

Summary Report of Consolidated Financial Results

For the Fiscal Year ended March 31, 2018



May 10, 2018
TSE-1st section

Company name: NIPRO CORPORATION

Code No.8086

URL: <http://www.nipro.co.jp/>

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Presentation on annual results: Yes (for institutional investors and analysts)

(Note: Amounts less than one million yen are rounded down)

1. Consolidated Results for the year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(1) Consolidated Results of Operations

(%: Changes from 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	%
Year ended March 31, 2018	395,397	9.9	27,088	(5.8)	22,684	(2.1)	11,829	4.3
Year ended March 31, 2017	359,699	(1.9)	28,770	18.9	23,166	58.4	11,346	(42.5)

Note: Comprehensive income Year ended March 31, 2018: 13,492 million yen (25.5 %)
Year ended March 31, 2017: 10,753 million yen (177.6%)

	Earnings per share	Diluted Earnings per share	Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	71.15	64.51	7.0	2.9	6.9
Year ended March 31, 2017	67.58	61.33	6.8	3.2	8.0

Note: Equity in profit (loss) of affiliate Year ended March 31, 2018: 113 million yen Year ended March 31, 2017: 112 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	826,759	183,485	20.9	1,037.25
As of March 31, 2017	752,839	176,408	22.1	977.54

Note: Equity March 31, 2018: 172,621 million yen March 31, 2017: 166,082 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	41,046	(64,140)	47,341	135,599
Year ended March 31, 2017	33,472	(66,351)	36,483	112,046

2. Dividends

	Annual dividends per year					Annual total of dividends	Pay-out ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First-quarter	Second-quarter	Third-quarter	Year-end dividends	Annual dividends			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	-	7.50	-	21.50	29.00	4,842	42.9	2.9
Year ended March 31, 2018	-	17.50	-	11.00	28.50	4,748	40.1	2.8
Year ending March 31, 2019 (Forecast)	-	12.00	-	18.00	30.00		35.2	

3. Forecast of Consolidated Financial Results for the Year ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

(%: Changes from the corresponding period of 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
Six months ending Sept. 30, 2018	208,600	11.0	9,899	(13.9)	8,200	(30.4)	5,200	(37.2)	31.25
Year ending March 31, 2019	426,800	7.9	23,400	(13.6)	20,400	(10.1)	14,200	20.0	85.33

*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) 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

(3) Issued Shares (Common stock)

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

Year ended March 31, 2018: 171,459,479 shares

Year ended March 31, 2017: 171,459,479 shares

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

Year ended March 31, 2018: 5,037,124 shares

Year ended March 31, 2017: 5,300,071 shares

[3] Average number of shares during the period:

Year ended March 31, 2018: 166,276,706 shares

Year ended March 31, 2017: 167,903,832 shares

Note: Number of the treasury stocks as of March 31, 2018 included 196,100 shares, and as of March 31, 2017 included 460,000 shares owned by Trust and Custody Service Bank, Ltd (Trust Account E).

(Reference) Overview of the Unconsolidated Financial Results

1. Unconsolidated Results for the Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(1) Results of Operations (%: Changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2018	270,844	8.9	15,426	(4.8)	16,542	(1.3)	12,272	1.2
Year ended March 31, 2017	248,812	6.6	16,209	(19.9)	16,766	(7.9)	12,130	25.0

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Year ended March 31, 2018	73.81		66.92	
Year ended March 31, 2017	72.25		65.57	

(2) Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
Year ended March 31, 2018	622,679		172,933		27.8		1,039.12	
Year ended March 31, 2017	561,216		169,121		30.1		1,017.82	

Note: Equity Year ended March 31, 2018: 172,933 million yen Year ended March 31, 2017: 169,121 million yen

*This summary report is exempt from audit 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. Overview of Business Results (3) Future Outlook" in the attachment.

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1. Overview of Business Results

(1) Overview of FY2017 Business Results

[1] Overview of FY2017

The Japanese economy, during the current consolidated fiscal year, saw a continuation of the gradual economic recovery as corporate earnings remained steady. Meanwhile, although concerns such as rising geopolitical risks existed, the global economy in general also saw a gradual economic recovery. Furthermore, foreign exchange levels remained relatively stable throughout the fiscal year. 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 current consolidated fiscal year increased YoY by 9.9% to 395,397 million yen due to favorable sales in the Medical-Related Business. Meanwhile, despite the gross profit margin improving YoY by 0.2 percentage points, operating profit decreased YoY by 5.8% to 27,088 million yen and ordinary profit decreased YoY by 2.1% to 22,684 million yen as a result of a significant increase in selling, general and administrative expenses owing to the active promotion of regenerative medicine and pharmaceutical development. Moreover, despite the recording of extraordinary losses, profit attributable to owners of parent increased YoY by 4.3% to 11,829 million yen due to a decrease in income taxes, etc.

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

a. 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 “HeartMate II” (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. Furthermore, we launched our first authorized generic, Bepotastine Besilate, in March 2018, capturing a significant share of the market in its first month and contributing to sales and income. 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, as a result of enhanced sales of mainstay dialysis products, such as dialyzers, and hospital products, overseas sales revenues displayed steady growth. Sales of new model dialysis machines introduced 2-3 years ago in particular were favorable, contributing to sales. 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 Canada and China 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, both factories steadily expanding production capacity .

As a result, net sales of this business increased 14.5% YoY to 300,117 million yen.

b. 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 a diverse and detailed array of contract services. These services include contract development proposals from the design stage of such formulations and, for injection drugs, services that leverage our strength in being able to develop and supply packaging such as vials, syringes and bags, including support and the manufacturing of investigational new drugs from the initial stages of development and support for lifecycle management that aims to enhance added value and differentiate products such as through additional formulations. Moreover, we have focused on contract manufacturing for 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.

However, owing to decreased production quantities of long-listed products and existing generic drugs, net sales of this business decreased YoY by 3.3% to 66,846 million yen.

c. 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. Moreover, all departments were united in making efforts towards developing new technologies and products from a user perspective and expanding sales at academic conferences and worked to enhance product competitiveness and value. 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, in the United States and Europe inventory reductions by pharmaceutical companies settled down and sales grew centered on syringes in Europe and vials in the United States. In China, as the market becomes more high-quality, we strengthened sales of 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, while sales of glass tubes struggled, sales were solid with a focus on syringes. Despite impacts from production adjustments at the manufacturer for glass valves for thermos bottles, income exceeded the previous year. Furthermore, at the Biwako Plant, we enhanced management frameworks, established a production framework for pharmaceutical containers and began mass production of medical rubber stoppers, steadily improving towards a high-profit structure. 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.

As a result, net sales of this business increased 0.3% YoY to 28,404 million yen.

d. Other Business

Among other business, net sales from the real-estate rental business, etc. were 29 million yen (down 2.0% YoY).

(2) Overview of FY2017 Financial Position

[1] Assets, liabilities, and net assets

Total assets increased 73,919 million yen from the end of the previous consolidated fiscal year to 826,759 million yen at the end of the current consolidated fiscal year under review. Current assets increased 49,271 million yen and noncurrent assets increased 24,648 million yen. The main reasons for the increase in current assets was an increase of 19,473 million yen in notes and accounts receivable-trade. The main reason for the increase in noncurrent assets was an increase of 11,584 million yen in construction in progress.

Total liabilities increased 66,842 million yen from the end of the previous consolidated fiscal year to 643,273 million yen. Current liabilities decreased 605 million yen and noncurrent liabilities increased 67,448 million yen. The main reason for the decrease in current liabilities was a decrease of 13,945 million yen in current portion of bonds, and the main reason for the increase in noncurrent liabilities was an increase of 69,335 million yen in long-term loans payable.

Total net assets increased 7,077 million yen from the end of the previous consolidated fiscal year to 183,485 million yen. Shareholders' equity increased 5,385 million yen and accumulated other comprehensive income increased 1,153 million yen.

[2] Consolidated cash flow

The ending balance of cash and cash equivalents increased 23,552 million yen from the end of the previous consolidated fiscal year to 135,599 million yen at the end of the current consolidated fiscal year under review.

(Cash flows from operating activities)

Net cash provided by operating activities was 41,046 million yen. The main accounts of cash inflow were profit before income taxes, 17,026 million yen and depreciation, 32,565 million yen. The main account of cash outflow was increase in notes and accounts receivable-trade, 7,331 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 64,140 million yen. The main account of cash outflow was purchase of non-current assets, 62,382 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 47,341 million yen. The main account of cash inflow was proceeds from long-term loans payable, 135,110 million yen. The main account of cash outflow was repayment of long-term loans payable, 7,493 million yen.

(3) Future Outlook

Going forward in the world economy, concerns are growing over the possibility of a trade war due to the hardline tariff policy of the United States as further uncertainty and challenging conditions are expected. Even under such circumstances, the Nipro Group will continue to work toward achieving a consolidated sales goal of 500,000 million yen by fiscal year 2020 and promote the development of new technologies and products from a user perspective, making social contributions through technological innovation.

Our forecasts for the fiscal year ending March 31, 2019 include consolidated net sales of 426,800 million yen (up 7.9% YoY), operating profit of 23,400 million yen (down 13.6% YoY), ordinary profit of 20,400 million yen (down 10.1% YoY), and profit attributable to owners of parent of 14,200 million yen (up 20.0% YoY). In addition to expected decreases in income due to impacts from revised drug prices, the prediction may be slightly severe owing to projected increases in development costs regarding new product development, yet the foundations are being laid for further future expansions in business.

(4) Basic Policy on Distribution of Profits and Dividends for Fiscal Years Ending March 31, 2018 and March 31, 2019

We position profit return as an important management measure and will provide dividends to our shareholders. Internal reserves will be invested in sales & marketing, production, and research and development divisions, widening management frameworks and ensuring long-term business development, so as to obtain stable and sustainable growth going into the future.

We plan an annual dividend of 28.50 yen per share and, as we have already paid an interim dividend of 17.50 yen per share, the year-end dividend is to be 11.00 yen per share, which will be proposed to the Company's 65th ordinary general meeting of shareholders.

We plan to make the dividend for the year ending March 31, 2019 inherit current basic policy while changing to better reflecting consolidated income.

2. Corporate Group

Our group consists of the Reporting Company (“the Company”), its 94 subsidiaries and 5 affiliates and is primarily engaged in manufacture and sale of medical equipment, pharmaceutical products and material products such as glass for medical use and glass for thermos bottles.

Positioning of each company in connection with the businesses of our group and the relation to the business segment are as follows:

<Medical-Related Business>

Domestic: The Company, Nipro Medical Industries Co., Ltd. and Goodman Co., Ltd. manufacture medical equipment, and the Company and Goodman Co., Ltd. sell medical equipment manufactured by its foreign subsidiaries.
Cell Science & Technology Institute, Inc., develops, manufactures and sells cell-culture-related products.
NexMed International Co., Ltd. develops, manufactures and sells orthopedic medical equipment.
Nipro ES Pharma Co., Ltd. purchases products from the Company and its subsidiaries and sells generic drugs.
Nichihos Co., Ltd. manages dispensing pharmacies and sells pharmaceutical products.

Overseas: Nipro (Thailand) Corporation Ltd., Nipro (Shanghai) Co., Ltd. (China) and Nipro India Corporation Private Limited (India) and other subsidiaries purchase some raw materials and machinery for their production from the Company, manufacture medical equipment, and sell them through the Company and its subsidiaries as well as locally on their own.
Nipro Medical Europe N.V. (Belgium) (renamed from Nipro Europe N.V. on March 1, 2018), Nipro Medical Corporation (U.S.A.) and Nipro Trading (Shanghai) Co., Ltd. (China) and other sales subsidiaries purchase products mainly from the Company and its subsidiaries, and sell medical equipment etc. in the areas of their locations.

<Pharmaceutical-Related Business>

Domestic: The Company, Nipro Pharma Corporation and Zensei Pharmaceutical Industries Co., Ltd. manufacture and sell pharmaceutical products.

Overseas: Nipro Pharma Vietnam Co., Ltd. manufactures pharmaceutical products and Nipro Pharma Corporation sells them.

< PharmaPackaging Business >

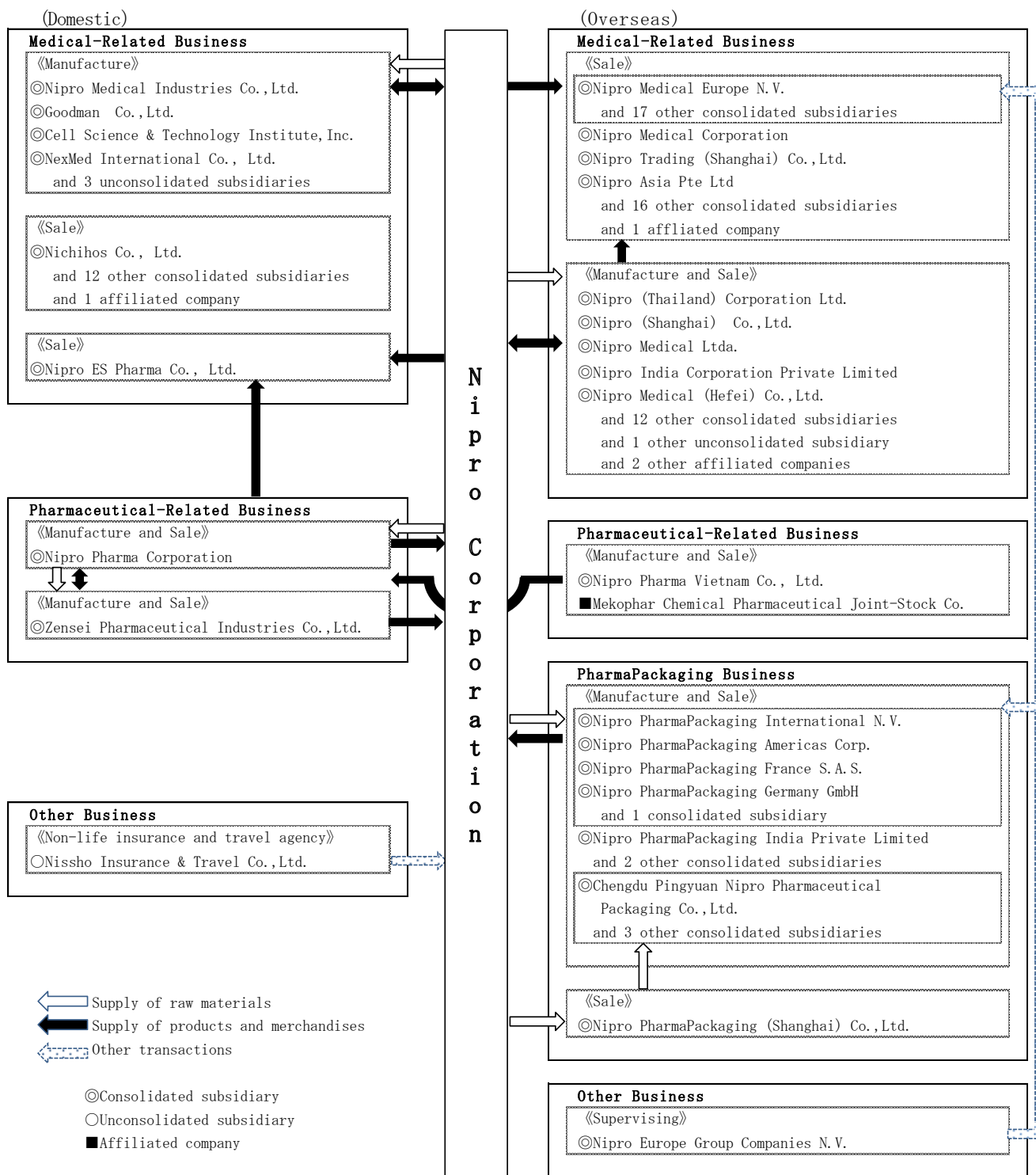
Domestic: The Company sells glass tubes as well as manufactures and sells glass products.

Overseas: Nipro PharmaPackaging (Shanghai) Co., Ltd. purchases some raw materials through the Company and sells them to its subsidiaries in China such as Chengdu Pingyuan Nipro Pharmaceutical Packaging Co., Ltd.
Subsidiaries such as Nipro PharmaPackaging Americas Corp. (U.S.A.), Nipro PharmaPackaging France S.A.S. (France), Nipro PharmaPackaging Germany GmbH (Germany), Nipro PharmaPackaging India Private Limited (India), and Chengdu Pingyuan Nipro Pharmaceutical Packaging Co., Ltd. (China) manufacture and sell tube glass, vials and ampoules, etc. for medical use focusing on their each location.

<Other business>

The Company manufactures (purchases, in some cases) and sells production machinery for medical equipment and is engaged in leasing of real estate properties.
Nissho Insurance & Travel Co., Ltd. operates non-life insurance agency and travel businesses mainly for the group companies.
Nipro Europe Group Companies N.V. (Belgium) mainly supervises businesses of Nipro Medical Europe N.V. (Belgium) and Nipro PharmaPackaging International N.V. (Belgium).

The above explanations are illustrated as follows:



3. Management Policies

(1) Basic Management Policy

Since our foundation in 1954, the Company's business philosophy has been to contribute to society through corporate activities under the concept of "technological innovation". In keeping with this philosophy, it has constantly sought to achieve growth through pursuit of distinctive products and technology for better quality of life (QOL) among patients and in response to issues and needs at medical care sites.

In addition, as a management mechanism that bears in mind that the balance between "stability" and "growth" is the most important for a company, we established a "performance-based pay system" and vigorously develop our business based on the concept of self-responsibility.

(2) Target Management Indicators

We aim to achieve consolidated net sales of 1 trillion yen by fiscal 2030. As a first step, we are aiming for consolidated net sales of 500,000 million yen and ordinary profit of 40,000 million yen by fiscal 2020 and will make every effort towards steady growth in the Medical-Related, Pharmaceutical-Related, and PharmaPackaging businesses.

(3) Medium- to Long-term Management Strategies

The basic policy and management strategy of the Nipro Group lie in the expansion of sales through acquiring a share in the global market by providing products of a stable quality and cost competitiveness and raising our production capacity for products projected to exhibit quantitative growth. Moreover, we are determined to develop products of value and safety, as viewed from the user's perspective, utilizing our original technology and other management resources that span the Medical Devices, Pharmaceuticals, and PharmaPackaging business segments.

In our Medical-Related Business, we plan to expand our market share, vigorously filling our line-up and opening up new sales channels in areas such as diabetes, vascular and surgical device (SD) products, as well as artificial kidney dialyzers (our mainstay products in this field) and other dialysis products.

In the field of generic drugs, demand is expected to continue to rapidly expand in light of the Ministry of Health, Labour and Welfare's roadmap to promote the use of generic drugs that aims to increase the share of the total pharmaceutical sales volume occupied by such drugs to at least 80 percent by the end of fiscal 2020. As such, besides our ongoing development of new generic drugs, we will continue concentrating on the creation of various sales routes to users such as university hospitals, foundation hospitals and dispensing pharmacy groups and enhancing relations with important wholesalers and distributors, while pursuing greater synergies through coordination with our Medical Equipment Sales Division.

For overseas sales, with a global and customer perspective together with a bottom-up approach as our policy, we will work towards increasing the shares of our products, particularly dialysis products such as dialyzers and dialysis machines. Accordingly, we will perform clinical trials and technical sales to our customers and continue to enhance our sales organization.

In recent years, as a result of establishing new business bases and developing sales channels in developing regions such as India and China where further market expansion is expected, sales are steadily expanding. Going forward, we will continue to actively establish new business bases in developing regions in order to capture demand in expanding markets. Furthermore, in Europe and the United States, by strengthening ties with major dialysis center groups we will work towards further expanding sales and increasing our market share.

In the Contracted Manufacturing Division of our Pharmaceutical-Related Business, we will build frameworks for production and quality assurance that meet requirements in developed countries. We will also further expand our production capacity while working to expand our business as a leading corporate group in the contracted manufacturing of pharmaceuticals. Moreover, we are working to improve production site capacity outside of Japan in order to enhance our capacity for stable supply and cost competitiveness, enabling the supply of medical products globally. We will continue to develop and supply safe and useful products, as viewed from a healthcare professional and patient perspective, through

collaborations between our unique pharmaceutical containers and pharmaceutical preparation and administration devices.

In the PharmaPackaging Business, we will continue to expand our market share using our glass manufacturing technologies such as VIALEX® glass vials and "D2F(TM)" sterilized vials cultivated over many years of operations. Using such technologies as a foundation, we will provide a further detailed customer service by fusing and harmonizing the regional strategies of each country and functional strategies of each department in every direction possible. Moreover, we will strive to expand business by promptly constructing a framework that can deliver total pharmaceutical packaging materials such as glass, plastics, rubbers and metals, and globally developing as well as introducing high value-added products while shifting to the selling of solutions.

(4) Issues and Challenges Facing the Group

In our Medical-Related Business, the Medical Sales Division will strive to create designs reflecting considerations for medical safety and security and develop products that alleviate the environmental burden for products related to transfusion, diabetes, dialysis, vascular and SD. It will also seek to develop products that are gentle to healthcare professionals, patients, and the environment, while actively marketing and expanding sales of products addressing the diversifying needs and potentials in the market, to improve business results. Moreover, while the generic drug industry, and the pharmaceutical industry as a whole, is facing an extremely difficult business environment due to April of this year's revised drug prices, the Pharmaceutical Sales Division will endeavor to further enhance the Nipro brand while meeting the needs of medical care sites, such as home medical care and regional medical cooperation, as a comprehensive medical enterprise.

In our Pharmaceutical-Related Business, our main goals are to improve production capacity, stabilize supply, secure reliability in quality, and achieve a significant reduction in manufacturing costs to further increase our competitiveness. Furthermore, with a view to supplying products to the global market, it is essential that we enhance our development and quality assurance frameworks in both software and hardware in order to fully meet pharmaceutical quality standards in the United States and Europe and will further respond to the pharmaceutical affairs of each country. Meanwhile, we consider the creation of management systems that meet the country risks of our overseas plants an important theme, and, taking into account the culture of each country, will proceed in our response. In the PharmaPackaging Business, as the market changes through revised drug prices and the restructuring of pharmaceutical companies, we regard it as a challenge to urgently build a framework for the efficient stable supply of pharmaceutical packaging materials and other components to users in order to cope with such changes. Accordingly, leveraging our manufacturing technology, we will establish a complementary system of domestic and overseas coordination through unifying our product specifications and quality standards and enhancing our systems of stable supply, such as logistics, to create a framework enabling the stable manufacture, storage, and sale of high-quality products. Moreover, we will proactively work toward the planning and development of new products. In addition to the above, in order to enhance the synergistic effects of further efficient business management and pharmaceutical sales and strengthen the "one stop solution" for users from this fiscal period onward, the business will, in a truly comprehensive manner, work towards expanding revenues by offering the sales of total pharmaceutical packaging materials from a user perspective through integrating the medical system development and medical system sales departments of the Pharmaceutical Division into the PharmaPackaging Division.

4. Basic Principles Underlying the Concept of Accounting Standards

J-GAAP is adopted in the current period. The Company will keep a close eye on future trends while considering the application of International Financial Reporting Standards (IFRS).

5. Consolidated Financial Statements and Major Notes
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current Assets		
Cash and deposits	123,188	141,940
Notes and accounts receivable-trade	121,038	140,511
Merchandise and finished goods	78,241	88,710
Work in process	10,784	12,666
Raw materials and supplies	26,303	27,841
Deferred tax assets	6,404	6,959
Other	22,194	18,854
Allowance for doubtful accounts	(1,378)	(1,437)
Total current assets	386,775	436,047
Non-current assets		
Property, plant and equipment		
Buildings and structures	199,471	207,198
Accumulated depreciation and impairment loss	(90,929)	(98,987)
Buildings and structures, net	108,541	108,211
Machinery, equipment and vehicles	236,514	258,817
Accumulated depreciation and impairment loss	(164,778)	(180,543)
Machinery equipment and vehicles, net	71,736	78,273
Land	23,987	32,079
Leased assets	3,855	3,707
Accumulated depreciation	(2,642)	(2,746)
Leased assets, net	1,212	960
Construction in progress	25,953	37,537
Other	50,232	54,423
Accumulated depreciation and impairment loss	(37,441)	(41,213)
Other, net	12,791	13,210
Total property, plant and equipment	244,222	270,273
Intangible assets		
Goodwill	27,996	27,358
Leased assets	2,263	2,366
Other	13,575	16,268
Total intangible assets	43,836	45,944
Investments and other assets		
Investment securities	68,888	62,936
Net defined benefit asset	227	—
Deferred tax assets	1,459	3,706
Other	11,651	12,644
Allowance for doubtful accounts	(4,221)	(4,844)
Total investments and other assets	78,004	74,443
Total non-current assets	366,063	390,711
Total assets	752,839	826,759

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	57,587	62,105
Short-term loans payable	117,933	117,666
Commercial papers	10,000	10,000
Current portion of bonds	15,160	1,215
Lease obligations	1,107	1,198
Accounts payable-other	13,509	16,461
Accrued directors' bonuses	343	328
Income taxes payable	4,304	4,993
Provision for bonuses	4,075	4,364
Provision for directors' bonuses	105	131
Notes payable-facilities	10,350	11,304
Other	17,313	21,417
Total current liabilities	<u>251,792</u>	<u>251,186</u>
Non-current liabilities		
Bonds payable	5,215	5,000
Convertible bond-type bonds with share acquisition rights	25,000	25,000
Long-term loans payable	281,181	350,517
Lease obligations	2,869	2,544
Deferred tax liabilities	1,766	783
Net defined benefit liability	5,126	4,530
Provision for directors' retirement benefits	592	647
Provision for loss on litigation	88	202
Other	2,797	2,861
Total non-current liabilities	<u>324,639</u>	<u>392,087</u>
Total liabilities	<u>576,431</u>	<u>643,273</u>
Net assets		
Shareholders' equity		
Capital stock	84,397	84,397
Retained earnings	78,422	83,570
Treasury shares	(6,243)	(6,004)
Total shareholders' equity	<u>156,577</u>	<u>161,963</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,589	(712)
Deferred gains or losses on hedges	(141)	(69)
Foreign currency translation adjustment	8,640	11,404
Remeasurements of defined benefit plans	(582)	36
Total accumulated other comprehensive income	<u>9,504</u>	<u>10,658</u>
Non-controlling interests	10,325	10,863
Total net assets	<u>176,408</u>	<u>183,485</u>
Total liabilities and net assets	<u>752,839</u>	<u>826,759</u>

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Net sales	359,699	395,397
Cost of sales	244,602	268,272
Gross profit	115,097	127,125
Selling, general and administrative expenses	86,326	100,036
Operating profit	28,770	27,088
Non-operating income		
Interest income	520	577
Dividends income	1,475	1,643
Share of profit of entities accounted for using equity method	112	113
Other	1,415	1,646
Total non-operating income	3,524	3,981
Non-operating expenses		
Interest expenses	3,796	3,543
Expenses for operation preparation	786	471
Commission for syndicate loan	1,216	817
Foreign exchange losses	2,273	2,561
Other	1,056	991
Total non-operating expenses	9,128	8,384
Ordinary profit	23,166	22,684
Extraordinary income		
Gain on sales of non-current assets	84	63
State subsidy	1,900	1,613
Gain on sales of investment securities	0	736
Other	144	2
Total extraordinary income	2,129	2,416
Extraordinary loss		
Loss on sales of non-current assets	480	370
Loss on retirement of non-current assets	731	411
Impairment loss	1,554	2,216
Loss on reduction of non-current assets	1,879	1,500
Provision of allowance for doubtful accounts	282	92
Compensation expenses	934	1,074
Loss on liquidation of business	—	1,056
Other	1,109	1,352
Total extraordinary losses	6,971	8,075
Profit before income taxes	18,324	17,026
Income taxes-current	6,613	7,708
Income taxes-deferred	107	(2,980)
Total income taxes	6,720	4,727
Profit	11,604	12,298
Profit attributable to non-controlling interests	258	468
Profit attributable to owners of parent	11,346	11,829

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Profit	11,604	12,298
Other comprehensive income		
Valuation difference on available-for-sale securities	4,936	(2,301)
Deferred gains or losses on hedges	(129)	72
Foreign currency translation adjustment	(5,860)	2,882
Remeasurements of defined benefit plans	240	628
Share of other comprehensive income of entities accounted for using equity method	(36)	(87)
Total other comprehensive income	(850)	1,194
Comprehensive income	10,753	13,492
Comprehensive income attributable to owners of parent	10,844	12,983
Comprehensive income attributable to non-controlling interests	(90)	508

(3) Consolidated Statements of Shareholders' Equity

(Millions of yen)

	Year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Shareholder's equity		
Capital stock		
Balance at beginning of year	84,397	84,397
Changes of items during period		
Total changes of items during period	—	—
Balance at end of year	84,397	84,397
Retained earnings		
Balance at beginning of year	73,067	78,422
Changes of items during period		
Dividend of surplus	(4,073)	(6,498)
Profit attributable to owners of parent	11,346	11,829
Disposal of treasury shares	—	(0)
Change of scope of consolidation	(0)	—
Other	(1,916)	(184)
Total changes of items during period	5,354	5,147
Balance at end of year	78,422	83,570
Treasury stock		
Balance at beginning of year	(1,475)	(6,243)
Changes of items during period		
Purchase of treasury shares	(5,001)	(1)
Disposal of treasury shares	233	240
Total changes of items during period	(4,767)	238
Balance at end of year	(6,243)	(6,004)
Total Shareholders' equity		
Balance at beginning of year	155,990	156,577
Changes of items during period		
Dividend of surplus	(4,073)	(6,498)
Profit attributable to owners of parent	11,346	11,829
Purchase of treasury shares	(5,001)	(1)
Disposal of treasury shares	233	240
Change of scope of consolidation	(0)	—
Other	(1,916)	(184)
Total changes of items during period	586	5,385
Balance at end of year	156,577	161,963

(Millions of yen)

	Year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities		
Balance at beginning of year	(3,347)	1,589
Changes of items during period		
Net changes of items other than shareholders' equity	4,936	(2,301)
Total changes of items during period	4,936	(2,301)
Balance at end of year	1,589	(712)
Deferred gains or losses on hedges		
Balance at beginning of year	(12)	(141)
Changes of items during period		
Net changes of items other than shareholders' equity	(129)	72
Total changes of items during period	(129)	72
Balance at end of year	(141)	(69)
Foreign currency translation adjustment		
Balance at beginning of year	14,187	8,640
Changes of items during period		
Net changes of items other than shareholders' equity	(5,547)	2,764
Total changes of items during period	(5,547)	2,764
Balance at end of year	8,640	11,404
Remeasurements of defined benefit plans		
Balance at beginning of year	(821)	(582)
Changes of items during period		
Net changes of items other than shareholders' equity	238	619
Total changes of items during period	238	619
Balance at end of year	(582)	36
Total accumulated other comprehensive income		
Balance at beginning of year	10,007	9,504
Changes of items during period		
Net changes of items other than shareholders' equity	(502)	1,153
Total changes of items during period	(502)	1,153
Balance at end of year	9,504	10,658
Non-controlling interests		
Balance at beginning of year	9,509	10,325
Changes of items during period		
Net changes of items other than shareholders' equity	815	538
Total changes of items during period	815	538
Balance at end of year	10,325	10,863
Total net assets		
Balance at beginning of year	175,507	176,408
Changes of items during period		
Dividend of surplus	(4,073)	(6,498)
Profit attributable to owners of parent	11,346	11,829
Purchase of treasury shares	(5,001)	(1)
Disposal of treasury shares	233	240
Change of scope of consolidation	(0)	—
Other	(1,916)	(184)
Net changes of items other than shareholders' equity	313	1,691
Total changes of items during period	900	7,077
Balance at end of year	176,408	183,485

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	18,324	17,026
Depreciation	31,128	32,565
Impairment loss	1,554	2,216
Amortization of goodwill	2,907	3,431
Share of (profit) loss of entities accounted for using equity method	(112)	(113)
Increase (decrease) in allowance for doubtful accounts	433	443
Increase (decrease) in net defined benefit liability	482	288
Interest and dividend income	(1,996)	(2,221)
Interest expenses	3,796	3,543
Foreign exchange losses (gains)	4,008	559
Loss (gain) on sales of investment securities	0	(791)
Loss (gain) on sales of shares of subsidiaries and associates	369	—
State subsidy	(1,900)	(1,613)
Loss on reduction of non-current assets	1,879	1,500
Decrease (increase) in notes and accounts receivable-trade	(9,317)	(7,331)
Decrease (increase) in inventories	(17,730)	(4,902)
Increase (decrease) in notes and accounts payable-trade	4,576	(3,821)
Decrease (increase) in other assets	(1,788)	1,755
Increase (decrease) in other liabilities	4,701	6,454
Other loss (gain)	1,270	449
Subtotal	42,589	49,441
Interest and dividends income received	2,101	2,238
Interest expenses paid	(3,908)	(3,299)
Other proceeds	261	499
Other payments	(262)	(502)
Income taxes paid	(7,308)	(7,329)
Net cash provided by (used in) operating activities	33,472	41,046
Cash flows from investing activities		
Payments into time deposits	(11,592)	(4,715)
Proceeds from withdrawal of time deposits	14,325	9,673
Purchase of investment securities	(1,092)	(549)
Proceeds from sales of investment securities	0	4,480
Purchase of shares of subsidiaries	(8)	(40)
Purchase of shares of associates	(1,032)	(881)
Proceeds from sales of shares of associates	—	384
Purchase of shares of associates accounted for using equity method	(926)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,126)	(11,888)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(703)	—
Purchase of non-current assets	(64,146)	(62,382)
Proceeds from sales of non-current assets	409	655
Payments for retirement of non-current assets	(78)	(274)
Proceeds from subsidy income for capital investment	900	1,592
Net decrease (increase) in short-term loans receivable	184	470
Payments of loans receivable	(74)	(755)
Collection of loans receivable	572	93
Other payments	0	(1)
Other proceeds	37	—
Net cash provided by (used in) investment activities	(66,351)	(64,140)

(Millions of yen)

	Year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,018	8,825
Proceeds from long-term loans payable	145,298	135,110
Repayment of long-term loans payable	(97,424)	(74,903)
Proceeds from issuance of bonds	1,989	993
Redemption of bonds	(2,262)	(15,160)
Proceeds from sales of treasury shares	233	240
Purchase of treasury shares	(5,001)	(1)
Purchase of treasury shares of subsidiaries	(6)	(21)
Repayments of finance lease obligations	(1,157)	(1,180)
Cash dividends paid	(4,072)	(6,484)
Dividends paid to non-controlling interests	(28)	(20)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,104)	(56)
Net cash provided by (used in) financing activities	36,483	47,341
Effect of exchange rate change on cash and cash equivalents	(3,773)	(695)
Net increase (decrease) in cash and cash equivalents	(168)	23,552
Cash and cash equivalents at beginning of period	111,977	112,046
Increase in cash and cash equivalents from newly consolidated subsidia	237	—
Cash and cash equivalents at end of period	112,046	135,599

(5) Notes Regarding Consolidated Financial Statements

(Notes Related to Going Concern)

N/A

(Basis of Preparation for the Consolidated Financial Statements)

1) Scope of consolidation

[1] Consolidated subsidiaries: 89

Name of representative consolidated subsidiaries,

- Nipro Medical Industries Co., Ltd.
- Nipro Medical Europe N.V.
- Nipro Pharma Corporation
- Nipro Medical (Hefei) Co., Ltd.
- Nipro Trading (Shanghai) Co., Ltd.
- Nipro (Thailand) Corporation Ltd.
- Nipro Medical Corporation
- Nipro ES Pharma Co., Ltd.
- Goodman Co., Ltd.
- Zensei Pharmaceutical Industries Co., Ltd.

Two companies including CardioMed Supplies INC. which were newly established were included in the scope of consolidation and Nipro ES Pharma Co., Ltd. was included in the scope of consolidation in the year under review due to the acquisition of stock.

Moreover, due to the extinguishing of Nipro Patch Co.,Ltd. through absorption into the surviving entity and consolidated subsidiary Nipro Pharma Corporation on April 1, 2017, Nipro Patch Co.,Ltd. was excluded from the scope of consolidation in the year under review.

Nipro Europe N.V. changed its name to Nipro Medical Europe N.V. on March 1, 2018.

[2] Name of major unconsolidated subsidiary

- Nissho Insurance & Travel Co., Ltd.

The unconsolidated subsidiaries are small-sized companies, whose combined total assets, net sales, net income and earned surplus in the aggregate (averaged for recent 5 years) are not material to the consolidated financial statements.

2) Application of equity method

[1] Number of affiliate accounted for by the equity method: 1

- Mekophar Chemical Pharmaceutical Joint-Stock Company

[2] Name of major unconsolidated subsidiary not accounted for by the equity method:

- Nissho Insurance & Travel Co., Ltd.

Name of major affiliate not accounted for by the equity method:

- Nipro Dongduk Medical Corporation

The equity method is not applied to the unconsolidated subsidiaries and the affiliate companies, since they are not material to the consolidated net income (amounts worth to equity) and earned surplus(amounts worth to equity) etc., either individually or in the aggregate.

3) Accounting period of consolidated subsidiaries

Among the main consolidated subsidiaries, accounts closing date of the foreign subsidiary is December 31. Consolidated financial statements as of that date are used in preparing for consolidated financial statements, and necessary adjustments are made to reflect significant transactions that occurred between December 31 and March 31.

4) Accounting principles and practices

[1] Valuation standards and methods for significant assets

Securities

Available-for-sale securities

Securities with market quotations -----Valued at the market price quoted on the balance sheet date.

(Differences in valuation are presented as a component of shareholders' equity. Costs are determined by the weighted average method.)

Securities without market quotations ----- Valued at cost by the weighted average method

Inventories

Valued at cost by the weighted average method (Writing down method below cost to the net selling value for decreased profitability)

Derivatives transaction

Valued at the market price

[2] Method of depreciation and amortization for significant depreciable assets

Property, plant and equipment (Excluding lease assets)

----- Mainly Declining-balance method

However, buildings acquired on or after April 1, 1998 (excluding attached structures), and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated by straight-line method.

The foreign subsidiaries use straight-line method.

Lease assets

Lease assets under the finance lease transaction that does not transfer ownership

----- Recorded by straight-line method its useful lives are equals to the lease term and the residual values are equal to zero.

[3] Standards for recognition of significant allowances

Allowance for double accounts ----- In order to cover the probable losses on collection, an allowance for doubtful accounts is provided for the estimated amount of uncollectible receivables. For general receivables, the amount of provision is based on historical write-off rates, and for the doubtful receivables, based on the specific collectability.

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

Provision for directors' bonuses ----- In order to cover the payment of bonuses to directors and corporate auditors, an allowance is provided for the estimated amount of bonuses to be paid, prorated for the consolidated accounting period.

Provision for directors' retirement benefits

----- An allowance is provided for severance indemnity for directors and corporate directors based on the amounts to be paid at the end of the consolidated accounting period.

[4] Accounting Treatment of Retirement Benefits

Method of attributing expected benefit to periods

In calculating retirement benefit obligation, the Company attributed expected benefit to the periods on a payment calculation basis.

Accounting Method of Actuarial gains and losses and prior service costs

Prior service costs are amortized on a straight-line basis over the certain period (generally 5 years) which is no longer than the expected average remaining working lives of the employees when they occur.

Actuarial gains and losses are amortized on a straight-line basis over the certain period (generally 5years) which is no longer than the expected average remaining working lives of the employees from the following the year which they arise.

[5] Amortization of goodwill

Goodwill is amortized using the straight-line method over the estimated benefit period of the asset (from 5 to 20 years).

[6] Range of cash and cash equivalent carried on the consolidated cash flow statement.

Cash and cash equivalent carried on the cash flow statement consist of cash on hand, cash in banks that are able to withdraw as needed, and short-term investment that will be matured within three months after acquisition, easy to be converted into cash without much risks from fluctuation of prices.

[7] Significant method of hedge accounting

Method of hedge accounting

The deferral hedge accounting method is applied in principle. Designation accounting is used for foreign exchange swap that meet the requirements for designation accounting, and exceptional accounting is used for interest rate swap that meet the requirements for exceptional accounting.

Hedge instrument and hedge items

[Hedge instruments]	[Hedge items]
Foreign exchange swaps	Foreign currency borrowings
Interest rate swaps	Borrowings

Hedge policy

The Company uses foreign exchange swaps and interest rate swaps to mitigate the foreign currency risk and the interest rate risk involved in procuring funds and hedge items are identified on an individual contract basis.

Method for evaluating the validity of hedges

For items covered by designation or exceptional accounting, the validity of the hedge is not evaluated.

[8] Other significant basis on preparation for consolidated financial statements

Consumption taxes

Consumption taxes are excluded from revenues and expenses accounts and consumption taxes unqualified for deduction for tax purposes for assets, etc. are reported as period expenses in the consolidated accounting period.

(Notes Regarding Consolidated Balance Sheets)

	(Previous period)	(Current Period)
1) Pledged assets	15,465 mil. yen	13,005 mil. yen
2) Discounted notes receivable	13 mil. yen	4 mil. yen
3) Accounts related to unconsolidated subsidiaries and affiliate companies		
Investment securities (stock)	4,718 mil. yen	4,142 mil. yen
Other of investments and other assets (Investments in capital)	7 mil. yen	7 mil. yen
4) Accounting treatment of trade notes maturing on the last day of the fiscal year		

Trade notes maturing on the last day of the fiscal year are accounted on the clearance day. Accordingly, since the last day of the current consolidated fiscal year was a bank holiday, such trade notes were included in the following accounts.

	(Previous period)	(Current Period)
Notes receivable - trade	— mil. yen	2,042 mil. yen
Notes payable - trade	— mil. yen	896 mil. yen

(Notes Regarding Consolidated Statement of Income)

	(Previous period)	(Current Period)
Research and development expenditure included in selling general and administrative expenses and manufacturing cost.	11,517 mil. yen	16,113 mil. yen

(Notes Regarding Consolidated Statements of Shareholders' equity)

Previous period (From April 1, 2016 to March 31, 2017)

1. Sort and total numbers of shared issues

Sort of shares	Number of shares as of April 1, 2016	Increased numbers	Decreased numbers	Number of shares As of March 31, 2017
Common stock	171,459,479	-	-	171,459,479

2. Sort and numbers of treasury stock

Sort of shares	Number of shares as of April 1, 2016	Increased numbers	Decreased numbers	Number of shares As of March 31, 2017
Common stock	1,666,187	3,890,184	256,300	5,300,071

(Note) 1. Number of the stocks increased during the period due to the purchase of 3,889,200 shares pursuant to a resolution of the Board of Directors and the purchase of 984 shares of odd-lot shares.

2. Number of the stocks decreased during the period due to the shares sold by Trust Account E to the Association.

3. Number of the stocks as of the beginning of the period included 716,300 shares owned by Trust Account E, and number of the stocks as of the end of the period included 460,000 shares owned by Trust Account E.

3. Dividends

(1) Amount of dividends paid

Decision	Sort of shares	Total amount of dividends paid	Dividends per shares	Basis date	Effective date
June 28, 2016 at Ordinary General Meeting of Shareholders	Common stock	Millions of yen 2,813	Yen 16.50	March 31, 2016	June 29, 2016
November 10, 2016 at Board of Directors	Common stock	Millions of yen 1,260	Yen 7.50	September 30, 2016	December 8, 2016

(Note) 1. Total amount of dividends paid decided at the ordinary general meeting of shareholders on June 28, 2016 includes 11 million yen of the dividends on shares owned by Trust Account E.

2. Total amount of dividends paid decided at the board of directors on November 10, 2016 includes 4 million yen of the dividends on shares owned by Trust Account E.

(2) Of the dividends whose record date belongs to the current consolidated fiscal year, those dividends of which the effective date belongs to the next fiscal year

Scheduled Decision	Sort of shares	Proceeds of dividends	Total amount of dividends paid	Dividends per shares	Basis date	Effective date
June 28, 2017 at Ordinary General Meeting of Shareholders	Common stock	Earned surplus	Millions of yen 3,582	Yen 21.50	March 31, 2017	June 29, 2017

(Note) Total amount of dividends paid includes 9 million yen of the dividend on shares owned by Trust Account E.

Current period (From April 1, 2017 to March 31, 2018)

1. Sort and total numbers of shared issues

Sort of shares	Number of shares as of April 1, 2017	Increased numbers	Decreased numbers	Number of shares As of March 31, 2018
Common stock	171,459,479	-	-	171,459,479

2. Sort and numbers of treasury stock

Sort of shares	Number of shares as of April 1, 2017	Increased numbers	Decreased numbers	Number of shares As of March 31, 2018
Common stock	5,300,071	1,025	263,972	5,037,124

(Note) 1. Number of the stocks increased during the period due to the purchase of odd-lot shares.
 2. Number of the stocks decreased during the period due to the sales of 72 shares of odd-lot shares and the sales of 263,900 shares by Trust Account E to the Association.
 3. Number of the stocks as of the beginning of the period included 460,000 shares owned by Trust Account E, and number of the stocks as of the end of the period included 196,100 shares owned by Trust Account E.

3. Dividends

(1) Amount of dividends paid

Decision	Sort of shares	Total amount of dividends paid	Dividends per shares	Basis date	Effective date
June 28, 2017 at Ordinary General Meeting of Shareholders	Common stock	Millions of yen 3,582	Yen 21.50	March 31, 2017	June 29, 2017
November 9, 2017 at Board of Directors	Common stock	Millions of yen 2,915	Yen 17.50	September 30, 2017	December 8, 2017

(Note) 1. Total amount of dividends paid decided at the ordinary general meeting of shareholders on June 28, 2017 includes 9 million yen of the dividends on shares owned by Trust Account E.
 2. Total amount of dividends paid decided at the board of directors on November 9, 2017 includes 5 million yen of the dividends on shares owned by Trust Account E.

(2) Of the dividends whose record date belongs to the current consolidated fiscal year, those dividends of which the effective date belongs to the next fiscal year

Scheduled Decision	Sort of shares	Proceeds of dividends	Total amount of dividends paid	Dividends per shares	Basis date	Effective date
June 27, 2018 at Ordinary General Meeting of Shareholders	Common stock	Earned surplus	Millions of yen 1,832	Yen 11.00	March 31, 2018	June 28, 2018

(Note) Total amount of dividends paid includes 2 million yen of the dividends on shares owned by Trust Account E.

(Segment Information)

[Segment Information]

1. Outline of reportable operating segments

Applied ASBJ Statement No.17 "The Accounting Standard for Disclosures of Segments of an Enterprise and Related Information", the reportable operating segments are components of an entity for which separate financial information is available and evaluated regularly by the board of directors in determining the allocation of management resources and in

assessing performance. We currently operate our business on a stand-alone basis with the divisional organization and evaluate the performance of sales and manufacture of each division regardless of their products. Accordingly, we divide our operations into 3 reportable operating segments on the basis of its main products: Medical-Related, Pharmaceuticals-Related and PharmaPackaging.

***Medical-Related**

The Domestic Division sells injection and infusion products, artificial organ products, highly functional products, dialysis products, diabetic products and pharmaceuticals such as generic and kit products. In the Global Business Division, head office plays the central role, placing overseas sales and manufacturing bases for medical equipment and sales injection and infusion products, artificial organ products and diabetic products.

***Pharmaceutical-Related**

The Pharmaceutical Division sells containers for combination products (injectable kit products) and pharmaceutical-related products consigned by other pharmaceutical companies. Domestic subsidiaries sell and manufacture injectable drugs, oral drugs and combination products.

***PharmaPackaging**

The PharmaPackaging Division sells glass for vials and ampoules for medical use, glass for thermos bottles and glass for lighting. Overseas subsidiaries manufacture and sell tube glass and glass mainly for syringes, vials and ampoules for medical use.

2. Method of calculating sales and profit by reportable operating segment

The accounting process of the segments follows the accounting principles and practices listed in Basis of Preparation for the Consolidated Financial Statements. Profit of the segment is based on operating income. Internal revenue and transfer to revenue between segments are based on the market realized price.

3. Information on amount of sales, profit or loss, assets and other items by reportable segment

Year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Segment				Other (Note.1)	Total	Adjust- ment (Note.2)	Consolidated Statements of Income (Note.3)
	Medical- Related	Pharmace- utical- Related	Pharma- Packaging	Total				
Net sales								
(1)Sales to third parties	262,198	69,140	28,331	359,670	29	359,699	—	359,699
(2)Inter-segment sales and transfers	1,575	9,917	0	11,492	724	12,216	(12,216)	—
Total	263,773	79,057	28,331	371,162	754	371,916	(12,216)	359,699
Segment profit (loss)	30,638	14,135	(1,313)	43,460	(10)	43,449	(14,679)	28,770
Segment assets	369,540	160,467	61,262	591,270	1,237	592,508	160,330	752,839
Other items								
(1)Depreciation and amortization	14,231	10,761	3,302	28,295	0	28,295	2,832	31,128
(2)Amortization of goodwill	2,083	4	819	2,907	-	2,907	-	2,907
(3)Increase in tangible and intangible fixed assets	22,684	17,695	6,795	47,175	731	47,907	10,403	58,310

(Note) 1. "Other" is the business segment which is not included in the reporting segment and consist of real estate

- income and sales by headquarter.
2. Adjustment is as follows.
- (1) Adjustment for the segment profit (loss) of (14,679) million yen includes realization of intercompany profits on inventories of 1,248 million yen and corporate cost of (15,927) million yen. Corporate cost consists primarily of sales, general and administrative expenses and research and development cost which do not belong to the reporting segment.
- (2) Adjustment for the segment assets of 160,330 million yen includes elimination of inter-segment transaction of (7,339) million yen and corporate assets of 167,670 million yen. Corporate assets consisted primarily of cash and deposit, investment securities, assets for development and assets for management division of head office which do not belong to the reporting segment.
- (3) Adjustment for depreciation and amortization of 2,832 million yen is for corporate assets. Depreciation and amortization and increase in tangible and intangible fixed assets include long-term prepaid expenses.
- (4) Adjustment for increase in tangible and intangible fixed assets is increase in corporate assets.
3. Segment profit (loss) is adjusted to the operating income on the consolidated statements of income.

Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Segment				Other (Note.1)	Total	Adjust- ment (Note.2)	Consolidated Statements of Income (Note.3)
	Medical- Related	Pharmace- utical- Related	Pharma- Packaging	Total				
Net sales								
(1)Sales to third parties	300,117	66,846	28,404	395,368	29	395,397	—	395,397
(2)Inter-segment sales and transfers	1,636	14,789	69	16,494	1,180	17,675	(17,675)	—
Total	301,753	81,636	28,473	411,863	1,210	413,073	(17,675)	395,397
Segment profit (loss)	36,522	13,104	(1,308)	48,318	75	48,394	(21,306)	27,088
Segment assets	417,884	166,188	67,319	651,392	4,317	655,710	171,048	826,759
Other items								
(1)Depreciation and amortization	14,836	11,146	3,043	29,026	48	29,074	3,491	32,565
(2)Amortization of goodwill	2,738	4	689	3,431	-	3,431	-	3,431
(3)Increase in tangible and intangible fixed assets	20,412	17,469	9,024	46,906	1,769	48,675	13,314	61,990

- (Notes)
1. "Other" is the business segment which is not included in the reporting segment and consist of real estate income and sales by headquarter.
2. Adjustment is as follows.
- (1) Adjustment for the segment profit (loss) of (21,306) million yen includes deduction of intercompany profits on inventories of (704) million yen and corporate cost of (20,601) million yen. Corporate cost consists primarily of sales, general and administrative expenses and research and development cost which do not belong to the reporting segment.
- (2) Adjustment for the segment assets of 171,048 million yen includes elimination of inter-segment transaction of (9,114) million yen and corporate assets of 180,162 million yen. Corporate assets consisted primarily of cash and deposit, investment securities, assets for development and assets for management division of head office which do not belong to the reporting segment.
- (3) Adjustment for depreciation and amortization of 3,491 million yen is for corporate assets. Depreciation and amortization and increase in tangible and intangible fixed assets include long-term prepaid expenses.
- (4) Adjustment for increase in tangible and intangible fixed assets is increase in corporate assets.
3. Segment profit (loss) is adjusted to the operating income on the consolidated statements of income.

[Related Information]

Year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

1. Information for each product and service

Disclosure is omitted as the same information is disclosed in segment information.

2. Information for each area

(1) Net sales

(Millions of yen)

Japan	America	Europe	Asia	Total
221,331	53,239	42,579	42,548	359,699

(2) Property, plant and equipment

(Millions of yen)

Japan	America	Europe	Asia	Total
148,090	9,791	16,708	69,632	244,222

3. Information about impairment loss on fixed assets by reportable segments

(Millions of yen)

Reportable segment			Total	Other	Total
Medical-Related	Pharmaceutical-Related	PharmaPackaging			
32	120	1,401	1,554	-	1,554

4. Information about unamortized balance of goodwill by reportable segment

(Millions of yen)

	Reportable segment			Total	Other	Total
	Medical-Related	Pharmaceutical-Related	PharmaPackaging			
Balance of the fiscal year-end	24,957	4	3,034	27,996	-	27,996

Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

1. Information for each product and service

Disclosure is omitted as the same information is disclosed in segment information

2. Information for each area

(1) Net sales

(Millions of yen)

Japan	America	Europe	Asia	Total
241,750	56,704	46,389	50,553	395,397

(2) Property, plant and equipment

(Millions of yen)

Japan	America	Europe	Asia	Total
177,250	10,407	21,909	60,706	270,273

3. Information about impairment loss on fixed assets by reportable segments

(Millions of yen)

Reportable segment			Total	Other	Total
Medical-Related	Pharmaceutical-Related	PharmaPackaging			
139	-	1,968	2,107	109	2,216

4. Information about unamortized balance of goodwill by reportable segment

(Millions of yen)

	Reportable segment			Total	Other	Total
	Medical -Related	Pharmaceutical -Related	Pharma Packaging			
Balance of the fiscal year-end	26,153	0	1,205	27,358	-	27,358

(Per Share Information)

	Previous period (From April 1, 2016 to March 31, 2017)	Current period (From April 1, 2017 to March 31, 2018)
Net assets per share	999.54 yen	1,037.25 yen
Earnings per share	67.58 yen	71.15 yen
Diluted Earnings per share	61.33 yen	64.51 yen

Base of the calculation is as follow;

1. Net assets per share

	Previous period (As of March 31, 2017)	Current period (As of March 31, 2018)
Total net assets in B/S (million yen)	176,408	183,485
Amount to be deducted from total net assets in B/S (Million yen)		
Non-controlling interests	10,325	10,863
Net assets related to the common stocks(million yen)	166,082	172,621
Common stocks issued (Thousands shares)	171,459	171,459
Treasury stocks of common stock (Thousands shares)	5,300	5,037
Number of common stocks utilized for computation of net assets per share (thousand shares)	166,159	166,422

2. Earnings per share and diluted earnings per share

	Previous period (From April 1, 2016 To March 31, 2017)	Current period (From April 1, 2017 To March 31, 2018)
Earnings per share		
Profit attributable to owners of parent (Million yen)	11,346	11,829
Amount not attributed to the common stock (Million yen)	-	-
Profit attributable to owners of parent available for common stock (Million yen)	11,346	11,829
Average shares of the common stock during the period (Thousands shares)	167,903	166,276
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Million yen)	-	-
Number of common stock increased (thousand shares) Convertible bond-type bonds with share acquisition rights	17,099	17,099
Overview of the potential shares not included in the computation of diluted earning per share because of not having a dilutive effect	-	-

(Material Subsequent Event)

N/A

6. Non-consolidated Financial Statements
(1) Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current Assets		
Cash and deposits	69,868	76,620
Notes receivable-trade	12,173	12,436
Electronically recorded monetary claims - operating	7,040	8,627
Accounts receivable-trade	92,486	99,842
Securities	—	20
Merchandise and finished goods	36,780	36,809
Work in process	5,963	5,551
Raw materials and supplies	3,712	4,442
Advance payments-trade	1,362	4,124
Prepaid expenses	421	365
Deferred tax assets	1,164	1,750
Short-term loans receivable from subsidiaries and associates	539	907
Accounts receivable-other	2,729	2,873
Consumption taxes receivable	2,006	1,489
Other	303	608
Allowance for doubtful accounts	(24)	(26)
Total current assets	236,531	256,444
Noncurrent assets		
Property, plant and equipment		
Buildings	50,332	52,042
Accumulated depreciation and impairment loss	(25,594)	(27,043)
Buildings, net	24,738	24,999
Structures	2,565	2,661
Accumulated depreciation and impairment loss	(1,754)	(1,847)
Structures, net	810	813
Machinery, equipment	63,827	66,247
Accumulated depreciation and impairment loss	(53,364)	(56,247)
Machinery equipment, net	10,463	9,999
Vehicles	109	107
Accumulated depreciation and impairment loss	(99)	(100)
Vehicles, net	9	7
Tools, furniture and fixtures	20,058	20,937
Accumulated depreciation and impairment loss	(17,130)	(18,326)
Tools, furniture and fixtures, net	2,928	2,611
Land	8,432	15,995
Leased assets	1,251	1,100
Accumulated depreciation	(727)	(648)
Leased assets, net	523	451
Construction in progress	2,164	3,945
Total property, plant and equipment	50,071	58,823

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Intangible assets		
Goodwill	1,819	938
Patent right	2	20
Trademark right	3	2
Software	758	831
Leased assets	2,262	2,366
Telephone subscription right	23	23
Other	281	816
Total intangible assets	5,150	5,001
Investments and other assets		
Investment securities	61,695	56,474
Shares of subsidiaries and associates	152,686	183,778
Investments in capital	0	1
Investments in capital of subsidiaries and associates	42,406	52,726
Long-term loans receivable	14	7
Long-term loans receivable from subsidiaries and affiliates	7,865	3,896
Claims provable in bankruptcy, claims provable in rehabilitation and other	3,270	3,237
Long-term prepaid expenses	2,144	2,267
Prepaid pension cost	251	164
Deferred tax assets	1,142	1,749
Other	671	758
Allowance for doubtful accounts	(2,684)	(2,651)
Total investments and other assets	269,463	302,409
Total noncurrent assets	324,685	366,234
Total assets	561,216	622,679
Liabilities		
Current liabilities		
Notes payable-trade	17,868	19,143
Accounts payable-trade	43,156	45,363
Current portion of long-term loans payable	47,551	39,623
Commercial papers	10,000	10,000
Current portion of bonds	14,400	400
Lease obligations	766	871
Accounts payable-other	7,854	10,247
Directors' bonuses payable	343	328
Accrued expenses	838	1,041
Income taxes payable	625	2,650
Advances received	521	70
Deposits received	118	228
Unearned revenue	16	6
Provision for bonuses	1,459	1,580
Provision for sales returns	34	37
Notes payable-facilities	5,194	3,975
Other	892	1,055
Total current liabilities	151,638	136,622

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Noncurrent liabilities		
Bonds payable	3,400	3,000
Convertible bond-type bonds with share acquisition rights	25,000	25,000
Long-term loans payable	205,997	278,884
Lease obligations	2,238	2,169
Long-term unearned revenue	6	—
Provision for retirement benefits	1,588	1,691
Provision for directors' retirement benefits	395	441
Long-term guarantee deposited	1,830	1,936
Total non-current liabilities	240,456	313,123
Total liabilities	392,095	449,745
Net assets		
Shareholders' equity		
Capital stock	84,397	84,397
Capital surplus		
Legal capital surplus	635	635
Total capital surplus	635	635
Retained earnings		
Legal retained earnings	3,622	4,272
Other retained earnings		
Reserve for dividends	16	16
Reserve for advanced depreciation of non-current assets	105	105
General reserve	75,835	82,735
Retained earnings brought forward	10,613	8,837
Total retained earnings	90,192	95,966
Treasury shares	(6,243)	(6,004)
Total shareholders' equity	168,982	174,995
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	138	(2,061)
Total valuation and translation adjustments	138	(2,061)
Total net assets	169,121	172,933
Total liabilities and net assets	561,216	622,679

(2) Non-consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Net sales		
Net sales of merchandise and finished goods	248,703	270,717
Rent income of real estate	108	126
Total net sales	248,812	270,844
Cost of sales		
Beginning merchandise and finished goods	31,786	36,780
Cost of products manufactured	45,203	47,890
Cost of purchased merchandise and finished goods	149,296	156,987
Cost of real estate rent	73	123
Total	226,360	241,782
Ending merchandise and finished goods	36,780	36,809
Total cost of sales	189,580	204,973
Gross profit	59,232	65,871
Selling, general and administrative expenses	43,022	50,444
Operating profit	16,209	15,426
Non-operating income		
Interest income	279	269
Dividends income	4,044	4,742
Reversal of allowance for doubtful accounts	30	30
Other	550	654
Total non-operating income	4,904	5,696
Non-operating expenses		
Interest expenses	1,880	1,731
Interest on bonds	271	253
Commission for syndicate loan	1,150	771
Foreign exchange losses	854	1,627
Other	190	197
Total non-operating expenses	4,347	4,580
Ordinary profit	16,766	16,542
Extraordinary income		
Gain on sales of noncurrent assets	14	4
State subsidy	1,097	1,023
Gain on sales of investment in capital of subsidiaries and associates	—	505
Other	0	—
Total extraordinary income	1,111	1,532
Extraordinary losses		
Loss on sales of non-current assets	478	91
Loss on retirement of non-current assets	98	119
Loss on reduction of non-current assets	1,076	910
Loss on valuation of shares of subsidiaries and associates	1,285	—
Compensation expenses	934	1,074
Other	76	424
Total extraordinary losses	3,950	2,621
Profit before income taxes	13,927	15,453
Income taxes-current	1,603	3,404
Income taxes-deferred	194	(223)
Total income taxes	1,797	3,181
Profit	12,130	12,272

(3) Non-consolidated Statements of Shareholders' Equity

(Millions of yen)

	Year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)
Shareholder's equity		
Capital stock		
Balance at beginning of year	84,397	84,397
Changes of items during period		
Total changes of items during period	—	—
Balance at end of year	84,397	84,397
Capital surplus		
Legal capital surplus		
Balance at beginning of year	635	635
Changes of items during period		
Total changes of items during period	—	—
Balance at end of year	635	635
Other capital surplus		
Balance at beginning of year	—	—
Changes of items during period		
Disposal of treasury shares	—	0
Total changes of items during period	—	0
Balance at end of year	—	0
Total capital surplus		
Balance at beginning of year	635	635
Changes of items during period		
Disposal of treasury shares	—	0
Total changes of items during period	—	0
Balance at end of year	635	635
Retained earnings		
Legal retained earnings		
Balance at beginning of year	3,215	3,622
Changes of items during period		
Provision of legal retained earnings	407	649
Total changes of items during period	407	649
Balance at end of year	3,622	4,272
Other retained earnings		
Reserve for dividends		
Balance at beginning of year	16	16
Changes of items during period		
Total changes of items during period	—	—
Balance at end of year	16	16
Reserve for advanced depreciation of non-current assets		
Balance at beginning of year	105	105
Changes of items during period		
Adjustment to reserve due to change in tax rate	—	—
Total changes of items during period	—	—
Balance at end of year	105	105
General reserve		
Balance at beginning of year	72,435	75,835
Changes of items during period		
Provision of general reserve	3,400	6,900
Total changes of items during period	3,400	6,900
Balance at end of year	75,835	82,735

(Millions of yen)

	Year ended March 31, 2017 (From April 1, 2016	Year ended March 31, 2018 (From April 1, 2017
Retained earnings brought forward		
Balance at beginning of year	6,363	10,613
Changes of items during period		
Dividends of surplus	(4,073)	(6,498)
Profit	12,130	12,272
Provision of legal retained earnings	(407)	(649)
Provision of general reserve	(3,400)	(6,900)
Total changes of items during period	4,249	(1,775)
Balance at end of year	10,613	8,837
Total retained earnings		
Balance at beginning of year	82,135	90,192
Changes of items during period		
Dividends of surplus	(4,073)	(6,498)
Profit	12,130	12,272
Total changes of items during period	8,056	5,773
Balance at end of year	90,192	95,966
Treasury shares		
Balance at beginning of year	(1,475)	(6,243)
Changes of items during period		
Purchase of treasury shares	(5,001)	(1)
Disposal of treasury shares	233	240
Total changes of items during period	(4,767)	238
Balance at end of year	(6,243)	(6,004)
Total shareholders' equity		
Balance at beginning of year	165,693	168,982
Changes of items during period		
Dividends of surplus	(4,073)	(6,498)
Profit	12,130	12,272
Purchase of treasury shares	(5,001)	(1)
Disposal of treasury shares	233	240
Total changes of items during period	3,288	6,012
Balance at end of year	168,982	174,995
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at beginning of year	(4,595)	138
Changes of items during period		
Net changes of items other than shareholders' equity	4,733	(2,200)
Total changes of items during period	4,733	(2,200)
Balance at end of year	138	(2,061)
Total valuation and translation adjustments		
Balance at beginning of year	(4,595)	138
Changes of items during period		
Net changes of items other than shareholders' equity	4,733	(2,200)
Total changes of items during period	4,733	(2,200)
Balance at end of year	138	(2,061)
Total net assets		
Balance at beginning of year	161,098	169,121
Changes of items during period		
Dividends of surplus	(4,073)	(6,498)
Profit	12,130	12,272
Purchase of treasury shares	(5,001)	(1)
Disposal of treasury shares	233	240
Net changes of items other than shareholders' equity	4,733	(2,200)
Total changes of items during period	8,022	3,812
Balance at end of year	169,121	172,933