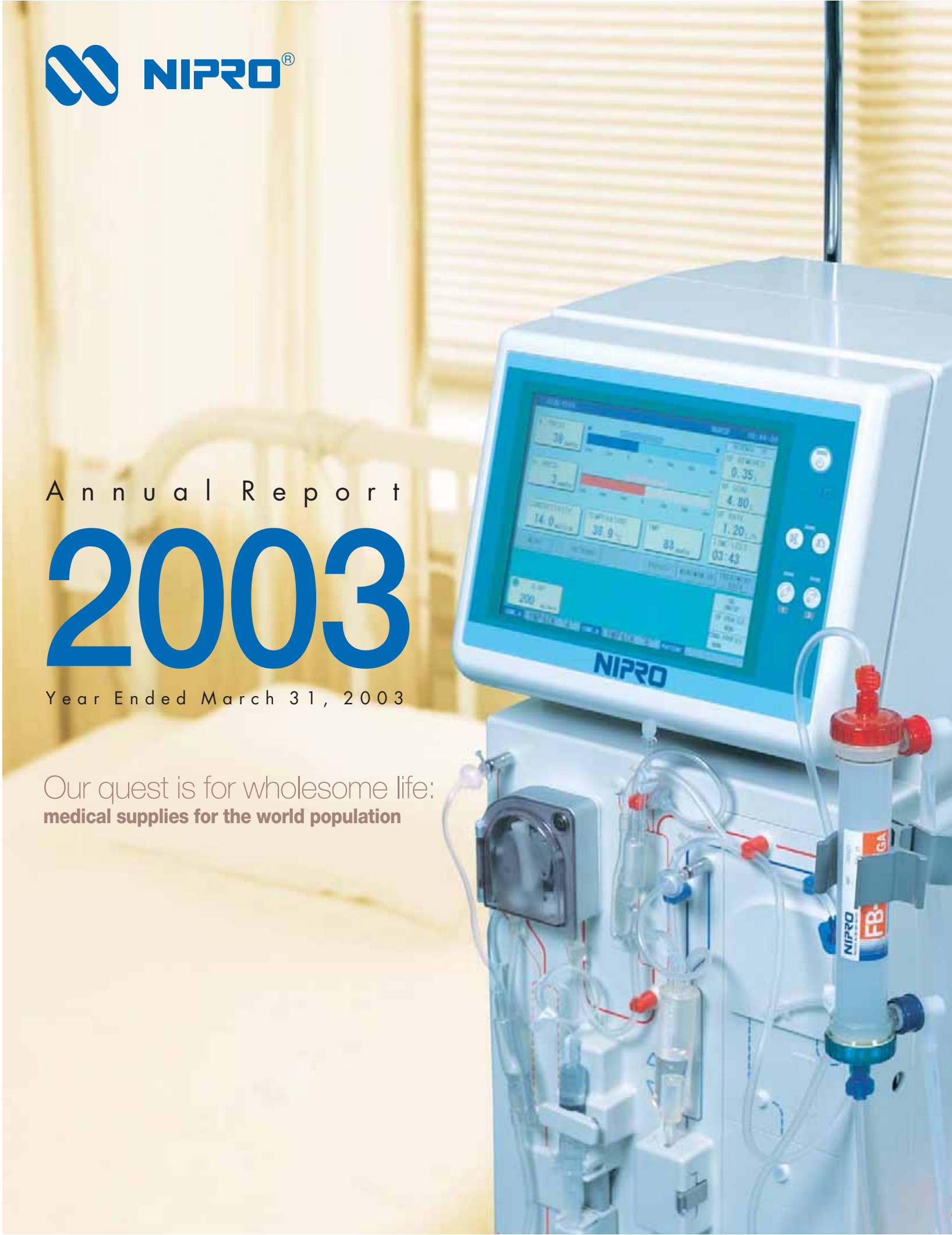
NIPRO®

Annual Report 2003

Year Ended March 31, 2003

Our quest is for wholesome life:
medical supplies for the world population



Contents

Foward-looking Statement

Projections of operating results and changes in the operating environment are based on information available to management at the time this report was prepared. As such, these projections entail risks and uncertainties. Readers should be aware that actual results and events may differ substantially from these projections.

Profile

Our quest is for wholesome life:
medical supplies for the world population

Glass tube business started and supermarket business entered

We started business as a glass and instruments distributor dealing in glass tubes for ampoules and tablet bottles in 1954 under the name of Nippon Glass Shoji Co., Ltd. Since then, we have become a world leader in successfully developing an automated processing machine of ampoules and thermos bulbs, and we have begun the manufacturing of ampoules, small light bulbs, among other products. In 1977, we changed our name to Nissho Corporation, and then we entered the supermarket business, which was rapidly growing at the time. A stable earning capacity served as the driving force behind the creation of our next new business.

The quest to become the world's leading dialyzer manufacturer with the medical equipment brand "NIPRO"

In 1965, we entered into the medical equipment business, backed by our technical capabilities, product development abilities and sales expertise, which have been augmented through the manufacturing and sales of glass and instruments. Under our proprietary brand, "NIPRO," we released safe, sophisticated and user-friendly medical equipment into the market, including dialysis-related products and infusion lines. Among them, our dialyzers (a medical equipment used in dyalysis treatment) earned a strong reputation both domestically and abroad. Currently, dialyzers are the pillars of our growth, serving as our flagship product with a large share in the global market.

To become the world leader in two areas: Development of artificial organs and manufacturing of injection drugs

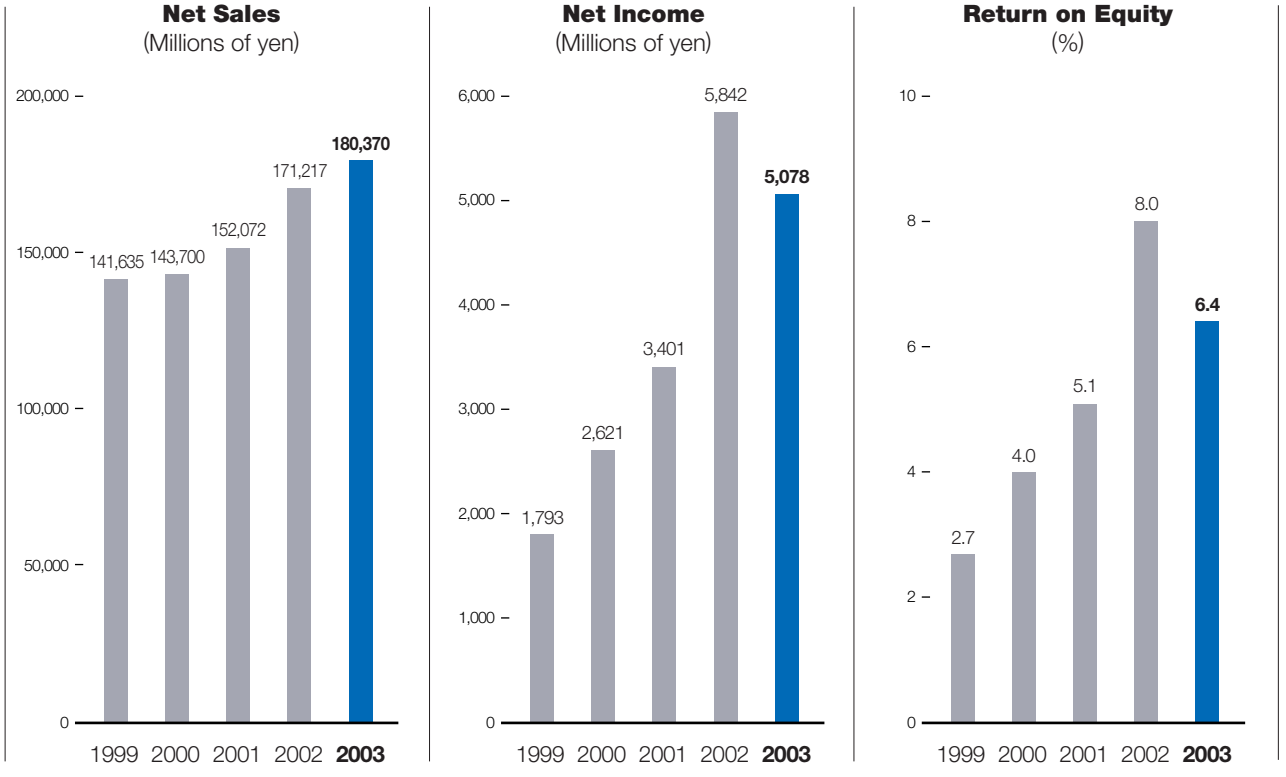
In 2001, we absorbed a domestic sales subsidiary and renamed ourselves as Nipro Corporation, which features our globally recognized brand name, "NIPRO." In June 2001, Nipro spun off the supermarket division into a separate company and took other restructuring measures from which it launched the integrated administration of R&D, production and sales with medical and pharmaceuticals businesses at its core. Currently, Nipro Group is actively engaged in R&D in leading-edge technologies such as regenerative medicine. We aim to become the world's leading company in two areas: in artificial organs, including artificial kidneys (dialyzers), and in injection drugs.

Consolidated Financial Highlights

Nipro Corporation and its consolidated subsidiaries
Years ended March 31.

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
For the year:			
Net sales	**¥ 180,370**	¥ 171,217	**$ 1,500,582**
Operating income	**14,899**	14,435	**123,951**
Net income	**5,078**	5,842	**42,246**
Capital expenditures	**20,775**	17,166	**172,837**
Depreciation and amortization	**8,767**	7,215	**72,937**
R&D expenses	**2,328**	2,553	**19,368**
At year-end:			
Total assets	**¥ 252,848**	¥ 245,403	**$ 2,103,560**
Total shareholders' equity	**83,533**	76,099	**694,950**
Per share data (in yen and U.S. dollars):			
Net income:			
Basic	**¥ 84.3**	¥ 104.4	**$ 0.70**
Diluted	**78.5**	92.4	**0.65**
Cash dividends	**32.0**	47.0	**0.27**
Shareholders' equity	**1,310.7**	1,343.7	**10.90**

The U.S. dollar amounts in this report represent translations of Japanese yen,
for convenience only, at the rate of ¥120.20=U.S.$1, the approximate exchange rate on March 31, 2003.
Certain reclassifications have been made to the 2002 amounts to conform with the 2003 presentation.



To Our Shareholders

Minoru Sano **President**

Annual Overview

Revenue increases despite recession

In enterprise management, Nipro Group has run its business by balancing stability with growth. While the Japanese economy remains trapped in recession, our business has expanded, not contracted.

In fiscal 2002, the year ended March 31, 2003, consolidated net sales amounted to 180,370 million yen (a year-on-year increase of 5.3%), consolidated operating income 14,899 million yen (a year-on-year increase of 3.2%) and consolidated net income 5,078 million yen (a year-on-year decrease of 13.1%).

The number of orders for dialyzers—our medical division's flagship product—from OEM clients fell; however, the medical division expanded sales through other sales routes. Furthermore, the pharmaceutical and supermarket division performed well. As a result, we could meet projected net sales.

The volume of orders for dialyzers, which was decreasing at one stage, is now recovering, and it is expected to stabilize within fiscal 2003. As for the business performance of each division in specific terms, please refer to page 17 onwards.

Nipro Group expands outsourced production of injection drugs, following the amendment of the Pharmaceutical Affairs Law

Based on the approval of the amendment of the Pharmaceutical Affairs Law in July 2002,

Nipro Group aims to become the world's leading manufacturer of artificial organs and injection drugs

the approval of pharmaceutical products for which an application must be filed to the Ministry of Health, Labour and Welfare, will change from drug manufacturing approval to drug sales approval. As a result, major pharmaceutical companies, who want to concentrate their business resources on developing new drugs, are expected to actively outsource production in the future. In particular, we expect a new outsourced production market to develop, especially for injection drugs.

Nipro invested capital in Hishiyama Pharmaceutical Co., Ltd. (currently known as Nipro Pharma Corporation) in 1988, and it has actively invested in the pharmaceuticals business. In April 2002, we began operations at the Nipro Pharma's Odate factory, which is slated to become the center for outsourced production. Initially, the factory started manufacturing "SUBPACK™-B" substitution fluids for HF (hemofiltration) and HDF (hemodiafiltration), followed by the commencement of outsourced production of double-bag kits for penicillin antibiotics in December 2002. It also plans to produce various kinds of double-bag kits and pre-filled syringes.

Nipro Group develops, manufactures and sells marketable products

In retrospect, our business performance in fiscal 2002 revealed that the sales force has improved as a whole. In April 2001, we changed our company name to Nipro Corporation, with medical and pharmaceuticals businesses at the core, and launched the integrated administration of R&D, manufacturing and sales. This has further improved our structure for developing and producing what the market demands, and in fiscal 2002, we have produced a series of new products. The effects of restructuring became apparent in fiscal 2001 and fiscal 2002, in which product development and improvement progressed and we managed to improve our product lineup, especially in areas related to dialysis, circulatory systems and kit products for injection drugs. Consequently, we boosted our competitiveness and expanded sales.

Outlook

Nipro Group to expand business focusing on two areas: Development of artificial organs and manufacturing of injection drugs

In fiscal 2003, the Group is expected to post record-high profits group-wide. To achieve this, we will promote the development of various organs and tissues, such as artificial hearts, artificial pancreas, artificial blood and artificial skin, and we will concentrate on the outsourced production business for injection drugs. While our Group has the dialyzer (artificial kidney), which is a globally competitive product, we are also marketing injection drugs, based on our policy to develop and manufacture competitive products in the global market. We plan to establish injection drugs

Nipro Pharma's Odate factory

and artificial organs as our core business.

Unlike oral medication, injection drugs are administrated using syringes, catheters and other medical equipment. Year by year, the form of injection drugs has been shifting towards kits (which combine drugs with dosing equipment) to prevent medical malpractice and reduce the workload of medical staff. In addition to the ability of formulation research, Nipro group's strength lies in its technologies to develop and manufacture materials for medical equipment such as plastic, rubber and glass. In the future, we will promote the advancement of injection drugs, such as adding accident-prevention functions and long-acting drugs, and to become the world's leading manufacturer of injection drugs.

While we have already invested approximately 10,000 million yen in Nipro Pharma's Odate factory, we plan to spend another 13,000 million yen over the next two or three years to expand the production line. In the near future, we hope that Nipro Pharma Corporation can become a pharmaceutical manufacturer capable of generating 100,000 million yen in annual sales.

In the glass and material division, we are struggling due to the changes in medical containers. However, we will proactively expand our market by improving the quality of glass tube materials for LCD backlight bulbs, which have performed well in the market, and developing laminated rubber closures.

In the supermarket division, our supermarket business has been continuously generating stable profits since its spin-off two years ago. We intend to continue to improve customer satisfaction and create valuable products to secure stable profits. In the drug store business, we launched 16 new stores in fiscal 2002, where we spectacularly increased both net sales and earnings. We plan to open 25 stores in fiscal 2003, and further expand our presence.

Implementing new sliding wage scale system for each division

We have clearly defined our profit sharing scheme with shareholders, management and employees, upholding the sliding wage scale system at the core of the company's management. From fiscal 2003 onwards, we will apply a new profit sharing scheme that is more stringent than the existing one. Up until now, even when our business produced losses, we paid ordinary employees a bonus equivalent to two months pay, while we paid management including the President no bonus. However, from now on, we will shift to a new sliding wage scale system for each division, in which ordinary employees will also be held responsible for business performance. When our business produces losses, we will pay employees no bonus, and we will cut the monthly salary of management and department/section managers. The sliding wage scale

system will make every employee responsible for boosting business performance, to return profits to shareholders and to further contribute to society through taxes.

Towards high growth, making greater strides—we take on challenges in leading-edge technologies

Nipro Group's goals are to achieve "300,000 million yen in consolidated net sales, 20,000 million yen in consolidated recurring income and 10% return on equity (ROE) in 2010." While we expect our business performance in the medical equipment field—including dialyzers—to improve year by year, we believe the outsourced production of injection drugs will drive our future growth. In the future, the outsourced production business for injection drugs is expected to start contributing fully to our business performance, and it is expected to enter a period of high growth.

Furthermore, we are progressing steadily in applied research on recombinant human serum albumin, and we are progressing in R&D in regenerative medicine. We are preparing for clinical trial of many of our products. (Please refer to pages 9-10 for the details.) The Ministry of Health, Labour and Welfare is currently pending approval for recombinant human serum albumin, and we are currently expanding its applications and developing its uses. We also hope regenerative medicine will contribute to our business performance in the near future, such as pericardial regeneration membrane, vascular prosthesis and nerve-regeneration bridge.

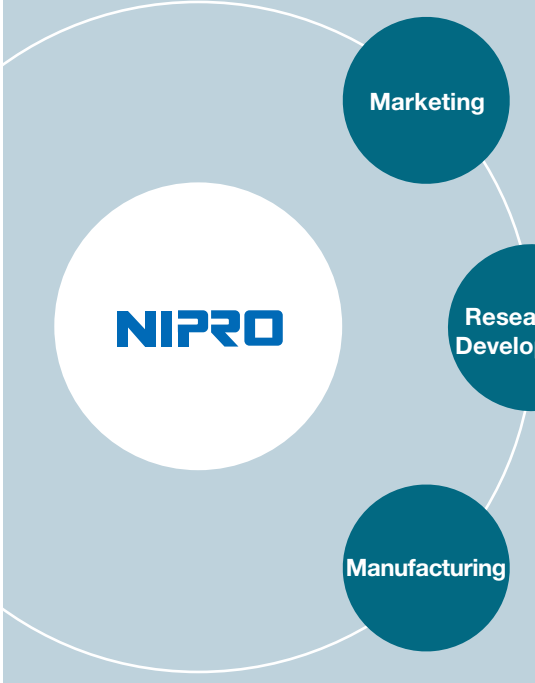
In the year ending March 31, 2004, we will be investing in our R&D and production capacities, improving the accountability structure of each business division based on the sliding wage scale system, striving to improve our profitability and making concerted efforts to secure stable long-run profits for shareholders. We would like to ask for your continued support of Nipro Group.

Minoru Sano
President

佐野 實

Boosting competitiveness by reflecting medical industry needs

Nipro Group's restructuring has further strengthened its ability to promptly develop and provide products for the market based on the integrated administration of R&D, manufacturing and sales. On a quarterly basis, we hold a Development Conference where we discuss and decide the future directions for R&D. Numerous individuals attend the conference, and our employees participation is voluntary, regardless of title and division, including the President, officers, and members of the Research & Development Laboratory, the Pharmaceutical Research Center,



We absorbed the domestic sales subsidiary in April 2001, which has enabled us to canvass the opinions of medical staff directly. We talk to doctors and nurses in target departments, and make use of this information to develop safer, more convenient and user-friendly products. We are also increasing our market share and sales channels by mustering our collective strength and taking advantage of our extensive product lineup.

Because of restructuring in April 2001, the functions of the Research & Development Laboratory and the Pharmaceutical Research Center developed further as "manufacturer research institutes," which has enabled them to engage in R&D activities that further contribute to corporate profits. These institutes liaise with sales and manufacturing divisions on a daily basis. We advocate development policies that are relevant to recent developments, and we make efforts to accelerate and improve the efficiency of R&D.

Our production division has been shifting production overseas for about 20 years. To ensure consistent quality, regardless of where the products are manufactured, our domestic and overseas medical equipment factories have conformed to ISO 9001 and EN 46001 standards since 1995. By working in tandem with the R&D division, our quality and prices have won over the market through quality improvement and cost reduction.

We demonstrate powerful synergy effects by coordinating R&D, manufacturing and sales

Intellectual Property Department, Sales Department, Administration Department and factories. We also hold a monthly Progress Conference on individual R&D themes, which is also open to anyone from R&D, manufacturing and sales to exchange information with one another. The sales division identifies the needs of medical staff, and then we release products based on the information generated at these conferences and through daily liaison efforts. This helps to expand our product lineup, boost competitiveness in the market, as well as increase sales and market share.

The integrated administration of R&D, manufacturing and sales became markedly apparent in fiscal 2002.

Pre-filled syringes, substitution fluids for HF and HDF "SUBPACK™-B" and other products reflecting the requests of medical staff contributed significantly to our business performance. As we are constantly developing new products and improving existing products for the market, our accomplishments in fiscal 2003 should exceed those in fiscal 2002. Our distinctiveness and biggest strength lies in our structure, which makes it possible to develop, manufacture and sell all types of products tailored to the needs of medical staff.

Major New Products in fiscal 2002

Embryo transfer catheter, NIPRO ET Cath

Thrombus vacuum aspiration catheter, NIPRO TVAC™ System

Catheter for temporary blood access, BLOODMAX™ HC (Heparin coating type)

Intravenous catheter with needlestick injury prevention, NIPRO SAFETOUCH® Cath

Balloon catheter for vascular occlusion, NIPRO Occlusion Catheter

Substitution fluids for HF and HDF, SUBPACK™-B (liquid-and-liquid double-bag kits)

We conduct extensive R&D in both medical and pharmaceutical fields

Based on the premise that research and development (R&D) improves long-term corporate competitiveness, we are making significant efforts in R&D activities with a long-term perspective. We own two research institutes, namely, the Research & Development Laboratory and the Pharmaceutical Research Center, which play a central role in undertaking R&D activities in the fields of medical equipment and pharmaceutical products.

The Research & Development Laboratory is solely in charge of R&D relating to medical equipment, which covers from the research of materials such as plastic, glass and rubber to the development of production technologies and manufacturing facilities. Backed by an industrial designer, the Laboratory develops safety devices and containers for kit products for medical needs, and it conducts research on In-Vitro Diagnostic (IVD) products and medical equipment for circulatory organs. It is also in charge of R&D in the field of regenerative medicine, including pericardial regeneration membrane and nerve-regeneration bridge. (Please refer to page 10 for the research findings in the field of regenerative medicine.)

The Pharmaceutical Research Center is largely responsible for the R&D of Nipro Group's pharmaceutical products. The present mission of the Center is to develop injection drugs to expand its outsourced production, and to develop other products that meet the needs of modern society such as kit products and low-dose tablets. It also develops pharmaceutical products for kidney disease. On the other hand, the Center is developing recombinant pharmaceutical products, including the application of recombinant human serum albumin, which is being manufactured by Bipha Corporation, in which Nipro has an equity stake. (Please refer to page 10 for the applied research of recombinant human serum albumin.) As our abilities in developing pharmaceutical products and designing prescriptions have been recently recognized, co-development with other pharmaceutical companies has increased significantly.

Actively investing in R&D for future growth

Recombinant Human Serum Albumin Field

Application in Continuous Ambulatory Peritoneal Dialysis (CAPD)

Continuous Ambulatory Peritoneal Dialysis (CAPD) is an excellent method of treatment in terms of quality of life in that it enables patients to be treated at home. However, after several years of continual treatment, the dialysis effects deteriorate and peritoneal sclerosis occurs. Furthermore, patients lose approximately 70% of the albumin that is generated daily in the body during treatment. CAPD fluid, which contains albumin, has a double effect: it prevents both the occurrence of peritoneal sclerosis and the loss of albumin from the living body. We have already completed basic research in this field, and we have acquired patent rights in the U.S.

Application in Artificial Blood

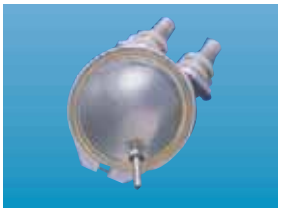
Artificial blood (artificial oxygen carrier) subject to conventional research uses hemoglobin derived from human blood. Hemoglobin is dependent on blood donations for raw materials, which have several problems such as the possibility of infection. The new artificial oxygen carrier, which is not derived from human blood, is useful and safe. Through collaboration with universities, Nipro is promoting the development of new artificial oxygen carrier composed of recombinant human serum albumin and synthesized porphyrin.

Application in Drug Delivery System (DDS)

Human blood contains a large amount of albumin, which transports various substances and also bonds and carries drugs. We are conducting research on DDS preparations that are capable of controlling the retention of drugs in blood and their distribution in organs by taking advantage of such albumin properties. We are currently conducting research with universities on drug carriers using albumin.

Artificial Organs Field

Left Ventricular Assist Devices



Through technical alliance established with Thoratec Corporation, USA, Nipro has been promoting the introduction of implantable left ventricular assist devices in Japan. The devices have proven its effectiveness in more than 3,000 cases in the world to be implantable for a significant time- even over 3 years, depending on individuals. Nipro are currently running clinical trials at the six institutes in Japan and has a plan to release the devices in 2004.

Insulin Pump

As a joint venture with Insulin Pump Technologies Inc., Nipro established a firm (70% funded by Nipro) dedicated to the development and sales of diabetes-related products that promote the development of a compact, wearable continuous insulin infusion system. The system administers insulin continually from the tip of an indwelling needle inserted into the body. We successfully developed an insulin infusion pump and a syringe for the pump, both of which have been approved by the U.S. Food and Drug Administration (FDA). The system is due to be released in 2003. We are working on the commercialization of artificial pancreas by applying this technology.

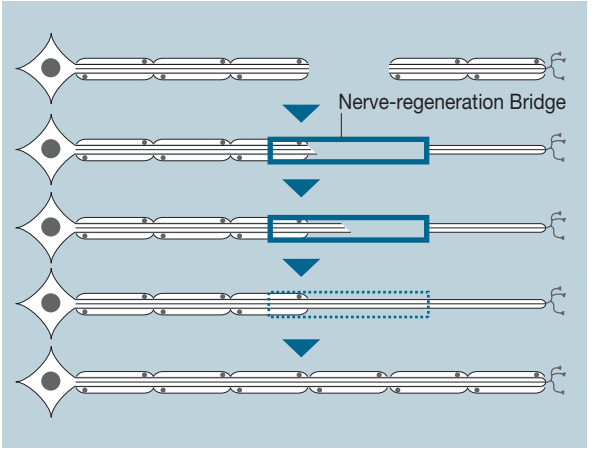
Regenerative Medicine Field

Pericardial Regeneration Membrane

Pericardial Regeneration Membrane refers to the membrane covering the exterior of organs in the thoracic cavity, for example, the heart, and abdominal cavity. The Pericardial Regeneration Membrane supplements this when it is damaged by surgery. It prevents the adhesion with other organs and tissue, and it gradually decomposes while helping cells regenerate, and is eventually absorbed into the body. We will release clinical trials at a university hospital in Japan in 2004.

Nerve-regeneration Bridge

These are proprietary biodegradable materials shaped in the form of pipes. When embedded between nerves that have been severed in accidents, among other incidents, the nerve cells grow by using the nerve-regeneration bridge as a platform, which enables nerves to reconnect again. In joint research with a university, we have already succeeded in repairing damaged nerves measuring 35 mm in animal experiments. We plan to start clinical trials in 2004.



Artificial Blood Vessels (Vascular Prosthesis)

These are biodegradable materials that promote the growth of vascular endothelial cells, which are shaped in the form of pipes. These materials have antithrombotic functions until the vascular endothelial cells cover the vascular endothelium. They do not lead to thrombotic infarct, unlike conventional artificial blood vessels made of synthetic materials, and they are absorbed into the body after the regeneration of blood vessels. We successfully developed products with a smaller diameter than we have ever developed before, and we are currently conducting experiments.

Cultured Skin Substitutes

We succeeded in the development and mass-production of culture substrates using biodegradable materials. Based on our unique technologies for using umbilical cord blood cells, we placed dermis cells and epidermis cells separated from human tissue on the substrates, and we cultured bi-layered skin composed of epidermis and dermis. The cultured skin substitute can be used whenever necessary if stored in a freezer. We are currently conducting experiments.

Research into Cross-species Transplants

In the organ transplant field, cross-species transplantation is attracting a great deal of attention. However, immunological rejection is a major issue to consider. In 2001, we established a research institute based on a joint private-public initiative where we conduct R&D on animals to provide organs for transplant purposes through genetic engineering.

Boosting production capacity to expand outsourced production business for injection drugs

Based on the amendment of the Pharmaceutical Affairs Law, we will enforce a drug sales approval system-similar to that of Western countries-in Japan from 2005 onwards. This will enable companies to take on complete outsourced production. In light of this turn of events, Nipro has strived to boost the production capacity of its consolidated subsidiary, Hishiyama Pharmaceutical Co., Ltd. (currently known as Nipro Pharma Corporation), and developed a outsourced production center through the acquisition of an approximately 195,500-square-meter block of land in Odate City, Akita Prefecture. The Odate factory acquired a license to manufacture pharmaceutical products in May 2002, and it began the manufacture of "SUBPACK™-B" substitution fluids for HF and HDF. In December 2002, the factory commenced outsourced production liquid-and-powder double-bag kits for penicilin antibiotics.

Nipro Pharma's Odate factory is adjacent to Nipro's Odate factory, which is the main factory for kit products, and it engages in production based on an integrated process, from the manufacturing of materials and containers to the filling and packaging of preparations. As the production line is developed in-house, we are able to implement an efficient line-design and take a flexible approach, which is tailored to the manufactured product, by coordinating these two factories.

Nipro's policy is to transform Nipro Pharma Corporation into the world's leading injection drugs manufacturer—a policy for which we are focusing our efforts on. Odate factory's spacious environment can increase future productive capacity, and it can fully meet outsourced production needs for all types of injection drugs. In fiscal 2003, which will be the first year since the company name changed to Nipro Pharma Corporation, we have started the production of liquid-and-powder double-bag kits for cephem antibiotics and will start the production of liquid-and-liquid double-bag kits for intravenous hyper-alimentation. We also have plans to manufacture pre-filled syringe preparations and to construct a line for outsourced production.

Our consolidated subsidiary has begun operation of its new factory with the aim of becoming the world's leading injection drugs manufacturer

Nipro Pharma' Odate factory's spacious environment can increase future productive capacity, and it can fully meet outsourced production needs for all types of injection drugs.

Our aim is to acquire 30% of the market share for injection drug kits by combining the Group's technologies

The injection drugs market in Japan generates 1,800 billion yen, which has been stable over the past decade. However, there have been changes in the breakdown of products: the percentage of kit products, which combine drugs with injection devices, has been increasing year by year. The percentage of injection drugs produced as kits is expected to further increase to prevent medical malpractices and to reduce the workload of medical staff. Within the next few years, we will convert all injection drugs that can be produced as kits, such as pre-filled syringes and double-bag kits. As major pharmaceutical companies are also promoting the shift towards kits, in an effort to boost the competitiveness of their injection drugs and extend the lifecycle of products, the industry is focused on the kit technology of Nipro Group, the pioneer of kit products.

The administration of injection drugs involves the use of injection syringes, catheters, injection needles and other medical equipment. A number of problems exist in administration: the preparation of drugs is time consuming and laborious; errors can occur during the processing or administration of drugs; drugs may become contaminated by foreign matter during preparation; and there is no assurance that the preparation work can be undertaken in perfectly sterile conditions.

The solution to these problems is the use of kit products. The ability to develop pharmaceutical products and design prescriptions, as well as the ability to develop medical equipment, is vital to the development of kit products. Only the Nipro Group develops and manufactures materials for kit products in-house, including materials such as plastic, glass and rubber. We have a competitive advantage in developing and manufacturing kit products; or more specifically, our ability to utilize technologies for developing and manufacturing pharmaceutical products. We are aiming at a 30% share in the kit products market for injection drugs by boosting the production capacity of Nipro Pharma's Odate factory and by increasing outsourced production.

In addition to kit products, we also manufacture injection drugs in glass and plastic ampoules, as well as in vials. We have the facilities to manufacture all types of injection drugs on a contract basis.

Our objective is to increase the market share of kit products that contribute to more advanced, value-added injection drugs

Kit Products

A kit product refers to an injection drug product in which a drug (with special container) is combined with the injection device.

› Half-type Kit

This is a kit product that enables the user to dissolve powdered drugs easily and safely. It is easier to handle and requires shorter processing time than conventional dissolving methods.

› Double-bag Kits (liquid-and-powder)

This is a bag-type kit product, which combines powdered drugs with a dissolving solution. Drugs can be dissolved quickly by pressing the bag once in completely sterile conditions.

› Pre-filled Syringe

This is a syringe product already filled with the required injectable. Nipro group can manufacture the syringe in either glass or plastic depending on they type of drug to be used. Pre-filled syringes are available in a range of capacities and forms.

› Full-type Kit

This is a kit product that combines a vial containing powdered drugs with dissolving solution in perfectly sterile conditions. It is designed to adapt to a range of drug vial sizes, and it can be disposed of separately after use.

Other Injection Drugs

Nipro group also undertakes the complete manufacturing of non-kit products, including conventional injection drugs in containers as well as empty containers. We manufacture injection drugs in glass ampoules—whose use have been on the decline in recent years—in a range of colors, forms and capacities according to demand. This manufacturing expertise is based on our rich experience dating back to the company's foundation. In recent years, because of the benefits in terms of safety and emergency care, plastic ampoules have gradually replaced injection drugs in glass ampoules. We manufacture injection drugs in plastic ampoules with varying capacities based on an integrated system from the development of resin materials. We also manufacture numerous injection drugs in vials, utilizing our technologies for manufacturing injection drugs, as well as glass and rubber containers and plugs.

Benefits of adopting Injection Drug Kits

1. Ensures sterile conditions (closed system)
2. Prevents contamination by foreign matter
3. Makes processing (dissolving, mixing, among other processes.) easier and more accurate
4. Prevents nosocomial infections
5. Prevents medical accidents
6. Reduces medical costs (energy-saving, reduction in disposal of residual drugs, reduction of instruments, among other things.)
7. Can be used for home medical care
8. Helps improve quality of medical care

Global Network

Forging ahead with optimally located production & sales by expanding the sales network and improving the production capacity

Nipro is one of the very few general manufacturers of dialysis-related products in the world, and we have the prominent market share in the field. Our global market share for diabetes-related products exceeds 60%, including OEM, and we have won worldwide acclaim for our technical capabilities and quality. In expanding market share, our network of bases plays a significant role. Currently, we have a total of 30 manufacturing and sales bases in 21 countries, consisting of 11 local corporations, which includes branches and representative offices in the U.S., Europe and Asia.

Nipro's overseas sales strategy is to aggressively promote the NIPRO Brand and improve our own sales network, while expanding the OEM business. In the year ending March 2003, we strengthened the sales structure so that each sales base can take the initiative in tapping potential markets, which will secure the financial independence of each and every local corporation. Our sales bases undertake sales activities that are closely tailored to their respective markets, and they promote sales of proprietary products with powerful local distributors. Moreover, in April 2003, we restructured the organization to delegate authority to local corporations to give them full control of local marketing, which had previously been placed under centralized management in Japan. Restructuring has enabled us to make adjustments to NIPRO-branded products and OEM products in the market enabling greater flexibility in sales operations.

For overseas production, Nipro is actively expanding the production capacity of its manufacturing bases to adapt to the expansion of the global market, and to meet domestic market needs with price competitiveness and high quality products. Currently, overseas factories produce approximately 50% of products for the Japanese market. We are also planning to start producing dialyzers overseas in the near future. Based on this strategy, in the year ending March 2003, we expanded the Nipro (Shanghai) Co., Ltd. factory, and rebuilt the Nipro (Thailand) Corporation., Ltd. warehouse. Furthermore, in June 2003, we completed the construction of a medical equipment factory with a floor space of 45,000 square meters, which will be one of the largest in Thailand.

By spreading the NIPRO brand, we produce and sell products worldwide

Europe

1. Nipro Europe N.V.
2. Nipro Europe N.V. Spain Branch
3. Nipro Europe N.V. Italy Branch
4. Nipro Europe N.V. Holland Branch
5. Nipro Europe N.V. Moscow Representative Office
6. Nipro Europe N.V. Turkey Representative Office

Asia

7. Nipro Asia Pte. Ltd.
8. Nipro Asia Pte. Ltd. India Branch
9. Nipro Asia Pte. Ltd. New Delhi Office
10. Nipro Asia Pte. Ltd. Chennai Office
11. Nipro Asia Pte. Ltd. Dubai Branch
12. Nipro Asia Pte. Ltd. Melbourne Branch
13. Nipro (Thailand) Corporation Ltd.
14. Nipro (Thailand) Corporation Ltd. Bangkok Sales Office
15. Fuzhou Nipro Co., Ltd.
16. Nipro (Shanghai) Co., Ltd.
17. Nipro Trading (Shanghai) Co., Ltd.
18. Nipro Trading (Shanghai) Co., Ltd. Beijing office
19. Shanghai Nissho Vacuum Flask Refill Co., Ltd.

America

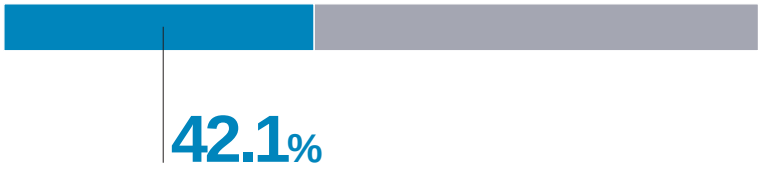
20. Nipro Medical Corporation
21. Nipro Medical Corporation Argentina Branch
22. Nipro Medical Corporation Chile Branch
23. Nipro Medical Corporation El Salvador Branch
24. Nipro Medical Corporation Ecuador Branch
25. Nipro Medical Corporation Peru Branch
26. Nipro Medical Panama S.A.
27. Nipro Medica de Mexico S.A. de C.V.
28. Nipro Medical Ltda.
29. Nipro Medical Ltda. Sao Paulo Branch
30. Nipro Diabates Systems, Inc.

● Manufacturing bases
● Sales bases



Medical Division

Medical division net sales ratio (% of total net sales)



42.1%

The year in review

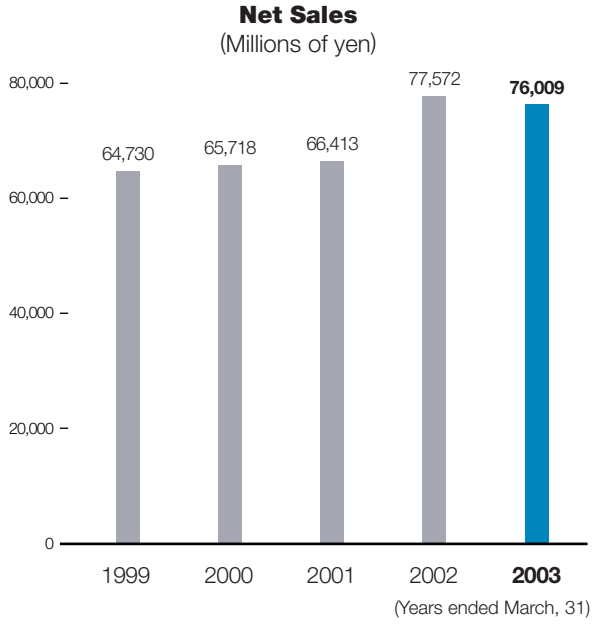
Expanded sales in the domestic market through wide product range

For domestic business, the environment was difficult as hospitals and clinics were increasingly reluctant to make purchases and Moreover, price competition intensified further, because of the National Health Insurance (NHI) price revision in April 2002. However, the division regarded this as an opportunity to expand market share by promoting sales combined with related products, utilizing its extensive product lineup, instead of selling products individually. Particularly in the dialysis business, the division expanded its share through its ability to offer comprehensive range of products including for dialyzers (artificial kidneys) as well as necessary equipment and drugs. Also, such comprehensive proposals has helped the hospitals and clinics improve the efficiency of their management. The domestic medical division's new marketing perspective increased profits through market share expansion in the year ended March 31, 2003.

Implemented sales strategies adapted to changes in the global dialysis-related products market

International business suffered from the decline in trading volume with OEM clients, while sales of NIPRO-branded products increased through aggressive marketing by each country's sales base. Sales increased dramatically for diabetes-related products, safety blood collection needles and so on, because of increased demand. On the other hand, for conventional general-purpose medical equipment, the division outsourced production overseas and strived to improve its competitiveness. However, as "single use" became rapidly widespread in the entire dialysis market, sales were affected by the sharp drop in prices associated with the increase in the quantity.

As a result, sales generated by the medical division as a whole, combining domestic and international businesses, totaled 76,009 million yen (a year-on-year decrease of 2.0%).



› Dialyzer

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

In addition, Nipro further will launch a new CTA dialyzer series, "SUREFLUX UH Series", within the year 2003 (though already in Japan from April 2003). The new series are epoch-making dialyzers with the world-highest performance especially on removal of low molecular proteins and least albumin leakage property. With such abundant selections of the Nipro dialyzers, we shall penetrate even further into the world markets.

Outlook

Planning to improve sales force and competitiveness to dominate the domestic market

In the domestic business, we have been aiming to increase medical equipment sales, including pharmaceutical products, by approximately 10,000 million yen, within three years since the organization's restructuring in April 2002.

The medical division will focus on dialyzers (artificial kidney), blood lines for dialysis, substitution fluids for HF and HDF, powdered dialysate solution, dialysis machines and other products related to dialysis. It will develop and launch new products, and by improving quality and boosting sales, it will further expand its market share. For disposable products for injections, infusions, catheters and so on, the division plans to expand its market share for infusion sets, syringes and other injection/infusion-related products, and to develop and promote the sales of new products such as vascular catheters.

For circulatory-organ-related products, the division will release a new type of PTCA catheter in May 2003, for which approval was obtained in March 2003. It will focus on promoting sales and expanding market share. For circulatory organs, the medical division has already launched a project (with the development division) for developing new products and expanding the product range, to improve its sales force and competitiveness. It will release and promote new products for blood tests.

Marketing new products to increase global sales

For international business, there are no longer any regional disparities in the global medical equipment market. It is becoming increasingly difficult to maintain competitiveness based on existing region-by-region sales strategies. Therefore, in the future, the medical division will view the global market as a single block, and it will develop a strategy for pricing and a range of adapted products, and then promote sales accordingly. For conventional general-purpose medical devices, the division's policy is to utilize Nipro's overseas sales bases and actively promote manufacturing outsourcing based on technology licensing, as in the previous years.

New products to be released in fiscal 2003 include the following: in the dialysis field, a cheaper, improved version of the conventional dialyzer product (with the European CE Mark); in the field of circulatory organs, a guide wire; and in the diabetes field, an insulin infusion pump. Each new product is expected to contribute substantially to our business performance in fiscal 2003. Additionally, for dialysis-related products, the division will actively pursue sales,

›New Dialysis Machine (DIAMAX™)

In an effort to adapt to the advanced dialysis treatment required in overseas markets, we are developing a new dialysis machine (DIAMAX™) with various new functions and high expandability. DIAMAX™ meets the safety specification standards in Europe and the United States. It has new functions to provide better treatment, as well as functions to support medical staff engaged in dialysis treatment. DIAMAX™ is currently under development, and it is due to be released at the end of 2003.

›SAFETOUCH® AVF Needle

Needlestick accidents are one of the major causes of nosocomial infection. Doctors, nurses and medical staff who have accidentally pricked their finger, hand or other parts of the body with a bloodstained needle may be infected with HIV, hepatitis C or other diseases. Nipro has developed the SAFETOUCH®AVF Needle to prevent needlestick accidents. This product is used in artificial dialysis. The needle can be accommodated and locked inside the wing-hub after the completion of dialysis so the needle will not come out again. It is smaller than the AVF needles made by competitors and it is an extremely user-friendly safety device.

with a framework that can fully adapt to market changes.

Expanding product range to increase market share

The NIPRO Brand has a solid reputation for its product range for the medical industry, which includes dialysis-related products that are currently dominant in both domestic and overseas markets. In fiscal 2003, the medical division plans to further increase its share in each field. In particular, it will focus on each organ being targeted, it will conduct R&D and expand the product range for all organs and tissues, including kidneys (including dialyzers), pancreas (related to diabetes), circulatory organs (advanced catheters), cardiovascular (related to left ventricular assist devices), and even skin, blood vessels and blood. Moreover, it plans to continually train staff dedicated to quality assurance operations, and to improve the quality assurance framework.

Based on these policies, the entire medical division, combining domestic and international businesses, is expected to generate 79,230 million yen (a year-on-year increase of 4.2%) in sales.

Medical Division

›SUREFUSER®

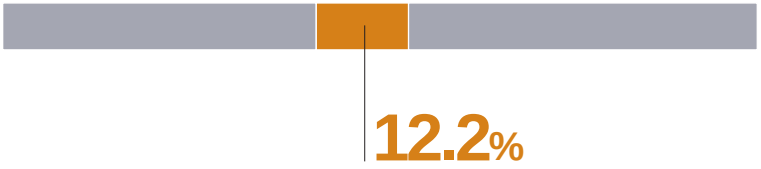
The SUREFUSER® is a small, lightweight continuous drug injection pump that uses the contractile pressure of a balloon. It is widely used to control pot-operative pain and to inject drug into terminal caner patients. The new SUREFUSER® with Variable Flow Regulator employs a switch handle that can be turned to set the rate of injection, making it possible to proportionally control pain according to the manifestation and symptoms. It also comes with a Patient-Controlled Analgesia system that allows the patient to inject a predetermined amount of painkiller by him/herself when feeling pain. Demand for home-use pain control system is expected to grow in the future.

›Freestyle™ Blood Glucose Monitoring System

Freestyle™ is a Self-Monitoring Blood Glucose (SMBG) system that uses the FreeStyle™ Nano-Sample technology developed by TheraSense, Inc. in the United States. FreeStyle™ requires a blood sample of just is 0.3 microliters which is the smallest in the world. Nipro Corporation has exclusive distribution of FreeStyle™ in Japan. FreeStyle™ was introduced in April 2002 into the Japanese market through Nipro and a co-marketing alliance with Kissei Pharmaceutical. The easy-to-use FreeStyle™ allows people with diabetes to take a blood sample from multiple sites including their fingertips, forearm, upper arm, thigh, calf and fleshy part of the hand, eliminating virtually all the pain of testing and thereby helping to encourage more frequent testing. Freestyle™ relieves patients of pain and helps improve their quality of life.

Pharmaceutical Division

Pharmaceutical division net sales ratio (% of total net sales)



The year in review

The release of new products increased sales dramatically

During fiscal 2002, which ended March 31, 2003, pharmaceuticals market competition remained intense due to revision the price of the pharmaceutical products listed on the National Health Insurance (NHI) price list and the intensifying retail price war. Under these circumstances, our pharmaceutical division focused on expanding the sales products such as powdered dialysate solutions. We also released sales of liquid-and-powder double-bag kits, pre-filled syringe kits, substitution fluid for HF and HDF (Japan's first double bag kit type), low-dose tablets and an infusion-related pharmaceutical product. Also, Self-Monitoring of Blood Glucose (SMBG) system, which we offered from March 2002 after acquiring domestic distribution rights from an American company, contributed significantly to sales. As a result, sales of our pharmaceutical division sales increased dramatically to 21,979 million yen (a year-on-year increase of 37.8%).

For the division, fiscal 2002 marked the beginning of a new phase. For the first time, our company

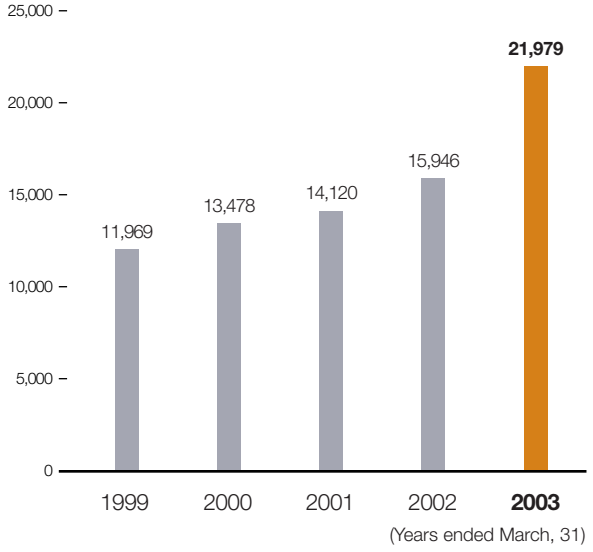
established a cycle for commercializing pharmaceutical products—from basic research to R&D, application/approval, manufacturing and release—and completed its framework for the pharmaceutical business to become a core business in parallel with our medical business.

Consolidated subsidiaries' manufacturing volume increased substantially

Over the past few years, we have actively invested in our consolidated subsidiary, Hishiyama Pharmaceutical Co., Ltd. (currently known as Nipro Pharma Corporation), and we have promoted the expansion of its production capacity. A massive increase in production capacity helped sales in fiscal 2002 due to the commencement of production at Nipro Pharma's Odate factory, which serves as the center of outsourced production business for pharmaceutical products. Two other factors also helped sales: the progressive improvement of the Odate factory's production facilities, and the extension of the Ise factory production line . Amid the sluggish domestic pharmaceuticals market, Nipro Pharma's sales increased substantially by 34.5%, from 14,400 million yen in fiscal 2001 to 19,370 million yen in fiscal 2002.

The division obtained license for manufacturing of soft bags for intravenous injections, low-dose (half-dose) tablets, improved "LYMPACK™ (powdered dialysate solutions)," and pre-filled syringe preparations (two items). The division is now establishing the production framework.

Net Sales
(Millions of yen)



(Years ended March, 31)

› Half-type Kit

The Half-type Kit is a reconstitution kit product with a double-ended needle, which enables powdered injection drugs in a vial to be dissolved safely and easily. As the inlet for dissolving purposes (positioned at the top) is designed separately to the outlet that connects to infusion set (positioned at the bottom), the Half-type Kit is less prone to leakages and coring associated with IV infusion. Safety is ensured by accommodating the double-ended needle for dissolving purposes on the inside of the sticker on the upper part of the product.

Outlook

Releasing a series of unique, competitive pharmaceutical products

In fiscal 2003, the division plans to launch intravenous injection preparations in soft-bag, kit products, low-dose (half-dose) tablets, and improved "LYMPACK™"

Among these products, the improved "LYMPACK™" is a groundbreaking product, which makes dissolving easier by packing the powdered drugs in two separate bags instead of three, as in conventional products.

We expect our dialysates market share to increase from the current 20% to 30% by releasing this product. Furthermore, our preparations in soft bags for intravenous injection, which is used for mycosis profunda, ensure sterility during administration as the preparations are packed in soft bags instead of glass bottles as in conventional products.

We will obtain the license to manufacture some items fiscal 2003, which include liquid-and-powder double bag kits of antibiotics for intravenous injection, Continuous Ambulatory Peritoneal Dialysis (CAPD) fluids with neutral pH and pre-filled syringe preparations. Our policy is to actively develop new products to expand the range of kits, and to launch a series of competitive pharmaceutical products that satisfy patients and medical staff.

Building a production line for pre-filled syringes

In fiscal 2003, the pharmaceutical division will continue to expand production capacity. In particular, we plan to make capital investments of approximately 13,000 million yen in Nipro Pharma's Odate production facilities over the next two or three years.

The Odate factory has already started the production of liquid-and-powder double bag kits for cephem antibiotics, and it will start the outsourced production of liquid-and-liquid double-bag kits soon. It also plans to produce various kinds of pre-filled syringes. The construction of a new manufacturing wing is underway for double-bag kits, and active investment is needed in building a production line for pre-filled syringe preparations.

Through aggressive R&D and increase in production capacity, the division is expected to generate 27,000 million yen in sales in fiscal 2003 (a year-on-year increase of 22.8%).

Launching new projects to expand the pharmaceutical business

The pharmaceutical division is engaged in ongoing R&D over the long term, and it is progressing steadily with product commercialization.

› Pre-filled Syringes

A pre-filled syringe consists of a syringe (a cylindrical vessel designed for injection) that is pre-filled with various injection solutions. The demand for these products has expanded rapidly in recent years based on their safety and practicality. Medical staff can administer drugs safely by taking the syringe out of the blister pack, removing the rubber plug on the end and attaching the injection needle. As the syringe is already filled with an injection solution, there is no need to fill the syringe with injection drugs from vials, ampoules.

In a new project for the development of recombinant pharmaceutical products, to further improve our artificial-dialysis-related business, we are working to make it a reality. In the oxygen infusion project, we identified the candidates to be developed, and we are now in the next stage of development. In 2003, we also plan to start specific applications for Drug Delivery System (DDS) preparations using human serum albumin, which is a promising fundamental technology for sustained-release intravenous injection drugs. This year, we also plan to release a development project for converting injection drugs into oral preparations.

The division will continue promoting R&D specializing in kidney diseases, blood and intravenous hyper-alimentation.

Pharmaceutical Division

› Double-bag Kits (Liquid-and-Powder)

This is a kit product based on a double-bag design, in which the powdered drug and the reconstitution are in two separate bags and combined together. The layer between the bags made of different material is completely sealed by applying Nipro's unique adhesion techniques. To dissolve the drug, press the bag to penetrate the wall. As the dissolving task involves nothing more than just pressing the bag, it reduces the medical staff's workload. An aluminum cover is pasted onto the bag containing the powdered drug to ensure stability.

Glass & Materials Division

Glass & Materials division net sales ratio (% of total net sales)

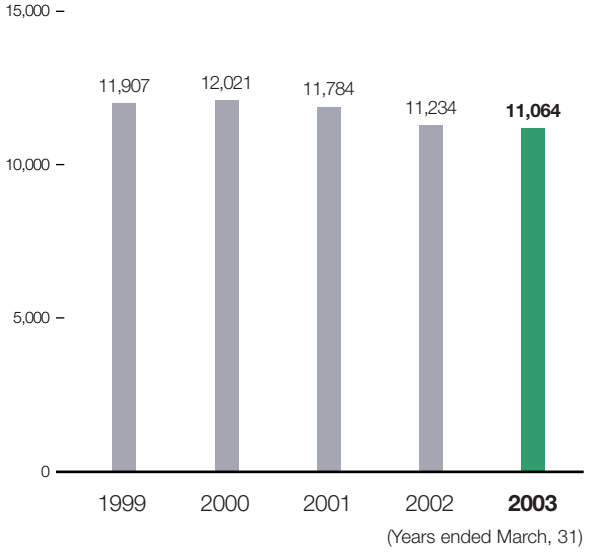
6.1%

The year in review

Promoting sales and the development of new products amid difficult market conditions

In fiscal 2002, the year ended March 31, 2003, the glass and materials division sustained its efforts in expanding the sale of existing products and developing new products. However, in the area of glass for pharmaceutical purposes, the impact of the transformation of containers for pharmaceutical products affected market conditions; for example, ampoules shifted to plastics and pre-filled syringes, and vials to soft bags and syringes. In contrast, rubber plugs, always in full supply, increased in production volume because the rubber plugs plant extension was completed at Nipro's Odate factory in September 2002.

Net Sales
(Millions of yen)



This lead to an increase in sales of rubber plugs, rubber for infusion bag plugs. On the other hand, cheaper Chinese products affected thermos bottles but exports remained relatively steady. For glass for illumination purposes, sales of glass for LCD backlight bulbs and related materials remained steady.

As a result, sales generated by the glass and materials division totaled 11,064 million yen (a year-on-year decrease of 1.5%).

Outlook

Planning to tap new markets for growing LCD demand

In fiscal 2003, the glass and materials division plans to expand sales and improve the quality of glass for LCD backlight bulbs for the growing demand and the advanced performance requirements in the LCD field. Furthermore, it will commercialize environmentally friendly color glass that does not contain any hazardous substances, and it will tap markets in the consumer electronics field and the automotive sector. For rubber plugs, it plans to expand the market by introducing new laminated rubber plugs, and it plans to increase the sales of conventional products. For thermos bulbs, our policy is to improve the production framework of Shanghai Nissho Vacuum Flask Refill Co, Ltd., and sell price-competitive products in China and abroad.

Based on these policies, the division is expected to generate 10,720 million yen in sales in fiscal 2003 (a year-on-year decrease of 3.1%).

Supermarket Division

Supermarket division net sales ratio (% of total net sales)

38.6%

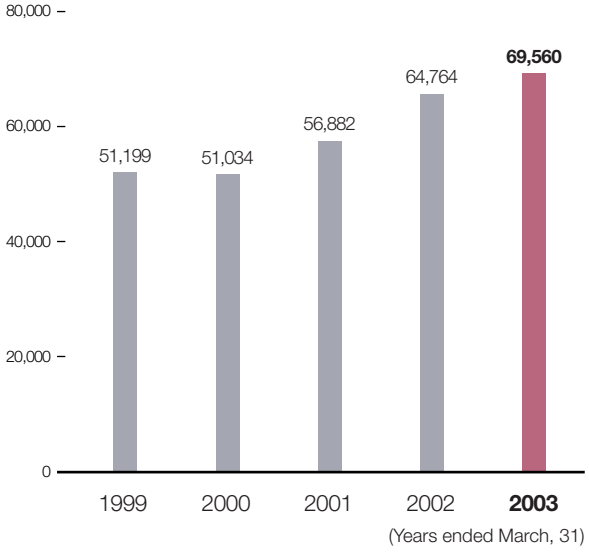
The year in review

Achieved higher revenues by securing valuable customers and opening new stores

In the year ended March 31, 2003, our supermarket division faced a difficult market environment because of sluggish consumption caused by the prolonged recession. Furthermore, competition further intensified due to the opening of new stores and the extension of our competitors' trading hours. Despite these circumstances, our food supermarket business generated profits as our efforts—the introduction of "point cards" aimed at securing customers, the increase in the number of liquor-licensed stores and the renovation of stores—became evident.

On the other hand, our drugstore business, which operates the suburban drugstores, "Server," forged ahead aggressively in fiscal 2002, which included the release of 16 new stores. Customers have supported both new and existing stores, and our drugstores contributed business significantly in terms of revenue growth. Consequently, our supermarket division generated 69,560 million yen of sales (a year-on-year increase of 7.4%).

Net Sales
(Millions of yen)



(Years ended March, 31)

Outlook

Planning new initiatives and high value-added services

In fiscal 2003, our food supermarket business plans to secure valuable customers with the "E-mail Membership Program," which provides product and daily life information, and the Nissho Member Card, for which customers earn points for purchases. We plan to expand our Traceable Products business for food safety and security, and we also plan to develop the Direct Shop, a mail order service that delivers premium products from all over Japan. We have other new initiatives such as the Weekly Management System and Electric Shelf Label. Additionally, we plan to cut labor costs by linking the Fresh Food Information System, which helped to improve the profitability of the fresh food division, to LSP (work schedule).

As for drugstores, we will continue promoting the launch of stores in fiscal 2003 to quickly achieve our goal of opening 200 stores.

Based on these policies, our supermarket division is expected to generate 79,310 million yen in sales in fiscal 2003 (a year-on-year increase of 14.0%).

Board of Directors and Auditors (As of June 28, 2003)

President
Minoru Sano *

Senior Managing Director
Shigeki Tanaka

Managing Director
Seiya Ishida

Managing Director
Shuichi Tsuzuki

Director
Masato Naganami

Director
Noriaki Watanabe

Director
Kiyoshi Fukui

Director
Kazuo Wakatsuki

Director
Akihiko Yamabe

Director
Hiroyuki Hattori

Director
Hiroshi Ikeuchi

Standing Statutory Auditor
Hiroshi Kobayashi

Director
Makoto Sato

Statutory Auditor
Shigeru Kobayashi

Director
Yoshihiko Sano

Statutory Auditor
Masamichi Wada

Director
Masataka Yanai

**Representative Director*

Approach and Measures to Corporate Governance

Nipro regards the improvement of corporate governance as a management priority and as a social responsibility. We are striving to strengthen our administration system, and we are working to improve the soundness and efficiency of management. Our management & administration framework for managerial decision-making, execution and supervision are based on the Board of Directors system and the Auditors system set forth in the Japanese Commercial Code. Specifically, we have established a self-sufficient management & administration framework for each business division to clearly define the responsibilities and improve the administration.

Establishment of Management Risk Control Committee

In April 2003, we set up the Management Risk Control Committee in an effort to establish a structure to control management risks and promote compliance with corporate ethics including laws and ordinances. As one of the tools for promoting this, we distributed a booklet titled the Code of Conduct for Compliance with Laws, Ordinances and Corporate Ethics to our employees to make the subject widely known and deeply understood. We will effectively run and utilize the Committee into the future in an effort to prevent management risks from arising and to execute operations properly.

Financial Section 2003

Nipro Corporation and its consolidated subsidiaries year ended March 31,2003 (fiscal 2002)

Financial Review

Year ended March 31, 2003 (Fiscal 2002)

The following sections are a review of Nipro Corporation's financial position and operating performance for the year ended March 31, 2003. All figures are on a consolidated basis and include the accounts of Nipro Corporation, Nipro Medical Industries, Ltd., Nipro (Thailand) Corporation Ltd., Fuzhou Nipro Co., Ltd., Nipro (Shanghai) Co., Ltd., Nipro Medical LTDA., Nipro Europe N.V., Nipro Medical Corporation, Nipro Medical Panama S.A., Nipro Medica de Mexico S.A. DE C.V., Hishiyama Pharmaceutical Co., Ltd.,* Shinwa Shoji Co., Ltd., Shanghai Nissho Vacuum Flask Refill Co., Ltd, Nissho Corporation Nissho Drug Co., Ltd., and Bipha Corporation.**

* On April 1, 2003 Hishiyama Pharmaceutical Co., Ltd. changed its corporate name "Nipro Pharma Corporation."

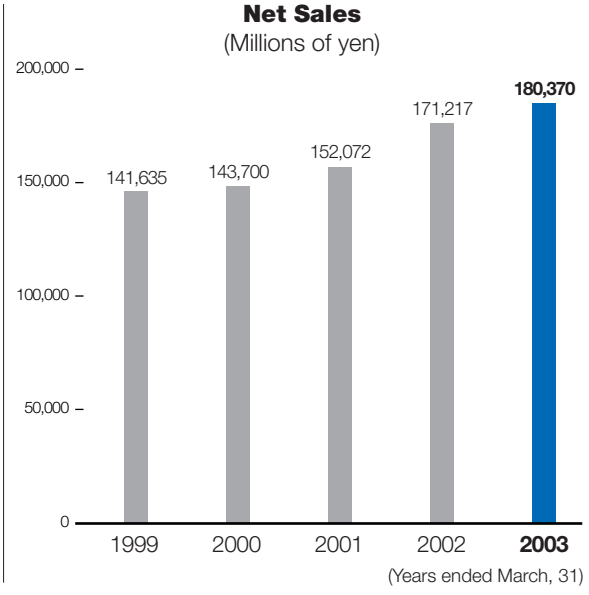
** Affiliate accounted for by the equity method.

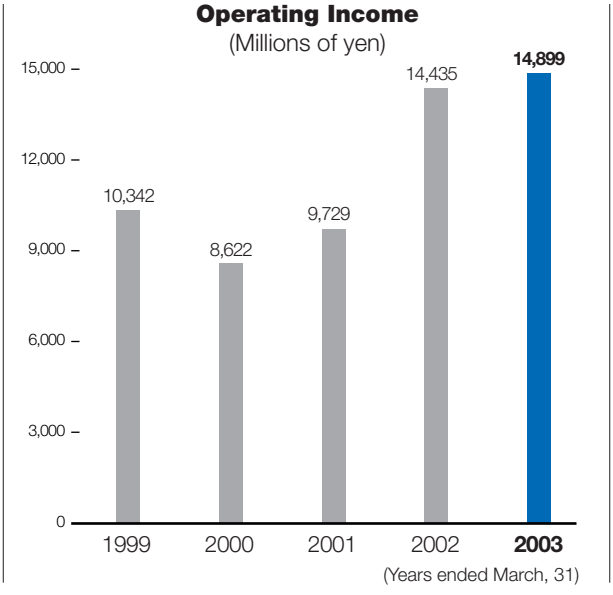
Overview

During the fiscal year ended March 31, 2003, the Japanese economy remained stagnant and individual consumption and capital investment remained sluggish. Under such conditions, the Nipro Group (the Group) continued to focus on developing new products as well as executing extensive efforts to achieve targets for each business unit. In the Medical Division, domestic operations concentrated on improving sales efficiency and increasing sales locations while overseas operations actively promoted the NIPRO brand products. In the Pharmaceutical Division, the Group took actions to increase the sales of existing products and in addition, we aggressively launched new products. In the Supermarket Division, the Group opened 16 new drugstores.

Operating Results

The consolidated net sales for fiscal 2002 increased by 5.3% from the previous fiscal year to 180,370 million yen (USD 1,500,582 thousand), which was a result of an increase in sales of the Pharmaceutical Division and an increase in the number of the Supermarket Division's drugstores. This more than made up for the decrease in sales of the Medical Division, which was caused by





a decrease in sales of dialyzers due to lower demand from overseas OEM customers.

Information by Business Segment

Medical Division

Net sales in the Medical Division decreased by 2.0% from the previous fiscal year to 76,009 million yen (USD 632,354 thousand), and operating income decreased by 5.6% from the previous fiscal year to 14,175 million yen (USD 117,928 thousand). While we recorded growth in domestic business and increased export sales of safe blood collecting needles, this growth could not make up for the decrease in sales of dialyzers of caused by lower demand from overseas OEM customers.

Pharmaceutical Division

Net sales in the Pharmaceutical Division increased by 37.8% to 21,979 million yen (USD 182,854 thousand), and operating income increased by 79.5% to 1,981 million yen (USD 16,481 thousand) reflecting the start of production for new kit products and sales growth in diabetes-related products.

Glass & Materials Division

Net sales in the Glass & Materials Division decreased by 1.5 % to 11,064 million yen (USD 92,047 thousand), and operating income decreased by 1.6% to 1,777 million yen (USD 14,784 thousand).

Supermarket Division

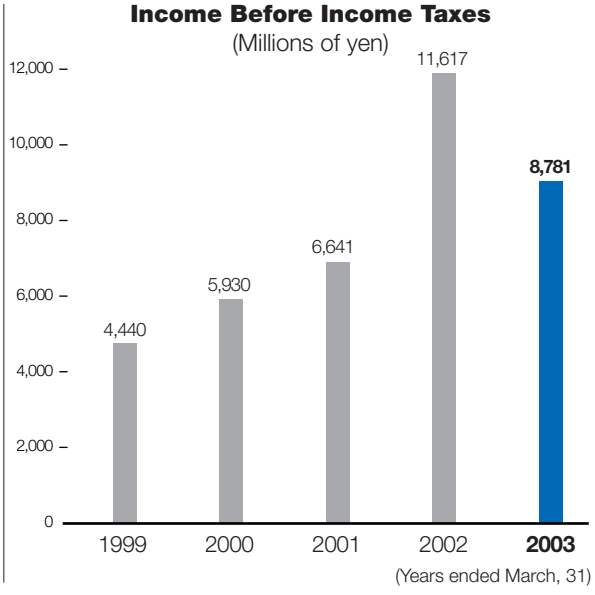
Net sales in the Supermarket Division increased by 7.4% to 69,560 million yen (USD 578,702 thousand), and operating income increased by 6.9% to 1,109 million yen (USD 9,226 thousand) as a result of the opening of 16 new drugstores and the continuous efforts to widen selection of goods, to maintain and enhance product quality and to improve the customer services, which had attracted repeat purchases from local customers.

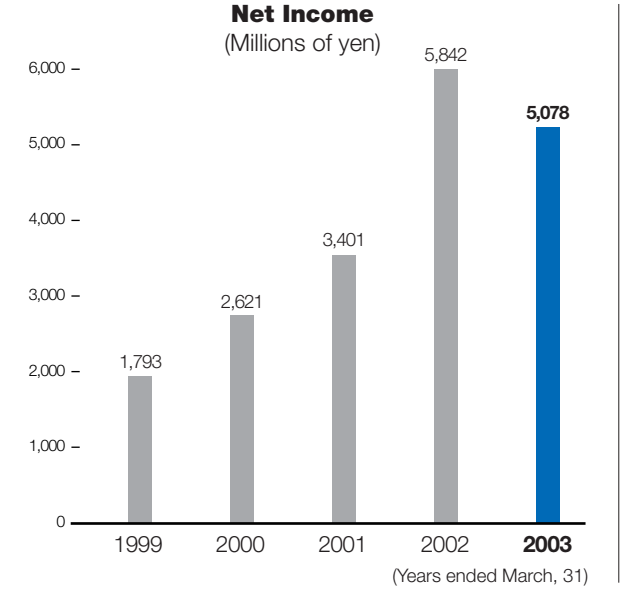
Other sales increased by 3.4% to 1,758 million yen (USD 14,625 thousand), and operating income increased by 29.3% to 148 million yen (USD 1,231 thousand).

Information by Geographic Segment

Japan

In Japan, consumption remained sluggish due to the stagnant economy, and there was a downward revision of pharmaceutical product prices by the Ministry of Health, Labour and Welfare in April 2002. Under these circumstances, the Group commenced outsourced manufacturing of new injection kit products and strived to open new drugstores. As a result, sales in Japan totaled 168,848 million yen (USD 1,404,725 thousand), and operating income totaled 18,099 million yen (USD 150,574 thousand).





America
Although price competition has increasingly intensified, the Group endeavored to widen and strengthen its sales network. As a result, net sales in America totaled 4,545 million yen (USD 37,812 thousand), and operating income totaled 253 million yen (USD 2,105 thousand).

Europe
Despite the severe competition, the Group assiduously reinforced its sales network and introduced high added-value products. As a result, net sales in Europe totaled 5,360 million yen (USD 44,592 thousand), and operating income totaled 155 million yen (USD 1,289 thousand).

Asia
In Asia, the activity is mainly operated by consolidated manufacturing subsidiaries. Net sales in Asia totaled 1,617 million yen (USD 13,453 thousand), and operating income totaled 885 million yen (USD 7,363 thousand).

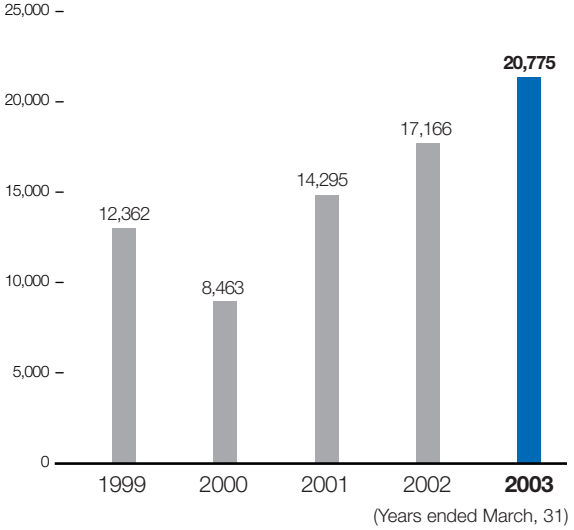
Export sales and sales by overseas subsidiaries decreased by 6.3% from the previous fiscal year to 41,823 million yen (USD 347,945 thousand).
The details of this result are as follows: sales to the Americas decreased by 15.1% to 19,032 million yen (USD 158,336 thousand) (10.6% of the total consolidated net sales), sales to Europe increased by 1.1% to 17,364 million yen (USD 144,459 thousand) (9.6% of the total consolidated net sales) and sales to Asia increased by 8.4% to 5,427 million yen (USD 45,150 thousand) (3.0% of the total consolidated net sales).

In line with the growth in net sales, cost of sales increased by 5.5% to 128,776 million yen (USD 1,071,348 thousand) and gross profit increased by 5.0% to 51,594 million yen (USD 429,234 thousand).

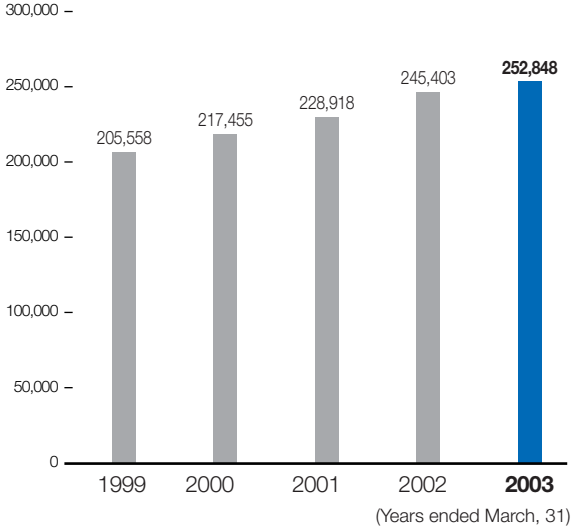
Selling, general and administrative (SG&A) expenses increased by 5.8% to 36,695 million yen (USD 305,283 thousand), however, ratio of SG&A expenses to net sales was 20.3%, unchanged from the previous fiscal year. The rise in the expenses was due to increased transportation, storage and other costs as a result of net sales growth and increase in costs related to new drugstore openings.

Operating income increased by 3.2% to 14,899 million yen (USD 123,951 thousand). The growth ratio of operating income was slightly lower than that of net sales because sales growth was centered mainly in the Pharmaceutical Division and Supermarket Division, which have relatively lower operating margins.

Capital Expenditures
(Millions of yen)



Total Assets
(Millions of yen)



Other expenses (net) increased by 117.1% from 2,818 million yen in the previous fiscal year to 6,118 million yen (USD 50,898 thousand). This was mainly due a stronger yen in fiscal 2002 which resulted in exchange losses of 1,750 million yen (USD 14,559 thousand) compared with exchange gains of 471 million yen in the previous fiscal year as well as the expense of 1,178 million yen (USD 9,800 thousand) for the compensation for breach of contract with an overseas OEM customer.
As a result, income before income taxes decreased by 24.4% to 8,781 million yen (USD 73,053 thousand).

Due to the above results, net income decreased by 13.1% from the previous fiscal year to 5,078 million yen (USD 42,246 thousand).

Basic earnings per common share were 84.3 yen (USD 0.70) and cash dividends per share for fiscal 2002 were 32.0 yen (USD 0.27) based on our policy of distributing 50% of non-consolidated net income.

Financial Position

Assets

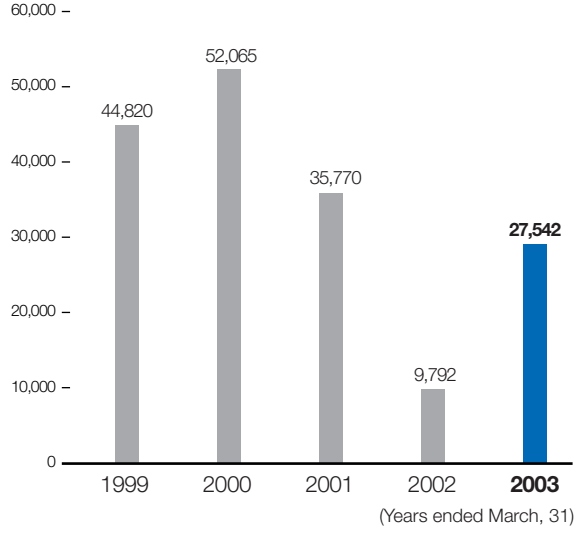
Total assets increased by 3.0% from the previous fiscal year to 252,848 million yen (USD 2,103,560 thousand), primarily reflecting the increase in property, plant and equipment in Medical and Pharmaceutical divisions.

Current assets increased by 0.8% to 116,431 million yen (USD 968,644 thousand). This was mainly due to the increases in trade notes and account receivables by 2,748 million yen, inventories by 4,199 million yen and other current assets by 4,317 million yen which more than offset a decrease in cash and cash equivalents of 11,360 million yen.

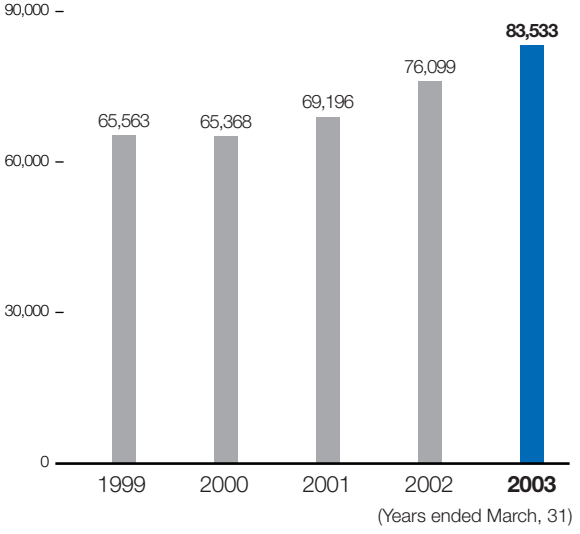
Investments and other assets decreased by 7.3% to 45,270 million yen (USD 376,622 thousand). Other investments increased by 3,954 million yen from the previous fiscal year to 4,574 million yen (USD 38,053 thousand) mostly as a result of the acquisition of preferred investment securities of 4,000 million yen. However, marketable securities for investments decreased by 6,846 million yen to 16,061 million yen (USD 133,619 thousand) primarily due to a decline in year-end market value.

Property, plant and equipment-net increased by 12.5% from the previous fiscal year to 91,147 million yen (USD 758,294 thousand). This was mainly due to the increases in buildings by 6,161million yen and in

Working Capital
(Millions of yen)



Shareholders' Equity
(Millions of yen)



machinery and equipment by 8,662 million yen reflecting the capital investments to enhance production capacity and to increase the efficiency of production.

Liabilities

Current liabilities decreased by 16.0% from the previous fiscal year to 88,889 million yen (USD 739,509 thousand). This was mainly a result of a decrease of 13,000 million yen in the current portion of bonds and a decrease of 11,210 million yen in the current portion of convertible bonds which more than offset the increase in commercial paper by 7,000 million yen.

Long-term liabilities increased by 27.0% from the previous fiscal year to 78,657 million yen (USD 654,384 thousand). This was primarily due to an increase of 19,542 million yen in long-term debt.

Shareholders' Equity

Shareholders' equity increased by 7,434 million yen or 9.8% to 83,533 million yen (USD 694,950 thousand). This was due to an increase of 11,087 million yen in common stock and additional paid-in capital as a result of the conversion of convertible bonds and an increase of 2,095 million yen in retained earnings which more than offset the decreases in unrealized gains on marketable securities for investments by 3,651 million yen and foreign currency translation adjustments by 1,701 million yen. As a result, shareholder's equity ratio was 33.0% compared to 31.0% of the previous year.

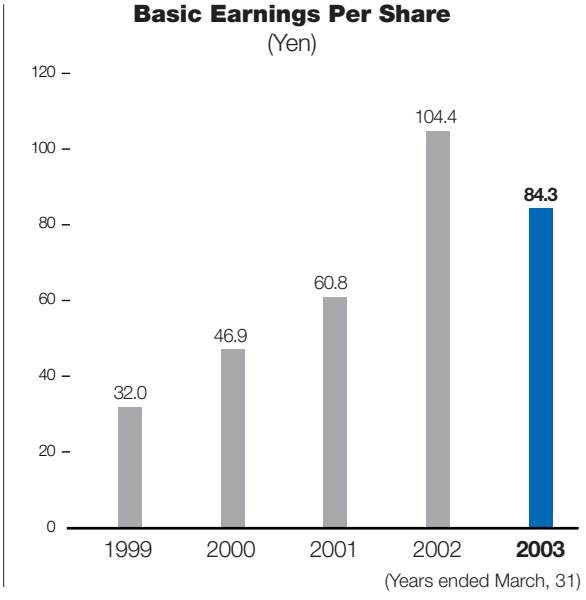
Cash Flows

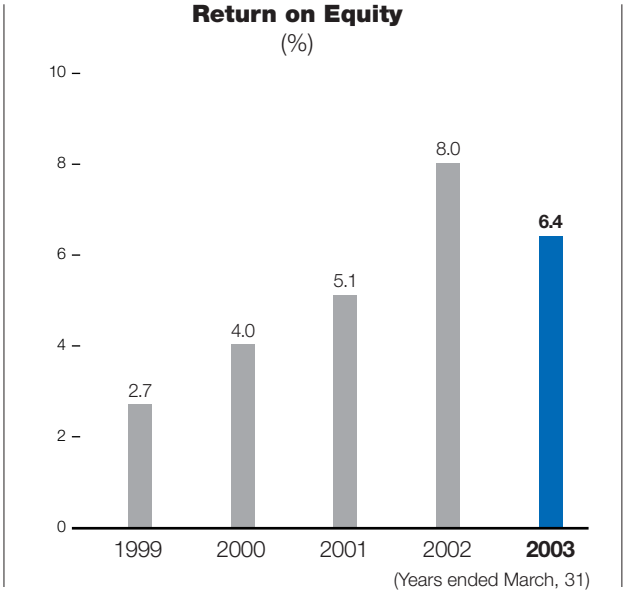
Net cash provided by operating activities decreased from 7,882 million yen of the previous fiscal year to 5,622 million yen (USD 46,772 thousand).

Net cash used in investing activities increased from 14,218 million yen of the previous fiscal year to 30,108 million yen (USD 250,482 thousand). Primarily uses of cash were purchase of property, plant and equipment.

Net cash provided by financing activities increased from 1,268 million yen of the previous fiscal year to 11,301 million yen (USD 94,018 thousand). This was mainly a result of an increase in long-term bank loans and the issuance of bonds.

As a result, cash and cash equivalents decreased by 13,392 million yen to 29,393 million yen (USD 244,534 thousand) from 42,785 million yen at the beginning of the fiscal year.





Five-Year Summary

Nipro Corporation and its consolidated subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2003	2002	2001	2000	1999	**2003**
Income Statement Data:						
Net Sales	**¥ 180,370**	¥ 171,217	¥ 152,072	¥ 143,700	¥ 141,635	**$ 1,500,582**
Medical	**76,009**	77,572	66,413	65,718	64,730	**632,354**
Pharmaceutical	**21,979**	15,946	14,120	13,478	11,969	**182,854**
Glass and Materials	**11,064**	11,234	11,784	12,021	11,907	**92,047**
Supermarket	**69,560**	64,764	56,882	51,034	51,199	**578,702**
Cost of sales	**128,776**	122,092	110,608	104,734	101,965	**1,071,348**
Selling, general and administrative expenses	**36,695**	34,690	31,735	30,344	29,328	**305,283**
Operating income	**14,899**	14,435	9,729	8,622	10,342	**123,951**
Medical (1)	**14,175**	15,016	11,913	10,422	12,272	**117,928**
Pharmaceutical (1)	**1,981**	1,104	844	516	71	**16,481**
Glass and Materials (1)	**1,777**	1,806	1,773	1,758	1,780	**14,784**
Supermarket (1)	**1,109**	1,037	20	637	888	**9,226**
Income before income taxes	**8,781**	11,617	6,641	5,930	4,440	**73,053**
Net income	**5,078**	5,842	3,401	2,621	1,793	**42,246**
Capital expenditures	**20,775**	17,166	14,295	8,463	12,362	**172,837**
Depreciation and amortization	**8,767**	7,215	6,898	7,124	6,681	**72,937**
R&D expenses	**2,328**	2,553	3,048	2,278	2,889	**19,368**
Balance Sheet Data:						
Total assets	**¥ 252,848**	¥ 245,403	¥ 228,918	¥ 217,455	¥ 205,558	**$ 2,103,560**
Property, plant and equipment-net	**91,147**	81,029	72,061	64,497	62,919	**758,294**
Working capital	**27,542**	9,792	35,770	52,065	44,820	**229,135**
Current liabilities	**88,889**	105,764	74,995	75,008	73,398	**739,509**
Long-term liabilities	**78,657**	61,952	83,260	75,585	64,478	**654,384**
Common stock	**28,663**	23,113	22,563	22,563	22,563	**238,461**
Additional paid-in capital	**29,972**	24,435	23,886	23,886	23,886	**249,351**
Shareholders' equity	**83,533**	76,099	69,196	65,368	65,563	**694,950**

	Yen					U.S. dollars
Per share data:						
Basic earnings (2)	**¥ 84.3**	¥ 104.4	¥ 60.8	¥ 46.9	¥ 32.0	**$ 0.70**
Diluted earnings (2)	**78.5**	92.4	54.3	42.1	28.1	**0.65**
Cash dividends	**32.0**	47.0	31.0	34.5	19.0	**0.27**
Shareholders' equity	**1,310.7**	1,343.7	1,236.6	1,168.2	1,171.7	**10.90**
Number of common shares issued	**63,878,505**	56,670,149	55,956,987	55,956,987	55,956,987	
Number of employees (at year-end)	**8,029**	7,835	6,818	6,636	6,064	
Selected Data and Ratios:						
Shareholders' equity ratio (3) (%)	**33.0**	31.0	30.2	30.1	31.9	
Return on assets (3) (%)	**6.0**	6.1	4.4	4.1	5.3	
Return on equity (3) (%)	**6.4**	8.0	5.1	4.0	2.7	
Price earnings ratio (times)	**21.5**	17.4	16.5	18.6	34.6	

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

Consolidated Balance Sheets

Nipro Corporation and its consolidated subsidiaries
For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Assets			
Current assets:			
Cash and cash equivalents	**¥ 32,540**	¥ 43,900	**$ 270,715**
Marketable securities (Note 2 and 6)	**—**	15	**—**
Trade notes and accounts receivable	**42,761**	40,013	**355,749**
Allowance for doubtful receivables	**(201)**	(238)	**(1,672)**
Inventories (Note 3)	**31,214**	27,015	**259,684**
Deferred income taxes (Note 10)	**2,244**	1,295	**18,669**
Other current assets	**7,873**	3,556	**65,499**
Total current assets	**116,431**	115,556	**968,644**
Investments and other assets:			
Investment in unconsolidated subsidiaries and affiliate accounted for by the equity method (Note 2)	**6,383**	7,041	**53,103**
Marketable securities for investments (Note 2 and 6)	**16,061**	22,907	**133,619**
Other investments (Note 2 and 6)	**4,574**	620	**38,053**
Lease deposits	**12,235**	12,398	**101,789**
Deferred income taxes (Note 10)	**175**	153	**1,456**
Other	**5,842**	5,699	**48,602**
Total investments and other assets	**45,270**	48,818	**376,622**
Property, plant and equipment (Note 7):			
Land	**22,459**	23,044	**186,847**
Buildings	**77,004**	70,843	**640,632**
Machinery and equipment	**68,740**	60,078	**571,880**
Construction in progress	**6,852**	4,916	**57,005**
	175,055	158,881	**1,456,364**
Accumulated depreciation	**(83,908)**	(77,852)	**(698,070)**
Property, plant and equipment-net	**91,147**	81,029	**758,294**
Total assets	**¥ 252,848**	¥ 245,403	**$ 2,103,560**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans (Note 4)	¥ 29,010	¥ 25,291	$ 241,348
Current portion of long-term debt (Note 4)	9,248	31,527	76,938
Trade notes and accounts payable	27,085	28,028	225,333
Accrued income taxes	2,620	3,523	21,797
Accrued expenses	5,372	5,137	44,692
Commercial paper (Note 4)	7,000	—	58,236
Other current liabilities	8,554	12,258	71,165
Total current liabilities	88,889	105,764	739,509
Long-term liabilities:			
Long-term debt (Note 4)	72,821	53,279	605,832
Accrued pension and severance liabilities (Note 8)	1,977	1,731	16,448
Deferred income taxes (Note 10)	541	3,570	4,501
Other long-term liabilities	3,318	3,372	27,603
Total long-term liabilities	78,657	61,952	654,384
Minority interests	1,769	1,588	14,717
Commitments and contingent liabilities (Note 12)			
Shareholders' equity (Notes 9 and 14):			
Common stock	28,663	23,113	238,461
Authorized: 200,000,000 shares			
Issued:			
At March31, 2002-56,670,149 shares			
At March31, 2003-63,878,505 shares			
Additional paid-in capital	29,972	24,435	249,351
Unrealized gains (losses) on marketable securities for investments	2,851	6,502	23,719
Foreign currency translation adjustments	(5,407)	(3,706)	(44,984)
Retained earnings	27,905	25,810	232,155
	83,984	76,154	698,702
Less cost of common shares of treasury stock	(451)	(55)	(3,752)
Total shareholders' equity	83,533	76,099	694,950
Total liabilities and shareholders' equity	¥ 252,848	¥ 245,403	$ 2,103,560

Consolidated Statements of Income

Nipro Corporation and its consolidated subsidiaries
For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Net sales	**¥ 180,370**	¥ 171,217	**$ 1,500,582**
Cost of sales	**128,776**	122,092	**1,071,348**
Gross profit	**51,594**	49,125	**429,234**
Selling, general and administrative expenses	**36,695**	34,690	**305,283**
Operating income	**14,899**	14,435	**123,951**
Other income (expenses):			
Interest and dividend income	**398**	568	**3,311**
Interest expenses (Note 4)	**(1,671)**	(1,786)	**(13,902)**
Losses on sales and disposals of property, plant and equipment-net	**(337)**	(164)	**(2,803)**
Exchange gains (losses)	**(1,750)**	471	**(14,559)**
Equity in losses of affiliate	**(658)**	(348)	**(5,474)**
Gains (losses) on sales of marketable securities for investments	**—**	(269)	**—**
Losses on devaluation of marketable securities for investments	**(629)**	(418)	**(5,233)**
Compensation for breach of contract	**(1,178)**	—	**(9,800)**
Gains (losses) on derivative financial instruments-net	**—**	72	**—**
Other, net	**(293)**	(944)	**(2,438)**
Income before income taxes	**8,781**	11,617	**73,053**
Income taxes (Note 10):			
Current	**4,958**	5,286	**41,248**
Deferred	**(1,341)**	448	**(11,156)**
Minority interests	**(86)**	(41)	**(715)**
Net income	**¥ 5,078**	¥ 5,842	**$ 42,246**

	Yen		U.S. dollars (Note 1)
	2003	2002	**2003**
Amounts per common share:			
Basic earnings	**¥ 84.3**	¥ 104.4	**$ 0.70**
Diluted earnings	**78.5**	92.4	**0.65**
Cash dividends	**32.0**	47.0	**0.27**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Nipro Corporation and its consolidated subsidiaries
For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Common stock (Note 9):			
Opening balance (2003-56,670,149 shares; 2002-55,956,987 shares)	**¥ 23,113**	¥ 22,563	**$ 192,288**
Add;			
Conversion of convertible bonds (2003-7,208,356 shares; 2002-713,162 shares)	**5,550**	550	**46,173**
Closing balance (2003-63,878,505 shares; 2002-56,670,149 shares)	**¥ 28,663**	¥ 23,113	**$ 238,461**
Additional paid-in capital (Note 9):			
Opening balance	**¥ 24,435**	¥ 23,886	**$ 203,286**
Add;			
Conversion of convertible bonds	**5,537**	548	**46,065**
Profit from merger	**—**	1	**—**
Closing balance	**¥ 29,972**	¥ 24,435	**$ 249,351**
Retained earnings:			
Opening balance	**¥ 25,810**	¥ 22,341	**$ 214,725**
Decrease due to merger	**—**	(214)	**—**
Net income	**5,078**	5,842	**42,246**
Cash dividends paid	**(2,815)**	(2,070)	**(23,419)**
Bonuses to directors and statutory auditors	**(168)**	(89)	**(1,397)**
Closing balance	**¥ 27,905**	¥ 25,810	**$ 232,155**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Nipro Corporation and its consolidated subsidiaries
For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Operating activities:			
Net income	**¥ 5,078**	¥ 5,842	**$ 42,246**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**8,767**	7,215	**72,937**
Equity in losses of affiliate	**658**	348	**5,474**
Allowance for doubtful receivables	**(16)**	233	**(133)**
Losses on devaluation of marketable securities	**629**	418	**5,233**
Provision for deferred taxes	**(1,341)**	448	**(11,156)**
Exchange (gains)losses	**1,039**	(907)	**8,644**
Losses on sales and disposals of property, plant and equipment-net	**337**	164	**2,803**
Losses(gains) on derivative financial instruments-net	**—**	(72)	**—**
Other, net	**383**	672	**3,186**
Changes in operating assets and liabilities:			
Trade receivables	**(3,884)**	(7,536)	**(32,313)**
Inventories	**(4,517)**	(2,710)	**(37,579)**
Other current assets	**(676)**	(526)	**(5,624)**
Trade payables	**(1,004)**	2,223	**(8,353)**
Accrued income taxes	**(903)**	1,112	**(7,512)**
Other current liabilities	**1,072**	958	**8,919**
Total adjustments	**544**	2,040	**4,526**
Net cash provided by operating activities	**5,622**	7,882	**46,772**
Investing activities:			
Purchases of property, plant and equipment	**(23,853)**	(11,699)	**(198,444)**
Proceeds from sales of property, plant and equipment	**143**	259	**1,190**
Proceeds from sales of marketable securities	**5**	343	**42**
Purchases of securities	**(4,061)**	(1,272)	**(33,785)**
Increase in investment in unconsolidated subsidiaries and affiliate	**—**	(3,566)	**—**
Deposits (Over three months)	**(2,120)**	1,968	**(17,638)**
Other, net	**(222)**	(251)	**(1,847)**
Net cash used in investing activities	**(30,108)**	(14,218)	**(250,482)**
Financing activities:			
Net (decrease) increase in short-term loans	**3,719**	(2,596)	**30,940**
Proceeds from long-term debt	**23,598**	12,305	**196,323**
Repayment of long-term debt	**(8,181)**	(5,990)	**(68,062)**
Proceeds from issuance of bonds	**5,967**	—	**49,642**
Repayment of bonds*	**(17,230)**	—	**(143,344)**
Net increase in commercial paper	**7,000**	—	**58,236**
Cash dividends paid	**(2,810)**	(2,066)	**(23,378)**
Bonuses to directors and statutory auditors	**(168)**	(89)	**(1,397)**
Other, net	**(594)**	(296)	**(4,942)**
Net cash provided by financing activities	**11,301**	1,268	**94,018**
Effect of exchange rate changes on cash and cash equivalents	**(207)**	700	**(1,722)**
Net decrease in cash and cash equivalents	**(13,392)**	(4,368)	**(111,414)**
Cash and cash equivalents at beginning of year (Note 2)	**42,785**	47,153	**355,948**
Cash and cash equivalents at end of year (Note 2)	**¥ 29,393**	¥ 42,785	**$ 244,534**

* Repayment of bonds includes ¥4,108 million that was eventually reimbursed to the Company on April 15, 2003, because conversion of convertible bonds occurred after the Company advanced the repayment money to a bank on March 26, 2003.

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Nipro Corporation and its consolidated subsidiaries

1.Basis of Presenting Consolidated Financial Statements

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

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

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

In addition, the notes to consolidated financial statements include additional information which is not required under generally accepted accounting principles and practices in Japan. Certain reclassifications have been made to the 2002 amounts to conform with the 2003 presentation.

The financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into the United States dollars at the rate of ¥120.20=U.S. $1, the approximate exchange rate on March 31, 2003. These translations should not be construed as representations that the Japanese yen amounts actually are, have been or could be converted into U.S. dollar amounts.

2.Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and the following significant subsidiaries and affiliate accounted for by the equity method;
Nipro Medical Industries, Ltd.
Nipro (Thailand) Corporation Ltd.
Fuzhou Nipro Co., Ltd.
Nipro (Shanghai) Co., Ltd.
Nipro Medical LTDA.
Nipro Europe N.V.
Nipro Medical Corporation
Nipro Medical Panama S.A.
Nipro Medica de Mexico S.A. DE C.V.
Hishiyama Pharmaceutical Co., Ltd.*
Shinwa Shoji Co., Ltd.
Shanghai Nissho Vacuum Flask Refill Co., Ltd.
Nissho Corporation
Nissho Drug Co., Ltd.
Bipha Corporation**

* On April 1, 2003, Hishiyama Pharmaceutical Co., Ltd. changed its corporate name "Nipro Pharma Corporation".

** Affiliate applied equity method

Investment in unconsolidated subsidiaries and affiliates (20% to 50% owned) are stated at cost and the equity method is not applied for the valuation of such investments since they are considered immaterial in the aggregate. The difference between the cost of investments in subsidiaries and affiliates and the equity in their net assets at dates of acquisition in being amortized over five years.

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

(b) Translation of Foreign Currencies

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

(c) Investments in Securities

Marketable securities, marketable securities for investments and other investments are classified and accounted for, depending on management's intent, as follows:
i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost; and
ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

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.

(d) Inventories

Inventories of the medical, pharmaceutical and glass and materials segments are stated at the average cost, except for certain inventories stated at the first-in, first-out cost. Inventories of the supermarket segment are stated at the retail inventory method.

(e) Depreciation

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

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

(f) Income Taxes

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

(g) Leases

Finance leases which do not transfer ownership are accounted for in the same manner as operating leases in accordance with Japanese accounting standards for leases.

(h) Amounts per Common Share

Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic earnings per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Under the previous practice, the basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding for the period.

Diluted earnings per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted earnings per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Basic earnings and diluted earnings per share for the year ended March 31, 2003 are computed in accordance with the new standard's provision.

Basic earnings and diluted earnings per share for the year ended March 31, 2002 are not restated to reflect the new standard's provision.

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

(i) Consolidated Statements of Cash Flow

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

Balances of cash and cash equivalents in the consolidated statements of cash flows are reconciled with those in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Cash and cash equivalents	**¥ 32,540**	¥ 43,900	**$ 270,715**
Time deposits (Over three months)	**(3,147)**	(1,115)	**(26,181)**
Cash and cash equivalents at end of year	**¥ 29,393**	¥ 42,785	**$ 244,534**
Cash and cash equivalents at beginning of year	**¥ 42,785**	¥ 47,153	**$ 355,948**

Additional cash flow information is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Non-cash financing activities:			
Conversion of convertible bonds into:			
Common stock	**¥ 5,550**	¥ 550	**$ 46,173**
Additional paid-in capital	**5,537**	548	**46,065**

(j) Appropriation of Retained Earnings

Appropriation of retained earnings is accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.

3.Inventories

Inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Food and groceries	**¥ 689**	¥ 625	**$ 5,732**
Household goods	**2,305**	1,906	**19,176**
Medicine (in stores)	**841**	715	**6,997**
Finished goods	**20,413**	17,751	**169,825**
Raw materials	**3,484**	2,757	**28,985**
Work in process	**2,407**	2,202	**20,025**
Packing and other	**1,075**	1,059	**8,944**
	¥ 31,214	¥ 27,015	**$ 259,684**

4.Short-Term Loans and Long-Term Debt

Short-term loans comprised overdrafts, promissory notes.
The interest rates of short-term bank loans and commercial paper as of March 31, 2003 and 2002 ranged from 0.058% to 1.875% and from 0.390% to 1.625%, respectively.

Long-term debt comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
1.0% convertible bonds due 2003	**—**	¥ 11,210	**—**
2.0% unsecured bonds due 2002	**—**	10,000	**—**
2.325% unsecured bonds due 2004	**¥ 10,000**	10,000	**$ 83,195**
3.2% unsecured bonds due 2008	**10,000**	10,000	**83,195**
3.0% unsecured bonds due 2006	**10,000**	10,000	**83,195**
0.76% fixed rate bonds due 2003	**—**	3,000	**—**
0.82% fixed rate bonds due 2003	**2,000**	2,000	**16,638**
0.67% unsecured bonds due 2006	**3,000**	—	**24,958**
1.07% unsecured bonds due 2010	**3,000**	—	**24,958**
Loans, primarily from banks due 2003-2018, with interest ranging from 0.499% to 10.64%	**44,069**	28,596	**366,631**
Less current portion of long-term debt	**(9,248)**	(31,527)	**(76,938)**
	¥ 72,821	¥ 53,279	**$ 605,832**

In April 1994, the Company issued ¥14,000 million ($116,473 thousand) of 1.0% convertible bonds due 2003, which are convertible into shares of common stock of the Company at the option of the holders on or before March 28, 2003. At March 31, 2003, such convertible bonds were converted into common stock or redeemed.

In November 1997, the Company issued ¥10,000 million ($83,195 thousand) of 2.0% unsecured bonds due 2002.

In November 1997, the Company issued ¥10,000 million ($83,195 thousand) of 2.325% unsecured bonds due 2004.

In June 1998, the Company issued ¥10,000 million ($83,195 thousand) of 3.2% unsecured bonds due 2008.

In June 1998, the Company issued ¥10,000 million ($83,195 thousand) of 3.0% unsecured bonds due 2006.

In February 2000, the Company issued ¥3,000 million ($24,958 thousand) of 0.76% fixed rate bonds due 2003.

In April 2000, the Company issued ¥2,000 million ($16,638 thousand) of 0.82% fixed rate bonds due 2003.

In March 2003, the Company issued ¥3,000 million ($24,958 thousand) of 0.67% fixed rate bonds due 2006.

In March 2003, the Company issued ¥3,000 million ($24,958 thousand) of 1.07% fixed rate bonds due 2010.

The aggregate annual maturities of long-term debt outstanding at March 31, 2003 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
	2003	**2003**
2004	**¥ 9,248**	**$ 76,938**
2005	**17,509**	**145,666**
2006	**9,915**	**82,487**
2007 and thereafter	**45,397**	**377,679**
	¥ 82,069	**$ 682,770**

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

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

5.Leases

Information relating to finance leases, except for which the ownership of the leased assets is considered to be transferred to the lessee. The pro forma information of leased assets under finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis for the years ended March 31, 2003 and 2002 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Acquisition cost	**¥ 9,687**	¥ 9,313	**$ 80,591**
Accumulated depreciation	**4,772**	3,873	**39,701**
Net	**¥ 4,915**	¥ 5,440	**$ 40,890**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Payments due within one year	¥ 1,477	¥ 1,503	$ 12,288
Payments due after one year	4,023	4,675	33,469
	¥ 5,500	¥ 6,178	$ 45,757

Lease payments under such leases for the year ended March 31, 2003 and 2002, were ¥1,749 million (U.S. $14,551 thousand) and ¥1,625 million, respectively.

6.Marketable securities, Marketable securities for investments and Other investments

Marketable securities, marketable securities for investments and other investments as of March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Current-debt securities	—	¥ 15	—
Non-current:			
Marketable:			
Marketable equity securities	¥ 15,716	¥ 22,393	$ 130,749
Marketable debt securities	345	514	2,870
Sub total	¥ 16,061	¥ 22,907	$ 133,619
Other investments: non-marketable equity securities	¥ 4,574	¥ 620	$ 38,053
Total	¥ 20,635	¥ 23,527	$ 171,672

The fair value of other investments, which are classified as available-for-sale securities, was not readily determinable as of March 31, 2003 and 2002.
The carrying amounts and aggregate fair values of marketable securities and marketable securities for investments as of March 31, 2003 and 2002 were as follows:

	Millions of yen			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities				
Equity securities	¥ 12,402	¥ 4,344	¥ 1,030	¥ 15,716
Debt securities	368	—	23	345
Total	¥ 12,770	¥ 4,344	¥ 1,053	¥ 16,061

	Thousands of U.S. dollars (Note 1)			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities				
Equity securities	$ 103,178	$ 36,140	$ 8,569	$ 130,749
Debt securities	3,062	—	192	2,870
Total	$ 106,240	$ 36,140	$ 8,761	$ 133,619

	Millions of yen			
	2002			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities				
Equity securities	¥ 12,946	¥ 9,969	¥ 522	¥ 22,393
Debt securities	839	—	310	529
Total	¥ 13,785	¥ 9,969	¥ 832	¥ 22,922

Proceeds from sales of securities and gross realized gains (losses) on those sales for years ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Proceeds	¥ 5	¥ 343	$ 42
Gains (losses) on sales	—	(269)	—

7. Pledged Assets

The following assets were pledged as collateral:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Land	**¥ 5,175**	¥ 6,415	**$ 43,053**
Buildings	**8,434**	9,504	**70,166**
Notes receivable	**4,245**	2,152	**35,316**
Certificate of deposit	**237**	—	**1,972**
	¥ 18,091	¥ 18,071	**$ 150,507**

Short-term bank loans and long-term debt at March 31, 2003 and 2002 with assets pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Short-term bank loans	**¥ 5,673**	¥ 3,841	**$ 47,196**
Long-term debt	**3,863**	4,978	**32,138**
Total	**¥ 9,536**	¥ 8,819	**$ 79,334**

8. Accrued Pension and Severance Liabilities

The Company and certain consolidated subsidiaries have defined benefit pension plans and unfunded retirement benefit plans for employees. Effective April 1, 2000, the Company and its consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The transitional obligation of ¥519 million determined as of April 1, 2000 is amortized over five years and presented as other expense in the income statement.

The following table sets forth the changes in projected benefit obligation, plan assets and funded status of the Company and its consolidated subsidiaries at March 31, 2003 and 2002.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
1) Projected benefit obligation at end of year	**¥ (8,678)**	¥ (7,755)	**$ (72,196)**
2) Fair value of plan assets at end of year	**4,884**	4,916	**40,632**
3) Projected benefit obligation in excess of plan assets 1) + 2)	**¥ (3,794)**	¥ (2,839)	**$ (31,564)**
4) Unrecognized actuarial (gain) loss	**1,609**	797	**13,386**
5) Transition obligation at date of adoption	**208**	311	**1,730**
6) Prepaid pension cost	**—**	—	**—**
7) Accrued pension and severance liabilities 3) + 4) + 5) + 6)	**¥ (1,977)**	¥ (1,731)	**$ (16,448)**

The breakdown of net pension and severance costs for the years ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Service cost	**¥ 535**	¥ 538	**$ 4,451**
Interest cost	**231**	224	**1,922**
Expected return on plan assets	**(180)**	(174)	**(1,498)**
Amortization:			
Retirement benefit obligation at transition	**104**	104	**865**
Actuarial losses	**193**	166	**1,606**
Net periodic benefit cost	**¥ 883**	¥ 858	**$ 7,346**

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

	2003	2002
Discount rate	**Primarily3.0% at start of year and primarily 2.5% at year-end**	Primarily 3.0%
Expected rate of return on plan assets	**1.5~4.0%**	1.5~4.0%
Amortization period for transition obligation at date of adoption	**5 years**	5 years
Amortization period for actuarial losses	**5 years**	5 years

9. Shareholders' Equity

In connection with conversions of convertible bonds, 713,162 shares of common stock were issued for the year ended March 31, 2002 and 7,208,356 shares of common stock were issued for the year ended March 31, 2003.

Conversion of convertible bonds into common stock is accounted for in accordance with the provisions of the Japanese Commercial Code by crediting approximately one - half of the conversion proceeds to the common stock account and the remainder to the additional paid-in capital account.

The amount of retained earnings available for dividends under the Japanese Commercial Code was ¥33,429 million ($278,111 thousand) as of March 31, 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Japanese Commercial Code imposes certain limitations on the amount of retained earnings available for dividends.

10. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income, which, in aggregate, resulted in a normal statutory rate of 41.9% in the year ended March 31, 2002.

An amendment to the Japanese tax regulations was enacted on March 31, 2003, and the normal statutory rate was reduced from approximately 41.9% to 40.5%, effective from April 1, 2004. As a result of this amendment, for the year ended March 31, 2003, deferred income tax was calculated at the rate of 41.9% for current portion of temporary differences and 40.5% for non-current portion.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Deferred tax assets:			
Operating loss carried forward for tax purposes	**¥ 424**	¥ 24	**$ 3,527**
Intercompany profits	**600**	543	**4,992**
Allowance for reduction in price	**570**	392	**4,742**
Employees' retirement benefits	**569**	458	**4,734**
Other	**1,400**	1,076	**11,647**
Total deferred tax assets	**¥ 3,563**	¥ 2,493	**$ 29,642**
Deferred tax liabilities:			
Valuation account of marketable securities	**¥ 1,354**	¥ 4,022	**$ 11,265**
Reserve for overseas investments	**129**	258	**1,073**
Other	**202**	335	**1,680**
Total deferred tax liabilities	**¥ 1,685**	¥ 4,615	**$ 14,018**
Net deferred tax assets (liabilities)	**¥ 1,878**	¥ (2,122)	**$ 15,624**

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

	2002
Statutory tax rate	41.9%
Expenses not deductible for tax purposes	1.4
Non-taxable dividend income	(0.5)
Loss in subsidiaries	4.1
Other	2.5
Effective tax rate	49.4%

For the year ended March 31, 2003, there were no significant reconciling items between the statutory tax rate and the effective tax rate.

11. Research and Development Expenses

Research and development expenses for the years ended March 31, 2003 and 2002 were ¥2,328 million ($ 19,368 thousand) and ¥2,553 million, respectively.

12. Commitments and Contingent Liabilities

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Liabilities for guarantees	**¥ 3,273**	¥ 3,784	**$ 27,230**
Notes receivable discounted	**—**	1,599	**—**
Export drafts discounted	**35**	11	**291**
	¥ 3,308	¥ 5,394	**$ 27,521**

13. Segment Reporting

The Company and its consolidated subsidiaries are primarily engaged in the business consisting of four major segments: medical equipment, pharmaceutical products, glass and material products and supermarket.

The Company is organized into operating segments based on the market nature of products.

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

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

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

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

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

Business segment information for the years ended March 31, 2003 and 2002, was as follows:

	Millions of yen							
	2003							
	Medical	Pharmaceutical	Glass & Materials	Supermarket	Other	Total	Eliminations / Corporate	Consolidated
Net sales:								
Outside	¥ 76,009	¥ 21,979	¥ 11,064	¥ 69,560	¥ 1,758	¥180,370	—	¥180,370
Intersegment	534	—	2,473	—	668	3,675	¥ (3,675)	—
Total	¥ 76,543	¥ 21,979	¥ 13,537	¥ 69,560	¥ 2,426	¥184,045	¥ (3,675)	¥180,370
Cost and expenses	62,368	19,998	11,760	68,451	2,278	164,855	616 (1)	165,471
Operating income (loss)	¥ 14,175	¥ 1,981	¥ 1,777	¥ 1,109	¥ 148	¥ 19,190	¥ (4,291)	¥ 14,899
Identifiable assets	¥ 84,726	¥ 51,192	¥ 13,604	¥ 41,879	¥ 2,044	¥193,445	¥ 59,403 (2)	¥252,848
Depreciation	3,650	2,828	559	1,152	40	8,229	538	8,767
Capital expenditures	7,853	9,646	1,476	1,327	70	20,372	403	20,775

	Thousands of U.S. dollars (Note 1)							
	2003							
	Medical	Pharmaceutical	Glass & Materials	Supermarket	Other	Total	Eliminations / Corporate	Consolidated
Net sales:								
Outside	$632,354	$182,854	$ 92,047	$578,702	$ 14,625	$1,500,582	—	$1,500,582
Intersegment	4,443	—	20,574	—	5,557	30,574	$ (30,574)	—
Total	$636,797	$182,854	$112,621	$578,702	$ 20,182	$1,531,156	$ (30,574)	$1,500,582
Cost and expenses	518,869	166,373	97,837	569,476	18,951	1,371,506	5,125 (1)	1,376,631
Operating income (loss)	$117,928	$ 16,481	$ 14,784	$ 9,226	$ 1,231	$ 159,650	$ (35,699)	$ 123,951
Identifiable assets	$704,875	$425,890	$113,178	$348,411	$ 17,005	$1,609,359	$494,201 (2)	$2,103,560
Depreciation	30,366	23,527	4,651	9,584	333	68,461	4,476	72,937
Capital expenditures	65,333	80,250	12,279	11,040	582	169,484	3,353	172,837

	Millions of yen							
	2002							
	Medical	Pharmaceutical	Glass & Materials	Supermarket	Other	Total	Eliminations / Corporate	Consolidated
Net sales:								
Outside	¥ 77,572	¥ 15,946	¥ 11,234	¥ 64,764	¥ 1,701	¥171,217	—	¥171,217
Intersegment	16	—	1,380	—	637	2,033	¥ (2,033)	—
Total	¥ 77,588	¥ 15,946	¥ 12,614	¥ 64,764	¥ 2,338	¥173,250	¥ (2,033)	¥171,217
Cost and expenses	62,572	14,842	10,808	63,727	2,223	154,172	2,610 (1)	156,782
Operating income (loss)	¥ 15,016	¥ 1,104	¥ 1,806	¥ 1,037	¥ 115	¥ 19,078	¥ (4,643)	¥ 14,435
Identifiable assets	¥ 81,672	¥ 41,162	¥ 12,904	¥ 40,166	¥ 2,659	178,563	¥ 66,840 (2)	¥245,403
Depreciation	3,151	1,802	398	1,234	64	6,649	566	7,215
Capital expenditures	3,825	12,098	303	386	33	16,645	521	17,166

Note:

(1) Cost and expense of "Eliminations and Corporate" for the years ended March 31, 2003 and 2002 included unallocated corporate costs of ¥4,291 million ($35,699 thousand) and ¥4,643 million, respectively. The unallocated corporate costs consisted primarily of research and development costs and headquarters administration costs.

(2) Assets of "Eliminations and Corporate" at March 31, 2003 and 2002 included ¥59,673 million ($496,448 thousand) and ¥67,307 million of corporate assets, respectively, consisting primarily of cash and cash equivalents, investments in securities, research and development-related equipment and headquarters administration-related assets.

The information by geographic area for the years ended March 31, 2003 and 2002, was as follows:

	Millions of yen					
	2003					
	Japan	America	Europe	Southeast Asia	Eliminations / Corporate	Consolidated
Net sales:						
Outside	¥ 168,848	¥ 4,545	¥ 5,360	¥ 1,617	—	¥ 180,370
Intersegment	8,801	419	34	8,235	¥ (17,489)	—
Total	¥ 177,649	¥ 4,964	¥ 5,394	¥ 9,852	¥ (17,489)	¥ 180,370
Cost and expenses	159,550	4,711	5,239	8,967	(12,996) (1)	165,471
Operating income (loss)	¥ 18,099	¥ 253	¥ 155	¥ 885	¥ (4,493)	¥ 14,899
Identifiable assets	¥ 172,740	¥ 4,840	¥ 3,076	¥ 18,119	¥ 54,073 (2)	¥ 252,848

	Thousands of U.S. dollars (Note 1)					
	2003					
	Japan	America	Europe	Southeast Asia	Eliminations / Corporate	Consolidated
Net sales:						
Outside	$1,404,725	$ 37,812	$ 44,592	$ 13,453	—	$1,500,582
Intersegment	73,220	3,486	283	68,511	$ (145,500)	—
Total	$1,477,945	$ 41,298	$ 44,875	$ 81,964	$ (145,500)	$1,500,582
Cost and expenses	1,327,371	39,193	43,586	74,601	(108,120) (1)	1,376,631
Operating income (loss)	$ 150,574	$ 2,105	$ 1,289	$ 7,363	$ (37,380)	$ 123,951
Identifiable assets	$1,437,105	$ 40,266	$ 25,590	$150,740	$ 449,859 (2)	$2,103,560

	Millions of yen					
	2002					
	Japan	America	Europe	Southeast Asia	Eliminations / Corporate	Consolidated
Net sales:						
Outside	¥160,058	¥ 4,681	¥ 4,624	¥ 1,854	—	¥171,217
Intersegment	9,186	394	120	8,415	¥ (18,115)	—
Total	¥169,244	¥ 5,075	¥ 4,744	¥ 10,269	¥ (18,115)	¥171,217
Cost and expenses	150,912	5,404	5,726	8,274	(13,534) (1)	156,782
Operating income (loss)	¥ 18,332	¥ (329)	¥ (982)	¥ 1,995	¥ (4,581)	¥ 14,435
Identifiable assets	¥157,557	¥ 5,224	¥ 3,903	¥ 17,983	¥ 60,736 (2)	¥245,403

Note:

(1) Cost and expense of "Eliminations and Corporate" for the years ended March 31, 2003 and 2002 included unallocated corporate costs of ¥4,291 million ($35,699 thousand) and ¥4,643 million, respectively. The unallocated corporate costs consisted primarily of research and development costs and headquarters administration costs.

(2) Assets of "Eliminations and Corporate" at March 31, 2003 and 2002 included ¥59,673 million ($496,448 thousand) and ¥67,307 million of corporate assets, respectively, consisting primarily of cash and cash equivalents, investments in securities, research and development-related equipment and headquarters administration-related assets.

(3) The main countries of each geographic area are as follows:

·America: The United States of America and Brazil

·Europe: Belgium

·Asia: China and Thailand

Sales to foreign customers were as follows:

	Millions of yen							
	2003				2002			
	America	Europe	Asia	Total	America	Europe	Asia	Total
Export sales and sales by overseas subsidiaries	¥ 19,032	¥ 17,364	¥ 5,427	¥ 41,823	¥ 22,429	¥ 17,181	¥ 5,005	¥ 44,615
Percentage of such sales against consolidated net sales	10.6%	9.6%	3.0%	23.2%	13.1%	10.1%	2.9%	26.1%

	Thousands of U.S. dollars (Note 1)			
	2003			
	America	Europe	Asia	Total
Export sales and sales by overseas subsidiaries	$158,336	$144,459	$ 45,150	$347,945

14. Subsequent Event

(1) The following appropriation of retained earnings was approved by the Shareholders' Meeting held on June 27, 2003:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash dividends paid	¥ 700	$ 5,824
Bonuses to directors and statutory auditors	108	899

(2) On July 18, 2003, the Company issued Zero Coupon Convertible Bonds due 2023 (the "Bonds") as follows.

Total amount of issue of the Bonds: ¥14,000 million ($116,473 thousand)
Issue price of the Bonds: 100 per cent
Offer price of the Bonds: 102.5 per cent
Coupon: Zero
Date of payment: July 18, 2003
Maturity of the Bonds: July 31, 2023
Use of proceeds:
The net proceeds of the Bonds will be applied primarily towards increasing the production capacity of kit products through an expansion of the Odate plant of Nipro Pharma Corporation, other capital expenditure and general corporate purposes.
Exercise Period:
Each Bondholder is entitled to exercise the Stock Acquisition Right in respect of any Bonds to acquire the shares of the common stock of the Company ("Shares") on and after August 18, 2003, up to and including, July 18, 2023 at the conversion price of ¥2,300, subject to adjustment under certain defined events.
Issuer's Call Option:
The Company may redeem all, but not some only, of the Bonds then outstanding for cash at any time on or after July 31, 2006, at 100% of their principal amount.
Bondholder's Put Option:
A Bondholder may require the Company to redeem all or a portion of their Bonds on July 31, 2006, July 31, 2009, July 31, 2013, and July 31, 2018 at 100% of their principal amount.

Report of Independent Certified Public Accountants on The Consolidated Financial Statements

To the Board of Directors
of Nipro Corporation

We have audited the accompanying consolidated balance sheets of Nipro Corporation and consolidated subsidiaries as of March 31, 2002 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen.
These consolidated financial statements are the responsibility of Nipro Corporation's management.
Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nipro Corporation and consolidated subsidiaries as of March 31, 2002 and 2003 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Osaka, Japan
July 31, 2003

Tomei Audit Corporation

Tomei Audit Corporation

Corporate Information (As of March 31, 2003)

Date of Establishment
July 8, 1954

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3-9-3 Honjo-nishi, Kita-ku, Osaka 531-8510, Japan
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Tokyo Office
4-3-4 Hongo, Bunkyo-ku, Tokyo 113-0033, Japan
Telephone: +81-3-5684-5611
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Number of Employees

Parent company	1,761
Consolidated subsidiaries	6,268
Total	8,029

Principal Shareholders

	Number of Shares Held (in thousands)	Percentage of Total Shares in Issue (%)
Sanri Kosan Co., Ltd.	12,920	20.23
Japan Trustee Services Bank, Ltd. (Trust Account)	6,004	9.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,609	8.78
Trust & Custody Service Bank, Lts. (Trust Account)	2,722	4.26
Minoru Sano	1,993	3.12
Mitsui Asset Trust and Banking Company, Limited	1,641	2.57
Resona Bank, Limited	1,380	2.16
UFJ Trust Bank Limited (Trust Account)	1,336	2.09
Kinki Osaka Bank Limited	1,316	2.06
The Fuji Fire and Marine Insurance Co., Ltd.	1,041	1.63
Total	35,963	56.30

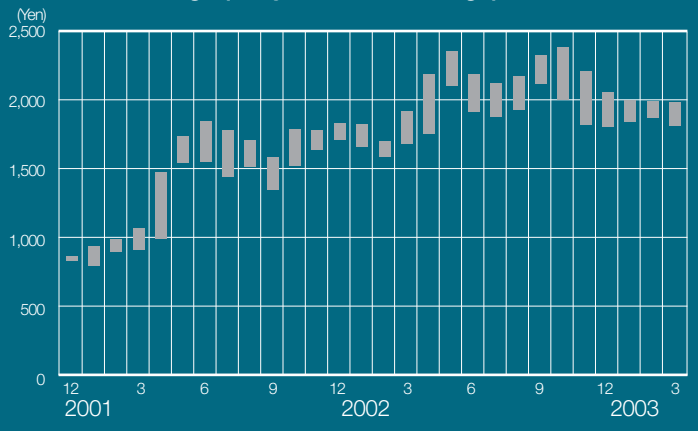
Common Stock

Authorized	200,000,000 shares
Issued	63,878,505 shares
Outstanding	63,645,860 shares
Number of Shareholders	7,425

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

Transfer Agent
The UFJ Trust and Banking Co., Ltd.
6-3, Fushimi-machi 3-chome, Chuo-ku, Osaka 541-8502, Japan

Stock Price Range (Tokyo Stock Exchange)



Subsidiaries and affiliates (As of June 30, 2003)

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

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

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