NIPRO®

Medical Supplies for the world population

Annual Report 2007

Year Ended March 31, 2007

Reaching for the Future

Profile

Reaching for the Future

Since its founding in 1954, the Nipro Group has enjoyed continuing growth thanks to the trust it has achieved worldwide through the manufacture and sale of medical equipment and high-value-added pharmaceuticals. Key themes that propel our ongoing growth are the dedicated pursuit of technology that helps improve the quality of life of patients and the development of original products in line with our corporate philosophy of contributing to society through technology-oriented business activities.

The Nipro brand has an extensive following both in Japan and overseas, and our equipment has earned a strong international reputation for the advanced technologies it employs, as well as the resulting product quality. The Nipro Group's efforts have been recognized through its ranking among the leading names in the Japanese generic pharmaceutical industry for number of product lines marketed.

The Nipro Group researches and develops highly functional and safe medical equipment, as well as replacement equipment and reconstruction technology for all organs and bodily systems, including artificial kidneys, hearts, lungs, pericardia, skin and blood. We are on our way to reaching our goal of becoming one of the world's top manufacturers of artificial organs.

Contents

Consolidated Financial Highlights

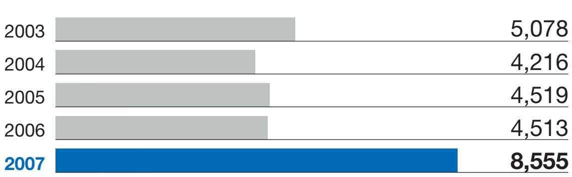
Nipro Corporation and its consolidated subsidiaries Years ended March 31, 2007 and 2006	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
For the year:			
Net sales	**¥ 184,363**	¥ 206,801	**$ 1,561,737**
Operating income	**13,053**	12,332	**110,572**
Net income	**8,555**	4,513	**72,469**
Capital expenditures	**23,093**	20,874	**195,621**
Depreciation and amortization	**12,470**	12,315	**105,633**
R&D expenses	**4,461**	3,760	**37,789**
At year-end:			
Total assets	**¥ 336,660**	¥ 338,741	**$ 2,851,843**
Net assets	**125,651**	112,391	**1,064,388**
Per share data (in yen and U.S. dollars):			
Net income:			
Basic	**¥ 134.7**	¥ 69.6	**$ 1.14**
Diluted	**—**	—	**—**
Cash dividends	**80.0**	37.5	**0.68**
Equity	**1,979.2**	1,767.7	**16.77**

The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥118.05=US$1, the approximate exchange rate on March 31, 2007.

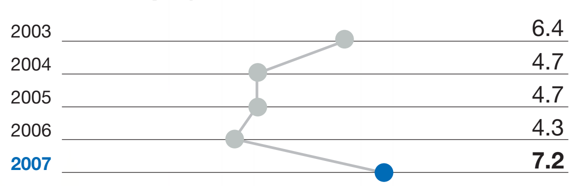
Net Sales (Millions of yen)

Operating Income (Millions of yen)

Net Income (Millions of yen)



Return on Equity (%)



Disclaimer regarding Forward-looking Statements

This report contains forward-looking statements regarding business indices, strategies and performance representing the expectations and judgments of the management, based on information available to the Company and publishable at the time this report was prepared. When reading this report, please understand that forward-looking statements involve potential risks and uncertainties; actual future business performance and forecasts may therefore differ materially from those contained in these statements, given the possible emergence of new factors or changes in economic circumstances and/or the business environment.

Having finished construction of the business foundations designed to establish us as a leading global manufacturer, now we are concentrating on meeting our FY2010 targets.

Overview of Activities and Operating Performance

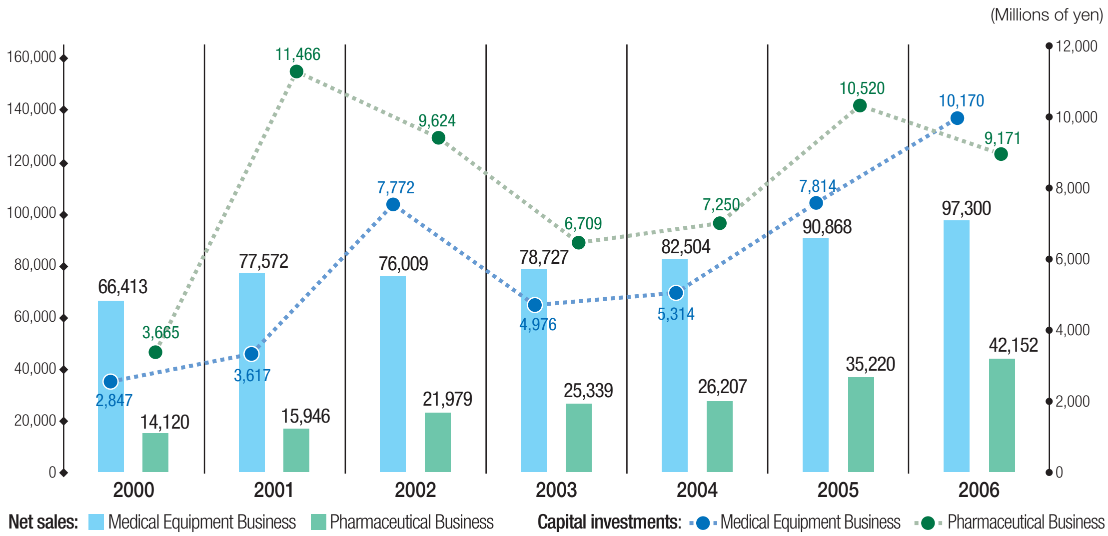
Pursuing Measures to Prepare the Foundations for Our Next Leap Forward

During FY2006 (the year ended March 31, 2007), ongoing Japanese government initiatives to stem rising medical costs resulted in increasingly severe price competition in the medical care business. Market fluctuations caused sales competition for general-purpose medical equipment to increase overseas, as well.

In this operating environment, the Nipro Group concentrated on developing new

Minoru Sano
President

Net sales and capital investments



products, expanding sales, raising production efficiency and extending its operational bases. At the same time, in the area of general-purpose products, we pursued the management strategy of raising our market share by offering inexpensive, quality mass-produced items and promoting measures to become a leading global manufacturer.

In our mainstay Medical Equipment Business, we constructed an integrated production system to expand our core business in dialyzers. In an area we are cultivating as a second business pillar, in April 2005 we acquired the artificial lung business of Dainippon Ink and Chemicals, Incorporated. In December 2006, we also bought an artificial lung business from the Brazilian affiliate of Edwards Lifesciences Corporation. These acquisitions are in line with the Nipro Group's efforts to develop its artificial lung business on a global scale.

In the Pharmaceutical Business, during FY2006 we included into our scope of consolidation Zensei Pharmaceutical Industries Co., Ltd., which manufactures and sells solid formulations, in a bid to expand our pharmaceutical product business. The Nipro Group also entered into cooperation with Nichi-Iko Pharmaceutical Co., Ltd., with a view to expansion in generic drugs, which are on the way to becoming a pillar of support for the pharmaceutical product segment.

To focus our management resources on the medical equipment and pharmaceutical fields, we transferred our shares in consolidated subsidiaries that handled the Store Business and pulled out of retail operations entirely.

As a result of these efforts, during FY2006 the Nipro Group posted consolidated net sales of ¥184.4 billion, down 10.9 % from the previous year because of our discontinuation of the Store Business. Operating income rose 5.9%, to ¥13.1 billion, and net income surged 89.6%, to ¥8.6 billion, benefiting from a gain on sale of investments in consolidated subsidiaries.

Management Strategies and Capital Investment Plans

Aggressive Capital Investment to Raise Dialyzer Production Capacity to 60 Million Units, Becoming the World's Leading Manufacturer

As medium-term management goals, the Nipro Group has announced financial objectives that it intends to achieve by FY2010: consolidated net sales of ¥200 billion, ordinary income of ¥20 billion and return on equity of 10%. Our previously announced sales target was ¥300 billion. However, we have revised that figure downward as a result of the sale of our Store Business. Our income targets, however, remain unchanged.

Achieving these targets will require the Nipro Group to emerge a victor for global cost competition in the field of general-purpose medical products. We are pursuing ongoing cost cuts through mass production to meet our goals.

Raising annual dialyzer production to 60 million units is one key to meeting our targets for

FY2010. By manufacturing in-house the hollow fibers that are a principal dialyzer component, we will raise quality and reduce costs. Ultimately, we expect this effort to earn us the leading position in this industry. Simultaneously, we are extending our overseas sales network. In the medical equipment field, we are cultivating global products to expand our artificial lung business.

In the pharmaceutical field, we are focusing on two pillars of activity with relation to manufacturing and selling pharmaceutical products: contract manufacturing of pharmaceuticals and the production and sales of generic drugs. Supporting these two business focuses, we have created systems that enable us to manufacture a variety of pharmaceuticals on a consignment basis.

We aim to enhance our cost competitiveness by improving quality and cost performance in Japan as well as by developing our business in overseas markets.

To achieve our goals, in FY2006 we made capital investments totaling ¥21.8 billion. Of this amount, we invested ¥10.2 billion in the Medical Equipment Business to enhance our dialyzer production facilities and ¥9.2 billion related to freeze-dried drugs and pharmaceutical ingredient refinement. In FY2007, we plan capital investments of ¥25.5 billion as we continue to expand our capacity to manufacture such mainstay products as medical equipment and pharmaceutical products.

Dividend Policy

Aiming for a 50% Payout Ratio

On a non-consolidated basis, the Nipro Group aims for a cash dividend payout ratio of 50%. While using retained earnings to strengthen our management structure and develop longer-term business, we invest these funds aggressively in our sales, production and research and development departments with the aim of ensuring stable future profits.

In line with this income distribution philosophy, the Nipro Group awarded interim dividends of ¥43 per share and a year-end dividend of ¥37, bringing the total for the fiscal year to ¥80. In the upcoming fiscal year, as well, the Company plans to pay dividends in accordance with its policy of a 50% non-consolidated payout ratio.

Forecast for FY2007

Planning for Robust Improvement of Operating Performance

In FY2007, we expect the economic environment to remain challenging, as the Japanese economy reacts to sharply higher crude oil prices and interest rate increases. We also anticipate major swings in currency exchange rates. In this environment, the Nipro Group will continue working to improve its operating performance by focusing on new product development and enhancing its production and sales prowess in each of its businesses.

We expect consolidated net sales to decline 12.1% in FY2007, to ¥162.0 billion, as the result of our sale of the Store Business. Meanwhile, we anticipate an 8.0% rise in operating income, to ¥14.1 billion, as we expand business in products related to artificial organs. Absent the extraordinary gain that we recorded in FY2006 from the sale of the Store Business, in FY2007 we expect net income to decline 22.9%, to ¥6.6 billion.

I thank our shareholders and other investors for your confidence to date, and ask for your continued support.

August 2007

M. Sano

Minoru Sano
President

Our Three Growth Focuses

Business Activity Report

Production Capacity

We have taken measures significantly to improve quality and reinforce production capacity to lay foundations for the Nipro Group as a leading manufacturer of Medical Equipment and Pharmaceuticals.

Bolstering Production for a System Capacity of 60 Million Dialyzers

As a specialist manufacturer of medical equipment and pharmaceuticals, we are carrying out business development that targets world-class levels in terms of quality, volume and cost. Our mainstay products, dialyzers, are the linchpin to these endeavors. Targeting the top world market share for dialyzers, during FY2006 we established a production system for hollow fibers at our Odate factory and built an integrated system from materials through to product development and manufacturing, facilitating enhanced quality control and an improved product lineup tailored to customer needs. Such in-house manufacturing initiatives also hone our competitive edge in terms of costs.

In the future, our policy is to further raise dialyzer production capacity. Having reached annual production capacity of 35 million units at the end of FY2006, we are aiming for 47 million units by the end of FY2007, with a view to achieving our target for annual production capacity of 60 million units in the near future. The global market we aim to dominate currently consumes 160 million units per year. Promotion of technological development is propelling us toward our goal of a 60-million-unit annual production system with more stable, lower-cost manufacturing.

Reinforcing our Production System and Contract Manufacturing in the Pharmaceutical Business

In line with the 2005 Pharmaceutical Affairs Law revisions, original drug manufacturers are rationalizing management and increasing outsourced production. As a result, contract manufacture business is expanding. On the other hand, generic drugs are noticed in the field of medical treatment , accompanied by the government's efforts to hold down healthcare costs in Japan. We consider that the growth of contract manufacture business and generic drug marketing are key factors in the growth of our pharmaceutical business and we are pursuing an aggressive expansion strategy. Competition on these businesses is entering a global arena, so we need to boost competitiveness in terms of both quality and costs, for imminent expansion into the world market, as well as the domestic market.

Odate factory (NIPRO CORPORATION)

Over the past few years, the Nipro Group has pursued an aggressive policy of mergers and acquisitions of companies with strengths in the oral drugs field. In 2004, we acquired Takeshima Pharmaceutical Co., Ltd. (renamed Nipro Genepha Corporation), and in 2005 we took over the Kagamiishi Factory (Fukushima Prefecture) and Tohoku Chugai Pharmaceutical Co. Ltd., from Chugai Pharmaceutical Co.,Ltd., to establish Tohoku Nipro Pharmaceutical Corporation. Further, we have acquired a stake in Yuki Gosei Kogyo Co., Ltd., establishing a full-scale manufacturing system from active pharmaceutical ingredients/intermediates onward. In April 2006, we acquired shares in Zensei Pharmaceutical Industries Co., Ltd., a medium-size generic drug company with a strong performance record and converted the company to a subsidiary. These measures have bolstered the oral drug production capacity of the Group overall to 4 billion pills or more annually. Tohoku Nipro is considering a new plant design and is planning to raise production capacity in the near future.

The Nipro Group is already a leader in Japan of contract manufacturing of injectable products and oral drugs. In the future, we plan to extend contract manufacturing beyond its mainstay sector of injectable products to form a responsive production system for various types of drugs, thus consolidating our position as an industry leader in contract manufacture operations.

Having previously strengthened our relationship with Tanabe Seiyaku Co., Ltd., by acquiring shares in the company, in FY2006 the Nipro Group commenced contract manufacturing of their injectable products. In the future, we shall build various cooperative relationships that include the contract manufacturing of oral preparations, paving the way for the development of new business models that are responsive to drug supply and contract manufacturing with the entry of new pharmaceutical firms into the generic market.

Odate factory (NIPRO PHARMA CORPORATION)

Sales and Maketing

Closeness

We are aggressively establishing sales locations overseas to boost the performance of Nipro brand medical equipment. Meanwhile, we are emphasizing generic drug sales and contract manufacturing in Japan.

Better Utilizing Our Upgraded Global Sales Network

We are developing the Nipro Group's overseas operations through original equipment manufacturing (OEM) and sales of the Nipro brand products. Specifically, we have been reinforcing sales of Company-brand products by upgrading overseas branches to local company status, while simultaneously establishing new branches and companies, accompanied by an escalated conversion of marketing to direct sales. Aggressive competitiveness is a prerequisite for participation in overseas markets. We are raising our market share and deepening penetration of the Nipro brand through meticulous services tailored to local conditions. These objectives will be achieved by unifying sales and manufacturing in the development and supply of high-quality products that are attuned to customer needs.

The Nipro Group opened new sales locations in the United Kingdom, Russia and Guatemala during FY2005, followed by France, South Africa, India, Thailand and Honduras during FY2006, also upgrading the United Arab Emirates sales branch to a local corporation. Through such initiatives, we have boosted the Group's overseas network to 41 locations, including four production sites in Thailand, Brazil and China that complement our production base in Japan.

During FY2007, we plan to construct a distribution center in the United States, as well as establishing locations in Philippines, Uruguay, Brazil (Sao Paulo) and North Africa (Tunisia). Moreover, planning is underway for the opening of a branch in Germany, Europe's largest market, to consolidate our direct-sales system in the European market.

Nipro Group Network (As of June 30, 2007)

[Japan]

Additional factories

Nipro Corporation Odate Factory
Nipro Medical Industries, Ltd.
Nipro Pharma Corporation Shirokita Factory
Nipro Pharma Corporation Shiki Factory
Nipro Pharma Corporation Ise Factory
Nipro Pharma Corporation Odate Factory
Nipro Genepha Corporation
Tohoku Nipro Pharmaceutical Corporation
Zensei Pharamaceutical Industries Co., Ltd.
Saitama Daiichi Pharmaceutical Co., Ltd. Kasukabe Factory
Saitama Daiichi Pharmaceutical Co., Ltd. Hanyu Factory

R&D

Nipro Corporation Research & Development Laboratory
Nipro Corporation Pharmaceutical Research Center

[Overseas]

Sales Locations

Asia
11 locations

America
14 locations

Europe
10 locations

Africa
1 location

Factories

Asia
2 locations

America
2 location

R&D

America
1 location

Nipro's Pharmaceutical Business Centered on Generic Drug Sales and Contract Manufacturing

The Nipro Group's Pharmaceutical Business is supported by two pillars: generic drug sales and contract manufacture. The former is conducted through a Nipro Genepha sales route targeting small to medium-size hospitals and clinics. Complemented by this approach is a nationwide distributor sales channel to university and other foundation hospitals by Nipro Pharma. Through this dual sales approach we promote deeper market penetration of the Nipro brand.

Over the past few years, we have radically expanded our contract manufacture of oral and injectable drugs, including through mergers and acquisitions. This strategy has transformed the scope of our contract manufacture operations from simple drug production to a contract manufacturing system that is responsive to the various needs of clients of consignment contracts.

Currently, the Nipro Group's contract manufacturing is almost entirely aimed at domestic companies, but the future expansion of contract manufacture will include non-domestic companies targeting the domestic market.

Boosting Sales Staff and Enhancing Our Brand Image

Qualified Medical Representatives (MRs) are crucial in selling pharmaceutical products. Since the MR certification system was introduced in Japan, the Nipro Group has encouraged all its sales personnel —spanning medical equipment as well as pharmaceutical sales sections—to acquire MR accreditation as part of its drive to nurture human resources with specialized knowledge. We have been putting this strength to use in medical equipment sales by supplementing agent sales with direct visits by sales personnel to large hospitals and other potential sites to cultivate new customers. As system products with medical equipment and pharmaceutical components grow in importance, we will build up our MR activities and reinforce our academic efforts to support future sales.

Uniqueness

To optimize our dual strengths in Medical Equipment and Pharmaceuticals, we are accelerating our high-value-added product development through the fusion of these two technologies, aggressively expanding the scope of our R&D and strengthening our research system.

Fortifying Our Artificial Lung (Oxygenator) Operations

Aiming to be a world-leading manufacturer of artificial organs, the Nipro Group, which holds a dominant world market share for equipment related to artificial kidneys (dialysis), promotes the development of artificial hearts, artificial blood vessels and artificial pericardia.

In addition to boosting artificial kidneys as the cornerstone for expansion in the field of artificial organs, recently the Nipro Group has been placing strategic emphasis on its artificial lung business. To this end, in 2005 we acquired the extracorporeal membrane oxygenator department of Dainippon Ink and Chemicals, Incorporated, with production commencing in FY2006. Furthermore, the Nipro Group is pushing forward with research and development for its proprietary artificial heart-lung system based around the oxygenator. Development themes for post-perfusion circuits that are vital for cardiac surgery include reservoirs, in addition to centrifugal pumps and related cannula. We are also developing a percutaneous cardiopulmonary support system (PCPS) that aids the heart and lungs.

In December 2006, we acquired business operations relating to cardiopulmonary systems from Edwards Lifesciences Comercio e Industria de Produtos Medico-Cirurgicos Ltda. (Edwards CPP), the Brazil-based affiliate of Edwards Lifesciences Corporation. By inheriting Edwards CPP's lineup of artificial heart-lung related products and sales channels extending over approximately 40 countries, the Nipro Group steps up a level in its worldwide artificial heart-lung business.

Development of Original Pharmaceuticals

The Nipro Group is promoting development and expanding its lineup of kit-form preparations that contribute to improving the quality of healthcare in terms of safety, hygiene and operating efficiency. During FY2006, we gained approval for two ingredients and three items of pre-filled syringe kit preparations that render unnecessary the shift from vials or ampoules and which we plan to market during FY2007. Applications for sales and manufacturing approval of three ingredients and seven items are still pending. Furthermore, we are developing double-chamber type pre-filled syringe kit preparations* and plan to apply for production and sales approval for two items during FY2007. We have commenced sales of our ready-to-use "liquid/powder" double bag kit preparation (three new antibiotic items), with one further item under development and earmarked for production and sales approval application in the next year. In

Oxygenator

December 2006, the Nipro Group acquired a cardiopulmonary business from Edwards Lifesciences. Our cardiopulmonary business has been a main player in the field for 48 years by offering sophisticated products and well organized distribution channels. Our oxygenator "VITAL" for adult has a unique concept that heat-exchanger is located inside the venous reservoir. It achieves low priming volume, low share stress and low macrobubble, and has been favorably operated by perfusionists and doctors all over the world.

In the spring of 2007, the Nipro Group has launched an oxygenator "Thymus". "Thymus" can be used for both pediatric and infant. The unique concept is also adopted as same as "VITAL". the Nipro Group delivers our products with safety and quality to our customers.

addition, we have commenced development of pre-mixed bag preparations that reduce medical error through advance dilution of fixed-concentrations drug solutions.

The Nipro Group is also intensifying development in the expanding areas of generic and oral drugs. We have added two new ingredients to our low-dose specification drugs targeting geriatric, functionally impaired and other patients with reduced renal and drug metabolizing functions, bringing the total to five ingredients, with one additional ingredient marketed during FY2006 and another with application for production and sales underway. Marketing of oral preparations for FY2006 featured five ingredients and eight items, with a production and sales approval gained for a further three ingredients and six items. New production and sales approval applications covered 10 ingredients and 17 items, with plans to apply for a further easy-to-take oral preparation during FY2007. Nipro is also working to promote new technological research on oral forms of drugs that are difficult to absorb in the digestive tract, as well as drugs that highlight its ingenuity.

* Double-chamber type pre-filled kit preparation: a drug unstable in solution is kept in powder form separately from the solution, yet in the same syringe, to be dissolved only when needed for use.

Steady Progress of R&D in the Field of Advanced Healthcare

The Nipro Group is promoting research and development to project its advanced healthcare technologies into the next era. In the field of medical equipment, during FY2006 we developed and marketed a basket catheter that is temporarily inserted into blood vessels to eliminate or trap intravascular obstructions. This development, which enhances the safety of interventional therapy, has drawn widespread praise from hospitals. We have also gained successive development breakthroughs in the field of regenerative medicine, spanning culture bags for cell culture and preservation, cryopreservation bags, nerve-regeneration tubes and pericardial regeneration membrane.

In the Pharmaceutical Business, affiliate Bipha Corporation has been involved in preparations for the marketing of recombinant human serum albumin (rHSA), and through joint research with university research bodies, the Nipro Group is steadily progressing toward realizing applications in DDS preparations, including as anti-cancer drugs.

Blood substitutional research in collaboration with academia and industry has spawned an artificial oxygen carrier comprising hemoglobin-encapsulating liposomes. This has been designated a Ministry of Health, Labor and Welfare project, and developments are underway for construction of a production facility for drugs undergoing clinical trials. We are also promoting a joint research project with university institutes, to develop artificial oxygen carriers using synthetic heme and recombinant hemoglobin not derived from human blood.

Medical Equipment Business

Market Overview

During FY2006, National Health Insurance (NHI) price revisions came into force and the Japanese government introduced five new classifications for dialyzers, the Nipro Group's mainstay product. The new classifications were based on dialyzer's performance in removing low-molecular protein, ß2 microglobulin. As part of the government's efforts to curtail healthcare expenditures, reimbursement prices were revised downward substantially, amounting to more than 30% on some lines. In this environment, hospital groups' joint procurement of consumables intensified sales competition with other companies, exacerbated by price cuts, resulting in harsh market conditions.

Overseas, the move toward inclusive pricing progressed with the objective of curtailing healthcare expenses and price competition in the sales of medical equipment grew increasingly severe. Also contributing to this building pressure were increasingly aggressive marketing efforts by general medical product manufacturers in developing countries.

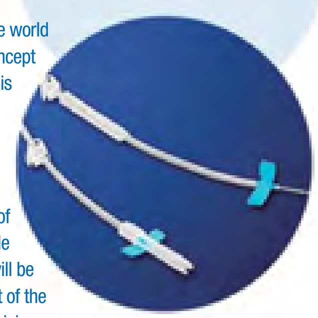
Responses and Results

In Japan, the Nipro Group upgraded sales efficiency and reinforced its sales team. Furthermore, we developed new products in such fields as dialysis, circulatory organ therapy, injection/infusion and medical testing, and progressed toward the market launch of these products. At the customer proposal stage, we aggressively promoted sales of customized product packages that include related products, as opposed to single-item deals. These initiatives expanded market share and increased net sales.

In the international arena, the Nipro Group's vigorous efforts over the past few years to strengthen direct sales systems in Europe, the Americas and BRICs countries bore fruit. During FY2006, we attained growth in sales in Latin America and Asia, primarily attributable to performance by dialysis-related products. During the year, we also continued to reinforce our sales system for the future, forming a local corporation in Dubai, United Arab Emirates, in April 2006. This step was followed by the establishment of successive sales locations: Nipro

AVF

The Nipro Group has been recognized as one of the world largest dialysis product manufacturers with the concept of continuous product development. As a part of this product development, the Nipro Group has developed the new arterial venous fistula needle with safety function "SAFETOUCH TULIP™ AVF". In summer of 2007, the Nipro Group has launched "SAFETOUCH TULIP™ AVF" which has a concept of "easy to use for clinic technician" and "Comfortable for patients" in the United States of America and will be marketed in all over the world for the improvement of the quality of medical both for patients and clinic technician.



Dialyzer

The Nipro Group has been recognized as leading company of the world dialyzer manufacturers for many years. The Nipro Group has been manufacturing CTA dialyzers “FB/SUREFLUX™ series” for over 25 years. Recently the Nipro Group has launched the PES dialyzers “SURELYZER™ PES series”, and has steadily developed the market share of the synthetic dialyzers in the world. In the result, the Nipro Group has sold the CTA and PES dialyzers all over the world. In June, 2007, the Nipro Group has launched the new low flux series of CTA, “SUREFLUX™-N series” and PES dialyzers, ”PUREFLUX™-L series”.

Medical (India) Pvt Ltd. in November 2006; Nipro South Africa Pty Ltd. in December 2006; and Nipro Sales (Thailand) Co., Ltd. in January 2007.

We are stepping up our marketing strategies against general medical products made in developing countries. As the marketing efforts of general-purpose medical product manufacturers in developing countries grow more aggressive and because their products are adequate for their respective markets in terms of quality, our success in to provide guidance on product quality for manufacturers of Nipro brand products has boosted our market share. The artificial lung (oxygenator) business of Edwards CPP, which we acquired in December 2006, has commenced and is expanding sales in various countries. In sales of dialysis-related products, Nipro brand products clearly outperformed our existing sales of OEM products in terms of net and unit sales.

During FY2006, reinforcement of direct sales systems in Europe, the Americas, BRICs countries and other regions contributed to a rise in net sales of Medical Equipment of 7.1% from the preceding year, to ¥97.3 billion. Operating income grew 6.7% year-on-year, to ¥14.3 billion.

Outlook

During FY2007, the environment both in Japan and overseas is expected to see ongoing competition, with rival companies continuing to vie for market share.

In a bid to win greater market share in Japan, we will focus on reinforcing development and sales of new product lines that meet market needs, led by dialyzers, blood lines for dialysis, dialysis machines and other related products in the dialysis field. We will bolster our lineup of circulatory-organ-related products through development and introduction of PTCA balloon catheters, blood-clot trapping device, stents and other equipment, which combined with promotion of market development and sales capacity expansion should secure gains in market share. We also aim to expand our market share for such injection/infusion-related products as catheters and syringes, while developing nutrition-related products, aggressively expanding our markets and bolstering sales capacity. The Nipro Group will pursue greater market share for medical testing products by boosting sales of blood collection tubes.

Internationally, markets for our major products still require further expansion and stable supply, so we will continue to reinforce our sales network to cover all markets. The Nipro Group is investigating the establishment of three or four new overseas sales locations to supplement the current total of 37. In terms of dialysis-related products, we plan to boost production of such highly performance models as PES hollow-fiber dialyzers to attain our goal of the top share of the world dialyzer market, with anticipation of sales start-up during FY2007. Furthermore, supply of highly reliable dialysis machines is vital for sales expansion on a global scale. In a collaborative arrangement, we agreed to sell highly reliable dialysis machines manufactured by Nikkiso Co., Ltd., through the Nipro Group’s overseas sales channels. This initiative facilitates further overseas sales expansion. Although conditions for our major OEM products are harsh, as similar models flood the market, we are focusing on raising our competitiveness and expanding sales. We are emphasizing the securing and training of personnel as indispensable elements in keeping pace with market expansion, as well as expansion of sales and marketing. In addition, we will continue to impose strict quality control for both Nipro brand and OEM products.

The Nipro Group will continue to improve and enhance its global sales systems and aggressively to expand sales. Accordingly, we anticipate a rise of 4.8% in net sales for Medical Equipment during FY2007, to ¥102.0 billion.

SURDIAL™55, the next standard of dialysis machine.

SURDIAL™55 the dialysis machine which was developed by the Nipro Group with market needs abroad in order to provide better dialysis treatment to all customers. The UF and A,B solution profile and user friendly turnable touch panel display are equipped as a standard. Those functions contribute to accurate and safe treatment. CE marking on this machine stands for its reliability and accuracy which are the first priority of the dialysis machine. Also, SURDIAL™55 has already been updated few times to serve better quality to customers. SURDIAL™55 has been marketed for nearly 2 years and its achievement would make furthermore credibility.

Pharmaceutical Business

Market Overview

During FY2006, the pharmaceutical market experienced unprecedentedly harsh conditions, largely arising from the Japanese government's restrictive policy on medical costs, and intensified price competition from other companies. However, enactment of the revised Pharmaceutical Affairs Law in Japan has facilitated full-blown consignment of drug production, providing a strong stimulus to companies, including the Nipro Group, aggressively pursuing contract manufacturing. In addition to contract manufacturing, generic drug operations are a key component of the Nipro Group's Pharmaceutical Business. Although Japan still lags behind the Europe and the United States in the adoption of generic drugs, its share of the domestic pharmaceutical market is expected to benefit from a wave of expirations of major original drugs' patents and policies to promote the use of generic drugs.

Responses and Results

In an operating environment marked by severe price competition, we endeavored to boost sales of powdered dialysate solution for artificial kidneys, hemofiltration substitution fluid kit products, pre-filled syringe preparations and other products. In addition, we worked aggressively to boost sales of liquid/powder double-bag kit and plastic ampoule products, among others. During FY2006, to further strengthen our oral drug operations, we included Zensei Pharmaceutical Industries Co., Ltd., as a consolidated company, which contributed to net sales. Both Nipro brand and contract manufacture drug products performed steadily during the year. The former benefited from favorable across-the-board performance by injection kit preparations, with sales growth recorded by half-type kit, double-bag kit and pre-filled syringe kit products. Sales of contract manufacture products rose, with reduced sales of half-type kit products arising from completion of consignments offset by startups in contracts for double-bag kit products and the consolidation of Zensei Pharmaceutical Industries.

As a result of these factors, FY2006 net sales from our Pharmaceutical Business climbed 19.7%, to ¥42.2 billion. In light of this sales increase, earnings recoveries by factories and new consolidation, operating income soared 56.2%, to ¥3.3 billion.

Outlook

Tough market conditions, arising from stricter medical expense restrictions, are anticipated for FY2007. The Nipro Group will continue to boost its Pharmaceutical Business in line with its expansion strategy for generic drug and contract manufacture operations. We will continue to steadily develop injectable drugs, such as injection kit preparations and oral drugs.

Specifically, we will pursue development of such new products as “liquid/powder” double-bag antibiotic kit and pre-filled syringe kit and plastic ampoule preparations, while aggressively implementing product improvements, such as through measures to prevent errors in medical treatment. Furthermore, we will expand the portion of oral drugs that are already under development as Nipro development items and continue with joint development and development of new pharmaceutical form. In May 2007, we included Saitama Daiichi Pharmaceutical Co., Ltd., as a consolidated company, offering specialist technology in the field of transdermal therapeutic systems (TTS). This initiative opens up the possibility of contract manufacturing of all pharmaceutical forms and is expected to broaden the Nipro Group’s portfolio of contract manufacture items.

We will also strive to swiftly realize marketable products in such fields as parenteral nutrition and electrolyte solutions and such new areas as genetically recombined erythropoietin preparations, artificial blood and DDS preparations.

Further to the above endeavors, we shall promote the expansion of contract manufacturing, including development support of a high-value-added pharmaceutical preparation, and sales channels and upgrade productivity at Nipro Group pharmaceutical production plants. These strategies should yield a 9.1% increase in net sales from our Pharmaceutical Business during FY2007, to ¥46.0 billion.

Kit Preparations

Kit preparations are the pharmaceutical products that enable provision of safe and reliable medical care in a simple form. They contribute to prevention of contamination of preparation process, avoidance of medical errors and saving of the labor of medical staffs.

One of the reasons why the Nipro Group has been highly evaluated in the field of kit preparations is that it has not only its own research institutes of medical devices and pharmaceuticals but also its own production plant. The Nipro Group has the integrated system from development of containers and pharmaceuticals to their production.

This self-development and production system enables the Nipro Group to provide high-quality products rapidly at low costs.

Pre-filled syringe

Half-type kit

Double-bag kit (Liquid/Powder)

Glass & Materials Business

Market Overview

The field of glass for pharmaceutical purposes continued to contract, arising from a falloff in domestic demand caused by changing container types and the increasing use of plastics. Against the background of an expanding global LCD market, glass for lighting purposes enjoyed expanding demand for LCD backlight glass.

Responses and Results

Although performance in glass for pharmaceutical purposes was negatively impacted by a decline in domestic demand for glass for ampoules as a result of changing container types, sales of glass for tubes and bottles were buoyant, reflecting growth in demand for vaccine-related products. Furthermore, pre-filled syringe barells, cartridges and other products begin to take off, recording relatively sound results.

Exports of thermos bottle glass made a strong showing, but the influence of a domestic slump resulted in an overall decline in glass equipment sales. In our glass for lighting purposes operations, expansion of the LCD market spurred sales of glass for LCD backlights and related commercial materials, offsetting inventory adjustments by manufacturers of panels for LCD TVs.

As a result, net sales of the Nipro Group's Glass & Materials Business rose 8.3% year on year, to ¥12.9 billion, with operating income increasing 1.6%, to ¥1.9 billion.

Outlook

During FY2007, the Nipro Group will continue to strive for technological innovations in glass processing to meet the needs of the pharmaceutical industry, while spearheading its sales expansion drive for glass for pharmaceutical purposes with tubes and bottles. We will also aggressively pursue development of new commercial materials.

Our strategy regarding glass for lighting purposes is to continue increasing our sales of glass for LCD backlights and related commercial materials in response to global expansion of the LCD market. We shall use our fundamental strengths in glass processing technologies to bolster competitiveness through cost reductions and spur global sales development.

As result of these strategies, we forecast net sales for FY2007 in the Glass & Materials Business of ¥13.5 billion, an increase of 4.5% from FY2006.

News & Highlights

Nipro Wins Award for Intellectual Property Activities

In April 2007, the Nipro Group won the Japan Patent Office Chief Honor Award, the fiscal 2007 intellectual property merit award of the Japan Patent Office. The Japan Patent Office accords this honor to companies that contribute to the effective application, dexterous operation and development of industrial property rights systems.

In receiving this award, two aspects of the Nipro Group's design activities were cited as particularly meritworthy. First, since the January 1999 introduction of a system to employ related and sectional designs, the Nipro Group has continued to file for rights aggressively in accordance with revised legislation. Second, the office noted the Nipro Group's attention to design in the medical equipment field, where design functionality traditionally has taken second chair, creating designs featuring easy on-site operation by physicians and other healthcare providers, as well as the Nipro Group's focus on securing its rights in this area as with patents.

In the future, the Nipro Group plans to remain proactive in its research and development efforts. Furthermore, we intend to make effective use of the intellectual property that we create through such activities.

Completion of Nipro Hall, a Large-Scale Training Facility

March 2007 marked the completion of Nipro Hall, a large-scale training facility located in the compound of our Research & Development Laboratory and Pharmaceutical Research Center, which together constitute the nerve center of Nipro Group's R&D activities. On the first floor of the hall is a showroom. The second floor houses training rooms specific to such areas as dialysis machines, artificial heart-lung, intervention, regenerative medicine and pharmaceuticals. On the third floor is a large lecture hall that seats 525 people.

The leading-edge facilities installed at Nipro Hall make the facility an excellent venue for academic conferences, training conferences and lectures. The hall will be used to promote the dissemination of information throughout the medical equipment and pharmaceutical industries.

Contribution of Dialysis Machines to Kenya's Largest State-Run Hospital

With a population of 35 million, Kenya has dialysis centers at only 11 locations, and a nationwide total of 50 dialysis machines, which are hardly sufficient to meet the needs of Kenyan patients who suffer from kidney dysfunction. In line with its ideal of a world in which all people who suffer illnesses are able to receive health care when needed, in February 2007 the Nipro Group donated two SURDIAL™ dialysis machines to the Kenyatta National Hospital in the capital of Nairobi. Going forward, the Nipro Group plans to promote the advancement of healthcare conditions for patients throughout the world.

Corporate Governance/Compliance

The Nipro Group' s priority tasks are to establish fair and highly transparent corporate governance and enforce thorough compliance. To these ends, appropriate organizational frameworks and control systems have been created and are being constantly improved.

Management control system

In compliance with Japan's Corporate Law, the Nipro Group has the following bodies in place, in addition to the Meeting of Shareholders and Directors. The Board of Directors, Auditors, the Board of Auditors and Accounting Auditor.

The management control systems that relates to management decision-making, execution and supervision basically operates through the Board of Directors and the Auditors. This entails a management control systems that oversees autonomous corporate business divisions. The systems endeavor to ensure clear assignment of responsibilities and to reinforce systems of control.

The Nipro Group's Board of Directors meets at least once a month, in principle, to make important decisions, report on operational execution and hold discussions. At present, two of the three Auditors are external auditors, as stipulated by the Corporate Law. No external director is in office at present. There is no staff exclusively assigned to external auditors.

Internal control systems and auditing

The Group Management Meeting, held regularly once a month, discusses important operational execution and makes decisions. The Nipro Group's directors and statutory auditors, as well as representatives of major Group companies, attend this Meeting to discuss the progress of business activities and any issues pending, so as to make dynamic management decisions.

In accordance with the auditing policy and the division of labor as agreed upon by the Board of Auditors, each statutory auditor attends important meetings, including Board of Directors meetings, and receives reports from Directors and employees, in addition to inspecting important documents and undertaking other auditing duties. The statutory auditors hold Board of Auditors Meeting regularly, or as necessary, in order to exchange views and hold discussions.

An Auditing Section has been set up, independent from the operational organization. It implements auditing policy and conducts impartial internal audits based on the annual plan. Mutual coordination takes place between the statutory auditors' audit and the accountant's audit, ensuring the management director's compliance with the law, preventing of illegal practices and errors and improving of the internal control systems.

Status of the compliance/ management risk control system

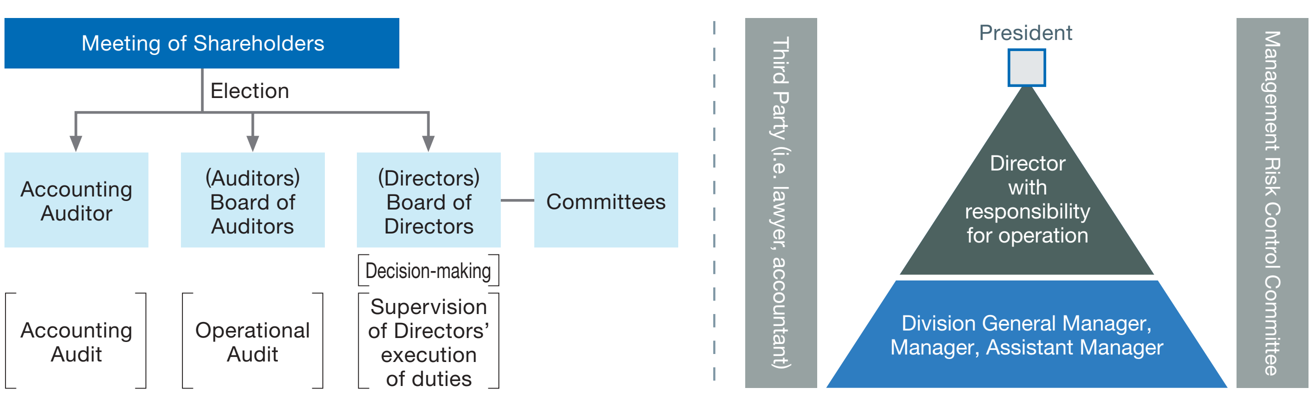
The Nipro Group set up a Management Risk Control Committee in an effort to control management risks and further strengthen systems that promote legal compliance and observation of corporate ethics.

We also distribute handbooks to executives and employees to foster an understanding of laws and regulations and encourage compliance with corporate ethics, implement internal reporting systems and introduce educational and awareness activities through an internal newsletter.

With respect to the timely disclosure of corporate information, the Nipro Group aims to disclose important company information to its investors speedily, accurately and fairly. An Information Manager has been appointed in the Human Resources and General Affairs Division, as part of the Nipro Group's drive to improve the corporate information control system.

Should persons not belonging to the company observe the Nipro Group employee commit an illegal act, or should they be adversely affected by the Nipro Group employee, a similar alarm-raising facility for external use is in place so that the Management Risk Control Committee can be alerted directly.

Conceptual Diagram of Corporate Governance



Basic Policy on Internal Control

(1) A system to ensure that the execution of duties by Directors and employees is in compliance with legislation and the Article of Incorporation

This system is designed to clarify the responsibilities of directors and employees, ensure the appropriate exercise of authority, prevent illegal and inappropriate behavior and, should such behavior occur, implement measures to prevent a recurrence. For these reasons, the Company establishes internal regulations, distributes materials and conducts awareness activities among executives and employees (hereinafter, “employees and other personnel”) about the need for compliance with laws and other regulations, as well as with corporate ethics. We have introduced a portal site-based hotline as part of our efforts to create an effective in-house system to call attention quickly to any misconduct.

(2) A system to deal with the storage and control of information concerning the execution of duties by the Directors

This system clarifies directors’ and employees’ handling of documents (including electronic documents) pertaining to the execution of their duties. The system establishes internal regulations concerning the creation, storage and disposal of documents, including those containing information on the Board of Directors’ decisions. The system also specifies documentation procedures for the submission and return of applications and final decision-making. The Company’s documentation system allows directors and statutory auditors to browse the documents to which they have legal access. Any alterations or improvements to the Company’s internal regulations about the handling of important documents require the approval of the Board of Directors.

(3) Regulation and other systems that deal with loss-related risk management

The Company has established risk management procedures to ensure the comprehensive and appropriate recognition and evaluation of the dangers of loss (risks) that could materially impact management. A core management system is in place to counter operating and other specific risks. By employing a flat organizational structure that encompasses representatives of each Group company and business unit, the system helps prevent major risks from materializing, prevents recurrence and contributes to swift responses. The system also enables the Group to respond flexibly to legal and regulatory changes and sudden changes in the business environment.

(4) A system to ensure efficient execution of duties by the Directors

The Company employs efficient budget enforcement and other management supervisory systems, with each business unit responsible for its own profits and losses. We have established a Group Management Meeting of directors, statutory auditors and representatives of major subsidiaries. Taking a multifaceted approach, this council addresses important topics that affect the Group. Other meetings are held regularly or as necessary to raise operating efficiency. We have introduced an Intranet to which nearly all employees and other personnel have access. Such additions to our information infrastructure play a crucial role in improving business efficiency.

(5) A system to ensure the existence of a suitable control system within the corporate group

We have established a control environment that encompasses groupwide human and financial resources and information control. This master control system provides instructions for directors and employees of each Group company, including those overseas, on creating their own control environments that retain the spirit of the Group’s basic policy, as well as information on control awareness and other topics. We also promote communications among Group companies and actively approach the internal control issues that arise from business expansion or the extension of business foundations. For affiliated companies that request our involvement, we help formulate and implement internal regulations and assist with important decision-making. The Company’s statutory auditors liaise with subsidiaries’ auditors to implement audit practices and confirm that subsidiaries are conducting these activities properly.

(6) A system to ensure the trustworthiness of disclosures relating to financial reports

To maintain the reliability of the corporate information provided through annual security and other financial reports, the Company comprehensively gathers important information and thoroughly discloses it in a timely and appropriate manner. To this end, we work to create disclosure systems, formulate and implement internal regulations and create IT-compliant systems to transmit and monitor information.

(7)A system to deal with reports to Auditors

In addition to legally stipulated items, the Company has created a system for directors and employees to report swiftly to statutory auditors any items with the potential to materially impact the Company and Group companies. They can also report the implementation status of internal audits and other significant information through the internal hotline.

(8) A system to ensure effective execution of the Auditors’ audit

In the course of audits performed by statutory auditors, employees and personnel report on the status of their business activities and provide materials related to their assigned duties. As necessary, statutory auditors confer with accounting auditors, attorneys and other specialists, and submit any suggestions involving significant revisions to the Board of Directors. In the event that employees are required to assist in the statutory auditors’ tasks, these personnel are assigned specifically to auditing duties, in consideration of the need for independence. Statutory auditors participate in deliberations involving the selection of personnel.

Board of Directors and Auditors (As of June 27, 2007)

President
Minoru Sano *

Senior Managing Director
Shigeki Tanaka *
Manufacturing technology /R&D division

Managing Director
Seiya Ishida
International division

Managing Director
Yoshihiko Sano
Domestic division

Managing Director
Makoto Sato
Pharmaceutical R&D Dept

Director
Masato Naganami
Glass & material development division

Director
Kazuo Wakatsuki
International division

Director
Akihiko Yamabe
Accounting & corporate planning division

Director
Hiroshi Ikeuchi
Human resources / general affairs division

Director
Masataka Yanai
The President of Nipro (Thailand) Corporation Ltd.

Director
Noriaki Watanabe
International division

Director
Hiroyuki Hattori
Research & Development Laboratory

Director
Kiyotaka Yoshioka
Domestic division

Standing Statutory Auditor
Hiroshi Kobayashi

Statutory Auditor
Shuichi Tsuzuki

Statutory Auditor
Masamichi Wada

* Representative Director

Financial Section 2007

Financial Review

Overview

In the fiscal year ended March 31, 2007, firm capital investment and individual consumption appeared to support the gradual recovery of the Japanese economy. Nevertheless, concern remained that the Bank of Japan's lifting of its "quantitative easing" policy, coupled with the end of zero interest rates, would negatively affect corporate earnings.

Under such circumstances, we continued to focus on the development of innovative products. We also reinforced production capacity and sales capability and enhanced our brand recognition by upgrading the qualities of our basic products. Furthermore, we divested the consolidated subsidiaries of the Store Business (Nissho Corporation and Nissho Drug Co., Ltd.) so that we could invest more operational resources into our Medical Equipment and Pharmaceutical businesses.

Consolidated Business Results

Net Sales

In the fiscal year ended March 31, 2007, consolidated net sales were ¥184.4 billion (US$1,561.7 million), a decrease of 10.9%, compared with the previous year, mainly reflecting the divesture of the Store Business during the period, despite the Medical Equipment and Pharmaceutical businesses achieving strong performances.

Net Sales by Business Segment

Medical Equipment

Net sales in the Medical Equipment Business rose 7.1% compared with the previous year, to ¥97.3 billion (US$824.2 million). Sales of artificial organs including dialysis products rose 5.5%, to ¥46.5 billion (US$394.3 million), and those of injection and infusion related devices rose 8.6%, to ¥50.8 billion (US$ 430.0 million).

The domestic business environment remained severe due to factors such as restraining medical costs as evidenced by the performance-based classification of dialyzers and the lowering of prescription prices. Moreover, the government's promotion of joint purchases of consumables among medical institutions intensified marketing and price competition, leading to lower sales prices. Under such circumstances, we sought to enhance sales efficiency and increase our sales force. We also sought to develop and market new products in dialysis, treatment of circulatory organs, injection and infusion, and examination, as well as to promote business expansion with product offerings in a systematized package, thereby expanding our market shares and sales.

Overseas sales grew constantly in all product groups, aided by the lack of big fluctuations in currency exchange rates. The market for basic medical products remained severe due to aggressive sales of products made in developing countries. As the qualities of these products have been greatly improved to better meet demand, we sought to add them as our OEM products, under our quality instructions, to expand our market share. We started selling artificial lungs, a newly acquired business, which has enriched sales bases worldwide as we improved local service. In the field of dialysis-related products, the sales of Nipro-brand products greatly surpassed OEM sales, which had historically accounted for the majority of international sales in terms of units and monetary amounts.

Pharmaceutical

Net sales in the Pharmaceutical Business rose 19.7% compared with the previous year, to ¥42.2 billion (US$357.1 million). In this business, the market environment also remained severe, due to the governmental controls to suppress drug costs and intensive price competition among competitors.

In terms of injectable kit preparations, in line with the expansion of our production capability, our sales of injectable kits obtained via contract manufacturing also increased. We worked aggressively to expand sales of generic injectable kit products such as pre-filled syringe kit preparations and liquid/powdered double bag antibiotic kit preparations. As a result, sales of injectable kit preparations increased 9.8%, to ¥14.3 billion (US$121.5 million). In terms of solid-form drugs, the inclusion of Zensei Pharmaceutical Industries Co., Ltd., in our consolidated Group boosted sales by 53.0 %, to ¥12.6 billion (US$106.4 million).

Glass & Materials

Net sales in the Glass & Materials Business rose 8.3% compared with the previous year, to ¥12.9 billion (US$ 109.4 million). Sales of glass for pharmaceutical purposes declined 7.1% compared with the previous year, to ¥3.3 billion (US$28.2 million), affected by the change of container forms and materials. Sales of glass for lighting purposes, such as glass for liquid crystal display (LCD) backlights and related materials, rose 14.9%, to ¥9.6 billion (US$81.2 million), due mainly to the expansion of the LCD market.

Store

In the Store Business, we divested all the shares of Nissho Corporation in July 2006 and those of Nissho Drug Co., Ltd. in December 2006.

As a result, net sales of this business decreased 54.0% compared with the previous year, to ¥31.0 billion (US$262.4 million).

Other

Other sales are mainly of machinery for manufacturing medical equipment and real estate rental income. Net Other sales decreased 33.0% compared with the previous year, to ¥1.0 billion (US$ 8.6 million), due to the decline of real estate rental income.

Net Sales (Millions of yen)

2003	180,370
2004	188,700
2005	192,320
2006	206,801
2007	**184,363**

Operating Income (Millions of yen)

2003	14,899
2004	12,557
2005	10,404
2006	12,332
2007	**13,053**

Income Before Income Taxes and Minority Interests (Millions of yen)

2003	8,781
2004	8,044
2005	8,660
2006	9,061
2007	**16,776**

Cost of Sales

The cost of sales decreased 11.9% compared with the previous year, to ¥132.1 billion (US$1,119.4 million). The main reason for the decrease was the divesture of the Store Business. The cost of sales ratio was 71.7%, down 0.8 percentage point from the previous year, mainly due to the improved profitability in the Pharmaceutical Business, reflecting among others factors the newly commenced contract manufacturing of double bag kits and the effect of a newly consolidated subsidiary that had a relatively lower cost of sales ratio. As a result, gross profit decreased 0.8 % compared with the previous year, to ¥52.2 billion (US$442.4 million).

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased 12.0% compared with the previous year, to ¥39.2 billion (US$331.8 million), mainly due to the decrease of salary, rent and advertisement expenses resulting from the divesture of the Store Business.

Operating Income

As a result of the factors outlined above, operating income rose 5.9% compared with the previous year, to ¥13.1 billion (US$110.6 million), and the operating income margin improved 1.1 percentage points to 7.1%.

Operating Income by Business Segment

Medical Equipment

Operating income of the Medical Equipment Business increased 6.7% compared with the previous year, to ¥14.3 billion (US$121.4 million), mainly because of higher overseas sales of dialysis-related products.

Pharmaceutical

Operating income of the Pharmaceutical Business rose 56.2% compared with the previous year, to ¥3.3 billion (US$27.9 million), mainly owing to the newly consolidated subsidiary and the improved profitability of the factories.

Glass & Materials

Operating income of the Glass & Materials Business increased 1.6% compared with the previous year, to ¥1.9 billion (US$15.8 million), reflecting the rise in net sales.

Store

As a result of the divestures of Nissho Corporation and Nissho Drug Co., Ltd., operating income in the Store Business declined 53.2% compared with the previous year, to ¥0.3 billion (US$2.3 million).

Other

Other operating income decreased 71.5% compared with the previous year, to ¥0.2 billion (US$1.3 million), due to the decrease of real estate rental income.

Elimination/Corporate

The unallocated corporate costs, which consisted mainly of the R&D costs and headquarter administration costs, increased 11.6% compared with the previous year, to ¥6.9 billion (US$58.1 million), mainly due to higher R&D costs.

Other Income (Expenses)

We recorded other income, net of other expenses, of ¥3.7 billion (US$31.5 million), compared with other expenses, net of other income, of ¥3.3 billion in the previous year. This immense increase of other income occurred mainly because we recorded a gain on sale of investments in consolidated subsidiaries that amounted to ¥12.7 billion (US$107.6 million). On the other hand, we recorded an allowance for loss on clearance of business of ¥2.0 billion (US$16.6 million) and a loss on doubtful debts of ¥2.4 billion (US$20.0 million) in the fiscal year under review.

Income before Income taxes

As a result of the factors outlined above, income before income taxes and minority interests rose 85.1% compared with the previous year, to ¥16.8 billion (US$142.1 million).

Net Income

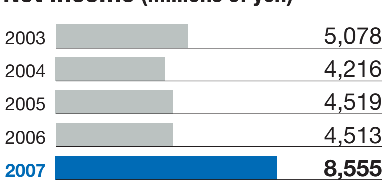
The effective tax rate for corporate taxes following deferred tax accounting was 48.8% compared with 51.9% for the previous year. Minority interests showed income of ¥0.04 billion (US$0.3 million) compared with a loss of ¥0.2 billion in the previous year. As a result, net income rose 89.6%, to ¥8.6 billion (US$72.5 million). Basic earnings per common share were ¥134.7 (US$1.14) compared with ¥69.6 for the previous year. Cash dividends per common share were ¥80.0 (US$0.68) compared with ¥37.5 for the previous year.

Net Sales and Operating Income by Geographic Segment

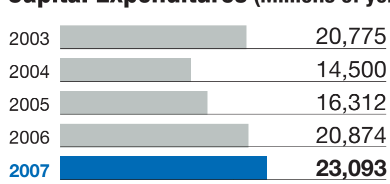
In Japan, net sales decreased 15.3% compared with the previous year, to ¥156.0 billion (US$1,321.8 million). This decrease was caused by the divesture of the Store Business, which offset firm growth in sales of injection/infusion–related products in the Medical Equipment Business and sales of injectable kit preparations and solid-form drugs in the Pharmaceutical Business. Operating income increased 8.2% compared with the previous year, to ¥20.4 billion (US$ 172.8 million), due to the increased transactions and improved profitability in the Medical Equipment and Pharmaceutical businesses.

In America, net sales increased 18.4% compared with the previous year, to ¥17.4 billion (US$147.2 million), due to

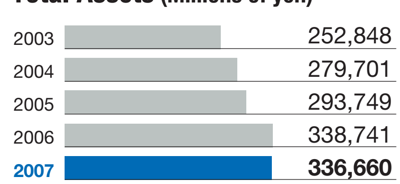
Net Income (Millions of yen)



Capital Expenditures (Millions of yen)



Total Assets (Millions of yen)



higher sales of dialysis-related products. Operating loss amounted to ¥0.9 billion (US$8.0 million), up slightly from a loss of ¥0.6 billion in the previous year. This loss was caused mainly by the U.S. subsidiary's R&D expenses for diabetes-related medical equipment and the Brazilian manufacturing subsidiary's decline in profitability because of the appreciation of the local currency.

In Europe, net sales increased 12.5% compared with the previous year, to ¥7.1 billion (US$60.2 million), boosted by the new sales network. Operating income amounted to ¥0.1 billion (US$1.2 million) compared with the operating loss of ¥0.2 billion in the previous year.

In Asia, net sales increased 132.1% compared with the previous year, to ¥3.8 billion (US$ 32.5 million), due to the inclusion of a new subsidiary in consolidation. Operating income decreased 47.1% compared with the previous year, to ¥0.5 billion (US$3.8 million), due to the manufacturing subsidiary's lower profitability resulting from exchange rate fluctuations.

Financial Position

Total assets as at March 31, 2007 stood at ¥336.7 billion (US$2,851.8 million), a 0.6% decrease compared with the previous year. Current assets increased 0.9% compared with the previous year, to ¥147.2 billion (US$1,247.2 million), mainly due to higher trade notes and accounts receivable resulted from increased transactions in the Medical Equipment and Pharmaceutical businesses. Net property, plant and equipment decreased 1.2% compared with the previous year, to ¥104.9 billion (US$888.5 million). This decrease was mainly attributable to the divesture of the Store Business. Capital investments in property, plant and equipment totaled ¥21.8 billion (US$184.5 million). By business segment, capital investments amounted to ¥10.2 billion (US$86.1 million) in the Medical Equipment Business, ¥9.2 billion (US$77.7 million) in the Pharmaceutical Business, ¥0.2 billion (US$1.4 million) in the Glass & Materials Business, ¥0.04 billion (US$0.3 million) in the Store Business, and ¥2.2 billion (US$18.9 million) in other areas. Investments and other assets decreased 2.5% compared with the previous year, to ¥84.5 billion (US$716.2 million). This was mainly because of the decrease in lease deposits resulting from the divesture of the Store Business. Current liabilities decreased 6.5% compared with the previous year, to ¥104.1 billion (US$881.9 million), due to the redemption of bonds and repayment of commercial paper. Long-term liabilities decreased 7.0% compared with the previous year, to ¥105.5 billion (US$894.0 million), mainly because of the transfer of the current portion of long-term debt to the current liabilities.

Total net assets including minority interests increased 11.4% compared with the previous year, to ¥127.0 billion (US$1,076.0 million), mainly due to higher retained earnings.

Cash Flow

Net cash and cash equivalents decreased ¥3.9 billion compared with the previous year, to ¥46.1 billion (US$390.6 million). Net cash provided by operating activities increased ¥7.8 billion compared with the previous year, to ¥14.6 billion (US$123.5 million), mainly because of the increase in net income.

Net cash used in investing activities decreased ¥24.6 billion compared with the previous year, to ¥2.9 billion (US$24.8 million), attributable to the proceeds from the sale of the Store Business. Net cash used in financing activities amounted to ¥15.8 billion (US$133.4 million), compared with ¥15.6 billion provided by financing activities in the previous year. Repayments for commercial paper, long-term debt and bonds increased in the fiscal year ended March 31, 2007.

Staff

The total number of employees at March 31, 2007 decreased 241 compared with the previous year, to 8,807. Employees in Japan decreased 537 to 4,075, and the number overseas increased 296 to 4,732.

Basic Policy on Distribution of Profits

Our policy is that 50% of non-consolidated net income is to be distributed to shareholders. Employees' bonuses are determined according to the business performance of the division to which the employees belong. Bonuses for directors and statutory auditors are determined on the basis of corporate business performance.

Retained earnings are invested in sales and production facilities as well as in R&D, with a view to establishing the firm management basis and long-term business development, which in turn should ensure stable profits in the future.

Risk Factors

The following are risks that may have an effect on the Nipro Group's results of operations and/or its financial condition. The items concerned were determined as at March 31, 2007.

(1) Risks Related to Product Safety

The Nipro Group brings all of its capabilities to bear in securing product safety in the design, development and manufacturing of medical equipment and pharmaceutical products. There are still the risks, however, that accidental defects or side-effects could result in damages to a third party and our being sued for liability.

To cover these risks, we therefore maintain general liability and product liability insurance. In the unlikely event of a successful claim in excess of the insurance coverage, however, there could be a material adverse effect on our results of operations and financial condition.

Net Assets (Millions of yen)

2003	83,533
2004	94,711
2005	96,700
2006	112,391
2007	**125,651**

Basic Earnings Per Share (yen)

2003	84.3
2004	64.9
2005	69.4
2006	69.6
2007	**134.7**

Number of Employees

2003	8,029
2004	8,132
2005	8,617
2006	9,048
2007	**8,807**

(2) Risks Related to Supplier Concentration
The Nipro Group procures materials and parts for its operations from a large number of suppliers. Some key materials or parts may be obtained only from a single supplier or a limited group of suppliers. If circumstances at any of these suppliers make it impossible for us to acquire a sufficient quantity of materials or parts to meet our production needs in a timely and cost-effective manner, there could be a material adverse effect on our results of operations and financial condition.

(3) Risks Related to Changes in Government Healthcare Policies
The business sector to which the Nipro Group belongs is intimately connected with the healthcare system and is subject to the regulations laid out by the government organizations, including the National Health Insurance System and the Pharmaceutical Affairs Law. Should circumstances arise in which we were unable to respond to changes in the environment brought about by unforeseeable wholesale changes in the government healthcare policies, there could be a material adverse effect on our results of operations and financial condition.

(4) Risks Related to Changes in Sale Prices
The products sold by the Nipro Group include some that are, in general, subject every two years to the effect of price reductions in the system of payment for medical care, drug prices and reimbursement prices for medical materials and supplies. Should measures to hold down medical costs also become pervasive worldwide, resulting in intensified competition between corporations and leading to prices falling to a greater degree than anticipated, there could be a material adverse effect on our results of operations and financial condition.

(5) Risks Related to Changes in Prices of Raw Materials
The products manufactured by the Nipro Group include some that are made from petrochemical products such as plastics. Should the cost of such raw materials rise, leading to increased procurement costs, there could be a material adverse effect on our results of operations and financial condition.

(6) Risks Related to Overseas Expansion
The Nipro Group maintains manufacturing bases and sales offices around the world for the production and supply of its products. Should there be unexpected revisions to legal regulations or political or economic changes in these countries or regions, there could be a material adverse effect on our results of operations and financial condition.

(7) Risks Related to Intellectual Property
The Nipro Group owns numerous patents and trademarks, and maintains various proprietary rights for the products it manufactures. Additionally, we take all possible measures to avoid infringing on the patents and proprietary rights of any third party, and to avoid breaching any license agreements we have concluded concerning technologies. Nevertheless, if an unanticipated claim for damages were to be made by a third party and the defense of the Nipro Group were to be rejected, there could be a material adverse effect on its results of operations and financial condition.

(8) Risks Related to Environmental Regulations
The Nipro Group believes it has taken adequate precautions to comply with applicable regulations in the course of its business activities. Should our activities cause an unforeseen environmental problem, however, with a claim for damages made against us, there could be a material adverse effect on our results of operations and financial condition.

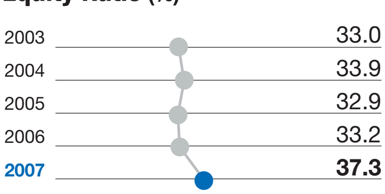
(9) Risks Related to Exchange Rate Fluctuations
The Nipro Group, including its overseas subsidiaries, carries out its foreign currency transactions primarily in US dollars and euro, but calculates financial statements for its overseas subsidiaries using Japanese yen for the purpose of producing consolidated financial statements. Fluctuations in exchange rates may therefore have a material adverse effect on our results of operations and financial condition.

(10) Risks Related to Investment Value
The Nipro Group's assets include investments in stocks and other securities. These investments have been made for purposes such as building good business relationships with the issuers of such securities, or for gathering useful information for the development of new products or for new business opportunities. Should the value of these investments decline significantly owing to fluctuations in the stock market, circumstances at an issuer, or a change in the accounting methods used to deal with these investments, there could be a material adverse effect on our results of operations and financial condition.

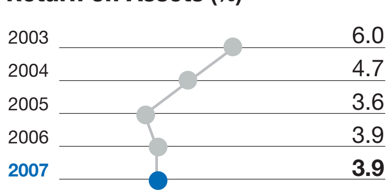
(11) Risks Related to controls on Personal Information
The Nipro Group set the strict precautions to protect the confidential personal information that the Group possesses. In the unforeseen events or accidents that the personal information is leaked outside the Group, causing loss of trust or customers, there could be a material adverse effect on its results of operations and financial condition.

(12) Other Risks
Fire, earthquake, terrorist act, war, epidemic, or other unforeseen man-made or natural disasters affecting areas or facilities where the Nipro Group conducts its business activities may possibly cause a delay or interruption in production, sales, distribution, or provision of services. Should such a delay or interruption become extended, there could be a material adverse affect on our results of operations and financial condition.

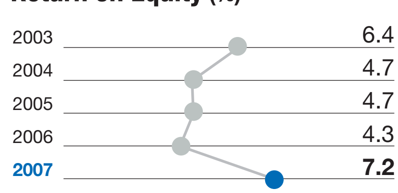
Equity Ratio (%)



Return on Assets (%)



Return on Equity (%)



10 year summary

Nipro Corporation and its Consolidated Subsidiaries
Years ended March 31

	Millions of yen			
	2007	2006	2005	2004
Income Statement Data:				
Net sales	**¥ 184,363**	¥ 206,801	¥ 192,320	¥ 188,700
Medical Equipment	**97,300**	90,868	82,504	78,727
Pharmaceutical	**42,152**	35,220	26,207	25,339
Glass and Materials	**12,919**	11,934	11,667	11,891
Store	**30,973**	67,261	70,841	71,357
Cost of sales	**132,142**	149,971	140,072	137,153
Selling, general and administrative expenses	**39,168**	44,498	41,844	38,990
Operating income	**13,053**	12,332	10,404	12,557
Medical Equipment (1)	**14,334**	13,430	11,039	12,117
Pharmaceutical (1)	**3,298**	2,111	2,261	2,471
Glass and Materials (1)	**1,865**	1,836	1,889	1,819
Store (1)	**270**	578	115	420
Income before income taxes	**16,776**	9,061	8,660	8,044
Net income	**8,555**	4,513	4,519	4,216
Capital expenditures	**23,093**	20,874	16,312	14,500
Depreciation and amortization	**12,470**	12,315	10,266	9,819
R&D expenses	**4,461**	3,760	3,422	3,074
Balance Sheet Data:				
Total assets	**¥ 336,660**	¥ 338,741	¥ 293,749	¥ 279,701
Property, plant and equipment-net	**104,882**	106,195	98,788	94,005
Working capital	**43,128**	34,579	39,123	28,570
Current liabilities	**104,105**	111,285	96,242	96,364
Long-term liabilities	**105,535**	113,453	99,198	86,932
Common stock	**28,663**	28,663	28,663	28,663
Capital surplus	**29,973**	29,972	29,972	29,972
Net assets (2)	**125,651**	112,391	96,700	94,711

	Yen			
Per share data:				
Basic earnings (3)	**¥ 134.7**	¥ 69.6	¥ 69.4	¥ 64.9
Diluted earnings (3)	**—**	—	—	—
Cash dividends	**80.0**	37.5	38.5	30.5
Equity	**1,979.2**	1,767.7	1,519.6	1,487.5
Number of common shares issued	**63,878,505**	63,878,505	63,878,505	63,878,505
Number of employees	**8,807**	9,048	8,617	8,132
Selected Data and Ratios:				
Equity ratio (4) (%)	**37.3**	33.2	32.9	33.9
Return on assets (4) (%)	**3.9**	3.9	3.6	4.7
Return on equity (4) (%)	**7.2**	4.3	4.7	4.7
Price earnings ratio (times)	**17.1**	26.0	25.6	24.1

Note:

(1) Operating income at the operating segment level is not adjusted for intra-segment transactions. See note 13 to the consolidated financial statements.

(2) Effective April 1, 2006, the Company adopted a new accounting standard for presentation of net assets in the balance sheet issued by the Accounting Standard Board of Japan. In the new accounting standard, net assets refer to the sum of total shareholders' equity, total valuation, translation adjustments and others, and minority interests. Minority interests, however, have not been included in net assets above to conform to the prior years' presentation. For further details regarding the new accounting standard, please refer to page 37, Note 2 (h) "Presentation of net assets in the balance sheet."

(3) Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan.

Millions of yen						Thousands of U.S. dollars (Note 1)
2003	2002	2001	2000	1999	1998	**2007**
¥ 180,370	¥ 171,217	¥ 152,072	¥ 143,700	¥ 141,635	¥ 132,655	**$ 1,561,737**
76,009	77,572	66,413	65,718	64,730	61,126	**824,227**
21,979	15,946	14,120	13,478	11,969	10,895	**357,069**
11,064	11,234	11,784	12,021	11,907	12,493	**109,437**
69,560	64,764	56,882	51,034	51,199	46,461	**262,372**
128,776	122,092	110,608	104,734	101,965	95,529	**1,119,373**
36,695	34,690	31,735	30,344	29,328	28,467	**331,792**
14,899	14,435	9,729	8,622	10,342	8,659	**110,572**
14,175	15,016	11,913	10,422	12,272	10,698	**121,423**
1,981	1,104	844	516	71	(657)	**27,937**
1,777	1,806	1,773	1,758	1,780	2,067	**15,799**
1,109	1,037	20	637	888	785	**2,287**
8,781	11,617	6,641	5,930	4,440	7,818	**142,109**
5,078	5,842	3,401	2,621	1,793	3,366	**72,469**
20,775	17,166	14,295	8,463	12,362	7,062	**195,621**
8,767	7,215	6,898	7,124	6,681	6,458	**105,633**
2,328	2,553	3,048	2,278	2,889	2,355	**37,789**
¥ 252,848	¥ 245,403	¥ 228,918	¥ 217,455	¥ 205,558	¥ 182,389	**$ 2,851,843**
91,147	81,029	72,061	64,497	62,919	56,991	**888,454**
27,542	9,792	35,770	52,065	44,820	18,762	**365,338**
88,889	105,764	74,995	75,008	73,398	77,666	**881,872**
78,657	61,952	83,260	75,585	64,478	37,526	**893,986**
28,663	23,113	22,563	22,563	22,563	22,563	**242,804**
29,972	24,435	23,886	23,886	23,886	23,886	**253,900**
83,533	76,099	69,196	65,368	65,563	65,236	**1,064,388**
Yen						U.S. dollars (Note 1)
¥ 84.3	¥ 104.4	¥ 60.8	¥ 46.9	¥ 32.0	¥ 60.2	**$ 1.14**
78.5	92.4	54.3	42.1	28.1	49.9	**—**
32.0	47.0	31.0	34.5	19.0	30.5	**0.68**
1,310.7	1,343.7	1,236.6	1,168.2	1,171.7	1,165.9	**16.77**
63,878,505	56,670,149	55,956,987	55,956,987	55,956,987	55,956,987	
8,029	7,835	6,818	6,636	6,064	5,729	
33.0	31.0	30.2	30.1	31.9	35.8	
6.0	6.1	4.4	4.1	5.3	4.8	
6.4	8.0	5.1	4.0	2.7	5.2	
21.5	17.4	16.5	18.6	34.6	16.8	

Basic earnings and diluted earnings per share for the year ended March 31, 2003 and thereafter are computed in accordance with the new standard. Basic earnings and diluted per share for the prior years are not translated to reflect the new standard's provision, based on the weighted average number of outstanding shares for the period.

(4) Equity ratio is the ratio of the sum of total shareholders' equity and total valuation, translation adjustments and others to total assets at the period end. Return on assets is the ratio of operating income for the period to the average total assets during the period. Return on equity is the ratio of net income for the period to the average of the sum of total shareholders' equity and total valuation, translation adjustments and others during the period. Price earnings ratio is the ratio of the closing price of the Company's shares listed on the First Section of the Tokyo Stock Exchange on the last trading day in March of each year to basic earnings per share.

Consolidated Balance Sheets

Nipro Corporation and its Consolidated Subsidiaries
As of March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Assets			
Current assets:			
Cash and cash equivalents (Note 2)	**¥ 46,110**	¥ 49,915	**$ 390,597**
Time deposits (over three months)	**1,825**	3,481	**15,460**
Trade notes and accounts receivable (Note 5 and 11)	**50,972**	45,795	**431,783**
Allowance for doubtful receivables	**(502)**	(358)	**(4,252)**
Inventories (Note 2 and 3)	**40,213**	40,559	**340,644**
Deferred income taxes (Note 2 and 4)	**3,034**	2,152	**25,701**
Other current assets	**5,581**	4,320	**47,277**
Total current assets	**147,233**	145,864	**1,247,210**
Property, plant and equipment (Note 2, 5 and 6):			
Land	**18,032**	23,080	**152,749**
Buildings and structures	**79,482**	91,154	**673,291**
Machinery and equipment	**103,814**	91,367	**879,407**
Construction in progress	**12,857**	8,210	**108,911**
	214,185	213,811	**1,814,358**
Accumulated depreciation	**(109,303)**	(107,616)	**(925,904)**
Property, plant and equipment-net	**104,882**	106,195	**888,454**
Investments and other assets:			
Investment in unconsolidated subsidiaries and an affiliate accounted for by the equity method (Note 2)	**3,382**	4,094	**28,649**
Investment securities (Note 2 and 7)	**73,922**	64,219	**626,192**
Lease deposits	**2,591**	11,003	**21,948**
Deferred income taxes (Note 2 and 4)	**62**	431	**525**
Other	**4,588**	6,935	**38,865**
Total investments and other assets	**84,545**	86,682	**716,179**
Total	**¥ 336,660**	¥ 338,741	**$ 2,851,843**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Liabilities and net assets			
Current liabilities:			
Short-term bank loans (Note 9)	**¥ 26,964**	¥ 31,653	**$ 228,412**
Current portion of long-term debt (Note 9)	**23,305**	22,542	**197,416**
Trade notes and accounts payable	**26,547**	31,425	**224,879**
Accrued income taxes	**8,405**	3,332	**71,199**
Accrued expenses	**9,348**	7,626	**79,187**
Allowance for loss on clearance of business	**1,955**	—	**16,561**
Commercial paper (Note 9)	**—**	9,000	**—**
Other current liabilities	**7,581**	5,707	**64,218**
Total current liabilities	**104,105**	111,285	**881,872**
Long-term liabilities:			
Long-term debt (Note 9)	**84,216**	92,069	**713,393**
Accrued pension and severance liabilities (Note 10)	**2,565**	2,979	**21,728**
Deferred income taxes (Note 2 and 4)	**17,417**	15,055	**147,539**
Other long-term liabilities	**1,337**	3,350	**11,326**
Total long-term liabilities	**105,535**	113,453	**893,986**
Commitments and contingent liabilities (Note 11)			
Net assets (Note 2, 7 and 12):			
Common stock	**28,663**	28,663	**242,804**
Authorized : 200,000,000 shares			
Issued : 63,878,505 shares			
Capital surplus	**29,973**	29,972	**253,900**
Retained earnings	**39,149**	34,546	**331,631**
Less cost of common shares of treasury stock	**(741)**	(649)	**(6,277)**
(393,067shares in 2007 and 349,589 shares in 2006)			
Total shareholders' equity	**97,044**	92,532	**822,058**
Unrealized gain on available-for-sale securities	**29,884**	25,564	**253,147**
Foreign currency translation adjustments	**(1,277)**	(5,705)	**(10,817)**
Total valuation, translation adjustments and others	**28,607**	19,859	**242,330**
Minority interests	**1,369**	1,612	**11,597**
Total net assets	**127,020**	114,003	**1,075,985**
Total	**¥ 336,660**	¥ 338,741	**$ 2,851,843**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Net sales (Note 13)	**¥ 184,363**	¥ 206,801	**$ 1,561,737**
Cost of sales (Note 15)	**132,142**	149,971	**1,119,373**
Gross profit	**52,221**	56,830	**442,364**
Selling, general and administrative expenses (Note 14 and 15)	**39,168**	44,498	**331,792**
Operating income	**13,053**	12,332	**110,572**
Other income (expenses):			
Interest and dividend income	**869**	688	**7,361**
Interest expense (Note 9)	**(1,645)**	(1,552)	**(13,935)**
Loss on sale and disposal of property, plant and equipment - net	**(485)**	(385)	**(4,108)**
Exchange gain (loss)	**314**	1,476	**2,660**
Equity in loss of an affiliated company	**(791)**	(703)	**(6,701)**
Gain (loss) on sale of investment securities (Note 7)	**(4)**	16	**(34)**
Gain on sale of investments in consolidated subsidiaries	**12,706**	—	**107,632**
Loss on impairment of fixed assets (Note 6 and 13)	**(1,287)**	(1,998)	**(10,902)**
Abnormal manufacturing cost	**(246)**	(158)	**(2,084)**
Bond issue expense	**—**	(79)	**—**
Allowance for loss on clearance of business	**(1,955)**	—	**(16,561)**
Loss on doubtful debts	**(2,361)**	—	**(20,000)**
Loss on disposal of inventories	**(253)**	(195)	**(2,143)**
Loss on investment securities	**(269)**	—	**(2,279)**
Other income (loss)-net	**(870)**	(381)	**(7,369)**
Income before income taxes and minority interests	**16,776**	9,061	**142,109**
Income taxes (Note 2 and 4):			
Current	**10,059**	5,241	**85,210**
Deferred	**(1,873)**	(541)	**(15,866)**
Minority interests in income (loss) of consolidated subsidiaries	**35**	(152)	**296**
Net income	**¥ 8,555**	¥ 4,513	**$ 72,469**

	Yen		U.S. dollars (Note 1)
Amounts per common share (Note 2):			
Basic earnings	**134.7**	69.6	**1.14**
Diluted earnings	**—**	—	**—**
Cash dividends	**80.0**	37.5	**0.68**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Common stock:			
Opening balance-63,878,505 shares	**¥ 28,663**	¥ 28,663	**$ 242,804**
Closing balance-63,878,505 shares	**¥ 28,663**	¥ 28,663	**$ 242,804**
Capital surplus			
Opening balance	**¥ 29,972**	¥ 29,972	**$ 253,892**
Disposal of treasury stock	**1**	—	**8**
Closing balance	**¥ 29,973**	¥ 29,972	**$ 253,900**
Retained earnings:			
Opening balance	**¥ 34,546**	¥ 32,182	**$ 292,639**
Net income	**8,555**	4,513	**72,469**
Increase(decrease) in retained earnings due to exclusion of subsidiaries from consolidation	**437**	—	**3,702**
Increase(decrease) in retained earnings due to inclusion of new subsidiaries in consolidation	**(201)**	(198)	**(1,703)**
Cash dividends paid	**(4,097)**	(1,843)	**(34,706)**
Bonuses to directors and statutory auditors	**(91)**	(108)	**(770)**
Closing balance	**¥ 39,149**	¥ 34,546	**$ 331,631**
Treasury stock:			
Opening balance-349,589 shares	**¥ (649)**	¥ (587)	**$ (5,498)**
Purchase of treasury stock	**(101)**	(63)	**(855)**
Disposal of treasury stock	**9**	1	**76**
Closing balance-393,067 shares	**¥ (741)**	¥ (649)	**$ (6,277)**
Unrealized gain on available-for-sale securities			
Opening balance	**¥ 25,564**	¥ 12,760	**$ 216,552**
Net change	**4,320**	12,804	**36,595**
Closing balance	**¥ 29,884**	¥ 25,564	**$ 253,147**
Foreign currency translation adjustments:			
Opening balance	**¥ (5,705)**	¥ (6,290)	**$ (48,327)**
Net change	**4,428**	585	**37,510**
Closing balance	**¥ (1,277)**	¥ (5,705)	**$ (10,817)**
Minority interests			
Opening balance	**¥ 1,612**	¥ 1,609	**$ 13,655**
Net change	**(243)**	3	**(2,058)**
Closing balance	**¥ 1,369**	¥ 1,612	**$ 11,597**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Operating activities:			
Net income	**¥ 8,555**	¥ 4,513	**$ 72,469**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**12,470**	12,315	**105,633**
Loss on impairment of fixed assets	**1,287**	1,998	**10,902**
Equity in loss of an affiliated company	**791**	703	**6,701**
Allowance for doubtful receivables	**(93)**	132	**(788)**
Loss on doubtful debts	**2,361**	—	**20,000**
Allowance for loss on business clearance	**1,955**	—	**16,561**
Gain on sale of investment securities	**4**	(16)	**34**
Gain on sale of investments in consolidated subsidiaries	**(12,706)**	—	**(107,632)**
Provision for deferred taxes	**(1,873)**	(541)	**(15,866)**
Exchange loss (gain)	**(68)**	(1,377)	**(576)**
Loss on sale and disposal of property, plant and equipment-net	**485**	385	**4,108**
Other, net	**1,218**	373	**10,318**
Changes in operating assets and liabilities:			
Trade receivables	**(2,187)**	(4,894)	**(18,526)**
Inventories	**(3,061)**	(5,754)	**(25,930)**
Other current assets	**(565)**	(1,372)	**(4,786)**
Lease deposits	**502**	485	**4,252**
Trade payables	**(1,982)**	1,118	**(16,789)**
Accrued income taxes	**5,072**	(190)	**42,965**
Other, net	**2,419**	(1,069)	**20,492**
Total adjustments	**6,029**	2,296	**51,073**
Net cash provided by operating activities	**14,584**	6,809	**123,542**
Investing activities:			
Purchase of property, plant and equipment	**(19,236)**	(20,052)	**(162,948)**
Proceeds from sale of property, plant and equipment	**273**	376	**2,313**
Purchase of available-for-sale securities	**(2,245)**	(9,414)	**(19,017)**
Proceeds from sale of investment securities	**24**	3,126	**203**
Purchase of investments in consolidated subsidiaries affecting scope of consolidation	**(1,220)**	(27)	**(10,335)**
Proceeds from sale of investments in consolidated subsidiaries affecting scope of consolidation	**19,372**	—	**164,100**
Net decrease (increase) in short-term loans to affiliates	**(1,078)**	—	**(9,132)**
Deposits (Over three months)	**1,873**	(822)	**15,866**
Other, net	**(687)**	(743)	**(5,819)**
Net cash used in investing activities	**(2,924)**	(27,556)	**(24,769)**
Financing activities:			
Net increase (decrease) in short-term loans	**122**	2,888	**1,033**
Proceeds from long-term loans	**20,853**	13,384	**176,645**
Repayment of long-term loans	**(13,181)**	(12,261)	**(111,656)**
Proceeds from issuance of bonds	**—**	14,922	**—**
Repayment of bonds	**(10,060)**	(3,020)	**(85,218)**
Net increase (decrease) in commercial paper	**(9,000)**	2,000	**(76,239)**
Cash dividends paid	**(4,091)**	(1,840)	**(34,655)**
Bonuses to directors and statutory auditors	**(97)**	(108)	**(822)**
Other, net	**(297)**	(361)	**(2,515)**
Net cash provided by (used in) financing activities	**(15,751)**	15,604	**(133,427)**
Effect of exchange rate changes on cash and cash equivalents	**209**	1,181	**1,770**
Net increase (decrease) in cash and cash equivalents	**(3,882)**	(3,962)	**(32,884)**
Cash and cash equivalents, beginning of period (Note 2)	**49,915**	53,735	**422,829**
Cash and cash equivalents of newly consolidated subsidiary, beginning of period (Note 2)	**77**	142	**652**
Cash and cash equivalents, end of period (Note 2)	**¥ 46,110**	¥ 49,915	**$ 390,597**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Nipro Corporation and its Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements are prepared from the consolidated financial statements issued for domestic reporting purposes. Nipro Corporation (the "Company") and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with generally accepted accounting principles and practices in Japan. Its overseas subsidiaries maintain their accounts in conformity with those of each country of their domicile.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

In addition, the notes to consolidated financial statements include additional information which is not required under generally accepted accounting principles and practices in Japan. Certain reclassifications have been made to the 2006 amounts to conform with the 2007 presentation.

The financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥118.05=US$1, the approximate exchange rate on March 31, 2007. These translations should not be construed as representations that the Japanese yen amounts actually are, have been or could be converted into U.S. dollar amounts.

2. Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and the significant subsidiaries and affiliated company accounted for by the equity method.

Investments in unconsolidated subsidiaries are stated at cost and the equity method is not applied for the valuation of such investments since they are considered immaterial in the aggregate.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Company and its consolidated subsidiaries is eliminated.The difference between the cost of investments in subsidiaries and affiliates and the equity in their net assets at dates of acquisition is being amortized over five years.

All accounts herein have been presented on the basis of the twelve months ended March 31, 2007 for the Company and for consolidated domestic subsidiaries, and December 31, 2006 for all consolidated overseas subsidiaries.

Adjustments have been made for any significant intercompany transactions which took place during the period between the end of accounting period of the overseas subsidiaries and that of the Company. Besides, the following subsidiaries were excluded from consolidation at the end of the consolidated accounting period because all the shares held of Nissho Corporation were transferred on July 31, 2006 as well as Nissho Drug Co., Ltd. on December 15, 2006 and Fuzhou Nipro Co., Ltd. was liquidated on November 30, 2006, and statement of income of each company to the date of transfer or liquidation was consolidated.

(b) Translation of Foreign Currencies

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Income statements of consolidated overseas subsidiaries are translated into Japanese yen at the average exchange rate for the period. Resulting translation adjustments are shown as "Foreign currency translation adjustments" in the "valuation, translation adjustments and others" section of net assets.

(c) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible to cash.

(d) Inventories

Inventories are stated principally at cost. Cost is determined principally by the average method for the medical equipment, pharmaceutical and glass and materials segment, except for certain inventories determined by the first-in, first-out method.

(e) Impairment of Fixed Assets

In accordance with the accounting standard for impairment of fixed assets, the Company and its consolidated subsidiaries review fixed assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset or the net selling price at disposition.

(f) Depreciation

Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed principally by the declining-balance method. The straight-line method is applied to buildings acquired by the domestic companies after April 1, 1998, and is principally applied to the property, plant and equipment of overseas subsidiaries.

The range of useful lives is principally from 31 to 50 years for buildings and from 7 to 12 years for machinery and equipment.

(g) Investment Securities

Investment securities are classified and accounted for, depending on management's intent, as follows:

i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and

ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gain and loss, net of applicable tax, reported in the "valuation, translation adjustments and others" section of net assets. For the year ended March 31, 2007, there was no held-to-maturity debt securities held by the Company and its consolidated subsidiaries.

Non-marketable available-for-sale securities are stated at cost determined by the average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(h) Presentation of Net Assets in the Balance Sheet

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No. 5 issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No. 8 issued on December 9, 2005). Due to the adoption of these accounting standards, minority interests are included in net assets at March 31, 2007. Under the previous presentation rules, minority interests were presented as a separate component in the consolidated balance sheets. The adoption of these accounting standards had no impact on the consolidated statement of income for the year ended March 31, 2007. The previously presented shareholders' equity and certain other balance sheet items for 2006 have been restated to conform to the 2007 presentation. As a result, minority interests amounting to ¥1,612 million are included in the net assets section as of March 31, 2007. For the year ended March 31, 2007, the amount of shareholders' equity would have been ¥125,651 million (US$1,064,388 thousand), if the previous year's presentation was applied.

(i) Income Taxes

The Company and its consolidated subsidiaries recognized tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred income tax assets and liabilities for the expected future tax consequences of temporary differences.

(j) Amounts per Common Share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. Diluted earnings per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted earnings per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants. For the year ended March 31, 2007, there was no common stock equivalents that have a dilutive effect.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the period.

Appropriation of retained earnings at each year-end is reflected in the financial statements for the following year upon shareholders' approval.

3. Inventories

Inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Food and groceries	**¥ —**	¥ 644	**$ —**
Household goods	**—**	3,821	**—**
Medicine (in stores)	**—**	1,268	**—**
Finished goods	**28,752**	24,786	**243,558**
Raw materials	**5,815**	4,922	**49,259**
Work in process	**3,675**	3,656	**31,131**
Packing and other	**1,971**	1,462	**16,696**
Total	**¥ 40,213**	¥ 40,559	**$ 340,644**

4. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income which, in aggregate, resulted in a normal statutory tax rate of approximately 40.5% for the years ended March 31, 2007 and 2006.

The significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Deferred tax assets			
Operating loss carryforwards for tax purposes	**¥ 2,467**	¥ 2,143	**$ 20,898**
Intercompany profits	**718**	647	**6,082**
Allowance for bonuses to employees	**592**	652	**5,015**
Allowance for loss on clearance of business	**792**	—	**6,709**
Accounts receivable	**203**	199	**1,720**
Loss on impairment of fixed assets	**848**	653	**7,183**
Excess of allowance for doubtful accounts over tax allowable amounts	**963**	153	**8,158**
Accrued pension and severance liabilities	**1,010**	1,172	**8,556**
Accrued enterprise taxes	**619**	282	**5,244**
Other	**502**	596	**4,252**
Gross deferred tax assets	**¥ 8,714**	¥ 6,497	**$ 73,817**
Less: Valuation allowance	**(2,545)**	(1,973)	**(21,559)**
Total deferred tax assets	**¥ 6,169**	¥ 4,524	**$ 52,258**
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	**¥ 20,403**	¥ 16,860	**$ 172,834**
Other	**87**	136	**737**
Total deferred tax liabilities	**¥ 20,490**	¥ 16,996	**$ 173,571**
Net deferred tax assets (liabilities)	**¥ (14,321)**	¥ (12,472)	**$ (121,313)**

Reconciliation of the differences between the statutory tax rates and the effective income tax rates was as follows:

	2007	2006
Statutory tax rate	**40.5%**	40.5%
Expenses not deductible for tax purposes	**2.3**	2.3
Non-taxable dividend income	**(0.6)**	(0.3)
Loss in subsidiaries	**4.6**	11.6
Tax credits primarily for research and development costs	**(2.0)**	(4.5)
Equity in loss of an affiliated company	**1.9**	3.1
Other	**2.1**	(0.8)
Effective income tax rate	**48.8%**	51.9%

5. Pledged Assets

The following assets were pledged as collateral:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Land	**¥ 3,362**	¥ 6,131	**$ 28,479**
Buildings and structures	**6,435**	9,027	**54,511**
Notes receivable	**3,938**	1,699	**33,359**
Certificate of deposit	**—**	221	**—**
Total	**¥ 13,735**	¥ 17,078	**$ 116,349**

The above assets were pledged against the following liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Short term bank loans	¥ 4,885	¥ 2,577	$ 41,381
Current portion of long-term debt	939	951	7,954
Long-term debt	2,251	3,665	19,068
Total	¥ 8,075	¥ 7,193	$ 68,403

The following assets were pledged against the bank loans of Nissho Corporation amounting to ¥949 million (US$8,039 thousand):

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2007	2007
Buildings and structures	¥ 1,023	$ 8,666
Land	1,421	12,037
Total	¥ 2,444	$ 20,703

6. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries reviewed their fixed assets for impairment as of March 31, 2007 and, as a result, recognized impairment loss of ¥1,287 million (US$10,902 thousand) as follows:

			Amount of loss	
Use	Type of asset	Location	Millions of yen	Thousands of U.S. dollars(Note 1)
Leased Assets	Land	1 site in Osaka Pref.	¥ 1,272	$ 10,775
Store	Buildings and structures, and other	1 site in Hyogo Pref.	15	127
Total			¥ 1,287	$ 10,902

The fixed assets of the Company and its consolidated subsidiaries are categorized principally into assets for business use, leased assets, idle assets and assets for common use. The assets for business use are divided into groups on which separate financial information is reported for management accounting purposes and individual store, whereas the leased assets and idle assets are categorized individually. Headquarters assets, R&D facilities, dormitories and company-offered houses are categorized into assets for common use, since these assets can not generate identifiable cash flows.

The carrying amount of asset groups whose land has significantly depreciated, or which incurred consecutive operating losses, were reduced to recoverable amounts, and such deducted amounts were recorded as loss on impairment of fixed assets.

The loss on impairment of fixed assets consisted of a loss on buildings and structures of ¥14 million (US$119 thousand), on machinery and equipment of ¥1 million (US$8 thousand), and on land of ¥1,272 million (US$ 10,775 thousand). The recoverable amount of such asset groups was measured by their net realizable value. In the case where net selling values were used as realizable value of assets, relevant assets were evaluated based on the real estate appraisal standards and, the price of land fronting major roads, which was used for immaterial asset. The asset groups which were difficult to sell or which could not be used for other purpose, however, were evaluated as a minimum unit price.

7. Investment securities

Investment securities as of March 31, 2007 and 2006 consisted of the followings:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Non-current:			
Marketable:			
Marketable equity securities	¥ 72,665	¥ 62,675	$ 615,544
Investment trust funds and other	81	109	686
Sub total	¥ 72,746	¥ 62,784	$ 616,230
Non-marketable securities	¥ 1,176	¥ 1,435	$ 9,962
Total	¥ 73,922	¥ 64,219	$ 626,192

The carrying amounts and aggregate fair values of marketable securities for investments as of March 31, 2007 and 2006 were as follows:

	Millions of yen			
	2007			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	¥ 23,267	¥ 49,428	¥ 30	¥ 72,665
Debt securities and other	61	20	—	81
Total	¥ 23,328	¥ 49,448	¥ 30	¥ 72,746

	Thousands of U.S. dollars (Note 1)			
	2007			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	$ 197,094	$ 418,704	$ 254	$ 615,544
Debt securities and other	517	169	—	686
Total	$ 197,611	$ 418,873	$ 254	$ 616,230

	Millions of yen			
	2006			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	¥ 21,158	¥ 41,517	¥ —	¥ 62,675
Debt securities and other	88	21	—	109
Total	¥ 21,246	¥ 41,538	¥ —	¥ 62,784

Proceeds from sales of available-for-sale securities and gross realized gain and loss on those sales for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Proceeds	¥ 24	¥ 3,126	$ 203
Gain (loss) on sales	(4)	16	(34)

8. Leases

The pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis as of March 31, 2007 and 2006 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Acquisition cost	¥ 3,895	¥ 4,498	$ 32,994
Accumulated depreciation	2,570	3,220	21,770
Net leased property	¥ 1,325	¥ 1,278	$ 11,224

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Payments due within one year	¥ 523	¥ 545	$ 4,430
Payments due after one year	631	653	5,345
Total	¥ 1,154	¥ 1,198	$ 9,775

Lease payments under such leases for the years ended March, 2007 and 2006 were ¥586 million (US$4,964 thousand) and ¥941 million, respectively.

9. Short-Term Loans and Long-Term Debt

Short-term loans comprised overdrafts and promissory notes.
The weighted-average interest rate of short-term bank loans for the years ended March 31, 2007 and 2006 was 1.211% and 0.654%, respectively.
The weighted-average interest rate of commercial paper for the year ended March 31,2006 was 0.080%.

Long-term debt comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Zero coupon convertible bonds due 2023	**¥ 14,000**	¥ 14,000	**$ 118,594**
3.2% unsecured bonds due 2008	**10,000**	10,000	**84,710**
3.0% unsecured bonds due 2006	**—**	10,000	**—**
1.42% unsecured bonds due 2011	**10,000**	10,000	**84,710**
1.07% unsecured bonds due 2010	**3,000**	3,000	**25,413**
1.18% unsecured bonds due 2009	**3,000**	3,000	**25,413**
0.67% unsecured bonds due 2008	**30**	50	**254**
1.18% unsecured bonds due 2009	**5,000**	5,000	**42,355**
0.72% unsecured bonds due 2008	**100**	—	**847**
1.28% unsecured bonds due 2009	**100**	—	**847**
0.7% unsecured bonds due 2010	**60**	—	**508**
0.95% unsecured bonds due 2010	**100**	—	**847**
0.79% unsecured bonds due 2010	**70**	—	**593**
1.55% unsecured bonds due 2011	**50**	—	**424**
Long-term bank loans due through 2019, with weighted-average interest rate of 1.218% for the year ended March 31, 2007, and of 1.044% for the year ended March 31, 2006.	**62,011**	59,561	**525,294**
Less current portion of long-term debt	**(23,305)**	(22,542)	**(197,416)**
Total	**¥ 84,216**	¥ 92,069	**$ 713,393**

In June 1998, the Company issued ¥10,000 million (US$84,710 thousand) of 3.2% unsecured bonds due 2008.

In March 2003, the Company issued ¥3,000 million (US$25,413 thousand) of 1.07% privately-placed bonds due 2010.

In July 2003, the Company issued ¥14,000 million (US$118,594 thousand) of zero coupon convertible bonds due 2023.

In July 2003 , Zensei Pharmaceutical Industries Co., Ltd. issued ¥100 million (US$847 thousand) of 0.72% privately-placed bonds due 2008.

In September 2003, Nipro Genepha Corporation issued ¥100 million (US$847 thousand) of 0.67% privately-placed bonds to be serially redeemed by 2008.

In July 2004, the Company issued ¥3,000 million (US$25,413 thousand) of 1.18% privately-placed bonds due 2009.

In July 2004, Zensei Pharmaceutical Industries Co., Ltd. issued ¥100 million (US$847 thousand) of 1.28% privately-placed bonds due 2009.

In January 2005, Zensei Pharmaceutical Industries Co., Ltd. issued ¥100 million (US$847 thousand) of 0.7% privately-placed bonds to be serially redeemed by 2010.

In August 2005, Zensei Pharmaceutical Industries Co., Ltd. issued ¥100 million (US$847 thousand) of 0.95% privetely-placed bonds due 2010.

In August 2005, Zensei Pharmaceutical Industries Co., Ltd. issued ¥100 million (US$847 thousand) of 0.79% privately-placed bonds to be serially redeemed by 2010.

In March 2006, the Company issued ¥10,000 million (US$84,710 thousand) of 1.42% unsecured bonds due 2011.

In March 2006, the Company issued ¥5,000 mllion (US$42,355 thousand) of 1.18% privately-placed bonds due 2009.

In March 2006, Zensei Pharmaceutical Industries Co., Ltd. issued ¥50 million (US$424 thousand) of 1.55% privately-placed bonds due 2011.

The aggregate annual maturities of long-term debt outstanding at March 31, 2007 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2007	**2007**
2008	**¥ 23,305**	**$ 197,416**
2009	**26,314**	**222,906**
2010	**16,291**	**138,001**
2011 and thereafter	**41,611**	**352,486**
Total	**¥ 107,521**	**$ 910,809**

As is customary in Japan, long-term and short-term bank loans are made under general agreements which provide that additional securities and guarantees for present and future indebtedness will be given under certain circumstances at the request of the bank, and that any collateral so furnished will be applicable to all indebtedness due to the bank.

In addition, the agreements provide that the bank has the right to offset cash deposits against any long-term and short-term bank loan that becomes due, and in case of default and certain other specified events, against all other loans payable to the bank. Such rights have never been exercised by banks against the Company or its consolidated subsidiaries.

10. Accrued Pension and Severance Liabilities

The Company and certain consolidated subsidiaries have defined benefit pension plans and unfunded retirement benefit plans for employees. The following table sets forth the changes in projected benefit obligation, plan assets and funded status of the Company and its consolidated subsidiaries at March 31, 2007 and 2006.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
1) Projected benefit obligation at end of year	**¥ (7,750)**	¥ (9,601)	**$ (65,650)**
2) Fair value of plan assets at end of year	**6,539**	7,967	**55,392**
3) Projected benefit obligation in excess of plan assets 1)+2)	**(1,211)**	(1,634)	**(10,258)**
4) Unrecognized actuarial (gain) loss	**(1,354)**	(1,345)	**(11,470)**
5) Accrued pension and severance liabilities 3)+4)	**¥ (2,565)**	¥ (2,979)	**$ (21,728)**

The breakdown of net benefit cost for the years ended March 31, 2007 and 2006 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Service cost	**¥ 586**	¥ 641	**$ 4,964**
Interest cost	**204**	227	**1,728**
Expected return on plan assets	**(99)**	(96)	**(839)**
Amortization of actuarial differences	**(166)**	175	**(1,406)**
Other	**—**	114	**—**
Net periodic benefit cost	**¥ 525**	¥ 1,061	**$ 4,447**

The assumptions used in the accounting for the above benefit plans were as follows:

	2007	2006
Discount rate	**Primarily 2.5%**	Primarily 2.5%
Expected rate of return on plan assets	**1.5%**	1.5%
Amortization period for actuarial differences	**5 years**	5 years

11. Commitments and Contingent Liabilities

The Company and consolidated subsidiaries had the following commitments and contingent liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Liabilities for guarantees	**¥ 1,094**	¥ 1,639	**$ 9,267**
Export drafts discounted	**24**	25	**203**
Trade notes receivable discounted	**63**	198	**534**
Total	**¥ 1,181**	¥ 1,862	**$ 10,004**

12. Net Assets

(i) Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). Under the Law, the entire amount paid for new shares is required to be designated as common stock. A company may, however, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus. Under the Law, in case where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Code, companies were required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in-capital equaled to 25% of common stock. Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, additional paid-in capital and legal earnings reserve could be transferred to retained earnings by the resolution of the shareholders' meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law. Under the Law, companies can pay dividends at any time during the fiscal year in addition to the year–end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as: (1) having the Board of Directors. (2) having independent auditors. (3) having the Board of Corporate Auditors. (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, and (5) the opinion of independent auditors is unqualified, the Board of Directors may declare dividends if the company has prescribed so in its articles of incorporation. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulated. Under the Law, certain limitations are imposed on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Law was ¥47,106 million (US$399,034 thousand) as of March 31, 2007. Cash dividends charged to retained earnings during the fiscal year were year-end cash dividends for the preceding fiscal year and interim cash dividends for the current fiscal year.

(ii) The following appropriation of retained earnings was approved by the Shareholders' Meeting held on June 27, 2007:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash dividends	¥ 2,349	$ 19,898

13. Segment Reporting

The Company and its consolidated subsidiaries are primarily engaged in the business consisting of four major segments: Medical Equipment, Pharmaceutical, Glass and Materials and Store. These business segments are based on the market nature of products.

The Medical Equipment segment manufactures and sells disposable medical equipment. The medical equipment sold includes dialyzers, dialysis-related devices, and injection-related products.

The Pharmaceutical segment manufactures and sells a range of pharmaceutical products and devices, such as prescribed specialized and diagnostic products for hospital use, and medical equipment incorporating solutions and drugs, such as pre-filled syringes and infusion kits.

The Glass and Materials segment sells internal glass sections for vacuum flasks, glass tubes for ampoule and vial production, glass tubes for light bulbs and other glass products.

The Store segment encompasses a supermarket business and a drugstore business. The store segment sells fresh and daily foods, general grocery, household goods, medicine and other merchandise.

The sales of "Other" include the sales of machinery for manufacture of medical equipment and real estate rental income.

Business segment information for the years ended March 31, 2007 and 2006 was as follows:

	Millions of yen							
	2007							
	Medical Equipment	Pharmaceutical	Glass & Materials	Store	Other	Total	Eliminations/ Corporate	Consolidated
Net sales:								
Outside	**¥ 97,300**	**¥ 42,152**	**¥ 12,919**	**¥ 30,973**	**¥ 1,019**	**¥ 184,363**	**–**	**¥ 184,363**
Intersegment	**4**	**–**	**3,445**	**–**	**220**	**3,669**	**¥ (3,669)**	**–**
Total	**97,304**	**42,152**	**16,364**	**30,973**	**1,239**	**188,032**	**(3,669)**	**184,363**
Operating expenses	**82,970**	**38,854**	**14,499**	**30,703**	**1,088**	**168,114**	**3,196**	**171,310**
Operating income	**¥ 14,334**	**¥ 3,298**	**¥ 1,865**	**¥ 270**	**¥ 151**	**¥ 19,918**	**¥ (6,865)**	**¥ 13,053**
Identifiable assets	**¥ 114,946**	**¥ 80,342**	**¥ 12,482**	**¥ –**	**¥ 6,009**	**¥ 213,779**	**¥ 122,881**	**¥ 336,660**
Depreciation and amortization	**5,327**	**5,496**	**534**	**383**	**89**	**11,829**	**641**	**12,470**
Loss on impairment of fixed assets	**–**	**–**	**–**	**15**	**1,272**	**1,287**	**–**	**1,287**
Capital expenditures	**11,065**	**9,490**	**167**	**58**	**86**	**20,866**	**2,227**	**23,093**

	Thousands of U.S. dollars (Note 1)							
	2007							
	Medical Equipment	Pharmaceutical	Glass & Materials	Store	Other	Total	Eliminations/ Corporate	Consolidated
Net sales:								
Outside	**$ 824,227**	**$ 357,069**	**$ 109,437**	**$ 262,372**	**$ 8,632**	**$1,561,737**	**–**	**$1,561,737**
Intersegment	**34**	**–**	**29,183**	**–**	**1,863**	**31,080**	**$ (31,080)**	**–**
Total	**824,261**	**357,069**	**138,620**	**262,372**	**10,495**	**1,592,817**	**(31,080)**	**1,561,737**
Operating expenses	**702,838**	**329,132**	**122,821**	**260,085**	**9,216**	**1,424,092**	**27,073**	**1,451,165**
Operating income	**$ 121,423**	**$ 27,937**	**$ 15,799**	**$ 2,287**	**$ 1,279**	**$ 168,725**	**$ (58,153)**	**$ 110,572**
Identifiable assets	**$ 973,706**	**$ 680,576**	**$ 105,736**	**$ –**	**$ 50,902**	**$1,810,920**	**$1,040,923**	**$2,851,843**
Depreciation and amortization	**45,125**	**46,556**	**4,524**	**3,244**	**754**	**100,203**	**5,430**	**105,633**
Loss on impairment of fixed assets	**–**	**–**	**–**	**127**	**10,775**	**10,902**	**–**	**10,902**
Capital expenditures	**93,731**	**80,390**	**1,415**	**491**	**729**	**176,756**	**18,865**	**195,621**

	Millions of yen							
	2006							
	Medical Equipment	Pharmaceutical	Glass & Materials	Store	Other	Total	Eliminations/ Corporate	Consolidated
Net sales:								
Outside	¥ 90,868	¥ 35,220	¥ 11,934	¥ 67,261	¥ 1,518	¥ 206,801	–	¥ 206,801
Intersegment	0	–	3,402	35	517	3,954	¥ (3,954)	–
Total	90,868	35,220	15,336	67,296	2,035	210,755	(3,954)	206,801
Operating expenses	77,438	33,109	13,500	66,718	1,506	192,271	2,198	194,469
Operating income	¥ 13,430	¥ 2,111	¥ 1,836	¥ 578	¥ 529	¥ 18,484	¥ (6,152)	¥ 12,332
Identifiable assets	¥ 98,093	¥ 68,870	¥ 16,188	¥ 39,245	¥ 1,239	¥ 223,635	¥ 115,106	¥ 338,741
Depreciation and amortization	4,489	5,608	608	996	6	11,707	608	12,315
Loss on impairment of fixed assets	31	–	–	1,491	476	1,998	–	1,998
Capital expenditures	8,959	10,621	233	349	20	20,182	692	20,874

Note:
(1) Operating expenses of “Eliminations/Corporate” for the years ended March 31, 2007 and 2006 included unallocated corporate costs of ¥6,865 million (US$58,153 thousand) and ¥6,152 million, respectively. The unallocated corporate costs consisted primarily of research and development costs and headquarters administration costs.
(2) Assets of “Eliminations/Corporate” at March 31, 2007 and 2006 included ¥122,931million (US$1,041,347 thousand) and ¥115,321 million of corporate assets, respectively, consisting primarily of cash and cash equivalents, investment securities, research and development-related equipment and headquarters administration-related assets.

The information by geographic area for the years ended March 31, 2007 and 2006 was as follows:

	Millions of yen					
	2007					
	Japan	America	Europe	Asia	Eliminations/ Corporate	Consolidated
Net sales:						
Outside	**¥ 156,043**	**¥ 17,382**	**¥ 7,102**	**¥ 3,836**	**—**	**¥ 184,363**
Intersegment	**23,611**	**805**	**86**	**12,374**	**¥ (36,876)**	**—**
Total	**179,654**	**18,187**	**7,188**	**16,210**	**(36,876)**	**184,363**
Operating expenses	**159,255**	**19,133**	**7,050**	**15,756**	**(29,884)**	**171,310**
Operating income (loss)	**¥ 20,399**	**¥ (946)**	**¥ 138**	**¥ 454**	**¥ (6,992)**	**¥ 13,053**
Identifiable assets	**¥ 214,819**	**¥ 6,427**	**¥ 3,112**	**¥ 6,370**	**¥ 105,932**	**¥ 336,660**

	Thousands of U.S. dollars (Note 1)					
	2007					
	Japan	America	Europe	Asia	Eliminations/ Corporate	Consolidated
Net sales:						
Outside	**$1,321,838**	**$ 147,243**	**$ 60,161**	**$ 32,495**	**—**	**$1,561,737**
Intersegment	**200,008**	**6,819**	**729**	**104,820**	**$ (312,376)**	**—**
Total	**1,521,846**	**154,062**	**60,890**	**137,315**	**(312,376)**	**1,561,737**
Operating expenses	**1,349,047**	**162,075**	**59,721**	**133,469**	**(253,147)**	**1,451,165**
Operating income (loss)	**$ 172,799**	**$ (8,013)**	**$ 1,169**	**$ 3,846**	**$ (59,229)**	**$ 110,572**
Identifiable assets	**$1,819,729**	**$ 54,443**	**$ 26,362**	**$ 53,960**	**$ 897,349**	**$2,851,843**

	Millions of yen					
	2006					
	Japan	America	Europe	Asia	Eliminations/ Corporate	Consolidated
Net sales:						
Outside	¥ 184,155	¥ 14,682	¥ 6,312	¥ 1,652	—	¥ 206,801
Intersegment	15,829	451	5	10,804	¥ (27,089)	—
Total	199,984	15,133	6,317	12,456	(27,089)	206,801
Operating expenses	181,129	15,711	6,558	11,598	(20,527)	194,469
Operating income (loss)	¥ 18,855	¥ (578)	¥ (241)	¥ 858	¥ (6,562)	¥ 12,332
Identifiable assets	¥ 201,235	¥ 11,814	¥ ¥3,538	¥ 19,739	¥ 102,415	¥ 338,741

Note:
(1) Operating expenses of "Eliminations/Corporate" for the years ended March 31, 2007 and 2006 included unallocated corporate costs of ¥6,865 million (US$58,153 thousand) and ¥6,152 million, respectively. The unallocated corporate costs consisted primarily of research and development costs and headquarters administration costs.
(2) Assets of "Eliminations/Corporate" at March 31, 2007 and 2006 included ¥122,931 million (US$1,041,347 thousand) and ¥115,321 million of corporate assets, respectively, consisting primarily of cash and cash equivalents, investment securities, research and development-related equipment and headquarters administration-related assets.
(3) The main countries of each geographic area were:
America : The United States of America and Brazil
Europe : Belgium
Asia : China, Thailand and Singapore

Sales to foreign customers were as follows:

	Millions of yen							
	2007				2006			
	America	Europe	Asia	Total	America	Europe	Asia	Total
Export sales and sales by overseas subsidiaries	**¥ 31,899**	**¥ 15,071**	**¥ 7,568**	**¥ 54,538**	¥ 28,877	¥ 14,074	¥ 6,407	¥ 49,358
Percentage of such sales against consolidated net sales	**17.3%**	**8.2%**	**4.1%**	**29.6%**	14.0%	6.8%	3.1%	23.9%

	Thousands of U.S. dollars (Note 1)			
	2007			
	America	Europe	Asia	Total
Export sales and sales by overseas subsidiaries	**$270,216**	**$127,666**	**$ 64,108**	**$461,990**
Percentage of such sales against consolidated net sales	**17.3%**	**8.2%**	**4.1%**	**29.6%**

14. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Rent	¥ 2,944	¥ 4,440	$ 24,939
Salary	10,953	13,561	92,783

15. Reseach and Development Expenses

Research and development expenses for the years ended March 31, 2007 and 2006 were ¥4,461 million (US$37,789 thousand) and ¥3,760 million, respectively.

16. Supplemental Disclosures of Cash Flow Information

Supplemental information related to the Consolidated Statements of Cash Flows was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Cash paid during the year for:			
Interest	¥ 1,698	¥ 1,468	$ 14,384
Income tax	5,320	5,668	45,066

17. Post Balance Sheet Event

Acquisition of the shares of Saitama Daiichi Pharmaceutical Co., Ltd. (to be a subsidiary).
We acquired all the issued shares of Saitama Daiichi Pharmaceutical Co., Ltd. from Daiichi Sankyo Company, Limited.

1. The reason of acquisition of the shares

Our pharmaceutical business has conducted two main businesses, OEM business and Generic drug business and we have had prominent results mainly in the field of injection drug and oral drug in domestic market. As we are engaged in development of Drug Delivery System and new drug administer systems for further expansion of OEM, we are viewing Transdermal Therapeutic System (TTS) field to extend our possible OEM.

In our expectation that Saitama Daiichi Pharmaceutical Co., Ltd could be a part of our group OEM manufacturer with research and development in the field of TTS, as the company had accumulated the technology of drugs to be absorbed via skin under Daiichi Pharmaceutical Co., Ltd. (currently Daiichi Sankyo Company, Limited) and had their own research and development department, we acquired the shares of the company, believing it will contribute to the expansion of our group pharmaceutical business.

2. Overview of Saitama Daiichi Pharmaceutical Co., Ltd.

(1) Company name	Saitama Daiichi Pharmaceutical Co., Ltd.
(2) Representative	Koshiro Nakamura, President
(3) Address	8-1, Minamisakae-cho, Kasukabe, Saitama
(4) Established date	February 15, 1963
(5) Main business	Research, development, manufacturing, marketing, importing and exporting of pharmaceutical products, mainly of drugs to be absorbed via skin.
(6) Capital	¥1,005 million

3. Overview of Daiichi Sankyo Company, Limited.

(1) Company name	Daiichi Sankyo Company, Limited.
(2) Representative	Takashi Shoda, President
(3) Address	3-5-1, Nihonbashi-honcho, Chuo-ku, Tokyo
(4) Established date	Septemeber 28, 2005
(5) Main business	Research & Development, Manufacturing, Import, and Sales & Marketing of pharmaceutical products.
(6) Capital	¥50 billion

4. Number of the shares acquired and the share holding status before and after acquisition

(1) Number of the shares held	0 shares (Holding ratio 0%)
(2) Number of the shares acquired	297,000 shares
(3) Number of the shares held after acquisition	297,000 shares (Holding ratio 100.0%)

5. Acquisition date May 15, 2007

Report of Independent Certified Public Accountants on The Consolidated Financial Statements

To the Board of Directors
of Nipro Corporation

We have audited the accompanying consolidated balance sheets of Nipro Corporation and its Consolidated Subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of Niporo Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nipro Corporation and its Consolidated Subsidiaries as of March 31, 2007 and 2006 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Osaka, Japan
July 31, 2007

Tomei Audit Corporation

Tomei Audit Corporation

Corporate Information (As of March 31, 2007)

Date of Establishment
July 8, 1954

Head Office
3-9-3 Honjo-nishi, Kita-ku, Osaka 531-8510, Japan
Telephone : +81-6-6372-2331
Facsimile : +81-6-6375-0669
http://www.nipro.co.jp/english/

Tokyo Office
4-3-4 Hongo, Bunkyo-ku, Tokyo 113-0033, Japan
Telephone : +81-3-5684-5611
Facsimile : +81-3-5684-5610

Number of Employees

Parent Company	1,966
Consolidated subsidiaries	6,841
Total	8,807

Common Stock

Authorized	200,000,000 shares
Issued	63,878,505 shares
Outstanding	63,485,438 shares
Number of Shareholders	12,516

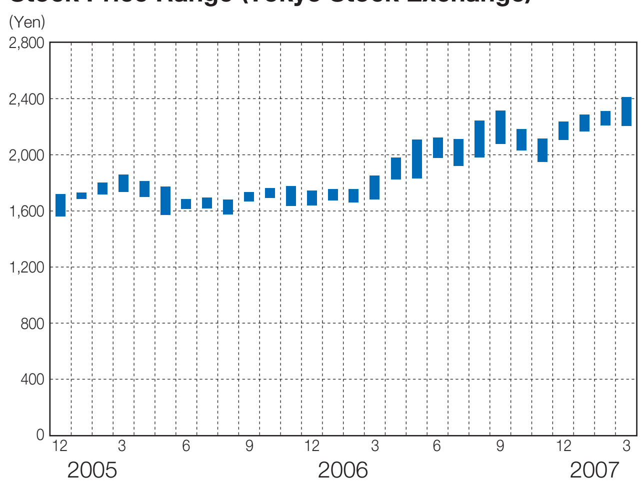
Stock Listings
Tokyo Stock Exchange, Osaka Securities Exchange
Ticker Code: 8086

Transfer Agent
Mizuho Trust & Banking Co., Ltd., Osaka Branch,
Stock Transfer Agency Dpt.
2-11-16 Sonezaki, Kita-ku, Osaka 530-0057, Japan

Principal Shareholders

	Number of Shares Held (in thousands)	Percentage of Total Shares in Issue (%)
Sanri Kosan Co., Ltd.	12,920	20.23
Japan Trustee Services Bank, Ltd.	5,252	8.22
The Master Trust Bank of Japan, Ltd.	3,404	5.33
Minoru Sano	1,993	3.12
Trust & Custody Services Bank, Ltd.	1,765	2.76
Resona Bank, Limited	1,380	2.16
Mizuho Corporate Bank, Ltd.	782	1.23
State Street Bank and Trust Company 505019	777	1.22
Deutsche Bank AG London PB Irish Residents 619	768	1.20
The Dai-ichi Mutual Life Insurance Company	611	0.96
Total	29,653	46.42

Stock Price Range (Tokyo Stock Exchange)



Subsidiaries and affiliates (As of June 30, 2007)

Area	Country	Company	Segment	Principal business
Domestic	Japan	Nipro Medical Industries, Ltd.	Medical Equipment	Manufacturing
		Nipro Pharma Corporation	Pharmaceutical	Manufacturing and Marketing
		Nipro Genepha Corporation	Pharmaceutical	Manufacturing and Marketing
		Tohoku Nipro Pharmaceutical Corporation	Pharmaceutical	Manufacturing
		Zensei Pharmaceutical Industries Co., Ltd.	Pharmaceutical	Manufacturing and Marketing
		Saitama Daiichi Pharmaceutical Co., Ltd.	Pharmaceutical	Manufacturing and R&D
		Shinwa Shoji Co., Ltd.	Glass & Materials	Manufacturing and Marketing
		Nissho Insurance Services Co., Ltd.	Other	Insurance agency
		Bipha Corporation*	Pharmaceutical	R&D and Manufacturing
Overseas	Thailand	Nipro (Thailand) Corporation Ltd.	Medical Equipment	Manufacturing and Marketing
		Nipro Sales (Thailand) Co., Ltd.	Medical Equipment	Marketing
	India	Nipro Medical (India) Pvt Ltd.	Medical Equipment	Marketing
	China	Nipro (Shanghai) Co., Ltd.	Medical Equipment	Manufacturing and Marketing
		Nipro Trading (Shanghai) Co., Ltd.	Medical Equipment	Marketing
		Shanghai Nissho Vacuum Flask Refill Co., Ltd.	Glass & Materials	Marketing
	Singapore	Nipro Asia Pte. Ltd.	Medical Equipment	Marketing
	U.A.E.	Nipro Middle East FZE	Medical Equipment	Marketing
	South Africa	Nipro South Africa Pty Ltd.	Medical Equipment	Marketing
	Brazil	Nipro Medical LTDA.	Medical Equipment	Manufacturing and Marketing
		Nipro Industria e Comercio de Produtos Cardiopulmonares LTDA	Medical Equipment	Manufacturing and Marketing
	U.S.A.	Nipro Medical Corporation	Medical Equipment	Marketing
		Nipro Diabetes Systems, Inc.	Medical Equipment	R&D and Marketing
	Panama	Nipro Medical Panama S.A.	Medical Equipment	Marketing
	Mexico	Nipro Medica de Mexico, S.A. DE C.V.	Medical Equipment	Marketing
	Puerto Rico	Nipro Medical Puerto Rico Inc.	Medical Equipment	Marketing
	Belgium	Nipro Europe N.V.	Medical Equipment	Marketing
	Russia	OOO Nipro Medical	Medical Equipment	Marketing

Note:(1) * Affiliate accounted for by the equity method

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