



NIPRO

Live Longer. Live Better.

ANNUAL REPORT 2023

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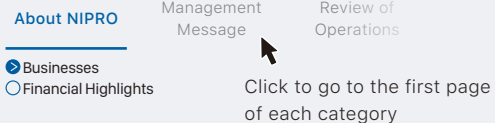
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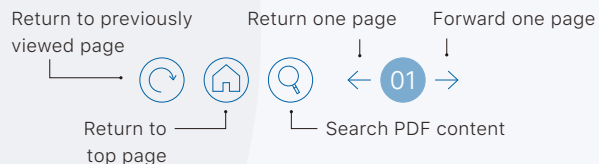
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Using Category Tabs



Using Navigation Buttons



Link Buttons

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Disclaimer

This report contains forward-looking statements regarding business indices, strategies, and performance representing the expectations and judgments of the management, based on the 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 2023 represents the year ended March 31, 2023.

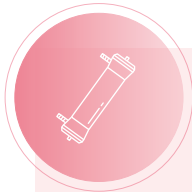
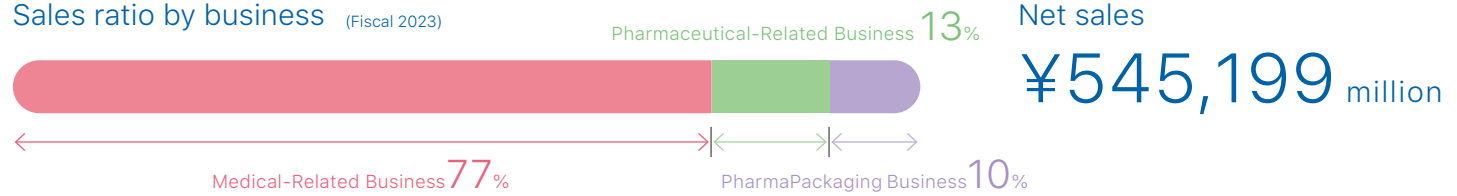
- Businesses
- Financial Highlights

About NIPRO

Businesses

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

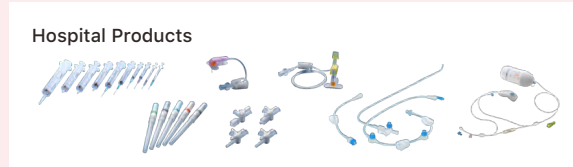
Sales ratio by business (Fiscal 2023)



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.



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



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.



- Businesses
- Financial Highlights

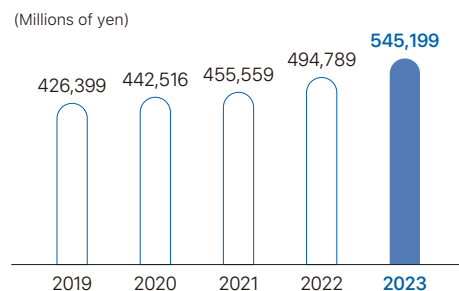
About NIPRO

Financial Highlights

Net sales

¥545,199 million

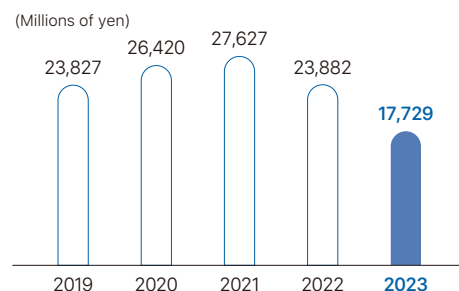
Net Sales increased by 10.2% compared to the previous term's figure due to the addition of the increased costs of raw materials, energy, and logistics to product prices as well as a weaker yen.



Operating income

¥17,729 million

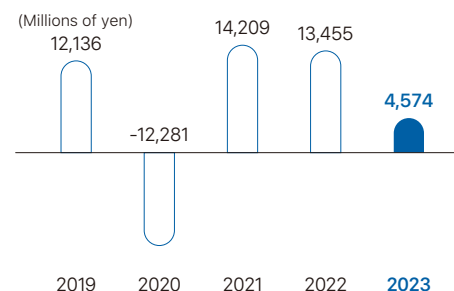
Operating income decreased by 25.8% compared to the previous term's figure due to increased sales and general and administrative expenses, as well as insufficiently adding the increased costs of raw materials, energy, and logistics to product prices.



Net income attributable to owners of the parent

¥4,574 million

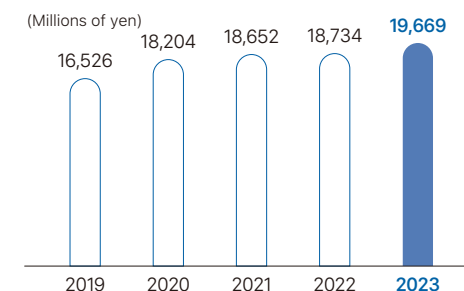
Net income attributable to owners of the parent decreased by 66.0% compared to the previous term's figure due to the allocation of deferred income taxes to deferred income-tax assets, etc.



R&D expenses

¥19,669 million

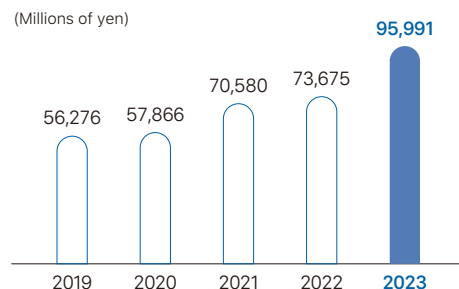
R&D expenses increased by 5% compared to the previous term's figure due to the increased costs of developing the dialysis information-management system, various clinical-trial studies, etc.



Capital investment

¥95,991 million

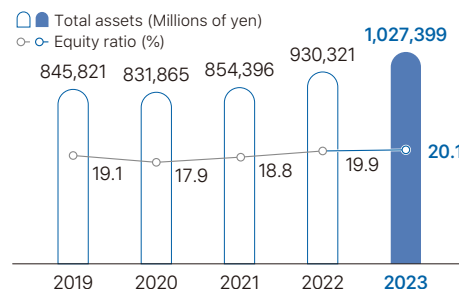
Capital investment increased by 30.3% compared to the previous term's figure due to the construction of a new dialyzer plant, enhancement of manufacturing facilities for various glass products in Europe and the United States (U.S.), etc.



Total assets/Equity ratio

Total assets: **¥1,027,399 million**

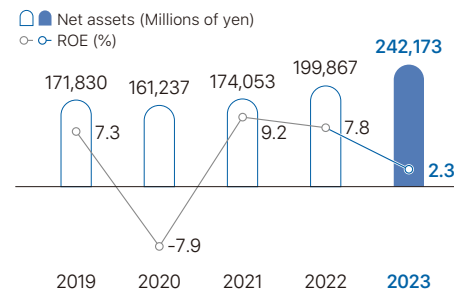
Total assets increased by 10.4% compared to the previous term's figure, and the equity ratio reached 20.1%.



Net assets/Return on equity

ROE: **2.3%**

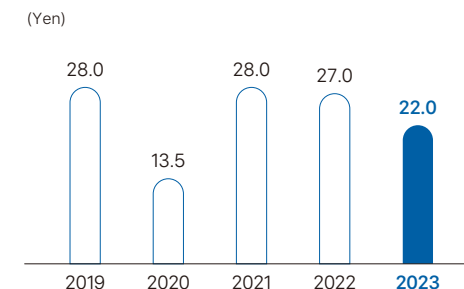
ROE declined to 2.3% due to the decrease in the net income attributable to owners of the parent



Cash dividends per share

¥22.0

The annual cash dividends per share was set at 22 yen per share, with an interim dividend of 13.50 yen/share and a term-end dividend of 8.50 yen/share.



- President's Message
- Message from the CFO

Management Message

President's Message

We will make improvements by changing the profit structure to achieve sales of 1 trillion yen



Yoshihiko Sano
President and
Representative Director

Performance during the fiscal year ended March 31, 2023

Net sales	Operating income	Net income attributable to owners of the parent
¥545,199 million (10.2% increase from the previous fiscal year)	¥17,729 million (25.8% decrease from the previous fiscal year)	¥4,574 million (66.0% decrease from the previous fiscal year)

Performance summary for the current fiscal year

The speed of sales growth is sufficient. Our future challenge lies in improving the profit margin.

During this period, sales accounted for 545,199 million yen (a 10.2% increase YoY), and the average annual growth rate of sales was 8.9% since the fiscal year ended March 31, 2013. Thus, we are steadily transitioning toward achieving a long-term sales target of 1 trillion yen for the fiscal year ending March 31, 2031.

Accordingly, our future challenge lies in improving the profit margin. The operating income margin in this period was 3.3% (a decrease of 1.5 percentage points YoY), which was low compared with the target of 9.0% or more, specified in the medium-term management plan. The main reasons for the stagnant operating income margin were the acceleration of overseas inflation, rising raw material costs, and a significant increase in transportation costs. Transportation costs improved after December 2022 and returned to the normal level in August 2023.

The current issue faced by Nipro is that its capital investment is not sufficiently fast to catch up with the growth rate of product sales with strong customer needs. Therefore, we must change the profit structure to further accelerate capital investment.

As a corporate manager, I think the operating income margin must be higher than 10%. To realize this, we will make rapid corrections to the fair prices corresponding to inflation costs and rising raw material costs. In addition, we will increase the production quantity after raising the unit sale price and thoroughly conduct Nipro's original business operations to enhance user satisfaction.

Measures for improving the profit margin

Strengthen product competitiveness and enhance the independence of divisions.

To implement the three strategies, we need to further strengthen product competitiveness, the source of Nipro's value. To support this from the system perspective, we reformed the organization in April 2023 and further increased the independence of the divisional system, as explained below.

Management Message

President's Message

○ Strengthening product competitiveness

For product competitiveness, we will strengthen the sale of dialyzers, our major product, mainly in emerging countries with high growth potential, such as India and Africa; this will be in addition to expanding its share in North America. In addition to China and India, we are reinforcing a new line of the Odate Plant as capital investment for this purpose. Considering the vascular business that we have been focusing on, we will continue to develop new products in both the imaging and scoring balloon fields and strive to sell them worldwide. Sales of hospital-related products continued to be strong, mainly in the emerging countries in this period. We will strengthen the Vietnamese factory's production lines and produce high-value-added products in the future.

We have launched new competitive products related to pharmaceuticals. In particular, the sale of esomeprazole (Nexium AG), our second authorized generic* drug, performed well during this period. Authorized generics are products that are trusted by doctors and patients more than ordinary generics and are expected to grow in the future.

Regarding PharmaPackaging, sales of high-value-added products, such as sterile prefillable syringes, have been performing well. We will continue to increase our production capacity in a step-by-step manner to expand our share.

In addition, we are operating dialysis centers mainly in emerging countries such as South and Central America, China, Malaysia, and Brazil. Until the end of March 2023, we opened our own dialysis centers in 175 locations in 11 countries. We will contribute to the regional medical care and simultaneously conduct package sales of our renal products.

* A product that is particularly certified by the manufacturer of the brand name drug among generic drugs. It not only has the same ingredients as the brand-name drug, but also the same drug substances, excipients, manufacturing methods, etc.

○ Reinforcement of the divisional system

For organizational reform, we have strengthened the divisional system and increased the independence of each division more than before. Specifically, the former managing directors of the Domestic Division and Global Business Division were promoted to senior managing directors so that they could make the necessary management decisions in each division. This makes it easier for each division to reflect on the field's needs. In addition, the responsibility for budget management is clarified, and awareness of expenses increases, which is advantageous. Each plant has been working independently as a Global Production Division, but the division has been abolished and changed to an operational system integrated with the sales strategy. Through this, we aim to create a system in which the sales and production divisions respond to the needs of users together, improve unit sales prices, and increase quantity.

We have also strengthened the functions of the head office that manages various KPIs, such as the ROE and operating income margin, and established a committee for operational and cost efficiency. We can expect further improvement in profits through the cost-reduction plan suggested by Corporate Planning.

Response to risk compliance

Invest in the management resources necessary for protecting the business.

I have mainly explained the benefits of the above business, such as improving profit margins. Mentioning risk compliance, the aspect of protecting the business, we experienced two major incidents during this period: a fire at the Odate Plant No. 5 and business improvement orders to Nipro Pharma Corporation.

First, a fire occurred at the Odate Plant No. 5 in March 2023. There was no human damage, and physical damage affected the four dialyzer production lines at the Plant No. 5. The two lines will be replaced in the future, and the production of the other two lines was resumed on April 6, 2023. Some products were supplied as substitutes for domestic sales, but the situation is currently normalized. The temporary decrease in the production of our major products is a significant issue. We will work on expanding the production capacity for the overall supply volume in a dispersed manner as measures for future risks.

Regarding the business improvement orders to Nipro Pharma, there was no final quality problem. However, noncompliance with the manufacturing process stipulated in the "Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices" is a problem in terms of compliance. This incident occurred because of insufficient personnel necessary for inspection. Therefore, we will invest in the necessary management resources to secure inspection personnel and establish a new inspection



Management Message

President's Message

- President's Message
- Message from the CFO

center outside the plant. Therefore, we will proceed with corrective actions. We submitted an improvement plan/report on this matter to Akita Prefecture and obtained a conformance certificate on June 22, 2023.

Initiatives for sustainability

Respond to European Sustainability Reporting Standards.

To ensure sustainability, we established the Sustainability Committee (Chief Sustainability Officer (CSO) = Senior Managing Director Yogo) from the period ended March 2022. We have established subcommittees for environment, social, and governance and they have been working on specific initiatives.

○ Environmental implications

With regard to the environment, we are working on various initiatives that focus on reducing greenhouse gases and promoting renewable energy. As a specific results of our initiatives, we received "B" for the climate change report from CDP in the current period. We will make the most of the results of this evaluation for future improvement activities and actively work toward the further disclosure of information.

In Europe, corporate environmental measures are regarded as conditions for business transactions. The disclosure of sustainability information based on CSRD will be an issue in the future. The CSRD particularly emphasizes the environment and human rights described below, and we consider it necessary to improve not only information disclosure but also actual figures.

○ Social implications

Regarding the social aspect, as Nipro has many sales and manufacturing bases in emerging countries, whether there is any violation of the human rights of employees, including child labor and forced labor, has been questioned. Considering

the characteristics of the industry, forced labor is unlikely to occur in Nipro, and no human rights violations have been reported at present. However, I believe that human rights security, including that of suppliers and supply chains, will become important in the future. We will continue to focus on strengthening our monitoring capabilities.

From the perspective of diversity, it is also important to increase the percentages of female managers and non-Japanese employees. I think that these points should be improved in Nipro. However, Nipro's overseas bases have already actively hired local human resources for management, which has been conducted in a local style. Thus, I believe that the diversity of nationalities is increasing considerably.

Regarding human resource strategies, we will thoroughly evaluate employees using a payment-by-results system on the premise of recruiting and developing motivated employees. We introduced a mandatory retirement system for people aged 65 during this period. We have established a system in which senior employees' technical capabilities and experiences will be handed over to young employees of the next generation.

Another thing I would like to tell you about social contributions is that we have a training facility called iMEP for doctors, nurses, pharmacists, and technicians. Because our sales members serve as coordinators for this institution, they have the opportunity to interact with healthcare professionals. In addition, they use the knowledge obtained there and are thus promoted to convert our employees to technical sales. We have 20 training facilities, including iMEP, around the world, and contribute to community medical care in addition to our own human resource development.

○ Governance

We significantly reduced the number of directors, mainly internal directors, during this period; additionally, we increased the number of external directors to 6. As explained last year, the role of the Board of Directors of Nipro is to understand

users' viewpoints. Our external directors are human resources with experience in the fields of medical care and welfare; we soon engage in discussions with them while incorporating the external users' viewpoints. In addition, a reduction in the number of members on the Board of Directors has enabled us to make decisions promptly, which is advantageous. Accordingly, the effectiveness of the Board of Directors has also improved.

To shareholders

Improve the profit margin for the realization of long-term goals.

We moved our head office functions to Kento Innovation Park in Settsu, Osaka, in April 2023. Accordingly, we will consolidate our research and development functions and strengthen the industry-government-academia collaboration led by the National Cerebral and Cardiovascular Center.

Considering this transition as a milestone, we will renew our frame of mind toward achieving the sales target of 1 trillion yen for the fiscal year ending March 31, 2031. Our future challenge is to improve the profit margin. We will make improvements to the profit structure from a thorough user viewpoint, as described in the action guidelines, and sell competitive products globally.

We would appreciate the continued support of the stakeholders, including shareholders.

September 2023



President and Representative Director

- President's Message
- Message from the CFO

Management Message

Message from the CFO

Promoting the Medium-Term Management Plan and building a lean financial structure

Progress of the Medium-Term Management Plan

We have set KPIs from the five viewpoints of "growth potential," "profitability," "investment efficiency," "financial health," and "asset efficiency" in the Medium-Term Management Plan, with the fiscal year ending March 2025 as the final year.

Regarding "growth potential," we aim to achieve an average annual sales growth rate of 7.0% or more. It was 6.6% in this period because the growth slowdown due to the COVID-19 pandemic eased and overseas sales revenue significantly increased due to the weak yen. The sales growth rate in the fiscal year ending March 2024 is expected to be 9.9% and the average sales growth rate is expected to be approximately 7.2%.

Regarding "profitability," we aim to achieve an operating profit margin of 9.0% or more. It was 3.3% during this period,

owing to the soaring costs of transportation, raw materials, and energy. It is expected to recover to 4.0% in the fiscal year ending March 2024 because increased costs will be passed on to prices, and transportation market prices are expected to drop. We aim to achieve an operating profit margin of 9.0% or more through worldwide reinforcement of manufacturing and sales of dialyzers (our main products), strengthening sales of high-value-added products, and improving revenue through vertical integration from manufacturing to treatment by acquiring dialysis centers.

Regarding "investment efficiency," we aim to achieve a profitable free cash flow. The operating cash flow significantly decreased during this period because of an increase in the purchase of active pharmaceutical ingredients in preparation for procurement difficulties, an increase in inventory due to the accumulation of initial stock related to the introduction of newly authorized generic drugs, and a decrease in income before income tax. Meanwhile, the free cash flow fell 61,600 million yen into the red because the investment cash flow remained at a high level. In the fiscal year ending March 2024, the free cash flow is expected to be 26,800 million yen because of measures such as the compression of working capital by promoting the liquidation of receivables and sales of idle assets and securities, in addition to the improvement of operating income. It was 240,200 million yen in the black in the period March 2021 to March 2023, and it is planned to be 62,100 million yen in the period ending March 2024. However, we will focus on investing in products with a high profit margin and aim at around 350,000 million yen by the fiscal year ending March 2025, as in the Medium-Term Management Plan.

Regarding "financial health," we aim for four times the net interest-bearing debt-to-EBITDA ratio. The net interest-bearing debt-to-EBITDA ratio increased to 7.7 times during this period due to a decrease in operating income and an increase in net interest-bearing debt. In the fiscal year ending March 2024, we plan to improve the net interest-bearing debt-to-EBITDA ratio by a factor of 6.2 times by compressing interest-bearing debt and increasing operating income.

Regarding "asset efficiency," we aim at an ROE of 14.0% or more. The net income attributable to the owners of the

parent significantly decreased during this period owing to the impact of hyperinflation accounting and tax effect accounting in Europe. In addition, the ROE was 2.3% because of an increase in equity capital through foreign currency translation adjustments. The ROE is expected to be 4.9% in the fiscal year ending March 2024, owing to an improvement in the current net income attributable to the owners of the parent.

Status of capital investment

Capital investment in this period increased by 30.3% from the previous term to 95,991 million yen. The major reasons for the increase include the expansion of new dialyzer lines at the Odate Plant No. 7, the establishment of the Nipro Pharma Omi Plant, and the improvement of manufacturing facilities related to PharmaPackaging.

The capital investment for the fiscal year ending March 2024 is planned to be 62,130 million yen, a decrease of 35.3% from this fiscal year. Although capital investment has increased due to the establishment of new QC centers in Saitama and Osaka, it will significantly decrease due to the completion of new dialyzer lines in India, Vietnam, and China, and the completion of the renewal of manufacturing facilities in the U.S. and France. Thus, capital investment is expected to decrease significantly.

Change in dividend policy

We have changed the dividend policy to distribute shareholder returns by payment-by-results when our performance is good, effective from the fiscal year ending March 2024. Thus, we aim to pay stable dividends to shareholders.

Under the revised dividend policy, consolidated net income is used as the core profit for dividends, and 35% of the net income is the dividend resource. We aim for stable dividends and set the dividend per share at a lower limit of 25 yen per year.



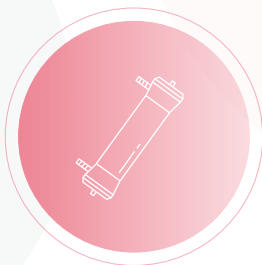
Takehito Yogo

Senior Managing Director and
General Manager of
Corporate Planning Division

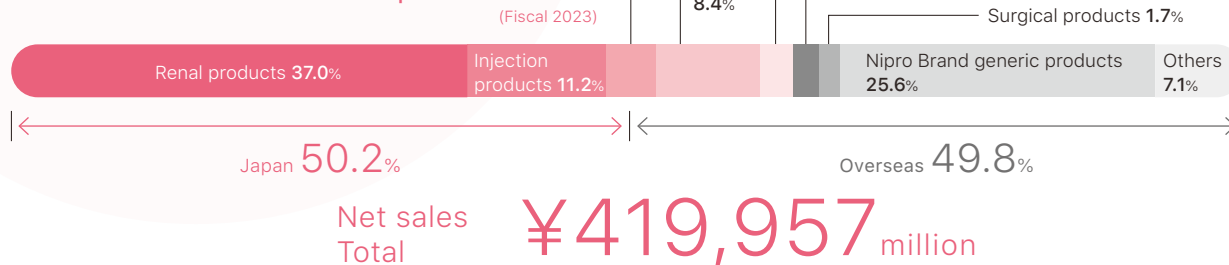
- Medical-Related Business
- Pharmaceutical-Related Business
- PharmaPackaging Business

Review of Operations

Medical-Related Business



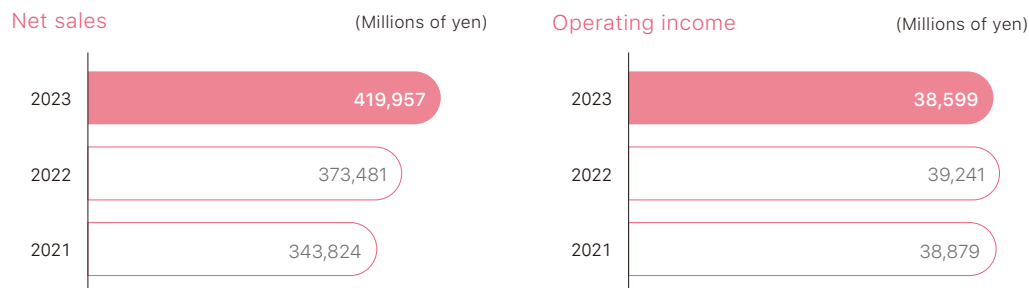
Net sales for each area and product



Overview of fiscal year ended March 2023

Domestic sales of renal products improved from the start of the term, although there were shipping-adjustment effects for some medical devices due to the lockdown in Shanghai City, China. In addition, sales of vascular and surgical-devise-related products improved along with a loosening of various regulations for new coronavirus infections. Regarding drugs, sales of esomeprazole **POINT**, an authorized generic drug launched in December 2022, improved, and the share of other new products' sales also rose. Additionally, for antibiotic and infusion products, the drug prices rose due to the application of re-pricing for unprofitable product items, and the sales amounts increased compared to those in the previous year, leading to a sharp increase in revenue.

Consequently, net sales and operating income were 419,957 million yen (+12.4% compared to that of the previous term) and 38,599 million yen (-1.6% compared to that of the previous term), respectively.



Forecast and strategy for the fiscal year ending March 2024

Regarding the financial performance in the fiscal year ending March 2024, net sales and operating income are expected to be 460,200 million yen (+9.6% compared to the current-term figure) and 43,310 million yen (+12.2% compared to the current-term figure), respectively.

Regarding domestic sales, the revenue from medical devices is expected to increase by 11,940 million yen compared to the current-term figure due to an increase in the sales volume of infusion products, catheters, and assist pumps/oxygenators, in addition to an increase in the sales volume of renal products. Regarding drugs, sales of esomeprazole are expected to continue to rise. In addition, re-pricing for unprofitable product items was temporarily and exceptionally applied to all products at the NHI drug-price revision to deal with an abrupt steep rise in prices for raw materials and issues related to stable supply. Therefore, the revenue is expected to greatly increase by 13,620 million yen compared to the current-term figure.

The operating income is expected to increase by 4,720 million yen compared to the current-term figure, mainly due to the trend of decreased delivery costs overseas and anticipated addition of the increased prices of raw materials to product prices.

POINT

Approximately 53% of domestic share (76% for generics) was obtained for esomeprazole (Nexium AG)

Esomeprazole, which was launched in December 2022, has been favorably evaluated as an authorized generic (AG) with high reliability in the market. With the domestic share of approximately 53%, it is a product that is expected to continue growing in the future.



Medical-Related Business

- ▶ Medical-Related Business
- Pharmaceutical-Related Business
- PharmaPackaging Business

TOPICS

Overseas Business

Making efforts to improve the added value of core products and services

Deployment of academic sales of new dialyzers

ELISIO™-HX stands as the world's sole next-generation super-high-flux*1 dialyzer featuring a polyethersulfone (PES) membrane (as of 2023). Notably, this innovative dialyzer offers two key advantages: first, it reduces the risk of death by 10% compared to polysulfone (PS) membranes, and second, its super-high-flux capability can further reduce the risk of death by 14% compared to high-flux*3 dialyzers. While ELISIO™-HX has already demonstrated its effectiveness in Japan, this exceptional, high-quality product remains relatively underutilized overseas. Therefore, scientific evidence on ELISIO™-HX will be offered by global KOLs*2, and the product that contributes to the health of patients will be further spread overseas.



ELISIO™-HX

*1 Super-high-flux: Clearance is much superior to high-flux with a high solute removal ability.
 *2 Reference: Abe M et al. Am J Nephrol. 2017.
 *3 Reference: Abe M et al. Nature. 2021.
 *4 Abbreviation of key opinion leader. These are experts such as physicians who have an influence on the sales promotion of medical devices and drugs.

Renewal of long-term partnership agreement with Diaverum

In April 2023, we successfully renewed our partnership agreement with Diaverum, a leading dialysis provider, for (1) consumables for another 4 years and (2) dialysis machines for another 4.5 years.

With this renewal, we are determined to leverage our strong collaboration with Diaverum to solidify Nipro's presence in the global market. Our primary focus will be on promoting and introducing our dialysis machines to a wider audience, thereby expanding their sales, and securing stable sales destinations for consumables.



President Sano (left) of Nipro and Mr. Dimitris (center), CEO of Diaverum, at the renewal of the agreement (Osaka Head Office)

Reinforcement of the lineup of hospital-related products

In our commitment to offering comprehensive solutions for hospitals, we are reinforcing measures for the following product lineup in the areas of infusion, Anesthesia/Chemotherapy, blood collection and injection.

These measures will enhance our lineup of high-value-added products, enabling us to strengthen our market position and drive further expansion in market share.

1. Infusion	Development of next-generation safety IV cath and sales expansion of ST plug
2. Anesthesia/Chemotherapy	Expansion of Surefuser-related products
3. Blood collection	Development of next-generation safety blood collection needle
4. Injection	Launch of next-generation safety needle

Expansion of our own dialysis center

During fiscal year ended March 2023, we successfully established 28 new dialysis centers, with a primary focus on locations in Malaysia, China, and South Africa. As a result of this expansion effort, the number of patients utilizing our centers increased by 2,569. As a result, our own dialysis centers have been established at 175 locations in 11 countries as of the end of March 2023, and the number of patients has increased to 10,757.

We will continuously contribute to community healthcare by providing high-quality treatment, particularly in emerging countries.

Advancing in the new business area

Strengthening of the vascular business

We are deploying the vascular business as the second pillar after renal products. In the field of diagnostic imaging devices, we have extended our product deployment to cover the peripheral area, in addition to our existing focus on coronary arteries. Furthermore, regarding scoring balloons, we will put next-generation products on the market, such as the Lacrosse Aperta NSE, to increase the market share and create new market opportunities.

Efforts toward the spread of CL Fine

We are proceeding with the introduction of the ionless hypochlorous acid solution "CL Fine" as an infection measure. In 2022, we conducted an efficacy study and attempted to build relationships with the governments of various countries. We are also actively communicating with infectious disease KOLs and offering academic evidence, such as organizing awareness-raising activities through seminars.

In 2023, our efforts will expand to include not only enabling the solution of a highly concentrated product of 500 ppm to be diluted and sprayed but also introducing a new product for air and surface sterilization.



Presenting information at seminars

- Medical-Related Business
- Pharmaceutical-Related Business
- PharmaPackaging Business

Review of Operations

Pharmaceutical-Related Business



Production capacity

(March 2023)

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

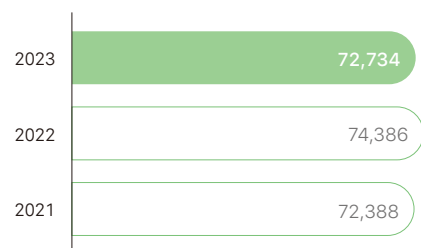
Net sales Total **¥72,734** million

Overview of fiscal year ended March 2023

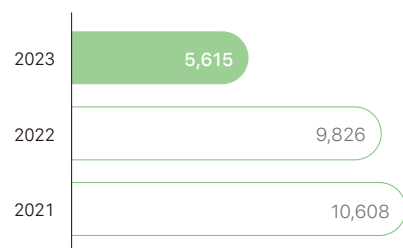
Regarding the pharmaceutical-related business, several new products in Japan have started shipments and commercialization, and Nipro JMI Pharma in Bangladesh recorded strong sales. Meanwhile, the net sales decreased slightly compared to that of the previous term due to decreased orders of existing products and the end of contract manufacturing as well as decreased production volume due to problems with materials and manufacturing facilities.

Operating income decreased largely from the previous year due to a decrease in production volume, which was a factor in the decline in net sales, and an increase in manufacturing costs resulting from a significant rise in raw materials and energy prices. As a result, net sales in this segment were 72,734 million yen (down 2.2% from the previous year), and operating income was 5,615 million yen (down 42.8%).

Net sales (Millions of yen)



Operating income (Millions of yen)



Forecast and strategy for the fiscal year ending March 2024

Regarding the financial performance in the fiscal year ending March 2024, net sales and operating income are expected to be 79,700 million yen (+9.6% compared to the current-term figure) and 7,170 million yen (+27.8% compared to the current-term figure), respectively.

For generic and original/long-listed drugs, although some of the products will be impacted by sales discontinuation, the start of sales of new contract-manufacturing products and restoration of anticancer drugs, antibiotics, etc., the shipment of which was decreased, are expected. As the result, domestic sales are expected to increase by 7,045 million yen from the current fiscal year. Meanwhile, sales overseas are expected to decrease by 76 million yen compared to the current-term figure due to exchange-rate fluctuations, although a sale increase is expected on a local-currency basis* due to the active market extension by Nipro JMI Pharma Ltd.

Regarding operating income, a higher cost of sales is expected due to the recent continuing significant rise in energy and raw material costs and an increase in manufacturing expenses due to the strengthening of the quality assurance system. However, we expect an increase of 1,562 million yen from the current period through efforts to reduce costs by improving production efficiency and setting appropriate sales prices. Regarding the structure, we will continue to invest in facilities and equipment to ensure a stable supply of products and strengthen our quality assurance system. **POINT**

* Calculated based on 1 Bangladeshi taka = 1.40 yen in the fiscal year ended March 2023 and 1.25 yen in the fiscal year ending March 2024.

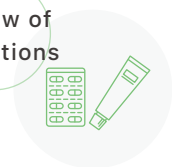
POINT

Strengthening of the quality-assurance system at Nipro Pharma

Along with the increase in production volume and production items, we are working to reduce the test operations at each manufacturing site and enhance the testing ability and staff productivity. A new testing building that includes the QC training center was built and operations at the Saitama Site, Nipro Pharma Corporation commenced in June 2023. In addition, the Osaka QC Center is being constructed as a testing facility in Osaka City. Operations at the facility are planned to commence in March 2024.

- Medical-Related Business
- Pharmaceutical-Related Business
- PharmaPackaging Business

Review of Operations



Pharmaceutical-Related Business

TOPICS

Efforts to strengthen the production system

Strengthening of production system at injectable drug plants

Nipro Pharma Corporation Ise Plant

The pre-filled syringe line was expanded at the Nipro Pharma Ise Plant. Production commenced in April 2023.

The newly introduced lines are 2 types: (1) Volume 1–3 mL and (2) Volume 5/10 mL. The production capacities are 59 and 55 million products/year for (1) and (2), respectively. This provides a further expansion of production volume and strengthening of BCP measures through the decentralization of manufacturing sites.



New building for the pre-filled syringe line

Nipro Pharma Corporation Omi Plant (New Plant Project)

A new injectable-drug plant, Nipro Pharma Corporation Omi Plant, is being constructed in Shiga Prefecture. We plan to complete the construction in January 2024, start the technical transfer for production in April 2024, and release products from 2025. The product items include Doublechamberbag of antibiotic drugs, and production capacity is expected to be 10 million bags/year. In addition, operations at a building for the production of vial products is also planned to start in 2026 as a second-phase plan.



Omi Plant, Nipro Pharma Corporation under construction

Strengthening of production increase system at the oral drug plant

Zensei Pharmaceutical Co., Ltd.

Zensei Pharmaceutical Co., Ltd. has constructed a new building at the Kishiwada Plant, which combines the function from development to production of investigational products, testing of commercial products, and warehousing. The construction was completed in November 2022, and the operations have started sequentially from April 2023. The construction of the new building will enable the entire plant to produce 2 billion tablets/year. We will establish a production system that can adopt to expand the testing area, introduce an automated rack-type warehouse, and handle highly-active investigational agents.



PTP packaging line under construction

In addition, packaging machines, etc. will be installed at the Izumi Plant. Operations will start sequentially from March 2025, and the production capacity will be expanded to 2.5 billion tablets/year.

- Medical-Related Business
- Pharmaceutical-Related Business
- PharmaPackaging Business

Review of Operations

PharmaPackaging Business

Sales ratio by region (Fiscal 2023)



Net sales Total **¥51,754** million



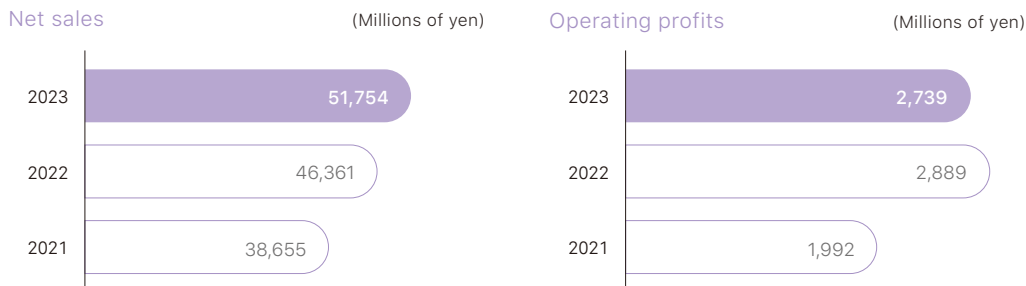
Overview of the fiscal year ended March 2023

The PharmaPackaging Division this year encountered high inflation cost. We had applied measures to secure profits by increasing sales prices both in Japan and overseas market and by improving production efficiency.

In Europe and the U.S. market, increasing production capacity of glass tubing (the raw material of pharmaceutical glass packaging containers) and successful promotion over time has resulted in significant shipment expansion of glass packaging containers, such as vials and ampoules.

In Japan, the shipment of COVID-19 test swabs and single-use bags increased significantly. In addition, the market in China has resumed and is back to normal after the zero-COVID policy was lifted, and we continue sales activities to strengthen our presence in the market.

As a result, the sales revenue of the segment was 51,754 million yen (+11.6% compared to that of the previous term), and the operating income was 2,739 million yen (-5.2% compared to that of the previous term).



Forecast and strategy for the fiscal year ending March 2024

In Europe, expansion in production capacity for glass tubing and sterilized glass syringes is expected to solve the order backlog mainly towards Europe and the U.S. market. In addition, expanding production capacity of glass tubing in the U.S. and the increase in demand for global standard ampoules in China will reflect to an increase in sales revenue to 58,910 million yen, a 13.8% increase compared to last year.

On the contrary, operating profit is expected to decrease to 2,320 million yen, a 15.0% decrease due to high labor, raw materials, and energy costs worldwide, with an additional foreseen expense for trial production and training to cope with the larger production system.

POINT

Market environment and growth strategies

In medically advanced countries, standard requirements of glass containers for new drugs have become more demanding, whereas in medically emerging countries demand for glass containers for generic drugs is expected to expand rapidly associated with the increase of the middle-income population. The COVID-19 pandemic has triggered countries to reinforce anti-infection measures, and at the same time, inflation and financial policy of countries has also suppressed the healthcare expenses. Additionally, preventive treatments and home medical care are spreading worldwide, leading to the increase in the need for user-friendly glass containers and drug administration devices.

Under these circumstances, our future goals are to carefully respond to the needs of stakeholders in each region and to provide flexible products supply at appropriate prices by using four growth strategies: strengthening product competitiveness, improving the stable supply system, increasing market coverage, and improving productivity.



PharmaPackaging Business

- Medical-Related Business
- Pharmaceutical-Related Business
- PharmaPackaging Business

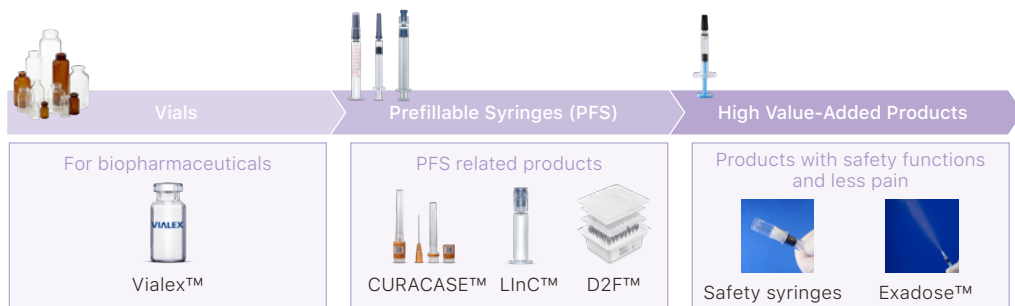
TOPICS

Improvement of product portfolio

Glass primary packaging containers and devices for injections

In respond to the wide range of needs of pharmaceutical companies and users, we are improving the lineup of our main products, glass primary packaging containers and devices for injections. Firstly, we will reinforce the manufacturing system of VIALEX™, vials compatible for biopharmaceuticals in Japan, the U.S. and Germany plants.

Regarding pre-fillable syringes, we are now in the phase of increasing the production capacity of ready-to-use products, sterilized syringes D2F™, at the same time expanding sales of D2F™ accessories parts such as LInC™, Luer lock integrated cap for D2F™ and starting commercial shipments of hypodermic needle CURACASE™. Furthermore, the development of high-value-added products such as syringes with safety functions and Exadose™ has been completed, and a full-scale production system is under consideration.



Electric pen type injectors for dental anesthesia

The electric pen type injectors for dental anesthesia with upgraded waterproof function and shock resistance are currently scheduled to be launched.



Electric pen type injectors for dental anesthesia

Sterilized rubber parts (High-pressure steam sterilization)

The demand for ready-to-use products has increased in recent years in the pharmaceutical industry. The use of ethylene oxide gas during sterilization is recently being avoided due to safety and environmental considerations. Given these circumstances, utilizing a different approach such as by steam-sterilizing in-house manufactured rubber parts will have lower environmental impact. We plan to establish a similar sterility assurance system for glass syringes in the future.



Rubber parts



Rubber parts after sterilization

Establishment of a stable supply system

Completion of new glass tubing facility in Aumale, France

The new glass tubing facility in Aumale, France was completed at the end of 2022 and has started production to address the global increase in demand for medical-use glass tubing. The production capacity of NSV-51 glass tubing at Nipro has significantly increased by 25%. The tubing is not only sold to external customers but also used as raw materials for pharmaceutical glass container production within the Nipro Group. In addition, the new furnace with a full oxygen combustion process has reduced CO₂ emissions by 47% compared to corresponding existing furnaces.



Overall view of the new glass tubing facility in Aumale, France

Selected as Top 50 "Great Place to Work" among Indian manufacturing companies

Nipro PharmaPackaging India Private Limited was awarded a Great Place to Work certificate in 2022 among the top 50 Indian manufacturing companies. The company greatly emphasizes the education training system and welfare activities and has established a reputation for improvement activities, which contribute to improving employees' motivation. Other subsidiaries in the PharmaPackaging division will participate in this program in the future and further improve the quality of workplaces.



Certificate of Great Place to Work

🎯 Aiming to Achieve Consolidated Sales of ¥1 Trillion in the FYE 2031.3
 ○ Approaches to SDGs

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 the gap between theory and reality and can lead their staff to understand it

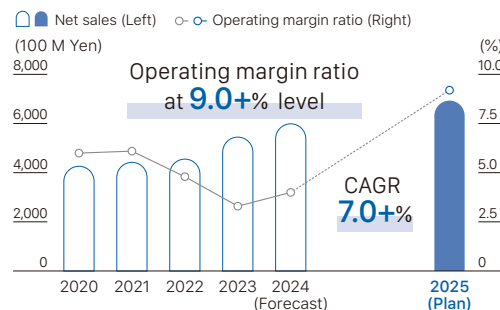
Enhancements

- 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 cerebrovascular and arrhythmia fields
- 4 Deployment of the drug contract manufacturing business to overseas markets
 Promoting out-licensing of our GE products in the Chinese market and expanding business in the U.S. market
- 5 Development of high-value-added products and reduction of manufacturing costs in the PharmaPackaging business
 Developing high-quality products for biopharmaceuticals and reducing manufacturing costs by automating the manufacturing process
- 6 Enhancement of cellular medicine business
 Promoting manufacturing automation and expanding 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

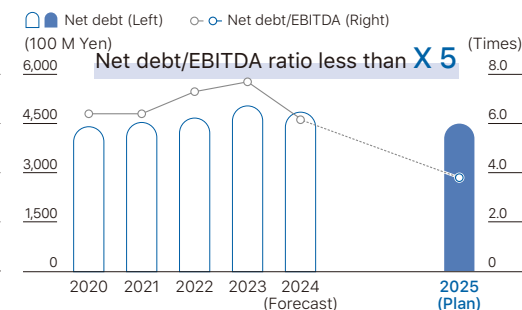
KPIs for FYE 2025.3

Net sales	Average annual growth of 7.0+%	Net debt*	Maintain around ¥450,000 M
Operating income	Average annual growth of 7.0+%	EBITDA	Aiming for a level of ¥100,000+ M or higher
Operating margin ratio	9.0+%	Net debt/EBITDA ratio	Less than X 5

Net sales/Operating margin ratio

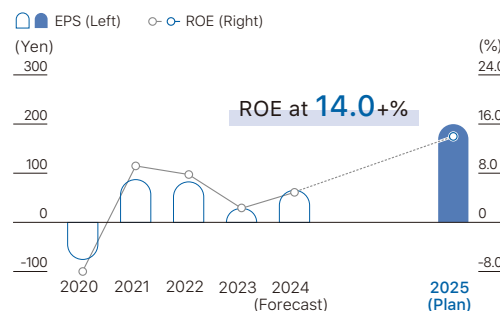


Net debt, Net debt/EBITDA

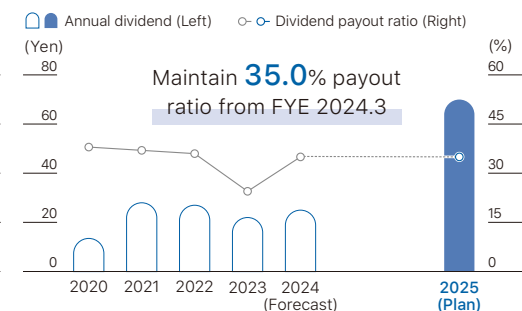


EPS*	¥200 or higher	Shareholder return (dividend payout ratio*)	24.5% (FYE 2023.3)	Maintain 35.0% (FYE 2024.3 -)
ROE	14.0+%			

EPS/ROE



Annual dividend/Dividend payout ratio



* EPS: Earnings per share

* Source of dividends shall be sum of 75.0% of consolidated profits and 25.0% of non-consolidated profits.

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

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.

Investment status

(Millions of yen)

		2021	2022	2023	2024 (Forecast)	2021-2025 (Plan)
Renewal of existing facilities	Medical equipment (dialyzers, catheters, etc.)	21,116	32,271	43,830	19,530	160,000
	Pharmaceuticals	20,610	23,119	23,353	27,700	90,000
	PharmaPackaging	5,371	9,278	15,561	9,630	30,000
Cellular medicine	Sapporo Plant and manufacturing facilities	21,324	3,322	758	180	30,000
Incubation of business seeds	Production Technology Center, laboratories, etc.	2,159	5,685	12,489	5,090	10,000

5-year guidelines for FYE 2025.3

(Millions of yen)

	2021	2022	2023	2024 (Forecast)	2021-2025 (Plan)
EBITDA	70,254	70,048	65,923	78,389	Aiming for 400,000–450,000
Capital investment	70,580	73,675	95,991	62,130	300,000–350,000 range
Free cash flows	21,021	-10,219	-61,616	-26,804	Return to profit

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 aiming 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

- Nurture 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 employment
- 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

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

Outline of the Medium-Term Management Plan

Approaches to SDGs

Social issues that we aim to solve through our business		Related SDGs
Providing treatment to patients in remote areas with limited access	<ul style="list-style-type: none"> In emerging countries, such as 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. 	 
Preventing medical accidents at medical institutions	<ul style="list-style-type: none"> 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. 	 
Providing safe and secure medicines for all	<ul style="list-style-type: none"> The company promotes products that can be used without difficulty, regardless of age or disability. The company offers a range of products 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. 	  
Dealing with new infections	<ul style="list-style-type: none"> 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. 	 
Stable supply of antimicrobial agents that are in short supply	<ul style="list-style-type: none"> 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. 	  
Providing a medical environment for patients who live in remote or are difficult to access locations	<ul style="list-style-type: none"> 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. 	  
Enhancing the labor productivity of healthcare professionals	<ul style="list-style-type: none"> 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. 	  
Minimizing the environmental impact of waste	<ul style="list-style-type: none"> 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. 	  
Promoting efficient use of natural resources	<ul style="list-style-type: none"> 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. 	  
Providing rewarding work opportunities for all	<ul style="list-style-type: none"> 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. 	  

Social Bond Reporting

Investment Status of Social Bonds and Loans

Overview of social bonds

Our business contributes to improving the health and quality of life of people around the world through the stable supply of medical devices, pharmaceuticals, and other essential social initiatives. We believe that these efforts contribute to solving social issues as social projects.

We have established the International Capital Markets Association (ICMA) in order to raise funds for these initiatives as social bonds. We have established a Social Bond Framework and a Social Finance Framework* in accordance with the ICMA Social Bond Principles.

Based on this framework, we issue (1) Social CBs and (2) Social Loans to finance projects that contribute to solving social issues.

* The company has obtained a "second opinion" from Rating and Investment Information, Inc. as a third-party evaluation.

(1) Social CBs

Our corporate bonds are positioned as "convertible bonds" (CB) which the bondholders can convert into our shares at a predetermined price. By setting the conversion value higher than the stock price at the time of issuance, the issue of corporate bonds is expected to be effective in protecting the interests of existing shareholders and maintaining financial safety. Thus, we will realize proactive investment in projects with high social contribution.

Corporate bond name	Nipro Corporation Euro-yen denominated convertible bond with a maturity in 2026 (social convertible bonds) "Social CB"
Issue amount	¥30,000 million
Period	5 years
Interest rate	0%
Conversion value	¥1,430
Payment date	September 27, 2021
Use of funds	Investment in manufacturing facilities of medical devices

(2) Social loan

The purpose of this loan is to allocate the raised funds to businesses that contribute to the resolution or mitigation of social issues.

The active investment in projects with high social feasibility will be realized by raising funds through this loan.

Lender	Total borrowing (million yen)	Interest rate	Date of borrowing	Repayment date	Repayment method	Collateral Warranty
A syndicate loan with Aozora Bank as an arranger	13,400	Variable interest rate	2022/7/29	2027/7/31	Bullet	No collateral No warranty
	6,600			2029/7/31		
A syndicate loan with Sumitomo Mitsui Banking Corporation as an arranger	9,500	Fixed interest rate	2022/8/31	2027/8/31	Bullet	
	1,000	Variable interest rate		2032/8/31		
A syndicate loan with Credit Agricole as an arranger	2,700	Fixed interest rate	2022/12/28	2027/12/28	Bullet	
	3,100			2029/12/28		
	4,700			2032/12/28		
Nippon Life Insurance Company	1,000	Fixed interest rate	2023/1/31	2028/1/31	Installment repayment every 3 months	
A syndicate loan with Sumitomo Mitsui Trust Bank as an arranger	2,000	Fixed interest rate	2023/2/10	2028/2/29	Installment repayment every 3 months	
	1,000	Variable interest rate			Bullet	
A syndicate loan with SBI Shinsei Bank as an arranger	7,000	Variable interest rate	2023/2/28	2028/2/29	Installment repayment every 3 months	
Total	52,000					

Social Bond Reporting

Investment Status of Social Bonds and Loans

Funding appropriation status

The status of appropriation of funds is as follows.

(1) Social CB funds are scheduled to be fully allocated during the fiscal year ended March 31, 2023 and (2) Social Loan funds have been fully allocated.

* Please refer to the Annual Report 2021 [🔗](#) for details on the status of appropriation of (1) Social Hybrid Bonds.

(1) Social CB updated part

Date of procurement	2021/9/27
Amount (million yen)	30,300

Use	Project type	Amount (million yen)	Details of allocation
New investment	Domestic business	16,699	Building Plant No. 7 associated with increased production of PES/FB dialyzers in the Odate Plant.
Unallocated	Domestic business	13,601	Funds raised through the Social CB will be allocated in FY03/2024 as the construction fee and the purchase cost of equipments.

(2) Allocation status of funds

Use	Project type	Amount (million yen)	Details of allocation
New investment	International business	6,219	NVC dialyzer facilities, etc.
New investment	International business	5,605	Hefei dialyzer facilities, etc.
New investment	International business	4,582	NMC dialysis medical devices, real estate, facilities, etc. of dialysis clinic
New investment	International business	593	Special needle automatic assembly device in Nipro Medical Industries
New investment	Pharmaceutical business	17,308	NPP Omi Plant, Ise Plant
New investment	Pharmaceutical business	5,217	Zensei Kishiwada E Building
New investment	PP business	3,048	Expansion of tanks in NPA
New investment	PP business	6,039	NPF Pegasus Project
New investment	PP business	3,389	NPG vial production facility
	Total	52,000	

Social Bond Reporting

Investment Status of Social Bonds and Loans

Progress of each project

Medical-Related Business (Japan)

Related SDGs



Main businesses

We develop, manufacture, and market medical devices, and generic and cellular pharmaceuticals in Japan.

Our main medical device products are dialysis products; however, we also provide products for treating various diseases and products with safety measures. Further, we have a wide range of our own branded generic drugs, including oral, injectable, and topical products. We offer universally designed products, such as orally disintegrating tablets that can be swallowed without water, tablets that can be distinguished by fingertips, and packaging that includes a section for medication instructions and the date of administration. For cellular medicines, we provide autologous marrow mesenchymal stem cells for the treatment of spinal cord injury.

Target social issues

- Help life support, health improvement, and quality of life for patients requiring dialysis
- Prevent medical accidents such as needlesticks, foreign substances/bacterial contamination, and reduction of the burden on healthcare workers
- Reduce obstacles in medication for patients with manual or visual impairments
- Provide an ICT-based medical care system to patients who are unable to visit hospitals due to disasters or residence in remote areas
- Improve the health and life of patients with spinal cord injuries

Approach to social issues (Output indicators)

The funds raised were used as capital investment to meet market needs in manufacturing medical devices, pharmaceuticals, and cellular medicines. Please note that there is a time lag before the invested facilities become operational and the manufacturing capacity increases.

Percentage increase in the quantity of medical devices manufactured*1	COVID-19 still had an impact, such as the shutdown of the Shanghai factory due to the Shanghai lockdown, but compared to the previous year, the situation has improved. Thus, the actual production of medical devices for Japan has increased to 101% of the previous year.
Percentage increase in the quantity of in-house brand generics manufactured*2	The production of oral drugs had decreased in the previous year owing to the damage to the Kagamiishi factory, but has recovered this year. The actual production increased to 102% of the previous year.
Manufacturing capacity of cellular medicines	The cell medicine production capacity has remained flat at 250 since the start of operations at Sapporo CPF.

Outcome of improvement of issues (Outcome indicators)

Percentage increase in the quantity of medical devices sold*1	The dialyzers continued to sell well, and the sales of winged needles increased with the acquisition of new customers. Thus, the actual sales increased to 101% of the previous year.
Percentage increase in the quantity of in-house brand generics sold*2	Although the quantity increased for all dosage forms, the unit prices of oral drugs and external-use products of larger quantities decreased due to the NHI drug price revision. Thus, the actual sales decreased to 94% of the previous year.
Quantity of cellular medicines sold	The acceptance of cell medicines in hospitals has increased owing to the mitigation of COVID-19's impact, and the actual sales have reached 28 cases.

*1 Percentage increase in the quantity of medical devices manufactured and sold was calculated by selecting the main products, dialyzers, blood circuits, dialysis needles (AVF), winged needles (PSV), and syringes. In order to align the different unit bases, the quantity was calculated as a weighted average of unit price and compared to the previous year.

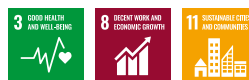
*2 Percentage increase in the quantity of in-house brand generics manufactured and sold was calculated as a weighted average of unit price to align the different units of oral, injectable, and topical formulations compared to the previous year.

Social Bond Reporting

Investment Status of Social Bonds and Loans

Medical-Related Business (Global)

Related SDGs



Main businesses

We develop, manufacture, and sell medical devices overseas. In addition, we sell pharmaceutical products, and also open and operate dialysis centers and training centers. Our main medical device products are dialysis products; however, we also provide products for treating various diseases and products with safety measures. Pharmaceuticals provide dialysis solutions used in dialysis treatment. Dialysis centers are specialized clinics that provide dialysis treatment to patients. Training centers are training facilities for healthcare professionals in dialysis treatment techniques and provide an improved on-site medical environment by incorporating feedback and requests obtained during the training into product and technology improvements.

Target social issues

- Help life support, health improvement, and quality of life for patients requiring dialysis
- Prevent medical accidents such as needlesticks, foreign substances/bacterial contamination, and reduction of the burden on healthcare workers
- Provide medical facilities to patients living in remote regions in emerging countries
- Provide advanced medical care to patients living in urban areas in developing countries
- Provide therapeutic equipment, examination products, and infection control products that can prevent the spread of infectious diseases

Approach to social issues (Output indicators)

The funds raised were used for capital investment to meet the market needs in the manufacturing of medical devices. Please note that there is a time lag before the invested facilities become operational and the manufacturing capacity increases.

Percentage increase in the quantity of medical devices manufactured*3	Regarding dialyzers, factories in Thailand and Vietnam resumed operations owing to the mitigation of COVID-19's impact. Moreover, the new lines at the Hefei factory and the India factory have started operations. The production of other blood circuits, winged needles, and syringes increased as the demand increased. Consequently, the actual production of medical devices for overseas has increased to 109% of the previous year.
Dialysis Center patient capacity*4	The market is expanding in various countries around the world, in addition to South and Central America, which continues to expand. A total of 28 facilities were opened this fiscal year alone, which is a 119% increase from the previous year.
Number of training centers	We have added one base in Saitama, and the number of training centers worldwide reached 27 in this fiscal year.

Outcome of improvement of issues (Outcome indicators)

Percentage increase in the quantity of medical devices sold*3	Dialyzers continue to sell well in North America and China, and there was a special demand for syringes for vaccination in Canada. Thus, the actual sales increased to 109% of the previous year.
Number of patients treated at Dialysis Centers*4	The number of patients treated at the dialysis centers increased to 118% as more centers were opened.
Number of training center users	A total of 28,374 healthcare professionals were trained at the training centers in 27 bases around the world.

*3 Percentage increase in the quantity of medical devices manufactured and sold was calculated by selecting the main products, dialyzers, blood circuits, dialysis needles (AVF), winged needles (PSV), and syringes. In order to align the different unit bases, the quantity was calculated as a weighted average of unit price and compared to the previous year.

*4 Number of dialysis centers and patients treated at dialysis centers was calculated as the percentage yearly increase.

Social Bond Reporting

Investment Status of Social Bonds and Loans

Pharmaceutical-Related Business

Related SDGs



Main businesses

We are a contract manufacturer of ethical drugs licensed by domestic and overseas pharmaceutical companies. We have manufacturing facilities in Japan, the U.S., and Europe that are GMP-compliant in each of the three regions. The company can manufacture a wide range of products, including injectable, oral, and external dosage forms, from small-lot study drugs to mass production after launch. We also develop formulations, such as orally disintegrating tablets, as well as slow-release and transdermal-absorption formulations. We can manufacture pre-filled syringes and double-chamber bags, which are combination products with medical containers. We also handle contracted inspection and packaging processes for products licensed overseas, where pharmaceutical companies sell pharmaceutical products formulated overseas after inspection and packaging in Japan.

Target social issues

- Contribute to a stable supply of pharmaceuticals by supporting a wide range of dosage forms and production scales
- Contribute to healthcare cost reduction by reducing manufacturing costs through a collective contract of manufacturing pharmaceuticals for many companies

Approach to social issues (Output indicators)

The procured funds were used as capital investment in the contract manufacturing of pharmaceutical products to meet the market needs. Please note that there is a time lag before the invested facilities become operational and the manufacturing capacity increases.

Percentage increase in the quantity of contract drugs manufactured*5	Multiple new contracts were started, but for existing products, the order quantity decreased owing to the sorting out of items at the customer side or contract completion. Thus, the actual production remained at 100% of the previous year.
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Outcome of improvement of issues (Outcome indicators)

Percentage increase in the quantity of contract drugs shipped*5	Multiple new contracts were started, but for existing products, the order quantity decreased owing to the sorting out of items at the customer side or contract completion. Thus, the actual production remained at 100% of the previous year.
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*5 Percentage increase in the quantity of contract drugs manufactured and shipped was calculated as a weighted average of unit price to align the different units of oral, injectable, and topical formulations compared to the previous year.

PharmaPackaging Business

Related SDGs



Main businesses

We develop, manufacture, and sell pharmaceutical packaging containers and glass tubing, the raw material for pharmaceutical packaging containers.

For pharmaceutical packaging containers, we provide molded components such as vials, syringes, rubber stoppers, and devices used to administer pharmaceuticals. Packaging containers can be customized to meet the quality requirements of products ranging from general pharmaceutical products to biopharmaceuticals and nucleic acid drugs. The raw material, glass tubing, is a glass material that meets the standards for primary pharmaceutical glass containers specified in the Japanese, U.S., and European Pharmacopoeias. We sell glass tubing to Japan as an agency of Nippon Electric Glass Co., Ltd. We manufacture our own glass tubing in the United States, France, India, and China and sell it worldwide.

Target social issues

- Provide essential products for pharmaceutical manufacturing, contributing to a stable supply of pharmaceuticals and labor saving in the formulation process
- Reduce the burden on healthcare professionals by developing products that meet the needs of the medical field
- Contribute to the reduction of medical accidents such as mix-ups and contamination of foreign substances by creating kits of pharmaceutical products

Approach to social issues (Output indicators)

The procured funds were used as capital investment to meet the market needs of manufacturing pharmaceutical packaging containers. Please note that there is a time lag before the invested facilities become operational and the manufacturing capacity increases.

Percentage increase in the quantity of products manufactured*6	The actual production decreased to 84% of the previous year's, owing to a decrease in the demand for vaccination vials in China.
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Outcome of improvement of issues (Outcome indicators)

Percentage increase in the quantity of products sold*6	Although the overall quantity decreased, the unit price of ampoules and vials of larger quantities increased because of the weak yen, resulting in an increase in the actual sales to 102% of the previous year.
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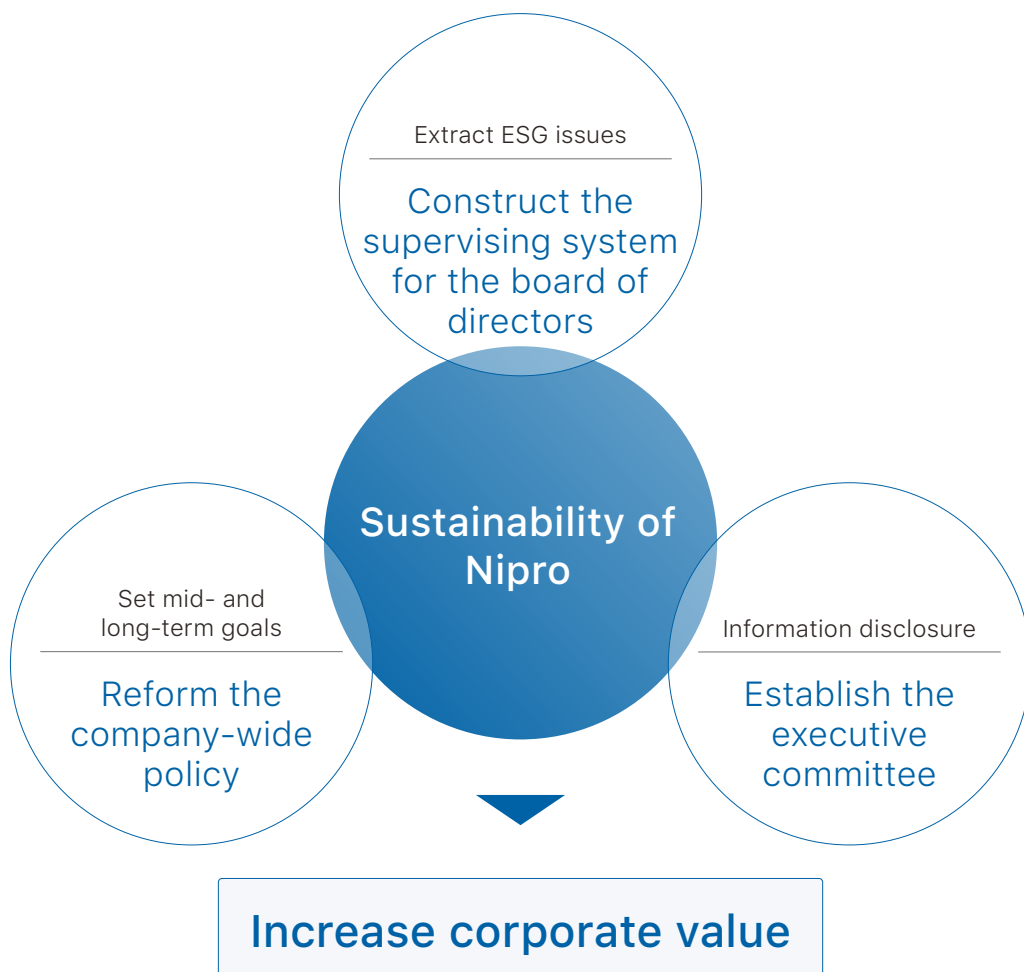
*6 Percentage increase in the quantity of products manufactured and sold was calculated as a weighted average of unit price to align the different units of ampoules, vials, and syringes, which are the main products, compared to the previous year.

Management Foundation

Sustainability of Nipro

Basic attitude

The Nipro Group is working to promote sustainability management to resolve various social issues through business.



Sustainability promotion system

The Sustainability Committee is divided into the Environment Committee, Social Committee, and Governance Committee. They manage and promote the ESG initiatives in each business division (all group companies).

The status of management and promotion is put on the agenda of the board of directors every quarter or so. Accordingly, the strategy is discussed, guidance is provided, and KPI setting and its progress are deliberated upon. The contents are relayed to the business division through each committee.

Sustainability promotion system



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Sustainability of Nipro

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Cases of sustainability-related initiatives

CASE 1 Reducing greenhouse gases using renewable energy-derived electricity



Achieving CO₂-free power at production bases

Private power generation using solar panels has been implemented at the Kondo Plant of Nipro Medical Industries Co. Ltd. (Japan) since FY 2016. All power used was switched to renewable energy-derived electricity from April 2021. The switch to 100% renewable energy-derived electricity was the first for the Nipro Group's business and production bases. At the Izumi Plant of Zensei Yakuhin Co., Ltd. (Japan), 100% renewable energy-derived power has been in use since FY 2022.

▶ **GHG emission reduction effect**
 (Kondo Plant): Down **4,540 t-CO₂**
 (As of end-March, 2023)
 (Izumi Plant): Down **3,293 t-CO₂**
 (As of end-March, 2023)



Kondo Plant



Izumi Plant

Reduction in substantial GHG emissions due to Non-Fossil Certificate

In the Nipro Group, GHG emissions were reduced by utilizing Non-Fossil Certificate with the environmental value of CO₂-free renewable energy power.

▶ **GHG emission reduction effect:**
 Down **30,380 t-CO₂**
 (based on the results of the purchase with Non-fossil certificate for FY 2022)

CASE 2 Introduction of biomass boiler through public-private collaboration



At the Odate Plant belonging to Nipro Pharma (Japan), a biomass boiler has been in operation since FY2011. Accordingly, power is generated by a turbine using biomass instead of fossil fuels. The steam produced by the biomass boiler is distributed to the plant 24 hours a day and 80% of it is used for air-conditioning in the plant (using steam to heat the air cooled for humidity adjustment). It is also used to produce water for sterilization of products and manufacturing processes, leading to the reduction of GHG emissions. This project is a public-private collaboration between Nipro Pharma and Odate City for processing and distributing wood biomass using waste wood. Nipro Pharma thus contributes to building a sustainable and communal society by participating in the project.

▶ **GHG emission reduction effect:**
 Down **8,324 t-CO₂**
 (LNG conversion from the result as of end-March, 2022)



Biomass boiler at Odate Plant

CASE 3 Opening of dialysis centers in emerging countries



We have opened dialysis clinics in suburban areas for patients who live far from the city, particularly in South and Central America and emerging countries, so that dialysis therapy is conveniently provided to everyone. We have also opened dialysis centers in cities in Southeast Asia and Africa to provide high-quality treatment. We aim to keep introducing our dialysis centers in emerging countries, providing high-quality products and treatment environments, thus contributing to community medicine.



Dialysis center opened in Thailand

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Information disclosure based on TCFD

The Nipro Group recognizes that climate change is a significant issue that greatly affects business continuity. The Nipro Group agrees with the suggestions of the Task Force on Climate-related Financial Disclosures (TCFD), made in June 2023, and will expand information disclosure following the framework proposed by TCFD.

Governance

In the Nipro Group, the President serves as a supervising officer of climate change issues. Our CFO was designated as chairman of "the Environment Committee" by the President and manages and supervises the initiatives for climate change issues at the Nipro Group.

In the Environment Committee, the persons in charge of climate change issues in each business division serve as committee members who identify the impact of climate change on the Nipro Group and examine the policy initiatives and specific measures. The measures examined by the committee are put on the agenda of the board of directors through the chairman of the committee and deliberated as a significant management issue of the Nipro Group.

The Nipro Group makes a quick decision on the management related to climate change issues by introducing the aforementioned committee system and improves the system to work on the measures.

Strategy

The impact of climate change on the Nipro Group is divided into the following two types: one is related to the "transfer" caused by political impact generated in the course of societal change toward carbon neutrality and establishment of new technologies as well as the change in market needs; the other is related to "physical change" such as frequent abnormal weather caused by increasing global warming, occurrence of subsequent disasters, and higher average temperatures. The Nipro Group, a comprehensive medical manufacturer, analyzes these impacts from the perspective of each business division, identifies risks and opportunities, and incorporates them into the business strategy. The following page describes a part of our strategy.

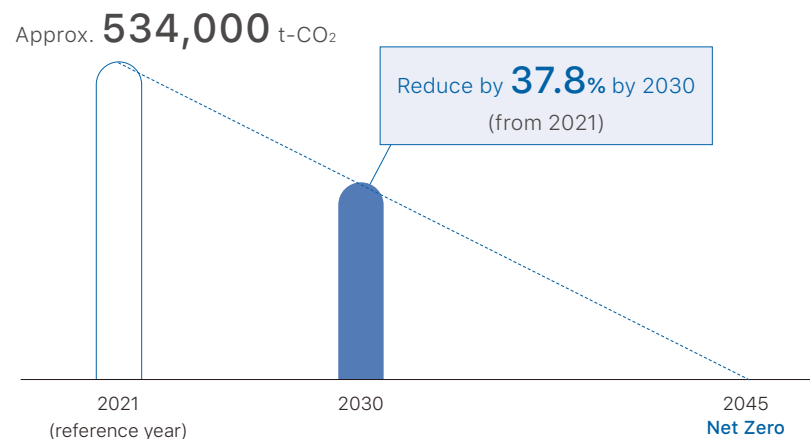
Risk management

The Nipro Group has formulated the "Regulations on Disaster Prevention and Crisis Management" and "Regulations on Compliance Promotion" to accurately grasp management risks that could have major impacts on the business—including climate-related risks—and to make efforts for appropriate corporate management. In addition, if the estimated risk exceeds a certain threshold, the Board of Directors is engaged to promptly make decisions regarding risk management.

Index and goals

The Nipro Group decided the volume of greenhouse gas emissions (unit: t-CO₂) as an index for the evaluation and management of risks related to climate change. Furthermore, to promote the reduction of greenhouse gas emissions, the Nipro Group aims for Net Zero in Scope 1/2 by 2045. As an interim goal, the Nipro Group aims for a reduction of 37.8% in Scope 1/2 by 2030 compared to 2021.

Volume of greenhouse gas emissions (t-CO₂)



* Since we reviewed the calculation methods—such as that involving the exclusion of HCFC from the calculation target when totaling greenhouse gases in the current fiscal year—a difference between the value in the annual report of the last fiscal year and the current value has been noted (approximately 600,000 t-CO₂).

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▶ Results of scenario analysis

Risk

Category	Risk items	Impact on business	Degree of impact	Period	Measures
Transfer risk (1.5°C scenario)	Increase in carbon price	Increase in the costs of energy and raw materials at plants and business offices due to introduction and reinforcement of carbon tax.	Major	Mid-term	Implementing energy-saving measures and promoting renewable energy usage to reduce GHG emission volume at production bases where a large volume of GHG is emitted through operations.
	Change in customer behavior due to increasing environmental awareness	Decrease in sales due to loss of sales opportunities and decreasing demands. As the demand for environmentally friendly products increases, it is difficult to switch to alternative materials.	Moderate	Long-term	We are reducing GHG emissions by making existing products smaller and lighter and production processes more efficient. We have simplified packaging while securing quality and changed the packaging material to low-carbon materials for some products. We will further develop products using environmentally friendly materials and use low-carbon materials for product packaging.
Physical risk (4°C scenario)	Occurrence of disaster due to abnormal weather	Decrease in supplied quantity due to the damage caused by disasters to production facilities, logistical problems caused by disasters, and stagnating supply of materials when abnormal weather increasingly causes the occurrence of disasters.	Major	Long-term	Formulating, maintaining, and managing BCP assuming abnormal weather. Constructing the production bases and implementing measures for disasters after considering the system for various disaster risks (having private power generation facility, stockpiling energy and food, having a sufficient stock of raw materials).

Opportunity

Category	Opportunity items	Impact on business	Degree of impact	Period	Measures
Efficiency of materials	Reducing indirect expenses through efficient logistic processes	Leading to cost reduction by strengthening control of the amount of materials and logistics processes and opportunities to implement efficient transportation and improvement in quality.	Moderate	Mid-term	Reviewing the logistics route and transport fees in Japan and overseas, placing logistics bases at appropriate locations, and maintaining the appropriate amount of stock. The appropriate amount of stock contributes to reducing the expenses for storage and transport and amount of disposal.
Products and services	Increase in supply volume to respond to the demands of consumers	Increase in opportunities to provide products that respond to greater interest and demand for infection prevention among consumers. This demand has arisen after the outbreak of new infections or long-term disease trends associated with climate change.	Great	Long-term	To fulfill the responsibility of supplying products to clinical settings during the expansion of demand for the related products, establishing a system for quickly increasing production volume, and supplying products to respond to the globally expanding demands by determining the level of stock of products that is decided to be necessarily higher than that for other products.
Products and services	Increase in demand of products to respond to greater environmental awareness	Leading to an increase in the sales of home care products, which is motivated by greater demand for home care products that do not emit GHG associated with transport.	Minor	Long-term	Promoting research and development while gathering information on customers' demands.

Management Foundation

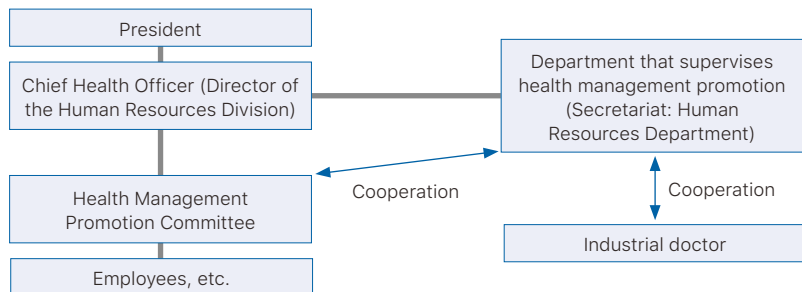
Human Resources Strategy

“Willingness” is the corporate creed of the Nipro Group. Working on all activities with “willingness” is fundamental for employees. We aim to establish an environment wherein employees from diverse backgrounds can achieve their goals so that we can firmly maintain the corporate culture of giving opportunities to all personnel with willingness.

Promotion of Health Management

Nipro is promoting health management to realize the management philosophy of “supporting the health of people around the world and contributing to society.” Health management aims to improve employees’ health in a company that supports healthcare, enhances productivity, and contributes to society through sustainable growth. To achieve these objectives, the Health Management Promotion Committee was organized, headed by the executive in-charge of the Human Resources Division, and various issues were discussed with members selected from each division. The Committee is taking steps such as holding seminars to enhance employees’ health literacy and introducing health apps regarding particularly significant issues, such as smoking cessation, mental health, and the activation of workplace activities. Moreover, we strive to establish a system through which employees can seek health advice and improve their daily support by cooperating with industrial health professionals such as industrial physicians in each region.

Promotion System



Initiatives for enhancing employee engagement

The Nipro Group promotes the FISH! philosophy as action guidelines for working people. The FISH! philosophy consists of four principles: “Choose Your Attitude,” “Play,” “Be There,” and “Make Their Day.” In the concept, people are inspired to be “willing to work” and create a comfortable and vibrant workplace environment by involving people around them and acknowledging their ideas. The Nipro Group has also been promoting the use of the FISH! philosophy company-wide

and holds an in-house event, “FISH Festival/ FISH Award,” to introduce and recognize FISH activities at each business office/plant, etc. Based on these initiatives, we aim to further disseminate the FISH! philosophy, facilitate communication among employees, and improve workplace environments.



Nipro Group Mutual Aid Association

The Nipro Group Mutual Aid Association operates for the purpose of mutual aid of members, improving the culture and health of members, and promoting mutual friendship between members. Further, the Association contributes to stimulating social interactions between members, promoting health through various event activities at branches established in each business office, and implementing nationwide sports events.

As a unique system, the Association provides subsidies for expenses for complete medical checkups, lifestyle disease prevention screening, gynecological screening, and smoking cessation outpatient visits; supports members who have taken long-term absence from work for family care and childcare with benefits; and provides subsidies for expenses for members who are receiving fertility treatment.

It has a system where members can use sports facilities, childcare, and nursing care services, among others, at preferential prices. Also, the “Cafeteria Plan” system is adopted for further assistance with health, childcare, and nursing care. It contributes to maintaining mental and physical fitness according to the needs of individual employees and supports the balance between work and family life. Thus, the Association aims to improve employee satisfaction.

Completion of construction of the new head office of Nipro Pharma Corporation

In the new building completed in March 2023, we have allocated spaces to further activate the communication among employees, such as a co-creation space and relaxation room with the concept of “encountering, connecting, and creating,” being aware of the FISH! philosophy.



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Human Resources Strategy

Appointment of positions with transparency and promotion of personnel exchanges within the Group

The Nipro Group is working on personnel promotion free from the order of seniority under the company creed "Willingness" to achieve Group sales of 1 trillion yen for the fiscal year ending March 2031. By renovating the personnel system and clarifying the criteria for promotion, more transparent personnel treatment has been implemented, improving the willingness of all employees. We will further expand the internal job-posting system in the future to enable employees to come forward for personnel transfer in anticipation of career development within the Nipro Group. Essentially, we aim to remove the barriers to personnel transfer and allocate the right person to the right job, beyond the borders of companies by unifying the personnel system within the Group.

Cultivating language skills and supporting self-development learning

Acquiring skills in languages other than Japanese is essential when moving forward to the global market of eight billion people in the borderless era. Therefore, we provide English education programs to select employees and create opportunities to enhance their language skills. The Nipro Group is actively expanding group training based on the belief that "growth is expected only through communication", and we have attempted to deepen communication. However, we also provided online training to supplement the group training. Employees can freely apply for self-development learning on a topic that meets their needs in an *a la carte* manner. In addition to the language education courses described above, DX-related courses, PC skill courses, and various other skill development courses are available throughout the year. Therefore, willing employees can improve their level by voluntarily attending courses, and the company will assist with the expenses for those who have finished the courses.

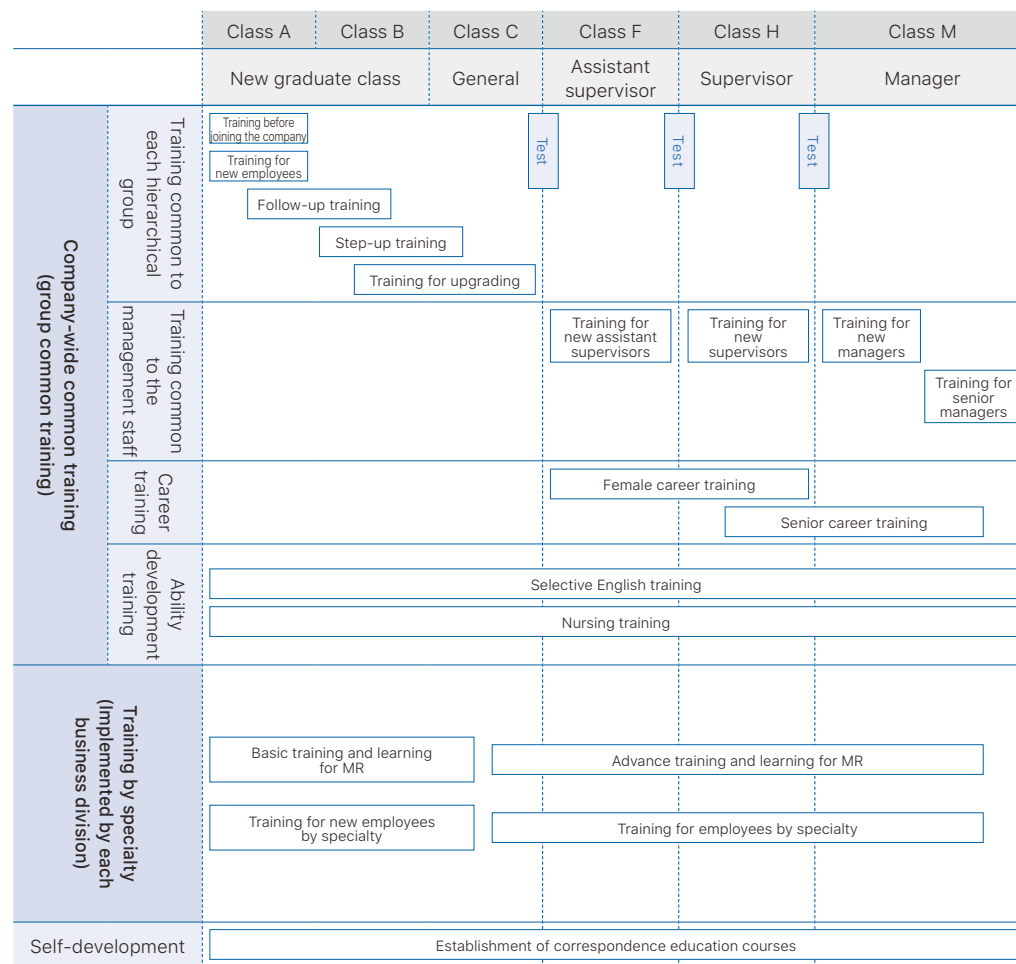
Stratified education for young employees and employees promoted to management positions

The Nipro Group provides unique training sessions for young employees. During training sessions, many programs required communication with peers who joined the company in the same year. Thus, training not only enhances willingness and increases knowledge but also creates opportunities to deepen interaction between peers, which leads to a decreased turnover rate. Furthermore, we provide stratified education to management positions in the first year of appointment or at an early stage. Thus, employees can understand the mission of their position and increase their engagement with the company.

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As these training sessions are conducted by the Nipro Group, employees of group companies can also participate. Sharing the values of group companies with various backgrounds helps increase the brand value of Nipro and the entire Nipro Group.

Education and Training System



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Promotion of active participation of women

In the Nipro Group, we aim to provide a comfortable work environment for all employees, regardless of gender. In particular, we are working energetically to promote the active participation of women and support the development of the next generation. Nipro has set specific goals of increasing the proportion of women in management positions to 10% or more by 2027 and increasing the proportion of male employees taking childcare leave to 30% or more. We are taking various steps to achieve these goals, such as holding round-table discussions with female managers and female career support seminars to develop work careers vibrantly and energetically without frustration.

Promotion of active participation of senior human resources

A decrease in the working population due to a declining birth rate and an aging population is an unavoidable issue in Japan. Nipro extended the mandatory retirement age to 65 years on October 1, 2022, to secure labor and enhance senior engagement. We prevent early retirement by guaranteeing the employment of senior employees, extending the mandatory retirement age, and introducing senior career training. Thus, we foster positive career self-reliance, support the handing down of knowledge and technology to younger generations, and contribute to the Nipro Group's development.

PICK UP

Support for childcare employees

The Nipro Group provides careful support to employees who have returned to work after childcare leave. We support the balance between work and childcare by allowing short working hours until children reach the 6th grade of elementary school, which prevents turnover. In addition, in-house nursery centers have been established in Akita, Mie, and Shiga prefectures to contribute to the early reinstatement of employees. We also encourage male employees to take childcare leave, and the number of male employees who have taken leave has dramatically increased over the last few years. In addition, we have established maternity leave and nursing leave for male employees, apart from childcare leave. Therefore, this study focused on childcare support.



Odate City, Akita
(Nipro Odate Plant, Nipro Pharma Odate Plant)



Matsusaka City, Mie
(Ise Plant, Nipro Pharma Corporation)



Kusatsu City, Shiga
(NIPRO Life Science Site)

Support for caregivers

The fact that employees of the working generation become caregivers is a problem that cannot be avoided because of nuclear families. The Nipro Group has a system in which the period of nursing care leave is significantly longer than that stipulated by law, and short working hours and telework are available. These efforts have contributed to the prevention of nursing care turnover.

Flexible work style—Flex system, telework system, staggered working hours system

The flex system has been introduced in some job types to realize a work style that has flexible working hours and contributes to maintaining mental and physical health. In addition, we have introduced a telework system, a work style not restricted to a space, using the COVID-19 pandemic as an opportunity. Thus, we attempted to improve labor productivity while improving mental care. However, since we think that innovation will be generated through face-to-face communication, we set a maximum limit for the frequency of teleworking and required employees to work at the office two days a week. Furthermore, we introduced a staggered working hours system for up to 60 minutes which contributed to improving work-life balance.

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PICK UP

Various systems to realize work-life balance

- Maternity leave
- Long-term absence from work for childcare
- Childbirth leave system for male employees
- Long-term absence from work for childcare for male employees
- Short working hours system for childcare
- Staggered working hours system
- Menstrual leave
- Hospital visit leave during pregnancy
- Maternity health checkup leave
- Morning sickness leave
- Birth support leave
- Child nursing leave
- Long-term absence from work for nursing care
- Nursing care leave system
- Short working hours system for nursing care
- Job Return Program for resigned employees
- Telework system
- Flex system
- Opening of nursery centers in the business offices (3 centers in the Group)

[Related to the Mutual Aid Association]

Various support systems: subsidies for fertility treatment, benefits for reinstatement from childcare leave, and subsidies for gynecological screening
Maternity celebration system, childbirth celebration system, breast cancer self-check support system, etc.

Job Return Program

To make the most of the know-how cultivated in Nipro, we introduced a system that allows those who resigned from the company due to unavoidable reasons such as transfer of the spouse, childcare, or nursing care to re-join the company after the circumstance is resolved. Employees can use this system to dedicate themselves to issues at home with peace of mind. After the issues are resolved, they can re-join the company, which contributes to harmonization between work and home life.

Safety and health

The Nipro Group aims to establish a safe and hygienic working environment by complying with laws and regulations related to health and safety and in-house regulations, setting a basic policy to eliminate industrial accidents, prevent diseases, maintain and promote health, and ensure safety and health management.

Data

*1 Scope: Nipro Corporation *2 Scope: Nipro Group (Domestic Companies)

Promoting Health Management

		FY 2021	FY 2022	Goals
Employee smoking rate	*1	22.6	21.5	15.0

Improve Employee Engagement

		FY 2021	FY 2022	Goals
Employee work engagement*3	*1	51.1	51.1	55.0

*3 Employee work engagement represents a positive psychological state toward an individual's work and is indicated by a deviation value. In this survey, the mean value was 49.3, and the highest value was 56.2 in the entire manufacturing business.

Promoting Womens Participation in the Workplace

		FY 2021	FY 2022	Goals
Percentage of female employees	*1	26.3	27.2	—
	*2	33.2	32.2	—
Percentage of female managers	*1	4.3	4.7	10
	*2	5.8	6.5	10
Percentage of female employees taking long-term absence from work for childcare	*1	100	100	100
	*2	100	100	100
Percentage of male employees taking long-term absence from work for childcare	*1	16.7	28.2	30
	*2	12.8	27.3	30
Employees with short working hours for childcare	*1	97	105	—
	*2	249	280	—

Support to Caregivers

		FY 2021	FY 2022
Employees with short working hours for nursing care	*1	3	2
	*2	10	10
Employees taking long-term absences from work for nursing care	*1	6	5

Employees' health and safety

		FY 2021	FY 2022	Goals
Frequency of work accidents	*1	0.49	0.35	0.16
	*2	0.72	1.01	—
Work accident severity rate	*1	0.010	0.015	0.005
	*2	0.009	0.014	—

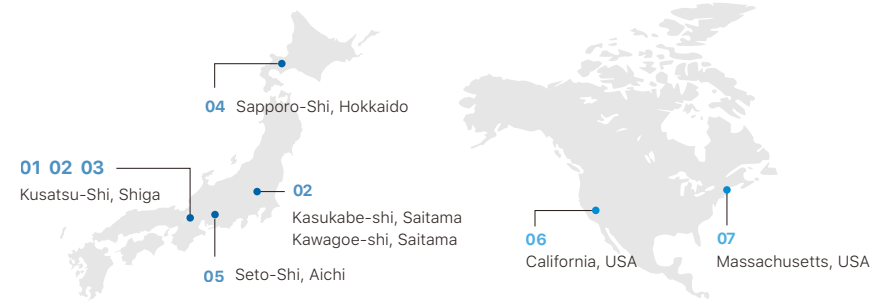
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Research and Development Activities

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.

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01 Research and Development Institute

Number of employees

258



Research themes

- 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
- Software as a Medical Device

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.

02 Pharmaceutical Research Laboratories

Number of employees

182



Research themes

- Injectable drugs
- Oral drugs
- External-use drugs
- Biosimilar drugs
- High-performance medical drugs

03 Production Technology Center

Number of employees

67



Research themes

The establishment of new production technology and the design and development of equipment to increase production, in order to enhance productivity.



04 Regenerative Medicine R&D Center

Number of employees

36



Research themes

Manufacture of investigational new drug and development of equipment and consumables for the realization of regenerative medicine using autologous bone marrow cells for strokes, spinal cord injuries and other diseases.

Status of industry-academia collaboration

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



05 Goodman Medical Innovation Center

Number of employees

70



Research themes

- 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

- In December 2021, started a company-led clinical trial in collaboration with National Cerebral and Cardiovascular Center.
- Implementation of research in collaboration with Hiroshima University

06 AVANTEC VASCULAR CORPORATION

Number of employees

41



Research themes

- Vascular retrieval system
- Neurovascular/peripheral coils
- Peripheral Atherectomy
- Specialty coronary/peripheral DES

07 Infraredx, Inc.

Number of employees

64



Research themes

- NIRS+IVUS intravascular imaging
- AI detection and prediction algorithms
- Optical physiological measurements
- Plaque characterization algorithms
- Optical detection algorithms

Status of industry-academia collaboration

- Imperial College London
- Queen Mary University of London
- University of Tokyo

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The activities for research and development (R&D) of medical devices and drugs are mainly conducted by our company at NIPRO Life Science Site in Kusatsu City, Shiga Prefecture.

In the medical-related business, by effectively utilizing management resources and our unique technology, we work on investing in safer and more valuable products from the user's perspective, such as next-generation safety blood sampling needles.

As well as improving the quality of life (QOL) of healthcare professionals and creating and enhancing new medical products, we will focus on conducting profitable research and development.

In the pharmaceutical-related business, we are developing high-quality generic drugs, targeting brand-name drugs in various disease areas and dosage forms to meet the needs for drug costs reduction and to improve the quality of medical care. We are also focusing on the development of value-added products, such as orally disintegrating tablets, which are easy for patients to consume, and kit preparations that are easy to handle in medical settings.

Total R&D costs for the current consolidated fiscal year is 19,669 million yen.

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

1. Medical-related Business

The following R&D activities are conducted mainly at the Research and Development Institute and Enzyme Center.

Division of General-purpose Medical Development

There was an opinion in the enteral nutrition field that the new standard (ISO80369-3) connector was prone to becoming dirty. In response to this issue, we marketed the "EN Slide Feeding Catheter" (vinyl chloride) and the "Feeding Tube Clear" (polyurethane) with easy-to-wipe shapes. We also marketed the "Dosing adaptor for collected liquid for neonates," which is connected to a syringe conforming to the standard (ISO80369-3) and enables the provision of milk, and other necessities safely without hurting the oral cavity of the neonates. Additionally, we marketed the "Nipro saliva suction tube," which is placed in the patient's mouth during endoscopy to continuously aspirate saliva without an assistant.

Division of Artificial Organ (Dialysis) Development

We have obtained approval and plan to launch a new oxygenator, which has good operability and a coated arterial filter that prevents platelet adhesion. Furthermore, we changed the inner diameter of the hollow fiber membrane of the current product "Hemodiafilter maxiflux® MFX®-S eco series" and marketed the "Hemodiafilter maxiflux® MFX®-SW eco series" for

more detailed treatment according to the disease condition of each dialysis patient. In addition to the current products TA1 and TA3, Lymphack dialysate TA5 was developed as the third drug product to meet new market needs. Furthermore, Lymphack TA5 was designed to have an intermediate calcium concentration between that of existing drug products when prepared as a dialysate. It is characterized by higher magnesium and glucose concentration and lower acetic acid concentration than existing products.

Division of Diagnostics, Test Agents, and Enzyme Development

We released "Nipro FS Next," a self-monitoring blood glucose meter, the license of which we accepted from another company and was developed by Nipro. We also started the sale of "Nipro CareFast Pro," a blood glucose meter for clinical tests that can record its data in the electronic medical records by linking with systems such as the HN LINE. We plan to market two items: COVID-19 antigen test kits for medical as well as home use, and measurement reagents in special health examinations for organic solvent users.

Furthermore, we have been developing aprotinin, which is a kind of protease inhibitor, as an additive for vacuum blood collection tube, Neotube, to reduce the cost and to ensure its stable supply by replacing current material of bovine origin.

Division of Functional Pharmaceutical Containers

We sell single-use bags as clean containers for cell culture, drug preparation, and drug storage. We also sell products that are compatible with extractable tests and USP Class 6 for biopharmaceutical manufacturers.

Division of Surgical Devices

We sell drill bars that can be used for endoscopic treatment of not only the spine but also joints, and we are promoting joint development with universities to increase the product lineup. The motor unit of the drill has a semi-disposable design, and is intended to be easy to use for doctors performing endoscopic spine treatment.

In addition, we have sold reusable forceps that are used to endoscopically remove hernia tissue, ligamentum flavum, etc. for lumbar hernias. These forceps are durable and lightweight by adopting super engineering plastic materials for the handles, and this enables the forceps to be sterilized multiple times and controlled easily. We have also developed forceps that can be used for small joints in hand surgeries and so on. The direction of the cut surface of this forceps can be changed by a ratchet-based rotation mechanism, making it possible to use a single forceps at various angles, saving the trouble of cleaning and maintenance. We have also succeeded in reducing the weight by adopting super engineering plastics, and are promoting sales.

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Division of Endoscope Development

We have launched a double-angle endoscope for diagnosing the swallowing function and preventing aspiration of elderly people. With this endoscope, it is now possible to observe the condition of the posterior wall of the trachea, which was previously a blind spot, using the two-stage (double) angle. In addition, increased intraocular pressure, which is the cause of glaucoma, occurs when the trabecular fibers in the marginal angle of the eye lens become clogged and block the flow of interstitial fluid. For this reason, we are working with a university to develop a small-diameter endoscope with a bent tip so that we can perform the procedure for incising the trabecular fibrosis while observing the angle endoscopically. We will introduce devices for new glaucoma procedures such as those mentioned above to the market.

Division of Cell Therapy Development

We marketed a 5 mL type for a closed cryopreservation container, the "Froze Tube," that reduces contamination risk during cryopreservation of cells, and a collection tube for Oligozoospermia "SFNT-P," a fertility treatment device that enables the collection of sperm of patients with low sperm counts by centrifugal concentration.

Software as a Medical Device Development Division

Last year, we organized the MDx Laboratory for the purpose of developing programmable medical devices that support diagnosis and treatment. In our laboratory, we are promoting joint research and exploring new themes with a view to develop not only SaMD (Software as a Medical Device) but also software of non-SaMD that works with SaMD.

Division of Medical Training

iMEP (medical training division) was established in Japan nine years ago. The number of users of the facilities has not increased owing to COVID-19.

However, the relaxation of COVID-19 restrictions led to iMEP overseas (Belgium) inviting many foreign healthcare professionals, and the number of professionals using these facilities has been steadily increasing.

Physicians from about 10 countries, including neighboring countries such as neighboring Belgium and the Netherlands, and some African countries, participated in hands-on dialysis catheter placement training. Cadaveric training for dialysis shunt graft production was highly evaluated by participating vascular surgeons.

We will organize training sessions on shunt PTA using the newly constructed X-ray training room, vascular mapping under ultrasound, and intensive care and cardiovascular areas will be held in sequence.

The R&D cost for this project is 9,235 million yen.



2. Pharmaceutical-related Business

The following R&D activities are mainly conducted at the Pharmaceutical Research Laboratories.

Injectable Drugs

We are actively developing kit preparations to improve convenience in medical settings, in addition to the usual vial products and bag drug products. We are the only generic company to have developed and already marketed double-chambered pre-filled syringes for leuprorelin acetate for the treatment of prostate cancer and premenopausal breast cancer. We focused on products that are difficult to develop, such as extended-release injectable drugs.

During this period, we have launched a generic drug with one prefilled syringe drug product.

Oral Drugs

We are currently developing exceedingly difficult extended-release drug products in addition to common oral drugs (e.g., tablets and granules). In addition, we provided products with ingredient names printed on tablets and carefully designed packaging specifications, such as individual packages and aluminum pillow packages, to improve convenience in medical settings.

In this fiscal year, we have launched generic drugs with four ingredients and eight items (excluding authorized generics).

External Use Products

We are currently developing generic drugs for adhesives and ointments that comprise most of our own technologies. We are developing broad-spectrum disinfectants that are effective against COVID-19 and emerging infectious diseases. We have already started collaborating with many universities and research institutes in Japan and overseas to evaluate the effectiveness of disinfectants.

In this fiscal year, we have launched a generic drug product with one ingredient and one gargling drug product.

Biosimilars

Although the biopharmaceutical market in Japan is rapidly expanding, it is generally expensive. Thus, the need for biosimilars at lower prices is increasing from the perspective of reducing medical expenses. Considering this, we are developing products in several styles, including joint and independent in-house developments.

The R&D cost for this project is 10,433 million yen.

Management Foundation

Intellectual Property Investment

Introduction

We regard intellectual properties and intangible assets as important management resources and work on **"intellectual property management"** every day through the practice of this intellectual property philosophy: respecting the intellectual properties of others, not releasing products that violate the intellectual properties of others, and making efforts to develop products based on original intellectual properties.

The Business Planning, Research and Development, and Intellectual Property divisions, employing the spirit of "ONE NIPRO", are involved in all business processes, from management and business planning and research and development to production and sales activities. They aim to earn 1 trillion yen in consolidated sales for March 2031 by focusing on **"the user's viewpoint/patient's viewpoint"** and **"the contribution to management (business)"**, while integrating each department's strategy.



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In intellectual property management, a dedicated system assigns the Intellectual Property Division staff members for each planning and development project. The Business Planning, Research and Development, and Intellectual Property divisions work together to plan and implement strategies for the discovery of inventions, the application, acquisition, and exercise of rights, the invalidation of rights of other companies, and the protection of know-how from business planning to commercialization to post-marketing activities.

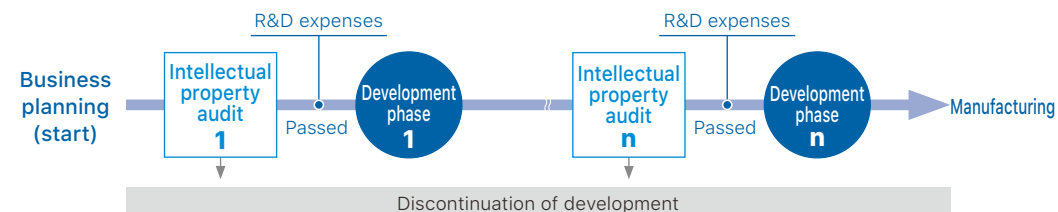
The intellectual property audit system* has been introduced (as an internal system) to ensure our intellectual property philosophy (respect for the intellectual properties of others).

* The intellectual property audit system is a voluntary system that establishes multiple checkpoints in the processes of business planning and research and development; the three divisions (Business Planning, Research and Development, and Intellectual Property) check their own intellectual property clearance.

- If an issue is identified during an audit (at a checkpoint), the project cannot proceed, and the issue has to be resolved through changes (the project can proceed only if there are no issues or if the issue can be resolved).
- If this issue cannot be resolved, the project will be discontinued. In this operation, an intellectual property audit contributes to shortening the development period and controlling costs.

At present, in addition to the major domestic group companies, the intellectual property audit system has been introduced to overseas subsidiaries while considering the situations of the countries and companies. The Group is working together to **"practice intellectual property management"**, focusing on **"the user's viewpoint/patient's viewpoint"** and **"the contribution to management (business)"**.

Outline of intellectual property audit system (linked to development phase)



Management Foundation

Intellectual Property Investment

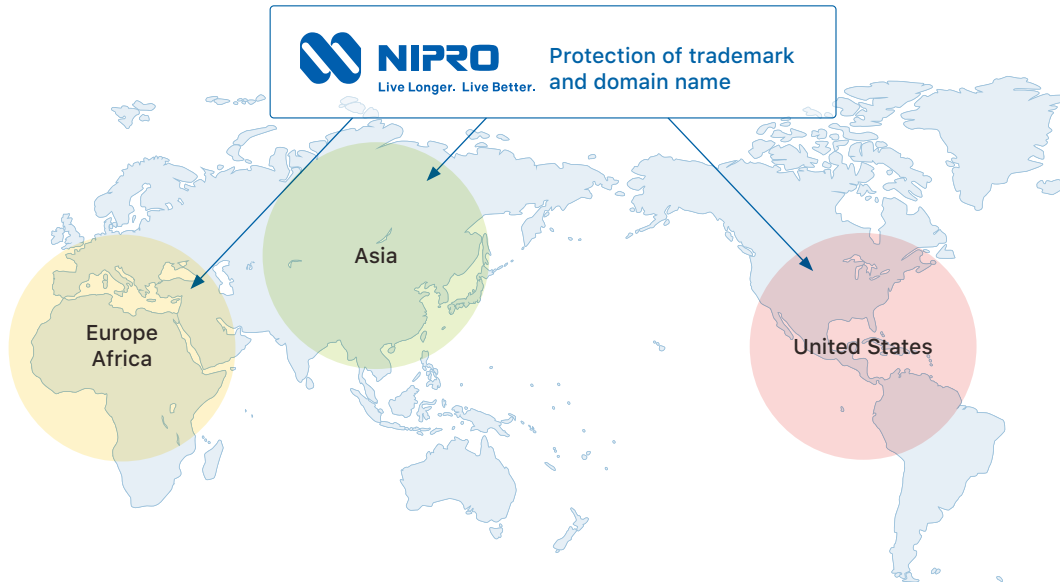
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Brand Protection Activities: **Protection of Trademarks and Domain Names**

To ensure reassurance and safety to customers around the world, we globally registered many trademarks, including "NIPRO" (filing applications/licensing in more than 100 countries and regions in the world).

We also globally monitor the registration and use of confusing trademarks and domain names including "NIPRO" by third parties. Additionally, we take legal measures such as suspending the use of trademarks and domain names employed for illegal acts to protect customers' and brands' confidence and trust.



Human Capital Development: **Training on Intellectual Properties**

We provide intellectual property training to the Business Planning, Research and Development, and Production divisions, according to the level required by each occupational function to ensure that each employee is motivated to participate in "intellectual property management" based on our intellectual property philosophy.

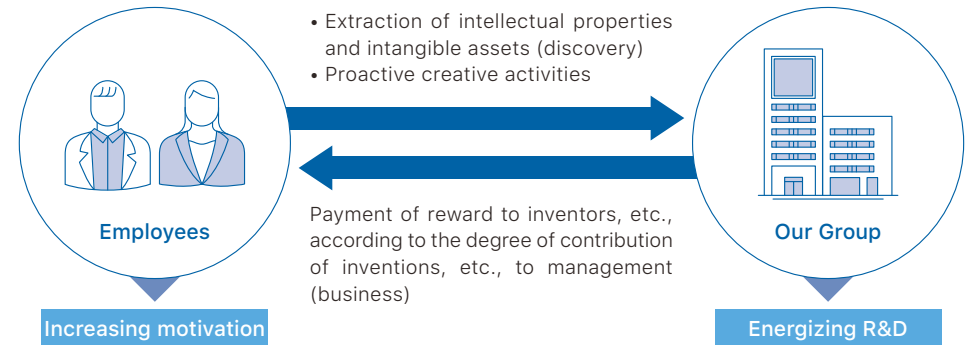
Encouragement of Creative Activities such as Inventions:

Proposal of Inventions and Reward Systems

To encourage creative activities, such as inventions that can act as a bridge to the next generation of management (business), our employee invention system has the following characteristics:

- In addition to the extraction (discovery) of intellectual property and intangible assets, including inventions, employees can actively conduct creative activities and propose results to the company.
- If an employee files an application for an invention and the rights are acquired (in the case of know-how, certification of know-how) and the degree of the invention's contribution to management (business) is high, a monetary incentive will be paid to the inventor, etc., in accordance with the integrated rules of the Group.

Employee Invention System



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1. Corporate Governance System

(1) Corporate Governance System and Reasons for Adoption

In our company's corporate governance system, we have established the General Meeting of Shareholders and Directors, as stipulated in the Companies Act, as well as the Board of Directors, auditors, Board of Auditors, and accounting auditors. We have improved the internal committee system, including both the Compliance Committee and Disciplinary Committee, cooperating closely with professional external advisory bodies and corporate lawyers. Therefore, we have built a system to effectively monitor and supervise the execution of proper and efficient operations for the overall management of the company.

(2) Internal Control Systems

We strive to build internal controls for the entire Group that relies on a divisional system. At the Board of Directors meeting (held at least once a month) and the group management meeting (held on the same day), representatives of major companies in the Group, in addition to our directors and auditors, are present to report on the progress of business activities, make decisions on the execution of important operations, and to deliberate on matters of concern. We have established the "Nipro Code of Practice" to raise awareness of legal and corporate ethics for officers and employees and to keep everyone informed and up to date with the business. We have also prepared various manuals on compliance covering the concerning laws and regulations, have posted them on our portal site, and have collected and handled risk information by introducing a whistleblowing system, organizing compliance workshops, and distributing compliance newsletters to officers and employees on a monthly basis. Thus, we are able to disseminate and promote awareness-raising activities. These internal control systems operate based on a uniform management system for the officers and employees of each group through close mutual cooperation.

(3) Risk Management System

We have built a whistleblowing system to prevent the occurrence of risks that may have a significant impact on business management and have established the "Regulations on Compliance Promotion" for rapid and effective operations concerning the investigation of facts if any risk arises, to find the cause, and to prevent its recurrence. Detailed operational rules have been established for the system and its maintenance to prevent and enable the early detection of compliance risks and prevent their recurrence. We have established a Compliance Committee to promote company-wide operations across the Group and strive to create a malleable system that enables flexible responses to compliance risks. Through this system, an illegal act will be deliberated upon by the Disciplinary Committee in an independent capacity. This committee will be composed of multiple senior managers or external personnel suitable for considering the form of the illegal act, the maliciousness thereof, cause for regret, and the promotion of a willingness to make serious efforts to prevent repeated offenses — along with various other circumstances based on a detailed investigation led by the Legal Department. Finally, the President will determine the details of the disciplinary actions based on the results of the deliberation. We strive to ensure the soundness of management with an awareness of compliance, credibility, and punishment through these proper operating procedures. In addition, we have prepared the "Nipro Disaster Prevention Crisis Management Handbook" and have distributed it to all employees in the Group through the intranet. We have formulated a plan for each footing based on a company-wide business continuity plan to act calmly and appropriately in the event of disasters such as typhoons, floods, and the spread of new types of influenza, in addition to large-scale earthquakes — such as the Nankai Trough Earthquake. We duly review, if necessary, and update and inform all employees of any improvements to the plan. Furthermore, we have established a Compliance Section in the Legal Department to strengthen the nationwide expansion of compliance training and to enhance the risk management system. Thus, we have ensured that all employees are aware of compliance. We have also ensured the trust of employees and have further strengthened the compliance system by establishing whistleblowing contacts for employees with an external law firm, in addition to the contact point available on the internal intranet.

Management Foundation

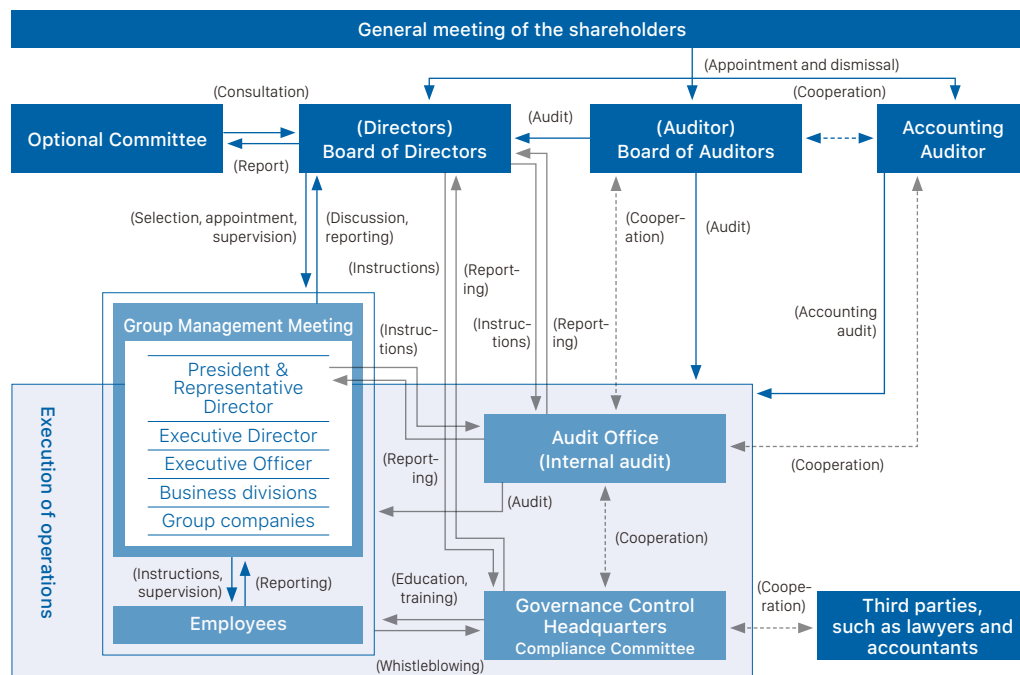
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(4) Basic Structure of Corporate Governance and Risk Management

(as of July 1, 2023)



(5) Business Continuity Planning (BCP)

At our 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 our overseas workplaces, we are also preparing for risks including war, civil war, riots, terrorism, anti-Japanese demonstrations, and strikes.

2. Internal and Statutory Auditing

(1) Internal Auditing

We have established the Audit Office and the Overseas Audit Office as the Internal Audit Division and continue to conduct audits of accounting, operations, etc., required in the current corporate governance system. This is achieved by working in close cooperation with accounting auditors, auditors, and outside directors — in accordance with Internal Audit Regulations.

(2) Statutory Auditing

Each auditor attends an important meeting—such as that of the Board of Directors—in accordance with the audit policy and division of operations (as established by the Board of Auditors). The auditors also receive reports on the status of the execution of operations from the directors, employees, etc., and are able to request an explanation as needed, view important documents, and conduct site investigations to establish the status of the operations and assets at major business offices. Thus, auditors conduct audit operations and hold meetings with the Board of Auditors periodically — or as needed — for the mutual exchange of opinions and discussions.

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3. Outside Directors and Outside Audit & Supervisory Board Members

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

Our company has six external directors and two auditors. They are designated independent officers and were notified by the Tokyo Stock Exchange.

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

We have separately established criteria for judging the independence of external directors and external auditors via the Corporate Governance Guidelines, as based upon the standards set forth in the Financial Instruments and Exchange Act. If the actors do not fall under any of these criteria, they are deemed independent of the company and are unlikely to have a conflict of interest with general shareholders.

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

The supervision, audit functions, and roles required in the current corporate governance system are sufficiently guaranteed in close cooperation with internal directors, full-time auditors, staff of the Audit Office, personnel of the management department of the head office, and so on, as necessary.

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

External directors attend meetings of the Board of Directors (among others) and draw upon a wide range of insights and management experiences to supervise the management of our company from an external and independent standpoint. External auditors attend important meetings, such as those with the Board of Directors, in accordance with the audit policy and the division of operations established by the Board of Auditors. They also perform audit operations by receiving reports through full-time auditors or directly from directors, employees, etc., and by viewing important documents and materials. They exchange opinions and have objective discussions from an independent standpoint on the Board of Auditors, held periodically or as needed. In conducting audits, they cooperate closely with the staff of the Audit Office, full-time auditors, auditors of subsidiaries, and accounting auditors to ensure smooth operational performance.

4. Accounting Audits

Name of Accounting Auditor: Hibiki Audit Corporation

Support Staff for Audits:

Names of Certified Public Accountants conducting the Audit: Certified public accountants: 19

Hironori Okada, Takanori Nakasuka, and Haruhito Urabe Other: 1

Remuneration Paid to Directors and Audit & Supervisory Board Members

	Millions of yen				Number of eligible corporate officers
	Total amount of remuneration	Total amount of remuneration			
		Basic remuneration	Bonus	Non-monetary compensation, etc.	
Internal Directors	¥506	¥241	264	—	26
Internal Audit & Supervisory Board Members	9	9	—	—	1
Outside Directors, Outside Audit & Supervisory Board Members	43	43	—	—	8

	Thousands of U.S. dollars				Number of eligible corporate officers
	Total amount of remuneration	Total amount of remuneration			
		Basic remuneration	Bonus	Non-monetary compensation, etc.	
Internal Directors	\$3,789	\$1,805	1,977	—	26
Internal Audit & Supervisory Board Members	67	67	—	—	1
Outside Directors, Outside Audit & Supervisory Board Members	322	322	—	—	8

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5. Skill Matrix

Knowledge, experience, abilities, etc., possessed by the directors and auditors of the Company

Name	Position	Corporate Management	ESG (Sustainability)	Production/quality	R&D/Technology	Sales/marketing	Global	DX/IT/Digital	Financial Accounting	Legal, Ethical, Crisis-Management
1	Yoshihiko Sano	Director	⊙		○	○				
2	Kiyotaka Yoshioka	Director			○	⊙		○		
3	Toshiaki Masuda	Director		○	⊙		○			
4	Kyoetsu Kobayashi	Director	○	⊙			○			
5	Kimihito Minoura	Director			⊙		○		○	
6	Tsuyoshi Yamazaki	Director	○			○	⊙			
7	Kazuhiko Sano	Director	○	○	⊙					
8	Kenichi Nishida	Director	○	○	⊙					
9	Yasushi Oyama	Director	○		○	⊙				
10	Takehito Yogo	Director	○					○	⊙	
11	Hideto Nakamura	Director	⊙							○
12	Toyoshi Yoshida	Director		⊙			○			○
13	Yoshiko Tanaka	Outside Director	○	○	⊙					
14	Yoshiko Shimamori	Outside Director	⊙							○
15	Toshiaki Hattori	Outside Director	○	○					⊙	
16	Katsunobu Hashimoto	Outside Director	○	⊙			○			
17	Hidehiko Kawazu	Outside Director	○	⊙						○
18	Kiyomi Aoyama	Outside Director			⊙					○
19	Takayuki Nomiya	Auditor							○	⊙
20	Shigeru Yanagase	Outside Auditor (New)		○	⊙					○
21	Yoshitaka Akikuni	Outside Auditor (New)	○				○		⊙	

* Although the three areas of knowledge, experience, and abilities of the directors and corporate auditors are listed, they do not represent all of the knowledge, experience, and abilities possessed by the directors and corporate auditors.

* ○ indicates areas in which directors and corporate auditors have in-depth knowledge, experience, and abilities; whereas ⊙ indicates areas in which directors and corporate auditors have the most in-depth knowledge, experience, and abilities. The Company's main business is the manufacture and sale of medical devices, pharmaceuticals, glass products, etc., and the Company aims to proactively expand its business in markets around the world. Therefore, the Company needs a management team that is both appropriately sized to accommodate its expanding business scale and diverse in terms of gender, internationality, work experience, age, and other factors. The Company recognizes that the sustainable growth of the Company and the enhancement of its corporate value can be achieved when these management members are in charge of business execution (directors) and have the roles and responsibilities to promote the businesses under their control. Therefore, the Board of Directors determines whether a person is qualified to serve as a director or auditor of the Company based on her or his knowledge, experience, and abilities in management, financial accounting, legal affairs, research and development, and human resources development. In addition, independent outside directors shall include those who have corporate management experience at other companies and are capable of providing accurate proposals and advice to management from a broad perspective.

* The skills, careers, and expertise required for the directors and auditors will be reviewed in response to changes in the business environment and management policies.

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Expecting further demonstration of capabilities of external directors

Yoshiko Tanaka
Outside Director

Based on the listing criteria for the Prime Market, Nipro significantly reduced the number of internal directors and added four external directors in 2022, which brought the proportion of outside directors to 1/3 of the entire board of directors. Since then, one year has passed. It has become easier to have discussions owing to the fewer number of members on the board of directors. However, I feel that the introduction of external viewpoints, which should have been done by the external directors, is still insufficient. Nipro should clarify the roles of outside directors and further strengthen its members, which I expect will promote a positive discussion. Moreover, it is necessary to strengthen cooperation with the board of corporate auditors to understand more specific problems.

Regarding the progress of the Medium-Term Management Plan, sales are steadily increasing, but profitability should be improved. To this end, it is important to not only sell general-purpose products but also accelerate the speed of development of high-value-added and high-profit products, such as catheters and increase the profit ratio. Additionally, the overseas sales network is expected to be expanded through more active cooperation between Domestic Division and Global Business Division.

To achieve these goals, women's participation is essential. I hope Nipro will invest effort in preparing female executive candidates who will lead the next generation of the Nipro Group—by creating a comfortable work environment and raising awareness through education.



Contributing to product development based on medical needs and further promotion of sustainability strategies

Yoshiko Shimamori
Outside Director

As life seems to have returned to normal after the COVID-19 pandemic, Nipro's board of directors are actively and concretely discussing management issues—such as passing on the increased costs of raw materials to selling prices and improving distribution costs by abolishing loose shipment and shipment to branch offices. Even under difficult circumstances, we are expected to grasp the needs pertaining to medical practices and continuously develop products and systems that contribute to securing the safety of patients and provide effective medical care—including non-dead syringes, heart lines, or automatic infusion pumps.

As a member of the Research Ethics Review Committee, I participate in the examination of the ethical aspects of research that guarantee the voluntary participation of subjects in Nipro's research activities. Moreover, I further enhanced interactions at the medical societies to which I belong, such as by introducing Nipro products therein and exchanging opinions.

Multiple committees have been established for environment, society, and governance, and specific sustainability numerical targets are being formulated and examined company-wide. Particularly in terms of the environment, our climate change report was evaluated by the CDP in this term. Although the evaluation ratings were moderate, improvement targets were clarified, which I believe indicates significant progress. In the future, I will contribute to the construction of sustainability strategies that will lead to higher ESG evaluation ratings.



Contributing to vitalizing discussion considering the entire management and improving financial structure

Toshiaki Hattori
Outside Director

As the board of directors of Nipro, we have highly active discussions on each agenda, such as rigorous validation of strategic investments and investment returns. However, I particularly want enthusiastic company-wide discussions from the "One Nipro" perspective, across various departments. I believe that in the future, a deeper discussion on the direction of general management will be more important than individual business reports from each director.

I have an impression that each department is working hard to achieve the goal of 1 trillion yen in sales in the fiscal year ending in March 2031. Certainly, sales are the source of profits. However, it is also important to improve the earnings ratio per head and to activate the organizational structure based on young employees' enthusiastic participation in activities. Regarding the mid-term management plan, I think that improving the B/S—rather than the P/L—index is more important. This is because the appropriate allocation of assets, ratio of equity, ratio of healthy net interest-bearing debt, etc., are outcomes of long-term management efforts. Furthermore, for a company to achieve long-term growth, enhancing its compliance systems, including those overseas, is extremely important, which will eventually benefit us. In the future, I will work hard to achieve these goals by selecting and concentrating the businesses and assets.

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Contributing to the development of the Nipro Group using school management experience

Katsunobu Hashimoto
Outside Director

Currently, DX in the medical device industry is rapidly progressing, and in fact, competitors and other similar companies have presented various strategies associated with DX. Under such circumstances, I find great potential in the collaboration between businesses (companies) and education (schools) from the perspective of healthcare school management, as presented below.

① **Industry-government-academia collaboration**

We will provide students with a place of practical learning in addition to nurturing university startups and promoting cutting-edge research and development using AI. Furthermore, we will contribute to benefitting the entire society by cooperating with various organizations, including local governments and NPOs.

② **Bridge between companies and local governments**

We will solve issues arising in companies and local governments, such as pollution problems, by using university knowledge, and contribute to the circular economy.

③ **Development of human resources utilizing knowledge derived from both humanities and sciences and a global perspective**

We will develop human resources that contribute to building a sustainable society according to the global standards—beyond the boundaries of the humanities and sciences.

④ **Development of human resources contributing to the Sustainable Development Goals (SDGs)**

In universities, we will promote the development of human resources that contribute to the SDGs.

⑤ **Promotion of international exchange**

We will promote international exchanges with Asian countries including China and incorporate knowledge from different areas.

I think the development of the Nipro Group will be further accelerated by achieving these themes consecutively.



Contributing to the creation of an organization that optimally utilizes "people"

Hidehiko Kawazu
Outside Director

At Nipro's board of directors, reasonable reports are made based on the detailed materials provided for each business, and the directors engage in an active discussion. The internal directors in charge of different business areas provide positive opinions, and I find the decision-making process suitable. I think that such effective communication among internal directors is Nipro's strength. However, the strength of internal ties can also be a weakness at times. I think that my role as an external director is providing an outside perspective to such discussions. Therefore, I will further deepen my understanding of the Nipro Group's business and provide appropriate opinions.

The strength of the Nipro Group is its business related to healthcare, which is necessary for everyone worldwide, and its growth is supported by motivated human resources that consider the user's viewpoint. Nipro has set a goal that the turnover rate within 10 years of joining the company would be less than 20%. As 30% of new graduates are generally said to leave their job in 3 years, I find it great to have such an extremely ambitious goal. To achieve this goal, an open corporate culture and smooth communication among employees are important. I will contribute to achieving this goal by optimally utilizing my experience in human resource development, which I have cultivated through welfare administration.



Expecting development of products that capture the needs prevalent in healthcare settings

Kiyomi Aoyama
Outside Director

Nipro's board meetings always involve some degree of tension, despite which, each director enthusiastically engages in open-minded discussions. Occasionally, radical opinions regarding the agenda are shared with persons in-charge, but this is not done with the intention of blaming them for failure. We have a constructive discussion on the next challenge. The external directors are provided sufficient time to examine the agenda owing to detailed materials distributed in advance, and we are provided with lectures on the responsibilities of the director by external lecturers.

The Nipro Group is capable of handling a broad range of products that capture the needs of healthcare settings. In addition to renal products with excellent safety and functionality, CL Fine has been increasingly used as an infection measure product. As the number of patients with cerebrovascular/cardiac diseases is expected to increase, vascular-related products will become a new growth area in the future. Additionally, the development of surgical products is an important research theme because orthopedic diseases increase with aging.

The Nipro Group's sustainability is ensured by its provision of a stable supply of these aforementioned outstanding products. I want the Group to achieve the social mission of supporting people's health by implementing BCP measures, such as the decentralization of plants.

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- Human Resources Strategy
- Research and Development Activities

- Intellectual Property Investment
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My role as an auditor is to prevent serious scandals

Takayuki Nomiya

Audit & Supervisory
Board Member (Full-time)

Nowadays, news of fraud and scandals by well-known companies is attracting attention from the media. I think that one of the most important roles of an auditor is to preempt serious scandals in a company by establishing a system for their prevention. It is important for an auditor to attend meetings with the Board of Directors and examine important documents. However, these tasks alone do not help us comprehend the actual situation of the company. What is important is that we visit the field and gauge the actual state of affairs. For this purpose, I always visit business offices across the country a dozen times a year to directly grasp the factual situation on ground.

What I have learnt through my experience as a corporate auditor so far is that the management policy has not been sufficiently disseminated in the company. The rapid growth and expansion of the Group in recent years are partially responsible for this. It is most important for all employees to understand and share the direction of the Group as a company listed on the prime market. We need to continue to enhance the awareness levels of employees, improve the level of the entire Group, and strengthen human resources in the future.

Regarding overseas offices, the Overseas Audit Office conducts on-site audits, by scrutinizing the reports from local audit corporations. I think our challenge is to consider how to create opportunities for auditors to directly visit overseas and understand the actual situation on the field.



Contribution to the improvement of the Nipro Group's corporate value using experiences in the fields of technology and development

Shigeru Yanagase

Audit & Supervisory
Board Member (Outside)

I gained experience in the technology and development departments of a major material manufacturer. Because I was in charge of developing new products (which were later successful) from planning proposal to launch, I could gain various experiences from upstream to downstream that were not limited to research and development. At the beginning of development, active disclosure of information such as in-house presentations, lecture meetings with external parties, and prototype exhibitions, as well as patent applications, was essential. Meanwhile, various skills and execution capabilities were required during production, such as (1) selection of facilities, (2) formulation of various standards and manuals (raw-material specifications, manufacturing procedures, quality control, etc.), (3) education/training for operators, (4) waste treatment, etc. I believe that I can leverage these experiences as an external auditor for Nipro.

The Nipro Group has set a sales goal of one trillion yen for the fiscal year ending March 2031. To achieve the goal, new products must be developed. I have had the experience of approaching an unexplored field in the company. I will utilize these experiences to contribute to the improvement of the Nipro Group's corporate value through both attack and defense, thus promoting not only the development of new businesses but also cost reduction and the quality of the Group's existing products. I will also be involved in verifying the validity of development processes and securing intellectual property.



Contribution to the establishment of a compliance system led by head office

Yoshitaka Akikuni

Audit & Supervisory
Board Member (Outside)

I built my career at a major bank and have experience as a resident officer in bond-underwriting operations in the capital-market divisions of overseas branches/local subsidiaries, as well as as a chief officer in the corporate-pension management division. I have also served as an auditor for several companies since 2011, and I believe that these experiences will be a great advantage in reflecting shareholders' and investors' voices in the management of Nipro.

Because auditors are not directly involved in the execution of business operations, I consider my role as one to improve the final corporate value through the reinforcement of compliance and governance. Especially because the Nipro Group has many overseas subsidiaries, I believe that upgrading and expanding the global audit and compliance systems are issues that should be addressed in the future. I will contribute to the establishment of a system that enables us to understand overseas subsidiaries' actual situations more effectively through a three-party audit comprising the internal audit department, auditors, and auditing corporations.

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Board of Directors and Audit & Supervisory Board Members

As of July 3, 2023

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- Research and Development Activities

- Intellectual Property Investment
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- Audit & Supervisory Board Members' Messages
- Board of Directors and Audit & Supervisory Board Members

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
- Apr. 2002 : Part-time Lecturer of Kobe Pharmaceutical University
- Jun. 2002 : President and Representative Director, MEDY HOPE Corporation (to present)
- Jun. 2014 : Appointed Director, Nipro Corporation (to present)
- Jul. 2014 : Council member of Kobe Pharmaceutical University

Yoshiko Shimamori

- Apr. 1990 : Manager of Nursing Division of Preparatory Office for Toho University Sakura Medical Center
- Aug. 1990 : Manager of Nursing Division of Tokyo Saiseikai Mukojima Hospital
- Jun. 1999 : Executive Officer of Japanese Nursing Association
- Apr. 2002 : Manager of Nursing Division and Assistant to Director of Kyoto University Hospital
- Apr. 2007 : Professor of Keio University Faculty of Nursing And Medical Care
- Jun. 2010 : President of Tokyo Nursing Association
- Jul. 2016 : Professor of Institute for Biomedical Sciences of Iwate Medical University
- Apr. 2017 : Professor and Dean of School of Nursing of Iwate Medical University
- Apr. 2021 : Professor Emeritus and Council member of Iwate Medical University
- Jun. 2021 : Appointed Director, Nipro Corporation (to present)

Toshiaki Hattori

- Jan. 2000 : Branch Manager of Kori Branch, Daiwa Bank Ltd. (currently Resona Bank, Ltd.)
- Mar. 2002 : General Manager of Taisho Branch, Resona Bank Ltd.
- Jun. 2004 : General Manager of General Affairs Department, Administration Division, Toami Corporation General
- Jun. 2006 : Director and General Manager of General Affairs Department, Administration Division of the same company
- Jun. 2008 : Managing Director, General Manager of Administration Division and General Manager of General Affairs Department of the same company
- Jun. 2012 : Managing Director, General Manager of Administration Division and General Manager of General Affairs Department and General Manager of Accounting Department of the same company
- Jun. 2022 : Appointed Director, Nipro Corporation (to present)

Katsunobu Hashimoto

- Jan. 1981 : Secretary-general of Osaka College of Medical Technology (to present)
- May. 1991 : Executive Director of Educational Corporation Osaka Jikei College
- Apr. 2011 : Secretary-general of Jikei Graduate University of Health Care Sciences (currently Jikei University of Health Care Sciences) (to present)
- Apr. 2015 : President of Izumo Medical Nursing College (to present)
- Apr. 2018 : President of Osaka Medical Welfare College (to present)
- Apr. 2020 : President of Osaka Medical Nursing College (to present)
- Apr. 2022 : President of Osaka High Technology College (to present)
President of Osaka Health and Welfare College (to present)
- Jun. 2022 : Appointed Director, Nipro Corporation (to present)

Hidehiko Kawazu

- Jun. 1987 : Manager of Division of Welfare for the Mentally Retarded, Tokyo Metropolitan Government Bureau of Social Welfare and Public Health (Manager of Head Office)
- Jul. 1989 : Manager of Division of Children, Tokyo Metropolitan Government Bureau of Social Welfare and Public Health (General Manager)
- Jul. 1991 : Deputy Branch Chief of Northern Branch No. 2 Of Tokyo Metropolitan Government Bureau of Waterworks (General Manager)
- Aug. 1994 : Councilor of General Affairs Department, Tokyo Metropolitan Government Bureau of Social Welfare and Public Health (General Manager of Head Office)
- Jun. 1995 : General Manager of Division of Children and Family, Tokyo Metropolitan Government Bureau of Social Welfare and Public Health
- Jul. 1997 : General Manager of Division of Community Welfare Promotion, Tokyo Metropolitan Government Bureau of Social Welfare and Public Health
- Apr. 1999 : General Manager of Division of Living Environment, Tokyo Metropolitan Government Bureau of Health
- Apr. 2001 : General Manager of Division of Food and Drug Safety, Tokyo Metropolitan Government Bureau of Health
- Apr. 2002 : Professor, Faculty of Education, Tamagawa University (Head of Department of Infant Development)
- Apr. 2008 : Dean, Faculty of Education, Tamagawa University
- Jun. 2018 : Chief Director, Social Corporation Yuai Gakuen (to present)
- Jun. 2022 : Appointed Director, Nipro Corporation (to present)

Kiyomi Aoyama

- Apr. 1990 : Manager of Division of Maternal and Child Health, Tokyo Metropolitan Government Bureau of Social Welfare and Public Health
- Apr. 1992 : Councilor of Public Health Center of Nihonbashi, Chuo Ward (Prevention Section Manager Work Handler)
- Apr. 1998 : Director of Shinagawa Ward Public Health Center
- Apr. 2002 : Director and General Manager of Nakano Ward Public Health Center
- Apr. 2007 : Director of Minato Ward Public Health Center
- May. 2010 : Full-time contract doctor, Occupational Health Association (currently Japan Medical Checkup Foundation)
- Jun. 2022 : Appointed Director, Nipro Corporation (to present)

Audit & Supervisory Board Member (Full-time)

Takayuki Nomiya

- Oct. 1976 : Joined Nipro Corporation
- Apr. 1997 : General Manager of General Affairs Department, Nipro Corporation
- Feb. 2003 : General Manager of Audit Office, Nipro Corporation
- Jun. 2008 : Corporate Auditor, Nipro Corporation (to present)

Audit & Supervisory Board Members (Outside)

Shigeru Yanagase

- Apr. 2003 : General Manager of Development Department, Special Equipment Materials Division, Nippon Sheet Glass Co., Ltd.
- Jun. 2023 : Appointed Audit & Supervisory Board Member, Nipro Corporation (to present)

Yoshitaka Akikuni

- Jul. 2001 : General Manager, Pension Trust Investment Department, Trust Asset Management Department, The Daiwa Bank, Ltd. (currently Resona Bank, Ltd.)
- Jun. 2006 : Executive Officer, General Manager of Trust Asset Management Department, Resona Trust and Banking Co., Ltd. (currently Resona Bank, Ltd.)
- Apr. 2008 : Executive Officer in charge of General Funds Department, Resona Bank, Ltd.
- Jun. 2009 : Director and Managing Executive Officer, J and S Insurance Service Co., Ltd.
- Apr. 2011 : Auditor, Osaka Electro-Communication University
- Jun. 2011 : Outside Corporate Auditor, Japan Trustee Services Bank (Currently Custody Bank of Japan, Ltd.)
- Jun. 2014 : Outside Corporate Auditor, Kokusai Aero Marine Co., Ltd.
- Jun. 2015 : Outside Corporate Auditor, Ishihara Sangyo Co., Ltd.
- Jun. 2023 : Appointed Audit & Supervisory Board Member, Nipro Corporation (to present)

Management Foundation

Board of Directors and Audit & Supervisory Board Members

As of July 3, 2023

President & Representative Director



Yoshihiko Sano

Senior Managing Directors



Kiyotaka Yoshioka
General Manager of Domestic Business Division,
Chief of Business Strategy Office



Tsuyoshi Yamazaki
General Manager of International Business, Senior
Managing Director of Pharma Packaging Division



Takehito Yogo
General Manager of Corporate Planning Division
(Chief Financial Officer)

Managing Directors



Toshiaki Masuda
General Manager of Medical Technology
Headquarters for Planning,
Development & Marketing,
Chief of Research & Development Center



Kyoetsu Kobayashi
General Manager of Sustainable Production &
Risk Management Division



Kimihito Minoura
General Manager of Regenerative Medicine
Business Division,
New Business Development Division



Kazuhiko Sano
Head of Construction & Engineering
Headquarters,
Chief of Production Technology Center

Directors



Kenichi Nishida
General Manager of Pharmaceutical Business
Division, Pharmaceutical Production Management
Division, Research Planning Department,
Pharmaceutical Research Laboratories



Yasushi Oyama
General Manager of Vascular Business Division,
Vascular Product Development & Sales Division



Hideto Nakamura
General Manager of General Affairs & Human
Resources Division,
Governance Supervise Division



Toyoshi Yoshida
General Manager of Quality Assurance &
Regulatory Compliance Division

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Financial/Data Section

Financial Review

Overview

In the current fiscal year, demand for some department-related products, which had been restrained by postponement of surgeries and other factors, recovered as the economy recovered due to increased movement toward normalization of economic activities, despite the continuing impact of the spread of new coronavirus infection. In Japan, sales volume of our own-brand antibiotics and infusion products increased, in addition to the increase in NHI prices of unprofitable re-categorized products. Overseas, sales of dialyzers and dialysis-related products, our mainstay products, remained steady. As a result, consolidated net sales increased.

On the other hand, operating income decreased due to the soaring prices of materials and energy caused by the rise in crude oil prices, transportation costs, and an increase in selling, general and administrative expenses such as research and development costs.

Consolidated Business Results

Relevant quantitative data for the period under review has been converted at the rate of US\$1.00 = ¥133.53 (the rate of exchange as of March 31, 2023).

Net Sales

Sales for the current term were ¥545,199 million (US\$4,083.0 million). Sales increased 10.2% YoY.

Cost of Sales

Cost of sales increased 10.5% from the previous period to ¥381,749 million. This increase was mainly due to higher sales and material costs.

The gross profit margin decreased 0.2 percentage points from the previous period to 30.0%. As a result, gross profit increased 9.5% from the previous period to ¥163,449 million.

Selling, General and Administrative Expense

Selling, general and administrative expenses increased by 16.2% compared with the previous fiscal year to ¥145,720 million (US\$1,091.3 million). This is mainly due to increase of transportation costs and research and development expenses.

Operating Income

As a result of the aforementioned factors, operating income was down by 25.8% compared with the previous fiscal year to ¥17,729 million (US\$132.8 million). The ratio of operating income to net sales decreased by 1.5 percentage points to 3.3%.

Ordinary income

Ordinary income was ¥15,346 million (US\$114.9 million), which is ¥12,237 million lower compared with ordinary income in the previous fiscal year. The main factors were an increase in equity in losses of affiliates and a large swing toward losses in non-operating income and expenses due to one-time non-operating expenses recorded as a result of the application of hyperinflation accounting in the Turkish subsidiary.

Income before income taxes

As a result of the factors outlined above, income before income taxes is ¥16,777 million (US\$125.6 million), compared to ¥23,243 million in the previous fiscal year.

Income Taxes

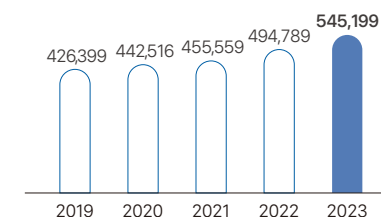
Income tax including deferred taxes increased by 32.6% compared with the previous fiscal year to ¥10,843 million (US\$81.2 million)

Net Income (Loss) Attributable to Non-controlling Interests

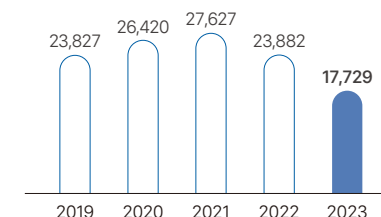
Net income attributable to non-controlling interests amounted to ¥1,359 million (US\$10.2 million).

(Years ended March 31)

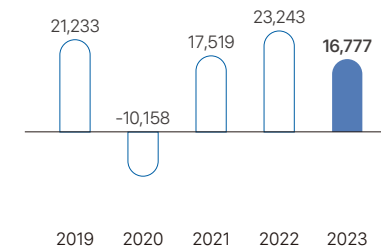
Net sales (Millions of yen)



Operating income (Millions of yen)



Income before income taxes (Millions of yen)



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Net Income Attributable to owners of the Parent

Net income attributable to owners of the parent was ¥4,574 million (US\$34.3 million), compared to net income attributable to owners of parent of ¥13,455 million in the previous fiscal year. Basic earnings per share decreased to ¥28.05 (US\$0.2) from ¥82.50 in the previous fiscal year. Return on equity decreased to 2.3% from 7.8% for the previous fiscal year.

Net Sales by Geographic Segment

○ Japan

In Japan, net sales increased by 3.6% compared with the previous fiscal year to ¥290,177 million (US\$2,173.1 million) mainly thanks to the increase of sales in the Medical-Related business.

○ Americas

In Americas, net sales increased by 25.4% compared with the previous fiscal year to ¥98,089 million (US\$734.6 million) mainly thanks to the increase of sales in the Medical-Related business.

○ Europe

In Europe, net sales increased by 13.1% compared with the previous fiscal year to ¥68,294 million (US\$511.5 million).

○ Asia

In Asia, sales increased 16.5% year on year to ¥88,636 million (US\$663.8 million) due to increased sales in the medical-related business.

● Financial Position

Total assets increased ¥97,078 million YoY to ¥1,027,399 million (US\$7,694.1 million). Current assets increased ¥51,830 million and noncurrent assets increased ¥45,247 million. The increase in current assets was mainly due to a ¥19,986 million increase in trade notes and accounts receivable, and the increase in fixed assets was mainly due to a ¥33,054 million increase in construction in progress.

Total liabilities decreased ¥54,771 million YoY to ¥785,225 million (US\$5,880.5 million). Current liabilities decreased ¥9,083 million and noncurrent liabilities increased ¥63,855 million. The main reason for the decrease in current liabilities was a decrease of ¥20,105 million in short-term loans payable, and the reason for the increase in long-term liabilities was mainly due to a ¥48,941 million increase in long-term loans payable.

Total net assets increased ¥42,306 million YoY to ¥242,173 million (US\$1,813.6 million). Shareholders' equity increased by ¥853 million and accumulated other comprehensive income decreased by ¥20,224 million.

As a result, the equity ratio increased by 0.2 percentage point to 20.1% compared with the end of the previous fiscal year.

● Cash Flow

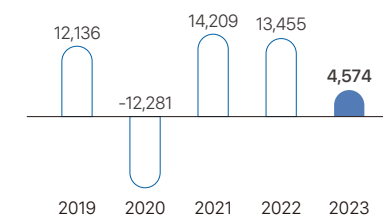
Net cash provided by operating activities amounted to ¥10,395 million (US\$77.8 million). The major cash inflows were depreciation and amortization and income before income taxes. The main accounts of cash outflow were an increase in inventories.

Net cash used in investing activities came to ¥71,737 million (US\$537.2 million). The principal cash outflow was for the purchase of fixed assets. Net cash obtained by financing activities amounted to ¥43,077 million (US\$322.6 million). The main account of cash inflow was repayment of long-term loans, while the main account of expenditures was repayment of long-term loans payable. As a result, cash and cash equivalents stood at ¥84,695 million (US\$634.3 million) as of March 31, 2023

(Years ended March 31)

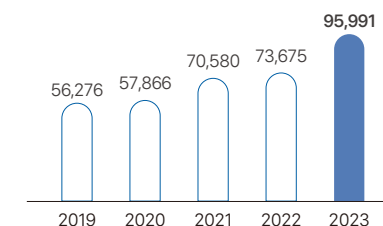
Net income attributable to owners of the parent

(Millions of yen)



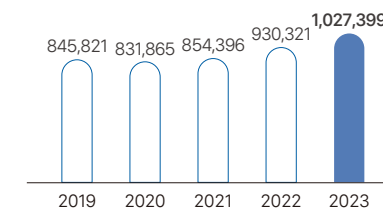
Capital investment

(Millions of yen)



Total assets

(Millions of yen)



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● Staff

The total number of employees as of the end of the period under review was 38,770. Employees in Japan were 9,674 and the number of overseas employees was 29,096.

● Basic Policy on Distribution of Profit

At Nipro, we regard the return of profits as one of the most important management policies and pay dividends to our shareholders. We are striving to strengthen our foundations in development, production, and sales from a long-term perspective, to improve profitability and stabilize production, and to establish a rational profit distribution system.

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, 2023.

(1) Risks Related to Product Safety

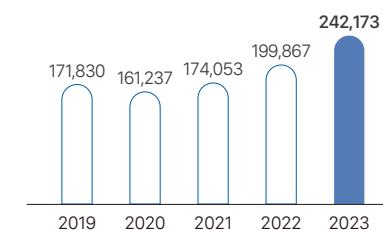
The Nipro Group brings all of its capabilities to bear in ensuring product safety in the design, development and manufacturing of medical devices and pharmaceutical products. There are still the risks, however, that accidental defects or adverse effects could result in damages to a third party and our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

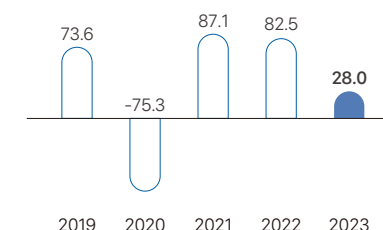
The Nipro Group procures materials and parts for its operations from a large number of suppliers. Some key materials or parts may be obtained only from a single supplier or a limited group of suppliers. If circumstances at any of these suppliers make it impossible for us to acquire a sufficient quantity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

(Years ended March 31)

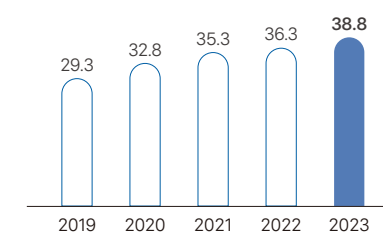
Net assets (Millions of yen)



Basic earnings per share (Yen)



Number of employees (Thousand)



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(3) Risks Related to Changes in Government Healthcare Policies

The business sector to which the Nipro Group belongs is intimately connected with the healthcare system and is subject to the regulations laid out by government organizations, including the National Health Insurance System and the Pharmaceutical 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 the 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 the Nipro Group include some that are made from petrochemical products such as plastics. Should the cost of raw materials such as petrochemicals rise, there could be a material adverse effect on our operational results and/or financial condition.

(6) Risks Related to Overseas Expansion

The Nipro Group has 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

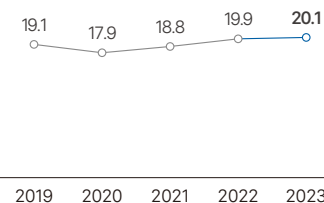
The Nipro Group owns numerous patents and trademarks, and maintains various proprietary rights for the products it manufactures. Additionally, we take all possible measures to avoid infringing the patents and proprietary rights of any third party, and to avoid breaching any license agreements we have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

(8) Risks Related to Environmental Regulations

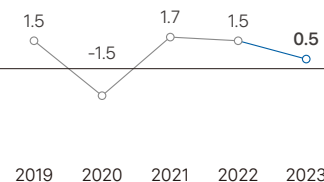
The Nipro Group believes it has taken adequate precautions to comply with applicable regulations in the course of its business activities. Should our activities cause an unforeseen environmental problem, however, with a claim for damages made against us, there could be a material adverse effect on our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

(Years ended March 31)

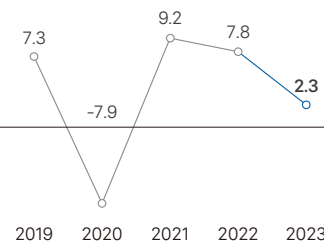
Equity ratio (%)



Return on assets (%)



Return on equity (%)



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(9) Risks Related to Exchange Rate Fluctuations

The Nipro Group, including its overseas subsidiaries, carries out its foreign currency transactions primarily in US dollars and 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

The Nipro Group's assets include investments in stocks and other securities. These investments have been made for purposes such as building good business relationships with the issuers of such securities, or for gathering useful information for the development of new products or 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

The 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

The Nipro Group relies on debt finance in the form of loans from financial institutions or issuance of corporate bonds and commercial paper, etc., to raise 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

The 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 the 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) Risk Related to Coronavirus spread

An abnormal situation such as the spread of a new coronavirus infection or a natural disaster occur on a scale of beyond our expectations. However, if the production base is closed, logistics is stagnant, or the business operations towards major customers become difficult, it will affect our financial condition and business results. We provide hygiene management, telecommuting (remote work), staggered working hours and web meetings for measures to prevent the spread of new coronavirus infection.

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	Millions of yen											Thousands of U.S. dollars (Note 1)
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2023	
Income Statement Data:												
Net sales	¥ 545,199	¥ 494,789	¥ 455,559	¥ 442,516	¥ 426,399	¥ 395,397	¥ 359,699	¥ 366,650	¥ 325,084	¥ 300,753	\$4,082,970	
Medical-Related (*1)	419,957	373,481	343,824	335,767	327,359	300,117	262,198	272,167	237,777	221,363	3,145,045	
Pharmaceutical-Related (*1)	72,734	74,386	72,388	70,357	63,482	66,846	69,140	62,266	57,372	51,508	544,708	
PharmaPackaging (*1)	51,754	46,361	38,655	36,217	35,526	28,404	28,331	32,184	29,830	27,611	387,583	
Other (*1)	752	559	691	174	31	29	29	32	104	271	5,631	
Cost of sales	381,749	345,519	316,718	308,304	295,767	268,272	244,602	250,773	225,525	213,220	2,858,904	
Selling, general and administrative expenses	145,720	125,386	111,212	107,791	106,804	100,036	86,326	91,671	82,987	75,242	132,776	
Operating income	17,729	23,882	27,627	26,420	23,827	27,088	28,770	24,204	16,571	12,289	—	
Medical-Related (*2)	38,599	39,241	38,879	36,249	36,722	36,522	30,638	28,204	23,813	20,436	289,066	
Pharmaceutical-Related (*2)	5,615	9,826	10,608	13,196	10,662	13,104	14,135	12,060	10,553	8,013	42,057	
PharmaPackaging (*2)	2,739	2,889	1,992	675	778	(1,308)	(1,313)	(1,618)	(2,889)	(2,183)	20,513	
Other (*2)	257	101	376	176	146	75	(10)	61	131	216	1,929	
Profit before income taxes	16,777	23,243	17,519	(10,158)	21,233	17,026	18,324	26,284	19,908	12,891	72,530	
Net income attributable to owners of the parent	4,574	13,455	14,209	(12,281)	12,136	11,829	11,346	19,718	12,470	2,861	28	
Increase in tangible and intangible fixed assets	102,633	96,793	78,861	64,670	64,394	61,990	58,310	57,101	47,698	35,093	768,620	
Depreciation and amortization	46,275	43,313	39,849	38,682	35,252	32,565	31,128	30,147	27,667	25,151	346,557	
R&D expenses	19,669	18,734	18,652	18,204	16,526	16,113	11,517	10,269	8,645	7,891	147,303	
Balance Sheet Data:												
Total assets	¥ 1,027,399	¥ 930,321	¥ 854,396	¥ 831,865	¥ 845,821	¥ 826,477	¥ 752,839	¥ 708,882	¥ 695,306	¥ 619,654	\$7,694,147	
Property, plant and equipment—net	432,550	377,752	335,906	307,551	284,483	270,273	244,222	223,756	220,195	191,593	3,239,350	
Working capital	186,379	125,466	149,866	143,626	168,675	184,861	134,983	115,970	71,945	45,405	1,395,788	
Current liabilities	302,910	311,993	271,501	289,404	274,277	251,186	251,792	252,147	278,402	250,714	2,268,479	
Long-term liabilities	482,315	418,460	408,841	381,223	399,712	392,087	324,639	281,227	238,095	232,979	3,612,038	
Capital stock	84,397	84,397	84,397	84,397	84,397	84,397	84,397	84,397	84,397	84,397	632,051	
Capital surplus	—	—	4	5	—	—	—	—	635	688	—	
Net assets	242,173	199,867	174,053	161,237	171,830	183,485	176,408	175,507	178,810	135,960	1,813,629	

(*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 results 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 the Pharmaceutical-Related business and build a strong cooperative relationship among the Medical-Related, Pharmaceutical-Related and the Glass-Related businesses. As a result of this reorganization, some business divisions included in the Glass-Related business were changed to the Pharmaceutical-Related business. The segment information is presented as if the aforementioned reorganization had been conducted at the beginning of the financial year 2012, and the presentations for the prior financial years are not restated. Also, effective on 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 the Medical-Related Business to the PharmaPackaging-related Business, which was formerly known as the Glass-Related Business by the corporate 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 the synthetic PharmaPackaging business and increasing synergies for the Pharmaceutical-Related business. As a result of this reorganization, some business divisions included in Pharmaceutical-Related business were changed to PharmaPackaging business. Effective the fiscal year ended March 31, 2022, Nipro JMI Pharma Ltd. was reclassified from the Medical-Related Business to the Pharmaceutical-related 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 13. "Segment Information" in the consolidated financial statements.

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	Yen											U.S. dollars (Note 1)
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2023	
Per Share Data:												
Basic earnings	¥ 28.0	¥ 82.5	¥ 87.1	¥ (75.3)	¥ 73.6	¥ 71.1	¥ 67.5	¥ 116.2	¥ 81.0	¥ 18.2	\$ 0.21	
Diluted earnings	24.8	77.4	—	—	66.7	64.5	61.3	114.7	—	16.3	0.19	
Cash dividends	22.0	27.0	28.0	13.5	28.0	28.5	29.0	33.5	32.5	30.5	0.16	
Equity	1,265.0	1,135.7	987.3	912.2	990.1	1,037.2	999.5	977.6	988.8	832.1	9.47	
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	171,459,479		
Number of employees	38,770	36,259	35,251	32,786	29,325	28,330	27,415	24,243	23,153	21,826		
Selected Data and Ratios:												
Equity ratio (*3) (%)	20.1	19.9	18.8	17.9	19.1	20.9	22.1	23.4	24.1	20.2	—	
Return on assets (*3) (%)	0.5	1.5	1.7	(1.5)	1.5	1.5	1.6	2.8	1.9	0.5	—	
Return on equity (*3) (%)	2.3	7.8	9.2	(7.9)	7.3	7.0	6.8	11.8	8.5	2.3	—	
Price earnings ratio (*3) (times)	36.3	12.4	15.3	—	19.3	21.6	23.2	9.2	14.1	50.9	—	

(*3) 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 the 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 (Now Prime Market) of the Tokyo Stock Exchange on the last trading day in March of each year to the basic earnings per share.

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

(*5) The Group formally adopted the Accounting Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") on April 1, 2021, the start of the current fiscal year. Revenue is recognized when control is transferred to the customer, i.e., when delivery is completed.

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Consolidated Balance Sheets

Nipro Corporation and its Consolidated Subsidiaries
As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Assets			
Current assets:			
Cash and deposits	¥ 89,678	¥ 95,342	\$ 671,597
Trade notes and accounts receivable	160,271	140,285	1,200,267
Goods and products	137,774	118,315	1,031,786
Work in progress	17,427	15,028	130,514
Raw materials and supplies	52,592	42,801	393,866
Other current assets	35,701	27,506	267,370
Allowance for doubtful accounts	(4,157)	(1,821)	(31,135)
Total current assets	489,289	437,459	3,664,267
Tangible assets (Note 4):			
Buildings and structures	¥ 287,677	¥ 264,032	\$ 2,154,402
Accumulated depreciation and impairment	(147,531)	(136,425)	(1,104,858)
Buildings and structures (net)	140,145	127,606	1,049,543
Machinery and equipment	360,642	328,271	2,700,832
Accumulated depreciation and impairment	(265,162)	(244,162)	(1,985,787)
Machinery and equipment (net)	95,480	84,108	715,045
Land	47,123	51,776	352,902
Lease assets	35,947	31,892	269,207
Accumulated depreciation	(13,115)	(9,233)	(98,221)
Lease assets (net)	22,831	22,659	170,985
Construction in progress	103,336	70,281	773,879
Other tangible fixed assets	89,858	80,978	672,946
Accumulated depreciation and impairment	(66,224)	(59,660)	(495,953)
Other tangible fixed assets (net)	23,633	21,318	176,993
Total tangible fixed assets	432,550	377,752	3,239,350
Intangible assets (Note 4):			
Goodwill	¥ 14,514	¥ 15,060	\$ 108,699
Lease assets	2,302	2,905	17,240
Other intangible assets	17,187	14,844	128,715
Total intangible assets	34,004	32,810	254,655
Investments and other assets:			
Investment securities (Note 5):	¥ 37,220	¥ 45,008	\$ 278,745
Deferred tax assets (Note 3)	10,377	12,393	77,714
Other	30,267	31,052	226,668
Allowance for doubtful accounts	(6,309)	(6,154)	(47,254)
Total investments and other assets	71,555	82,299	535,873
Total fixed assets	¥ 538,109	¥ 492,862	\$ 4,029,880
Total assets	¥1,027,399	¥ 930,321	\$ 7,694,147

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Liabilities and net assets			
Current liabilities:			
Trade notes and accounts payable	¥ 76,141	¥ 73,544	\$ 570,217
Short-term debt (Notes 4 and 8)	130,570	150,675	977,833
Commercial paper	10,000	—	74,889
Current portion of corporate bonds (Notes 4 and 8)	2,000	2,200	14,977
Current portion of lease obligations	4,440	3,885	33,253
Accrued payables	23,153	24,601	173,394
Income taxes payable	4,897	5,528	36,679
Advance received	426	2,115	3,193
Unearned revenue	578	284	4,329
Provision for bonuses	5,955	5,239	44,598
Provision for directors' bonuses	13	166	102
Provision for loss on disaster	—	130	—
Notes payable-facilities	10,191	5,882	76,323
Other current liabilities	34,542	37,738	258,685
Total current liabilities	¥ 302,910	311,993	2,268,479
Long-term liabilities:			
Corporate bonds	¥ 76,700	¥ 78,700	\$ 574,402
Convertible bond-type bonds with subscription rights to shares	30,210	30,270	226,241
Long-term debt (excluding current portion) (Notes 4 and 8)	316,555	267,614	2,370,672
Lease obligations (excluding current portion) (Note 8)	25,265	25,626	189,215
Deferred tax liabilities (Note 3)	1,276	617	9,557
Liabilities for retirement benefits (Note 9)	5,164	5,927	38,673
Provision for directors' retirement benefits	686	697	5,144
Provision for share awards for directors (and other officers)	11	11	84
Provision for loss on lawsuits	153	102	1,147
Other long-term liabilities	26,291	8,893	196,899
Total long-term liabilities	¥ 482,315	¥418,460	\$3,612,038
Total liabilities	785,225	730,453	5,880,517
Net assets (Note 11):			
Shareholders' equity			
Capital stock	¥ 84,397	¥ 84,397	\$ 632,051
Retained earnings	95,521	94,667	715,347
Treasury stock	(10,748)	(10,748)	(80,498)
Total shareholders' equity	169,170	168,316	1,266,901
Accumulated other comprehensive income (loss)			
Net unrealized gains on available-for-sale securities	7,162	9,789	53,637
Deferred gains (losses) on hedges	(47)	(108)	(352)
Foreign currency translation adjustments	28,716	6,885	215,057
Remeasurements of defined benefit plans	1,315	356	9,850
Total accumulated other comprehensive income	37,147	16,922	278,192
Non-controlling interests	35,856	14,628	268,535
Total net assets	242,173	199,867	1,813,629
Total liabilities and net assets	¥1,027,399	¥930,321	\$7,694,147

The accompanying notes are an integral part of these statements.

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Consolidated Statements of Income

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net sales (Note 17)	¥545,199	¥494,789	\$4,082,970
Cost of sales	381,749	345,519	2,858,904
Gross profit	¥163,449	¥149,269	\$1,224,066
Selling, general and administrative expenses (Notes 14 and 15)	145,720	125,386	1,091,291
Operating income	¥ 17,729	¥ 23,882	\$ 132,776
Non-operating income			
Interest income	¥ 1,096	¥ 669	\$ 8,208
Dividend income	1,394	1,246	10,446
Foreign exchange gains	2,125	4,833	15,915
Other	2,686	3,776	20,116
Total non-operating income	7,302	10,525	54,685
Non-operating expenses			
Interest expenses	4,501	4,135	33,713
Share of loss of entities accounted for using equity method	1,451	918	10,871
Bond issuance costs	—	54	—
Hyperinflation accounting adjustment	1,007	—	7,546
Others	2,723	1,716	20,394
Total non-operating expenses	9,684	6,825	72,530
Ordinary income	¥ 15,346	¥ 27,583	\$ 114,930
Extraordinary income			
Gain on sales of fixed assets	2,548	405	19,084
Government subsidies	785	279	5,883
Gain on sales of investment securities	1,954	109	14,635
Other	487	48	3,652
Total extraordinary income	5,775	842	43,254
Extraordinary loss			
Loss on sales of fixed assets	3	47	28
Loss on retirement of fixed assets	568	579	4,257
Impairment losses	768	2,514	5,757
Loss on tax purpose reduction entry of fixed assets	785	194	5,883
Provision for allowance for doubtful accounts	140	560	1,048
Loss on disaster	99	174	745
Compensation for damages	549	—	4,112
Loss on valuation of inventories	—	558	—
Loss on litigation	448	385	3,359
Others	981	166	7,350
Total extraordinary loss	¥ 4,345	¥ 5,182	\$ 32,540
Profit before income taxes	¥ 16,777	¥ 23,243	\$ 125,644
Income taxes	6,790	7,868	50,853
Income taxes-deferred	4,052	308	30,351
Total income taxes	10,843	8,177	81,204
Net income	5,934	15,066	44,440
Net income attributable to non-controlling interests	1,359	1,611	10,186
Net income attributable to owners of the parent	4,574	13,455	34,255

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net income	¥ 5,934	¥15,066	\$ 44,440
Other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	(2,627)	709	(19,680)
Deferred gains (losses) on hedges	91	(141)	688
Foreign currency translation adjustment	20,058	15,770	150,216
Remeasurements of defined benefit plans	965	49	7,229
Share of other comprehensive income of entities accounted for using equity method	1,558	533	11,675
Total other comprehensive income	20,046	16,921	150,128
Comprehensive income	¥25,980	¥31,987	\$194,568
Comprehensive income attributable to:			
Owners of parent	24,798	30,036	185,718
Non-controlling interests	1,181	1,951	8,850

The accompanying notes are an integral part of these statements.

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Consolidated Statements of Changes in Net Assets

Nipro Corporation and its Consolidated Subsidiaries

For the years ended March 31, 2023 and 2022 consisted of the following:

	Millions of yen											
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Accumulated retirement benefit adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2021	¥84,397	¥ 4	¥87,326	¥(10,748)	¥160,980	¥ 9,080	¥ (34)	¥ (9,321)	¥ 319	¥ 45	¥13,027	¥174,053
Cumulative effects of changes in accounting policies			(125)		(125)							(125)
Restated balance	84,397	4	87,201	(10,748)	160,854	9,080	(34)	(9,321)	319	45	13,027	173,927
Cash dividends			(5,238)		(5,238)							(5,238)
Net income attributable to owners of the parent			13,455		13,455							13,455
Purchase of treasury stock				(0)	(0)							(0)
Disposal of treasury stock		0		0	0							0
Change in the scope of consolidation		(4)			(4)							(4)
Change in parent's ownership interest due to transactions with non-controlling interests		—			—							—
Decrease of retained earnings (Other)			(750)		(750)							(750)
Other net change during the year						709	(74)	16,206	36	16,877	1,601	18,478
Total changes during period	—	(4)	7,465	(0)	7,461	709	(74)	16,206	36	16,877	1,601	25,940
Balance at March 31, 2022	¥84,397	¥ —	¥94,667	¥(10,748)	¥168,316	¥ 9,789	¥(108)	¥ 6,885	¥ 356	¥16,922	¥14,628	¥199,867
Hyper Inflation Adjustment			1,140		1,140							1,140
Restated balance	84,397	—	95,807	(10,748)	169,456	9,789	(108)	6,885	356	16,922	14,628	201,008
Cash dividends			(4,256)		(4,256)							(4,256)
Net income attributable to owners of the parent			4,574		4,574							4,574
Purchase of treasury stock				(0)	(0)							(0)
Disposal of treasury stock		(0)		0	0							0
Change in the scope of consolidation			(241)		(241)							(241)
Change in parent's ownership interest due to transactions with non-controlling interests		(296)			(296)							(296)
Decrease of retained earnings (Other)		296	(363)		(67)							(67)
Other net change during the year						(2,627)	61	21,830	959	20,224	21,228	41,452
Total changes during period	—	—	(286)	(0)	(286)	(2,627)	61	21,830	959	20,224	21,228	41,165
Balance at March 31, 2023	¥84,397	¥ —	¥95,521	¥(10,748)	¥169,170	¥ 7,162	¥ (47)	¥28,716	¥1,315	¥37,147	¥35,856	¥242,173

	Thousands of U.S. dollars (Note 1)											
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Accumulated retirement benefit adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2022	\$632,051	\$ —	\$708,956	\$(80,495)	\$1,260,512	\$ 73,316	\$(815)	\$ 51,566	\$2,667	\$126,735	\$109,551	\$1,496,799
Hyper Inflation Adjustment			8,541	0	8,541							8,541
Restated balance	632,051	—	717,498	(80,495)	1,269,054	73,316	(815)	51,566	2,667	126,735	109,551	1,505,341
Cash dividends			(31,873)		(31,873)							(31,873)
Net income attributable to owners of the parent			34,260		34,260							34,260
Purchase of treasury stock				(2)	(2)							(2)
Disposal of treasury stock		0		0	0							0
Change in the scope of consolidation			(1,811)		(1,811)							(1,811)
Change in parent's ownership interest due to transactions with non-controlling interests		(2,216)			(2,216)							(2,216)
Decrease of retained earnings (Other)		2,216	(2,720)		(503)							(503)
Other net change during the year						(19,679)	462	163,490	7,183	151,457	158,978	310,435
Total changes during period	0	0	(2,145)	(2)	(2,147)	(19,679)	462	163,490	7,183	151,457	158,978	308,288
Balance at March 31, 2023	\$632,051	\$ —	\$715,353	\$(80,498)	\$1,266,906	\$ 53,637	\$(352)	\$215,057	\$9,850	\$278,192	\$268,529	\$1,813,629

The accompanying notes are an integral part of these statements.

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Consolidated Statements of Cash Flows

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Operating activities:			
Profit before income taxes	¥ 16,777	¥ 23,243	\$ 125,644
Depreciation and amortization	46,275	43,313	346,557
Impairment loss	768	2,514	5,756
Amortization of goodwill	2,468	2,851	18,489
Share of loss (profit) of entities accounted for using equity method	1,451	918	10,870
Increase (decrease) in allowance for doubtful accounts	1,897	804	14,210
Increase (decrease) in liabilities for retirement benefits	377	96	2,828
Interest and dividend income	(2,490)	(1,916)	(18,654)
Interest expenses	4,501	4,135	0
Foreign exchange losses (gains)	(7,102)	(3,545)	(53,192)
Loss (gain) on sales of investment securities	(1,946)	(107)	30,350
Loss (gain) on valuation of investment securities	—	41	(53,192)
Government subsidies	(785)	(150)	(5,883)
Loss on tax purpose reduction entry of fixed assets	785	194	5,883
Decrease (increase) in notes and accounts receivable-trade	(11,113)	6,659	(83,228)
Decrease (increase) in inventories	(25,018)	(7,935)	(187,365)
Increase (decrease) in notes and accounts payable-trade	(5,781)	704	(43,296)
Decrease (increase) in other assets	(6,439)	3,159	(48,223)
Increase (decrease) in other liabilities	7,050	453	27,781
Other loss (gain)	593	815	0
Subtotal	22,269	76,250	166,773
Interest and dividends received	2,304	1,902	17,255
Interest expenses paid	(4,251)	(3,981)	(31,840)
Other proceeds	868	695	6,507
Other payments	(1,482)	(1,326)	(11,102)
Income taxes paid	(9,568)	(6,088)	(71,659)
Income taxes refund	255	762	1,916
Cash flows from operating activities	10,395	68,214	77,849
Investing activities:			
Payments into time deposits	(2,036)	(2,921)	(15,254)
Proceeds from withdrawal of time deposits	2,546	2,586	19,072
Payments for purchase of investment securities	(51)	(253)	(385)
Proceeds from sales of investment securities	4,979	262	37,287
Purchase of shares of subsidiaries	(952)	(192)	(7,129)
Purchase of investments in capital of subsidiaries	—	(70)	—
Proceeds from sales of investments in affiliates	—	2,845	—
Payments for acquisition of shares in subsidiaries resulting in change in scope of consolidation	(2,076)	(5,187)	(15,551)
Payments for acquisition of business	(26)	(24)	(195)
Payments for purchase of fixed assets	(84,835)	(79,803)	(635,327)
Proceeds from sales of fixed assets	10,799	4,278	80,873
Payments for retirement of fixed assets	(256)	(154)	(1,921)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Investing activities:			
Proceeds from capital investment subsidies	¥ 10	¥ 269	\$ 81
Net decrease (increase) in short-term loans receivable	23	295	174
Payments for loans receivable	(140)	(360)	(1,048)
Proceeds from collection of loans receivable	216	7	1,620
Other payments	(10)	(12)	(78)
Other proceeds	72	—	541
Cash flows from investing activities	(71,737)	(78,434)	(537,240)
Financing activities:			
Net increase (decrease) in short-term debt	(15,116)	26,860	(113,210)
Net increase (decrease) in commercial paper	10,000	—	74,889
Proceeds from long-term debt	115,025	61,470	861,421
Repayment of long-term debt	(74,963)	(100,836)	(561,396)
Proceeds from issuance of bonds	—	35,245	—
Payments for redemption of bonds	(2,200)	(1,600)	(16,475)
Proceeds from issuance of stock	19,730	—	147,757
Proceeds from sale of treasury stock	0	0	0
Payments for purchase of treasury stock	(1)	(2)	(14)
Proceeds from sale and leaseback	214	28	1,604
Payments for repayment of finance lease obligations	(4,064)	(4,571)	(30,440)
Cash dividends paid	(4,247)	(5,224)	(31,809)
Proceeds from share issuance to non-controlling shareholders	—	8	0
Dividends paid to non-controlling interests	(141)	(69)	(1,059)
Payments for acquisition of subsidiaries' stock without change in scope of consolidation	(315)	(299)	(2,360)
Payments for acquisition of investments in subsidiaries not involving a change in the scope of consolidation	—	(713)	—
Repayments of installment payables	(840)	—	(6,297)
Other	(0)	—	(6)
Cash flows from financing activities	43,077	10,297	322,602
Effect of exchange rate changes on cash and cash equivalents	12,875	4,161	96,427
Net increase (decrease) in cash and cash equivalents	(5,389)	4,239	(40,360)
Cash and cash equivalents at beginning of period	90,071	85,821	674,541
Increase in cash and cash equivalents from newly consolidated subsidiaries	13	9	102
Ending balance of cash and cash equivalents	¥ 84,695	¥ 90,071	\$ 634,283

The accompanying notes are an integral part of these statements.

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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. However, no adjustment has been made which would change the financial position or the results of operations presented in the original financial statements.

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 ¥133.53 = US\$1, the approximate exchange rate on March 31, 2023. 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.

Amounts of less than one million yen and one thousand U.S. dollars are rounded down to the nearest million yen and thousand U.S. dollars, respectively, in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the 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 companies 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 20 years.

All accounts herein have been presented on the basis of the 12 months ended March 31, 2023 for the Company and for consolidated domestic subsidiaries, and December 31, 2022 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.

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(e) Inventories

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

(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

Available-for sale securities, which are not classified as either trading securities or held-to-maturity debt 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 a 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) 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 are amortized on a straight-line basis over a certain period (mainly 5 years) which is within the average of the estimated remaining service years of employees when they occur.

Actuarial gains and losses are amortized on a straight-line basis over a certain period (mainly 5 years) which is within the average of the estimated remaining service years of 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.

(j) 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 (l) Hedge Accounting below.

(k) 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.

(l) Hedge Accounting

<Method of hedge accounting>

The deferral hedge accounting method is applied in principle. 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.

(m) 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.

(n) Amounts per Common Share

Basic earnings per share are 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 time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

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(o) Revenue Recognition

Revenue is recognized upon delivery of products sold. The customer acquires ownership and control of the products upon delivery. The Group has fulfilled its performance obligation at this time.

Other Revenue Sources

- As an agent
When the Company acts as an agent, revenue is recognized on a net basis.
- Repurchase agreements
Liability is recognized for the amount of the remaining inventory of the goods to be supplied to the buyer.

Revenue is the contract price less returns, discounts, and rebates.

Accounts receivable are all current. All are collected within a year from the delivery date.

(p) Change in Accounting Policies**Application of Accounting Standard for Fair Value Measurement**

Effective April 1, 2022, the Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021). The Group has applied new accounting policy prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Accounting Standard for Fair Value Measurement. There is no impact on the consolidated financial statements.

Additional Information

Turkish Subsidiary—Application of International Audit Standard 29 on Financial Reporting in Hyperinflationary Economies (IAS 29)

IAS 29 was applied to the Turkish subsidiary as of April 1, 2022 as Turkey's cumulative inflation rate over the past three years exceeded 100%. As a result, retained earnings increased by ¥1,140 million (US\$8 million) at the start of the current fiscal year (FY2023). The impact of inflation on the net monetary position for the FY2023 is presented as "Inflation accounting adjustments" under "Non-operating expenses."

3. 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, 2023 and 2022.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Deferred tax assets			
Tax loss carryforwards	¥ 24,486	¥ 24,021	\$ 183,377
Intercompany profits	2,320	3,113	17,374
Valuation loss on inventories	2,176	1,847	16,300
Allowance for bonuses to employees	1,442	1,365	10,806
Sales allowance	467	427	3,503
Loss on impairment of fixed assets	1,980	2,082	14,829
Excess of allowance for doubtful accounts over tax allowable amounts	2,471	2,257	18,509
Net defined benefit liability	1,515	1,464	11,350
Accrued enterprise taxes	226	415	1,698
Accrued expense	409	602	3,062
Accrued bonus	—	1,856	—
Research and development costs	920	570	6,893
Other	5,815	5,406	43,548
Gross deferred tax assets	44,209	45,425	331,085
Less: Valuation allowance for the Net Operating Loss Carry Forwards	(18,869)	(19,211)	(141,313)
Less: Valuation allowance for the deductible temporary differences	(6,568)	(5,788)	(49,190)
Total Less: Valuation allowance (*1)	(25,438)	(24,999)	(190,504)
Total deferred tax assets	18,771	20,425	140,581
Offsetting deferred tax liabilities	(8,394)	(8,032)	(62,867)
Net deferred tax assets	10,377	12,393	77,714
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	3,207	4,369	24,019
Revaluation reserve for land	783	783	5,866
Revaluation reserve for fixed assets—other	531	534	3,983
Retained earnings on foreign subsidiaries	903	774	6,769
Other	4,243	2,187	(26,604)
Total deferred tax liabilities	9,670	8,649	14,034
Offsetting deferred tax assets	(8,394)	(8,032)	(62,867)
Net deferred tax assets (liabilities)	¥ 1,276	¥ 617	\$ 9,557

(*1) In the fiscal year ended March 31, 2023, Valuation allowance was increased by ¥438 million. The main reason for this increase is that Valuation allowance for the Net Operating Loss Carry Forwards was increased by ¥180 million in Nipro Vietnam Company LIMITED.

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

	2023	2022
Statutory tax rate	30.6%	30.6%
Expenses not deductible for tax purposes	1.5	1.0
Non-taxable dividend income	(1.2)	(0.2)
Inhabitant tax on per capita basis	1.0	0.7
Amortization of goodwill	4.5	3.2
Tax credits primarily for research and development costs	(3.7)	(4.3)
Valuation allowance	17.6	9.2
Retained earnings on foreign subsidiaries	0.8	0.7
Unrealized Gain	6.4	(0.7)
Prior tax expense	3.6	0.4
Effect of hyperinflationary accounting	2.3	—
Equity in losses of affiliates	2.7	1.3
Other	(1.5)	(6.7)
Effective income tax rate	64.6%	35.2%

	Millions of yen						
	2023						
	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 Carry Forwards (*A)	¥ 288	¥ 574	¥1,289	¥1,160	¥ 1,122	¥ 20,050	¥ 24,486
Valuation allowance	(288)	(515)	(923)	(909)	(1,011)	(15,220)	(18,869)
Deferred Tax Assets	—	58	365	250	111	4,830	5,616 (*B)

	Millions of yen						
	2022						
	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 Carry Forwards (*A)	¥ 555	¥ 398	¥ 629	¥1,136	¥ 1,391	¥ 19,911	¥ 24,021
Valuation allowance	(393)	(351)	(568)	(788)	(1,151)	(15,958)	(19,211)
Deferred Tax Assets	161	47	60	348	239	3,952	4,810 (*B)

Thousands of U.S. dollars (Note 1)

	2023						
	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 Carry Forwards (*A)	\$ 2,161	\$ 4,301	\$ 9,654	\$ 8,691	\$ 8,410	\$ 150,158	\$ 183,377
Valuation allowance	(2,161)	(3,863)	(6,915)	(6,812)	(7,575)	(113,985)	(141,313)
Deferred Tax Assets	—	437	2,738	1,878	834	36,173	42,063 (*B)

(*A) Each Net Operating Loss Carry Forwards amount is multiplied by Statutory tax rate.

(*B) Deferred Tax Assets for Net Operating Loss Carry Forwards (multiplied by Statutory tax rate) for the years ended March 31, 2023 and 2022 were ¥24,486 million (US\$183,374 thousand) and ¥24,021 million, respectively. Those Deferred Tax Assets were mainly recognized for the balance of Net Operating Loss Carry Forwards (multiplied by Statutory tax rate) in Nipro Holding Americas, Inc. As a result of tax scheduling, Valuation allowance for those Net Operating Loss Carry Forwards was not recognized due to assumption that this amount is collectable.

4. Pledged Assets

The following assets were pledged as collateral:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
	Buildings and structures	¥3,208	¥1,975
Machinery and equipment	1,571	1,198	11,770
Land	3,112	2,929	23,312
Other	641	532	4,800
Total	¥8,534	¥6,636	\$63,911

The above assets were pledged against the following liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
	Short-term debt	¥ 695	¥ 768
Current portion of long-term debt	893	515	6,692
Long-term debt (excluding current portion)	6,136	4,793	45,954
Total	¥7,724	¥6,077	\$57,851

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5. Investment Securities

Investment securities as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Non-current:			
Marketable:			
Marketable equity securities	¥24,593	¥31,466	\$184,176
Investment trust funds and other	—	—	—
Subtotal	24,593	31,466	184,176
Non-marketable securities	2,489	2,561	18,642
Investments in unconsolidated subsidiaries and affiliates accounted for by equity method	10,138	10,979	75,926
Total	¥37,220	¥45,008	\$278,745

The carrying amounts and aggregate fair values of marketable securities for investments as of March 31, 2023 and 2022 were as follows:

	Millions of yen			
	2023			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	¥14,324	¥10,638	¥369	¥24,593
Debt securities and other	—	—	—	—
Total	¥14,324	¥10,638	¥369	¥24,593

	Millions of yen			
	2022			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	¥17,397	¥14,517	¥448	¥31,466
Debt securities and other	—	—	—	—
Total	¥17,397	¥14,517	¥448	¥31,466

	Thousands of U.S. dollars (Note 1)			
	2023			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	\$107,274	\$79,669	\$2,767	\$184,176
Debt securities and other	—	—	—	—
Total	\$107,274	\$79,669	\$2,767	\$184,176

Proceeds from sales of securities and gross realized gains or losses on those sales for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Proceeds	¥5,020	¥262	\$37,599
Gains on sales	1,954	13	14,634
Losses on sales	7	1	58

No impairment loss was applied to securities in the fiscal year ended March 31, 2023.

In the case that 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 disproof, and the asset is treated as an impairment. In the case that fair value for the marketable equity security fell by 30% to 50%, impairment is applied except when it is expected to recover.

6. 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 bonds with stock acquisition rights.

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.

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(b) Details and risk of financial instruments and its 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 1 year.

Payables denominated in a 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-term loans payable are mainly borrowed to make capital expenditures. A part of long-term loans with a 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 a 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, 2023 and 2022 were 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		
	2023		
	Book value	Fair value	Difference
Investment securities	¥ 24,593	¥ 24,593	¥ —
Assets total	¥ 24,593	¥ 24,593	¥ —
Corporate bonds	76,700	75,469	(1,230)
Convertible bond-type bonds with subscription rights to shares	30,210	30,030	(180)
Long-term debt (excluding current portion)	316,555	313,313	(3,242)
Lease obligations (excluding current portion)	25,265	24,025	(1,240)
Liabilities total	¥448,731	¥442,838	¥(5,893)
Derivatives (*1)	¥ (27)	¥ (27)	¥ —

	Millions of yen		
	2022		
	Book value	Fair value	Difference
Investment securities	¥ 31,466	¥ 31,466	¥ —
Assets total	¥ 31,466	¥ 31,466	¥ —
Corporate bonds	78,700	77,424	(1,275)
Convertible bond-type bonds with subscription rights to shares	30,270	30,645	375
Long-term debt (excluding current portion)	267,614	266,257	(1,356)
Lease obligations (excluding current portion)	25,626	23,256	(2,369)
Liabilities total	¥402,210	¥397,583	¥(4,627)
Derivatives (*1)	¥ (167)	¥ (167)	¥ —

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Thousands of U.S. dollars (Note 1)

	2023		
	Book value	Fair value	Difference
Investment securities	\$ 184,176	\$ 184,176	\$ —
Assets total	\$ 184,176	\$ 184,176	\$ —
Corporate bonds	574,402	565,186	(9,215)
Convertible bond-type bonds with subscription rights to shares	226,241	224,893	(1,348)
Long-term debt (excluding current portion)	2,370,672	2,346,393	(24,279)
Lease obligations (excluding current portion)	189,215	179,922	(9,292)
Liabilities total	\$3,360,532	\$3,316,395	\$(44,136)
Derivatives (*1)	\$ (203)	\$ (203)	\$ —

(*1) The amount represents the net amount of assets (liabilities).

Cash is not disclosed. Deposits out of "Cash and deposits", "Trade notes and accounts receivable", "Trade notes and accounts payable", "Short-term bank debt", "Commercial paper", "Current portion of corporate bonds", "Current portion of lease obligations" and "Notes payable-facilities" are not disclosed because their maturities are short and the carrying values approximate fair value.

Remark 1 Financial instruments for which the fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Unlisted equity securities	¥12,175	¥12,981	\$91,182

They are not included in investment securities because there were no quoted market prices available and it is extremely difficult to determine the fair value as of March 31, 2023 and 2022.

Remark 2 Planned redemption amounts after the balance sheet date for monetary receivables with maturity dates

Planned redemption amounts after the balance sheet date for monetary receivables with maturity dates at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
	Within 1 year	Within 1 year	Within 1 year
Cash and deposits	¥ 89,678	¥ 95,342	\$ 671,597
Trade notes and accounts receivable	160,271	140,285	1,200,267

Remark 3 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, 2023 and 2022 were as follows:

	Millions of yen					
	2023					
	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term bank debt	¥130,570	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	10,000	—	—	—	—	—
Current portion of corporate bonds	2,000	—	—	—	—	—
Current portion of lease obligations	4,440	—	—	—	—	—
Corporate bonds	—	4,700	1,000	1,000	—	70,000
Convertible bond-type bonds with subscription rights to shares	—	—	—	30,000	—	—
Long-term debt (excluding current portion)	—	78,925	57,723	49,384	56,850	73,672
Lease obligations (excluding current portion)	—	3,647	2,927	1,647	1,811	15,232
Total	¥147,010	¥87,272	¥61,651	¥82,032	¥58,661	¥158,904

	Thousands of U.S. dollars (Note 1)					
	2023					
	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term bank debt	\$ 977,833	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial paper	74,889	—	—	—	—	—
Current portion of corporate bonds	14,977	—	—	—	—	—
Current portion of lease obligations	33,253	—	—	—	—	—
Corporate bonds	—	35,198	7,488	7,488	—	524,226
Convertible bond-type bonds with subscription rights to shares	—	—	—	224,668	—	—
Long-term debt (excluding current portion)	—	591,066	432,292	369,839	425,748	551,726
Lease obligations (excluding current portion)	—	27,313	21,923	12,337	13,568	114,072
Total	\$1,100,953	\$653,577	\$461,704	\$614,334	\$439,316	\$1,190,025

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Millions of yen

	2022					
	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term bank debt	¥150,675	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of corporate bonds	2,200	—	—	—	—	—
Current portion of lease obligations	3,885	—	—	—	—	—
Corporate bonds	—	2,000	4,700	51,000	1,000	20,000
Convertible bond-type bonds with subscription rights to shares	—	—	—	—	30,000	—
Long-term debt (excluding current portion)	—	54,001	67,802	43,662	39,287	62,861
Lease obligations (excluding current portion)	—	3,375	2,693	2,123	1,310	16,123
Total	¥156,760	¥59,377	¥75,195	¥96,785	¥71,597	¥98,984

(3) Breakdown of fair values of financial instruments by level

The fair values of financial instruments are classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1: Fair value calculated based on quoted market prices for assets or liabilities for which such fair value is available in active markets among the inputs used in the calculation of observable fair value.

Level 2: Fair value calculated using inputs other than Level 1 inputs to the calculation of observable fair value.

Level 3: Fair value calculated using inputs that are unobservable.

When multiple inputs that have a significant effect on the calculation of fair value are used, fair value is classified into the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(a) Financial instruments measured at fair value on the consolidated balance sheet

Millions of yen

	2023			
	Fair value			Total
	Level 1	Level 2	Level 3	
Investment securities				
Other securities				
Stocks	¥24,593	¥ —	¥—	¥24,593
Total assets	¥24,593	¥ —	¥—	¥24,593
Derivatives transactions				
Currency-related	¥ —	¥(29)	¥—	¥ (29)
Interest-related	—	7	—	7
Interest rate and currency related	—	(5)	—	(5)
Total liabilities	¥ —	¥(27)	¥—	¥ (27)

Thousands of U.S. dollars (Note 1)

	2023			
	Fair value			Total
	Level 1	Level 2	Level 3	
Investment securities				
Other securities				
Stocks	\$184,176	\$ —	\$—	\$184,176
Total assets	\$184,176	\$ —	\$—	\$184,176
Derivatives transactions				
Currency-related	\$ —	\$(219)	\$—	\$ (219)
Interest-related	—	57	—	57
Interest rate and currency related	—	(40)	—	(40)
Total liabilities	\$ —	\$(203)	\$—	\$ (203)

Millions of yen

	2022			
	Fair value			Total
	Level 1	Level 2	Level 3	
Investment securities				
Other securities				
Stocks	¥31,466	¥ —	¥—	¥31,466
Total assets	¥31,466	¥ —	¥—	¥31,466
Derivatives transactions				
Currency-related	¥ —	¥(79)	¥—	¥ (79)
Interest-related	—	(9)	—	(9)
Interest rate and currency related	—	(78)	—	(78)
Total liabilities	¥ —	¥(167)	¥—	¥ (167)

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(b) Financial instruments other than those measured at fair value on the consolidated balance sheet

	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Corporate bonds	¥—	¥ 75,469	¥—	¥ 75,469
Convertible bond-type bonds with subscription rights to shares	—	30,030	—	30,030
Long-term debt (excluding current portion)	—	313,313	—	313,313
Lease obligations (excluding current portion)	—	24,025	—	24,025
Total liabilities	¥—	¥442,838	¥—	¥442,838

	Thousands of U.S. dollars (Note 1)			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Corporate bonds	\$—	\$ 565,187	\$—	\$ 565,187
Convertible bond-type bonds with subscription rights to shares	—	224,893	—	224,893
Long-term debt (excluding current portion)	—	2,346,393	—	2,346,393
Lease obligations (excluding current portion)	—	179,923	—	179,923
Total liabilities	\$—	\$3,316,396	\$—	\$3,316,396

	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Corporate bonds	¥—	¥ 77,424	¥—	¥ 77,424
Convertible bond-type bonds with subscription rights to shares	—	30,645	—	30,645
Long-term debt (excluding current portion)	—	266,257	—	266,257
Lease obligations (excluding current portion)	—	23,256	—	23,256
Total liabilities	¥—	¥397,583	¥—	¥397,583

(*) Explanation of valuation techniques used and inputs related to the calculation of fair value

- Investment securities

The fair value of listed stocks is estimated using quoted market prices. Since listed stocks are traded in active markets, their fair value is classified as Level 1.

- Derivative transactions

Fair value is calculated based on prices, etc., provided by financial institutions with which the Company has transactions, and is classified as Level 2.

The fair value of interest rate swaps that qualify for special treatment is included in the fair value of the relevant long-term borrowings because they are accounted for as an integral part of long-term borrowings that are hedged.

- Corporate bonds and Long-term debt

The fair value of corporate bonds and Long-term debt is calculated based on the present value of the total principal and interest discounted using an appropriate index such as the yield on government bonds plus an interest rate that takes credit risk into account, and is classified as Level 2.

- Convertible bond-type bonds with subscription rights to shares

The fair value of convertible bond with stock acquisition rights is calculated based on the price, etc. provided by the financial institutions with which the Company has transactions and is classified as Level 2.

- Lease obligations

The fair value of lease obligations is calculated based on the present value of the principal and interest discounted at an interest rate that takes into account the remaining period of the obligation and credit risk, and is classified as Level 2.

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7. Derivatives

The Company and its consolidated subsidiaries held the following derivatives contracts outstanding at March 31, 2023 and 2022.

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

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

Currency-related

Millions of yen				
2023				
	Type of derivative	Contract amount	Over 1 year out-of-contract amount	Fair value
Transaction other than market transaction	Non-deliverable forward	¥2,945	¥—	¥ (41)
	Currency swaption	2,381	—	118
	Currency swap	463	—	9

Millions of yen				
2022				
	Type of derivative	Contract amount	Over 1 year out-of-contract amount	Fair value
Transaction other than market transaction	Non-deliverable forward	¥ 575	¥—	¥(3)
	Foreign currency forward contracts	5,027	—	5
	Currency swap	1,035	—	6

Thousands of U.S. dollars (Note 1)				
2023				
	Type of derivative	Contract amount	Over 1 year out-of-contract amount	Fair value
Transaction other than market transaction	Non-deliverable forward	\$22,056	\$—	\$(312)
	Currency swaption	17,833	—	889
	Currency swap	3,469	—	72

(2) Derivatives for which hedge accounting has been applied

(a) Currency-related

Millions of yen					
2023					
Method of hedge accounting	Type of derivative	Principal hedge item	Contract amount	Over 1 year out-of-contract amount	Fair value
Principle method	Currency swap	Long-term debt	¥532	¥—	¥(116)

Millions of yen					
2022					
Method of hedge accounting	Type of derivative	Principal hedge item	Contract amount	Over 1 year out-of-contract amount	Fair value
Principle method	Currency swap	Long-term loans	¥505	¥—	¥(87)

Thousands of U.S. dollars (Note 1)					
2023					
Method of hedge accounting	Type of derivative	Principal hedge item	Contract amount	Over 1 year out-of-contract amount	Fair value
Principle method	Currency swap	Long-term loans	\$3,986	¥—	\$(868)

(b) Interest-related

Millions of yen					
2023					
Method of hedge accounting	Type of derivative	Principal hedge item	Contract amount	Over 1 year out-of-contract amount	Fair value
Principle method	Interest rate swap	Long-term loans	¥ 537	¥ —	¥ 7
Exceptional accounting method for interest rate swap	Interest rate swap	Long-term loans	15,000	15,000	(*1)

Millions of yen					
2022					
Method of hedge accounting	Type of derivative	Principal hedge item	Contract amount	Over 1 year out-of-contract amount	Fair value
Principle method	Interest rate swap	Long-term loans	¥ 1,071	¥ 495	¥ (9)
Exceptional accounting method for interest rate swap	Interest rate swap	Long-term loans	15,000	15,000	(*1)

(*1) The fair value of the interest rate swap to which the exceptional accounting method is applied and the fair value of forward foreign exchange contracts, etc., to which the allocation method is applied are included in the fair value of long-term loans in Note 6. "Financial Instruments" because such interest rate swaps and forward foreign exchange contract, etc., are accounted for as a single item with the corresponding long-term loans.

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Thousands of U.S. dollars (Note 1)

Method of hedge accounting	Type of derivative	Principal hedge item	2023		
			Contract amount	Over 1 year out-of-contract amount	Fair value
Principle method	Interest rate swap	Long-term loans	\$ 4,025	\$ —	\$ 57
Exceptional accounting method for interest rate swap	Interest rate swap	Long-term loans	112,334	112,334	(*1)

(c) Interest rate and currency-related

Millions of yen

Method of hedge accounting	Type of derivative	Principal hedge item	2023		
			Contract amount	Over 1 year out-of-contract amount	Fair value
Principle method	Interest rate and currency swap	Long-term loans	¥760	¥760	¥(5)

Millions of yen

Method of hedge accounting	Type of derivative	Principal hedge item	2022		
			Contract amount	Over 1 year out-of-contract amount	Fair value
Principle method	Interest rate and currency swap	Long-term loans	¥1,444	¥722	¥(78)

Thousands of U.S. dollars (Note 1)

Method of hedge accounting	Type of derivative	Principal hedge item	2023		
			Contract amount	Over 1 year out-of-contract amount	Fair value
Principle method	Interest rate and currency swap	Long-term loans	\$5,692	\$5,692	\$(37)

8. Short-Term Debt and Long-Term Debt

Short-Term Debt and Long-Term Debt comprised the following:

Millions of yen

	2023			
	Balance at the beginning of current period	Balance at the end of current period	Average interest rate	Payment term
Short-term debt	¥ 77,830	¥ 65,511	1.796%	—
Current portion of long-term debt	72,844	65,058	0.471%	—
Current portion of lease obligations	3,885	4,440	—	—
Long-term debt (excluding current portion)	267,614	316,555	0.510%	2024–2034
Lease obligations (excluding current portion)	25,626	25,265	—	2024–2038
Other interest-bearing liabilities Long-term guarantee deposits from agents	2,393	2,536	0.407%	—
Total	¥450,195	¥479,368	—	—

Millions of yen

	2022			
	Balance at the beginning of current period	Balance at the end of current period	Average interest rate	Payment term
Short-term debt	¥ 49,536	¥ 77,830	0.782%	—
Current portion of long-term debt	84,450	72,844	0.465%	—
Current portion of lease obligations	4,865	3,885	—	—
Long-term debt (excluding current portion)	294,290	267,614	0.488%	2023–2034
Lease obligations (excluding current portion)	27,194	25,626	—	2023–2038
Other interest-bearing liabilities Long-term guarantee deposits from agents	2,255	2,393	0.413%	—
Total	¥462,594	¥450,195	—	—

Thousands of U.S. dollars (Note 1)

	2023			
	Balance at the beginning of current period	Balance at the end of current period	Average interest rate	Payment term
Short-term debt	\$ 582,867	\$ 490,609	1.796%	—
Current portion of long-term debt	545,532	487,223	0.471%	—
Current portion of lease obligations	29,098	33,253	—	—
Long-term debt (excluding current portion)	2,004,152	2,370,672	0.510%	2024–2034
Lease obligations (excluding current portion)	191,914	189,215	—	2024–2038
Other interest-bearing liabilities Long-term guarantee deposits from agents	17,925	18,993	0.407%	—
Total	\$3,371,491	\$3,589,968	—	—

Average interest rate is the weighted average interest rate on the balance of borrowings, etc. at the end of the fiscal year. Average interest rate for lease obligations is not stated because lease obligations are recorded on the consolidated balance sheets at the amount before deducting the amount equivalent to interest included in the total lease payments.

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The aggregate annual maturities of long-term debt outstanding at March 31, 2023 were as follows:

	Thousands of	
	Millions of yen	U.S. dollars (Note 1)
	2023	2023
2023	¥ 65,058	\$ 487,223
2024	78,925	591,066
2025	57,723	432,292
2026 and thereafter	179,908	1,347,322
Total	¥381,614	\$2,857,889

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.

Corporate bonds comprised the following:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars (Note 1)
	2023	2022	2023
0.25% unsecured bonds due 2025	¥ 3,000	¥ 3,000	\$ 22,466
0% convertible bonds due 2026	30,210	30,270	226,241
1.6% unsecured bonds with subordinated specials due 2055	50,000	50,000	374,447
0.674% unsecured bonds due 2028	10,000	10,000	74,889
0.44% unsecured bonds due 2029	10,000	10,000	74,889
0.014%–0.025% unsecured bonds due from 2024 to 2027 (*1)	5,700	7,900	42,687
Total	¥108,910	¥111,170	\$815,621

(*1) This is the total amount of the bonds Goodman Co., Ltd. issued.

In March 2020, the Company issued ¥3,000 million (US\$22,466 thousand) of 0.25% unsecured bonds due 2025.

In October 2018, the Company issued ¥10,000 million (US\$74,889 thousand) of 0.674% unsecured bonds due 2028.

In October 2019, the Company issued ¥10,000 million (US\$74,889 thousand) of 0.44% unsecured bonds due 2029.

In September 2020, the Company issued ¥50,000 million (US\$374,447 thousand) of 1.6% unsecured bonds due 2025.

In September 2021, the Company issued ¥30,270 million (US\$226,690 thousand) of 0% convertible bonds due 2026.

From February 2017 to February 2022, Goodman Co., Ltd. issued ¥7,900 million (US\$59,162 thousand) of 0.014% and 0.120% unsecured bonds due from 2024 to 2027.

9. 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) is as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars (Note 1)
	2023	2022	2023
Obligation at April 1	¥18,633	¥17,684	\$139,547
Service cost	1,608	1,539	12,046
Interest cost	176	85	1,321
Actuarial gains and losses	(1,700)	(270)	(12,735)
Prior service cost	(467)	(64)	(3,500)
Benefit payments	(735)	(887)	(5,507)
Other (foreign currency translation adjustments, etc.)	216	546	1,619
Obligation at March 31	¥17,731	¥18,633	\$132,792

(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
	2023	2022	U.S. dollars (Note 1)
	2023	2022	2023
Fair value of plan assets at April 1	¥12,726	¥11,950	\$95,307
Expected return on plan assets	205	186	1,538
Actuarial gains and losses	(624)	(107)	(4,676)
Company contribution	734	835	5,499
Benefit payments	(482)	(609)	(3,615)
Other (foreign currency translation adjustments, etc.)	33	471	250
Fair value of plan assets at March 31	¥12,592	¥12,726	\$94,305

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Liabilities for retirement benefit at April 1	¥20	¥108	\$152
Retirement benefit cost	2	1	22
Retirement payments	(1)	(1)	(8)
Decrease due to charge in measurement of retirement benefit obligations from the simplified method to the principle method	—	(76)	—
Other (foreign currency translation adjustments, etc.)	2	(11)	20
Liabilities for retirement benefit at March 31	¥24	¥ 20	\$186

(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)
	2023	2022	2023
Benefit obligation on funded scheme	¥ 14,872	¥ 16,054	\$111,380
Plan assets	(12,592)	(12,726)	(94,305)
	2,279	3,328	17,074
Benefit obligations on unfunded scheme	2,884	2,599	21,598
Net liabilities in the consolidated balance sheet	5,164	5,927	38,673
Net defined benefit liability	5,164	5,927	38,673
Net liabilities in the consolidated balance sheet	¥ 5,164	¥ 5,927	\$ 38,673

(*) 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)
	2023	2022	2023
Service cost	¥1,608	¥1,539	\$12,046
Interest cost	176	85	1,321
Expected return on plan assets	(205)	(186)	(1,538)
Amortization of actuarial gains and losses	(2)	(37)	(22)
Amortization of prior service cost	(168)	(221)	(1,262)
Retirement benefit cost calculated by the simplified method	2	1	22
Other	35	43	262
Total	¥1,446	¥1,224	\$10,829

(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)
	2023	2022	2023
Prior service cost	¥ 467	¥64	\$ 3,500
Actuarial gains and losses	906	17	6,786
Total	¥1,373	¥81	\$10,286

(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)
	2023	2022	2023
Unrecognized prior service cost	¥ 452	¥ 84	\$ 3,391
Unrecognized actuarial loss	1,446	457	10,830
Total	¥1,899	¥542	\$14,222

(h) Items concerning plan assets

1. The breakdown of plan assets

Plan assets as of March 31, 2023 and 2022 consist of the following:

	2023	2022
Bonds	31%	44%
Equities	19	17
Short-term funds	6	—
General account	21	32
Others	23	7
Total	100%	100%

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

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2. Method of determining the expected rate of return on plan assets

The long-term expected rate of return is 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) Basis of actuarial calculation

The assumptions used in actuarial calculations for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022
Discount rate	Primarily 0.6%	Primarily 0.6%
Expected long-term rate of return	Primarily 1.5%	Primarily 1.5%
Expected rate of salary increase	Primarily 6.6%	Primarily 6.7%

(2) Defined Contribution Retirement Plans

The amounts of necessary contributions to defined contribution retirement plans within the Company and consolidated subsidiaries were ¥795 million (US\$5,953 thousand) and ¥715 million for the years ended March 2023 and 2022, respectively.

10. 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)
	2023	2022	2023
Export drafts discounted	¥—	¥4	\$—
Notes receivable endorsed	—	—	—
Total	¥—	¥4	\$—

11. 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 a board of directors, (2) having independent auditors, (3) having a board of corporate auditors, and (4) the service period of the directors is prescribed as one year rather than the normal term of two years by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Company’s present system meets the first three criteria but the two-year service period of the directors does not meet the fourth criterion.

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

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

(b) Increases / Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of the 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 ¥6,256 million (US\$46,853 thousand) as of March 31, 2023, and its additional paid-in capital, which is included in capital surplus, amounted to ¥635 million (US\$4,757 thousand) as of March 31, 2023.

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12. Business Combination

Transaction under common control

(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 Holding Americas, Inc.

Business line: Supervision of new investments and fund management of U.S. subsidiaries, etc.

2) Date of the business combination

January 1, 2022

3) Legal form of the business combination

In-kind investment of our subsidiary shares to Nipro Holding Americas, Inc.

Distribution in kind of our subsidiary shares under NIPRO MEDICAL CORPORATION to Nipro Holding Americas, Inc.

4) Outline and purpose of the transaction

We made an in-kind contribution of shares of our consolidated subsidiary to Nipro Holding Americas, Inc. for the purpose of business development in line with local conditions, prompt decision making, and strengthening of management control.

The target company is NIPRO MEDICAL CORPORATION.

(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).

13. Segment Information

1. Outline of Reportable Operating Segments

In accordance with 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, the 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.

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Business segment information for the years ended March 31, 2023 and 2022 was as follows:

	Millions of yen							
	2023							
	Reportable segment				Other (*1)	Total	Adjustment (*2)	Consolidated financial statements
Medical-Related	Pharmaceutical-Related	PharmaPackaging	Total					
Net sales:								
Outside	¥419,957	¥ 72,734	¥51,754	¥544,446	¥ 752	¥ 545,199	¥ —	¥ 545,199
Intersegment	6,111	22,492	5,962	34,566	3,692	38,259	(38,259)	—
Total	¥426,069	¥ 95,227	¥57,716	¥579,013	¥ 4,444	¥ 583,458	¥ (38,259)	¥ 545,199
Operating income (loss)	¥ 38,599	¥ 5,615	¥ 2,739	¥ 46,954	¥ 257	¥ 47,211	¥ (29,482)	¥ 17,729
Identifiable assets	618,581	221,633	97,150	937,366	201,699	1,139,065	(111,666)	1,027,399
Other items								
Depreciation and amortization	22,466	13,366	5,476	41,310	339	41,649	4,626	46,275
Amortization of goodwill	2,292	21	154	2,468	—	2,468	—	2,468
Increase in tangible and intangible fixed assets	49,099	23,461	15,686	88,247	365	88,613	14,020	102,633

	Thousands of U.S. dollars (Note 1)							
	2023							
	Reportable segment				Other (*1)	Total	Adjustment (*2)	Consolidated financial statements
Medical-Related	Pharmaceutical-Related	PharmaPackaging	Total					
Net sales:								
Outside	\$3,145,045	\$ 544,708	\$387,583	\$4,077,338	\$ 5,631	\$4,082,970	\$ —	\$4,082,970
Intersegment	45,771	168,443	44,653	258,868	27,652	286,520	(286,520)	—
Total	\$3,190,817	\$ 713,152	\$432,236	\$4,336,206	\$ 33,284	\$4,369,490	\$(286,520)	\$4,082,970
Operating income (loss)	\$ 289,066	\$ 42,057	\$ 20,513	\$ 351,636	\$ 1,929	\$ 353,566	\$(220,791)	\$ 132,775
Identifiable assets	4,632,526	1,659,806	727,558	7,019,891	1,510,519	8,530,410	(836,263)	7,694,147
Other items								
Depreciation and amortization	168,253	100,100	41,014	309,369	2,543	311,912	34,644	346,557
Amortization of goodwill	17,168	163	1,157	18,489	—	18,489	—	18,489
Increase in tangible and intangible fixed assets	367,703	175,703	117,475	660,882	2,739	663,621	104,998	768,620

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Millions of yen

	2022							Adjustment (*2)	Consolidated financial statements
	Reportable segment				Other (*1)	Total			
	Medical-Related	Pharmaceutical-Related	PharmaPackaging	Total					
Net sales:									
Outside	¥373,481	¥ 74,386	¥46,361	¥494,230	¥ 559	¥494,789	¥ —	¥494,789	
Intersegment	6,367	20,588	6,130	33,087	2,095	35,183	(35,183)	—	
Total	¥379,849	¥ 94,975	¥52,492	¥527,317	¥ 2,655	¥529,972	¥(35,183)	¥494,789	
Operating income (loss)	¥ 39,241	¥ 9,826	¥ 2,889	¥ 51,956	¥ 101	¥ 52,058	¥(28,175)	¥ 23,882	
Identifiable assets	541,948	203,745	83,255	828,949	158,355	987,304	(56,983)	930,321	
Other items									
Depreciation and amortization	20,117	13,397	4,822	38,337	299	38,636	4,676	43,313	
Amortization of goodwill	2,554	31	266	2,851	—	2,851	—	2,851	
Increase in tangible and intangible fixed assets	56,822	23,362	9,319	89,504	281	89,786	7,006	96,793	

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

(*2) Adjustment is as follows:

- Adjustments for operating income ended March 31, 2023 and 2022 include ¥(681) million (US\$(5,100) thousand) and ¥(2,173) million of adjustment for unrealized gain and ¥(28,801) million (US\$(215,689) thousand) and ¥(26,002) 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 a reportable segment.
- Adjustments for identifiable assets ended March 31, 2023 and 2022 include ¥(206,729) million (US\$(1,548,184) thousand) and ¥(157,649) million of elimination of inter-segment transactions and ¥95,063 million (US\$711,922 thousand) and ¥100,666 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 a reportable segment.
- Adjustments for depreciation and amortization ended March 31, 2023 and 2022 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 increase in corporate assets.

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Loss on impairment of fixed assets and Unamortized balance of goodwill by reportable segments were as follows:

	Millions of yen						
	2023						
	Reportable segment			Total	Other	Adjustment	Total
Medical-Related	Pharmaceutical-Related	Pharma-Packaging					
Loss on impairment of fixed assets	¥ 768	¥ —	¥ —	¥ 768	¥—	¥—	¥ 768
Unamortized balance of goodwill	12,708	10	1,795	14,514	—	—	14,514

	Thousands of U.S. dollars (Note 1)						
	2023						
	Reportable segment			Total	Other	Adjustment	Total
Medical-Related	Pharmaceutical-Related	Pharma-Packaging					
Loss on impairment of fixed assets	\$ 5,756	\$ —	\$ —	\$ 5,756	\$—	\$—	\$ 5,756
Unamortized balance of goodwill	95,172	82	13,444	108,699	—	—	108,699

	Millions of yen						
	2022						
	Reportable segment			Total	Other	Adjustment	Total
Medical-Related	Pharmaceutical-Related	Pharma-Packaging					
Loss on impairment of fixed assets	¥ 1,335	¥ —	¥ —	¥ 1,335	¥1,178	¥—	¥ 2,514
Unamortized balance of goodwill	13,223	32	1,804	15,060	—	—	15,060

Net sales and Property, plant and equipment by geographical areas were as follows:

	Millions of yen				
	2023				
	Japan	Americas	Europe	Asia	Total
Net sales	¥290,177	¥98,089	¥68,294	¥88,636	¥545,199
Property, plant and equipment	275,739	29,744	39,421	87,644	432,550

	Thousands of U.S. dollars (Note 1)				
	2023				
	Japan	Americas	Europe	Asia	Total
Net sales	\$2,173,129	\$734,590	\$511,454	\$663,796	\$4,082,970
Property, plant and equipment	2,065,002	222,757	295,228	656,362	3,239,350

	Millions of yen				
	2022				
	Japan	Americas	Europe	Asia	Total
Net sales	¥280,094	¥78,242	¥60,376	¥76,075	¥494,789
Property, plant and equipment	250,123	22,294	29,294	76,039	377,752

14. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
	Salaries	¥25,951	¥20,396

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15. Research and Development Expenses

Research and development expenses for the years ended March 31, 2023 and 2022 were ¥19,669 million (US\$147,300 thousand) and ¥18,734 million, respectively.

16. Impairment Loss

For the years ended March 31, 2023 and 2022, the Company and its consolidated subsidiaries recorded impairment loss of ¥768 million (US\$5,752 thousand) and ¥2,514 million, respectively.

The following table presents the major impaired assets.

Purpose of use	Location	Type of asset	Millions of yen	Thousands of U.S. dollars (Note 1)
			2023	2023
Business use	NexMed International Co., Ltd.	Tools and fixtures	¥225	\$1,687
Business use	Next OrthoSurgical Inc.	Patent rights	¥186	\$1,398
—	Nipro Digital Technologies Europe N.V.	Goodwill	¥356	\$2,672

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 amount of an asset group is measured by its net selling price or its value in use. In the case that the recoverable amount is net realizable value, it shall be based on appraisal value. Whether the recoverable amount is the value in use, it is calculated by discounting future cash flow by approximately 5%.

Purpose of use	Location	Type of asset	Millions of yen
			2022
Business use	Nipro Medical Corporation	Intangible assets	¥ 491
Business use	Nissho Insurance & Travel Services Ltd.	Buildings and lands	¥1,178
—	Nipro ES Pharma Co., Ltd.	Goodwill	¥ 623

17. Revenue Recognition Breakdown

(1) Revenue from contracts with customers

Sales by product

	Millions of yen					
	2023					
	Reportable segments				Others (*1)	Total
Medical-Related	Pharmaceutical-Related	Pharma-Packaging	Subtotal			
Medical devices	¥312,205	¥ —	¥ 3,401	¥315,607	¥ —	¥315,607
Medical products	107,654	72,734	426	180,815	—	180,815
Pharmaceutical Packaging Products	62	—	47,700	47,763	—	47,763
Others	35	—	225	260	312	573
Others	—	—	—	—	439	439
Sales to external customers	¥419,957	¥72,734	¥51,754	¥544,446	¥752	¥545,199

	Thousands of U.S. dollars (Note 1)					
	2023					
	Reportable segments				Others (*1)	Total
Medical-Related	Pharmaceutical-Related	Pharma-Packaging	Subtotal			
Medical devices	\$2,338,092	\$ —	\$ 25,474	\$2,363,566	\$ —	\$2,363,566
Medical products	806,218	544,708	3,192	1,354,120	—	1,354,120
Pharmaceutical Packaging Products	471	—	357,226	357,698	—	357,698
Others	262	—	1,689	1,952	2,342	4,295
Others	—	—	—	—	3,289	3,289
Sales to external customers	\$3,145,045	\$544,708	\$387,583	\$4,077,338	\$5,631	\$4,082,970

	Millions of yen					
	2022					
	Reportable segments				Others (*1)	Total
Medical-Related	Pharmaceutical-Related	Pharma-Packaging	Subtotal			
Medical devices	¥278,092	¥ —	¥ 3,065	¥281,158	¥ —	¥281,158
Medical products	95,316	74,386	438	170,141	—	170,141
Pharmaceutical Packaging Products	29	—	42,739	42,769	—	42,769
Others	43	—	117	160	113	274
Others	—	—	—	—	445	445
Sales to external customers	¥373,481	¥74,386	¥46,361	¥494,230	¥559	¥494,789

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Sales by region

Millions of yen						
2023						
	Reportable segments			Subtotal	Others (*1)	Total
	Medical-Related	Pharmaceutical-Related	Pharma-Packaging			
Japan	¥210,788	¥66,778	¥11,860	¥289,427	¥311	¥289,738
Americas	86,014	—	12,075	98,089	0	98,089
Europe	47,718	110	20,465	68,294	—	68,294
Asia	75,437	5,846	7,352	88,635	0	88,636
Others	—	—	—	—	439	439
Sales to external customers	¥419,957	¥72,734	¥51,754	¥544,446	¥752	¥545,199

Thousands of U.S. dollars (Note 1)						
2023						
	Reportable segments			Subtotal	Others (*1)	Total
	Medical-Related	Pharmaceutical-Related	Pharma-Packaging			
Japan	\$1,578,583	\$500,099	\$88,822	\$2,167,505	\$2,334	\$2,169,839
Americas	644,155	—	90,432	734,588	1	734,590
Europe	357,358	828	153,267	511,454	—	511,454
Asia	564,947	43,780	55,060	663,789	6	663,796
Others	—	—	—	—	3,289	3,289
Sales to external customers	\$3,145,045	\$544,708	\$387,583	\$4,077,338	\$5,631	\$4,082,970

Millions of yen						
2022						
	Reportable segments			Subtotal	Others (*1)	Total
	Medical-Related	Pharmaceutical-Related	Pharma-Packaging			
Japan	¥198,985	¥69,067	¥11,482	¥279,535	¥113	¥279,649
Americas	69,143	25	9,073	78,242	—	78,242
Europe	43,046	316	17,014	60,376	—	60,376
Asia	62,305	4,977	8,791	76,075	0	76,075
Others	—	—	—	—	445	445
Sales to external customers	¥373,481	¥74,386	¥46,361	¥494,230	¥559	¥494,789

(*1) Other income refers to income from rentals, etc.

(2) Foundational information to understand revenue from contracts with customers
Foundational information to understand revenue from contracts with customers is described in "2. Summary of Significant Accounting Policies (o) Revenue Recognition.

(3) Outstanding balance of Accounts Receivable and Contract Liabilities

Millions of yen				
	2023		2022	
	Beginning Balance (April 1, 2022)	Ending Balance (March 31, 2023)	Beginning Balance (April 1, 2021)	Ending Balance (March 31, 2022)
Accounts Receivable	¥140,285	¥160,271	¥140,521	¥140,285
Contract Liabilities	—	—	—	—
Customer Advances	2,115	426	3,074	2,115
Deferred Revenues	284	578	263	284

Thousands of U.S. dollars (Note 1)		
2023		
	Beginning Balance (April 1, 2022)	Ending Balance (March 31, 2023)
	Accounts Receivable	\$1,050,592
Contract Liabilities	—	—
Customer Advances	15,841	3,193
Deferred Revenues	2,131	4,329

(*1) Contract liabilities consist mainly of customer advances for medical supplies and equipments overseas. They also include unearned income for maintenance service contracts.

(4) Unfulfilled performance obligation

The Group does not have any significant outstanding performance obligations which exceed one year. Most contracts are within one year.

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)
	2023	2022	2023
Cash paid during the year for:			
Interest	¥4,251	¥3,981	\$3,840
Income tax	9,568	6,088	71,659

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Corporate Information

(As of March 31, 2023)

Date of Establishment

July 8, 1954

Head Office

3-9-3 Honjo-nishi, Kita-ku, Osaka 531-8510, Japan

Telephone: +81-6-6372-2331

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

* The office is the registered location of the head office, and the actual business is conducted as follows.

3-26, Senriokashinmachi, Settsu,

Osaka 566-8510, Japan

Telephone: +81-6-6310-6910

Tokyo Office

4-3-4 Hongo, Bunkyo-ku, Tokyo 113-0033, Japan

Telephone: +81-3-5684-5611

Number of Employees

Parent company	4,390
Consolidated subsidiaries	34,380
Total	38,770

Common Stock

Authorized.....	400,000,000 shares
Issued.....	171,459,479 shares
Outstanding	163,696,478 shares
Number of Shareholders.....	76,286

Stock Listings

Tokyo Stock Exchange, Prime Market

Ticker Code: 8086

Transfer Agent

Mizuho Trust & Banking Co., Ltd., Head Office

Stock Transfer Agency Dept.

1-3-3, Marunouchi, Chiyoda-ku,

Tokyo 100-8241, Japan

Principal Shareholders

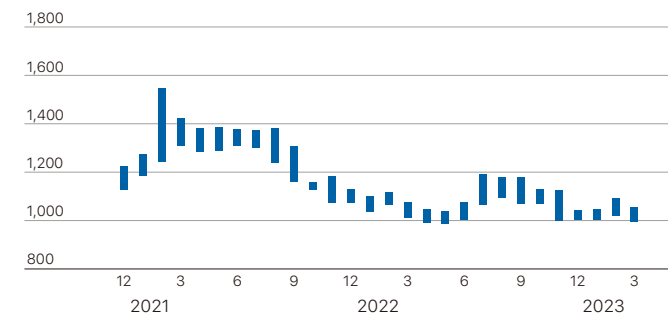
	Number of Shares Held (in thousands)	Percentage of Total Shares in Issue (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	21,631	13.21
Nippon Electric Glass Co., Ltd.	17,135	10.47
Custody Bank of Japan, Ltd. (Trust Account)	9,827	6.00
JP Morgan Chase Bank 385632	4,554	2.78
Resona Bank Limited	3,129	1.91
NIPRO CORPORATION Employee Stock Ownership Association	2,610	1.59
Kazumi Sano	1,910	1.17
STATE STREET BANK WEST CLIENT-TREATY 505234	1,758	1.07
STATE STREET BANK WEST CLIENT-TREATY 505223	1,036	0.63
SSBTC CLIENT OMNIBUS ACCOUNT	979	0.60
Total	64,573	39.45

Major Group Companies (As of March 31, 2023)

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
		NexMed International Co., Ltd.	Development, manufacturing and marketing of orthopedic products
		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
Overseas	Thailand	Nipro Sales (Thailand) Co., Ltd.	Marketing of medical devices
		Nipro (Thailand) Corporation Limited	Manufacturing and marketing of medical devices
		China	Nipro (China) Holdings Co., Ltd.
	Nipro Trading (Shanghai) Co., Ltd.		Marketing of medical devices
	Nipro (Shanghai) Co., LTD.		Manufacturing and marketing of medical devices
	Nipro Medical (Hefei) Co., Ltd.		Manufacturing and marketing of medical devices
	Nipro PharmaPackaging (Shanghai) Co, Ltd.		Marketing of PharmaPackaging products
	Nipro PharmaPackaging (Anyang) Co. Ltd.		Manufacturing and marketing of PharmaPackaging products
	Vietnam	Chengdu Pingyuan Nipro Pharmaceutical Packaging Co., Ltd.	Manufacturing and marketing of PharmaPackaging products
		Nipro Vietnam Company LIMITED	Manufacturing of medical devices
	Singapore	Nipro Pharma Vietnam Co., Ltd.	Manufacturing and marketing of pharmaceuticals
		Nipro Asia Pte Ltd.	Marketing of medical devices
	India	Nipro Medical (India) Pvt. Ltd.	Marketing of medical devices
		Nipro India Corporation Private Limited	Manufacturing of medical devices
		Nipro PharmaPackaging India Private Limited	Manufacturing and marketing of PharmaPackaging products
	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 of medical devices
		Nipro Holding Americas, Inc	General management of the subsidiary
	U.S.A.	Nipro Medical Corporation	Marketing of medical devices
		Infraredex, Inc.	Manufacturing and marketing of medical devices
		Nipro PharmaPackaging Americas Corporation	Manufacturing and marketing of PharmaPackaging products
		Nipro Canada Corporation	Manufacturing and marketing of medical devices
	Canada	Nipro Europe Group Companies N.V.	General management of the subsidiary
		Nipro Medical Europe N.V.	Marketing of medical devices
Belgium	Nipro PharmaPackaging International N.V.	General management of the subsidiary	
	Nipro PharmaPackaging France S.A.S.	Manufacturing and marketing of PharmaPackaging products	
France	Nipro PharmaPackaging Germany GmbH	Manufacturing and marketing of PharmaPackaging products	
Germany	NIPRO PHARMA GLASS AG	General management of the subsidiary	
Switzerland	Nipro PharmaPackaging Ural LLC	Manufacturing and marketing of PharmaPackaging products	
Russia	Nipro PharmaPackaging Croatia LLC	Manufacturing and marketing of PharmaPackaging products	
Croatia			

Stock Price Range (Tokyo Stock Exchange)

(Yen)



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