Summary Report of Consolidated Financial Results

For the Three Months Period ended June 30, 2017

August 10, 2017
TSE-1st section

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Code No.8086
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Filing date of quarterly reporting: August 14, 2017
Payment date of cash dividends: -
Supplemental material on quarterly reporting: No
Presentation on quarterly results: No

(Note: Amounts are truncated to one million yen)

1. Consolidated Results for the Three Months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)

(1) Consolidated Results of Operations

(Note: Percentages represent changes compared with the same period of the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3 months ended June 30, 2017	93,552	5.0	6,148	(33.6)	6,241	185.6	4,242	—
3 months ended June 30, 2016	89,124	1.2	9,257	69.0	2,185	(62.7)	213	(94.5)

Note: Comprehensive income 3 months ended June 30, 2017: 10,352 million yen (- %) 3 months ended June 30, 2016: (14,509) million yen (-%)

	Earnings per share	Diluted Earnings per share
	Yen	Yen
3 months ended June 30, 2017	25.53	23.15
3 months ended June 30, 2016	1.26	1.14

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of June 30, 2017	762,951	183,159	22.7
As of March 31, 2017	752,839	176,408	22.1

Note: Equity June 30, 2017: 172,817 million yen March 31, 2017: 166,082 million yen

2. Dividends

	Annual Dividends per Year				
	First-quarter	Second-quarter	Third-quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March, 2017	-	7.50	-	21.50	29.00
Year ending March, 2018	-				
Year ending March, 2018 (Forecast)		17.50	-	20.00	37.50

Note: Revisions to the forecast of cash dividends in the current quarter: No

3. Forecast of Consolidated Financial Results for the Year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Note: Percentages for the full year and for the 2Q cumulative period represent changes compared with the previous fiscal year and the same quarter of the previous fiscal year, respectively.)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Earnings per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
6 months ending Sept. 30, 2017	191,500	7.8	14,000	(12.2)	12,900	93.7	8,100	177.1	48.75
Year ending March 31, 2018	392,500	9.1	31,500	9.5	29,100	25.6	18,000	58.6	108.33

Note: Revisions to the forecast of consolidated financial results in the current quarter: No

*Notes

(1) Change in Significant Subsidiaries during the Current Period: No

(Change in specified subsidiaries caused a change in the scope of consolidation)

Additional: 0 Removal: 0

(2) Adoption of Accounting Treatments Simplified or Unique for Preparation: No

(3) Change in Accounting Policies and Accounting Estimate and Restatement

[1] Changes in accounting policies by a newly issued accounting pronouncement: No

[2] Changes other than [1]: No

[3] Change in accounting estimate: No

[4] Restatement: No

(4) Issued Shares (Common stock)

[1] Number of issued shares at the end of the period (including treasury stock):

3 months ended June 30, 2017: 171,459,479 shares Year ended March 31, 2017: 171,459,479 shares

[2] Number of treasury stock at the end of the period:

3 months ended June 30, 2017: 5,258,111 shares Year ended March 31, 2017: 5,300,071 shares

[3] Average number of shares during the period:

3 months ended June 30, 2017: 166,173,181 shares 3 months ended June 30, 2016: 169,810,816 shares

Note: Number of the treasury stocks as of June 30, 2017 included 417,800 shares, and as of March 31, 2017 included 460,000 shares owned by Trust and Custody Service Bank, Ltd (Trust Account E).

*This quarterly summary report is exempt from quarterly review procedure based on the Financial Instruments and Exchanges Act.

*Disclaimer regarding projection information including appropriate use of forecasted financial result, 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 P.4 “1. Qualitative Information for the Three-Months Period Ended June 30, 2017 (3) Commentary on Forward-Looking Statements Including Forecast of Consolidated Financial Results” in the attachment.

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1. Qualitative Information for the Three-Months Period ended June 30, 2017

(1) Commentary on Business Results

The Japanese economy, during the first quarter of the consolidated cumulative period, saw a continuation of the gradual economic recovery as corporate earnings remained steady. While the global economy gradually recovered overall, the sense of uncertainty about the future deepened due to concerns over political trends in the United States and Europe, a slowdown in China and other developing economies, in addition to rising geopolitical risks around the globe. Even under these circumstances, the Nipro Group has made efforts to increase sales and cut production costs, and worked to improve business performance with the goal of realizing user wishes as soon as possible.

As a result, sales for the first quarter of the consolidated cumulative period increased YoY by 5.0% from the same period of the previous year to 93,552 million yen. As for profit, operating income decreased by 33.6% YoY to 6,148 million yen due to an increase in the cost of sales and other factors. Ordinary income rose 185.6% YoY to 6,241 million yen due to a decrease in exchange losses and other factors. Additionally, the first quarter profit attributable to owners of parent increased YoY by 1,885.4% to 4,242 million yen due to a decrease in corporate tax.

The overview of the results for the first quarter of the consolidated cumulative period by business segment is as follows.

(i) Medical-Related Business

In the Medical Sales Division, domestic sales of the Medical Sales Division remained solid in each category of injection-transfusion products, enteral-alimentation products, testing products, dialysis products, and cardiovascular products and cardiac surgery (CVS) products. Sales growth was particularly high for HDF filters (dialysis products), followed by drug eluting balloon catheter “SeQuent® Please” (cardiovascular products), and "SafeTouch® infusion system" (injection-transfusion products). The Pharmaceutical Sales Division, utilizing measures that promote generic drug usage, worked to further expand the market. Accordingly, sales were steady due to increased selection of existing products and increased sales of June 2017 addenda listing items. Through focusing on strengthening the CNS (central nervous system) field in particular from last year, we have worked towards further increasing our market share in addenda listing items. However, advance sales of authorized generic drugs (AG) and dozens of manufactures vying over single items have seen increasingly intense competition in the domestic market. Accordingly, we have continued to enhance our sales promotion activities aimed at dispensing pharmacies and DPC hospitals while, through further collaborations with pharmaceutical wholesalers, have worked to increase our market share in oral and external use drugs, as well as striving to provide even greater information on injectable drugs.

Meanwhile, in addition to expanded sales of mainstay dialysis products, such as dialyzers, and hospital products, overseas sales revenues significantly improved year on year, in part due to the depreciation of the yen. During this fiscal year, through the establishment of a new office and participation in public tenders, we will increase our presence in Cameroon and work towards expanding sales in Africa. Additionally, in India, a particular focus of ours, our locally-oriented and finely-tuned services that utilize the sales and service network of a total of 16 offices established across the entire country have been praised, and we have steadily acquired government tenders (PPP) for dialysis related products. We will continue to actively strengthen overseas sales networks and bolster direct sales, working to enhance customer satisfaction to expand sales by quickly responding to front-line needs.

For our new overseas manufacturing facilities (India, Indonesia, Bangladesh and Hefei/China), dialyzer production lines were expanded in our factories in India and Hefei/China, and in our factory in Indonesia we worked to increase the production of syringes and blood tubing sets. In addition, in March 2017 we obtained approval to establish a new medical device manufacturing facility on the outskirts of Ho Chi Minh City in Vietnam.

As a result, net sales of this business increased 6.6% YoY to 69,337 million yen.

(ii) Pharmaceutical-Related Business

In the Pharmaceutical-Related Business, we have worked toward providing a diverse and detailed wide array of contract services. In addition to the existing comprehensive contract manufacturing of oral, injection and external use drug formulations, we have endeavored to provide contract development services from the formulation design stage of such formulations, and in particular the contract development for injection drugs that leverages our strength in being able to develop and supply packaging such as vials, syringes and bags. Furthermore, we provided support for lifecycle management that aims to enhance added value and differentiate products. Moreover, net sales were robust as a result of our focus on expanding contract manufacturing for dedicated biopharmaceutical lines and lines at manufacturing plants for highly physiologically active pharmaceuticals, and further increased production volumes at overseas production facilities.

Sales of pharmaceutical containers and devices for the preparation and administration of pharmaceuticals were favorable as we provided containers and administration systems suitable to each pharmaceutical product through self-development or joint development with pharmaceutical manufacturers, answering the diverse needs of the medical community for small-volume bags, pre-filled syringes (plastic and glass), etc., in addition to rubber stoppers for vaccine use and containers for kit products.

Furthermore, under the government's policy to reduce medical expenses, we have worked with pharmaceutical manufacturers in Japan and abroad on the comprehensive lifecycle management of pharmaceutical products, taking into consideration future combination products (collaborations with our own pharmaceutical products and medical devices), the systemization of self-injection, and changes to formulations and routes of administration.

As a result, net sales of this business increased 10.3% from the previous year to 17,742 million yen.

(iii) PharmaPackaging Business

In the PharmaPackaging Business, in addition to our existing products, we have developed our academic technical sales activities, such as participating in academic conferences, towards capturing the needs of our globalizing customers and new demand. In addition, we have promoted new products and technology development in Japan and abroad that respond to the needs for continuously high-quality injectable formulations and filling processes.

In the domestic market, while sales of thermos bottles, pre-filled syringes (D-PFS) steadily increased, sales of tube glass temporarily slowed down as a result of impacts from overseas markets and production adjustments. From the current quarter period under review, the Business Development Department began in earnest. The Division is responsible for enhancing profitability and increasing market share through improved brand value while enhancing product competitiveness by the planning, design, development and commercialization of products that reflect the needs of our customers, and has worked to attract new customers and strengthen sales. For vials and prefilled syringes, we are focusing on the sales of competitive products by collaborating with the Pharmaceutical-Related Business. At the Biwako Plant, while we continued to exhaustively improve the quality and optimize the manufacturing environment by proceeding with the introduction of new equipment, aiming to ship products from our medical rubber stoppers plant in fiscal 2019 (fiscal year ending March 31, 2019) we are steadily carrying out product and equipment validations in order to contribute to increasing sales.

Looking at the overseas department, along with a recovery in the Chinese market, ampoules and vials were favorable, and sales grew YoY. Meanwhile, in the United States and Europe, we faced difficulties from the second half of last year as pharmaceutical companies reduced inventories due to the sense of uncertainty about the future resulting from last year's decision by the United Kingdom to exit the EU and the presidential election in the United States. However, we expect a recovery to proceed towards the second half of this fiscal year. As for profit, due to the automating of the manufacturing process and improving of production efficiency at each plant, the impact on profit by the decrease in sales was supplemented and profitability was maintained YoY.

As a comprehensive manufacturer of pharmaceutical packaging materials, the PharmaPackaging Business Division will continue to strive to expand business by developing and introducing advanced products to the market that meet medical needs of countries all over the world.

As a result, net sales of this business decreased 19.0% YoY to 6,465 million yen.

(iv) Other Business

Among other business, net sales from the real-estate rental business, etc. were 7 million yen (down 8.6% YoY).

(2) Analysis Concerning Financial Position

Assets, liabilities, and net assets

Total assets increased 10,112 million yen from the end of the previous consolidated fiscal year to 762,951 million yen at the end of the first quarter under review. Current assets decreased 5,060 million yen and noncurrent assets increased 15,173 million yen. The main reason for the decrease in current assets was a decrease of 6,186 million yen in cash and deposits, and the main reason for the increase in noncurrent assets was an increase of 11,072 million yen in investment securities.

Total liabilities increased 3,360 million yen from the end of the previous consolidated fiscal year to 579,792 million yen. Current liabilities increased 8,935 million yen and noncurrent liabilities decreased 5,574 million yen. The main reason for the increase in current liabilities was an increase of 7,321 million yen in short-term loans payable, and the main reason for the decrease in noncurrent liabilities was an 8,258 million yen decrease in long-term loans payable.

Total net assets increased 6,751 million yen from the end of the previous consolidated fiscal year to 183,159 million yen. Shareholders' equity increased 674 million yen and accumulated other comprehensive income increased 6,060 million yen. As a result, equity ratio increased by 0.6% from the end of the previous year to 22.7%.

(3) Commentary on Forward-Looking Statements Including Forecast of Consolidated Financial Results

At this moment, we have not made any revision to the forecast of consolidated financial results for the six-month period ending September 30, 2017 and the year ending March 31, 2018, which was announced on May 11, 2017.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) [Quarterly Consolidated Balance Sheets]

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current Assets		
Cash and deposits	123,188	117,001
Notes and accounts receivable-trade	121,038	122,215
Merchandise and finished goods	78,241	78,803
Work in process	10,784	12,144
Raw materials and supplies	26,303	27,410
Deferred tax assets	6,404	6,886
Other	22,194	18,641
Allowance for doubtful accounts	(1,378)	(1,388)
Total current assets	386,775	381,714
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	199,471	201,239
Accumulated depreciation and impairment loss	(90,929)	(92,529)
Buildings and structures, net	108,541	108,709
Machinery, equipment and vehicles	236,514	240,057
Accumulated depreciation and impairment loss	(164,778)	(166,755)
Machinery equipment and vehicles, net	71,736	73,301
Land	23,987	24,540
Lease assets	3,855	3,590
Accumulated depreciation	(2,642)	(2,439)
Lease assets, net	1,212	1,151
Construction in progress	25,953	29,001
Other	50,232	50,719
Accumulated depreciation and impairment loss	(37,441)	(37,940)
Other, net	12,791	12,779
Total property, plant and equipment	244,222	249,484
Intangible assets		
Goodwill	27,996	27,110
Lease assets	2,263	2,233
Other	13,575	13,457
Total intangible assets	43,836	42,802
Investments and other assets		
Investment securities	68,888	79,960
Net defined benefit asset	227	-
Deferred tax assets	1,459	1,799
Other	11,651	11,468
Allowance for doubtful accounts	(4,221)	(4,279)
Total investments and other assets	78,004	88,949
Total noncurrent assets	366,063	381,236
Total assets	752,839	762,951

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	57,587	57,618
Short-term loans payable	117,933	125,254
Commercial papers	10,000	10,000
Current portion of bonds	15,160	15,030
Lease obligations	1,107	1,120
Accounts payable-other	13,509	12,980
Accrued directors' bonuses	343	-
Income taxes payable	4,304	1,933
Provision for bonuses	4,075	4,505
Provision for directors' bonuses	105	209
Notes payable-facilities	10,350	8,083
Other	17,313	23,991
Total current liabilities	251,792	260,727
Noncurrent liabilities		
Bonds payable	5,215	5,200
Convertible bond-type bonds with subscription rights to shares	25,000	25,000
Long-term loans payable	281,181	272,923
Lease obligations	2,869	2,743
Deferred tax liabilities	1,766	4,854
Net defined benefit liability	5,126	4,836
Provision for directors' retirement benefits	592	609
Provision for loss on litigation	88	93
Other	2,797	2,803
Total noncurrent liabilities	324,639	319,064
Total liabilities	576,431	579,792
Net assets		
Shareholders' equity		
Capital stock	84,397	84,397
Retained earnings	78,422	79,059
Treasury shares	(6,243)	(6,205)
Total shareholders' equity	156,577	157,251
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,589	9,287
Deferred gains or losses on hedges	(141)	(106)
Foreign currency translation adjustment	8,640	6,886
Remeasurements of defined benefit plans	(582)	(501)
Total accumulated other comprehensive income	9,504	15,565
Non-controlling interests	10,325	10,341
Total net assets	176,408	183,159
Total liabilities and net assets	752,839	762,951

(2) [Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income]

Quarterly Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)
Net sales	89,124	93,552
Cost of sales	58,832	63,149
Gross profit	30,292	30,402
Selling, general and administrative expenses	21,034	24,253
Operating income	9,257	6,148
Non-operating income		
Interest income	121	159
Dividends income	194	233
Foreign exchange gains	-	392
Share of profit of entities accounted for using equity method	-	25
Reversal of allowance for doubtful accounts	9	7
Other	416	349
Total non-operating income	741	1,167
Non-operating expenses		
Interest expenses	970	873
Foreign exchange losses	6,023	-
Other	820	200
Total non-operating expenses	7,814	1,074
Ordinary income	2,185	6,241
Extraordinary income		
Gain on sales of non-current assets	36	16
State subsidy	7	14
Other	0	0
Total extraordinary income	44	31
Extraordinary loss		
Loss on retirement of non-current assets	65	62
Compensation expenses	-	928
Other	71	424
Total extraordinary losses	137	1,415
Profit before income taxes	2,091	4,858
Income taxes-current	892	1,690
Income taxes-deferred	918	(1,276)
Total income taxes	1,811	413
Profit	280	4,444
Profit attributable to non-controlling interests	66	202
Profit attributable to owners of parent	213	4,242

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)
Profit	280	4,444
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,261)	7,698
Deferred gains or losses on hedges	(1)	34
Foreign currency translation adjustment	(6,537)	(1,869)
Remeasurements of defined benefit plans	10	82
Share of other comprehensive income of entities accounted for using equity method	-	(38)
Total other comprehensive income	(14,790)	5,907
Comprehensive income	(14,509)	10,352
Comprehensive income attributable to owners of parent	(14,128)	10,303
Comprehensive income attributable to non-controlling interests	(381)	49

(3) Notes Regarding Quarterly Consolidated Financial Statements

(Notes Related to Going Concern)
N/A

(Notes Regarding Significant Changes in the Amount of Shareholders' Equity)
N/A

(Segment Information)

I Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)

1. Sales and Profit by Reportable Operating Segment

(Millions of yen)

	Segment				Other (Note.1)	Total	Adjust-ment (Note.2)	Quarterly Consolidated Statements of Income (Note.3)
	Medical-Related	Pharmace-utical-Related	Pharma Packaging	Total				
Net sales (1)Sales to third parties	65,046	16,091	7,979	89,117	7	89,124	―	89,124
(2)Inter-segment sales and transfers	376	2,442	―	2,818	161	2,979	(2,979)	―
Total	65,422	18,533	7,979	91,935	169	92,104	(2,979)	89,124
Segment profit (loss)	7,696	3,559	(238)	11,016	23	11,040	(1,782)	9,257

(Notes)
1. "Other" is the business segment which is not included in the segment and consist of real estate income and sales by headquarter.
2. Adjustment for the segment profit (loss) of (1,782) million yen includes realization of intercompany profits on inventories of 2,049 million yen and corporate cost of (3,831) million yen. Corporate cost primarily consists of general and administrative expenses and research and development cost which do not belong to the reporting segment.
3. Segment profit (loss) is adjusted to the operating income on the quarterly consolidated statements of income.

2. Information about Impairment Loss on Fixed Assets and Goodwill by Reportable Operating Segment
N/A

Ⅱ Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)

1. Sales and Profit by Reportable Operating Segment

(Millions of yen)

	Segment				Other (Note.1)	Total	Adjust-ment (Note.2)	Quarterly Consolidated Statements of Income (Note.3)
	Medical-Related	Pharmace-utical-Related	Pharma Packaging	Total				
Net sales (1)Sales to third parties	69,337	17,742	6,465	93,545	7	93,552	—	93,552
(2)Inter-segment sales and transfers	401	2,213	23	2,638	247	2,886	(2,886)	—
Total	69,738	19,956	6,488	96,183	254	96,438	(2,886)	93,552
Segment profit (loss)	7,798	3,733	(626)	10,905	9	10,915	(4,766)	6,148

(Notes)

1. "Other" is the business segment which is not included in the segment and consist of real estate income and sales by headquarter.
2. Adjustment for the segment profit (loss) of (4,766) million yen includes realization of intercompany profits on inventories of 171 million yen and corporate cost of (4,938) million yen. Corporate cost primarily consists of general and administrative expenses and research and development cost which do not belong to the reporting segment.
3. Segment profit (loss) is adjusted to the operating income on the quarterly consolidated statements of income.

2. Information about Impairment Loss on Fixed Assets and Goodwill by Reportable Operating Segment

N/A