the stronger yen against the US dollar related to foreign exchange rates (FX) from the end of the previous year.

Total liabilities came to 528.6 billion JPY, an increase of 42.2 billion JPY. This was mainly attributable to the partial conversion of convertible bond-type bonds with subscription rights, while bonds and borrowings increased 55.2 billion JPY due to long-term borrowings and other current liabilities declined 8.1 billion JPY due to the payment of bonuses.

Total equity was 758.0 billion JPY, an increase of 3.1 billion JPY. This mainly reflects an increase from posting profit for the period attributable to owners of the parent of 14.0 billion JPY and an increase from allocating treasury stock for the conversion of convertible bond-type bonds with subscription rights to shares of 3.6 billion JPY, compared to a decrease of 10.5 billion JPY due to the payment of dividends from retained earnings, while the booking of other comprehensive income associated with the impacts of yen strength in FX resulted in a 4 billion JPY decline.

(3) Forecasts, including the Consolidated Financial Results for the Fiscal Year Ending March 31, 2021

At present, we must continue to monitor risks such as uncertain developments surrounding the COVID-19 pandemic (second wave), and risks posed by a drop in demand and supply chain interruptions caused by a second wave. Nevertheless, we plan to pour energies into the introduction and expansion of high added-value products that will boost the quality and efficiency of healthcare, along with further improvement to manufacturing costs, and effective use of selling, general and administrative expenses.