

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

Analysis of Business Performance

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

(1) Overview of Consolidated Business Results

In the first half of the current fiscal year (from April 1 to September 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 novel coronavirus disease (COVID-19) pandemic. From July to September, demand recovered somewhat as some procedures that had been postponed were performed. The Company saw impacts emerge from declining demand at 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 half indicate the entire company was able to mitigate the impacts of the COVID-19 pandemic to a certain degree.

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

	1H FYE3/2020	1H FYE3/2021	Growth (%)	Growth excluding impact of FX translations (%)
Revenue	307,278	283,296	(7.8)	(6.4)
Gross profit	171,463	150,463	(12.2)	(9.5)
Adjusted operating profit	67,044	51,261	(23.5)	(18.5)
Operating profit	59,150	41,824	(29.3)	(23.9)
Profit before tax	58,065	40,659	(30.0)	—
Profit for the period	45,621	31,759	(30.4)	—
Profit for the period attributable to owners of the parent	45,711	31,842	(30.3)	—

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

Region	1H FYE3/2020	1H FYE3/2021	Growth (%)	Growth excluding impact of FX translations (%)
Japan	95,921	93,508	(2.5)	(2.5)
Europe	58,271	55,525	(4.7)	(4.6)
Americas	92,623	82,481	(10.9)	(8.0)
Asia and others	60,461	51,780	(14.4)	(12.0)
Overseas total	211,356	189,788	(10.2)	(8.2)
Total	307,278	283,296	(7.8)	(6.4)

Revenue

Revenue totaled 283.3 billion JPY, a decrease of 7.8% versus the same period in the previous fiscal year.

In Japan, overall revenue decreased by 2.5% year on year. The impacts of the COVID-19 pandemic on Cardiac and Vascular Company were smaller than other regions, and in General Hospital Company, revenues in the alliance business and of narcotic analgesic were robust, and there was rising demand for products to counter the spread of COVID-19.

Revenue overseas declined by 10.2% 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. Meanwhile, in Cardiac and Vascular Company, some procedures that had been postponed in the first quarter were performed in the second quarter, which led to a significant recovery in demand.

Gross profit

Gross profit came to 150.5 billion JPY, a decrease of 12.2% 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 period under review, adjusted operating profit came to 51.3 billion JPY, a decrease of 23.5% 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 41.8 billion JPY, a decrease of 29.3% year on year, owing to the decrease in adjusted operating profit.

Profit before tax

Profit before tax was 40.7 billion JPY, a decrease of 30.0% versus the same period 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 31.8 billion JPY, a decrease of 30.3% year on year, driven by the decrease in profit before tax.

Revenue results by company are as follows:

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 half of the fiscal year ended March 31, 2020 was also revised as “Blood and Cell Technologies Company”.

(million JPY)					
Segment		1H FYE3/2020	1H FYE3/2021	Growth (%)	Growth excluding impact of FX translations (%)
Cardiac and Vascular Company	Revenue	172,597	149,424	(13.4)	(12.2)
	(Japan)	24,752	22,862	(7.6)	(7.6)
	(Overseas)	147,844	126,562	(14.4)	(12.9)
General Hospital Company	Revenue	82,815	81,791	(1.2)	(0.6)
	(Japan)	64,981	64,825	(0.2)	(0.2)
	(Overseas)	17,833	16,966	(4.9)	(2.0)
Blood and Cell Technologies Company	Revenue	51,756	51,952	0.4	3.2
	(Japan)	6,077	5,693	(6.3)	(6.3)
	(Overseas)	45,678	46,259	1.3	4.5

Cardiac and Vascular Company

In Japan, sales were driven by extracorporeal membrane oxygenation (ECMO) systems in the Cardiovascular business along with flow diverter and aspiration catheter in the Neurovascular business, but revenue declined because of the significant impacts of the COVID-19 pandemic on other businesses. Overseas, the same impacts were significant on TIS business (interventional devices) in the Americas. Additionally, in China, the Neurovascular business was impacted by the order booking timing of distributors. Accordingly, revenue in Cardiac and Vascular Company totaled 149.4 billion JPY, a decrease of 13.4% year on year. Meanwhile, some procedures that had been postponed in the first quarter were performed in the second quarter, which led to a significant recovery in demand overseas in particular.

General Hospital Company

In Japan, the COVID-19 pandemic impacted many products, but sales were driven by narcotic analgesic and products for preventing the spread of COVID-19 in the Hospital Systems business. Globally, the B2B business with pharmaceutical companies in the Alliance business grew. Reflecting these, revenue in General Hospital Company was 81.8 billion JPY, a decrease of just 1.2% versus the period a year earlier.

Blood and Cell Technologies Company

In Japan, sales of blood center products declined due to the slowdown in demand for blood preparations caused by the impacts of the COVID-19 pandemic. Overseas, therapeutic apheresis systems and cell processing products 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 52.0 billion JPY, a rise of 0.4% year on year.

(2) Overview of Consolidated Statement of Financial Position

Total assets stood at 1,292.4 billion JPY, an increase of 51.1 billion JPY. This was mainly owing to an increase in cash and cash equivalents of 42.7 billion JPY caused by long-term loans payable, as well as an increase in property, plant and equipment of 10.0 billion JPY from investments in manufacturing facility.

Total liabilities came to 523.1 billion JPY, an increase of 36.6 billion JPY. This was mainly attributed to an increase in bonds and borrowings of 51.2 billion JPY due to long-term loans payable, despite the redemption and partial conversion of bonds payable, which offset the decline in trade and other payables of 14.1 billion JPY due to the payments related to facilities.

Total equity was 769.4 billion JPY, an increase of 14.5 billion JPY. This mainly reflects an increase from posting profit for the period of 31.8 billion JPY and an increase from allocating treasury shares for the conversion of convertible bond-type bonds with subscription rights to shares of 6.1 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 12.9 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 and third waves), and risks posed by a drop in demand and supply chain interruptions caused by second and third waves. 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.