NIPRO
Your Partner in Health Care

Annual Report 2017

Year Ended March 31, 2017

About NIPRO

For Healthier Life around the World

Contents

Disclaimer

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

In this report, fiscal 2017 represents the year ended March 31,2017.

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Businesses

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

Sales ratio by business

PharmaPackaging Business
8%

Medical-Related Business
73%

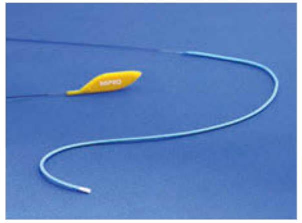
Pharmaceutical-Related Business
19%

Medical-Related Business

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


Renal Products


Injection Products


Circulatory 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 91 pharmaceutical companies in Japan and around the world.

* Contract Development and Manufacturing Organization


Injectables


Orally Administered Drugs


External Preparations

PharmaPackaging Business

Nipro's PharmaPackaging Business, a part of the company since its founding, manufactures and sells glass products and other comprehensive pharmaceutical packaging. Currently, Nipro engages in this business globally from a base of 15 companies and 16 plants in 8 countries, focused on Japan, China, Europe, and the U.S.


Glass Molding

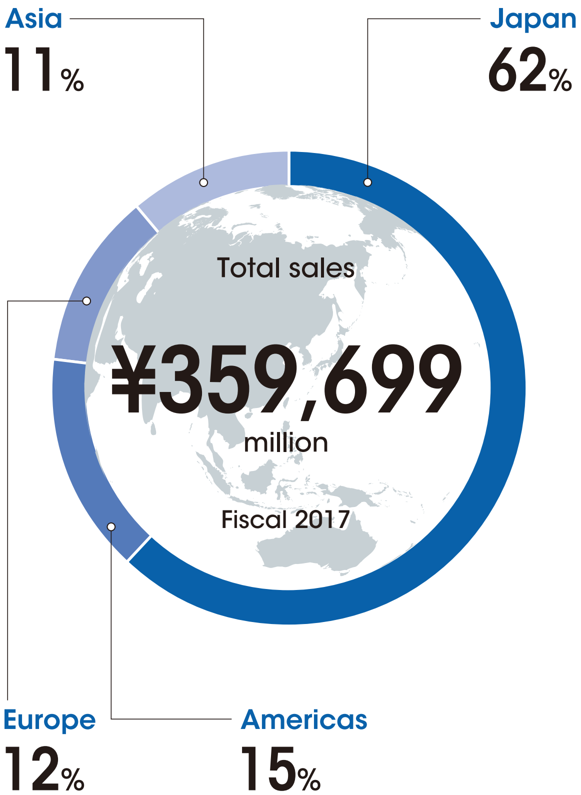

Glass Tubing


Other Industrial Parts

Regions

We Manufacture and Sell Value-Added Products That Meet Local Needs Worldwide

Sales ratio by region



Japan

Number of sites by business

	Medical-Related Business	Pharmaceutical-Related Business	PharmaPackaging Business
Production	6	8	1
Sales	38	3	1
Research & Development	3	2	1

Number of employees

7,200

Americas

Number of sites by business

	Medical-Related Business	Pharmaceutical-Related Business	PharmaPackaging Business
Production	5	–	3
Sales	37	–	1

Number of employees

1,870

Europe

Number of sites by business

	Medical-Related Business	Pharmaceutical-Related Business	PharmaPackaging Business
Production	3	–	6
Sales	26	–	4

Number of employees

1,417

Asia

Number of sites by business

	Medical-Related Business	Pharmaceutical-Related Business	PharmaPackaging Business
Production	7	1	6
Sales	74	1	8

Number of employees

16,928

Medical-Related Business Pharmaceutical-Related Business PharmaPackaging Business

Key Financial Indicators

Net sales

Net sales declined slightly due to appreciation of the yen and the sale of a subsidiary.

Operating income

A decline in the cost of sales boosted operating income.

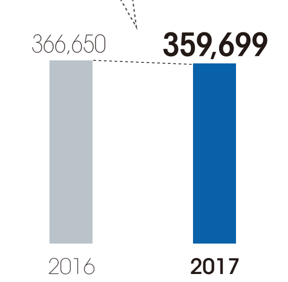
Net income attributable to owners of parent

Net income attributable to owners of parent declined from the previous fiscal year, which had recorded extraordinary income from the sale of a subsidiary in the previous fiscal year.

Nipro Corporation and its Consolidated Subsidiaries
Years ended March 31, 2016, 2017

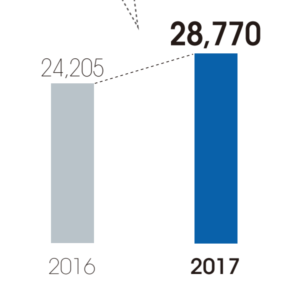
Net sales
(Millions of yen)

Compared to the previous fiscal year
1.9% ↘



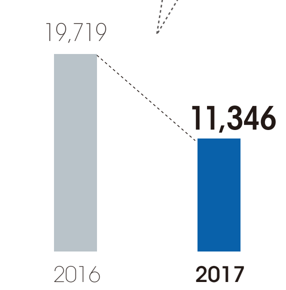
Operating income
(Millions of yen)

Compared to the previous fiscal year
18.9% ↗



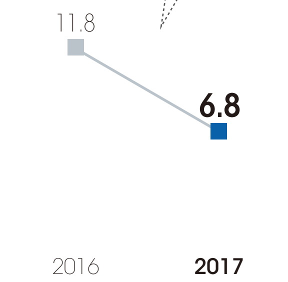
Net income attributable to owners of parent
(Millions of yen)

Compared to the previous fiscal year
42.5% ↘



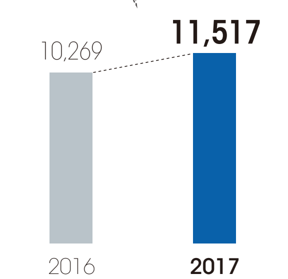
Return on equity
(%)

Compared to the previous fiscal year
5 points ↘



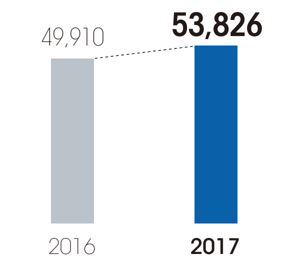
R&D expenses
(Millions of yen)

Compared to the previous fiscal year
12.1% ↗



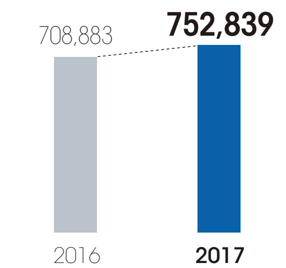
Capital expenditures
(Millions of yen)

Compared to the previous fiscal year
7.8% ↗



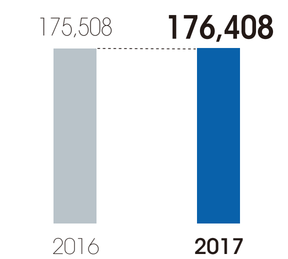
Total assets
(Millions of yen)

Compared to the previous fiscal year
6.2% ↗



Net assets
(Millions of yen)

Compared to the previous fiscal year
0.5% ↗



05 Message from Top Management

10 Message from the CFO ⇨

Business Results for Fiscal 2017 and Assessment

Yoshihiko Sano
President & Representative Director

Q. How was the fiscal year ended March 2017 for the Nipro Group?

A. It was a year in which the synergies among our three businesses first became apparent.

Total sales and income declined from the previous fiscal year, due primarily to the effect of exchange rates and loss of sales of the US subsidiary that we sold at the end of the previous fiscal year. Effective net sales with those impacts excluded, were about 107% those of the previous fiscal year.

Nipro's strength lies in expanding our three businesses of Medical Devices, Pharmaceuticals, and PharmaPackaging, and in providing products and technologies that meet the needs of patients and medical professionals across a wide range of fields.

We have over 20,000 products and are expanding that number by 7-8% every year. Our improvement of an environment that yields synergies among our three businesses is another major factor behind our growth of the business for the year.

Those synergies were particularly evident in the area of generic drugs. We are seeing the effects of sales activities that take advantage of an environment for working together with a marketing team handling medical devices that have earned strong trust in the medical field.

Our injection solutions, developed over many years, and our pre-filled syringe products have developed into highly competitive products. The pre-filled products are made with medical product-use manufacturing technology for rubber stoppers usable with glass containers. Demand is strong for pre-filled syringes filled with injection solution, and we expect further growth.

Results

Net sales
¥ 359,699 million 1.9% ↘ decrease from fiscal 2016

Operating income
¥ 28,770 million 18.9% ↗ increase from fiscal 2016

Net income attributable to owners of parent
¥ 11,346 million 42.5% ↘ decrease from fiscal 2016

Medium- to long-term targets

Fiscal 2021 net sales **¥500billion**

Fiscal 2031 net sales **¥1 trillion**

Major Initiatives

Q. Among recent initiatives, what is Nipro focusing on?

A. We are working to stabilize quality and improve our technologies by strengthening our production structure.

For a manufacturer to grow, creating products that are valuable and competitive for users is of utmost importance. The fundamentals of this are the realization of product development that meets users' needs, stabilization of production quality, and reduction of costs. In the medium to long term, increasing quality through constant technological improvement is indispensable.

One initiative we have been putting effort into for the past few years to strengthen our production structure has been creating mechanisms to share information on strengths and weaknesses in each plant and incorporating positive initiatives into each.

In all of our businesses, we regularly convene Plant Manager Committees that bring plant managers together from around the world to exchange information.

Through the Plant Manager Committees, we have strengthened our production structure, with results seen in four consecutive years of gross profit ratio growth starting with fiscal 2014. It is important that we continue improving our technologies through such steady initiatives, and that we connect improvements to sales and income.

Q. What initiatives did Nipro emphasize this past fiscal year?

A. We worked to incorporate users' needs and strengthen technical sales to enhance product competitiveness.

Grasping users' situations and needs, and strengthening technical sales that lead to product development, product explanations, and technical service from the standpoint of users' needs, are important for improving product competitiveness.

Nipro established the iMEP* dedicated training facility for medical professionals in Japan in 2014, and has leveraged iMEP to improve our products and strengthen our development and technical sales capabilities. Our sales teams have enhanced their ability to propose products from an understanding of medical professionals and their needs, an achievement that is now reflected in our sales.

In April 2015, we established the Vascular Division as a dedicated organization handling vascular products. In the fiscal year in review, we moved forward with product development, preparation for approvals, and the construction of a sales network as a foothold for global rollout.

For products like vascular products, it is necessary to work with the medical societies of each country to understand what products are needed locally, and then create the structures that can develop, manufacture, and supply those products. We are growing our sales of vascular products in Japan because we built such a structure. Overseas, too, we will have dedicated teams undertake local market surveys and build relationships with physicians, and connect these efforts to the expansion of sales.

* iMEP : institute for MEdical Practice

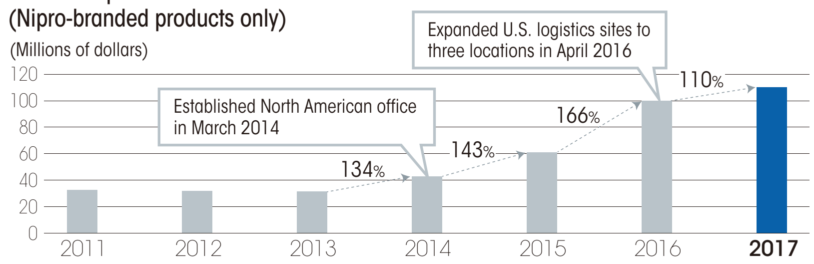
POINT

A Business Strategy that Incorporates Local Users' Needs in the North American Market

In the North American market, we opened an office in 2014 and launched full-scale sales of dialyzers and other Nipro-branded products. We also began collaboration with a major dialysis clinic group in the region during the fiscal year in review, and have secured a nearly 10% share of the dialyzer market in North America.

In fiscal 2018, we plan to open a site in Canada as well. Looking ahead, we plan to enhance our share in North America for all renal products by constructing a sales structure matched to the North American market. We are also strengthening our production structure to meet expanding sales needs.

Sales of nipro north america division (Nipro-branded products only)



Forecast for Fiscal 2018 and the Outlook for the Future

Q. What will Nipro be focusing on in the coming fiscal year?

A. We aim to achieve profitability at all of our overseas plants.

For the Nipro Group to grow and expand, further enhancing the competitiveness of our products and making all of our overseas plants profitable is one of the most important issues we face.

Accordingly, while thoroughly undertaking cost reductions and the elimination of defects, we will establish a Product Planning & Development Department in each plant and will create systems that enable the planning, development, and production of products that meet users' needs. In the future, drawing on the idea of local production and consumption, we hope to make every plant capable of taking on a role similar to that of a mother plant in planning, developing, and producing products demanded by people in that country.

Moreover, having established iMEP in Japan and affirming the importance of technical sales, we will expand iMEP worldwide, beginning with a site scheduled to open in Belgium.

Responding to the medical needs of the world is Nipro's mission. As one such initiative, we will create dialysis clinics and training facilities in every region of the world, contributing to the spread of Japan's world-class dialysis treatment. Moreover, we will make efforts in diagnostic-related development as an approach to not only treating illness but also promoting health.

To fulfill our manufacturer's responsibility of prohibiting the unintended use of products, we will enhance technical service that extends to final usage and will improve our traceability system.

Q. What are the prospects and initiatives for achieving Nipro's medium- to long-term goals for fiscal 2021?

A. We will accelerate the development of new products and new technologies.

Toward our goal of ¥500,000 million in Nipro Group consolidated net sales in fiscal 2021, we will accelerate the development of new products and technologies, continuing to expand businesses that contribute to society.

Our sales activities in generic drugs, an area of ongoing effort, are expected to contribute greatly to achieving this goal.

Approval applications will be made in autumn of the next fiscal year for cellular pharmaceuticals in the regenerative medicine field, with sales to launch around June 2018. As we plan future manufacturing capability to meet the needs of about 10,000 patients we intend to move quickly in establishing the production technology. In the field of regenerative medicine, we hope to systemize technology for culture media, packaging, and testing devices, displaying the power of Nipro's "Business Trinity."

Outlook

Net sales

¥ 392,500 million 9.1% ↗ increase from fiscal 2017 — 1

Operating income

¥ 31,500 million 10.8% ↗ increase from fiscal 2017 — 2

Net income attributable to owners of parent

¥ 18,000 million 9.5% ↗ increase from fiscal 2017 — 3

1. On the manufacturing front, initial launch inefficiencies are expected with the start of operations at new plants, including the Vietnam Plant in the pharmaceutical business and the Yamanashi Plant in the vascular business. Despite this, we plan to increase net sales from the previous fiscal year by raising the productivity of existing plants.
2. Although we expect increases in research and development expenses, as well as expenses associated with expanding the scope of sales and establishing new subsidiaries, we plan to increase operating income from the previous fiscal year.
3. Earnings of Tanabe Seiyaku Hanbai Co. Ltd., with which we concluded a stock acquisition agreement effective March 28, are not included in this consolidated earnings forecast.

CSR Activities and Return to Shareholders

Q. What are key initiatives in Nipro's CSR activities?

A. To realize our corporate philosophy, we are working to create workplaces where employees will continue working.

Our commitment to being "a corporation that is trusted by patients, customers, and many others" requires long-term accumulation of technology. We believe that product planning, development, manufacturing, and sales, must be performed with an understanding of the historical development of treatment, and that creating an environment in which employees will remain working is important for this.

In Japan in particular, there is attention on support for long-term employment of women. We hope to increase the number of childcare centers within Nipro. We are also striving to create workplaces where employees can themselves find enjoyment in work and remain working for a long time.

Nipro has expanded into 55 countries and has about 27,400 employees, of which about 74% are overseas employees. As a company expanding business globally, Nipro has a social mission of providing places where people in every country can work. We will fulfill that mission as we expand our sites around the globe and co-exist with local communities and people.

Nipro must play an important role in making contributions to society and communities of which it is a member, through activities such as support for disaster-stricken areas, clean-up campaigns, and environmental conservation projects. Nipro is committed to actively undertaking such activities.

Q. Do you have any message for Nipro's investors?

A. Nipro will work to secure stable profits and continual growth into the future.

By making efforts to enhance the broad range of products that constitutes Nipro's strength, we will work to secure stable profits and continual growth into the future, and to ensure that we meet our medium- to long-term goals.

Moreover, while further displaying synergies among our three businesses, we aim to develop as a global company in order to provide products and technologies that meet the needs of patients and medical professionals in Japan and around the world.

With regard to profit sharing, one of our key management policies, we will emphasize a balance among investments to meet users' needs, such as manufacturing equipment and R&D expenses; the return of profits to shareholders; and the enhancement of the company's sound financial footing.

POINT

In April 2017, We Opened a New Workplace Childcare Center to Increase Employees' Satisfaction

Nipro launched operation of a childcare center attached to our Life Science Site(Kusatsu-Shi,Shiga), which houses laboratories and training facilities. We are working to help employees balance work with childcare, and to improve our workplace environments to facilitate work.

POINT

Creating Workplaces that Facilitate Work for Every Employee Under the "Fish! Philosophy"

The "Fish! Philosophy" is a human resources management technique born in a US West Coast fish market.

Nipro, too, is undertaking the invigoration of workplaces under four principles of conduct: playing at work, making others happy, being present, and choosing one's attitude.

Maintaining a Balance between Investment for Future Growth Fields and Returns to Shareholders

Takehito Yogo
CFO

Regarding Capital Investment

In all of our businesses in Japan and overseas, Nipro is actively making capital investments in preparation for future business expansion.

Capital expenditures in fiscal 2017 totaled ¥53,826 million, an 7.8% increase from the previous year.

In Japan, we made investments in dialyzer manufacturing equipment at the Odate Plant, and invested to meet increasing demand of dialysis fluid and ampoule formulations at the Nipro Pharma Corporation Ise Plant and Kagamiishi Plant. We acquired land for a new Goodman plant for vascular business, undertook new plant construction at Nipro Medical Industries, carried out construction of Regenerative Medicine R&D Center and a new plant for the Cell Science & Technology Institute related to our regenerative medicine business.

Overseas, we invested to meet increasing market demand at Nipro (Thailand) Corporation and installed syringe production equipment at Nipro PharmaPackaging Germany.

In fiscal 2018, we plan to increase capital expenditures by 5.5% to ¥56,800 million. In Japan, we will make enhancements to our Research and Development Center and Regenerative Medicine R&D Center while further strengthening plants' production equipment. Overseas, we will increase investments in production equipment, especially for dialyzers in China and India.

Such capital expenditures will remain necessary in Japan, primarily in new and existing business domains, as well as overseas to meet growing demand under expanding medical infrastructures as emerging countries develop economically.

Nipro uses gross profit ratio as an indicator of efficient management of invested capital, and will undertake investments that enable continuous improvements in this ratio. Our aim is a balance between corporate growth and enhanced profitability, as well as a resulting improvement in our financial balance.

Currency Fluctuation Effects and Countermeasures

Nipro has expanded into 55 countries in which it conducts business. Our overseas sales have grown year by year and now account for 38.5% of our total sales.

Nipro's head office estimates that a ¥1 change in the dollar/yen exchange rate will have an impact of about ¥176 million on gross profit. During the fiscal year, we carried out active hedges against exchange rate risk, including the conclusion of forward exchange contracts at the head office and some subsidiaries. Through such measures, in fiscal 2017 we were able to constrain the negative impacts that occurred in some markets due to exchange rate movements.

In the medium to long term, we believe it will be possible to mitigate the effects of exchange rate fluctuations following the start of operation of the production plants that we are constructing under the concept of local production and consumption.

Nipro's Policy on Returns to Shareholders

The return of profits to shareholders is a key priority for Nipro. At the same time, internal reserves are also needed for the capital investments and R&D that are essential to further growth. As such, we believe a balance between the two is important. Nipro currently sets the total amount of 1/3 of consolidated net profit and 2/3 of non-consolidated net profit as the foundation for dividends, with a policy of allocating 40% of this as dividends.

For fiscal 2017, Nipro paid a dividend of ¥29.0 per share. For fiscal 2018, a dividend of ¥37.5 per share is planned.

11 Review of Operations

19 Research and Development Activities

Feature

Nipro is Strengthening Its Bases for Future Growth

1: Surgical Products

Nipro is aiming to nurture surgery-related medical devices as another source of revenue following dialysis-related products, general disposables, and cardiovascular medicine related-products. The first step in this was the establishment of an SD (Surgical Devices) Division in the organizational restructuring we undertook in April 2015. Then, in fiscal 2017, we further strengthened our activities in the field by acquiring NexMed International Co., Ltd., and made a capital alliance with the Transonic Group.

January 2017

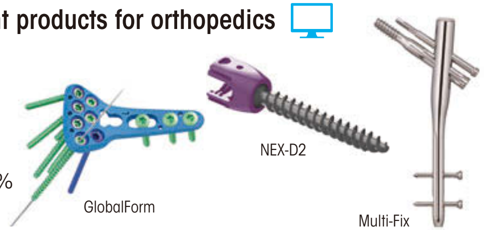
Acquisition of NexMed International Co., Ltd., a company focused on implant products for orthopedics

Through the acquisition of NexMed International Co., Ltd., we anticipate the use of NexMed's business base as a platform, and the creation of synergies by introducing new product lines to Nipro.

NexMed INTERNATIONAL

Company Information

Established: 2011
Country: Japan
Number of employees: 52
Nipro's investment ratio: 85%



January 2017

Capital and business alliance with the Transonic Group, a developer, manufacturer, and seller of blood flow measurement devices

Transonic Group is a leading global manufacturer of ultrasonic blood flow meters. Nipro has sold the company's HD02 Hemodialysis Monitor in Japan for many years.

Nipro and the Transonic Group have entered into a capital alliance through which both companies will complement each other's expertise. Nipro will conduct comprehensive sales in Japan of Transonic products in areas extending beyond dialysis, including surgery-related products.

transonic

Company Information

Established: 1983
Country: U.S.
* Transonic Japan Inc. was established in Japan in 2010.

HD03 Hemodialysis Monitor (succession machine of HD02)

AureFlo™ Surgical Flowmeters

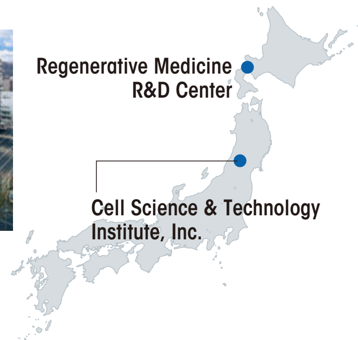
2: Regenerative and Cellular Medicine

Nipro is actively undertaking initiatives in regenerative medicine and other cutting-edge areas of medicine, working to create a future pillar for our business.

December 2016

Completion of the Regenerative Medicine R&D Center

Nipro has constructed the Regenerative Medicine R&D Center in Sapporo. At the Center, we will advance joint research with Sapporo Medical University to develop and produce therapeutic agents that use stem cells to mitigate the aftereffects of cerebral infarction or spinal cord injury.



December 2016

Completion of a new plant at our subsidiary, the Cell Science & Technology Institute, Inc.

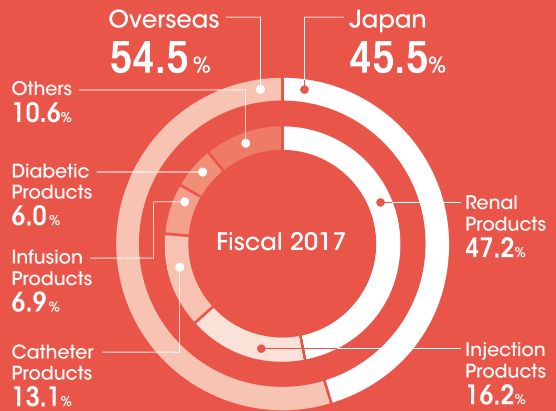
The institute has constructed a new plant to boost our production of cell culture medium in preparation for the expansion of the regenerative medicine and bio pharmaceuticals markets.

Medical-Related Business

Net sales

Total **¥262,198** million

Sales ratio by region and product



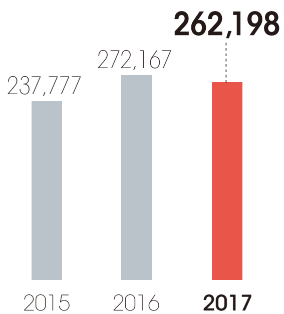
Financial Results for Fiscal 2017

Net sales for the fiscal year ended March 31, 2017 decreased 3.7% to ¥262,198 million.

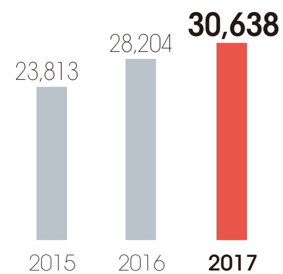
Sales in Japan remained strong in all product areas, although healthcare reimbursement pricing reforms occurred in April 2016. In particular, in the area of renal products, sales of dialyzers grew significantly. In the area of cardio vascular surgery products, sales of implantable auxiliary artificial hearts grew, while in the area of vascular products, sales of drug-eluting balloon catheters grew.

Overseas sales declined from the previous fiscal year. This was due to a decline in sales with the strengthening of the yen, as well as the sale of our consolidated subsidiary Nipro Diagnostics, Inc.

Net sales (Millions of yen)



Operating income (Millions of yen)



Strategy and Outlook for Fiscal 2018

For the coming fiscal year, we expect net sales to increase 10.8% from the fiscal year in review to ¥297,700 million.

We intend to expand our share in our products' markets by energetically promoting new sales channel development and the expansion of our product lineups in the areas of diabetes products, vascular products, and generic drugs, as well as renal products. We will also be making efforts in the area of orthopedics.

We aim to capture the world's leading share in renal products, while also planning to establish new bases and expand sales channels in India, China, and other emerging markets, where further market expansion is forecast.

POINT

Welcoming a Domestic Generic Drug Manufacturer as a Subsidiary

In March 2017, we entered into a share transfer agreement to acquire all of the outstanding shares of Tanabe Seiyaku Hanbai Co., Ltd.

We will connect this business to the enhancement of the products our Group handles and to the expansion of our sales channels under the new company name Nipro ES Pharma.

Medical-Related Business

TOPICS

We Strengthened our Overseas Sales Structure and Expanded the Production Capacity of New Overseas Plants to Meet the World's Needs.

Beginning with the establishment of a sales base in Thailand in 1988, we have built a medical device sales network that can deliver Nipro's products to every corner of the globe. As we have top share for both dialyzers and hemodiafilters in the domestic Japanese market today, we will continue to strengthen this direct sales structure throughout the world.

In fiscal 2017, we established new sites in Austria, Ethiopia, Vietnam, China, and India. As a result, we now have 175 sales offices in 55 countries for medical related business.

Also, we obtained approval to establish a new plant for medical business in Vietnam in March 2017, and are proceeding with the expansion of production in our overseas plants in India, China, Indonesia and Bangladesh. As a result, we now have 21 plants in 11 countries for medical related business.

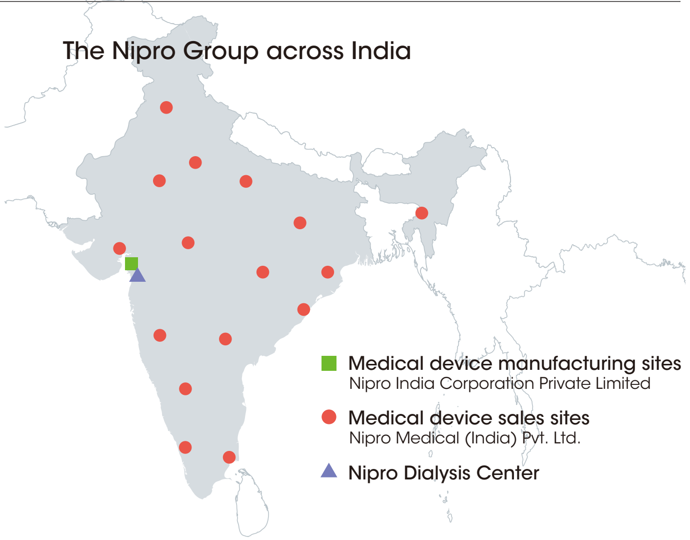
In addition, we are going to provide education on the proper use of our products and create relationships that bring us closer to the demands of customers worldwide by establishing Nipro Dialysis Centers and iMEP.

We Moved Ahead with Opening Sites in Every Indian State to Enhance our Market Presence through Service Provision Close to Communities.

With a population nearing 1.3 billion, India has an estimated 150,000 dialysis patients who undergo 1 million dialysis treatments every month. As dialysis facilities are inadequate at present, the Indian government has indicated a policy of opening treatment facilities. At the same time, advanced medical treatment is becoming more widely available under economic development. Against this background, we increased and expanded our sales and manufacturing sites in fiscal 2017.

Target value
Fiscal 2021 net sales **¥10 billion**

The Nipro Group across India



May-August 2016

Establishment of sales sites with warehouses in eight major cities

With new sites bringing our structure to a total of 16 sites, we have constructed a speedier product provision system from which to increase customer satisfaction and expand sales.

September 2016

Expansion of our dialyzer manufacturing line

In order to meet expanding sales of dialyzers, our medical device manufacturing subsidiary Nipro India Corporation Private Limited began expanding its manufacturing lines.

March 2017

Opening of the Nipro Dialysis Center, a site for treatment and training

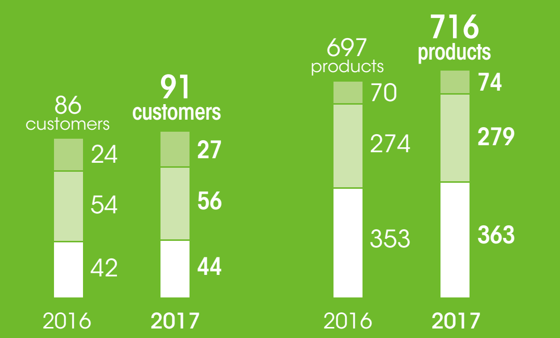
This site will provide, and serve as a showcase for, quality dialysis treatment. Also, facilities of training for dialysis technicians and nurses are next door, contributing to producing dialysis technicians and developing dialysis treatments.

Pharmaceutical-Related Business

Net sales

Total **¥69,140** million

Supply records



*The figures in this graph were calculated in May 2016 and May 2017.
*The number of customers does not include overlap among the three categories.

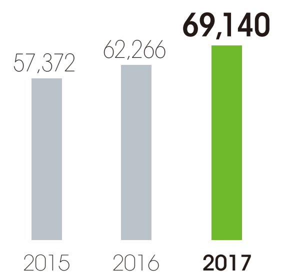
Financial Results for Fiscal 2017

Net sales for the fiscal year ended March 31, 2017 increased 11.0% to ¥69,140 million, continuing strong performance from the previous fiscal year.

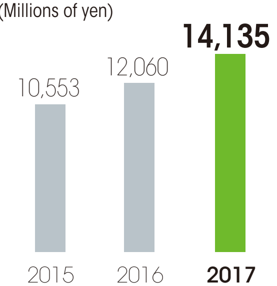
Our contract manufacturing division worked to provide a wide range of diverse and attentive services including contract manufacturing of orally administered drugs, injectables, and external preparations; contract development of various preparations, beginning with formulation design; contract development that draws on our strengths in development and supply of vials, syringes, bags, and other packaging and containers for injectables in particular; and life cycle management support that aims to deliver further additional value and differentiation.

We continued robust performance in pharmaceutical containers, pharmaceutical preparations, and administration devices by providing administration systems and containers suitable to every pharmaceutical product, through development by our company or jointly with pharmaceutical manufacturers.

Net sales (Millions of yen)



Operating income (Millions of yen)



Strategy and Outlook for Fiscal 2018

For the coming fiscal year, we expect net sales to increase 2.8% from the fiscal year in review to ¥71,100 million.

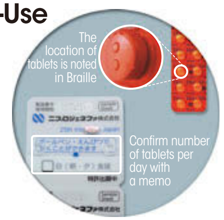
Our contract manufacturing division has improved its production and quality assurance systems to adapt to overseas markets, and will further enhance its production capabilities, achieve early operational launches of production sites overseas, and enable the supply of pharmaceuticals to the world with more stable supply capabilities and cost competitiveness.

In pharmaceutical containers, pharmaceutical preparations, and administration devices, we will draw on synergies among our divisions to develop and provide value-added pharmaceuticals unique to Nipro, with the safety and convenience needed for medical practitioners and patients in mind.

POINT

Creation of Safe and Easy-to-Use Products: Universal PTP®

We are undertaking the creation of products with pharmaceutical users in mind, including tablets with raised portions to allow even the elderly and persons with visual impairments to identify tablets by touch.



Universal PTP GenePack®

Pharmaceutical-Related Business
TOPICS

We Expanded Production Capacity at our Sites in Japan.

In Japan's pharmaceutical products market, generic drugs are expanding rapidly under aggressive promotion policies by the government.* At the same time, foreign pharmaceutical companies are bringing new pharmaceutical products to market at an unprecedented pace. To respond appropriately to this environment and meet production needs, we are carrying out capital investment at our domestic sites.

* Increase the share of generic drugs to 80% or more (by volume) of all pharmaceutical products by September 2020.

Nipro Pharma Corporation Ise Plant

Construction of a new building specialized for pharmaceutical product inspection and packaging

Start of operation: July 2017

Features:
- Support for foreign-affiliated firms to enter the Japanese market
- Japanese market-oriented packaging for products that are introduced from overseas
- Detailed accommodation of special packaging
- Accommodation of small scale production of products, including investigational drugs for clinical studies, etc.

Zensei Pharmaceutical Co., Ltd.

Leveraging the features of two neighboring plants for a high-quality, low-cost stable supply system

Izumi Plant

Features: Achieving high-quality and low-cost manufacturing through the introduction of 24-hour, automated, unattended facilities and ultra-fast tableting machines

Kishiwada Plant

Features: Capability of small-lot to large-lot manufacturing

Production capacity for the two sites combined: **7.5** billion or more tablets /year (planned)

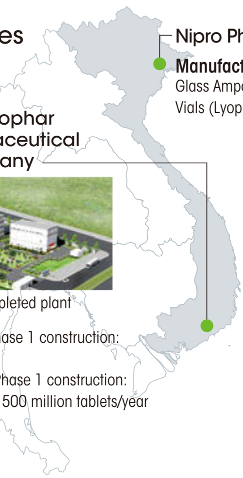
We Will Supply Price-Competitive Pharmaceuticals to Asian Markets through the Acquisition of Shares in a Vietnamese Pharmaceutical Company.

Since the autumn of 2013, Nipro Pharma Corporation, our pharmaceutical product manufacturing subsidiary, has provided pharmaceutical product technology to Mekophar Chemical Pharmaceutical Joint-Stock Company, a pharmaceutical product manufacturing and sales company in Vietnam.

Nipro Pharma Corporation acquired shares of the Vietnamese company in November 2016, and plans to further strengthen its collaboration with the company.

At present, we are providing full support for a plant construction project being undertaken by a subsidiary of Mekophar. We plan to use the new plant for the low-cost production of self-branded generic drugs.

Production sites in Vietnam



Nipro Pharma Vietnam Co., Ltd.
Manufacturing capacity
Glass Ampoules: 39 million units/year
Vials (Lyophilized Products): 20 million units/year

New plant of Mekophar Chemical Pharmaceutical Joint-Stock Company

Conceptual design of completed plant

Start of production after Phase 1 construction: fiscal 2019
Production capacity after Phase 1 construction: Orally administered drugs: 500 million tablets/year

PharmaPackaging Business

Net sales

Total ¥28,331 million

Sales ratio by region

Financial Results for Fiscal 2017

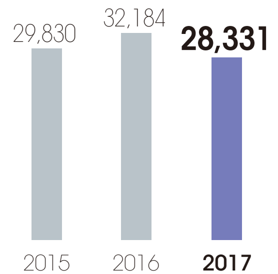
Net sales for the fiscal year ended March 31, 2017 decreased 12.0% to ¥28,331 million with an effect from exchange rate conversion of ¥2,900 million.

In addition to sales of existing products, the PharmaPackaging Business expanded its academic and technical sales through means including participation in academic meetings with an eye toward new demand. In addition, in Japan and overseas, the Business promoted new product and technology developments matched to filling processes and injectable formulations that demand a high level of stability in quality.

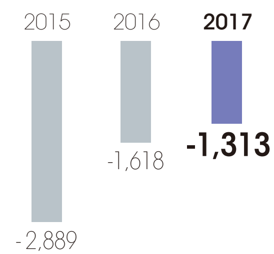
In Japan, sales grew steadily in the area of vial and pre-fillable syringe manufacturing, through means including sales in collaboration with the pharmaceutical division.

Overseas, excluding the effects of exchange rate conversion under the higher yen, net sales were almost unchanged from the previous fiscal year, due to active sales expansion of high value-added products.

Net sales (Millions of yen)



Operating income (Millions of yen)



Strategy and Outlook for Fiscal 2018

For the coming fiscal year, we expect net sales to increase 8.3% from the fiscal year in review to ¥30,700 million. At our Biwako Plant in Japan, we completed the rubber stopper building that is scheduled to begin operation in October 2017. By enabling the manufacture of medical rubber stoppers in addition to vials and syringes, the plant will function as a comprehensive supply base for medical and pharmaceutical packaging materials, and will carry out development and supply of high-value added products that meet users’ needs.

Overseas, we will expand our share by moving forward with development and market entry for advanced products that meet the needs of medical professionals and patients worldwide.

POINT

The Medical Rubber Stopper Building at the Biwako Plant

Constructed in response to growing sales of medical rubber stoppers in the domestic market, this is the second rubber stopper production site in Japan after the Odate Plant.

PharmaPackaging Business

TOPICS

Nipro is Actively Developing Containers that Leverage Cutting-Edge Technology.

Amid the growing need for bio pharmaceuticals in recent years, medical fields face problems with denaturation of drugs and adhesion of drugs to containers.

Nipro's PharmaPackaging Business Division is committed to product planning and development from the perspective of users. The division is engaged in product development that meets the demands and solves the problems of users, collaborating with the Medical-Related Business, the Pharmaceutical-Related Business, and research institutes while building partnerships with users.

CPhI 2016 awards

CPhI is an established pharmaceutical event with over 26 years' experience of bringing together the movers and shakers in pharma.

Last year we submitted 2 candidates for 2 different categories : 1 for VIALEX™ and 1 for the Laser-Based Cutting". And with both topics we made it to the shortlist of finalists. We got a lot of additional "free" publicity by means of organizer of all CPhI tradeshows.

VIALEX™

Premium Technology for Surface Control

With patient safety at heart and the passion for continuous innovation and enhancement of primary packaging material, Nipro's R&D team in Japan developed and Nipro's Engineering team perfected the VIALEX™ Technology.

PROVEN TECHNOLOGY
Successfully passed over 100 challenging tests

Features:
- Unparalleled surface quality
- Easy replacement
- Unique Compliance

Effects:
- Limited pH shift & reduction of extractable
- Unprecedented hydrolytic resistance
- Increased surface durability

Pre-fillable syringes

Novel technologies taking quality to the next level

With soaring scrutiny from regulators on drug delivery systems' safety and effectiveness, addressing syringe high-end industry requirements has become increasingly challenging.

Since 2006, nearly 50 medications have experienced glass breakage or particulate issues serious enough for FDA recalls, impacting over 100 million units of medication. Our response was to investigate how this could be improved. With an implementation of laser-based glass cutting technology on syringe manufacturing lines, we substantially lowered the glass particle generation during the cutting process.

Research and Development Activities

Contributing to Innovation in Medical Care through Original Technologies and Ideas

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


①②③ Kusatsu-Shi, Shiga


④ Sapporo-Shi, Hokkaido


⑤ Seto-Shi, Aichi

	Research theme	Status of industry-academia collaboration	Number of employees
① Research and Development Center	• Products of cellular and regenerative medicine • 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	Implementation of research aimed at the joint development and early realization of new products, in collaboration with universities and research institutions in Japan.	173
② Pharmaceutical Research Center	• Artificial organs • Test and diagnosis-related products • Injection products • Oral solids • Medical supplies for external application • Cancer drugs and biosimilars • High-performance medical containers	—	160
③ Production Technology Center	Production technology and equipment design for the enhancement of productivity.	—	43
④ Regenerative Medicine R&D Center	Manufacturing equipment and consumables for the realization of regenerative medicine using autologous bone marrow cells for cerebral infarctions and spinal cord injuries.	Conclusion of agreement on joint research into cerebral infarctions and spinal cord injuries, and agreement on licensing of regenerative medicine patents, with Sapporo Medical University.	34
⑤ Goodman Medical Innovation	• Catheters and accessories for cardiac and circulatory organ inspection and therapy • Catheters for cerebral blood vessel therapy • Vascular access catheters	Performance of physician-led clinical trials with the National Cerebral and Cardiovascular Center.	70

Progress of Research and Development

1. Medical-Related Business

Nipro conducts research and development (R&D) in the following fields, with the Research and Development Center playing a pivotal role. Expenses related to R&D in this business segment were ¥5,969 million (US$53 million).

Division of Cell Drugs

Nipro has been developing automated cell culture systems for cell drugs (regenerative medicine products) and IPS/ES cells through ongoing research projects with industry, academia, and government in the field of stem cell therapy.

Regarding cell drugs, Nipro has entered into a licensing agreement with Sapporo Medical University with the objective of making autologous bone marrow cells into pharmaceutical products for practical use in the regenerative treatment of cerebral infarction and spinal cord injuries. In February 2016, this was designated as a "SAKIGAKE (forerunner) Designation System" by Japan's Ministry of Health, Labour and Welfare (MHLW).

Division of Medical Devices

As for infusion products, we have been selling a Nipro CP Chamber Set with a filter to remove bacteria, particles, air bubbles and other impurities. This filtration device is specifically used with the Nipro CARRICA™ Pump in the case of high-calorie and other types of infusions. Recently we incorporated SAFETOUCH® Needleless Connectors and SAFETOUCH® Needleless Stopcocks in the Nipro CP Chamber Set. We have launched a new product lineup with polypropylene terminal connectors that will prevent solvent cracks.

Also, in order to create products from medical experts' needs, Nipro and nursing departments in university hospitals have collaborated to develop and launch caps for drain tubes. These caps can be attached to the drain tubes of aspirators to prevent leakage.

As for dialysis products, we have completed regulatory procedures for SEALTOUCH® Cannula and have started preparing for product launch. This device has a hemostatic valve incorporated in a SAFETOUCH® Cannula, a transfusion needle with a mechanism to prevent erroneous piercing. The hemostatic valve of this device works automatically when the needle is detached from a blood circuit for the temporary interruption of dialysis.

Division of Diagnostic and Testing Products

Nipro acquired CE marking for "Genoscholar® NTM+MDR-TB II", which can detect tuberculosis, drug resistance, and nontuberculous mycobacteriosis at the same time.

Additionally, our Enzyme Center developed and launched a measuring reagent for 3-indoxylsulfuric acid (a uremic toxin). This enzymatic reagent is for research use.

Division of Functional Pharmaceutical Containers

In January 2017, we started sales of pre-filled syringes with a safety mechanism. The safety mechanism between the pre-filled syringe and a transfer needle is aimed to prevent the medical error of injecting solution without dissolving the powdered formulation in the vial. It also reduces needle-stick accidents and the possibility of contamination during the preparation of medical solutions.

The medical device notification for our dual chamber pre-filled syringe (D-PFS) needle protector is scheduled to be completed in April 2017. In May 2017, we plan to begin manufacturing pre-filled syringes incorporating needle guards for the prevention of erroneous piercing after use. This needle guard covers the metal needles of pre-filled syringes, including those filled with leuprorelin, which is used for the treatment of prostatic cancer and endometriosis.

Also, we have completed prototyping a new-type half kit and have been preparing for mass production. This new-type half kit includes a mechanism to prevent angled insertion into vials and a mechanism to prevent spillage due to needle return when withdrawing from the vial. Moreover, the kit's bottle has improved its transparency and heat resistance. We plan to start replacing products from fiscal 2018.

Progress of Research and Development

1. Medical-Related Business

Division of Circulatory and Interventional Products

From 2016, the intended use of our drug eluting balloon catheter for PCI was expanded to include small vessel disease (SVD).

For such drug-coated therapeutic devices, retention of the drug until it reaches the lesion is very important. Insufficient retention causes problems such as flaking and detachment of the drug when going through the stenosed or flexed blood vessels. In 2015, we started sales of a penetration catheter called "GUIDEPLUS®" for coronary arteries to prevent these problems.

This rapid exchange (RX) type catheter helps treatment devices to cross lesions and its higher delivery performance to distal lesions than competitors is highly evaluated in the market. Since 2016, we have been selling new-type GUIDEPLUS® with higher durability and reliability owing to its improved connection structures.

Regarding thrombus capturing catheters, we have started the sale of "FILTRAP® LP", which has improved operability in i) delivery to distal lesions and ii) retrieval of filters through stents. This product prevents "no-flow" or "slow-flow" by preventing blood clots or debris scattering to peripheral arteries during the treatment of stenosed arteries.

In the field of percutaneous peripheral intervention (PPI), we have applied for manufacturing and marketing approval of our guiding sheath, named "CROSSROAD®", and will acquire the approval soon. This device is mainly intended for peripheral intervention treatments using a contralateral approach across the common iliac artery.

Division of Surgical Devices

Surgery-related products, particularly in-vivo implantable medical devices used in orthopedic, cardiac, abdominal and other areas of surgery, are being developed. Our proprietary technologies of fabricating bioabsorbable materials are used in the development of nerve regeneration assisting tubes, auxiliary materials for pericardium regeneration and other regenerative medicine products without using cells. In fiscal 2017, we acquired manufacturing and marketing approval for a nerve regeneration assisting tube and sales were started. We have been developing products related to orthopedics and other minimally invasive surgeries that will become mainstream in the future.

Division of Artificial Organs

In November 2016, we acquired manufacturing and marketing approval of a pulse oximeter. This revolutionary device can measure hematocrit and oxygen saturation without any specialized parts, and by simply attaching it to a blood circuit tube.

We acquired another manufacturing and marketing approval for a hydrodynamically levitated centrifugal pump and its driving unit for uses including cardiac surgery. We are currently preparing to launch the product in the near future. Also we are promoting development to expand our product lineup.

In the field of hemocatharsis, we have developed a dialysis powder formulation dissolver with a lower price than existing devices to meet local needs in the Indian market. This newly developed device is in preparation for sales.

Division of Pain Treatment Devices

As a new business since 2015, we have been conducting R&D on magnetic and electric treatment devices that take into account human biological rhythms. These devices are aimed at treating chronic pains, mood disorders, dementia, and other afflictions. At the same time, we are proceeding with development of brain function monitors to evaluate the effectiveness of treatment. We have finished the improvement of the prototypes of these monitors and have been advancing initial product development.

Progress of Research and Development

2. Pharmaceutical-Related Business

The following research and development activities are carried out with the Pharmaceutical Research Center playing a pivotal role. Research and development expenses for this business segment in the fiscal year were ¥5,548 million (US$49 million).

Injectable Drugs

In addition to our normal vial formulations, bag formulations, and other products, we have actively pursued the development of formulations for injection kits with improved usability in medical practice.

Oral Drugs

In addition to the development of general orally administered drugs, we are conducting the development of value-added formulations. Moreover, we are enhancing our innovative product lineup, such as by printing the name of active ingredients on tablets for better identification of drugs in medical practice.

During the fiscal year in review, we brought a total of 6 active ingredients and 11 products to market, including Montelukast tablets and Olanzapine tablets/OD tablets/fine granules.

External Use Products

In the next fiscal year, we plan to manufacture and sell a Lidocaine hydrochloride poultice, which is our first generic drug out-licensed overseas. We will continue to work on the development of adhesive skin tapes that are hypoallergenic, thin, and lightweight, with excellent tackiness and stretch properties, with out-licensing overseas, as well, in consideration.

We are also developing microneedles, an "Injection Patch," as a cutting edge percutaneous absorption formulation, along with installing a new investigational drug manufacturing line planned to begin operation in the next fiscal year.

Biosimilars

Biological drugs, for which the market is rapidly expanding, are generally high-priced, so from the standpoint of reducing medical treatment expenses, the need for biosimilars continues to grow. Accordingly, we are aiming to formulate stable and consistent biosimilar products by partnering with companies that produce bio active pharmaceutical ingredients that excel in both price and quality.

We will continue to provide high-quality, low-cost generic drugs that emphasize safety in medical treatment, and will actively undertake development that contributes to mitigating the rising cost of medical expenses.

23 Corporate Governance and Compliance

Status of Corporate Governance

1. Corporate Governance System

(1) Corporate Governance System and Reasons for Adoption

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

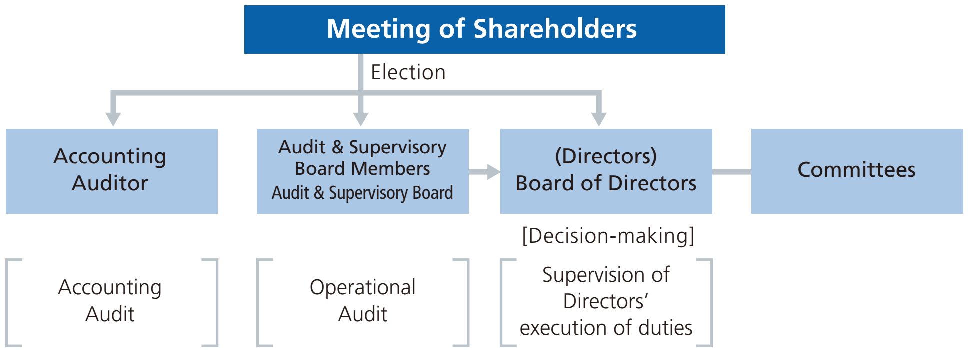
(2) Internal Control Systems

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

(3) Risk Management System

Nipro has established risk management regulations and a system for managing business and other specific risks. Their purpose is to recognize and capture risks that could have a material impact on business operations, in an appropriate and comprehensive manner. Nipro has also established an Operational Risk Management Committee to ensure cross-sectional management across all Group companies. The committee endeavors to further strengthen risk management systems to prevent, avoid and learn from risks and crises. Nipro has also established a Sanction Committee, chaired by the President, which endeavors to ensure sound business management through the appropriate handling of sanctions. Nipro produced a Disaster Prevention and Crisis Management Handbook and distributed it to each employee within the Nipro Group. Nipro tries hard to keep employees fully informed about taking calm and appropriate action when faced with disasters and about reassessing and renewing business continuity plans as appropriate. In addition, to strengthen our rollout of compliance training and enhance our risk management system, in April 2017 Nipro established a Compliance Section within its General Affairs Department, and is working to ensure awareness of compliance among employees.

(4) Basic Structure of Corporate Governance and Risk Management



Conceptual Diagram of Corporate Governance

(5) Business Continuity Planning (BCP)

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

Status of Corporate Governance

2. Internal and Statutory Auditing

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

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

3. Outside Directors and Outside Audit & Supervisory Board Members

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

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

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

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

4. Accounting Audits

Name of Accounting Auditor: Hibiki Audit Corporation
Names of Certified Public Accountants conducting the Audit:
Kazuhiro Bando (Representative Partner and Executive)
Takashi Kinoshita (Representative Partner and Executive)
Miho Ishihara (Executive)

Support Staff for Audits:
Certified Public Accountants: 12
Other staff: 2

Remuneration paid to Directors and Audit & Supervisory Board Members

	Millions of yen				
	Total amount of remuneration	Total amount of remuneration by type			Number of eligible corporate officers
		Annual remuneration	Bonus	Retirement benefits	
Internal Directors	¥ 524	¥ 134	¥ 343	¥ 46	28
Internal Audit & Supervisory Board Members	7	7	–	–	1
Outside Directors, Outside Audit & Supervisory Board Members	13	13	–	–	4

	Thousands of U.S. dollars				
	Total amount of remuneration	Total amount of remuneration by type			Number of eligible corporate officers
		Annual remuneration	Bonus	Retirement benefits	
Internal Directors	*$ 4,676*	*$ 1,197*	*$ 3,061*	*$ 417*	*28*
Internal Audit & Supervisory Board Members	*64*	*64*	–	–	*1*
Outside Directors, Outside Audit & Supervisory Board Members	*123*	*123*	–	–	*4*

Board of Directors and Audit & Supervisory Board Members

As of March 31,2017

Front row, from left: Kiyotaka Yoshioka, Makoto Sato, Yoshihiko Sano, Kazuo Wakatsuki
Back row, from left: Minako Oomizu, Yoshiko Tanaka, Kyoetsu Kobayashi, Toshiaki Masuda

President & Representative Director

Yoshihiko Sano

Managing Directors

Makoto Sato
Pharmaceutical Division

Kazuo Wakatsuki
Global Business Division

Kiyotaka Yoshioka
Domestic Division

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

Kyoetsu Kobayashi
Global Production Division ; Odate Plant

Directors

Akihiko Yamabe
Accounting Division ; Corporate Planning Headquarters

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

Tsuyoshi Yamazaki
PharmaPackaging Division

Hideo Okamoto
Deputy General Manager Global Production Division ; Director Process Management & Planning Center

Masanobu Iwasa
Medical System Development Department ; Pharmaceutical Division

Yozo Sawada
Intellectual Property Department

Kimihito Minoura
Product Planning Headquarters ; Medical Technology Division for Planning, Development & Marketing

Hideto Nakamura
General Affairs / Human Resources Headquarters

Yasushi Kutsukawa
Medical Sales & Marketing Headquarters ; Domestic Division

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

Itsuo Akasaki
Medical System Sales Department ; Pharmaceutical Division

Kazuhiko Sano
Deputy General Manager Global Production Division ; Production Technology Center

Akio Shirasu
Global Product Solutions Department ; Medical Technology Division for Planning, Development & Marketing

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

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

Takeo Kikuchi
Pharmaceutical Research Laboratories ; Pharmaceutical Division

Kenichi Nishida
Pharmaceutical Development Promotion Department ; Pharmaceutical Division

Toyoshi Yoshida
Quality Assurance & Regulatory Compliance Division

Kouki Hatakeyama
Quality Assurance Department ; Global Production Division

Yasushi Oyama
Vascular Division

Kenju Fujita
Pharmaceutical Sales & Marketing Headquarters ; Domestic Division

Takehito Yogo
Corporate Planning Headquarters

Outside Directors

Yoshiko Tanaka

May 1983: General Manager, Drug Department, Tokushukai Medical Corporation Osaka Headquarters

Jun. 1997: General Manager, Planning and Management Department, and General Manager, Drug Department, Tokushukai Medical Corporation Osaka Headquarters

Jun. 2002: President and Representative Director, MEDY HOPE Corporation (to present)

Jun. 2014: Appointed Director, Nipro Corporation (to present)

Minako Oomizu

Apr. 2008: Director of Nursing Department, and Vice-Director, Jikei University Hospital

Apr. 2010: Director, Office of Human Resources Management and Education, Wakokai Medical Association

Jun. 2015: Appointed Director, Nipro Corporation (to present)

Audit & Supervisory Board Member (Full time)

Takayuki Nomiya

Audit & Supervisory Board Members

Kazumichi Irie

Masayoshi Hasegawa

27 Financial/ Data Section

Until 2016, yen amounts are rounded to the nearest million yen.
Since 2017, yen amounts are rounded down to the nearest million yen.

Financial Review

Overview

The global economy during the current consolidated financial year saw a continuation of the gradual economic recovery in the United States and Europe, while China also showed some signs of improvement. As for the Japanese economy, corporate earnings and personal consumption also remained steady, underpinned by yen depreciation following the US Presidential election. However, the sense of uncertainty about the new US administration and the trend of anti-globalization which has manifested in the wake of Brexit have resulted in a growing sense of uncertainty about the future. Even under these circumstances, the Nipro Group has made efforts to increase sales and cut production costs, and worked to improve business performance with the goal of realizing user wishes as soon as possible.

Consolidated Business Results

Relevant quantitative data for the period under review has been converted at the rate of US$1.00 = ¥112.19 (the rate of exchange as of March 31, 2017).

Net Sales

Sales for the current term were 359,699 million yen (US$3,206.1 million). Sales were down 1.9% YoY due to 14,862 million yen from the sale of subsidiary Nipro Diagnostics, Inc. at the end of the previous year being included in the previous year's sales, and due to further yen appreciation this year.

Cost of Sales

The cost of sales decreased 2.4% compared with the previous fiscal year to ¥244,602 million (US$2,180.2 million). This is thanks to the sale of Nipro Diagnostics, Inc., and the continuous improvement of profitability in our plants. The ratio of cost of sales to net sales decreased by 0.4 percentage points compared with the previous fiscal year to 68.0%.

As a result, gross profit decreased by 0.7% compared with the previous fiscal year to ¥115,097 million (US$1,025.9 million).

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 5.8% compared with the previous fiscal year to ¥86,326 million(US$769.4 million).

Operating Income

As a result of the aforementioned factors, operating income increased by 18.9% compared with the previous fiscal year to ¥28,770 million(US$256.4 million). The ratio of operating income to net sales increased by 1.4 percentage points to 8.0%.

Other Income (Expenses)

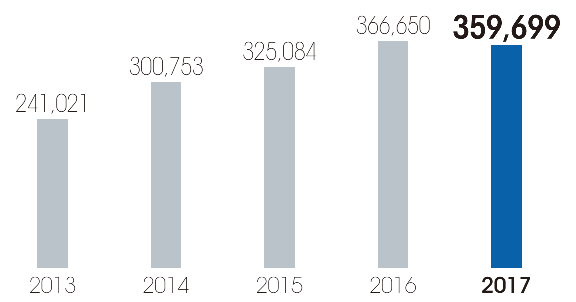
We recorded other expenses of ¥10,446 million (US$93.1 million), while we had other income of ¥2,080 million in the previous fiscal year including the gain on sale of subsidiaries and affiliates' stock of ¥15,674 million. In the period under review, we recorded ¥2,273 million (US$20.2 million) in foreign exchange losses, while we reported ¥7,182 million in foreign exchange losses in the previous period.

Income before Income Taxes

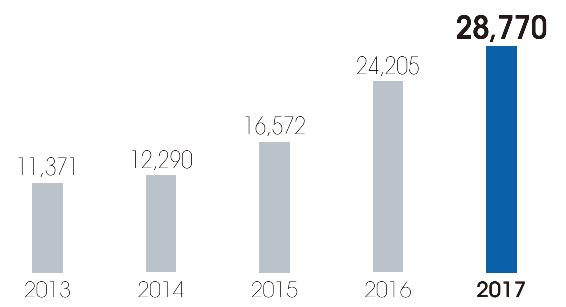
As a result of the factors outlined above, income before income taxes decreased by 30.3% compared with the previous fiscal year to ¥18,324 million(US$163.3 million).

(Years ended March 31)

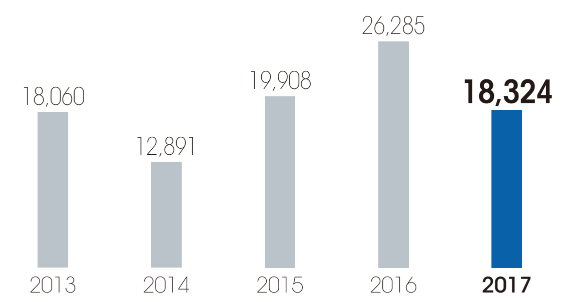
Net sales (Millions of yen)



Operating income (Millions of yen)



Income before income taxes (Millions of yen)



Income Taxes

Income taxes, including deferred taxes decreased by 1.3%, compared with the previous fiscal year to ¥6,720 million(US$59.9 million). The effective tax rate was 36.7%, higher than the rate of 25.9% for the previous fiscal year.

Net Income (Loss) Attributable to Non-controlling Interests

Net income attributable to non-controlling interests amounted to ¥258 million(US$2.2 million).

Net Income Attributable to owners of Parent

Net income attributable to owners of parent decreased by 42.5% compared with the previous fiscal year to ¥11,346 million(US$101.1 million).

Net income per share decreased to ¥67.5 (US$0.6) from ¥116.2 for the previous fiscal year. Return on equity decreased 5.0 percentage points to 6.8% from 11.8% for the previous fiscal year because of the lower net income.

In the previous period, we recorded a gain on sales of shares of subsidiaries and associates and a gain on investments in capital of subsidiaries and associates totaling ¥15,674 million in connection with Nipro Diagnostics, Inc. and Shanghai Nissho Vacuum Flask Refill Co., Ltd.

Net Sales by Geographic Segment

Japan

In Japan, net sales increased by 8.8% compared with the previous fiscal year to ¥221,331 million (US$1,972.8 million) mainly thanks to the increase of sales in the Medical-Related business.

Americas

In the Americas, net sales decreased by 26.5% compared with the previous fiscal year to ¥53,239 million (US$474.5 million) due to the sale of subsidiary Nipro Diagnostics, Inc. at the end of the previous year.

Europe

In Europe, net sales decreased by 7.7% compared with the previous fiscal year to ¥42,579 million (US$379.5 million) due to the appreciation of the yen.

Asia

In Asia, net sales decreased by 4.6% compared with the previous fiscal year to ¥42,548 million (US$379.2 million) due to the appreciation of the yen.

Financial Position

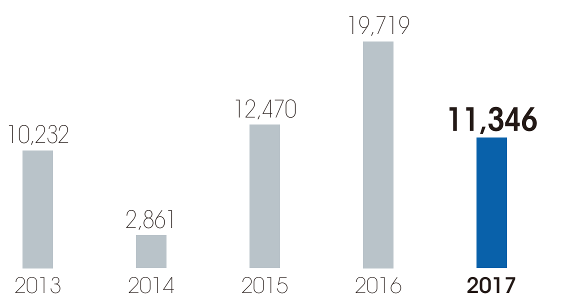
Total assets increased 43,956 million yen YoY to 752,839 million yen (US$6,710.3 million). Current assets increased 18,657 million yen and noncurrent assets increased 25,299 million yen. The increase of current assets was due to an increase of 9,558 million yen in Finished goods and merchandise, and the increase of noncurrent assets was due to an increase of 8,151 million yen in investment securities.

Total liabilities increased 43,056 million yen YoY to 576,431 million yen (US$5,137.9 million). Current liabilities decreased 356 million yen and long-term liabilities increased 43,412 million yen. The main reason for the decrease in current liabilities was a decrease of 7,460 million yen in Notes and accounts payable for plant and equipment, and the primary reason for the increase in noncurrent liabilities was a 43,120 million yen increase in long-term debt.

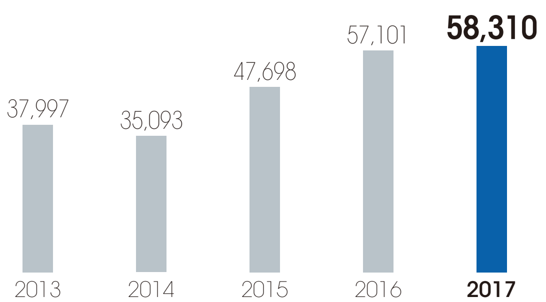
Total net assets increased 900 million yen YoY to 176,408 million yen. Shareholders' equity increased

(Years ended March 31)

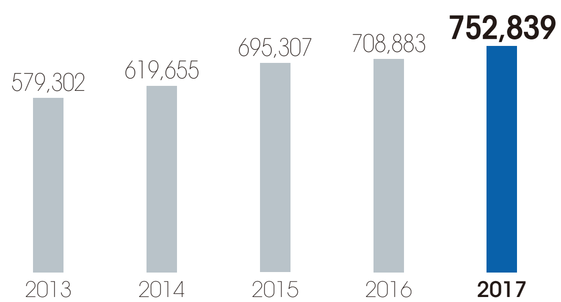
Net income attributable to owners of parent (Millions of yen)



Capital expenditures (Millions of yen)



Total assets (Millions of yen)



by 586 million yen and accumulated other comprehensive income decreased by 503 million yen.

As a result, the equity ratio decreased by 1.3 of a percentage point compared with the end of the previous fiscal year, to 22.1%.

Cash Flow

Net cash provided by operating activities amounted to ¥33,472 million(US$298.3 million). The major cash inflows were net income and depreciation and amortization.

Net cash used in investing activities came to ¥66,351 million(US$591.4 million). The principal cash outflow was purchase of property, plant and equipment.

Net cash obtained by financing activities amounted to ¥36,483 million(US$325.1 million). The main account of cash inflow was proceeds from long-term loans payable.

As a result, cash and cash equivalents stood at ¥112,046 million(US$998.7 million) as of March 31, 2017.

Staff

The total number of employees as of the end of the period under review increased by 3,172 compared with the end of the previous fiscal year, to 27,415. Employees in Japan increased by 187, to 7,200, and the number of overseas employees increased by 2,985, to 20,215.

Basic Policy on Distribution of Profit

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

Risk Factors

The following are risks that may have an effect on the Nipro Group's operational results and/or financial condition. The items concerned were determined as of March 31, 2017.

(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 risks, however, such as accidental defects or adverse effects that could result in damages to a third party and our being sued for liability.

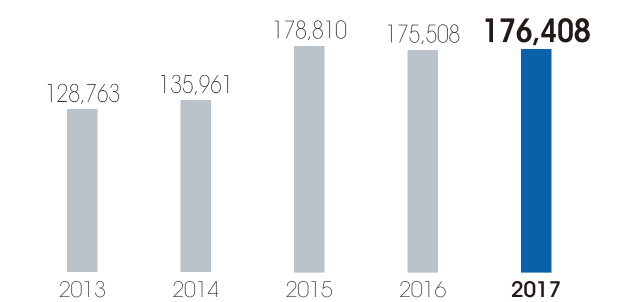
To cover these risks, we therefore maintain general liability and product liability insurance. In the unlikely event of a successful claim in excess of the insurance coverage, however, there could be a material adverse effect on our operational results and/or financial condition.

(2) Risks Related to Supplier Concentration

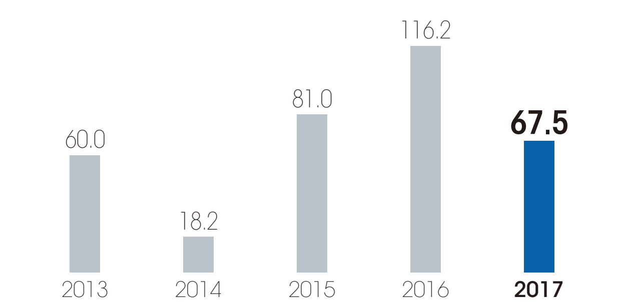
The Nipro Group procures materials and parts for its operations from a large number of suppliers. Some key materials or parts may be obtained only from a single supplier or a limited group of suppliers. If circumstances at any of these suppliers make it impossible for us to acquire a sufficient quantity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

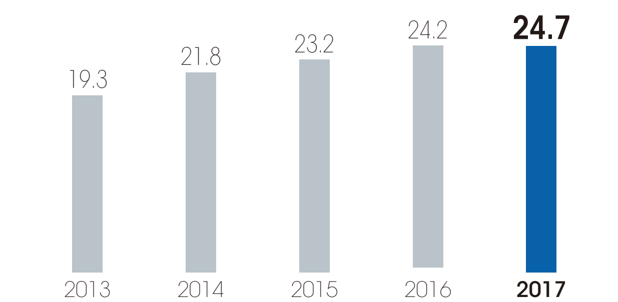
Net assets (Millions of yen)



Basic earnings per share (yen)



Number of employees (Thousand)



(3) Risks Related to Changes in Government Healthcare Policies

The business sector to which the Nipro Group belongs is intimately connected with the healthcare system and is subject to the regulations laid out by government organizations, including the National Health Insurance System and the Pharmaceutical Affairs Law. Should circumstances arise in which we are 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

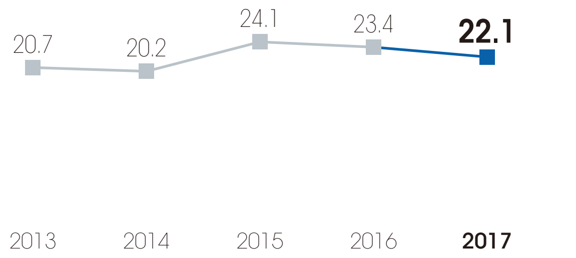
The products manufactured by the Nipro Group include some that are made from petrochemical products such as plastics. Should the cost of raw materials such as petrochemicals rise, there could be a material adverse effect on our operational results and/or financial condition.

(6) Risks Related to Overseas Expansion

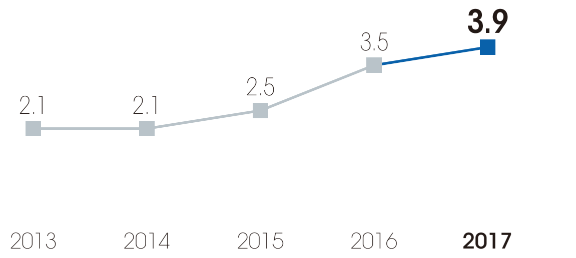
The Nipro Group maintains manufacturing bases and sales offices around the world for the production and supply of its products. Should there be unexpected revisions to legal regulations or political or economic changes in these countries or regions, there could be a material adverse effect on our operational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

(Years ended March 31)

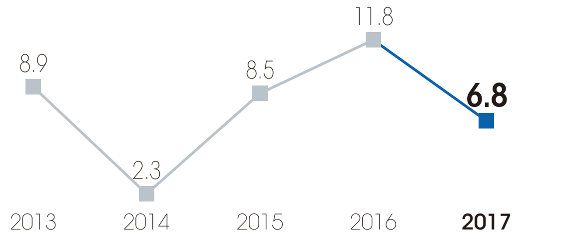
Equity ratio (%)



Return on assets (%)



Return on equity (%)



Ten-Year Summary

Nipro Corporation and its Consolidated Subsidiaries
Years ended March 31

	Millions of yen										Thousands of U.S. dollars (Note 1)
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	***2017***
Income Statement Data:											
Net sales	**¥ 359,699**	¥ 366,650	¥ 325,084	¥ 300,753	¥ 241,021	¥ 212,013	¥ 195,943	¥ 177,830	¥ 175,945	¥ 172,113	***$3,206,167***
Medical-Related (*1)	**262,198**	272,168	237,777	221,363	169,971	145,082	132,817	118,517	112,970	111,084	***2,337,095***
Pharmaceutical-Related (*1)	**69,140**	62,266	57,372	51,508	66,212	59,715	38,005	34,528	52,726	48,754	***616,276***
PharmaPackaging (*1)	**28,331**	32,184	29,830	27,611	4,603	6,954	24,704	24,338	9,554	11,437	***252,528***
Other (*1)	**29**	32	105	271	235	262	417	447	695	838	***267***
Cost of sales	**244,602**	250,773	225,525	213,221	175,314	149,253	137,768	126,145	124,396	123,108	***2,180,253***
Selling, general and administrative expenses	**86,326**	91,672	82,987	75,242	54,336	46,935	40,950	33,591	36,774	35,328	***769,467***
Operating income	**28,770**	24,205	16,572	12,290	11,371	15,825	17,225	18,094	14,775	13,677	***256,446***
Medical-Related (*2)	**30,638**	28,204	23,813	20,436	14,287	17,078	18,437	19,923	16,209	15,830	***273,098***
Pharmaceutical-Related (*2)	**14,135**	12,060	10,553	8,013	3,988	4,940	1,658	2,102	4,082	3,271	***125,994***
PharmaPackaging (*2)	**(1,313)**	(1,618)	(2,889)	(2,183)	601	454	2,701	3,103	1,772	1,890	***(11,710)***
Other (*2)	**(10)**	61	131	216	222	230	88	64	4	13	***(95)***
Income before income taxes	**18,324**	26,285	19,908	12,891	18,060	11,022	7,432	13,872	9,379	8,260	***163,335***
Net income attributable to owners of parent	**11,346**	19,719	12,470	2,861	10,232	4,586	2,456	7,253	4,531	4,454	***101,133***
Increase in tangible and intangible fixed assets	**58,310**	57,101	47,698	35,093	37,997	39,525	23,323	15,209	33,142	25,900	***519,744***
Depreciation and amortization	**31,128**	30,147	27,668	25,151	21,210	21,581	21,244	18,421	18,109	15,054	***277,459***
R&D expenses	**11,517**	10,269	8,646	7,891	6,464	5,957	4,977	4,846	5,352	6,194	***102,663***
Balance Sheet Data:											
Total assets	**¥ 752,839**	¥ 708,883	¥ 695,307	¥ 619,655	¥ 579,302	¥ 499,687	¥ 476,510	¥ 383,397	¥ 330,641	¥ 349,302	***$6,710,395***
Property, plant and equipment–net	**244,222**	223,757	220,195	191,594	174,703	145,679	128,506	124,209	126,739	118,812	***2,176,864***
Working capital	**134,983**	115,970	71,945	45,405	74,216	61,346	40,621	41,725	46,070	53,911	***1,203,171***
Current liabilities	**251,792**	252,148	278,402	250,715	213,758	189,090	176,401	138,204	114,796	108,835	***2,244,336***
Long-term liabilities	**324,639**	281,227	238,095	232,979	236,781	196,646	191,071	129,122	119,285	120,923	***2,893,654***
Common stock	**84,397**	84,398	84,398	84,398	84,398	84,398	28,663	28,663	28,663	28,663	***752,275***
Capital surplus	**–**	–	635	689	636	636	29,973	29,973	29,973	29,975	***–***
Net assets	**176,408**	175,508	178,810	135,961	128,763	113,951	109,038	116,071	96,560	119,544	***1,572,404***

(*1) Effective the fiscal year ended March 31,2011, the Company has adopted ASBJ Statement No. 17 "Accounting Standard for Disclosures about Segment of an Enterprise and Related Information" (March 27, 2009) and ASBJ Guidance No. 20 "Guidance on Accounting Standard for Disclosures about Segment of an Enterprise and Related Information" (March 21, 2008). Net sales and operating income for the period for the fiscal year ended March 31, 2010 have been restated to show what the Group's result would have been if the new accounting standards had been applied in that year. Before the fiscal year ended March 31, 2009, net sales and operating income have been stated in compliance with previous accounting rules. In addition, the corporate reorganization was conducted effective on October 1, 2012 in order to enforce Pharmaceutical-Related business and build a strong cooperative relationship among Medical-Related, Pharmaceutical-Related and Glass-Related businesses. As a result of this reorganization, some business divisions included in Glass-Related business were changed to Pharmaceutical-Related business. The segment information is presented as if the aforementioned reorganization had been conducted at the beginning of the financial year 2012, and the presentation 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 Medical-Related Business to PharmaPackaging Business which was formerly known as Glass-Related Business by the corporate reorganization. Segment information after 2014 is based on this reclassification.

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

Ten-Year Summary

Nipro Corporation and its Consolidated Subsidiaries
Years ended March 31

	Yen										U.S. dollars (Note 1)
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	***2017***
Per Share Data:											
Basic earnings (*3)	¥ **67.5**	¥ 116.2	¥ 81.0	¥ 18.2	¥ 60.0	¥ 35.3	¥ 19.4	¥ 114.4	¥ 71.4	¥ 70.2	***$ 0.60***
Diluted earnings (*3)	**61.3**	114.7	–	16.3	54.1	31.0	17.4	114.1	–	–	***0.55***
Cash dividends	**29.0**	33.5	32.5	30.5	27.5	23.5	50.0	53.0	32.0	37.5	***0.25***
Equity (*3)	**999.5**	977.6	988.8	832.1	703.5	643.9	839.7	1,802.3	1,498.5	1,861.8	***8.90***
Number of common shares issued	**171,459,479**	171,459,479	171,459,479	171,459,479	171,459,479	171,459,479	63,878,505	63,878,505	63,878,505	63,878,505	
Number of employees	**24,715**	24,243	23,153	21,826	19,327	14,566	12,017	9,939	9,354	9,020	
Selected Data and Ratios:											
Equity ratio (*4) (%)	**22.1**	23.4	24.1	20.2	20.7	22.0	22.4	29.8	28.7	33.8	
Return on assets (*4) (%)	**3.9**	3.5	2.5	2.1	2.1	3.2	4.0	5.1	4.3	4.0	
Return on equity (*4) (%)	**6.8**	11.8	8.5	2.3	8.9	4.2	2.2	6.9	4.2	3.7	
Price earnings ratio (*4) (times)	**23.2**	9.2	14.1	51.0	14.0	17.5	42.5	15.8	21.5	24.8	

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

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

Consolidated Balance Sheets

Nipro Corporation and its Consolidated Subsidiaries
As of March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Assets			
Current assets:			
Cash and cash equivalents	**¥ 112,046**	¥ 111,978	***$ 998,723***
Time deposits (over three months)	**11,141**	14,690	***99,309***
Trade notes and accounts receivable (Note 5)	**121,038**	113,236	***1,078,869***
Allowance for doubtful receivables	**(1,378)**	(983)	***(12,285)***
Inventories (Note 3)	**115,329**	102,702	***1,027,980***
Deferred income taxes (Note 4)	**6,404**	6,380	***57,082***
Other current assets	**22,194**	20,115	***197,827***
Total current assets	**386,775**	368,118	***3,447,507***
Property, plant and equipment (Note 5)**:**			
Land	**¥ 23,987**	¥ 21,124	***$ 213,812***
Buildings and structures	**199,471**	184,038	***1,777,977***
Machinery and equipment	**290,601**	267,281	***2,590,266***
Construction in progress	**25,953**	27,644	***231,335***
	540,014	500,087	***4,813,392***
Accumulated depreciation	**(295,792)**	(276,330)	***(2,636,528)***
Property, plant and equipment–net	**244,222**	223,757	***2,176,864***
Intangible assets (Note 5)**:**			
Goodwill	**¥ 27,996**	¥ 28,877	***$ 249,546***
Other intangible assets	**15,839**	16,036	***141,185***
Total intangible assets	**43,836**	44,913	***390,732***
Investments and other assets:			
Investment in unconsolidated subsidiaries and an affiliate accounted for by the equity method	**¥ 4,725**	¥ 2,799	***$ 42,121***
Investment securities (Note 6)	**64,170**	56,019	***571,977***
Lease deposits	**1,659**	1,472	***14,787***
Deferred income taxes (Note 4)	**1,459**	3,948	***13,004***
Other assets	**5,990**	7,857	***53,398***
Total investments and other assets	**78,004**	72,095	***695,290***
Total	**¥ 752,839**	¥ 708,883	***$6,710,395***

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Liabilities and net assets			
Current liabilities:			
Short-term bank loans (Notes 5 and 9)	**¥ 46,208**	¥ 46,062	***$ 411,874***
Current portion of long-term debt (Notes 5 and 9)	**86,885**	82,050	***774,445***
Trade notes and accounts payable	**57,587**	56,185	***513,304***
Accrued income taxes	**3,261**	4,266	***29,071***
Accrued expenses	**25,093**	22,691	***223,669***
Allowance for loss on clearance of business	**155**	–	***1,386***
Commercial paper (Note 9)	**10,000**	10,000	***89,134***
Notes and accounts payable for plant and equipment	**14,599**	22,059	***130,132***
Other current liabilities	**8,001**	8,835	***71,317***
Total current liabilities	**251,792**	252,148	***2,244,336***
Long-term liabilities:			
Long-term debt (Notes 5 and 9)	**¥311,396**	¥268,276	***$2,775,617***
Net defined benefit liability (Note 10)	**5,126**	5,017	***45,697***
Deferred income taxes (Note 4)	**1,766**	1,985	***15,745***
Other long-term liabilities	**6,349**	5,949	***56,593***
Total long-term liabilities	**324,639**	281,227	***2,893,654***
Commitments and contingent liabilities (Note 11)			
Net Assets (Notes 13)**:**			
Common stock	**¥ 84,397**	¥ 84,398	***$ 752,275***
Authorized: 400,000,000 shares			
Issued: 171,459,479 shares			
Capital surplus	**–**	–	***–***
Retained earnings	**78,422**	73,068	***699,018***
Less cost of common shares of treasury stock	**(6,243)**	(1,475)	***(55,650)***
(5,300,071 shares in 2017 and 1,666,187 shares in 2016)			
Total shareholder's equity	**156,577**	155,991	***1,395,643***
Unrealized gain (loss) on available-for-sale securities	**1,589**	(3,347)	***14,165***
Deferred gains or losses on hedges	**(141)**	(12)	***(1,262)***
Foreign currency translation adjustments	**8,640**	14,187	***77,012***
Remeasurements of defined benefit plans	**(582)**	(821)	***(5,193)***
Accumulated other comprehensive income	**9,504**	10,007	***84,722***
Non-controlling interests	**10,325**	9,510	***92,038***
Total net assets	**176,408**	175,508	***1,572,404***
Total	**¥752,839**	¥708,883	***$6,710,395***

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net sales	¥359,699	¥366,650	$3,206,167
Cost of sales	244,602	250,773	2,180,253
Gross profit	115,097	115,877	1,025,914
Selling, general and administrative expenses (Notes 15 and 16)	86,326	91,672	769,467
Operating income	28,770	24,205	256,446
Other income (expenses):			
Interest and dividend income	1,996	2,182	17,798
Interest expense	(3,796)	(4,501)	(33,840)
Loss on sale and disposal of property, plant and equipment–net	(1,127)	(310)	(10,046)
Exchange gain (loss)	(2,273)	(7,182)	(20,266)
Equity in profit (loss) of an affiliated company	112	(95)	999
Gain (loss) on sale of subsidiaries and affiliates' stocks	0	15,674	2
Loss on impairment of fixed assets (Note 17)	(1,554)	0	(13,851)
Loss on step acquisitions	–	(2,239)	–
Other income (loss)–net	(3,803)	(1,449)	(33,906)
Income before income taxes	18,324	26,285	163,335
Income taxes (Note 4):			
Current	6,613	2,110	58,947
Deferred	107	4,697	954
Net income	11,604	19,478	103,433
Net income (loss) attributable to non-controlling interests	258	(241)	2,299
Net income attributable to owners of parent	¥ 11,346	¥ 19,719	$ 101,133

	Yen		U.S. dollars (Note 1)
Amounts per common share:			
Basic earnings	¥ 67.5	¥ 116.2	$ 0.6
Diluted earnings	61.3	114.7	0.5
Cash dividends	29.0	33.5	0.2

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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net income	¥ 11,604	¥ 19,478	$ 103,433
Other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	4,936	(1,036)	44,000
Deferred gains or losses on hedges	(129)	(51)	(1,155)
Foreign currency translation adjustment	(5,860)	(13,861)	(52,240)
Remeasurements of defined benefit plans	240	(655)	2,140
Share of other comprehensive income of entities accounted for using equity method	(36)	(1)	(324)
Comprehensive income	¥ 10,753	¥ 3,874	$ 95,854
Comprehensive income attributable to:			
Owners of parent	10,844	4,298	96,657
Non-controlling interests	(90)	(424)	(803)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Nipro Corporation and its Consolidated Subsidiaries
For the year ended March 31, 2017 and 2016 consisted of the following:

	Thousands	Millions of yen											
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Accumulated other com-prehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2015	171,459	¥84,398	¥635	¥58,886	¥(1,687)	¥142,232	¥(2,311)	¥39	¥27,870	¥(171)	¥25,427	¥11,151	¥178,810
Net income attributable to owners of parent				19,719		19,719							19,719
Increase (decrease) in retained earnings due to inclusion of new subsidiaries in consolidation				–		–							–
Cash dividends				(5,371)		(5,371)							(5,371)
Purchase of treasury stock					(4)	(4)							(4)
Disposal of treasury stock			–	–	216	216							216
Change in the scope of consolidation				–		–							–
Decrease of retained earnings (Other)			(635)	(166)		(801)							(801)
Other net change during the year							(1,036)	(51)	(13,683)	(650)	(15,420)	(1,641)	(17,061)
Balance at March 31, 2016	171,459	84,398	–	73,067	(1,475)	155,990	(3,347)	(12)	14,187	(821)	10,007	9,510	175,507
Net income attributable to owners of parent				**11,346**		**11,346**							**11,346**
Increase (decrease) in retained earnings due to inclusion of new subsidiaries in consolidation				**(0)**		**(0)**							**(0)**
Cash dividends				**(4,073)**		**(4,073)**							**(4,073)**
Purchase of treasury stock					**(5,001)**	**(5,001)**							**(5,001)**
Disposal of treasury stock			**–**	**–**	**233**	**233**							**233**
Change in the scope of consolidation				**(0)**		**(0)**							**(0)**
Decrease of retained earnings (Other)			**–**	**(1,916)**		**(1,916)**							**(1,916)**
Other net change during the year							**4,936**	**(129)**	**(5,547)**	**238**	**(502)**	**815**	**313**
Balance at March 31, 2017	**171,459**	**¥84,397**	**¥ –**	**¥78,422**	**¥(6,243)**	**¥156,577**	**¥1,589**	**¥(141)**	**¥8,640**	**¥(582)**	**¥9,504**	**¥10,325**	**¥176,408**

	Thousands	Thousands of U.S. dollars (Note 1)											
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Accumulated other com-prehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2016	171,459	$752,275	$ –	$651,287	$(13,151)	$1,390,412	$(29,834)	$(107)	$126,460	$(7,319)	$89,198	$84,765	$1,564,375
Net income attributable to owners of parent		*–*	*–*	*101,133*	*–*	*101,133*	*–*	*–*	*–*	*–*	*–*	*–*	*101,133*
Increase (decrease) in retained earnings due to inclusion of new subsidiaries in consolidation				*(7)*		*(7)*							*(7)*
Cash dividends				*(36,309)*		*(36,309)*							*(36,309)*
Purchase of treasury stock					*(44,577)*	*(44,577)*							*(44,577)*
Disposal of treasury stock				*–*	*2,078*	*2,078*							*2,078*
Decrease of retained earnings (Other)				*(17,086)*		*(17,086)*							*(17,086)*
Other net change during the year						*–*	*44,000*	*(1,155)*	*(49,447)*	*2,126*	*(4,476)*	*7,273*	*2,796*
Balance at March 31, 2017	*171,459*	*$752,275*	*$ –*	*$699,018*	*$(55,650)*	*$1,395,643*	*$14,165*	*$(1,262)*	*$77,012*	*$(5,193)*	*$84,722*	*$92,038*	*$1,572,404*

The accompanying notes are an integral part of these statements.
(*) In 2016, yen amounts are rounded to the nearest million yen. In 2017, amounts are rounded down to the nearest million yen.

Consolidated Statements of Cash Flows

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Operating activities:			
Net income attributable to owners of parent	**¥ 11,346**	¥ 19,719	***$ 101,133***
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**31,128**	30,147	***277,459***
Amortization of goodwill	**2,907**	3,687	***25,917***
Loss on impairment of fixed assets	**1,554**	–	***13,851***
Equity in loss (profit) of an affiliated company	**(112)**	95	***(999)***
Allowance for doubtful receivables	**433**	1,023	***3,863***
Loss on sales of available for sales securities	**0**	289	***6***
Loss (Gain) on sale of investment in consolidated subsidiaries	**369**	(15,674)	***3,293***
Loss on step acquisitions	**–**	2,239	***–***
Provision for deferred taxes	**107**	4,697	***954***
Exchange loss	**4,008**	1,645	***35,726***
Loss on devaluation of marketable securities	**–**	80	***–***
Loss on sale and disposal of property, plant and equipment–net	**1,127**	310	***10,046***
State subsidy	**(1,900)**	(3,721)	***(16,938)***
Loss on reduction of non-current assets	**1,879**	3,124	***16,754***
Other, net	**1,007**	(348)	***8,979***
Changes in operating assets and liabilities:			
Trade receivables	**(9,317)**	(5,681)	***(83,050)***
Inventories	**(17,730)**	(6,705)	***(158,039)***
Other current assets	**(1,788)**	(9,795)	***(15,939)***
Lease deposits	**(131)**	(101)	***(1,171)***
Trade payables	**4,576**	6,162	***40,790***
Accrued income taxes	**38**	332	***343***
Other, net	**3,968**	(1,590)	***35,374***
Total adjustments	**22,126**	10,215	***197,224***
Net cash provided by operating activities	**33,472**	29,934	***298,358***

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Investing activities:			
Purchase of property, plant and equipment	**(62,323)**	(38,086)	***(555,519)***
Proceeds from sales of property, plant and equipment	**405**	(746)	***3,612***
Purchase of available-for-sale securities	**(1,092)**	(513)	***(9,734)***
Purchase of investments in unconsolidated subsidiaries	**(1,967)**	–	***(17,536)***
Proceeds from sales of available-for-sale securities	**0**	1,114	***2***
Purchases of investments in consolidated subsidiaries resulting in change in scope of consolidation	**(3,126)**	–	***(27,871)***
Proceeds from investments in consolidated subsidiaries resulting in change in scope of consolidation	**–**	383	***–***
Proceeds from sales of investments in consolidated subsidiaries resulting in change in scope of consolidation	**–**	19,512	***–***
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	**(703)**	–	***(6,272)***
Payments for transfer of business	**–**	–	***–***
Deposits (Over three months)	**2,732**	(989)	***24,359***
Other, net	**(275)**	2,811	***(2,459)***
Net cash used in investing activities	**(66,351)**	(16,514)	***(591,419)***
Financing activities:			
Net increase (decrease) in short-term loans	**1,018**	(32,858)	***9,077***
Proceeds from long-term loans	**145,298**	105,370	***1,295,114***
Repayment of long-term loans	**(97,424)**	(66,012)	***(868,384)***
Proceeds from issuance of bonds	**1,989**	24,967	***17,736***
Repayment of bonds	**(2,262)**	(27,840)	***(20,166)***
Proceeds from disposal of treasury stock	**233**	215	***2,078***
Proceeds from sales of treasury shares	**(5,007)**	(16)	***(44,632)***
Cash dividends paid	**(4,101)**	(5,385)	***(36,557)***
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(2,104)**	(1,600)	***(18,762)***
Other, net	**(1,157)**	(474)	***(10,314)***
Net cash used in financing activities	**36,483**	(3,633)	***325,189***
Effect of exchange rate changes on cash and cash equivalents	**(3,773)**	3,218	***(33,630)***
Net increase (decrease) in cash and cash equivalents	**(168)**	13,005	***(1,502)***
Cash and cash equivalents, beginning of period	**111,977**	98,199	***998,106***
Cash and cash equivalents of newly consolidated subsidiary, beginning of period	**237**	773	***2,119***
Cash and cash equivalents, end of period	**¥ 112,046**	¥ 111,977	***$ 998,723***

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

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

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically, in order to present them in a form which is more familiar to readers outside Japan. However, no adjustment has been made which would change the financial position or the results of operations presented in the original financial statements. In addition, the notes to consolidated financial statements include additional information which is not required under generally accepted accounting principles and practices in Japan.

The financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥112.19 = US$1, the approximate exchange rate on March 31, 2017. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at that or any other rate.

In preparing the accompanying consolidated financial statements and notes, Japanese yen figures less than one million yen have been rounded down to the nearest million yen, in accordance with the Financial Instruments and Exchange Law and Enforcement Ordinance concerning the Banking Law of Japan, although the figure of the past fiscal years before fiscal 2016 were rounded in this report. Therefore, total or subtotal amounts shown in the accompanying consolidated financial statements and notes thereto are not necessarily equal to sums of individual amounts.

2. Summary of Significant Accounting Policies

(a) Basis of Consolidation

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

Investments in unconsolidated subsidiaries are stated at cost and the equity method is not applied for the valuation of such investments since they are considered immaterial in the aggregate.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Company and its consolidated subsidiaries have been eliminated. The difference between the cost of investments in subsidiaries and affiliates and the equity in their net assets at the dates of acquisition is amortized on a straight-line basis over five to twenty years.

All accounts herein have been presented on the basis of the twelve months ended March 31, 2017 for the Company and for consolidated domestic subsidiaries, and December 31, 2016 for all consolidated overseas subsidiaries.

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

(b) Translation of Foreign Currencies

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the current exchange 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 "Accumulated other comprehensive income" section of net assets.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, readily available deposits and short-term highly liquid investments with original maturities of three months or less.

(d) Allowance for doubtful receivables

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

(e) Inventories

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

(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 APR 1, 2016, and is principally applied to the property, plant and equipment of consolidated overseas subsidiaries.

Notes to Consolidated Financial Statements

(g) Intangible assets

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

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

(h) Investment Securities

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

i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are stated at amortized cost.

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

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

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

(i) Allowance for loss on clearance of business

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

(j) Employees' retirement and severance benefits

Method of attributing expected benefit to periods

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

Accounting Method of Actuarial gains and losses and prior service costs

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

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

(k) Derivatives

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

(l) Leases

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

(m) Hedge accounting

<Method of hedge accounting>

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

<Hedge instrument and hedge items>

(Hedging instruments)	(Hedged items)
Currency swap	Short-term and long term debt denominated in foreign currency
Interest rate swap	Interests on short-term and long term debt

<Hedge policy>

The Company uses currency swaps and interest rate swaps to reduce currency exposure and interest volatility risk.

<Method for assessing hedge effectiveness>

Hedge effectiveness is not assessed for currency swap which meets certain criteria of the allocation method and interest rate swaps which meets certain criteria of the exceptional accounting method.

(n) Income Taxes

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

(o) Amounts per Common Share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities were exercised or converted into common stock. Diluted earnings per share of common stock assume full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Notes to Consolidated Financial Statements

(p) Changes in accounting policy

Application of Practical Solution on a change in depreciation method due to Tax Reform 2016 in JAPAN

The company has applied the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ Practical Issues Task Force No. 32 issued on June 17, 2016) and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method effective from the current consolidated fiscal year. As a result, compared to the previous method, consolidated operating income, consolidated ordinary income and consolidated income before income taxes increased 380 million yen in the current fiscal year.

(q) Change in representation

Consolidated Statements of Cash Flows

From the fiscal year ended March 31, 2017, to present more appropriately the content of "State subsidy" and "Loss on reduction of non-current assets," which were included in "Other, net" in Operating activities in the fiscal year ended March 31, 2016, the Company decided to present these items as independent line items. The consolidated financial statements for the fiscal year ended March 31, 2016 have been restated to reflect these changes in presentation method.

As a result, (2,187) million yen that was presented in "Other, net" in Operating activities for the fiscal year ended March 31, 2016, was restated to (3,721) million yen in "State subsidy," 3,124 million yen in "Loss on reduction of non-current assets," and (1,590) million yen in "Other-net."

(r) Supplementary information

The Company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (Corporate Accounting Standards No.26 of March 28, 2016) from the fiscal year under review.

3. Inventories

Inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Finished goods and merchandise	**¥ 78,241**	¥ 68,683	***$ 697,398***
Raw materials	**21,627**	19,163	***192,777***
Work in process	**10,784**	10,167	***96,130***
Packing and other	**4,675**	4,687	***41,674***
Total	**¥115,329**	¥102,702	***$1,027,980***

Notes to Consolidated Financial Statements

4. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in aggregate, resulted in a normal statutory tax rate of approximately 30.8% and 33.0% for the years ended March 31, 2017 and 2016, respectively.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Deferred tax assets			
Tax loss carryforwards	**¥ 7,044**	¥ 6,411	***$ 62,790***
Intercompany profits	**2,177**	2,552	***19,410***
Valuation loss on inventories	**1,512**	1,312	***13,480***
Allowance for bonuses to employees	**1,115**	1,017	***9,942***
Sales allowance	**326**	282	***2,910***
Loss on impairment of fixed assets	**173**	88	***1,544***
Excess of allowance for doubtful accounts over tax allowable amounts	**1,368**	1,201	***12,198***
Net defined benefit liability	**1,466**	1,479	***13,075***
Accrued enterprise taxes	**350**	283	***3,127***
Unrealized loss on available-for-sale securities	**47**	2,084	***423***
Goodwill	**757**	1,023	***6,756***
Other	**2,304**	2,497	***20,538***
Gross deferred tax assets	**¥18,645**	¥20,229	***$166,198***
Less: Valuation allowance	**(8,702)**	(8,048)	***(77,571)***
Total deferred tax assets	**¥ 9,943**	¥12,181	***$ 88,626***
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	**563**	409	***5,026***
Revaluation reserve for land	**675**	676	***6,023***
Revaluation reserve for intangible assets	**284**	238	***2,535***
Revaluation reserve for fixed assets—other	**1,557**	1,228	***13,879***
Other	**785**	1,308	***7,002***
Total deferred tax liabilities	**3,866**	3,859	***34,466***
Net deferred tax assets (liabilities) (*1)	**¥ 6,076**	¥ 8,322	***$ 54,160***

(*1) The current portion of Deferred Tax Liabilities for the year ended March 31, 2017 is ¥21 million (US$188 thousand) and is accounted for as "Others" of Current Liabilities.

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

	2017	2016
Statutory tax rate	**30.8%**	33.0%
Expenses not deductible for tax purposes	**2.2**	1.8
Non-taxable dividend income	**(0.2)**	(0.4)
Loss in subsidiaries	**–**	–
Effect of tax rate change	**–**	0.9
Amortization of goodwill	**3.8**	0.4
Tax credits primarily for research and development costs	**(7.2)**	(3.4)
Tax loss carryforwards	**–**	–
Valuation allowance	**3.6**	11.2
Adjustment procedure for consolidation of gain on sales of subsidiaries and affiliates' stocks	**–**	(19.9)
Other	**3.7**	2.3
Effective income tax rate	**36.7%**	25.9%

Notes to Consolidated Financial Statements

5. Pledged Assets

The following assets were pledged as collateral:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Buildings and structures	**¥10,104**	¥ 9,473	***$ 90,069***
Machinery and equipment	**59**	359	***530***
Land	**3,383**	3,372	***30,157***
Trade notes receivable	**–**	109	***–***
Other	**1,917**	6,674	***17,090***
Total	**¥15,465**	¥19,987	***$137,848***

The above assets were pledged against the following liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Short-term bank loans	**¥1,219**	¥1,223	***$10,865***
Current portion of long-term debt	**1,540**	1,521	***13,731***
Long-term debt	**4,379**	3,286	***39,037***
Total	**¥7,139**	¥6,030	***$63,633***

6. Investment Securities

Investment securities as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Non-current:			
Marketable:			
Marketable equity securities	**¥62,335**	¥54,288	***$555,625***
Investment trust funds and other	**–**	–	***–***
Sub total	**62,335**	54,288	***555,625***
Non-marketable securities	**1,834**	1,731	***16,352***
Total	**¥64,170**	¥56,019	***$571,977***

The carrying amounts and aggregate fair values of marketable securities for investments as of March 31, 2017 and 2016 were as follows:

	Millions of yen			
	2017			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	**¥60,744**	**¥8,023**	**¥6,432**	**¥62,335**
Debt securities and other	**–**	**–**	**–**	**–**
Total	**¥60,744**	**¥8,023**	**¥6,432**	**¥62,335**

	Thousands of U.S. dollars (Note 1)			
	2017			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	***$541,443***	***$71,514***	***$57,332***	***$555,625***
Debt securities and other	***–***	***–***	***–***	***–***
Total	***$541,443***	***$71,514***	***$57,332***	***$555,625***

	Millions of yen			
	2016			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	¥59,717	¥7,382	¥12,811	¥54,288
Debt securities and other	–	–	–	–
Total	¥59,717	¥7,382	¥12,811	¥54,288

Proceeds from sales of securities and gross realized gains or losses on those sales for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Proceeds	**¥ 0**	¥1,114	***$ 2***
Gains on sales	**0**	–	***1***
Losses on sales	**0**	289	***8***

Notes to Consolidated Financial Statements

7. Financial Instruments

(1) Circumstances on financial instruments

(a) Policy for financial instruments

The company and its consolidated subsidiaries manage the temporary surplus funds by deposit 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 bond, and issuing convertible bonds type corporate bond with warrant of booking new stocks.

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

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

(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.

(2) Fair values of financial instruments

The book values, fair values and the differences between them as of March 31, 2017 and 2016 are as follows (Financial instruments for which the market value is extremely difficult to determine are not included as described in remark 2.):

	Millions of yen		
	2017		
	Book value	Fair value	Difference
Cash and cash equivalents, time deposits	¥123,188	¥123,188	¥ –
Trade notes and accounts receivable, net of allowance for doubtful receivables	119,660	119,660	–
Investment securities	62,335	62,335	–
Assets total	¥305,183	¥305,183	¥ –
Trade notes and accounts payable	¥ 57,587	¥ 57,587	¥ –
Short-term bank loans, current portion of long-term debt, and commercial paper	143,093	143,093	–
Other notes and account payable (*1)	28,508	28,508	–
Long-term debt	286,396	284,576	(1,819)
Convertible bond	25,000	29,787	4,787
Lease obligations (*2)	3,977	3,868	(109)
Liabilities total	¥544,563	¥547,421	¥2,857

	Thousands of U.S. dollars (Note 1)		
	2017		
	Book value	Fair value	Difference
Cash and cash equivalents, time deposits	*$1,098,032*	*$1,098,032*	*$ –*
Trade notes and accounts receivable, net of allowance for doubtful receivables	*1,066,583*	*1,066,583*	*–*
Investment securities	*555,625*	*555,625*	*–*
Assets total	*$2,720,242*	*$2,720,242*	*$ –*
Trade notes and accounts payable	*$ 513,304*	*$ 513,304*	*$ –*
Short-term bank loans, current portion of long-term debt, and commercial paper	*1,275,455*	*1,275,455*	*–*
Other notes and account payable (*1)	*254,106*	*254,106*	*–*
Long-term debt	*2,552,781*	*2,536,560*	*(16,220)*
Convertible bond	*222,836*	*265,509*	*42,673*
Lease obligations (*2)	*35,455*	*34,477*	*(978)*
Liabilities total	*$4,853,939*	*$4,879,413*	*$25,473*

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

Notes to Consolidated Financial Statements

	Millions of yen		
	2016		
	Book value	Fair value	Difference
Cash and cash equivalents, time deposits	¥126,668	¥126,668	¥ –
Trade notes and accounts receivable, net of allowance for doubtful receivables	112,253	112,253	–
Investment securities	54,288	54,288	–
Assets total	¥293,209	¥293,209	¥ –
Trade notes and accounts payable	¥ 56,185	¥ 56,185	¥ –
Short-term bank loans, current portion of long-term debt, and commercial paper	138,112	138,112	–
Other notes and account payable (*1)	34,063	34,063	–
Long-term debt	243,276	242,990	(286)
Convertible bond	25,000	25,000	–
Lease obligations (*2)	4,177	4,088	(89)
Liabilities total	¥500,813	¥500,438	¥(375)

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

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

<Assets>

• Cash and cash equivalents, time deposits and trade notes and accounts receivable
Cash and cash equivalents and trade notes and accounts receivable are stated at the relevant book value because the settlement periods are short and the fair values are almost the same as the book value.

• Investments securities
Equity securities are stated at market value. See Note 6. “Investment securities” for the detailed information by classification.

<Liabilities>

• Trade notes and accounts payable and short-term bank loans and current portion of long-term debt and commercial paper
Because the settlement periods of the above items are short and their fair values are almost the same as their book values, the relevant book values are used.

• Other notes and account payable
Because the settlement periods of the above items are short and their fair values are almost the same as their book values, the relevant book values are used.

• Long-term debt and convertible bond
The fair value of long-term debt is calculated by applying a discount rate to the total of principal and interest. The discount rate is based on the assumed interest rate if a similar new loan was entered into.

• Lease obligation
The fair value of lease obligations is calculated by applying a discount rate to the total of principal and interest. The discount rate is based on the assumed interest rate if a current lease transaction was renewed.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Unlisted equity securities	**¥6,552**	¥4,273	***$58,407***

Because these items have no market value and are difficult to estimate the future cash flow and it is extremely difficult to determine their fair values, they are not included in investment securities above.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
	Within 1 year	Within 1 year	Within 1 year
Cash and cash equivalents, time deposits	**¥123,188**	¥126,668	***$1,098,032***
Trade notes and accounts receivable	**119,660**	112,253	***1,066,583***

Notes to Consolidated Financial Statements

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

Planned repayment amounts after the balance sheet date for monetary payables with maturity dates at March 31, 2017 are as follows:

	Millions of yen					
						2017
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term bank loans, current portion of long-term debt, and commercial paper	**¥143,093**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ –**
Other notes and account payable	**–**	**–**	**–**	**–**	**–**	**–**
Long-term debt	**–**	**52,243**	**63,647**	**36,669**	**48,873**	**84,963**
Convertible bond	**–**	**–**	**–**	**25,000**	**–**	**–**
Lease obligations	**1,107**	**987**	**853**	**543**	**428**	**57**
Total	**¥144,201**	**¥53,230**	**¥64,500**	**¥62,213**	**¥49,301**	**¥85,020**

	Thousands of U.S. dollars (Note 1)					
						2017
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term bank loans, current portion of long-term debt, and commercial paper	***$1,275,455***	***$ –***	***$ –***	***$ –***	***$ –***	***$ –***
Other notes and account payable	***–***	***–***	***–***	***–***	***–***	***–***
Long-term debt	***–***	***465,668***	***567,315***	***326,854***	***435,629***	***757,314***
Convertible bond	***–***	***–***	***–***	***222,836***	***–***	***–***
Lease obligations	***9,874***	***8,803***	***7,607***	***4,845***	***3,815***	***508***
Total	***$1,285,330***	***$474,471***	***$574,923***	***$554,536***	***$439,444***	***$757,822***

	Millions of yen					
						2016
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Trade notes and accounts payable	¥ 56,185	¥ –	¥ –	¥ –	¥ –	¥ –
Short-term bank loans, current portion of long-term debt, and commercial paper	138,112	–	–	–	–	–
Other notes and account payable	34,063	–	–	–	–	–
Long-term debt	–	73,594	38,581	48,331	21,759	61,011
Convertible bond	–	–	–	–	25,000	–
Lease obligations	1,045	877	767	657	418	413
Total	¥229,405	¥74,471	¥39,348	¥48,988	¥47,177	¥61,424

Notes to Consolidated Financial Statements

8. Derivatives

The Company and its consolidated subsidiaries had the following derivatives contracts outstanding at March 31, 2017 and 2016.

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

(a) Currency related

		Millions of yen		
		2017		
	Type of Derivative	Contract amount	Over 1 year out-of-contract amount	Fair Value
Transaction other than market transaction	NDF	**¥174**	**¥–**	**¥(1)**

		Thousands of U.S. dollars (Note 1)		
		2017		
	Type of Derivative	Contract amount	Over 1 year out-of-contract amount	Fair Value
Transaction other than market transaction	NDF	***$1,557***	***$–***	***$(16)***

		Millions of yen		
		2016		
	Type of Derivative	Contract amount	Over 1 year out-of-contract amount	Fair Value
Transaction other than market transaction	NDF	¥350	¥–	¥(1)

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

(b) Interest related
N/A in 2017

		Millions of yen		
		2016		
	Type of Derivative	Contract amount	Over 1 year out-of-contract amount	Fair Value
Transaction other than market transaction	Interest rate option	¥66	¥–	¥ –
	Interest rate swap			
	To receive variable/To pay fixed	¥18	¥–	¥ (1)

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

Notes to Consolidated Financial Statements

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

(a) Currency related

			Millions of yen		
			2017		
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	Account receivables	**¥289**	**¥–**	**¥(11)**
Allocation method of forward foreign exchange contract, etc.	Currency swap	Long-term loans	**53**	**–**	**(*1)**

			Thousands of U.S. dollars (Note 1)		
			2017		
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	Account receivables	***$2,581***	***$–***	***$(102)***
Allocation method of forward foreign exchange contract, etc.	Currency swap	Long-term loans	***477***	***–***	***(*1)***

			Millions of yen		
			2016		
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	Account receivables	¥ 371	¥ –	¥(11)
Allocation method of forward foreign exchange contract, etc.	Currency swap	Long-term loans	1,125	¥54	(*1)

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

(b) Interest related

			Millions of yen		
			2017		
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	**¥4,716**	**¥4,716**	**¥(130)**
Exceptional accounting method for interest rate swap	Interest rate swap	long-term loans	**724**	**245**	**(*1)**

			Thousands of U.S. dollars (Note 1)		
			2017		
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	***$42,041***	***$42,041***	***$(1,160)***
Exceptional accounting method for interest rate swap	Interest rate swap	long-term loans	***6,458***	***2,185***	***(*1)***

			Millions of yen		
			2016		
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	¥ 138	¥ 70	¥4
Exceptional accounting method for interest rate swap	Interest rate swap	long-term loans	2,222	725	(*1)

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

Notes to Consolidated Financial Statements

9. Short-Term Loans and Long-Term Debt

Short-term loans comprised overdrafts and promissory notes.
The weighted-average interest rates of short-term bank loans for the years ended March 31, 2017 and 2016 were 0.9293% and 0.7878%, respectively.
The weighted-average interest rates of commercial paper for the years ended March 31, 2017 and 2016 were 0.011% and 0.069%, respectively.
Long-term debt comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
2.04% unsecured bonds due 2018	**¥ 10,000**	¥ 10,000	***$ 89,134***
1.09% unsecured bonds due 2018	**4,000**	4,000	***35,653***
0.61% unsecured bonds due 2019 (*1)	**800**	1,200	***7,130***
	[400]	[400]	***[3,565]***
0.57% unsecured bonds due 2020	**3,000**	3,000	***26,740***
0%unsecured bonds due 2021	**25,000**	25,000	***222,836***
0.64% unsecured bonds due 2016 (*1)	**–**	1,000	***–***
	–	[1,000]	***–***
0.10%~0.81% unsecured bonds due from 2017 to 2022 (*1) (*2)	**2,530**	1,392	***22,551***
	[730]	[862]	***[6,506]***
0.33% unsecured bonds due 2018 (*1) (*3)	**45**	–	***401***
	[30]	–	***[267]***
Long-term bank loans due through 2077, with weighted-average interest rate of 0.7695% for the year ended March 31,2017, and of 1.0198% for the year ended March 31, 2016	**352,906**	304,734	***3,145,616***
Less current portion of long-term debt	**(86,885)**	(82,050)	***(774,445)***
Total	**¥311,396**	¥268,276	***$2,775,617***
	[1,160]	[2,262]	***[10,339]***

(*1) [ ] is the amount of the current portion of bonds.
(*2) This is the total amount of the bonds Goodman Co., Ltd. issued.
(*3) This is the total amount of the bonds IMC Co., Ltd. issued.
In March 2008, the Company issued ¥10,000 million (US$89,134 thousand) of 2.04% unsecured bonds due 2018.
In March 2013, the Company issued ¥4,000 million (US$35,653 thousand) of 1.09% unsecured bonds due 2018.
In March 2014, the Company issued ¥2,000 million (US$17,826 thousand) of 0.61% unsecured bonds due 2019.
In March 2015, the Company issued ¥3,000 million (US$26,740 thousand) of 0.57% unsecured bonds due 2020.
In January 2016,the Company issued ¥25,000 million(US$222,836 thousand)of 0% unsecured bonds due 2021.
In April 2011, Nipro Pharma Corporation issued ¥1,000 million (US$8,913 thousand) of 0.64% privately placed bonds due 2016.
In June 2013, IMC Co., Ltd. issued ¥150 million (US$1,337 thousand) of 0.33% privately placed bonds due 2018.
From September 2011 to February 2017, Goodman Co., Ltd. issued ¥6,700 million (US$59,720 thousand) of 0.10% and 0.81% unsecured bonds due from 2016 to 2022.

The aggregate annual maturities of long-term debt outstanding at March 31, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2017	***2017***
2016	**¥ 86,885**	***$ 774,445***
2017	**66,388**	***591,749***
2018	**61,262**	***546,057***
2019 and thereafter	**198,506**	***1,769,374***
Total	**¥413,041**	***$3,681,626***

As is customary in Japan, long-term and short-term bank loans are made under general agreements which provide that additional securities and guarantees for present and future indebtedness will be given under certain circumstances at the request of the bank.
In addition, the agreements provide that the bank has the right to offset cash deposits against any long-term and short-term bank loan that becomes due, and in case of default and certain other specified events, against all other loans payable to the bank.

10. Accrued Pension and Severance Liabilities

The Company and certain consolidated subsidiaries have defined benefit pension plans and unfunded retirement benefit plans, and defined contribution pension plan for employees.
Certain consolidated subsidiaries have recorded liabilities for retirement benefit and assets for a retirement benefit based on the simplified method.

(1) Defined Benefit Plans

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Obligation at April 1	**¥13,554**	¥11,467	***$120,813***
Service cost	**1,088**	835	***9,703***
Interest cost	**70**	129	***626***
Actuarial gains and losses	**(92)**	701	***(821)***
Prior service cost	**(52)**	7	***(471)***
Benefit payments	**(394)**	(409)	***(3,514)***
Increasing by change from the simplified method to the principle method	**–**	1,195	***–***
Decreasing by sale of subsidiary shares	**–**	(326)	***–***
Other (foreign currency translation adjustments, etc.)	**10**	(45)	***95***
Obligation at March 31	**¥14,184**	¥13,554	***$126,430***

Notes to Consolidated Financial Statements

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Fair value of plan assets at April 1	**¥9,084**	¥8,339	***$80,971***
Expected return on plan assets	**158**	156	***1,413***
Actuarial gains and losses	**(54)**	(269)	***(482)***
Company contribution	**671**	633	***5,986***
Benefit payments	**(222)**	(212)	***(1,983)***
Increasing by change from the simplified method to the principle method	**–**	617	***–***
Decreasing by sale of subsidiary shares	**–**	(174)	***–***
Other (foreign currency translation adjustments, etc.)	**(41)**	(7)	***(373)***
Fair value of plan assets at March 31	**¥9,595**	¥9,083	***$85,530***

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Liabilities for retirement benefit at April 1	**¥294**	¥ 573	***$2,624***
Beginning balance of newly consolidated subsidiary	**12**	–	***113***
Retirement benefit cost	**23**	136	***211***
Retirement payments	**(12)**	(22)	***(113)***
Contribution for the plan	**(5)**	(6)	***(46)***
Increasing by change from the simplified method to the principle method	**–**	(346)	***–***
Other (foreign currency translation adjustments, etc.)	**(7)**	(40)	***(63)***
Liabilities for retirement benefit at March 31	**¥305**	¥ 295	***$2,725***

(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)
	2017	2016	***2017***
Benefit obligation on funded scheme	**¥13,106**	¥12,642	***$116,821***
Plan assets	**(9,637)**	(9,126)	***(85,905)***
	3,468	¥ 3,516	***30,916***
Benefit obligations on non-funded scheme	**1,430**	¥ 1,248	***12,754***
Net assets (liabilities) on the consolidated balance sheet	**4,899**	4,764	***43,670***
Net defined benefit liability	**5,126**	5,017	***45,697***
Net defined benefit asset	**(227)**	(253)	***(2,027)***
Net assets (liabilities) on the consolidated balance sheet	**¥4,899**	¥ 4,764	***$43,670***

(*) 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)
	2017	2016	***2017***
Service cost	**¥1,088**	¥ 835	***$ 9,703***
Interest cost	**70**	129	***626***
Expected return on plan assets	**(158)**	(156)	***(1,413)***
Amortization of actuarial gains and losses	**240**	40	***2,141***
Amortization of past service obligation	**55**	55	***492***
Retirement benefit cost based on the simplified method	**23**	136	***211***
Increasing by change from the simplified method to the principle method	**–**	231	***–***
Other	**25**	–	***231***
Total	**¥1,345**	¥1,270	***$11,993***

Notes to Consolidated Financial Statements

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

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Prior service cost	**¥ 52**	¥ (7)	***$ 471***
Actuarial loss gains and losses	**288**	(930)	***2,567***
Total	**¥340**	¥(937)	***$3,038***

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

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Unrecognized prior service cost	**¥ (53)**	¥ (173)	***$ (480)***
Unrecognized actuarial loss	**(781)**	(1,003)	***(6,965)***
Total	**¥(835)**	¥(1,176)	***$(7,446)***

(h) Items concerning the pension assets

1. The breakdown of the pension assets

The ratio of the plan assets are as follows:

	2017	2016
Bonds	**41%**	41%
Equities	**21%**	21%
Cash and deposits	**0%**	0%
General account	**33%**	33%
Others	**5%**	5%
Total	**100%**	100%

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

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

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

(i) Calculation basis of actuarial methods

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

	2017	2016
Discount rate	**Primarily 0.4%**	Primarily 0.2%
Expected long-term rate of return	**Primarily 1.5%**	Primarily 1.5%
Assumed wage increase rate	**Primarily 6.5%**	Primarily 6.5%

(2) Defined Contribution Retirement Plans

The amounts of necessary contributions to defined contribution retirement plans within the Company and consolidated subsidiaries were ¥463 million (US$4,128 thousand).

11. Commitments and Contingent Liabilities

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Liabilities for guarantees			
Export drafts discounted	**¥13**	¥101	***$119***
Trade notes receivable discounted	**–**	–	***–***
Total	**¥13**	¥101	***$119***

Notes to Consolidated Financial Statements

12. Stock Options

The stock options outstanding as of March 31, 2016 were as follows:
Consolidated subsidiary (Goodman Co., Ltd.)

	2016	
	November 25, 2005 at board of directors' meeting	April 27, 2006 at board of directors' meeting
Persons granted	Directors of Goodman Co., Ltd: 4 Employees of Goodman Co., Ltd: 348 Others: 4	Employees of Goodman Co., Ltd: 6
Class and number of shares	878,500 shares of common stock of Goodman	7,000 shares of common stock of Goodman
Grant date	December 5, 2005	April 28, 2006
Exercise period	From December 6, 2005 to August 31, 2015	From April 28, 2006 to August 31, 2015
Terms for vesting	None	None
Specified term of years before vesting	None	None

In addition to the aforementioned information of the stock options outstanding, the stock option activities were as follows:
Consolidated subsidiary (Goodman Co., Ltd.)

	2016	
	November 25, 2005 at board of directors' meeting	April 27, 2006 at board of directors' meeting
Non-vested shares		
At the beginning of the year	–	–
Granted during the year	–	–
Forfeited and expired during the year	–	–
Vested during the year	–	–
At the end of the year	–	–
Vested shares		
At the beginning of the year	253,000	2,000
Vested during the year	–	–
Exercised during the year	–	–
Forfeited and expired during the year	–	–
Unexercised at the end of the year	253,000	2,000

The numbers of stock options were converted into that of common stocks.

	Yen	
	2016	
	November 25, 2005 at board of directors' meeting	April 27, 2006 at board of directors' meeting
Exercise price	¥2,169	¥2,415
Average stock price at exercise	–	–
Fair value price at the grant date	–	–

There are no stock options outstanding as of March 31, 2017

Notes to Consolidated Financial Statements

13. Net Assets

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

(a) Dividends

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

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

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

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

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.

Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation.

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

The Company's legal reserve, which is included in retained earnings, amounted to ¥3,622 million (US$32,288 thousand) as of March 31,2017, and its additional paid-in capital, which is included in capital surplus, amounted to ¥635 million (US$ 5,662 thousand) as of March 31, 2017.

14. Segment Reporting

1. Outline of Reportable Operating Segments

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

The Company currently operates its business on a stand-alone basis with the divisional organization and evaluates the performance of sales and manufacture 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 PharmaPackaging business), which are divided mainly by their products.

***Medical-Related**

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

***Pharmaceutical-Related**

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

***PharmaPackaging**

The company has changed a name of reportable segment from this fiscal year. Former Glass-Related Business is newly named PharmaPackaging Business.

The change is only in name and has no effects on the business classification or the figures from the previous fiscal years.

The PharmaPackaging division sells glass for vials and ampoules for medical use, glass for thermos bottles and glass for lighting. Overseas subsidiaries manufacture and sell tube glass and glass mainly for syringes, vials and ampoules for medical use.

Notes to Consolidated Financial Statements

Business segment information for the years ended March 31, 2017 and 2016 was as follows:

Millions of yen

2017

	Reportable Segment: Medical-Related	Reportable Segment: Pharmaceutical-Related	Reportable Segment: PharmaPackaging	Reportable Segment: Total	Other (*1)	Total	Adjustment (*2)	Consolidated financial statements
Net sales:								
Outside	¥262,198	¥ 69,140	¥28,331	¥359,670	¥ 29	¥359,699	¥ –	¥359,699
Intersegment	1,575	9,917	0	11,492	724	12,216	(12,216)	–
Total	263,773	79,057	28,331	371,162	754	371,916	(12,216)	359,699
Operating income (loss)	30,638	14,135	(1,313)	43,460	(10)	43,449	(14,679)	28,770
Identifiable assets	369,540	160,467	61,262	591,270	1,237	592,508	160,330	752,839
Other items								
Depreciation and amortization	14,231	10,761	3,302	28,295	0	28,295	2,832	31,128
Amortization of goodwill	2,083	4	819	2,907	–	2,907	–	2,907
Increase in tangible and intangible fixed assets	¥ 22,684	¥ 17,695	¥ 6,795	¥ 47,175	¥ 731	¥ 47,907	¥ 10,403	¥ 58,310

Thousands of U.S. dollars (Note 1)

2017

	Reportable Segment: Medical-Related	Reportable Segment: Pharmaceutical-Related	Reportable Segment: PharmaPackaging	Reportable Segment: Total	Other (*1)	Total	Adjustment (*2)	Consolidated financial statements
Net sales:								
Outside	$2,337,095	$ 616,276	$252,528	$3,205,900	$ 267	$3,206,167	$ –	$3,206,167
Intersegment	14,039	88,395	–	102,434	6,459	108,894	(108,894)	–
Total	2,351,135	704,671	252,528	3,308,335	6,726	3,315,062	(108,894)	3,206,167
Operating income (loss)	273,098	125,994	(11,710)	387,382	(95)	387,287	(130,840)	256,446
Identifiable assets	3,293,879	1,430,323	546,061	5,270,263	11,033	5,281,297	1,429,097	6,710,395
Other items								
Depreciation and amortization	126,850	95,925	29,433	252,208	0	252,209	25,250	277,459
Amortization of goodwill	18,570	40	7,306	25,917	–	25,917	–	25,917
Increase in tangible and intangible fixed assets	$ 202,195	$ 157,724	$ 60,574	$ 420,495	$ 6,521	$ 427,017	$ 92,727	$ 519,744

Notes to Consolidated Financial Statements

	Millions of yen							
	2016							
	Reportable Segment				Other (*1)	Total	Adjustment (*2)	Consolidated financial statements
	Medical-Related	Pharmaceutical-Related	PharmaPackaging	Total				
Net sales:								
Outside	¥272,168	¥ 62,266	¥32,184	¥366,618	¥32	¥366,650	¥ –	¥366,650
Intersegment	1,737	8,815	874	11,426	39	11,465	(11,465)	–
Total	273,905	71,081	33,058	378,044	71	378,115	(11,465)	366,650
Operating income (loss)	28,204	12,060	(1,618)	38,646	61	38,707	(14,502)	24,205
Identifiable assets	338,889	154,304	66,812	560,005	55	560,060	148,823	708,883
Other items								
Depreciation and amortization	15,133	9,327	3,403	27,863	–	27,863	2,284	30,147
Amortization of goodwill	2,649	5	1,033	3,687	–	3,687	–	3,687
Increase in tangible and intangible fixed assets	¥ 24,549	¥ 21,277	¥ 6,095	¥ 51,921	¥ –	¥ 51,921	¥ 5,180	¥ 57,101

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

- Adjustments for operating income ended March 31, 2017 and 2016 include ¥1,248 million (US$11,130 thousand) and ¥(1,070) million of adjustment for unrealized gain and ¥(15.927) million (US$(141,971) thousand) and ¥(13,432) million of corporate cost, respectively. Corporate cost consists primarily of sales, general and administrative expenses and research and development costs which do not belong to the reportable segment.
- Adjustments for Identifiable assets ended March 31, 2017 and 2016 include ¥(7,339) million (US$(65,421) thousand) and ¥(10,777) million of elimination of inter-segment transaction and ¥167,670 million (US$1,494,518 thousand) and ¥159,599 million of corporate assets, respectively. Corporate assets consisted primarily of cash and deposits, investment securities, assets for development and assets for management division of head office which do not belong to the reportable segment.
- Adjustments for depreciation and amortization ended March 31, 2017 and 2016 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.

Notes to Consolidated Financial Statements

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

Millions of yen

	2017					
	Reportable Segment				Other	Total
	Medical-Related	Pharmaceutical-Related	PharmaPackaging	Total		
Loss on impairment of fixed assets	**¥ 32**	**¥120**	**¥1,401**	**¥ 1,554**	**¥ –**	**¥ 1,554**
Unamortized balance of goodwill	**24,957**	**4**	**3,034**	**27,996**	**–**	**27,996**

Thousands of U.S. dollars (Note 1)

	2017					
	Reportable Segment				Other	Total
	Medical-Related	Pharmaceutical-Related	PharmaPackaging	Total		
Loss on impairment of fixed assets	***$ 286***	***$1,071***	***$12,493***	***$13,851***	***$ –***	***$13,851***
Unamortized balance of goodwill	***222,461***	***36***	***27,049***	***249,546***	***–***	***249,546***

Millions of yen

	2016					
	Reportable Segment				Other	Total
	Medical-Related	Pharmaceutical-Related	PharmaPackaging	Total		
Loss on impairment of fixed assets	¥ 0	¥ –	¥ –	¥ 0	¥ –	¥ 0
Unamortized balance of goodwill	23,718	9	¥5,150	28,877	–	28,877

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

Millions of yen

	2017				
	Japan	Americas	Europe	Asia	Total
Net sales	**¥221,331**	**¥53,239**	**¥42,579**	**¥42,548**	**¥359,699**
Property, plant and equipment	**148,090**	**9,791**	**16,708**	**69,632**	**244,222**

Thousands of U.S. dollars (Note 1)

	2017				
	Japan	Americas	Europe	Asia	Total
Net sales	***$1,972,830***	***$474,550***	***$379,534***	***$379,252***	***$3,206,167***
Property, plant and equipment	***1,319,992***	***87,275***	***148,927***	***620,668***	***2,176,864***

Millions of yen

	2016				
	Japan	Americas	Europe	Asia	Total
Net sales	¥203,462	¥72,416	¥46,156	¥44,616	¥366,650
Property, plant and equipment	125,709	9,586	14,685	73,777	223,757

Notes to Consolidated Financial Statements

15. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	***2017***
Salaries	**¥19,813**	¥22,230	***$176,604***
Freight charges	**7,780**	8,205	***69,348***

16. Research and Development Expenses

Research and development expenses for the years ended March 31, 2017 and 2016 were ¥11,517 million (US$102,663 thousand) and ¥10,269 million, respectively.

17. Impairment Loss

In the year ended March 31, 2017, the Company and its consolidated subsidiaries recorded the impairment loss of ¥1,554 million.
The following table presents the major impaired assets.

			Millions of yen
			2017
Purpose of use	Location	Type of asset	Amount
Business use	Nipro PharmaPackaging Germany GmbH	Goodwill, other intangible assets and others	**¥1,113**
Business use	Nipro PharmaPackaging Belgium N.V.	Goodwill	**288**

			Thousands of U.S. dollars (Note 1)
			2017
Purpose of use	Location	Type of asset	Amount
Business use	Nipro PharmaPackaging Germany GmbH	Goodwill, other intangible assets and others	***$9,924***
Business use	Nipro PharmaPackaging Belgium N.V.	Goodwill	***2,568***

The assets for business use are divided into groups on which separate financial information is reported for management accounting purposes, whereas leased assets and idle assets are categorized individually. Headquarters assets, R&D facilities, dormitories and company-offered houses are categorized into assets for common use, since these assets cannot generate identifiable cash flows.
  The company recognized the impairment loss, since the economic performance of above-mentioned assets will be worse than what the company originally expected.
  The recoverable amounts of those assets are measured by the value in use, and have been impaired to nil carrying value.

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)
	2017	2016	***2017***
Cash paid during the year for:			
Interest	**¥3,908**	¥4,506	***$34,841***
Income tax	**7,308**	4,780	***65,140***

Report of Independent Auditors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nipro Corporation

We have audited the accompanying consolidated balance sheet of Nipro Corporation and its consolidated subsidiaries as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nipro Corporation and its consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017, are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Osaka, Japan
August 14, 2017

PKF Hibiki Audit Corporation

PKF Hibiki Audit Corporation

Corporate Information (As of March 31, 2017)

Date of Establishment

July 8, 1954

Head Office

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

Tokyo Office

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

Number of Employees

Parent Company	3,367
Consolidated subsidiaries	24,048
Total	27,415

Common Stock

Authorized	400,000,000 shares
Issued	171,459,479 shares
Outstanding	166,619,408 shares
Number of Shareholders	50,199

Stock Listings

Tokyo Stock Exchange, First Section
Ticker Code:8086

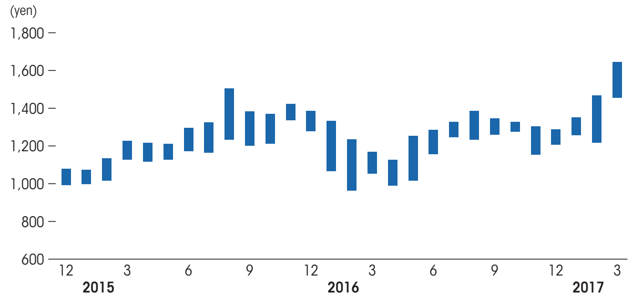
Transfer Agent

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

Principal Shareholders

	Number of Shares Held (in thousands)	Percentage of Total Shares in Issue (%)
Nippon Electric Glass Co., Ltd.	24,003	14.00
Japan Trustee Services Bank, Ltd.	16,097	9.39
The Master Trust Bank of Japan, Ltd.	5,914	3.45
Resona Bank Limited	5,360	3.13
Trust & Custody Services Bank,Ltd.	3,968	2.31
JP Morgan Chase Bank 380634	3,115	1.82
Goldman Sachs International	2,142	1.25
MSCO Customer Securities	1,941	1.13
Kazumi Sano	1,910	1.11
Chase Manhattan Bank GTS Clients Account Escrow	1,813	1.06
Total	66,267	38.65

Stock Price Range (Tokyo Stock Exchange)



Major Group Companies (As of June 30, 2017)

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