

Consolidated Financial Statements

May 18, 2007

For the year ended March 31, 2007

Company name: **NIPRO CORPORATION**

Stock Exchange listed:

Tokyo and Osaka

Code No: 8086

Head office location:

Osaka, Japan

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

Representative: Minoru Sano, President and Representative Director

Contact: Akihiko Yamabe, Director, General Manager of Accounting and
Corporate Planning Division

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Date of the general shareholder's meeting to be held: June 27, 2007

Scheduled date of the annual securities report filing: June 27, 2007

Scheduled date to commence payment of dividends: June 28, 2007

1. Consolidated Results for the Year ended March 31, 2007 (From April 1, 2006 to March 31, 2007)

(1) Consolidated Results of Operations (Note: Amounts are truncated to 1 million yen)

	Net Sales		Operating Income		Recurring Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2007	184,362	(10.9)	13,053	5.9	11,355	(7.1)
Year ended March 31, 2006	206,801	7.5	12,331	18.5	12,228	40.8

	Net Income		Earnings per Share	Diluted Earnings per share	Ratio of Net Income to Shareholders' Equity	Ratio of Recurring income to Total Assets	Ratio of Operating Income to Net Sales
	Millions of yen	%	Yen	Yen	%	%	%
Year ended March 31, 2007	8,555	89.6	134.71	-	7.2	3.4	7.1
Year ended March 31, 2006	4,512	(0.1)	69.57	-	4.3	3.9	6.0

Note: Equity in loss of affiliate Year ended March 31, 2007: (791) million yen Year ended March 31, 2006: (702) million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2007	336,659	127,020	37.3	1,979.21
Year ended March 31, 2006	338,740	112,390	33.2	1,767.69

Note: Shareholders' equity: Year ended March 31, 2007: 125,651 million yen Year ended March 31, 2006: 112,390 million yen

(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
Year ended March 31, 2007	14,488	(2,924)	(15,654)	46,109
Year ended March 31, 2006	6,701	(27,555)	15,712	49,914

2. Dividends

	Annual dividends per share			Annual total of dividends	Pay-out ratio (Consolidated)	Ratio of dividends to Net Assets (Consolidated)
	Interim dividends	Year-end dividends	Annual dividends			
	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2006	16.00	21.50	37.50	2,382	53.9	2.3
Year ended March 31, 2007	43.00	37.00	80.00	5,079	59.4	4.3
Year ending March 31, 2008 (Projected)	23.00	25.50	48.50		46.7	

3. Projected Consolidated Financial Results for the Year ending March 31, 2008 (From April 1, 2007 to March 31, 2008)

	Net Sales		Operating Income		Recurring Income		Net Income		Earnings per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending Sept. 30, 2007	79,500	(20.7)	6,200	4.4	5,500	12.9	2,750	(31.5)	43.32
Year ending March 31, 2008	162,000	(12.1)	14,100	8.0	13,050	14.9	6,600	(22.9)	103.96

Note: The % displays in the line of six months ending Sept. 30, 2007 show increase/decrease ratio against the six months ended Sept.30, 2006. The % displays in the line of Year ending March 31, 2008 show increase/decrease ratio against the year ended March 31, 2007

4. Others

- (1) Change in significant subsidiaries during the year ended March 31, 2007 (Resulting in a change in scope of consolidation): None
- (2) Changes in accounting principles, procedures or presentation related to the preparation of consolidated financial statements (i.e., changes in the basis of significant accounting policies)
- 1) Changes due to adoption of new accounting standards: Yes
- 2) Changes other than those included in 1) above: None
- Note: Please refer to p. 17 ("Basis of Preparation for the Consolidated Financial Statements") for further details.
- (3) Total number of common shares issued
- 1) Total number of common shares issued at 31 March 2007. (Including treasury stock):
- Year ended March 31, 2007: 63,878,505 shares Year ended March 31, 2006: 63,878,505 shares
- 2) Total number of shares in treasury at 31 March, 2007:
- Year ended March 31, 2007: 393,067 shares Year ended March 31, 2006: 349,589 shares

(Reference) Overview of Non-consolidated financial results

1. Results for the year ended March 31, 2007 (From April 1, 2006 to March 31, 2007)

(1) Results of Operations (Note: % shows increase/decrease ratio against the previous years)

	Net Sales		Operating Income		Recurring Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2007	127,407	8.9	10,696	1.3	11,031	(4.0)
Year ended March 31, 2006	116,950	8.5	10,563	27.1	11,492	44.8

	Net Income		Earnings per Share	Diluted Earnings per share
	Millions of yen	%	Yen	Yen
Year ended March 31, 2007	10,420	110.0	164.08	-
Year ended March 31, 2006	4,962	(3.0)	76.67	-

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2007	306,347	133,768	43.7	2,107.07
Year ended March 31, 2006	298,767	122,981	41.2	1,934.42

Note: Shareholders' equity: Year ended March 31, 2007: 133,768 million yen Year ended March 31, 2006: 122,981 million yen

2. Projections for the Results of the Year ending March 31, 2008 (From April 1, 2007 to March 31, 2008)

	Net Sales		Operating Income		Recurring Income		Net Income		Earnings per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending Sept. 30, 2007	63,000	1.4	5,050	9.4	5,100	6.2	2,950	(46.0)	46.47
Year ending March 31, 2008	129,000	1.3	11,350	6.1	11,350	2.9	6,350	(39.1)	100.02

Note: The % displays in the line of six months ending Sept. 30, 2007 show increase/decrease ratio against the six months ended Sept.30, 2006. The % displays in the line of Year ending March 31, 2008 show increase/decrease ratio against the year ended March 31, 2007

*Disclaimer regarding projection information including appropriate use of forecasted financial results, and other special notes

The projection figures shown above are based on information that was available at the time of preparation and may contain certain uncertainties. Actual performance and other factors may differ from these projections due to changes in circumstances and other developments. More information concerning these forecasts can be found in section 1. Business results on page 3 in the attachments.

1. Business Results

(1) Analysis concerning business results

1) Business results for the period under review and the results by segments

Japanese economy for the period under review appeared to be slowly recovering in the firm tone of capital investments and individual consumption while we were afraid of a negative impact to revenues of the enterprises by the quantitative financial relief policy and lifting policy of the zero interest rate.

Under such circumstances, we have continued to focus on development of innovative products and reinforced production capacity and sales capability to enhance our brand recognition by upgrading the qualities of the basic products. Also we divested the consolidated subsidiaries of store division, Nissho Corporation and Nissho Drug Co., Ltd. in order to invest our operational resources intensively to Medical and Pharmaceutical business.

As a result, the consolidated net sales for the period under review decreased by 10.9% from the previous period to 184,362 million yen, operating income increased by 5.9% to 13,053 million yen and recurring income decreased by 7.1% to 11,355 million yen. Net income increased by 89.6% to 8,555 million yen mainly due to the increase in extraordinary profit on sales of the shares of the subsidiary companies.

The results by segments were as follows:

a. Medical equipment division

In the domestic business, its environment remained severe due to various factors such as further holding down of medical costs represented by the performance-based classification of dialyzers or lowering of the prescription prices. Moreover, the governmental promotion of joint purchase for consumables among medical institutions intensified marketing battle and price competition to decrease our sales price.

Under such circumstances, we sought to enhance the efficiency of sales activities and increase the sales forces. We also made efforts to develop and market new products in the fields of dialysis, treatment on circulatory organs, injection and infusion, and examination, as well as to promote expansion of the business by means of product offerings in the systematized package and to expand both our market shares and sales.

In the international business, our sales grew constantly with the firm sales results in all product groups without any big fluctuation by foreign currency exchange. It remained very severe in the basic medical products area due to the offensive sales of the products made in developing countries. However, as the qualities of those products have been improved largely to be well applicable to the market needs, we sold them as our OEM products under our quality instructions to expand our market shares. We started to sell in the field of artificial lung business which we newly purchased, enriching each sales base in the world improving the local service, to be gradually resulted in a good way. In the field of dialysis-related products, our own Nipro branded products surpassed extensively the OEM branded products, which we have continued since before, in both of selling quantity and amount.

As a result, net sales of this division increased by 7.1% from the previous period to 97,300 million yen.

b. Pharmaceutical division

In the Pharmaceutical division, the environment of market also remained very severe, due to the governmental controls to suppress medicine costs against augmentation of the domestic medical cost, and the intensive price competitions against the product of the other competitors.

Under such circumstances, we strove to increase sales of powdered dialysate solutions, kit product of substitution fluid for hemofiltration and hemodiafiltration and pre-filled syringe kits. We also exerted ourselves to expand sales of "liquid-and-powder" double-bag kits and injectables in plastic-ampoules.

As a result, net sales of this division increased by 19.7% to 42,152 million yen.

c. Glass & Materials division

In the field of glass for pharmaceutical purposes, sales of glass tubes for ampoule decreased due to the impact of the change of container forms, but then sales of glass for tube bottle increased due to the steady sales of the products for vaccination as well as sales of pre-filled syringe, cartridge and others started to result in a good way. In the field of other glass & materials item, sales of glass for vacuum bottle decreased due to the drop of domestic demand, in spite of increase of exportation. Sales of glass for lighting purpose such as glass for Liquid Cristal Display(LCD) backlight and the related materials had a good increase due to the expansion of LCD market though we had some negative impact for inventory adjustment by LCD panel maker of television.

As a result, net sales of this division increased by 8.3% to 12,918 million yen.

d. Store division

In this division, we transferred the shares of Nissho Corporation in July 2006 and Nissho Drug Corporation in December 2006.

As a result, net sales of this division decreased by 54.0% to 30,973 million yen.

e. Other division

Net sales of this division, consisting mainly of sales of machine for manufacture of medical equipment and real estate rentals, decreased by 33.0% to 1,017 million yen.

2) Prospects for the Year Ending March 31, 2008

The business environment is anticipated to remain severe, as there is a concern about such as jump in crude oil prices, rise in interest rates and drastic decline of U.S. dollar.

Under the conditions, we will strive to improve the business performance by focusing on development of new products and reinforcement of production capacity and sales capability.

For the year ending March 31, 2008, we project the consolidated net sales of 162,000 million yen (decrease by 12.1% compared with the previous period), operating income of 14,100 million yen (increase by 8.0%), recurring income of 13,050 million yen (increase by 14.9%), and net income of 6,600 million yen (decrease by 22.9%).

Projections on net sales by segments are as follows:

Medical Equipment division:	102,000 million yen	(increase by 4.8%),
Pharmaceutical division:	46,000 million yen	(increase by 9.1%)
Glass & Materials division:	13,500 million yen	(increase by 4.5%)
Other division:	500 million yen	(decrease by 50.9%)

(2) Analysis of the conditions of assets, liabilities, shareholders' equity and cash flows

Total assets decreased by 2,081 million yen from the end of the previous period to 336,659 million yen. Current assets increased by 1,369 million yen to 147,233 million yen, and fixed assets decreased by 3,451 million yen to 189,426 million yen. Main reason for the increase in current assets was that trade notes and accounts receivable increased, and main reason for the decrease in fixed assets was that lease deposits was decreased.

On the other hand, liabilities decreased by 15,098 million yen to 209,639 million yen. Current liabilities decreased by 7,180 million yen to 104,104 million yen, and fixed liabilities decreased by 7,917 million yen to 105,534 million yen. Main reason for the decrease in current liabilities was that current portion of bonds and commercial paper decreased, and main reason for the decrease in fixed liabilities was that long-term borrowings decreased.

Net assets including minority interest increased by 13,017 million yen to 127,020 million yen. In this section, shareholder's equity increased by 4,512 million yen to 97,044 million yen.

As for cash flows for the period, net cash provided by operating activities was 14,488 million yen, net cash used in investing activities was 2,924 million yen, and net cash used in financing activities was 15,654 million yen, and as a result, the ending balance of cash and cash equivalents was 46,109 million yen.

Net cash provided by operating activities mainly reflected net income before adjustment of taxes and amortization. Net cash used in investing activities reflected the payments for acquisition of fixed assets, and net cash used in financing activities was mainly from repayments of commercial paper and bond.

(2) Trend of the cash flow indicators

	The 51st period Year ended March 31, 2004	The 52nd period Year ended March 31, 2005	The 53rd period Year ended March 31, 2006	The 54th period Year ended March 31, 2007
Shareholders' equity ratio (%)	33.9	32.9	33.2	37.3
Ratio of market value of shareholders' equity (%)	35.5	38.3	33.9	43.4
Debt redemption (years)	7.3	7.1	21.1	8.3
Interest coverage ratio	9.4	10.3	4.6	8.5

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 / Cash flow from operating activities

Interest coverage ratio = Cash flow 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).

- Cash flow 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.

(3) Basic Policies on Distribution of Profits and Dividends for years ended March 31, 2007 and ending March 31, 2008.

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 invested in the sales and production facilities as well as in research and development, in view of establishing the firm management basis and long-term business developments, so as to ensure stable profits for the future.

In terms of the payment of dividends after the enforcement of corporate law in Japan (2006/5/1), we will pay at the end of the interim period and at the end of the fiscal year, as before.

Annual dividends are calculated to be 80.00 yen per share. As we already paid interim dividends of 43.00 yen per share, year-end dividends are to be 37.00 yen per share; this will be proposed to the Company's 54th ordinary general meeting of shareholders.

Dividends for year ending March 31, 2008 are expected to be made according to the above-mentioned policy on distribution of profits as 50% of non-consolidated net income.

Corporate Group

Our group consists of the Reporting Company (“the Company”), its 26 subsidiaries and 1 affiliate, and is primarily engaged in manufacture and sale of medical equipment, pharmaceutical products and glass and material products.

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

<Medical Equipment Division>

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

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

Nipro Europe N.V. (Belgium), Nipro Medical Corporation (U.S.A.), and Nipro Asia Pte. Ltd. (Singapore) sell medical equipment etc. in the areas of their locations.

Nipro Diabetes Systems, Inc. (U.S.A.) develops and sells diabetes-related products such as insulin pump.

<Pharmaceutical Division>

The Company, Nipro Pharma Corporation and Nipro Genepha Corporation and Zensei Pharmaceutical Industries Co.,Ltd manufacture and sell pharmaceutical products. Tohoku Nipro Pharmaceutical Corporation manufactures pharmaceutical products.

Bipha Corporation, an affiliate accounted for by the equity method, is engaged in research and development, manufacture and sale 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. purchases glass tubes as raw materials, and manufactures and sells glass products.

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

<Other>

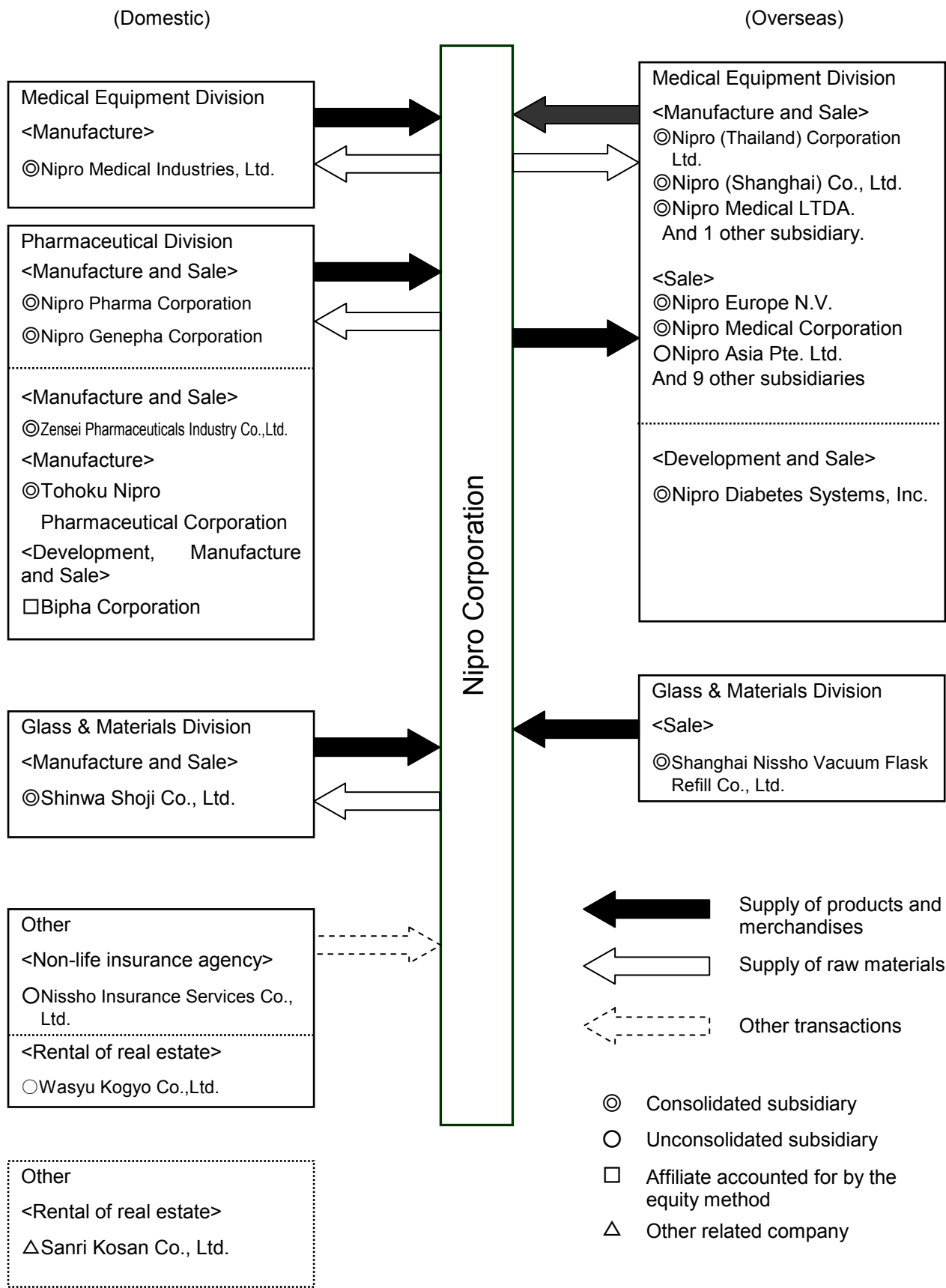
The Company manufactures (purchases, in some cases) and sells machinery for manufacture of medical equipment, etc.

The Company and Wasyu Kogyo Co., Ltd. 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 related company, is engaged in leasing of real estate properties.

The above explanations are illustrated as follows:



3. Management Policies

(1) Basic Policies of Management

Since our foundation of year 1954, we have based ourselves on “technology” to grow pursuing the technologies of which unique products can always solve QOL (Quality of Life) of patients and subjects in Medical treatment sites, under philosophy in contributing to the society through corporate activities.

As a management structure considering compatibility between “stability” and “growth” that is most important for a company, 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) Target Management Indicators

As we transferred the shares of the subsidiary companies of Store business (Nissho Corporation and Nissho Drug Co., Ltd.) in order to invest our resources intensively to Medical and Pharmaceutical businesses, our performance targets have been changed as 200 billion yen of consolidated net sales, 20 billion yen of recurring income and 10% of return on equity (ratio of net income to shareholders' equity) by the fiscal year 2010.

(3) Medium- and Long-term Management Strategies

In the Medical Equipment division, we are aiming at top share of our main product, dialyzer in the world by intensive mass production, improvement of its quality and cost reduction driven from full self-production from the raw materials produced by self-spinning of hollow fibers. We will also strive to strengthen the product line-up, cost reduction and establishment of sales bases in the field of artificial lung, which we are aiming to bring up to the world wide products following to the dialyzer.

In the Pharmaceutical division, we enhance our production capacity in freeze dry drug, active pharmaceutical ingredients refining, anti-cancer drug as well as the expansion of production and improvement of technologies in the solid-form medicine to be at an advantage in competitive quality and cost, viewing the global competition. As for the generic products, we also devote efforts to developments of new items and promote co-development or cooperation with other companies.

In the Glass and Materials division, we will reinforce competitiveness by reducing manufacturing costs of various glass products based on our peerless glass processing technologies, conduct global sales activities and strive to secure stable profit.

(4) Issues and Challenges that the Group Faces

In the domestic business of the Medical Equipment division, we will focus on dialysis-related products such as dialyzers, blood tubing sets, and dialysis machines. We will 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 cardiovascular products, we develop and introduce new product such as PTCA balloon catheters, distal protection device and stent to enlarge product line-up and promote to strengthen market leading and sales to expand our share. We will also make efforts to increase our market share of injection and infusion-related products such as infusion sets and syringes, as well as to market and promote new products such as nutrition infusion related products. In addition, as for the examination-related products, we will market and promote blood glucose monitoring device for diabetics and test reagents, and strengthen sales of blood collection tubes for blood test and obtain market share by active marketing.

In the international business, as we have been required to have further expansion and supply of our main products, we will consider to establish further three or four sales entities in addition to our current 37 entities. As for the dialysis-related products, we will start to sell the new high performance dialyzers together with its supplies for our sales expansion. As for the dialysis machine, we will strive to expand the sales actively with our own products and the alliance with Nikkiso Co., Ltd for selling high performance dialysis machines to the world market, which we will form our sales structure to sell them together with dialyzers and other supplies. As for main OEM products, though we are exposed to the severe surroundings because of tough competition against the same kind of products, we will enhance our cost competitiveness and sales. On the other hand, it is an important subject for us to expand the sales managing the indispensable situation to get talented persons and bring them up following the expansion of the market. We also devote to further strict quality management as high quality assurance is definitively required for both of our own product and OEM product.

In the pharmaceutical division, we are developing the new products such as “liquid-and-powder” double-bag kits of antibiotics, pre-filled syringes and injectables in plastic-ampoules, as well as to improve the products including prevention measures of malpractice.

In terms of oral drugs, as we have developed them to increase largely the item numbers, we continue to increase our self-development items, even promote co-developments, and develop pharmaceutically contrived products, for instance, drugs with prominent easiness to drink.

We will promote to enlarge OEM and selling channels, which will improve productivity of pharmaceutical production factories of Nipro group. In addition, we will make efforts for early realization of pharmaceutical products in application of recombinant human serum albumin such as artificial blood, Drug Delivery System (DDS) and drug of recombinant erythropoietin as new development theme. We will endeavor to expand our pharmaceutical business by actively developing injection drugs including kit products and oral drugs.

In the Glass and Materials division, we will continue to innovate glass-processing technology applying to demands by the pharmaceutical industry, developing mainly glass tubes as well as new materials actively to expand our sales. In terms of the glass for lighting purposes, we will strive to increase sales of glass materials for Liquid Cristal Display (LCD) backlights and glass-related products in the situation of worldwide expansion of LCD business.

Consolidated Balance Sheets

(Unit: Millions of yen)

Account	Previous Period (as of March. 31, 2006)		Current Period (as of March 31, 2007)		Change in amount
	Amount	Ratio	Amount	Ratio	
(ASSETS)		%		%	
Current Assets	<u>145,863</u>	43.1	<u>147,233</u>	43.7	<u>1,369</u>
Cash on hand and in banks	53,395		47,934		5,461
Trade notes and accounts receivable	45,794		50,972		5,177
Inventories	40,558		40,213		(345)
Deferred tax assets	2,151		3,033		881
Other current assets	4,320		5,581		1,260
Allowance for doubtful accounts	(357)		(501)		(143)
Fixed Assets	<u>192,877</u>	56.9	<u>189,426</u>	56.3	<u>(3,451)</u>
Tangible fixed assets	<u>106,195</u>	31.3	<u>104,881</u>	31.2	<u>(1,314)</u>
Buildings and structures	43,245		38,113		(5,131)
Machinery, equipment and vehicles	26,955		31,105		4,150
Land	23,079		18,032		(5,047)
Construction in progress	8,210		12,856		4,646
Others	4,704		4,773		69
Intangible fixed assets	<u>1,292</u>	0.4	<u>1,902</u>	0.6	<u>609</u>
Consolidation adjustments	111		-		(111)
Goodwill	-		240		240
Others	1,180		1,661		480
Investments and other assets	<u>85,389</u>	25.2	<u>82,642</u>	24.5	<u>(2,746)</u>
Investment securities	68,313		77,304		8,991
Long-term loans receivable	2,405		303		(2,101)
Deferred tax assets	431		61		(369)
Lease deposits	11,003		4,791		(6,211)
Other assets	4,021		3,198		(822)
Allowance for doubtful accounts	(784)		(3,017)		(2,233)
Total Assets	338,740	100.0	336,659	100.0	(2,081)

(Notes)

	(Previous period)	(Current Period)
1. Accumulated depreciation of tangible fixed assets	106,320 mil.yen	108,725 mil.yen
2. Discounted notes receivable	223	87
3. Obligations under guarantee contracts	1,638	1,093
4. Pledged assets	17,078	16,178

Consolidated Balance Sheets

(Unit: Millions of yen)

Account	Previous Period (as of March. 31, 2006)		Current Period (as of March 31, 2007)		Change in amount
	Amount	Ratio	Amount	Ratio	
(LIABILITIES)		%		%	
Current liabilities	<u>111,285</u>	32.8	<u>104,104</u>	30.9	<u>(7,180)</u>
Trade notes and accounts payable	31,424		26,547		(4,877)
Short-term borrowings	44,174		50,209		6,034
Current portion of bonds	10,020		60		(9,960)
Other payables	4,626		6,123		1,497
Accrued income taxes	3,331		8,404		5,072
Allowance for bonuses payable	1,606		1,461		(145)
Allowance for bonuses payable for directors and corporate auditors	-		230		230
Allowance for loss on clearance of business	-		1,954		1,954
Notes payable for plant and equipment	2,719		3,655		936
Commercial paper	9,000		-		(9,000)
Others	4,382		5,457		1,075
Fixed liabilities	<u>113,452</u>	33.5	<u>105,534</u>	31.4	<u>(7,917)</u>
Bonds	31,030		31,450		420
Convertible type bonds with stock acquisition rights	14,000		14,000		-
Long-term borrowings	47,038		38,765		(8,272)
Deferred tax liabilities	15,054		17,417		2,362
Accrued pension and severance cost	2,978		2,564		(413)
Other fixed liabilities	3,350		1,336		(2,013)
Total liabilities	224,737	66.3	209,639	62.3	(15,098)
(MINORITY INTERESTS)					
Minority interests	1,612	0.5	-	-	-
(SHAREHOLDERS' EQUITY)					
Capital	28,663	8.5	-	-	-
Capital surplus	29,972	8.9	-	-	-
Earned surplus	34,545	10.2	-	-	-
Valuation differences of other securities	25,563	7.5	-	-	-
Foreign currency translation adjustments	(5,705)	(1.7)	-	-	-
Treasury stock	(648)	(0.2)	-	-	-
Total shareholders' equity	112,390	33.2	-	-	-
Total liabilities, minority interests, and shareholders' equity	338,740	100.0	-	-	-

Consolidated Balance Sheets

(Unit: Millions of yen)

Account	Period	Previous Period (as of March. 31, 2006)		Current Period (as of March 31, 2007)		Change in amount
		Amount	Ratio	Amount	Ratio	
	(Net Assets)		%		%	
Shareholders' Equity		-	-	<u>97,044</u>	28.8	-
Capital		-	-	28,663	8.5	-
Capital surplus		-	-	29,973	8.9	-
Earned surplus		-	-	39,148	11.6	-
Treasury stock		-	-	(741)	(0.2)	-
Valuation and translation difference		-	-	<u>28,606</u>	8.5	-
Valuation differences of other securities		-	-	29,883	8.9	-
Foreign currency translation adjustments		-	-	(1,276)	(0.4)	-
Minority interests		-	-	<u>1,369</u>	0.4	-
Total Net Assets		-	-	127,020	37.7	-
Total Liabilities and Net Assets		-	-	336,659	100.0	-

(Notes)

	(Previous period)	(Current period)
5. Accounts related to unconsolidated subsidiaries and affiliate companies		
Investment securities (stock)	4,094 mil. yen	3,192 mil. yen
Investments other than stock	23	23

Consolidated Statements of Income

(Unit: Millions of yen)

Account	Previous Period (From April 1, 2005 To March 31, 2006)		Current Period (From April 1, 2006 To March 31, 2007)		Change in amount
	Amount	Ratio	Amount	Ratio	
		%		%	
Net sales	206,801	100.0	184,362	100.0	(22,438)
Cost of goods sold	149,971	72.5	132,142	71.7	(17,829)
Gross profit	56,829	27.5	52,220	28.3	(4,608)
Selling, general and administrative expenses	44,497	21.5	39,167	21.2	(5,330)
Operating income	12,331	6.0	13,053	7.1	721
Non-operating income	<u>2,705</u>	1.3	<u>1,657</u>	0.9	<u>(1,047)</u>
Interest income	179		308		129
Dividend income	508		560		51
Exchange gain	1,475		313		(1,162)
Others	541		475		(66)
Non-operating expenses	<u>2,808</u>	1.4	<u>3,355</u>	1.8	<u>547</u>
Interest expenses	1,552		1,645		93
Depreciation	-		381		381
Amortization of long-term prepaid expense	94		198		103
Equity in loss of affiliate	702		791		88
Others	458		338		(119)
Recurring income	12,228	5.9	11,355	6.2	(873)
Extraordinary gains	<u>201</u>	0.1	<u>13,660</u>	7.4	<u>13,459</u>
Gain on sale of fixed assets	112		30		(81)
Governmental subsidies received	19		661		642
Gain on sale of investment securities	15		12,706		12,690
Others	54		261		207
Extraordinary losses	<u>3,369</u>	1.6	<u>8,240</u>	4.5	<u>4,871</u>
Loss on sale and disposal of fixed assets	497		516		19
Impairment loss on fixed assets	1,997		1,286		(710)
Allowance for loss on clearance of business	-		1,954		1,954
Loss on investment securities	-		268		268
Loss on disposal of inventories	195		253		58
Abnormal manufacturing cost	158		246		88
Retirement allowance	113		-		(113)
Advanced depreciation on fixed assets	19		650		631
Allowance for doubtful debts	0		2,361		2,360
Others	388		703		314
Net income before adjustment of taxes	9,060	4.4	16,775	9.1	7,714
Corporate, inhabitants and enterprise taxes	5,240	2.5	10,059	5.5	4,818
Adjustment for deferred taxes	(540)	(0.2)	(1,873)	(1.0)	(1,332)
Minority shareholders' share in net income of consolidated subsidiaries	-		33	0.0	33
Minority shareholders' share in net loss of consolidated subsidiaries	151	0.1	-	-	(151)
Net income	4,512	2.2	8,555	4.6	4,042

(Notes) Research and development expenditure included in Selling, general and administrative expenses and manufacturing cost.

(Previous period)
3,760 mil yen

(Current period)
4,460 mil yen

Consolidated Statements of Surplus

(Unit: Millions of yen)

Account	Period	Previous Period (From April 1, 2005 To March 31, 2006)
	Amount	
(CAPITAL SURPLUS)		
Beginning balance of capital surplus		29,972
Ending balance of capital surplus		29,972
(EARNED SURPLUS)		
Beginning balance of earned surplus		32,181
Increase in earned surplus		<u>4,512</u>
Net income		4,512
Decrease in earned surplus		<u>2,148</u>
Dividends		1,843
Bonuses to directors and corporate auditors		107
[including bonuses to corporate auditors]		[3]
Loss on disposal of treasury stock		0
Decrease in surplus due to inclusion of new subsidiary in consolidation		197
Ending balance of earned surplus		34,545

Consolidated Statement of Shareholders' Equity

Current period (From April 1, 2006 to March 31, 2007)

	Shareholders' equity				
	Capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	28,663	29,972	34,545	(648)	92,532
Increase (decrease) during the period					
Dividend of surplus			(4,096)		(4,096)
Bonuses to directors and corporate auditors			(91)		(91)
Net income			8,555		8,555
Acquisition of treasury stock				(101)	(101)
Disposal of treasury stock		1		9	10
Increase in earned surplus due to divest of consolidated subsidiaries			436		436
Decrease in earned surplus due to addition of consolidated subsidiaries			(201)		(201)
Increase (decrease) of the items other than shareholders' equity during the period					-
Net increase (decrease) during the period	-	1	4,602	(92)	4,512
Balance at March 31, 2007	28,663	29,973	39,148	(741)	97,044

	Valuation and translation differences			Minority interests	Total net assets
	Valuation difference s of other securities	Foreign currency translation adjustments	Total valuation and translation differences		
Balance at March 31, 2006	25,563	(5,705)	19,858	1,612	114,003
Increase (decrease) during the period					
Dividend of surplus			-		(4,096)
Bonuses to directors and corporate auditors			-		(91)
Net income			-		8,555
Acquisition of treasury stock			-		(101)
Disposal of treasury stock			-		10
Increase in earned surplus due to divest of consolidated subsidiaries			-		436
Decrease in earned surplus due to addition of consolidated subsidiaries			-		(201)
Increase (decrease) of the items other than shareholders' equity during the period	4,319	4,428	8,748	(243)	8,505
Net increase (decrease) during the period	4,319	4,428	8,748	(243)	13,017
Balance at March 31, 2007	29,883	(1,276)	28,606	1,369	127,020

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

Account	Period	Previous Period (From April 1, 2005 To March 31, 2006)	Current Period (From April 1, 2006 To March 31, 2007)	Change in amount
		Amount	Amount	
Cash flows from operating activities				
Net income before adjustment for taxes		9,060	16,775	7,714
Depreciation and amortization		12,315	12,469	154
Impairment loss on fixed assets		1,997	1,286	(710)
Amortization of consolidation adjustments		27	-	(27)
Amortization of goodwill		-	129	129
Equity in loss of affiliate		702	791	88
Allowance for doubtful debts		-	2,361	2,361
Allowance for loss on clearance of business		-	1,954	1,954
Increase (decrease) in allowance for doubtful accounts		131	(92)	(224)
Interest and dividend income		(688)	(868)	(180)
Interest expenses		1,552	1,645	93
Exchange loss (gain)		(1,377)	(68)	1,309
Gain on sales of shares of subsidiary company		-	(12,706)	(12,706)
Decrease (increase) in trade receivables		(4,893)	(2,186)	2,707
Decrease (increase) in inventories		(5,754)	(3,061)	2,693
Increase (decrease) in trade payables		1,118	(1,982)	(3,100)
Decrease (increase) in other assets		(1,371)	(565)	806
Increase (decrease) in other liabilities		(599)	2,678	3,278
Bonuses to directors and corporate auditors		(107)	(96)	10
Other non-operating income/expenses and extraordinary gains/losses		514	882	368
Subtotal		12,628	19,347	6,719
Interest and dividends received		702	830	127
Interest paid		(1,467)	(1,697)	(229)
Other revenues		1,103	1,590	487
Other expenditures		(597)	(262)	335
Income taxes paid		(5,667)	(5,320)	347
Cash flows from operating activities		6,701	14,488	7,786
Cash flows from investing activities				
Deposits in time deposits		(5,067)	(5,792)	(725)
Proceeds from matured time deposits		4,244	7,665	3,420
Payments for purchases of securities		(9,504)	(2,244)	7,259
Proceeds from sales of securities		3,125	24	(3,101)
Payments for acquisition with change in scope of consolidated subsidiary		(26)	(1,220)	(1,193)
Proceeds from sales of shares with change in scope of consolidated subsidiary		-	19,372	19,372
Payments for acquisition of fixed assets		(20,359)	(19,911)	447
Proceeds from sales of fixed assets		375	273	(102)
Increase(decrease) in short-term lending		-	(1,078)	(1,078)
Lending of loans		(1,421)	-	1,421
Collections of loans receivable		1,144	59	(1,085)
Expenditures for other investments		(67)	(112)	(44)
Revenues from other investments		0	40	39
Cash flows from investing activities		(27,555)	(2,924)	(24,630)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		2,888	121	(2,766)
Net increase (decrease) in commercial paper		2,000	(9,000)	(11,000)
Proceeds from long-term borrowings		13,384	20,853	7,469
Repayment of long-term borrowings		(12,260)	(13,181)	(920)
Proceeds from issuance of bonds		14,922	-	(14,922)
Payments for redemption of bonds		(3,020)	(10,060)	(7,040)
Proceeds from disposal of treasury stock		1	10	9
Payments for acquisitions of treasury stock		(63)	(101)	(38)
Proceeds from sale and lease back		69	-	(69)
Repayments of finance lease obligations		(356)	(205)	150
Payments for dividends		(1,840)	(4,090)	(2,250)
Other payments		(11)	(0)	11
Cash flows from financing activities		15,712	(15,654)	(31,366)
Effect of exchange rate changes on cash and cash equivalents		1,180	208	(972)
Increase (decrease) in cash and cash equivalents		(3,961)	(3,881)	79
Balance of cash and cash equivalents at the beginning of the period		53,734	49,914	(3,820)
Increase in cash and cash equivalents due to inclusion of new subsidiary in consolidation		141	77	(64)
Balance of cash and cash equivalents at the end of the period		49,914	46,109	(3,804)

Basis of Preparation for the Consolidated Financial Statements

1. Scope of Consolidation

1) Consolidated subsidiaries: 22

Name of representative consolidated subsidiaries.

- Nipro Medical Industries, Ltd.
- Nipro Europe N.V.
- Nipro Pharma Corporation
- Nipro (Thailand) Corporation Ltd.
- Nipro Medical Corporation
- Tohoku Nipro Pharmaceutical Corporation

Nipro Asia Pte Ltd was included in consolidation due to the increase of importance as well as Nipro Middle East FZE and Nipro Medical (India) Pvt Ltd due to new foundation, Zensei Pharmaceutical Co., Ltd. and Nipro Industria e Commercio de Produtos Cardiopulmonares LTDA due to the company's acquisition of the stocks.

Besides, the following subsidiaries were excluded from consolidation at the end of the consolidated accounting period because the all shares held of Nissho Corporation were transferred on July 31, 2006 as well as Nissho Drug Co., Ltd. on December 15, 2006 and Fuzhou Nipro Co., Ltd. was liquidated on November 30, 2006, and statement of income of each company to the dates of transfer or liquidation was consolidated.

2) Unconsolidated subsidiaries: 3

The unconsolidated subsidiaries, Nissho Insurance Services Co., Ltd., Nipro Trading (Shanghai) Co., Ltd., and Wasyu Kogyo 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 3 unconsolidated subsidiaries, since they are not material to the consolidated net income and earned surplus etc., either individually or in the aggregate.

3. Accounting Period of Consolidated Subsidiaries

Among the consolidated subsidiaries, accounts closing date of the foreign subsidiaries is December 31. Consolidated financial statements as of that date are used in preparing for consolidated financial statements, and necessary adjustments are made to reflect significant transactions that occurred between December 31 and March 31.

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 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 collectability.

b. Allowance for bonuses

payables 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 bonuses

payables for directors
and corporate auditors..... In order to cover the payment of bonuses to directors and corporate auditors, an allowance is provided for the estimated amount of bonuses to be paid, corresponding to the consolidated accounting period.

d. Allowance for loss on

clearance of business In connection with withdrawal from retail business which we sold the shares of the consolidated subsidiaries, the estimated loss at the end of the consolidated accounting period is posted for disposal of land, building and other properties to be sold accordingly.

e. Accrued pension and

severance cost An allowance is provided for employee's pension and severance payments based on the estimated amounts of projected benefit obligation and plan assets at the end of the fiscal year.

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 Net Assets 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) Accounting processing for matured bill on last day of the consolidated period

Matured bill on last day of the consolidated period was processed on traded date of bill. So, because last day of current interim consolidated period was holiday of financial institute, matured bill on last day of the consolidated period was included in follow account.

Trade notes receivable	1,095 mil. yen
Trade notes payable	453
Notes payable for plant and equipment	23

7) Other significant basis on preparation for consolidated financial statements

Consumption taxes

Consumption taxes are excluded from revenues and expenses accounts.

5. Evaluation of assets and liabilities of the consolidated subsidiaries

Partial fair market value method is used for valuation of assets and liabilities of consolidated

subsidiaries.

6. Amortization of consolidation adjustment
Consolidation adjustment account is amortized using the straight-line method for five years.
7. Range of cash and cash equivalent carried on the consolidated cash flow statement.

Cash and cash equivalent carried on the cash flow statement consist of cash on hand, cash in banks that is able to withdraw as needed, and short-term investment that will be matured within three months after acquisition, easy to be converted into cash without much risks from fluctuation of prices.

(Change in Accounting Method)

1. Accounting standard for directors' bonus
From the fiscal year under review, we have applied Accounting Standard for Directors' Bonus, (Accounting Standards Board of Japan, Statement No. 4, November 29, 2005). As a result, operating income, recurring income and net income before adjustment for taxes are supposed to be decreasing 230 million of yen comparing with the incomes calculated according to the previous standard.
As for the effect to the segment information, please see the notes in the segment information section.
2. Accounting Standard for Presentation of Net Assets in Balance Sheet
Since this interim period, we have adopted "Accounting Standards for Presentation of Net Assets in Balance Sheet and its Implementation Guidance" (Accounting Standard Board Statement No.5 issued by the Business Accounting Council of Japan on December 9, 2005) and "Guidance on Accounting Standards for Presentation of Net Assets in Balance Sheet" (Accounting Standard Board Guidance No.8 issued by the Financial Accounting Standards Board of Japan on December 9, 2005) The effect of the application of the new accounting standard on profit and loss is nothing. Amount that corresponds to existing total "Shareholders' Equity" is 125,651 million yen. Due to revision of Regulations for Consolidated Financial Statement, the Consolidated Financial Statement at the consolidated accounting period was prepared in accordance with the revised Regulations for Consolidated Financial Statement.

(Notes to the Consolidated Statements of Income)

Loss on Impairment of Fixed Assets

We, the Nipro group, recognized impairment loss on the following assets in this financial period.

Use	Type	Location	Amount of loss (Millions of yen)
Leased asset	Land	1 site in Osaka pref.	1,272
Store	Buildings & structures, etc	1 site in Hyogo pref.	14
		Total	1,286

We categorize its assets principally into the groups of assets for business use, leased assets, idle assets, and assets for common use. The assets for business use are classified into groups on which separate financial information is reported for management accounting purposes and individual store, whereas leased assets and idle assets are individually categorized. Headquarters assets, R&D facilities, dormitory and company-offered houses are categorized into assets for common use, since these assets can not generate cash flow in itself.

The book value of assets whose land had significantly depreciated, or which incurred consecutive operating losses were reduced to recoverable amount, and such deducted amount was recorded as loss on impairment of fixed assets of 1,286 million yen in the extraordinary loss section. The loss on impairment of fixed assets consisted of loss on buildings of 12 million yen, on structures of 0 million yen, on machinery and equipment of 0 million yen, and on land of 1,272 million yen.

The recoverable amount of such asset groups are measured by their net realizable value of assets. Relevant assets were evaluated based on the real estate appraisal standards or on the price of the land fronting major roads for the immaterial assets. The asset groups which were difficult to sell or which could not be used for other purpose, however, were evaluated as a minimum unit price.

(Notes to the Consolidated Statement of Shareholders' equity)

Current period (From April 1, 2006 to March 31, 2007)

1. Sort and total numbers of Shared issues

Sort of shares	Number of shares As of March 31, 2006	Increased numbers	Decreased numbers	Number of shares As of March 31, 2007
Common stock	63,878,505	-	-	63,878,505

2. Sort and numbers of Treasury stock

Sort of shares	Number of shares As of March 31, 2006	Increased numbers	Decreased numbers	Number of shares As of March 31, 2007
Common stock	349,589	48,487	5,009	393,067

(Note) 1. The increased numbers are of purchase of shares which number is less than unit amount.

2. The decreased numbers are of selling of shares which number is less than unit amount.

3. Dividends

(1) Amount of dividends paid

Decision	Sort of shares	Total amount of dividends paid	Dividends per shares	Basis date	Effective date
June 29, 2006 at ordinary general shareholders' meeting	Common stock	Million of yen 1,365	Yen 21.50	March 31, 2006	June 30, 2006
November 20, 2006 at board of directors meeting	Common stock	Million of yen 2,730	Yen 43.00	September 30, 2006	December 8, 2006

(2) Dividends of basis date belonging to the consolidated accounting period to its effective date be in the next consolidated accounting period.

Decision	Sort of shares	Proceeds of dividends	Total amount of dividends paid	Dividends per shares	Basis date	Effective date
June 27, 2007 at ordinary general shareholders' meeting	Common stock	Earned surplus	Million of yen 2,348	Yen 37.00	March 31, 2007	June 28, 2007

(Related Party Transactions)

N/A

(Derivative Transactions)

N/A

(Stock Options)

N/A

(Segment information)

1. Segment information by business category

(1) Previous period (From April 1, 2005 to March 31, 2006)

(Millions of yen)

	Medical Equipment	Pharma- ceutical	Glass & Materials	Store	Other	Total	Eliminations /Corporate	Consolidated
1. Net sales and operating income								
Net sales								
(1) Sales to third parties	90,868	35,219	11,933	67,261	1,518	206,801	-	206,801
(2) Inter-segment sales and transfers	0	-	3,401	35	516	3,953	(3,953)	-
Total	90,868	35,219	15,335	67,296	2,035	210,755	(3,953)	206,801
Operating expenses	77,438	33,108	13,499	66,718	1,506	192,271	2,197	194,469
Operating income	13,429	2,111	1,835	577	528	18,483	(6,151)	12,331
2. Assets, depreciation and capital expenditures								
Assets	98,092	68,869	16,188	39,245	1,238	223,634	115,106	338,740
Depreciation	4,489	5,607	608	995	5	11,707	607	12,315
Impairment loss	31	-	-	1,490	475	1,997	-	1,997
Capital expenditures	8,959	10,621	233	348	19	20,182	691	20,874

(2) Current period (From April 1, 2006 to March 31, 2007)

(Millions of yen)

	Medical Equipment	Pharma- ceutical	Glass & Materials	Store	Other	Total	Eliminations /Corporate	Consolidated
1. Net sales and operating income								
Net sales								
(1) Sales to third parties	97,300	42,152	12,918	30,973	1,017	184,362	-	184,362
(2) Inter-segment sales and transfers	3	-	3,445	-	220	3,668	(3,668)	-
Total	97,303	42,152	16,364	30,973	1,238	188,031	(3,668)	184,362
Operating expenses	82,970	38,854	14,498	30,702	1,087	168,113	3,195	171,309
Operating income	14,333	3,298	1,865	270	150	19,918	(6,864)	13,053
2. Assets, depreciation and capital expenditures								
Assets	114,945	80,341	12,482	-	6,008	213,778	122,881	336,659
Depreciation	5,327	5,495	533	383	88	11,829	640	12,469
Impairment loss	-	-	-	14	1,272	1,286	-	1,286
Capital expenditures	11,064	9,489	166	57	85	20,865	2,227	23,093

- Notes: 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 and commodities
Medical Equipment	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.
Store	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 previous and current consolidated accounting periods included unallocated corporate costs of 6,151 million yen and 6,864 million yen, respectively. The unallocated corporate costs consisted primarily of the parent company's research and development costs and headquarters administration costs.
3. As described in "Changes in accounting method" 1., we have applied Accounting Standard for Directors' Bonus from the fiscal year under review. As a result, operating expenses in Medical Equipment segment, is supposed to be increasing 1 million of yen as well as 229 million of yen in Elimination and Corporate segment, and operating incomes are supposed to be decreasing respectively, comparing with the incomes calculated according to the previous standard.
4. Assets of "Eliminations/Corporate" for the previous and current consolidated accounting periods included corporate assets of 115,320 million yen and 122,930 million yen, respectively. The corporate assets consisted mainly of parent company's surplus operating funds (cash on hand and in banks), long-term investment funds (investment securities) and assets related to research and development, as well as of the assets belonging to the headquarters administration department.
5. Depreciation and capital expenditures included long-term prepaid expenses and its amortization.

2. Segment information by geographical area

(1) Previous period (From April 1, 2005 to March 31, 2006)

(Millions of yen)

	Japan	America	Europe	Asia	Total	Eliminations /Corporate	Consolidated
1. Net sales and operating income							
Net sales							
(1) Sales to third parties	184,154	14,682	6,312	1,652	206,801	-	206,801
(2) Inter-segment sales and transfers	15,829	450	4	10,803	27,088	(27,088)	-
Total	199,983	15,132	6,317	12,455	233,890	(27,088)	206,801
Operating expenses	181,129	15,710	6,558	11,597	214,996	(20,526)	194,469
Operating income (loss)	18,854	(577)	(241)	858	18,893	(6,562)	12,331
2. Assets	201,235	11,814	3,537	19,738	236,325	102,415	338,740

(2) Current period (From April 1, 2006 to March 31, 2007)

(Millions of yen)

	Japan	America	Europe	Asia	Total	Eliminations /Corporate	Consolidated
1. Net sales and operating income							
Net sales							
(1) Sales to third parties	156,042	17,382	7,102	3,835	184,362	-	184,362
(2) Inter-segment sales and transfers	23,610	804	86	12,373	36,875	(36,875)	-
Total	179,653	18,186	7,188	16,208	221,238	(36,875)	184,362
Operating expenses	159,255	19,133	7,050	15,755	201,193	(29,884)	171,309
Operating income (loss)	20,398	(946)	138	453	20,044	(6,991)	13,053
2. Assets	214,818	6,426	3,112	6,369	230,726	105,932	336,659

Notes: - 1. Operating expenses of "Eliminations and Corporate" for the previous and current consolidated accounting periods included unallocated corporate costs of 6,151 million yen and 6,864 million yen, respectively. The unallocated corporate costs consisted primarily of the parent company's research and development costs and the headquarters administration costs.

2. As described in "Changes in accounting method" 1., we have applied Accounting Standard for Directors' Bonus from the fiscal year under review. As a result, operating expenses in Japan segment, is supposed to be increasing 1 million of yen as well as 229 million of yen in Elimination and Corporate segment, and operating incomes are supposed to be decreasing respectively, comparing with the incomes calculated according to the previous standard.

3. Assets of "Eliminations/Corporate" for the previous and current consolidated accounting periods included corporate assets of 115,320 million yen and 122,930 million yen, respectively. The corporate assets consisted mainly of parent company's surplus operating funds (cash on hand and in banks), long-term investment funds (investment securities) and assets related to research and development, as well as of the assets belonging to the headquarters administration department.

4. Classification of countries or areas is based on geographical proximity.

5. The major countries included in each geographical area are as follows:

America.....The United States of America and Brazil

Europe.....Belgium

Asia.....China, Thailand and Singapore

3. Overseas sales

(1) Previous period (From April 1, 2005 to March 31, 2006)

(Millions of yen)

	America	Europe	Asia	Total
1. Overseas sales	28,876	14,073	6,407	49,358
2. Consolidated net sales				206,801
3. Percentage of overseas sales to consolidated net sales (%)	14.0%	6.8%	3.1	23.9%

(2) Current period (From April 1, 2006 to March 31, 2007)

(Millions of yen)

	America	Europe	Asia	Total
1. Overseas sales	31,899	15,071	7,567	54,538
2. Consolidated net sales				184,362
3. Percentage of overseas sales to consolidated net sales (%)	17.3%	8.2%	4.1	29.6%

- Notes:
- Overseas sales represent those of the Company and the consolidated subsidiaries to countries and areas outside of Japan.
 - 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, India, Indonesia, Taiwan and Thailand

(Lease Transactions)

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

	Previous period	Current period
Acquisition price equivalent	4,498 mil.yen	3,894 mil.yen
Accumulated depreciation equivalent	3,220	2,569
Book value equivalent	1,277	1,324
Lease commitments		
Due within one year	545 mil.yen	523 mil.yen
Due after over one year	653	630
Total	1,198	1,154
Lease payments	940 mil.yen	585 mil.yen
Depreciation equivalent	757 mil.yen	503 mil.yen
Interest expense equivalent	65 mil.yen	49 mil.yen

Method of calculation of depreciation equivalent

For the tangible fixed assets, ten ninths 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.

(Deferred Taxes)

1. Major components of deferred tax assets and liabilities

	Current period (as of March 31, 2007) mil. yen
Deferred tax assets (current)	
Elimination of unrealized profits	717
Disallowed accrued enterprise tax	618
Disallowed allowances for bonus payables	592
Disallowed allowances for loss on clearance of business	791
Disallowed accounts receivable	202
Tax loss carryforwards	108
Others	174
Subtotal	<u>3,206</u>
Allowance account	<u>(153)</u>
Gross deferred tax assets (current)	3,053
Offset with deferred tax liabilities (current)	<u>(19)</u>
Net deferred tax assets (current)	3,033
Deferred tax liabilities (current)	mil. yen
Reserve for special depreciation	17
Others	2
Gross deferred tax liabilities (current)	<u>19</u>
Offset with deferred tax assets (current)	<u>(19)</u>
Net deferred tax liabilities (current)	-
Deferred tax assets (fixed)	mil. yen
Impairment loss	848
Valuation difference of land	149
Excess of allowance for doubtful accounts over tax-allowable amount	962
Excess of accrued pension and severance cost over tax-allowable amount	1,009
Disallowed loss from bad debt	117
Tax loss carryforwards	2,358
Others	61
Subtotal	<u>5,507</u>
Allowance account	<u>(2,391)</u>
Gross deferred tax assets (fixed)	3,116
Offset with deferred tax liabilities (fixed)	<u>(3,054)</u>
Net deferred tax assets (fixed)	61
Deferred tax liabilities (fixed)	mil. yen
Valuation differences of other securities	20,403
Others	68
Gross deferred tax liabilities (fixed)	<u>20,471</u>
Offset with deferred tax assets (fixed)	<u>(3,054)</u>
Net deferred tax liabilities (fixed)	17,417

2. Reconciliation of the difference between statutory tax rate and effective tax rate after adoption of tax-effect accounting

Statutory tax rate	40.5	%
(Adjustments)		
Permanently disallowed items such as entertainment expenses	2.3	
Permanently non-taxable items such as dividends received	(0.6)	
Unrecognized tax benefits of loss-making subsidiaries	4.6	
Per capita charges of inhabitants taxes	0.8	
Unrecognized tax benefits of equity in loss of affiliate	1.9	
Tax credits on research and development expenses, etc.	2.0	
Others	1.2	
Effective tax rate after adoption of tax-effect accounting	<u>48.8</u>	

(Securities)

1. Other securities with market quotations

(Unit: Millions of yen)

Classification	Previous period (as of March 31, 2006)			Current period (as of March 31, 2007)		
	Acquisition cost	Carrying value on consolidated B/S	Difference	Acquisition cost	Carrying value on consolidated B/S	Difference
Securities whose carrying value exceeds their acquisition cost						
Stock	21,157	62,675	41,517	22,958	72,386	49,428
Bonds	-	-	-	-	-	-
Others	88	108	20	60	81	20
Subtotal	21,246	62,783	41,537	23,018	74,467	49,448
Securities whose carrying value do not exceed their acquisition cost						
Stock	-	-	-	309	279	(29)
Bonds	-	-	-	-	-	-
Others	-	-	-	-	-	-
Subtotal	-	-	-	309	279	(29)
Total	21,246	62,783	41,537	23,328	72,746	49,418

(Note) Impairment loss is not recorded on the other securities with market quotations for the previous consolidated accounting period and the current consolidated accounting period.

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

2. Other securities sold during the previous and current periods

(Unit: Millions of yen)

Previous period (From April 1, 2005 To March 31, 2006)			Current period (From April 1, 2006 To March 31, 2007)		
Sales proceeds	Total gains	Total losses	Sales proceeds	Total gains	Total losses
3,125	15	-	24	-	3

3. Securities that do not have market quotations

(Unit: Millions of yen)

	Previous period (as of March 31, 2006) Carrying value on Consolidated Balance Sheet	Current period (as of March 31, 2007) Carrying value on Consolidated Balance Sheet
Other securities		
Unlisted stock	1,435	1,175
Stocks of subsidiaries and affiliates		
Stocks of unconsolidated subsidiaries	113	192
Stocks of affiliated companies	3,980	3,189
Total	5,529	4,557

(Employees Pension and Severance Benefits)

1. Outline of the adopted pension and severance benefit plan

The Company and its domestic consolidated subsidiaries have defined benefit plans, such as tax-qualified pension plan and lump-sum severance benefit plan.

Certain foreign subsidiaries also have defined benefit plans.

2. Matters related to pension and severance liabilities

	Previous period (as of March 31, 2006)	Current period (as of March 31, 2007)
(1) Pension and severance liabilities	(9,601) mil. yen	(7,749) mil. yen
(2) Pension plan assets	<u>7,967</u>	<u>6,538</u>
(3) Unfunded pension and severance liabilities (1)+(2)	(1,633)	(1,210)
(4) Unrecognized actuarial differences	<u>(1,344)</u>	<u>(1,353)</u>
(5) Net amount on the consolidated balance sheet (3)+(4)	<u>(2,978)</u>	<u>(2,564)</u>
(6) Accrued pension and severance cost	(2,978)	(2,564)
(Note) Certain subsidiaries adopt a simplified method in calculation of their pension and severance liabilities.		

3. Matters related to pension and severance benefit expenses

	Previous period (From April 1, 2005 To March 31, 2006)	Current period (From April 1, 2006 To March 31, 2007)
(1) Service cost	640 mil. yen	585 mil. yen
(2) Interest cost	226	204
(3) Expected return on plan assets	(95)	(98)
(4) Amortization of actuarial differences	174	(166)
(5) Others (Retirement allowance)	<u>113</u>	<u>-</u>
(6) Pension and severance benefit expenses	1,060	524
(1)+(2)+(3)+(4)+(5)		

(Note) Pension and severance benefit expenses of consolidated subsidiaries that adopt a simplified method are included in "(1) Service cost".

4. Matters related to the basis of calculations of pension and severance liabilities, etc.

	Previous period (as of March 31, 2006)	Current period (as of March 31, 2007)
(1) Method of allocating expected pension and severance benefits to reporting periods	Fixed base for period	Fixed base for period
(2) Discount rate	Mainly 2.5%	Mainly 2.5%
(3) Expected rate of return on plan assets	1.5%	1.5%
(4) Amortization period of actuarial differences	5 years by straight-line method from the following fiscal years after the year of recognition of difference	5 years by straight-line method from the following fiscal years after the year of recognition of difference

Production, Orders received and Sales

1. Production

(Unit: Millions of yen)

Business segment	Previous period (From April 1, 2005 To March 31, 2006)		Current period (From April 1, 2006 To March 31, 2007)	
	Amount produced	Ratio of change from the previous period (%)	Amount produced	Ratio of change from the previous period (%)
Medical Equipment	65,453	11.1	73,011	11.5
Pharmaceutical	35,867	40.8	41,744	16.4
Glass & Materials	3,415	(6.9)	3,253	(4.8)
Other	912	84.9	700	(23.3)
Total	105,649	19.3	118,709	12.4

- Notes: 1. Amounts produced are calculated based on average selling prices.
 2. The above amounts are after eliminations of the inter-segment 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

(Unit: Millions of yen)

Business segment	Previous period (From April 1, 2005 To March 31, 2006)		Current period (From April 1, 2006 To March 31, 2007)	
	Amount sold	Ratio of change from the previous period (%)	Amount sold	Ratio of change from the previous period (%)
Medical Equipment	90,868	10.1	97,300	7.1
Pharmaceutical	35,219	34.4	42,152	19.7
Glass & Materials	11,933	2.3	12,918	8.3
Store	67,261	(5.1)	30,973	(54.0)
Other	1,518	37.9	1,017	(33.0)
Total	206,801	7.5	184,362	(10.9)

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

(Important Subsequent Events)

Acquisition of the shares of Saitama Daiichi Pharmaceutical Co., Ltd. (to be a subsidiary)

We acquired the all shares issued of Saitama Daiichi Pharmaceutical Co., Ltd. to be our subsidiary from the shareholder of Daiichi Sankyo Company, Limited.

1. The reason of acquisition of the shares

Our pharmaceutical business has been conducted by two main businesses, OEM business and Generic drug business and we have had prominent results mainly in the field of injection drug and oral drug in domestic market, with OEM business. As we are engaged in development of Drug Delivery System and new drug administer systems for further expansion of OEM business, we are viewing Transdermal Therapeutic System (TTS) field to extend our possible OEM.

As we expect that Saitama Daiichi Pharmaceutical Co., Ltd can be a part of our group OEM business manufacturer with research and development in the filed of TTS, which the company has accumulated the technology of drugs to be absorbed via skin under Daiichi Pharmaceutical Co., Ltd.(current Daiichi Sankyo Company, Limited) and has their own research and development department, we acquired the shares of the company which we believe their contribution to the expansion of our group pharmaceutical business.

2. Overview of Saitama Daiichi Pharmaceutical Co., Ltd.

(1) Company name	Saitama Daiichi Pharmaceutical Co., Ltd.
(2) Representative	Koshiro Nakamura, President
(3) Address	8-1, Minamisakae-cho, Kasukabe, Saitama
(4) Established date	February 15, 1963
(5) Main business	Research, development, manufacturing, marketing, importing and exporting of pharmaceutical products, mainly of drugs to be absorbed via skin.
(6) Capital	1,005 million of yen

3. Overview of Daiichi Sankyo Company, Limited.

(1) Company name	Daiichi Sankyo Company, Limited.
(2) Representative	Takashi Shoda, President
(3) Address	3-5-1, Nihonbashi-honcho, Chuo-ku, Tokyo
(4) Established date	September 28, 2005
(5) Main business	Research & Development, Manufacturing , Import, and Sales & Marketing of pharmaceutical products.
(6) Capital	50 billion of yen

4. Acquired numbers of the shares and the situation of the holding shares before and after acquisition

(1) Holding numbers of the shares before acquisition	0 shares (Holding ratio ---- %)
(2) Acquired numbers of the shares	297,000 shares
(3) Holding numbers of the shares after acquisition	297,000 shares (Holding ratio 100.0%)

5. Acquisition date May 15, 2007

Balance Sheets

(Unit: Millions of yen)

Account	Period	Previous Period (as of March 31, 2006)		Current Period (as of March 31, 2007)		Change in amount
		Amount	Ratio	Amount	Ratio	
(ASSETS)			%		%	
Current Assets		<u>108,351</u>	36.3	<u>116,129</u>	37.9	<u>7,777</u>
Cash on hand and in banks		39,719		37,437		(2,281)
Trade notes receivable		12,621		13,722		(1,101)
Accounts receivable		31,994		36,090		4,096
Merchandise and finished products		16,041		17,074		1,032
Raw materials and supplies		2,168		2,848		679
Work in process		1,726		1,669		(56)
Prepaid expenses		157		303		145
Deferred tax assets		769		1,914		1,144
Other receivables		944		1,280		336
Other current assets		2,214		3,826		1,611
Allowance for doubtful accounts		(5)		(38)		(33)
Fixed Assets		<u>190,415</u>	63.7	<u>190,218</u>	62.1	<u>(197)</u>
Tangible fixed assets		<u>33,433</u>	11.2	<u>37,482</u>	12.2	<u>4,048</u>
Buildings		9,970		10,619		649
Structures		327		361		34
Machinery		7,709		10,871		3,161
Vehicles		19		14		(4)
Tools and equipment		1,848		2,104		256
Land		10,885		11,225		339
Construction in progress		2,673		2,285		(387)
Intangible fixed assets		<u>214</u>	0.1	<u>278</u>	0.1	<u>64</u>
Software		146		176		29
Others		67		101		34
Investments and other assets		<u>156,768</u>	52.4	<u>152,457</u>	49.8	<u>(4,310)</u>
Investment securities		59,439		69,161		9,722
Stocks of related companies		57,307		48,433		(8,874)
Investments other than stock in related companies		9,938		9,482		(456)
Long-term loans receivable		382		294		(88)
Long-term loans receivable from subsidiaries		23,039		22,292		(747)
Long-term prepaid expenses		1,377		1,523		145
Lease deposits		4,893		4,624		(268)
Other assets		909		761		(148)
Allowance for doubtful accounts		(521)		(2,563)		(2,042)
Allowance for investment loss		-		(1,553)		(1,553)
Total Assets		298,767	100.0	306,347	100.0	7,580

Balance Sheets

(Unit: Millions of yen)

Account	Previous Period (as of March 31, 2006)		Current Period (as of March 31, 2007)		Change in amount
	Amount	Ratio	Amount	Ratio	
(LIABILITIES)		%		%	
Current liabilities	85,756	28.7	86,253	28.1	497
Trade notes payable	16,433		16,941		508
Trade accounts payable	12,592		13,242		650
Short-term borrowings	21,300		18,600		(2,700)
Current portion of bonds	10,000		-		(10,000)
Current portion of long-term borrowings	8,448		19,613		11,165
Other payables	2,407		3,819		1,412
Accrued expenses	591		538		(53)
Accrued income taxes	2,650		7,500		4,850
Amounts withheld for income taxes, etc.	50		58		7
Allowance for bonuses payables	822		850		28
Allowance for bonuses payables for directors and corporate auditors	-		229		229
Allowance for loss on clearance of business	-		1,954		1,954
Notes payable for plant and equipment	969		737		(231)
Commercial paper	9,000		-		(9,000)
Other current liabilities	492		2,168		1,676
Fixed liabilities	90,029	30.1	86,325	28.2	(3,704)
Bonds	31,000		31,000		-
Convertible-bond-type bonds with stock acquisition rights	14,000		14,000		-
Long-term borrowings	29,424		23,926		(5,498)
Deferred tax liabilities	12,763		14,645		1,881
Accrued pension and severance cost	1,771		1,543		(228)
Lease deposits received	1,069		1,210		141
Total liabilities	175,786	58.8	172,579	56.3	(3,207)
(SHAREHOLDERS' EQUITY)					
Capital	28,663	9.6	-	-	-
Capital surplus	29,972	10.1	-	-	-
Capital reserve	29,972		-	-	-
Earned surplus	42,808	14.3	-	-	-
Revenue reserve	1,196		-	-	-
Voluntary reserves	37,296		-	-	-
Reserve for dividends	16		-	-	-
Reserve for special depreciation	145		-	-	-
Special reserve	37,135		-	-	-
Unappropriated retained earnings	4,315		-	-	-
Valuation differences of other securities	22,186	7.4	-	-	-
Treasury stock	(648)	(0.2)	-	-	-
Total shareholders' equity	122,981	41.2	-	-	-
Total liabilities and shareholders' equity	298,767	100.0	-	-	-

Balance Sheets

(Unit: Millions of yen)

Account	Period	Previous Period (as of March 31, 2006)		Current Period (as of March 31, 2007)		Change in amount
		Amount	Ratio	Amount	Ratio	
(Net Assets)			%		%	
Shareholders' equity		-	-	<u>106,937</u>	34.9	-
Capital				28,663	9.3	
Capital surplus		-	-	<u>29,973</u>	9.8	-
Capital reserve				29,972		
Other capital surplus				1		
Earned surplus				<u>49,042</u>	16.0	
Revenue reserve		-		1,196		-
Other revenue reserve		-	-			-
Reserve for dividends		-		16		-
Reserve for special depreciation		-		66		-
Special reserve		-		39,735		-
Retained earnings		-		8,028		-
Treasury stock		-		(741)	(0.2)	-
Valuation and translation difference		-		<u>26,830</u>	8.8	-
Valuation differences of other securities		-	-	26,830		-
Total Net Assets		-	-	133,768	43.7	-
Total liabilities and net assets		-	-	306,347	100.0	-

Statements of Income

(Unit: Millions of yen)

Account	Period	Previous Period (From April 1, 2005 To March 31, 2006)		Current Period (From April 1, 2006 To March 31, 2007)		Change in amount	Ratio of change
		Amount	Ratio	Amount	Ratio		
			%		%		
Net sales		116,950	100.0	127,407	100.0	10,456	8.9
Cost of goods sold		87,751	75.0	96,439	75.7	8,688	9.9
Gross profit		29,199	25.0	30,968	24.3	1,768	6.1
Selling, general and administrative expenses		18,636	16.0	20,271	15.9	1,635	8.8
Operating income		10,563	9.0	10,696	8.4	132	1.3
Non-operating income		<u>2,185</u>	1.9	<u>1,544</u>	1.2	<u>(640)</u>	(29.3)
Interest income		404		578		173	
Dividend income		484		537		52	
Exchange gain		1,053		343		(710)	
Others		242		85		(157)	
Non-operating expenses		<u>1,256</u>	1.1	<u>1,209</u>	0.9	<u>(46)</u>	(3.7)
Interest expenses		426		526		99	
Interest on bonds		716		648		(67)	
Others		113		34		(79)	
Recurring income		11,492	9.8	11,031	8.7	(461)	(4.0)
Extraordinary gains		<u>133</u>	0.1	<u>14,273</u>	11.2	<u>14,140</u>	
Gains on sales of fixed assets		100		8		(92)	
Governmental subsidies		19		661		642	
Gain on sale of investment securities		10		-		(10)	
Gain on sale of securities in affiliates		-		13,588		13,588	
Others		3		14		11	
Extraordinary losses		<u>3,270</u>	2.8	<u>7,998</u>	6.3	<u>4,727</u>	
Losses on sales and disposals of fixed assets		368		176		(191)	
Impairment loss on fixed assets		1,779		384		(1,394)	
Allowance for loss on clearance of business		-		1,954		1,954	
Loss on investment securities		-		268		268	
Loss on devaluation of investment in affiliates		851		700		(151)	
Allowance for investment loss on affiliated companies		-		1,553		1,553	
Advanced depreciation on fixed assets		19		650		631	
Allowance for doubtful debts		-		2,200		2,200	
Others		252		110		(142)	
Net income before income taxes		8,354	7.12	17,306	13.6	8,952	107.2
Corporate, inhabitants and enterprise taxes		4,400	3.8	9,310	7.3	4,909	
Adjustment for deferred taxes		(1,008)	(0.9)	(2,424)	(1.9)	(1,416)	
Net income		4,962	4.2	10,420	8.2	5,458	110.0
Retained earnings at the beginning of the period		370		-		-	
Loss on disposal of treasury stock		0		-		-	
Interim dividends		1,016		-		-	
Unappropriated retained earnings		4,315		-		-	

Proposal for Appropriation of Retained Earnings

(Unit: Millions of yen)

Account \ Period	Previous Period (From April 1, 2005 To March 31, 2006)
	Amount
Unappropriated retained earnings	4,315
Disposal of voluntary reserves	<u>44</u>
Reserve for special depreciation	44
Total	4,359
Appropriations of retained earnings	<u>4,055</u>
Cash dividends	1,365
[per share]	[21.50 yen]
Bonuses to directors and corporate auditors	89
[including bonuses to corporate auditors]	[3]
Special reserve	2,600
Retained earnings carried forward	303

- Notes: 1. Reserve for special depreciation is reserve under the Special Taxation Measures Law.
 2. On December 9, 2005, the Company appropriated 1,016 million yen for interim dividends (16 yen per share).

Statement of Shareholders' Equity

Current period (From April 1, 2006 to March 31, 2007)

	Shareholders' equity											Treasury stock	Total shareholders' equity
	Capital	Capital surplus			Earned surplus								
		Capital reserve	Other capital surplus	Total capital surplus	Revenue reserve	Reserve for dividends	Reserve for special depreciation	Voluntary reserve	Retained earnings	Total Earned surplus			
Balance at March 31, 2006	28,663	29,972	-	29,972	1,196	16	145	37,135	4,315	42,808	(648)	100,794	
Increase (decrease) during the period													
Dividend of surplus									(4,096)	(4,096)		(4,096)	
Bonuses to directors and corporate auditors									(89)	(89)		(89)	
Net income									10,420	10,420		10,420	
Reversal of reserve for special depreciation							(78)		78	-		-	
Addition to voluntary reserve								2,600	(2,600)	-		-	
Acquisition of treasury stock											(101)	(101)	
Disposal of treasury stock			1	1							9	10	
Increase (decrease) of the items other than shareholders' equity during the period													
Net increase (decrease) during the period	-		1	1			(78)	2,600	3,712	6,234	(92)	6,143	
Balance at March 31, 2007	28,663	29,972	1	29,973	1,196	16	66	39,735	8,028	49,042	(741)	106,937	

	Valuation and translation differences		Total net assets
	Valuation differences of other securities	Total valuation and translation differences	
Balance at March 31, 2006	22,186	22,186	122,981
Increase (decrease) during the period			
Dividend of surplus		-	(4,096)
Bonuses to directors and corporate auditors		-	(89)
Net income		-	10,420
Reversal of reserve for special depreciation		-	-
Addition to voluntary reserve		-	-
Acquisition of treasury stock		-	(101)
Disposal of treasury stock		-	10
Increase (decrease) of the items other than shareholders' equity during the period	4,644	4,644	4,644
Net increase (decrease) during the period	4,644	4,644	10,787
Balance at March 31, 2007	26,830	26,830	133,768

Significant Accounting Principles

1. Valuation standards and methods for securities

Stocks issued by subsidiaries
and affiliated companies Valued at cost by the weighted average method

Other securities

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

Securities without market
quotations Valued at cost by the weighted average method

2. Valuation standards and methods for inventories

Merchandises, finished products
and work in process Valued at cost by the weighted average method
Raw materials and supplies Valued at cost by the first-in first-out method

3. Method of depreciation and amortization for fixed 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).

Long-term prepaid expenses Straight-line method
Periods of amortization are based on the same standards as
provided by the Corporate Income Tax Law.

4. Standards for recognition of allowances

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 collectability.

Allowance for investment
loss 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.

Allowance for bonuses
payables In order to cover the probable losses on investment to the
affiliates, an allowance for loss is provided for the estimated
amount considering the business results and assets situation.

Allowance for bonuses
payables for directors
and corporate auditors In order to cover the payment of bonuses to directors and
corporate auditors, an allowance is provided for the estimated
amount of bonuses to be paid, corresponding to the consolidated
accounting period.

Allowance for loss on
clearance of business In connection with withdrawal from retail business which we
sold the shares of the subsidiaries, the estimated loss at the end
of the consolidated accounting period is posted for disposal of

land, building and other properties to be sold accordingly.

Accrued pension and
severance cost

An allowance is provided for employee's pension and severance payments based on the estimated amounts of projected benefit obligation and plan assets at the end of the fiscal year.

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

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 financial statements

Consumption Taxes

Consumption taxes are excluded from revenues and expenses accounts.

(Change in Accounting Method)

1. Accounting standard for directors' bonus

From the fiscal year under review, we have applied Accounting Standard for Directors' Bonus, (Accounting Standards Board of Japan, Statement No. 4, November 29, 2005). As a result, operating income, recurring income and net income before adjustment for taxes are supposed to be decreasing 229 million of yen comparing with the incomes calculated according to the previous standard.

As for the effect to the segment information, please see the notes in the segment information section.

2. Accounting Standard for Presentation of Net Assets in Balance Sheet

Since this interim period, we have adopted "Accounting Standards for Presentation of Net Assets in Balance Sheet and its Implementation Guidance" (Accounting Standard Board Statement No.5 issued by the Business Accounting Council of Japan on December 9, 2005) and "Guidance on Accounting Standards for Presentation of Net Assets in Balance Sheet" (Accounting Standard Board Guidance No.8 issued by the Financial Accounting Standards Board of Japan on December 9, 2005) The effect of the application of the new accounting standard on profit and loss is nothing. Amount that corresponds to existing total "Shareholders' Equity" is 133,768 million yen. Due to revision of Regulations for Consolidated Financial Statement, the Consolidated Financial Statement at the consolidated accounting period was prepared in accordance with the revised Regulations for Consolidated Financial Statement.

Notes to the Financial Statements

(Balance Sheet)

	(Previous period)	(Current period)
1. Accumulated depreciation of tangible fixed assets	48,085 mil. yen	50,142 mil. yen
2. Balances with related companies		
Short-term receivables	15,022 mil. yen	19,006 mil. yen
Long-term receivables	23,039	22,292
Short-term payables	10,725	12,488
3. Pledged assets		
Buildings	4,793 mil. yen	4,936 mil. yen
Land	2,685	2,685
4. Obligations under guarantee contracts	14,216 mil. yen	7,825 mil. yen
5. Obligations as a co-surety	1,458 mil. yen	- mil. yen
6. Notes receivable discounted	24 mil. yen	24 mil. yen
7. Accounting processing for matured bill on last day of the consolidated period		

Matured bill on last day of the consolidated period was processed on traded date of bill. So, because last day of current interim consolidated period was holiday of financial institute, matured bill on last day of the

consolidated period was included in follow account.

Trade notes receivable	753 mil. yen
Trade notes payable	1,471
Notes payable for plant and equipment	23

(Statement of Income)

	(Previous Period)	(Current Period)
1. Amounts of transactions with related companies		
Sales	21,410 mil. yen	26,879 mil. yen
Purchases	32,515	35,180
Other operational transactions	146	169
Non-operational transactions	536	692
2. Research and development expenses included in selling, general and administrative expenses	2,901 mil. yen	3,370 mil. yen
3. Loss on impairment of fixed assets		

The company recognized impairment loss on following assets in this period.

Use	Type	Location	Amount of loss (Millions of yen)
Leased assets	Buildings and structures, etc	1 sites in Hyogo pref.	384

The company categorizes its assets principally into the groups of assets for business use, leased assets, idle assets, and assets for common use. The assets for the business use are classified into groups on which separate financial information is reported for management accounting purposes, whereas leased assets and idle assets are individually categorized. Headquarters assets, R&D facilities, dormitory and company-offered houses are categorized into assets for common use, since these assets can not generate cash flow in itself.

The book value of assets whose land had significantly depreciated, or which incurred consecutive operating losses were reduced to recoverable amount, and such deducted amount was recorded as loss on impairment of fixed assets of 384 million yen in the extraordinary loss section.

The loss on impairment of fixed assets consisted of loss on buildings of 379 million yen, on structures of 5 million yen.

The recoverable amount of such asset groups is measured by the net realizable value of assets. Relevant assets were evaluated based on the real estate appraisal standards, or on the price of the land fronting major roads for the immaterial assets. The asset groups which were difficult to sell or which could not be used for other purpose, however, were evaluated as a minimum unit price.

(Notes to the Statement of Shareholders' equity)

Current period (From April 1, 2006 to March 31, 2007)

Sort and numbers of Treasury stock

Sort of shares	Number of shares As of March 31, 2006	Increased numbers	Decreased numbers	Number of shares As of March 31, 2007
Common stock	349,589	48,487	5,009	393,067

(Note) 1. The increased numbers are of purchase of shares which number is less than unit amount.

2. The decreased numbers are of selling of shares which number is less than unit amount.

(Lease Transactions)

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

	(Previous period)	(Current period)
Acquisition price equivalent	903 mil. yen	858 mil. yen
<u>Accumulated depreciation equivalent</u>	<u>592</u>	<u>553</u>
Book value equivalent	310	305
Lease commitments		
Due within one year	177 mil. yen	168 mil. yen
<u>Due after over one year</u>	<u>262</u>	<u>254</u>
Total	439	422
Lease payments	213 mil. yen	208 mil. yen
Depreciation equivalent	202	188
Interest expense equivalent	10	10

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 March 31, 2006 and 2007, there was no stock issued by subsidiaries or affiliated companies that have market quotations.

Net Sales by Division and Proportion to the Total

(Millions of yen)

Division	Previous Period (From April 1, 2005 To March 31, 2006)		Current Period (From April 1, 2006 To March 31, 2007)		Change in Amount	Ratio of change
	Amount	Ratio	Amount	Ratio		
Medical Equipment division	84,105	71.9	92,557	72.6	8,451	10.0
Pharmaceutical division	18,228	15.6	19,154	15.0	925	5.1
Glass & Materials division	12,426	10.6	14,084	11.1	1,657	13.3
Other	2,190	1.9	1,611	1.3	(578)	(26.4)
Total	116,950	100.0	127,407	100.0	10,456	8.9
[including Exports]	[42,105]	36.0	[49,422]	38.8	[7,316]	17.4

(Deferred Taxes)

1. Major components of deferred tax assets and liabilities

	Current period (as of March 31, 2007) mil. yen
Deferred tax assets (current)	
Disallowed accrued enterprise tax	587
Disallowed allowances for bonus payables	344
Disallowed allowances for loss on clearance of business	791
Disallowed accounts receivable	202
Others	5
Gross deferred tax assets (current)	1,931
Offset with deferred tax liabilities (current)	(17)
Net deferred tax assets (current)	1,914
Deferred tax liabilities (current)	
Reserve for special depreciation	17
Gross deferred tax liabilities (current)	17
Offset with deferred tax assets (current)	(17)
Net deferred tax liabilities (current)	-
Deferred tax assets (fixed)	
Impairment loss	848
Valuation difference of land	149
Devaluation of investment to affiliates	283
Excess of allowance for doubtful accounts over tax-allowable amount	958
Disallowed allowance for loss on investment	629
Excess of accrued pension and severance cost over tax-allowable amount	624
Disallowed loss from bad debt	117
Others	34
Gross deferred tax assets (fixed)	3,645
Offset with deferred tax liabilities (fixed)	(3,645)
Net deferred tax assets (fixed)	-
Deferred tax liabilities (fixed)	
Reserve for special depreciation	27
Valuation differences of other securities	18,263
Gross deferred tax liabilities (fixed)	18,290
Offset with deferred tax assets (fixed)	(3,645)
Net deferred tax liabilities (fixed)	14,645

2. Reconciliation of the difference between statutory tax rate and effective tax rate after adoption of tax-effect accounting

The note is omitted, because the difference between statutory tax rate and effective tax rate after adoption of tax-effect accounting is less than 5% of statutory tax rate.

Changes in Directors and Corporate Auditors

1. Change in representative of the company

N/A

2. Change in other directors or corporate auditors

N/A