Consolidated Financial Statements

November 20, 2006

For the Six-Month Period ended September 30, 2006 (Fiscal Year Ending March 31,2007)

Company name: **NIPRO CORPORATION**
Shares 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 Corporative Planning Division
TEL (06) 6372-2331

Date of the meeting of the Board of Directors for approval of the financial statements: November 20, 2006
Name of related company: Sanri Kosan Co., Ltd. (Code no: N/A)
Percentage of voting rights of Nipro Corporation held by related company: 20.6%
Adoption of U.S. GAAP: N/A

1. Consolidated Results for the Six months ended September 30, 2006 (From April 1, 2006 to Sep. 30, 2006)

(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	%
Six months ended Sep.30, 2006	100,280	(1.6)	5,940	(4.1)	4,869	(21.5)
Six months ended Sep.30, 2005	101,952	6.6	6,195	2.9	6,206	11.0
Year ended March 31, 2006	206,801		12,331		12,228	

	Net Income		Earnings per Share	Diluted Earnings per Share
	Millions of yen	%	Yen	Yen
Six months ended Sep.30, 2006	4,016	97.4	63.24	-
Six months ended Sep.30, 2005	2,034	(46.1)	32.01	-
Year ended March 31, 2006	4,512		69.57	-

Notes: 1. Equity in loss of affiliate: Six months ended Sep.30, 2006: (356) million yen Six months ended Sep.30, 2005: (319) million yen
Year ended March 31, 2006: (702) million yen

2. The weighted average number of outstanding shares for the period (consolidated) :
Six months ended Sep.30, 2006: 63,519,183 shares Six months ended Sep.30, 2005: 63,559,272 shares
Year ended March 31, 2006: 63,548,846 shares

3. Accounting method: Changed

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

(2) Consolidated Financial Position

	Total Assets	Shareholders'' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Six months ended Sep.30, 2006	319,733	116,166	35.7	1,795.78
Six months ended Sep.30, 2005	301,248	101,790	33.8	1,601.76
Year ended March 31, 2006	338,740	112,390	33.2	1,767.69

Note: The number of outstanding shares at the end of the period (consolidated):
Six months ended Sep.30, 2006: 63,503,190 shares Six months ended Sep.30, 2006: 63,549,130 shares
Year ended March 31, 2006: 63,528,916 shares

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Six months ended Sep.30, 2006	7,984	7,146	(23,946)	41,160
Six months ended Sep.30, 2005	2,391	(13,106)	(6,138)	37,460
Year ended March 31, 2006	6,701	(27,555)	15,712	49,914

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

Number of consolidated subsidiaries: 21
Number of unconsolidated subsidiaries accounted for by the equity method: 0
Number of affiliate company accounted for by the equity method: 1

(5) Change of reporting entities

Number of consolidated companies Added: 3 Removed: 1
Number of companies accounted for by the equity method Added: 0 Removed: 0

2. Projected Consolidated Financial Results for the Year ending March 31, 2007 (From April 1, 2006 to March 31, 2007)

	Net Sales	Recurring Income	Net Income
	Millions of yen	Millions of yen	Millions of yen
Year ending March 31, 2007	178,000	9,600	8,000

(Reference) Projected earnings per share for the year ending March 31, 2007: 125.98 yen

* The projections shown above are prepared based on information available as of the issuing date of this report. The actual results may differ from the projected figures due to various factors. Concerning the matters related to the above projections, please refer to the Page 7.

Corporate Group

Our group consists of the Reporting Company (“the Company”), its 24 subsidiaries and 1 affiliate, and is primarily engaged in manufacture and sale of medical equipment, pharmaceutical products and glass and material products as well as management of drugstores.

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, 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) sells 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, 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) manufactures internal glass sections of vacuum flask and other glass products, and sells locally as well as exports.

<Store Division>

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

<Other>

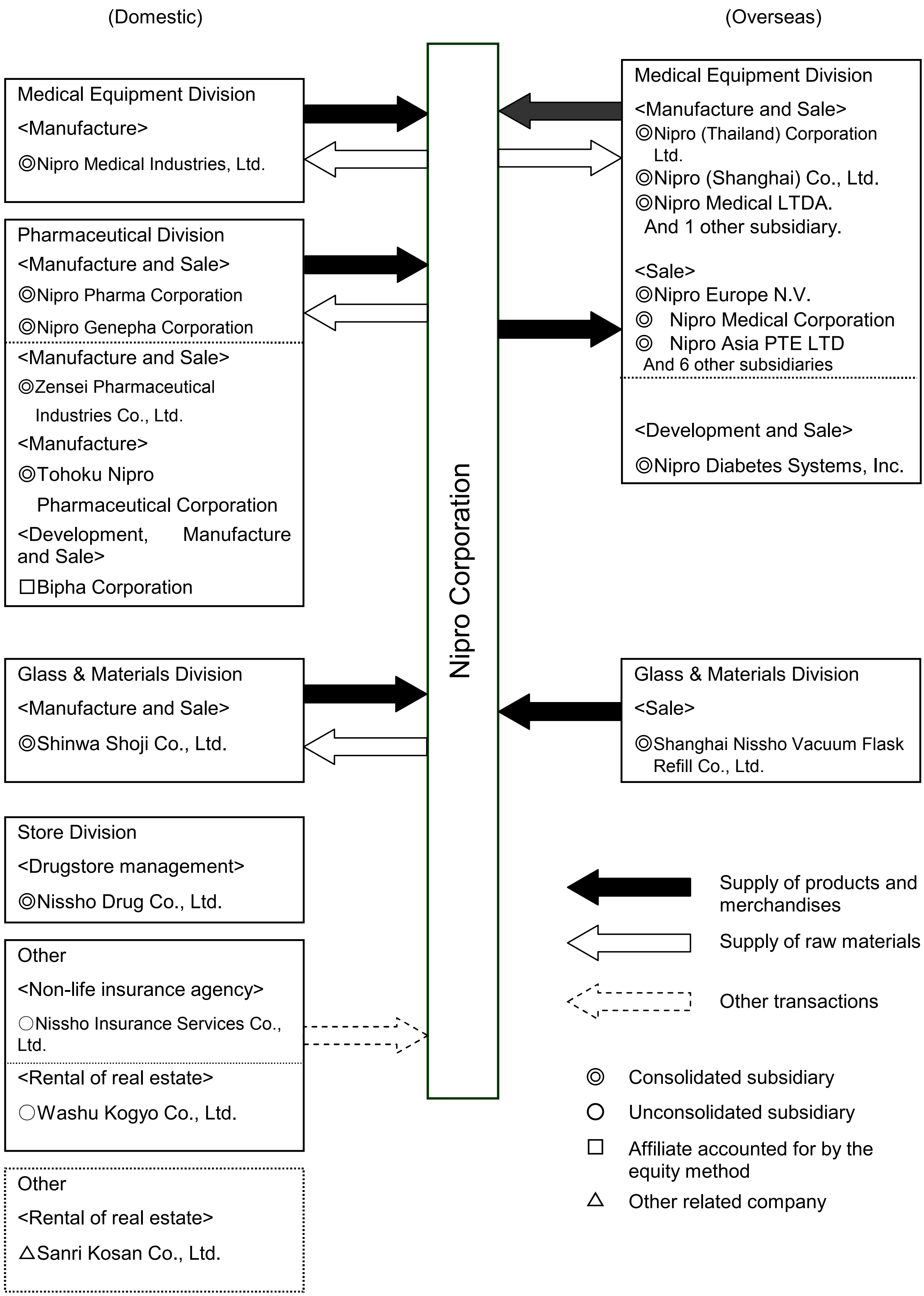
The Company manufactures (purchases, in some cases) and sells machinery for manufacture of medical equipment, etc.

The Company and Washu 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:


(Domestic)
(Overseas)
Nipro Corporation
Medical Equipment Division
<Manufacture>
◎Nipro Medical Industries, Ltd.
Pharmaceutical Division
<Manufacture and Sale>
◎Nipro Pharma Corporation
◎Nipro Genepha Corporation
<Manufacture and Sale>
◎Zensei Pharmaceutical Industries Co., Ltd.
<Manufacture>
◎Tohoku Nipro Pharmaceutical Corporation
<Development, Manufacture and Sale>
□Bipha Corporation
Glass & Materials Division
<Manufacture and Sale>
◎Shinwa Shoji Co., Ltd.
Store Division
<Drugstore management>
◎Nissho Drug Co., Ltd.
Other
<Non-life insurance agency>
○Nissho Insurance Services Co., Ltd.
<Rental of real estate>
○Washu Kogyo Co., Ltd.
Other
<Rental of real estate>
△Sanri Kosan Co., Ltd.
Medical Equipment Division
<Manufacture and Sale>
◎Nipro (Thailand) Corporation Ltd.
◎Nipro (Shanghai) Co., Ltd.
◎Nipro Medical LTDA.
And 1 other subsidiary.
<Sale>
◎Nipro Europe N.V.
◎ Nipro Medical Corporation
◎ Nipro Asia PTE LTD
And 6 other subsidiaries
<Development and Sale>
◎Nipro Diabetes Systems, Inc.
Glass & Materials Division
<Sale>
◎Shanghai Nissho Vacuum Flask Refill Co., Ltd.
Supply of products and merchandises
Supply of raw materials
Other transactions
◎ Consolidated subsidiary
○ Unconsolidated subsidiary
□ Affiliate accounted for by the equity method
△ Other related company

Management Policies

1. Basic Policies of Management

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

As a management structure in pursuit of compatibility between “stability” and “growth” that is most important for any 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. Basic Policies on Distribution of Profits

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

Retained earnings are to be 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.

3. Position and Policy on Reduction of Trading Unit of Shares

We consider that reduction of trading unit of shares will promote individual investors into the market and lead to the vitalization of securities market. In view of the large amount of implementation costs etc., we will consider to reduce the reduction of trading unit at the occasion of transition to the company without share certificate.

4. Target Management Indicators

To concentrate management resources on Medical Equipment and Pharmaceutical division, we transferred all shares of a consolidated subsidiary (Nissho Corporation) in Store division on July, this year. With this thing, we modified managerial goal that we have ever aimed to achieve by the fiscal year 2010. The modified managerial goal is 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)

5. Medium- and Long-term Management Strategies

In the Medical Equipment division, we are maintaining to make capital investment to increase production capacity of dialyzers which is main production in this division. We will seek to increase the market share by reducing cost and improving quality of the product by concentration of production and full-scale manufacturing from raw materials by self spinning of hollow fiber. And with regard to artificial heart lung, we will develop to world-class product by reducing cost and reinforcing the product line-up and sales office.

In the Pharmaceutical division, with regard to injection solutions, we will establish competitive advantage in cost and quality with an eye to global competition by increasing productive capacity of lyophilized formulation, substance refine and carcinostatic, and expanding production and upgrade technology of solid formulation. And with regard to generic product, we will concentrate to develop newly variety, and engage in collaborative development and competitive work with other companies.

In the Glass and Materials division, we will increase 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.

6. 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. And 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 disposable products, we will make efforts to increase our market share of injection and infusion-related products such as infusion sets and syringes, as well as to develop, market and promote new products.

With regard to the cardiovascular products, we will enlarge the product line-up by developing and introducing new products such as PTCA balloon, distal protection catheter and stent, reinforce marketing and sales forces, and increase our market share. In addition, as for the examination-related products, we will market and promote blood glucose monitoring device for diabetics, test reagents and blood collection tubes for blood test, strengthen sales, and obtain market share by active marketing.

In the international business, we have been exposed to severe change and competition, and we are required to reinforce core products, and develop new products early. To strengthen market competitiveness, we understand necessity to contain external product in addition to internal production. Meanwhile, we are also facing the necessity to tackle opening branch to expand direct selling net work of core products such as artificial lung, and expansion of medical market in developing countries. It is issue to overcome increase of expense occurred from above things. We will be continuing to deal with control regarding quality assurance strictly to supply and sale of safe and secure products.

In the pharmaceutical division, we aims to increase in product numbers of our kit products such as “liquid-and-powder” double-bag kits of antibiotics and pre-filled syringes, as well as to improve the products including prevention measures of malpractice.

In terms of oral drugs, we made Zensei Pharmaceutical industries Co., Ltd. our subsidiary on April, this year. Hereby, we, even more, increase our own generic products to a large extent, we focus on the co-development of oral drugs. Furthermore we intend to develop pharmaceutically contrived products, for instance, drugs with prominent easiness to drink. And, cooperation with Nichi-iko Pharmaceutical Co., Ltd. , for example, in addition to we reinforce sales outlet, we aim to expand productivity of pharmaceutical manufacturing plant. In addition, we will make efforts for early realization of pharmaceutical products in application of recombinant human serum albumin such as artificial blood and Drug Delivery System (DDS) and products related to recombinant protein for the renal diseases. 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, develop applied uses of glass tubes, and expand the overseas market and production of the glass pre-filled syringes. In addition, we will actively develop new product. In terms of the glass for lighting purposes, we will strive to increase sales of glass materials for LCD backlights and glass-related products in the situation of expanding business of FPD (Flat Panel Display).

7 . Parent or Related Company

(1) The Name etc. of Parent or Related Company

(As of September 30, 2006)

Name	Attribute	Percentage of voting rights held by parent or related company	Shares exchange etc. where the shares of parent or related company are listed
Sanri Kosan Co., Ltd.	The listed company’s related company	20.62 %	N/A

(2) Roles Assigned to the Listed Company in the Group of Parent or Related Company

Sanri Kosan Co., Ltd., a related company, does not involve in the Company’s management, and the Company operates its management independently.

(3) Transactions with Parent or Related Company
N/A

Business Results and Financial Conditions

1. Business Results

(1) Summary of Overall Business and Results by Segments

Japanese economy for the current interim period under review was apprehended that corporate profit slipped by rise of market interest rate due to lift of quantative monetoray easing policy and zero-interest-rate policy of Bank of Japan, but appeared to be extensional led by limited effect on capital investment and individual consumption.

Under such circumstances, we have continued to focus on the development of new products, reinforced production capacity, sales capability to improve business performance, and enhanced value of Nipro brand by improving quality of basal common product. In addition, we intended to concentrate management resources on Medical Equipment and Pharmaceutical division, so that we transferred shares of a consolidated subsidiary (Nissho Corporation).

As a result, the consolidated net sales for the period under review decreased by 1.6% to 100,280 million yen, the consolidated operating income decreased by 4.1% to 5,940 million yen, and consolidated recurring income decreased by 21.5% to 4,869 million yen.

On the other hand, net income increased by 97.4% from the same period of the previous year to 4,016 million yen, due to the increase of extraordinary gains owing to the share transfer of subsidiary.

Business situations by segment are as follows below.

a. Medical Equipment division

For the domestic business, its environment has been severe as more hospitals started joint purchase arrangement for consumables, and competitions became harder, which caused the downward pressure on prices, and function classificatetion of dialyzer occurred from implementation of NHL price revision.

Under such circumstances, we sought to enhance the efficiency of sales activities and strengthen the sales bases, sales office and staffs for sales. We also made efforts to develop and launch new products in the fields of dialysis, injection and infusion, treatment on circulatory organs 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.

On the other hand, as for the international business, the active reinforcement of foreign sales resulted in steady performance. Especially, sales of dialysis related product achieved steady extension in Southeast Asia and Latin America area. And these product that have be for advanced countries ever expanded swiftly in developing countries. In addition, steady performance of foreign branches result in steady extension on sales.

As a result, net sales of the division increased by 2.6% to 45,897 million yen.

b. Pharmaceutical division

In the Pharmaceutical division, the environment of market remained very severe, due to the governmental controls to suppress medical expenditures and to the intensified price competition.

Under such circumstances, we strove to increase sales of powdered dialysate solutions and kit product of substitution fluid for hemofiltration and hemodiafiltration. We also exerted ourselves to expand sales of “liquid-and-powder” double-bag kits, pre-filled syringe kits, and plastic-ampoules, as a result, business of this division showed a prosperous growth.

As a result, net sales of the division increased by 26.0% from the same period of the previous year to 20,331 million yen.

c. Glass & Materials Division

In the Glass & Materials division, In the filed of glass for pharmaceutical purposes, sales of glass tubes for ampoule decreased due to the impact of the change of container forms. And net sales of glasses for tubes bottle increase in new product and pre-filled syringe kits but, remained at the same level due to slowdown of existing product. Although glasses for vacuum bottle are decreasing due to decline of domestic sales, the business related to glasses for lighting purpose was sustained by increasing sales of glasses for LCD backlight and related materials due to prosperous activity of market of FPD.

As a result, net sales of the division increased by 21.7% to 7,021 million yen.

d. Store division

In the supermarket sector, we transferred all shares of Nissho Corporation on the last day, July this year.

The drug store sector eforted to improve its profit resulted in increase of profit by the restraint in opening new stores, improving profit rate and focusing on cost reduction in instensive competition.

As a result, net sales of the division decreased by 23.8% to 26,428 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 4.1 % to 601 million yen.

(2) Prospects for the Fiscal Year Ending March 31, 2007

The business environment is anticipated to remain severe, with concerns about appreciation of crude-oil prices and rise of interest rate, or concerns about slowdown of the U. S. economy and risk of appreciation of yen in exchange markets.

However 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, 2007, we project the consolidated net sales of 178,000 million yen (decrease by 13.9% compared with the previous period), recurring income of 9,600 million yen (decrease by 21.5%), and net income of 8,000 million yen (increase by 77.3%).

Projections on net sales by segments are as follows:

Medical division:	91,700 million yen	(increase by 0.9%)
Pharmaceutical division:	40,900 million yen	(increase by 16.1%)
Glass and Materials division:	13,100 million yen	(increase by 9.8%)
Store division:	31,200 million yen	(decrease by 53.6%)
Other division:	1,100 million yen	(decrease by 27.6%)

2. Financial Conditions

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

Total assets decreased by 1,907 million yen from the end of the previous period to 319,733 million yen. Current assets decreased by 3,211million yen to 142,652 million yen, and fixed assets decreased by 15,795 million yen to 177,081 million yen. Main reason for the decrease in current assets was that cash on hand and in banks decreased, and main reason for the decrease in fixed assets was that land and buildings & structures in tangible fixed assets, and investment securities and lease deposits in investments and other assets decreased.

On the other hand, liabilities decreased by 21,170 million yen to 203,567 million yen. Current liabilities decreased by 10,526 million yen to 100,758 million yen, and the fixed liabilities decreased by 10,644 million yen to 10,288 million yen. Main reason for the decrease in current liabilities was that current potion of bonds and commercial paper decreased, and main reason for the decrease in fixed liabilities was that long-term borrowings and differed tax liabilities decreased.

Shareholders' equity contained minority interests increased by 2,163 million yen to 116,166 million yen. In this section, earned surplus increased by 2,358 million yen to 3,694 million yen, and valuation differences of other securities decreased by 2,249 million yen to 23,314 millionyen.

As for cash flows for the interim period, net cash provided by operating activities was 7,984 million yen, net cash provided in investing activities was 7,146 million yen, and net cash used in financing activities was 23,946 million yen, and as a result, cash and cash equivalents was 41,160 million yen.

Net cash provided by operating activities mainly reflected interim net income before adjustment of taxes and depreciation and amortization. Net cash provided in investing activities reflected the proceeds from sellout of shares of subsidiary, and net cash used in financing activities mainly reflected the for commercial paper, long-term borrowings, and bonds.

(2) Trend of the cash flow indicators

	Fiscal Year ended March. 31, 2005	Six Months ended Sept. 30, 2005	Fiscal Year ended March. 31, 2006	Six Months ended Sept. 30, 2006
Shareholders' equity ratio (%)	32.9	33.8	33.2	35.7
Ratio of market value of shareholders' equity (%)	38.3	36.0	33.9	42.8
Debt redemption (years)	7.1	-	21.1	-
Interest coverage ratio	10.3	3.1	4.6	8.6

Note: Shareholders' equity ratio = (Shareholders' equity – Minority interest / 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 shares).
- 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.

Consolidated Balance Sheets

(Unit: Millions of yen)

Account \ Period	Previous Interim Period (as of Sept. 30, 2005)		Current Interim Period (as of Sept. 30, 2006)		Previous Period (as of March 31, 2006)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(ASSETS)		%		%		%
Current Assets	126,547	42.0	142,652	44.6	145,863	43.1
Cash on hand and in banks	41,270		43,240		53,395	
Trade notes and accounts receivable	42,963		48,626		45,794	
Inventories	37,146		43,214		40,558	
Deferred tax assets	1,975		3,639		2,151	
Other current assets	3,510		4,382		4,320	
Allowance for doubtful accounts	(317)		(450)		(357)	
Fixed Assets	174,700	58.0	177,081	55.4	192,877	56.9
Tangible fixed assets	106,744	35.4	102,476	32.1	106,195	31.3
Buildings and structures	43,879		39,119		43,245	
Machinery, equipment and vehicles	27,717		29,585		26,955	
Land	23,131		18,408		23,079	
Construction in progress	6,946		10,717		8,210	
Others	5,068		4,644		4,704	
Intangible fixed assets	1,079	0.4	1,618	0.5	1,292	0.4
Consolidation adjustments	115		-		111	
Goodwill	-		260		-	
Others	964		1,358		1,180	
Investments and other assets	66,876	22.2	72,985	22.8	85,389	25.2
Investment securities	49,569		64,595		68,313	
Long-term loans receivable	2,375		1,393		2,405	
Deferred tax assets	605		508		431	
Lease deposits	11,392		6,158		11,003	
Other assets	3,580		3,494		4,021	
Allowance for doubtful accounts	(646)		(3,163)		(784)	
Total Assets	301,248	100.0	319,733	100.0	338,740	100.0

(Notes)

	(Previous Interim period)	(Current Interim Period)	(Previous Period)
1.Accumulated depreciation of tangible fixed assets	102,035 mil.yen	104,254 mil.yen	106,320 mil.yen
2.Discounted notes receivable	272 〃	51 〃	223 〃
3.Obligations under guarantee contracts	1,911 〃	1,366 〃	1,638 〃
4.Pledged assets	16,259 〃	16,672 〃	17,078 〃

Consolidated Balance Sheets

(Unit: Millions of yen)

Account \ Period	Previous Interim Period (as of Sept. 30, 2005)		Current Interim Period (as of Sept 30, 2006)		Previous Period (as of March 31, 2006)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(LIABILITIES)		%		%		%
Current liabilities	110,154	36.6	100,758	31.5	111,285	32.8
Trade notes and accounts payable	30,385		31,848		31,424	
Short-term borrowings	40,560		43,238		44,174	
Current portion of bonds	13,020		60		10,020	
Other payables	4,318		4,220		4,626	
Accrued income taxes	2,921		7,134		3,331	
Allowance for bonuses payable	1,871		2,733		1,606	
Allowance for enterprise liquidation loss	-		1,954		-	
Notes payable for plant and equipment	4,334		4,814		2,719	
Commercial paper	7,000		-		9,000	
Others	5,743		4,754		4,382	
Fixed liabilities	87,700	29.1	102,808	32.2	113,452	33.5
Bonds	16,040		31,480		31,030	
Convertible type bonds with shares acquisition rights	14,000		14,000		14,000	
Long-term borrowings	41,461		39,633		47,038	
Deferred tax liabilities	9,596		13,302		15,054	
Accrued pension and severance cost	3,160		2,783		2,978	
Other fixed liabilities	3,441		1,609		3,350	
Total liabilities	197,855	65.7	203,567	63.7	224,737	66.3
(MINORITY INTERESTS)						
Minority interests	1,602	0.5	-	-	1,612	0.5
(SHAREHOLDERS' EQUITY)						
Capital	28,663	9.5	-	-	28,663	8.5
Capital surplus	29,972	9.9	-	-	29,972	8.9
Earned surplus	33,083	11.0	-	-	34,545	10.2
Valuation differences of other securities	17,755	5.9	-	-	25,563	7.5
Foreign currency translation adjustments	(7,070)	(2.3)	-	-	(5,705)	(1.7)
Treasury shares	(614)	(0.2)	-	-	(648)	(0.2)
Total shareholders' equity	101,790	33.8	-	-	112,390	33.2
Total liabilities, minority interests, and shareholders' equity	301,248	100.0	-	-	338,740	100.0

Consolidated Balance Sheets

(Unit: Millions of yen)

Account / Period	Previous Interim Period (as of Sept. 30, 2005)		Current Interim Period (as of Sept 30, 2006)		Previous Period (as of March 31, 2006)	
	Amount	%	Amount	%	Amount	%
(NET ASSETS)						
Shareholders' equity	-	-	94,838	29.7	-	-
Capital	-	-	28,663	9.0	-	-
Capital surplus	-	-	29,972	9.4	-	-
Earned surplus	-	-	36,904	11.5	-	-
Treasury shares	-	-	(701)	(0.2)	-	-
Valuation and translation differences	-	-	19,199	6.0	-	-
Valuation differences of other securities	-	-	23,314	7.3	-	-
Foreign currency translation adjustments	-	-	(4,114)	(1.3)	-	-
Minority interests	-	-	2,128	0.6	-	-
Total net assets	-	-	116,166	36.3	-	-
Total liabilities and net assets	-	-	319,733	100.0	-	-

(Notes)

	(Previous Interim period)	(Current Interim period)	(Previous Period)
5. Number of treasury shares			
Common share	329,375 shares	375,315 shares	349,589shares

Consolidated Statements of Income

(Unit: Millions of yen)

Account \ Period	Previous Interim Period (From April 1, 2005 To September 30, 2005)		Current Interim Period (From April 1, 2006 To September 30, 2006)		Previous Period (From April 1, 2005 To March 31, 2006)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Net sales	101,952	100.0	100,280	100.0	206,801	100.0
Cost of goods sold	73,729	72.3	72,443	72.2	149,971	72.5
Gross profit	28,222	27.7	27,836	27.8	56,829	27.5
Selling, general and administrative expenses	22,026	21.6	21,896	21.9	44,497	21.5
Operating income	6,195	6.1	5,940	5.9	12,331	6.0
Non-operating income	1,277	1.2	657	0.7	2,705	1.3
Interest income	78		133		179	
Dividend income	246		295		508	
Exchange gain	641		-		1,475	
Others	312		227		541	
Non-operating expenses	1,266	1.2	1,727	1.7	2,808	1.4
Interest expenses	769		830		1,552	
Exchange loss	-		0		-	
Depreciation and amortization	-		204		-	
Equity in loss of affiliate	319		356		702	
Others	177		336		553	
Recurring income	6,206	6.1	4,869	4.9	12,228	5.9
Extraordinary gains	112	0.1	9,625	9.6	201	0.1
Gain on sale of fixed assets	12		18		112	
Reversion of allowance for bonuses	53		-		-	
Governmental subsidies received	19		-		19	
Gain on sale of investment securities	17		9,576		15	
Others	9		29		54	
Extraordinary losses	2,436	2.4	6,571	6.6	3,369	1.6
Loss on sale and disposal of fixed assets	176		219		497	
Impairment loss on fixed assets	1,920		1,286		1,997	
Transfer to allowance for enterprise liquidation loss	-		1,954		-	
Loss on investment securities	-		268		-	
Loss on disposal of inventories	45		100		195	
Abnormal manufacturing cost	98		134		158	
Retirement allowance	101		-		113	
Transfer to allowance for bad debt	-		2,306		0	
Others	93		300		407	
Net income before adjustment of taxes	3,882	3.8	7,923	7.9	9,060	4.4
Corporate, inhabitants and enterprise taxes	2,645	2.6	6,573	6.6	5,240	2.5
Adjustment for deferred taxes	(673)	(0.7)	(2,656)	(2.7)	(540)	(0.2)
Minority shareholders' share in net loss of consolidated subsidiaries	124	0.1	10	0.0	151	0.1
Net income	2,034	2.0	4,016	4.0	4,512	2.2

Consolidated Statements of Surplus

(Unit: Millions of yen)

Account \ Period	Previous Interim Period (From April 1, 2005 To Sept.30 2005)	Current Interim Period (From April 1, 2006 To Sept. 30,2006)
	Amount	Amount
(CAPITAL SURPLUS)		
Beginning balance of capital surplus	29,972	29,972
Ending balance of capital surplus	29,972	29,972
(EARNED SURPLUS)		
Beginning balance of earned surplus	32,181	32,181
Increase in earned surplus	2,034	4,512
Net income	2,034	4,512
Decrease in earned surplus	1,132	2,148
Dividends	826	1,843
Bonuses to directors and corporate auditors	107	107
[including bonuses to corporate auditors]	[3]	[3]
Loss on disposal of treasury shares	-	0
Decrease in surplus due to inclusion of new subsidiary in consolidation	198	197
Ending balance of earned surplus	33,083	34,545

Consolidated Statement of Shareholders' Equity

Current Interim Period (From April 1, 2006 to Sept. 30, 2006) (Unit: Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Earned surplus	Treasury shares	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	-	-	(1,365)	-	(1,365)
Bonuses to directors and corporate auditors	-	-	(91)	-	(91)
Net (Interim) income	-	-	4,016	-	4,016
Acquisition of treasury shares	-	-	-	(56)	(56)
Disposal of treasury shares	-	0	-	3	4
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	-	0	2,358	(52)	2,306
Balance at Sept. 30, 2006	28,663	29,972	36,904	(701)	94,838

	Valuation and translation differences			Minority interests	Total assets
	Valuation differences 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	-	-	-	-	(1,365)
Bonuses to directors and corporate auditors	-	-	-	-	(91)
Net (Interim) income	-	-	-	-	4,016
Acquisition of treasury shares	-	-	-	-	(56)
Disposal of treasury shares	-	-	-	-	4
Decrease in earned surplus due to addition of consolidated subsidiaries	-	-	-	-	(201)
Increase (decrease) of the items other than shareholders' equity during the period	(2,249)	1,590	(659)	515	(143)
Net increase (decrease) during the period	(2,249)	1,590	(659)	515	2,163
Balance at Sept. 30, 2006	23,314	(4,114)	19,199	2,128	116,166

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

Account \ Period	Previous Interim Period (From April 1, 2005 To Sept.30, 2005)	Current Interim Period (From April 1, 2006 To Sept 30, 2006)	Previous Period (From April 1, 2005 To March 31, 2006)
	Amount	Amount	Amount
Cash flows from operating activities			
Net income before adjustment for taxes	3,882	7,923	9,060
Depreciation and amortization	5,589	5,855	12,315
Impairment loss on fixed assets	1,920	1,286	1,997
Amortization of consolidation adjustments	14	-	27
Amortization of goodwill	-	100	-
Equity in loss of affiliate	319	356	702
Transfer to allowance for doubtful accounts	-	2,306	-
Transfer to allowance for enterprise liquidation loss	-	1,954	-
Increase (decrease) in allowance for doubtful accounts	(18)	97	131
Interest and dividend income	(324)	(429)	(688)
Interest expenses	769	830	1,552
Exchange loss (gain)	(526)	79	(1,377)
Profit on sale of subsidiaries' shares	-	(9,576)	-
Decrease (increase) in trade receivables	(2,389)	(1,488)	(4,893)
Decrease (increase) in inventories	(2,842)	(2,657)	(5,754)
Increase (decrease) in trade payables	604	1,776	1,118
Decrease (increase) in other assets	(446)	247	(1,371)
Increase (decrease) in other liabilities	(790)	1,352	(599)
Bonuses to directors and corporate auditors	(107)	(96)	(107)
Other non-operating income/expenses and extraordinary gains/losses	83	773	514
Subtotal	5,738	10,692	12,628
Interest and dividends received	284	396	702
Interest paid	(760)	(923)	(1,467)
Other revenues	411	658	1,103
Other expenditures	(146)	(182)	(597)
Income taxes paid	(3,136)	(2,658)	(5,667)
Cash flows from operating activities	2,391	7,984	6,701
Cash flows from investing activities			
Deposits in time deposits	(2,951)	(1,081)	(5,067)
Proceeds from matured time deposits	1,660	2,642	4,244
Payments for purchases of securities	(420)	(90)	(9,504)
Proceeds from sales of securities	58	24	3,125
Payments for acquisition of new consolidated subsidiary	(26)	(517)	(26)
Proceeds for acquisition of new consolidated subsidiary	-	15,264	-
Payments for acquisition of fixed assets	(11,566)	(8,669)	(20,359)
Proceeds from sales of fixed assets	171	90	375
Increase(decrease) in short-term borrowings	-	(539)	-
Lending of loans	(0)	-	(1,421)
Collections of loans receivable	34	33	1,144
Expenditures for other investments	(66)	(50)	(67)
Revenues from other investments	-	40	0
Cash flows from investing activities	(13,106)	7,146	(27,555)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(32)	2,389	2,888
Net increase (decrease) in commercial paper	-	(9,000)	2,000
Proceeds from long-term borrowings	300	930	13,384
Repayment of long-term borrowings	(5,424)	(6,665)	(12,260)
Proceeds from issuance of bonds	-	-	14,922
Payments for redemption of bonds	(10)	(10,030)	(3,020)
Proceeds from disposal of treasury shares	-	4	1
Payments for acquisitions of treasury shares	(27)	(56)	(63)
Proceeds for sale and lease back	69	-	69
Repayments of finance lease obligations	(187)	(152)	(356)
Payments for dividends	(826)	(1,365)	(1,840)
Other expenditures	-	(0)	(11)
Cash flows from financing activities	(6,138)	(23,946)	15,712
Effect of exchange rate changes on cash and cash equivalents	437	(15)	1,180
Increase (decrease) in cash and cash equivalents	(16,415)	(8,831)	(3,961)
Balance of cash and cash equivalents at the beginning of the period	53,734	49,914	53,734
Increase in cash and cash equivalents due to inclusion of new subsidiary in consolidation	141	77	141
Balance of cash and cash equivalents at the end of the period	37,460	41,160	49,914

Basis of Preparation for the Consolidated Financial Statements

1. Scope of Consolidation
   1) Consolidated subsidiaries: 21
      - Nipro Medical Industries, Ltd.
      - Nipro Europe N.V.
      - Nipro Pharma Corporation
      - Nissho Drug Co., Ltd.
      - Nipro (Thailand) Corporation Ltd.
      - Nipro Medical Corporation
      - Tohoku Nipro Pharmaceutical Corporation

      Nipro Asia Pte. Ltd. was included in consolidation due to Increase of its importance, Nipro Middle East Free Zone Establishment was due to new foundation, and Zensei Pharmaceutical Industries Co., Ltd. was due to the company's acquisition of the shares.

      And due to transfer all shares on July 31, 2006, Profit and Loss Statement ending same date of Nissho Corporation was consolidated, and removed from consolidation at the end of current interim consolidated accounting period.

   2) Unconsolidated subsidiaries: 3

      The unconsolidated subsidiaries, Nissho Insurance Services Co., Ltd., Nipro Trading (Shanghai) Co., Ltd., and Washu 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, overseas subsidiaries close their interim accounts on June 30. Interim financial statements as of that date are used in preparing for consolidated interim financial statements, and necessary adjustments are made to reflect significant transactions that occurred between June 30 and September 30.

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

c. Allowance for enterprise liquidation loss ·································· In order to cover the loss on disposal of fixed asset etc. that arise from scheduled enterprise liquidation, an allowance for enterprise liquidation loss is provided for the estimated amount of loss.

d. Accrued pension and severance cost················· An allowance is provided for employees pension and severance payments based on the estimated amounts of projected benefit obligation and plan assets at the end of the fiscal year.

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

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

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

5) Accounting method for lease transactions

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

6) Accounting processing for matured bill on last day of interim consolidated period

Matured bill on last day of Interim 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 interim consolidated period was included in follow account.

Trade notes receivable	905 mil. yen
Trade notes payable	581 mil. yen

7) Other significant basis on preparation for consolidated financial statements

Consumption taxes are excluded from revenues and expenses accounts.

5. Range of cash and cash equivalent carried on the consolidated interim 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)

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 correspond to existing total "Shareholders' Equity" is 114,037 million yen.

Due to revision of Regulations for interim Consolidated Financial Statement, interim Consolidated Financial Statement at current interim consolidated accounting period was prepared in accordance with the revised Regulations for interim Consolidated Financial Statement.

(Notes to the Interim Financial Statements)

Loss on Impairment of Fixed Assets

We, the Nipro group, recognized impairment loss on the following assets in this interim 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, and marginal assets were evaluated based 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 Interim Statement of Shareholders' Equity)

Current Interim Period(From April 1, 2006 to Sept. 30, 2006)

1. Total number and class of outstanding shares

Class of shares	Number of shares in previous period	Number of shares increased in current interim period	Number of shares decreased in current interim period	Number of shares in current period
Common share	63,878,505 shares	- shares	- shares	63,878,505 shares

2. Number and class of treasury shares

Class of shares	Number of shares in previous period	Number of shares increased in current interim period	Number of shares decreased in current interim period	Number of shares in current period
Common share	349,589 shares	27,721 shares	1,995 shares	375,315 shares

(notes)

1. Number of shares increased in current interim period is due to purchase of odd lot.
2. Number of shares decreased in current interim period is due to sales of odd lot.

3. Dividend

1) Dividend paid

Date of decision	Class of shares	Total dividend paid	Dividend paid per share	Record date	Actual date
29 June, 2006 Ordinary general meeting of shareholders	Common share	1,365 mil. yen	21.50 yen	March 31, 2006	June 30, 2006

2) Dividend that actual date of dividend is after current interim consolidated accounting period in dividend that record date of dividend is in current interim consolidated accounting period.

Date of decision	Class of shares	Resource of dividend	Total dividend paid	Dividend paid per share	Record date	Actual date
20 November, 2006 Board of directors	Common share	Earned surplus	2,730 mil. yen	43.00 yen	September 30, 2006	December 8, 2006

(Lease Transactions)

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

	Previous interim period	Current interim period	Previous period
Acquisition price equivalent	4,474 mil.yen	3,680 mil.yen	4,498 mil.yen
Accumulated depreciation equivalent	3,018 〃	2,468 〃	3,220 〃
Book value equivalent	1,455 〃	1,212 〃	1,277 〃
Lease commitments			
Due within one year	629 mil.yen	574 mil.yen	545 mil.yen
Due after over one year	823 〃	851 〃	653 〃
Total	1,453 〃	1,425 〃	1,198 〃
Lease payments	570 mil.yen	355 mil.yen	940 mil.yen
Depreciation equivalent	444 mil.yen	274 mil.yen	757 mil.yen
Interest expense equivalent	39 mil.yen	35 mil.yen	65 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.

(Segment information)

1. Segment information by business category

(1)Previous Interim period (From April 1, 2005, to September 30, 2005) (Unit: 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	44,745	16,138	5,771	34,670	627	101,952	-	101,952
(2) Inter-segment sales and transfers	-	-	1,585	15	255	1,856	(1,856)	-
Total	44,745	16,138	7,356	34,685	882	103,808	(1,856)	101,952
Operating expenses	37,885	15,180	6,572	34,552	533	94,724	1,032	95,756
Operating income	6,860	958	783	133	348	9,084	(2,888)	6,195

(2) Current Interim period (From April 1, 2006 to September 30, 2006) (Unit: 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	45,897	20,331	7,021	26,428	601	100,280	-	100,280
(2) Inter-segment sales and transfers	3	-	1,645	-	188	1,837	(1,837)	-
Total	45,901	20,331	8,666	26,428	789	102,117	(1,837)	100,280
Operating expenses	38,996	18,880	7,699	26,193	648	92,418	1,921	94,339
Operating income	6,905	1,450	966	234	140	9,698	(3,758)	5,940

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

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
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 six months ended September 30, 2006, 2005 and the year ended March 31, 2006 included unallocated corporate costs of 3,758 million yen, 2,888 million yen, and 6,151 million yen respectively. The unallocated corporate costs consisted primarily of the parent company’s research and development cost and headquarters’ administrative expenses.

2. Segment information by geographical area

(1) Previous Interim period (From April 1, 2005 to September 30, 2005) (Unit: Millions of yen)

	Japan	America	Europe	Asia	Total	Eliminations /Corporate	Consolidated
1. Net sales and operating income Net sales							
(1) Sales to third parties	91,072	7,220	2,904	755	101,952	-	101,952
(2) Inter-segment sales and transfers	7,946	184	3	5,080	13,215	(13,215)	-
Total	99,019	7,404	2,907	5,835	115,167	(13,215)	101,952
Operating expenses	89,672	7,538	3,044	5,541	105,796	(10,039)	95,756
Operating income (loss)	9,347	(134)	(136)	294	9,371	(3,175)	6,195

(2) Current Interim period (From April 1, 2006 to September 30, 2006) (Unit: Millions of yen)

	Japan	America	Europe	Asia	Total	Eliminations /Corporate	Consolidated
1. Net sales and operating income Net sales							
(1) Sales to third parties	87,774	7,357	3,320	1,828	100,280	-	100,280
(2) Inter-segment sales and transfers	11,370	332	3	5,758	17,464	(17,464)	-
Total	99,144	7,689	3,323	7,586	117,744	(17,464)	100,280
Operating expenses	89,202	8,217	3,190	7,277	107,887	(13,547)	94,339
Operating income (loss)	9,942	(528)	133	309	9,857	(3,916)	5,940

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

Notes: 1. Operating expenses of “Eliminations and Corporate” for the six months ended September 30, 2006, 2005 and the year ended March 31, 2006 included unallocated corporate costs of 3,758 million yen, 2,888 million yen and 6,151 million yen respectively. The unallocated corporate costs consisted primarily of the parent company’s research and development costs and the headquarters administration costs.
2. Classification of countries or areas is based on geographical proximity.
3. 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 Interim period (From April 1, 2005 to September 30, 2005) (Unit: Millions of yen)

	America	Europe	Asia	Total
1. Overseas sales	14,208	6,763	2,864	23,836
2. Consolidated net sales				101,952
3. Percentage of overseas sales to consolidated net sales (%)	14.0%	6.6%	2.8%	23.4%

(2) Current Interim period (From April 1, 2006 to September 30, 2006) (Unit: Millions of yen)

	America	Europe	Asia	Total
1. Overseas sales	14,524	7,017	3,727	25,268
2. Consolidated net sales				100,280
3. Percentage of overseas sales to consolidated net sales (%)	14.5%	7.0%	3.7%	25.2%

(3) Previous period (From April 1, 2005 to March 31, 2006) (Unit: 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%

Notes: 1.Overseas sales represent those of the Company and the consolidated subsidiaries to countries and areas outside of Japan.
2.Classification of countries or areas is based on geographical proximity.
3.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

(Securities)

1. Other securities with market quotations

(Unit: Millions of yen)

	As of September 30, 2005			As of September 30, 2006			As of March 31, 2006		
	Acquisi-tion cost	Carrying value on consoli-dated B/S	Differ-ence	Acquisi-tion cost	Carrying value on consoli-dated B/S	Differ-Ence	Acquisi-tion cost	Carrying value on consoli-dated B/S	Differ-ence
Shares	12,079	40,479	28,400	21,113	59,466	38,352	21,157	62,675	41,517
Bonds	-	-	-	-	-	-	-	-	-
Others	81	88	6	60	75	15	88	108	20
Total	12,160	40,567	28,406	21,174	59,541	38,367	21,246	62,783	41,537

(Note) No impairment loss was recorded for the other securities with market quotations for the both previous and current interim 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. Securities that do not have market quotations

(Unit: Millions of yen)

	Carrying value on Consolidated Balance Sheet As of Sept. 30, 2005	Carrying value on Consolidated Balance Sheet As of Sept. 30, 2006	Carrying value on Consolidated Balance Sheet As of March 31, 2006
Other securities			
Unlisted shares (excluding those traded on the over-the-counter market)	4,525	1,236	1,435
Shares of subsidiaries and affiliates			
Shares of unconsolidated subsidiaries	113	192	113
Shares of affiliated companies	4,364	3,624	3,980
Total	9,002	5,053	5,529

(Derivative Transactions)

N/A

(Shares Option)

N/A

Production, Orders received and Sales

1. Production

(1) Previous Interim Period (From April. 1, 2005 To September, 30, 2005)

(Unit: Millions of yen)

Business segment	Amount produced	Ratio of change from the previous period (%)
Medical Equipment	32,313	11.3
Pharmaceutical	16,470	29.8
Glass & Materials	1,675	(7.6)
Other	218	(42.8)
Total	50,677	15.4

(2) Current Interim Period (From April 1, 2006 To September 30, 2006)

(Unit: Millions of yen)

Business segment	Amount produced	Ratio of change from the previous period (%)
Medical Equipment	30,303	(6.2)
Pharmaceutical	20,012	21.5
Glass & Materials	1,742	4.0
Other	386	76.8
Total	52,444	3.5

(3) Previous Period (From April 1, 2006 To March 31, 2006)

(Unit: Millions of yen)

Business segment	Amount produced	Ratio of change from the previous period (%)
Medical Equipment	65,453	11.1
Pharmaceutical	35,867	40.8
Glass & Materials	3,415	(6.9)
Other	912	84.9
Total	105,649	19.3

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

(1) Previous Interim Period (From April 1, 2005 To September 30, 2005)

(Unit: Millions of yen)

Business segment	Sales Amount	Ratio of change from the previous period (%)
Medical Equipment	44,745	9.6
Pharmaceutical	16,138	24.0
Glass & Materials	5,771	3.3
Store	34,670	(2.9)
Other	627	20.0
Total	101,952	6.6

(2) Current Interim Period (From April 1, 2006 To September 30, 2006)

(Unit: Millions of yen)

Business segment	Sales Amount	Ratio of change from the previous period (%)
Medical Equipment	45,897	2.6
Pharmaceutical	20,331	26.0
Glass & Materials	7,021	21.7
Store	26,428	(23.8)
Other	601	(4.1)
Total	100,280	(1.6)

(3) Previous Period (From April 1, 2005 To March 31, 2006)

(Unit: Millions of yen)

Business segment	Sales Amount	Ratio of change from the previous period (%)
Medical Equipment	90,868	10.1
Pharmaceutical	35,219	34.4
Glass & Materials	11,933	2.3
Store	67,261	(5.1)
Other	1,518	37.9
Total	206,801	7.5

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

(Important Subsequent Events)

We concluded share transfer agreement regarding transfer of shares of Nissho Drug Co., Ltd. which was our consolidated subsidiary with Kirindo Co., Ltd.

1. Reason of share transfer

Nissho Drug Co., Ltd. is our consolidated subsidiary which manages drugstore and drug shop mainly in Hanshin region and has expanded to having 91 stores now by active opening new store recently. However, under the circumstances that foray of major competitors based in Kanto region or Tyubu region into Kansai region has being accelerating, Nissho Drug Co., Ltd. based in Kansai region was facing the necessity to consider the style of business in future.

While, we transferred shares of a subsidiary, Nissho Corporation, which manage food supermarket business to Hankyu Department Stares Inc. on July, 2006 and clearly intended to concentrate more management resources on medical and pharmaceutical business which is our core business.

Considering this policy, we decided it's better that store development of Nissho drug Co., Ltd. is carried out under pure drugstore company. So, the result of consultation with Kirindo Co., Ltd. which want to reinforce sales and achieve dominance in Kansai region, we concluded share transfer agreement.

2. Corporate date of subsidiary transferring its shares.

1) Business name	Nissho Drug Co., Ltd.
2) Description of business	Sales of drugs and medicines, cosmetics, miscellaneous daily goods.

3. Corporate data of company transferring shares to.

1) Business name	Kirindo Co., Ltd.
2) Description of business	retail of drugs and medicines, health foods, cosmetics, nursery items, miscellaneous goods.

4. Number of shares transferred, amount of shares transferred, and status of ownership of shares before or after transfer.

1) Ownership of shares before transfer	600 shares	(rate of ownership 72.4%)
2) Number of shares transferred	600 shares	
3) Ownership of shares after transfer	- shares	
4) Amount of shares transferred	5,289 mil. yen	(rate of ownership -%)

5. Expected date of share transfer

December 15, 2006

Summary of Non-consolidated Financial Statements

November 20, 2006

For the Six-Month Period ended September 30, 2006 (Fiscal Year Ending March 31,2007)

Company name: **NIPRO CORPORATION** Shares 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 Corporative Planning Division TEL (06) 6372-2331
Date of the meeting of the Board of Directors for approval of the financial statements: November 20, 2006
Interim dividend plan: Adopted
Scheduled date to commence payment of dividends: December 8, 2006
Unit share system: Adopted (1,000 shares/unit)

1. Interim results for the year ending March 31, 2006 (From April 1, 2006 to September 30, 2006)

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

	Net Sales		Operating Income		Recurring Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Sep.30, 2006	62,134	8.0	4,615	(17.6)	4,802	(19.5)
Six months ended Sep.30, 2005	57,536	7.0	5,599	24.5	5,963	28.7
Year ended March 31, 2006	116,950		10,563		11,492	

	Net Income		Earnings per Share
	Millions of yen	%	Yen
Six months ended Sep.30, 2006	5,465	167.9	86.04
Six months ended Sep.30, 2005	2,039	(37.4)	32.09
Year ended March 31, 2006	4,962		76.67

Notes: 1. The weighted average number of shares outstanding for the period:
Six months ended September.30, 2006: 63,519,183 shares Six months ended September.30, 2005: 63,559,272 shares
Year ended March 31, 2006: 63,548,846 shares
2. Change in accounting method: Adopted
3. Percentages in the above table for Net Sales, Operating Income, Recurring Income and Net Income represent changes from the previous interim period.

(2) Financial Position

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Six months ended Sep.30, 2006	284,700	125,376	44.0	1,974.34
Six months ended Sep.30, 2005	260,931	114,094	43.7	1,795.38
Year ended March 31, 2006	298,767	122,981	41.2	1,934.42

Notes: 1. The number of outstanding shares at the end of the period:
Six months ended September 3, 2006: 63,503,190 shares Six months ended September 30, 2005: 63,549,130 shares
Year ended March 31, 2006: 63,528,916 shares
2. The number of treasury shares at the end of the period:
Six months ended September 30, 2006: 375,315 shares Six months ended September 30,2005: 329,375 shares
Year ended March 31, 2006: 349,589 shares

2. Projections for the Results of the Year ending March 31, 2007 (From April 1, 2006 to March 31, 2007)

	Net Sales	Recurring Income	Net Income
	Millions of yen	Millions of yen	Millions of yen
Year ending March 31, 2007	122,000	9,600	10,000

(Reference) Projected earnings per share for the year ending March 31, 2007: 157.47 yen

3. Dividends

･Dividends by cash	Dividends per share (Yen)		
	Interim dividends per share	Year-end dividends per share	Annual dividends per share
Year ended March 31, 2006	16.00	21.50	37.50
Year ending march 31, 2007(actual)	43.00	-- . --	78.50
Year ending march 31, 2007(projection)	-- . --	35.50	

* The projections shown above are prepared based on information available as of the issuing date of this report. The actual results may differ from the projected figures due to various factors. Concerning the matters related to the above projections, please refer to the Page 7.

Balance Sheets

(Unit: Millions of yen)

Account \ Period	Previous Interim Period (as of Sept. 30, 2005) Amount	Ratio	Current Interim Period (as of Sept 30, 2006) Amount	Ratio	Previous Period (as of March 31, 2006) Amount	Ratio
(ASSETS)		%		%		%
Current Assets	92,470	35.4	106,427	37.4	108,351	36.3
Cash on hand and in banks	28,579		32,187		39,719	
Trade notes receivable	13,112		13,480		12,621	
Accounts receivable	28,726		34,085		31,994	
Merchandise and finished products	17,063		20,644		19,937	
Deferred tax assets	712		2,281		769	
Other current assets	4,280		3,783		3,316	
Allowance for doubtful accounts	(5)		(36)		(5)	
Fixed Assets	168,460	64.6	178,272	62.6	190,415	63.7
Tangible fixed assets	34,209	13.1	36,182	12.7	33,433	11.2
Buildings	10,417		10,207		9,970	
Machinery	8,282		10,787		7,709	
Land	10,946		10,885		10,885	
Other tangible fixed assets	4,562		4,301		4,868	
Intangible fixed assets	219	0.1	257	0.1	214	0.1
Investments and other assets	134,031	51.4	141,832	49.8	156,768	52.4
Investment securities	41,669		56,636		59,439	
Shares of related companies	56,295		49,816		57,307	
Investments other than shares in related companies	9,938		8,537		9,938	
Long-term loans receivable	417		358		382	
Long-term loans receivable from subsidiaries	19,239		22,929		23,039	
Other assets	6,856		6,924		7,180	
Allowance for doubtful accounts	(387)		(2,738)		(521)	
Allowance for investment loss	-		(631)		-	
Total Assets	260,931	100.0	284,700	100.0	298,767	100.0

Balance Sheets

(Unit: Millions of yen)

Account \ Period	Previous Interim Period (as of Sept. 30, 2005)		Current Interim Period (as of Sept. 30, 2006)		Previous Period (as of March 31, 2006)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(LIABILITIES)		%		%		%
Current liabilities	83,079	31.9	74,933	26.3	85,756	28.7
Trade notes payable	15,592		16,269		16,433	
Trade accounts payable	10,751		13,568		12,592	
Short-term borrowings	27,627		27,913		29,748	
Current portion of bonds	13,000		-		10,000	
Accrued income taxes, etc	2,420		6,420		2,650	
Accrued bonuses	1,061		1,928		822	
Allowance for enterprise liquidation loss	-		1,954		-	
Commercial paper	7,000		-		9,000	
Other current liabilities	5,626		6,879		4,511	
Fixed liabilities	63,756	24.4	84,389	29.7	90,029	30.1
Bonds	16,000		31,000		31,000	
Convertible-bond-type bonds with shares acquisition rights	14,000		14,000		14,000	
Long-term borrowings	22,904		25,810		29,424	
Deferred tax liabilities	7,936		10,688		12,763	
Accrued pension and severance cost	1,883		1,686		1,771	
Lease deposits received	1,031		1,204		1,069	
Total liabilities	146,836	56.3	159,323	56.0	175,786	58.8
(SHAREHOLDERS' EQUITY)						
Capital	28,663	11.0	-	-	28,663	9.6
Capital surplus	29,972	11.5	-	-	29,972	10.1
Capital reserve	29,972		-		29,972	
Earned surplus	40,902	15.7	-	-	42,808	14.3
Revenue reserve	1,196		-		1,196	
Voluntary reserves	37,296		-		37,296	
Undivided retained interim earnings	2,410		-		4,315	
Valuation differences of other securities	15,170	5.8	-	-	22,186	7.4
Treasury shares	(614)	(0.3)	-	-	(648)	(0.2)
Total shareholders' equity	114,094	43.7	-	-	122,981	41.2
Total liabilities and shareholders' equity	260,931	100.0	-	-	298,767	100.0

Balance Sheets

(Unit: Millions of yen)

Period / Account	Previous Interim Period (as of Sept. 30, 2005)		Current Interim Period (as of Sept. 30, 2006)		Previous Period (as of March 31, 2006)	
	Amount	%	Amount	%	Amount	%
(NET ASSETS)						
Shareholders' equity	-	-	104,751	36.8	-	-
Capital	-	-	28,663	10.1	-	-
Capital surplus	-	-	29,972	10.5	-	-
Capital surplus			29,972			
Other capital surplus			0			
Earned surplus	-	-	46,817	16.4	-	-
Earned surplus			1,196			
Other earned surplus						
Dividend reserve			16			
Special depreciation reserve			83			
Other reserve			39,735			
Earned surplus carried forward			5,786			
Treasury shares	-	-	(701)	(0.2)	-	-
Valuation and translation differences	-	-	20,625	7.2	-	-
Valuation differences of other securities	-	-	20,625	7.2	-	-
Total net assets	-	-	125,376	44.0	-	-
Total liabilities and net assets	-	-	284,700	100.0	-	-

Statements of Income

(Unit: Millions of yen)

Account \ Period	Previous Interim Period (From April 1, 2005 To Sept. 30, 2005)		Current Interim Period (From April 1, 2006 To Sept. 30, 2006)		Current Period (From April 1, 2005 To March 31, 2006)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Net sales	57,536	100.0	62,134	100.0	116,950	100.0
Cost of goods sold	42,904	74.6	47,266	76.1	87,751	75.0
Gross profit	14,632	25.4	14,867	23.9	29,199	25.0
Selling, general and administrative expenses	9,033	15.7	10,252	16.5	18,636	16.0
Operating income	5,599	9.7	4,615	7.4	10,563	9.0
Non-operating income	986	1.7	803	1.3	2,185	1.9
Interest income	182		271		404	
Dividend income	237		284		484	
Exchange gain	389		210		1,053	
Others	177		38		242	
Non-operating expenses	621	1.0	616	1.0	1,256	1.1
Interest expenses	209		242		426	
Interest on bonds	353		354		716	
Others	58		19		113	
Recurring income	5,963	10.4	4,802	7.7	11,492	9.8
Extraordinary gains	39	0.1	10,495	16.9	133	0.1
Gain on sale of fixed assets	10		5		100	
Gain on sale of investment securities	10		-		10	
Gain on sale of shares of affiliated company	-		10,478		-	
Governmental subsidies	19		-		19	
Others	-		11		3	
Extraordinary losses	2,691	4.7	6,250	10.0	3,270	2.8
Loss on sale and disposal of fixed assets	19		63		368	
Impairment loss on fixed assets	1,779		384		1,779	
Transfer to allowance for enterprise liquidation loss	-		1,954		-	
Loss on investment securities	-		268		-	
Loss on devaluation of investment in affiliated company	851		700		851	
Transfer to allowance for investment loss in affiliated company	-		631		-	
Transfer to allowance for bad debt	-		2,200		-	
Others	41		47		272	
Net income before income taxes	3,311	5.8	9,047	14.6	8,354	7.1
Corporate, inhabitants and enterprise taxes	2,275	4.0	6,106	9.8	4,400	3.8
Adjustment for deferred taxes	(1,003)	(1.7)	(2,524)	(4.0)	(1,008)	(0.9)
Net income	2,039	3.5	5,465	8.8	4,962	4.2
Retained earnings at the beginning of the period	370		-		370	
Loss on disposal of treasury shares	-		-		0	
Interim dividends	-		-		1,016	
Undivided retained earnings	2,410		-		4,315	

Statement of Shareholders' Equity

Current Interim Period(From April 1, 2006 to Sept. 30, 2006) (Unit:Millions of yen)

	Shareholders' equity											
	Capital	Capital surplus			Earned surplus						Treasury shares	Total shareholders' equity
					Earned surplus	Other earned surplus				Total earned surplus		
		Capital surplus	Other capital surplus	Total capital surplus		Dividend reserve	Special depreciation reserve	Other reserve	Earned surplus carried forward			
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									(1,365)	(1,365)		(1,365)
Bonuses to directors and corporate auditors									(89)	(89)		(89)
Net (Interim) income									5,465	5,465		5,465
Amount of reversal of special depreciation reserve							(61)		61			
Addition to other reserve								2,600	(2,600)			
Acquisition of treasury shares											(56)	(56)
Disposal of treasury shares			0	0							3	4
Increase (decrease) of the items other than shareholders' equity during the period												
Net increase (decrease) during the period	-	-	0	0	-	-	(61)	2,600	1,470	4,009	(52)	3,957
Balance at Sept. 30, 2006	28,663	29,972	0	29,972	1,196	16	83	39,735	5,786	46,817	(701)	104,751

	Valuation and translation differences		Total 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			(1,365)
Bonuses to directors and corporate auditors			(89)
Net (Interim) income			5,465
Amount of reversal of special depreciation reserve			-
Addition to other reserve			-
Acquisition of treasury shares			(56)
Disposal of treasury shares			4
Increase (decrease) of the items other than shareholders' equity during the period	(1,561)	(1,561)	(1,561)
Net increase (decrease) during the period	(1,561)	(1,561)	2,395
Balance at Sept. 30, 2006	20,625	20,625	125,376

Significant Accounting Principles

1. Valuation standards and methods for significant assets

(1) Valuation standards and methods for securities

Shares 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

2. 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).

3. 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 loss on investment in affiliated companies, an allowance for investment is provided for the amount required based on operating results and asset components of appropriate affiliated companies.

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

Allowance for enterprise Liquidation loss……In order to cover the loss on disposal of fixed asset etc. that arise from scheduled enterprise liquidation, an allowance for enterprise liquidation loss is provided for the estimated amount of loss.

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

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

4. Accounting method for lease transactions

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

5. Other significant basis on preparation for financial statements
Consumption taxes are excluded from revenues and expenses accounts.

(Change in Accounting Method)

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 125,376 million yen.

Due to revision of Regulations for interim Consolidated Financial Statement, interim Consolidated Financial Statement at current interim consolidated accounting period was prepared in accordance with the revised Regulations for interim Consolidated Financial Statement.

Notes to the Interim Financial Statements

(Balance Sheet)

	As of September 30, 2005	As of September 30, 2006	As of March 31, 2006
1. Accumulated depreciation of tangible fixed assets	48,257 mil.yen	49,143 mil.yen	48,085 mil.yen
2. Pledged assets			
Buildings	4,972 mil.yen	5,134 mil.yen	4,793 mil.yen
Land	2,685 〃	2,685 〃	2,685 〃
3. Obligations under guarantee contracts	13,912 mil.yen	8,675 mil.yen	14,216 mil.yen
4. Obligations as a co-surety	1,562 mil.yen	- mil.yen	1,458 mil.yen
5. Notes receivable discounted	25 mil.yen	32 mil.yen	24 mil.yen
6. Number of treasury shares	329,375 shares	375,315 shares	349,589 Shares

7. Accounting processing for matured bill on last day of interim consolidated period

Matured bill on last day of Interim 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 interim consolidated period was included in follow account.

Trade notes receivable	630 mil. yen
Trade notes payable	1,194 〃

(Statement of Income)

1. Amount of implementation of depreciation

	From April 1, 2005 To September 30, 2005	From April 1, 2006 To September 30, 2006	From April 1, 2005 To March 31, 2006
1. Amount of depreciation			
Tangible fixed assets	1,583 mil.yen	1,632 mil.yen	3,339 mil.yen
Intangible fixed assets	37 mil.yen	42 mil.yen	77 mil.yen

2. Impairment loss

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

Use	Type	Location	Amount of loss (Millions of yen)
Leased assets	Land & buildings, 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 which incurred consecutive operating losses was 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, and 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, and marginal assets were evaluated based 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.

(Statement of Shareholders'' Equity)

Current Interim Period(From April 1, 2006 to Sept. 30, 2006)

Number and class of treasury shares

Class of shares	Number of shares in previous period	Number of shares increased in current interim period	Number of shares decreased in current interim period	Number of shares in current period
Common share	349,589 shares	27,721 shares	1,995 shares	375,315 shares

(notes)1. Number of shares increased in current interim period is due to purchase of odd lot.

2. Number of shares decreased in current interim period is due to sales of odd lot.

(Securities)

As of September 30, 2006, 2005 and March 31, 2006 there was no shares issued by subsidiaries or affiliated companies that have market quotations.

(Lease Transactions)

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

	As of September 30, 2005	As of September 30, 2006	As of March 31,2006
Acquisition price equivalent	909 mil.yen	909 mil.yen	903 mil.yen
Accumulated depreciation equivalent	566 〃	611 〃	592 〃
Book value equivalent	343 〃	298 〃	310 〃

Lease commitments			
Due within one year	179 mil.yen	167 mil.yen	177 mil.yen
Due after over one year	286 〃	244 〃	262 〃
Total	466 〃	411 〃	439 〃

Lease payments	108 mil.yen	104 mil.yen	213 mil.yen
Depreciation equivalent	96 mil.yen	83 mil.yen	202 mil.yen
Interest expense equivalent	5 mil.yen	5 mil.yen	10 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.

Net Sales by Division and Proportion to the Total

(Millions of yen)

Period / Division	From April 1, 2004 To September 30, 2005		From April 1, 2005 To September 30, 2006		From April 1, 2005 To March 31, 2006	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Medical Equipment division	41,820	72.7	44,770	72.1	84,105	71.9
Pharmaceutical division	8,777	15.2	8,963	14.4	18,228	15.6
Glass & Materials division	5,979	10.4	7,481	12.0	12,426	10.6
Other	959	1.7	919	1.5	2,190	1.9
Total	57,536	100.0	62,134	100.0	116,950	100.0
[including Exports]	[20,686]	36.0	[23,958]	38.6	[42,105]	36.0

(Important Subsequent Events)

We concluded share transfer agreement regarding transfer of shares of Nissho Drug Co., Ltd. which was our consolidated subsidiary with Kirindo Co., Ltd.

1. Reason of share transfer

Nissho Drug Co., Ltd. is our consolidated subsidiary which manages drugstore and drug shop mainly in Hanshin region and has expanded to having 91 stores now by active opening new store recently. However, under the circumstances that foray of major competitors based in Kanto region or Tyubu region into Kansai region has being accelerating, Nissho Drug Co., Ltd. based in Kansai region was facing the necessity to consider the style of business in future.

While, we transferred shares of a subsidiary, Nissho Corporation, which manage food supermarket business to Hankyu Department Stares Inc. on July, 2006 and clearly intended to concentrate more management resources on medical and pharmaceutical business which is our core business.

Considering this policy, we decided it’s better that store development of Nissho drug Co., Ltd. is carried out under pure drugstore company. So, the result of consultation with Kirindo Co., Ltd. which want to reinforce sales and achieve dominance in Kansai region, we concluded share transfer agreement.

2. Corporate date of subsidiary transferring its shares.

1)	Business name	Nissho Drug Co., Ltd.
2)	Description of business	Sales of drugs and medicines, cosmetics, miscellaneous daily goods.

3. Corporate data of company transferring shares to.

1)	Business name	Kirindo Co., Ltd.
2)	Description of business	retail of drugs and medicines, health foods, cosmetics, nursery items, miscellaneous goods.

4. Number of shares transferred, amount of shares transferred, and status of ownership of shares before or after transfer.

1)	Ownership of shares before transfer	600 shares	(rate of ownership 72.4%)
2)	Number of shares transferred	600 shares	
3)	Ownership of shares after transfer	- shares	
4)	Amount of shares transferred	5,289 mil. yen	(rate of ownership -%)

5. Expected date of share transfer

December 15, 2006