NIPRO

Annual Report 2005

Year Ended March 31, 2005

Our quest is for wholesome life:

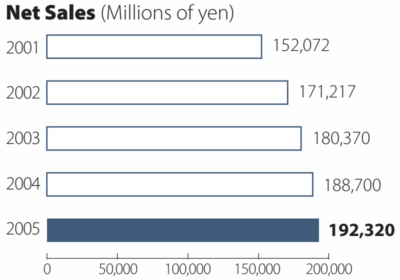
medical supplies for the world population

Consolidated Financial Highlights

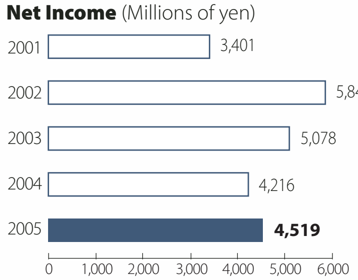
Nipro Corporation and its consolidated subsidiaries Years ended March 31, 2005 and 2004	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
For the year:			
Net sales	**¥ 192,320**	¥ 188,700	**$ 1,790,856**
Operating income	**10,404**	12,557	**96,882**
Net income	**4,519**	4,216	**42,080**
Capital expenditures	**16,312**	14,500	**151,895**
Depreciation and amortization	**10,266**	9,819	**95,595**
R&D expenses	**3,422**	3,074	**31,865**
At year-end:			
Total assets	**¥ 293,749**	¥ 279,701	**$ 2,735,347**
Total shareholders' equity	**96,700**	94,711	**900,456**
Per share data (in yen and U.S. dollars):			
Net income:			
Basic	**¥ 69.4**	¥ 64.9	**$ 0.65**
Diluted	**—**	-	**—**
Cash dividends	**38.5**	30.5	**0.36**
Shareholders' equity	**1,519.6**	1,487.5	**14.15**

The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥107.39=US$1, the approximate exchange rate on March 31, 2005.

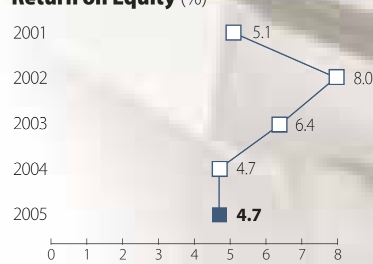
Net Sales (Millions of yen)



Net Income (Millions of yen)



Return on Equity (%)



Disclaimer Regarding Forward-Looking Statements

This report contains forward-looking statements regarding business performance and environment, in addition to current and historical facts of the Company, its subsidiaries and affiliates ("the Nipro Group"). These forward-looking statements represent the expectations and judgments of the management, based on the information available to the Company at the time they were prepared. When reading this report, please consider that forward-looking statements involve known and unknown risks and uncertainties; therefore, the actual future business performance and environment may differ materially, from what is forecasted in these statements. The Nipro Group assumes no responsibility or liability for potential problems.

Profile

Supporting healthcare at its cutting edge:

Nipro is a supplier of reliable medical equipment and pharmaceuticals

From the top maker of dialyzers to a comprehensive manufacturer of artificial organs

Dialyzers are used to remove waste and excess water from blood to purify it during dialysis treatment. Nipro manufactures the world' s top brand of dialyzers. We also offer a wide-ranging lineup of dialysis-related products such as blood lines and dialysis machines, and in recent years has moved into artificial organs such as heart and lungs. In future we will expand our lineup of artificial organs still further.

Medical safety is currently the focus of severe scrutiny. We will not only continue to pursue high quality in medical equipment but will also develop products that take safety into account, supplying these not only to Japan but throughout the world.

Taking a leap into the future as a maker of both injectable and oral generic drugs

The Nipro Group is also expanding its pharmaceutical business. We are already Japans' top-ranked maker in the field of contract manufacturing of injectable drugs. Currently, we are strengthening oral drugs business in terms of both contract manufacturing and generic drugs. Our aim is to take a fresh leap into the future as a total healthcare manufacturer.

Even further out on the cutting edge of technology: Investing more aggressively in R&D

Not content with aggressively expanding our medical equipment and pharmaceutical businesses, we are moving forward with R&D in the cutting-edge fields of regenerative, tailor-made medicine and applications of "recombinant human serum albumin". As the results of this research bear fruit in turn, they will ensure our growth well into the future.

Contents

To Our Shareholders and Friends

Strategy for Future Growth

Minoru Sano
President

During the first half of fiscal year 2004 (the year ended March 31, 2005) the Japanese economy seemed to be showing signs of beginning to escape from deflation, thanks to strong exports and capital investment. Increased concerns about the slowdown in the global economy and rising oil prices, however, mean that the outlook has again shifted to one of uncertainty. Healthcare-related industries such as the Nipro Group are also facing an era of significant change, with the revised Pharmaceutical Affairs Law implemented in April 2005 and the Medical Care Law expected to be amended in 2006 in the context of the government policy of holding down medical costs and increasingly fierce price competition.

On the basis of this situation, the Nipro Group regards the three-year period from 2003 to 2005 as a time for building up and strengthening a secure business foundation, with the aim of achieving consolidated net sales of 300 billion yen and a consolidated recurring income of 20 billion yen in fiscal 2010.

Here is a brief overview of each segment of our business for fiscal 2004.

Our domestic medical business has been affected by the further progress of government policies to hold down the cost of medical care. These include revisions to the Health Insurance Law that came into effect in April 2004, which have revised both the system of medical fee and the reimbursement prices for specified medical materials and supplies, as well as the transformation of national hospitals into independent administrative institutions. In this situation, we have continued our rationalization of domestic distributor inventories of medical equipment that was begun the previous year, and it was virtually completed in fiscal 2004. At the same time we improved sales efficiency, and strove to develop new products and expand sales. Despite increased sales volume, however, the revisions to the medical fee system and the effect of increasingly fierce competition between companies caused unit prices to fall, meaning that turnover did not rise as hoped. Internationally, sales increased greatly thanks to our efforts to strengthen the Nipro Group' s sales bases overseas. In the OEM business, too, we established ourselves on firmer ground mainly on the basis of dialysis-related and diabetes-related products.

The progress of government policies to hold down healthcare costs, such as NHI (Natural health insurance) drug price and the increasingly swift introduction of the all-inclusive payment system based on diagnosis category, are also affecting our pharmaceutical business. Faced with this situation, we have worked to expand sales of dialysis-related products such as powdered dialysis solution and substitution fluids for HF and HDF. In addition, expansion of production of pre-filled syringes enabled us to increase turnover despite falling prices.

In our glass and materials business, while increased demand for glass for use in lighting, there was a reduction in glass for medical use such as glass tubes for ampoule.

In our store business, supermarket revenues were down as the result of factors including fierce competition with similar operators and customers being conservative about consumption by an influence of displaying tax-inclusive prices. Drugstore revenues rose thanks to the effect of new stores opening, but the increasingly fierce competition faced by existing stores and the increased costs associated with opening new stores were both major causes for holding down profit.

As a result of the factors outlined above, consolidated net sales for the financial year ended March 31, 2005 were 192,320 million yen, a 1.9% increase over the previous year. Consolidated operating income was 10,404 million yen, a decrease of 17.1%, but consolidated net income increased by 7.2% to 4,519 million yen. The fiscal year ended March 31, 2005 was a period of adjustment for the Nipro Group that will lead to future growth. Our overall judgment, however, is that the Nipro Group is making real progress toward the achievement of our goals, both through investment in expanding our production capacity for dialyzers and pre-filled syringes, and also in actively enhancing our abilities both in sales and R&D.

Nipro is taking the initiative in enhancing its oral drug business

One of the most important initiatives in the Nipro Group is to strengthen our oral drug business. In practical terms, this means both improving our

production technology through contract manufacture, and also expanding our generic drug business.

Improving manufacturing technology for oral drugs

Nipro Pharma and Nipro Genepha already manufacture and sell oral drugs, but further, in June 2005, we took over Kagamiishi Plant of Chugai Pharmaceutical Co., Ltd. which was its major production facility for solid-form drugs, and made it a subsidiary named Tohoku Nipro Pharmaceutical Corporation. This has increased the production of the Nipro Group for oral drugs fivefold. From July 2005, Tohoku Nipro Pharmaceutical will carry out contract manufacture of oral drugs as the Nipro Group' s core pharmaceutical production center. Our policy for the future will be for the entire Nipro Group to make concerted efforts to improve our production technology in oral drugs. We aim to expand the contract manufacturing business by offering high-quality products, and expect further to enhance in productivity.

Expanding the generic drug business

The Nipro Group is currently pressing ahead with an expansion to its generic drug business. Generic drugs have been attracting attention in recent years as an effective means of holding down healthcare costs, since they possess the equivalent efficacy to new drugs but at a lower cost. Generic drugs have yet to gain widespread acceptance in Japan, but in future they are expected to become as widely used as they are in the USA and Europe. We expect that the Nipro Group will be able to win public trust in the generic drugs market by offering high-quality products at a low cost.

Aiming to distinguish Nipro products from the competition

Until now, the Nipro Group has concentrated on developing, manufacturing and marketing innovative drug administration systems such as kit products in the field of injectable drugs. We are now also rising to the challenge of creating formulations for oral drugs that utilize our unique technologies. In addition to our existing record of success with low-dose specification formulations, we are currently working on the development of tablets that can be taken without water, small tablets that are easily swallowed, and other products. Generally speaking, oral drugs are less effective in terms of both potency and speed of action than are injectables, which are administered directly into the blood vessels. We are currently researching new drug delivery system (DDS) technology, which we hope to use to develop oral drugs that are just as potent and quick-acting as injectable drugs.

To demonstrate the potency and quickness in acting of the Nipro Group pharmaceutical products via clinical data, we will strengthen our scientific division and enhance the superiority and reliability of our pharmaceutical products.

Creating a sales network for generic drugs

There are two major routes for the distribution of pharmaceutical products in Japan: the "nationwide distributor" mainly focused on major hospitals such as university hospitals, and the "local distributor" that mainly focuses on small and medium-sized hospitals and clinics.

Until now, the Nipro Group subsidiary Nipro Pharma has manufactured generic drugs and supplied them via the nationwide distributor. In contrast to this, the oral drugs manufacturer Nipro Genepha, which has recently come under the umbrella of the Nipro Group, supplies generic drugs via the local distributor.

In future, these two companies will complement each other to distribute the injectable and oral medications produced by the Nipro Group via both the nationwide and local distributor.

Improving the brand image of Nipro drugs

There are many companies in Japan manufacturing and marketing the same generic drugs. As these all have the same active ingredients and efficacy, improving our brand recognition and reputation for reliability are vital when it comes to being chosen by medical institutions and patients.

For this purpose, from April 2005 we have increased the frequency of television commercials by the Nipro Group by 50% in order to improve our brand image by appealing directly to viewers. Our aim is to build a reputation for reliability with the concept "You can trust it because it's Nipro" and to gain market support.

For injectable drugs, we will continue to move ahead with conversion to pre-filled syringes

The Nipro Group has already secured itself a top-class place among Japanese pharmaceutical manufacturers in the field of injectable drugs. With the implementation of the revised Pharmaceutical Affairs Law in April 2005, more and more companies are outsourcing the manufacture of injectable drugs, which requires massive capital investment in facilities. The Nipro Group already undertakes significant contract manufacturing in the field of injectable drug production, and we aim to expand this business further. In future, the pre-filled syringe business is expected to undergo major development. The Nipro Group has been actively involved in recent years in the development and manufacture of pre-filled syringes, which make an even greater contribution to the prevention of medical errors and hospital infections than do other forms of injectable drugs.

The Medical Care Law is due to be revised during 2006, and this will lead to full-scale competition between medical institutions. In other words, we are entering an era when the patient will choose the hospital. Hospitals that emphasize safety are increasingly believed to be adopting pre-filled syringes in response to their patients' needs.

The project currently underway at the Nipro Pharma' s Odate Factory, to improve production facilities for pre-filled syringes is expected to be completed by April 2006. Its completion will mean that the Nipro Group' s production capacity for pre-filled syringes will increase dramatically. The Nipro Group expects that its endeavors until now will bear fruit all at once in the year ending on March 31, 2007, and is planning the launch of a large number of pre-filled syringe products.

To Our Shareholders and Friends

Proceeding with rationalization and sales expansion in our core medical equipment business

The medical equipment business, which forms the core of the Nipro Group, is currently facing fierce competition, with prices on a downward trend. To win in this environment, we are putting great effort into increasing our sales and volume reducing costs through rationalization of production.

One measure we are taking to increase sales volume is to clarify market alignments, both of Nipro brand-name sales and OEM sales. For the Nipro brand-name sales, we are expanding our sales bases and strengthening our sales activities to match the market. For OEM sales, we are endeavoring to increase the volume of sales by supplying high-quality products at low cost.

A measure taken to rationalize production is to shift production overseas, mainly of products with low added value. In particular, we are increasing the proportion of needles, syringes, and infusion sets produced mainly in our factory in Thailand.

Expanding our product lineup to respond to the needs of the market

The strength of the Nipro Group in the medical equipment field is the wide range of options available for our products. In the dialysis field in particular, we are expanding sales thanks to our comprehensive supply of dialyzers and dialysis machines, as well as related disposable products. In future we will expand our dialyzer product lineup still further, to respond to the varied needs of patients.

In line with the increased sales of dialyzers, we are also enhancing our production capacity. At the Nipro Corporation' s Odate Factory, our main center for the manufacture of dialyzers, we increased production capacity by 25% from April 2005 to a total of 25 million units annually. We will proceed with the introduction of further new products and improve production capacity by April 2006, with the aim of establishing a production system for 30 million units annually.

Nipro Corporation' s Odate Factory

Nipro Pharma' s Odate Factory

Becoming even more active in the development of artificial organs and cutting-edge fields

As part of our active development of artificial organs, in April 2005 we established a Research & Development Institute for Artificial Organs within our Research & Development Laboratory. We invited the former director of the Advanced Medical Engineering Center of the National Cardiovascular Center to be the new Center' s first director, and set up advanced research and development facilities for work on left venticular assist devise and other projects. In the artificial heart field we expect to be able to introduce our new implantable left venticular assist device within Japan during 2006.

In April 2005 we purchased the artificial lung business of Dainippon Ink and Chemicals Incorporated, taking over their 13% share of the domestic market. In the artificial pancreas field we are moving forward with the development of a diabetes-related insulin pump, and the first-generation product already obtained approval of the US FDA in May 2005.

In addition, development is proceeding smoothly in the cutting-edge fields of pericardial regeneration membrane and nerve regeneration tubes used in regenerative medicine, as well as artificial blood using recombinant human serum albumin. We expect to be able to put these on the market by around 2010.

Initiatives for fiscal year ending March 31, 2006

Both the domestic and international market environments in which the Nipro Group operates are undergoing rapid change, and globalized competition between corporations is becoming ever more fierce. In this situation, we will continue to work on the development of new products and on strengthening productivity and sales, with the aim of improving our profitability. We will mount a bold challenge in fields that hold good prospects for growth and in which we can make effective use of the skills already built up within the Nipro Group, operating a comprehensive medical manufacturer.

As a group engaged in the healthcare business, we believe that quality assurance is our primary responsibility. We set up a new system for handling quality claims in April 2005, which is now in operation. Our aim is to clarify responsibility for quality control, and to offer rigorous quality assurance.

Impairment accounting for fixed asset will be compulsorily adopted in fiscal 2005. It is expected that impairment will also have an impact on the fixed assets held by the Nipro Group. Based on the sliding wage scale system we are rigorously implementing, however, we are in the process of enhancing the system of responsibility for the operations of each division, and are striving to secure revenues year by year. While securing revenue, we are adhering to a 50% dividend payout ratio and working to provide a return for shareholders.

It is my honor to request the further support of shareholders and stakeholders, both now and in the future.

2005.7

Minoru Sano
President

M.Sano

Strategy for Future Growth

Moving Forward

Pre-filled Syringe

Pre-filled syringes contribute to medical safety by preventing the introduction of foreign substances into injectable drugs and bacterial infection. Nipro currently has the machine capacity to produce 118 million pre-filled syringes a year, and intends to increase this still further.

Pre-filled syringes, which have their barrels filled with a drug in advance, help prevent medical errors such as picking up the wrong drug or the introduction of foreign substances. They can also make drugs administration services in hospitals and clinics more efficient, and their adoption by medical institutions is increasing.

Nipro Pharma' s Ise Factory has been undertaking contract manufacturing of pre-filled syringes. In fiscal 2004 it produced 24 million pre-filled syringes. In the second half of fiscal 2004, we commenced operation of a production line for 20-mL plastic pre-filled syringes at Nipro Pharma' s Odate Factory. When this is included, we now have the current machine capacity to produce 118 million pre-filled syringes a year.

In two years from 2005, we are planning to bring three more production lines for pre-filled syringes into operation at Odate Factory, while maintaining the production at the Ise Factory. Completion of these new production lines will enable us to manufacture a whole range of diverse products: not only both glass and plastic syringes, but also syringes ranging in size from tiny 5-mL to large 50-mL models. We will have the machine capacity to produce over 250 million pre-filled syringes a year. To increase the added value of our kit products such as these pre-filled syringes, Nipro will carry out comprehensive contract manufacturing that covers all the stages from bulk pharmaceutical purification through to finished products.

Oral Drugs

By the government's policy of holding down medical costs, it is anticipated that demand for generic drugs will rise in Japan in future. The Nipro Group will both increase its product lineup of generic oral drugs and increasingly expand manufacturing productivity.

At present, the Nipro Group is actively involved in the development and manufacture of oral drugs as one of the main pillar of its activities. By April 2005, our production of oral drug products had reached its 151st product, manufactured by Nipro Pharma Corporation and Nipro Genepha Corporation. Adding to our 125 injectable drug products and 35 drug products for external use, the immediate aim of the Nipro Group is to increase the number of our generic drug products to 500, and we are enhancing our R&D activities to meet this goal. We will also make use of mergers and acquisitions to build up our production system for pharmaceuticals, both by expanding production capacity and improving the level of our production technology.

Nipro Pharma and Nipro Genepha already produce oral drugs. In addition, Tohoku Nipro Pharmaceutical Corporation, which just began operation in July 1, 2005*, has a yearly production capacity of around 1.3 billion tablets. As a result the Nipro Group' s total production capacity will amount to around 1.7 billion tablets a year.

From now on Tohoku Nipro Pharmaceutical will become our main center for the manufacture of oral drugs, and we also intend to expand contract manufacturing there.

*Launched in June 30, 2005, this company consists of the solid-formulation production plant taken over by Nipro from Chugai Pharmaceutical Co., Ltd.

International Business

The overseas healthcare market is continuing its further expansion. In order to gain an accurate grasp of the needs of the market and respond promptly, we are increasing the number of our overseas sales bases every year.

During the first months of 2005 we opened a sales base in Costa Rica in January, one in Puerto Rico in February, and one in the UK in April. More openings of new sales bases are planned during fiscal 2005 in Guatemala, South Africa, Germany, France and Poland, which will bring the total number of our sales bases to 37 in 32 countries. During the year we will continue to improve and expand our direct sales system, with the aim of enhancing sales activities.

The Nipro Group currently supplies a diverse product range of high-performance dialyzers worldwide, and is known as a top-class maker of dialysis-related products. We also offer sets of the peripheral products necessary for dialysis treatment: dialysis machines, blood lines, and needles. Nipro is highly regarded in the field of dialysis treatment.

One of our future aims is to offer a full range of products related to artificial organs, such as artificial pancreas and lungs, to establish the association of the Nipro brand image with artificial organs.

Artificial Heart

Nipro is providing various types of artificial organ throughout the world, and the dialyzer or the artificial kidney is the most significant among them. We are widening our product lines in addition to the highly recognized heart assist devices or the artificial heart by initiating the production and distribution of the oxygenator or so-called the artificial lung in the fiscal year 2006.

We are organizing the launch of the implantable left ventricular assist device, LVAD into the Japanese market. This LVAD supports the patients at the risk of death and waiting for the heart transplantation until the donor heart is available. The longest support duration is recorded as 1,845days in the United States with this device. In Japan, the organ donor is very scarce. Therefore, the LVAD plays very important role to maintain the life of those who are waiting for the heart transplantation. This LVAD we are introducing to the Japanese market is widely used in overseas with positive outcomes such as long-term use availability and less risk of infections. This is the only heart assist device that actually benefits for the patients facing the risk of imminent death.

Nipro founded the Research & Development Institute for Artificial Organs within our Research & Development Laboratory in April 2005 to enhance our artificial organs related research and development. This center gathers wide variety of researchers with their own expertise. Then, we proceed the research and development with flexible structural system. From now on, we will speed up our development and marketing of not only the mechanical artificial organs such as LVAD and oxygenator but also the hybrid artificial organs.

Medical Business

Aiming to increase sales volume by making good use of our wide-ranging product line-up

FY2004 Overview

Increased sales volume hard to translate into increased profit

Within Japan, we faced a difficult operating environment owing to the drop in prices resulting from the downward revisions to the reimbursement prices for specified medical materials and supplies in 2004. In addition, as one aspect of the government' s measures to hold down medical costs, a comprehensive payment system based on diagnosis-procedure combination (DPC) was introduced in April 2003 for specific hospitals certified to offer advanced treatment throughout Japan. As a result, hospitals increasingly held off on purchasing medical equipment and demanded reductions in price, leading to a declining trend in the volume of medical equipment used per hospital. In this situation our aim was to raise sales efficiency to a new level, and we worked hard to strengthen our sales offices. In order to acquire new customers, we have been making full use of the wide-range of dialysis-related products that is the strength of the Nipro Group by selling the blood lines, substitution fluid for HF and HDF, powdered dialysate solution, dialysis machine, heparin for dialysis in pre-filled syringes, and other products necessary for dialysis treatment as a combined package, in addition to the dialyzers that form the Medical Business' s main product.
We have also enhanced sales and developments of products related to cardiovascular treatment and diabetes treatment, as well as disposable injection and infusion products such as infusion sets and syringes, and have been working to increase our market share.

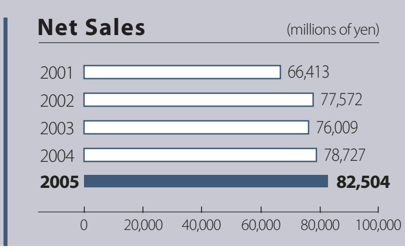
The impact of the drop in prices, however, resulted in a decline in sales despite increased sales volume compared with the previous year.

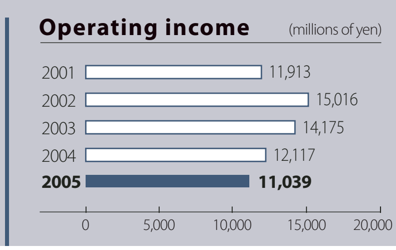
Internationally, as a result of our efforts to develop a direct sales organization, net sales of Nipro-brand products rose in terms of

Dialyzer

Nipro has been well-known as one of the leading dialyzer manufacturers for many years. The main functions of the dialyzers are to maintain body fluid balance and remove from blood not only low molecular substances, but also low molecular proteins such as beta 2 microglobulin and balance to the level of molecular weight of albumin.
The recent progress of the dialyzers reduces patient mortality and improves quality of life by relieving complications of renal patients.
The wide range of dialyzers Nipro carries helps treat a variety of patients with renal diseases and their complications.

In the latter half of 2005, a new series of the synthetic PES membrane, Surelyzer^{TM} PES-DL series, will be added to the existing FB (Diacetate), Sureflux^{TM}(Triacetate), and Surelyzer^{TM}(Polyethersulfone) series. This new series feature excellent clearances of small molecules even with low water removal rate.





products related to dialysis, and injection and infusion devices, and sales increased accordingly. The OEM business also saw strong sales of products related to dialysis, blood collection, and diabetes treatment, with an increased volume of transactions.

In the field of dialysis-related products, the overseas market is shifting toward the increasing adoption of single-use rather than multiple-use dialyzers, resulting in a significant jump in the quantity used. The number of patients receiving dialysis treatment is also rising, mainly in China and India, resulting in a dramatic expansion of the dialysis market. Despite this market expansion, however, competition is intensifying, requiring a swift response to the market needs including pricing. For this reason, the Medical Business is moving ahead with the establishment of new sales base, three of which were opened in fiscal 2004. We have clarified market-sharing arrangements with our OEM customers, and expanded sales both of OEM supplies and of Nipro-brand products.

Medical safety is now the subject of emphasis worldwide, particularly in the USA and Europe. Alongside the growing need for medical equipment incorporating safety features, quality requirements are becoming ever more stringent. One of the reasons that we have successfully expanded our sales volume is our tireless efforts to supply products featuring safety and functionality as well as high quality.

The combined impact of the cost of organizational restructuring in a newly consolidated subsidiary and intensifying price competition, however, has meant that although we achieved our sales targets, we could not maintain as much profit as expected. As a result, net sales for this business were ¥82.5 billion, an increase of 4.8% compared with the previous year, and operating income was ¥11.0 billion, a decline of 8.9% compared with the previous year.

Dialysis Machine (DIAMAX™)

In an effort to adapt to the advanced dialysis treatment required in overseas markets, we are developing a new dialysis machine (DIAMAX™) with various new functions and high expandability. DIAMAX™ meets the safety specification standards in Europe and the United States. It has new functions to provide better treatment, as well as functions to support medical staff engaged in dialysis treatment.

DIAMAX™ has already been marketed in Asian and Latin America markets and will be applied to CE marking by the beginning of 2006.

Outlook

Specialist sales teams for group hospitals

Revision of the Medical Care Law, currently under consideration and scheduled for legislation during 2006, will probably result in major changes to the domestic market. The trend toward holding down medical costs is anticipated to continue, with price competition expected to become even more intense. Throughout Japan the trend is toward the organization of groups of large hospitals, and it is becoming necessary to respond to individual hospitals on the basis of a thorough understanding of the situation of its particular group.

We will increase the number of our medical representatives, and establish specialist teams responsible for large hospitals and hospital groups in Japan's main regions. We will implement thoroughgoing education and training to improve their sales abilities. We will also enhance our collaboration with distributors, with the aim of expanding our market share among private clinics.

Associating the Nipro brand with artificial organs

Despite the risk posed by a potential appreciation of the yen, we will improve our direct sales organizations to expand sales volume, and respond to the needs of the expanding international market.
In succession to the one already opened in the UK, we will establish five more new sales bases during fiscal 2005, and develop sales networks rooted in the region. We will also press forward with obtaining approval for new products, including those newly introduced, and with obtaining the CE mark for our leading products. By expanding sales volume, we will further improve production efficiency and reduce manufacturing costs.

As well as beginning manufacture and sales of our newly introduced artificial lung, we will proceed with the introduction in Japan of our implantable left ventricular assist device, with the aim of associating the Nipro brand image with artificial organs.

AQUALiner™ Hydrophilic Ni-Ti Alloy Guidewire

AQUALiner™ Hydrophilic Ni-Ti Alloy Guidewire is a medical device, which guides catheter to a target point through arterial or venous for diagnosis or treatment by guiding a catheter through a vessel is generally called intervention.

Our AQUALiner™, s advanced coating technology produces a "cushion" of moisture between the wire surface and either vessel walls or instrumentation, promoting smooth, frictionless navigation. That standard of excellence is available today in the AQUALiner™ Hydrophilic guidewire, which offers all the performance advantages of the leading brand...plus a hydrophilic coating that lasts as long as your procedure does.

Pharmaceutical Business

Rising to the challenge of expanding our business through contract manufacturing and the development and sales of generic drugs

FY2004 Overview

Continuing steady sales growth

The impact of the government’ s measures to hold down medical costs not only meant that the amount of drugs used fell during fiscal 2004, but also resulted in an extremely tough business environment owing to increasingly fierce price competition between competing products.

In this difficult environment, the Pharmaceutical Business increased sales of products such as blood glucose monitoring system, powdered dialysate solution and substitution fluid kits for HF and HDF, and endeavored to expand revenue from pre-filled syringes.

As a result, net sales in the Business were ¥26.2 billion, a rise of 3.4% compared with the previous year, and operating income was ¥2.3 billion, a decline of 8.5% compared with the previous year.

Kit products, which combines drugs or solutions with a medical device, will help improve the quality of care in terms of safety, hygiene and work efficiency at medical work place.

The Nipro has been working on the development and manufacturing of various type of kit products.

New pre-filled syringe products and ingenuity in oral drugs

We have already been working on offering a wide-ranging product line-up of injectable drugs, such as double-bag kit (liquid-and-powder) and pre-filled syringes.

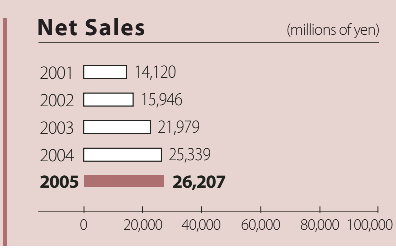
In December 2004 we began full-scale sales of heparin pre-filled syringes for use in dialysis treatment, and sales of these are rising briskly. Our subsidiary Nipro Pharma launched sales of eight pre-filled syringe products during fiscal 2004, including sodium chloride, glucose and xylitol.

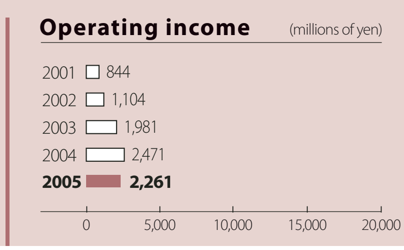
We also began contract manufacturing of vials of topical anesthetic and anticoagulants, and pre-filled syringes with pain relievers.

Another major initiative for the Nipro Group is oral drugs. The Kasukabe Factory of Nipro Genepha Corporation, which became a Nipro subsidiary in April 2004, was overhauled in October 2004 and its oral-drug production capacity expanded.

The oral drugs now being developed and manufactured by the Nipro Group are generic drugs* on which the patents held

* Drugs to be sold with the approval of the Ministry of Health, Labour and Welfare after the expiration of patents for brand-name drugs whose effectiveness and safety have been fully demonstrated. While having the same active ingredients and effect as brand-name drugs, the price of generic drugs is more economical because the cost of development is lower.





by brand-name pharmaceutical companies have expired. To differentiate them from the competition, we aim both to improve the stability of our generic drugs in comparison with brand-name drugs and to make them easier for patients to take and use.

Examples of our innovations include producing half doses of tablets that formerly had to be broken in half when they were prescribed for children or the elderly, and using packaging that can easily be distinguished by persons with sight impairment.

The Nipro is proceeding to enhance the oral-drug business in addition to the firmly established injectable-drug business.

Tohoku Nipro Pharmaceutical Corporation

Half doses of tablets

The dosage contained in regular tablets is often too high for patients whose kidney functions are impaired or who cannot fully metabolize drugs, and in the past it has been the practice to break tablets in half for administration. When tablets are taken out of their PTP (press-through package) sheet and broken in half, however, not only does moisture render them less stable, but contamination is also a worry; in addition, the amount of drug may differ between pieces. Half-dose tablets resolve all these problems at the start.

Orally disintegrating tablets

Tablets that can be taken without water. A fine-grained coating means that even bitter drugs can be taken without the addition of sweeteners.

Multi-layered tablets

Multiple separate drugs that need to be taken together but which are unstable when mixed as powders are combined in a single multi-layer tablet.

Dry-coated tablets

Two separate drugs that need to be taken together but which are unstable when mixed as powders are combined by means of a coating.

Weekly sheet

Normally, PTP tablet sheets are packaged with 10 tablets each. Producing sheets with seven tablets as a supply for a single week makes it easy to grasp the number of tablets taken.

Outlook

Soon to rank as a major generic drug manufacturer

Contract manufacturing and generic drug manufacture are the Pharmaceutical Business' s key words for fiscal 2005.

The revisions to the Pharmaceutical Affairs Law that came into effect in April 2004 now permit complete outsourcing of pharmaceutical manufacturing, and we intend aggressively to expand our business in this area in future.

The Nipro Pharma Odate Factory is our main base for contract manufacturing of pre-filled syringes, and we have already increased its production facilities for these products. From fiscal 2005 we will continue to expand its series of production lines.

To expand our generic drug manufacturing business, we will engage in even more positive development to increase the number of our products. Currently the Nipro Group has 311 generic drugs on sale, and a further 27 are scheduled to be added during fiscal 2005 to bring the total number to 338. We are in the process of applying for another 36 products that are scheduled for launch during fiscal 2006, and if all these can be put on the market this will bring us shoulder-to-shoulder with the major manufacturers of generic drugs.

Collecting and providing scientific data for drugs is one of the most important activities for marketing generic drugs. In future the Nipro Group plans to establish a Scientific Department based around the R&D section, which will assist the medical representatives. We will move forward with the preparation of scientific materials for use at medical institutions, as well as education and training for medical representatives.

Recombinant human serum albumin to offer new boost

In our pharmaceutical business, we are continuing to research applications of "recombinant human serum albumin". Recombinant human serum albumin is developed with a view to sale by Bipha Corporation, an affiliate. Albumin binds to drugs within the body and acts as a transporter. The production of recombinant human serum albumin would give a major boost to the development of DDS drugs currently underway in the Nipro Group. Work is also in progress on the development of artificial blood using recombinant human serum albumin.

Donations for victims of Sumatra Earthquake and Tsunami Disaster Areas

The Nipro Group supported the victims of Sumatra earthquake and tsunami areas with donations and others.
Our supports consisted of the following:
(1) 10,000 kits of double-bag antibiotic kit provided by Nipro Pharma Corporation to a non-governmental organization AMDA (Association of Medical Doctors of Asia).
(2) 60,000 pieces of syringe provided by Nipro (Thailand) Corporation Ltd. to Thai Food and Drug Administration
(3) Donations of cash contributed by employees and others and raised by the collection boxes as well as at the charity bazaar held by volunteer employees.

FY2004 Overview

Rising demand for LCD backlights set to continue

In our Glass & Materials Business, sales of glass for lighting purposes increased. This was thanks to increased demand for glass materials both for small light bulbs for use in vehicles, and for liquid crystal display (LCD) backlights. Demand for glass for use in backlights is predicted to continue to increase in line with the expanding market for LCD televisions.

Sales of glass for pharmaceutical purposes fell in line with continuing changes to the types of medical containers in current use, including the shift to ampoules made of plastic and the adoption of pre-filled syringes.

The stagnation in which mass-market retailers now find themselves also caused a downturn in products for general consumers.

As a result, net sales in the business were ¥11.7 billion, a decrease of 1.9% over the previous year, while operating income was ¥1.9 billion, a 3.9% increase over the previous year.

Outlook

Developing innovative applications

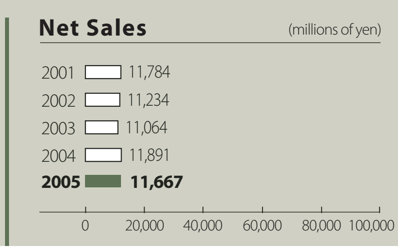
We will continue to proceed with innovations to our glass processing technologies, and shift to the active development of applied use of glass bottles.

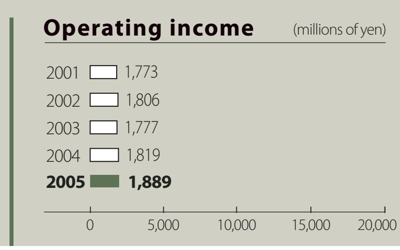
In line with the expanding market for flat panel displays (FPD), we will endeavor to expand sales of LCD backlight-related materials, as well as improving sales of materials for general small-scale lighting purposes.

In the market of glass tubes for medical container, we believe that a decline in domestic sales of vials and ampoules is unavoidable, owing to the impact of the shift to plastic containers and other factors. We also intend to make the most of our high-level processing technology to expand the manufacture of glass barrels for pre-filled syringes.

Glass & Materials Business

Responding appropriately to change, with the aim of becoming an indispensable presence in the industry





Store Business

Pursuing customer satisfaction and creating stores rooted in the local community

FY2004 Overview

Difficult business environment

The continuing low level of personal consumption means that business in our supermarkets has remained sluggish. To add to this, the increasingly fierce competition resulting from our competitors opening new stores and renovating existing outlets as well as a drop in unit sales per customer owing to the requirement to display tax-inclusive prices has led to an exceptionally difficult business environment.

In this situation, improved cost efficiency has enabled us to secure a profit, although net sales of declined from the previous year. Net sales of our drugstores increased thanks to strong sales of pollinosis-related products and the opening of new stores. Owing to a drop in cost efficiency caused by delays in opening new stores, however, profit declined significantly from the previous year.

As a result, net sales in this business were 70.8 billion yen, a 0.7% decrease from the previous year, and operating income was ¥0.1 billion, a decline of 72.7% compared with the previous year.

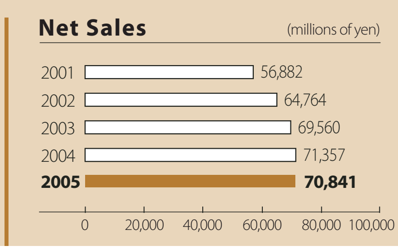
Outlook

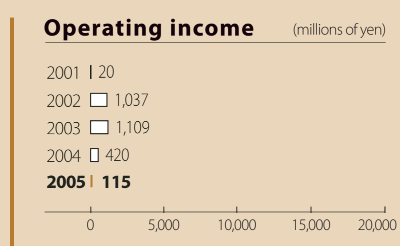
The quest for customer satisfaction

Our entire action agenda for the supermarket business will be governed by the "Pursuing customer satisfaction". We will strive to respond swiftly to the needs of customers in the local community, creating outstanding stores that will attract customers. We will work to secure stable profits by promoting increased cost efficiency.

We will endeavor to offer the products customers want in our supermarkets, and will vitalize stores by renovating existing outlets. We will also improve work efficiency by means of our Labor Scheduling Program, and implement customer management.

We will strengthen the existing specialization of our drugstores in the field of pharmaceuticals, health foods and supplements, and cosmetics, aiming to transform them into high-quality drugstores. During the past few years, the main goal of our activities was to expand the number of stores. Despite prior investments, however, we were unable to maintain a sufficient numbers of pharmacists, and as a result the number of stores opened did not reach our initial goal. This factor has exerted a downward pressure on income. In future we will maintain the number of stores at its present level of around 90, while working to strengthen our operational base.





Corporate Governance

Fundamental perspective on corporate governance

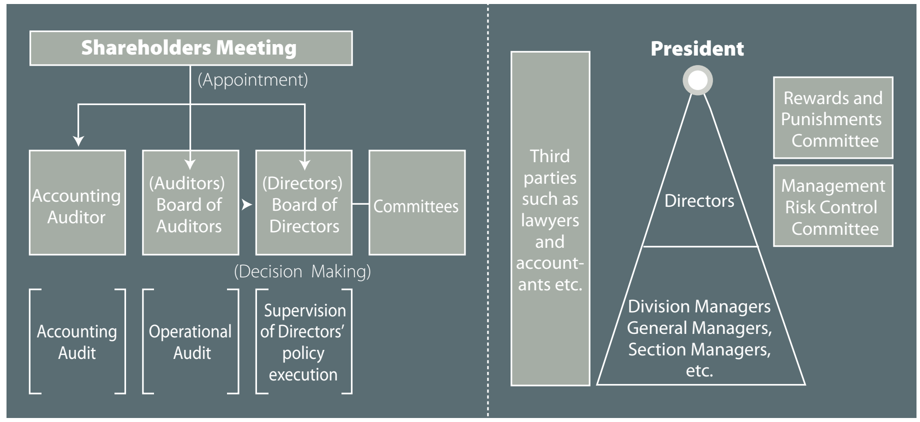
Increasing globalization and the borderless economy are dramatically transforming the environment in which the Nipro Group operates. Along with this changing business environment, recent years have seen the increasing emergence of a range of scandals and other significant operational risks that affect corporate survival. An improved business management system that takes account of the diversity of stakeholders is proving indispensable in response to these dramatic changes in the business environment.

The Nipro Group regards improved corporate governance as a vital management issue from the perspective of corporate social responsibility. We are endeavoring to strengthen our business administration system on the basis of our divisional system, and to create a sound and efficient management structure.

Implementation of measures related to corporate governance

Institutions within the company

- The basis of our management decision-making, implementation and supervision is the system of board of directors and auditors laid down in the Japanese Commercial Code. Specifically, we have established an independent management administration framework for each business division, each of which has clearly defined responsibilities and is improving its management system.
- In principle, the board of directors meets once a month. In addition to taking important decisions it hears reports on and discusses the state of company affairs.
- At present all three statutory auditors are external auditors, as provided in article 18, paragraph 1 of the Law for Special Provisions for the Commercial Code Concerning Audits, Etc. Currently no external directors have been appointed to the board, nor are there any full-time staff engaged for external directors or external auditors.



Internal control system and auditing

- Within the Nipro Group, important business matters are debated and decided in regular management meetings held once a month. In addition to the company' s representative directors and auditors, representatives of all the main Nipro Group companies also attend. They discuss details of the progress of business activities and matters of concern, and are able to make decisions flexibly.
- In line with auditing policy laid down by the board of auditors and with their administrative responsibilities, each auditor not only attends important meetings such as board meetings but also carries out auditing functions that include hearing reports from directors and staff and reading important documents. They hold both regular and special meetings of the board of auditors for exchange of views and discussion.
- The Nipro Group has also established an internal audit section independent of our corporate organization. Not only are we carrying out official internal auditing on the basis of auditing policy and yearly planning, but we are also working to ensure our corporate organization' s compliance with legislation, to prevent improprieties and mistakes, and to improve our internal system of control, on the basis of mutual collaboration between audits by auditors and accountants.

Building up our risk management system

The Nipro Group has established an Management Risk Control Committee, which is working to improve further both control of management risks and the company' s system for promoting compliance with legislation and corporate ethics. We have also established a Rewards and Sanctions Committee chaired by the President of Nipro Corporation, and are working to promote operational soundness through appropriate management regarding compensation and sanctions.

Personal, capital, or transactional and/or other relationships of interest between the Nipro Group and its external directors and auditors

There are no such special relationships between the Nipro Group and its external auditors.

Initiatives toward improved corporate governance during the past year

As well as improving our organizational system to ensure compliance with recent legal changes, such as the revisions to the Pharmaceutical Affairs Law and the implementation of legislation protecting personal information, we have produced and distributed to our employees a revised version of our Code of Conduct for Compliance with Laws, Ordinances, and Corporate Ethics. In addition, we are working to enhance our systems of compliance and operational risk management by regularly publishing related articles in our company magazine and carrying out staff training, to ensure a full level of consciousness and awareness on the part of each individual employee.

Financial Section 2005

Nipro Corporation and its Consolidated Subsidiaries
Year ended March 31, 2005 (fiscal 2004)

Financial Review

The following sections are a review of Nipro Corporation's financial position and operating performance for the year ended March 31, 2005. All figures are on a consolidated basis and include the accounts of Nipro Corporation, Nipro Medical Industries, Ltd., Nipro (Thailand) Corporation Ltd., Fuzhou Nipro Co., Ltd., Nipro (Shanghai) Co., Ltd., Nipro Medical LTDA., Nipro Europe N.V., Nipro Medical Corporation, Nipro Medical Panama S.A., Nipro Medica de Mexico S.A. DE C.V., Nipro Diabetes Systems, Inc., Nipro Pharma Corporation, Shinwa Shoji Co., Ltd., Shanghai Nissho Vacuum Flask Refill Co., Ltd., Nissho Corporation, Nissho Drug Co., Ltd., and Bipha Corporation.*

* Affiliate accounted for by the equity method.

Overview

In the fiscal year that ended March 31, 2005, the Japanese economy showed signs of an incipient recovery, both in terms of increased exports and of expanded capital investment thanks to improved corporate revenue. Conditions have remained tough in terms of both employment and income, however, for individual consumers there has been little mood of recovery.

In the medical equipment and pharmaceutical industries that are our main businesses, the government has been pressing further ahead with revisions to the medical care system with the aim of holding down the cost of medical care and improving the quality and efficiency of medical treatment. The changes include revisions in April 2004 to the system of payment for medical care and the National Health Insurance (NHI) drug price standards, as well as to the reimbursement prices for specified medical materials and supplies. In addition, efforts to ensure safer medical care are being enhanced, including measures to prevent medical accidents. Large-scale corporate restructuring is also underway overseas, with intensifying global-level competition for sales.

In this situation, the Nipro Group continued to strive to develop new products and to strengthen both its productivity and sales capabilities.

Net Sales

In fiscal 2004 consolidated net sales were ¥192.3 billion (US$1,790.9 million), an increase of 1.9% over the previous year due to increased revenue from the medical equipment and pharmaceutical businesses.

Net Sales by Business Segment

Medical

The domestic environment has become tougher, as the revisions implemented in April 2004 to the system of payment for medical care and the reimbursement prices for specified medical materials and supplies have resulted in a greater drop than normal in market prices and even more intensified price competition. In this situation, we have worked to strengthen its sales force and has made progress in expanding its product lineup of products for dialysis, devices of injection and infusion, and cardiovascular treatment. The reduction in reimbursement prices in the field of dialysis had a major impact, however, with revenue decreasing in comparison with the previous year.

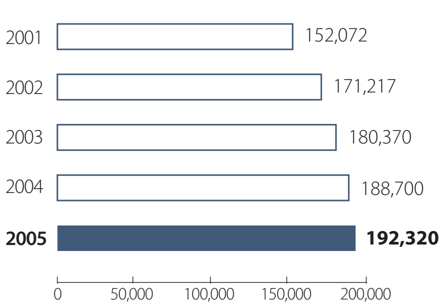
Overseas, despite the effect of exchange rates, the OEM business has become steady in the fields of dialysis and diabetes-related products. Overseas sales of the Nipro brand products were affected by the impact of exchange rate fluctuation and intensifying price competition in Europe, but net sales increased significantly in Central and South America, where we have been working to strengthen our sales offices in recent years, particularly for dialysis-related products such as dialyzers.

As a result, net sales rose by 4.8% over the previous year to ¥82.5 billion (US$768.3 million).

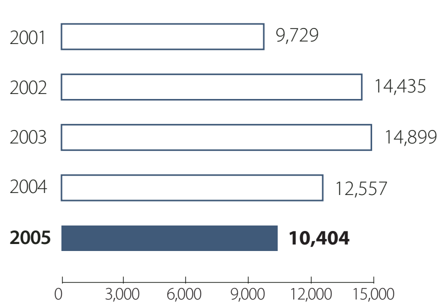
Pharmaceutical

For the Pharmaceutical Business, the impact of the average 4.2% decrease in prices for the NHI drug price standard has led to an environment of ever more intense price competition. In this situation, the Nipro Group is endeavoring to expand production

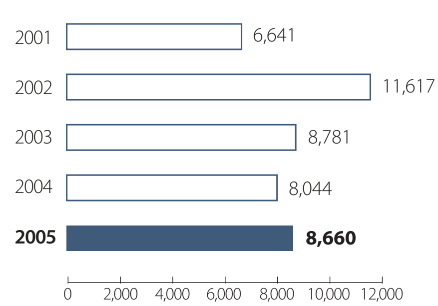
Net Sales (Millions of yen)



Operating income (Millions of yen)



Income before income taxes (Millions of yen)



of infusion kit products such as half-type kits, double-bag kits, and pre-filled syringes, as well as injection preparations. We have been improving our production facilities for pre-filled syringes in recent years, and a new production line has partially started operation. In the second half of fiscal 2004 production of eight new products began. We have also worked to expand sales of both dialysates and blood glucose monitoring systems, owing to which net sales of these have also risen. As a result, net sales in the Pharmaceutical Business rose by 3.4% compared with the previous year to ¥26.2 billion (US$244.0 million).

Glass & Materials

Sales of glass for lighting purposes rose thanks to increasing demand for small lightbulbs for use in vehicles and for liquid crystal display (LCD) backlights. Sales of glass for pharmaceutical purposes such as glass tubes for ampoule and vial fell, however, owing to the impact of the current switch away from glass materials. As a result, net sales in the Glass & Materials Business declined by 1.9% compared with the previous year to ¥11.7 billion (US$108.6 million).

Store

The Store Business is made up of food supermarkets and drugstores. The food supermarket business is becoming even more fiercely competitive amid the protracted slump in individual consumption, and the requirement introduced in April 2004 to display tax-inclusive prices has also exerted a downward pressure on sales. In this situation, we have made improving customer satisfaction our first priority and have striven to create stores firmly rooted in the local community. Even so, revenue declined amid this tough environment.

In the drugstore business we opened nine new stores, as well as closing eight unprofitable outlets.

As a result, net sales in the Store Business declined by 0.7% compared with the previous year to ¥70.8 billion (US$659.7 million).

Other

Other sales are mainly of machinery for manufacturing medical equipment and real estate rental income. This portion of net sales declined by 20.6% compared with the previous year to ¥1.1 billion (US$ 10.3 million).

Cost of Sales

The cost of sales rose by 2.1% compared with the previous year to ¥140.1 billion (US$1,304.3 million). The ratio of cost of sales to net sales rose by 0.1 percentage point year-on-year to 72.8%. Although we are working to increase production efficiency, we ware affected by a drop in sales prices by the influence of the reductions in the NHI drug price standards and the reimbursement prices for specified medical materials and supplies in Japan, and the increasingly intense global sales price competition. This resulted in a rise in the ratio of cost of sales to net sales.

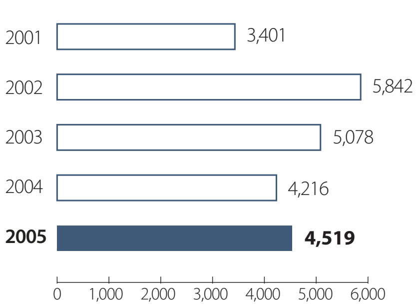
Selling, General and Administrative Expenses

Selling, general and administrative expenses rose by 7.3% compared with the previous year to ¥41.8 billion (US$389.6 million). One of the main reasons for this rise is the increased staff costs and rental costs stemming from the opening of new drugstores since the previous year. Another reason is that the selling, general and administrative expenses of a new consolidated subsidiary are also incorporated, and a portion of corporate enterprise tax is now allocated as selling, general and administrative expenses in line with the introduction of the factor-based tax system for corporate enterprise taxes (until the previous year the entire sum was allocated as income taxes). A further factor in this increase is that we are continuing to enhance our sales, administration, and R&D systems in the medical equipment and pharmaceutical fields.

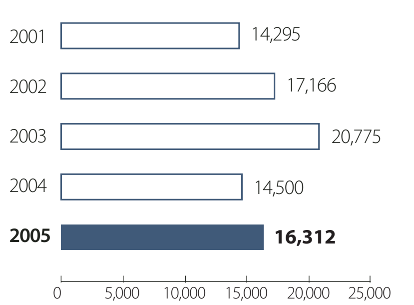
Operating Income

As a result of the factors outlined above, operating income declined by 17.1% compared with the previous year to ¥10.4 billion (US$96.9 million). Operating incomes for each business segment are given below.

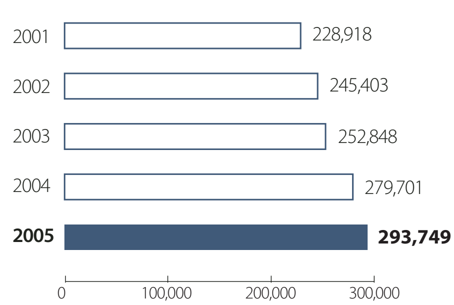
Net income (Millions of yen)



Capital expenditures (Millions of yen)



Total assets (Millions of yen)



Financial Review

Medical
The impact of the intensifying price competition as a result of the domestic reduction in reimbursement prices for specified medical materials and supplies, the inclusion of the loss of our newly consolidated US subsidiary, and the effects of exchange rates, have together resulted in a decline in operating income of 8.9% compared with the previous year to ¥11.0 billion (US$102.8 million).

Pharmaceutical
Within the Pharmaceutical Business, the effect of the reductions in the NHI drug price standards, combined with the costs associated with strengthening our organizational structure in preparation for the revisions to the Pharmaceutical Affairs Law in April 2005, have resulted in a decline in operating income of 8.5% compared with the previous year to ¥2.3 billion (US$21.1 million).

Glass & Materials
Net sales declined, but as a result of our efforts to rationalize expenses operating income rose by 3.9% compared with the previous year to ¥1.9 billion (US$17.6 million).

Store
The food supermarket business saw a decline in net sales, but by our efforts to rationalize expenses we secured an operating income in the same way as the previous year. In the drugstore business, however, profit declined significantly owing to the pressure exerted by staff and rental costs incurred by the opening of new stores. As a result, operating income declined by 72.7% compared with the previous year to ¥0.1 billion (US$1.1 million).

Other
The operating profit of "Other" declined 28.7% compared with the previous year to ¥0.3 billion (US$2.7 million) owing to decreased revenue.

Eliminations/Corporate
Eliminations/Corporate consists mainly of our R&D costs and headquarters administration costs. The main factors were the increased R&D costs and the inclusion of corporate enterprise taxes, which resulted in a rise of 11.0% compared with the previous year to ¥5.2 billion (US$48.3 million).

Other Expenses
Other expenses, net of other income, decreased by 61.4% compared with the previous year to ¥1.7 billion (US$16.2 million). The main factor in this decrease was the ¥0.2 billion (US$1.6 million) in exchange gain recorded in fiscal 2004, compared with ¥1.4 billion in exchange loss for the previous year. In addition, we recorded a profit on sales of securities of ¥1.1 billion (US$10.3 million), in comparison with ¥0.1 billion for the previous year.

Income before Income Taxes
As a result of the factors outlined above, income before income taxes rose by 7.7% compared with the previous year to ¥8.7 billion (US$80.6 million).

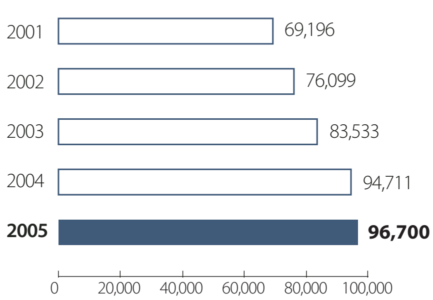
Net Income
The effective tax rate for corporate taxes after the effect of deferred tax accounting was 49.0% this fiscal year compared with 47.9% for the previous year. Minority interests saw a loss of ¥0.1 billion (US$1.0 million) this fiscal year. As a result, net income rose by 7.2% compared with the previous year to ¥4.5 billion (US$42.1 million).

Basic earnings per common share were ¥69.4 (US$0.65) compared with ¥64.9 for the previous year. Cash dividends per common share were ¥38.5 (US$0.36) compared with ¥30.5 for the previous year.

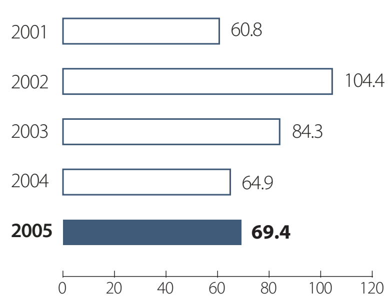
Financial Position
Total assets as at March 31, 2005 stood at ¥293.7 billion (US$2,735.3 million), a 5.0% increase over the previous year. Current assets increased by 8.3% over the previous year to ¥135.4 billion (US$1,260.5 million). The main factor in this increase was an increase of ¥11.5 billion in cash and cash equivalents owing to financing for capital investment.

Property, plant and equipment increased by 5.1% compared with the previous year to ¥98.8 billion (US$919.9

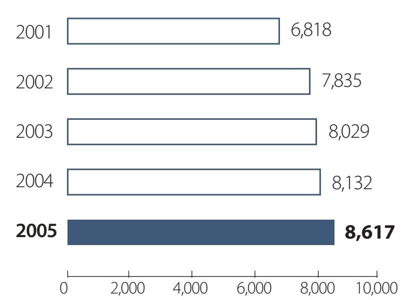
Shareholders' equity (Millions of yen)



Basic earnings per share (Yen)



Number of employees



million). We made a capital investment of ¥15.4 billion (US$143.3 million) in property, plants and equipment. Capital investment in property, plants and equipment amounted to ¥5.3 billion (US$49.5 million) in the Medical Business, ¥7.3 billion (US$67.5 million) in the Pharmaceutical Business, ¥1.4 billion (US$13.4 million) in the Glass & Materials Business, ¥0.9 billion (US$8.1 million) in the Supermarket Business, and ¥0.5 billion (US$4.8 million) in other areas.

Investments and other assets declined by 1.9% compared with the previous year to ¥59.6 billion (US$554.9 million).

Current liabilities declined by 0.1% compared with the previous year to ¥96.2 billion (US$896.2 million).

Long-term liabilities rose by 14.1% compared with the previous year to ¥99.2 billion (US$923.7 million). The main factor underlying this increase was an increase in long-term loans of ¥12.0 billion to raise plant and equipment funds.

Minority interests declined by 5.0% compared with the previous year to ¥1.6 billion (US$15.0 million).

Shareholders' equity rose by 2.1% compared with the previous year to ¥96.7 billion (US$900.5 million). The main reason for this rise was an increase of ¥1.6 billion in retained earnings.

Cash Flow

Cash and cash equivalents rose by 27.2% compared with the previous year to ¥53.7 billion (US$500.4 million).

Net cash provided by operating activities rose by 12.3% compared with the previous year to ¥17.5 billion (US$162.6 million).

Net cash utilized in investment activities declined by 1.2% compared with the previous year to ¥12.7 billion (US$117.6 million). In fiscal 2004 we reported proceeds of ¥1.7 billion (US$16.2 million) from sales of available-for-sale securities, but owing to increased payments of purchase of property, plant and equipment we recorded a net outward flow of cash in the same way as the previous year.

Net cash provided by financial activities declined by 32.0% compared with the previous year to ¥7.0 billion (US$65.2 million). Proceeds from long-term loans rose by ¥18.5 billion in comparison with the previous year, while repayment of bonds amounted to ¥10.0 billion (US$93.1 million) and proceeds from issuance of bonds decreased to ¥3.0 billion (US$27.7 million) from ¥13.9 billion for the previous year.

Staff

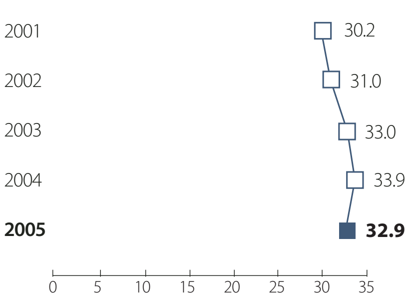
The total number of staff (employees) as at March 31, 2005 increased by 485 compared with the end of the previous year to 8,617. The number of staff in Japan increased by 56 to 4,194 and the number overseas increased by 429 to 4,423.

Basic Policy on Distribution of Profits

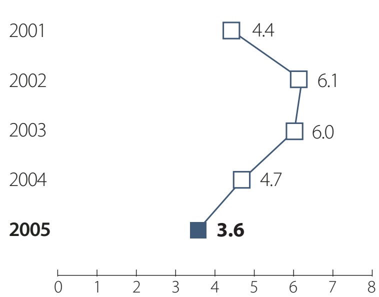
Our policy is that 50% of non-consolidated net income is to be distributed to shareholders. Employees' bonuses are determined according to the business performance of the division to which the employees belong, and bonuses for directors and statutory auditors are determined on the basis of the business performance.

Retained earnings are to be invested in sales and production facilities as well as in research and development, with a view to establishing the firm management basis and long-term business developments, so as to ensure stable profits for the future.

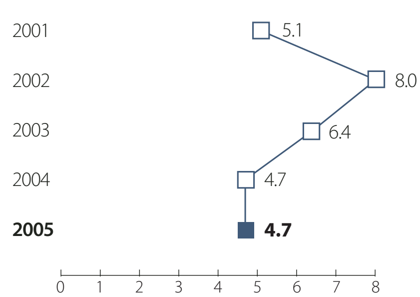
Shareholders' equity ratio (%)



Return on assets (%)



Return on equity (%)



Risk Factors

The following are risks that may have an effect on the Nipro Group' s results of operations or its financial condition. The items concerned were so adjudged as at the end of fiscal 2004.

(1) Risks Related to Product Safety

The Nipro Group brings all of its capabilities to bear in securing product safety in the design, development and manufacturing stages of medical equipment and pharmaceutical products. There is still the risk, however, that accidental defects or side effects could result in damages to a third party and our being sued for liability.

To cover these risks, we therefore maintain general liability and product liability insurance. In the unlikely event of a successful claim in excess of the insurance coverage, however, there could be a material adverse effect on our results of operations and financial condition.

(2) Risks Related to Supplier Concentration

The Nipro Group procures materials and parts for its operations from a large number of suppliers. Some key materials or parts may be obtained only from a single supplier or a limited group of suppliers. If circumstances at any of these suppliers make it impossible for us to acquire a sufficient quantity of materials or parts to meet our production needs in a timely and cost-effective manner, there could be a material adverse effect on our results of operations and financial condition.

(3) Risks Related to Changes in Government Healthcare Policies

The business sector to which the Nipro Group belongs is intimately connected with the healthcare system and is subject to the regulations laid out by government organizations, including the National Health Insurance System and the Pharmaceutical Affairs Law. Should circumstances arise in which we were unable to respond to changes in the environment brought about by unforeseeable wholesale changes in government healthcare policies, there could be a material adverse effect on our results of operations and financial condition.

(4) Risks Related to Changes in Sale Prices

The products sold by the Nipro Group include some that are, in general, subject once every two years to the effect of price reductions in the system of payment for medical care, drug prices and reimbursement prices for medical materials and supplies. Should measures to hold down medical costs also become pervasive worldwide, resulting in intensified competition between corporations and leading to prices falling to a greater degree than anticipated, there could be a material adverse effect on our results of operations and financial condition.

(5) Risks Related to Changes in Prices of Raw Materials

The products manufactured by the Nipro Group include some that are made from petrochemical products such as plastics. Should the cost of raw materials such as petrochemical products rise, leading to increased procurement costs, there could be a material adverse effect on our results of operations and financial condition.

(6) Risks Related to Overseas Expansion

The Nipro Group maintains manufacturing bases and sales offices around the world for the production and supply of our products. Should there be unexpected revisions to legal regulations or political or economic changes in these countries or regions, there could be a material adverse effect on our results of operations and financial condition.

(7) Risks Related to Intellectual Property

The Nipro Group owns numerous patents and trademarks, and maintains various proprietary rights for the products it manufactures. Additionally, we take all possible measures to avoid infringing the patents and proprietary rights of any third party, and to avoid breaching any license agreements we have concluded concerning technologies. Nevertheless, if an unanticipated claim for damages were to be made by a third party and the defense of the Nipro group were to be rejected, there could be a material adverse effect on our results of operations and financial condition.

(8) Risks Related to Environmental Regulations

The Nipro Group believes it has taken adequate precautions to comply with applicable regulations in the course of its business activities. Should our activities cause an unforeseen environmental problem, however, with a claim for damages made against us, there could be a material adverse effect on our results of operations and financial condition.

(9) Risks Related to Exchange Rate Fluctuations

The Nipro Group, including its overseas subsidiaries, carries out its foreign currency transactions primarily in US dollars and euro, but calculates financial statements of its overseas subsidiaries using Japanese yen for the purpose of producing consolidated financial statements. Fluctuations in exchange rates may therefore have a material adverse effect on our results of operations and financial condition.

(10) Risks Related to Investment Value

The Nipro Group' s assets include investments in stocks and other securities. These investments have been made for purposes such as building good business relationships with the issuers of such securities, or for gathering useful information for the development of new products or for new business opportunities. Should the value of these investments decline significantly owing to fluctuations in the stock market, circumstances at an issuer, or a change in the accounting methods used to deal with these investments, there could be a material adverse effect on our results of operations and financial condition.

(11) Risks Related to Lawsuits

On June 24, 2002, Tomita Pharmaceutical Co., Ltd. ("Tomita") filed a lawsuit against the Nipro Group alleging infringement of their patent by Lympack and Lympack No. 3, powdered dialysate solutions. We asserted that Tomita' s patent concerning powdered dialysate solution was invalid, and on December 12, 2004 the Tokyo High Court issued a ruling accepting our contention in its entirety. Tomita subsequently appealed to the Supreme Court for this ruling to be reversed, but on March 29, 2005, the Supreme Court ruled that Tomita' s appeal be dismissed, accepting our contention in its entirety and confirming the ruling of the Tokyo High Court.

(12) Other Risks

Fire, earthquake, terrorist act, war, epidemic, or other unforeseen man-made or natural disasters affecting areas or facilities where the Nipro Group conducts its business activities may possibly cause a delay or interruption in production, sales, distribution, or provision of services. Should such a delay or interruption become extended, there could be a material adverse affect on our results of operations and financial condition.

Five-Year Summary

Nipro Corporation and Consolidated Subsidiaries
Years ended March 31,

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2002	2001	**2005**
Income Statement Data:						
Net Sales	**¥ 192,320**	¥ 188,700	¥ 180,370	¥ 171,217	¥ 152,072	**$ 1,790,856**
Medical	**82,504**	78,727	76,009	77,572	66,413	**768,266**
Pharmaceutical	**26,207**	25,339	21,979	15,946	14,120	**244,036**
Glass and Materials	**11,667**	11,891	11,064	11,234	11,784	**108,641**
Store	**70,841**	71,357	69,560	64,764	56,882	**659,661**
Cost of sales	**140,072**	137,153	128,776	122,092	110,608	**1,304,330**
Selling, general and administrative expenses	**41,844**	38,990	36,695	34,690	31,735	**389,644**
Operating income	**10,404**	12,557	14,899	14,435	9,729	**96,882**
Medical (1)	**11,039**	12,117	14,175	15,016	11,913	**102,794**
Pharmaceutical (1)	**2,261**	2,471	1,981	1,104	844	**21,054**
Glass and Materials (1)	**1,889**	1,819	1,777	1,806	1,773	**17,589**
Store (1)	**115**	420	1,109	1,037	20	**1,071**
Income before income taxes	**8,660**	8,044	8,781	11,617	6,641	**80,641**
Net income	**4,519**	4,216	5,078	5,842	3,401	**42,080**
Capital expenditures	**16,312**	14,500	20,775	17,166	14,295	**151,895**
Depreciation and amortization	**10,266**	9,819	8,767	7,215	6,898	**95,595**
R&D expenses	**3,422**	3,074	2,328	2,553	3,048	**31,865**
Balance Sheet Data:						
Total assets	**¥ 293,749**	¥ 279,701	¥ 252,848	¥ 245,403	¥ 228,918	**$ 2,735,347**
Property, plant and equipment-net	**98,788**	94,005	91,147	81,029	72,061	**919,899**
Working capital	**39,123**	28,570	27,542	9,792	35,770	**364,308**
Current liabilities	**96,242**	96,364	88,889	105,764	74,995	**896,191**
Long-term liabilities	**99,198**	86,932	78,657	61,952	83,260	**923,717**
Common stock	**28,663**	28,663	28,663	23,113	22,563	**266,906**
Capital surplus	**29,972**	29,972	29,972	24,435	23,886	**279,095**
Shareholders' equity	**96,700**	94,711	83,533	76,099	69,196	**900,456**
	Yen					U.S. dollars (Note 1)
Per share data:						
Basic earnings (2)	**¥ 69.4**	¥ 64.9	¥ 84.3	¥ 104.4	¥ 60.8	**$ 0.65**
Diluted earnings (2)	**—**	—	78.5	92.4	54.3	**—**
Cash dividends	**38.5**	30.5	32.0	47.0	31.0	**0.36**
Shareholders' equity	**1,519.6**	1,487.5	1,310.7	1,343.7	1,236.6	**14.15**
Number of common shares issued	**63,878,505**	63,878,505	63,878,505	56,670,149	55,956,987	
Number of employees	**8,617**	8,132	8,029	7,835	6,818	
Selected Data and Ratios:						
Shareholders' equity ratio (3) (%)	**32.9**	33.9	33.0	31.0	30.2	
Return on assets (3) (%)	**3.6**	4.7	6.0	6.1	4.4	
Return on equity (3) (%)	**4.7**	4.7	6.4	8.0	5.1	
Price earnings ratio (times)	**25.6**	24.1	21.5	17.4	16.5	

Note:
(1) Operating income at the operating segment level is not adjusted for intra-segment transactions. See note 13 to the consolidated financial statements.
(2) Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Basic earnings and diluted earnings per share for the year ended March 31, 2003 and thereafter are computed in accordance with the new standard. Basic earnings and diluted earnings per share for the prior years are not translated to reflect the new standard's provision, based on the weighted average number of outstanding shares for the period.
(3) Shareholders' equity ratio is the ratio as of the period end of shareholders' equity to total assets. Return on assets is the ratio of operating income for the period to average total assets during the period. Return on equity is the ratio of net income for the period to average shareholders' equity during the period.

Consolidated Balance Sheets

Nipro Corporation and Consolidated Subsidiaries
As of March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Assets			
Current assets:			
Cash and cash equivalents (Note 2)	¥ 53,735	¥ 42,229	$ 500,372
Time deposits (Over three months)	2,418	3,013	22,516
Trade notes and accounts receivable	40,145	41,524	373,824
Allowance for doubtful receivables	(210)	(209)	(1,955)
Inventories (Note 3)	33,649	32,541	313,335
Deferred income taxes (Note 10)	2,204	1,735	20,523
Other current assets	3,424	4,101	31,884
Total current assets	135,365	124,934	1,260,499
Property, plant and equipment (Note 2 and 7):			
Land	22,839	22,456	212,673
Buildings	84,930	81,747	790,856
Machinery and equipment	80,545	73,581	750,023
Construction in progress	7,232	6,144	67,343
	195,546	183,928	1,820,895
Accumulated depreciation	(96,758)	(89,923)	(900,996)
Property, plant and equipment-net	98,788	94,005	919,899
Investments and other assets:			
Investment in unconsolidated subsidiaries and affiliate accounted for by the equity method (Note 2)	5,407	6,113	50,349
Investment securities (Notes 2 and 6)	36,300	36,410	338,020
Lease deposits	11,514	11,774	107,217
Deferred income taxes (Note 10)	238	194	2,216
Other	6,137	6,271	57,147
Total investments and other assets	59,596	60,762	554,949
Total assets	¥ 293,749	¥279,701	$ 2,735,347

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
Liabilities, minority interests and shareholders' equity			
Current liabilities:			
Short-term bank loans (Note 4)	**¥ 28,730**	¥ 27,246	**$ 267,530**
Current portion of long-term debt (Note 4)	**14,714**	18,257	**137,015**
Trade notes and accounts payable	**29,084**	29,048	**270,826**
Accrued income taxes	**3,493**	1,581	**32,526**
Accrued expenses	**6,021**	6,214	**56,067**
Commercial paper (Note 4)	**7,000**	6,500	**65,183**
Other current liabilities	**7,200**	7,518	**67,044**
Total current liabilities	**96,242**	96,364	**896,191**
Long-term liabilities:			
Long-term debt (Note 4)	**86,183**	74,184	**802,524**
Accrued pension and severance liabilities (Note 8)	**2,868**	2,528	**26,706**
Deferred income taxes (Note 10)	**6,753**	6,689	**62,883**
Other long-term liabilities	**3,394**	3,531	**31,604**
Total long-term liabilities	**99,198**	86,932	**923,717**
Minority interests	**1,609**	1,694	**14,983**
Commitments and contingent liabilities (Note 12)			
Shareholders' equity (Note 9):			
Common stock	**28,663**	28,663	**266,906**
Authorized: 200,000,000 shares			
Issued : 63,878,505 shares			
Capital surplus	**29,972**	29,972	**279,095**
Retained earnings	**32,182**	30,610	**299,674**
Unrealized gain on available-for-sale securities (Note 2 and 6)	**12,760**	12,462	**118,819**
Foreign currency translation adjustments	**(6,290)**	(6,490)	**(58,572)**
	97,287	95,217	**905,922**
Less cost of common shares of treasury stock			
(312,968 shares in 2005 and 264,938 shares in 2004)	**(587)**	(506)	**(5,466)**
Total shareholders' equity	**96,700**	94,711	**900,456**
Total liabilities, minority interests and shareholders' equity	**¥ 293,749**	¥ 279,701	**$ 2,735,347**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Nipro Corporation and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Net sales (Note 13):	¥ 192,320	¥188,700	$1,790,856
Cost of sales	140,072	137,153	1,304,330
Gross profit	52,248	51,547	486,526
Selling, general and administrative expenses	41,844	38,990	389,644
Operating income (Note 13)	10,404	12,557	96,882
Other income (expenses):			
Interest and dividend income	329	345	3,064
Interest expense (Note 4)	(1,594)	(1,636)	(14,843)
Loss on sale and disposal of property, plant and equipment-net	(348)	(415)	(3,241)
Exchange gain (loss)	174	(1,429)	1,620
Equity in loss of an affiliated company	(741)	(772)	(6,900)
Gain on sale of available-for-sale securities (Note 6)	1,108	140	10,318
Loss on devaluation of available-for-sale securities	—	(103)	—
Abnormal manufacturing cost	(344)	(272)	(3,204)
Bond issue expense	(20)	(78)	(186)
Bad debt loss	—	(291)	—
Other income (loss)-net	(308)	(2)	(2,869)
Income before income taxes	8,660	8,044	80,641
Income taxes (Note 10):			
Current	4,901	3,766	45,638
Deferred	(654)	85	(6,090)
Minority interests in income (loss) of consolidated subsidiaries	(106)	(23)	(987)
Net income	¥ 4,519	¥ 4,216	$ 42,080

	Yen		U.S. dollars (Note 1)
Amounts per common share (Note 2):			
Basic earnings	¥ 69.4	¥ 64.9	$ 0.65
Diluted earnings	—	—	—
Cash dividends	38.5	30.5	0.36

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Nipro Corporation and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Common stock:			
Opening balance -63,878,505 shares	¥ 28,663	¥ 28,663	$ 266,906
Closing balance -63,878,505 shares	¥ 28,663	¥ 28,663	$ 266,906
Capital surplus:			
Opening balance	¥ 29,972	¥ 29,972	$ 279,095
Closing balance	¥ 29,972	¥ 29,972	$ 279,095
Retained earnings:			
Opening balance	¥ 30,610	¥ 27,905	$ 285,036
Net income	4,519	4,216	42,080
Increase in retained earnings due to inclusion of new subsidiary in consolidation	1	—	10
Cash dividends paid	(2,862)	(1,400)	(26,651)
Bonuses to directors and statutory auditors	(86)	(111)	(801)
Closing balance	¥ 32,182	¥ 30,610	$ 299,674
Unrealized gain on available-for-sale securities:			
Opening balance	¥ 12,462	¥ 2,851	$ 116,044
Net change	298	9,611	2,775
Closing balance	¥ 12,760	¥ 12,462	$ 118,819
Foreign currency translation adjustments:			
Opening balance	¥ (6,490)	¥ (5,407)	$ (60,434)
Net change	200	(1,083)	1,862
Closing balance	¥ (6,290)	¥ (6,490)	$ (58,572)
Treasury stock:			
Opening balance	¥ (506)	¥ (451)	$ (4,712)
Net change	(81)	(55)	(754)
Closing balance	¥ (587)	¥ (506)	$ (5,466)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Nipro Corporation and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Operating activities:			
Net income	¥ 4,519	¥ 4,216	$ 42,080
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,266	9,819	95,595
Equity in loss of an affiliated company	741	772	6,900
Allowance for doubtful receivables	57	(14)	531
Gain on sale of marketable securities for investments	(1,108)	(140)	(10,318)
Loss on devaluation of marketable securities	—	103	—
Provision for deferred taxes	(654)	85	(6,090)
Exchange loss (gain)	413	502	3,846
Loss on sale and disposal of property, plant and equipment-net	348	415	3,241
Other, net	135	461	1,257
Changes in operating assets and liabilities:			
Trade receivables	1,330	1,094	12,385
Inventories	(1,159)	(1,515)	(10,792)
Other current assets	(191)	(982)	(1,779)
Trade payables	76	2,172	708
Accrued income taxes	1,913	(1,039)	17,814
Other, net	776	(406)	7,226
Total adjustments	12,943	11,327	120,524
Net cash provided by operating activities	17,462	15,543	162,604
Investing activities:			
Purchase of property, plant and equipment	(14,957)	(13,146)	(139,277)
Proceeds from sale of property, plant and equipment	206	579	1,918
Purchase of available-for-sale securities	(13)	(15)	(121)
Proceeds from sale of available-for-sale securities	1,737	449	16,175
Investment in unconsolidated subsidiaries	(108)	(526)	(1,006)
Deposits (Over three months)	564	53	5,252
Other, net	(57)	(180)	(531)
Net cash used in investing activities	(12,628)	(12,786)	(117,590)
Financing activities:			
Net increase (decrease) in short-term loans	1,484	(1,764)	13,819
Proceeds from long-term loans	24,600	6,127	229,072
Repayment of long-term loans	(9,144)	(7,734)	(85,148)
Proceeds from issuance of bonds	2,980	13,922	27,749
Repayment of bonds	(10,000)	(2,000)	(93,119)
Reimbursement of the repayment money for convertible bonds*	—	4,108	—
Net increase (decrease) in commercial paper	500	(500)	4,656
Cash dividends paid	(2,858)	(1,400)	(26,613)
Bonuses to directors and statutory auditors	(86)	(111)	(801)
Other, net	(474)	(358)	(4,414)
Net cash provided by financing activities	7,002	10,290	65,201
Effect of exchange rate changes on cash and cash equivalents	(350)	(211)	(3,259)
Net increase(decrease) in cash and cash equivalents	11,486	12,836	106,956
Cash and cash equivalents, beginning of period (Note 2)	42,229	29,393	393,230
Cash and cash equivalents of newly consolidated subsidiary, beginning of period	20	-	186
Cash and cash equivalents, end of period (Note 2)	¥ 53,735	¥ 42,229	$500,372

The accompanying notes are an integral part of these statements.

*The Company had advanced the fund for repayment of convertible bonds to a bank on March 26, 2003. The fund was, however, partially reimbursed to the Company on April 15, 2003, because the conversion of convertible bonds occurred after the deposit of the fund.

Notes to Consolidated Financial Statements

Nipro Corporation and its Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements are prepared from the consolidated financial statements issued for domestic reporting purposes. Nipro Corporation (the "Company") and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Securities and Exchang Law and its related acounting regulations, and in conformity with generally accepted accounting principles and practices in Japan. Its foreign subsidiaries maintain their accounts in conformity with those of each country of their domicile.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The presentation of consolidated statements of shareholders' equity is not required for domestic reporting purposes. It is, however, presented herein for the readers' convenience.

In addition, the notes to consolidated financial statements include additional information which is not required under generally accepted accounting principles and practices in Japan.Certain reclassifications have been made to the 2004 amounts to conform with the 2005 presentation.

The financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥107.39=US$1, the approximate exchange rate on March 31, 2005. These translations should not be construed as representations that the Japanese yen amounts actually are, have been or could be converted into U.S. dollar amounts.

2. Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and the following significant subsidiaries and affiliated company accounted for by the equity method;

Nipro Medical Industries, Ltd.
Nipro (Thailand) Corporation Ltd.
Fuzhou Nipro Co., Ltd.
Nipro (Shanghai) Co., Ltd.
Nipro Medical LTDA.
Nipro Europe N.V.
Nipro Medical Corporation
Nipro Medical Panama S.A.
Nipro Medica de Mexico S.A. DE C.V.
Nipro Diabetes Systems, Inc.*
Nipro Pharma Corporation
Shinwa Shoji Co., Ltd.
Shanghai Nissho Vacuum Flask Refill Co., Ltd.
Nissho Corporation
Nissho Drug Co., Ltd.
Bipha Corporation**

* As from the year ended March 31, 2005, Nipro Diabetes Systems, Inc. has been included in the consolidated financial statements.

** Affiliate applied equity method

Investment in unconsolidated subsidiaries and affiliates (20% to 50% owned) are stated at cost and the equity method is not applied for the valuation of such investments since they are considered immaterial in the aggregate.

The difference between the cost of investments in subsidiaries and affiliates and the equity in their net assets at dates of acquisition in being amortized over five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Company and its consolidated subsidiaries is eliminated.

(b) Translation of Foreign Currencies

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Income statements of consolidated overseas subsidiaries are translated into Japanese yen at the average exchange rate for the period. Resulting translation adjustments are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

(c) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible to cash.

(d) Investment Securities

Investment securities are classified and accounted for, depending on management's intent, as follows:

i) held-to-maturity debt securities, which are excepted to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost; and

ii) Available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

For the year ended March 31, 2005 there was no held-to-maturity debt securities held by the Company.

Non-marketable available-for-sale securities are stated at cost determined by the average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(e) Inventories

Inventories are stated principally at cost. Cost is determined principally by the average method for the medical, pharmaceutical and glass and materials segment, except for certain inventories determined by the first-in, first-out method. Cost of inventories held by the store segment is determined principally by the retail method.

(f) Depreciation

Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed principally by the declining-balance method. The straight-line method is applied to buildings acquired by the domestic companies after April 1, 1998, and is principally applied to the property, plant and equipment of foreign subsidiaries.

The range of useful lives is principally from 31 to 50 years for buildings and from 7 to 12 years for machinery and equipment.

(g) Income Taxes

The provision for income taxes is computed based on income for financial statement purpose. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(h) Leases

Finance leases which are not considered to transfer ownership of the leased property to lessee are accounted for in the same manner as operating leases in accordance with Japanese accounting standards for leases.

(i) Amounts per Common Share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted earnings per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants. For the year ended March 31, 2005, there was no common stock equivalents that have a dilutive effect.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the period.

3. Inventories

Inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
Food and groceries	**¥ 698**	¥ 667	**$ 6,500**
Household goods	**3,665**	3,275	**34,128**
Medicine (in stores)	**1,457**	1,182	**13,567**
Finished goods	**21,038**	20,394	**195,903**
Raw materials	**3,625**	3,749	**33,755**
Work in process	**2,042**	2,176	**19,015**
Packing and other	**1,124**	1,098	**10,467**
	¥ 33,649	¥ 32,541	**$ 313,335**

4. Short-Term Loans and Long-Term Debt

Short-term loans comprised overdrafts and promissory notes.

The interest rates of short-term bank loans and commercial paper as of March 31, 2005 and 2004 ranged from 0.013% to 3.000% and from 0.032% to 1.875%, respectively.

Long-term debt comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
Zero coupon convertible bonds due 2023	**¥ 14,000**	¥ 14,000	**$ 130,366**
2.325% unsecured bonds due 2004	**—**	10,000	**—**
3.2% unsecured bonds due 2008	**10,000**	10,000	**93,119**
3.0% unsecured bonds due 2006	**10,000**	10,000	**93,119**
0.67% unsecured bonds due 2006	**3,000**	3,000	**27,936**
1.07% unsecured bonds due 2010	**3,000**	3,000	**27,936**
1.18% unsecured bonds due 2009	**3,000**	—	**27,936**
Loans, primarily from banks due 2005-2018, with interest ranging from 0.1500% to 10.64%	**57,897**	42,441	**539,127**
Less current portion of long-term debt	**(14,714)**	(18,257)	**(137,015)**
	¥ 86,183	¥ 74,184	**$ 802,524**

In November 1997, the Company issued ¥10,000 million (US$93,119 thousand) of 2.325% unsecured bonds due 2004.

In June 1998, the Company issued ¥10,000 million (US$93,119 thousand) of 3.2% unsecured bonds due 2008.

In June 1998, the Company issued ¥10,000 million (US$93,119 thousand) of 3.0% unsecured bonds due 2006.

In March 2003, the Company issued ¥3,000 million (US$27,936 thousand) of 0.67% privately placed bonds due 2006.

In March 2003, the Company issued ¥3,000 million (US$27,936 thousand) of 1.07% privately placed bonds due 2010.

In July 2003, the Company issued ¥14,000 million (US$130,366 thousand) of zero coupon convertible bonds due 2023.

In July 2004, the Company issued ¥3,000 million (US$27,936 thousand) of 1.18% privately placed bonds due 2009.

The aggregate annual maturities of long-term debt outstanding at March 31, 2005 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
	2005	2005
2006	¥ 14,714	$ 137,015
2007	19,951	185,781
2008	18,651	173,675
2009 and thereafter	47,581	443,068
	¥ 100,897	$ 939,539

As is customary in Japan, long-term and short-term bank loans are made under general agreements which provide that additional securities and guarantees for present and future indebtedness will be given under certain circumstances at the request of the bank, and that any collateral so furnished will be applicable to all indebtedness due to the bank.

In addition, the agreements provide that the bank has the right to offset cash deposits against any long-term and short-term bank loan that becomes due, and in case of default and certain other specified events, against all other loans payable to the bank. Such rights have never been exercised by banks against the Company or its Consolidated Subsidiaries.

5. Leases

Information relating to finance leases, except for which the ownership of the leased property is considered to be transferred to the lessee. The pro forma information of leased assets under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the year ended March 31, 2005 and 2004 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Acquisition cost	¥ 7,237	¥ 9,435	$ 67,390
Accumulated depreciation	4,940	6,456	46,001
Net leased property	¥ 2,297	¥ 2,979	$ 21,389

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Payments due within one year	¥ 1,304	¥ 1,162	$ 12,143
Payments due after one year	984	2,371	9,163
	¥ 2,288	¥ 3,533	$ 21,306

Lease payments under such leases for the year ended Mach, 2005 and 2004 were ¥1,317 million (US$12,264 thousand) and ¥2,150 million, respectively.

6. Investment Securities

Investment securities as of March 31, 2005, and 2004 consisted of the followings:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Non-current:			
Marketable:			
Marketable equity securities	¥ 31,810	¥ 31,937	$ 296,210
Investment trust funds and other	55	55	512
Sub total	¥ 31,865	¥ 31,992	$ 296,722
Non-marketable securities	¥ 4,435	¥ 4,418	$ 41,298
Total	¥ 36,300	¥ 36,410	$ 338,020

The fair value of other investments, which are non-marketable securities, was not readily determinable as of March 31, 2005 and 2004.

The carrying amounts and aggregate fair values of marketable securities for investments as of March 31, 2005 and 2004 were as follows:

	Millions of yen			
	2005			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Available-for-sale securities				
Equity securities	¥ 11,787	¥ 20,024	¥ 1	¥ 31,810
Debt securities and other	60	—	5	55
Total	¥ 11,847	¥ 20,024	¥ 6	¥ 31,865

	Thousands of U.S. dollars (Note 1)			
	2005			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Available-for-sale securities				
Equity securities	$ 109,759	$ 186,460	$ 9	$ 296,210
Debt securities and other	559	—	47	512
Total	$ 110,318	$ 186,460	$ 56	$ 296,722

	Millions of yen			
	2004			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Available-for-sale securities				
Equity securities	¥ 12,415	¥ 19,527	¥ 5	¥ 31,937
Debt securities and other	60	—	5	55
Total	¥ 12,475	¥ 19,527	¥ 10	¥ 31,992

Proceeds from sales of securities and gross realized gains on those sales for the year ended March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Proceeds	¥ 1,737	¥ 449	$ 16,175
Gains on sales	1,108	140	10,318

7. Pledged Assets

The following assets were pledged as collateral:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Land	¥ 6,011	¥ 5,175	$ 55,974
Buildings	8,773	7,951	81,693
Notes receivable	1,551	2,277	14,443
Certificate of deposit	165	392	1,536
	¥ 16,500	¥ 15,795	$ 153,646

Bank loans due within one year and due after one year at March 31, 2005 and 2004 as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Bank loans due within one year	¥ 3,676	¥ 4,015	$ 34,230
Bank loans due after one year	4,411	5,120	41,075
	¥ 8,087	¥ 9,135	$ 75,305

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	2005			
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8. Accrued Pension and Severance Liabilities

The Company and certain consolidated subsidiaries have defined benefit pension plans and unfunded retirement benefit plans for employees.

Effective April 1, 2000 the Company and its consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation of ¥519 million determined as of April 1, 2000 is amortized over five years and presented as other expense in the income statement.

The following table sets forth the changes in projected benefit obligation, plan assets and funded status of the Company and its consolidated subsidiaries at March 31, 2005 and 2004.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
1) Projected benefit obligation at end of year	**¥ (9,134)**	¥ (8,794)	**$ (85,054)**
2) Fair value of plan assets at end of year	**6,367**	5,795	**59,289**
3) Projected benefit obligation in excess of plan assets 1)+2)	**¥ (2,767)**	¥ (2,999)	**$ (25,765)**
4) Unrecognized actuarial (gain) loss	**(101)**	367	**(941)**
5) Unrecognized transition obligation at date of adoption	**—**	104	**—**
6) Accrued pension and severance liabilities 3) + 4) + 5)	**¥ (2,868)**	¥ (2,528)	**$ (26,706)**

The breakdown of net pension and severance costs for the years ended March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
Service cost	**¥ 594**	¥ 601	**$ 5,531**
Interest cost	**218**	215	**2,030**
Expected return on plan assets	**(87)**	(73)	**(810)**
Amortization:			**—**
Retirement benefit obligation at transition	**104**	104	**968**
Actuarial losses	**223**	394	**2,077**
Net periodic benefit cost	**¥ 1,052**	¥ 1,241	**$ 9,796**

The assumptions used in the accounting for the above benefit plans were as follows:

	2005	2004
Discount rate	**Primarily 2.5%**	Primarily 2.5%
Expected rate of return on plan assets	**1.5%**	1.5 %
Amortization period for transition obligation at date of adoption	**5 years**	5 years
Amortization period for actuarial gain / loss	**5 years**	5 years

9. Shareholders' Equity

(i) Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares are recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus.

The Code allows Japanese companies to repurchase treasury stock by a resolution of the Board of Directors, if authorized by the Articles of Incorporation. Accordingly, in order to be able to execute flexible capital strategies, the Company established a new article on repurchase of treasury stock authorized by the resolution of the shareholders at the general shareholders meeting on June 29, 2004. The repurchased amount of treasury stocks can not exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced, in the case where such reduction was resolved at the general shareholders meeting.

The Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve(a component of retained earnings) until the total amount of such reserve and additional paid-in capital equals 25% of common stock.

The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's additional paid-in capital was presented as capital surplus and legal reserve, which was included in retained earnings, amounted to ¥1,196 million(US$11,137thousand) at both March 31, 2005 and 2004.

Under the Code, the amount legally available for dividends is based on retained earnings as recorded in the Company's book. At March 31, 2005, retained earnings available for future dividends amounted to ¥38,012 million(US$353,962 thousand).

(ii) The following appropriation of retained earnings was approved by the Shareholders' Meeting held on June 29, 2005.

	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash dividends paid	¥ 826	$ 7,692
Bonuses to directors and statutory auditors	106	987

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10. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income which, in aggregate, resulted in a normal statutory tax rate of approximately 41.9% and 40.5% for the year ended March 31, 2005 and 2004, respectively.

The significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Deferred tax assets			
Operating loss carry forwards for tax purposes	¥ 2,099	¥ 1,739	$ 19,546
Intercompany profits	479	430	4,460
Allowance for bonuses to employees	571	587	5,317
Accounts receivable	360	247	3,352
Accrued pension and severance liabilities	1,083	901	10,085
Accrued corporate enterprise taxes	330	140	3,073
Other	785	941	7,309
Gross deferred tax assets	¥ 5,707	¥ 4,985	$ 53,142
Less: Valuation allowance	(1,741)	(1,634)	(16,212)
Total deferred tax assets	¥ 3,966	¥ 3,351	$ 36,930
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	¥ 8,119	¥ 7,910	$ 75,603
Other	158	201	1,471
Total deferred tax liabilities	¥ 8,277	¥ 8,111	$ 77,074
Net deferred tax assets (liabilities)	¥ (4,311)	¥ (4,760)	$ (40,144)

Reconciliation of the differences between the statutory tax rates and the effective income tax rates was as follows:

	2005	2004
Statutory tax rate	40.5%	41.9%
Expenses not deductible for tax purposes	2.0	2.3
Non-taxable dividend income	(0.3)	(0.8)
Loss in subsidiaries	6.2	3.5
Other	0.6	0.5
Effective tax rate	49.0%	47.9%

11. Research and Development Expenses

Research and development expenses for the year ended March 31, 2005 and 2004 were ¥3,422 million (US$31,865 thousand) and ¥3,074million, respectively.

12. Commitments and Contingent Liabilities

The Company and Consolidated Subsidiaries have the following commitments and contingent liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Liabilities for guarantees	¥ 2,183	¥ 2,728	$ 20,328
Export drafts discounted	76	51	708
	¥ 2,259	¥ 2,779	$ 21,036

13. Segment Reporting

The Company and Consolidated Subsidiaries are primarily engaged in the business consisting of four major segments: medical equipment, pharmaceutical products, glass and material products and store. The Company is organized into operating segments based on the market nature of products.

The medical segment manufactures and sells disposable medical equipment. Their medical equipment sold includes dialyzers, dialysis-related devices, and injection-related products.

The pharmaceutical segment manufactures and sells a range of pharmaceutical products and devices, such as prescribed specialized and diagnostic products for hospital use, and medical equipment incorporating solutions and drugs, such as pre-filled syringes and infusion kits.

The glass and materials segment sells internal glass sections for vacuum flasks, glass tubes for ampoule and vial production, glass tube vials and other glass products.

The store segment encompasses a supermarket business and a drugstore business. The store segment sells fresh and daily foods, general grocery, household goods, medicine and other merchandise.

The sales of "Other" include the sales of machinery for manufacture of medical equipment and real estate rental income.

Business segment information for the year ended March 31, 2005 and 2004 was as follows:

	Millions of yen							
	2005							
	Medical	Pharmaceutical	Glass & Materials	Store	Other	Total	Eliminations / Corporate	Consolidated
Net sales:								
Outside	**¥ 82,504**	**¥ 26,207**	**¥ 11,667**	**¥ 70,841**	**¥ 1,101**	**¥192,320**	**—**	**¥192,320**
Intersegment	**876**	**—**	**2,384**	**—**	**553**	**3,813**	**¥ (3,813)**	**—**
Total	**¥ 83,380**	**¥ 26,207**	**¥ 14,051**	**¥ 70,841**	**¥ 1,654**	**¥196,133**	**¥ (3,813)**	**¥192,320**
Cost and expenses	**72,341**	**23,946**	**12,162**	**70,726**	**1,366**	**180,541**	**1,375** (1)	**181,916**
Operating income	**¥ 11,039**	**¥ 2,261**	**¥ 1,889**	**¥ 115**	**¥ 288**	**¥ 15,592**	**¥ (5,188)**	**¥ 10,404**
Identifiable assets	**¥ 86,062**	**¥ 56,557**	**¥ 13,825**	**¥ 42,960**	**¥ 858**	**¥200,262**	**¥ 93,487** (2)	**¥293,749**
Depreciation	**4,407**	**3,450**	**631**	**1,170**	**26**	**9,684**	**582**	**10,266**
Capital expenditures	**6,056**	**7,269**	**1,452**	**1,006**	**2**	**15,785**	**527**	**16,312**

	Thousands of U.S. dollars (Note 1)							
	2005							
	Medical	Pharmaceutical	Glass & Materials	Store	Other	Total	Eliminations / Corporate	Consolidated
Net sales:								
Outside	**$768,266**	**$244,036**	**$ 108,641**	**$659,661**	**$ 10,252**	**$1,790,856**	**—**	**$1,790,856**
Intersegment	**8,157**	**—**	**22,199**	**—**	**5,150**	**35,506**	**$ (35,506)**	**—**
Total	**$776,423**	**$244,036**	**$130,840**	**$659,661**	**$ 15,402**	**$1,826,362**	**$ (35,506)**	**$1,790,856**
Cost and expenses	**673,629**	**222,982**	**113,251**	**658,590**	**12,719**	**1,681,171**	**12,803** (1)	**1,693,974**
Operating income	**$102,794**	**$ 21,054**	**$ 17,589**	**$ 1,071**	**$ 2,683**	**$ 145,191**	**$ (48,309)**	**$ 96,882**
Identifiable assets	**$801,397**	**$526,650**	**$128,736**	**$400,037**	**$ 7,990**	**$1,864,810**	**$870,537** (2)	**$2,735,347**
Depreciation	**41,037**	**32,126**	**5,876**	**10,895**	**242**	**90,176**	**5,419**	**95,595**
Capital expenditures	**56,393**	**67,688**	**13,521**	**9,368**	**18**	**146,988**	**4,907**	**151,895**

	Millions of yen							
	2004							
	Medical	Pharmaceutical	Glass & Materials	Store	Other	Total	Eliminations / Corporate	Consolidated
Net sales:								
Outside	¥ 78,727	¥ 25,339	¥ 11,891	¥ 71,357	¥ 1,386	¥ 188,700	—	¥ 188,700
Intersegment	639	—	2,357	—	597	3,593	¥ (3,593)	—
Total	¥ 79,366	¥ 25,339	¥ 14,248	¥ 71,357	¥ 1,983	¥ 192,293	¥ (3,593)	¥ 188,700
Cost and expenses	67,249	22,868	12,429	70,937	1,579	175,062	1,081 (1)	176,143
Operating income	¥ 12,117	¥ 2,471	¥ 1,819	¥ 420	¥ 404	¥ 17,231	¥ (4,674)	¥ 12,557
Identifiable assets	¥ 83,785	¥ 54,037	¥ 13,208	¥ 43,103	¥ 1,155	¥ 195,288	¥ 84,413 (2)	¥ 279,701
Depreciation	3,834	3,638	630	1,164	32	9,298	521	9,819
Capital expenditures	5,232	6,747	625	1,451	4	14,059	441	14,500

Note:
(1)Cost and expenses of "Eliminations / Corporate" for the year ended March 31, 2005 and 2004 included unallocated corporate costs of ¥5,188 million ($48,309 thousand) and ¥4,674 million, respectively. Their unallocated corporate costs consisted primarily of research and development costs and headquarters administration costs.
(2)Assets of "Eliminations / Corporate" at March 31, 2005 and 2004 included ¥93,563million ($871,245thousand) and ¥84,558 million of corporate assets, respectively, consisting primarily of cash and cash equivalents, investment securities, research and development-related equipment and headquarters administration-related assets.

The information by geographic area for the year ended March 31, 2005 and 2004 was as follows:

	Millions of yen					
	2005					
	Japan	America*	Europe**	Asia***	Eliminations / Corporate	Consolidated
Net sales:						
Outside	**¥ 175,328**	**¥ 9,791**	**¥ 5,816**	**¥ 1,385**	**—**	**¥ 192,320**
Intersegment	**12,262**	**384**	**4**	**10,013**	**¥ (22,663)**	**—**
Total	**¥ 187,590**	**¥ 10,175**	**¥ 5,820**	**¥ 11,398**	**¥ (22,663)**	**¥ 192,320**
Cost and expenses	**171,827**	**10,699**	**6,167**	**10,635**	**(17,412)** (1)	**181,916**
Operating income (loss)	**¥ 15,763**	**¥ (524)**	**¥ (347)**	**¥ 763**	**¥ (5,251)**	**¥ 10,404**
Identifiable assets	**¥ 179,626**	**¥ 8,838**	**¥ 3,056**	**¥ 17,907**	**¥ 84,322** (2)	**¥ 293,749**

	Thousands of U.S. dollars (Note 1)					
	2005					
	Japan	America*	Europe**	Asia***	Eliminations / Corporate	Consolidated
Net sales:						
Outside	**$1,632,629**	**$ 91,172**	**$ 54,158**	**$ 12,897**	**—**	**$1,790,856**
Intersegment	**114,182**	**3,576**	**37**	**93,240**	**$ (211,035)**	**—**
Total	**$1,746,811**	**$ 94,748**	**$ 54,195**	**$106,137**	**$ (211,035)**	**$1,790,856**
Cost and expenses	**1,600,028**	**99,627**	**57,426**	**99,031**	**(162,138)** (1)	**1,693,974**
Operating income (loss)	**$ 146,783**	**$ (4,879)**	**$ (3,231)**	**$ 7,106**	**$ (48,897)**	**$ 96,882**
Identifiable assets	**$1,672,651**	**$ 82,298**	**$ 28,457**	**$166,747**	**$ 785,194** (2)	**$2,735,347**

	Millions of yen					
	2004					
	Japan	America*	Europe**	Asia***	Eliminations / Corporate	Consolidated
Net sales:						
Outside	¥176,374	¥ 4,707	¥ 5,922	¥ 1,697	—	¥188,700
Intersegment	9,609	378	27	8,471	¥ (18,485)	—
Total	¥185,983	¥ 5,085	¥ 5,949	¥10,168	¥ (18,485)	¥188,700
Cost and expenses	169,172	5,265	5,833	9,756	(13,883) (1)	176,143
Operating income (loss)	¥ 16,811	¥ (180)	¥ 116	¥ 412	¥ (4,602)	¥ 12,557
Identifiable assets	¥174,610	¥ 6,081	¥ 3,346	¥17,210	¥ 78,454 (2)	¥279,701

Note:
(1) Cost and expenses of "Eliminations / Corporate" for the year ended March 31, 2005 and 2004 included unallocated corporate costs of ¥5,188 million ($48,309 thousand) and ¥4,674 million, respectively. The unallocated corporate costs primarily of research and development costs and headquarters administration costs.
(2) Assets of "Eliminations / Corporate" at March 31, 2005 and 2004 included ¥93,563 million ($871,245 thousand) and ¥84,558 million of corporate assets, respectively, consisting primarily of cash and cash equivalents, investment securities, research and development-related equipment and headquarters administration-related assets.
(3) America* : The United States of America and Brazil
Europe** : Belgium
Asia*** : China and Thailand

Sales to foreign customers were as follows:

	Millions of yen							
	2005				2004			
	America	Europe	Asia	Total	America	Europe	Asia	Total
Export sales and sales by overseas subsidiaries	**¥ 29,954**	**¥ 18,314**	**¥ 5,234**	**¥ 53,502**	¥ 21,136	¥ 18,862	¥ 5,425	¥ 45,423
Percentage of such sales against consolidated net sales	**15.6%**	**9.5%**	**2.7%**	**27.8%**	11.2%	10.0%	2.9%	24.1%

	Thousands of U.S. dollars (Note 1)			
	2005			
	America	Europe	Asia	Total
Export sales and sales by overseas subsidiaries	**$278,927**	**$170,537**	**$ 48,738**	**$498,202**
Percentage of such sales against consolidated net sales	**15.6%**	**9.5%**	**2.7%**	**27.8%**

Report of Independent Certified Public Accountants on The Consolidated Financial Statements

To the Board of Directors
of Nipro Corporation

We have audited the accompanying consolidated balance sheets of Nipro Corporation and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of Nipro Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nipro Corporation and consolidated subsidiaries as of March 31, 2005 and 2004 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Osaka, Japan
July 31, 2005

Tomei Audit Corporation

Tomei Audit Corporation

Board of Directors and Auditors (As of June 29, 2005)

President
Minoru Sano *

Senior Managing Director
Shigeki Tanaka
Manufacturing technology / R&D division

Managing Director
Seiya Ishida
International division

Managing Director
Shuichi Tsuzuki
Domestic division

Director
Masato Naganami
Glass & material development division

Director
Akihiko Yamabe
Accounting & Corporate planning division

Director
Hiroshi Ikeuchi
Human resource / General affairs division

Director
Makoto Sato
Pharmaceutical Research Center

Director
Yoshihiko Sano
Domestic division

Director
Masataka Yanai
Medical Administration Division

Director
Noriaki Watanabe
International division

Director
Kazuo Wakatsuki
International division

Director
Hiroyuki Hattori
Research & Development Laboratory

Standing Statutory Auditor
Hiroshi Kobayashi

Statutory Auditor
Shigeru Kobayashi

Statutory Auditor
Masamichi Wada

* Representative Director

Corporate Information (As of March 31, 2005)

Date of Establishment
July 8, 1954

Head Office
3-9-3 Honjo-nishi, Kita-ku, Osaka 531-8510, Japan
Telephone: +81-6-6372-2331
Facsimile : +81-6-6375-0669
http://www.nipro.co.jp/english/

Tokyo Office
4-3-4 Hongo, Bunkyo-ku, Tokyo 113-0033, Japan
Telephone: +81-3-5684-5611
Facsimile : +81-3-5684-5610

Number of Employees

Parent company	1,844
Consolidated subsidiaries	6,773
Total	8,617

Principal Shareholders

	Number of Shares Held (in thousands)	Percentage of Total Shares in Issue (%)
Sanri Kosan Co., Ltd.	12,920	20.23
Japan Trustee Services Bank, Ltd. (Trust Account)	7,236	11.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,642	7.27
Trust & Custody Service Bank, Ltd. (Trust Account)	2,704	4.23
Minoru Sano	1,993	3.12
Resona Bank Limited	1,380	2.16
The Dai-ichi Mutual Life Insurance Company	829	1.30
Mizuho Corporate Bank, Ltd.	782	1.23
The Chase Manhattan Bank, N.A. London S.L. Omnibus Account	738	1.16
JP Morgan Chase Bank 385050	583	0.91
Total	33,808	52.93

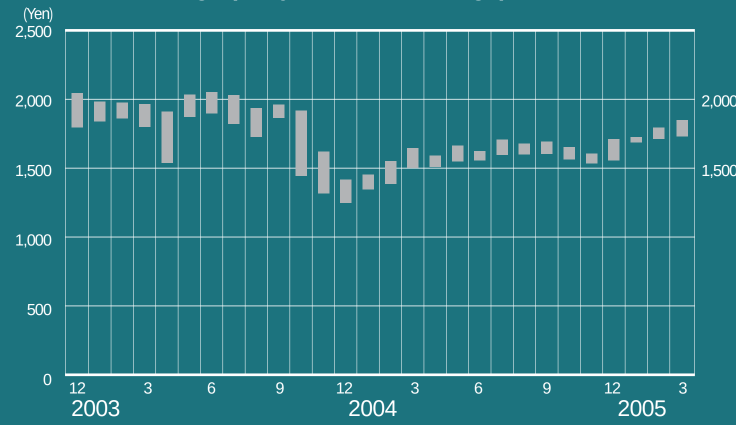
Common Stock

Authorized	200,000,000 shares
Issued	63,878,505 shares
Outstanding	63,565,537 shares
Number of Shareholders	12,030

Stock Listings
Tokyo Stock Exchange, Osaka Securities Exchange
Ticker Codes: 8086

Transfer Agent (As of June 30, 2005)
Mizuho Trust & Banking Co., Ltd.
2-11-16, Sonezaki, Kita-ku, Osaka 530-0057, Japan

Stock Price Range (Tokyo Stock Exchange)



Subsidiaries and affiliates (As of June 30, 2005)

Area	Country	Company	Segment	Principal business
Asia	Japan	Nipro Medical Industries,Ltd.	Medical	Manufacturing
		Nipro Pharma Corporation	Pharmaceutical	Manufacturing and Marketing
		Nipro Genepha Corporation	Pharmaceutical	Manufacturing and Marketing
		Tohoku Nipro Pharmaceutical Corporation	Pharmaceutical	Manufacturing
		Shinwa Shoji Co.,Ltd.	Glass & Materials	Manufacturing and Marketing
		Nissho Corporation	Store	Supermarket management
		Nissho Drug Co.,Ltd.	Store	Drugstore management
		Nissho Insurance Services Co.,Ltd.	Other	Insurance agency
		Bipha Corporation*	Pharmaceutical	R&D and Manufacturing
	Thailand	Nipro (Thailand) Corporation Ltd.	Medical	Manufacturing and Marketing
	China	Fuzhou Nipro Co.,Ltd.	Medical	Manufacturing and Marketing
		Nipro (Shanghai) Co.,Ltd.	Medical	Manufacturing and Marketing
		Nipro Trading (Shanghai) Co.,Ltd.	Medical	Marketing
		Shanghai Nissho Vacuum Flask Refill Co.,Ltd.	Glass & Materials	Manufacturing and Marketing
	Singapore	Nipro Asia Pte. Ltd.	Medical	Marketing
America	Brazil	Nipro Medical LTDA.	Medical	Manufacturing and Marketing
	U.S.A.	Nipro Medical Corporation	Medical	Marketing
	Panama	Nipro Medical Panama S.A.	Medical	Marketing
	Mexico	Nipro Medica de Mexico, S.A. DE C.V.	Medical	Marketing
	Puerto Rico	Nipro Medical Puerto Rico Inc.	Medical	Marketing
	U.S.A.	Nipro Diabetes Systems, Inc.	Medical	R&D and Marketing
Europe	Belgium	Nipro Europe N.V.	Medical	Marketing

Note: (1) *Affiliate applied equity method
(2) Sanri Kosan Co.,Ltd., an Affiliate Company, manages rental of real property estate.

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