Annual Report 2020

Year Ended March 31, 2020

NIPRO

Your Partner in Health Care

Contents

How to use navigation buttons

Using Category Tabs

Contents | About NIPRO > Businesses / Financial Highlights | Management Message

Click to go to first page of each category

Using Navigation Button

Return one page

00

Forward one page

Return to previously viewed page

Return to top page

Search PDF content

Link Button

Go to the appropriate page

Go to the appropriate website

Go to the appropriate date pages

Disclaimer

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.

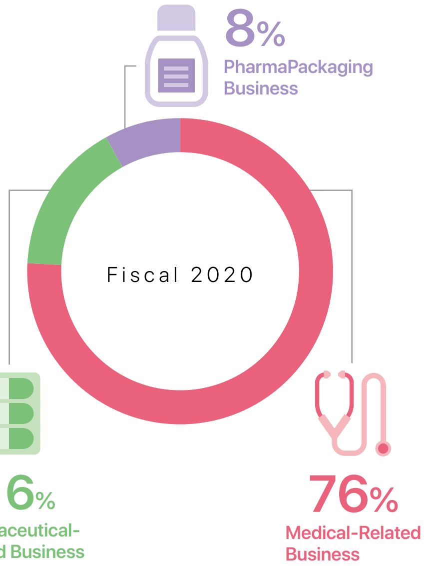
In this report, fiscal 2020 represents the year ended March 31, 2020.

About NIPRO

Businesses

We Meet the Needs of Medical Professionals and Patients through Our Three Businesses

● Sales ratio by business



● Net sales

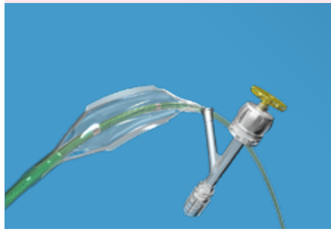
¥442,516 million

Medical-Related Business

Nipro engages globally in the development, manufacture, and sale of medical equipment for injection-infusion and dialysis treatment, and products related to diabetes and cell cultures, as well as the sale of artificial organ-related products.

Renal Products

Hospital Products



Vascular Products

Pharmaceutical-Related Business

One of the world's leading CDMO* companies, Nipro performs contract manufacturing of orally administered drugs, injectables, and external preparations through its Pharmaceutical-Related business, and supplies products to pharmaceutical companies in Japan and around the world.

* Contract Development and Manufacturing Organization

Injectables

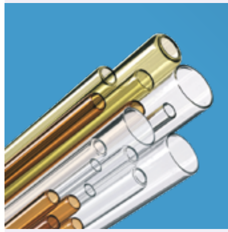
Orally Administered Drugs

External Preparations

PharmaPackaging Business

Nipro's PharmaPackaging business, a part of the company since its founding, manufactures and sells glass products and other comprehensive pharmaceutical packaging. Currently, Nipro engages in this business globally from a base of 11 companies and 14 plants in 8 countries, focused on Japan, China, Europe, and the U.S.

Glass Converting



Glass Tubing

Devices

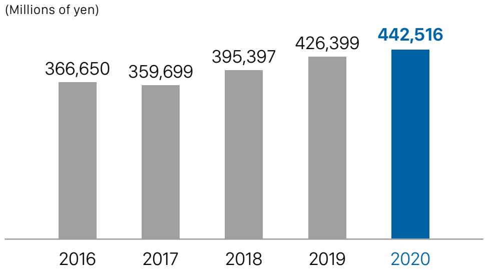
About NIPRO

Financial Highlights

● Net sales

¥442,516 million

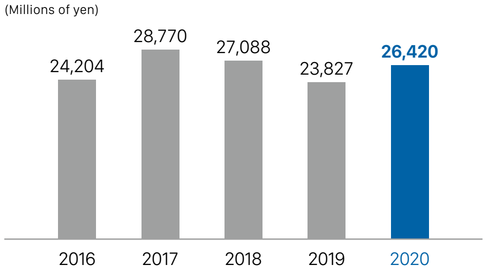
Net sales increased by 3.8% from fiscal 2019 due to favorable Medical-Related and Pharmaceutical-Related sales.



● Operating income

¥26,420 million

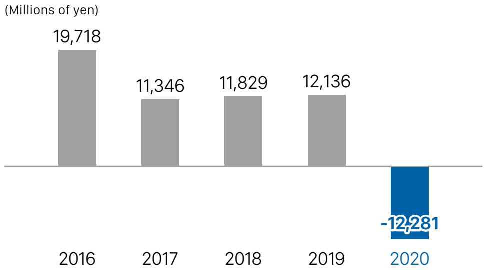
Operating income increased by 10.9% from fiscal 2019 mainly due to growth of domestic share as well as in foreign sales and cost reduction in production.



● Net income attributable to owners of parent

¥-12,281 million

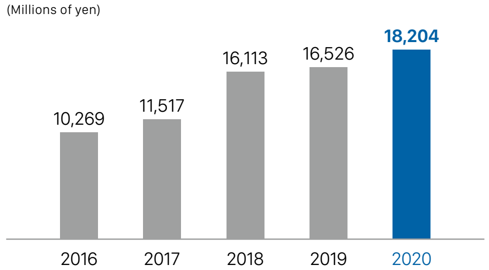
Net income attributable to owners of parent dropped significantly mainly because of securities valuation losses due to a steep decline in world share prices in reaction to the COVID-19 pandemic.



● R&D expenses

¥18,204 million

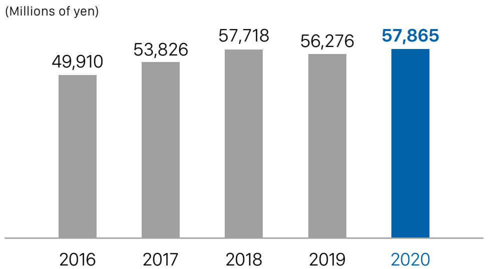
R&D expenses increased by 10.2% from fiscal 2019 mainly to due to the R&D expenses in Medical-Related business.



● Capital investment

¥57,865 million

Capital investment increased by 2.8% from fiscal 2019 mainly due to investments in domestic and foreign manufacturing facilities.

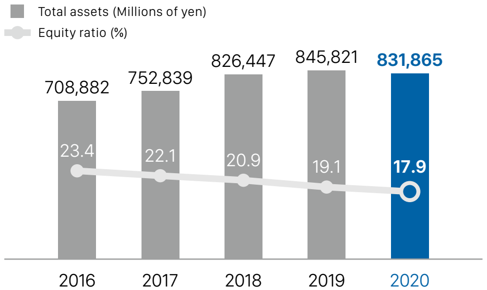


● Total assets / Equity ratio

Total assets:

¥831,865 million

Total assets decreased by 1.6% from fiscal 2019 and equity ratio stood at 17.9%.

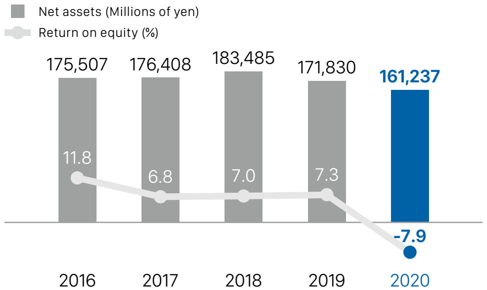


● Net assets / Return on equity

ROE:

-7.9 %

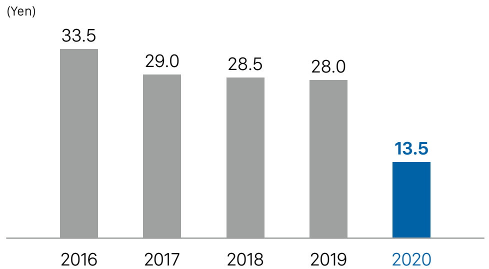
Return on equity is down to -7.9% due to negative net income attributable to owners of parent.



● Cash dividends per share

¥13.5

Nipro paid ¥13.5 per share for the year.



Management Message

A Message from the President

Continuously developing products that meet user needs and striving to achieve the sales of ¥1 trillion for the fiscal year ending March 2031

Yoshihiko Sano
President & Representative Director

Results

● Net sales

Total ¥442,516 million

3.8% increase from fiscal 2019

● Operating income

Total ¥26,420 million

10.9% increase from fiscal 2019

● Net loss attributable to owners of parent

Total ¥12,281 million

Summary for the fiscal year ended March 2020

Net sales for the fiscal year ended March 2020 were ¥442,516 million, an increase of 3.8% year on year, while operating profit was ¥26,420 million, an increase of 10.9% year on year. Meanwhile, net loss attributable to owners of parent was ¥12,281 million, a year-on-year decrease of ¥24,417 million. This loss was attributable to the recording of a loss on devaluation of marketable securities of ¥29,892 million due to the impact of the worsening market conditions of stocks caused by the novel coronavirus ("COVID-19" hereafter) pandemic and extraordinary losses including impairment loss of fixed assets of ¥5,655 million due to a review of future plans in some businesses.

We strived to improve the profit margin by further automating manufacturing facilities and improving operating efficiency through marketing products by therapeutic units in this period. Although we were affected by the National Health Insurance (NHI) drug price revision in October 2019 and strong yen against the Euro and Yuan, we could minimize the impacts of these factors by increasing the sales of dialyzers, our highly profitable product, and by contract manufacturing of drugs. As a result, the operating profit margin was 6.0%, showing a 0.4 points increase from the previous period, and we deduce that a certain level of percentage points was maintained.

In terms of increased revenue, however, I think the results were rather dissatisfactory compared with the past growth rate of our

A Message from the President

company, although the market was affected by COVID-19, which started spreading in the fourth quarter. One of the reasons behind this belief is that we were focusing on the development of new products, and aiming at growth over several years. Also, we could not keep up with the production of dialyzers, our main product due to the demand, and our promising vascular products did not show the growth that was initially projected.

Therefore, the first challenge for the future is to increase the production of dialyzers. In this period, we started introducing three new lines at the dialyzer plant in India, which will start operation from 2020 to 2021. We changed our plan for the new production line at the Hefei Plant in China after considering the local demand and in order to prevent country risks, and are now planning to establish the new production line at our plant in Vietnam in 2022.

Strengthening the sales of vascular products has been another challenge. We could not provide a lineup of our strong new products in this period. However, we are convinced that our users both in Japan and overseas will understand the superiority of our products through further promotional sales activities in the future. We have already achieved a certain degree of success in the domestic market, but have been able to further increase our market share. We are now in the initial stage of expanding our business overseas and we will establish our presence as early as possible particularly in the US market. Thus, we adopted the holdings system as an organizational policy. We have already established regional managing companies in Europe, China, and the US, and have been proceeding with the introduction of the holdings system. Under this system, regional managing companies can provide the functions of headquarters associated with intellectual property, finance, and laws and regulations, each business company under the regional managing companies can conduct prompt decision making for business, and the sales of our highly specialized products can be promoted.

In this period, I had an impression that the business foundation of our company had been further growing based on outcomes such as expansion of production capacity, improvement in sales networks, and new product development. We will continue these upfront investments aiming at further growth in the next few years while our new products will be launched one after another worldwide.

Impact of COVID-19 on business

COVID-19 has had an impact on our business in functions such as manufacturing, purchasing, and logistics. Although the lockdown has been lifted in the dialyzer plant in India, the operating speed of the assembly line is decreasing, which may affect future sales. In addition, operations had been suspended for 10 days at the dialyzer plant in China in February 2020; however, it resumed normal operations in March.

We have seen an impact on sales in the domestic market. In addition to the restriction of ambulatory practice and self-restraint on visiting doctors, some medical institutions still restrict visitors. Moreover, we cannot sufficiently conduct sales promotion of a drug that was released on to the market in June 2020. In the overseas market, sales are decreasing primarily in Europe and India due to the decline in the production volume of the Indian dialyzer plant. However, there are special procurement demands in the US for products such as artificial heart-lung machines, test kits and facial masks.

In the domestic market, since we do not know when the COVID-19 pandemic may end and we see some special needs and other conflicting movements, the impacts of the pandemic are not counted in the performance forecast for the period ending March 2021. Conversely, in the overseas market, we included what has already been affected by the

Management Message

A Message from the President

lockdown, such as a decrease in the production volume and delay in the plan for increasing production, into the performance forecast for the fiscal year ending March 2021, considering the impact on the first quarter as the base.

Management strategy and new medium-term management plan for the fiscal year ending March 2021

Enhancement of production capacity and new product development will continue to be the major themes in the fiscal year ending March 2021. A new production line of dialyzers should have started operation in the Vietnam Plant to enhance production capacity. However, the plan has been delayed due to the influence of COVID-19. So, we are planning to further increase production of dialyzers at the Odate Plant in Japan.

Regarding the medical device business, we will advance the development of vascular products. In the pharmaceutical business, we will increase the release of generic drugs and strive to reduce manufacturing costs in the domestic and overseas production plants. Regarding the PharmaPackaging business, we can expect the increase in pre-fillable syringes that enable easy and safe preparation and administration of drugs at medical settings as drugs become more sophisticated.

Also, we have formulated a new medium-term management plan in this fiscal year that covers five years from the fiscal years ending March 2021 to March 2025 to achieve the sales target of ¥1 trillion in the fiscal year ending March 2031. We have established the following seven items as paths to growth in the medium-term management plan, aiming to maintain a sales growth rate of 7.0% or higher and achieve an operating profit growth rate of 9.0% or higher.

(1) Aim to be the manufacturer with No. 1 regional healthcare contribution in the Japanese market
(2) Top market share of dialyzers throughout the world
(3) Deployment of vascular products to the global market and participation in new areas in the domestic market
(4) Deployment of the drug contract manufacturing business to overseas markets.
(5) Development of high-value-added products and reduction of manufacturing costs in the PharmaPackaging business.
(6) Enhancement of cell drugs business
(7) Development of seeds of new businesses

As for the cell drugs business, our regenerative medicine product “STEMIRAC® for Injection” was listed in the NHI drug price list in 2019 and we have been promoting its sale. However, since we are making little profit due to the current manufacturing costs, improvement of the manufacturing process is a major concern. Thus, we have been striving to reduce costs including automatization of manufacturing facilities. Since regenerative medicine products have the possibility of being applied to the treatment of various illnesses, the government has legislated the Sakigake Designation Scheme and Conditional Early Approval in November 2019 as national measures, and expectation has been increasing in Japan and overseas. To meet this expectation, we are aiming at expanding our business by manufacturing and selling not only in Japan but also in the US and European markets in the future.

Management Message

A Message from the President

Our business contributes to SDGs

Our CSR activities are based on the "Good for everyone" concept, which is part of our Code of Conduct. In other words, the basic concept of CSR activities is "making products from the user's viewpoint, contributing to society through the products and obtaining benefits for the company." Thus, our business itself is a CSR activity.

By developing this concept, we will greatly contribute to society in the field of Quality of Life (QOL). There is no boundary between QOL and treatment. The major theme in medical care is not merely prolonging life but providing a comfortable life (extending healthy life expectancy). We will develop our business in the area related to improvement of QOL by using the experience and knowledge of medical and pharmaceutical products that we have been cultivating for a long time.

These initiatives also address the focus of Sustainable Development Goals (SDGs). I think of SDGs as the meaning of work. Our users appreciate our efforts, all employees consider users' appreciation as their motivation to develop a plan and implement the PDCA cycle, and we achieve self-fulfillment. I believe this is the basis of SDGs (See page 11). This is exactly the fish philosophy that we are promoting.

We have established and are running our dialysis centers all over the world, mainly in emerging countries such as in Latin America. We established 8 centers in 4 countries including South Africa in this period, and we are now treating 1,332 patients at 16 centers in 8 countries. We have also established 23 training centers in 16 countries to provide high-quality medical care and disseminate dialysis technologies. Our goal is to contribute to the treatment of patients suffering from kidney diseases. There are many people in the world who are still waiting for our products. In that sense, we can say that the global deployment of our company has only just begun.

Toward enhancement of shareholder value

Our goal is to achieve long-term growth as a company by increasing our social value. A company has no reason for existence if it does not have social value. Meanwhile, it is also a very important theme to share the economic value generated from the company with shareholders.

We are planning to introduce a new performance-based share compensation system based on the resolution made during the shareholders' meeting in June 2020. In this system, the linkage between the compensation of internal directors and the performance and stock value of our company will be more clarified. The management shared the advantages of rising share price and the risks of falling share price with shareholders, and thus, the commitment of the management toward medium-and long-term performance as well as increase in corporate value will be further reinforced.

Although we are in the middle of an uncertain situation due to the impact of COVID-19 in this period, we will continue to develop products from the user's viewpoint, which is the basic policy of our company, and steadily expand our business through global promotion. We look forward to your continued support.

June 2020

Yoshihiko Sano
President & Representative Director

Management Message

A Message from the CFO

While improving our financial soundness, we shall steadily implement capital investment to accelerate medium- and long-term growth

Takehito Yogo
Chief Financial Officer

Review of the Year and Financial Targets of the New Medium-Term Management Plan

The Company's goal is to achieve sales of ¥1 trillion by the fiscal year ending March 2031. To achieve this goal, our new medium-term management plan sets financial targets for the fiscal year ending March 2025 from the perspectives of "profitability," "financial soundness," "asset efficiency," and "investment efficiency."

First, regarding "profitability," we aim to raise our operating profit margin from 6.0% in the current fiscal year to 9.0% or higher over the next five years. In the fiscal year ending March 31, 2021, we will negotiate raw material prices to reduce manufacturing costs as we anticipate a decline in crude oil prices. In addition, the novel coronavirus disease (COVID-19) pandemic will reduce SG&A expenses such as promotional expenses and travel and transportation costs, which will lead to improvements in the operating profit margin.

In addition, we set a target for the net interest-bearing debt/EBITDA ratio at less than 5 times to achieve "financial soundness." Net interest-bearing debt has been on an upward trend for the past five years through the current fiscal year in line with increased capital investment. In the fiscal year ending March 31, 2021, we plan to reduce net interest-bearing debt by liquidating receivables, asset liquidation by utilizing leases and other, funding securities, and reducing tax costs through measures including consolidated tax payments. The net interest-bearing debt/EBITDA ratio has also been on an upward trend up to the current fiscal year, as the increase in net interest-bearing debt has exceeded that of EBITDA. In the fiscal year ending March 31, 2021, we aim to lower the net interest-bearing debt/EBITDA ratio by increasing EBITDA through increased operating income and reducing net interest-bearing debt.

Furthermore, we aim to improve "asset efficiency," aiming for ROE of 14.0% or higher. Although net income was negative for the current fiscal year due to a loss on the write-down of investment securities, we aim to achieve an ROE of at least 8.5% by improving both sales and profit in the fiscal year ending March 31, 2021.

Lastly, we have set a goal of achieving positive free cash flow to improve "investment efficiency." The operating cash flow for the past five years has been around ¥40,000 million, but for the fiscal year ending March 2021, we plan to achieve ¥56,900 million and shall aim to turn cash-flow positive by maintaining or reducing investment cash flow to the same level as the current fiscal year.

Capital Investment

Capital investment* for the current fiscal year increased 2.8% from the previous fiscal year to ¥57,865 million. For the fiscal year ending March 31, 2021, we plan to invest a total of ¥78,700 million in capital expenditures: ¥55,800 million, or a 132% increase, in the Medical-Related business due to investments in large-scale facilities for regenerative medicine, ¥15,700 million in the Pharmaceutical-Related business, ¥4,550 million in the PharmaPackaging business, and ¥2,650 million in other businesses.

Under the new medium-term management plan, we plan to invest aggressively in facilities to expand production capacity for medical devices and pharmaceuticals, automate manufacturing facilities in the cell pharmaceutical business, and nurture the seeds of new businesses. Therefore, compared to the total capital investment of ¥282,200 million over the past five years, we plan to increase to the range of ¥300,000-350,000 million in the five years of the new medium-term management plan.

* The amount of capital investment is based on acceptance inspection.

Dividend Policy

The Company uses the sum of 75% of consolidated net income and 25% of non-consolidated net income as the amount of profit as a basis for dividends. For the current fiscal year, an interim dividend of ¥13.50 was paid. However, due to the deterioration of stock market conditions caused by the COVID-19 pandemic, we have decided not to pay a year-end dividend after recording an extraordinary loss on valuation of investment securities.

For the fiscal year ending March 31, 2021, we plan to return profits to shareholders by strengthening our financial position and paying stable dividends, while adhering to our dividend policy. We are forecasting an annual dividend of ¥27 per share for the fiscal year ending March 2021.

Outline of the Medium-Term Management Plan

Aiming to Achieve Consolidated Sales of ¥1 Trillion in the FYE 2031.3

Management Policy

Keeping up with the turbulent times, we will continue to respond to user needs, aim to become the world's top manufacturer in terms of product competitiveness and market share, and promote local production for local consumption globally.

Priority Tasks

1. Protecting a corporate culture that provides opportunities to motivated people
2. Making decisions from the end user's perspective is our top priority
3. Upholding the Sanpoyoshi (Win-Win-Win for users, society, and the company) principle
4. Sharing information about each step of the Plan-Do-Check-Act (PDCA) process with all employees so that they can manage the PDCA cycle with a sense of ownership
5. Becoming a company wherein the organization managers recognize a gap between theory and reality and can lead their staff to understand it

Enhancements

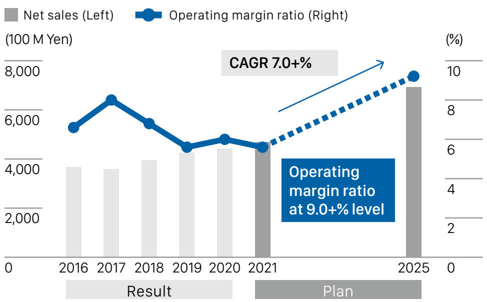
1. **Challenge of becoming the No. 1 manufacturer contributing to regional healthcare in the Japanese market**
   Providing comprehensive medical infrastructure that connects patients, their families, hospitals, and pharmacies, as well as offering medical equipment and pharmaceuticals that meet medical needs in the marketplace
2. **Top share in the global market for dialyzers**
   Expanding the company's direct sales network and training centers, and accelerating the operation of our own dialysis centers in emerging countries
3. **Deployment of vascular products to the global market and entering new areas in the domestic market**
   Establishing a sales network for existing products in the U.S. market with a view to expand globally, and aiming for a full range of products in the domestic market in the fields of cerebrovascular and arrhythmia
4. **Deployment of the drug contract manufacturing business to overseas markets**
   Promote out-licensing of our GE products in the Chinese market and expand business in the US market
5. **Development of high-value-added products and reduction of manufacturing costs in the PharmaPackaging business**
   Develop high-quality products for biopharmaceuticals and reduce manufacturing costs by automating the manufacturing process
6. **Enhancement of cellular medicine business**
   Promote manufacturing automation and expand business into the European and American markets
7. **Development of seeds of new businesses**
   Business expansion into surgical products, electromagnetic wave therapy products, active pharmaceutical ingredients (APIs), and pharmaceuticals in new fields

KPIs for FYE 2025.3

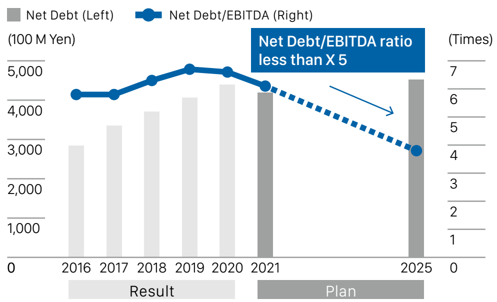
Net sales	Average annual growth of 7.0+ %
Operating income	Average annual growth of 7.0+ %
Operating margin ratio	9.0+ %

Net Debt*	Maintain around ¥450,000 M
EBITDA	Aiming for a level of ¥100,000+ M or higher
Net Debt/EBITDA ratio	Less than X 5

Net Sales/Operating Margin Ratio



Net Debt / Net Debt/EBITDA



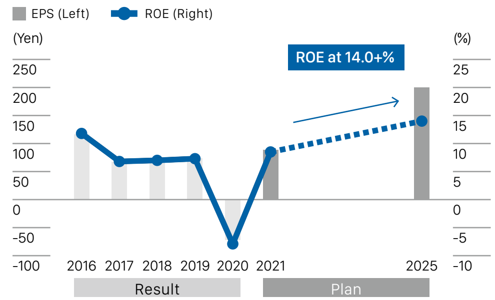
* Net Debt : Net interest-bearing debt

EPS*	¥200 or higher
ROE	14.0+ %

Shareholder return (dividend payout ratio*)

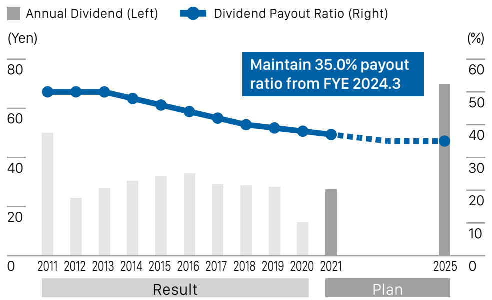
37.0 % (FYE 2021.3)
36.0 % (FYE 2022.3)
35.0 % (FYE 2023.3)
Maintain 35.0 % (FYE 2024.3 -)

EPS/ROE



* EPS: Earnings per share

Annual Dividend / Dividend Payout Ratio



* The source of dividends shall be the sum of 75.0% of consolidated profits and 25.0% of non-consolidated profits.

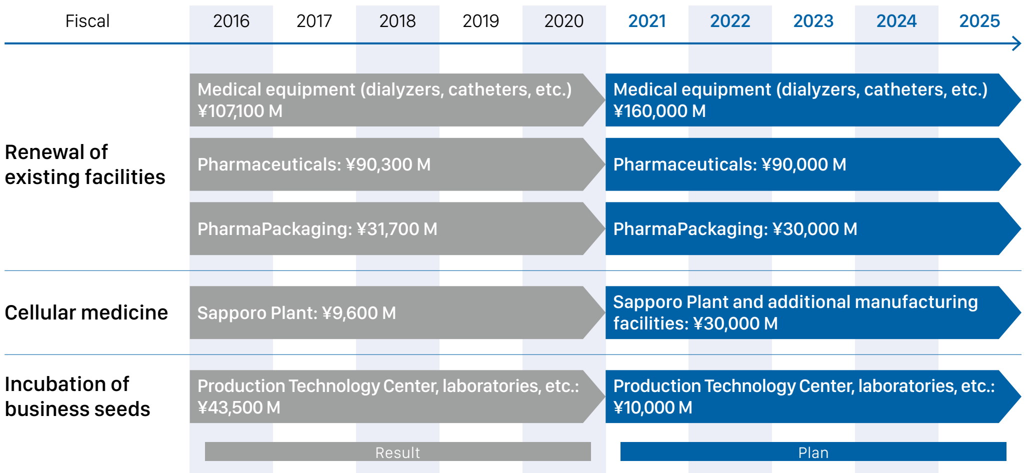
Outline of the Medium-Term Management Plan

Aiming to Achieve Consolidated Sales of ¥1 Trillion in the FYE 2031.3

Capital Investment Policy

Objectives

- Expansion of the structure for increasing production of medical devices and pharmaceuticals
- In cellular medicine business, promote manufacturing automation and expand business into the European and American markets
- Incubate new business seeds of surgical products, electromagnetic wave therapy products, APIs, pharmaceuticals in new fields, etc.



5-year results for FYE 2016.3 through FYE 2020.3

EBITDA	¥293,200 M
Capital investment*	¥282,200 M
Free cash flows	¥-86,900 M

5-year guidelines from FYE 2021.3

EBITDA	Aiming for ¥400,000–450,000 M
Capital investment*	¥300,000–350,000 M range
Free cash flows	Return to profit

* The amount of capital investment is based on acceptance inspection

Policy on Organization, HR Development, and IT Systems

Overseas holdings structure

- Establish holdings in Europe, China, and the U.S. to realize business management by regional headquarters, and matrix management aimed at rapid business decision-making by each operating company
- Centralize compliance, financial, and tax management
- Improve knowledge accumulation and efficiency by consolidating indirect divisions
- New business incubation

Human resources development

- Nurturing training in the medical field to foster a sense of value that enables us to always think and act from the user's viewpoint.
- Introduction of the FISH philosophy, which aims to revitalize the workplace and encourage employees to thrive in their work, and promote employee motivation
- Follow-up training for younger employees, training for different levels of qualifications, and other necessary training for each stage of employees
- Focus on the development of global human resources through selective language training, in-house language classes, and a self-development support system for languages
- Aim to create a workplace where each employee can maximize their abilities regardless of race, nationality, gender, or age; conduct seminars to promote women's activities; and organize exchange meetings to build networks among international employees
- Establish a company-wide education and training system to raise compliance awareness
- Considering the physical and mental health of each employee, the "Nipro Health Declaration" was issued in September 2018, and anti-smoking measures, mental health measures, work-style reforms, and workplace revitalization activities have been promoted

IT systems

- Review system functions to support management efficiently and expeditiously
- Enhance security against cyber-attacks, such as unauthorized remittance, information leaks by targeted attacks, and ransomware
- Develop an information infrastructure realizing a work style not confined by time and place, improving labor productivity and employee satisfaction

Outline of the Medium-Term Management Plan

Approaches to SDGs

Social issues that we aim to solve through our business		Related SDG
Providing treatment to patients in remote areas with limited access	● In emerging countries, such as in Latin America, dialysis clinics have been set up in suburban areas to provide dialysis treatment to patients living in remote areas, where it is more convenient for them to receive dialysis treatment. ● In Southeast Asia and Africa, dialysis clinics have been set up in urban areas to provide patients with high-quality treatment.	3 Good Health and Well-Being 8 Decent Work and Economic Growth
Preventing medical accidents at medical institutions	● The company sells safety products to prevent medical accidents while using medical equipment. ● They include winged needles that prevent needlestick accidents, colored syringes that can be distinguished by color to prevent mix-ups, and pre-fillable syringes and kit preparations that reduce the risk of foreign matter contamination, bacterial contamination, and needlestick accidents.	9 Industry, Innovation and Infrastructure 12 Responsible Consumption and Production
Providing safe and secure medicines for all	● The company promotes products that can be used without difficulty, regardless of age or disability. ● A range of products are offered that enable those with visual difficulties to identify tablets, to write down medication instructions and medication dates, and to prepare PTP sheets for patients with reduced dexterity.	3 Good Health and Well-Being 10 Reduced Inequalities 11 Sustainable Cities and Communities
Dealing with new infections	● The company sells products that are in high demand worldwide when new infectious diseases, such as COVID-19, become rampant. ● Surgical masks, medical rubber gloves, tubes and other consumables, blood collection tubes, and disinfectants are stocked.	3 Good Health and Well-Being 11 Sustainable Cities and Communities
Stable supply of antimicrobial agents that are in short supply	● We continue to manufacture and market antimicrobials, although they are unprofitable and there are concerns about the supply of APIs. ● As a precaution against the future supply of APIs, we are developing some of them in-house.	3 Good Health and Well-Being 9 Industry, Innovation and Infrastructure 12 Responsible Consumption and Production
Providing a medical environment for patients who are remote or difficult to access	● The company sells a cloud-based monitoring system (Nipro Heart Line™) that uses ICT to provide real-time information on patients, even in remote locations. ● The system enables patients with chronic diseases to receive regular and continuous medical care, sharing vital information in real time, and sending alerts when abnormal values are detected to remotely check the patient's condition.	3 Good Health and Well-Being 9 Industry, Innovation and Infrastructure 11 Sustainable Cities and Communities
Enhancing the labor productivity of healthcare professionals	● The company sells the HN LINE™, which solves business problems by linking medical device information with electronic medical records. ● The company hopes to support the reduction of labor, efficiency of nursing operations in hospitals, and work-style reforms of healthcare professionals.	3 Good Health and Well-Being 8 Decent Work and Economic Growth 9 Industry, Innovation and Infrastructure
Minimizing the environmental impact of waste	● The heat generated when industrial waste in the manufacturing process is burned in incinerators is reused to generate electricity and hot water, and the company also emphasizes reducing the volume of industrial waste. ● We promote a paperless office by digitizing internal documents and eliminating meeting materials to reduce the use of paper and other materials.	6 Clean Water and Sanitation 7 Affordable and Clean Energy 12 Responsible Consumption and Production
Promoting efficient use of natural resources	● To reduce the global environmental impact, the company promotes the introduction of solar power generation at its plants as part of energy conservation efforts. ● At Nipro Thailand, a solar power generation system was introduced in 2018 and the electricity generated is used for medical device manufacturing.	7 Affordable and Clean Energy 9 Industry, Innovation and Infrastructure 12 Responsible Consumption and Production
Providing rewarding work opportunities for all	● Training for women in supervisory positions and above is conducted so that they can build a career design with strategies for their work and lives. ● For international students who have received job offers to seamlessly join the company, exchange meetings are held for the purpose of networking with senior international employees prior to joining.	5 Gender Equality 8 Decent Work and Economic Growth 10 Reduced Inequalities

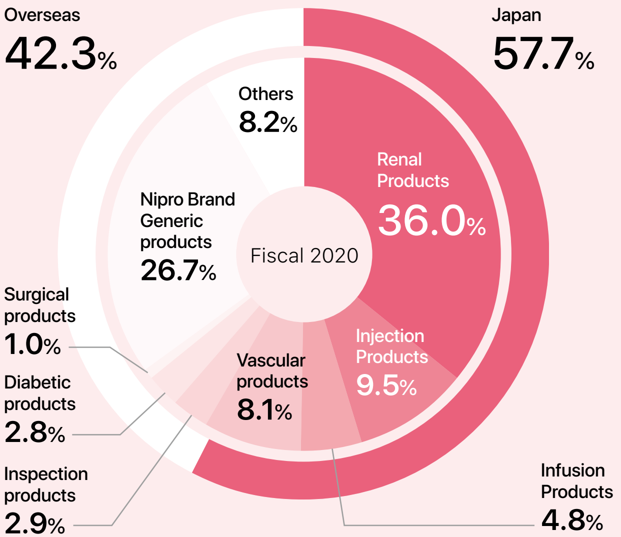
Review of Operations

Medical-Related Business

● Net sales

Total ¥335,767 million

● Sales ratio by region



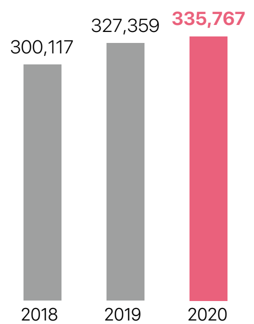
Financial Results for Fiscal 2020

In terms of the domestic sales of medical devices, the sales of renal products such as dialyzers and dialysis machines significantly increased, and the sales of consumables such as SafeTouch® infusion systems and winged needles also increased. Among pharmaceutical products, bepotastine and dexmedetomidine hydrochloride injection, Point products for additional indications, and leuprorelin, a high-value-added product, sold well. On the other hand, as a result of declining purchases due to the NHI drug price revision in October 2019 and medical care restrictions due to the effects of the coronavirus disease (COVID-19), overall sales grew only slightly.

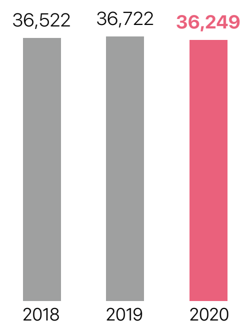
In terms of overseas sales, dialyzers and dialysis machines sold well among NIPRO brand products. However, the sales of OEM products decreased due to the sluggish special needle business in Europe.

As a result, this segment's net sales were ¥335,767 million, an annual increase of 2.6%, and operating profit was ¥36,249 million, an annual decrease of 1.3%.

● Net sales (Millions of yen)



● Operating income (Millions of yen)



Strategy and Outlook for Fiscal 2021

The results for the fiscal year ending March 2021 are expected to be ¥358,300 million in net sales (a 6.7% increase year on year) and ¥39,000 million in operating profit (a 7.6% increase year on year), respectively.

In terms of domestic sales of medical devices, we will strengthen sales of vascular products and SD products in addition to renal products, mainly dialyzers. In terms of pharmaceutical products, since the Ministry of Health, Labour and Welfare promotes switching from brand-name drugs to generic drugs, demand is expected to continuously increase.

For overseas sales, we will continue active sales promotion in various countries and continuously strengthen the sales of our key products including dialyzers and dialysis machines. In addition to promoting the establishment of our own dialysis center in each country, we will continue to promote the establishment of training centers as places for developing medical technicians, whose numbers remain insufficient. We will expand our products and establish a sales system in the U.S. to promote the overseas deployment of vascular products.

However, sales are expected to decrease in emerging nations owing to the impact of COVID-19 causing a reduction in production and restriction on distribution.

POINT

Dexmedetomidine hydrochloride injection acquired the domestic top share of about 44%

The brand-name drug was actively switched at university and flagship hospitals after the expansion of indications for the dexmedetomidine hydrochloride injection, and thus, we achieved expansion of our market share. We acquired approximately 44% of the market share, the highest in Japan, in the fiscal year ended March 2020.

Review of Operations

Medical-Related Business

TOPICS

Impact of COVID-19 pandemic on Dialysis Business

Among overseas production bases, Chinese and Indian plants temporarily stopped operations due to the current global COVID-19 pandemic after the declaration of a state of emergency. However, we secured human resources and raw materials and continued production activities at other bases through negotiations and with permission of government agencies in each country. In terms of sales, the sales volume of dialyzers is expected to decrease in regions with fragile medical and social infrastructure. However, the annual sales volume of dialyzers in the entire overseas sales is expected to increase by 970,000 units to 64.45 million units, which is an increase of 1.5% from the current period.

Plan to increase production of dialyzers in Vietnam Plant

A dialyzer production line originally planned to be constructed at the Hefei Plant in China will be constructed at the Vietnam Plant in consideration of the local demand and prevention of country-related risks. We are planning to start operation in the period ending March 2023, and subsequently, we will introduce the production line sequentially.

Dialyzer plant in Vietnam

Business expansion in the U.S.

In December last year, we took over the dialysate production business from Dimesol, a manufacturer of dialysate in the U.S., and acquired H&S Technical Service Inc., which provides a maintenance service for dialysis machines, in January this year. This enabled us to establish a comprehensive service system for launching dialysis machines that acquired marketing approval from the U.S. Food and Drug Administration (FDA) in July last year and to further expand the sales of renal products such as dialyzers.

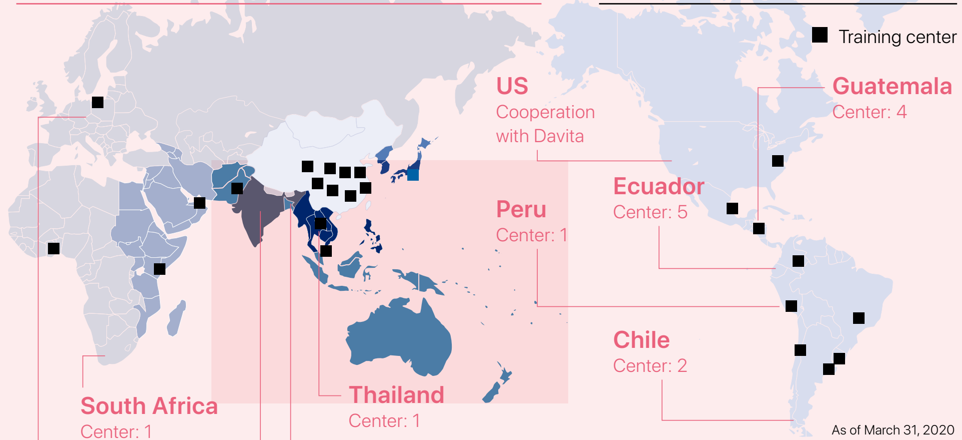
Expansion of our own dialysis centers/training centers

In this period, we established our own dialysis centers in South Africa, Guatemala, Ecuador, and India. We also established a new training center in Chile.

We will continue to establish our own dialysis centers in Latin America, India, Asia, and Africa to provide high-quality treatment worldwide. Moreover, we will promote the establishment of training centers that serve as a place for developing medical technicians.

Our 16 dialysis centers in 8 countries (Patients: 1,332)

25 training centers in 18 countries



As of March 31, 2020

Our own dialysis center (Quito, Ecuador)

Our own dialysis center (Escuintla, Guatemala)

Review of Operations

Pharmaceutical-Related Business

● Net sales

Total ¥70,357 million

● Supply records

(May 2020)

Injectables	Orally Administered Drugs	External Preparations
Ampoules (Glass / Plastics) Vials (Powder / Liquid / Lyophilized products) 700 million units	Tablets 14.8 billion tablets	Tapes (solvent type) 120 million sheets
Pre-filled syringes (PFS®) 160 million units	Capsules 400 million capsules	Tapes (hotmelt type) 580 million sheets
Dual chamber bags (PLW®) 33 million units	Granules, Dry syrups 610 tons	Poultices 390 million sheets (converted to 10g-sheet units)
Liquid-liquid dual chamber bags 4 million units	Syrups 460 thousand bottles	Ointments, Creams 16.3 million tubes (converted to 10g-tube units)

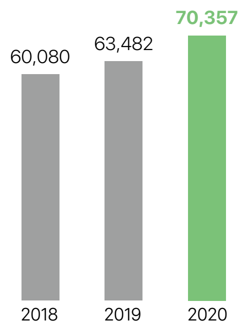
Financial Results for Fiscal 2020

The contract manufacturing division steadily increased the sales of generic drugs as the supply of active pharmaceutical ingredients from China started to recover. In addition, a robust increase in orders for brand-name drugs and long-term listed drugs also contributed to the sales growth.

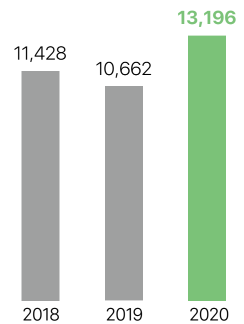
With regard to the pharmaceutical manufacturing division, an improvement of manufacturing efficiency at the Hida Plant of Nipro Pharma Corporation (operation started in April 2019) as well as operation commencement at the two sites of the Saitama Plant of Nipro Pharma Corporation resulted in increased revenue and profit. Point Furthermore, it was also the significant factor for the increased sales and profits that contract manufacturing services of the Vietnam Plant started in the previous period have reached the full scale.

As a result, net sales and operating profit of this segment were ¥70,357 million (a 10.8% increase year on year) and ¥13,196 million (a 23.7% increase year on year), respectively.

● Net sales (Millions of yen)



● Operating income (Millions of yen)



* From the fiscal year ended March 31, 2019, the Company has conducted a reorganization for the purpose of doing synthetic PharmaPackaging business and increasing synergies with Pharmaceutical-Related business. As a result of this reorganization, some business divisions included in Pharmaceutical-Related business were changed to PharmaPackaging business. The presentations for the prior fiscal year and two years ago are restated.

Strategy and Outlook for Fiscal 2021

With regard to the financial results of this segment in the fiscal 2020 ending March 2021, the net sales and operating profit are expected to be ¥72,250 million (a 2,7% year-on-year increase) and ¥11,000 million (a 16.6% year-on-year increase), respectively.

In the contract manufacturing division, a stable increase is expected mainly in the sales of generic drugs.

Meanwhile, in the pharmaceutical manufacturing division, a tentative decrease in the operating profit margin is expected due to an increase in depreciation cost by starting the depreciation of the new facilities for injectable drugs as well as an increase in labor cost by enhancing production volumes at the Odate Plant. However, sales and the operating profit margin are expected to improve in the medium- to long-term through production capacity expansion resulting from the construction of new production facilities and system enhancement to increase production volumes.

POINT Increase in production volumes of all products from the previous period

In this period, we achieved an increase in the production volumes of all products manufactured by our Nipro Group in comparison with the previous period, and it was particularly remarkable in the production for drug formulations of fine granules, granules, powder, and dry syrup, showing a 157% increase year on year. The Hida Plant of Nipro Pharma Corporation greatly contributed to the results, taking advantage of its high-variety low-volume production.

● Changes in production volumes of Nipro Group products

Drug formulations	Change in production volume	
	(Fiscal 2019 - 2020)	(Fiscal 2020 - 2021*)
Ampoules	121%	120%
Vials	112%	124%
Bags (excl. infusion bags)	102%	113%
Syringes	113%	112%
Tablets/capsules	117%	100%
Fine granules, granules, powder, dry syrup	157%	113%

* : Expected

Review of Operations

Pharmaceutical-Related Business

TOPICS

System enhancement to increase production capacities of manufacturing sites for injectable products

Ise Plant, Nipro Pharma Corporation

New facility for pre-filled syringe lines to be constructed

A production line for small-volume vial formulations is being introduced in the Ise Plant, Nipro Pharma Corporation. The process validation production* was started in March 2020, which was followed by the installation of a lyophilizer in April. We will commence the operation of the lyophilizer from April 2021. The annual production capacity will be 29 million vials for liquid preparations and 2.3 million vials for lyophilized preparations.

In addition, the construction of a new facility for pre-filled syringe lines was started in February 2020; production equipment will be installed in June 2021 and the operation will start in February 2023. We plan to introduce two lines with annual production capacities of 59 million syringes for 1 - 3mL syringes and 55 million syringes for 5mL and 10mL syringes.

* Process validation production: A pilot production to assure and establish documented evidence for the continuous production of the products which meet predetermined specifications and quality.

Odate Plant, Nipro Pharma Corporation

20mL pre-filled syringe line (image)

An additional pre-filled syringe line is under installation at the Odate Plant, Nipro Pharma Corporation. With the new 20mL pre-filled syringe line for which a high operating rate is expected, we will be able to deconcentrate the production of pre-filled syringe formulations and thereby enhance their stable supply. The installation of the manufacturing line will start in August 2020, and we will commence its operation in February 2021.

System enhancement to increase production capacity at plants for oral drugs

Kagamiishi Plant, Nipro Pharma Corporation

Manufacturing line of new granulation facility

We started to construct a new granulation facility at the Kagamiishi Plant, Nipro Pharma Corporation, to implement a 200kg granulation process and accordingly increase the production capacity and realize cost reductions. The operation was started in June 2020 and pilot production is now underway.

Saitama Site, Nipro Pharma Corporation

Fluidized-bed granulator (Annual granulation volume planned: 400 million tablets)

As a core plant next to the Kagamiishi Plant, the Saitama Site of Nipro Pharma Corporation has a production capacity of 1.4 billion tablets for oral drugs, where pilot production has been conducted since May 2020.

Kishiwada Plant of Zensei Pharmaceutical Co., Ltd.

New facility to be constructed in April 2022 (image)

Construction of a new facility is aimed at strengthening the contract manufacturing system at the Kishiwada Plant of Zensei Pharmaceutical Co., Ltd., which will make it possible to expand the production function for investigational drugs, improve the quality control capability, and enhance BCP-related activities. The facility is scheduled to be completed in April 2022.

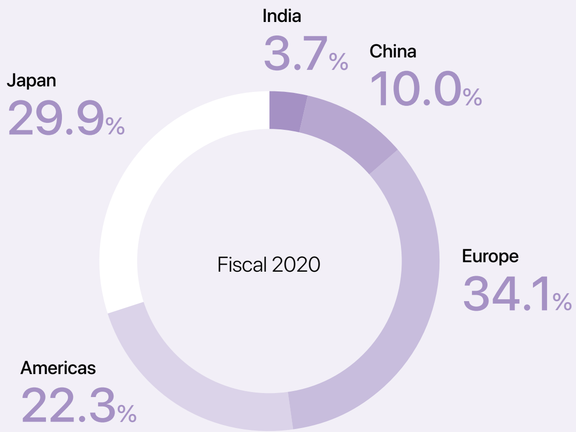
Review of Operations

PharmaPackaging Business

● Net sales

Total ¥36,217 million

● Sales ratio by region



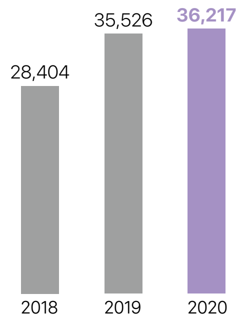
Financial Results for Fiscal 2020

Sales of rubber stoppers (commercially produced at the Biwako Plant) and medical devices (e.g. administration kits, syringes, etc.) were strong in the domestic market. Sales of vials, which had been affected by delays in delivery due to customers' circumstances, experienced a trend toward recovery.

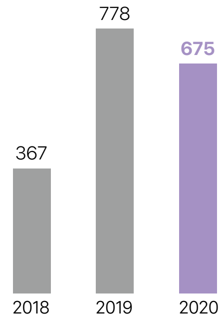
Overseas, we have witnessed steady increased demand in glass tubing, leading to a sales boost of glass tubing in France, the U.S. and India. In our German plant, the development sales of sterilized syringes accelerated. A major vaccine manufacturer in China adopted our global standard pharmaceutical containers and we began making deliveries. Point From the financial point of view, profits fell due to higher expenses for regular maintenance of glass tubing furnaces at our plants in France and China, and startup costs for the commercial manufacturing of rubber stoppers at the Biwako Plant.

As a result, net sales in this sector increased by 1.9% from the previous fiscal year, to ¥36,217 million, while operating income decreased by 13% from the previous fiscal year, to ¥675 million.

● Net sales (Millions of yen)



● Operating income (Millions of yen)



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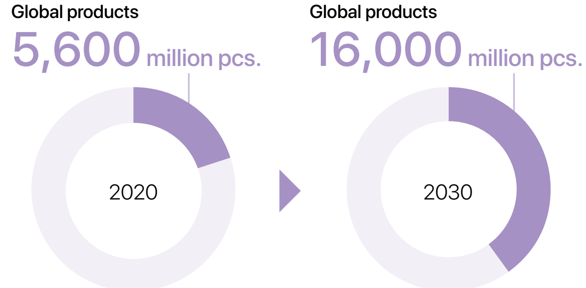
Strategy and Outlook for Fiscal 2021

For the fiscal year ending March 2021, net sales are expected to expand by 8.5% to ¥39,300 million compared to the current term, and operating income is expected to rise by 107.4%, to ¥1,400 million.

In terms of domestic sales, we shall strengthen sales of vials, rubber stoppers, and device products. Regarding overseas sales, we expect to increase sales of vials and sterilized syringes in Europe and the U.S., as well as high-value-added global standard products in China. With surging demand for vaccine containers, especially for COVID-19 vaccines, we shall work to provide a stable supply structure to meet the demand. In addition, we shall continue to push for the automation of production and optimize production efficiency at our manufacturing sites to reduce costs and improve profitability.

POINT The transition toward global standard glass packaging

The Chinese market is promoting the re-assessment of containers for injectable drugs under Quality Consistency Evaluation for Generic Drugs by the government, which came into effect in October 2017. As a result, the demand for global-standard glass pharmaceutical packaging is expected to triple over the next decade, from 5,600 million products in 2020 to 16,000 million by 2030.



Source: Internal forecast

Review of Operations

PharmaPackaging Business

TOPICS

Product strategy overview

The basic strategy of the business is to provide one-stop-shop solutions for products ranging from glass tubing to pharmaceutical packaging and drug reconstitution and administration devices. We are working to develop premium pharmaceutical packaging products that meet the demand for higher quality drugs (biopharmaceuticals, etc.). We are also working to improve quality by applying automation in our manufacturing process to cope with the demand for premium products in growing markets such as China, and as a result reducing manufacturing costs.

Moreover, we provide drug reconstitution and administration devices which are highly convenient to use in combination with our primary pharmaceutical packaging products. We are currently developing a nasal spray device, addressing the needs for the end-user and patient in terms of easiness and gentleness.

Nipro ships the first batch of vials for a COVID-19 vaccine

Nipro has shipped the first batch of vials for a COVID-19 vaccine. In support of pharmaceutical companies, healthcare professionals, and patients, we increase and accelerate supply wherever possible.

Vials

Vials accounted for 48% of the market composition of containers for injectable drugs as of 2018. Injection will stay one of the dominant routes of administration for pipeline drugs, and vials are expected to remain the most popular choice of packaging, especially in the wake of the COVID-19 crisis, where the percentage of vials in the total market has seen a spike.

Amid these market conditions, we strive to strengthen the sales of high-value-added vials.

Our proprietary product VIALEX™ allows for the stable storage of pharmaceuticals without any coating of the inner surfaces of the vials. With its limited pH shift, minimum delamination, and reduction of extractables, it is highly expected to be used for high quality biopharmaceuticals.

VIALEX™

Syringes

The glass syringes market is expected to experience the largest growth among various types of containers.

In line with this development, we are building a supply system to expand sales of our own brand sterilized syringes D2F™.

Sterilized syringes D2F™ are washed, sterilized, and supplied as ready-to-use products for users' filling lines. Syringes are assembled into nests and tubs, and EtO sterilized to provide simplicity and efficiency on filling lines. Due to its easy application for users in laboratories and medical institutions, we are expecting increasing demand for D2F™ in the future.

* EtO sterilization: A method of sterilizing microorganisms with ethylene oxide gas. As it can be processed at relatively low temperatures, it can be used for materials that are not heat resistant.

D2F™ sterilized syringes

Drug reconstitution and administration devices

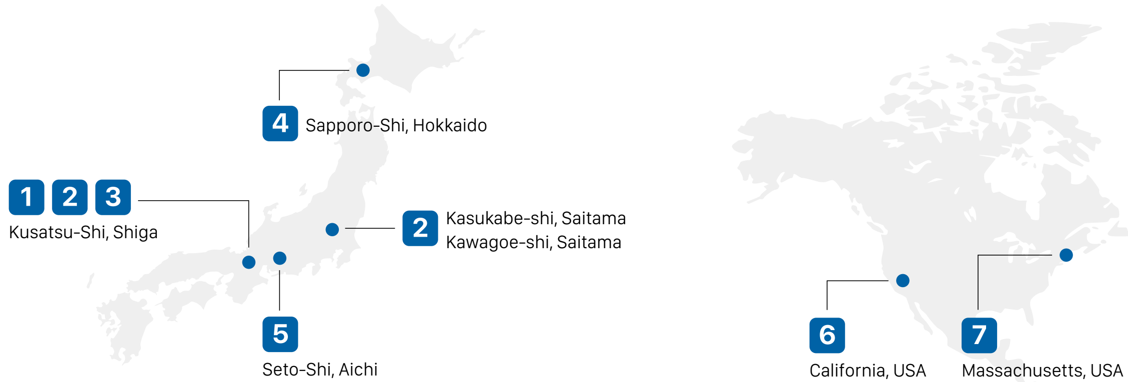
Drug reconstitution and administration devices allow for quick, easy preparation and administration of medicines at home, at one's bedside, in an ambulance, the emergency room, etc. They also eliminate safety risks (e.g., contamination and exposure faced by healthcare professionals and patients) and help to prevent medical errors (e.g., needle sticks injuries), thereby improving the quality of care and reducing overall cost.


Nasal spray pre-fillable syringes

Research and Development Activities

Contributing to Innovation in Medical Care through Original Technologies and Ideas

Nipro has seven research and development sites, centered on the Research and Development Institute and Pharmaceutical Research Laboratories in Japan and the United States. We continually address the needs and issues of medical professionals and patients as we work to develop and provide high-value-added products.



1 Research and Development Institute

● Number of employees

209

Research theme
- Cellular and regenerative medicine products
- Orthopedic surgery-related products
- Dialysis-related and general medical devices
- Circulatory organ- and intervention-related products
- Artificial organs
- Test and diagnosis-related products
- High-performance medical containers
- Medical glass products

Status of industry-academia collaboration

Implementation of research aimed at the joint development and early realization of new products, in collaboration with universities and research institutions throughout the world.

2 Pharmaceutical Research Laboratories

● Number of employees

168

Research theme
- Injection products
- Oral solids
- Medical supplies for external application
- Cancer drugs and biosimilars
- High-performance medical containers

3 Production Technology Center

● Number of employees

55

Research theme

The establishment of new production technology and the design development of equipment to increase production, which are for the enhancement of productivity.

4 Regenerative Medicine R&D Center

● Number of employees

98

Research theme

Manufacturing equipment and consumables for the realization of regenerative medicine using autologous bone marrow cells for strokes and spinal cord injuries.

Status of industry-academia collaboration

Conclusion of collaboration research agreement concerning strokes and spinal cord injuries, and license agreement on regenerative medicine patents with Sapporo Medical University.

5 Goodman Medical Innovation Center

● Number of employees

73

Research theme
- Catheters and accessories for cardiac and circulatory organ inspection and therapy
- Catheters and stents for cerebral blood vessel therapy
- Vascular access catheters

Status of industry-academia collaboration
- Performance of physician-led clinical trials with the National Cerebral and Cardiovascular Center.
- Implementation of research in collaboration with Hiroshima University.

6 AVANTEC VASCULAR CORPORATION

● Number of employees

27

Research theme
- Hemorrhagic & ischemic stroke therapies
- Vascular retrieval system
- Endovascular/peripheral embolization
- CTO catheterization technologies
- Specialty coronary catheters
- Vascular access technologies
- Orthopedic & spinal access

7 Infraredx, Inc.

● Number of employees

66

Research theme
- IVUS + NIRS Intravascular Imaging
- Thin cap algorithm
- IVUS auto-detection software

Status of industry-academia collaboration
- University of Pennsylvania

Research and Development Activities

In the NIPRO group, we are promoting the research and development (R&D) activities of medical devices and pharmaceutical drugs at the NIPRO Life Science Site in Minami-Kusatsu, Shiga.

In the Medical-Related business, we concluded a five-year joint research agreement with the University of Tokyo Hospital in March 2019 and named the establishment "the University of Tokyo and NIPRO Research and Development Center". We are sharing the entire 13th floor, measuring 2,278 m^2 (15 rooms), of inpatient ward building B on the premises of the University of Tokyo, where our researchers are "developing innovative medical technologies and devices for the next generation." We advertised for themes—which were then reviewed by the committee—adopted numerous development projects, and concluded joint research contracts for each project.

We will continue to proceed with our R&D projects with various experts to develop items and services that will contribute as businesses of the next generation.

In addition, the iMEP, a medical training facility, has already accepted more than 90,000 users since its establishment 6 years ago. Last year, for the first time, students from the local junior high school were provided with the experience of medical training. We hope that through this experience they will support us as NIPRO fans in the future.

In the Pharmaceutical-Related business, we have been developing high-quality generic drugs targeting brand-name drugs in all disease areas and dosage forms to meet the needs of reducing drug costs and improving the quality of medical care. We are also focusing on the development of value-added products, such as easy-to-take orally disintegrating tablets for patients and easy-to-handle kit formulations for medical staff.

The total amount of R&D expenses in the fiscal year under review was ¥18,204 million.

The R&D activities for each segment are as follows:

1 Medical-Related Business

The following R&D activities are conducted mainly by the Research and Development center.

Division of General-Purpose Medical Devices

We have launched "IP echo" and "Puncture guide kit"—portable vascular puncture echo that enables the safe and easy peripheral puncture of the central venous catheter. The IP echo was awarded the Good Design Award in the fiscal year under review.

In addition, we have launched "EASI-PON," a device to prevent erroneous insertion of the nasal catheter into the trachea and to assist introduction into the esophagus, and "Touchless," a syringe dispensing cap, which allows blood to be safely collected into a blood collection tube without removing an injection needle.

Division of Circulatory and Interventional Products

We have started a clinical study for the regulatory application of an in-company developed "drug-eluting stent" frequently used in percutaneous coronary intervention (PCI). This stent has a particular number of crowns and a weak link structure that no other companies have provided; furthermore, it has better conformability and fracture resistance to the vessels of flexion lesions or bifurcation lesions than existing products. We are fulfilling the wishes of a deceased doctor, our co-developer.

Furthermore, last year we launched "Guide Plus II," a penetration catheter for the coronary artery. We have obtained the top market share due to its superior crossability and high credibility of resistance to damage even in complex lesions, as compared with products of other companies. We will further improve the product, increase size variety, and expand the overseas market since other companies have started to enter the market.

We have completed the development of a tapered PTA balloon catheter for a new approach in the treatment of chronic thromboembolic pulmonary hypertension (CTEPH). We have also developed and will launch, in Japan, the first disposable forceps for full endoscopic lumbar dissection (FELD), a minimally invasive treatment in the field of orthopedics, as a device applying the interventional device technology to other fields.

Management Foundation

Research and Development Activities

Division of Artificial Organs

We completed a clinical trial aiming at the long-term use of a centrifugal blood pump with hydrodynamic bearings for 30 days and are now proceeding with the regulatory application work toward the launch.

Additionally, we launched cannulas for performing extracorporeal circulation by inserting and placing them percutaneously into the blood vessel, with three sizes each for blood removal and blood transmission. The tip of the part for insertion is smooth enough to reduce the risk of vascular injury compared to the products of other companies.

It is mainly used for long-lasting hemofiltration in patients with acute renal failure, and we have launched a continuous hemofiltration device in which the performance stability and biocompatibility of the ATA membrane meets the needs in clinical settings. We have also launched a needleless connection system (SafeTouch Plug for dialysis) and an antiseptic cotton for disinfection of catheters and puncture sites, "Almenderful™," as devices to be used together with vascular access catheters.

Division of Diagnostics and Inspections

The production of a second-generation diagnostic agent for drug-resistant tuberculosis (genetic testing) was started in Thailand, and cost reduction was achieved so that we can respond to overseas bidding. We plan to expand our business mainly in developing countries. We are developing a hemostatic device using cationic cellulose for quick hemostasis and will launch it soon. Hemostasis is sometimes difficult after removal of a thick needle for dialysis.

We have also launched Multileaf® which can test different parameters with a drop of blood.

Division of Functional Pharmaceutical Containers

We solved various problems of the old alimentation bag, which had been on the market for about 30 years, and launched "Alime Bag α." We changed the infusion set connection from a membrane tube to a rubber plug to prevent leakage even if the infusion bottle needle comes off, and launched Three Tock, which is compatible with specific vials; thus, Three Tock drugs can be safely and easily prepared for CSL Behring.

We also launched the "container for endoscopic therapy," which delivers the support used for transporting NEOVEIL (absorbable tissue reinforcement) in a container to the affected area and places it on the affected area after ESD. To cope with the flow rate accuracy of pre-fillable syringes (1.0 mL/min ± 3.0%), we launched dexmedetomidine injection 200 µg, for which the cause of non-conformity of the flow rate accuracy was investigated and the countermeasures examined. We launched a new half kit designed to prevent clogging of a needle hole for specific antibiotics by improving the drug vials with a small diameter aluminum part so that it can be used without an adapter. We also adjusted the thickness of the bottle body in the new half kit to improve drainage.

Division of Surgical Devices

We continued the industry-academia collaboration course with the "Course of hand surgery" at Nagoya University, which has been conducting joint research through the trial of nerve regeneration-inducing tubes and carrying out joint development. We are also jointly researching artificial bones with faster regeneration than the conventional product using "octacalcium phosphate (OCP)," a new material, with Tohoku University and preparing for a clinical trial.

These orthopedic products are being developed in cooperation with NexMed International Co., Ltd., our group company. Also, Machida Endoscope Co., Ltd., which joined our group two years ago, has improved the existing endoscope products, developed new products, and is currently developing videoscopes for launch.

Division of Cell Drugs

We have commercialized "Plastic Pasteur," a Pasteur Pipette made of resin so that it is less likely to crack than glass and its round tip does not damage cells, and the "Culture Bag for Adhesion," which can efficiently culture adhesive cells represented by ES/iPS cells and mesenchymal stem cells in a closed environment.

Management Foundation

Research and Development Activities

Division of Clinical Trial/Regulatory Application

All devices requiring clinical trials are high-value-added products and contribute to our sales and profits. Clinical trials are planned and implemented inside the company, and thus we suppress the increase in expenses compared to outsourcing. They also contribute to product development and regulatory strategy planning through the accumulation of know-how.

Division of Medical Training

iMEP in Belgium has provided training mainly on our dialysis products and contributed to medical safety through the proper use of medical devices. We sent one staff member from Japanese iMEP to improve the utilization rate and thus further advanced the approach to medical organizations. Since iMEP in Thailand is scheduled to begin operations this year, their staff members came to Japan and are fully working for the establishment and improvement of medical training. We appreciate such cooperation to actively promote iMEP activities in these three countries (Japan, Belgium, and Thailand).

Expenses related to R&D in this business segment were ¥9,726 million.

2 Pharmaceutical-Related Business

The Pharmaceutical Research Laboratories of our company mainly conduct the following research and development activities.

Injectable Drugs

In addition to ordinary vial and bag products, we are actively pursuing the development of kit formulations designed for convenience in clinical practice. We have already launched dual chamber pre-fillable syringes for leuprorelin acetate (one-month extended release product) for treating prostatic cancer and premenopausal breast cancer (original: LEUPLIN® by Takeda Pharmaceutical Co., Ltd.). We are focusing on and developing such challenging sustained release preparations, as well as others.

In the fiscal year under review, we obtained marketing approval for one generic product of a vial product.

Oral Drugs

We are developing extended release drugs in addition to ordinary oral drugs (e.g., tablets, granules). Meanwhile, in order to enhance efficiency in clinical practice, we also provide technically unique products, such as tablets printed with the name of active ingredients, and more useful packages, such as individual packages and aluminum pillows.

In this fiscal year, three compounds in eight generic drugs were launched. Moreover, we obtained marketing approval for seven compounds in 12 generic products.

Drugs for external use

We are currently developing several generic drugs, such as patches.

Microneedles, characterized by the novel concept of a "transdermal injectable drug" are also under development. New production lines for investigational drugs have already been constructed.

Biosimilars

While the biopharmaceutical market is rapidly expanding in Japan, National Health Insurance (NHI) prices for biopharmaceuticals are generally high, and thus the need for biosimilars with much lower price is increasing from the perspective of healthcare cost reduction. Based on such circumstances, we have partnered with a biological drug substances company that has comparable quality and price-competitiveness in brand drugs, and aim to develop in-company biosimilars.

Expenses related to R&D in this business segment were ¥8,478 million.

Status of Corporate Governance

1 Corporate Governance System

(1) Corporate Governance System and Reasons for Adoption

Nipro Corporation has an established corporate governance system including organizations for the Meeting of Shareholders and directors as required under the Companies Act, in addition to a Board of Directors, Audit & Supervisory Board Members, Audit & Supervisory Board and an Accounting Auditor. Nipro has also established internal committees such as the Operational Risk Management Committee. This committee continuously maintains close coordination with external parties such as the company attorney, to enable effective monitoring and supervision of the efficiency and propriety of operations across the Company as a whole.

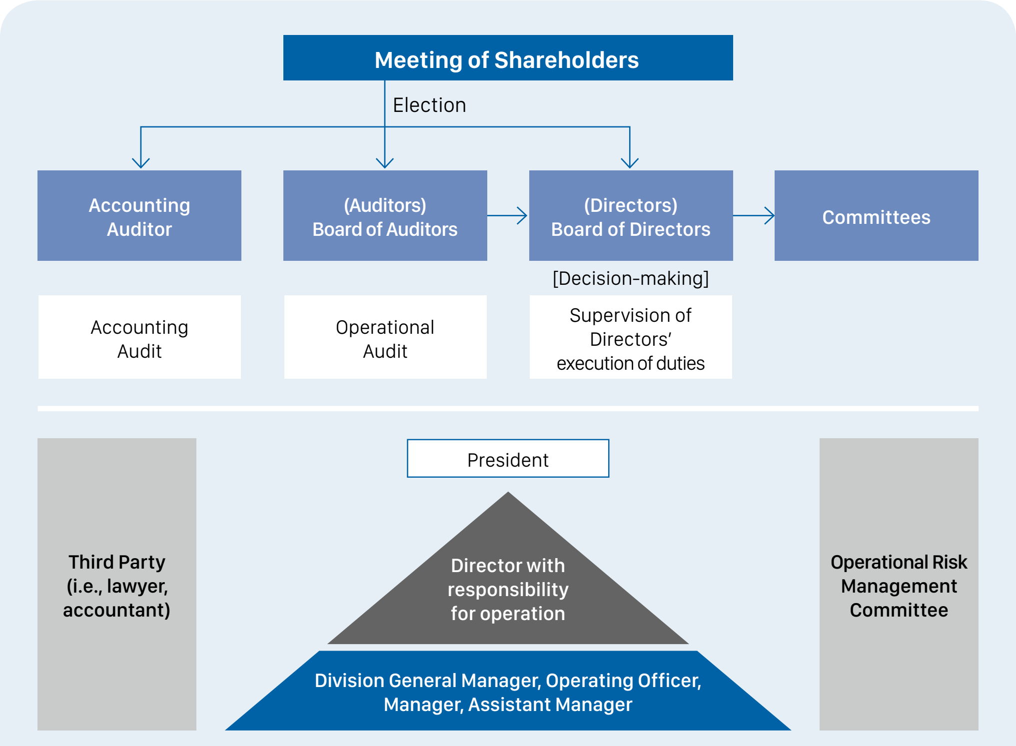
(2) Internal Control Systems

Nipro strives to make business units the foundation of its internal control system for the Nipro Group as a whole. Nipro's directors and Audit & Supervisory Board Members, as well as representatives of each of the major companies of the Group, hold a Group management meeting on a monthly basis. These meetings are used to report on the progress of business activities, decide key operating matters, and deliberate on pending matters. To build awareness of compliance with laws, regulations and corporate ethics among executives and employees, Nipro has established the "Nipro Code of Practice," and has thoroughly informed everyone in the company.

(3) Risk Management System

Nipro has established risk management regulations and a system for managing business and other specific risks. Their purpose is to recognize and capture risks that could have a material impact on business operations, in an appropriate and comprehensive manner. Nipro has also established an Operational Risk Management Committee to ensure cross-sectional management across all Group companies. The committee endeavors to further strengthen risk management systems to prevent, avoid and learn from risks and crises. Nipro has also established a Sanction Committee, chaired by the President, which endeavors to ensure sound business management through the appropriate handling of sanctions. Nipro produced a Disaster Prevention and Crisis Management Handbook and distributed it to each employee within the Nipro Group. Nipro tries hard to keep employees fully informed about taking calm and appropriate action when faced with disasters and about reassessing and renewing business continuity plans as appropriate. In addition, to strengthen our rollout of compliance training and enhance our risk management system, Nipro established a Compliance Section within its General Affairs Department, and is working to ensure awareness of compliance among employees.

(4) Basic Structure of Corporate Governance and Risk Management



Conceptual Diagram of Corporate Governance

(5) Business Continuity Planning (BCP)

At workplaces in Japan, we are improving our systems for disaster preparation and smooth continuity of business in the face of risks such as outbreaks of new types of influenza and large-scale natural disasters, including major (around magnitude 6) earthquakes originating in the Nankai Trough. At overseas workplaces, we are also preparing for risks including war, civil war, riots, terrorism, anti-Japanese demonstrations, and strikes.

Status of Corporate Governance

2 Internal and Statutory Auditing

(1) Internal Auditing

Nipro has established the Internal Audit Division, consisting of the Audit Office and the Overseas Audit Office, and conducts audits of accounting and other operations based on internal audit protocols.

(2) Statutory Auditing

For each statutory audit, Audit & Supervisory Board Members attend key meetings such as those of the Board of Directors, in accordance with the auditing policy and roles determined by the Audit & Supervisory Board. Audit & Supervisory Board Members receive performance reports from directors and employees, and are able to request further explanation when necessary, and inspect key documents. Audit & Supervisory Board Members also undertake other auditing duties such as investigating the state of operations and assets in key places of business. Audit & Supervisory board meetings are held regularly, or as necessary, in order to exchange views and hold discussions.

3 Outside Directors and Outside Audit & Supervisory Board Members

(1) Outside Directors and Outside Audit & Supervisory Board Members

Two of the directors are Outside Directors and two of the three Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members. The two Outside Directors and one of the Outside Audit & Supervisory Board Members have been designated as independent directors/Audit & Supervisory Board Members, and the Tokyo Stock Exchange has been notified of their designation.

(2) Policy and Criteria for Independence from the Filing Company in the Election of Outside Directors and Outside Audit & Supervisory Board Members

Nipro determines the criteria for the independence of Outside Directors and Outside Audit & Supervisory Board Members as a part of separate corporate governance guidelines taking into consideration the provisions stipulated under the Financial Instruments and Exchange Act. In the event that either case does not fall within the scope of this criteria, Outside Directors and Outside Audit & Supervisory Board Members are deemed to be independent from the Company and that there is no possibility of a conflict of interest with general shareholders.

(3) Approach to the Election of Outside Directors and Outside Audit & Supervisory Board Members

Close coordination with the Internal Directors and the full-time Audit & Supervisory Board Members, employees of the Audit Office and assigned staff from the management section of the head office (as needed) ensures sufficient cover to implement the supervision and the audit function and role as required by the current corporate governance system.

(4) Mutual Collaboration between Outside Audits and Internal, Statutory and Accounting Audits, and the Relationship between Internal Control Divisions

The Outside Directors attend meetings of the Board of Directors and supervise our management based on their extensive knowledge and management experience from an independent standpoint. The Outside Audit & Supervisory Board Members carry out auditing activities including attending key meetings such as meetings of the Board of Directors in accordance with the audit policy and roles determined by the Audit & Supervisory Board. They are able to access reports via the full-time Audit & Supervisory Board Members or directly from directors and employees, and inspect key documents. The Outside Audit & Supervisory Board Members also attend periodic or occasional meetings of the Audit & Supervisory Board to contribute to discussions and exchange opinions from an objective and independent viewpoint. The Outside Audit & Supervisory Board Members strive to facilitate a smooth audit service through close collaboration with employees of the Audit Office, the full-time Audit & Supervisory Board Members, Audit & Supervisory Board Members of subsidiaries and the accounting auditor.

4 Accounting Audits

Name of Accounting Auditor: Hibiki Audit Corporation
Names of Certified Public Accountants conducting the Audit:
Kazuhiro Bando, Miho Ishihara, Takanori Nakasuka

Support Staff for Audits:
Certified Public Accountants: 19
Other Staff: 2

● Remuneration paid to Directors and Audit & Supervisory Board Members

	Millions of yen				
	Total amount of remuneration	Total amount of remuneration by type			Number of eligible corporate officers
		Annual remuneration	Bonus	Retirement benefits	
Internal Directors	¥ 256	¥ 206	—	¥ 49	28
Internal Audit & Supervisory Board Members	7	7	—	—	1
Outside Directors, Outside Audit & Supervisory Board Members	16	16	—	—	4

	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	
Internal Directors	*$ 2,352*	*$ 1,893*	—	*$ 450*	*28*
Internal Audit & Supervisory Board Members	*64*	*64*	—	—	*1*
Outside Directors, Outside Audit & Supervisory Board Members	*147*	*147*	—	—	*4*

Management Foundation

Outside Directors' Messages

Yoshiko Tanaka
Outside Director

Activating discussions among the Board of Directors

I have been an outside director of Nipro for six years. During this time, I have been trying to reflect honest opinions on society and mainly giving my suggestions on management, with my experience accumulated as a pharmacist at medical institutions and being involved in medical consulting work. When I started working as an outside director, I was not familiar with areas other than medicine, my specialty. However, after participating in various conferences on medical device-related business including the Domestic Division, I am now able to understand the problems in more depth. Outside directors can freely listen to the voices inside the company, and such corporate culture is the strength of the governance of Nipro.

However, there is an issue regarding the Board of Directors. Since all the directors report their own business operations, we do not have enough time to discuss important management issues. There are 28 directors at present, which I find to be too many. To ensure sufficient discussion of important themes, the number of directors should be about 10. In addition, I think few directors look at overall management. I think reducing the number of directors and increasing discussions on important themes will strengthen directors' awareness as managers and enable decision-making looking at overall management.

Nipro introduced the operating officer system in May 2020, which is the beginning of establishing a system that enables rapid decision-making for the management. As a result of this organizational change, 10 operating officers were newly appointed. However, in the future, the number of directors will be reduced, and authority will be transferred to the operating officers. What is important here is not to simply reduce the number of directors but to separate management and execution. This will make it easier for directors to cooperate across departments and activate deliberations on strategies and new businesses. The Board of Directors is required to deeply understand the business and have an objective viewpoint. I think that a slim organization allows speedy decision-making after active discussions.

Furthermore, I have not sufficiently discussed the future direction of the company to achieve the long-term goal of Nipro, that is, sales of ¥1 trillion for the fiscal term ending March 2031. Discussions among the Board of Directors are important. In addition, we need to discuss priorities for the optimization of the entire company and to which projects we should allocate the limited resources, by establishing a training camp for directors, for example. In addition to such discussions, it will be important to provide opportunities to have cross-departmental discussions by manager and section manager classes. I will also contribute to this goal by making the most of my experience as an outside director and proposing objective opinions based on a deep understanding of Nipro's business. Please look forward to our future growth.

Minako Oomizu
Outside Director

The role of the Board of Directors in enhancing corporate value

Nipro has been developing various products based on its management philosophy of supporting the health of people worldwide and providing products that meet their medical needs. In recent years, Nipro has opened its own dialysis centers, mainly in developing countries, to provide medical care to an even greater number of people. Therefore, Nipro's business activities can be said to offer high social value.

The premise of creating social value is to provide products genuinely needed by patients. Drawing on my experience as a nursing manager in a medical institution, I advise Nipro on its product development and sales strategies from a user perspective. Further, I deliver many lectures on Fish Philosophy at Nipro Group Companies; Fish Philosophy, which has been in use for some time now, is a sound source of thinking and motivates employees.

While it is great to see Nipro's high-social-value businesses expanding globally, the risks involved in business expansion necessitate adequate risk management. Therefore, I believe that it is the role of the outside directors to distinguish risks to be taken from those to be avoided and support the management's proactive decisions when necessary. In addition, the diverse and vigorous exchange of ideas at the Board of Directors' meetings is essential to enhance corporate value in the future. Currently, Nipro's Board of Directors includes two female directors, which may not be diverse enough in terms of gender composition. However, I believe that differences in thinking based on position and experience are more important than gender diversity, and in that respect, I see diversity on Nipro's Board of Directors. With the introduction of the operating officer system in May 2020, I expect governance to evolve in terms of the authority that will be delegated to the heads of each business area with extremely high levels of expertise and the discussions that will be held at the board meetings.

Moving forward, Nipro must continue to develop highly specialized human resources regardless of age, work in close cooperation with them, and introduce new products and services to the world continuously, to enhance social and economic value further. For the future development of Nipro, I believe it is important to create an environment in which the opinions of younger employees are reflected in the management of the company, in conjunction with the top-down approach. As an outside director, I would like to contribute to the company by proactively offering opinions from the societal and user viewpoints.

Management Foundation

Board of Directors and Audit & Supervisory Board Members

As of June 26, 2020

Minako Oomizu
Outside Director

Yoshiko Tanaka
Outside Director

Kenichi Nishida
Managing Director

Yasushi Oyama
Managing Director

Takehito Yogo
Managing Director

Tsuyoshi Yamazaki
Managing Director

Kyoetsu Kobayashi
Managing Director

Kiyotaka Yoshioka
Managing Director

Yoshihiko Sano
President & Representative Director

Toshiaki Masuda
Managing Director

Kimihito Minoura
Managing Director

Kazuhiko Sano
Managing Director

Management Foundation

Board of Directors and Audit & Supervisory Board Members

As of June 26, 2020

President & Representative Director

Yoshihiko Sano

Managing Directors

Kiyotaka Yoshioka
Domestic Division

Toshiaki Masuda
Medical Technology Division for Planning, Development & Marketing; Research & Development Center

Kyoetsu Kobayashi
Global Production Division; Odate Plant

Kimihito Minoura
Division of Regenerative and Advanced Therapy; New Business Development Headquarters

Tsuyoshi Yamazaki
Global Business Division; PharmaPackaging Division

Kazuhiko Sano
Construction & Engineering Headquarters; Production Technology Development Division; Production Technology Center; Deputy General Manager, Global Production Division

Kenichi Nishida
Pharmaceutical Division; Pharmaceutical Development Promotion Department

Yasushi Oyama
Vascular Division; Vascular Product Sales and Development Headquarters

Takehito Yogo
Corporate Planning Headquarters (Chief Financial Officer)

Directors

Mitsutaka Ueda
Deputy General Manager Medical Technology Division for Planning, Development & Marketing

Yozo Sawada
Intellectual Property Department

Hideto Nakamura
General Affairs / Human Resources Headquarters

Yasushi Kutsukawa
Domestic Division; Medical Sales & Marketing Headquarters; Business Strategy Office

Masayuki Ito
Surgical Devices Division; Medical Technology Division for Planning, Development & Marketing; Domestic Product Development and Technical Sales Headquarters

Masanobu Iwasa
PharmaPackaging Division

Itsuo Akasaki
PharmaPackaging Division; Sales & Marketing Headquarters

Toyoshi Yoshida
Quality Assurance & Regulatory Compliance Headquarters

Kenju Fujita
Domestic Division; Pharmaceutical Sales & Marketing Headquarters; Deputy General Manager, Business Strategy Office

Hiroshi Sudoh
Medical Technology Division for Planning, Development & Marketing; Product Planning Headquarters

Hiroshi Yoshida
Medical Technology Division for Planning, Development & Marketing; Enzyme Center; Research & Development Center; Department III; LFR Business Office

Akio Shirasu
Medical Technology Division for Planning, Development & Marketing; Research & Development Center; Research Management Department; Research & Development Institute for Artificial Organs

Kouki Hatakeyama
Global Production Division; Quality Assurance Department

Toshiya Kai
Pharmaceutical Division; Pharmaceutical Research Laboratories

Goichi Miyazumi
Deputy Division Manager Global Business Division

Kaname Sadahiro
Medical Technology Division for Planning, Development & Marketing; Global Product Development and Sales Headquarters; Dialysis and Blood Purification Product Development and Sales Department

Outside Directors

Yoshiko Tanaka

May 1983:	General Manager, Drug Department, Tokushukai Medical Corporation, Osaka Headquarters
Jun. 1997:	General Manager, Planning and Management Department, and General Manager, Drug Department, Tokushukai Medical Corporation, Osaka Headquarters
Jun. 2002:	President and Representative Director, MEDY HOPE Corporation (to present)
Jun. 2014:	Appointed Director, Nipro Corporation (to present)

Minako Oomizu

Apr. 2008:	Director of Nursing Department, and Vice-Director, Jikei University Hospital
Apr. 2010:	Director, Office of Human Resources Management and Education, Wakokai Medical Association
Jun. 2015:	Appointed Director, Nipro Corporation (to present)

Audit & Supervisory Board Member (Full-time)

Takayuki Nomiya

Audit & Supervisory Board Members (Outside)

Kazumichi Irie

Masayoshi Hasegawa

Financial Review

Overview

During the consolidated fiscal year under review, sales increased due to strong performance by the Medical-Related business, which includes dialysis-related product sales in Japan and overseas, and the Pharmaceutical-Related business, in which Nipro has one of the largest contract manufacturing structures in Japan. Although operating profit was up due to growth of the Medical-Related business and cost reduction efforts, the company recorded a substantial net loss because of securities valuation losses due to a steep decline in world share prices in reaction to the COVID-19 pandemic and impairment of fixed assets of subsidiaries whose performance had deteriorated.

Consolidated Business Results

Relevant quantitative data for the period under review have been converted at the rate of US$1.00 ¥108.83 (the rate of exchange as of March 31, 2020).

Net Sales

Net sales for the current term were ¥442,516 million (US$4,066.1 million), an increase of 3.8% from the previous fiscal year.

Cost of Sales

Cost of sales increased by 4.2% compared with the previous fiscal year to ¥308,304 million (US$2,832.8 million).

As a result, gross profit increased by 2.7% compared with the previous fiscal year to ¥134,211 million (US$1,233.2 million).

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 0.9% compared with the previous fiscal year to ¥107,791 million (US$990.4 million). This was mainly due to an increase of depreciation expenses and research and development expenses.

Operating Income

As a result of the aforementioned factors, operating income increased by 10.9% compared with the previous fiscal year to ¥26,420 million (US$242.7 million). The operating profit margin increased by 0.4% to 6.0%.

Other Income (Expenses)

Other expenses came to ¥36,579 million (US$336.1 million), which is ¥33,985 million lower compared with other expenses in the previous fiscal year. One major factor in other expenses was an exchange loss of ¥2,999 million (US$27.5 million), compared to a loss of ¥1,121 million in the previous fiscal year.

Loss before income taxes

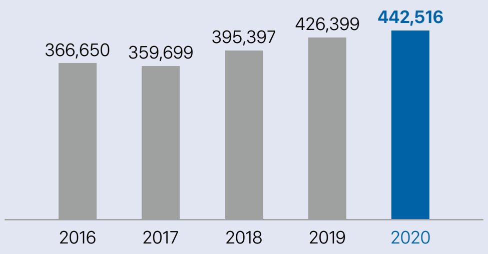
As a result of the factors outlined above, loss before income taxes is ¥10,158 million (US$93.3 million), compared to ¥21,233 million in the previous fiscal year.

Income Taxes

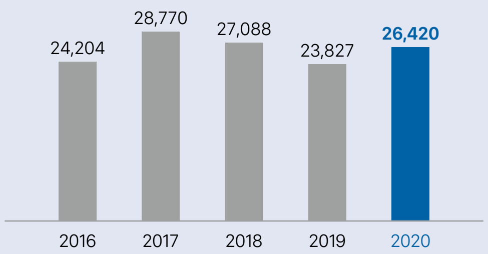
Income taxes, including deferred taxes, decreased by 84.7%, compared with the previous fiscal year to ¥1,433 million (US$13.1 million). Income taxes decreased mainly due to securities valuation losses mostly caused by a steep decline in world share prices in

(Years ended March 31)

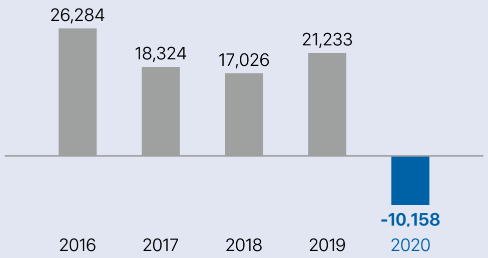
● Net sales (Millions of yen)



● Operating income (Millions of yen)



● Income before income taxes (Millions of yen)



Financial/Data Section

Financial Review

reaction to the COVID-19 pandemic and impairment of fixed assets of subsidiaries whose performance had deteriorated.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests amounted to ¥689 million (US$6.3 million).

Net Loss Attributable to Owners of Parent

Net loss attributable to owners of parent was ¥12,281 million (US$112.8 million), compared to net income attributable to owners of parent of ¥12,136 million in the previous fiscal year. Basic earnings per share decreased to ¥-75.3 (US$-0.7) from ¥73.6 in the previous fiscal year. Return on equity decreased to -7.9% from 7.3% for the previous fiscal year.

Net Sales by Geographic Segment

Japan

In Japan, net sales increased by 2.6% compared with the previous fiscal year to ¥267,708 million (US$2,459.8 million) mainly thanks to the increase of sales in the Pharmaceutical-Related business.

Americas

In the Americas, net sales increased by 7.2% compared with the previous fiscal year to ¥64,153 million (US$589.4 million) mainly thanks to the increase of sales in the Medical-Related business.

Europe

In Europe, net sales decreased by 0.5% compared with the previous fiscal year to ¥50,801 million (US$466.7 million).

Asia

In Asia, net sales increased by 12.2% compared with the previous fiscal year to ¥37,766 million (US$347.0 million) mainly thanks to the increase of sales in the Medical-Related business.

Financial Position

Total assets decreased by ¥13,956 million year on year to ¥831,865 million (US$7,643.7 million). Current assets decreased by ¥9,923 million and noncurrent assets decreased by ¥4,033 million.

The main reason for decrease in current asset is ¥33,513 million decrease in cash and cash equivalents. The main reason for decrease in noncurrent asset is ¥22,073 million decrease in Investment securities.

Total liabilities decreased by ¥3,363 million year on year to ¥670,627 million (US$6,162.2 million). Current liabilities increased by ¥15,127 million and long-term liabilities decreased by ¥18,489 million.

The main reason for the increase in current liabilities was a ¥25,000 million increase in current portion of convertible bond.

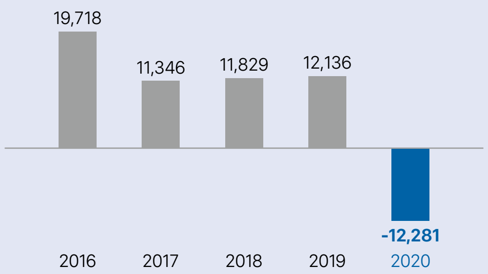
The main reason for the decrease in long-term liabilities was ¥25,000 million increase in current portion of convertible bond.

Total net assets decreased by ¥10,593 million year on year to ¥161,237 million (US$1,481.5 million). Shareholders' equity decreased by ¥15,947 million and accumulated other comprehensive income increased by ¥3,242 million.

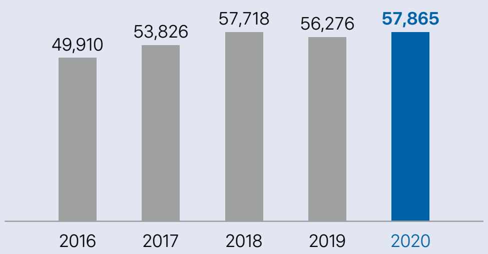
As a result, the equity ratio decreased by 1.2 percentage points compared with the end of the previous fiscal year, to 17.9%.

(Years ended March 31)

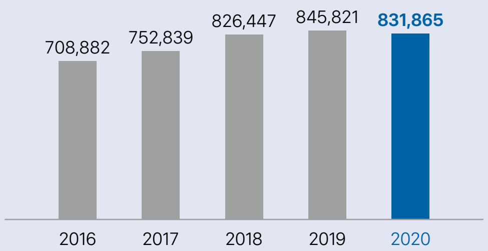
● Net income attributable to owners of parent (Millions of yen)



● Capital investment (Millions of yen)



● Total assets (Millions of yen)



Financial/Data Section

Financial Review

Cash Flow

Net cash provided by operating activities amounted to ¥37,246 million (US$342.2 million). The major cash inflows were net income and depreciation and amortization. Net cash used in investing activities came to ¥58,272 million (US$535.4 million). The major cash outflow was for purchases of property, plant and equipment. Net cash used in financing amounted to ¥4,566 million (US$41.9 million). The major cash inflow was proceeds from long-term loans. As a result, cash and cash equivalents stood at ¥90,154 million (US$828.3 million) as of March 31, 2020.

Staff

The total number of employees as of the end of the period was 32,786, compared to 29,235 at the end of the previous fiscal year. The number of employees in Japan was 8,718, compared to 8,275 at the end of the previous fiscal year.

The number of employees outside Japan was 24,068, compared to 21,050 at the end of the previous fiscal year.

Basic Policy on Distribution of Profit

Nipro pays dividends to shareholders by positioning the return of profits as an important management policy. Retained earnings are actively invested in the research and development division, in addition to the sales division and production division, as a part of efforts to expand the business base and promote long-term business development. Through these means, we ensure stable profits and achieve continued growth.

Risk Factors

The following are risks that may have an effect on the Nipro group's operational results and/or financial condition. The items concerned were determined as of March 31, 2020.

(1) Risks Related to Product Safety

Nipro group brings all of its capabilities to bear in ensuring product safety in the design, development and manufacturing of medical devices and pharmaceutical products. There are still the risks, however, that accidental defects or adverse effects could result in damages to a third party and our being sued for liability.

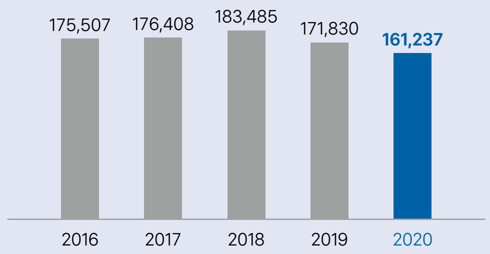
To cover these risks, we therefore maintain general liability and product liability insurance. In the unlikely event of a successful claim in excess of the insurance coverage, however, there could be a material adverse effect on our operational results and/or financial condition.

(2) Risks Related to Supplier Concentration

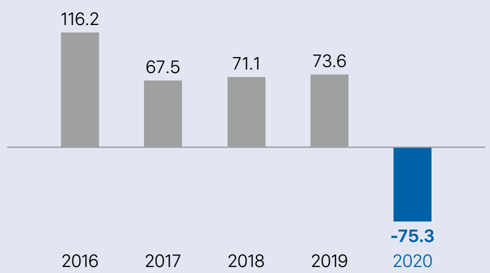
Nipro group procures materials and parts for its operations from a large number of suppliers. Some key materials or parts may be obtained only from a single supplier or a limited group of suppliers. If circumstances at any of these suppliers make it impossible for us to acquire a sufficient quantity 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 operational results and/or financial condition.

(Years ended March 31)

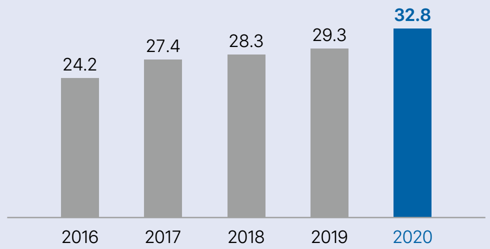
● Net assets (Millions of yen)



● Basic earnings per share (yen)



● Number of employees (Thousand)



Financial/Data Section

Financial Review

(3) Risks Related to Changes in Government Healthcare Policies

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

(4) Risks Related to Changes in Sale Prices

The products sold by Nipro group include some that are affected on an irregular two-year basis by price reductions under the Japanese payment system 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 operational results and/or financial condition.

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

The products manufactured by 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 operational results and/or financial condition.

(6) Risks Related to Overseas Expansion

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 operational results and/or financial condition.

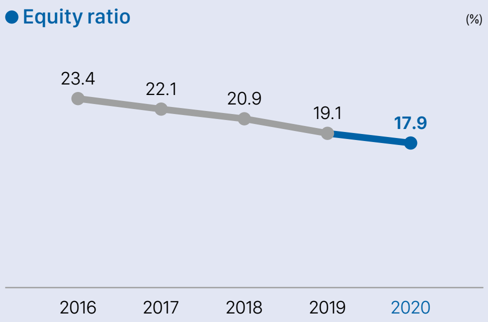
(7) Risks Related to Intellectual Property

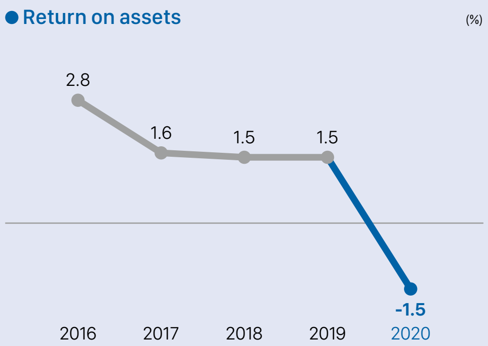
Nipro group owns numerous patents and trademarks, and maintains various proprietary rights for the products it manufactures. Additionally, we take all possible measures to avoid infringing the patents and proprietary rights of any third party, and to avoid breaching any license agreements we have concluded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

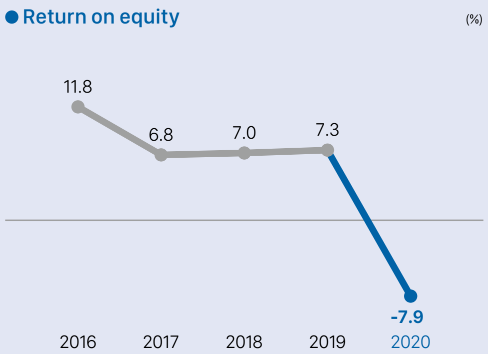
(8) Risks Related to Environmental Regulations

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 operational results and/or financial condition.

(Years ended March 31)







Financial Review

(9) Risks Related to Exchange Rate Fluctuations

Nipro group, including its overseas subsidiaries, carries out its foreign currency transactions primarily in US Dollars and Euros, 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 operational results and/or financial condition.

(10) Risks Related to Investment Value

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 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 operational results and/or financial condition.

(11) Risks Related to Controls on Personal Information

Nipro group has established strict precautions to protect the confidentiality of personal information in our 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 operational results and/or financial condition.

(12) Risks Related to Fund Raising

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 business and investment funds. If due to turmoil in financial markets, there is a reduction in lending from financial institutions or a significant downgrade of our credit rating by credit rating agencies, we may not be able to raise the necessary funds when we need them on acceptable terms. At the same time, we may incur restrictions on our fund raising capabilities or see an increase in the cost of fund raising. Any of these occurrences could have a material adverse effect on our operational results and/or financial condition.

(13) Risks Related to M&A and Business Alliances

Nipro group conducts M&A activities and enters into business alliances to reinforce its business base. Prior to concluding these deals, we carry out a thorough investigation of the target company. However, should any problems arise such as the discovery of unrecognized liabilities or should the development of the acquired business not proceed as planned, there could be a material adverse effect on our operational results and/or financial condition.

(14) Other Risks

Fires, earthquakes, acts of terrorism, wars, epidemics, or other unforeseen man-made or natural disasters affecting areas or facilities where Nipro group conducts its business activities may cause a delay or interruption in production, sales, distribution, or provision of services. Should such a delay or interruption be extended, there could be a material adverse effect on our operational results and/or financial condition.

(15) Risks Related to Coronavirus Spread

An abnormal situation such as the spread of a novel coronavirus infection or a natural disaster could occur on a scale beyond our expectations. Should such an event occur, production bases could close, logistics could be interrupted and business operations with major customers could become difficult, which will affect our financial condition and business results. Hygiene management, telecommuting (remote work), staggered working hours and web meetings as measures to prevent the spread of a novel coronavirus infection may have to be implemented. Nipro will also make every effort to introduce the wearing of masks at meetings.

Ten-Year Summary

Nipro Corporation and its Consolidated Subsidiaries
Years ended March 31

	Millions of yen										Thousands of U.S. dollars (Note 1)
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2020
Income Statement Data:											
Net sales	¥ 442,516	¥ 426,399	¥ 395,397	¥ 359,699	¥ 366,650	¥ 325,084	¥ 300,753	¥ 241,020	¥ 212,013	¥ 195,942	$4,066,122
Medical-Related (*1)	335,767	327,359	300,117	262,198	272,167	237,777	221,363	169,971	145,082	132,817	3,085,248
Pharmaceutical-Related (*1)	70,357	63,482	66,846	69,140	62,266	57,372	51,508	66,212	59,715	38,005	646,485
PharmaPackaging (*1)	36,217	35,526	28,404	28,331	32,184	29,830	27,611	4,603	6,954	24,704	332,789
Other (*1)	174	31	29	29	32	104	271	235	262	417	1,599
Cost of sales	308,304	295,767	268,272	244,602	250,773	225,525	213,220	175,314	149,253	137,768	2,832,896
Selling, general and administrative expenses	107,791	106,804	100,036	86,326	91,671	82,987	75,242	54,336	46,934	40,949	990,458
Operating income	26,420	23,827	27,088	28,770	24,204	16,571	12,289	11,370	15,825	17,225	242,767
Medical-Related (*2)	36,249	36,722	36,522	30,638	28,204	23,813	20,436	14,287	17,078	18,437	333,082
Pharmaceutical-Related (*2)	13,196	10,662	13,104	14,135	12,060	10,553	8,013	3,988	4,940	1,658	121,256
PharmaPackaging (*2)	675	778	(1,308)	(1,313)	(1,618)	(2,889)	(2,183)	601	454	2,701	6,206
Other (*2)	176	146	75	(10)	61	131	216	222	230	88	1,625
Income before income taxes	(10,158)	21,233	17,026	18,324	26,284	19,908	12,891	18,058	11,022	7,431	(93,344)
Net income attributable to owners of parent	(12,281)	12,136	11,829	11,346	19,718	12,470	2,861	10,231	4,586	2,455	(112,854)
Increase in tangible and intangible fixed assets	64,670	64,394	61,990	58,310	57,101	47,698	35,093	37,997	39,525	23,323	594,231
Depreciation and amortization	38,682	35,252	32,565	31,128	30,147	27,667	25,151	21,209	21,581	21,244	355,440
R&D expenses	18,204	16,526	16,113	11,517	10,269	8,645	7,891	6,464	5,956	4,977	167,275
Balance Sheet Data:											
Total assets	¥ 831,865	¥ 845,821	¥ 826,447	¥ 752,839	¥ 708,882	¥ 695,306	¥ 619,654	¥ 579,302	¥ 499,687	¥ 476,510	$7,643,715
Property, plant and equipment—net	307,551	284,483	270,273	244,222	223,756	220,195	191,593	174,703	145,679	128,505	2,825,977
Working capital	143,626	168,676	184,861	134,983	115,970	71,945	45,405	74,216	61,346	40,620	1,319,727
Current liabilities	289,404	274,277	251,186	251,792	252,147	278,402	250,714	213,758	189,090	176,401	2,659,231
Long-term liabilities	381,223	399,712	392,087	324,639	281,227	238,095	232,979	236,781	196,646	191,070	3,502,930
Common stock	84,397	84,397	84,397	84,397	84,397	84,397	84,397	84,397	84,397	28,663	775,501
Capital surplus	—	—	—	—	—	635	688	636	636	29,972	—
Net assets	161,237	171,830	183,485	176,408	175,507	178,810	135,960	128,763	113,951	109,037	1,481,552

(*1) Effective the fiscal year ended March 31, 2011, the Company has 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" (March 21, 2008). 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. In addition, the corporate reorganization was conducted effective on October 1, 2012 in order to enforce Pharmaceutical-Related business and build a strong cooperative relationship among Medical-Related, Pharmaceutical-Related and Glass-Related businesses. As a result of this reorganization, some business divisions included in Glass-Related business were changed to Pharmaceutical-Related business. The segment information is presented as if the aforementioned reorganization had been conducted at the beginning of the fiscal year 2012, and the presentation for the prior fiscal years are not restated. Also, effective in the half-year ended September 30, 2014, 13 subsidiaries including Nipro Glass France S.A.S., Nipro Glass Belgium N.V., Nipro Glass Germany AG, Nipro Sterile Glass Germany AG, and Nipro Glass Americas Corporation were reclassified from Medical-Related business to PharmaPackaging-Related business which was formerly known as Glass-Related business by a reorganization. Segment information after 2014 is based on this reclassification.

From the fiscal year ended March 31, 2019, the Company has conducted reorganization for the purpose of doing synthetic PharmaPackaging business and increasing synergies for Pharmaceutical-Related business. As a result of this reorganization, some business divisions included in Pharmaceutical-Related business were changed to PharmaPackaging business. The presentations for prior fiscal years are not restated.

(*2) Operating income at the operating segment level is not adjusted for intra-segment transactions. See Note 14. "Segment Reporting" of the consolidated financial statements.

Ten-Year Summary

Nipro Corporation and its Consolidated Subsidiaries
Years ended March 31

	Yen										U.S. dollars (Note 1)
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2020
Per Share Data:											
Basic earnings (*3)	¥ (75.3)	¥ 73.6	¥ 71.1	¥ 67.5	¥ 116.2	¥ 81.0	¥ 18.2	¥ 60.0	¥ 35.3	¥ 19.4	$ (0.69)
Diluted earnings (*3)	—	66.7	64.5	61.3	114.7	—	16.3	54.1	31.0	17.4	—
Cash dividends	13.5	28.0	28.5	29.0	33.5	32.5	30.5	27.5	23.5	50.0	0.12
Equity (*3)	912.2	990.1	1,037.2	999.5	977.6	988.8	832.1	703.5	643.9	839.7	8.38
Number of common shares issued	171,459,479	171,459,479	171,459,479	171,459,479	171,459,479	171,459,479	171,459,479	171,459,479	171,459,479	63,878,505	
Number of employees	32,786	29,325	28,330	27,415	24,243	23,153	21,826	19,327	14,566	12,017	
Selected Data and Ratios:											
Equity ratio (*4) (%)	17.9	19.1	20.9	22.1	23.4	24.1	20.2	20.7	22.0	22.4	
Return on assets (*4) (%)	(1.5)	1.5	1.5	1.6	2.8	1.9	0.5	1.9	0.9	0.6	
Return on equity (*4) (%)	(7.9)	7.3	7.0	6.8	11.8	8.5	2.3	8.9	4.2	2.2	
Price earnings ratio (*4) (times)	—	19.3	21.6	23.2	9.2	14.1	50.9	13.9	17.4	42.5	

(*3) Effective the fiscal year ended March 31, 2012, the Company has adopted ASBJ Statement No. 2 "Accounting Standard for Earnings per Share" (June 30, 2010), ASBJ Guidance No. 4 "Guidance on Accounting Standard for Earnings per Share" (June 30, 2010) and ASBJ PITF No. 9 "Practical Solution on Accounting for Earnings per Share" (June 30, 2010). In addition, the Company split one share of common stock into two shares on October 1, 2011 based on a resolution at the board of directors' meeting held on August 27, 2011. In accordance with this adoption, equity per share, basic earnings per share and diluted earnings per share are calculated on the assumption that the two-for-one stock split of common stock was conducted at the beginning of the fiscal year ended March 31, 2011. Before the fiscal year ended March 31, 2010, each amount has been stated in compliance with previous accounting rules.

(*4) Equity ratio is the ratio of the sum of the total shareholders' equity and accumulated other comprehensive income to total assets at the period-end. Return on assets is the ratio of net income attributable to owners of parent 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. The 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 the basic earnings per share.

(*5) Until 2016, yen amounts are rounded to the nearest million yen. Since 2017, yen amounts are rounded down to the nearest million yen.

Financial/Data Section

Consolidated Balance Sheets

Nipro Corporation and its Consolidated Subsidiaries
As of March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Assets			
Current assets:			
Cash and cash equivalents	¥ 90,154	¥ 120,310	$ 828,393
Time deposits (over three months)	5,771	9,127	53,032
Trade notes and accounts receivable	152,462	148,970	1,400,925
Allowance for doubtful receivables	(1,137)	(1,248)	(10,449)
Inventories (Note 3)	153,280	137,925	1,408,442
Deferred income taxes (Note 4)	—	—	—
Other current assets	32,498	27,867	298,615
Total current assets	433,030	442,953	3,978,958
Property, plant and equipment (Note 5):			
Land	¥ 47,004	¥ 36,480	$ 431,905
Buildings and structures	241,755	220,205	2,221,409
Machinery and equipment	376,576	338,391	3,460,226
Construction in progress	27,644	36,638	254,012
	692,980	631,715	6,367,554
Accumulated depreciation	(385,429)	(347,232)	(3,541,576)
Property, plant and equipment—net	307,551	284,483	2,825,977
Intangible assets (Note 5):			
Goodwill	¥ 14,738	¥ 19,327	$ 135,428
Other intangible assets	18,663	20,071	171,489
Total intangible assets	33,401	39,398	306,918
Investments and other assets:			
Investment in unconsolidated subsidiaries and an affiliate accounted for by the equity method	¥ 13,836	¥ 8,690	$ 127,135
Investment securities (Note 6)	25,464	52,683	233,986
Lease deposits	1,832	1,687	16,838
Deferred income taxes (Note 4)	12,670	11,335	116,422
Other assets	4,078	4,589	37,477
Total investments and other assets	57,882	78,986	531,860
Total	¥ 831,865	¥ 845,821	$ 7,643,715

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Liabilities and net assets			
Current liabilities:			
Short-term bank loans (Notes 5 and 9)	¥ 71,078	¥ 55,803	$ 653,112
Current portion of long-term debt (Notes 5 and 9)	90,938	87,093	835,600
Trade notes and accounts payable	69,539	69,646	638,973
Accrued income taxes	2,999	4,068	27,557
Accrued expenses	25,787	31,337	236,951
Notes and accounts payable for plant and equipment	13,893	12,695	127,664
Other current liabilities	15,167	13,632	139,371
Total current liabilities	289,404	274,277	2,659,231
Long-term liabilities:			
Long-term debt (Notes 5 and 9)	¥360,456	¥385,512	$3,312,103
Net defined benefit liability (Note 10)	6,421	5,101	59,002
Deferred income taxes (Note 4)	228	204	2,101
Other long-term liabilities	14,117	8,893	129,722
Total long-term liabilities	381,223	399,712	3,502,930
Commitments and contingent liabilities (Note 11)			
Net Assets (Note 12):			
Common stock	¥ 84,397	¥ 84,397	$ 775,501
Authorized: 400,000,000 shares			
Issued: 171,459,479 shares			
Capital surplus	5	—	47
Retained earnings	74,768	90,719	687,017
Less cost of common shares of treasury stock (8,361,856 shares in 2019 and 5,037,124 shares in 2018)	(10,827)	(10,826)	(99,485)
Total shareholders' equity	148,344	164,291	1,363,080
Unrealized gain on available-for-sale securities	731	(5,173)	6,724
Deferred gains or losses on hedges	(69)	(54)	(637)
Foreign currency translation adjustments	341	2,625	3,138
Remeasurements of defined benefit plans	(563)	(199)	(5,179)
Accumulated other comprehensive income	440	(2,802)	4,045
Non-controlling interests	12,452	10,341	114,425
Total net assets	161,237	171,830	1,481,552
Total	¥831,865	¥845,821	$7,643,715

The accompanying notes are an integral part of these statements.

Financial/Data Section

Consolidated Statements of Income

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales	¥442,516	¥426,399	$4,066,122
Cost of sales	308,304	295,767	2,832,896
Gross profit	134,211	130,631	1,233,225
Selling, general and administrative expenses (Notes 15 and 16)	107,791	106,804	990,458
Operating income	26,420	23,827	242,767
Other income (expenses):			
Interest and dividend income	2,575	2,559	23,665
Interest expense	(3,454)	(3,347)	(31,739)
Loss on sale and disposal of property, plant and equipment—net	(152)	(41)	(1,405)
Exchange loss	(2,999)	(1,121)	(27,558)
Equity in profit of an affiliated company	89	78	824
Gain on sale of subsidiaries and affiliates' stocks	3,607	147	33,152
Loss on impairment of fixed assets (Note 17)	(5,655)	(915)	(51,963)
Loss on devaluation of marketable securities (Note 6)	(29,888)	(80)	(274,630)
Other income—net	(702)	126	(6,456)
Income before income taxes	(10,158)	21,233	(93,344)
Income taxes (Note 4):			
Current	5,343	8,605	49,102
Deferred	(3,910)	751	(35,930)
Net income	(11,592)	11,876	(106,516)
Net income attributable to non-controlling interests	689	(260)	6,338
Net income attributable to owners of parent	¥ (12,281)	¥ 12,136	$ (112,854)

	Yen		U.S. dollars (Note 1)
Amounts per common share:			
Basic earnings	¥ (75.3)	¥ 73.6	$ (0.7)
Diluted earnings	—	66.7	—
Cash dividends	13.5	28.0	0.1

The accompanying notes are an integral part of these statements.

Financial/Data Section

Consolidated Statements of Comprehensive Income

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net income	¥(11,592)	¥11,876	$(106,516)
Other comprehensive income:			
Unrealized gain on available-for-sale securities	5,904	(4,460)	54,255
Deferred gains or losses on hedges	(14)	15	(136)
Foreign currency translation adjustment	(2,688)	(8,891)	(24,705)
Remeasurements of defined benefit plans	(367)	(250)	(3,377)
Share of other comprehensive income of entities accounted for using equity method	(93)	(127)	(858)
Comprehensive income	¥ (8,852)	¥ (1,838)	$ (81,338)
Comprehensive income attributable to:			
Owners of parent	(9,039)	(1,323)	(83,061)
Non-controlling interests	187	(514)	1,723

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, 2020 and 2019 consisted of the following:

	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	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Accumulated other com-prehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2018	171,459	¥84,397	¥—	¥ 83,570	¥ (6,004)	¥161,963	¥ (712)	¥(69)	¥11,404	¥ 36	¥ 10,658	¥10,863	¥183,485
Net income attributable to owners of parent				12,136	—	12,136	—	—	—	—	—	—	12,136
Increase (decrease) in retained earnings due to inclusion of new subsidiaries in consolidation													
Cash dividends				(4,957)	—	(4,957)	—	—	—	—	—	—	(4,957)
Purchase of treasury stock				—	(5,000)	(5,000)	—	—	—	—	—	—	(5,000)
Disposal of treasury stock				—	178	178	—	—	—	—	—	—	178
Change in the scope of consolidation													
Decrease of retained earnings (Other)				(29)	—	(29)	—	—	—	—	—	—	(29)
Other net change during the year		—		—	—	—	(4,461)	15	(8,778)	(236)	(13,460)	(522)	(13,983)
Balance at March 31, 2019	171,459	¥84,397	0	¥ 90,719	¥(10,826)	¥164,291	¥(5,173)	¥(54)	¥ 2,625	¥(199)	¥ (2,802)	¥10,341	¥171,830
Net income attributable to owners of parent				(12,281)	0	(12,281)	0	0	0	0	0	0	(12,281)
Increase (decrease) in retained earnings due to inclusion of new subsidiaries in consolidation													
Cash dividends			0	(3,669)	0	(3,669)	0	0	0	0	0	0	(3,669)
Purchase of treasury stock			0	0	0	0	0	0	0	0	0	0	0
Disposal of treasury stock			(0)	0	0	0	0	0	0	0	0	0	0
Change in the scope of consolidation			0										
Decrease of retained earnings (Other)			0	0	0	0	0	0	0	0	0	0	0
Other net change during the year		0	5	0	0	0	5,905	(14)	(2,284)	(364)	3,242	2,111	5,353
Balance at March 31, 2020	171,459	¥84,397	¥ 5	¥ 74,768	¥(10,827)	¥148,344	¥ 731	¥(69)	¥ 341	¥(563)	¥ 440	¥12,452	¥161,237

	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	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Accumulated other com-prehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2019	*171,459*	*$775,501*	*$—*	*$ 833,591*	*$(99,482)*	*$1,509,611*	*$(47,541)*	*$(500)*	*$ 24,127*	*$(1,831)*	*$(25,747)*	*$ 95,026*	*$1,578,890*
Net income attributable to owners of parent		*0*		*(112,854)*	*0*	*(112,854)*	*0*	*0*	*0*	*0*	*0*	*0*	*(112,854)*
Increase (decrease) in retained earnings due to inclusion of new subsidiaries in consolidation													
Cash dividends				*(33,719)*		*(33,719)*							*(33,719)*
Purchase of treasury stock			*0*	*0*	*(3)*	*(3)*							*(3)*
Disposal of treasury stock			*(0)*	*0*	*0*	*0*							*0*
Decrease of retained earnings (Other)				*0*		*0*							*0*
Other net change during the year			*47*				*54,266*	*(136)*	*(20,988)*	*(3,348)*	*29,793*	*19,399*	*49,192*
Balance at March 31, 2020	*171,459*	*$775,501*	*$47*	*$ 687,017*	*$(99,485)*	*$1,363,080*	*$ 6,724*	*$(637)*	*$ 3,138*	*$(5,179)*	*$ 4,045*	*$114,425*	*$1,481,552*

The accompanying notes are an integral part of these statements.

Financial/Data Section

Consolidated Statements of Cash Flows

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Operating activities:			
Income before income taxes	¥(10,158)	¥ 21,233	$ (93,344)
Depreciation and amortization	38,682	35,252	355,440
Impairment loss	5,655	915	51,963
Amortization of goodwill	3,143	3,372	28,888
Equity in loss of affiliated companies	(89)	(78)	(824)
Allowance for doubtful receivables	242	(699)	2,229
Exchange gain	1,651	1,385	15,179
Gain on sales of available-for-sale securities	(3,123)	(147)	(28,701)
Loss on devaluation of marketable securities	29,892	80	274,671
State subsidy	(898)	(1,036)	(8,260)
Loss on reduction of non-current assets	852	865	7,834
Gain on bargain purchase	(27)	(317)	(251)
Trade receivables	(2,652)	(12,278)	(24,372)
Inventories	(15,241)	(11,448)	(140,052)
Trade payables	205	11,814	1,887
Other current assets	1,258	(5,393)	11,564
Other current liabilities	(5,011)	5,544	(46,048)
Other, net	1,973	552	18,135
Accrued income taxes	(9,108)	(8,175)	(83,697)
Net cash provided by operating activities	37,246	41,362	342,241
Investing activities:			
Deposit (Over three months)	3,168	(3,430)	29,112
Purchases of available-for-sale securities	(67)	(875)	(618)
Proceeds from sales of marketable securities	8,884	110	81,638
Purchases of investment in unconsolidated subsidiaries and affiliates	—	(1,413)	—
Purchases of investments in consolidated subsidiaries affecting scope of consolidation	(4,243)	—	(38,989)
Proceeds from sale of investments in consolidated subsidiaries affecting scope of consolidation	—	2,294	—
Payments for transfer of business	—	(5,126)	—
Purchases of property, plant and equipment	(57,943)	(55,980)	(532,424)
Proceeds from sales of property, plant and equipment	861	1,008	7,920
Other, net	(8,933)	(1,299)	(82,084)
Net cash used in investing activities	(58,272)	(64,712)	(535,445)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Financing activities:			
Net increase in short-term loans	¥ 18,642	¥ 3,264	$ 171,295
Net decrease in commercial paper	—	(10,000)	—
Proceeds from long-term loans	61,890	88,813	568,685
Repayment of long-term loans	(96,052)	(68,368)	(882,589)
Proceed from issuance of bonds	17,912	9,933	164,588
Repayment of bonds	(3,900)	(1,215)	(35,835)
Proceeds from disposal of treasury stock	0	178	0
Payments from sales of treasury stock	(8)	(5,000)	(74)
Cash dividends paid	(3,773)	(4,983)	(34,670)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(114)	—
Other, net	723	136	6,645
Net cash used in (provided by) financing activities	(4,566)	12,646	(41,955)
Effect of exchange rate changes on cash and cash equivalents	(4,563)	(4,659)	(41,935)
Net decrease in cash and cash equivalents	(30,156)	(15,363)	(277,094)
Cash and cash equivalents, beginning of period	120,310	135,599	1,105,488
Cash and cash equivalents of newly consolidated subsidiary, beginning of period	—	74	—
Cash and cash equivalents, end of period	¥ 90,154	¥120,310	$ 828,393

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 has 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 four 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 ¥108.83 = US$1, the approximate exchange rate on March 31, 2020. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at that or any other rate.

In preparing the accompanying consolidated financial statements and notes, Japanese yen figures less than one million yen have been rounded down to the nearest million yen, in accordance with the Financial Instruments and Exchange Law and Enforcement Ordinance concerning the Banking Law of Japan, although the figure of the past fiscal years before fiscal 2016 were rounded in this report.

Therefore, total or subtotal amounts shown in the accompanying consolidated financial statements and notes thereto are not necessarily equal to sums of individual 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 profits included in assets resulting from transactions within the Company and its consolidated subsidiaries have been eliminated. The difference between the cost of investments in subsidiaries and affiliates and the equity in their net assets at the dates of acquisition is amortized on a straight-line basis over five to twenty years.

All accounts herein have been presented on the basis of the 12 months ended March 31, 2020 for the Company and for consolidated domestic subsidiaries, and December 31, 2019 for all consolidated overseas subsidiaries.

Adjustments have been made for any significant intercompany transactions which took place during the period between the end of the 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 rates as of the balance sheet date except for shareholders' equity, which is translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated into Japanese yen at the average exchange rates 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 cash on hand, readily available deposits and short-term highly liquid investments with original maturities of three months or less.

(d) Allowance for Doubtful Receivables

An allowance for possible losses from trade notes and accounts receivable, loans and other receivables is provided based on the actual rate of past bad debts and the uncollectible amounts of certain individual receivables.

(e) Inventories

Inventories are stated principally at the lower of average cost or net realizable value.

Notes to Consolidated Financial Statements

(f) Property, Plant and Equipment

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 buildings and accompanying facilities and structures acquired by the domestic companies after April 1, 2016, and is principally applied to the property, plant and equipment of consolidated overseas subsidiaries.

(g) Intangible Assets

Amortization of intangible assets, including software for the Company's own use, is computed by the straight-line method over the estimated useful life of the asset.

Goodwill is amortized on a straight-line basis over the period the Company benefits from its use. If the amount is not significant, it is expensed when incurred.

(h) 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 stated at amortized cost.

ii) available-for-sale securities, which are not classified as the aforementioned securities, are stated at fair value. Unrealized gains and losses, net of applicable taxes, are reported as "Accumulated other comprehensive income" of net assets.

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.

(i) Allowance for Loss on Clearance of Business

The Company has withdrawn from retail business and a provision for anticipated losses of sales of related fixed assets is provided.

(j) Employees' Retirement and Severance Benefits

Method of Attributing Expected Benefit to Periods

In calculating retirement benefit obligation, the estimated amount of retirement benefit is attributed to the periods on the benefit formula basis.

Accounting Method of Actuarial Gains and Losses and Prior Service Costs

Prior service costs are amortized on the straight-line basis over a certain period (mainly 5 years) which is within the average of the estimated remaining service years of the employees when they occur.

Actuarial gains and losses are amortized on the straight-line basis over a certain period (mainly 5 years) which is within the average of the estimated remaining service years of the employees commencing from the following year in which they arise.

Some consolidated subsidiaries amortize their actuarial gains and losses all at once in the fiscal year in which they arise.

(k) Derivatives

Derivatives are stated at fair value, with changes in fair value included in net income or loss for the period in which they arise, unless derivatives are used for hedging purposes. Please see (m) Hedge Accounting below.

(l) Leases

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

The Company and its consolidated domestic subsidiaries account for certain finance leases as operating leases, which do not transfer ownership to the lessee and existed prior to April 1, 2008. The information of such leases on an "as if capitalized" basis is presented in Note 7. "Leases".

(m) Hedge Accounting

<Method of hedge accounting>

The deferral hedge accounting method is applied in principle. The allocation method is applied to currency swaps and the exceptional accounting method is applied to interest rate swaps when certain hedging criteria are met.

<Hedge instrument and hedge items>

(Hedging instruments)	(Hedged items)
Interest rate swap	Interest on short-term and long-term debt

<Hedge policy>

The Company uses interest rate swaps to reduce interest volatility risk.

<Method for assessing hedge effectiveness>

Hedge effectiveness is not assessed when substantial items and conditions of hedging instruments and the hedged transactions are the same, and is not assessed when cash flow can be completely offset for a whole hedge period.

(n) Income Taxes

The provision for income taxes is computed based on income for financial statement purposes. 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.

Notes to Consolidated Financial Statements

(o) 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 assume 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.

(p) Accounting Standard Issued but not yet Effective

Accounting Standard for Revenue Recognition and Implementation Guidance on Accounting Standard for Revenue Recognition

This standard and guidance specifies Revenue Recognition comprehensively. To recognize revenue under this standard and guidance, an entity applies the following five steps:

Step 1: To identify the contract(s) with a customer
Step 2: To identify the performance obligations in the contract
Step 3: To determine the transaction price
Step 4: To allocate the transaction price to the performance obligations in the contract
Step 5: To recognize revenue when (or as) the entity satisfies a performance obligation

The Company and its domestic subsidiaries will adopt the guidance effective from the beginning of the fiscal year ended March 31, 2022. At present, the Company is in the process of evaluating the impact on the consolidated financial statements of the adoption of Accounting Standard for Revenue Recognition and Implementation Guidance on Accounting Standard for Revenue Recognition.

3. Inventories

Inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Finished goods and merchandise	¥106,284	¥ 95,103	$ 976,612
Raw materials	29,009	25,278	266,554
Work in process	12,418	12,347	114,109
Packing and other	5,568	5,195	51,165
Total	¥153,280	¥137,925	$1,408,442

4. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in aggregate, resulted in a normal statutory tax rate of approximately 30.6% for the years ended March 31, 2020.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Deferred tax assets			
Tax loss carryforwards	¥ 20,849	¥ 10,898	$ 191,582
Intercompany profits	1,004	2,037	9,228
Valuation loss on inventories	1,379	1,237	12,676
Allowance for bonuses to employees	1,261	1,234	11,591
Sales allowance	394	341	3,620
Loss on impairment of fixed assets	426	395	3,922
Excess of allowance for doubtful accounts over tax allowable amounts	2,174	1,272	19,983
Net defined benefit liability	1,707	1,366	15,686
Accrued enterprise taxes	243	426	2,236
Unrealized loss on available-for-sale securities	(1)	2,857	(14)
Goodwill	—	54	—
Loss on liquidation of business	165	257	1,516
Other	3,845	4,045	35,338
Gross deferred tax assets	33,450	26,426	307,369
Less: Valuation allowance for net operating loss carryforwards (*2)	(13,893)	(8,173)	(127,666)
Less: Valuation allowance for the deductible temporary differences	(3,927)	(3,464)	(36,086)
Total Less: Valuation allowance (*1)	(17,821)	(11,637)	(163,752)
Total deferred tax assets	15,629	14,788	143,616
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	342	450	3,145
Revaluation reserve for land	783	783	7,198
Revaluation reserve for fixed assets—other	439	687	4,040
Retained earnings on foreign subsidiaries	565	551	5,197
Other	1,057	1,184	9,713
Total deferred tax liabilities	3,188	3,657	29,295
Net deferred tax assets (liabilities) (*1)	¥ 12,441	¥ 11,131	$ 114,321

(*1) In the fiscal year ended March 2020, valuation increased by ¥6,183 million. The main reason of this increase is that valuation allowance for the net operating loss carryforwards was increased by ¥4,263 million (US$39,176 thousand) in Goodman Co., Ltd.
(*2) Balance of the deferred tax assets on the net operating loss carryforwards by the expiration year.

Notes to Consolidated Financial Statements

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

	2020	2019
Statutory tax rate	—%	30.6%
Expenses not deductible for tax purposes	—	1.8
Non-taxable dividend income	—	(1.2)
Effect of tax rate change	—	0.0
Amortization of goodwill	—	3.0
Tax credits primarily for research and development costs	—	(4.3)
Valuation allowance	—	3.0
Retained earnings on foreign subsidiaries	—	2.4
Unrealized gain	—	4.5
Other	—	4.3
Effective income tax rate	—%	44.1%

In fiscal year ended March 2020, the note for this section is omitted due to loss before income taxes.

	Millions of yen						
	2020						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Net operating loss carryforwards (*A)	¥2,701	¥3,739	¥ 835	¥ 642	¥ 606	¥ 12,324	¥ 20,849
Valuation allowance	(366)	(564)	(716)	(522)	(482)	(11,242)	(13,893)
Deferred tax assets	2,335	3,175	118	120	123	1,081	6,956 (*B)

	Millions of yen						
	2019						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Net operating loss carryforwards (*A)	¥ 451	¥ 550	¥ 800	¥1,191	¥ 757	¥ 7,147	¥ 10,898
Valuation allowance	(306)	(334)	(402)	(704)	(525)	(5,899)	(8,173)
Deferred tax assets	144	216	398	486	231	1,247	2,725 (*B)

	Thousands of U.S. dollars (Note 1)						
	2020						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Net operating loss carryforwards	$24,827	$34,362	$ 7,674	$ 5,906	$ 5,569	$ 113,243	$ 191,582
Valuation allowance	(3,365)	(5,184)	(6,584)	(4,798)	(4,430)	(103,302)	(127,666)
Deferred tax assets	21,461	29,177	1,089	1,107	1,138	9,941	63,916

(*A) Each net operating loss carryforwards amount is multiplied by the statutory tax rate.
(*B) Deferred tax assets for net operating loss carryforwards (multiplied by statutory tax rate) for the years ended March 31, 2020 and 2019 were ¥20,849 million (US$191,582 thousand) and ¥10,898 million, respectively. These deferred tax assets were mainly recognized for the balance of net operating loss carryforwards (multiplied by statutory tax rate) in Nipro Corporation for the year ended March 2020 and PT. NIPRO INDONESIA JAYA for 2019, respectively. As a result of tax scheduling, valuation allowance for this net operating loss carryforwards was not recognized due to the assumption that this amount is collectable.

5. Pledged Assets

The following assets were pledged as collateral:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Buildings and structures	¥ 9,454	¥ 8,855	$ 86,876
Land	3,137	3,137	28,828
Other	376	418	3,463
Total	¥12,969	¥12,411	$119,168

The above assets were pledged against the following liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Short-term bank loans	¥1,790	¥1,220	$16,456
Current portion of long-term debt	384	1,618	3,535
Long-term debt	2,131	1,563	19,589
Total	¥4,307	¥4,402	$39,581

Notes to Consolidated Financial Statements

6. Investment Securities

Investment securities as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Non-current:			
Marketable:			
Marketable equity securities	¥24,597	¥51,083	$226,017
Investment trust funds and other	—	—	—
Subtotal	24,597	51,083	226,017
Non-marketable securities	867	1,599	7,968
Total	¥25,464	¥52,683	$233,986

The carrying amounts and aggregate fair values of marketable securities for investments as of March 31, 2020 and 2019 were as follows:

	Millions of yen 2020			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	¥23,501	¥1,635	¥539	¥24,597
Debt securities and other	—	—	—	—
Total	¥23,501	¥1,635	¥539	¥24,597

	Thousands of U.S. dollars (Note 1) 2020			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	$215,950	$15,028	$4,961	$226,017
Debt securities and other	—	—	—	—
Total	$215,950	$15,028	$4,961	$226,017

	Millions of yen 2019			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	¥59,013	¥4,163	¥12,092	¥51,083
Debt securities and other	—	—	—	—
Total	¥59,013	¥4,163	¥12,092	¥51,083

Proceeds from sales of securities and gross realized gains or losses on those sales for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Proceeds	¥8,868	¥110	$81,493
Gains on sales	3,576	0	32,862
Losses on sales	501	—	4,606

The company impaired ¥29,235 million (US$268,630 thousand) marketable equity security for the year ended March 31, 2020.

In case fair value for the marketable equity security fell by over 50% from the acquisition cost, the stock impairment is applied unless there is a reasonable disproval, the asset is treated as an impairment. In case fair value for the marketable equity security fell by 30% to 50%, impairment is applied except when it is expected to recover.

Notes to Consolidated Financial Statements

7. Financial Instruments

(1) Circumstances on financial instruments

(a) Policy for financial instruments

The Company and its consolidated subsidiaries manage the temporary surplus funds by deposits with banks that have a high level of safety. Based on capital investment planning and financing planning, the Company and its consolidated subsidiaries raise funds for business operation with bank loans, commercial paper, corporate bonds, and issuing convertible bond-type corporate bonds with warrant of booking new stocks.

The Company and its consolidated subsidiaries enter into derivative transactions for the purpose of reducing funding costs and hedging their exposures to foreign exchange fluctuations and interest rate fluctuations, but not for speculative purposes.

(b) Details and risk of financial instruments and their risk management

Receivables 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 credit administration regulations.

Investment securities are exposed to 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 one year.

Payables denominated in foreign currency are exposed to the risk of fluctuation in foreign currency exchange rates.

Short-term loans payable are mainly borrowed to raise operating capital and long-terms loans payable are mainly borrowed to make capital expenditures. A part of long-term loans with the floating interest rate has the risk of interest rate fluctuation, but the Company and its consolidated subsidiaries use interest rate swaps to solidify the interest rate. For some of the loans denominated in foreign currency, the Company and its consolidated subsidiaries use currency swaps to hedge the currency fluctuation risk.

Bonds and commercial paper are mainly issued to raise the funds for the retirement of bonds.

Lease obligations are mainly for capital expenditures, free from interest-rate risk because the interest rate is fixed.

Payables, loans and bonds are exposed to liquidity risk, but the Company and its consolidated subsidiaries manage the risk by establishing cash planning.

Regarding derivatives, the Company enters into forward exchange contracts to hedge against the risk of fluctuations in foreign currency exchange rates associated with trade receivables and payables denominated in foreign currencies, interest rate swaps to hedge against the risk of fluctuations in interest rates associated with loans payable, and currency swaps to hedge against the risk of foreign exchange rate fluctuations. For more information on the use of hedge accounting, including hedging instruments, hedged items, the hedging policy, and the method for assessment of hedge effectiveness, please refer to "2. Summary of Significant Accounting Policies" (m) Hedge Accounting.

As the Company manages its exposure to credit risk by limiting its funding to high-credit rating financial institutions, the Company recognizes that the exposure to credit risk is extremely low.

The Company executes and manages derivative transactions under the corporate derivative management policy, which prescribes the authority and limitations on derivative transactions.

(c) Supplemental information on fair values of financial instruments

Fair values of financial instruments include values based on market price and reasonably estimated values when market price is not available. Because variable factors are counted in the estimation, the estimated values may vary by adopting different assumptions.

With respect to the contract amounts related to derivative transactions in Note 8, the amounts do not reflect market risks to derivative transactions.

(2) Fair values of financial instruments

The book values, fair values and the differences between them as of March 31, 2020 and 2019 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		
	2020		
	Book value	Fair value	Difference
Cash and cash equivalents, time deposits	¥ 95,925	¥ 95,925	¥ —
Trade notes and accounts receivable, net of allowance for doubtful receivables	151,325	151,325	—
Investment securities	24,597	24,597	—
Assets total	¥271,848	¥271,848	¥ —
Trade notes and accounts payable	¥ 69,539	¥ 69,539	¥ —
Short-term bank loans, current portion of long-term debt, and current portion of convertible bond	162,016	162,016	—
Other notes and accounts payable (*1)	22,156	22,156	—
Long-term debt	360,456	360,635	179
Convertible bond	—	—	—
Lease obligations (*2)	13,235	12,343	(891)
Liabilities total	¥627,403	¥626,692	¥(711)
Derivatives (*3)	¥ (86)	¥ (86)	¥ —

Notes to Consolidated Financial Statements

	Millions of yen		
	2019		
	Book value	Fair value	Difference
Cash and cash equivalents, time deposits	¥129,438	¥129,438	¥ —
Trade notes and accounts receivable, net of allowance for doubtful receivables	147,721	147,721	—
Investment securities	51,083	51,083	—
Assets total	¥328,243	¥328,243	¥ —
Trade notes and accounts payable	¥ 69,646	¥ 69,646	¥ —
Short-term bank loans, current portion of long-term debt, and current portion of convertible bond	142,897	142,897	—
Other notes and accounts payable (*1)	31,169	31,169	—
Long-term debt	360,512	359,397	(1,115)
Convertible bond	25,000	27,537	2,537
Lease obligations (*2)	6,728	6,548	(180)
Liabilities total	¥635,955	¥637,196	¥ 1,241
Derivatives (*3)	¥ (51)	¥ (51)	¥ —

	Thousands of U.S. dollars (Note 1)		
	2020		
	Book value	Fair value	Difference
Cash and cash equivalents, time deposits	*$ 881,426*	*$ 881,426*	*$ —*
Trade notes and accounts receivable, net of allowance for doubtful receivables	*1,390,475*	*1,390,475*	*—*
Investment securities	*226,017*	*226,017*	*—*
Assets total	*$2,497,919*	*$2,497,919*	*$ —*
Trade notes and accounts payable	*$ 638,973*	*$ 638,973*	*$ —*
Short-term bank loans, current portion of long-term debt, and current portion of convertible bond	*1,488,712*	*1,488,712*	*—*
Other notes and accounts payable (*1)	*203,588*	*203,588*	*—*
Long-term debt	*3,312,103*	*3,313,752*	*1,648*
Convertible bond	*—*	*—*	*—*
Lease obligations (*2)	*121,612*	*113,424*	*(8,188)*
Liabilities total	*$5,764,990*	*$5,758,450*	*$(6,539)*
Derivatives (*3)	*$ (795)*	*$ (795)*	*—*

(*1) Other notes and accounts payable is included in accrued expenses and notes and accounts payable for plant and equipment on the balance sheet.
(*2) Lease obligations is included in other current liabilities and other long-term liabilities on the balance sheet.
(*3) The amount represents the net amount of assets (liabilities).

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

<Assets>

- Cash and cash equivalents, time deposits 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 and convertible bonds
  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.
- Derivatives
  The fair value information for derivatives is included in Note 8.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	*2020*
Unlisted equity securities	¥14,695	¥10,281	*$135,030*

They are not included in investment securities due to these items having no market value and are difficult to estimate the future cash flow so that it is extremely difficult to determine their fair values.

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)
	2020	2019	*2020*
	Within 1 year	Within 1 year	Within 1 year
Cash and cash equivalents, time deposits	¥ 95,925	¥129,438	*$ 881,426*
Trade notes and accounts receivable	151,325	147,721	*1,390,475*

Notes to Consolidated Financial Statements

Remark 4 Planned repayment amounts after the balance sheet date for monetary payables with maturity dates

Planned repayment amounts after the balance sheet date for monetary payables with maturity dates at March 31, 2020 are as follows:

	Millions of yen					
	2020					
	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
Short-term bank loans, current portion of long-term debt, and current portion of convertible bonds	¥162,016	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	—	79,846	61,016	43,053	59,812	116,727
Convertible bonds	—	—	—	—	—	—
Lease obligations	3,080	1,996	3,901	1,076	913	2,266
Total	¥165,097	¥81,842	¥64,918	¥44,129	¥60,726	¥118,994

	Thousands of U.S. dollars (Note 1)					
	2020					
	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
Short-term bank loans, current portion of long-term debt, and current portion of convertible bonds	*$1,488,712*	*$ —*	*$ —*	*$ —*	*$ —*	*$ —*
Long-term debt	—	*733,677*	*560,661*	*395,600*	*549,598*	*1,072,566*
Convertible bonds	—	—	—	—	—	—
Lease obligations	*28,308*	*18,342*	*35,851*	*9,889*	*8,392*	*20,828*
Total	*$1,517,021*	*$752,020*	*$596,513*	*$405,489*	*$557,990*	*$1,093,394*

	Millions of yen					
	2019					
	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
Short-term bank loans, current portion of long-term debt, and current portion of convertible bonds	¥142,897	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	—	55,797	70,203	57,897	33,230	143,382
Convertible bonds	—	25,000	—	—	—	—
Lease obligations	1,693	1,231	1,031	565	1,727	477
Total	¥144,591	¥82,029	¥71,235	¥58,463	¥34,958	¥143,860

Notes to Consolidated Financial Statements

8. Derivatives

The Company and its consolidated subsidiaries had the following derivatives contracts outstanding at March 31, 2020 and 2019.

(1) Derivatives for which hedge accounting has not been applied.

Currency related

	Type of Derivative	Millions of yen 2020 Contract amount	Over 1 year out-of-contract amount	Fair Value
Transaction other than market transaction	Non-deliverable forward	¥ 876	¥—	¥(38)
	Foreign currency forward contracts	13,089	—	18
	Currency swap	371	—	(2)

	Type of Derivative	Thousands of U.S. dollars (Note 1) 2020 Contract amount	Over 1 year out-of-contract amount	Fair Value
Transaction other than market transaction	Non-deliverable forward	$ 8,053	$—	$(349)
	Foreign currency forward contracts	120,271	—	170
	Currency swap	3,409	—	(18)

	Type of Derivative	Millions of yen 2019 Contract amount	Over 1 year out-of-contract amount	Fair Value
Transaction other than market transaction	Non-deliverable forward	¥888	¥—	¥3

Fair value is based on information provided by a financial institution at the end of the fiscal year.

(2) Derivatives for which hedge accounting has been applied.

(a) Currency related

Method of hedge accounting	Type of Derivative	Principal Hedge Item	Millions of yen 2020 Contract amount	Over 1 year out-of-contract amount	Fair Value
Principle method	Currency swap	Account receivables	¥394	¥—	¥(9)

Fair value is based on information provided by a financial institution at the end of the fiscal year.

Method of hedge accounting	Type of Derivative	Principal Hedge Item	Thousands of U.S. dollars (Note 1) 2020 Contract amount	Over 1 year out-of-contract amount	Fair Value
Principle method	Currency swap	Account receivables	$3,628	$—	$(83)

N/A in 2019

(b) Interest related

Method of hedge accounting	Type of Derivative	Principal Hedge Item	Millions of yen 2020 Contract amount	Over 1 year out-of-contract amount	Fair Value
Principle method	Interest rate swap	Long-term loans	¥ 3,730	¥ 3,190	¥(60)
Exceptional accounting method for interest rate swap	Interest rate swap	Long-term loans	15,000	15,000	(*1)

Method of hedge accounting	Type of Derivative	Principal Hedge Item	Thousands of U.S. dollars (Note 1) 2020 Contract amount	Over 1 year out-of-contract amount	Fair Value
Principle method	Interest rate swap	Long-term loans	$ 34,282	$ 29,314	$(553)
Exceptional accounting method for interest rate swap	Interest rate swap	Long-term loans	137,829	137,829	(*1)

Method of hedge accounting	Type of Derivative	Principal Hedge Item	Millions of yen 2019 Contract amount	Over 1 year out-of-contract amount	Fair Value
Principle method	Interest rate swap	Long-term loans	¥ 4,388	¥ 3,828	¥(54)
Exceptional accounting method for interest rate swap	Interest rate swap	Long-term loans	15,000	15,000	(*1)

(*1) The fair value of interest rate swap to which the exceptional accounting method is applied and the fair value of forward foreign exchange contract, etc., to which the allocation method is applied are included in the fair value of long-term loans in Note 9. "Financial Instruments" because such interest rate swap and forward foreign exchange contract, etc., are accounted for as a single item with the corresponding long-term loans.

Notes to Consolidated Financial Statements

9. Short-Term Loans and Long-Term Debt

Short-term loans comprised overdrafts and promissory notes.

The weighted-average interest rates of short-term bank loans for the years ended March 31, 2020 and 2019 were 0.7643% and 0.8575%, respectively.

Long-term debt comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
0.57% unsecured bonds due 2020	¥ —	¥ 3,000	$ —
0.25% unsecured bonds due 2025	3,000	—	27,565
0% convertible bond due 2021 (*1)	25,000	25,000	229,716
	[25,000]	—	[229,716]
0.674% unsecured bonds due 2028	10,000	10,000	91,886
0.44% unsecured bonds due 2029	10,000	—	91,886
0.014%~0.120% unsecured bonds due from 2019 to 2025 (*1) (*2)	6,100	2,000	56,050
	[1,600]	[600]	[14,701]
Long-term bank loans due through 2077, with weighted-average interest rate of 0.6016% for the year ended March 31, 2020, and of 0.5992% for the year ended March 31, 2019	397,294	432,606	3,650,598
Less current portion of long-term debt	(90,938)	(87,093)	(835,600)
Total	¥360,456	¥385,513	$3,312,103

(*1) [ ] is the amount of the current portion of bonds.
(*2) This is the total amount of the bonds Goodman Co., Ltd. issued.
In March 2015, the Company issued ¥3,000 million (US$27,565 thousand) of 0.57% unsecured bonds due 2020.
In March 2020, the Company issued ¥3,000 million (US$27,565 thousand) of 0.25% unsecured bonds due 2025.
In January 2016, the Company issued ¥25,000 million (US$229,716 thousand) of 0% convertible bonds due 2021.
In October 2018, the Company issued ¥10,000 million (US$91,886 thousand) of 0.674% unsecured bonds due 2028.
In October 2019, the Company issued ¥10,000 million (US$91,886 thousand) of 0.44% unsecured bonds due 2029.
From February 2017 to February 2018, Goodman Co., Ltd. issued ¥6,100 million (US$56,050 thousand) of 0.014% and 0.120% unsecured bonds due from 2022 to 2025.

The aggregate annual maturities of long-term debt outstanding at March 31, 2020 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2020	2020
2020	¥ 64,338	$ 591,182
2021	78,246	718,975
2022	59,816	549,635
2023 and thereafter	98,165	902,012
Total	¥300,565	$2,761,805

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.

Certain consolidated subsidiaries have recorded liabilities for retirement benefit and assets for a retirement benefit based on the simplified method.

(1) Defined Benefit Plans

(a) The reconciliation of beginning and ending balances of the benefit obligation (excluding the defined benefit plans applied based on the simplified method) are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Obligation at April 1	¥15,529	¥14,544	$142,693
Beginning balance of subsidiary consolidated from this fiscal year	70	—	651
Service cost	1,293	1,251	11,886
Interest cost	77	94	716
Actuarial gains and losses	356	291	3,279
Prior service cost	184	0	1,693
Benefit payments	(556)	(631)	(5,109)
Other (foreign currency translation adjustments, etc.)	4	(22)	43
Obligation at March 31	¥16,961	¥15,529	$155,855

(b) The reconciliation of beginning and ending balances of the fair value of the plan assets (excluding the defined benefit plans applied based on the simplified method) is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Fair value of plan assets at April 1	¥10,500	¥10,177	$96,483
Expected return on plan assets	164	162	1,508
Actuarial gains and losses	(337)	(126)	(3,099)
Company contribution	783	740	7,196
Benefit payments	(475)	(430)	(4,364)
Other (foreign currency translation adjustments, etc.)	(11)	(23)	(103)
Fair value of plan assets at March 31	¥10,624	¥10,500	$97,620

Notes to Consolidated Financial Statements

(c) The reconciliation of beginning and ending balances of liabilities for retirement benefit applied based on the simplified method is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Liabilities for retirement benefit at April 1	¥72	¥185	$665
Retirement benefit cost	10	21	94
Retirement payments	(2)	(11)	(20)
Contribution for the plan	—	(1)	—
Decreasing by sale of subsidiary shares	—	(98)	—
Other (foreign currency translation adjustments, etc.)	3	(23)	28
Liabilities for retirement benefit at March 31	¥83	¥ 72	$767

(d) The reconciliation of ending balance of the benefit obligation and the fair value of the plan assets, and liabilities and assets for retirement benefit are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Benefit obligation on funded scheme	¥ 14,662	¥ 13,786	$134,731
Plan assets	(10,624)	(10,500)	(97,620)
	4,038	3,286	37,111
Benefit obligations on non-funded scheme	2,382	1,814	21,891
Net assets (liabilities) on the consolidated balance sheet	6,421	5,101	59,002
Net defined benefit liability	6,421	5,101	59,002
Net assets (liabilities) on the consolidated balance sheet	¥ 6,421	¥ 5,101	$ 59,002

(*) Including the defined benefit plans applied based on the simplified method

(e) The breakdown of net pension and severance costs is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Service cost	¥1,293	¥1,251	$11,886
Interest cost	77	94	716
Expected return on plan assets	(164)	(162)	(1,508)
Amortization of actuarial gains and losses	365	233	3,361
Amortization of past service obligation	40	(88)	369
Retirement benefit cost based on the simplified method	10	21	94
Other	11	4	109
Total	¥1,635	¥1,353	$15,029

(f) Remeasurements of defined benefit plans (Other Comprehensive Income)

The breakdown of the items recorded in adjustments to defined benefit plans is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Prior service cost	¥(184)	¥ (0)	$(1,693)
Actuarial gains and losses	(342)	(371)	(3,144)
Total	¥(526)	¥(371)	$(4,838)

(g) Remeasurements of defined benefit plans (Accumulated Other Comprehensive Income)

The breakdown of the items recorded in adjustments to defined benefit plans is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Unrecognized prior service cost	¥ 373	¥ 517	$ 3,428
Unrecognized actuarial loss	(1,206)	(824)	(11,089)
Total	¥ (833)	¥(307)	$ (7,660)

(h) Items concerning the pension assets

1. The breakdown of the pension assets

The ratio of the plan assets is as follows:

	2020	2019
Bonds	44%	41%
Equities	17%	23%
General account	32%	30%
Others	7%	6%
Total	100%	100%

(*) Including the defined benefit plans applied based on the simplified method

Notes to Consolidated Financial Statements

2. Setting of the long-term expected rate of return

The long-term expected rate of return is to be determined considering the current and future allocation of plan assets, and the current and expected long-term rate of return from the diverse assets composing the plan assets.

(i) Calculation basis of actuarial methods

The main calculation basis of actuarial methods at the end of the period is as follows:

	2020	2019
Discount rate	Primarily 0.2%	Primarily 0.2%
Expected long-term rate of return	Primarily 1.5%	Primarily 1.5%
Assumed wage increase rate	Primarily 6.7%	Primarily 5.3%

(2) Defined Contribution Retirement Plans

The amounts of necessary contributions to defined contribution retirement plans within the Company and consolidated subsidiaries were ¥526 million (US$4,834 thousand).

11. Commitments and Contingent Liabilities

The Company and its consolidated subsidiaries had the following commitments and contingent liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Liabilities for guarantees			
Export drafts discounted	¥17	¥4	$164
Total	¥17	¥4	$164

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 a 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 an 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 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 the 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' meeting.

The Company's legal reserve, which is included in retained earnings, amounted to ¥5,135 million (US$47,184 thousand) as of March 31, 2020, and its additional paid-in capital, which is included in capital surplus, amounted to ¥635 million (US$5,837 thousand) as of March 31, 2020.

13. Business Combination

Business combination through acquisition

(1) Outline of the business combination

1) Company name and business line at the time of the business combination

Name of the company: Nipro Corporation
Business line: Manufacturing and marketing of medical equipment, pharmaceuticals, pharmaceutical packaging.

Name of the company: Nipro (China) Holdings Co., Ltd.
Business line: Management of cash and new investments of local Chinese subsidiaries

2) Date of the business combination

November 30, 2019

3) Legal form of the business combination

In-kind investment of our subsidiaries' capital investment into Nipro (China) Holdings Co., Ltd. (our consolidated subsidiary)

4) Outline and purpose of the transaction

We are strengthening business management and efficient use of management resources in our Chinese business through Nipro (China) Holdings Co., Ltd.

For this purpose, we have invested the equity held by the local Chinese subsidiaries in the form of In-kind investment. The following are the main subsidiaries that invested in kind in this transaction.

Nipro (Shanghai) Co., LTD.
Nipro Trading (Shanghai) Co., Ltd.
NIPRO MEDICAL (HEFEI) CO., LTD.
Nipro PharmaPackaging (Shanghai) Co., Ltd.

(2) Implemented accounting treatment

This merger was processed as a transaction under common control, based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

14. Segment Reporting

1. 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 information is evaluated regularly by the board of directors in deciding how to allocate management resources and in assessing performance.

The Company currently operates its business on a stand-alone basis with the divisional organization and evaluates the performance of sales and manufacturing of each division regardless of their products. Accordingly, the Company has three reportable operating business segments according to the divisions (Medical-Related business, Pharmaceutical-Related business and Pharma Packaging business), which are divided mainly by their products.

***Medical-Related**

The domestic division sells injection and infusion products, artificial organ products, highly functional products, dialysis products, diabetic products and pharmaceuticals such as generic and kit products. In the global business division, head office plays the central role, placing overseas sales and manufacturing bases for medical equipment and sales injection and infusion products, artificial organ products and diabetic products.

***Pharmaceutical-Related**

The pharmaceutical division sells pharmaceutical products with containers for combination products (injectable kit products) consigned by other pharmaceutical companies. Domestic subsidiaries sell and manufacture injectable drugs, oral drugs and combination products.

***PharmaPackaging**

The PharmaPackaging division sells glass for vials and ampoules for medical use, glass for thermos bottles, glass for lighting and containers for combination products (injectable kit products). Overseas subsidiaries manufacture and sell tube glass and glass mainly for syringes, vials and ampoules for medical use.

From the fiscal year ended March 31, 2019, the Company has conducted a reorganization for the purpose of doing synthetic PharmaPackaging business and increasing synergies for Pharmaceutical-Related business. As a result of this reorganization, some business divisions included in Pharmaceutical-Related business were changed to PharmaPackaging business.

The presentation for the prior fiscal year is not restated.

Notes to Consolidated Financial Statements

Business segment information for the years ended March 31, 2020 and 2019 was as follows:

Millions of yen, 2020

	Reportable Segment: Medical-Related	Reportable Segment: Pharmaceutical-Related	Reportable Segment: PharmaPackaging	Reportable Segment: Total	Other (*1)	Total	Adjustment (*2)	Consolidated financial statements
Net sales:								
Outside	¥335,767	¥ 70,357	¥36,217	¥442,342	¥ 174	¥442,516	¥ —	¥442,516
Intersegment	6,108	18,601	5,666	30,376	1,393	31,769	(31,769)	—
Total	341,875	88,958	41,883	472,718	1,567	474,285	(31,769)	442,516
Operating income	36,249	13,196	675	50,121	176	50,298	(23,877)	26,420
Identifiable assets	454,185	176,605	65,914	696,706	19,108	715,814	116,050	831,865
Other items								
Depreciation and amortization	17,296	12,092	4,313	33,702	194	33,896	4,785	38,682
Amortization of goodwill	2,800	10	332	3,143	—	3,143	—	3,143
Increase in tangible and intangible fixed assets	¥ 27,296	¥ 13,598	¥ 6,036	¥ 46,931	¥ 75	¥ 47,007	¥ 17,663	¥ 64,670

Thousands of U.S. dollars (Note 1), 2020

	Reportable Segment: Medical-Related	Reportable Segment: Pharmaceutical-Related	Reportable Segment: PharmaPackaging	Reportable Segment: Total	Other (*1)	Total	Adjustment (*2)	Consolidated financial statements
Net sales:								
Outside	$3,085,248	$ 646,485	$332,789	$4,064,523	$ 1,599	$4,066,122	$ —	$4,066,122
Intersegment	56,124	170,925	52,064	279,114	12,805	291,920	(291,920)	—
Total	3,141,373	817,410	384,854	4,343,638	14,404	4,358,042	(291,920)	4,066,122
Operating income	333,082	121,256	6,206	460,545	1,625	462,171	(219,403)	242,767
Identifiable assets	4,173,350	1,622,767	605,668	6,401,786	175,580	6,577,367	1,066,347	7,643,715
Other items								
Depreciation and amortization	158,934	111,115	39,631	309,681	1,784	311,466	43,974	355,440
Amortization of goodwill	25,731	101	3,055	28,888	—	28,888	—	28,888
Increase in tangible and intangible fixed assets	$ 250,816	$ 124,955	$ 55,466	$ 431,237	$ 694	$ 431,931	$ 162,299	$ 594,231

Notes to Consolidated Financial Statements

Millions of yen

2019

	Reportable Segment				Other (*1)	Total	Adjustment (*2)	Consolidated financial statements
	Medical-Related	Pharmaceutical-Related	PharmaPackaging	Total				
Net sales:								
Outside	¥327,359	¥ 63,482	¥35,526	¥426,368	¥ 31	¥426,399	¥ —	¥426,399
Intersegment	6,724	18,311	5,099	30,135	1,463	31,598	(31,598)	—
Total	334,083	81,793	40,625	456,503	1,494	457,997	(31,598)	426,399
Operating income	36,722	10,662	778	48,162	146	48,309	(24,482)	23,827
Identifiable assets	428,943	172,691	74,521	676,155	3,815	679,970	165,850	845,821
Other items								
Depreciation and amortization	15,931	11,646	3,712	31,289	165	31,455	3,796	35,252
Amortization of goodwill	3,036	0	335	3,372	—	3,372	—	3,372
Increase in tangible and intangible fixed assets	¥ 25,208	¥ 21,138	¥ 6,488	¥ 52,835	¥ 757	¥ 53,592	¥ 10,802	¥ 64,394

(*1) "Other" is the business segment which is not included in the reportable segment and consists of real estate income and sales by headquarters.
(*2) Adjustment is as follows:

- Adjustments for operating income for the years March 31, 2020 and 2019 include ¥(1,371) million (US$(12,600) thousand) and ¥(2,380) million of adjustment for unrealized gain and ¥(22,506) million (US$(206,803) thousand) and ¥(22,102) million of corporate cost, respectively. Corporate cost consists primarily of sales, general and administrative expenses and research and development costs which do not belong to the reportable segment.
- Adjustments for identifiable assets for the years ended March 31, 2020 and 2019 include ¥(14,784) million (US$(135,850) thousand) and ¥(15,637) million of elimination of inter-segment transaction and ¥130,835 million (US$1,262,198 thousand) and ¥181,488 million of corporate assets, respectively. Corporate assets consisted primarily of cash and deposits, investment securities, assets for development and assets for the management division of head office which do not belong to the reportable segment.
- Adjustments for depreciation and amortization for the years ended March 31, 2020 and 2019 are for corporate assets. Depreciation and amortization and increase in tangible and intangible fixed assets include long-term prepaid expenses.
- Adjustment for increase in tangible and intangible fixed assets is an increase in corporate assets.

Notes to Consolidated Financial Statements

Loss on impairment of fixed assets and unamortized balance of goodwill by business segments were as follows:

	Millions of yen						
	2020						
	Reportable Segment				Other	Adjustment	Total
	Medical-Related	Pharmaceutical-Related	Pharma-Packaging	Total			
Loss on impairment of fixed assets	¥ 2,626	¥ —	¥3,029	¥ 5,655	¥—	¥—	¥ 5,655
Unamortized balance of goodwill	14,193	43	501	14,738	—	—	14,738

	Thousands of U.S. dollars (Note 1)						
	2020						
	Reportable Segment				Other	Adjustment	Total
	Medical-Related	Pharmaceutical-Related	Pharma-Packaging	Total			
Loss on impairment of fixed assets	*$ 24,129*	*$ —*	*$27,834*	*$ 51,963*	*$—*	*$—*	*$ 51,963*
Unamortized balance of goodwill	*130,419*	*404*	*4,605*	*135,428*	*—*	*—*	*135,428*

	Millions of yen						
	2019						
	Reportable Segment				Other	Adjustment	Total
	Medical-Related	Pharmaceutical-Related	Pharma-Packaging	Total			
Loss on impairment of fixed assets	¥ 2	¥—	¥913	¥ 915	¥—	¥—	¥ 915
Unamortized balance of goodwill	18,481	—	845	19,327	—	—	19,327

Net sales and property, plant and equipment for each area were as follows:

	Millions of yen				
	2020				
	Japan	Americas	Europe	Asia	Total
Net sales	¥267,708	¥64,153	¥50,801	¥59,853	¥442,516
Property, plant and equipment	206,748	16,533	21,990	62,277	307,551

	Thousands of U.S. dollars (Note 1)				
	2020				
	Japan	Americas	Europe	Asia	Total
Net sales	*$2,459,873*	*$589,482*	*$466,796*	*$549,970*	*$4,066,122*
Property, plant and equipment	*1,899,741*	*151,922*	*202,066*	*572,247*	*2,825,977*

	Millions of yen				
	2019				
	Japan	Americas	Europe	Asia	Total
Net sales	¥260,967	¥59,836	¥51,042	¥54,552	¥426,399
Property, plant and equipment	189,571	10,998	21,801	62,110	284,483

Notes to Consolidated Financial Statements

15. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Salaries	¥20,020	¥20,115	$183,961

16. Research and Development Expenses

Research and development expenses for the years ended March 31, 2020 and 2019 were ¥18,204 million (US$167,275 thousand) and ¥16,526 million, respectively.

17. Impairment Loss

In the years ended March 31, 2020 and 2019, the Company and its consolidated subsidiaries recorded impairment loss of ¥5,655 million (US$51,693) and ¥915 million, respectively.

The following table presents the major impaired assets.

			Millions of yen	Thousands of U.S. dollars (Note 1)
			2020	2020
Purpose of use	Location	Type of assets	Amount	Amount
Business use	Jilin Nipro Jiaheng Pharmaceutical Packaging Co., Ltd.	Buildings and structures, Machinery and equipment	¥2,903	$26,678
Business use	NexMed International Co., Ltd.	Goodwill	2,492	22,904

The assets for business use are divided into groups on which separate financial information is reported for management accounting purposes, whereas leased assets and idle assets are categorized individually. Headquarters assets, R&D facilities, dormitories and company-offered houses are categorized into assets for common use, since these assets cannot generate identifiable cash flows.

The company recognized the impairment loss, since the economic performance of above-mentioned assets will be worse than what the company originally expected.

The recoverable amounts of those assets are measured by the value in use, and have been impaired to nil carrying value.

			Millions of yen
			2019
Purpose of use	Location	Type of assets	Amount
Business use	Anyang Nipro Changda Pharmaceutical Packaging Co., Ltd.	Buildings and structures, Machinery and equipment	¥552
Business use	Jilin Nipro Jiaheng Pharmaceutical Packaging Co., Ltd.	Buildings and structures, Machinery and equipment	335

18. 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)
	2020	2019	2020
Cash paid during the year for:			
Interest	¥3,201	¥3,211	*$29,415*
Income tax	9,108	8,175	*83,697*

19. Contingent Liability

Material Litigation

In February 2018, Trividia Health, Inc. (hereinafter, 'THI') filed a request for arbitration at the International Court of Arbitration of the International Chamber of Commerce, seeking a decision on THI being able to claim damages due to a loss of product sales if the Company's purchase volume did not reach the annual minimum purchase volume in the third to fifth years of the International Distributor Agreement executed between the Company and THI in October 2015, in which a minimum annual purchase obligation was imposed for each year of the five-year agreement period. In March 2019, THI notified the Company of the termination of the agreement, citing failure to fulfil the third year's minimum purchase obligation imposed in such agreement.

In addition, in May 2019, THI, attributing the termination of the agreement to the Company's failure to purchase the minimum purchase obligation for the third year, made an additional claim for damages for estimated losses, ¥2,938 million (US$27 million) due to unfulfillment of the minimum purchase obligation for the third to fifth years of the agreement and the abuse of trademark rights held by THI owing to the Company's violation of the agreement and the damages amounted to ¥2,176 million to ¥3,264 million (US$20 million to US$30 million) for trademark infringement based on the US trademark law.

The Company considers the above claims and requests to have no justifiable reasons and will insist on the legitimacy of our Company in the arbitration procedure. Depending on the result of the arbitration procedure, it may affect the business performance of the group, but it is difficult to reasonably estimate the impact on the performance and consolidated financial statements at the moment.

Financial/Data Section

Corporate Information

As of March 31, 2020

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
https://www.nipro.co.jp/en/

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

Number of Employees

Parent company	4,060
Consolidated subsidiaries	28,726
Total	32,786

Common Stock

Authorized	400,000,000 shares
Issued	171,459,479 shares
Outstanding	163,097,623 shares
Number of Shareholders	57,522

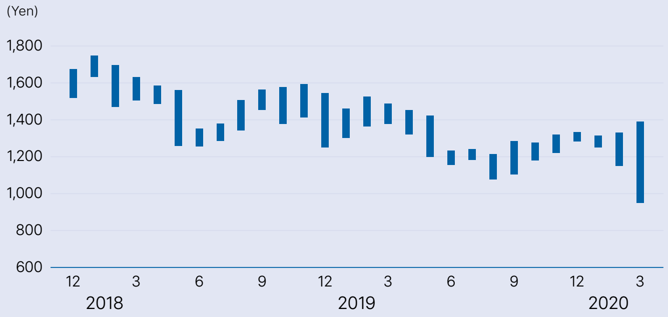
Stock Listings
Tokyo Stock Exchange, First Section
Ticker Code: 8086

Transfer Agent
Mizuho Trust & Banking Co., Ltd., Head Office
Stock Transfer Agency Dept.
1-2-1, Yaesu, Chuo-ku, Tokyo 103-8670, Japan

Principal Shareholders

	Number of Shares Held (in thousands)	Percentage of Total Shares in Issue (%)
Nippon Electric Glass Co., Ltd.	20,225	12.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,504	5.21
Japan Trustee Services Bank, Ltd. (Trust Account)	5,365	3.29
Resona Bank Limited	4,414	2.71
JP Morgan Chase Bank 385632	3,251	1.99
SSBTC CLIENT OMNIBUS ACCOUNT	2,971	1.82
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,814	1.73
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,289	1.40
JP Morgan Chase Bank 385151	2,187	1.34
Japan Post Insurance Co., Ltd.	2,052	1.26
Total	54,076	33.16

Stock Price Range (Tokyo Stock Exchange)



Major Group Companies (As of June 30, 2020)

Area	Country	Name	Principal business
Domestic	Japan	Nipro Medical Industries Co., Ltd.	Manufacturing and marketing of medical devices
		Goodman Co., Ltd.	Manufacturing and marketing of medical devices
		Nipro Pharma Corporation	Manufacturing and marketing of pharmaceuticals
		Zensei Pharmaceutical Industries Co., Ltd.	Manufacturing and marketing of pharmaceuticals
		Cell Science & Technology Institute, Inc.	Development and manufacturing of cell culture media
		NexMed International Co., Ltd.	Development, manufacturing and marketing of orthopedic products
Overseas	Thailand	Nipro (Thailand) Corporation Limited	Manufacturing and marketing of medical devices
		Nipro Sales (Thailand) Co., Ltd.	Marketing of medical devices
	China	Nipro (China) Holdings Co., Ltd.	Business management
		Nipro (Shanghai) Co., Ltd.	Manufacturing and marketing of medical devices
		Nipro Trading (Shanghai) Co., Ltd.	Marketing of medical devices
		Nipro PharmaPackaging (Shanghai) Co., Ltd.	Marketing of PharmaPackaging products
		Jilin Nipro Jiaheng Pharmaceutical Packaging Co., Ltd.	Manufacturing and marketing of PharmaPackaging products
		Anyang Nipro Changda Pharmaceutical Packaging Co., Ltd.	Manufacturing and marketing of PharmaPackaging products
		Chengdu Pingyuan Nipro Pharmaceutical Packaging Co., Ltd.	Manufacturing and marketing of PharmaPackaging products
		Nipro Medical (Hefei) Co., Ltd.	Manufacturing and marketing of medical devices
	Vietnam	Nipro Vietnam Company LIMITED	Manufacturing and marketing of medical devices
		Nipro Pharma Vietnam Co., Ltd.	Manufacturing and marketing of pharmaceuticals
	Singapore	Nipro Asia Pte Ltd.	Marketing of medical devices
	India	Nipro India Corporation Private Limited	Manufacturing and marketing of medical devices
		Nipro PharmaPackaging India Private Limited	Manufacturing and marketing of PharmaPackaging products
		Nipro Medical (India) Pvt. Ltd.	Marketing of medical devices
	Bangladesh	Nipro JMI Co., Ltd.	Manufacturing and marketing of medical devices
		Nipro JMI Pharma Ltd.	Manufacturing and marketing of pharmaceuticals
	Indonesia	PT. Nipro Indonesia JAYA	Manufacturing and marketing of medical devices
	UAE	Nipro Middle East FZE	Marketing of medical devices
	Brazil	Nipro Medical Ltda.	Manufacturing and marketing of medical devices
	U.S.A.	Nipro Medical Corporation	Marketing of medical devices
		Nipro PharmaPackaging Americas Corporation	Manufacturing and marketing of PharmaPackaging products
		Infraredex, Inc.	Development, Manufacturing and marketing of medical devices
	Canada	CardioMed Supplies INC.	Manufacturing and marketing of medical devices
	Belgium	Nipro Europe Group Companies N.V.	Business management
		Nipro Medical Europe N.V.	Marketing of medical devices
		Nipro PharmaPackaging Belgium N.V.	Manufacturing and marketing of PharmaPackaging products
	France	Nipro PharmaPackaging France S.A.S.	Manufacturing and marketing of PharmaPackaging products
	Germany	Nipro PharmaPackaging Germany GmbH	Manufacturing and marketing of PharmaPackaging products
	Switzerland	Nipro Pharma Glass AG	Business management
	Russia	Nipro PharmaPackaging Ural LLC	Manufacturing and marketing of PharmaPackaging products