Summary Report of Consolidated Financial Results

For the Nine Months Period ended December 31, 2017

February 8, 2018
TSE-1st section

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Code No.8086
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Filing date of quarterly reporting: February 14, 2018
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 Nine Months ended December 31, 2017 (From April 1, 2017 to December 31, 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	%
9 months ended December 31, 2017	293,869	8.8	20,775	(20.5)	20,118	(15.1)	13,824	(1.8)
9 months ended December 31, 2016	270,187	(1.4)	26,148	41.9	23,700	70.7	14,071	0.7

Note: Comprehensive income 9 months ended December 31, 2017: 24,997 million yen (- %)
9 months ended December 31, 2016: (3,833) million yen (-%)

	Earnings per share	Diluted Earnings per share
	Yen	Yen
9 months ended December 31, 2017	83.16	75.41
9 months ended December 31, 2016	83.52	75.82

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of December 31, 2017	846,628	194,915	21.8
As of March 31, 2017	752,839	176,408	22.1

Note: Equity December 31, 2017: 184,220 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	-	17.50	-		
Year ending March, 2018 (Forecast)				21.00	38.50

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 represent changes compared with the previous fiscal year.)

	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
Year ending March 31, 2018	400,500	11.3	32,500	13.0	30,100	29.9	19,000	67.5	114.03

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):

9 months ended December 31, 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:

9 months ended December 31, 2017:	5,087,642 shares
Year ended March 31, 2017:	5,300,071 shares

[3] Average number of shares during the period:

9 months ended December 31, 2017:	166,240,193 shares
9 months ended December 31, 2016:	168,483,700 shares

Note: Number of the treasury stocks as of December 31, 2017 included 246,700 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 Nine-Months Period Ended December 31, 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 Nine-Months Period ended December 31, 2017

(1) Commentary on Business Results

The Japanese economy, during the third quarter of the consolidated cumulative period, saw a continuation of the gradual economic recovery as corporate earnings remained steady. While the global economy tends in general toward improvement, the sense of uncertainty about the future deepened due 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 third quarter of the consolidated cumulative period increased YoY by 8.8% from the same period of the previous year to 293,869 million yen. As for profit, operating income decreased by 20.5% YoY to 20,775 million yen due to an increase in the cost of sales and other factors. Ordinary income decreased by 15.1% YoY to 20,118 million yen. Additionally, the third quarter profit attributable to owners of parent decreased YoY by 1.8% to 13,824 million yen despite a decrease in corporate tax.

The overview of the results for the third 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 Left Ventricular Assist Device “HeartMateⅡ” (cardiac surgery (CVS) products). The Pharmaceutical Sales Division has been working steadily towards enhancing the Nipro brand, such as holding seminars on home health care that utilize our medical training facility, taking into consideration regional medical partnerships and community-based care systems. Accordingly, sales of existing products and products included in the Japanese drug price standard list in June and December increased. Leveraging our advantage of being a medical and pharmaceutical conglomerate, we have further enhanced our sales promotion activities aimed at dispensing pharmacies and DPC hospitals and worked towards increasing our market share through further collaborations with pharmaceutical wholesalers.

Meanwhile, in addition to expanded sales of mainstay dialysis products, such as dialyzers, and hospital products, overseas sales revenues remained favorable, in part due to the depreciation of the yen. We have positioned the markets of the United States, China and India as our most important. In the United States, sales steadily increased through the strengthening of our partnership with a leading dialysis provider. In China, in addition to continued favorable sales of dialyzers, we are expanding sales of dialysis machines. In India, sales of dialyzers and dialysis machines were favorable and, furthermore, injection-transfusion products produced at our factory in India were also favorable and are contributing to increased sales. Moreover, in other markets, we established a presence in Brazil in the period and are continuing to strengthen direct sales. Going forward, we will continue quickly responding to front-line needs through the enhancement of direct sales, working to enhance customer satisfaction and expand sales.

For our new overseas manufacturing facilities (India, Indonesia, Bangladesh and Hefei/China), we expanded dialyzer production equipment in our factories in India and Hefei/China, and in our factory in Hefei/China we began operating a new line in October 2017.

As a result, net sales of this business increased 13.1% YoY to 221,378 million yen.

(ii) Pharmaceutical-Related Business

In the Pharmaceutical-Related Business—in addition to the existing comprehensive contract manufacturing of oral, injection and external use drug formulations—we have endeavored to provide contract development proposals from the design stage of such formulations, particularly development proposals for various formulations that leverage our strength in possessing Group companies that can comprehensively manufacture formulations, and development proposals for injection drugs that leverage our strength in being able to develop and supply packaging such as vials, syringes and bags. Through these development proposals, we have provided support for lifecycle management that aims to enhance added value and differentiate products while working toward providing a diverse and detailed array of contract services. Moreover, we have focused on contract manufacturing of pre-filled syringes, contract manufacturing at lines at manufacturing plants for highly physiologically active pharmaceuticals, and also contract manufacturing 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 decreased 2.7% from the previous year to 51,496 million yen.

(iii) PharmaPackaging Business

In the PharmaPackaging Business, in addition to our existing products, we have developed high-performance and high-quality pharmaceutical packaging materials under industry-academia collaboration and, towards capturing new demand, we have been proactive in technical sales to the research departments of pharmaceutical manufacturers. All departments are united in developing new technologies and products, accelerating product development, and are working to expand sales at academic conferences and enhance product competitiveness. In addition, in terms of manufacturing, we have promoted stable high-quality and high value-added products and technology development in Japan and abroad that respond to injectable formulations and filling processes.

Looking at the overseas department, while in the United States and Europe we faced difficulties as pharmaceutical companies reduced inventories, we saw a recovery centered on sales of syringes in Europe and vials in the United States. In China, as the market becomes more high-quality, sales increased for high value-added vials and ampoules that use high-quality glass tubes. In India, sales of high-quality glass tubes and vials were solid as a result of the strengthening of sales and enhancing of quality. Going forward, we will enhance quality by automating production lines in each country and optimizing production.

In the domestic market, sales were solid, with a focus on syringes and ampoules. While sales of glass tubes have struggled in the first half of the fiscal year as a result of the rebound from the special demand for vaccines in the previous fiscal year, the second half is seeing a recovery. We are amply supplying stable quality glass valves for thermos bottles as impacts from production adjustments at the manufacturer are settling down. At the Biwako Plant, our global standard mother plant, we enhanced the management frameworks and established a production framework for pharmaceutical containers, greatly improving the profit structure. Moreover, the validation of the medical rubber stoppers plant, completed in July 2017, is progressing smoothly and we are working towards the provision of products from 2018.

Going forward, along with the maturation of the market, we will work towards increasing sales by strategically pushing forward with the introduction of high value-added products into the Asian/Indian markets, where demand for higher quality products is rising. Meanwhile, in terms of manufacturing, we will continue to increase efficiency through the introduction of new facilities and automation, further enhancing product quality and stability. Achieving increased profitability, we will work towards expanding our business.

As a result, net sales of this business decreased 2.9% YoY to 20,972 million yen.

(iv) Other Business

Among other business, net sales from the real-estate rental business, etc. were 22 million yen (down 2.7% YoY).

(2) Analysis Concerning Financial Position

Assets, liabilities, and net assets

Total assets increased 93,788 million yen from the end of the previous consolidated fiscal year to 846,628 million yen at the end of the third quarter under review. Current assets increased 52,258 million yen and noncurrent assets increased 41,530 million yen. The main reasons for the increase in current assets were an increase of 23,490 million yen in cash and deposits and an increase of 19,368 million yen in notes and accounts receivable-trade. The main reasons for the increase in noncurrent assets were an increase of 11,823 million yen in construction in progress and an increase of 10,120 million yen in investment securities.

Total liabilities increased 75,281 million yen from the end of the previous consolidated fiscal year to 651,712 million yen. Current liabilities increased 16,989 million yen and noncurrent liabilities increased 58,291 million yen. The main reason for the increase in current liabilities was an increase of 7,939 million yen in short-term loans payable, and the main reason for the increase in noncurrent liabilities was an increase of 55,467 million yen in long-term loans payable.

Total net assets increased 18,507 million yen from the end of the previous consolidated fiscal year to 194,915 million yen. Shareholders' equity increased 7,388 million yen and accumulated other comprehensive income increased 10,749 million yen. As a result, equity ratio decreased by 0.3% from the end of the previous year to 21.8%.

(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 year ending March 31, 2018, which was announced on October 2, 2017.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) [Quarterly Consolidated Balance Sheets]

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current Assets		
Cash and deposits	123,188	146,679
Notes and accounts receivable-trade	121,038	140,406
Merchandise and finished goods	78,241	85,542
Work in process	10,784	12,269
Raw materials and supplies	26,303	28,532
Deferred tax assets	6,404	7,454
Other	22,194	19,605
Allowance for doubtful accounts	(1,378)	(1,455)
Total current assets	386,775	439,034
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	199,471	207,270
Accumulated depreciation and impairment loss	(90,929)	(96,998)
Buildings and structures, net	108,541	110,272
Machinery, equipment and vehicles	236,514	254,521
Accumulated depreciation and impairment loss	(164,778)	(176,360)
Machinery equipment and vehicles, net	71,736	78,161
Land	23,987	32,117
Lease assets	3,855	3,714
Accumulated depreciation	(2,642)	(2,640)
Lease assets, net	1,212	1,073
Construction in progress	25,953	37,777
Other	50,232	53,242
Accumulated depreciation and impairment loss	(37,441)	(40,344)
Other, net	12,791	12,898
Total property, plant and equipment	244,222	272,301
Intangible assets		
Goodwill	27,996	29,498
Lease assets	2,263	2,230
Other	13,575	14,327
Total intangible assets	43,836	46,055
Investments and other assets		
Investment securities	68,888	79,009
Net defined benefit asset	227	-
Deferred tax assets	1,459	2,234
Other	11,651	12,668
Allowance for doubtful accounts	(4,221)	(4,676)
Total investments and other assets	78,004	89,236
Total noncurrent assets	366,063	407,593
Total assets	752,839	846,628

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	57,587	58,964
Short-term loans payable	117,933	125,872
Commercial papers	10,000	10,000
Current portion of bonds	15,160	15,015
Lease obligations	1,107	1,173
Accounts payable-other	13,509	14,317
Accrued directors' bonuses	343	-
Income taxes payable	4,304	4,712
Provision for bonuses	4,075	6,812
Provision for directors' bonuses	105	500
Notes payable-facilities	10,350	10,580
Other	17,313	20,833
Total current liabilities	251,792	268,781
Noncurrent liabilities		
Bonds payable	5,215	4,700
Convertible bond-type bonds with subscription rights to shares	25,000	25,000
Long-term loans payable	281,181	336,648
Lease obligations	2,869	2,561
Deferred tax liabilities	1,766	5,252
Net defined benefit liability	5,126	5,102
Provision for directors' retirement benefits	592	628
Provision for loss on litigation	88	72
Other	2,797	2,965
Total noncurrent liabilities	324,639	382,930
Total liabilities	576,431	651,712
Net assets		
Shareholders' equity		
Capital stock	84,397	84,397
Retained earnings	78,422	85,619
Treasury shares	(6,243)	(6,050)
Total shareholders' equity	156,577	163,966
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,589	10,509
Deferred gains or losses on hedges	(141)	(93)
Foreign currency translation adjustment	8,640	10,254
Remeasurements of defined benefit plans	(582)	(415)
Total accumulated other comprehensive income	9,504	20,254
Non-controlling interests	10,325	10,694
Total net assets	176,408	194,915
Total liabilities and net assets	752,839	846,628

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

Quarterly Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)	Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Net sales	270,187	293,869
Cost of sales	180,597	199,475
Gross profit	89,589	94,393
Selling, general and administrative expenses	63,441	73,618
Operating income	26,148	20,775
Non-operating income		
Interest income	366	430
Dividends income	925	983
Foreign exchange gains	-	959
Share of profit of entities accounted for using equity method	-	117
Reversal of allowance for doubtful accounts	22	-
Other	940	1,157
Total non-operating income	2,254	3,648
Non-operating expenses		
Interest expenses	2,775	2,580
Foreign exchange losses	209	-
Other	1,717	1,725
Total non-operating expenses	4,702	4,305
Ordinary income	23,700	20,118
Extraordinary income		
Gain on sales of non-current assets	68	60
State subsidy	799	590
Gain on sales of investment securities	-	735
Other	9	1
Total extraordinary income	877	1,386
Extraordinary loss		
Loss on sales of non-current assets	480	218
Loss on retirement of non-current assets	265	254
Loss on reduction of non-current assets	784	590
Compensation expenses	-	1,012
Other	486	685
Total extraordinary losses	2,017	2,760
Profit before income taxes	22,560	18,744
Income taxes-current	7,588	6,850
Income taxes-deferred	651	(2,371)
Total income taxes	8,240	4,478
Profit	14,320	14,265
Profit attributable to non-controlling interests	249	440
Profit attributable to owners of parent	14,071	13,824

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)	Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Profit	14,320	14,265
Other comprehensive income		
Valuation difference on available-for-sale securities	2,734	8,921
Deferred gains or losses on hedges	(220)	47
Foreign currency translation adjustment	(20,781)	1,717
Remeasurements of defined benefit plans	112	167
Share of other comprehensive income of entities accounted for using equity method	-	(122)
Total other comprehensive income	(18,154)	10,731
Comprehensive income	(3,833)	24,997
Comprehensive income attributable to owners of parent	(3,083)	24,574
Comprehensive income attributable to non-controlling interests	(750)	423

(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 Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 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	195,656	52,902	21,605	270,164	22	270,187	－	270,187
(2)Inter-segment sales and transfers	1,202	7,296	0	8,499	483	8,983	(8,983)	－
Total	196,859	60,198	21,605	278,664	505	279,170	(8,983)	270,187
Segment profit (loss)	24,198	12,732	(760)	36,169	65	36,235	(10,086)	26,148

(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 (10,086) million yen includes realization of intercompany profits on inventories of 1,513 million yen and corporate cost of (11,599) 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 Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 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	221,378	51,496	20,972	293,847	22	293,869	—	293,869
(2)Inter-segment sales and transfers	1,244	10,594	48	11,888	801	12,690	(12,690)	—
Total	222,622	62,091	21,021	305,735	823	306,559	(12,690)	293,869
Segment profit (loss)	27,735	9,588	(938)	36,384	42	36,427	(15,651)	20,775

(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 (15,651) million yen includes deduction of intercompany profits on inventories of (668) million yen and corporate cost of (14,983) 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