



Second Opinion

NIPRO CORPORATION

Social Finance Framework

September 9, 2021

ESG Division
Chief Analyst: Takeshi Usami

Rating and Investment Information, Inc. (R&I) has confirmed the alignment of the Social Finance Framework of NIPRO CORPORATION (hereinafter referred to as Nipro) dated September 9, 2021 with the Social Bond Principles 2021 (SBP2021). The framework for which this opinion is provided was formulated based on the Social Bond Framework dated August 7, 2020, by adding convertible bonds and loans as financing instruments and making necessary changes. There are no major changes other than changing the reporting to the appropriate indicators. With respect to convertible bonds, common shares issued upon the exercise of conversion rights before maturity are out of the scope of this opinion. This opinion is based on the following views.

■ Overview of the Opinion

(1) Use of Proceeds

Proceeds will be allocated to capital investment and research and development (R&D) spending in Nipro's four business segments -- the domestic business, the global business, the pharmaceutical business and the pharma packaging business. All of these businesses aim to solve medical issues and achieve the company's own growth at the same time in various regions including Japan, as well as in a wide array of fields, by sincerely listening to the voices of end users of medical services. Eligible projects will have direct outcomes, such as achieving a stable supply of safe and secure pharmaceuticals and medical devices and helping patients stay alive and enhance their quality of life (QoL). Indirect outcomes include reducing medical accidents and improving the working environment at medical institutions. Negative impacts of project implementation are addressed by, for example, institutional systems and the company's environmental conservation initiatives. R&I has evaluated that eligible projects will provide positive outcomes for society as a whole. Eligible projects correspond to the project category of "Access to essential services" illustrated in SBP2021, which targets the "General public," particularly "Aging populations" and "People with disabilities."

(2) Process for Project Evaluation and Selection

A medium-term management plan is formulated based on Nipro's corporate philosophy, code of conduct and key challenge, and projects for proceeds allocation are selected according to the plan. Eligible projects are properly incorporated in its corporate philosophy of becoming a truly global comprehensive healthcare company. With eligible projects selected through appropriate processes, both third-party characteristics and expertise are ensured.

(3) Management of Proceeds

Proceeds will be properly managed by the accounting department of the corporate planning headquarters. Allocated and unallocated amounts will be tracked in a reliable manner using internal accounting codes that are set on payments for the implementation of eligible projects. Until allocated, proceeds will be invested only in highly liquid and safe financial assets under internal rules. The allocation of proceeds will be confirmed by a finance officer annually. Financing through convertible bonds will be handled in the same way as financing through straight bonds, regardless of whether conversion is exercised. Consequently, R&I considers management of proceeds to be appropriate.

(4) Reporting

Nipro will disclose to investors the allocation of proceeds and materials that explain social outcomes. The allocation of proceeds will be made public on its website annually. The company plans to disclose the

Rating and Investment Information, Inc.

Copyright (C) 2021 Rating and Investment Information, Inc. All rights reserved.

(Contact) Customer Service Department, Sales and Marketing Division: Terrace Square, 3-22, Kandanishiki-cho, Chiyoda-ku, Tokyo 101-0054, Japan TEL 03-6273-7471
Second Opinions are R&I's opinions on the alignment of a framework, formulated by companies etc. to raise funds for the purpose of environmental conservation and social contribution, with the principles etc. compiled by public organizations or private organizations related to the relevant financing as of the date of assessment and are not statements of fact. Further, R&I does not state its opinions about any matters other than the alignment, certify outcomes, give advice regarding investment decisions or financial matters, or endorse the merits of any investment subject to the financing. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a Second Opinion and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to Second Opinions. As a general rule, R&I issues a Second Opinion for a fee paid by the issuer. For details, please refer to the end of this document.

output indicators and outcome indicators it has determined. R&I has confirmed that necessary reporting will be made. Regardless of whether convertible bonds are converted, reporting will be made until the allocation of proceeds is completed.

Outline of the Issuer

- Since its founding in 1954, Nipro has been pursuing technological innovation to contribute to society through its business activities. Currently, it is a comprehensive healthcare company with the “trinity” of the medical device, pharmaceutical, and pharmaceutical packaging businesses. For these three businesses, offices and factories are deployed in and outside Japan.
- Its management philosophy is as follows: In looking toward our future as a truly global comprehensive medical manufacturer, we believe our current and future responsibility to society is to develop innovative, value-added products and technologies that improve patient outcomes and healthcare worldwide.
- Its code of conduct is as follows:
 - Based on the viewpoints of patients and users, three company divisions - medical equipment, pharmaceuticals, and pharmaceutical containers - work together as one in order to meet the needs at every medical site with world-leading innovative, safe and defect-free products, technologies, and businesses.
 - Promote corporate strategies based on the “Sanpo-yoshi” concept, which seeks to benefit three parties: the company, users, and society.
 - Focus on global expansion while building a production and sales network based on the concept of “local production for local consumption” and on supporting the health of people around the world in addition to ensuring a stable supply chain.
- Its key challenge is to push forward with the development of more advanced products in the light of the major trends in front-line medical settings, related to treatment, prevention and health enhancement. At the same time, Nipro aims to grow as a truly global comprehensive healthcare company that can satisfy every need of diverse people from different cultures, customs, lifestyles, age groups, etc. To these ends, the company believes it is important that all its employees work in concert with suppliers and other business partners to consider how they can better contribute to medical services on a global scale and to put these ideas into practice.
- The group corporate logo represents the first letter of its company name “N,” as well as the symbol for infinity “∞”. This logo is designed to express its aspiration for sustained growth while creating shared values with society through its business activities by supplying valuable products and technologies.

Nipro's corporate logo



- Nipro is fully aware that acting responsibly, while being conscious of its social responsibility, is the fundamental corporate philosophy it should abide by so as to fulfill its corporate missions in society. The company naturally complies with all laws and regulations and seriously works on environmental problems and various other social issues.
- Nipro recognizes the importance of environmental preservation and considers active involvement in environmental issues to be an essential part of corporate activity. It keeps an eye on its potential impact on the global environment not in the manufacturing process alone, but in all aspects of its business activities. In its efforts to preserve and improve the environment, the company pursues efficient use of resources and energy, reduction of waste and emissions, assessment and mitigation of the impact of its products and production process on the environment, and development and use of environmental technologies. It takes swift and appropriate action to alleviate any adverse impact or potential impact on the environment and to improve the environment. Specifically, Nipro obtained ISO14001 certification for its Odate Factory in Akita Prefecture. Among other initiatives are recycling of resources, reduction of waste and emissions, introduction of renewable energy, promotion of energy savings, biodiversity conservation, prevention of water pollution, and conservation of water resources.

1. Use of Proceeds

(1) Eligible Projects

Eligible projects

- Eligible projects are businesses in four segments -- the domestic business, the global business, the pharmaceutical business and the pharmapackaging business. Proceeds will be allocated to finance or refinance capital investment or R&D spending in each segment. R&I has confirmed that a proceeds allocation plan is properly in place. The main use of proceeds is shown in the table below.

Eligible projects	Main use of proceeds	Examples
① Domestic business	Capital investment primarily in medical device manufacturing factories and regenerative medicine-related facilities and R&D activities for pharmaceuticals, etc.	Install additional dialyzer production lines and renew cell culture equipment at regenerative medicine product manufacturing facilities
② Global business	Capital investment primarily in medical device manufacturing factories	Install additional dialyzer production lines
③ Pharmaceutical business	Capital investment primarily in pharmaceutical contract manufacturing factories	Install additional syringe formulation manufacturing equipment (to manufacture syringe formulations for the government's vaccine stockpiles, etc.)
④ Pharmapackaging business	Capital investment primarily in manufacturing factories for pharmaceutical packaging products and R&D activities for pharmaceutical packaging products, etc.	Install new glass tubing manufacturing equipment (to manufacture vials for vaccine developers, etc.)

Objectives of eligible projects

- Eligible projects are all of Nipro's current businesses. These businesses will ultimately help solve the significant social issue of people's healthy living. This will be achieved through the company's efforts to contribute to medical services as a truly global comprehensive healthcare company that can satisfy every need of diverse people and create shared values with society, as shown in its management philosophy, code of conduct and key challenge.
- As stated in its framework and medium-term management plan (April 2020 to March 2025), specific social issues that Nipro intends to solve through eligible projects are as follows:
 - a. Stable supply of medical devices that are indispensable for patients to stay alive and enhance their QoL
 - b. Reducing healthcare expenses and social costs
 - c. Providing treatment to patients in remote areas with limited access
 - d. Preventing medical accidents at medical institutions
 - e. Providing safe and secure medicines for all
 - f. Dealing with new infections
 - g. Stable supply of antimicrobial agents that are in short supply
 - h. Providing a medical environment for patients who are remote or difficult to access
 - i. Enhancing the labor productivity of healthcare professionals
- The relationships between eligible projects and issues recognized by Nipro are as follows:
 - ① Domestic business: medical devices, pharmaceuticals, information and communication technology (ICT), regenerative medicine

Main issues addressed: a, b, d, e, f, g, h, i

Manufacturing and supply of medical devices for the treatment of various diseases, manufacturing and supply of pharmaceuticals, development and provision of medical systems, manufacturing and development of infection prevention products, therapeutic drugs and testing products, etc., and manufacturing and development of regenerative medicine products for the treatment of spinal cord injuries, etc. in Japan

Nipro's core medical device product is dialyzers, or artificial kidneys, used for dialysis. Dialyzers are directly linked to maintaining and enhancing QoL as a medical device that is indispensable for people who need dialysis to stay alive, become healthier and enhance their QoL. The company also manufactures and supplies medical devices with safety measures. They include winged needles that prevent needlestick accidents, colored syringes that prevent mix-ups, and pre-filled syringes and kit preparations that reduce the risk of foreign matter contamination, bacterial contamination and needlestick accidents. Safety products prevent medical accidents and at the same time mitigate the burden on healthcare professionals. These address the issues of a, d and i.

The company supplies Nipro-brand generic drugs. Its universal design products include orally disintegrating tablets and films that can be taken without water and packages that enable those with visual difficulties to identify tablets or allow patients to write down medication instructions and medication dates. This contributes not only to a healthier life of people who need drugs, but to lower

healthcare expenses. Furthermore, the company continues to manufacture antimicrobials, which are unprofitable and whose supply is a cause for concern. As a precaution against the future supply of active pharmaceutical ingredients (APIs), it is developing some of them in-house. These address the issues of b, e and g.

In the field of ICT, Nipro provides telemedicine systems such as Heart Line™. This system enables patients in remote locations to receive medical care and also plays a part in preventing the spread of COVID-19 or future infectious diseases and ensuring healthcare professionals' safety. In addition, the company helps enhance the productivity of healthcare professionals by offering operational management systems. These address the issues of h and i.

In regenerative medicine, Nipro jointly develops autologous bone marrow-derived mesenchymal stem cells for the treatment of spinal cord injuries (SCIs) with Sapporo Medical University and obtained approval for Stemirac Injection, the world's first regenerative medicine product for SCIs. SCI patients are mainly treated with rehabilitation, but in many cases, such treatment does not lead to satisfactory improvement in neurological functions. Progress in this field is expected to improve patients' neurological symptoms and functional disorders and thereby help patients achieve a healthier life and a higher QoL. Patients' reintegration into society will likely reduce healthcare expenses and social costs. These address the issue of b.

Nipro manufactures and develops infection prevention products, therapeutic drugs and testing products, etc. For example, it engages in the development of portable extracorporeal membrane oxygenation systems, which are used for the treatment of COVID-19 and other purposes, and hypochlorous acid water without salt content (that enables sterilization of humidifiers at precision machinery factories, etc.). Such activities contribute to the testing and treatment of COVID-19 and future infectious diseases and the prevention of the spread thereof. These address the issue of f.

② Global business: supply of dialyzers and other activities outside Japan

Main issues addressed: a, c, f

Manufacturing and supply of medical devices outside Japan, construction and operation of Nipro's own dialysis clinics and training centers in developing and emerging countries, and manufacturing and supply of infection prevention products, therapeutic drugs and testing products, etc. outside Japan

The number of kidney disease patients is on the rise worldwide against the backdrop of population growth and better living standards in emerging countries. The International Society of Nephrology estimates that over 850 million people worldwide have some form of kidney disease¹, which is roughly double the number of people who live with diabetes (422 million) and 20 times more than the prevalence of cancer worldwide (42 million) or people living with AIDS/HIV (37 million). For kidney disease patients, dialysis, which they need about three times a week, can be considered a social infrastructure.

As of March 2020, Nipro engaged in the construction and operation of its own dialysis clinics in 8 countries and training centers in 16 countries, mainly in developing and emerging markets. It contributes to maintaining and improving people's access to medical care in the regions. These address the issues of a and c.

In addition, the company manufactures and supplies infection prevention products, therapeutic drugs and testing products, etc. in overseas markets. As in Japan, such activities contribute to the testing and treatment of COVID-19 and future infectious diseases and the prevention of the spread thereof. These address the issue of f.

¹ International Society of Nephrology: June 2018 news article
<https://www.theisn.org/news/item/3317-the-under-recognized-epidemic-worldwide-over-850-million-people-suffer-from-kidney-diseases>

③ Pharmaceutical business: contract manufacturing

Main issues addressed: b, e, f

Nipro provides pharmaceutical contract manufacturing services in Japan. It meets demand for a variety of dosage forms and a wide range of production scales to achieve a stable supply of pharmaceuticals to people in need. The company also helps reduce social costs by undertaking manufacturing processes of all customer companies, as manufacturing by individual companies tends to be more costly. Furthermore, pharmaceuticals produced in its contract manufacturing services include therapeutic drugs for infectious diseases, which suggests that it helps prevent the spread of infectious diseases such as COVID-19. These address the issues of b, e and f.

④ Pharmapackaging business

Main issues addressed: d, i

Nipro manufactures and supplies pharmaceutical packaging products and kit preparations, including glass products for the storage and formulation of pharmaceuticals and drug administration systems. These products are indispensable for medical care, and their stable supply is essential. The company helps mitigate the burden on medical professionals by continuously gathering needs at medical sites and reflecting them in its future improvement and development activities. In addition, it combines medical devices and pharmaceuticals for each therapeutic area into kits and also manufactures medical devices that prevent medical accidents, such as mix-ups and foreign matter contamination. These address the issues of d and i.

Recognition of social issues

- To determine whether the issues recognized by Nipro are social issues, it is necessary to specify the scope of society for each issue. Medical care is an issue recognized by society in light of Goal 3 of the Sustainable Development Goals (SDGs) advocated by the United Nations, “Ensure healthy lives and promote well-being for all at all ages.” Even so, details must be examined according to the scope of society. R&I has therefore clarified respective target societies and confirmed the recognition of issues as follows:

- a. Stable supply of medical devices that are indispensable for patients to stay alive and enhance their QoL

This issue relates to both Japan and foreign countries, but R&I defines the scope of society as Japan. While all medical devices are deemed to be indispensable, the recognition of issues R&I confirms is about dialysis-related medical devices, the main products in eligible projects. Dialysis is essential for people who undergo dialysis therapy due to severe renal dysfunction. Currently, there are about 13 million chronic kidney disease patients in Japan. Thanks to various measures, growth in the number of patients requiring dialysis is slowing down, but more than 300,000 people are still on dialysis. The Ministry of Health, Labour and Welfare (MHLW) recognizes issues regarding chronic kidney disease². Patients who require dialysis need to receive it once every three days. Dialysis can be considered a social infrastructure for patients, as suggested by the ministry’s move to ensure dialysis care in disasters³. Given that dialysis patients will most likely keep increasing, a stable supply of relevant medical devices is an issue recognized by society. Dialysis is just one example. In other diseases as well, a stable supply of medical devices that are directly linked to life support is recognized as a social issue. Globally, more than 850 million people are estimated to have some form of kidney disease, and the number of patients requiring dialysis is on the rise. As in Japan, a stable supply of medical devices is recognized as an issue, along with access to medical care in c.

² MHLW: July 2018 report by the study panel on measures against renal diseases
<https://www.mhlw.go.jp/content/10901000/000332759.pdf>

³ MHLW: Ensuring dialysis care in disasters, August 2007
<https://www.mhlw.go.jp/file/06-Seisakujouhou-10900000-Kenkoukyoku/0000096276.pdf>

b. Reducing healthcare expenses and social costs

The society targeted by this issue is Japan. In Japan, reforms relating to medical fees and pharmaceuticals are called for in order to realize a sustainable social security system⁴. Healthcare expense and social cost savings that can contribute to this end are recognized as a social issue. In particular, wider use of generic drugs is promoted to help mitigate the burden on patients and improve medical insurance finances⁵.

c. Providing treatment to patients in remote areas with limited access

This issue targets a global society including developing and emerging countries. The global recognition of the social issue can be most typically found in the SDGs. Goal 3 of the SDGs is to “Ensure healthy lives and promote well-being for all at all ages.” Of this, Target 3.8 states “Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all.” Kidney diseases are increasing in the world, and Nipro’s offering of its own dialysis clinics, a social infrastructure, addresses this social issue. Furthermore, the construction and operation of training centers are aligned with Target 3.c of the SDGs, “Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States.”

d. Preventing medical accidents at medical institutions

In Japan, social interest in medical accidents has increased in the wake of a patient mix-up in surgery that occurred in January 1999. As long as medical care is provided, medical accidents are recognized as a social issue. Efforts to ensure medical safety have been continuously underway to date⁶.

e. Providing safe and secure medicines for all

As with the issue of d mentioned above, as long as medical care is provided, offering safe and secure pharmaceuticals is a social issue. The issue is critical for patients who use pharmaceuticals, not to mention pharmaceutical providers, as can be seen in the study on safe use of pharmaceuticals and medical devices, etc.⁷ It also encompasses barrier-free access, especially in Japan, where the population is aging.

f. Dealing with new infections

Today, countermeasures against COVID-19, a new infectious disease, are recognized as a global social issue. Because people are in a highly fluid society, infectious diseases, including but not limited to COVID-19, are likely to spread widely, and preventing this is a social issue. In Japan, the recognition of the social issue can be found in the 1998 enactment of the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases and the notification of the basic guidelines for promoting the prevention of infectious diseases in an integrated manner⁸.

g. Stable supply of antimicrobial agents that are in short supply

This is a structural problem with the procurement of APIs in Japan. In 2019, four academic societies closely involved with infectious diseases⁹ issued recommendations on a stable supply of antimicrobials¹⁰.

⁴ “Basic Policy on Economic and Fiscal Management and Reform 2019” approved by the cabinet in June 2019

⁵ MHLW: Promotion of wider use of generic drugs

https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryuu/iryuu/kouhatu-iyaku/index.html

⁶ MHLW: Medical safety measures

https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryuu/iryuu/i-anzen/index.html

⁷ MHLW: Study on safe use of pharmaceuticals and medical devices, etc.

<https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/0000057965.html>

⁸ <https://www.mhlw.go.jp/file/06-Seisakujouhou-10900000-Kenkoukyoku/0000186708.pdf>

⁹ Japanese Society of Chemotherapy, The Japanese Association for Infectious Diseases, The Japanese Society for

The MHLW holds stakeholder meetings for a stable supply of ethical drugs. These suggest that the issue is recognized as a social issue.

h. Providing a medical environment for patients who are remote or difficult to access

Telemedicine is recognized as a social issue that can be solved with advancements in IT equipment¹¹. From the viewpoint of enhancing local medical care, efforts to promote telemedicine are underway, including improving the quality of medical care, increasing patients' convenience and filling the regional gap in medical care, especially for remote islands and sparsely populated areas. It is also expected to help prevent the spread of COVID-19.

i. Enhancing the labor productivity of healthcare professionals

In Japan, securing healthcare professionals at medical institutions is recognized as a social issue due mainly to the declining population, changes in young people's awareness of occupations, diversifying medical needs and the uneven distribution of doctors¹². A better working environment is essential for solving the issue. Enhancing the labor productivity of healthcare professionals has a direct impact on the way they work and take holidays.

- Consequently, the direct objectives of eligible projects are to address the nine issues that society recognizes as social issues.

(2) Goals of Eligible Projects Are Positive Social Outcomes

- The benefits and impacts of eligible projects are summarized below.

Benefits and impacts of eligible projects	
Direct¹³ benefits	<ul style="list-style-type: none"> • Safe and secure pharmaceuticals and medical devices will be supplied in a stable manner • A stable supply of essential pharmaceuticals and medical devices will help patients stay alive and enhance their QoL. • Better access to medical care will be achieved.
Indirect benefits	<ul style="list-style-type: none"> • Medical accidents will decrease at medical institutions. • The working environment for healthcare professionals will improve. • The spread of infectious diseases will be mitigated.
Indirect impacts and responses	<ul style="list-style-type: none"> • Social costs may increase due, for example, to a rise in healthcare expenses caused by less profitable pharmaceutical manufacturing ⇒ Nipro is working to reduce costs on the back of its extensive experience in pharmaceutical manufacturing. Moreover, measures are taken by society as a

Clinical Microbiology, and Japanese Society for Infection Prevention and Control

¹⁰ http://www.chemotherapy.or.jp/guideline/4gakkai2019_1.pdf

¹¹ MHLW: IT promotion in medical care

https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryuu/iryuu/johoka/index.html

¹² https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryuu/iryuu/quality/

¹³ “Direct” relates to the users of eligible projects, “indirect” relates to the society in which eligible projects are conducted, and “extensive” relates to the society that extends beyond the society in which eligible projects are conducted. For details, see “R&I Social Bond Opinion Assessment Methodology” at https://www.r-i.co.jp/rating/products/esg/so_social_jpn.pdf.

	<p>whole, as exemplified by the MHLW’s projects that support a stable supply of pharmaceuticals.</p> <ul style="list-style-type: none"> · Inappropriate medical care may be provided through telemedicine and other new ways of medical care. <ul style="list-style-type: none"> ⇒ Measures are taken by society as a whole, as exemplified by the MHLW’s formulation of the guidelines for appropriate online medical care.
Extensive impacts and responses	<ul style="list-style-type: none"> · Project implementation may impose environmental burdens. <ul style="list-style-type: none"> ⇒ Nipro is taking various measures across its business activities, recognizing active environmental efforts as a prerequisite for corporate activities in light of the importance of environmental conservation.







Social outcomes are positive

- Eligible projects will have direct outcomes, such as achieving a stable supply of safe and secure pharmaceuticals and medical devices and helping patients stay alive and enhance their QoL. Indirect outcomes include reducing medical accidents and improving the working environment at medical institutions. While the medical arena faces society’s demands for actions against indirect impacts, institutional measures are primarily in place. Extensive impacts are addressed by Nipro’s environmental initiatives.
- Implementing eligible projects is considered to help solve social issues. R&I has therefore evaluated that eligible projects will provide positive outcomes for society as a whole.

Sustainable Development Goals (SDGs) Relating to Eligible Projects

- R&I has confirmed eligible projects’ contribution to SDGs by referencing the International Capital Market Association’s mapping table for project categories and SDGs. The relationship between eligible projects and SDGs is as follows:

Eligible projects	SDGs	Efforts
Domestic business	  	<ul style="list-style-type: none"> ■ Manufactures and sells dialyzer, which is an indispensable medical device for life support, health improvement, and quality of life improvement of patients who require dialysis. ■ The company sells products that are in high demand worldwide when new infectious diseases, such as COVID-19, become rampant ■ Surgical masks, medical rubber gloves, tubes and other consumables, blood collection tubes, and disinfectants are stocked. ■ Manufactures and sells own-brand generic drugs that contribute to reducing social medical costs. ■ We continue to manufacture and market antimicrobials, although they are unprofitable and there are concerns about the supply of APIs. ■ The company promotes products that can be used without difficulty, regardless of age or disability. ■ A range of products are offered that enable those with visual difficulties to identify tablets, to write down medication instructions and medication dates, and to prepare PTP sheets for patients with reduced dexterity.

		<ul style="list-style-type: none"> ■ As a precaution against the future supply of APIs, we are developing some of them in-house. ■ The company sells a cloud-based monitoring system (Nipro Heart Line™) that uses ICT to provide real-time information on patients, even in remote locations. ■ The company sells the HN LINE™, which solves business problems by linking medical device information with electronic medical records. ■ The company hopes to support the reduction of labor, efficiency of nursing operations in hospitals, and work-style reforms of healthcare professionals
Global business	  	<ul style="list-style-type: none"> ■ Manufactures and sells dialyzer, which is an indispensable medical device for life support, health improvement, and quality of life improvement of patients who require dialysis. ■ In emerging countries, such as in Latin America, dialysis clinics have been set up in suburban areas to provide dialysis treatment to patients living in remote areas, where it is more convenient for them to receive dialysis treatment. ■ In Southeast Asia and Africa, dialysis clinics have been set up in urban areas to provide patients with high-quality treatment ■ The company sells products that are in high demand worldwide when new infectious diseases, such as COVID-19, become rampant ■ Surgical masks, medical rubber gloves, tubes and other consumables, blood collection tubes, and disinfectants are stocked.
Pharmaceutical business		<ul style="list-style-type: none"> ■ Manufactures contract manufacturing drugs that contribute to reducing social costs by reducing risks and improving efficiency while promoting horizontal division of labor from drug research and development to supply.
Pharmapackaging business	 	<ul style="list-style-type: none"> ■ The company sells safety products to prevent medical accidents while using medical equipment. ■ They include winged needles that prevent needlestick accidents, colored syringes that can be distinguished by color to prevent mix-ups, and pre-fillable syringes and kit preparations that reduce the risk of foreign matter contamination, bacterial contamination, and needlestick accidents.

Checks against project categories illustrated in SBP2021

- Eligible projects relate to medical care and correspond to the project category of “Access to essential services” illustrated in SBP2021, which targets the “General public” including “Aging populations,” “People with disabilities,” “Excluded and/or marginalised populations and/or communities” and “Underserved, owing to a lack of quality access to essential goods and services.”

Proceeds will be allocated to capital investment and R&D spending in Nipro’s four business segments -- the domestic business, the global business, the pharmaceutical business and the pharmapackaging business. All of these businesses aim to solve medical issues and achieve the company’s own growth at the same time in various regions including Japan, as well as in a wide array of fields, by sincerely listening to the voices of end

users of medical services. Eligible projects will have direct outcomes, such as achieving a stable supply of safe and secure pharmaceuticals and medical devices and helping patients stay alive and enhance their QoL. Indirect outcomes include reducing medical accidents and improving the working environment at medical institutions. Negative impacts of project implementation are addressed by, for example, institutional systems and the company's environmental conservation initiatives. R&I has evaluated that eligible projects will provide positive outcomes for society as a whole. Eligible projects correspond to the project category of "Access to essential services" illustrated in SBP2021, which targets the "General public," particularly "Aging populations" and "People with disabilities."

2. Process for Project Evaluation and Selection

(1) Incorporation into Comprehensive Objectives, Strategies and so on

- Eligible projects are all of Nipro's businesses and therefore incorporated in its medium-term management plan based on its management philosophy and code of conduct, among others. Nipro believes that such projects will help it create values for three parties -- the company, users and society -- and achieve sustainable growth as a truly global comprehensive healthcare company.
- Nipro's businesses are carried out under its management philosophy of social contribution. They are designed to help solve social issues, and the company is committed to continuing these businesses as called for in its medium-term management plan.

(2) Criteria for Project Evaluation and Selection

- Because eligible projects are all of Nipro's businesses, project evaluation and selection have been completed with the formulation of the medium-term management plan.
- The medium-term management plan was formulated based mainly on the company's management philosophy and code of conduct, which served as the criteria for the evaluation and selection of eligible projects.
- Nipro's key challenge is to push forward with the development of more advanced products in the light of the major trends in front-line medical settings, related to treatment, prevention and health enhancement. At the same time, it aims to grow as a truly global comprehensive healthcare company that can satisfy every need of diverse people from different cultures, customs, lifestyles, age groups, etc. Because projects aligned with this key challenge are selected, no eliminating criteria have been set.

(3) Process for Project Evaluation and Selection

- The corporate planning department of the corporate planning headquarters collaborates with various departments within the company to create a draft of a medium-term management plan that incorporates eligible projects. The plan is approved by the board of directors. Medical expertise is ensured through coordination with various departments, and the checking function is secured by a resolution of the board of directors, which is separated from the drafting department. When selecting projects for proceeds allocation, the corporate planning department evaluates and selects projects that correspond to capital investment or R&D spending, and a finance officer approves them. Selected projects are reported at the board of directors.

A medium-term management plan is formulated based on Nipro's corporate philosophy, code of conduct and key challenge, and projects for proceeds allocation are selected according to the plan. Eligible projects are properly incorporated in its corporate philosophy of becoming a truly global comprehensive healthcare company. With eligible projects selected through appropriate processes, both third-party characteristics and expertise are ensured.

3. Management of Proceeds

- Proceeds will be credited to a checking account in the name of Nipro and managed by the accounting department of the corporate planning headquarters.
- Payments for eligible project implementation will be managed by the accounting department based on the verification and request by a department that receives invoices or other evidence documents. Data on expenditures for eligible projects will be extracted using internal accounting codes, and allocated and unallocated amounts will be tracked in a reliable manner. The allocation of proceeds will be confirmed by a finance officer annually. Furthermore, an independent auditor audits the accounting situation.
- Unallocated proceeds will be invested only in highly liquid and safe financial assets under internal rules.
- Proceeds from convertible bonds will be handled as explained above, regardless of whether they are converted into shares.

Proceeds will be properly managed by the accounting department of the corporate planning headquarters. Allocated and unallocated amounts will be tracked in a reliable manner using internal accounting codes that are set on payments for the implementation of eligible projects. Until allocated, proceeds will be invested only in highly liquid and safe financial assets under internal rules. The allocation of proceeds will be confirmed by a finance officer annually. Financing through convertible bonds will be handled in the same way as financing through straight bonds, regardless of whether conversion is exercised. Consequently, R&I considers management of proceeds to be appropriate.

4. Reporting

(1) Overview of Disclosure

- Reporting will be made as follows:

	Items	Timing	Method
Allocation of proceeds	As regards the allocation of proceeds, the proportion of proceeds allocated to financing or refinancing will be disclosed annually.	Annually disclosed until the allocation of proceeds is completed	Website
Regular reporting	Those relating to financial conditions Securities reports and financial summaries Those relating to business strategies and performance Annual reports Medium-term management plan Impact reporting	Annually disclosed until the allocation of proceeds is completed	Website

(2) Impact Reporting

- For impact reporting of eligible projects, Nipro will continuously disclose the output indicators and outcome indicators shown below to the extent possible.
- The change from the framework dated on August 7, 2020 is to disclose the number of products manufactured and the number of products sold at the rate of increase. Since the number of Nipro products is diverse and unit of each production number is different, it is not suitable for measuring social effects even if the number of products manufactured and sold is disclosed as it is, and for competitive reasons, the rate of increase has been changed to be used as an index. By using the manufacturing number and the number of sales were weighted average by Price, it has become the index considered more products and products with low supply amount. In addition, by using the rate of increase, it is possible to clearly show the investment effect for each year.

	Output indicators	Outcome indicators
Domestic business	<ul style="list-style-type: none"> • The increasing rate of medical devices manufactured • The increasing rate of Nipro-brand generic drugs manufactured • Cell drug manufacturing capacity 	<ul style="list-style-type: none"> • The increasing rate of medical devices sold • The increasing rate of Nipro-brand generic drugs sold • The number of cell drugs sold
Global business	<ul style="list-style-type: none"> • The increasing rate of medical devices manufactured • The increasing rate of dialysis clinics • The number of training centers 	<ul style="list-style-type: none"> • The increasing rate of medical devices sold • The increasing rate of patients treated at dialysis clinics • The number of training center users
Pharmaceutical business	<ul style="list-style-type: none"> • The increasing rate of drugs manufactured under contract 	<ul style="list-style-type: none"> • The increasing rate of drugs manufactured and shipped under contract
Pharmapackaging business	<ul style="list-style-type: none"> • The increasing rate of products manufactured 	<ul style="list-style-type: none"> • The increasing rate of products sold

Nipro will disclose to investors the allocation of proceeds and materials that explain social outcomes. The allocation of proceeds will be made public on its website annually. The company plans to disclose the output indicators and outcome indicators it has determined. R&I has confirmed that necessary reporting will be made. Regardless of whether convertible bonds are converted, reporting will be made until the allocation of proceeds is completed.

[Disclaimer]

Second Opinion is not the Credit Rating Business, but one of the Ancillary Businesses (businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities, as well as measures to prevent such business from being misperceived as the Credit Rating Business.

Second Opinions are R&I's opinions on the alignment of a framework, formulated by companies etc. to raise funds for the purpose of environmental conservation and social contribution, with the principles etc. compiled by public organizations or private organizations related to the relevant financing as of the date of assessment. Second Opinions do not address any matters other than the alignment (including but not limited to the alignment of a bond issue with the framework and the implementation status of the project subject to financing). Second Opinions do not certify the outcomes and other qualities of the projects subject to the financing. Hence, R&I will not be held responsible for the effectiveness of the projects, including their outcomes. Second Opinions are not, in any sense, statements of current, future, or historical fact and should not be interpreted as such, and Second Opinions are not a recommendation to purchase, sell, or hold any particular securities and do not constitute any form of advice regarding investment decisions or financial matters. Second Opinions do not address the suitability of an investment for any particular investor. R&I issues Second Opinions based on the assumption that each investor will investigate and evaluate the securities which they plan to purchase, sell, or hold for themselves. All investment decisions shall be made at the responsibility of the individual investor.

The information used when R&I issues Second Opinions is information that R&I has determined, at its own discretion, to be reliable. However, R&I does not undertake any independent verification of the accuracy or other aspects of that information. R&I makes no representation or warranty, express or implied, as to the accuracy, timeliness, adequacy, completeness, merchantability, fitness for any particular purpose, or any other matter with respect to any such information.

R&I is not responsible or liable in any way to any party, for all or any damage, loss, or expenses arising out of or in relation to errors, omissions, inappropriateness of, or insufficiencies in the information used when issuing Second Opinions, or opinions in Second Opinions, or arising out of or in relation to the use of such information or Second Opinions (regardless of the nature of the damage, including direct, indirect, ordinary, special, consequential, compensatory, or incidental damage, lost profits, non-monetary damage, and any other damage, and including expenses for attorneys and other specialists), whether in contract, tort, for unreasonable profit or otherwise, irrespective of negligence or fault of R&I.

All rights and interests (including patent rights, copyrights, other intellectual property rights, and know-how) regarding Second Opinions belong to R&I. Use of Second Opinions, in whole or in part, for purposes beyond personal use (including reproducing, amending, sending, distributing, transferring, lending, translating, or adapting the information), and storing Second Opinions for subsequent use, is prohibited without R&I's prior written permission.

As a general rule, R&I issues a Second Opinion for a fee paid by the issuer.

Japanese is the official language of this material and if there are any inconsistencies or discrepancies between the information written in Japanese and the information written in languages other than Japanese the information written in Japanese will take precedence.

[Expertise and Third-Party Characteristics]

R&I has launched the R&I Green Bond Assessment business in 2016, and since then, R&I has accumulated knowledge through numerous evaluations. Since 2017, R&I has been participating as an observer in the Green Bond Principles and Social Bond Principles, which have their own secretariat at the International Capital Market Association (ICMA). It also has been registered since 2018 as an Issuance Supporter (external review entity) of the Financial Support Programme for Green Bond Issuance, a project by the Ministry of the Environment.

The R&I assessment method and results can be found on the R&I website (<https://www.r-i.co.jp/en/rating/esg/index.html>).

There is no capital or personal relationship between R&I and the fundraiser that could create a conflict of interest.



Social Bond / Social Bond Programme

External Review Form

Section 1. Basic Information

Issuer name: NIPRO CORPORATION

Social Bond ISIN or Issuer Social Bond Framework Name, if applicable: *Social Finance Framework*

Independent External Review provider's name: Rating and Investment Information, Inc.

Completion date of this form: September 9, 2021

Publication date of review publication: September 9, 2021 *[where appropriate, specify if it is an update and add reference to earlier relevant review]*

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the SBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- | | |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other <i>(please specify):</i> | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

<Second Party Opinion: Second Opinion>
R&I has provided a second opinion that the framework is aligned with the Social Bond Principles 2021.
For details, please refer to the report above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

For details, please refer to “1. Use of Proceeds” in the report above.

Use of proceeds categories as per SBP:

- | | |
|--|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation / programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises |
| <input type="checkbox"/> Food security and sustainable food systems | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBPs:

Target populations:

- | | |
|--|---|
| <input type="checkbox"/> Living below the poverty line | <input type="checkbox"/> Excluded and/or marginalised populations and /or communities |
| <input type="checkbox"/> People with disabilities | <input type="checkbox"/> Migrants and /or displaced persons |
| <input type="checkbox"/> Undereducated | <input type="checkbox"/> Underserved, owing to a lack of quality access to essential goods and services |
| <input type="checkbox"/> Unemployed | <input type="checkbox"/> Women and/or sexual and gender minorities |
| <input type="checkbox"/> Aging populations and vulnerable youth | <input type="checkbox"/> Other vulnerable groups, including as a result of natural disasters |
| <input checked="" type="checkbox"/> Other (please specify): “General public,” particularly “Aging populations” and “People with disabilities.” | |

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable):*

For details, please refer to “2. Process for Project Evaluation and Selection” in the report above.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer’s social objectives | <input type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify):</i> |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify):</i> | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable):*

For details, please refer to “3. Management of Proceeds” in the report above.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Social Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other <i>(please specify):</i> |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify):</i> |

4. REPORTING

Overall comment on section (if applicable):

For details, please refer to "4. Reporting" in the report above.

Use of proceeds reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Social Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post):

- | | |
|--|---|
| <input type="checkbox"/> Number of beneficiaries | <input type="checkbox"/> Target populations |
| <input checked="" type="checkbox"/> Other ESG indicators (please specify): For details, please refer to "4. Reporting" in the report above | |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Issuer's Website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

1. The evaluation methodology and services

<https://www.r-i.co.jp/en/rating/products/esg/index.html>

2. Evaluation performance

(1) Green Finance

<https://www.r-i.co.jp/en/rating/esg/greenfinance/index.html>

(2) Sustainability Finance

<https://www.r-i.co.jp/en/rating/esg/sustainabilityfinance/index.html>

(3) Social Finance

<https://www.r-i.co.jp/en/rating/esg/socialfinance/index.html>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

Second Party Opinion

Certification

Verification

Scoring/Rating

Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP

1. **Second Party Opinion:** An institution with social expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
3. **Certification:** An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.