NIPRO

# Annual Report 2011

Year Ended March 31, 2011

# Profile

## Striving to be the Best in the Global Market

### A business founded on glass

In 1954, we founded Nippon Glass Shoji Co., Ltd and started our business selling glass tubes for ampoules and tablet bottles. Since then, we have developed proprietary processing techniques for ampoules and thermos bottles, and our superior processing techniques and high quality have an excellent reputation.

In 1965, the Group advanced into the medical business thanks to the product development abilities and sales expertise that we were able to cultivate through the manufacture and sales of our glass and material business.

In Thailand in 1988, we established Nissho Nipro Corporation (now Nipro (Thailand) Corporation Ltd.) to reinforce our business overseas. We also entered into the pharmaceutical business through capital participation in Hishiyama Pharmaceutical Co., Ltd. (now Nipro Pharma Corporation)

### Based on Our Corporate Philosophy

The Nipro Group continues to grow in the medical field and has gained trust in this industry thorough the manufacture and sales of high-value added products.

We are actively striving to open new business genres and provide innovative products for safer medical progress and QOL (quality of life), based on our corporate philosophy of “conducting business from various aspects, contributing to society and promoting self-realization with creativity and innovation for the future.”

In particular, the dialyzer has an excellent reputation and a large share of the market both in Japan and overseas. As for our pharmaceutical business, the Group has devoted efforts to the generic pharmaceutical industry through the promotion of research and development, manufacturing and sales of injectable and oral drugs.

### Pushing Forward with Global Development centered on our Medical Business

Currently the Nipro Group has three core businesses: medical, pharmaceutical and glass & materials. In order to be a global company, the Group has promoted the global business mainly with the medical business. Today Nipro runs companies and branches based in about 60 locations throughout Europe, Asia and North and South America.

### Expanding our Glass & Material Business Worldwide

We have cultivated our glass processing techniques since our foundation. With our world-class techniques for processing glass, we intend to work aggressively to grow the global market for our various glass and material products, in addition to our medical business.

## Contents



**Disclaimer regarding Forward-looking Statements**

This report contains forward-looking statements regarding business indices, strategies and performance representing the expectations and judgments of the management, based on information available to the Company and publishable at the time this report was prepared.
When reading this report, please understand that forward-looking statements involve potential risks and uncertainties; actual future business performance and forecasts may therefore differ materially from those contained in these statements, given the possible emergence of new factors or changes in economic circumstances and/or the business environment.

# Consolidated Financial Highlights

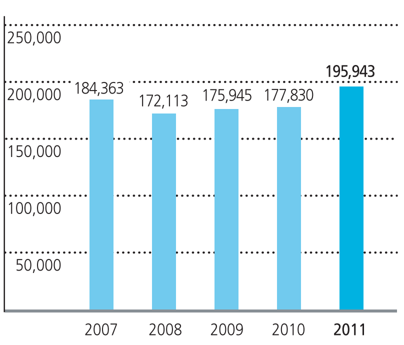
| Nipro Corporation and its consolidated subsidiaries<br>Year ended March 31, 2011 and 2010 | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| **For the year:** | | | |
| Net sales | **¥ 195,943** | ¥ 177,830 | **$ 2,356,500** |
| Operating income | **17,225** | 18,094 | **207,156** |
| Net income | **2,456** | 7,253 | **29,537** |
| Capital expenditures | **23,323** | 15,209 | **280,494** |
| Depreciation and amortization | **21,244** | 18,421 | **255,490** |
| R&D expenses | **4,977** | 4,846 | **59,856** |
| **At the year-end:** | | | |
| Total assets | **¥ 476,510** | ¥ 383,397 | **$ 5,730,728** |
| Net assets (1) | **106,510** | 114,309 | **1,280,937** |
| **Per share data (in yen and U.S. dollars):** | | | |
| Net income | | | |
| Basic | **¥ 38.7** | ¥ 114.4 | **$ 0.47** |
| Diluted | **34.9** | 114.1 | **0.42** |
| Cash dividends | **50.0** | 53.0 | **0.60** |
| Equity | **1,679.4** | 1,802.3 | **20.20** |

Note:

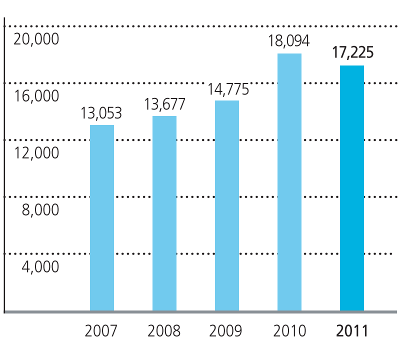
(1) Effective April 1, 2006, the Company adopted a new accounting standard for presentation of net assets in the balance sheet issued by the Accounting Standard Board of Japan. In the new accounting standard, net assets refer to the sum of total shareholders' equity, total valuation and translation adjustments and others, and minority interests. Minority interests, however, have not been included in net assets above to conform to the prior years' presentation.

The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥83.15=U.S.$1, the approximate exchange rate on March 31, 2011.

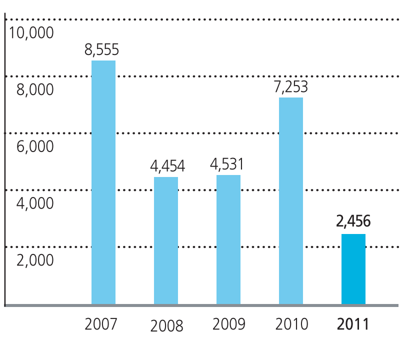
Net Sales (Millions of yen)




Operating Income (Millions of yen)




Net Income (Millions of yen)




Return on Equity (%)

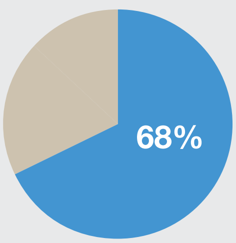
# At a Glance

## Medical

### Main Products

- Injection- and infusion-related products
- Artificial organ-related products
- Dialysis-related products
- Diabetic-related products

**Net Sales Ratio**




| | |
|---|---|
| **Net Sales** | ¥132,817 million |
| **Operating Income** | ¥18,437 million |

**Our varied product line supports people all over the world who rely on medicine to fight illnesses. We are a world leader in Dialyzer market share and we have started our full-blown entry into the field of diabetes-related products, as one of the world's top maker of medical devices. We have started construct of manufacturing plants in developing countries.**

In the Japanese market, we will enhance our product range, expand our sales and increase our market share of diabetes-related products and vascular-related products, in addition to our core Dialyzer product.

We are actively developing markets and expanding sales by taking the initiative to develop and promote the sale of eco-friendly products that reduce the burden on the environment, and products for safety-use to aid in preventing and reducing the risk of medical accidents and contamination.

With regard to overseas sales, we have been able to increase the sales volumes of our core products like Dialyzer and dialysis machines, as well as our diabetes-related products.

We are aggressively promoting the development of our global business for diabetes-related products by building upon our acquisition last year of Home Diagnostics, Inc., now trading under its new name of Nipro Diagnostics, Inc.

In addition to our existing efforts to develop our businesses, we are planning on expanding our business through constructing plants and reinforcing our sales network in countries with promising economies (China, India, Indonesia and Bangladesh), based on the concept of "local production for local consumption".

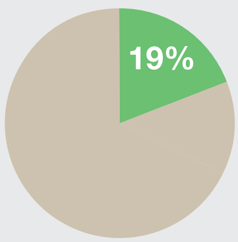
Dialysis-related products
Dialysis machine

Dialysis-related products
Dialyzer

## Pharmaceutical

**Main Products**
- Injectable drugs
- Oral drugs
- Combination products (Kit Products)
- External preparations

**Net Sales Ratio**




**Net Sales** ¥38,005 million
**Operating Income** ¥1,658 million

**As the largest contract manufacturer group in Japan, we have made progress in the sale of our distinctive products. We also contribute to safety and user-friendliness in the medical front by developing pharmaceutical kit products that combine our technology and knowledge of both medical products and pharmaceuticals.**

We advanced the sales of our characteristic pharmaceutical products, supported by government policy which is looking to promulgate the use of the generic products in Japan.

We have devoted our efforts to continued research and development in the area of biosimilars and DDS (Drug Delivery System) as well as the development of generic drugs.

As the result of our activities in R&D and some detailed sales and marketing efforts, sales have increased steadily for our liquid-and-powder double bag kits, pre-mixed bag forumlations, injectable drugs such as injectable drugs in plastic ampoules, oral drugs such as orally disintegrating tablets and extended-release tablets.

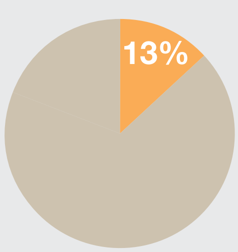
Going forward, as we apply our characteristic research, development and manufacturing across all pharmaceutical fields, we will look to develop and expand our various contract manufacturing and generic drug businesses.

Combination products (Injectable kit products)
Half-type kits

## Glass & Materials

**Main Products**
- Glass tubes
- Glass for ampoules
- Vials and bottles
- Glass for thermos bottles
- Glass for lighting purposes

**Net Sales Ratio**




**Net Sales** ¥24,704 million
**Operating Income** ¥2,701 million

**We produce high-performance and high-quality glass for medical use, the physical and chemical sciences and industry. We sell heat-resistant, impact-resistant and chemically durable glass and high-precision glass for medical and industrial use.**

We continue to drive innovation in glass processing technologies, research and development as well as developing and marketing glass for thermos bottles, glass for lighting purposes, and glass for pharmaceutical purposes such as ampoules and vials, etc.

We have also promoted joint ventures in countries where demand for pharmaceutical glass is predicted to grow (China and India) as we look to expand our business through our high-quality and low-cost pharmaceutical glass products based on our production technology and quality output that we have cultivated through our glass-related business. We will look to move forward in these markets through joint ventures with local companies. From these overseas locations we will establish our position in the global market by creating production and sales systems in local areas.

Glass products

# We overcame a strong yen and a huge natural disaster to achieve solid business results

**Minoru Sano** President

**Despite the continuing long-term economic doldrums, coupled with a strong yen and an unprecedented natural disaster, the Nipro Group has achieved solid business results due to promoting global development as well as an active expansion of our sales activities.**

## Overview of Business Activities and Results during the Current Fiscal Year

**We have been able to achieve a remarkable increase of sales through improving and enhancing the efficiency of our production and sales as well as actively implementing 'local production for local consumption' from a global perspective.**

During the current fiscal year ended March 2011, despite the solid growth shown by emerging nations such as China, India, etc. there is a strong feeling that global economy is entering into a recession due to the debt crisis in Europe, the slow growth of the American economy and the rising price of crude oil linked to the worsening situation in the Middle East.

On the other hand, the Japanese economy has shown signs of a gradual recovery in the first half of the term under review by the effect of the emergency economic stimulus policies that improved profits for Japanese companies as well as strong exports to Asia. However, in the second half of the term under review, factors such as the rapid appreciation of the yen, long-term deflation and the poor state of the labor market coupled with a rise in the cost of raw materials, etc. had a cumulative impact on this recovery, and combined with the Great East Japan Earthquake of March 11, the economic outlook for north-eastern Japan and for the Japanese economy as a whole has suddenly become unclear.

Under this difficult set of circumstances, the Nipro Group has been striving to actively improve our business performance by planning ways to improve and expand our production and sales efficiency as well as moving forward with our 'local production for local business initiative for manufacturing and sales in predicting areas of high demand from a global perspective.

As a result of this approach we were able to achieve solid business results, with consolidated sales for this term of ¥195.9 billion (up by 10.2% on the previous year) and operating income of ¥17.2billion, a decrease of 4.8% on a consolidated basis, due to an increase in sales and administrative expenses.

The current fiscal year is the final year of the 10-year business plan that was inaugurated by our group of companies in 2000. We just missed out on achieving our initial targets, however if we consider the impact of the sudden strong yen and an unprecedented natural disaster, it is an achievement that on the whole our targets were met.

With regard to the impact on the Nipro Group of Companies of the Great East Japan Earthquake, some of our business locations sustained some damage and production was temporarily halted at 7 locations including Nipro Corp's Odate Plant and Nipro Pharma Corp's Odate Plant, however the damage sustained at our mainstream plants was relatively light and all our locations, with the exception of the Tohoku Pharmaceutical Corporation's Kagamiishi Plant, have recovered and are operating at normal levels.

## Business Strategy

**We are redoubling our efforts into our global development with the aim of attaining our long-term goals of ¥500 billion in consolidated sales by fiscal 2020 and growing this to ¥1 trillion by fiscal 2030.**

We have set a long-term target of becoming a group of companies with consolidated sales of ¥1 trillion in fiscal 2030 as part of our management vision. Our intermediate target is ¥500 billion in consolidated sales and ¥40 billion in consolidated ordinary income by fiscal 2020. In order to meet these goals, we are planning on achieving definite growth in all our business fields related to our medical, pharmaceutical, glass and materials businesses.

Our fundamental strategy is to strive to gain global market share and expand our sales, improve our cost competitiveness, rapidly improve our manufacturing capabilities in products where we expect demand to increase and to make the BOP* our target demographic, a group that consists of some 70% of the world's population.

Firstly, with regard to our medical equipment business, we will strongly promote the enrichment of our product lines as well as opening up new sales channels for our diabetes-related products, etc. in addition to our core products, such as the dialyzer (artificial dialysis equipment), and other products related to dialysis. Moreover, in order to meet local needs we are establishing new plants in countries with a growing economy such as India, China, Indonesia, Bangladesh, etc., reinforcing our direct sales systems in these locations as well as creating robust manufacturing and sales systems suitable for each region.

With regard to our business of the contracted manufacturing of pharmaceutical products, as one of the top-class corporate groups leading the Japanese domestic market for

***BOP:**
Acronym for "Bottom of the Pyramid". This refers to the global population subsisting on low incomes.

*DPC:
Acronym for "Diagnosis Procedure Combination", a blanket payment system for charges accrued following hospitalization for an acute condition.

contract manufacturers of pharmaceuticals, we are looking to construct manufacturing facilities in areas were growth is predicted, such as bio-pharmaceutical products, anti-bacterial agents and anti-cancer drugs to name but a few.

With regard to generic drugs, we have continued to pour our efforts into a variety of channels to market, such as DPC* hospitals, dispensing pharmacy groups, etc. as well as bolstering our manufacturing facilities and distribution systems so that we can ensure a stable supply of product, in addition to the development of new items. Moreover, looking overseas and going forward, as there is a great opportunity with the expansion in demand for generic drugs, in order to be able to meet these needs we are moving forward with securing the necessary permissions or approvals in each country and striving to be first to secure market share in each country.

With regard to our glass and materials business, we have been promoting the establishment of processing technology as well as technical breakthroughs with regard to glass items for medical use. We will expand our sales to pharmaceutical companies overseas, not to mention domestic pharmaceutical companies. Moreover, we also plan to strengthen our links with Nippon Electric Glass Co., Ltd., a company we have had a long-standing relationship with for many years, through increase capital and personnel links, as well as pressing forward with expanding the sales and development of more glass items, including those for medical use. Going forward, we will look to make decisive affiliations and M&A decisions both at home and abroad in order to grow this business field one of the mainstays of our Group of companies.

Foreign currency exchange risk was one reason for the reduced profits for the term under review and in order to plan to disperse and reduce this risk, since April 2011 we have decided to implement direct shipping transactions between our overseas group plants and overseas sales companies.

## Dividend Policy

**Based upon the Nipro Group dividend policy of a 50% payout ratio on a unitary basis, our dividend for the fiscal year was ¥50 per share.**

One of the most important management policies of the Nipro Group is the return of profits and profit-sharing is conducted in accordance with a sliding scale based on the results of the business.

In accordance with this sliding scale approach, the basis of which is a proper set of performance-based rules to decide profit-sharing amongst shareholders, employees and senior management, the dividend policy of the Nipro Group is to aim at a 50% payout ratio on a unitary basis.

This year, the Nipro Group paid an interim dividend of ¥18.5 per share. At the end of the full fiscal year, the year-end dividend was paid at ¥31.5 per share, giving a total dividend for the fiscal year of ¥50 per share.

We also plan to pay dividends based on this dividend policy in the next fiscal year as well.

## Prospects for the Next Fiscal Year

**By setting our sights firmly on our targets for fiscal 2030, we will move forward steadily to expand our manufacturing capabilities, improve our cost competitiveness and improve our business performance.**

The Japanese domestic economy faces decreasing demand due to a low birth rate, an ageing society and a shrinking population, in addition to the impact of the Great East Japan Earthquake which struck in March this year, so there are concerns for what could be a long-term downturn for the Japanese economy. Moreover, with regard to the foreign exchange markets, we do not see any factors that could alter the underlying trend of a long-term high yen.

On the other hand, if we look at the rest of the world, it is predicted that economies of the emerging nations such as China and India will continue to show large-scale growth. So even if the Japanese economy appears stifled and stalled, we are welcoming in a dynamic era with unprecedented upheaval in terms of the global marketplace, centering on Asia.

The Nipro Group is convinced that further expansion of its business results can be achieved by setting its sights on taking as broad a view as possible and setting a fundamental course to promote the BOP-centered approach of ‘local production for local business’, as well as expanding our glass and materials business.

As a result the Nipro Group projects sales of ¥213.0 billion, an operating income of ¥16.4 billion (down by 4.5% on the previous year) on a consolidated basis and these are targets that we feel are sufficiently possible to achieve.

## Striving to be the Best in our Business

**By emphasizing speed and timing, we are aiming to become top in our field as we continue to undertake bold challenges.**

The speed of change with regard to the global economy will become increasingly rapid as we move forward.

In order to ensure that the Nipro Group is able to survive the turbulent times ahead and to not let any opportunities pass by, the emphasis has to be on speed and timing. The Nipro Group is actively engaged in global development, investment in facilities as well as pushing forward with cost reduction.

Moreover, in order to establish a base for each of our business fields of medical, pharmaceutical, glass and materials and grow them globally, we will make rapid and bold M&A decisions and stick to managing our businesses with an emphasis on speed.

Furthermore, by working to do away with the barriers between races and nations, and joining hands with local people, we are reinforcing our Win-Win relationships as well as striving night and day to achieve our mission by responding to global needs, not to mention the domestic market, through the mass-production of reasonably-priced, high quality products.

We hope that our shareholders and investors will look forward to our future progress and results, and we would also like to ask you for your continued support.

July 2011

**Minoru Sano**
President

# Research and Development

Promotion of research and development of both medical equipment and pharmaceutical products is central to the NIPRO Group.

Naturally we are trying to achieve higher quality and improved functionality with our existing product areas, as well as making visible, steady progress towards researching and developing new areas.

The development of a cell-culturing system has made progress under the cooperation system of industry, government and academia, and now thanks to our studies of stem cells in umbilical blood, the development has reached the stage where it is taking shape.

In terms of artificial organs, our range of implanted ventricular-assist devices, developed in cooperation with an American company, are currently at the application stage here in Japan.

With regard to our pharmaceutical products, in addition to our regular development of generic drugs, we are actively promoting the development of high value-added products such as kit preparations, which are highly convenient for use in clinical practice and can reduce the risk of medical malpractice, as well as our easy-to-swallow orally-disintegrating tablets.

Moreover, we are making progress with our development of anticancer drugs and biosimilar items with production lines held by our group for each kind of preparation. We are contracted to produce pharmaceutical products and one part of this work is to design the pharmaceutical formulation of new drugs.

In this consolidated accounting year, the total cost of R&D activity was 4.9 billion yen (US$ 59.8 million).

## 1. Medical business

The following research and development activities are performed mainly through the Company's own Research and Development Laboratory.

### General-Purpose Medical Equipment

The Company undertakes research and development in areas related to infusions, catheters, fertility treatment, safety-related products and medical equipment for testing and treating diabetes.

For infusion-related products, development focused on our needleless infusion system, a needleless three-way stopcock with a chemical resistant connector, as well as our infusion pump sets.

For catheter-related products, we developed antithrombotic central venous catheters, catheters for new-born and premature infants, multi-lumen seldinger catheters as well as peripheral-vein central-venous catheters.

Our development of fertility treatment-related products focused on Oocyte aspiration needles, embryo transfer catheters, sperm injection catheters as well as artificial insemination by husband catheters.

With regard to safety-related products, our development program includes SAFETOUCH™ AVFs, SAFETOUCH™ PSVs and SAFETOUCH™ CATHs .

With regard to clinical testing products, our development program looked at blood collection needles with flash-back functionality.

For diabetes treatment-related products, our development focused on safety lancets (LIGHTSHOT SLIM™).

### Intervention-Related Medical Equipment

Our development program resulted in the introduction of circulatory-organ-related medical equipment used in intervention treatment and diagnosis.

For our cardiovascular catheter-related products, there were developments in new PTCA balloon catheters (SIDEKICK OZMA™), thrombus capture catheters (FILTRAP™), guiding catheters (AUTOBAHN™), micro catheters, thrombus aspiration catheters (TVAC™) and stents.

For our endovascular catheter-related products, development moved forward with regard to our hot balloon catheter system, peripheral stents, new PTA catheters (FINESTREAM™, RAPIDSTREAM™) and our drug-eluting balloon.

### Artificial Organ-Related Medical Equipment

The Company continued to focus on its core products in the field of artificial kidney-related equipment as well as engaging in the development and introduction of products such as artificial heart-lungs and heart-related medical equipment used in the treatment of circulatory and respiratory organs.

With regard to our artificial kidney-related products, we worked on the development of dialysis machines, dialyzers, blood access products and blood circuits.

With our artificial heart- and lung-related products, progress was made in developing extracorporeal membrane oxygenators, extracorporeal circuits, centrifugal blood pumps, venous reservoirs, hemoconcentrators, PCPS kits, venous and arterial cannula and implantable ventricular assist devices.

### Regenerative Medicine

We are developing regenerative medicine-related products such as bag systems for culturing cells, bag systems for preserving cells as well as regenerative medicine products that stimulate and take advantage of the self-healing abilities of tissues and organs.

Our development program made progress in nerve-regeneration tubes, pericardium regenerative support membranes, new-type cell culture bags filled with medium (CULTUREBAG™) and cell freezing containers (FROZEBAG™).

### Pharmaceutical Containers

In cooperation with several pharmaceutical companies, our Pharmaceutical Research Center developed medical equipment as well as kit containers for equipment and pharmaceuticals. This included double-bag kits for various pharmaceuticals and pre-filled syringes, an exposure prevention device kit for cancer drugs as well as influenza test devices.

### In-Vitro Diagnostics (IVD)

The Company developed new IVD's useful for early diagnosis and monitoring the effects of treatment, as well as a testing system that uses medical device technology to enable simple tests to be carried out. The new system tests for Alzheimer's disease, diabetic nephropathy, drug-resistant tuberculosis, nutrition assessment and diabetes mellitus.

We have carried out active developments of next-generation regenerative medicine and cell-gene therapy with consistent quality control from research to manufacture and unique and reliable technology. We will also work hard from the viewpoint of global product development.

The total amount of research and development costs in this division for the current fiscal year was ¥2.1 billion (US$25.1 million).
*Based on an exchange rate of USD$1 = ¥83.15

## 2. Pharmaceutical Business

The following research and development activities were undertaken, mainly at our Pharmaceutical Research Center.

### Development of Generic Drugs

Injectable drugs are a specialty of this Company and as such we placed 6 products (using 3 integral elements) on the market including 4 products of pre-filled blood coagulation inhibitor syringes which are used during dialysis.

In the next year, we plan to set 7 products (using 3 integral elements) on the market as detailed below. We have placed 1 product (using 2 integral elements) on the market for pre-mixed bag solutions combining drug and infusion solutions, where the concentrations of the solutions can be altered in advance to prevent incidents of medical malpractice in treatment. We set 2 products (using 1 integral elements) for the double-bag (liquid-and-powder) antibiotic drug market, and 3 products for pre-filled syringes.

We also plan to expand our sales of oral drugs, and now we sell 9 products (using 5 integral elements), including 1 product of low-dose drugs (half-tablet drugs) for elderly persons with renal deficiencies or drug metabolism disorders, patients suffering from functional disorders and health workers such as pharmacists working at medical facilities.

In the next year, we plan to add 14 products (using 6 integral elements) including 3 easy-to-swallow orally-disintegrating tablet products (using 2 integral element).

With regard to our external preparations, we plan to launch 1 tape product on the market in the next year that provides pain relief at the location of the needle puncture during dialysis. Our tape products have high degree of adhesiveness coupled with low self-adhesive properties. We have plans to develop a Trans-dermal Therapeutic System (TTS) preparation which will deliver a pharmaceutical through the skin to the blood flow circulating round the entire body.

As a Company, we combine our formulation technology with our expertise in medical containers to facilitate the timely development of drug products. Our products meet current medical needs, such as our high valued-added drugs like the injectable preparations in kit form (kit preparations), our orally-disintegrating tablets and our low-dose requirement drugs.

### Anticancer Drugs and Biosimilar Medicines

We plan to join the fields of anticancer drugs and biosimilar medicines. As for anticancer drugs, we will start to promote our products after fiscal 2013. Moreover, concerning biosimilar medicines, we have started development with a view to launching on the market following fiscal 2016. Both product lines are scheduled to be manufactured on the Nipro Phama Corporation's new production line.

### Application of New Generic Formulation Technologies

We are active in the applied development of new technologies that avoid the breakup of peptides and proteins that often occurs with oral administration as well as researching DDS technologies using liposomes as well as alternative, non-oral administration systems. Moreover, as an application of liposomes technologies, we promote to develop artificial oxygen carriers shaped hemoglobin capsular under the cooperation of industry and academia.

### Contracted Research and Development

Along with the sale of generic pharmaceutical products, contracted manufacturing of pharmaceutical products has become core to our pharmaceutical business. Our approach to contracted development starts at formulation and encompasses contracted manufacturing of approved pharmaceutical products. In this fiscal period, we started contracted manufacturing trials for two companies and made some progress in our negotiations with several pharmaceutical companies.

The total amount of research and development costs in this division for the current fiscal year was ¥2.9 billion (US$34.7 million).


Research and Development Laboratory

# Global Activities

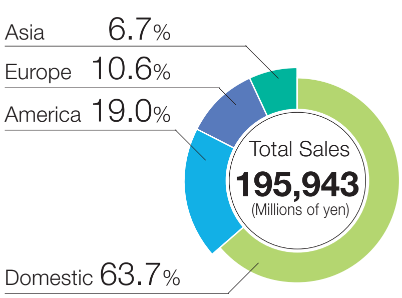
**Our expansion into emerging economies is in full swing, as we look to establish a system of local manufacturing backed by local sales.**

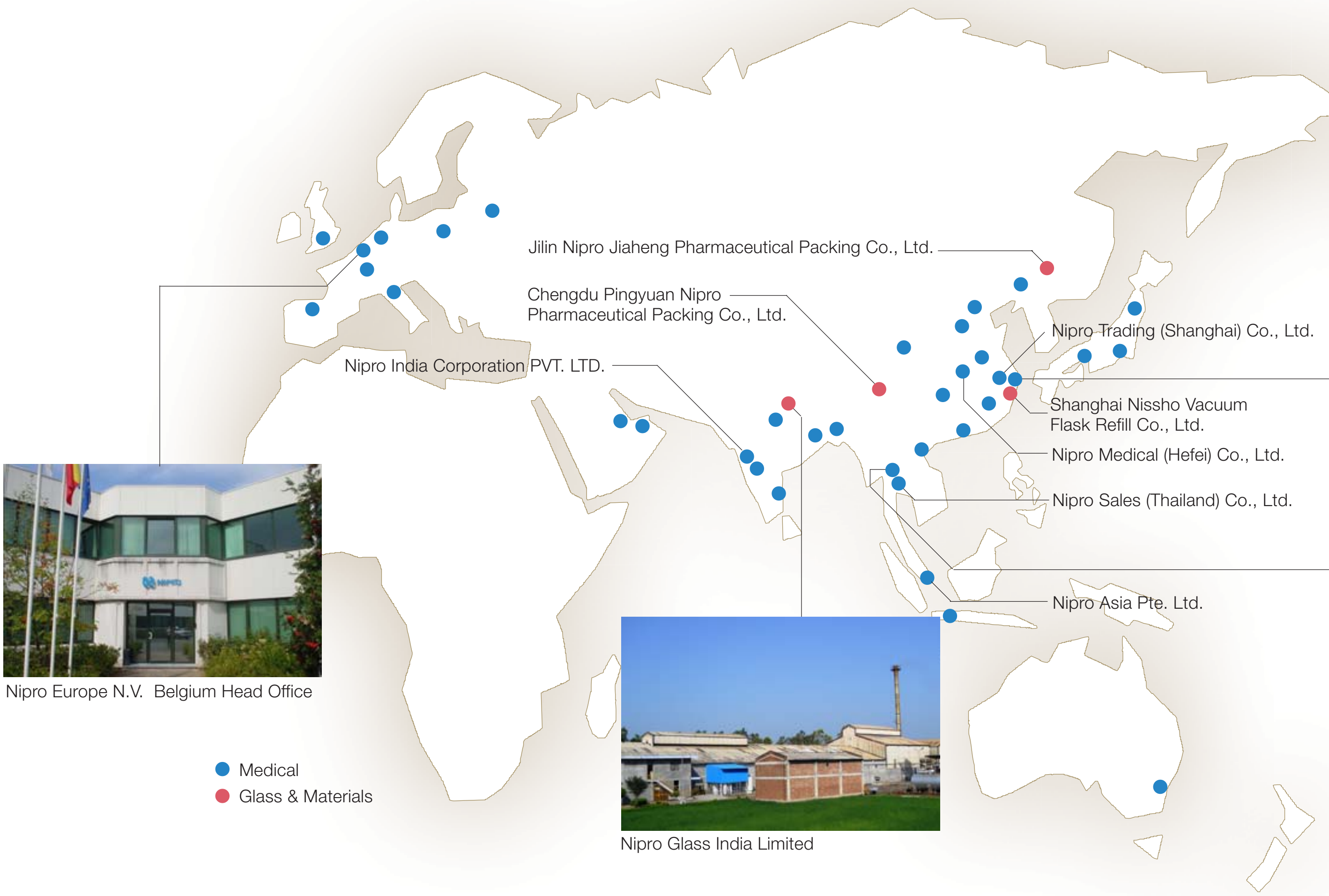
Today, Nipro owns companies and branches in about 60 locations throughout Europe, Asia and North and South America. We have gained a leading share in the global artificial kidney (Dialyzers) market and have an outstanding reputation for high quality products all over the world.

Although overseas sales accounted for just 36.3% of consolidated sales for the Nipro Group in FY2010 (year ending March 31, 2011), overseas sales of core products, including Dialyzers, accounted for more than half of the sales of our medical equipment division.

We will work aggressively to increase overseas sales. We will achieve our growth objectives by establishing

**Sales Ratio by Region** (FY2011)




Nipro Europe N.V. Belgium Head Office

Nipro Glass India Limited

branches and expanding our sales network in emerging market economies where we expect that large population to drive medical needs to continue to rise. We will also increase our sales capabilities by expanding our sales force worldwide.

In China, we will establish 10 new branches for a total of 20 branches and we will increase the size of our sales force to 100 people. Likewise, in India we will triple our sales force to 80 people this year.

Moreover, new plants are under construction in China, India, Indonesia and Bangladesh in order to take advantage of local product development, production and supply. We will establish a local production system in markets expected to experience high-growth where we will deliver low-cost, high-quality products.

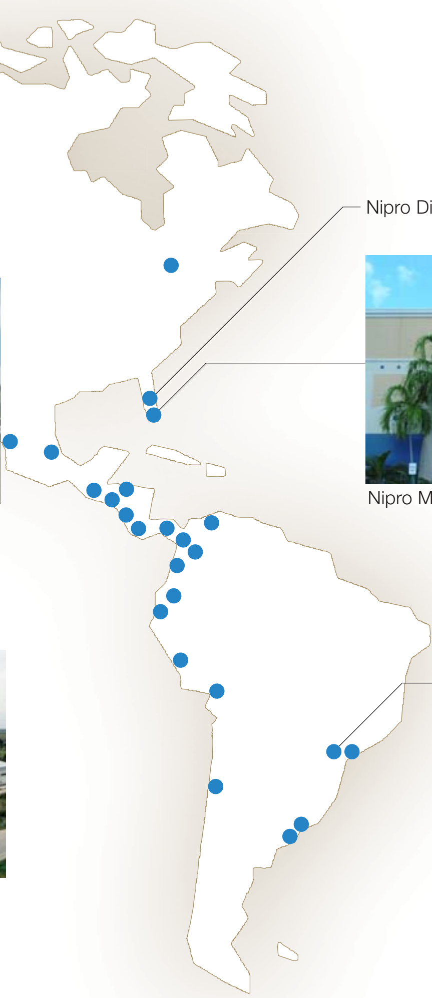
Our dialysis, diabetes and artificial lung-related products are all performing well globally and we will continue to develop this global market. In the diabetes segment, the strategic acquisition of US company Home Diagnostics, Inc., (now Nipro Diagnostics, Inc.,) in March 2010 has allowed us to aggressively enter into the blood glucose meter and ancillaries market.

We will increase our overseas blood glucose monitoring system market penetration by leveraging our global sales network which will start to sell the blood glucose meter and related products worldwide. To date, the market for these products had mainly been developed for North America.

As for our artificial lung set, we anticipate the performance upgrades and more competitive cost, will drive an increase our global market share. Our new artificial lung product range will be launched in 2011.

As for our Glass & Material business, we promote joint ventures with local companies in areas or countries worth projected increases in population and stable needs. We encourage local production and sales of high-quality and low-cost pharmaceutical glass products based on our production technique cultivated through our glass-related business. The manufacturing and sales of ampoules, glass bottles and glass tubes have started in China and India. As we consider entering into other global markets where demand is expected to grow, we will strive to expand this business globally in the same manner as our medical business.

As in 2010, we will continue to promote globalization in 2011.



Nipro Diagnostics Inc.

Nipro (Shanghai) Co., Ltd.

Nipro Medical Corporation  Miami Head Office

Nipro (Thailand) Corporation Limited

Nipro Medical Ltda.

# Plant and Equipment

## 1 Overview of Capital Investments, etc.

The Group (the Company and its consolidated subsidiaries) has focused on investing in research and development and product areas where growth can be expected in the future for energy efficiency, rationalization, product quality improvement, and increasing production capacity.

Capital investment (tangible fixed assets on an acceptance basis; figures shown do not include consumption tax, etc.) during this consolidated fiscal year totaled ¥21.7 billion (US$261.4 million). Capital investment by business segment is shown below.

The medical business segment made capital investments to increase production capacity and for production rationalization at the Company's Odate plant and the Thailand plant of Nipro (Thailand) Corporation Ltd.

The pharmaceutical business segment made capital investments for injectable preparations in kit form at the Odate plant and infusion solution preparations at the Ise plant; both plants are owned and run by the Nipro Pharma Corporation. Furthermore, the Tohoku Nipro Pharmaceutical Corporation made capital investments related to new contract manufacturing projects for oral drugs.

The glass & materials business segment made capital investments for glass prefilled syringes at the Company's Otsu plant and molds for rubber stoppers.

Elimination and corporate capital investments were made primarily in equipment and devices for research and development at the Pharmaceutical Research Center and Research and Development Laboratory.

The required funds were allocated from owned capital and loans.

There was no material retirement or disposal of plants and equipment.

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Medical | ¥ 14,458 | $ 173,879 |
| Pharmaceutical | 6,723 | 80,854 |
| Glass & Materials | 95 | 1,143 |
| Adjustment | 458 | 5,508 |
| Total | ¥ 21,734 | $ 261,384 |

## 2 Status of Major Plant and Equipment

### (1) Reporting Companies

As of March 31, 2011

| Name of Facility (Location) | Name of Segment by Business Category | Type of Asset | Book Value (Millions of yen) | | | | | Number of employees (People) |
|---|---|---|---|---|---|---|---|---|
| | | | Buildings and Structures | Machinery and equipment | Land (Area $m^2$) | Construction in progress | Total | |
| Odate Plant (Odate, Akita) | Medical | Medical Equipment Production Facilities, etc. | ¥ 9,497 | ¥ 15,095 | ¥ 961 (198,026) | ¥ 466 | ¥ 26,019 | 1,143 |
| Otsu Plant (Otsu, Shiga) | Glass & Materials | Glass Tube Processing Production Facilities, etc. | 166 | 126 | 25 (4,604) | 61 | 378 | 33 |
| Tokyo Office (Bunkyo-ku, Tokyo) | Glass & Materials | Sales Facilities | 258 | 47 | 1,974 (377) | – | 2,279 | 20 |
| Domestic Operations 21 Branches and 33 Sales Offices in Japan | Medical | Sales Facilities | 390 | 711 | 357 (2,566) | 11 | 1,469 | 631 |
| Research and Development Laboratory & Pharmaceutical Research Center (Kusatsu, Shiga) | Other or Corporate | Research and Development Plant and Equipment, other | 1,981 | 588 | 467 (26,544) | – | 3,036 | 232 |
| Headquarters (Kita-ku, Osaka) | Medical Glass & Materials Corporate | Other Plant and Equipment | 345 | 389 | 1,508 (1,891) | – | 2,242 | 176 |
| Leased Assets, Other (Settsu, Osaka, Other) | Other | Other Plant and Equipment | 1,213 | 2 | 4,970 (54,065) [21,372] *Note:(1) | – | 6,185 | – |

| Name of Facility (Location) | Name of Segment by Business Category | Type of Asset | Book Value (Thousands of U.S. dollars) | | | | | Number of employees (People) |
|---|---|---|---|---|---|---|---|---|
| | | | Buildings and Structures | Machinery and equipment | Land (Area $m^2$) | Construction in progress | Total | |
| Odate Plant (Odate, Akita) | Medical | Medical Equipment Production Facilities, etc. | $ 114,215 | $ 181,540 | $ 11,557 (198,026) | $ 5,604 | $ 312,916 | 1,143 |
| Otsu Plant (Otsu, Shiga) | Glass & Materials | Glass Tube Processing Production Facilities, etc. | 1,996 | 1,515 | 301 (4,604) | 734 | 4,546 | 33 |
| Tokyo Office (Bunkyo-ku, Tokyo) | Glass & Materials | Sales Facilities | 3,103 | 565 | 23,740 (377) | – | 27,408 | 20 |
| Domestic Operations 21 Branches and 33 Sales Offices in Japan | Medical | Sales Facilities | 4,690 | 8,552 | 4,293 (2,566) | 132 | 17,667 | 631 |
| Research and Development Laboratory & Pharmaceutical Research Center (Kusatsu, Shiga) | Other or Corporate | Research and Development Plant and Equipment, other | 23,824 | 7,072 | 5,616 (26,544) | – | 36,512 | 232 |
| Headquarters (Kita-ku, Osaka) | Medical Glass & Materials Corporate | Other Plant and Equipment | 4,149 | 4,678 | 18,136 (1,891) | – | 26,963 | 176 |
| Leased Assets, Other (Settsu, Osaka, Other) | Other | Other Plant and Equipment | 14,588 | 25 | 59,771 (54,065) [21,372] *Note:(1) | – | 74,384 | – |

## (2) Domestic subsidiaries

As of March 31, 2011

| Company | Name of Facility (Location) | Name of Segment by Business category | Type of Asset | Book Value (Millions of yen) | | | | | Number of employees (People) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Buildings and Structures | Machinery and equipment | Land (Area m$^2$) | Construction in progress | Total | |
| Nipro Medical Industries Co., Ltd. | Tatebayashi Plant (Tatebayashi, Gunma) | Medical | Medical Equipment Production Facilities | ¥ 1,273 | ¥ 1,385 | ¥ 521 (15,462) | ¥ 4 | ¥ 3,183 | 364 |
| Nipro Pharma Corporation | Ise Plant (Matsusaka, Mie) | Pharmaceutical | Pharmaceutical Production Facilities | 6,488 | 2,522 | 1,557 (104,764) | 1,108 | 11,675 | 615 |
| | Odate Plant (Odate, Akita) | Pharmaceutical | Pharmaceutical Production Facilities | 10,915 | 5,554 | 1,247 (195,468) | 4,679 | 22,395 | 547 |
| Tohoku Nipro Pharmaceutical Corporation | Kagamiishi Plant (Kagamiishi-machi, Iwase-gun, Fukushima) | Pharmaceutical | Pharmaceutical Production Facilities | 6,163 | 3,800 | 458 (83,841) | 374 | 10,795 | 187 |
| Zensei Pharmaceutical Industries Co., Ltd. | Kishiwada Plant (Kishiwada, Osaka) | Pharmaceutical | Pharmaceutical Production Facilities | 1,349 | 573 | 552 (21,357) | 273 | 2,747 | 281 |
| Nipro Patch Co., Ltd. | Kasukabe Plant (Kasukabe, Saitama) | Pharmaceutical | Pharmaceutical Production Facilities | 1,249 | 446 | 1,008 (9,611) | 241 | 2,944 | 117 |
| | Hanyu Plant (Hanyu, Saitama) | Pharmaceutical | Pharmaceutical Production Facilities | 900 | 932 | 455 (16,680) | 16 | 2,303 | 52 |

| Company | Name of Facility (Location) | Name of Segment by Business category | Type of Asset | Book Value (Thousands of U.S. dollars) | | | | | Number of employees (People) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Buildings and Structures | Machinery and equipment | Land (Area m$^2$) | Construction in progress | Total | |
| Nipro Medical Industries Co., Ltd. | Tatebayashi Plant (Tatebayashi, Gunma) | Medical | Medical Equipment Production Facilities | *$ 15,310* | *$ 16,656* | *$ 6,266 (15,462)* | *$ 48* | *$ 38,280* | *364* |
| Nipro Pharma Corporation | Ise Plant (Matsusaka, Mie) | Pharmaceutical | Pharmaceutical Production Facilities | *78,028* | *30,331* | *18,725 (104,764)* | *13,325* | *140,409* | *615* |
| | Odate Plant (Odate, Akita) | Pharmaceutical | Pharmaceutical Production Facilities | *131,269* | *66,795* | *14,997 (195,468)* | *56,272* | *269,333* | *547* |
| Tohoku Nipro Pharmaceutical Corporation | Kagamiishi Plant (Kagamiishi-machi, Iwase-gun, Fukushima) | Pharmaceutical | Pharmaceutical Production Facilities | *74,119* | *45,701* | *5,508 (83,841)* | *4,498* | *129,826* | *187* |
| Zensei Pharmaceutical Industries Co., Ltd. | Kishiwada Plant (Kishiwada, Osaka) | Pharmaceutical | Pharmaceutical Production Facilities | *16,224* | *6,891* | *6,639 (21,357)* | *3,283* | *33,037* | *281* |
| Nipro Patch Co., Ltd. | Kasukabe Plant (Kasukabe, Saitama) | Pharmaceutical | Pharmaceutical Production Facilities | *15,021* | *5,364* | *12,123 (9,611)* | *2,898* | *35,406* | *117* |
| | Hanyu Plant (Hanyu, Saitama) | Pharmaceutical | Pharmaceutical Production Facilities | *10,824* | *11,209* | *5,472 (16,680)* | *192* | *27,697* | *52* |

Nipro Patch Co., Ltd. Hanyu Plant

Zensei Pharmaceutical Industries Co., Ltd.

## (3) Overseas subsidiaries

As of March 31, 2011

| Company | Name of Facility (Location) | Name of Segment by Business category | Type of Asset | Book Value (Millions of yen) | | | | | Number of employees (People) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Buildings and Structures | Machinery and equipment | Land (Area $m^2$) | Construction in progress | Total | |
| Nipro (Thailand) Corporation Limited | Thailand Plant (Ayutaya, Thailand) | Medical | Medical Equipment Production Facilities | ¥ 3,349 | ¥ 10,016 | ¥ 267 (159,148) | ¥ 10 | ¥ 13,642 | 4,009 |
| Nipro (Shanghai) Co.,Ltd. | Shanghai Plant (Shanghai, China) | Medical | Medical Equipment Production Facilities | 903 | 1,771 | — <40,681> *Note:(2) | 345 | 3,019 | 701 |
| Nipro Medical Ltda. | Brazil Plant (Sorocaba, Sao Paolo, Brazil) | Medical | Medical Equipment Production Facilities | 418 | 1,309 | 95 (73,623) | 224 | 2,046 | 316 |
| Nipro Diagnostics, Inc. | Fort Lauderdale Plant (Florida, U.S.A) | Medical | Medical Equipment Production Facilities | 92 | 2,545 | — <39,533> *Note:(2) | 166 | 2,803 | 512 |

| Company | Name of Facility (Location) | Name of Segment by Business category | Type of Asset | Book Value (Thousands of U.S. dollars) | | | | | Number of employees (People) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Buildings and Structures | Machinery and equipment | Land (Area $m^2$) | Construction in progress | Total | |
| Nipro (Thailand) Corporation Limited | Thailand Plant (Ayutaya, Thailand) | Medical | Medical Equipment Production Facilities | *$ 40,277* | *$ 120,457* | *$ 3,211 (159,148)* | *$ 120* | *$ 164,065* | *4,009* |
| Nipro (Shanghai) Co.,Ltd. | Shanghai Plant (Shanghai, China) | Medical | Medical Equipment Production Facilities | *10,860* | *21,299* | — *<40,681>* *Note:(2) | *4,149* | *36,308* | *701* |
| Nipro Medical Ltda. | Brazil Plant (Sorocaba, Sao Paolo, Brazil) | Medical | Medical Equipment Production Facilities | *5,027* | *15,742* | *1,143 (73,623)* | *2,694* | *24,606* | *316* |
| Nipro Diagnostics, Inc. | Fort Lauderdale Plant (Florida, U.S.A) | Medical | Medical Equipment Production Facilities | *1,106* | *30,608* | — *<39,533>* *Note:(2) | *1,996* | *33,710* | *512* |

Note:
(1) [21,372] is the area ($m^2$) of major facilities leased to entities other than consolidated subsidiaries.
(2) <40,681> and <39,533> is the area ($m^2$) of facilities leased from entities other than consolidated subsidiaries.
(3) The figures shown above do not include consumption taxes, etc.
(4) There are no major facilities currently in abeyance.
(5) Number of employees indicates the number of people employed.
(6) In addition to the above, the details of major facilities leased from entities other than consolidated subisidaries are shown below.

### 1) Nipro Corporation

| Name of Facility (Location) | Name of Segment by Business category | Type of Facilities | Major Lease Period | Annual Lease Payments (Millions of yen) | Lease Contracts Balance (Millions of yen) |
|---|---|---|---|---|---|
| Headquarters (Kita-ku, Osaka) | Medical Glass & Materials Corporate | Host computer and Peripheral Equipment, etc. | 5 Years | ¥ 50 | ¥ 76 |
| Domestic Operations 21 Branches and 33 Sales Offices in Japan | Medical | Company Vehicles, etc. | 5 Years | 211 | 505 |

| Name of Facility (Location) | Name of Segment by Business category | Type of Facilities | Major Lease Period | Annual Lease Payments (Thousands of U.S. dollars) | Lease Contracts Balance (Thousands of U.S. dollars) |
|---|---|---|---|---|---|
| Headquarters (Kita-ku, Osaka) | Medical Glass & Materials Corporate | Host computer and Peripheral Equipment, etc. | 5 Years | *$ 601* | *$ 914* |
| Domestic Operations 21 Branches and 33 Sales Offices in Japan | Medical | Company Vehicles, etc. | 5 Years | *2,538* | *6,073* |

## 3 Plans for New Construction or Disposal of Facilities

### (1) New Construction of Major Facilities, etc

The Reporting Company leads coordination of plans for new construction of facilities to avoid duplicate investment across the Group, since each individual consolidated subsidiary is principally responsible for setting their own capital investment plans. Plans for new construction of major facilities are as shown below.

| Company | Location | Name of Segment by Business category | Type of Asset | Planned Amount of Investment | | Means of Fund Raising | Month and Year of Construction Start | Month and Year of Planned Completion |
|---|---|---|---|---|---|---|---|---|
| | | | | Total Amount (Millions of yen) | Paid-in Amount (Millions of yen) | | | |
| Nipro Diagnostics, Inc. | Florida, U.S.A | Medical | Blood Glucose Meters Sensor Production Facilities, etc. | ¥ 2,369 | ¥ — | Owned Capital | June 2011 | June 2014 |
| Nipro India Corporation Pvt. Ltd. | Maharashtra, INDIA | Medical | Medical Equipment Production Facilities, etc. | 11,548 | 2,896 | Loans, Investment Funds from the reporting company and Owned Capital | January 2011 | May 2012 |
| Nipro Medical (Hefei) Co., Ltd. | Hefei, Anhui, CHINA | Medical | Medical Equipment Production Facilities, etc. | 21,445 | — | Loans, Investment Funds from the reporting company and Owned Capital | July 2011 | September 2012 |
| Nipro Pharma Corporation Ise Plant | Matsusaka, Mie | Pharmaceutical | Infusion Solution Preparation Production Facilities, etc. | 2,976 | 1,003 | Loans and Owned Capital | March 2010 | January 2012 |
| Nipro Pharma Corporation Odate Plant | Odate, Akita | Pharmaceutical | Biosimilar Medicines Production Facilities, etc. | 2,399 | 499 | Loans and Owned Capital | January 2011 | December 2011 |

| Company | Location | Name of Segment by Business category | Type of Asset | Planned Amount of Investment | | Means of Fund Raising | Month and Year of Construction Start | Month and Year of Planned Completion |
|---|---|---|---|---|---|---|---|---|
| | | | | Total Amount (Thousands of U.S. dollars) | Paid-in Amount (Thousands of U.S. dollars) | | | |
| Nipro Diagnostics, Inc. | Florida, U.S.A | Medical | Blood Glucose Meters Sensor Production Facilities, etc. | $ 28,491 | $ — | Owned Capital | June 2011 | June 2014 |
| Nipro India Corporation Pvt. Ltd. | Maharashtra, INDIA | Medical | Medical Equipment Production Facilities, etc. | 138,882 | 34,829 | Loans, Investment Funds from the reporting company and Owned Capital | January 2011 | May 2012 |
| Nipro Medical (Hefei) Co., Ltd. | Hefei, Anhui, CHINA | Medical | Medical Equipment Production Facilities, etc. | 257,907 | — | Loans, Investment Funds from the reporting company and Owned Capital | July 2011 | September 2012 |
| Nipro Pharma Corporation Ise Plant | Matsusaka, Mie | Pharmaceutical | Infusion Solution Preparation Production Facilities, etc. | 35,791 | 12,063 | Loans and Owned Capital | March 2010 | January 2012 |
| Nipro Pharma Corporation Odate Plant | Odate, Akita | Pharmaceutical | Biosimilar Medicines Production Facilities, etc. | 28,851 | 6,001 | Loans and Owned Capital | January 2011 | December 2011 |

Note: The figures shown above do not include consumption taxes, etc.

### (2) Disposal of Major Facilities, etc

There are no planned disposals, etc., of major facilities.

Nipro Corporation and Nipro Pharma Corporation Odate Plant

# Issues Facing the Company

In addition to our efforts to restore and restart operations at the Tohoku Nipro Pharmaceutical Corporation's Kagamiishi Plant, which was seriously damaged by the Great East Japan Earthquake, we will also implement power saving measures across the company to control power usage, organize a proper production schedule for each business location, as well as reviewing and adjusting work hours to ensure stable supply.

With regard to our medical business, domestically we are planning the development of products with the minimum adverse impact on the environment as well as medical safety-conscious (infection prevention) design for transfusion related products, dialyzer, diabetes related products and vascular-related products. Furthermore, we will work on the development of products that are kind to healthcare professionals, patients and the global environment, as well as leveraging our products that meet market needs to positively develop markets and reinforce sales.

Overseas, due to the impact of currency exchange loss during the last fiscal year, we began to ship directly between overseas plants and subsidiaries starting this April in order to try to separate and diminish currency exchange risk and secure profit. Moreover, new plants will be set up sequentially in India, China, Indonesia and Bangladesh and these plants will respond to local demand, which is undergoing significant growth. We also intend to make our system of direct sales much stronger in each location as we strive to increase sales and profit by focusing on diabetes-related products, where demand shown a rapid increase.

Regarding our pharmaceutical business, we will promote the development of generic anticancer drugs and the construction of a production system, in addition to the moving forward with the construction of a production system for our biomedical drugs as well as the development of our biosimilar drugs in order to revitalize our own production base, joint-venture development projects and our contracted manufacturing business.

As for our material business, we will continue to drive to establish and innovate in the field of glass processing technology and look to expand our sales not only to domestic pharmaceutical companies but also to companies overseas. With regard to developing markets overseas, we will promote joint venture businesses and strive to increase sales and profits through production control and improvements in quality.

# Status of Corporate Governance, etc.

## 1 Status of Corporate Governance

### (1) System for Corporate Governance

**(1) System for Corporate Governance and the Reasons Why this System has been Implemented**

The NIPRO Group has established a corporate governance system with appropriate organizations in accordance with the Companies Act, such as the General Meeting of Stockholders and directors of the Company, in addition to the Board of Directors, statutory auditors and the Board of Auditors and an Accounting Auditor, as well as establishing internal committees such as a Management Risk Control Committee, which continuously maintains close coordination with external parties such as the company attorney, etc., and is structured so as to be able to observe and give direction about the efficiency and appropriateness of its operations over the NIPRO Group as a whole.

The NIPRO Group has diversified its business and established an independent management system for each division from the outset. Based on the management system of each business unit, mutual collaboration and internal controls are effectively exerted on the integrated operations of the NIPRO Group, and with clear responsibilities and a strengthened management system, the corporate governance system mentioned above works effectively as a classic and consistent management system for the NIPRO Group.

**(2) Status of Internal Control Systems**

The Company's basic policy for internal control systems, as stipulated in Article 362, Paragraph 5 of the Companies Act, was approved at the Board of Directors meeting convened on April 29, 2006, and implemented from May 1st of the same year.

The Company endeavors to establish business units as the foundation of its internal control systems for the entire NIPRO Group. The Company's directors and statutory auditors, as well as representatives of each of the major companies of the group, hold a Group management meeting on a regular monthly basis to report on the progress of business operations, decide important operating matters, and deliberate on pending matters.

To build awareness of and compliance with the laws, regulations, and corporate ethics among executives and employees, the Company is active in the dissemination and promotion of compliance by creating and archiving compliance handbooks and manuals of compliance on the corporate portal site, implementing an internal reporting system to collect and react to risk data, and distributing appropriate information via net chat boards and the intranet.

These internal control systems, which are aimed at the executives and employees of each company in the NIPRO Group, are operated as a consistent management mechanism with an aim to ensure close mutual collaboration.

**(3) Status of the Risk Management System**

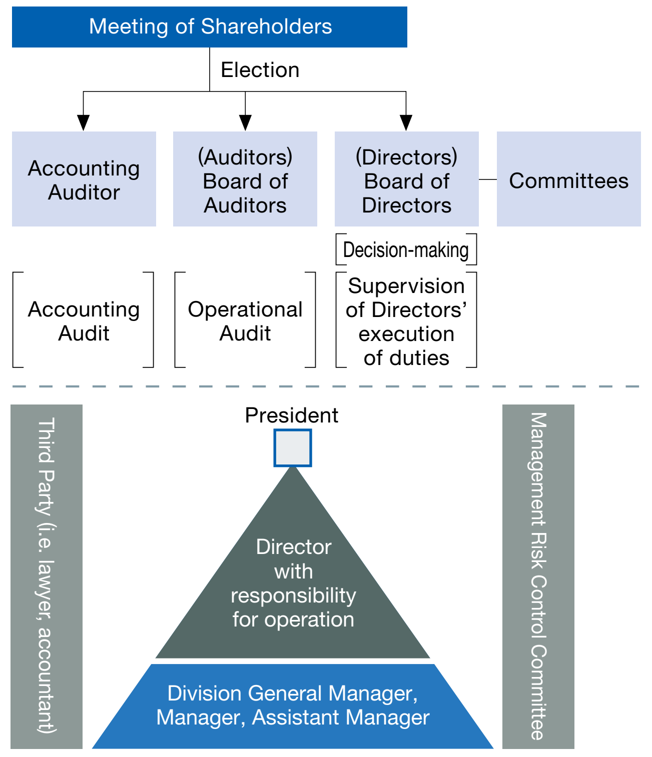
The Company has established risk management regulations and a system for managing business risk and other individual risks in order to recognize and grasp in an appropriate and comprehensive manner risks that could have a material impact on business operations.

In order to effect management across all companies in the Group, the Company has established a Management Risk Control Committee and works continuously to further strengthen the system for promoting management of business risk, so as to prevent, avoid and stop the recurrence of risks and crises.

Furthermore, the Company has established a Sanction Committee, chaired by the President, which endeavors to ensure sound business management through the appropriate handling of sanctions.

**(4) Condition and Status of the Company's Organizational Content and Internal Control Systems**

Conceptual Diagram of Corporate Governance




### (2) Status of Internal Auditing and Audits by Statutory Auditors

**(1) Internal Auditing**

The Company has established an Internal Audit Division, consisting of an Audit Office and an Overseas Audit Office and is conducting audits of accounting, procedures, and other operations based on internal audit protocols.

Aside from the two full-time employees in the Internal Audit Division, employees are dispatched as necessary from the Head Office Management Division or other divisions to carry out inspections in a timely, smooth and efficient manner.

In regards to implementation of specific audit operations, audits are carried out in accordance with audit policies and audit plans that are established each fiscal year, and the Company endeavors to ensure smooth accounting audits and audits by statutory auditors through mutual collaboration between said statutory auditors and our accounting auditors.

**(2) Audits by Statutory Auditors**

For audits by statutory auditors, in accordance with the auditing policy and the division of labor as agreed upon by the Board of Auditors, each statutory auditor attends important meetings, including Board of Directors meetings, and receives reports from Directors and employees and requesting further explanation when necessary, in addition to inspecting important documents as well as undertaking other auditing duties such as investigating the actual condition of operations and assets, etc. The statutory auditors hold Board of Auditors Meetings regularly, or as necessary, in order to exchange views and hold discussions.

## (3) External directors and external auditors

**(1) External auditors**

At present, two of the three Auditors are external auditors, one of whom is indentified as an independent director.

**(2) External directors**

The Company does not have an external director.

<Reasons why the Company does not appoint external directors>

Due to their prior professions, the 2 external auditors have a profound knowledge and insight for business management and they receive reports on the status of operations of directors and employees via the full-time auditor, especially on the matters which could have a material impact on the group and the status of performance of the internal audit. Therefore, they are constantly able to independently and objectively conduct the audit and attend meetings of the Board of Directors to make appropriate statements or offer advice, so that they sufficiently perform the function and role expected of external directors.

**(3) Personal, capital, transactional or other interests between the Company and External Auditors.**

There are no particular interests and relations between the Company and the 2 external auditors.

**(4) The function and role of the External Auditors in the corporate governance of the NIPRO Group.**

External auditors are expected to utilize their profound knowledge from past experience of business management and apply this to the examination of the management of the NIPRO Group from a broader perspective. With close collaboration with the internal auditor, employees of the Auditing Section, auditors of subsidiaries and accounting auditors, they are able to audit from an objective position so as to ensure the effectiveness of an integral and effective audit function over the NIPRO Group as a whole.

**(5) Company's opinion regarding the status of the election of External Auditors**

Close coordination with the full-time auditor, employees of the Auditing Section and assigned staff from the management section of the head office (as needed) provides sufficient collateral to ensure that the audit function and role as required by the system of corporate governance is implemented.

In the event that number of auditors falls below the legal minimum, we have taken the precaution of electing a sub-auditor who meets the requirements to qualify as an external auditor.

When needs arise to improve the audit function in accordance with business developments and future expansion, we intend to review and enhance the audit system including an increase in the number of auditors.

**(6) Mutual collaboration between External Auditors and the Internal Audit Division, audits by statutory auditors and audits by accounting auditors and the relationship with our internal control organization.**

External auditors attend important meetings such as the meeting of Board of Directors in accordance with the audit policy determined by the Board of Auditors. External auditors also obtain reports from the full-time auditor or directly from directors and employees and can also inspect important documents, etc. They hold periodic or occasional meetings with the Board of Auditors and discuss and exchange their fair and independent opinions.

External auditors strive to facilitate a smooth audit service through close collaboration with employees of the auditing section, the full-time auditor, auditors of subsidiaries and the accounting auditor.

## (4) Remuneration paid to Directors and Auditors

**(1) The total amount of remuneration, the total amount of remuneration by type and the number of directors and auditors eligible for remuneration are shown in the table below.**

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | Total amount of remuneration | Total amount of remuneration by type | | | Number of eligible corporate officers |
| | | Annual remuneration | Bonus | Retirement benefits | |
| Directors | ¥ 360 | ¥ 106 | ¥ 209 | ¥ 45 | 31 |
| Auditors Excluding external auditors | 6 | 6 | – | – | 1 |
| External auditors | 2 | 2 | – | – | 2 |

| | Thousands of U.S. dollars | | | | |
|---|---|---|---|---|---|
| | Total amount of remuneration | Total amount of remuneration by type | | | Number of eligible corporate officers |
| | | Annual remuneration | Bonus | Retirement benefits | |
| Directors | $ 4,330 | $ 1,275 | $ 2,514 | $ 541 | 31 |
| Auditors Excluding external auditors | 72 | 72 | – | – | 1 |
| External auditors | 24 | 24 | – | – | 2 |

**(2) The total amount of remuneration etc. of each director and auditor**

As there was no director or auditor whose total consolidated remuneration exceeded 100 million yen, we are not required to disclose this information.

**(3) Basic policy to determine the remuneration of directors**

- Director's remuneration, etc.

  Director's remuneration is determined by the Board of Directors or is based on certain standards decided by the Board of Directors.

  Annual remuneration is determined considering the market rate and the employee's salary level. Bonuses are calculated by a certain method based on the sliding scale system in accordance with the results of the business. Retirement benefits are granted by the resolution of the Board of Directors, up to a ceiling determined at the General Meeting of Stockholders.

- Auditor remuneration

  The annual remuneration is determined by mutual accord with the auditors.

  At present, the total amount of remuneration for directors and auditors is determined by a resolution taken at the General Meeting of Stockholders as follows.

  The total amount of remuneration for directors is up to 800 million yen per year, based on the General Meeting of Stockholders held on June 25, 2010.

  The total amount of remuneration for auditors is up to 30 million yen per year, based on the General Meeting of Stockholders held on June 27, 2007.

## (5) Status of shareholdings

**(1) Investment in stock for which the purpose of the shareholding is other than pure investment**

Number of brands: 34

Total amount on the balance sheet

¥86,171 million (US$1,036.3 million)

**(2) Holding classification, brand name, number of shares, balance sheet data for major stock brands held for other purposes other than pure investment**

| Brand | Number of shares | Amount on the balance sheet (Millions of yen) | Amount on the balance sheet (Thousands of U.S. dollars) |
|---|---|---|---|
| Nippon Electric Glass Co., Ltd. | 56,967,602 | 67,108 | 807,072 |
| Mitsubishi Tanabe Pharma Corporation | 7,642,700 | 10,318 | 124,089 |
| Mitsubishi Chemical Holdings Corporation | 6,300,871 | 3,295 | 39,627 |
| Nichi-Iko Pharmaceutical Co., Ltd. | 1,321,000 | 2,834 | 34,083 |
| Yuki Gosei Kogyo Co., Ltd. | 3,685,000 | 774 | 9,308 |
| Resona Holdings, Inc. | 375,992 | 149 | 1,792 |
| Takeda Pharmaceutical Company Limited | 23,622 | 92 | 1,106 |
| Zojirushi Corporation | 363,000 | 80 | 962 |
| Mitsubishi UFJ Financial Group, Inc. | 138,315 | 53 | 637 |
| Aichi Bank | 6,545 | 34 | 409 |

The purpose of shareholding of all brands shown in the above list is to maintain and raise business relationship.

**(3) Investment in stock for pure investment purposes**

There were no applicable items.

## (6) Status of Accounting Audits

Name of Accounting Auditor

Osaka Audit Corporation

Name of Certified Public Accountants conducting the Audit Operational staff:

Yoshitsugu Hashimoto, Kouichi Aki, Kazuhiro Bando

Support Staff for Audit Operations:

Certified Public Accountants : 8 people
Assistant Certified Public Accountant : 1 person
Other staff : 2 people

## (7) Provisions in the Articles of Association related to the maximum number of directors

The Company's Articles of Association stipulate that the number of directors shall be 40 persons or less.

## (8) Conditions for the Election of Directors

The Company's Articles of Association stipulate that resolutions pertaining to the election of directors must be carried by a majority of votes at a General Shareholders Meeting attended by shareholders entitled to execute one-third or more of shareholder voting rights. Furthermore, the Articles of Association stipulate that resolutions pertaining to the election of directors shall not be carried by accumulative votes.

## (9) Matters originally for Resolution of General Shareholders Meetings which are authorized to be resolved by the Board of Directors

(i) The Company's Articles of Association, pursuant to Article 165, Paragraph 2, of the Companies Act, provide that acquisition of own shares by Market Transactions, as stipulated in Paragraph 1 of the same Article, may be prescribed by a resolution of a Board of Directors meeting in order to make possible the execution of an expeditious funding policy.

(ii) The Company's Articles of Association provide for distribution of Interim Dividends, as stipulated in Article 454, Paragraph 5, of the Companies Act, by resolution of the Board of Directors to shareholders, or registered pledgees of shares, who are recorded in or listed on the final Shareholders Register as of September 30th of each year, in order to smoothly implement dividend policies.

(iii) The Company's Articles of Association provide for exemption of liability of directors and auditors (including persons who were directors or auditors) who have failed in their duties, to the extent which such exemption may be given pursuant to the law and ordinances, by resolution of the Board of Directors, as stipulated in Article 426, Paragraph 1, of the Companies Act, in order to make possible the full execution of the roles expected of directors and auditors.

## (10) Conditions for Special Resolutions at General Shareholders Meetings

The Company's Articles of Association provide that special resolutions at the General Meeting of Stockholders shall be carried by two-thirds or more of votes at a General Meeting of Stockholders attended by shareholders who are entitled to exercise one-third or more of shareholder voting rights, as stipulated by Article 309, Paragraph 2, of the Companies Act, to contribute to the harmonious management of the General Meeting of Stockholders.

## 2 Details etc. of Auditors Remuneration

### (1) Remuneration for Certified Public Accountants, etc. engaged in Accounting Audits

| Classification | Millions of Yen | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Remuneration for Audit Certification Services | Remuneration for Non-Audit Certification Services | Remuneration for Audit Certification Services | Remuneration for Non-Audit Certification Services |
| Nipro corporation | ¥ 38 | 1 | ¥ 38 | — |
| Consolidated | 15 | – | 14 | — |
| Total | ¥ 53 | ¥ 1 | ¥ 52 | — |

| Classification | Thousands of U.S. dollars | |
|---|---|---|
| | 2011 | |
| | Remuneration for Audit Certification Services | Remuneration for Non-Audit Certification Services |
| Nipro corporation | $ 457 | $ 12 |
| Consolidated | 180 | – |
| Total | $ 637 | $ 12 |

### (2) Other Important Remuneration

There were no applicable items.

### (3) Non-Audit Services Provided by Certified Public Accountants etc. engaged in Accounting Audit to Reporting Companies

Non-audit service for which we remunerate certified public accountants is to issue comfort letters about issuance of corporate bonds.

### (4) Decision-Making Policy for Audit Remuneration

There were no applicable items, however, remuneration was decided in consideration of scale, specialty, number of audit days, etc.

## 3 Dividend Policy

The Company considers providing stockholders a return of company profits to be a very important aspect of management policy. This basic stance is based on the idea that a company is an organization composed of three parts: stockholders, employees, and management; and that the profits from business operations should be properly distributed amongst these three components.

As our basic approach, we have been aiming at a 50% payout ratio on a unitary basis.

The Company's basic policy is to distribute dividends of retained earnings twice a year, with an interim dividend and a year-end dividend. The interim dividend is determined by the Board of Directors with the year-end dividend determined at the General Meeting of Stockholders.

Our dividends for the present year have been issued at a rate of ¥50 per share, comprised of an interim dividend of ¥18.50 and year-end dividend of ¥31.50.

The Company believes that internal reserves are essential for expanding our business base and for the long-term development of our business. The Company will actively invest these funds in the marketing, production, as well as the research and development divisions, in order to ensure stable earnings and sustainable growth in the future.

Through a decision of the Board of Directors, the provision of an interim dividend was made possible in the articles of incorporation of the Company and September 30 of every year was established as the record date.

The dividends of retained earnings with record dates in the current business year are as described below.

| Date of Resolution | Amount of dividends Millions of yen | Dividend per share Yen |
|---|---|---|
| November 11, 2010 | ¥ 1,173 | ¥ 18.50 |
| June 28, 2011 | 1,998 | 31.50 |

| Date of Resolution | Amount of dividends Thousands of U.S. dollars | Dividend per share U.S. dollars |
|---|---|---|
| November 11, 2010 | $ 14,107 | $ 0.22 |
| June 28, 2011 | 24,029 | 0.38 |

# Board of Directors and Auditors

President
**Minoru Sano***

Managing Director
**Yoshihiko Sano**
*Domestic Division*

Managing Director
**Makoto Sato**
*Pharmaceutical Business*

Managing Director
**Kazuo Wakatsuki**
*International Division*

Directors
**Akihiko Yamabe**
*Accounting Division*

**Kiyotaka Yoshioka**
*Domestic Division*

**Toshiaki Masuda**
*Domestic Division/Research & Development Laboratory*

**Mitsutaka Ueda**
*Domestic Division*

**Tsuyoshi Yamazaki**
*International Division*

**Yusuke Kofuku**
*International Division*

**Hideo Okamoto**
*Material Division*

**Masanobu Iwasa**
*Material Division*

**Kyoetsu Kobayashi**
*Odate Plant*

**Yozo Sawada**
*Intellectual Property Department*

**Kimihito Minoura**
*Corporate Planning & Coordination Division*

**Hideto Nakamura**
*Human Resources/General Affairs Division*

**Yasushi Kutsukawa**
*Domestic Division*

**Masayuki Ito**
*Domestic Division*

**Itsuo Akasaki**
*Material Division*

**Kazuhiko Sano**
*Research & Development Laboratory*

**Akio Shirasu**
*Research & Development Laboratory*

**Hiroshi Yoshida**
*Research & Development Laboratory*

**Hiroshi Sudo**
*Research & Development Laboratory*

**Takeo Kikuchi**
*Pharmaceutical Research Center*

**Kenichi Nishida**
*Pharmaceutical Research Center*

**Toyoshi Yoshida**
*Quality Assurance & Regulatory Compliance Division*

Standing Statutory Auditor
**Takayuki Nomiya**

Statutory Auditor
**Masamichi Wada**

Statutory Auditor
**Kazumichi Irie**

Spare Statutory Auditor
**Kiyoshi Kase**

* Representative Director

# Financial Review

## Overview

In the current period under review (year ended March 31, 2011), the global economy has transitioned towards an increasing sense of recession due to slow growth in Europe and the US added to political unrest in Middle Eastern countries, though developing countries showed steady economic growth. On the other hand, Japanese economy recovered gradually in the first half-year supported by exports to Asia and emergency economic measures. In the last half-year, however, the strong yen and increases in the price of resources depressed the economy, and following the Great East Japan Earthquake of March 11, 2011 not only the Tohoku (NE Japan) region but whole domestic economy is facing a severe situation.

With regard to the Group, some district offices were directly affected by the disaster, and seven local plants (Nipro Corporation's Odate Plant, Nipro Phama Corporation's Odate Plant, Nipro Medical Industries Co., Ltd.'s Tatebayashi Plant, Tohoku Nipro Pharmaceutical Corporation's Kagamiishi Plant, Nipro Patch Co., Ltd.'s Kasukabe and Hanyu Plants and Nipro Genepha Corporation's Kasukabe Plant) were damaged and ceased production. Currently all these plants, with the exception of Tohoku Nipro Pharmaceutical Corporation's Kagamiishi Plant, have almost recovered total operational functionality.

Under these conditions, The Nipro Group aims to improve production and sales as well as increase efficiency, in addition to promoting local production for local consumption in order to actively improve our business performance.

## Consolidated Business Results

### Net Sales

In the year ended March 31, 2011, consolidated net sales amounted to ¥195.9 billion (US$2,356.5 million), an increase of 10.2% compared with the previous fiscal year.

### Net sales by Business Segment

Effective the fiscal year ended March 31, 2011, the Company applied a new accounting standard for disclosure related to enterprise segments and related information issued by the Accounting Standards Board of Japan. Net sales and operating income for the fiscal year ended March 31, 2011 and 2010 have been calculated in accordance with these new standards and they are reflected in the year-on-year comparison.

#### Medical Business

With regard to domestic sales, the market and business conditions became severe as a result of the reduction in the official redemption price of drugs and special treatment materials. Under these circumstances, we have made progress in increasing market share and improving our sales efficiency. Sales grew greatly in vascular-related products (such as thrombus capture catheters, micro stents and angiographic kits), and we could see a consistent growth in sales in our value-added products for avoiding medical accidents and reducing infection risk, enteral-alimentation-related products, environment-friendly products, dialysis-related products such as artificial kidney (dialyzer), blood circuits, dialysis solutions and clinical testing products such as out glucose analysis device.

As for our business overseas, we have been greatly affected by the strength of the yen relative to the US dollar and Euro. However, we have continued to actively promote sales in the Chinese, Asian and Latin American markets, in addition to North America and Europe. We were able to increase sales through our community-based sales promotions.

Sales of our diabetes-related products grew considerably due to our sales expansion into the global market, and dialysis-related products (such as dialyzer, dialysis machines, blood circuits and indwelling needles) also showed positive sales growth thanks to our community-based sales promotions targeted at the dialysis market for developing countries. Moreover, we began to construct four plants in India, Indonesia, Bangladesh and China (Hefei) in order to construct our global production system.

As a result, net sales of this business increased 12.1% from the previous period to ¥132.8 billion (US$1,597.3 million).

#### Pharmaceutical Business

This business consists of two main divisions; the generic drugs division, with its mission to provide low cost and high quality drugs, and the contract manufacturing division, which offers high value-added products to meet customer needs.

With regard to our sales of generic drugs, in accordance with government policy for the dissemination of generic products: "the quantitative share for generic drugs shall be exceed 30% by the end of fiscal 2012." In line with this statement the bonus points system for dispensing generic drugs was implemented in April 2010. Thus, while the market undergoes an expansion, we have been proactively moving forward with our sales promotions to dispensing pharmacy groups and have increased sales of oral drugs and drugs for external use. In addition, injectable drug sales, our main product, have grown steadily as a result of our detailed information service, mainly to hospitals subject to the DPC system (Diagnostic Procedure Combination; a comprehensive payment system for medical costs incurred due to hospitalization for acute illness). Though we could not avoid a decrease in sales due to a revision in drug prices (implemented biannually), we were able to register significant sales growth, partially because of strong sales of supplementary products listed last November.

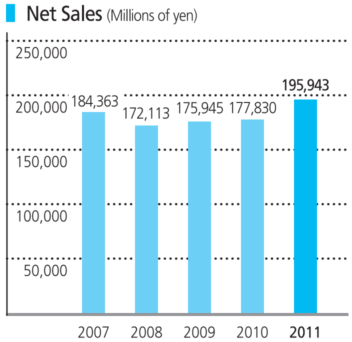
With regard to sales in our contract manufacturing business, we have focused on getting contracts in oral drug sales, in addition to injectable drug sales, since we completed construction of one of the largest oral drug plants in Japan two years ago. In the current period, our sales results exceeded the previous year's results due to the sale of new products and an increase in shipment amounts mainly in products launched during the previous period.

As a result, net sales of this business increased 10.1% from the previous period to ¥38.0 billion (US$457.1 million).

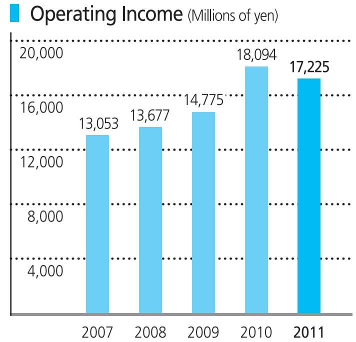
#### Glass & Materials Business

In the field of glass and materials, domestic demand for glass tubes for ampoules for pharmaceutical use decreased. Sales of glass tubes for bottles performed steady because the decrease in domestic demand was covered by an increase in exports overseas. Furthermore, we established a new business based on glass for pharmaceutical use in China and India, and commenced sales operations overseas. Glass exports for thermos bottles had showed some signs of recovery

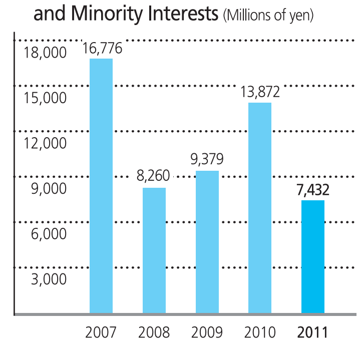
Net Sales (Millions of yen)




Operating Income (Millions of yen)




Income Before Income Taxes and Minority Interests (Millions of yen)



and the sales increased a little from the previous period. As for the sales of glass for lighting purposes, sales of glass tubes for electric lamps increased due to positive conditions with regard to domestic automobile production. However, sales of glass for LCD backlights decreased due to the proliferation of LED products.

In the field of other pharmaceutical containers, sales of rubber stoppers for pharmaceutical use increased steadily based on our processing technologies for plastics, metal and rubber. However, sales of containers for combination products, bags for antimicrobial agents and parts for pre-filled syringes decreased slightly.

As for medical preparation and administration-related devices, sales showed a strong increase, and we are making progress in the commercialization of our products through both proprietary development and joint development with pharmaceutical companies, so as to meet diverse needs. Furthermore, we continue to promote contract manufacturing and development through cooperation with domestic and foreign pharmaceutical companies with regard to the general life-cycle management of pharmaceuticals, including the development of combination products, systematization for self-injection and modification of dosage form in the visual field.

As a result, net sales of this business increased 1.5% from the previous period to ¥24.7 billion (US$ 297.1 million).

**Other Business**

Sales from real estate rental income decreased 6.5% from the previous year to ¥0.4 billion (US$5.0 million).

## Cost of sales

The cost of sales increased 9.2% compared with the previous period to ¥137.8 billion (US$1,656.9 million). The main reason for the increase was the addition of Nipro Diagnostics Inc. into the scope of consolidation and the appreciation of the yen.

The ratio of cost of sales to net sales decreased 0.6 percentage points compared with the previous period to 70.3%, mainly due to the addition of Nipro Diagnostics Inc., which had a lower cost of sales ratio.

As a result, gross profit increased 12.6% compared with the previous period to ¥58.2 billion (US$699.6 million).

## Sales, General and Administrative expenses

Sales, general and administrative expenses increased 21.9% compared with the previous period to ¥41.0 billion (US$492.5 million), mainly as a result of the addition of Nipro Diagnostics Inc. into the scope of consolidation and an increase in the amortization of goodwill.

## Operating Income

As a result of the above mentioned factors, operating income decreased 4.8% compared with previous period to ¥17.2 billion (US$207.2 million). The ratio of operating income to net sales decreased 1.4% percentage point to 8.8%, owing to an increase of sales, general and administrative expenses.

## Operating Income by business segment

**Medical business**

Operating income of Medical business decreased 7.5% compared with previous period to ¥18.4 billion (US221.7 million), resulting from the amortization of goodwill.

**Pharmaceutical business**

Operating income of Pharmaceutical business decrease 21.1% compared with previous period to ¥1.7 billion (US$19.9 million), resulting from the reduction in the official redemption drug price.

**Glass & Materials business**

Operating income of Glass & Materials business decreased 13.0% compared with previous period to ¥2.7 billion (US$32.5 million), due to a stagnation of this business domestically.

**Other business**

Operating income of "Other" amounted to ¥0.09 billion (US$1.1 million), mainly from the sale of machinery.

**Adjustment (Elimination/Corporate)**

The unallocated corporate cost, which consisted mainly of the R&D-related expenses and headquarters administration expenses, decreased 20.3% compared with the previous period to ¥5.7 billion (US$68.1 million) mainly due to a decrease in experiment and research expenses.

## Other income (Expenses)

We recorded other expenses of ¥9.8 billion (US$117.8 million) compared with other expenses of ¥4.2 billion in the previous period. In the period under review, we recorded ¥2.4 billion (US$29.4 million) in exchange loss, increasing 435.7% compared with the previous period, and ¥5.3 billion (US$63.3 million) in loss due to a disaster.

## Income before income taxes and minority interests

As a result of the factors outlined above, income before income taxes and minority interests decreased 46.4% compared with the previous period to ¥7.4 billion (US$ 89.4 million).

## Net sales and operating income by geographic segment

**Japan**

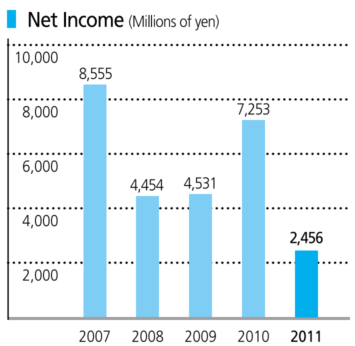
In Japan, net sales increased 4.9% compared with the previous period to ¥146.3 billion (US$1,759.1 million) due to strong sales in our Medical and Pharmaceutical businesses. Operating income decreased 3.6% compared with the previous period to ¥22.2 billion (US$267.0 million) due to the revision in reimbursement price.

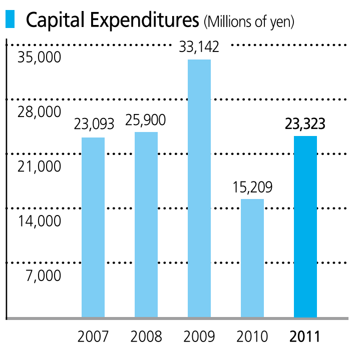
**America**

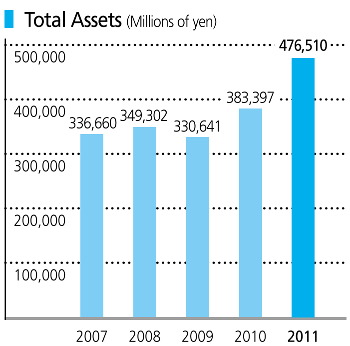
In America, net sales increased 56.6% compared with the previous period to ¥27.9 billion (US$335.9 million) due to the addition of Nipro Diagnostics Inc. into the scope of consolidation. This segment recorded an operating loss of ¥0.9 billion (US$11.4 million) which was an increase compared with the operating loss of ¥0.08 billion in the previous period,

**Europe**

In Europe, net sales decreased 6.8% compared with the previous period to ¥12.0 billion (US$144.6 million) due to appreciation of the yen and against the euro. This segment recorded operating income of ¥0.1 billion (US$1.3 million) compared with the operating income of ¥0.05 billion in the previous period.



**Asia**

In Asia, net sales increased 25.9% compared with the previous period to ¥9.7 billion (US$116.8 million) due to a steady expansion of sales in the Asian market.

Operating income decreased 25.9% to ¥1.6 billion (US$19.5 million) because the plant production plants was tight due to an increase in the cost of sales.

## Financial Position

Total assets as of March 31, 2011 stood at ¥476.5 billion (US$5,730.7 million), an increase of 24.3% from the end of the previous period.

Current assets increased 20.6% from the end of the previous period to ¥217.0 billion (US$2,610.0 million), due mainly to the increase in cash and cash equivalents, trade notes and accounts receivable and inventories.

Property, plant and equipment, net of accumulated depreciation, stood at ¥128.5 billion (US$1,545.5 million), slightly increased by 3.5% compared with the previous period.

Capital investments in property, plant and equipment totaled ¥21.7 billion (US$261.4 million). By business segment, capital investments amounted to ¥14.5 billion (US$173.9 million) in the Medical business and ¥6.7 billion (US$80.9 million) in the Pharmaceutical business.

Intangible assets increased 471.0% to ¥13.6 billion (US$163.2 million) due to the increase in goodwill.

Investment and other assets increased 52.7% to ¥117.4 billion (US$1,412.1 million), due mainly to investment securities and deferred income taxes.

Current liabilities increased 27.6% from the end of the previous period to ¥176.4 billion (US$2,121.5 million), mainly due to the increase in trade notes and account payable short-term bank loans.

Long-term liabilities increased 48.0% from the end of the previous period to ¥191.1 billion (US$2,297.9 million), owing to the increase in long-term debt.

Total net assets decreased 6.1% from the end of the previous fiscal year to ¥109.0 billion (US$1,311.3 million), due to the decrease in retained earnings, unrealized gain on available-for-sale securities and foreign currency translation adjustments.

## Cash Flow

Net cash provided by operating activities decreased 16.9% compared with the previous period to ¥21.8 billion (US$ 262.2 million), mainly because of a decrease in net income.

Net cash used in investing activities amounted to ¥84.7 billion (US$ 1,018.1 million), mainly due to the purchase of available-for-sales securities and property, plants and equipment.

Net cash provided by financing activities amounted to ¥86.3 billion (US$1,037.5 million) as a result of increase in short- and long-term loans.

As a result, net cash and cash equivalents increased ¥21.1 billion (US$254.2 million) compared with the end of previous period to ¥78.9 billion (US$ 949.2 million).

## Staff

Total number of employees at the end of the period under review increased 2,078 compared with the end of the previous period to 12,017. Employees in Japan increased 111 to 5,005, and the overseas employees increased 1,967 to 7,012.

## Basic policy on distribution of profit

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. Bonuses for directors and statutory auditors are determined on the basis of corporate business performance.

Retained earnings are invested in sales and production facilities as well as in R&D, with a view to establishing the firm management basis and long-term business development, which in turn should ensure stable profits in the future.

## Risk Factors

The following are risks that may have an effect on the Nipro Group's results of operations and/or its financial condition.

The items concerned were determined as of March 31, 2011.

### (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 of medical equipment and pharmaceutical products. There are still the risks, 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.

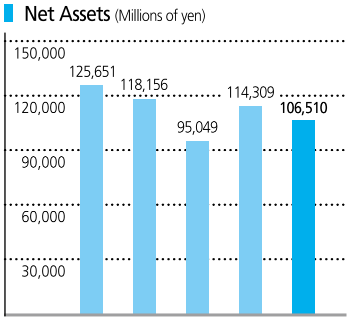
### (2) Risks Related to Supplier Concentration

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.

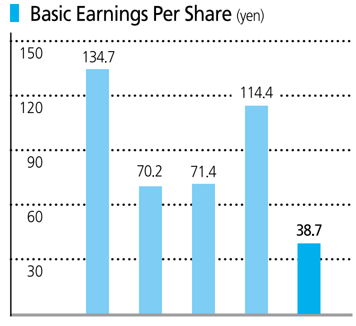
### (3) Risks Related to Changes in Government Healthcare Policies

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 the 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 the government healthcare policies, there could

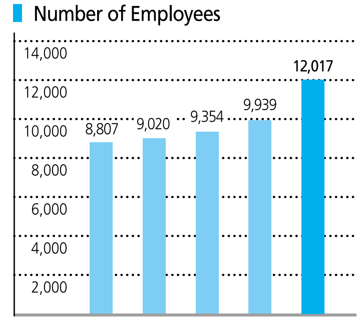
Net Assets (Millions of yen)




Basic Earnings Per Share (yen)




Number of Employees



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 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. Moreover, 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 petrochemicals rise, 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 its 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 on 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 its 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 for 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 Controls on Personal Information

The Nipro Group has established strict precautions to protect the confidentiality of the personal information in the Group's possession.

However, if due to unforeseen events or an accident this personal information is leaked outside the Group, causing a loss of trust or customers, there could be a material adverse effect on our results of operations and financial condition.

### (12) Risks Related to Litigation

On December 7, 2007, a damage suit was filed at the Tokyo Higher Court by Naigai Co., Ltd. and Naigai Glass Kogyo Co., Ltd. against the Company, based on the 25th article of the antitrust law. The claimed amount was ¥2,032 million (US$24.438 thousand, based on a rate of US$1=¥83.15). The Company is arguing, among others, the occurrence of the damage and the correlation between the act and the damage. Should the defense of the Company be unsuccessful and a judgment to order the payment of compensation be given to the Company, there could be a material adverse effect on our results of operations and financial condition.

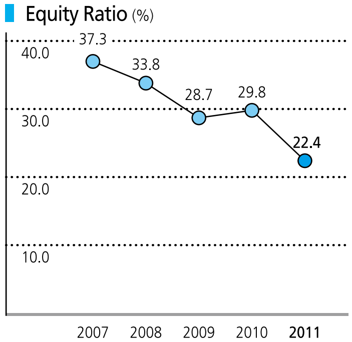
### (13) Risk Related to Fund Raising

The Nipro Group relies on debt finance in the form of loans from financial institutions or issuance of corporate bonds and commercial paper etc. to raise our business and investment funds. Due to turmoil in financial markets, reduction of lending from financial institutions to us or a significant downgrade of our credit rating by credit rating agency, we may not be able to raise the necessary funds when we need them on acceptable term, our fund raising may become more restricted or the cost of fund raising could increase, and there could be a material adverse effect on its results of operations and financial condition.

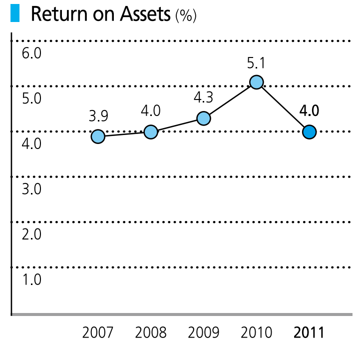
### (14) Other Risks

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.

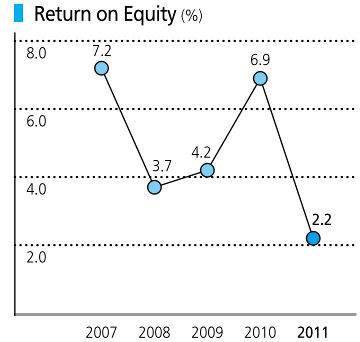
Equity Ratio (%)




Return on Assets (%)




Return on Equity (%)



# 10 Year Summary

Nipro Corporation and its Consolidated Subsidiaries
Years ended March 31

| | Millions of yen | | | |
|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 |
| **Income Statement Data:** | | | | |
| Net sales | ¥ **195,943** | ¥ 177,830 | ¥ 175,945 | ¥ 172,113 |
| Medical (1) | **132,817** | 118,517 | 112,970 | 111,084 |
| Pharmaceutical (1) | **38,005** | 34,528 | 52,726 | 48,754 |
| Glass and Materials (1) | **24,704** | 24,338 | 9,554 | 11,437 |
| Other (1) | **417** | 447 | 695 | 838 |
| Store (1) | **—** | — | — | — |
| Cost of sales | **137,768** | 126,145 | 124,396 | 123,108 |
| Selling, general and administrative expenses | **40,950** | 33,591 | 36,774 | 35,328 |
| Operating income | **17,225** | 18,094 | 14,775 | 13,677 |
| Medical (2) | **18,437** | 19,923 | 16,209 | 15,830 |
| Pharmaceutical (2) | **1,658** | 2,102 | 4,082 | 3,271 |
| Glass and Materials (2) | **2,701** | 3,103 | 1,772 | 1,890 |
| Other (2) | **88** | 64 | 4 | 13 |
| Store (2) | **—** | — | — | — |
| Income before income taxes and minority interests | **7,432** | 13,872 | 9,379 | 8,260 |
| Net income | **2,456** | 7,253 | 4,531 | 4,454 |
| Capital expenditures | **23,323** | 15,209 | 33,142 | 25,900 |
| Depreciation and amortization | **21,244** | 18,421 | 18,109 | 15,054 |
| R&D expenses | **4,977** | 4,846 | 5,352 | 6,194 |
| **Balance Sheet Data:** | | | | |
| Total assets | ¥ **476,510** | ¥ 383,397 | ¥ 330,641 | ¥ 349,302 |
| Property, plant and equipment-net | **128,506** | 124,209 | 126,739 | 118,812 |
| Working capital | **40,621** | 41,725 | 46,070 | 53,911 |
| Current liabilities | **176,401** | 138,204 | 114,796 | 108,835 |
| Long-term liabilities | **191,071** | 129,122 | 119,285 | 120,923 |
| Common stock | **28,663** | 28,663 | 28,663 | 28,663 |
| Capital surplus | **29,973** | 29,973 | 29,973 | 29,975 |
| Net Assets (3) | **106,510** | 114,309 | 95,049 | 118,156 |

| | Yen | | | |
|---|---|---|---|---|
| **Per share data:** | | | | |
| Basic earnings (4) | ¥ **38.7** | ¥ 114.4 | ¥ 71.4 | ¥ 70.2 |
| Diluted earnings (4) | **34.9** | 114.1 | — | — |
| Cash dividends | **50.0** | 53.0 | 32.0 | 37.5 |
| Equity | **1,679.4** | 1,802.3 | 1,498.5 | 1,861.8 |
| Number of common shares issued | **63,878,505** | 63,878,505 | 63,878,505 | 63,878,505 |
| Number of employees | **12,017** | 9,939 | 9,354 | 9,020 |
| **Selected Data and Ratios:** | | | | |
| Equity ratio (5) (%) | **22.4** | 29.8 | 28.7 | 33.8 |
| Return on assets (5) (%) | **4.0** | 5.1 | 4.3 | 4.0 |
| Return on equity (5) (%) | **2.2** | 6.9 | 4.2 | 3.7 |
| Price earnings ratio (5) (times) | **42.5** | 15.8 | 21.5 | 24.8 |

Note:
(1) Effective the fiscal year ended March 31,2011, the Company adopted ASBJ Statement No.17 “Accounting Standard for Disclosures about Segment of an Enterprise and Related Information” (March 27, 2009) and ASBJ Guidance No.20 “ Guidance on Accounting Standard for Disclosures about Segment of an Enterprise and Related Information.” Net sales and operating income for the period for the fiscal year ended March 31, 2010 have been restated to show what the Group’s result would have been if the new accounting standards had been applied in that year. Before the fiscal year ended March 31, 2009, net sales and operating income have been stated in compliance with previous accounting rules.
(2) Operating income at the operating segment level is not adjusted for intra-segment transactions. See note 13 to the consolidated financial statements.
(3) Effective April 1, 2006, the Company adopted a new accounting standard for presentation of net assets in the balance sheet issued by the Accounting Standard Board of Japan. In the new accounting standard, net assets refer to the sum of total shareholders’ equity, accumulated other comprehensive income, and minority interests. Minority interests, however, have not been included in net assets above to conform to the prior years’ presentation.

| Millions of yen | | | | | | Thousands of U.S. dollars (Note1) |
|---|---|---|---|---|---|---|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | **2011** |
| ¥ 184,363 | ¥ 206,801 | ¥ 192,320 | ¥ 188,700 | ¥ 180,370 | ¥ 171,217 | **$ 2,356,500** |
| 97,300 | 90,868 | 82,504 | 78,727 | 76,009 | 77,572 | **1,597,318** |
| 42,152 | 35,220 | 26,207 | 25,339 | 21,979 | 15,946 | **457,066** |
| 12,919 | 11,934 | 11,667 | 11,891 | 11,064 | 11,234 | **297,102** |
| 1,019 | 1,518 | 1,101 | 1,386 | 1,758 | 1,701 | **5,014** |
| 30,973 | 67,261 | 70,841 | 71,357 | 69,560 | 64,764 | **—** |
| 132,142 | 149,971 | 140,072 | 137,153 | 128,776 | 122,092 | **1,656,861** |
| 39,168 | 44,498 | 41,844 | 38,990 | 36,695 | 34,690 | **492,483** |
| 13,053 | 12,332 | 10,404 | 12,557 | 14,899 | 14,435 | **207,156** |
| 14,334 | 13,430 | 11,039 | 12,117 | 14,175 | 15,016 | **221,732** |
| 3,298 | 2,111 | 2,261 | 2,471 | 1,981 | 1,104 | **19,940** |
| 1,865 | 1,836 | 1,889 | 1,819 | 1,777 | 1,806 | **32,483** |
| 151 | 529 | 288 | 404 | 148 | 115 | **1,058** |
| 270 | 578 | 115 | 420 | 1,109 | 1,037 | **—** |
| 16,776 | 9,061 | 8,660 | 8,044 | 8,781 | 11,617 | **89,381** |
| 8,555 | 4,513 | 4,519 | 4,216 | 5,078 | 5,842 | **29,537** |
| 23,093 | 20,874 | 16,312 | 14,500 | 20,775 | 17,166 | **280,494** |
| 12,470 | 12,315 | 10,266 | 9,819 | 8,767 | 7,215 | **255,490** |
| 4,461 | 3,760 | 3,422 | 3,074 | 2,328 | 2,553 | **59,856** |
| | | | | | | |
| ¥ 336,660 | ¥ 338,741 | ¥ 293,749 | ¥ 279,701 | ¥ 252,848 | ¥ 245,403 | **$ 5,730,728** |
| 104,882 | 106,195 | 98,788 | 94,005 | 91,147 | 81,029 | **1,545,472** |
| 43,128 | 34,579 | 39,123 | 28,570 | 27,542 | 9,792 | **488,526** |
| 104,105 | 111,285 | 96,242 | 96,364 | 88,889 | 105,764 | **2,121,480** |
| 105,535 | 113,453 | 99,198 | 86,932 | 78,657 | 61,952 | **2,297,908** |
| 28,663 | 28,663 | 28,663 | 28,663 | 28,663 | 23,113 | **344,714** |
| 29,973 | 29,972 | 29,972 | 29,972 | 29,972 | 24,435 | **360,469** |
| 125,651 | 112,391 | 96,700 | 94,711 | 83,533 | 76,099 | **1,280,937** |
| Yen | | | | | | U.S. dollars (Note1) |
| ¥ 134.7 | ¥ 69.6 | ¥ 69.4 | ¥ 64.9 | ¥ 84.3 | ¥ 104.4 | **$ 0.47** |
| — | — | — | — | 78.5 | 92.4 | **0.42** |
| 80.0 | 37.5 | 38.5 | 30.5 | 32.0 | 47.0 | **0.60** |
| 1,979.2 | 1,767.7 | 1,519.6 | 1,487.5 | 1,310.7 | 1,343.7 | **20.20** |
| | | | | | | |
| 63,878,505 | 63,878,505 | 63,878,505 | 63,878,505 | 63,878,505 | 56,670,149 | |
| 8,807 | 9,048 | 8,617 | 8,132 | 8,029 | 7,835 | |
| | | | | | | |
| 37.3 | 33.2 | 32.9 | 33.9 | 33.0 | 31.0 | |
| 3.9 | 3.9 | 3.6 | 4.7 | 6.0 | 6.1 | |
| 7.2 | 4.3 | 4.7 | 4.7 | 6.4 | 8.0 | |
| 17.1 | 26.0 | 25.6 | 24.1 | 21.5 | 17.4 | |

(4) 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 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.

(5) Equity ratio is the ratio of the sum of total shareholders' equity and accumulated other comprehensive income to total assets at the period end. Return on assets is the ratio of operating income for the period to average of total assets during the period. Return on equity is the ratio of net income for the period to average of the sum of total shareholders' equity and accumulated other comprehensive income during the period. Price earnings ratio is the ratio of the closing price of the Company's shares listed on the First Section of the Tokyo Stock Exchange on the last trading day in March of each year to basic earnings per share.

# Consolidated Balance Sheets

Nipro Corporation and its Consolidated Subsidiaries
As of March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | ¥ 78,922 | ¥ 56,188 | $ 949,152 |
| Time deposits (over three months) | 2,194 | 3,079 | 26,387 |
| Trade notes and accounts receivable | 61,237 | 56,304 | 736,464 |
| Allowance for doubtful receivables | (414) | (433) | (4,979) |
| Inventories (Note 3) | 60,943 | 54,704 | 732,928 |
| Deferred income taxes (Note 4) | 4,204 | 3,149 | 50,559 |
| Other current assets | 9,936 | 6,938 | 119,495 |
| Total current assets | 217,022 | 179,929 | 2,610,006 |
| **Property, plant and equipment (Notes 5):** | | | |
| Land | 20,115 | 19,766 | 241,912 |
| Buildings and structures | 111,353 | 107,011 | 1,339,182 |
| Machinery and equipment | 164,119 | 143,960 | 1,973,770 |
| Construction in progress | 8,990 | 11,993 | 108,118 |
| | 304,577 | 282,730 | 3,662,982 |
| Accumulated depreciation | (176,071) | (158,521) | (2,117,510) |
| Property, plant and equipment-net | 128,506 | 124,209 | 1,545,472 |
| **Intangible assets:** | | | |
| Goodwill | 7,834 | 562 | 94,215 |
| Other | 5,734 | 1,814 | 68,959 |
| Total intangible assets | 13,568 | 2,376 | 163,174 |
| **Investments and other assets:** | | | |
| Investment in unconsolidated subsidiaries and an affiliate accounted for by the equity method | 16,685 | 22,787 | 200,661 |
| Investment securities (Note 6) | 88,879 | 50,088 | 1,068,900 |
| Lease deposits | 1,706 | 1,871 | 20,517 |
| Deferred income taxes (Note 4) | 2,490 | 335 | 29,946 |
| Other | 7,654 | 1,802 | 92,052 |
| Total investments and other assets | 117,414 | 76,883 | 1,412,076 |
| **Total** | ¥ 476,510 | ¥ 383,397 | $ 5,730,728 |

The accompanying notes are an integral part of these statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| **Liabilities and net assets** | | | |
| **Current liabilities:** | | | |
| Short-term bank loans (Notes 5 and 9) | **¥ 67,373** | ¥ 44,201 | **$ 810,259** |
| Current portion of long-term debt (Notes 5 and 9) | **34,286** | 30,402 | **412,339** |
| Trade notes and accounts payable | **33,582** | 29,204 | **403,872** |
| Accrued income taxes | **3,166** | 4,933 | **38,076** |
| Accrued expenses | **11,174** | 9,921 | **134,384** |
| Allowance for loss on clearance of business | **1,955** | 1,955 | **23,512** |
| Commercial papers (Note 9) | **10,000** | 10,000 | **120,265** |
| Notes and accounts payable for plant and equipment | **7,976** | 5,803 | **95,923** |
| Provision for loss on disaster | **4,040** | — | **48,587** |
| Other current liabilities | **2,849** | 1,785 | **34,263** |
| Total current liabilities | **176,401** | 138,204 | **2,121,480** |
| **Long-term liabilities:** | | | |
| Long-term debt (Notes 5 and 9) | **178,550** | 115,840 | **2,147,324** |
| Accrued pension and severance liabilities (Note 10) | **1,616** | 1,973 | **19,435** |
| Deferred income taxes (Note 4) | **7,465** | 7,771 | **89,778** |
| Other long-term liabilities | **3,440** | 3,538 | **41,371** |
| Total long-term liabilities | **191,071** | 129,122 | **2,297,908** |
| **Commitments and contingent liabilities (Note 11)** | | | |
| **Net Assets (Note 12):** | | | |
| Common stock | **28,663** | 28,663 | **344,714** |
| Authorized: 200,000,000 shares | | | |
| Issued: 63,878,505 shares | | | |
| Capital surplus | **29,973** | 29,973 | **360,469** |
| Retained earnings | **46,631** | 47,220 | **560,806** |
| Less cost of common shares of treasury stock | **(864)** | (862) | **(10,391)** |
| (456,420 shares in 2011 and 455,328 shares in 2010) | | | |
| Total shareholders' equity | **104,403** | 104,994 | **1,255,598** |
| Unrealized gain on available-for-sale securities | **11,388** | 15,024 | **136,957** |
| Foreign currency translation adjustments | **(9,281)** | (5,709) | **(111,618)** |
| Accumulated other comprehensive income | **2,107** | 9,315 | **25,339** |
| Minority interests | **2,528** | 1,762 | **30,403** |
| Total net assets | **109,038** | 116,071 | **1,311,340** |
| **Total** | **¥ 476,510** | ¥ 383,397 | **$ 5,730,728** |

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Income

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Net sales** | ¥ 195,943 | ¥ 177,830 | $ 2,356,500 |
| **Cost of sales** | 137,768 | 126,145 | 1,656,861 |
| Gross profit | 58,175 | 51,685 | 699,639 |
| **Selling, general and administrative expenses (Notes 14 and 15)** | 40,950 | 33,591 | 492,483 |
| Operating income | 17,225 | 18,094 | 207,156 |
| **Other income (expenses):** | | | |
| Interest and dividend income | 1,243 | 857 | 14,949 |
| Interest expense | (2,431) | (2,251) | (29,236) |
| Loss on sale and disposal of property, plant and equipment - net | (155) | (316) | (1,864) |
| Exchange gain (loss) | (2,443) | (456) | (29,381) |
| Equity in profit (loss) of an affiliated company | (201) | (1,329) | (2,417) |
| Gain (loss) on sale of investment securities (Note 6) | 836 | — | 10,054 |
| Loss on impairment of fixed assets | (65) | (23) | (782) |
| Abnormal manufacturing cost | (208) | (541) | (2,502) |
| Loss on devalution of marketable securities (Note 6) | (231) | — | (2,778) |
| Loss on disposal of inventories | — | (185) | — |
| Loss due to disaster | (5,260) | — | (63,259) |
| Other income (loss)-net | (878) | 22 | (10,559) |
| **Income before income taxes and minority interests** | 7,432 | 13,872 | 89,381 |
| **Income taxes (Note 4):** | | | |
| Current | 6,371 | 6,843 | 76,621 |
| Deferred | (1,751) | (475) | (21,058) |
| **Net income before minority interests** | 2,812 | 7,504 | 33,818 |
| **Minority interests in income (loss) of consolidated subsidiaries** | 356 | 251 | 4,281 |
| Net income | ¥ 2,456 | ¥ 7,253 | $ 29,537 |

| | Yen | | U.S. dollars (Note 1) |
|---|---|---|---|
| **Amounts per common share :** | | | |
| Basic earnings | 38.7 | 114.4 | 0.47 |
| Diluted earnings | 34.9 | 114.1 | 0.42 |
| Cash dividends | 50.0 | 53.0 | 0.60 |

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Comprehensive Income

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Net income before minority interests** | ¥ 2,812 | ¥ 7,504 | $ 33,818 |
| **Other comprehensive income (loss):** | | | |
| Unrealized gain on available-for-sale securities | (3,637) | 10,026 | (43,740) |
| Foreign currency translation adjustment | (3,618) | 3,456 | (43,512) |
| **Comprehensive income** | ¥ (4,443) | ¥ 20,986 | $ (53,434) |
| **Comprehensive income attribute to:** | | | |
| Shareholders of the parent | (4,754) | 20,763 | (57,174) |
| Minority interests | 311 | 223 | 3,740 |

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

| | Thousands | Millions of yen | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Outstanding number of shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Unrealized gain on available -for-sale securities | Foreign currency translation adjustments | Accumulated other comprehensive income | Minority interests | Total net assets |
| **Balance at March 31, 2009** | 63,431 | ¥28,663 | ¥29,973 | ¥41,458 | ¥(850) | ¥99,244 | ¥4,998 | ¥(9,193) | ¥(4,195) | ¥1,511 | ¥96,560 |
| Net income | | | | 7,253 | | 7,253 | | | | | 7,253 |
| Cash dividends | | | | (1,491) | | (1,491) | | | | | (1,491) |
| Purchase of treasury stock | (8) | | | | (13) | (13) | | | | | (13) |
| Disposal of treasury stock | 0 | | (0) | | 1 | 1 | | | | | 1 |
| Other net change during the year | | | | | | — | 10,026 | 3,484 | 13,510 | 251 | 13,761 |
| **Balance at March 31, 2010** | **63,423** | **28,663** | **29,973** | **47,220** | **(862)** | **104,994** | **15,024** | **(5,709)** | **9,315** | **1,762** | **116,071** |
| Net income | | | | **2,456** | | **2,456** | | | | | **2,456** |
| Cash dividends | | | | **(3,045)** | | **(3,045)** | | | | | **(3,045)** |
| Purchase of treasury stock | **(1)** | | | | **(2)** | **(2)** | | | | | **(2)** |
| Disposal of treasury stock | **0** | | **(0)** | | **(0)** | **(0)** | | | | | **(0)** |
| Other net change during the year | | | | | | **—** | **(3,636)** | **(3,572)** | **(7,208)** | **766** | **(6,442)** |
| **Balance at March 31, 2011** | **63,422** | **¥28,663** | **¥29,973** | **¥46,631** | **¥(864)** | **¥104,403** | **¥11,388** | **¥(9,281)** | **¥2,107** | **¥2,528** | **¥109,038** |

| | Thousands | Thousands of U.S. dollars (Note 1) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Outstanding number of shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Unrealized gain on available -for-sale securities | Foreign currency translation adjustments | Accumulated other comprehensive income | Minority interests | Total net assets |
| **Balance at March 31, 2010** | **63,423** | **$344,714** | **$360,469** | **$567,889** | **$(10,367)** | **$1,262,705** | **$180,686** | **$(68,659)** | **$112,027** | **$21,191** | **$1,395,923** |
| Net income | | | | **29,537** | | **29,537** | | | | | **29,537** |
| Cash dividends | | | | **(36,620)** | | **(36,620)** | | | | | **(36,620)** |
| Purchase of treasury stock | **(1)** | | | | **(24)** | **(24)** | | | | | **(24)** |
| Disposal of treasury stock | **0** | | **(0)** | | **(0)** | **(0)** | | | | | **(0)** |
| Other net change during the year | | | | | | **—** | **(43,729)** | **(42,959)** | **(86,688)** | **9,212** | **(77,476)** |
| **Balance at March 31, 2011** | **63,422** | **$344,714** | **$360,469** | **$560,806** | **$(10,391)** | **$1,255,598** | **$136,957** | **$(111,618)** | **$25,339** | **$30,403** | **$1,311,340** |

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| **Operating activities:** | | | |
| Net income | **¥ 2,456** | ¥ 7,253 | **$ 29,537** |
| Adjustments to reconcile net income to net cash provided operating activities: | | | |
| Depreciation and amortization | **21,244** | 18,421 | **255,490** |
| Amortization of goodwill | **1,744** | 295 | **20,974** |
| Loss on impairment of fixed assets | **65** | 23 | **782** |
| Equity in loss (profit) of an affiliated company | **201** | 1,329 | **2,417** |
| Allowance for doubtful receivables | **(212)** | (25) | **(2,550)** |
| Gain on sales of available for sales securities | **(836)** | — | **(10,054)** |
| Provision for deferred taxes | **(1,751)** | (475) | **(21,058)** |
| Exchange loss (gain) | **2,557** | 39 | **30,752** |
| Loss on devaluation of marketable securities | **231** | — | **2,778** |
| Loss on sale and disposal of property, plant and equipment-net | **155** | 316 | **1,864** |
| Other, net | **1,198** | 751 | **14,408** |
| Changes in operating assets and liabilities: | | | |
| Trade receivables | **(4,927)** | (7,035) | **(59,254)** |
| Inventories | **(5,472)** | (2,856) | **(65,808)** |
| Other current assets | **(450)** | (676) | **(5,411)** |
| Lease deposits | **165** | (159) | **1,984** |
| Trade payables | **6,542** | 4,987 | **78,677** |
| Accrued income taxes | **(1,767)** | 2,651 | **(21,251)** |
| Other, net | **667** | 1,402 | **8,020** |
| Total adjustments | **19,344** | 18,988 | **232,640** |
| Net cash provided by operating activities | **21,800** | 26,241 | **262,177** |
| **Investing activities:** | | | |
| Purchase of property, plant and equipment | **(19,256)** | (25,596) | **(231,581)** |
| Proceeds from sale of property, plant and equipment | **51** | 59 | **613** |
| Purchase of available-for-sale securities | **(49,113)** | (29) | **(590,655)** |
| Purchase of investments in unconsolidated subsidiaries | **(19,097)** | (20,618) | **(229,669)** |
| Proceeds from sales of available-for-sale securities | **4,805** | — | **57,787** |
| Purchases of investments in consolidated subsidiaries affecting scope of consolidation | **(624)** | — | **(7,505)** |
| Net decrease (increase) in short-term loans to affiliates | **(588)** | 196 | **(7,072)** |
| Deposits (Over three months) | **800** | 800 | **9,622** |
| Other, net | **(1,636)** | 193 | **(19,676)** |
| Net cash used in investing activities | **(84,658)** | (44,995) | **(1,018,136)** |
| **Financing activities:** | | | |
| Net increase (decrease) in short-term loans | **23,062** | 13,712 | **277,354** |
| Proceeds from long-term loans | **80,108** | 29,111 | **963,415** |
| Repayment of long-term loans | **(23,234)** | (18,757) | **(279,423)** |
| Proceeds from issuance of bonds | **19,890** | 17,971 | **239,206** |
| Repayment of bonds | **(10,160)** | (20,140) | **(122,189)** |
| Net increase (decrease) in commercial paper | **—** | 10,000 | **—** |
| Cash dividends paid | **(3,041)** | (1,491) | **(36,572)** |
| Other, net | **(359)** | (271) | **(4,317)** |
| Net cash provided by (used in) financing activities | **86,266** | 30,135 | **1,037,474** |
| **Effect of exchange rate changes on cash and cash equivalents** | **(2,269)** | (545) | **(27,288)** |
| **Net increase (decrease) in cash and cash equivalents** | **21,139** | 10,836 | **254,227** |
| **Cash and cash equivalents, beginning of period** | **56,188** | 45,352 | **675,743** |
| **Cash and cash equivalents of newly consolidated subsidiary, beginning of period** | **1,595** | — | **19,182** |
| **Cash and cash equivalents, end of period** | **¥ 78,922** | ¥ 56,188 | **$ 949,152** |

The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements

## 1. Basis of Presenting Consolidated Financial Statements

The financial statements of Nipro Corporation ("the Company") and its consolidated domestic subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Effective from the year ended March 31, 2009, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18) and as a result, the accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States, with adjustments for the specified six items as applicable.

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. However, no adjustment has been made which would change the financial position or the results of operations presented in the original financial statements. In addition, the notes to consolidated financial statements include additional information which is not required under generally accepted accounting principles and practices in Japan.

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 ¥83.15=US$1, the approximate exchange rate on March 31, 2011. These translations should not be construed as representations that the Japanese yen amounts actually are, have been, 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 significant subsidiaries and affiliated company accounted for by the equity method.

Investments in unconsolidated subsidiaries 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.

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. The difference between the cost of investments in subsidiaries and affiliates and the equity in their net assets at dates of acquisition is being amortized on a straight-line basis over five years.

All accounts herein have been presented on the basis of the twelve months ended March 31, 2011 for the Company and for consolidated domestic subsidiaries, and December 31, 2010 for all consolidated overseas subsidiaries.

Adjustments have been made for any significant intercompany transactions which took place during the period between the end of accounting period of the consolidated overseas subsidiaries and that of the Company.

### (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 the "Accumulated other comprehensive income" section of net assets.

### (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) Inventories

Inventories are stated principally at cost, carrying amount in the balance sheet is calculated with consideration of written downs due to the decreased profitability. Cost is determined principally by the average method, except for certain inventories determined by the first-in, first-out method.

### (e) Depreciation

Depreciation of property, plant and equipment of the Company and its consolidated 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 consolidated overseas subsidiaries.

The range of useful lives is principally from 31 to 50 years for buildings and from 7 to 8 years for machinery and equipment.

### (f) Investment Securities

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

i) held-to-maturity debt securities, which are expected 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. Unrealized gain and loss, net of applicable tax, reported in the "Accumulated other comprehensive income" section of net assets.

For year ended March 31, 2011, there was no held-to-maturity debt securities held by the Company and its consolidated subsidiaries.

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.

### (g) Leases

Finance leases, except for certain immaterial leases, are capitalized in the balance sheet. Amortization of finance lease assets is calculated by straight-line method over the lease period assuming no residual value.

The Company and its consolidated domestic subsidiaries account for the finance leases for which ownership is not transferring to the lessee and commenced prior to April 1, 2008. The pro-forma information of such leases on a "as if capitalized" basis is presented in Note 7. "Leases".

### (h) 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 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.

### (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 reflect 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.

### (j) Application of Accounting Standard for Asset Retirement Obligations

Effective the fiscal year ended March 31, 2011, the Company has applied Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, issued on March 31, 2008) and Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21, issued on March 31, 2008). The impact of this change was to reduce operating income by ¥12 million (US$144 thousand) and income before income taxes and minority interests by ¥98 million (US$1,179 thousand).

### (k) Revision of Retirement Benefit Scheme

The Company and the consolidated subsidiary company, Nipro Medical Industries Co., Ltd. had adopted the retirement benefit scheme framed by unfunded defined benefit pension plan and tax-qualified retirement pension plan. However, from January 1st, 2011, the retirement benefit scheme was transferred to the scheme framed by unfunded defined benefit plan, funded defined benefit pension plan and defined contribution pension plan while the tax-qualified retirement pension plan was finished. In accordance with this transfer, we resulted ¥452 million (US$5,436 thousand) of "gain on revision of retirement benefit plan" as other income, applying "Accounting standard for transfer between retirement benefit plans" (ASBJ Guidance No.1).

### (l) Comprehensive income

Effective April 1, 2010, the Company has applied the Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25, June 30, 2010). The amount of "Valuation and translation adjustments and others" and "Total valuation and translation adjustments and others" of previous fiscal year are shown as those of "Accumulated other comprehensive income"

## 3. Inventories

Inventories consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Finished goods and merchandises | **¥ 42,697** | ¥ 38,503 | **$ 513,494** |
| Raw materials | **8,975** | 7,547 | **107,937** |
| Work in process | **6,784** | 6,192 | **81,587** |
| Packing and other | **2,487** | 2,462 | **29,910** |
| Total | **¥ 60,943** | ¥ 54,704 | **$ 732,928** |

## 4. 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 40.5% for the years ended March 31, 2011 and 2010.

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

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Deferred tax assets | | | |
| Operating loss carryforwards for tax purposes | **¥ 4,516** | ¥ 4,330 | **$ 54,311** |
| Intercompany profits | **682** | 821 | **8,202** |
| Valuation loss on inventories | **789** | 165 | **9,489** |
| Allowance for bonuses to employees | **828** | 706 | **9,958** |
| Allowance for loss on clearance of business | **792** | 792 | **9,525** |
| Accounts receivable | **267** | 190 | **3,211** |
| Loss on impairment of fixed assets | **957** | 808 | **11,509** |
| Excess of allowance for doubtful accounts over tax allowable amounts | **1,130** | 1,159 | **13,590** |
| Accrued pension and severance liabilities | **600** | 782 | **7,216** |
| Accrued enterprise taxes | **258** | 378 | **3,103** |
| Provision for loss on disaster | **1,608** | — | **19,339** |
| Other | **2,047** | 905 | **24,617** |
| Gross deferred tax assets | **¥ 14,474** | ¥ 11,036 | **$ 174,070** |
| Less: Valuation allowance | **(4,727)** | (4,941) | **(56,849)** |
| Total deferred tax assets | **¥ 9,747** | ¥ 6,095 | **$ 117,221** |
| Deferred tax liabilities | | | |
| Unrealized gain on available-for-sale securities | **¥ 7,787** | ¥ 10,267 | **$ 93,650** |
| Revaluation reserve for land | **795** | — | **9,561** |
| Revaluation reserve for intangible assets | **1,323** | — | **15,911** |
| Other | **613** | 115 | **7,372** |
| Total deferred tax liabilities | **¥ 10,518** | ¥ 10,382 | **$ 126,494** |
| Net deferred tax assets (liabilities) | **¥ (771)** | ¥ (4,287) | **$ (9,273)** |

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

| | **2011** | 2010 |
|---|---|---|
| Statutory tax rate | **40.5%** | 40.5% |
| Expenses not deductible for tax purposes | **3.5** | 2.5 |
| Non-taxable dividend income | **(2.5)** | (1.3) |
| Loss in subsidiaries | **31.6** | 7.4 |
| Tax credits primarily for research and development costs | **(4.9)** | (2.4) |
| Operating loss carryforwards for tax purpose | **(3.5)** | (2.0) |
| Other | **(2.5)** | 1.2 |
| Effective income tax rate | **62.2** | 45.9 |

## 5. Pledged Assets

The following assets were pledged as collateral:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2010** |
| Land | **¥ 1,523** | ¥ 1,523 | **$ 18,316** |
| Buildings and structures | **7,466** | 7,672 | **89,790** |
| Total | **¥ 8,989** | ¥ 9,195 | **$ 108,106** |

The above assets were pledged against the following liabilities:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Short term bank loans | **¥ 1,000** | ¥ 910 | **$ 12,026** |
| Current portion of long-term debt | **653** | 1,137 | **7,853** |
| Long-term debt | **6,038** | 5,666 | **72,616** |
| Total | **¥ 7,691** | ¥ 7,713 | **$ 92,495** |

## 6. Investment securities

Investment securities as of March 31, 2011 and 2010 consisted of the followings:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Non-current: | | | |
| Marketable: | | | |
| Marketable equity securities | **¥ 87,459** | ¥ 48,713 | **$ 1,051,822** |
| Investment trust funds and other | **38** | 42 | **457** |
| Sub total | **¥ 87,497** | ¥ 48,755 | **$ 1,052,279** |
| Non-marketable securities | **¥ 1,382** | ¥ 1,333 | **$ 16,621** |
| Total | **¥ 88,879** | ¥ 50,088 | **$ 1,068,900** |

The carrying amounts and aggregate fair values of marketable securities for investments as of March 31, 2011 and 2010 were as follows:

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2011 | | | |
| | Cost | Unrealized gain | Unrealized loss | Fair Value |
| Available-for-sale securities | | | | |
| Equity securities | ¥ 69,149 | ¥ 18,881 | ¥ 571 | ¥ 87,459 |
| Debt securities and other | 47 | — | 9 | 38 |
| Total | ¥ 69,196 | ¥ 18,881 | ¥ 580 | ¥ 87,497 |

| | Thousands of U.S. dollars(Note 1) | | | |
|---|---|---|---|---|
| | 2011 | | | |
| | Cost | Unrealized gain | Unrealized loss | Fair Value |
| Available-for-sale securities | | | | |
| Equity securities | $ 831,618 | $ 227,071 | $ 6,867 | $1,051,822 |
| Debt securities and other | 565 | — | 108 | 457 |
| Total | $ 832,183 | $ 227,071 | $ 6,975 | $1,052,279 |

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2010 | | | |
| | Cost | Unrealized gain | Unrealized loss | Fair Value |
| Available-for-sale securities | | | | |
| Equity securities | ¥ 24,290 | ¥ 25,195 | ¥ 772 | ¥ 48,713 |
| Debt securities and other | 47 | — | 5 | 42 |
| Total | ¥ 24,337 | ¥ 25,195 | ¥ 777 | ¥ 48,755 |

Proceeds from sales of securities and gross realized gain on those sales for the years ended March 31, 2011 and 2010 were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Proceeds | ¥ 4,805 | ¥ — | $ 57,787 |
| Gains on sales | 836 | — | 10,054 |
| Losses on sales | 0 | — | 0 |

**Evaluation of investment securities**

For the year ended March 31, 2011, the Company recognized devaluation of ¥231 million (US$ 2,778 thousand) on available-for-sale securities. The Company recognizes devaluation losses on investment securities whose values have declined by at least 50% of their book value unless on a reasonable and consistence basis. In cases in which the values have declined 30% to 50%, we recognize evaluation losses except when the value is deemed to be recoverable.

## 7. Leases

Finance leases entered into prior to April 1, 2008 that do not transfer ownership of leased property to the lessee are accounted for as if they were operating leases. The details of such finance leases accounted for as operating leases at March 31, 2011 and 2010 were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Acquisition cost | ¥ 942 | ¥ 1,431 | $ 11,329 |
| Accumulated depreciation | 815 | 1,098 | 9,802 |
| Net leased property | ¥ 127 | ¥ 333 | $ 1,527 |

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Payments due within one year | ¥ 146 | ¥ 258 | $ 1,756 |
| Payments due after one year | 68 | 237 | 818 |
| Total | ¥ 214 | ¥ 495 | $ 2,574 |

Lease payments under such leases for the years ended March 31, 2011 and 2010 were ¥219 million (US$2,634 thousand) and ¥307 million, respectively.

## 8. Financial instruments

### (1) Circumstances on financial instruments

**(a) Policy for financial instruments**

The Company manages the temporary surplus funds by deposit with banks that have a high level of safety.
The Company raises funds for business operation with mainly bank loans and bonds considering their business investment and cash planning.

**(b) Details and risk of financial instruments and its risk management**

Receivable such as trade notes and accounts receivable are exposed to customer's credit risk. Receivables denominated in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.
In order to reduce the customer's risk, the company monitors the dues and balances by customer in accordance with the company's regulations of credit administration.
Investments securities are exposed to the market fluctuation risk, but mainly consist of equity of the companies which conduct business with the company. The company periodically reviews the market price of such securities.
Payables such as trade notes, accounts payable and accounts payable other are due within 1 year. Payables denominated in foreign currency are exposed to the risk of fluctuation in foreign currency exchange rates.
Short-terms loans payable are mainly borrowed to raise operating capital and long-term loans payable are mainly borrowed to make capital expenditures. Bonds and commercial papers are mainly issued to raise the funds for bonds retirement.
Lease obligations are mainly for the capital expenditures, free from interest-rate risk because the interest rate is fixed.
Payables, loans and bonds are exposed the liquidity risk, but the Company and its subsidiaries manage the risk by establishing cash planning.

**(c) Supplemental information on market values of financial instruments**

Market values of financial instruments include values based on market price and reasonably estimated values when market price is not available. Because a change factor is counted in the estimation, the estimated price may be changed by adopting different assumptions.

### (2) Fair values of financial instruments

The book values, fair values and the differences between them as of March 31, 2010 and 2011 are as follows (Financial instruments for which the market value is extremely difficult to determine are not included as described in remark 2.):

| | Millions of yen | | | Millions of yen | | |
|---|---|---|---|---|---|---|
| | **2011** | | | 2010 | | |
| | Book value | Fair value | Difference | Book value | Fair value | Difference |
| Cash and cash equivalents, time deposits | **¥ 81,116** | **¥ 81,116** | **¥ —** | ¥ 59,267 | ¥ 59,267 | ¥ — |
| Trade notes and accounts receivable, net of allowance for doubtful receivables | **60,823** | **60,823** | **—** | 55,871 | 55,871 | — |
| Investments securities | **87,497** | **87,497** | **—** | 48,755 | 48,755 | — |
| Assets total | **¥ 229,436** | **¥ 229,436** | **¥ —** | ¥ 163,893 | ¥ 163,893 | ¥ — |
| Trade notes and accounts payable | **¥ 33,582** | **¥ 33,582** | **¥ —** | ¥ 29,204 | ¥ 29,204 | ¥ — |
| Short-term bank loans, current portion of long-term debt, and commercial paper | **111,659** | **111,659** | **—** | 84,603 | 84,603 | — |
| Other notes and account payable (1) | **13,748** | **13,748** | **—** | 9,662 | 9,662 | — |
| Long-term debt | **178,550** | **178,387** | **163** | 115,840 | 115,216 | 624 |
| Lease obligations (2) | **1,461** | **1,405** | **56** | 1,416 | 1,343 | 73 |
| Liabilities total | **¥ 339,000** | **¥ 338,781** | **¥ 219** | ¥ 240,725 | ¥ 240,028 | ¥ 697 |

| | Thousands of U.S. dollars (Note 1) | | |
|---|---|---|---|
| | **2011** | | |
| | Book value | Fair value | Difference |
| Cash and cash equivalents, time deposits | **$ 975,539** | **$ 975,539** | **$ —** |
| Trade notes and accounts receivable, net of allowance for doubtful receivables | **731,485** | **731,485** | **—** |
| Investments securities | **1,052,279** | **1,052,279** | **—** |
| Assets total | **$ 2,759,303** | **$ 2,759,303** | **$ —** |
| Trade notes and accounts payable | **$ 403,872** | **$ 403,872** | **$ —** |
| Short-term bank loans, current portion of long-term debt, and commercial paper | **1,342,863** | **1,342,863** | **—** |
| Other notes and account payable (1) | **165,340** | **165,340** | **—** |
| Long-term debt | **2,147,324** | **2,145,364** | **1,960** |
| Lease obligations (2) | **17,571** | **16,897** | **674** |
| Liabilities total | **$ 4,076,970** | **$ 4,074,336** | **$ 2,634** |

Note:
(1) This is included in accrued expenses and notes and accounts payable for plant and equipment on the balance sheet.
(2) This is included in other current liabilities and other long-term liabilities on the balance sheet.

**Remark 1 Methods used to calculate fair values of financial instruments and the details of securities**

<Assets>

- Cash and cash equivalents and trade notes and accounts receivable
  Cash and cash equivalents and trade notes and accounts receivable are stated at the relevant book value because the settlement periods are short and the fair values are almost the same as the book value.
- Investments securities
  Equity securities are stated at market value. See Note 6. "Investment securities" for the detailed information by classification.

<Liabilities>

- Trade notes and accounts payable and short-term bank loans and current portion of long-term debt and commercial paper
  Because the settlement periods of the above items are short and their fair values are almost the same as their book values, the relevant book values are used.
- Other notes and account payable
  Because the settlement periods of the above items are short and their fair values are almost the same as their book values, the relevant book values are used.
- Long-term debt
  The fair value of long-term debt is calculated by applying a discount rate to the total of principal and interest. The discount rate is based on the assumed interest rate if a similar new loan was entered into.
- Lease obligation
  The fair value of lease obligations is calculated by applying a discount rate to the total of principal and interest. The discount rate is based on the assumed interest rate if a current lease transaction was renewed.

**Remark 2 Financial instruments for which the fair value is extremely difficult to determine**

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Unlisted equity securities | **¥ 18,068** | ¥ 24,120 | **$ 217,294** |

Because these items have no market value and are difficult to estimate the future cash flow and it is extremely difficult to determine their fair values, they are not included in investment securities and investment in unconsolidated subsidiaries and an affiliate accounted for by the equity method above.

**Remark 3 Planned redemption amounts after the balance sheet date for monetary receivables with maturity dates are as follows:**

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| | Within 1 year | Within 1 year | Within 1 year |
| Cash and cash equivalents, time deposits | **¥ 81,116** | ¥ 59,267 | **$ 975,539** |
| Trade notes and accounts receivable | **60,823** | 55,871 | **731,485** |

**Remark 4 Planned repayment amounts after the balance sheet date for monetary payables with maturity dates are as follows:**

Planned repayment amounts after the balance sheet date for monetary payables with maturity dates at March 31, 2011 are as follows:

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | **2011** | | | | | |
| | Within 1 year | Over 1 year but within 2 years | Over 2 years but within 3 years | Over 3 years but within 4 years | Over 4 years but within 5 years | Over 5 years |
| Trade notes and accounts payable | **¥ 33,582** | **¥ —** | **¥ —** | **¥ —** | **¥ —** | **¥ —** |
| Short-term bank loans, current portion of long-term debt, and commercial paper | **111,659** | **—** | **—** | **—** | **—** | **—** |
| Other notes and account payable | **13,748** | **—** | **—** | **—** | **—** | **—** |
| Long term debt | **—** | **42,847** | **24,162** | **42,510** | **37,091** | **31,940** |
| Lease obligations | **375** | **358** | **334** | **353** | **41** | **0** |
| Total | **¥ 159,364** | **¥ 43,205** | **¥ 24,496** | **¥ 42,863** | **¥ 37,132** | **¥ 31,940** |

| | Thousands of U.S. dollars (Note 1) | | | | | |
|---|---|---|---|---|---|---|
| | **2011** | | | | | |
| | Within 1 year | Over 1 year but within 2 years | Over 2 years but within 3 years | Over 3 years but within 4 years | Over 4 years but within 5 years | Over 5 years |
| Trade notes and accounts payables | **$ 403,872** | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** |
| Short-term bank loans, current portion of long-term debt, and commercial paper | **1,342,863** | **—** | **—** | **—** | **—** | **—** |
| Other notes and account payable | **165,340** | **—** | **—** | **—** | **—** | **—** |
| Long term debt | **—** | **515,299** | **290,582** | **511,245** | **446,073** | **384,125** |
| Lease obligations | **4,510** | **4,305** | **4,018** | **4,245** | **493** | **0** |
| Total | **$ 1,916,585** | **$ 519,604** | **$ 294,600** | **$ 515,490** | **$ 446,566** | **$ 384,125** |

## 9. Short-Term Loans and Long-Term Debt

Short-term loans comprised overdrafts and promissory notes.
The weighted-average interest rate of short-term bank loans for the years ended March 31, 2011 and 2010 was 0.682% and 0.846%, respectively.
The weighted-average interest rate of commercial paper for the year ended March 31, 2011 and 2010 were 0.118% and 0.107% respectively.

Long-term debt comprised the following:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| 1.51% unsecured bonds due 2012 | **¥ 5,000** | ¥ 5,000 | **$ 60,132** |
| 1.37% unsecured bonds due 2014 | **3,000** | 3,000 | **36,079** |
| 1.42% unsecured bonds due 2011 | **—** | 10,000 | **—** |
| 1.37% unsecured bonds due 2013 | **10,000** | 10,000 | **120,265** |
| 2.04% unsecured bonds due 2018 | **10,000** | 10,000 | **120,265** |
| 0.877% unsecured bonds due 2016 | **20,000** | — | **240,529** |
| Zero coupon convertible bonds due 2015 | **15,000** | 15,000 | **180,397** |
| 0.95% unsecured bonds due 2010 | **—** | 100 | **—** |
| 0.79% unsecured bonds due 2010 | **—** | 10 | **—** |
| 1.55% unsecured bonds due 2011 | **—** | 50 | **—** |
| Long-term bank loans due through 2020, with weighted-average interest rate of 1.217% for the year ended March 31, 2011, and of 1.434% for the year ended March 31, 2010. | **149,836** | 93,082 | **1,801,996** |
| Less current portion of long-term debt | **(34,286)** | (30,402) | **(412,339)** |
| Total | **¥ 178,550** | ¥ 115,840 | **$ 2,147,324** |

In February 2009, the Company issued ¥5,000 million (US$60,132 thousand) of 1.51% privately-placed bonds due 2012.

In September 2009, the Company issued ¥3,000 million (US$36,079 thousand) of 1.37% privately-placed bonds due 2014.

In March 2006, the Company issued ¥10,000 million (US$120,265 thousand) of 1.42% unsecured bonds due 2011.

In March 2008, the Company issued ¥10,000 million (US$120,265 thousand) of 1.37% unsecured bonds due 2013.

In March 2008, the Company issued ¥10,000 million (US$120,265 thousand) of 2.04% unsecured bonds due 2018.

In March 2011, the Company issued ¥20,000 million (US$240,529 thousand) of 0.877% unsecured bonds due 2016.

In March 2010, the Company issued ¥15,000 million (US$180,397 thousand) of zero coupon convertible bonds due 2015.

In August 2005, Zensei Pharmaceutical Industries Co., Ltd. issued ¥100 million (US$1,203 thousand) of 0.95% privately-placed bonds due 2010.

In August 2005, Zensei Pharmaceutical Industries Co., Ltd. issued ¥100 million (US$1,203 thousand) of 0.79% privately-placed bonds to be serially redeemed by 2010.

In March 2006, Zensei Pharmaceutical Industries Co., Ltd. issued ¥50 million (US$601 thousand) of 1.55% privately-placed bonds due 2011.

The aggregate annual maturities of long-term debt outstanding at March 31, 2011 are as follows:

| | Millions of yen | Thousands of U.S. dollars (Note 1) |
|---|---|---|
| | **2011** | **2011** |
| 2011 | **¥ 34,286** | **$ 412,339** |
| 2012 | **42,847** | **515,298** |
| 2013 | **24,162** | **290,583** |
| 2014 and thereafter | **111,541** | **1,341,443** |
| Total | **¥ 212,836** | **$ 2,559,663** |

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. 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.

## 10. Accrued Pension and Severance Liabilities

The Company and certain consolidated subsidiaries have defined benefit pension plans and unfunded retirement benefit plans, and defined contribution pension plan for employees. 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, 2011 and 2010.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| 1) Projected benefit obligation | **¥ (8,799)** | ¥ (10,084) | **$ (105,821)** |
| 2) Fair value of plan assets | **6,182** | 7,122 | **74,348** |
| 3) Projected benefit obligation in excess of plan assets 1)+2) | **(2,617)** | (2,962) | **(31,473)** |
| 4) Unrecognized actuarial (gain) loss | **1,039** | 1,039 | **12,495** |
| 5) Unrecognized past service obligation | **(12)** | (15) | **(144)** |
| 6) Total 3)+4)+5) | **(1,590)** | (1,938) | **(19,122)** |
| 7) Prepaid pension cost | **26** | 35 | **313** |
| 8) Accrued pension and severance liabilities 6)-7) | **¥ (1,616)** | ¥ (1,973) | **$ (19,435)** |

The breakdown of net pension and severance costs for the years ended March 31, 2011 and 2010 were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Service cost | **¥ 698** | ¥ 640 | **$ 8,394** |
| Interest cost | **178** | 223 | **2,141** |
| Expected return on plan assets | **(117)** | (103) | **(1,407)** |
| Amortization of actuarial gain | **97** | 83 | **1,167** |
| Amortization of past service obligation | **(3)** | (3) | **(36)** |
| Other | **114** | 30 | **1,371** |
| Net pension and severance costs | **¥ 967** | ¥ 870 | **$ 11,630** |

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

| | **2011** | 2010 |
|---|---|---|
| Discount rate | **Primarily 1.8%** | Primarily 1.8% |
| Expected rate of return on plan assets | **Primarily 1.5%** | Primarily 1.5% |
| Amortization period of past service obligation | **Primarily 5 years** | Primarily 5 years |
| Amortization period of actuarial differences | **Primarily 5 years** | Primarily 5 years |

## 11. Commitments and Contingent Liabilities

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

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Export drafts discounted | **¥ 78** | ¥ 3 | **$ 938** |
| Trade notes receivable discounted | **30** | 32 | **361** |
| Total | **¥ 108** | ¥ 35 | **$ 1,299** |

## 12. Net Assets

The significant provisions in the Corporate Law of Japan (the "Corporate Law") that influence financial and accounting matters are summarized below:

### (a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having the board of directors, (2) having independent auditors, (3) having the board of corporate auditors, and (4) the service period of the directors is prescribed as one year rather than the normal term of two years by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Company's present system meets the first three criteria but the two-year service period of the directors does not meet the fourth criterion.

Interim dividends may also be paid once a year by the resolution of the board of directors if the articles of incorporation of the company stipulate so. The Company's articles of incorporation contain such a stipulation, and it pays interim dividend semi-annually by the resolution of the Board of Directors.

The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

### (b) Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation.

The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions by the resolution of the shareholders.

The Company's legal reserve, which is included in retained earnings, amounted to ¥1,196 million (US$14,384 thousand) as of March 31, 2011, and its additional paid-in capital, which is included in capital surplus, amounted to ¥29,973 million (US$360,469 thousand) as of March 31, 2011.

## 13. Segment Reporting

### Outline of reportable operating segments

Applied ASBJ Statement No.17 "The Revised Accounting Standard for Disclosures of Segments of an Enterprise and Related Information", the reportable operating segments are components of an entity for which separate financial information is available and such as information is evaluated regularly by the board of director in deciding how to allocate management resources and in assessing performance.

We currently operate our business on a stand-alone basis with the divisional organization and evaluate the performance of sales and manufacture of each division regardless of their products. Accordingly, in our business segments, we divide our operations into 3 reportable operating business segments on the basis of its main products which each business segment treat with (Medical business, Pharmaceuticals business and Glass & Materials business.)

**Medical business**

Domestic division sells injection- and infusion-related products, artificial organ-related products, highly functional products, dialysis-related products and diabetes-related products. In the international division, head office plays the center role and place overseas sales and manufacturing base for medical equipment and sales injection- and infusion-related products, artificial organ-related products and diabetic-related products.

**Pharmaceutical business**

Mainly, domestic subsidiaries sell and manufacture injectable drug, oral drugs and products by contract manufacturing like injectable preparations in kit form (kit preparations)

**Glass & Materials business**

In the field of glass for pharmaceutical purposes, we sell glass for glass tube, glass for ampoule. In the field of glass & materials products, we sell glass for thermos bottles and glass for lighting purpose. In addition, we sell container for combination products and undertake the contract sales of pharmaceuticals related to the container for kit preparations from pharmaceutical company.

In addition, the Companies reformed Glass & Materials business and Pharmaceutical business in accordance with ASBJ Statement No.17. With these applications, sales of container for kit preparations and the contract sales of pharmaceuticals related to the container for combination products from pharmaceutical company is transferred from Pharmaceutical business segment to Glass & Materials business. To reflect the results, the companies have restated the figures of segment information for prior years to conform to the current year presentation.

Business segment information for the years ended March 31, 2011 and 2010 was as follows:

| | Millions of yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | | | | | | | |
| | Reportable Segment | | | | Other (Note 1) | Total | Adjustment (Note 2) | Consolidated financial statements |
| | Medical | Pharma-ceutical | Glass & Materials | Total | | | | |
| Net sales: Outside | **¥ 132,817** | **¥ 38,005** | **¥ 24,704** | **¥ 195,526** | **¥ 417** | **¥ 195,943** | **¥ —** | **¥ 195,943** |
| Intersegment | **1,195** | **18,278** | **3,856** | **23,329** | **44** | **23,373** | **(23,373)** | **—** |
| Total | **134,012** | **56,283** | **28,560** | **218,855** | **461** | **219,316** | **(23,373)** | **195,943** |
| Operating income | **18,437** | **1,658** | **2,701** | **22,796** | **88** | **22,884** | **(5,659)** | **17,225** |
| Identifiable assets | **¥ 178,938** | **¥ 105,672** | **¥ 17,007** | **¥ 301,617** | **¥ 4,639** | **¥ 306,256** | **¥ 170,254** | **¥ 476,510** |
| Other items | | | | | | | | |
| Depreciation and amortization | **¥ 11,938** | **¥ 8,296** | **¥ 229** | **¥ 20,463** | **¥ 55** | **¥ 20,518** | **¥ 726** | **¥ 21,244** |
| Amortization of goodwill | **1,504** | **201** | **39** | **1,744** | **—** | **1,744** | **—** | **1,744** |
| Investment to companies accounted for by the equity method | **—** | **—** | **—** | **—** | **—** | **—** | **1,763** | **1,763** |
| Capital expenditures | **14,879** | **6,809** | **103** | **21,791** | **—** | **21,791** | **1,532** | **23,323** |

| | Thousands of U.S. dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | | | | | | | |
| | Reportable Segment | | | | Other (Note 1) | Total | Adjustment (Note 2) | Consolidated financial statements |
| | Medical | Pharma-ceutical | Glass & Materials | Total | | | | |
| Net sales: Outside | **$1,597,318** | **$ 457,066** | **$ 297,102** | **$2,351,486** | **$ 5,014** | **$2,356,500** | **$ —** | **$2,356,500** |
| Intersegment | **14,372** | **219,820** | **46,374** | **280,566** | **529** | **281,095** | **(281,095)** | **—** |
| Total | **1,611,690** | **676,886** | **343,476** | **2,632,052** | **5,543** | **2,637,595** | **(281,095)** | **2,356,500** |
| Operating income | **221,732** | **19,940** | **32,483** | **274,155** | **1,058** | **275,213** | **(68,057)** | **207,156** |
| Identifiable assets | **$2,151,990** | **$1,270,860** | **$ 204,534** | **$3,627,384** | **$ 55,791** | **$3,683,175** | **$2,047,553** | **$5,730,728** |
| Other items | | | | | | | | |
| Depreciation and amortization | **$ 143,571** | **$ 99,771** | **$ 2,755** | **$ 246,097** | **$ 662** | **$ 246,759** | **$ 8,731** | **$ 255,490** |
| Amortization of goodwill | **18,088** | **2,417** | **469** | **20,974** | **—** | **20,974** | **—** | **20,974** |
| Investment to companies accounted for by the equity method | **—** | **—** | **—** | **—** | **—** | **—** | **21,203** | **21,203** |
| Capital expenditures | **178,942** | **81,888** | **1,239** | **262,069** | **—** | **262,069** | **18,425** | **280,494** |

| | Millions of yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | | | | | | | |
| | Reportable Segment | | | | Other (Note 1) | Total | Adjustment (Note 2) | Consolidated financial statements |
| | Medical | Pharma-ceutical | Glass & Materials | Total | | | | |
| Net sales: Outside | ¥ 118,517 | ¥ 34,528 | ¥ 24,338 | ¥ 177,383 | ¥ 447 | ¥ 177,830 | ¥ — | ¥ 177,830 |
| Intersegment | 174 | 16,711 | 4,422 | 21,307 | 38 | 21,345 | (21,345) | — |
| Total | 118,691 | 51,239 | 28,760 | 198,690 | 485 | 199,175 | (21,345) | 177,830 |
| Operating income | 19,923 | 2,102 | 3,103 | 25,128 | 64 | 25,192 | (7,098) | 18,094 |
| Identifiable assets | ¥ 144,113 | ¥ 94,456 | ¥ 14,823 | ¥ 253,392 | ¥ 4,694 | ¥ 258,086 | ¥ 125,311 | ¥ 383,397 |
| Other items | | | | | | | | |
| Depreciation and amortization | ¥ 9,354 | ¥ 7,999 | ¥ 225 | ¥ 17,578 | ¥ 59 | ¥ 17,637 | ¥ 784 | ¥ 18,421 |
| Amortization of goodwill | 85 | 210 | — | 295 | — | 295 | — | 295 |
| Investment to companies accounted for by the equity method | — | — | — | — | — | — | 1,964 | 1,964 |
| Capital expenditures | 9,665 | 4,596 | 225 | 14,486 | — | 14,486 | 723 | 15,209 |

Note:

1. “Other” is the business segment which is not included in the reporting segment and consist of real estate income and sales by headquarters.
2. Adjustment is as follows.
   (1) Adjustment for the operating income at March 31, 2011 and 2010 include ¥333 million (US$4,005 thousand) and ¥(304) million of elimination of inter-segment transaction and ¥(5,992) million (US$(72,063) thousand) and ¥(6,795) million of corporate cost, respectively. Corporate cost consists primarily of sales, general and administrative expenses and research and development cost which do not belong to the reporting segment.
   (2) Adjustment for Identifiable assets at March 31, 2011 and 2010 include ¥(57,266) million (US$(688,707) thousand) and ¥(61,855) million of elimination of inter-segment transaction and ¥227,520 million (US$2,736,260 thousand) and ¥187,166 million of corporate assets, respectively. Corporate assets consisted primarily of cash and deposit, investment securities, assets for development and assets for management division of head office which do not belong to the reporting segment.
   (3) Adjustment for depreciation and amortization at March 31, 2011 and 2010 are for corporate assets. Depreciation and amortization and Capital expenditures include long-term prepaid expenses.
   (4) Adjustment for capital expenditures is increase in corporate assets.

**<Additional information>**

Effective from the current fiscal year, we have applied the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17, issued March 27, 2009) and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, issued March 21, 2008).

The information by geographic area for the years ended March 31, 2011 and 2010 was as follows:

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2011 | | | | | | |
| | Japan | America | Europe | Asia | Total | Eliminations/ Corporate | Consolidated |
| Net sales: | | | | | | | |
| Outside | ¥ 146,269 | ¥ 27,934 | ¥ 12,025 | ¥ 9,715 | ¥ 195,943 | ¥ — | ¥ 195,943 |
| Intersegment | 33,104 | 1,685 | 99 | 16,158 | 51,046 | (51,046) | — |
| Total | 179,373 | 29,619 | 12,124 | 25,873 | 246,989 | (51,046) | 195,943 |
| Operating expenses | 157,173 | 30,563 | 12,014 | 24,251 | 224,001 | (45,283) | 178,718 |
| Operating income (loss) | ¥ 22,200 | ¥ (944) | ¥ 110 | ¥ 1,622 | ¥ 22,988 | ¥ (5,763) | ¥ 17,225 |
| Property, plant and equipment-net | ¥ 96,384 | ¥ 5,779 | ¥ 141 | ¥ 17,564 | ¥ 119,868 | ¥ 8,638 | ¥ 128,506 |

| | Thousands of U.S. dollars (Note 1) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2011 | | | | | | |
| | Japan | America | Europe | Asia | Total | Eliminations/ Corporate | Consolidated |
| Net sales: | | | | | | | |
| Outside | $ 1,759,098 | $ 335,947 | $ 144,618 | $ 116,837 | $ 2,356,500 | $ — | $ 2,356,500 |
| Intersegment | 398,124 | 20,265 | 1,191 | 194,323 | 613,903 | (613,903) | — |
| Total | 2,157,222 | 356,212 | 145,809 | 311,160 | 2,970,403 | (613,903) | 2,356,500 |
| Operating expenses | 1,890,234 | 367,565 | 144,486 | 291,654 | 2,693,939 | (544,595) | 2,149,344 |
| Operating income (loss) | $ 266,988 | $ (11,353) | $ 1,323 | $ 19,506 | $ 276,464 | $ (69,308) | $ 207,156 |
| Property, plant and equipment-net | $ 1,159,158 | $ 69,501 | $ 1,696 | $ 211,232 | $ 1,441,587 | $ 103,885 | $ 1,545,472 |

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2010 | | | | | | |
| | Japan | America | Europe | Asia | Total | Eliminations/ Corporate | Consolidated |
| Net sales: | | | | | | | |
| Outside | ¥ 139,379 | ¥ 17,833 | ¥ 12,901 | ¥ 7,717 | ¥ 177,830 | ¥ — | ¥ 177,830 |
| Intersegment | 29,444 | 592 | 4 | 15,328 | 45,368 | (45,368) | — |
| Total | 168,823 | 18,425 | 12,905 | 23,045 | 223,198 | (45,368) | 177,830 |
| Operating expenses | 145,800 | 18,509 | 12,857 | 20,856 | 198,022 | (38,286) | 159,736 |
| Operating income (loss) | ¥ 23,023 | ¥ (84) | ¥ 48 | ¥ 2,189 | ¥ 25,176 | ¥ (7,082) | ¥ 18,094 |
| Property, plant and equipment-net | ¥ 94,932 | ¥ 3,059 | ¥ 111 | ¥ 17,254 | ¥ 115,356 | ¥ 8,853 | ¥ 124,209 |

Note**:**

(1) Operating expenses of “Eliminations/Corporate” for the years ended March 31, 2011 and 2010 included unallocated corporate costs of ¥5,990 million (US$72,038 thousand) and ¥6,787 million, respectively. The unallocated corporate costs consisted primarily of research and development costs and headquarters administration costs.

(2) The main countries of each geographic area are:
America : The United States of America and Brazil
Europe : Belgium
Asia : China, Thailand and Singapore

Sales to foreign customers were as follows:

| | Millions of yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | 2010 | | | |
| | America | Europe | Asia | Total | America | Europe | Asia | Total |
| Export sales and sales by overseas subsidiaries | ¥ 37,121 | ¥ 20,707 | ¥ 13,210 | ¥ 71,038 | ¥ 27,865 | ¥ 20,662 | ¥ 10,836 | ¥ 59,363 |
| Percentage of such sales against consolidated net sales | 18.9% | 10.6% | 6.7% | 36.3% | 15.7% | 11.6% | 6.1% | 33.4% |

| | Thousands of U.S. dollars (Note 1) | | | |
|---|---|---|---|---|
| | 2011 | | | |
| | America | Europe | Asia | Total |
| Export sales and sales by overseas subsidiaries | $ 446,434 | $ 249,032 | $ 158,870 | $ 854,336 |
| Percentage of such sales against consolidated net sales | 18.9% | 10.6% | 6.7% | 36.3% |

## 14. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 are as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Salaries | ¥ 10,358 | ¥ 8,852 | $ 124,570 |
| Freight charges | 4,685 | 3,776 | 56,344 |

## 15. Reseach and Development Expenses

Research and development expenses for the years ended March 31, 2011 and 2010 were ¥4,977 million (US$59,856 thousand) and ¥4,846 million, respectively.

## 16. Supplemental Disclosures of Cash Flow Information

Supplemental information related to the Consolidated Statements of Cash Flows was as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Cash paid during the year for: | | | |
| Interest | ¥ 2,405 | ¥ 2,304 | $ 28,924 |
| Income tax | 8,217 | 4,236 | 98,821 |

# Report of Independent Auditors

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Nipro Corporation

We have audited the accompanying consolidated balance sheets of Nipro Corporation and its consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of Nipro Corporation's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted 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 its consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Osaka, Japan
June 28, 2011

Osaka Audit Corporation

Osaka Audit Corporation

# Corporate Information (As of March 31, 2011)

### 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
URL : 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

### Common Stock

| | |
|---|---|
| Authorized | 200,000,000 shares |
| Issued | 63,878,505 shares |
| Outstanding | 63,422,085 shares |
| Number of Shareholders | 18,332 |

### Stock Listings
Tokyo Stock Exchange, Osaka Securities Exchange
Ticker Code: 8086

### Transfer Agent
Mizuho Trust & Banking Co., Ltd., Osaka Branch,
Stock Transfer Agency Dpt.
2-11-16 Sonezaki, Kita-ku, Osaka 530-0057, Japan

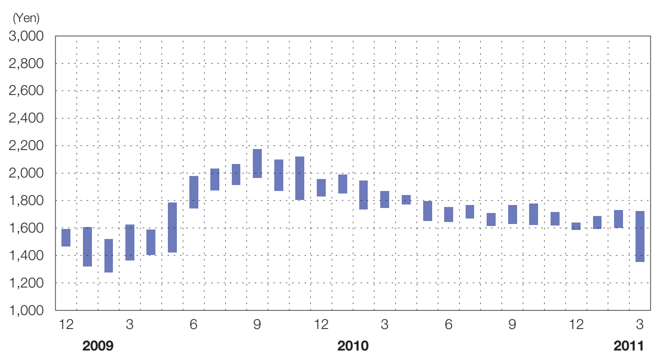
### Number of Employees

| | |
|---|---|
| Parent Company | 2,235 |
| Consolidated subsidiaries | 9,782 |
| Total | 12,017 |

### 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. | 5,702 | 8.93 |
| Nippon Electric Glass Co., Ltd. | 3,481 | 5.45 |
| The Master Trust Bank of Japan, Ltd. | 3,208 | 5.02 |
| Minoru Sano | 1,993 | 3.12 |
| Trust & Custody Services Bank, Ltd. | 1,651 | 2.59 |
| Resona Bank Limited | 1,380 | 2.16 |
| Mizuho Corporate Bank, Ltd. | 782 | 1.23 |
| MLPFS Custody Account | 748 | 1.17 |
| Northern Trust Co. (AVFC) Sub Account British Client | 585 | 0.92 |
| Total | 32,454 | 50.81 |

### Stock Price Range(Tokyo Stock Exchange)




### Major Subsidiaries and affiliates (As of June 30, 2011 )

| Area | Country | Name | Segment | Principal business |
|---|---|---|---|---|
| Domestic | Japan | Nipro Medical Industries Co.,Ltd. | Medical | Manufacturing |
| | | Nipro Pharma Corporation | Pharmaceutical | Manufacturing and Marketing |
| | | Nipro Genepha Corporation | Pharmaceutical | Manufacturing and Marketing |
| | | Tohoku Nipro Pharmaceutical Corporation | Pharmaceutical | Manufacturing |
| | | Zensei Pharmaceutical Industries Co.,Ltd. | Pharmaceutical | Manufacturing and Marketing |
| | | Nipro Patch Co., Ltd. | Pharmaceutical | Manufacturing and R&D |
| | | Bipha Corporation ⋆ | Pharmaceutical | R&D, Manufacturing and Marketing |
| Overseas | Thailand | Nipro (Thailand) Corporation Limited | Medical | Manufacturing |
| | | Nipro Sales (Thailand) Co.,Ltd. | Medical | Marketing |
| | China | Nipro (Shanghai) Co.,Ltd. | Medical | Manufacturing and Marketing |
| | | Nipro Trading (Shanghai) Co., Ltd. | Medical | Marketing |
| | | Chengdu Pingyuan Nipro Pharmaceutical Packaging Co., Ltd. | Glass & Materials | Manufacturing and Marketing |
| | | Jilin Nipro Jiaheng Pharmaceutical Packaging Co., Ltd. | Glass & Materials | Manufacturing and Marketing |
| | | Nipro Medical (Hefei) Co., Ltd. | Medical | Manufacturing |
| | | Shanghai Nissho Vacuum Flask Refill Co.,Ltd. | Glass & Materials | Marketing |
| | Singapore | Nipro Asia Pte Ltd. | Medical | Marketing |
| | India | Nipro India Corporation PVT. LTD. | Medical | Manufacturing and Marketing |
| | | Nipro Glass India LTD. | Glass & Materials | Manufacturing and Marketing |
| | Brazil | Nipro Medical Ltda. | Medical | Manufacturing and Marketing |
| | U.S.A. | Nipro Medical Corporation | Medical | Marketing |
| | | Nipro Diagnostics, Inc. | Medical | Manufacturing and Marketing |
| | Belgium | Nipro Europe N.V. | Medical | Marketing |

⋆ : Affiliate accounted for by the equity method

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