

Summary Report of Consolidated Financial Results

For the Three Months Period ended June 30, 2014



August 12, 2014

TSE-1st section

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Code No.8086

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Presentation on quarterly results: No

(Note: Amounts are truncated to one million yen)

1. Consolidated Results for the Three Months ended June 30, 2014 (From April 1, 2014 to June 30, 2014)

(1) Consolidated Results of Operations (Note: % of change from the same period a year ago)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3 months ended June 30, 2014	75,424	7.6	2,801	10.5	2,146	(50.3)	1,252	(48.7)
3 months ended June 30, 2013	70,093	19.8	2,534	(27.0)	4,322	39.7	2,441	68.9

Note: Comprehensive income 3 months ended June 30, 2014: 1,191 million yen ((95.1)%) 3 months ended June 30, 2013: 24,354 million yen (-%)

	Earnings per share	Diluted Earnings per share
	Yen	Yen
3 months ended June 30, 2014	8.31	7.40
3 months ended June 30, 2013	14.31	12.92

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
3 months ended June 30, 2014	605,607	134,883	20.6
Year ended March 31, 2014	619,654	135,960	20.2

Note: Equity 3 months ended June 30, 2014: 124,475 million yen Year ended March 31, 2014: 125,426 million yen

2. Dividends

	Annual Dividends per Year				
	First-quarter	Second-quarter	Third-quarter	Year-end Dividends	Annual Dividends
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	-	16.00	-	14.50	30.50
Year ending March 31, 2015	-				
Year ending March 31, 2015 (Forecast)		13.50	-	13.00	26.50

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, 2015 (From April 1, 2014 to March 31, 2015)

(Note: The % displays in the line of six months ending Sept. 30, 2014 show increase/decrease ratio against the six months ended Sept. 30, 2013. The % displays in the line of year ending March 31, 2015 show increase/decrease ratio against the year ended March 31, 2014)

	Net Sales		Operating Income		Ordinary Income		Net Income		Earnings per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
6 months ending Sept. 30, 2014	155,000	8.1	7,800	34.5	6,300	8.9	2,150	(17.9)	14.26
Year ending March 31, 2015	330,000	9.7	20,000	62.7	16,700	40.1	6,700	134.1	44.45

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

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1. Qualitative Information for the Three-Month Period Ended June 30, 2014

(1) Commentary on Business Results

During the three months of the fiscal year under review, the global economy generally remained on a gradual recovery trend which saw an improvement in personal consumption and the employment environment in the United States and signs of economic recovery in Europe. China and emerging countries continue to enjoy economic growth although there are concerns about declining growth rates. On the other hand, the Japanese economy showed continued improvement in economic activities including corporate earnings and personal consumption following active economic and monetary measures taken by the government, although there were instable movements including a fallback after the last-minute surge in demand before the consumption tax rate hike which was implemented in April 2014.

Under such circumstances, the Nipro Group has worked to improve operating results through its continued efforts to expand sales and reduce costs.

As a result, consolidated sales for the three-month period ended June 30, 2014 increased by 7.6% from the same period of the previous year to 75,424 million yen. As for the profit, consolidated operating income increased by 10.5% from the same period of the previous year to 2,801 million yen. Consolidated ordinary income, however, decreased by 50.3% from the same period of the previous year to 2,146 million yen due to the foreign exchange loss compared a gain in the same period of the previous year. Consolidated net income decreased by 48.7% from the same period of the previous year to 1,252 million yen though gain on sales of investment securities were recorded.

The overview of the results for the current quarter period under review by business segment is as follows.

(i) Medical-Related Business

Looking at the domestic market, the revision of medical fees and drug prices, which became effective in April 2014, resulted in a 0.1% increase in overall sales. Given the consumption tax rate hike, the revision actually caused a 1.26% decrease in sales, and thus the market environment was quite severe. Under such circumstances, the Medical Sales Division largely increased sales and profits of the drug-eluting balloon catheter "SeQuent® Please," which was launched in January 2014, in the field of vascular products thanks to cooperation with Goodman Co., Ltd. Expected sales and profits of the cardiovascular (CVS) products were delivered as projected at the beginning of the fiscal year under review in the midst of the severe environment where a competitor's ventricular assisting device was launched into the market and new clinical trials were started by other companies. However, sales and profits were weak in injection-transfusion products, enteral-alimentation products, testing products and dialysis products partially due to the fallback after the special demand arose before the consumption tax rate hike. The Pharmaceutical Sales Division gained solid net sales thanks to an increase in newly adopted drugs particularly for oral and external use. This is partly because hospitals subject to diagnosis procedure combination (DPC) and dispensing pharmacies promoted a switch to generic drugs following the revision of medical fees led by the government's generic drug promotion measures. Such development offset a decline in unit prices of drugs due to a revision of their wholesale prices (selling prices to wholesale dealers) following the revision in drug prices in April 2014.

Overseas sales, on the other hand, were robust because the export profitability significantly improved thanks to reinforced marketing activities of the products manufactured at new overseas plants and dialysis products as well as the yen's depreciation against the U.S. dollar and the Euro. In addition, the price raise aimed at profitability improvement worked well as the measure to cope with the depreciation of emerging market currencies. Furthermore, the firmly rooted "local production for local consumption" system and community-based direct sales activities resulted in a substantial growth in sales and profits from the same period of the previous year. By product, we have enhanced dialysis product line, and consequently sales of the related products such as artificial kidneys (dialyzers) showed a strong increase. New overseas plants (in India, Indonesia and Bangladesh) further stabilized their production and sales of the products manufactured at these plants increased steadily particularly in their countries and the neighboring regions.

As a result, net sales of this business increased by 5.9% from the same period of the previous year to 60,097 million yen.

(ii) Pharmaceutical-Related Business

In the Pharmaceutical-Related Business, we have promoted finely-tuned sales activities to win contracted businesses by offering various contracted services such as contracted development and support for value adding initiatives, in addition to our conventional contracted manufacturing service. We have also worked to expand the contracted manufacturing business through joint development with generic drug divisions and new drug development divisions of leading pharmaceutical manufacturers inside and outside of Japan. Furthermore, the self-developed blockbuster syringe preparations, shipment of which started at the end of the previous fiscal year, contributed to the solid sales of this segment.

Sales of pharmaceutical containers as well as devices related to pharmaceutical preparation and administration were strong thanks to our efforts to offer containers and systems suitable to each pharmaceutical product. Such efforts were made to meet various needs in the medical front, including small-volume bags for antimicrobial agents and osteoporosis drugs, materials for pre-filled syringes, etc., on top of rubber stoppers for pharmaceutical and vaccine use and containers for kit products. We developed the containers and systems by ourselves or through joint development with pharmaceutical manufactures based on our processing technologies for plastics, rubbers, and metals. In addition, under the government's policy to curb medical expenses, we have worked together with domestic and foreign pharmaceutical manufactures in enhancing comprehensive lifecycle management of pharmaceutical products, taking into consideration the development of combination products, self-injection systems, and dosage form/administrating path modification in the future.

As a result, net sales of this business increased 17.0% from the same period of the previous year to 14,117 million yen.

(iii) Glass-Related Business

In the Glass-Related Business, adding to our conventional glass containers for medical use, we have developed high-value added vials to support diverse injectable formulation with a high level of quality requirements. We also improved our manufacturing facilities and environment for the stable supply of these products.

In the three months of the fiscal year under review, we announced the processing technique of vials with low alkali elution to the medical and pharmaceutical industries. Meanwhile, we also set up the "Biwako Factory," a state-of-the-art plant for glass containers for domestic medical use, with the purpose of further improving our quality assurance system for good manufacturing practice (GMP). Under the system, we have established the production and sales setup enabling the stable supply of high-quality glass containers for medical use required by pharmaceutical manufacturers. Overall sales of the Glass-Related Business slightly declined from the same period of the previous year, but sales of high-value added vials and large-bore vials steadily grew in the field of vials, the glass containers for medical use, thanks to gaining new demands.

Among other glass-related products, sales of automotive electric bulbs showed a solid growth partially due to the effect of quality improvement, while sales of glass for thermos bottles decreased from the same period of the previous year due to a decline in exports and weak domestic demand.

As a result, net sales of this business decreased 2.7% from the same period of the previous year to 1,166 million yen.

(iv) Other Business

Among other business, sales from the real-estate rental business were 43 million yen (down by 26.15% from the same period of the previous year).

(2) Analysis Concerning Financial Position

Analysis Concerning the Conditions of Assets, Liabilities and Net Assets

Total assets decreased by 14,047 million yen from the end of the previous year to 605,607 million yen. Current assets decreased by 10,021 million yen primarily due to a decrease of 9,684 million yen in cash and deposits, and noncurrent assets decreased by 4,025 million yen primarily due to a decrease of 7,018 million yen in other of investment and other assets.

Total liabilities decreased by 12,970 million yen from the end of the previous year to 470,723 million yen. Current liabilities decreased by 7,426 million yen primarily due to an decrease of 9,243 million yen in income taxes payable, and noncurrent liabilities decreased by 5,543 million yen primarily due to a decrease of 5,497 million yen in long-term loans

payable.

Total net assets decreased by 1,077 million yen from the end of the previous year to 134,883 million yen. Shareholders' equity decreased by 1,143 million yen and accumulated other comprehensive income increased by 191 million yen.

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

We expect that the global economy will continue to be on the gradual recovery trend. Similarly, in Japan, economic activities will continue to gradually improve amid the easing of the fallback after the last-minute surge in demand before the consumption tax rate hike.

Even under such circumstances, the Nipro Group will work to improve profits through its continued efforts to expand sales and reduce production costs.

At this moment, we have not made any revision to the forecast of consolidated financial results for the year ending March 31, 2015, which was announced on May 14, 2014.

2. Summary (Other) Information

(1) Changes in Significant Consolidated Subsidiaries

N/A

(2) Accounting Treatments Simplified or Unique for Preparation

N/A

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

(Change in Accounting Policies)

Application of the Accounting Standard for Retirement Benefits and its Guidance

From the first quarter of the consolidated fiscal year under review, we adopted the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; hereinafter referred to as the "Retirement Benefits Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; hereinafter referred to as the "Retirement Benefits Guidance") with regard to the provisions specified under the main clause of paragraph 35 of the Retirement Benefits Standard and paragraph 67 of the Retirement Benefits Guidance. The calculation method of retirement benefit obligations and service costs was reviewed, the period attribution method of the expected amount of retirement benefits was changed from a straight - line attribution to a benefit calculation standard and the decision method of the discount rate was changed from the way in which the number of years approximate to the average remaining service period of employees is used for the period of bonds that serves as the basis for determining the discount rate to the way in which a single weighted average discount rate is used to reflect the expected payment period of retirement benefits and the amount for each expected payment period.

In applying the Retirement Benefits Standard and its Guidance, the effect of the changes in the calculation method of retirement benefit obligations and service costs was adjusted in retained earnings at the beginning of the first quarter of the consolidated fiscal year under review according to the transitional treatment set forth in the paragraph 37 of the Retirement Benefits Standard.

As a result, net defined benefit liability decreased 150 million yen and retained earnings increased 97 million yen at the beginning of the current quarterly period under review. This change had no impact on operating income, ordinary income and income before income taxes and minority interests in the current quarterly period under review.

3. Consolidated Financial Statements

(1) [Quarterly Consolidated Balance Sheets]

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current Assets		
Cash and deposits	84,957	75,272
Notes and accounts receivable-trade	103,179	103,218
Merchandise and finished goods	59,517	60,108
Work in process	10,968	10,406
Raw materials and supplies	20,000	20,649
Deferred tax assets	7,354	5,216
Other	12,154	13,202
Allowance for doubtful accounts	(2,010)	(1,976)
Total current assets	296,119	286,098
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	158,109	161,380
Accumulated depreciation and impairment loss	(77,025)	(76,171)
Buildings and structures, net	81,083	85,208
Machinery, equipment and vehicles	192,277	195,470
Accumulated depreciation and impairment loss	(135,012)	(137,564)
Machinery equipment and vehicles, net	57,265	57,905
Land	23,367	21,141
Lease assets	2,409	2,341
Accumulated depreciation	(1,507)	(1,482)
Lease assets, net	902	859
Construction in progress	20,534	22,026
Other	37,683	38,152
Accumulated depreciation and impairment loss	(29,242)	(29,739)
Other, net	8,440	8,413
Total property, plant and equipment	191,593	195,554
Intangible assets		
Goodwill	28,493	27,178
Lease assets	443	418
Other	13,278	13,926
Total intangible assets	42,216	41,523
Investments and other assets		
Investment securities	65,507	65,880
Net defined benefit asset	98	337
Deferred tax assets	8,453	7,542
Other	18,535	11,516
Allowance for doubtful accounts	(2,870)	(2,846)
Total investments and other assets	89,724	82,430
Total noncurrent assets	323,534	319,509
Total assets	619,654	605,607

(Millions of yen)

	As of March 31, 2013	As of June 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	45,661	47,941
Short-term loans payable	127,384	130,641
Commercial papers	10,000	10,000
Current portion of bonds	4,315	4,315
Current portion of convertible bond-type bonds with subscription rights to shares	14,895	14,895
Lease obligations	949	901
Accounts payable-other	8,563	7,853
Accrued directors' bounuses	415	—
Income taxes payable	10,734	1,491
Provision for bounuses	3,516	2,244
Provision for directors' bounuses	123	125
Provision for loss on business liquidation	2,438	—
Notes payable-facilities	2,897	3,683
Other	18,820	19,194
Total current liabilities	250,714	243,287
Noncurrent liabilities		
Bonds payable	45,832	45,540
Long-term loans payable	177,004	171,506
Lease obligations	1,510	1,412
Deferred tax liabilities	1,976	1,934
Net defined benefit liability	4,042	4,186
Provision for directors' retirement benefits	449	447
Provision for loss on litigation	284	280
Other	1,878	2,127
Total noncurrent liabilities	232,979	227,435
Total liabilities	483,694	470,723
Net assets		
Shareholders' equity		
Capital stock	84,397	84,397
Capital surplus	688	688
Retained earnings	52,567	51,388
Treasury stock	(17,999)	(17,964)
Total shareholders' equity	119,654	118,511
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7,443)	(5,014)
Deferred gains or losses on hedges	38	(17)
Foreign currency translation adjustment	13,535	11,317
Remeasurements of defined benefit plans	(357)	(321)
Total accumulated other comprehensive income	5,772	5,964
Minority interests	10,533	10,408
Total net assets	135,960	134,883
Total liabilities and net assets	619,654	605,607

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

(Amount: million yen)

	FY2013 first three months (From April 1, 2013 to June 30, 2013)	FY2014 first three months (From April 1, 2014 to June 30, 2014)
Net sales	70,093	75,424
Cost of sales	50,064	53,097
Gross profit	20,029	22,327
Selling, general and administrative expenses	17,494	19,526
Operating income	2,534	2,801
Non-operating income		
Interest income	221	179
Dividends income	940	827
Foreign exchange gain	1,461	—
Other	322	283
Total non-operating income	2,946	1,289
Non-operating expenses		
Interest expenses	971	1,030
Foreign exchange losses	—	522
Equity in losses of affiliates	—	40
Other	187	351
Total non-operating expenses	1,158	1,944
Ordinary income	4,322	2,146
Extraordinary income		
Gain on sales of noncurrent assets	199	24
State subsidy□	1	—
Gain on negative goodwill	4	—
Compensation income	570	28
Gain on sales of investment securities	18	2,535
Other	52	25
Total extraordinary income	846	2,613
Extraordinary loss		
Loss on retirement of noncurrent assets	17	19
Structural integration expenses	30	2
Loss on sales of investment securities	—	1,233
Other	14	46
Total extraordinary losses	62	1,301
Income before income taxes and minority interests	5,106	3,458
Income taxes-current	2,361	545
Income taxes-deferred	261	1,606
Total income taxes	2,622	2,152
Income before minority interests	2,483	1,306
Minority interests in income	42	54
Net income	2,441	1,252

[Quarterly Consolidated Statements of Comprehensive Income]

(Amount: million yen)

	FY2013 first three months (From April 1, 2013 to June 30, 2013)	FY2014 first three months (From April 1, 2014 to June 30, 2014)
Income before minority interests	2,483	1,306
Other comprehensive income		
Valuation difference on available-for-sale securities	11,364	2,428
Deferred gains or losses on hedges	—	(55)
Foreign currency translation adjustment	10,506	(2,524)
Remeasurements of defined benefit plans	—	36
Total other comprehensive income	21,871	(114)
Comprehensive income	24,354	1,191
Comprehensive income attributable to owners of the parent	23,777	1,443
Comprehensive income attributable to minority interests	577	(251)

(3) Notes Regarding Consolidated Financial Statement

(Notes regarding going concern)

N/A

(Notes regarding significant changes in the amount of shareholders' equity)

N/A

(Segment Information)

I FY2013 (From April 1, 2013 to June 30, 2013)

1. Sales and Profit by Reportable Operating Segment

(Millions of yen)

	Segment				Other (Note.1)	Total	Adjust- ment (Note.2)	Consolidated Statements of Income (Note.3)
	Medical- Related	Pharmaceutical- Related	Glass- Related	Total				
Net sales								
(1)Sales to third parties	56,764	12,070	1,199	70,034	58	70,093	—	70,093
(2)Inter-segment sales and transfers	308	1,787	136	2,233	10	2,243	(2,243)	—
Total	57,073	13,858	1,336	72,268	68	72,336	(2,243)	70,093
Segment profit	3,634	2,128	143	5,906	54	5,961	(3,426)	2,534

(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 of (3,426) million yen includes elimination of inter-segment transaction of (1,113) million yen and corporate cost of (2,313) million yen. Corporate cost consisted primarily of general and administrative expenses and research and development cost which do not belong to the reporting segment.
3. Segment profit is adjusted to the operating income on the consolidated statements of income.

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

(Significant Change in Goodwill)

Regarding Medical-Related Business, we acquired the share of Nichihos Co., Ltd. and its 10 subsidiaries to include them in the scope of consolidation. In accordance with it, goodwill increased 6,851million yen from the end of the previous year.

II FY2014 (From April 1, 2014 to June 30, 2014)

1. Sales and Profit by Reportable Operating Segment

(Millions of yen)

	Segment				Other (Note.1)	Total	Adjust- ment (Note.2)	Consolidated Statements of Income (Note.3)
	Medical- Related	Pharmaceutical- Related	Glass- Related	Total				
Net sales								
(1)Sales to third parties	60,097	14,117	1,166	75,381	43	75,424	—	75,424
(2)Inter-segment sales and transfers	335	2,030	159	2,525	8	2,534	(2,534)	—
Total	60,432	16,147	1,326	77,907	52	77,959	(2,534)	75,424
Segment profit	3,353	2,978	146	6,479	50	6,528	(3,727)	2,801

(Notes)

4. "Other" is the business segment which is not included in the segment and consist of real estate income and sales by headquarter.
5. Adjustment for the segment profit of (3,727) million yen includes elimination of inter-segment transaction of (927) million yen and corporate cost of (2,799) million yen. Corporate cost consisted primarily of general and administrative expenses and research and development cost which do not belong to the reporting segment.
6. Segment profit is adjusted to the operating income on the consolidated statements of income.

2. Changes in Reportable Segments

The calculation method of retirement benefit obligations and service costs in business segment was changed following the changes in accounting policy.

This change had no impact to profit and loss.

3. Information on Impairment Loss on Fixed Assets and on Goodwill by Reportable Segment

N/A