

# Consolidated Financial Statements

November 25, 2003

For the Six Months Period ended September 30, 2003 (Fiscal Year ending March 31, 2004)

Company name: **NIPRO CORPORATION**

Stock Exchange where listed: Tokyo and Osaka  
Head Office: Osaka, Japan

Code No: 8086

(URL: <http://www.nipro.co.jp/>)

Representative: Minoru Sano, President and Representative Director

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Date of the meeting of the Board of Directors for approval of the financial statements: November 25, 2003

Adoption of U.S. GAAP: No

## 1. Consolidated Results for the Six Months ended September 30, 2003 (From April 1 to September 30, 2003)

### (1) Consolidated Results of Operations (Note: Amounts are rounded off per 1 million yen)

	Net Sales		Operating Income		Recurring Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Sept. 30, 2003	92,029	2.9	5,678	(23.1)	4,234	(23.0)
Six months ended Sept. 30, 2002	89,408	6.7	7,386	8.0	5,500	(8.0)
Year ended March 31, 2003	180,369		14,899		11,397	

	Net Income		Earnings per Share	Diluted Earnings per Share
	Millions of yen	%	Yen	Yen
Six months ended Sept. 30, 2003	1,887	(27.2)	29.66	-
Six months ended Sept. 30, 2002	2,592	(12.4)	45.06	41.03
Year ended March 31, 2003	5,077		84.25	78.48

- Notes: 1. Equity in losses of affiliate for the six months ended September 30, 2003, 2002 and for the fiscal year ended March 31, 2003 was (486) million yen, (342) million yen and (657) million yen, respectively.  
2. The weighted average number of shares outstanding for the six months ended September 30, 2003, 2002 and for the fiscal year ended March 31, 2003 was 63,639,242 shares, 57,535,917 shares and 58,949,626 shares, respectively.  
3. Change in accounting method: N/A  
4. Percentages in the above table for Net Sales, Operating Income, Recurring Income and Net Income represent changes from the corresponding period of the previous fiscal year.

### (2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholder' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Six months ended Sept. 30, 2003	267,283	87,129	32.6	1,369.33
Six months ended Sept. 30, 2002	249,103	79,514	31.9	1,328.13
Year ended March 31, 2003	252,847	83,532	33.0	1,310.72

- Notes: The number of shares outstanding as of September 30, 2003, 2002 and March 31, 2003 was 63,629,277 shares, 59,869,373 shares and 63,645,860 shares, respectively.

### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Six months ended Sept. 30, 2003	6,679	(5,185)	12,949	43,909
Six months ended Sept. 30, 2002	3,649	(14,387)	7,790	39,336
Year ended March 31, 2003	5,453	(30,107)	11,469	29,393

#### (4) Matters related to scope of consolidation and application of equity method

Number of consolidated subsidiaries:	14
Number of unconsolidated subsidiaries accounted for by the equity method:	0
Number of affiliate company accounted for by the equity method:	1

#### (5) Change of reporting entities

Number of consolidated companies	Added: 0	Removed: 0
Number of companies accounted for by the equity method	Added: 0	Removed: 0

## 2. Projected Consolidated Financial Results for the Fiscal Year ending March 31, 2004 (From April 1 to March 31, 2004)

	Sales	Recurring Income	Net Income
	Millions of yen	Millions of yen	Millions of yen
Year ending March 31, 2004	187,000	9,200	4,150

(Reference) Projected Earnings per Share for the Fiscal Year ending March 31, 2004: 63.48 yen

- \* The projections shown above are prepared based on information available as of the issuing date of this report. The actual results may differ from the projected figures due to various factors. Concerning the matters related to the above projections, please refer to the Page 8.

## Corporate Group

Our group consists of the Reporting Company (“the Company”), its 18 subsidiaries and 1 affiliate, and is primarily engaged in manufacture and sales of medical equipment, pharmaceutical products and glass and material products as well as the management of supermarkets and drugstores.

Positioning of each company in connection with the businesses of our group and the relation to the business segments are as follows:

### <Medical Division>

**Domestic:** The Company and Nipro Medical Industries, Ltd., a consolidated subsidiary, manufacture medical equipment, and the Company sells medical equipment manufactured by its foreign subsidiaries.

**Overseas:** Consolidated subsidiaries Nipro (Thailand) Corporation Ltd. (Thailand), Fuzhou Nipro Co., Ltd. (China), Nipro (Shanghai) Co., Ltd. (China) and Nipro Medical LTDA. (Brazil) purchases some of raw materials for their production as well as production machinery from the Company, manufacture medical equipment, sell through the Company and its subsidiaries as well as locally on their own.

Consolidated subsidiaries Nipro Europe N.V. (Belgium), Nipro Medical Corporation (U.S.A.), Nipro Medical Panama S.A. (Panama) and Nipro Medica de Mexico S.A. DE C.V. (Mexico), and unconsolidated subsidiary Nipro Asia Pte. Ltd. (Singapore) and Nipro Trading (Shanghai) Co., Ltd. (China) sell medical equipment etc. in the areas of their locations.

Nipro Diabetes Systems, Inc. (U.S.A.), an unconsolidated subsidiary, develops portable diabetes-related products such as Insulin Pump.

### <Pharmaceutical Division>

The Company and Nipro Pharma Corporation (previous company name: Hishiyama Pharmaceutical Co., Ltd.) manufacture and sell pharmaceutical products.

Bipha Corporation, an affiliated accounted for by the equity method, is engaged in research and development, manufacture and sales of pharmaceutical products such as blood products.

### <Glass and Materials Division>

**Domestic:** The Company sells glass tubes in the Kansai area as well as manufactures and sells other glass products.

In the Kanto area, Shinwa Shoji Co., Ltd., a consolidated subsidiary, purchases glass tubes as raw materials, and manufactures and sells glass products.

**Overseas:** Shanghai Nissho Vacuum Flask Refill Co., Ltd. (China) manufactures internal glass sections of vacuum flask and other glass products, and sells locally as well as exports.

### <Supermarket Division>

Nissho Corporation, a consolidated subsidiary, operates supermarkets in the Keihanshin region, selling fresh produce etc.

Nissho Drug Co., Ltd., a consolidated subsidiary, carries out drugstores in Hanshin region, mainly retailing medicine and general grocery, etc.

### <Other>

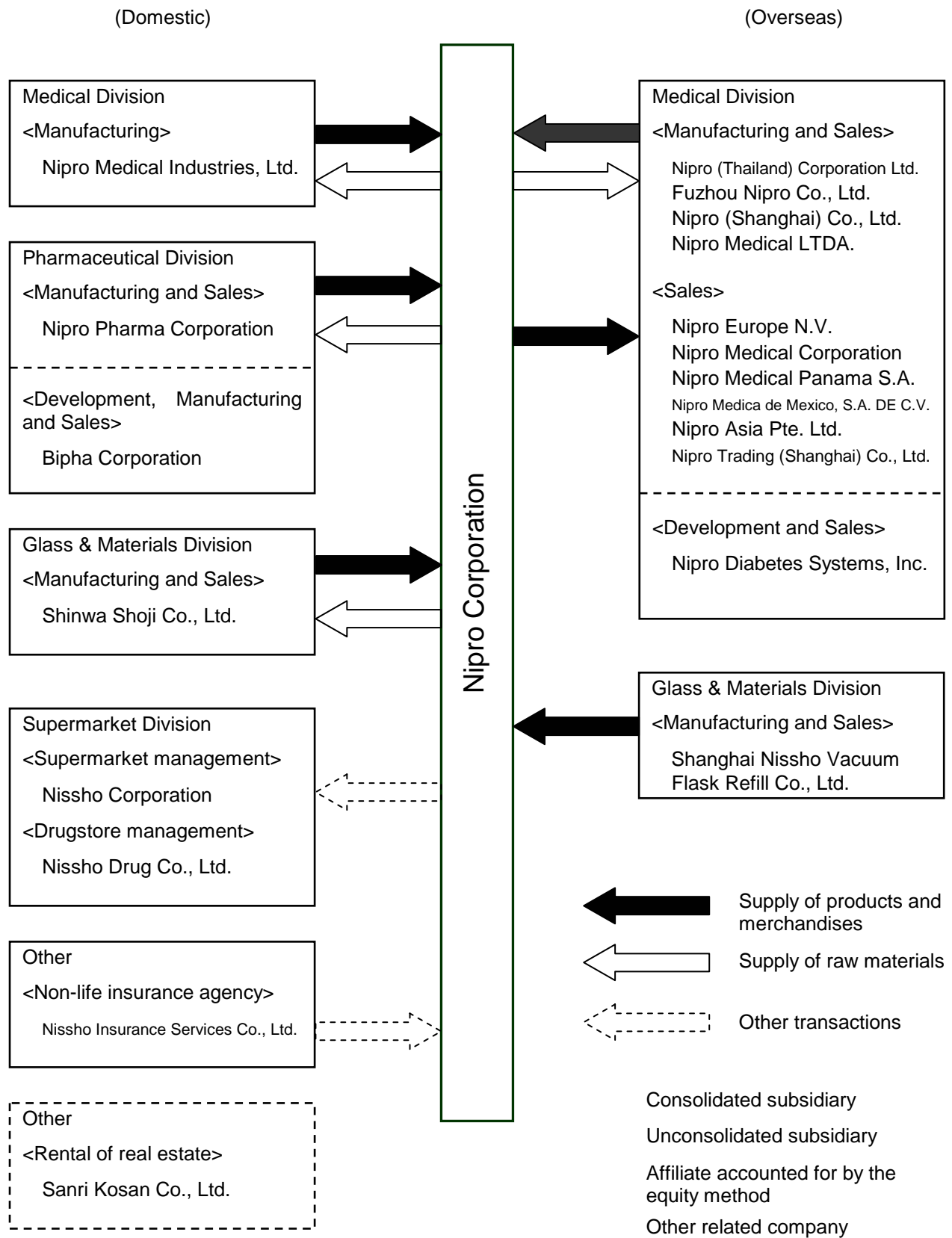
The Company manufactures (purchases, in some cases) and sells machinery for manufacture of medical equipment.

The Company and Nissho Corporation lease real estate properties.

Nissho Insurance Services Co., Ltd. operates non-life insurance agency mainly for the group companies.

Sanri Kosan Co., Ltd., an other affiliate company, is engaged in leasing of real estate properties.

The above explanations are illustrated as follows:



# Management Policies

## **1. Basic Policies of Management**

Since our foundation, we have based ourselves on “technology” and aimed at manufacturing better products at lower costs. We set our management objective in contributing to the society through corporate activities, especially focusing on developing new products in the field of medical and pharmaceutical products.

As a management structure in pursuit of compatibility between “stability” and “growth”, which are essential for an enterprise, we implement the “performance-linked remuneration system” that is the rule of profit sharing among shareholders, employees and management, and carry out active business operations, holding the employees responsible for boosting the performance of individual businesses.

## **2. Basic Policies on Distribution of Profits**

Our policy is that 50% of the non-consolidated net income is to be distributed to the shareholders. Employees’ bonuses are determined according to the business performance of the division where the employees belong, and the bonuses of the directors and the statutory auditors are determined based on the business performance of the Company.

Retained earnings are to be held for the future expansion of the business, but shall be returned to the shareholders through dividends by future improvement of profitability.

With this policy in mind, we will conduct our businesses in a long-term view and will aggressively devote funds into investments in sales and production facilities as well as in Research and Development.

## **3. Position and Policy on Reduction of Trading Unit of Stock**

We consider that reduction of trading unit of stock will promote individual investors into the market and lead to the revitalization of the securities market. Therefore, we will seriously consider to reduce the trading unit, carefully taking into account the stock’s price level, liquidity and conditions of supply and demand as well as costs and benefits.

## **4. Target Management Indicators**

Our performance targets are to achieve 300 billion yen of consolidated net sales, 20 billion yen of consolidated recurring income and 10% of return on equity by the fiscal year 2010.

In the Medical Division, we, as a general medical equipment manufacturer, will seek to enlarge the market share of Nipro-branded products by reinforcing the product line-up and expanding overseas sales network. We will strengthen the sales in the field of dialysis-related products such as dialyzers and maintain the leading share in the market, while we will focus on development of advanced medical technologies in the field of catheters and artificial organs.

In the Pharmaceutical Division, we will promote further the commercialization of kit products, increase sales of double-bag kits, powdered dialysate solutions and test reagents, and expand in the field of injection and infusion drugs and secure the leading share in the market.

In the Glass and Materials Division, we will devote ourselves on reduction of manufacturing costs based on our peerless glass processing technologies and supply high-quality and low-price products in view of global marketing.

In the Supermarket Division, we will strive to make attractive product offerings for fresh food and medicine etc. and bear closely on the daily needs of neighborhood customers.

## **5. Medium- and Long-term Management Strategies**

In the Medical Division, we will conduct research and development on wide variety of artificial organs and tissues, including artificial kidneys, artificial hearts, artificial skin and artificial blood etc., and try to become a world’s leading manufacturer of artificial organs. In the Pharmaceutical Division, we will promote research and development specialized in the fields of renal diseases, blood and intravenous alimentation. In the Glass and Materials Division, we will establish the framework of production and sales of thermos bulbs in the Chinese market, and make further inroads into foreign markets by improving costs and quality of glass products for pharmaceutical containers. In the Supermarket Division, we will offer a variety of prepared meals at the Nissho Stores, while we expand drugstore business by opening more drugstores mainly in the Keihanshin region.

## 6. Issues and challenges that the Nipro Group faces

In the domestic business of the Medical Division, we will focus on dialysis-related products such as dialyzers, blood tubing sets, substitution fluid for hemofiltration and hemodiafiltration, powdered dialysate solutions and dialysis machines, endeavor to react to the market needs promptly, develop and market new products, improve the product quality, strengthen sales activities and increase the market share. In the field of injection, infusion and catheters, we will attempt to increase our market share of injection- and infusion-related products such as infusion sets and syringes, as well as to develop, market and promote new products such as intravascular catheters. With regard to the products related to circulatory organs, we will introduce, market and promote new products such as Thrombus vacuum aspiration catheter and PTCA Balloon, and increase our market share. In addition, as for the examination-related products, we will market and promote blood glucose monitoring system for diabetic patients and test reagents, introduce new products of blood collection tubes and enlarge our market share.

For the international business, as the world is increasingly becoming a single market, we will cope with the trend of globalization by dynamically combining the strategies of marketing, pricing and development of products. Also, as the governments are tightening safety regulations for medical equipment, we will further strive to secure the safety of our products. In addition, we need advantageous and distinctive products in order to enlarge our market share in the world market. We will strongly promote the development of value-added products, and also, based on the excellence of our own technologies, form a market "consortium" in terms of sales co-operation and joint development. Furthermore, we will improve product line-up, for instance, a new dialysis machine for dialysis-related products, precision infusion pumps for diabetes-related products, safety AV fistula needles for safety-related products and guidewires for products related to circulatory organs, and increase sales through our own sales network that is rapidly expanding in the world.

In the Pharmaceutical Division, we will start selling the new products such as two-bag type powdered dialysate solutions and "liquid-and-powder" double-bag kits for antibiotics, and further market such products. We are energetically developing new kit products such as pre-filled syringes, and we will strive to accelerate the speed of development. In addition, we will continue the development of pharmaceutical products in application of recombinant human serum albumin such as artificial blood and Drug Delivery System (DDS) and products related to recombinant protein for the renal diseases, and we will also endeavor to expand our pharmaceutical business by developing kit products, among others, that contribute to improvement of medical treatment in terms of safety and hygiene.

In the Glass and Materials Division, in order to respond to the transformation of containers in the field of glass for pharmaceutical purposes, we will develop the pre-filled syringe containers and aim to enlarge the market. In the area of glass for lighting purposes, we will strive to increase the sales by constant supply of glass for liquid crystal display (LCD) backlight and related materials, in line with the expansion of the domestic market, and by promotion in the overseas market. We will also promote colored glass that meets the requirements for environment preservation to the industries such as automobiles and consumer electronics.

In the Supermarket Division, we will control the proper level of labor costs and improve the productivity by establishing a new human resources management system and reviewing the work schedule system (LSP), and improve profitability by reducing expenses. Also, in order to improve the business performance, we will introduce "Weekly Change System" that will enable us to precisely understand the trend of customers' purchases and to reflect such trend quickly to the selling places, improve product line-up and develop products that correspond to the change in customers' needs reflecting the trend for health-oriented products and aging population etc. Furthermore, we will take various measures to differentiate our stores from those of the competitors, by making use of the information technologies, for instance, providing e-mail members with information on special sales and daily life and "Direct Shop" a mail order service that delivers premium products from all over Japan, and by arranging the sales place delicately and providing exhaustive customer service.

## 7. Basic Perspective on Corporate Governance and Implementation of Related Measures

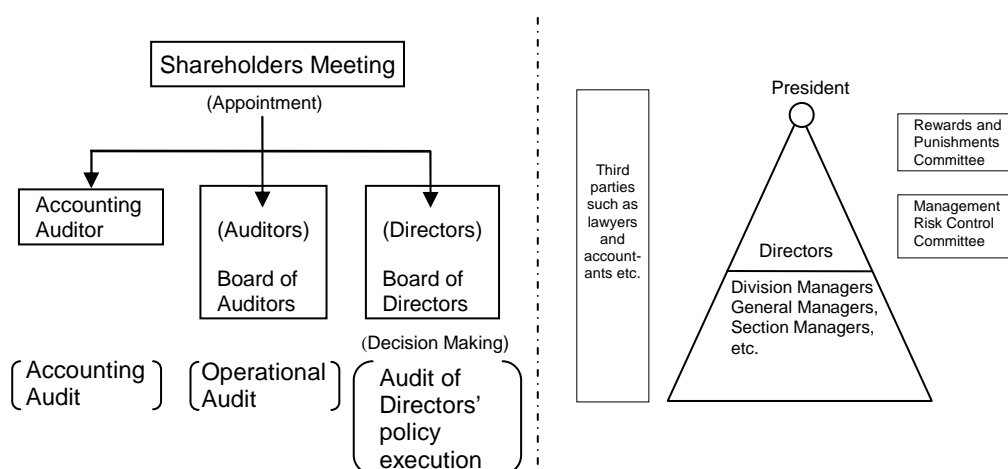
### (1) Basic Perspective on Corporate Governance

We consider improvement of Corporate Governance to be one of the most critical issues in view of an enterprise's social responsibility, and we endeavor to strengthen our administration system and to make sound and efficient management structure.

### (2) Implementation of Measures Related to Corporate Governance

#### a. Current Condition of the Corporate Governance System

- Our management administration organization related to the Company's management decision making, policy execution, and supervision is basically in accordance with the systems of board of directors and board of auditors, as set forth in the Japanese Commercial Code. Specifically, we have established a self-sufficient management administration framework for each business division, which clearly define the responsibilities and improve the administration system.
- All of the current three auditors are outside auditors as provided in the paragraph 1 of the Article 18 of "The Audit Special Exceptions Law". Currently, no outside directors are appointed.
- Structure of the Company's business execution, supervision and internal control



- The Company retains lawyers, accountants, tax accountants, patent attorneys and other professionals under advisory contracts with regard to law, labor, accounting, taxation, and intellectual property etc. so that we can conduct our business properly and timely and have managerial advices from an objective viewpoint.

#### b. Personal, Capital or Transactional Relationships, and/or Other Interests Between the Company and Its Outside Directors and Auditors

There are no such special relationships between the Company and its outside auditors.

#### c. Implementation in the Past Year of Measures Designed to Strengthen the Company's Corporate Governance

- In April 2003, the Management Risk Control Committee is set up in an effort to establish a structure to control management risks and promote compliance with corporate ethics including laws and ordinances. We are striving to enlighten the employees by distributing a booklet titled "the Code of Conduct for Compliance with Laws, Ordinances and Corporate Ethics" to our employee and by placing the articles in the corporate magazines.

# Business Results and Financial Conditions

## 1. Business Results

### (1) Summary of Overall Business and Results by Segments

Japanese economy showed some signs of improvement in terms of capital spending and stock prices. However, personal consumption continued to be weak, affected by severe employment and income conditions, and the mood of recession generally remained for the period under review.

Under such conditions, the Company continued to focus on research and development, and to conduct active sales activities.

As a result, the consolidated net sales for the six months period under review increased to 92,029 million yen (up 2.9% compared with the same period of the previous fiscal year), operating income decreased to 5,678 million yen (down 23.1% compared with the same period of the previous fiscal year), recurring income decreased to 4,234 million yen (down 23% compared with the same period of the previous fiscal year), net income decreased to 1,887 million yen (down 27.2% compared with the same period of the previous fiscal year).

The results by segments were as follows:

#### a. Medical Division

For the domestic business, controls on the medical expenditures were becoming increasingly severe in the market. In such climate, we attempted to enhance the efficiency of sales activity and reinforce the sales bases. We also made efforts to develop, market and promote new products in the fields of dialysis, injection and infusion, treatment on circulatory organs and examination. However, the cost competition has been further intensified, and we also had the adjustments on distributors' inventory.

As for the international business, we were able to achieve steady sales by the market penetration of Nipro-branded products and the increased demands for the diabetes-related products and the value-added products with safety features. However, we were affected by the decline in prices led by the price competition that has been even harder in the market.

As a result, net sales of this division decreased to 37,745 million yen (down 1.4% compared with the same period of the previous fiscal year).

#### b. Pharmaceutical Division

The market of the pharmaceutical business has become awfully harsh, due to the intense price war. Under these circumstances, we attempted to increase sales of powdered dialysate solutions and substitution fluid for hemofiltration and hemodiafiltration, etc. We also exerted ourselves to expand sales of "liquid-and-powder" double-bag kits and pre-filled syringe kits, etc. Self-Monitoring of Blood Glucose system that we introduced from abroad also contributed significantly.

As a result, net sales of this division increased to 11,893 million yen (up 18.3% compared with the same period of the previous fiscal year).

#### c. Glass & Materials Division

In the field of glass for pharmaceutical purposes, despite the shift from glass ampoules and vials to other containers made of plastics in the domestic market, the sales increased owing to the favorable trend in exports of glass tubes and domestic sales of nursing bottles and large-sized vials for laboratory. As for the other glass materials, sales of glass for thermos bottles remained steady amid the competition with cheaper imported products. For the glass for lighting purposes, sales of glass for liquid crystal display (LCD) backlight and related materials were in an upward trend, along with the expansion of the industry of LCD for televisions and displays.

As a result, net sales of this division increased to 5,637 million yen (up 5.9% compared with the same period of the previous fiscal year).

#### d. Supermarket Division

The market climate of supermarket business was really severe, due to the various factors, i.e. prolonged recession, sluggish personal consumption caused by the deteriorating employment and family income, bad weathers such as the longer rainy season and the cooler summer than usual, foreign capitals' entering into market, and the intensified competition arising from the competitors' opening new stores.

Despite such circumstances, our food supermarkets attempted to increase the customers by giving privileged offers to the "Point Card" members, and maintained the average amount of sales per customer by increasing the number of the stores with liquor sales license and by other measures to increase sales. Drugstores, on the other hand, opened 11 new stores during the period under review, and contributed to the increase in sales.

As a result, net sales of this division increased to 36,110 million yen (up 3.3% compared with the

same period of the previous year).

e. Other Division

Net sales of this division, consisting mainly of sales of machine for manufacture of medical equipment and real estate rentals, decreased to 643 million yen (down 20.6% compared with the same period of the previous year).

(2) Prospects for the Fiscal Year Ending March 31, 2004

The Japanese economy is anticipated to remain in the uncertainty, due to the concerns in appreciation of yen and rise of interest rate arising from the expectation of economic recovery.

Under the conditions, we will strive to improve the business performance by focusing on Research and Development and Sales and Marketing.

For the fiscal year ending March 31, 2004, we project the consolidated net sales of 187,000 million yen (up 3.7% compared with the previous fiscal year), operating income of 11,800 million yen (down 20.8% compared with the previous fiscal year), recurring income of 9,200 million yen (down 19.3% compared with the previous fiscal year), net income of 4,150 million yen (down 18.3% compared with the previous fiscal year).

## 2. Financial Conditions

(1) Analysis of the conditions of assets, liability, shareholders' equity and cash flows

Total assets as of September 30, 2003, increased by 14,435 million yen from the end of the previous fiscal year to 267,283 million yen. Current assets increased by 9,750 million yen to 126,181 million yen, and fixed assets increased by 4,685 million yen to 141,101 million yen. Cash and bank deposits increased by 13,369 million yen in the current assets, and investment securities increased by 3,368 million yen in the fixed assets.

Total liabilities increased by 10,823 million yen from the end of the previous fiscal year to 178,370 million yen. Current liabilities decreased by 4,131 million yen to 84,757 million yen, and noncurrent liabilities increased by 14,954 million yen to 93,612 million yen. Current portion of bonds decreased mainly by 2,000 million yen in the current liabilities, and convertible-bond-type bonds with stock acquisition rights increased by 14,000 million yen in the noncurrent liabilities.

Total shareholders' equity increased by 3,596 million yen from the end of the previous fiscal year to 87,129 million yen. In this section, earned surplus increased by 1,076 million yen to 28,981 million yen, and valuation differences of other securities increased by 2,523 million yen to 5,374 million yen.

Net cash provided by operating activities was 6,679 million yen, net cash used in investing activities was 5,185 million yen, net cash provided by financing activities was 12,949 million yen, and cash and cash equivalents increased by 14,515 million yen to 43,909 million yen. Net cash used in investing activities mainly reflected the payments for acquisition of fixed assets for 7,017 million yen. Net cash provided by financing activities was mainly from the proceeds from issuance of the bonds for 13,965 million yen.



(2) Trend of the cash flow indicators

	Fiscal Year ended March 31, 2002	Six Months ended Sept. 30, 2002	Fiscal Year ended March 31, 2003	Six Months ended Sept. 30, 2003
Shareholders' equity ratio (%)	31.0	31.9	33.0	32.6
Ratio of market value of shareholders' equity (%)	41.8	55.3	45.7	45.4
Debt redemption (years)	14.1	-	21.7	-
Interest coverage ratio	4.3	4.2	3.1	8.2

Note: Shareholders' equity ratio = Shareholders' equity / Total Assets

Ratio of market value of shareholders' equity = Aggregate market value of the outstanding shares / Total Assets

Debt redemption = Interest-bearing liabilities / Cashflow from operating activities (omitted for the six months periods)

Interest coverage ratio = Cashflow from operating activities / Interest payments

- Each indicator is calculated from consolidated financial data.
- Aggregate market value of the outstanding shares is calculated as the share price at the fiscal year-end multiplied by the number of issued shares (excluding treasury stock).
- Cashflow from operating activities is taken from cash flows from operating activities on the consolidated statements of cash flows. Interest-bearing liabilities represent all liabilities on the consolidated balance sheets for which interest is payable. The amount of interest payments is taken from the payments of interests on the consolidated statements of cash flows.

## Consolidated Balance Sheets

(Unit: Millions of yen)

Account	Period	As of September 30, 2002		As of September 30, 2003		As of March 31, 2003	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
(ASSETS)			%		%		%
Current Assets		<u>115,770</u>	46.5	<u>126,181</u>	47.2	<u>116,431</u>	46.0
Cash on hand and in banks		40,714		45,909		32,539	
Trade notes and accounts receivable		40,504		40,806		42,761	
Securities		14		-		-	
Inventories		30,108		33,763		31,213	
Deferred tax assets		1,732		1,903		2,244	
Other current assets		2,882		3,958		7,873	
Allowance for doubtful accounts		(186)		(159)		(201)	
Fixed Assets		<u>133,332</u>	53.5	<u>141,101</u>	52.8	<u>136,416</u>	54.0
Tangible fixed assets		<u>87,063</u>	34.9	<u>92,712</u>	34.7	<u>91,146</u>	36.1
Buildings and structures		38,210		40,511		38,841	
Machinery, equipment and vehicles		17,766		20,585		19,748	
Land		22,476		22,474		22,459	
Construction in progress		5,488		5,844		6,852	
Others		3,121		3,296		3,245	
Intangible fixed assets		<u>1,434</u>	0.6	<u>1,147</u>	0.4	<u>1,271</u>	0.5
Consolidation adjustments		325		131		213	
Others		1,109		1,016		1,057	
Investments and other assets		<u>44,834</u>	18.0	<u>47,241</u>	17.7	<u>43,998</u>	17.4
Investment securities		27,902		30,387		27,018	
Long-term loans receivable		2,451		2,712		2,601	
Deferred tax assets		156		192		175	
Lease deposits		12,324		11,805		12,234	
Other assets		2,676		2,833		2,660	
Allowance for doubtful accounts		(676)		(689)		(692)	
Total Assets		249,103	100.0	267,283	100.0	252,847	100.0

(Millions of yen)

(Notes)

	As of September 30, 2002	As of September 30, 2003	As of March 31, 2003
1. Accumulated depreciation of tangible fixed assets	80,822	87,364	83,908
2. Notes receivable discounted	33	8	35
3. Obligations under guarantee contracts	3,545	3,000	3,273
4. Pledged assets	18,983	16,481	18,090

## Consolidated Balance Sheets

(Unit: Millions of yen)

Account	As of September 30, 2002	As of September 30, 2003		As of March 31, 2003		
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>(LIABILITIES)</b>		%		%		%
<b>Current liabilities</b>	<u>106,646</u>	42.8	<u>84,757</u>	31.7	<u>88,888</u>	35.2
Trade notes and accounts payable	28,044		29,140		27,085	
Short-term borrowings	32,715		35,680		36,257	
Current portion of bonds	15,000		-		2,000	
Current portion of convertible bonds	6,120		-		-	
Other payables	3,042		3,711		3,783	
Income taxes payable	2,817		1,517		2,619	
Accrued bonuses	2,146		1,793		1,587	
Allowance for price reduction	936		11		1,359	
Notes payable for plant and equipment	4,530		3,485		3,356	
Commercial paper	7,000		6,500		7,000	
Other current liabilities	4,293		2,917		3,838	
<b>Noncurrent liabilities</b>	<u>61,326</u>	24.6	<u>93,612</u>	35.0	<u>78,657</u>	31.1
<b>Bonds</b>	30,000		36,000		36,000	
Convertible-bond-type bonds with stock acquisition rights	-		14,000		-	
Long-term borrowings	23,789		35,632		36,821	
Deferred tax liabilities	2,069		2,086		541	
Accrued pension and severance cost	2,001		2,445		1,977	
Others	3,466		3,447		3,317	
<b>Total liabilities</b>	167,973	67.4	178,370	66.7	167,546	66.3
<b>(MINORITY INTERESTS)</b>						
Minority interests	1,615	0.7	1,783	0.7	1,768	0.7
<b>(SHAREHOLDERS' EQUITY)</b>						
Capital	25,660	10.3	28,663	10.7	28,663	11.3
Capital surplus	26,976	10.8	29,972	11.2	29,972	11.9
Earned surplus	26,677	10.7	28,981	10.8	27,904	11.0
Valuation differences of other securities	4,775	1.9	5,374	2.0	2,850	1.1
Foreign currency translation adjustments	(4,367)	(1.7)	(5,378)	(2.0)	(5,406)	(2.1)
Treasury stock	(208)	(0.1)	(482)	(0.1)	(451)	(0.2)
<b>Total shareholders' equity</b>	79,514	31.9	87,129	32.6	83,532	33.0
<b>Total liabilities, minority interests, and shareholders' equity</b>	249,103	100.0	267,283	100.0	252,847	100.0

(Notes)

	As of September 30, 2002	As of September 30, 2003	As of March 31, 2003
5. Number of treasury stock Common stock	109,818 shares	249,228 shares	232,645 shares

## Consolidated Statements of Income

(Unit: Millions of yen)

Account	From April 1, 2002 To September 30, 2002		From April 1, 2003 To September 30, 2003		From April 1, 2002 To March 31, 2003	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Net sales	89,408	100.0	92,029	100.0	180,369	100.0
Cost of goods sold	63,705	71.3	66,979	72.8	128,775	71.4
Gross profit	25,703	28.7	25,050	27.2	51,594	28.6
Selling, general and administrative expenses	18,316	20.4	19,372	21.0	36,695	20.3
Operating income	7,386	8.3	5,678	6.2	14,899	8.3
Non-operating income	<u>405</u>	0.5	<u>520</u>	0.5	<u>755</u>	0.4
Interest income	111		85		207	
Dividend income	108		93		190	
Gain on sale of investment securities	-		139		-	
Others	185		200		357	
Non-operating expenses	<u>2,291</u>	2.6	<u>1,963</u>	2.1	<u>4,256</u>	2.4
Interest expenses	860		830		1,671	
Equity in loss of affiliate	342		486		657	
Exchange loss	1,036		534		1,749	
Others	51		112		177	
Recurring income	5,500	6.2	4,234	4.6	11,397	6.3
Extraordinary gains	<u>596</u>	0.6	<u>151</u>	0.1	<u>1,334</u>	0.7
Reversal of allowance for doubtful accounts	41		109		42	
Subsidies received	549		-		1,129	
Lease termination fee received	-		-		85	
Others	5		41		77	
Extraordinary losses	<u>1,434</u>	1.6	<u>852</u>	0.9	<u>3,951</u>	2.2
Loss on sales and disposals of fixed assets	54		216		341	
Loss on disposal of inventories	13		8		48	
Loss on devaluation of investment securities	383		98		628	
Advanced depreciation deductions	549		-		1,129	
Abnormal manufacturing cost	171		155		111	
Loss on claims	-		11		308	
Amortization of transitional difference from change in accounting standards of pension and severance benefits	38		38		76	
Loss from bad debts	-		290		-	
Compensation for breach of contract	214		-		1,178	
Others	8		31		129	
Net income before adjustment of taxes	4,661	5.2	3,533	3.8	8,780	4.8
Corporate, inhabitants and enterprise taxes	2,695	3.0	1,476	1.6	4,957	2.7
Adjustment for deferred taxes	(671)	(0.8)	154	0.1	(1,340)	(0.7)
Minority interests in net income of consolidated subsidiaries	45	0.1	15	0.0	85	0.0
Net income	2,592	2.9	1,887	2.1	5,077	2.8

## Consolidated Statements of Surplus

(Unit: Millions of yen)

Account	Period	From April 1, 2002 To September 30, 2002	From April 1, 2003 To September 30, 2003	From April 1, 2002 To March 31, 2003
		Amount	Amount	Amount
<b>(CAPITAL SURPLUS)</b>				
Beginning balance of capital surplus		<u>24,434</u>	29,972	<u>24,434</u>
Beginning balance of additional paid-in capital		24,434		24,434
Increase in capital surplus		<u>2,542</u>	-	<u>5,537</u>
Conversion of convertible bonds		2,542	-	5,537
Ending balance of capital surplus		26,976	29,972	29,972
<b>(EARNED SURPLUS)</b>				
Beginning balance of earned surplus		<u>25,810</u>	27,904	<u>25,810</u>
Beginning balance of consolidated retained earnings		25,810		25,810
Increase in earned surplus		<u>2,592</u>	<u>1,887</u>	<u>5,077</u>
Net income		2,592	1,887	5,077
Decrease in earned surplus		<u>1,725</u>	<u>811</u>	<u>2,983</u>
Dividends		1,557	700	2,814
Bonuses to directors and corporate auditors		168	111	168
[Bonuses to corporate auditors, inclusive]		[ 7 ]	[ 5 ]	[ 7 ]
Ending balance of earned surplus		26,677	28,981	27,904

## Consolidated Statements of Cash Flows

(Unit: Millions of yen)

Account	From April 1, 2002 To September 30, 2002	From April 1, 2003 To September 30, 2003	From April 1, 2002 To March 31, 2003
	Amount	Amount	Amount
<b>Cash flows from operating activities</b>			
Net income before adjustment for taxes	4,661	3,533	8,780
Depreciation and amortization	4,017	4,606	8,766
Amortization of consolidation adjustments	111	82	222
Equity in loss of affiliate	342	486	657
Increase (decrease) in allowance for doubtful accounts	(46)	(43)	(15)
Interest and dividend income	(218)	(179)	(397)
Interest expenses	860	830	1,671
Exchange loss (gain)	793	534	1,039
Other non-operating income/expenses and extraordinary gains/losses	1,141	462	2,727
Decrease (increase) in trade receivables	(1,239)	1,557	(3,883)
Decrease (increase) in inventories	(3,354)	(2,312)	(4,517)
Increase (decrease) in trade payables	71	1,957	(1,004)
Decrease (increase) in other assets	601	(187)	(675)
Increase (decrease) in other liabilities	258	(1,256)	436
Bonuses to directors and corporate auditors	(168)	(111)	(168)
Subtotal	7,832	9,961	13,639
Interest and dividends received	205	115	362
Interest paid	(878)	(819)	(1,755)
Other expenditures	(396)	(447)	(1,702)
Other receipts	283	454	736
Income taxes paid	(3,397)	(2,585)	(5,826)
Cash flows from operating activities	3,649	6,679	5,453
<b>Cash flows from investing activities</b>			
Deposits in time deposits	(820)	(1,214)	(3,493)
Proceeds from matured time deposits	550	2,393	1,373
Payments for purchases of securities	(1,068)	(14)	(4,060)
Proceeds from sales of securities	5	447	20
Payments for acquisition of fixed assets	(12,649)	(7,017)	(23,886)
Proceeds from sales of fixed assets	21	219	143
Lending of loans	(478)	(1)	(257)
Collections of loans receivable	54	26	56
Payments for investments in capital	(3)	(23)	(4)
Reimbursements of investments in capital	1	-	1
Cash flows from investing activities	(14,387)	(5,185)	(30,107)
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings	(19)	(2,028)	3,718
Net increase (decrease) in commercial paper	7,000	(500)	7,000
Proceeds from long-term borrowings	5,600	3,566	23,598
Repayment of long-term borrowings	(2,953)	(3,307)	(8,181)
Proceeds from issuance of bonds	-	13,965	5,966
Payments for redemption of bonds	-	(2,000)	(13,122)
Proceeds from issuance of common stock	-	-	105
Payments for purchases of treasury stock	(153)	(31)	(396)
Repayments of lease obligations	(126)	(156)	(268)
Payments for dividends	(1,555)	(700)	(2,810)
Reimbursement of funds for redemption of convertible bonds	-	4,141	-
Deposit of funds for redemption of convertible bonds	-	-	(4,141)
Others	(0)	-	(0)
Cash flows from financing activities	7,790	12,949	11,469
Effect of exchange rate changes on cash and cash equivalents	(500)	71	(206)
Increase (decrease) in cash and cash equivalents	(3,447)	14,515	(13,391)
Balance of cash and cash equivalents at the beginning of the period	42,784	29,393	42,784
Balance of cash and cash equivalents at the end of the period	39,336	43,909	29,393

## Basis of Preparation for the Consolidated Financial Statements

### 1. Scope of Consolidation

#### 1) Consolidated subsidiaries: 14

- Nipro Medical Industries, Ltd.
- Fuzhou Nipro Co., Ltd.
- Nipro Medical LTDA.
- Nipro Medical Corporation
- Nipro Medica de Mexico S.A. DE C.V.
- Shinwa Shoji Co., Ltd.
- Nissho Corporation
- Nipro (Thailand) Corporation Ltd.
- Nipro (Shanghai) Co., Ltd.
- Nipro Europe N.V.
- Nipro Medical Panama S.A.
- Nipro Pharma Corporation
- Shanghai Nissho Vacuum Flask Refill Co., Ltd.
- Nissho Drug Co., Ltd.

(Note) On April 1, 2003, Hishiyama Pharmaceutical Co., Ltd. changed its company name to Nipro Pharma Corporation.

#### 2) Unconsolidated subsidiaries: 4

The unconsolidated subsidiaries, Nissho Insurance Services Co., Ltd., Nipro Asia Pte. Ltd., Nipro Diabetes Systems, Inc. and Nipro Trading (Shanghai) Co., Ltd., are small-sized companies, whose combined total assets, net sales, net income and earned surplus in the aggregate (averaged for recent 5 years) are not material to the consolidated financial statements.

### 2. Application of Equity Method

Number of affiliate accounted for by the equity method: 1                      Bipha Corporation

The equity method is not applied to the 4 unconsolidated subsidiaries, since they are not material to the consolidated net income and earned surplus etc., either individually or in the aggregate.

### 3. Date of Interim Closing of Consolidated Subsidiaries

Among the consolidated subsidiaries, Nipro (Thailand) Corporation Ltd. (Thailand), Fuzhou Nipro Co., Ltd. Nipro (Shanghai) Co., Ltd., Shanghai Nissho Vacuum Flask Refill Co., Ltd. (China), Nipro Medical LTDA. (Brazil), Nipro Europe N.V. (Belgium), Nipro Medical Corporation (U.S.A.), Nipro Medical Panama S.A. (Panama) and Nipro Medica de Mexico S.A. DE C.V. (Mexico) close their interim accounts on June 30. Significant transactions occurred between June 30 and September 30 are reflected properly in preparing for the consolidated financial statements.

### 4. Accounting Principles and Practices

#### 1) Valuation standards and methods for significant assets

##### a. Securities

###### Other securities:

###### Securities with market quotations:

Valued at the market price quoted on the balance sheet date. Differences in valuation are presented as a component of shareholders' equity. Costs are determined by the weighted average method.

###### Securities without market quotations:

Valued at cost by the weighted average method

##### b. Inventories

###### Medical, Pharmaceutical and Glass & Materials Divisions:

Valued at cost principally by the weighted average method. Partially First-In First-Out method is used.

###### Supermarket Division:

Valued at cost by the retail method

2) Method of depreciation and amortization for significant depreciable assets

Tangible fixed assets:

Declining-balance method

Durable years and residual values are based on the same standards as provided by the Corporate Income Tax Law.

Buildings acquired after April 1, 1998 (excluding attached structures), are depreciated by straight-line method.

The 9 foreign subsidiaries use straight-line method in accordance with the tax laws of their countries.

3) Standards for recognition of significant allowances

a. Allowance for doubtful accounts:

In order to cover the probable losses on collection, an allowance for doubtful accounts is provided for the estimated amount of uncollectible receivables. For general receivables, the amount of provision is based on historical write-off rates, and for the doubtful receivables, based on the specific collectibility.

b. Accrued bonuses

In order to cover the payment of bonuses to employees, an allowance is provided for the estimated amount of bonuses to be paid, prorated for the consolidated accounting period.

c. Allowance for price reduction

An allowance is provided for the estimated amount of possible price reductions etc. for the sales of products.

d. Accrued pension and severance cost

An allowance is provided for employees pension and severance payments based on the estimated amounts of projected benefit obligation and plan assets at the end of the fiscal year. The transitional difference that arose from the change in accounting standards (519 million yen) is amortized for five years by the straight-line method.

Actuarial difference is expensed in the following fiscal years after the year of such recognition, using the straight-line method for five years.

4) Standards for translation of significant assets and liabilities denominated in foreign currencies into Japanese Yen

Monetary assets and liabilities denominated in foreign currencies are translated to Japanese yen using the spot exchange rate of the consolidated balance sheet date, and translation differences are recognized as gains or losses. The assets and liabilities of foreign subsidiaries etc. are translated to Japanese yen using the spot exchange rate of their balance sheet date, while revenues and expenses are translated using the average rate for the period. Translation differences are included in foreign currency translation adjustments in the Shareholders' Equity section.

5) Accounting method for lease transactions

Finance leases, except for those where ownership of the leased assets is deemed to be transferred to the lessee, are accounted for by the method similar to that applicable to ordinary operating leases.

6) Other significant basis on preparation for consolidated financial statements

Consumption Taxes

Consumption taxes are excluded from revenues and expenses accounts.

5. Scope of Funds in the Consolidated Statements of Cash Flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows are comprised of cash in hand, bank deposits that can be withdrawn on demand, and short-term investments redeemable within three months from the date of acquisition and ready to be converted into cash with little risk against change in value.



## (Lease Transactions)

Finance lease transactions, except for those where ownership of the leased assets is deemed to be transferred to the lessee

	Six Months ended Sept. 30, 2002	Six Months ended Sept. 30, 2003	(Millions of Yen) Fiscal Year ended March 31, 2003
Acquisition price equivalent	9,272	9,116	9,687
Accumulated depreciation equivalent	4,243	5,117	4,772
<u>Book value equivalent</u>	<u>5,028</u>	<u>3,939</u>	<u>4,915</u>
Lease commitments			
Due within one year	1,521	1,428	1,477
Due after over one year	4,349	3,205	4,022
<u>Total</u>	<u>5,870</u>	<u>4,633</u>	<u>5,500</u>
Lease payments	1,057	827	1,748
Depreciation equivalent	900	670	1,527
Interest expense equivalent	149	83	207

### Method of calculation of depreciation equivalent

For the tangible fixed assets, ten ninth of the amount computed by the declining-balance method with 10% of hypothetical residual value for the lease term as remaining life is allocated to each period over the lease term.

### Method of calculation of interest equivalent

Difference between total lease payments and acquisition cost equivalent of leased assets comprises interest expense equivalent, and interest expense equivalent is allocated to each period over the lease term by the interest method.

## (Segment information)

### 1. Segment information by business category

(1) Six Months ended September 30, 2002 (From April 1, 2002 to September 30, 2002) (Millions of yen)

	Medical	Pharmaceutical	Glass & Materials	Super-market	Other	Total	Eliminations /Corporate	Consolidated
Net sales and operating income								
Net sales								
(1) Sales to third parties	38,273	10,054	5,323	34,948	809	89,408	-	89,408
(2) Inter-segment sales and transfers	231	-	1,280	0	257	1,770	(1,770)	-
Total	38,504	10,054	6,604	34,948	1,067	91,179	(1,770)	89,408
Operating expenses	31,458	9,189	5,722	34,263	911	81,545	476	82,022
Operating income	7,046	864	881	685	155	9,633	(2,246)	7,386

(2) Six Months ended September 30, 2003 (From April 1, 2003 to September 30, 2003) (Millions of yen)

	Medical	Pharmaceutical	Glass & Materials	Super-market	Other	Total	Eliminations /Corporate	Consolidated
Net sales and operating income								
Net sales								
(1) Sales to third parties	37,745	11,893	5,637	36,110	643	92,029	-	92,029
(2) Inter-segment sales and transfers	254	-	1,340	-	297	1,892	(1,892)	-
Total	37,999	11,893	6,977	36,110	941	93,922	(1,892)	92,029
Operating expenses	32,550	10,805	6,090	35,778	698	85,923	428	86,351
Operating income	5,449	1,088	887	331	242	7,999	(2,321)	5,678

(3) Fiscal Year ended March 31, 2003 (From April 1, 2002 to March 31, 2003) (Millions of yen)

	Medical	Pharmaceutical	Glass & Materials	Super-market	Other	Total	Eliminations /Corporate	Consolidated
Net sales and operating income								
Net sales								
(1) Sales to third parties	76,008	21,979	11,063	69,559	1,758	180,369	-	180,369
(2) Inter-segment sales and transfers	534	-	2,473	0	667	3,674	(3,674)	-
Total	76,542	21,979	13,536	69,559	2,425	184,044	(3,674)	180,369
Operating expenses	62,368	19,997	11,760	68,450	2,277	164,854	615	165,470
Operating income	14,174	1,981	1,776	1,109	147	19,189	(4,290)	14,899

- Note: 1. Classification of business categories and main products in each business category  
 Business categories are classified based on the proximity in terms of purposes and manners of usage of the products in the market.  
 Main products belonging to each business categories are as follows

Business category	Main products
Medical	Dialyzers, blood tubing sets, injection needles, syringes, and infusion sets, etc.
Pharmaceutical	Half-type and full-type kits, double-bag kits, pre-filled syringes, dialysate solution, and circulatory drugs, etc.
Glass & Materials	Glass for pharmaceutical containers, glass for thermos bottles, glass for lighting purposes, stoppers for plastic containers and rubber stoppers, etc.
Supermarket	Fresh meat and fish, vegetables, fruits, processed food, daily foods, frozen foods, general groceries and medicine, etc.
Other	Machinery for manufacture of medical equipment and real estate rental income, etc.

2. Operating expenses of "Eliminations/Corporate" for the six months ended September 30, 2002, 2003 and the previous fiscal year ended March 31, 2003 included unallocated corporate costs of 2,246 million yen, 2,321 million yen and 4,290 million yen, respectively. The unallocated corporate costs consisted primarily of the parent companies' research and development costs and headquarters administration costs.

## 2. Segment information by geographical area

(1) Six Months ended September 30, 2002 (From April 1, 2002 to September 30, 2002) (Millions of yen)

	Japan	America	Europe	Asia	Total	Eliminations /Corporate	Consolidated
Net sales and operating income							
Net sales							
(1) Sales to third parties	83,520	2,206	2,785	896	89,408	-	89,408
(2) Inter-segment sales and transfers	4,624	221	29	4,340	9,216	(9,216)	-
Total	88,144	2,428	2,815	5,236	98,625	(9,216)	89,408
Operating expenses	78,904	2,606	2,824	4,621	88,956	(6,934)	82,022
Operating income (loss)	9,240	(177)	(8)	615	9,688	(2,281)	7,386

(2) Six Months ended September 30, 2003 (From April 1, 2003 to September 30, 2003) (Millions of yen)

	Japan	America	Europe	Asia	Total	Eliminations /Corporate	Consolidated
Net sales and operating income							
Net sales							
(1) Sales to third parties	86,005	2,090	3,019	913	92,029	-	92,029
(2) Inter-segment sales and transfers	4,677	175	0	4,304	9,158	(9,158)	-
Total	90,683	2,266	3,020	5,217	101,188	(9,158)	92,029
Operating expenses	82,796	2,558	3,271	4,486	93,113	(6,761)	86,351
Operating income (loss)	7,887	(292)	(251)	730	8,074	(2,396)	5,678

(3) Fiscal Year ended March 31, 2003 (From April 1, 2002 to March 31, 2003) (Millions of yen)

	Japan	America	Europe	Asia	Total	Eliminations /Corporate	Consolidated
Net sales and operating income							
Net sales							
(1) Sales to third parties	168,847	4,544	5,360	1,617	180,369	-	180,369
(2) Inter-segment sales and transfers	8,801	419	34	8,234	17,488	(17,488)	-
Total	177,648	4,963	5,394	9,851	197,858	(17,488)	180,369
Operating expenses	159,549	4,710	5,239	8,966	178,467	(12,996)	165,470
Operating income (loss)	18,098	253	154	884	19,391	(4,492)	14,899

- Note:
- Classification of countries or areas is based on geographical proximity.
  - The major countries included in each geographical area are as follows  
 America ..... The United States of America and Brazil  
 Europe ..... Belgium  
 Asia ..... China and Thailand
  - Operating expenses of "Eliminations and Corporate" for the six months ended September 30, 2002 and 2003, and the previous fiscal year ended March 31, 2003 included unallocated corporate costs of 2,246 million yen, 2,321 million yen and 4,290 million yen, respectively. The unallocated corporate costs consisted primarily of the parent company's research and development costs and the headquarters administration costs.

### 3. Overseas sales

(1) Six months ended September 30, 2002 (From April 1, 2002 to September 30, 2002) (Millions of yen)

	America	Europe	Asia	Total
1. Overseas sales	9,659	9,295	2,839	21,794
2. Consolidated net sales				89,408
3. Percentage of overseas sales against consolidated net sales (%)	10.8%	10.4%	3.2%	24.4%

(2) Six months ended September 30, 2003 (From April 1, 2003 to September 30, 2003) (Millions of yen)

	America	Europe	Asia	Total
1. Overseas sales	9,851	9,527	2,732	22,111
2. Consolidated net sales				92,029
3. Percentage of overseas sales against consolidated net sales (%)	10.7%	10.3%	3.0%	24.0%

(1) Fiscal Year ended March 31, 2003 (From April 1, 2002 to March 31, 2003) (Millions of yen)

	America	Europe	Asia	Total
1. Overseas sales	19,031	17,364	5,427	41,822
2. Consolidated net sales				180,369
3. Percentage of overseas sales against consolidated net sales (%)	10.6%	9.6%	3.0%	23.2%

- Note:
- Classification of countries or areas is based on geographical proximity.
  - The major countries included in each geographical area are as follows
 

America .....	The United States of America, Canada and Brazil
Europe .....	Belgium, Denmark and Germany
Asia .....	China, Taiwan and Thailand
  - Overseas sales represent those of the Company and the consolidated subsidiaries to countries and areas outside of Japan.

## (Securities)

### 1. Other securities with market quotations

(Unit: Millions of yen)

Classification	As of September 30, 2002			As of September 30, 2003			As of March 31, 2003		
	Acquisition cost	Carrying value on consolidated B/S	Difference	Acquisition cost	Carrying value on consolidated B/S	Difference	Acquisition cost	Carrying value on consolidated B/S	Difference
Stock	12,573	19,196	6,622	12,418	20,005	7,586	12,402	15,716	3,314
Bonds	-	-	-	-	-	-	-	-	-
Others	440	423	(16)	60	47	(12)	367	344	(23)
Total	13,013	19,619	6,605	12,478	20,052	7,574	12,769	16,061	3,291

(Note) Impairment losses for the six months ended September 30, 2002 and 2003, and the previous fiscal year ended March 31, 2003 were 383 million yen, 98 million yen and 628 million yen, respectively.

Impairment losses are recorded on the securities whose fair values at the end of the period have declined by more than 50%, unless the values are reasonably considered to be recoverable.

### 2. Securities that do not have market quotations

(Unit: Millions of yen)

	Carrying value on Consolidated Balance Sheet As of Sept. 30, 2002	Carrying value on Consolidated Balance Sheet As of Sept. 30, 2003	Carrying value on Consolidated Balance Sheet As of March 31, 2003
Held-to-maturity debt securities Discount bank debentures	14	-	-
Other securities Unlisted stock (excluding those traded on the over-the-counter market)	1,584	4,437	4,573
Stocks of subsidiaries and affiliates Stocks of unconsolidated subsidiaries	186	186	186
Stocks of affiliated companies	6,512	5,710	6,197
Total	8,297	10,334	10,957

## (Derivative transactions)

No transactions to be noted

## Production, Orders received and Sales

### 1. Production

- (1) Six months ended September 30, 2002 (From April 1, 2002 to September 30, 2002)  
(Unit: Millions of yen)

Business segment	Amount produced	Ratio against the same period of the previous fiscal year (%)
Medical	29,174	4.6
Pharmaceutical	10,997	40.1
Glass & Materials	1,635	(17.6)
Other	398	157.6
Total	42,206	11.4

- (2) Six months ended September 30, 2003 (From April 1, 2003 to September 30, 2003)  
(Unit: Millions of yen)

Business segment	Amount produced	Ratio against the same period of the previous fiscal year (%)
Medical	28,201	(3.3)
Pharmaceutical	12,664	15.2
Glass & Materials	1,835	12.2
Other	496	24.6
Total	43,198	2.4

- (3) Fiscal Year ended March 31, 2003 (From April 1, 2002 to March 31, 2003)  
(Unit: Millions of yen)

Business segment	Amount produced	Ratio against the same period of the previous fiscal year (%)
Medical	57,473	1.3
Pharmaceutical	23,126	42.1
Glass & Materials	3,396	(14.4)
Other	1,239	94.7
Total	85,236	9.8

- Note: 1. Amounts produced are calculated based on average selling prices.  
2. The above amounts are after eliminations of the intersegment transactions.  
3. The above amounts do not include the related consumption taxes etc.

### 2. Orders received

Since we adopt the production system based on estimated orders, there is nothing applicable hereto regarding the amount and the balance of orders received.

### 3. Sales

(1) Six months ended September 30, 2002 (From April 1, 2002 to September 30, 2002)

(Unit: Millions of yen)

Business segment	Amount sold	Ratio against the same period of the previous fiscal year (%)
Medical	38,273	2.8
Pharmaceutical	10,054	32.0
Glass & Materials	5,323	(4.5)
Supermarket	34,948	7.3
Other	809	1.4
Total	89,408	6.7

(2) Six months ended September 30, 2003 (From April 1, 2003 to September 30, 2003)

(Unit: Millions of yen)

Business segment	Amount sold	Ratio against the same period of the previous fiscal year (%)
Medical	37,745	(1.4)
Pharmaceutical	11,893	18.3
Glass & Materials	5,637	5.9
Supermarket	36,110	3.3
Other	643	(20.6)
Total	92,029	2.9

(3) Fiscal Year ended March 31, 2003 (From April 1, 2002 to March 31, 2003)

(Unit: Millions of yen)

Business segment	Amount sold	Ratio against the same period of the previous fiscal year (%)
Medical	76,008	(2.0)
Pharmaceutical	21,979	37.8
Glass & Materials	11,063	(1.5)
Supermarket	69,559	7.4
Other	1,758	3.4
Total	180,369	5.3

- Note:
1. The above amounts are after eliminations of the intersegment transactions.
  2. The above amounts do not include the related consumption taxes etc.



# Summary of Non-consolidated Financial Statements

November 25, 2003

For the Six Months Period ended September 30, 2003 (Fiscal Year ending March 31, 2004)

Company name: **NIPRO CORPORATION**

Stock Exchange where listed: Tokyo and Osaka  
Head Office: Osaka, Japan

Code No: 8086

(URL: <http://www.nipro.co.jp/>)

Representative: Minoru Sano, President and Representative Director

Contact: Akihiko Yamabe, Director, General Manager of Accounting Division TEL (06) 6372-2331

Date of the meeting of the Board of Directors for approval of the financial statements: November 25, 2003  
Date of commencement of payment of interim dividends: December 10, 2003  
Interim dividend plan: Adopted  
Unit share system: Adopted (1,000 shares/unit)

## 1. Results for the Six Months ended September 30, 2003 (From April 1 to September 30, 2003)

### (1) Results of Operations (Note: Amounts are rounded off per one million yen)

	Net Sales		Operating Income		Recurring Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Sept. 30, 2003	50,579	2.0	3,853	(24.4)	2,990	(32.8)
Six months ended Sept. 30, 2002	49,566	(9.6)	5,098	9.6	4,450	12.6
Year ended March 31, 2003	100,664		10,238		8,851	

	Net Income		Earnings per Share	
	Millions of yen	%	Yen	
Six months ended Sept. 30, 2003	1,400	(44.5)	22.00	
Six months ended Sept. 30, 2002	2,525	13.5	43.89	
Year ended March 31, 2003	4,105		67.82	

Notes: 1. The weighted average number of shares outstanding for the six months ended September 30, 2003, 2002 and for the fiscal year ended March 31, 2003 was 63,639,242 shares, 57,535,917 shares and 58,949,626 shares, respectively.

2. Change in accounting method: N/A

3. Percentages in the above table for Net Sales, Operating Income, Recurring Income and Net Income represent changes from the corresponding period of the previous fiscal year.

### (2) Dividends

	Interim dividend per Share	Annual dividend per Share
	Yen	Yen
Six months ended Sept. 30, 2003	11.00	-
Six months ended Sept. 30, 2002	21.00	-
Year ended March 31, 2003	-	32.00

### (3) Financial Position

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholder' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Six months ended Sept. 30, 2003	239,053	97,688	40.9	1,535.27
Six months ended Sept. 30, 2002	223,137	90,620	40.6	1,513.64
Year ended March 31, 2003	225,456	94,844	42.1	1,488.50

Notes: 1. The number of shares outstanding as of September 30, 2003, 2002 and March 31, 2003 was 63,629,277 shares, 59,869,373 shares and 63,645,860 shares, respectively.

2. The number of treasury stock as of September 30, 2003, 2002 and March 31, 2003 was 249,228 shares, 109,818 shares and 232,645 shares, respectively

## 2. Projections for the Results for the Fiscal Year ending March 31, 2004 (From April 1, 2003 to March 31, 2004)

	Net Sales	Recurring Income	Net Income	Annual dividend per Share	
				Year-end Dividend	
	Millions of yen	Millions of yen	Millions of yen	Yen	Yen
Year ending March 31, 2004	103,000	8,000	4,100	20.00	31.00

(Reference) Projected Earnings per Share for the Fiscal Year ending March 31, 2004: 62.74 yen

\* The projections shown above are prepared based on information available as of the issuing date of this report. The actual results may differ from the projected figures due to various factors. Concerning the matters related to the above projections, please refer to the Page 8.

## Balance Sheets

(Unit: Millions of yen)

Account	Period	As of September 30, 2002		As of September 30, 2003		As of March 31, 2003	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
(ASSETS)			%		%		%
Current Assets		<u>91,690</u>	41.1	<u>96,729</u>	40.5	<u>86,892</u>	38.5
Cash on hand and in banks		27,169		35,410		20,244	
Trade notes receivable		14,322		15,350		14,816	
Accounts receivable		25,111		24,321		27,275	
Inventories		17,390		18,748		17,915	
Deferred tax assets		900		526		895	
Other current assets		6,858		2,376		5,808	
Allowance for doubtful accounts		(62)		(5)		(64)	
Fixed Assets		<u>131,446</u>	58.9	<u>142,324</u>	59.5	<u>138,564</u>	61.5
Tangible fixed assets		<u>33,539</u>	15.0	<u>32,818</u>	13.7	<u>33,415</u>	14.8
Buildings		11,224		10,874		11,391	
Machinery and equipment		7,474		6,728		7,454	
Land		12,440		12,440		12,440	
Others		2,399		2,775		2,128	
Intangible fixed assets		<u>339</u>	0.2	<u>271</u>	0.1	<u>302</u>	0.2
Investments and other assets		<u>97,568</u>	43.7	<u>109,233</u>	45.7	<u>104,845</u>	46.5
Investment securities		20,041		23,009		19,565	
Investment in subsidiaries and affiliates - stock		51,558		51,558		51,558	
Investment in subsidiaries and affiliate – other than stock		10,766		10,790		10,766	
Long-term loans receivable		8,317		17,610		16,183	
Other assets		7,420		6,749		7,302	
Allowance for doubtful accounts		(537)		(485)		(531)	
Total Assets		223,137	100.0	239,053	100.0	225,456	100.0

## Balance Sheets

(Unit: Millions of yen)

Account	Period	As of September 30, 2002		As of September 30, 2003		As of March 31, 2003	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
(LIABILITIES)			%		%		%
Current liabilities		<u>82,971</u>	37.2	<u>61,273</u>	25.6	<u>65,249</u>	28.9
Trade notes payable		14,422		14,179		13,736	
Accounts payable		10,303		10,914		10,906	
Short-term borrowings		21,397		23,622		23,125	
Current portion of bonds		15,000		-		2,000	
Current portion of convertible bonds		6,120		-		-	
Income taxes payable		1,845		965		1,660	
Accrued bonuses		1,228		974		803	
Allowance for price reduction		936		-		1,359	
Commercial paper		7,000		6,500		7,000	
Other current liabilities		4,717		4,118		4,657	
Noncurrent liabilities		<u>49,545</u>	22.2	<u>80,091</u>	33.5	<u>65,363</u>	29.0
Bonds		30,000		36,000		36,000	
Convertible-bond-type bonds with stock acquisition rights		-		14,000		-	
Long-term borrowings		15,656		25,988		26,996	
Deferred tax liabilities		1,751		1,671		276	
Accrued pension and severance cost		1,193		1,461		1,163	
Lease deposits received		944		970		926	
Total liabilities		132,517	59.4	141,364	59.1	130,612	57.9
(SHAREHOLDERS' EQUITY)							
Capital		<u>25,660</u>	11.5	<u>28,663</u>	12.0	<u>28,663</u>	12.7
Capital surplus		<u>26,976</u>	12.1	<u>29,972</u>	12.6	<u>29,972</u>	13.3
Capital reserve		26,976		29,972		29,972	
Earned surplus		<u>34,753</u>	15.6	<u>35,669</u>	14.9	<u>35,076</u>	15.6
Revenue reserve		1,196		1,196		1,196	
Voluntary reserve		30,597		32,732		30,597	
Unappropriated income		2,959		1,740		3,282	
Valuation differences of other securities		<u>3,437</u>	1.5	<u>3,866</u>	1.6	<u>1,583</u>	0.7
Treasury stock		<u>(208)</u>	(0.1)	<u>(482)</u>	(0.2)	<u>(451)</u>	(0.2)
Total shareholders' equity		90,620	40.6	97,688	40.9	94,844	42.1
Total liabilities and shareholders' equity		223,137	100.0	239,053	100.0	225,456	100.0

## Statements of Income

(Unit: Millions of yen)

Account	Period	From April 1, 2002 To September 30, 2002		From April 1, 2003 To September 30, 2003		From April 1, 2002 To March 31, 2003	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
			%		%		%
Net sales		49,566	100.0	50,579	100.0	100,664	100.0
Cost of goods sold		36,671	74.0	38,583	76.3	75,121	74.6
Gross profit		12,894	26.0	11,996	23.7	25,543	25.4
Selling, general and administrative expenses		7,796	15.7	8,142	16.1	15,304	15.2
Operating income		5,098	10.3	3,853	7.6	10,238	10.2
Non-operating income		<u>749</u>	1.5	<u>446</u>	0.9	<u>1,011</u>	1.0
Interest income		81		148		185	
Dividend income		598		87		676	
Gain on sale of investment securities		-		139		-	
Others		69		70		149	
Non-operating expenses		<u>1,398</u>	2.8	<u>1,310</u>	2.6	<u>2,398</u>	2.4
Interest expenses		155		215		356	
Interest on bonds		576		453		1,047	
Exchange loss		658		552		879	
Others		6		88		114	
Recurring income		4,450	9.0	2,990	5.9	8,851	8.8
Extraordinary gains		<u>33</u>	0.1	<u>138</u>	0.3	<u>108</u>	0.1
Extraordinary losses		<u>633</u>	1.3	<u>585</u>	1.2	<u>1,993</u>	2.0
Loss on sales and disposals of fixed assets		25		195		196	
Loss on devaluation of investment securities		383		98		605	
Loss from bad debts		-		290		-	
Compensation for breach of contract		214		-		1,178	
Others		8		1		13	
Net income before adjustment of taxes		3,851	7.8	2,542	5.0	6,966	6.9
Corporate, inhabitants and enterprise taxes		1,732	3.5	932	1.8	3,336	3.3
Adjustment for deferred taxes		(406)	(0.8)	210	0.4	(475)	(0.5)
Net income		2,525	5.1	1,400	2.8	4,105	4.1
Retained earnings at the beginning of the period		434		339		434	
Interim dividends paid		-		-		1,257	
Unappropriated income		2,959		1,740		3,282	

## Basis of Preparation for the Interim Financial Statements

1. Valuation standards and methods for significant assets
  - a. Securities
    - Stocks issued by subsidiaries and affiliated companies
      - Valued at cost by the weighted average method
    - Other securities:
      - Securities with market quotations:
        - Valued at the market price quoted on the balance sheet date. Differences in valuation are presented as a component of shareholders' equity. Costs are determined by the weighted average method.
      - Securities without market quotations:
        - Valued at cost by the weighted average method
  - b. Inventories
    - Merchandises, Finished goods and Semi-finished goods:
      - Valued at cost by the weighted average method
    - Raw materials and Supplies:
      - Valued at cost by the First-In First-Out method
2. Method of depreciation and amortization for significant depreciable assets
  - Tangible fixed assets:
    - Declining-balance method
    - Durable years and residual values are based on the same standards as provided by the Corporate Income Tax Law.
    - Buildings acquired after April 1, 1998 (excluding attached structures), are depreciated by straight-line method.
  - Intangible fixed assets
    - Straight-line method
    - Durable years are based on the same standards as provided by the Corporate Income Tax Law.
    - However, the software for internal use is amortized by the straight-line method for the period during which it is available in the Company (5 years).
3. Standards for recognition of significant allowances
  - (1) Allowance for doubtful accounts:
    - In order to cover the probable losses on collection, an allowance for doubtful accounts is provided for the estimated amount of uncollectible receivables. For general receivables, the amount of provision is based on historical write-off rates, and for the doubtful receivables, based on the specific collectibility.
  - (2) Accrued bonuses
    - In order to cover the payment of bonuses to employees, an allowance is provided for the estimated amount of bonuses to be paid, prorated for the consolidated accounting period.
  - (3) Accrued pension and severance cost
    - An allowance is provided for employees pension and severance payments based on the estimated amounts of projected benefit obligation and plan assets at the end of the fiscal year.
    - The transitional difference that arose from the change in accounting standards (147 million yen) is amortized for five years by the straight-line method.
    - Actuarial difference is expensed in the following fiscal years after the year of such recognition, using the straight-line method for five years.
4. Accounting method for lease transactions
  - Finance leases, except for those where ownership of the leased assets is deemed to be transferred to the lessee, are accounted for by the method similar to that applicable to ordinary operating leases.
5. Other significant basis on preparation for consolidated financial statements
  - Consumption Taxes
    - Consumption taxes are excluded from revenues and expenses accounts.

## Notes to the Interim Financial Statements

### (Balance Sheet)

	As of September 30, 2002	As of September 30, 2003	(Millions of yen) As of March 31, 2003
1. Accumulated depreciation of tangible fixed assets	43,203	45,000	44,390
2. Pledged assets			
Buildings	7,112	5,773	6,010
Land	3,932	2,714	2,714
3. Obligations under guarantee contracts	21,420	17,629	22,922
4. Obligations as a co-surety	2,187	1,979	2,083
5. Notes receivable discounted	26	8	35
6. Number of treasury stock	109,818 shares	249,228 shares	232,645 Shares

### (Statement of Income)

	From April 1, 2002 To September 30, 2002	From April 1, 2003 To September 30, 2003	(Millions of yen) From April 1, 2002 To March 31, 2003
Amount of depreciation			
Tangible fixed assets	1,453	1,451	3,178
Intangible fixed assets	50	44	98

### Net Sales by Division and the Proportion to the Total

(Millions of yen)

Segment	Period	From April 1, 2002 To September 30, 2002		From April 1, 2003 To September 30, 2003		From April 1, 2002 To March 31, 2003	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
Medical Division		37,167	75.0	36,468	72.1	73,485	73.0
Pharmaceutical Division		5,694	11.5	7,252	14.4	13,089	13.0
Glass & Materials Division		5,289	10.6	5,727	11.3	10,942	10.9
Other		1,415	2.9	1,131	2.2	3,147	3.1
Total		49,566	100.0	50,579	100.0	100,664	100.0
[Exports, inclusive]		[15,905]	32.1	[16,086]	31.8	[30,300]	30.1

## (Lease Transactions)

Finance lease transactions, except for those where ownership of the leased assets is deemed to be transferred to the lessee

	Six Months ended Sept. 30, 2002	Six Months ended Sept. 30, 2003	(Millions of Yen) Fiscal Year ended March 31, 2003
Acquisition price equivalent	910	885	910
Accumulated depreciation equivalent	579	555	595
<u>Book value equivalent</u>	<u>330</u>	<u>330</u>	<u>315</u>
Lease commitments			
Due within one year	169	172	171
Due after over one year	278	273	272
<u>Total</u>	<u>447</u>	<u>446</u>	<u>443</u>
Lease payments	104	101	208
Depreciation equivalent	83	82	191
Interest expense equivalent	6	5	12

### Method of calculation of depreciation equivalent

For the tangible fixed assets, ten ninth of the amount computed by the declining-balance method with 10% of hypothetical residual value for the lease term as remaining life is allocated to each period over the lease term.

### Method of calculation of interest equivalent

Difference between total lease payments and acquisition cost equivalent of leased assets comprises interest expense equivalent, and interest expense equivalent is allocated to each period over the lease term by the interest method.

## (Securities)

As of September 30, 2002, 2003 and March 31, 2003, there was no stock issued by subsidiaries or affiliated companies that have market quotations.