



# Annual Report 2010

Year Ended March 31, 2010



## Profile

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 pharmaceuticals with a high degree of added-value.

The 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 Group is highly valued in Japan and overseas as an artificial kidney and dialyzer manufacturer, and is now working to be known equally for manufacturing artificial hearts, lungs, pericardium, skin, and blood. The Nipro Group is also actively involved in the generic pharmaceutical industry with the promotion of injection, oral, and percutaneous absorption drugs.

Centering on the two main areas of medical equipment and pharmaceuticals, the Nipro Group plans to focus on the research of medical equipment and expand operations as a comprehensive manufacturer. Currently the Nipro Group runs companies and branches based in about 60 locations throughout Europe, Asia and the Americas. Looking to the future, we aim to become one of the premier manufacturers of artificial organs worldwide and the chief maker of pharmaceuticals in Japan.



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### 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.

# Consolidated Financial Highlights

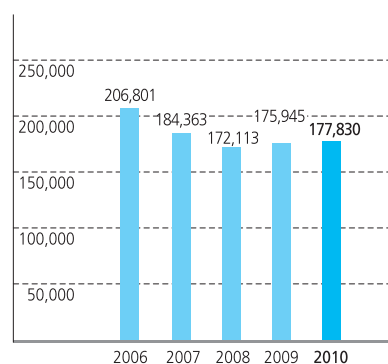
Nipro Corporation and its consolidated subsidiaries Year ended March 31, 2010 and 2009	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
<b>For the year:</b>			
Net sales .....	¥ 177,830	¥ 175,945	\$ 1,911,328
Operating income .....	18,094	14,775	194,475
Net income .....	7,253	4,531	77,955
Capital expenditures .....	15,209	33,142	163,467
Depreciation and amortization .....	18,421	18,109	197,990
R&D expenses .....	4,846	5,352	52,085
<b>At the year-end:</b>			
Total assets .....	¥ 383,397	¥330,641	\$ 4,120,776
Net assets (1) .....	114,309	95,049	1,228,601
<b>Per share data (in yen and U.S. dollars):</b>			
Net income			
Basic .....	¥ 114.4	¥ 71.4	\$ 1.23
Diluted .....	114.1	—	1.23
Cash dividends .....	53.0	32.0	0.57
Equity .....	1,802.3	1,498.5	19.37

Note:

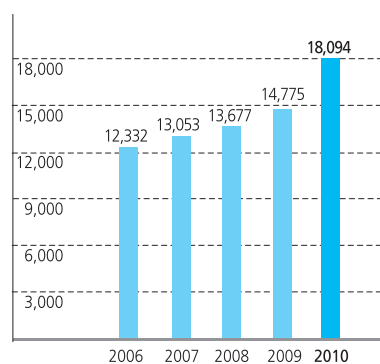
(1) Effective April 1, 2006, the Company adopted a new accounting standard for presentation of net assets in the balance sheet issued by the Accounting Standard Board of Japan. In the new accounting standard, net assets refer to the sum of total shareholders' equity, total valuation and translation adjustments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

The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥93.04=U.S.\$1, the approximate exchange rate on March 31, 2010.

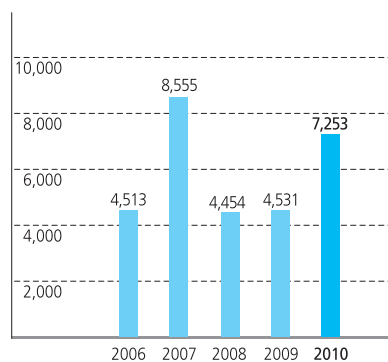
■ Net Sales (Millions of yen)



■ Operating Income (Millions of yen)



■ Net Income (Millions of yen)



■ Return on Equity (%)

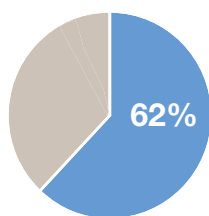


## Medical Equipment

### Main Products

- Dialysis-related products
- Injection and Intravenous-related products
- Infusion, transfusion and diagnostic-related products
- Intervention and anesthesiology-related products

### Net Sales Ratio



**Net Sales** ¥110,394 million  
**Operating Income** ¥18,162 million

Our wide range of products lends support to people all over the world working in the medical field as well as to those people fighting an illness or disease.

We have a significant share of the global market for dialysis-related products. As a global leader in the manufacture of medical equipment, we have also started our full-scale entry into the field of diabetes-related products.

In the Japanese market, in addition to our core Dialyzer product we plan to expand our range and increase our market share of diabetes-related and vascular-related products.

We are taking the initiative to develop and promote the sale of eco-friendly products, as well as products to aid in the prevention of medical accidents and contamination.

For overseas sales, sales of our core products like the Dialyzer and our dialysis machines, as well as diabetes-related products, have increased steadily.

We plan to work on increasing sales and manufacturing in emerging markets like China and India where market demand is expected to expand. On a global scale we plan to aggressively promote our business for diabetes-related products by building upon our acquisition of Home Diagnostics, Inc. as it transitions to its new name of Nipro Diagnostics, Inc.



Dialysis-related products  
Dialysis machine



Intervention and anesthesiology-related products  
Elastomeric disposable infusion pumps



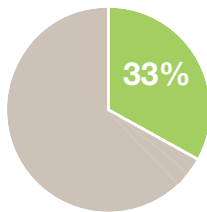
Dialysis-related products  
Dialyzer

## Pharmaceutical

### Main Products

- Injectable drugs
- Oral drugs
- Combination products (Injectable kit products)
- Dialysis-related medical products

### Net Sales Ratio



**Net Sales** ¥57,978 million  
**Operating Income** ¥4,625 million

As Japan's largest contract manufacturer of pharmaceutical products, our products are sold on their distinctive qualities. Furthermore, our kit-based pharmaceutical products, which combine our know-how and technical expertise gained from the fields of medical equipment and pharmaceuticals, contribute to increased safety and convenience on the medical front.

As Japanese society continues to age, as a company we have taken on board the need to promote generic medical products as well as promoting the sale of our distinctive medicinal remedies.

Sales of liquid-and-powder double bag kits, pre-mixed bags, injectable drugs (such as those sold in plastic ampoules, etc.), oral drugs (such as orally disintegrating tablets and extended-release tablets) and dialysis-related products increased steadily.

We are carrying out research, development and manufacturing in all pharmaceutical fields. We plan to

develop various contract manufacturing businesses.

We continue to promote research and development in a variety of fields, including biosimilars, artificial blood and drug delivery systems (DDS).



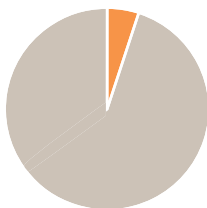
Combination products (Injectable kit products)  
Half-type kits

## Glass & Materials

### Main Products

- Vials and bottles
- Thermos bottles
- Glass products for lighting purposes

### Net Sales Ratio



**Net Sales** ¥8,668 million  
**Operating Income** ¥1,925 million

We supply high-performance and high-quality glass products for medical, chemical and industrial use. Our glass products are heat-, impact- and chemically-resistant and are manufactured to a high degree of precision for medical and industrial use.

We continue to drive innovation in glass processing technologies, in addition to working on research and development. We also promote sales of our thermos bottles, glass products for lighting purposes and pharmaceuticals (such as ampoules and vials).

We plan to expand sales to foreign pharmaceutical companies as well as markets overseas. We also plan to promote joint business ventures and develop local manufacturing and sales of pharmaceutical containers such as ampoules and glass bottles.



Vials and bottles

# Both sales and profit increased despite the continued stagnation of the global economy

**The future continues to be unclear due to the fallout of an unprecedented financial crisis that has rocked the global economy, but the Nipro Group of Companies has been able to achieve increased sales and profit thanks to its active worldwide development and its steady management policies.**

### Overview of Business Activities and Results during the Current Fiscal Year

**We were able to achieve increased sales and profit through the development of advanced medical equipment and the expansion of our pharmaceutical business, allied with further improvements in our production efficiency and the development of our global business.**

During the current fiscal year ended March 2010, despite the success of the stimulus packages implemented by various countries around the world that led to a recovery in some regions, the global economy continued to be in the doldrums due to the effect of the Dubai debt crisis and the fiscal problems of Greece.

Furthermore, the Japanese economy was unable to escape from its sense of stagnation and many enterprises have been compelled to manage their businesses under what are very challenging economic conditions.

Under this difficult management environment, we have been expanding production and sales, concentrating on the field of products where quantitative expansion is expected, as well as a thorough drive to reduce costs, as we strived to secure profits.

Thanks to the success of this approach, consolidated sales for this term were ¥177.8 billion (up by 1.1% on the previous year), operating income was ¥18.1 billion (up by 22.5% on the previous year) on a consolidated basis. An increase was achieved in both sales and profit.

### Business Strategy

**We are putting all of our efforts into attaining our long-term goals of ¥500 billion in consolidated sales by fiscal 2020 and growing this to ¥1 trillion by fiscal 2030.**

As a group of companies we have come together under a new unified management vision with a target of ¥500 billion in consolidated sales by fiscal 2020 and growing this to ¥1 trillion by fiscal 2030. Looking forward, as we look to expand our capabilities in terms of manufacturing and sales as well as making our systems more efficient, all of our

energies are committed to achieving these goals.

Firstly, with regard to our medical equipment business we need to grow overseas at a more rapid pace than our current rate of expansion. We cannot expect the population of Japan to increase above current levels and we cannot expect any



**Minoru Sano** President

significant increase in the number of medical equipment products supplied by the Nipro Group. The need for increased competitiveness, delivered through cost reduction by mass production, is enshrined in the business model of the Nipro Group. Demand overseas is expected to grow and we are working on promoting sales by aiming to supply medical products, especially to some of the 4 billion people that form what is known as the BOP\*. In the overseas market, particularly in markets in newly-emerging nations, sales prices are low and as such we have to use a growth strategy based on corresponding production costs or we will not be able to expand. During the

current fiscal year we launched projects to construct new plants in India and China. Our development going forwards sees us expanding our production facilities overseas, hand-in-hand with expanding our sales.

**\*BOP:** Acronym for "Bottom of the Pyramid". This refers to the global population subsisting on low incomes, currently measured at some 4 billion people.

Moreover, we expect demand to increase for our core product, the dialyzer (artificial kidney), all the products that we manufacture related to dialysis and also the products we manufacture related to diabetes. In particular the sensors

used by diabetes patients to measure their blood glucose levels is already a huge market and we expect that the rapid surge in growth shown in this market in newly emerging nations, in particular in South-East Asia, will continue. We will concentrate our efforts on achieving our aim of becoming the market leader in both the fields of dialysis and diabetes.

With these goals in mind, this fiscal year saw the acquisition of HDI (Home Diagnostics Inc., based in Florida, USA; company name changed to Nipro Diagnostics, Inc. following the acquisition), a company that possesses excellent production technology required to produce

blood glucose level measuring instruments for use in the home. Looking forward, we have great expectations with regard to the synergies created by bringing together the outstanding production technology of Nipro Diagnostics, Inc. with the global sales network of the Nipro Group.

With regard to our pharmaceutical business, by leveraging all of the strengths of the Nipro Group in terms of research, development and production in all fields of pharmaceuticals including capsules, pills, powder and granules, we have already risen to the top of the Japanese domestic market for contract manufacturers of pharmaceuticals. However, not wishing to rest on our laurels, in order to expand going forward, we are expanding our production capabilities with regard to biologicals and anti-cancer drugs.

Furthermore, with regard to generic drugs, by pouring our efforts into a variety of channels to market, such as facilities that have introduced the DPC\* system, dispensing pharmacy groups, etc. we keep our costs low whilst continuing to increase our number of products. Going forward, we are planning for a system that allows the Nipro Group to sell its generic drugs all over the world.

\*DPC: Acronym for "Diagnosis Procedure Combination", a blanket payment system for charges accrued following hospitalization for an acute condition

With regard to our glass and materials business, we are aiming to develop markets overseas for our glass items for medical use, such as ampoules and vials, etc. During this fiscal year we began joint ventures with a number of local businesses in

countries such as China, etc. and this is an approach we aim to take mainstream going forward as this is something we will require to succeed in these regions and become the global leader therein.

## Dividend Policy

**Based upon the Nipro Group dividend policy of a 50% payout ratio on a unitary basis, our dividend for the fiscal year was ¥53 per share.**

The Nipro Group has adopted a performance-based set of profit-sharing rules (a sliding scale based on the results of the business) to decide remuneration with regard to shareholders, employees and senior management. Its basic stance towards dividends is to aim at a 50% payout ratio on a unitary basis.

This year, the Nipro Group paid an interim dividend of ¥23.5 per share. At the end of the full fiscal year, the year-end dividend was paid at ¥29.5 per share, giving a total dividend for the fiscal year of ¥53 per share. We also plan to pay dividends based on this dividend policy in the next fiscal year as well.

## Prospects for the Next Fiscal Year

**Our plan is to expand our manufacturing capabilities, increase our cost competitiveness and, by promoting the expansion of our sales and our business performance, become a company that is able to respond to the challenges of the global market.**

Although the global economy continues to stagnate due to the after-effects of the financial crisis, perhaps we can say that we have made it past the period of greatest peril. The Greek debt scare was a timely reminder that we cannot let our guard down, but we are continuing to make bold investments in our facilities as part of our plans to expand our manufacturing and sales capabilities.

More than 10 years ago we declared our long-term management targets for fiscal 2010, which was to develop our business to the point where sales would reach ¥200 billion on a consolidated basis. The next fiscal year is our long-awaited target term.

In terms of sales, operating as we are in a period of intense fluctuations in the global economy, each of our businesses is working steadily to bear fruit from their labors and as a result we are planning to attain our long-term management target with sales predicted to be ¥206 billion (up by 15.8% on the previous year) on a consolidated basis.

In terms of income, our businesses have experienced the downside of a very strong yen these past few years and so we continue to implement thorough cost-reduction measures. As a result we project an operating income of ¥17.2 billion (down by 4.9% on the previous year) on a consolidated basis.



## Towards Becoming a Truly Global Corporation

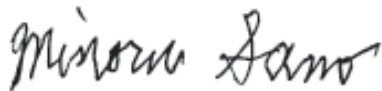
**With an emphasis on CSR, we will vigorously push forward towards our aim of becoming a truly global business.**

The foremost aim of the Nipro Group is to be a company that takes its CSR (Corporate Social Responsibility) seriously. Going forward, companies that do not display sensitivity towards the environment will not be tolerated. Furthermore, we believe we are putting our CSR activities into practice through the implementation of a BOP approach to our development overseas as well as the system of our recruitment and employment at the local level.

Our management principles are to contribute to society through our business activities. We are striving night and day to achieve our mission of contributing to society as a global company that responds to global needs through the mass-production of reasonably-priced, high quality products.

We hope that our shareholders and investors will look forward to our future progress and results, and we would also like to ask you for your continued support.

July 2010



**Minoru Sano**  
President



## Research and Development

The Nipro Group promotes research and development of both medical equipment and pharmaceutical products.

Our research and development focuses on cutting-edge technologies as well as trying to achieve higher quality and improved functionality with our existing products.

We expect to commercialize one of our cutting-edge products, namely our nerve regeneration-assisting device, which uses our unique bioabsorbable materials, developed in-house.

We have come close to developing a cell-culturing system thanks to our studies of stem cells in umbilical blood.

In terms of artificial organs, our range of implanted ventricular-assist devices, developed in cooperation with an American company, are currently at the clinical testing stage here in Japan.

With regard to the development of new drugs and new formulation technologies, further to the commercialization of our powdered dialysis solutions based on a new and highly-effective granulation technology, we plan to be the first company in Japan to commercialize a double-bag product for hemodiafiltration substitution fluids as well as selling various products such as pre-filled syringes for safety use, thereby contributing to the prevention of medical accidents.

In this consolidated accounting year, the total cost of R&D activity was 4.8 billion yen (US\$ 52.1 million).

### 1. Medical Equipment business

The following research and development activities are performed mainly through the Nipro Group's own Research and Development laboratory.

#### General-Purpose Medical Equipment

The Nipro Group undertakes research and development in areas related to

infusions, catheters, fertility treatment, safety-related products and medical equipment for testing and treating diabetes.

For infusion-related products, development focused on infusion sets, a hood connector system, a needleless three-way stopcock with a chemical resistant connector and, a new type of precision infusion set.

For catheter-related products, we developed antithrombotic central venous catheters, catheters for newborn and premature infants, multi-lumenseldinger catheters as well as peripheral-vein central-venous catheters.

Our development of fertility treatment-related products focused on cova needles, embryo transfer catheters, sperm injection catheters as well as artificial insemination by husband catheters.

With regard to safety-related products, our development program touched on SAFETOUCH™ AVFs, SAFETOUCH™ PSVs, SAFETOUCH™ cannulas (clamp-type) and SAFETOUCH™ coreless needles.

With regard to clinical testing products, our development program looked at blood collection tubes and needles with flash-bag functionality.

For diabetes treatment-related products, we developed infusion sets for insulin pumps.

#### Intervention-Related Medical Equipment

Our development program resulted in the introduction of circulatory-organ-related medical equipment used in intervention treatment and diagnosis.

For our cardiovascular catheter-related products there were developments in new PTCA balloon catheters, blood-clot trapping catheters, guiding catheters, thrombus vacuum aspiration catheters and stents.

For our peripheral blood vessel catheter-related products, development moved forward with regard to PTA catheters and peripheral stents.

#### Artificial Organ-Related Medical Equipment

The Nipro Group continued to focus on its core products in the field of artificial kidney-related equipment as well as engaging in the development and introduction of products such as artificial heart-lungs and heart-related medical equipment used in the treatment of circulatory and respiratory organs.

With regard to our artificial kidney-related products, we worked on the development of dialysis machines, dialyzers, blood access products and blood circuits.

With our artificial heart- and lung-related products, progress was made in developing oxygenators, perfusion tubing sets, centrifugal blood pumps, venous reservoirs, hemoconcentrators, PCPS kits, percutaneous catheter kits and implantable ventricular assist devices.

#### Regenerative Medicine

We are developing regenerative medicine-related products such as bag systems for culturing cells, bag systems for preserving cells as well as regenerative medicine products that stimulate and take advantage of the self-healing abilities of tissues and organs.

Our development program made progress in nerve-regeneration tubes, pericardium regenerative support membranes, new-type cell culture bags filled with medium islet and cell freezing containers.

#### Pharmaceutical Containers

In cooperation with several pharmaceutical companies, our Pharmaceutical Research Center developed medical equipment as well as kit containers for equipment and pharmaceuticals. This included double-bag kits for various pharmaceuticals and pre-filled syringes as well as exposure prevention device for cancer drugs.

## In Vitro Diagnostics (IVD)

The Nipro Group developed new IVD's useful for early diagnosis and monitoring the effects of treatment, as well as a POCT system that leverages medical device technology when testing for Alzheimer's disease, diabetic nephropathy, drug-resistant tuberculosis, nutrition assessment and diabetes mellitus.

The total amount of research and development costs in this division for the current fiscal year was ¥1.5 billion (US\$15.8 million).

## 2. Pharmaceutical Business

The following research and development activities were undertaken, mainly at our Pharmaceutical Research Center.

### Development of Generic Drugs

Injectable drugs are a specialty of the Nipro Group and as such we placed 8 products (using 5 integral elements) on the market as detailed below. We placed 4 products (using 2 integral elements) on the market for pre-mixed bag solutions combining drug and infusion solutions, where the concentrations of the solutions can be altered in advance to prevent medical errors in treatment. As for the double-bag (liquid-and-powder) antibiotic drug market, we set 2 products (using 2 integral elements).

In the next term, we plan to set 6 products (using 3 integral elements) on the market including 4 products of pre-filled blood coagulation inhibitor syringes which are used during dialysis.

We also plan to expand our sales of oral drugs. Including the products listed below, we now sell 15 products (using 9 integral elements), breakdown as follows:

2 easy-to-swallow orally-disintegrating tablet products (using 1 integral element), 1 product of low dose-requirement drugs needed by elderly with renal deficiencies or drug metabolism disorders, patients

suffering from functional disorders and health workers such as pharmacists working at medical facilities.

In the next term, we plan to add 10 products (using 5 integral elements) including low dose-specification drugs (half-dose tablets) as well as promoting our product range.

With regard to our external preparation, we launched 2 tape products (using 1 integral element) for treating inflammations.

Our tape products have high degree of adhesiveness coupled with low self-adhesive properties. We have plans to develop a Trans-dermal Therapeutic System (TTS) preparation which will deliver a pharmaceutical through the skin to the blood flow circulating round the entire body.

We combine our formulation technology with our expertise in medical containers to facilitate the timely development of drug products. Our products meet current medical needs, such as our high valued-added drugs like the injectable kit, our orally-disintegrating tablets and our low dose-requirement drugs.

### Application of New Generic Formulation Technologies

We are active in the applied development of new technologies that avoid the breakup of peptides and proteins that often occurs with oral administration as well as researching DDS technologies using liposomes and non-oral administration systems.

## Blood-related Pharmaceuticals Preparations

The development of hemoglobin-encapsulated artificial oxygen carriers is an industry-academia cooperative project promoted by the Ministry of Health, Labor and Welfare. The development is proceeding carefully in order to ensure the safety and effectiveness. We are also cooperating with a university research organization in the development of artificial oxygen carriers using synthetic heme and recombinant human hemoglobins.

## Contracted Research and Development

The contracted research and development business has become the core of contracted manufacturing for pharmaceutical products in the pharmaceutical industry.

Our approach to contracted development starts at formulation and encompasses the contracted manufacturing of approved pharmaceutical products. In this fiscal period, we started contracted manufacturing trials with two companies and made some progress in our negotiations with several pharmaceutical companies.

The total amount of research and development costs in this division for the current fiscal year was ¥3.4 billion (US\$36.3 million).



## Global Activities

**Our move towards expanding into emerging economies such as China and India is shifting into full swing as we look to establish a system of local manufacturing backed by local sales.**

Today, Nipro group owns local companies and branches in about 60 locations throughout Europe, Asia and the Americas.

We have already gained a leading share in the global dialyzer (artificial kidney) market and have an outstanding reputation for high quality products all over the world.

Though overseas sales accounted for 33.4% of our consolidated sales in FY2009 (year ended March 31, 2010), overseas sales of core products such as Dialyzers accounted for more than half the sales of our medical equipment division.

We will work aggressively to increase overseas sales. In addition, we will accelerate the expansion of branches and bases especially in emerging market economies, where we expect medical needs to expand, as well as strengthening our sales force worldwide.

In China, our most notable emerging market, we will establish 10 new branches for a total of 20 branches and we will increase the size of our sales force to 100 people.

Likewise, in India we will double our sales force to 48 people during this fiscal year.

Other actions will include developing local manufacturing to support local sales in areas of high demand such as China and India. This will enable us to restructure our production system and provide products that meet the needs of each local market. Through this approach, we will achieve high quality output as well as price competitiveness.

Following on from our dialysis-related products, our diabetes-related products and artificial lung-related products will also be launched globally. In the field of diabetes-related products, with the strategic acquisition of Home Diagnostics, Inc., (renamed Nipro Diagnostics, Inc.) we can make a full-scale entry in the blood glucose meter and ancillaries market.

Our global sales network will start to sell the blood glucose meter and related products worldwide, which are presently only available in North America and in some overseas markets.

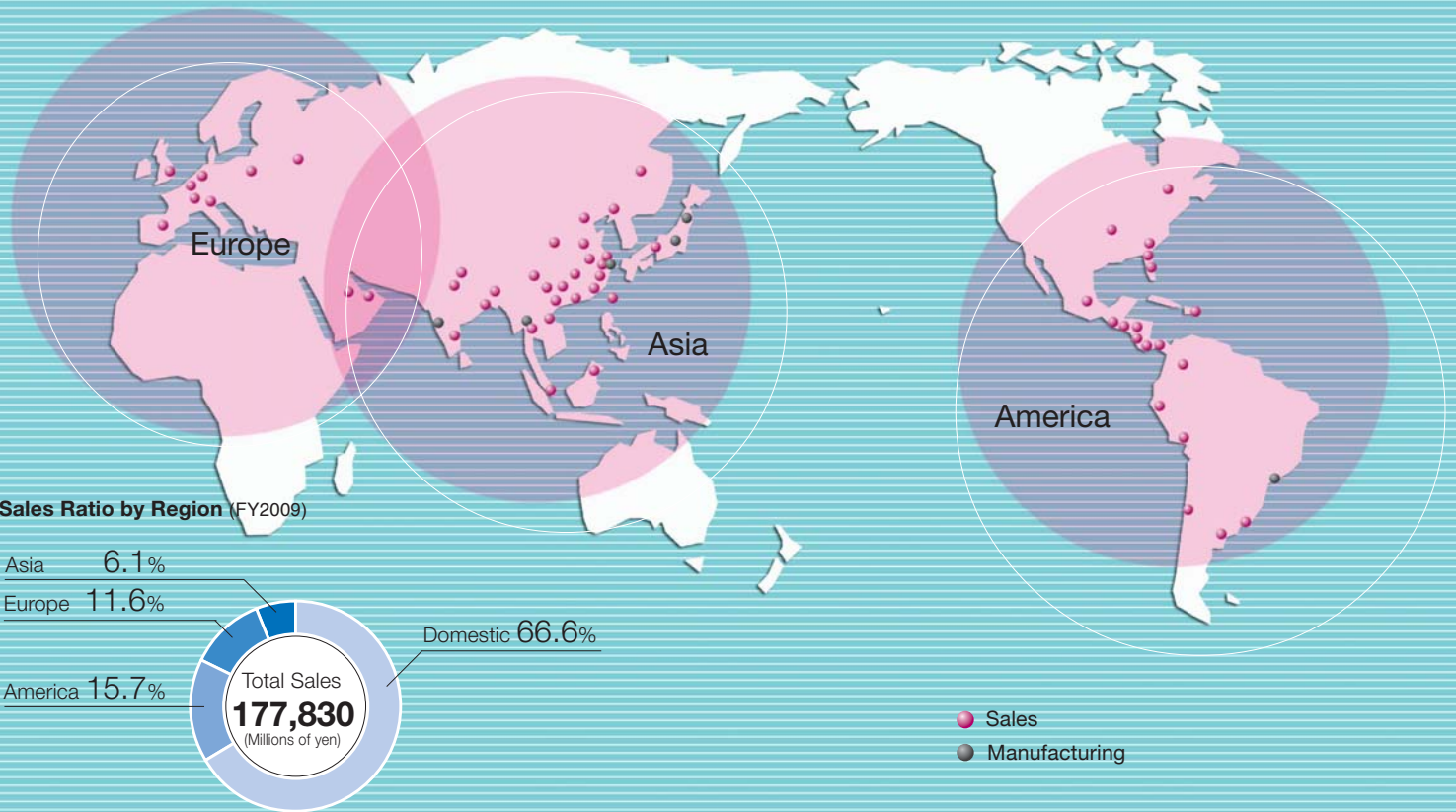
As for artificial heart-lung products, we are developing a new artificial heart-lung set with performance upgrades at a more competitive cost. This new artificial heart-lung product will be launched in 2011 and our intention is to increase our global market share.



Nipro (Shanghai) Co.,Ltd. Shanghai Plant



Nipro Medical Corporation Miami Head office



Name	Scope of Business
<b>Japan</b>	
Nipro Corporation	
Nipro Medical Industries Co., Ltd.	■
Nipro Pharma Corporation	■
Nipro Genepha Corporation	■
Tohoku Nipro Pharmaceutical Corporation	■
Zensei Pharmaceutical Industries Co., Ltd.	■
Nipro Patch Co., Ltd.	■
<b>Asia</b>	
Bangladesh Nipro Asia Pte. Ltd. Bangladesh Office	■
China Nipro (Shanghai) Co., Ltd.	■
Nipro Trading (Shanghai) Co., Ltd.	■
Shanghai Head Office	■
Beijing Office	■
Chengdu Office	■
Guangzhou Office	■
Shenyang Office	■
Wuhan Office	■
Xi'an Office	■
Hangzhou Office	■
Nanjing Office	■
Chongqing Office	■
Fuzhou Office	■
Harbin Office	■
Changsha Office	■
Zhengzhou Office	■
Nanning Office	■
Shanghai Nissho Vacuum Flask Refill Co., Ltd.	■
India Nipro Medical (India) Pvt. Ltd.	■
Chennai Head Office	■
Kolkata Office	■
Delhi Office	■
Nipro Glass India Limited	■
Nipro India Corporation Pvt. Ltd. Project Office	■
Philippines Nipro Hospital Products, Inc.	■
Saudi Arabia Nipro Asia Pte. Ltd. Saudi Arabia Office	■
Singapore Nipro Asia Pte. Ltd. Singapore Head Office	■
Taiwan Nipro Diagnostics Taiwan, Inc.	■

Name	Scope of Business
<b>Asia</b>	
Thailand Nipro (Thailand) Corporation Limited	■
Nipro Sales (Thailand) Co., Ltd.	■
U.A.E. Nipro Middle East Free Zone Establishment	■
Vietnam Nipro Sales (Thailand) Co., Ltd. Vietnam Office	■
<b>America</b>	
Argentina Nipro Medical Corporation Argentina Branch	■
Brazil Nipro Medical Ltda.	■
Canada Nipro Diagnostics Canada, Ltd.	■
Chile Nipro Medical Corporation Chile Branch	■
Colombia Nipro Medical Corporation Colombia Branch	■
Costa Rica Nipro Medical Corporation Costa Rica Branch	■
Ecuador Nipro Medical Corporation Ecuador Branch	■
El Salvador Nipro Medical Corporation El Salvador Branch	■
Guatemala Nipro Medical Corporation Guatemala Branch	■
Honduras Nipro Medical Corporation Honduras Branch	■
Mexico Nipro Medica de Mexico S.A.de C.V.	■
Nicaragua Nipro Medical Corporation Nicaragua Branch	■
Panama Nipro Medical Panama S.A.	■
Peru Nipro Medical Corporation Peru Branch	■
Puerto Rico Nipro Medical of Puerto Rico, Inc.	■
Uruguay Nipro Medical Corporation Uruguay Branch	■
U.S.A. Nipro Medical Corporation	■
Miami Head Office	■
Memphis Distribution Center	■
Nipro Diabetes Systems, Inc.	■
Nipro Diagnostics, Inc.	■
<b>Europe</b>	
Belgium Nipro Europe N.V. Belgium Head Office	■
France Nipro France S.A.	■
Holland Nipro Europe N.V. Holland Branch	■
Italy Nipro Europe N.V. Italy Branch	■
Poland Nipro Europe N.V. Poland Branch	■
Russia Nipro Europe N.V. Russia Representative Office	■
Spain Nipro Europe N.V. Spain Branch	■
United Kingdom Nipro Diagnostics (UK) Ltd.	■

■ Medical Equipment ■ Pharmaceutical ■ Glass & Materials

# Plant and Equipment

## 1 Overview of Capital Investments, etc.

The Group (the Company and its consolidated subsidiaries) focused on investing in research and development and product areas where growth can be expected in the future for energy efficiency, rationalization, product quality improvement, and increasing production capacity.

Capital investment (tangible fixed assets on an acceptance basis; figures shown do not include consumption tax, etc.) during this consolidated fiscal year totaled ¥14.3 billion (US\$153.2 million).

Capital investment by business is shown below.

The medical equipment business made capital investments to increase production capacity and for production rationalization at the Company's Odate plant and the Thailand plant of Nipro (Thailand) Corporation Ltd.

The pharmaceutical business made capital investments for freeze-dried drugs at the Odate plant and infusion solution preparations at the Ise plant; both plants are owned and run by the Nipro Pharma Corporation. Furthermore, the Tohoku Nipro Pharmaceutical Corporation made capital investments related to new contract manufacturing projects for oral drugs.

The glass & materials business made capital investments for stoppers and rubber stoppers at the Company's Otsu plant.

Elimination and corporate capital investments were made primarily in equipment and devices for research and development at the Pharmaceutical Research Center and Research and Development Laboratory.

The required funds were allocated from owned capital and loans.

There was no material retirement or disposal of plants and equipment.

	Millions of yen	Thousands of U.S. dollars
Medical equipment .....	¥ 9,144	\$ 98,280
Pharmaceutical .....	4,306	46,281
Glass & Materials .....	244	2,623
Other .....	129	1,387
Elimination/Corporate .....	434	4,664
<b>Total .....</b>	<b>¥ 14,257</b>	<b>\$ 153,235</b>

## 2 Status of Major Plants and Equipment

### (1) Nipro Corporation

As of March 31, 2010

Name of Facility (Location)	Name of Segment by Business Category	Type of Asset	Book Value (Millions of yen)					Number of employees (People)
			Buildings and Structures	Machinery and equipment	Land(Area m <sup>2</sup> )	Construction in progress	Total	
Odate Plant (Odate, Akita)	Medical Equipment Pharmaceutical Glass & Materials	Medical Equipment Production Facilities, etc.	¥ 7,924	¥ 9,670	¥ 961 (198,026)	¥ 3,718	¥ 22,273	1,124
Otsu Plant (Otsu, Shiga)	Glass & Materials	Glass tube Processing Production Facilities, etc.	189	147	25 (4,604)	47	408	35
Tokyo Office (Bunkyo-ku, Tokyo)	Medical Equipment Pharmaceutical Glass & Materials	Sales Facilities	272	63	1,974 (377)	—	2,309	23
Domestic Operations 21 Branches and 33 Sales Offices in Japan	Medical Equipment Pharmaceutical	Sales Facilities	411	621	357 (2,566)	86	1,475	611
Research and Development Laboratory & Pharmaceutical Research Center (Kusatsu, Shiga)	Other or Corporate	Research and development Plant and Equipment, other	2,092	639	467 (26,544)	42	3,240	235
Headquarters (Kita-ku, Osaka)	Medical Equipment Pharmaceutical Glass & Materials Corporate	Other Plant and Equipment	370	441	1,508 (1,891)	—	2,319	188
Leased Assets, Other (Settsu, Osaka, Other)	Other	Other Plant and Equipment	1,305	2	4,970 (54,065) [21,372] *Note:(1)	—	6,277	—

Name of Facility (Location)	Name of Segment by Business Category	Type of Asset	Book Value (Thousands of U.S. dollars)					Number of employees (People)
			Buildings and Structures	Machinery and equipment	Land(Area m <sup>2</sup> )	Construction in progress	Total	
Odate Plant (Odate, Akita)	Medical Equipment Pharmaceutical Glass & Materials	Medical Equipment Production Facilities, etc.	\$ 85,168	\$ 103,934	\$ 10,329 (198,026)	\$ 39,961	\$ 239,392	1,124
Otsu Plant (Otsu, Shiga)	Glass & Materials	Glass tube Processing Production Facilities, etc.	2,031	1,580	269 (4,604)	505	4,385	35
Tokyo Office (Bunkyo-ku, Tokyo)	Medical Equipment Pharmaceutical Glass & Materials	Sales Facilities	2,923	677	21,217 (377)	—	24,817	23
Domestic Operations 21 Branches and 33 Sales Offices in Japan	Medical Equipment Pharmaceutical	Sales Facilities	4,417	6,675	3,837 (2,566)	924	15,853	611
Research and Development Laboratory & Pharmaceutical Research Center (Kusatsu, Shiga)	Other or Corporate	Research and development Plant and Equipment, other	22,485	6,868	5,019 (26,544)	452	34,824	235
Headquarters (Kita-ku, Osaka)	Medical Equipment Pharmaceutical Glass & Materials Corporate	Other Plant and Equipment	3,977	4,740	16,208 (1,891)	—	24,925	188
Leased Assets, Other (Settsu, Osaka, Other)	Other	Other Plant and Equipment	14,027	21	53,418 (54,065) [21,372] *Note:(1)	—	67,466	—

## (2) Domestic subsidiaries

As of March 31, 2010

Company	Name of Facility (Location)	Name of Segment by Business category	Type of Asset	Book Value (Millions of yen)				Total	Number of employees (People)
				Buildings and Structures	Machinery and equipment	Land (Area m <sup>2</sup> )	Construction in progress		
Nipro Medical Industries Co., Ltd.	Tatebayashi Plant (Tatebayashi, Gunma)	Medical Equipment	Medical Equipment Production Facilities	¥ 1,323	¥ 1,875	¥ 521 (15,462)	¥ —	¥ 3,719	359
Nipro Pharma Corporation	Ise Plant (Matsusaka, Mie)	Pharmaceutical	Pharmaceutical Production Facilities	6,758	2,139	1,310 (92,936)	638	10,845	631
	Odate Plant (Odate, Akita)	Pharmaceutical	Pharmaceutical Production Facilities	11,968	6,397	1,247 (195,468)	4,579	24,191	543
Tohoku Nipro Pharmaceutical Corporation	Kagamiishi Plant (Kagamiishi-machi, Iwase-gun, Fukushima)	Pharmaceutical	Pharmaceutical Production Facilities	6,462	4,082	458 (83,841)	370	11,372	175
Zensei Pharmaceutical Industries Co., Ltd.	Kishiwada Plant (Kishiwada, Osaka)	Pharmaceutical	Pharmaceutical Production Facilities	1,434	343	552 (22,223)	—	2,329	210
Nipro Patch Co., Ltd.	Kasukabe Plant (Kasukabe, Saitama)	Pharmaceutical	Pharmaceutical Production Facilities	1,146	535	1,008 (9,611)	133	2,822	169
	Hanyu Plant (Hanyu, Saitama)	Pharmaceutical	Pharmaceutical Production Facilities	¥958	1,061	455 (16,680)	77	2,551	47

Company	Name of Facility (Location)	Name of Segment by Business category	Type of Asset	Book Value (Thousands of U.S. dollars)				Total	Number of employees (People)
				Buildings and Structures	Machinery and equipment	Land (Area m <sup>2</sup> )	Construction in progress		
Nipro Medical Industries Co., Ltd.	Tatebayashi Plant (Tatebayashi, Gunma)	Medical Equipment	Medical Equipment Production Facilities	\$ 14,220	\$ 20,152	\$ 5,600 (15,462)	\$ —	\$ 39,972	359
Nipro Pharma Corporation	Ise Plant (Matsusaka, Mie)	Pharmaceutical	Pharmaceutical Production Facilities	72,635	22,990	14,080 (92,936)	6,858	116,563	631
	Odate Plant (Odate, Akita)	Pharmaceutical	Pharmaceutical Production Facilities	128,632	68,755	13,403 (195,468)	49,215	260,006	543
Tohoku Nipro Pharmaceutical Corporation	Kagamiishi Plant (Kagamiishi-machi, Iwase-gun, Fukushima)	Pharmaceutical	Pharmaceutical Production Facilities	69,453	43,874	4,923 (83,841)	3,976	122,227	175
Zensei Pharmaceutical Industries Co., Ltd.	Kishiwada Plant (Kishiwada, Osaka)	Pharmaceutical	Pharmaceutical Production Facilities	15,413	3,686	5,933 (22,223)	—	25,032	210
Nipro Patch Co., Ltd.	Kasukabe Plant (Kasukabe, Saitama)	Pharmaceutical	Pharmaceutical Production Facilities	12,317	5,750	10,834 (9,611)	1,430	30,331	169
	Hanyu Plant (Hanyu, Saitama)	Pharmaceutical	Pharmaceutical Production Facilities	10,297	11,403	4,890 (16,680)	828	27,418	47



Nipro Medical Industries Co., Ltd. Tatebayashi Plant



Zensei Pharmaceutical Industries Co., Ltd. Kishiwada Plant

### (3) Overseas subsidiaries

As of March 31, 2010

Company	Name of Facility (Location)	Name of Segment by Business category	Type of Asset	Book Value (Millions of yen)				Total	Number of employees (People)
				Buildings and Structures	Machinery and Equipment	Land (Area m <sup>2</sup> )	Construction in progress		
Nipro(Thailand) Corporation Limited	Thailand Plant (Ayutaya, Thailand)	Medical Equipment	Medical Equipment Production Facilities	¥ 3,519	¥ 9,982	¥ 278 (159,148)	138	¥ 13,917	3,381
Nipro (Shanghai) Co.,Ltd.	Shanghai Plant (Shanghai, China)	Medical Equipment	Medical Equipment Production Facilities	835	1,982	— <40,681> *Note:(2)	322	3,139	740
Nipro Medical Ltda.	Brazil Plant (Sorocaba, Sao Paolo, Brazil)	Medical Equipment	Medical Equipment Production Facilities	459	1,135	97 (73,623)	8	1,699	364

Company	Name of Facility (Location)	Name of Segment by Business category	Type of Asset	Book Value (Thousands of U.S. dollars)				Total	Number of employees (People)
				Buildings and Structures	Machinery and Equipment	Land (Area m <sup>2</sup> )	Construction in progress		
Nipro(Thailand) Corporation Limited	Thailand Plant (Ayutaya, Thailand)	Medical Equipment	Medical Equipment Production Facilities	\$ 37,822	\$ 107,288	\$ 2,988 (159,148)	\$ 1,483	\$ 149,581	3,381
Nipro (Shanghai) Co.,Ltd.	Shanghai Plant (Shanghai, China)	Medical Equipment	Medical Equipment Production Facilities	8,975	21,302	— <40,681> *Note:(2)	3,461	33,738	740
Nipro Medical Ltda.	Brazil Plant (Sorocaba, Sao Paolo, Brazil)	Medical Equipment	Medical Equipment Production Facilities	4,933	12,199	1,043 (73,623)	86	18,261	364

Note:

- (1) [21,372] is the area(m<sup>2</sup>) of major facilities leased to entities other than consolidated subsidiaries.
- (2) <40,681> is the area(m<sup>2</sup>) of facilities leased from entities other than consolidated subsidiaries.
- (3) The figure shown above do not include consumption taxes, etc.
- (4) There are no major facilities currently in abeyance.
- (5) Number of employees indicates the number of people employed.
- (6) In addition to the above, the details of major facilities leased from entities other than consolidated subsidiaries are shown below.

#### 1) Nipro Corporation

Name of Facility (Location)	Name of Segment by Business category	Type of Facilities	Major Lease Period	Annual Lease Payments (Millions of yen)	Lease Contracts Balance (Millions of yen)
Headquarters (Kita-ku, Osaka)	Medical Equipment Pharmaceutical Glass & Materials Corporate	Host computer and Peripheral Equipment, etc.	5 Years	¥ 68	¥ 103
Domestic Operations 21 Branches and 33 Sales Offices in Japan	Medical Equipment Pharmaceutical	Company Vehicles, etc.	5 Years	216	525

Name of Facility (Location)	Name of Segment by Business category	Type of Facilities	Major Lease Period	Annual Lease Payments (Thousands of U.S. dollars)	Lease Contracts Balance (Thousands of U.S. dollars)
Headquarters (Kita-ku, Osaka)	Medical Equipment Pharmaceutical Glass & Materials Corporate	Host computer and Peripheral Equipment, etc.	5 Years	\$ 731	\$ 1,107
Domestic Operations 21 Branches and 33 Sales Offices in Japan	Medical Equipment Pharmaceutical	Company Vehicles, etc.	5 Years	2,322	5,643

#### 2) Subsidiaries

Company	Name of Facility (Location)	Name of Segment by Business category	Type of Facilities	Major Lease Period	Annual Lease Payments (Millions of yen)	Lease Contracts Balance (Millions of yen)
Nipro Pharma Corporation	Ise Plant (Matsusaka, Mie)	Pharmaceutical	Pharmaceutical Production Facilities	5 Years	¥ 31	¥ 68

Company	Name of Facility (Location)	Name of Segment by Business category	Type of Facilities	Major Lease Period	Annual Lease Payments (Thousands of U.S. dollars)	Lease Contracts Balance (Thousands of U.S. dollars)
Nipro Pharma Corporation	Ise Plant (Matsusaka, Mie)	Pharmaceutical	Pharmaceutical Production Facilities	5 Years	\$ 333	\$ 731



### 3 Plans for New Construction or Disposal of Facilities

#### (1) New Construction of Major Facilities, etc.

The Nipro Corporation leads coordination of plans for new construction of facilities to avoid duplicate investment across the Group, since each individual consolidated subsidiary is principally

responsible for setting their own capital investment plans. Plans for new construction of major facilities are as shown below.

Company	Location	Name of Segment by Business category	Type of Asset	Planned Amount of Investment		Means of Fund Raising	Month and Year of Construction Start	Month and Year of Planned Completion
				Total Amount (Millions of yen)	Paid-in Amount (Millions of yen)			
Nipro Corporation Odate Plant	Odate, Akita	Medical Equipment	Dialyzer Production Facilities, etc.	¥ 8,605	¥ 1,134	Loans and Owned Capital	September 2009	February 2011
Nipro Pharma Corporation Ise Plant	Matsusaka, Mie	Pharmaceutical	Infusion solution preparation Production Facilities, etc.	2,309	4	Loans and Owned Capital	March 2010	May 2011

Company	Location	Name of Segment by Business category	Type of Asset	Planned Amount of Investment		Means of Fund Raising	Month and Year of Construction Start	Month and Year of Planned Completion
				Total Amount (Thousands of U.S. dollars)	Paid-in Amount (Thousands of U.S. dollars)			
Nipro Corporation Odate Plant	Odate, Akita	Medical Equipment	Dialyzer Production Facilities, etc.	\$ 92,487	\$ 12,188	Loans and Owned Capital	September 2009	February 2011
Nipro Pharma Corporation Ise Plant	Matsusaka, Mie	Pharmaceutical	Infusion solution preparation Production Facilities, etc.	24,817	43	Loans and Owned Capital	March 2010	May 2011

Note: The figure shown above do not include consumption taxes, etc.

#### (2) Disposal of Major Facilities, etc.

There are no plans to dispose of any major facilities.



Nipro Corporation Odate Plant



Nipro Pharma Corporation Ise Plant

## Issues Facing the Company

In the future, the world economy is likely to be pulled continuously by economic growth emanating from developing nations. Counter to this, the current unpredictability that stems from credit risk and a fear of inflation means we cannot take such growth for granted.

The Japanese economy faces a continuation of the current severe circumstances due to bleak forecasts as to its ability to overcome deflation and the appreciation of the yen against the dollar. One also cannot discount the still-smoldering issue of oil prices.

Under such circumstances, our aim is to expand, continuously look to improve production efficiency and sales as well as aggressively developing new areas of business, all of which will help us improve our business performance.

Our Medical Equipment business will try to gain market share by expanding our range of dialysis-related products, centered on our main product, the dialyzer, as well as our diabetes-related and vascular-related products.

On the domestic side of our Medical Equipment business, we will put effort into developing products with minimal adverse impact on the environment and medically safety-conscious design (for the prevention of infection). We will also work on developing products friendly to healthcare professionals, patients as well as the global environment as we continue to positively reinforce our research and development, market development and sales programs.

We plan to begin sales of diabetes-related products manufactured by Home Diagnostics, Inc. (company name changed following acquisition to Nipro Diagnostics, Inc.), a company acquired during the current fiscal year, in overseas markets other than the United States by utilizing Nipro's global sales network. We plan to actively promote sales in the diabetes field to become a strong presence in this sector.

Meanwhile, we are making efforts to shore up market share in the main dialysis field by strengthening our direct selling system in China, India, the Middle East, Africa and South America where demand is expanding rapidly. Additionally, we plan to expand sales in the European market where we will release a new eco-friendly dialyzer in order to differentiate to ourselves in this market, as well as launching a new type of dialysis machine.

We are promoting both sales and manufacturing in each location on the basis of local production for local consumption, especially in developing countries such as India and China where demand is expected to expand in the future.

Although we expect that the negative impact brought by the high yen will continue, we are endeavoring to increase sales and profit based on our strong sales operation reinforced by countermeasures against the high yen.

Our Pharmaceutical business plans to enhance our contract manufacturing business by striving to meet various contract manufacturing needs, utilizing the Group's research and development strengths as well as its production systems across all pharmaceutical fields.

In the field of generic drugs, we will develop various sales routes such as dispensing pharmacy groups and DPC hospitals which implement the Diagnosis Procedure Combination system to keep medical costs down. Additionally, we plan to cut costs whilst reinforcing the drug's response capabilities. Also, we plan to promote research and development in biosimilars, artificial blood and DDS (Drug Delivery System), with a view to entering and expanding in this sector overseas. By constructing contract manufacturing facilities for oral drugs with high biological activity, anticancer drugs and biosimilars, we will look to meet the high levels of market demand for these products.

In our Glass and Materials business, we continue to drive innovation in glass processing technologies as well as developing and expanding our range of pharmaceutical containers and the other glass products. In addition, we plan to start overseas manufacturing and sales of pharmaceutical containers such as ampoules and glass bottles.

We will continue to innovate in the field of glass processing technologies and expand sales to domestic and overseas pharmaceutical companies. In terms of developing our overseas markets, we plan to promote joint venture businesses. Looking at glass products for lighting purposes, we aim to increase profits as we seek a sales outlet for our new overseas market.

# Status of Corporate Governance, etc.

## 1 Status of Corporate Governance

### (1) System for Corporate Governance

#### (1) System for Corporate Governance and background

The Nipro Group has established a corporate governance system with the Board of Directors and Auditors and Board of Auditors and accounting auditor, with the annual Shareholder meeting and the Board of Directors playing a central role in governance. The Nipro Group has also established internal committees such as a Management Risk Control Committee and continuously maintains close coordination with external parties such as the company attorney, etc., so as to sustain the efficiency and appropriateness of its operations over the Nipro Group as a whole.

The Nipro Group has diversified its business and established a divisional management system from the outset. Based on the management system of each business unit, mutual collaboration and internal controls are effectively exerted on the integrated operations of the Nipro Group.

As described above, with clear responsibilities and a strengthened management system, the corporate governance system mentioned above works effectively as a classic and consistent management system for the Nipro Group.

#### (2) Status of Internal Control Systems

The Company's basic policy for internal control systems, as stipulated in Article 362, Paragraph 5 of the Companies Act, was approved at the Board of Directors meeting convened on April 29, 2006, and implemented from May 1st of the same year.

The Company endeavors to establish business units as the foundation of its internal control systems for the entire Nipro Group. The Company's directors and statutory auditors, as well as representatives of each of the major companies of the group, hold a Group management meeting on a regular monthly basis to report on the progress of business operations, decide important operating matters, and deliberate on pending matters.

To build awareness of and compliance with the laws, regulations, and corporate ethics among executives and employees, the Company implements appropriate training and education programs by archiving handbooks and manuals of compliance on the corporate portal site, adopting anonymous whistleblower systems and distributing information on the intranet.

These internal control systems, which are aimed at the executives and employees of each company in the Nipro Group, are operated as a consistent management mechanism through mutual cooperation.

#### (3) Status of the Risk Management System

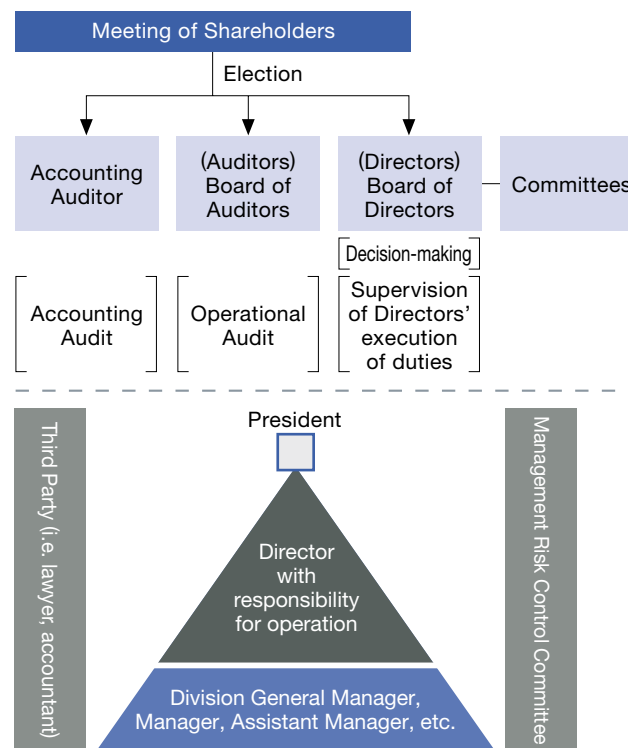
The Company has established risk management regulations and a system for managing business risk and other individual risks in order to recognize and evaluate in an appropriate and comprehensive manner risks that could have a material impact on business operations.

In order to effect management across all companies in the Nipro Group, the Company has established a Management Risk Control Committee and works continuously to further strengthen the system for promoting management of business risk, so as to prevent the risk and crisis, avoid and prevent the recurrence.

Furthermore, the Company has established a Rewards and Penalty Committee, chaired by the President, which endeavors to ensure the soundness of business operations through the appropriate handling of sanctions.

### (4) Overview of the Company's governance bodies and Internal Control Systems

Conceptual Diagram of Corporate Governance



### (2) Status of Internal Auditing and Audits by Statutory Auditors

#### (1) Internal Auditing

The Company conducts audits of accounting, procedures, and other operations based on internal audit protocols through the Auditing Section, which serves as the internal audit organization for the Company.

Aside from the two full-time employees in the Auditing Section, employees are dispatched as necessary from the Head Office Management Division or other divisions to carry out inspections in a timely, smooth and efficient manner.

In regards to implementation of specific audit operations, the Company establishes audit policies and audit plans, based on which audits are conducted as well as endeavoring to ensure smooth accounting audits and audits by statutory auditors through mutual collaboration between said statutory auditors and our accounting auditors.

#### (2) Audits by Statutory Auditors

For audits by statutory auditors, 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 Meetings regularly, or as necessary, in order to exchange views and hold discussions.

### (3) External Directors and External Auditors

#### (1) External Auditors

At present, two of the three auditors are external auditors, as stipulated by Article 2, Paragraph 16 of the Companies Act.

#### (2) External Directors

The Company does not have an external director.

The 2 external auditors have a profound knowledge of and insights into business management and they receive reports on the status of operations of directors and employees, especially on the matters which could have a material impact on the group and the status of performance of the internal audit. Therefore, they are able to independently and objectively conduct the audit and attend meetings of the Board of Directors, so that they are sufficiently able to perform the function and role expected of external directors.

#### (3) Personal, capital, transactional or other interests between the Company and External Auditors.

There are no particular interests and relations between the Company and the 2 external auditors.

#### (4) The function and role of the External Auditors in the Corporate Governance of the Nipro Group.

External auditors are expected to utilize their profound knowledge from past experience of business management and apply this to their examination of the management of the Nipro Group from a broader perspective. With close collaboration with the internal auditor, employees of the Auditing Section, auditors of subsidiaries and accounting auditors, they are able to audit from an objective and neutral position so as to ensure the effectiveness of an integral and effective audit function over the Nipro Group as a whole.

#### (5) Company's opinion regarding the status of the election of External Auditors

By coordinating closely with the full-time auditor, employees of the Auditing Section (and assigned staff from the management section of the head office as needed), the audit function and role as required by the system of corporate governance is implemented.

In the event that number of auditors falls below the legal minimum, we have taken the precaution of electing a sub-auditor who meets the requirements to qualify as an external auditor.

When needs arise to improve the audit function in accordance with business developments and future expansion, we intend to review and enhance the audit system including an increase in the number of auditors.

#### (6) Mutual collaboration between External Auditors and the Internal Audit Team, audits by Statutory Auditors and audits by Accounting Auditors and the relationship with our Internal Control Organization.

External auditors attend important meetings such as the meeting of Board of Directors in accordance with the audit policy determined by the board of auditors. External auditors also obtain reports from the full-time auditor or directly from directors and employees and can also inspect materials and documents. They hold periodic or occasional meetings and discuss and exchange their fair and independent opinions.

External auditors strive to facilitate the audit service through close collaboration with employees of the auditing section, the full time auditor, auditors of subsidiaries and the accounting auditor.

### (4) Remuneration paid to Directors and Auditors

#### (1) The total amount of remuneration, the total amount of remuneration by type and the number of directors and auditors eligible for remuneration are shown in the table below.

	Millions of yen				Number of eligible directors and auditors
	Total amount of remuneration	Total amount of remuneration by type			
		Annual remuneration	Bonus	Retirement benefits	
Directors	¥ 346	¥ 110	¥ 204	¥ 32	20
Auditors excluding external auditors	6	6	—	—	1
External auditors	2	2	—	—	2

	Thousands of U.S. dollars				Number of eligible directors and auditors
	Total amount of remuneration	Total amount of remuneration by type			
		Annual remuneration	Bonus	Retirement benefits	
Directors	\$ 3,719	\$ 1,182	\$ 2,193	\$ 344	20
Auditors excluding external auditors	64	64	—	—	1
External auditors	21	21	—	—	2

#### (2) The total amount of remuneration etc. of each director and auditor

As there was no director or auditor whose total consolidated remuneration exceeded 100 million yen, we are not required to disclose this information.

#### (3) Basic policy to determine the remuneration of corporate officers.

##### • Director's remuneration

Director's remuneration is determined by the Board of Directors or is based on certain standards decided by the Board of Directors. Annual remuneration is determined considering the market rate and the employee's salary level. Bonuses are calculated by a certain method based on the sliding scale system in accordance with the results of the business. Retirement benefits are granted by the resolution of the Board of Directors, up to a ceiling determined at the shareholder's meeting.

##### • Auditor's remuneration

The annual remuneration is determined by mutual accord with the auditors.

At present, the total amount of remuneration for directors and auditors is determined by a resolution taken at the shareholders meeting as follows.

The total amount of remuneration for directors is up to 800 million yen, based on the shareholder's meeting held on June 25, 2010.

The total amount of remuneration for auditors is up to 300 million yen, based on the shareholder's meeting held on June 27, 2007.

## (5) Status of shareholdings

### (1) Investment in stock for which the purpose of the shareholding is other than pure investment

Number of brands: 33

Total amount on the balance sheet

¥47,054 million (US\$505.7 million)

### (2) 10 major stock brands held for purposes other than pure investment

Brand	Number of shares	Amount on the balance sheet (Millions of yen)	Amount on the balance sheet (Thousands of U.S. dollars)
Nippon Electric Glass Co., Ltd.	17,824,602	23,475	252,311
Mitsubishi Tanabe Pharma Corporation	8,030,000	10,600	113,929
Mitsubishi Chemical Holdings Corporation	13,260,871	6,339	68,132
Nichi-iko Pharmaceutical Co., Ltd.	1,321,000	3,470	37,296
Yuki Gosei Kogyo Co., Ltd.	3,685,000	921	9,899
Resona Holdings, Inc.	375,992	444	4,772
Takeda Pharmaceutical Company Limited	23,622	97	1,043
Zojirushi Corporation	363,000	78	838
Mitsubishi UFJ Financial Group, Inc.	138,315	68	731
The Fuji Fire and Marine Insurance Company, Limited	500,000	63	677

The purpose of shareholding of all brands shown in the above list is to maintain and raise business relationship.

### (3) Investment in stock for pure investment purposes

There were no applicable items.

## (6) Status of Accounting Audits

Name of Accounting Auditor

Osaka Audit Corporation

Name of Certified Public Accountants conducting Audit Operations:

Yoshitsugu Hashimoto, Kouichi Aki, Kazuhiro Bando

Support Staff for Audit Operations:

Certified Public Accountants : 9 people

Assistant Certified Public Accountant : 1 person

Other staff : 2 people

## (7) Provisions in the Articles of Association related to the maximum number of directors

The Company's Articles of Association stipulate that the number of directors shall be 40 persons or less.

## (8) Conditions for the Election of Directors

The Company's Articles of Association stipulate that resolutions pertaining to the election of directors must be carried by a majority of votes at a General Shareholders Meeting attended by shareholders entitled to execute one-third or more of shareholder voting rights. Furthermore, the Articles of Association stipulate that resolutions pertaining to the election of directors shall not be carried by accumulative votes.

## (9) Matters originally for Resolution of General Shareholders Meetings which are authorized to be resolved by the Board of Directors

- (i) The Company's Articles of Association, pursuant to Article 165, Paragraph 2, of the Companies Act, provide that acquisition of own shares by Market Transactions, as stipulated in Paragraph 1 of the same Article, may be prescribed by a resolution of a Board of Directors meeting in order to make possible the execution of an expeditious funding policy.
- (ii) The Company's Articles of Association provide for distribution of Interim Dividends, as stipulated in Article 454, Paragraph 5, of the Companies Act, by resolution of the Board of Directors to shareholders, or registered pledgees of shares, who are recorded in or listed on the final Shareholders Register as of September 30<sup>th</sup> of each year, in order to smoothly implement dividend policies.
- (iii) The Company's Articles of Association provide for exemption of liability of directors and auditors (including persons who were directors or auditors) who have failed in their duties, to the extent which such exemption may be given pursuant to the law and ordinances, by resolution of the Board of Directors, as stipulated in Article 426, Paragraph 1, of the Companies Act, in order to make possible the full execution of the roles expected of directors and auditors.

## (10) Conditions for Special Resolutions at General Shareholders Meetings

The Company's Articles of Association provide that special resolutions at General Shareholders Meetings shall be carried by two-thirds or more of votes at a General Shareholders Meeting attended by shareholders who are entitled to exercise one-third or more of shareholder voting rights, as stipulated by Article 309, Paragraph 2, of the Companies Act, to contribute to the harmonious management of General Shareholders Meetings.

## 2 Details etc. of Auditors Remuneration

### (1) Remuneration for Certified Public Accountants, etc. engaged in Accounting Audit

Classification	Millions of Yen			
	2010		2009	
	Remuneration for Audit Certification Services	Remuneration for Non-Audit Certification Services	Remuneration for Audit Certification Services	Remuneration for Non-Audit Certification Services
Nipro Corporation	¥ 38	—	¥ 34	—
Consolidated	14	—	13	—
Total	¥ 52	—	¥ 47	—

Classification	Thousands of U.S. dollars	
	2010	
	Remuneration for Audit Certification Services	Remuneration for Non-Audit Certification Services
Nipro Corporation	\$ 409	—
Consolidated	150	—
Total	\$ 559	—

### (2) Other Important Remuneration

There were no applicable items.

### (3) Non-Audit Services Provided by Certified Public Accountants etc. engaged in Accounting Audit to Reporting Companies

There were no applicable items.

### (4) Decision-Making Policy for Audit Remuneration

There were no applicable items, however, remuneration was decided in consideration of scale, specialty, number of audit days, etc.

## 3 Dividend Policy

The Company considers providing stockholders with a portion of company profits to be a very important aspect of management policy. This basic stance is based on the idea that a company is an organization composed of three parts: stockholders, employees, and management; and that the profits from business operations should be properly distributed amongst these three components.

As our basic approach, we have been aiming at a 50% payout ratio on a unitary basis.

The Company's basic policy is to distribute dividends of retained earnings twice a year, with an interim dividend and a year-end dividend. The interim dividend is determined by the board of directors with the year-end dividend determined at the general meeting of stockholders.

Our dividends for the present year have been issued at a rate of ¥53 per share (comprised of an interim dividend of ¥23.50 and year-end dividend of ¥29.50).

The Company believes that retained earnings are essential for expanding our business base and for the long-term development of our business. The Company will actively invest these funds in the marketing, production, and research and development divisions, in order to ensure stable earnings and sustainable growth in the future.

Through a decision of the board of directors, the provision of an interim dividend was made possible in the articles of incorporation and September 30 of every year was established as the record date.

The dividends of retained earnings with record dates in the current business year are as described below.

Date of Resolution	Amount of dividends Millions of yen	Dividend per share Yen
November 11, 2009	¥ 1,490	¥ 23.50
June 25, 2010	1,871	29.50

Date of Resolution	Amount of dividends Thousands of U.S. dollars	Dividend per share U.S. dollars
November 11, 2009	\$ 16,015	\$ 0.25
June 25, 2010	20,110	0.32

# Board of Directors and Auditors

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President

**Minoru Sano\***

Managing Director

**Yoshihiko Sano**

*Domestic division*

Managing Director

**Makoto Sato**

*Pharmaceutical business*

Managing Director

**Kazuo Wakatsuki**

*International division*

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Directors

**Akihiko Yamabe**

*Accounting division*

**Noriaki Watanabe**

*International division*

**Kiyotaka Yoshioka**

*Domestic division*

**Toshiaki Masuda**

*Domestic division/Research & development laboratory*

**Mitsutaka Ueda**

*Domestic division*

**Tsuyoshi Yamazaki**

*International division*

**Yusuke Kofuku**

*International division*

**Masanobu Iwasa**

*Glass & material development division*

**Hideo Okamoto**

*Glass & material development division*

**Kyoetsu Kobayashi**

*Odate plant*

**Yozo Sawada**

*Intellectual property department*

**Kimihito Minoura**

*Corporate planning & coordination division*

**Hideto Nakamura**

*Human resources/general affairs division*

**Yasushi Kutsukawa**

*Domestic division*

**Masayuki Ito**

*Domestic division*

**Itsuo Akasaki**

*Glass & material development division*

**Kazuhiko Sano**

*Research & development laboratory*

**Akio Shirasu**

*Research & development laboratory*

**Hiroshi Yoshida**

*Research & development laboratory*

**Hiroshi Sudo**

*Research & development laboratory*

**Takeo Kikuchi**

*Pharmaceutical Research Center*

**Kenichi Nishida**

*Pharmaceutical Research Center*

**Toyoshi Yoshida**

*Regulatory Affairs Division*

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Standing statutory auditor

**Takayuki Nomiya**

Statutory auditor

**Masamichi Wada**

Statutory auditor

**Kiyoshi Kase**

\* Representative Director

## Overview

In the period under review (year ended March 31, 2010), certain sections of the global economy gradually recovered from the recession brought about by the global financial crisis. This partial recovery was led by the implementation of stimulus packages in the major economies coupled with economic growth in developing nations in Asia.

With regard to the Japanese economy, the business environment remains severe as the local economy continues to worry about future uncertainty. There was a pickup in business investments and personal consumption supported by an expansion in exports to emerging countries and an increase in business earnings brought about these exports.

With this economic background, the Nipro Group will continue to promote the development of advanced medical equipment as well as expanding our pharmaceutical business, increasing our manufacturing efficiency and strengthening our sales force, all with the aim of improving our business performance.

## Consolidated Business Results

### Net Sales

In the year ended March 31, 2010, consolidated net sales amounted to ¥177.8 billion (US\$1,911.3 million), an increase of 1.1% compared with the previous fiscal year.

### Net sales by Business Segment

#### Medical Equipment

Looking at the domestic market, business conditions became increasingly severe. The health industry as a whole, and medical institutions in particular, have been urged to improve their business efficiencies as part of medical system reforms aimed at controlling medical expenses.

Under these circumstances we were able to return consistent sales growth in our product fields by means of more active sales promotions and improvements in sales efficiency. Sales grew in a number of fields, namely injection- and infusion-related (mainly safety-use and enteral alimentation-related) products; medical-equipment-related products (such as dialysis systems); testing-related products (such as blood collection tubes and needles); product devices related to ventricular assistance as well as products related to artificial heart and lungs; vascular-related products (guiding- and blood-clot trapping –catheters).

With regard to our international business, although our sales revenue decreased due to the appreciation of the yen against the U.S. dollar and euro, our sales volume showed large increases in our main products such as dialyzers, dialysis machines, AVF (Arterial venous fistula needle), injection needles and diabetes-related products.

As a result, net sales in this sector decreased 2.3% from the previous period to ¥110.4 billion (US\$1,186.5 million).

#### Pharmaceutical

Our promotion of characteristic drugs and medicines, is part of our response to policies calling for the dissemination of generic products due to the advancement of our aging society as well as an increase in the number of institutions introducing the DPC (Diagnostic Procedure Combination) system, a comprehensive reimbursement system of medical costs for in-patients with acute stage conditions.

As a result, we registered steady sales growth in liquid-and-powder double-bag kits, pre-mixed-bag kits, injectable drugs contained in plastic ampoules, oral drugs (such as orally disintegrating tablets and extended-release tablets) as well as dialysis-related products (such as kit products of substitution fluid for hemofiltration and hemodiafiltration). We also created a framework that enables us to provide a stable supply of high-quality products as the largest contract manufacturer of pharmaceutical products in Japan. We started contract manufacturing steroid injectable drug products and promoted new business in oral drugs. Building has commenced on a new plant for infusion solution preparations.

As a result, net sales in this business sector increased 10.0% from the previous period to ¥58.0 billion (US\$623.2 million).

#### Glass & Materials

In the field of glass for pharmaceutical purposes, the domestic sales of glass ampoules decreased due to changes in container types coupled with a drop in production demands. The glass tube and bottle business had a relatively good year as a result of successful promotions of overseas sales and a smooth transition from automatic bottles to glass bottles.

In the field of other glass & materials products, the export of glass for thermos bottles, mainly to markets in the Middle East, decreased due to stagnation in the global economy. The sales of glass for lighting purposes to automobile-related industries showed a recovery in sales thanks to production increases in domestic automobiles. However, the sales of products related to LCD backlights decreased due to a production shift overseas and an unexpected market penetration of LED products.

As a result, net sales of this business decreased 9.3% from the previous period to ¥8.7 billion (US\$93.2million).

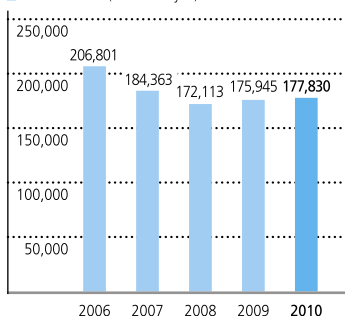
#### Other

Net sales of our 'other' businesses, consisting mainly of sales of machines for manufacturing medical equipment and real estate rental income, increased 13.6% from the previous period to ¥0.8 billion (US\$8.5 million).

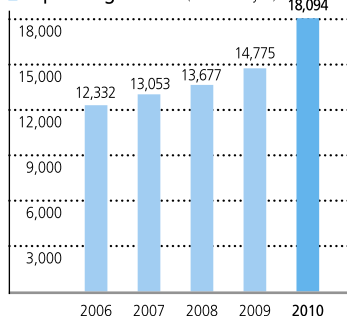
#### Cost of sales

The cost of sales increased 1.4% compared with the previous period to ¥126.1 billion (US\$1,355.8 million). The main reason for this

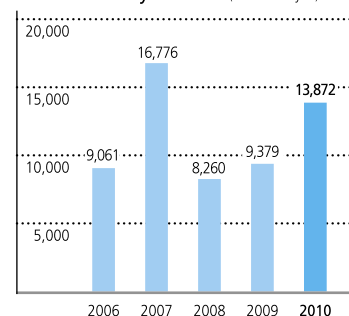
■ Net Sales (Millions of yen)



■ Operating Income (Millions of yen)



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





increase was an increase in sales and production of pharmaceutical products.

The ratio of cost of sales to net sales increased 0.2 percentage points compared with the previous period to 70.9%, mainly due to an increase in sales in the pharmaceutical segment which has a relatively higher cost-of-sales ratio.

As a result, gross profit increased 0.3% compared with the previous period to ¥51.7 billion (US\$555.5 million)

### Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased 8.7% compared with the previous period to ¥33.6 billion (US\$361.0million), mainly as a result of cost-cutting efforts carried out across the Group as a whole.

### Operating Income

As a result of the aforementioned factors, operating income increased 22.5% compared with the previous period to ¥18.1 billion (US\$194.5 million). The ratio of operating income to net sales improved 1.8% percentage points to 10.2%, owing to a decrease in selling, general and administrative expenses.

### Operating Income by business segment

#### Medical Equipment

The operating income of the Medical Equipment business increased 12.1% compared with the previous period to ¥18.2 billion (US\$195.2million), as a result of cost reduction measures and improvements in production efficiency, especially with regard to the in-house production of dialyzer units.

#### Pharmaceutical

The operating income of our Pharmaceutical business increased 13.3% compared with the previous period to ¥4.6 billion (US\$49.7 million), resulting from enhanced profitability due mainly to an increase in production of injectable kit products.

#### Glass & Materials

The operating income of the Glass & Materials business increased 8.6% compared with the previous period to ¥1.9 billion (US\$20.7 million), as a result of an increase in sales of glass for pharmaceutical purposes, which carries a superior profit margin.

#### Other

The operating income of our 'other' businesses amounted to ¥0.2 billion (US\$1.8 million), mainly from sales of machines for manufacturing medical equipment.

#### Elimination/Corporate

Unallocated corporate costs, consisting mainly of R&D-related and headquarters administration expenses, decreased 6.9% compared with the previous period to ¥6.8 billion (US\$72.9 million), mainly due to a decrease in R&D-related expenses.

### Other income (Expense)

We recorded other expenses of ¥4.2 billion (US\$45.4 million) compared with ¥5.4 billion for the previous period. During the previous period an exchange loss of ¥3.7 billion was recorded, but for the period under review the exchange loss was ¥0.5 billion (US\$4.9 million) and affiliated company equity losses amounted to ¥1.3 billion (US\$14.3 million).

### Income before income taxes and minority interests

As a result of the factors outlined above, income before income taxes and minority interests increased 47.9% compared with the previous period to ¥13.9 billion (US\$ 149.1 million).

### Net sales and operating income by geographic segment

#### Japan

In Japan, net sales increased 3.8% compared with the previous period to ¥139.4 billion (US\$1,498.1 million) due to an increase in the sales of injection- and infusion-related products in our Medical Equipment business as well as sales increases of oral drugs in our Pharmaceutical business. Operating income also increased 12.3% compared with the previous period to ¥23.0 billion (US\$ 247.5 million) due to a reduction in manufacturing costs, sales and administrative expenses.

#### America

In America, net sales decreased 16.3% compared with the previous period to ¥17.8 billion (US\$191.7 million) due to the loss of a tender for dialysis-related products. This segment recorded an operating loss of ¥0.1 billion (US\$0.9 million) which was an improvement compared with an operating loss of ¥0.5 billion for the previous period. This improvement was a result of a favorable exchange rate between the US dollar and the local currencies of Latin American nations coupled with a decrease in the deficit of the US subsidiary selling diabetes-related products.

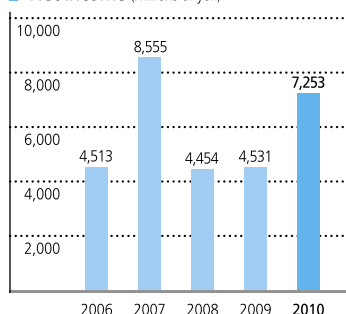
#### Europe

In Europe, net sales increased 3.8% compared with the previous period to ¥12.9 billion (US\$138.7 million) due to the steady sales performance of dialysis-related products. This segment recorded operating income of ¥0.05 billion (US\$0.5 million) compared with an operating loss of ¥0.03 billion for the previous period. This turnaround was a result of our efforts in cost reduction.

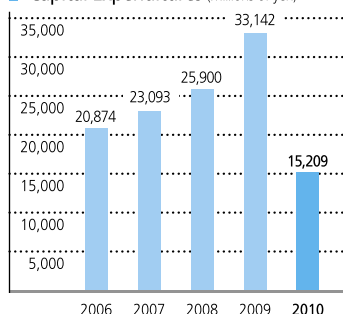
#### Asia

In Asia, net sales decreased 2.0% compared with the previous period to ¥7.7 billion (US\$82.9million). The decrease was caused by credit instability in Asian financial markets, while sales of dialysis-related products increased in China. Operating income increased 55.3% to ¥2.2 billion (US\$23.5 million) due to an increase in production as well as improvements in manufacturing profitability.

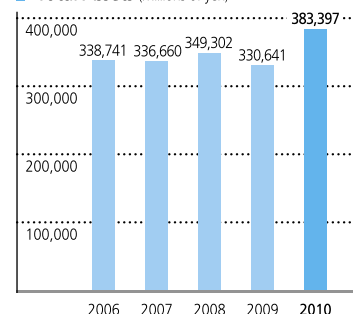
■ Net Income (Millions of yen)



■ Capital Expenditures (Millions of yen)



■ Total Assets (Millions of yen)



## Financial Position

Total assets as of March 31, 2010 stood at ¥383.4 billion (US\$4,120.8 million), an increase of 16.0% from the end of the previous period. Current assets increased 11.9% from the end of the previous period to ¥179.9 billion (US\$1,933.9 million), due mainly to increases in cash and cash equivalents, trade notes, accounts receivable and inventories.

Property, plant and equipment, net of accumulated depreciation, stood at ¥124.2 billion (US\$1,335.0 million), a slight decrease of 2.0% compared with the previous period.

Capital investments in property, plants and equipment totaled ¥14.3 billion (US\$153.2 million). By business segment, capital investments amounted to ¥9.1 billion (US\$98.3 million) in our Medical Equipment and ¥4.3 billion (US\$ 46.3 million) in our Pharmaceutical businesses. Investment and other assets increased 84.2% to ¥79.3 billion (US\$851.9 million), due mainly to an increase in investments in unconsolidated subsidiaries and an affiliate accounted by equity method as well as our investment securities.

Current liabilities increased 20.4% from the end of the previous period to ¥138.2 billion (US\$1,485.4 million), mainly due to an increase in short-term bank loans and commercial paper.

Long-term liabilities increased 8.2% from the end of the previous period to ¥129.1 billion (US\$1,387.8 million), owing to an increase in deferred income taxes.

Total net assets increased 20.2% from the end of the previous fiscal year to ¥116.1 billion (US\$1,247.5 million), due to an increase in retained earnings and unrealized gain on available-for-sale securities.

## Cash Flow

Net cash provided by operating activities increased 39.2% compared with the previous period to ¥26.2 billion (US\$282.0 million), mainly because of a increase in net income coupled with a decrease in working capital as a result of improved efficiency in operations.

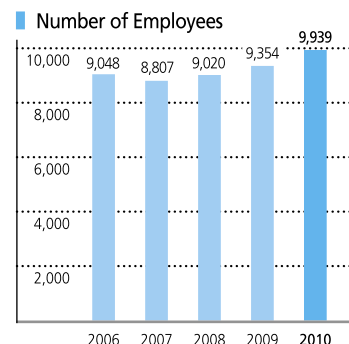
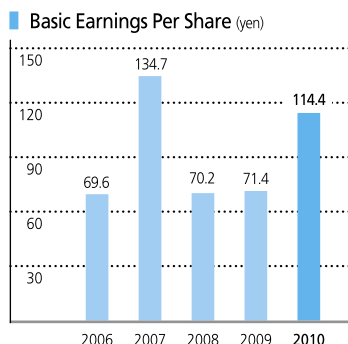
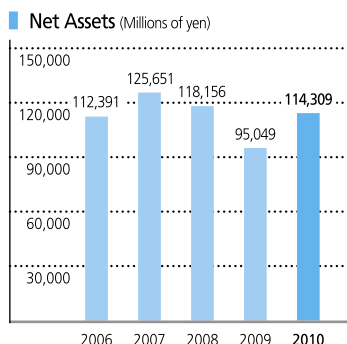
Net cash used in investing activities amounted to ¥45.0 billion (US\$483.6 million), mainly for purchases of property, plants and equipment and investments in unconsolidated subsidiaries.

Net cash provided by financing activities amounted to ¥30.1 billion (US\$323.9 million) as a result of increases in short- and long-term loans as well as commercial paper.

As a result, net cash and cash equivalents increased ¥10.8 billion (US\$116.5 million) compared with the end of previous period to ¥56.2 billion (US\$603.9 million).

## Staff

Total number of employees at the end of the period under review increased 585 compared with the end of the previous period to 9,939. People employed in Japan increased 239 to 4,894, and overseas employees increased 346 to 5,045.



## 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 a 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, 2010.

### (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.

### (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, 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

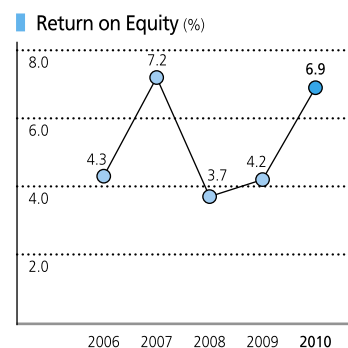
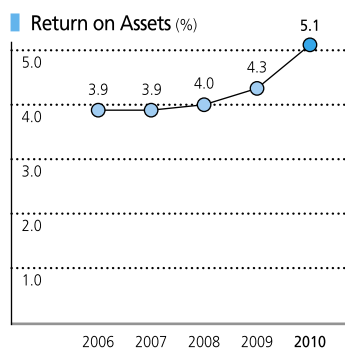
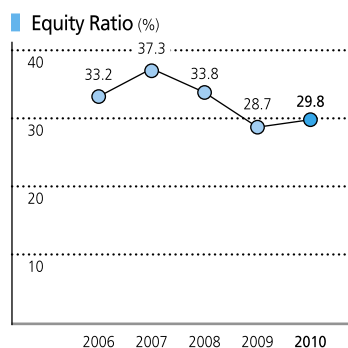
The Nipro Group set the strict precautions to protect the confidential personal information that the Group possesses. In the unforeseen events or accidents that the personal information is leaked outside the Group, causing loss of trust or customers, there could be a material adverse effect on its results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

#### (12) Risks Related to Litigation

On December 7, 2007, a damage suit was filed at the Tokyo Higher Court by Naigai Co., Ltd. and Naigai Glass Kogyo Co., Ltd. against the Company, based on the 25th article of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade. The claimed amount was ¥2,032 million (US\$21,840 thousand). The Company is arguing, among others, the occurrence of the damage and the correlation between the act and the damage. Should the defense of the Company be unsuccessful and a judgment to order the payment of compensation be given to the Company, there could be a material adverse effect on our results of operations and financial condition.

#### (13) 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 effect on our results of operations and financial condition.



# 10 Year Summary

Nipro Corporation and its Consolidated Subsidiaries  
Years ended March 31

Millions of yen

	2010	2009	2008	2007
<b>Income Statement Data:</b>				
Net sales .....	¥ 177,830	¥ 175,945	¥ 172,113	¥ 184,363
Medical Equipment .....	110,394	112,970	111,084	97,300
Pharmaceutical .....	57,978	52,726	48,754	42,152
Glass and Materials .....	8,668	9,554	11,437	12,919
Other .....	790	695	838	1,019
Store .....	—	—	—	30,973
Cost of sales .....	126,145	124,396	123,108	132,142
Selling, general and administrative expenses .....	33,591	36,774	35,328	39,168
Operating income .....	18,094	14,775	13,677	13,053
Medical Equipment (1) .....	18,162	16,209	15,830	14,334
Pharmaceutical (1) .....	4,625	4,082	3,271	3,298
Glass and Materials (1) .....	1,925	1,772	1,890	1,865
Other (1) .....	169	4	13	151
Store (1) .....	—	—	—	270
Income before income taxes and minority interests .....	13,872	9,379	8,260	16,776
Net income .....	7,253	4,531	4,454	8,555
Capital expenditures .....	15,209	33,142	25,900	23,093
Depreciation and amortization .....	18,421	18,109	15,054	12,470
R&D expenses .....	4,846	5,352	6,194	4,461
<b>Balance Sheet Data:</b>				
Total assets .....	¥ 383,397	¥ 330,641	¥ 349,302	¥ 336,660
Property, plant and equipment-net .....	124,209	126,739	118,812	104,882
Working capital .....	41,725	46,070	53,911	43,128
Current liabilities .....	138,204	114,796	108,835	104,105
Long-term liabilities .....	129,122	119,285	120,923	105,535
Common stock .....	28,663	28,663	28,663	28,663
Capital surplus .....	29,973	29,973	29,975	29,973
Net Assets (2) .....	114,309	95,049	118,156	125,651

Yen

	2010	2009	2008	2007
<b>Per share data:</b>				
Basic earnings (3) .....	¥ 114.4	¥ 71.4	¥ 70.2	¥ 134.7
Diluted earnings (3) .....	114.1	—	—	—
Cash dividends .....	53.0	32.0	37.5	80.0
Equity .....	1,802.3	1,498.5	1,861.8	1,979.2
Number of common shares issued .....	63,878,505	63,878,505	63,878,505	63,878,505
Number of employees .....	9,939	9,354	9,020	8,807
<b>Selected Data and Ratios:</b>				
Equity ratio (4) (%) .....	29.8	28.7	33.8	37.3
Return on assets (4) (%) .....	5.1	4.3	4.0	3.9
Return on equity (4) (%) .....	6.9	4.2	3.7	7.2
Price earnings ratio (4) (times) .....	15.8	21.5	24.8	17.1

Note:

- (1) Operating income at the operating segment level is not adjusted for intra-segment transactions. See note 14 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 and 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.
- (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. 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

Millions of yen							Thousands of U.S. dollars (Note1)
2006	2005	2004	2003	2002	2001		2010
¥ 206,801	¥ 192,320	¥ 188,700	¥ 180,370	¥ 171,217	¥ 152,072		\$ 1,911,328
90,868	82,504	78,727	76,009	77,572	66,413		1,186,522
35,220	26,207	25,339	21,979	15,946	14,120		623,151
11,934	11,667	11,891	11,064	11,234	11,784		93,164
1,518	1,101	1,386	1,758	1,701	2,933		8,491
67,261	70,841	71,357	69,560	64,764	56,822		—
149,971	140,072	137,153	128,776	122,092	110,608		1,355,815
44,498	41,844	38,990	36,695	34,690	31,735		361,038
12,332	10,404	12,557	14,899	14,435	9,729		194,475
13,430	11,039	12,117	14,175	15,016	11,913		195,206
2,111	2,261	2,471	1,981	1,104	844		49,709
1,836	1,889	1,819	1,777	1,806	1,773		20,690
529	288	404	148	115	69		1,817
578	115	420	1,109	1,037	20		—
9,061	8,660	8,044	8,781	11,617	6,641		149,097
4,513	4,519	4,216	5,078	5,842	3,401		77,955
20,874	16,312	14,500	20,775	17,166	14,295		163,467
12,315	10,266	9,819	8,767	7,215	6,898		197,990
3,760	3,422	3,074	2,328	2,553	3,048		52,085
¥ 338,741	¥ 293,749	¥ 279,701	¥ 252,848	¥ 245,403	¥ 228,918		\$ 4,120,776
106,195	98,788	94,005	91,147	81,029	72,061		1,335,006
34,579	39,123	28,570	27,542	9,792	35,770		448,464
111,285	96,242	96,364	88,889	105,764	74,995		1,485,425
113,453	99,198	86,932	78,657	61,952	83,260		1,387,812
28,663	28,663	28,663	28,663	23,113	22,563		308,072
29,972	29,972	29,972	29,972	24,435	23,886		322,152
112,391	96,700	94,711	83,533	76,099	69,196		1,228,601
Yen							U.S. dollars (Note1)
¥ 69.6	¥ 69.4	¥ 64.9	¥ 84.3	¥ 104.4	¥ 60.8		\$ 1.23
—	—	—	78.5	92.4	54.3		1.23
37.5	38.5	30.5	32.0	47.0	31.0		0.57
1,767.7	1,519.6	1,487.5	1,310.7	1,343.7	1,236.6		19.37
63,878,505	63,878,505	63,878,505	63,878,505	56,670,149	55,956,987		
9,048	8,617	8,132	8,029	7,835	6,818		
33.2	32.9	33.9	33.0	31.0	30.2		
3.9	3.6	4.7	6.0	6.1	4.4		
4.3	4.7	4.7	6.4	8.0	5.1		
26.0	25.6	24.1	21.5	17.4	16.5		

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 and translation adjustments and others to total assets at the period end. Return on assets is the ratio of operating income for the period to average of total assets during the period. Return on equity is the ratio of net income for the period to average of the sum of total shareholders' equity and total valuation and 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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 56,188	¥ 45,352	\$ 603,912
Time deposits (over three months).....	3,079	3,848	33,094
Trade notes and accounts receivable (Note 5) .....	56,304	50,947	605,159
Allowance for doubtful receivables .....	(433)	(410)	(4,654)
Inventories (Note 3) .....	54,704	51,114	587,962
Deferred income taxes (Note 4) .....	3,149	2,847	33,846
Other current assets .....	6,938	7,168	74,570
<b>Total current assets .....</b>	<b>179,929</b>	<b>160,866</b>	<b>1,933,889</b>
<b>Property, plant and equipment (Notes 5 and 6):</b>			
Land .....	19,766	19,459	212,446
Buildings and structures .....	107,011	101,361	1,150,161
Machinery and equipment .....	143,960	131,332	1,547,291
Construction in progress .....	11,993	16,848	128,902
	<b>282,730</b>	<b>269,000</b>	<b>3,038,800</b>
Accumulated depreciation .....	(158,521)	(142,261)	(1,703,794)
<b>Property, plant and equipment-net .....</b>	<b>124,209</b>	<b>126,739</b>	<b>1,335,006</b>
<b>Investments and other assets:</b>			
Investment in unconsolidated subsidiaries and an affiliate accounted for by equity method.....	22,787	3,667	244,916
Investment securities (Note 7).....	50,088	33,203	538,349
Lease deposits .....	1,871	2,030	20,110
Deferred income taxes (Note 4) .....	335	141	3,601
Other .....	4,178	3,995	44,905
<b>Total investments and other assets .....</b>	<b>79,259</b>	<b>43,036</b>	<b>851,881</b>
<b>Total .....</b>	<b>¥ 383,397</b>	<b>¥ 330,641</b>	<b>\$ 4,120,776</b>

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	(Note 1) 2010
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Short-term bank loans (Notes 5 and 10) .....	¥ 44,201	¥ 30,488	\$ 475,075
Current portion of long-term debt (Notes 5 and 10) .....	30,402	23,832	326,763
Trade notes and accounts payable .....	29,204	28,323	313,886
Accrued income taxes .....	4,933	2,281	53,020
Accrued expenses .....	9,921	8,288	106,632
Allowance for loss on clearance of business .....	1,955	1,955	21,012
Commercial papers .....	10,000	—	107,481
Notes and accounts payable for plant and equipment .....	5,803	18,172	62,371
Other current liabilities .....	1,785	1,457	19,185
Total current liabilities .....	138,204	114,796	1,485,425
<b>Long-term liabilities:</b>			
Long-term debt (Notes 5 and 10) .....	115,840	114,172	1,245,056
Accrued pension and severance liabilities (Note 11) .....	1,973	1,889	21,206
Deferred income taxes (Note 4) .....	7,771	913	83,523
Other long-term liabilities .....	3,538	2,311	38,027
Total long-term liabilities .....	129,122	119,285	1,387,812
<b>Commitments and contingent liabilities (Note 12)</b>			
<b>Net Assets (Note 13):</b>			
Common stock .....	28,663	28,663	308,072
Authorized: 200,000,000 shares			
Issued :63,878,505 shares			
Capital surplus .....	29,973	29,973	322,152
Retained earnings .....	47,220	41,458	507,524
Less cost of common shares of treasury stock .....	(862)	(850)	(9,265)
(455,328 shares in 2010 and 447,874 shares in 2009)			
Total shareholders' equity .....	104,994	99,244	1,128,483
Unrealized gain on available-for-sale securities .....	15,024	4,998	161,479
Foreign currency translation adjustments .....	(5,709)	(9,193)	(61,361)
Total valuation and translation adjustments and others .....	9,315	(4,195)	100,118
Minority interests .....	1,762	1,511	18,938
Total net assets .....	116,071	96,560	1,247,539
<b>Total</b> .....	¥ 383,397	¥ 330,641	\$ 4,120,776

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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
<b>Net sales</b> .....	¥ 177,830	¥ 175,945	\$ 1,911,328
<b>Cost of sales</b> .....	126,145	124,396	1,355,815
Gross profit.....	51,685	51,549	555,513
<b>Selling, general and administrative expenses (Notes 15 and 16)</b>	33,591	36,774	361,038
Operating income.....	18,094	14,775	194,475
<b>Other income (expenses):</b>			
Interest and dividend income .....	857	1,178	9,211
Interest expense .....	(2,251)	(2,376)	(24,194)
Loss on sale and disposal of property, plant and equipment - net .....	(316)	(14)	(3,396)
Exchange gain(loss) .....	(456)	(3,746)	(4,901)
Equity in profit(loss) of an affiliated company .....	(1,329)	88	(14,284)
Loss on impairment of fixed assets(Note 6).....	(23)	(163)	(247)
Abnormal manufacturing cost.....	(541)	(538)	(5,815)
Loss on disposal of inventories .....	(185)	(269)	(1,988)
Loss on devaluation of inventories .....	—	(253)	—
Other income(loss)-net .....	22	697	236
<b>Income before income taxes and minority interests</b>	13,872	9,379	149,097
<b>Income taxes (Note 4):</b>			
Current .....	6,843	4,037	73,549
Deferred .....	(475)	629	(5,105)
<b>Minority interests in income (loss) of consolidated subsidiaries</b>	251	182	2,698
Net income.....	¥ 7,253	¥ 4,531	\$ 77,955
<b>Amounts per common share :</b>			
Basic earnings.....	114.4	71.4	1.23
Diluted earnings.....	114.1	—	1.23
Cash dividends.....	53.0	32.0	0.57

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, 2010 and 2009

	Thousands	Millions of yen									
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total valuation and translation adjustments and others	Minority interests	Total net assets
<b>Balance at March 31, 2008</b> ...	63,463	¥28,663	¥29,975	¥39,477	¥(795)	¥97,320	¥18,948	¥1,888	¥20,836	¥1,388	¥119,544
Net income .....				4,531		4,531					4,531
Increase (decrease) in retained earnings due to inclusion of new subsidiaries in consolidation .....				84		84					84
Cash dividends .....				(2,634)		(2,634)					(2,634)
Purchase of treasury stock ..	(42)				(73)	(73)					(73)
Disposal of treasury stock ..	10		(2)		18	16					16
Other net change during the year .....						—	(13,950)	(11,081)	(25,031)	123	(24,908)
<b>Balance at March 31, 2009</b> ...	<b>63,431</b>	<b>28,663</b>	<b>29,973</b>	<b>41,458</b>	<b>(850)</b>	<b>99,244</b>	<b>4,998</b>	<b>(9,193)</b>	<b>(4,195)</b>	<b>1,511</b>	<b>96,560</b>
Net income .....				7,253		7,253					7,253
Cash dividends .....				(1,491)		(1,491)					(1,491)
Purchase of treasury stock ..	(8)				(13)	(13)					(13)
Disposal of treasury stock ..	0		(0)		1	1					1
Other net change during the year .....						—	10,026	3,484	13,510	251	13,761
<b>Balance at March 31, 2010</b> ...	<b>63,423</b>	<b>¥28,663</b>	<b>¥29,973</b>	<b>¥47,220</b>	<b>¥(862)</b>	<b>¥104,994</b>	<b>¥15,024</b>	<b>¥(5,709)</b>	<b>¥9,315</b>	<b>¥1,762</b>	<b>¥116,071</b>

	Thousands	Thousands of U.S. dollars (Note 1)									
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total valuation and translation adjustments and others	Minority interests	Total net assets
<b>Balance at March 31, 2009</b> ...	63,431	\$308,072	\$322,152	\$445,593	\$(9,136)	\$1,066,681	\$53,719	\$(98,807)	\$(45,088)	\$16,240	\$1,037,833
Net income .....				77,955		77,955					77,955
Cash dividends .....				(16,024)		(16,024)					(16,024)
Purchase of treasury stock ..	(8)				(140)	(140)					(140)
Disposal of treasury stock ..	0		(0)		11	11					11
Other net change during the year .....						—	107,760	37,446	145,206	2,698	147,904
<b>Balance at March 31, 2010</b> ...	<b>63,423</b>	<b>\$308,072</b>	<b>\$322,152</b>	<b>\$507,524</b>	<b>\$(9,265)</b>	<b>\$1,128,483</b>	<b>\$161,479</b>	<b>\$(61,361)</b>	<b>\$100,118</b>	<b>\$18,938</b>	<b>\$1,247,539</b>

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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	(Note 1) 2010
<b>Operating activities:</b>			
Net income	¥ 7,253	¥ 4,531	\$ 77,955
Adjustments to reconcile net income to net cash provided operating activities:			
Depreciation and amortization	18,421	18,109	197,990
Loss on impairment of fixed assets	23	163	247
Equity in loss (profit) of an affiliated company	1,329	(88)	14,284
Allowance for doubtful receivables	(25)	351	(269)
Provision for deferred taxes	(475)	629	(5,105)
Exchange loss (gain)	39	2,037	419
Loss on devaluation of marketable securities	—	75	—
Loss on sale and disposal of property, plant and equipment-net	316	14	3,396
Other, net	1,046	27	11,242
Changes in operating assets and liabilities:			
Trade receivables	(7,035)	(2,527)	(75,612)
Inventories	(2,856)	(6,539)	(30,696)
Other current assets	(676)	(529)	(7,265)
Lease deposits	(159)	(236)	(1,709)
Trade payables	4,987	1,557	53,601
Accrued income taxes	2,651	55	28,493
Other, net	1,402	1,222	15,069
Total adjustments	18,988	14,320	204,085
Net cash provided by operating activities	26,241	18,851	282,040
<b>Investing activities:</b>			
Purchase of property, plant and equipment	(25,596)	(20,534)	(275,107)
Proceeds from sale of property, plant and equipment	59	390	634
Purchase of available-for-sale securities	(29)	(375)	(311)
Purchase of investments in unconsolidated subsidiaries	(20,618)	—	(221,604)
Net decrease (increase) in short-term loans to affiliates	196	(49)	2,107
Deposits (Over three months)	800	(2,184)	8,599
Other, net	193	1,566	2,073
Net cash used in investing activities	(44,995)	(21,186)	(483,609)
<b>Financing activities:</b>			
Net increase (decrease) in short-term loans	13,712	2,267	147,377
Proceeds from long-term loans	29,111	27,300	312,887
Repayment of long-term loans	(18,757)	(15,881)	(201,601)
Proceeds from issuance of bonds	17,971	4,979	193,153
Repayment of bonds	(20,140)	(15,150)	(216,466)
Net increase (decrease) in commercial paper	10,000	—	107,481
Cash dividends paid	(1,491)	(2,631)	(16,025)
Other, net	(271)	(97)	(2,913)
Net cash provided by (used in) financing activities	30,135	787	323,893
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(545)</b>	<b>(1,566)</b>	<b>(5,858)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>10,836</b>	<b>(3,114)</b>	<b>116,466</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>45,352</b>	<b>47,657</b>	<b>487,446</b>
<b>Cash and cash equivalents of newly consolidated subsidiary, beginning of period</b>	<b>—</b>	<b>809</b>	<b>—</b>
<b>Cash and cash equivalents, end of period</b>	<b>¥ 56,188</b>	<b>¥ 45,352</b>	<b>\$ 603,912</b>

The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements

## 1. Basis of Presenting Consolidated Financial Statements

The financial statements of Nipro Corporation ("the Company") and its consolidated domestic subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Effective from the year ended March 31, 2009, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18) and as a result, the accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States, with adjustments for the specified six items as applicable.

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. However, no adjustment has been made which would change the financial position or the results of operations presented in the original financial statements. In addition, the notes to consolidated financial statements include additional information which is not required under generally accepted accounting principles and practices in Japan.

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 ¥93.04=US\$1, the approximate exchange rate on March 31, 2010. 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, 2010 for the Company and for consolidated domestic subsidiaries, and December 31, 2009 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 consolidated overseas subsidiaries and that of the Company.

### (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 and 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, carrying amount in the balance sheet is calculated with consideration of written downs due to the decreased profitability. Cost is determined principally by the average method, except for certain inventories determined by the first-in, first-out method.

### (e) Depreciation

Depreciation of property, plant and equipment of the Company and its consolidated 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 consolidated overseas subsidiaries.

The range of useful lives is principally from 31 to 50 years for buildings and from 7 to 8 years for machinery and equipment.

## **(f) 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. Unrealized gain and loss, net of applicable tax, reported in the "Valuation and translation adjustments and others" section of net assets.

For year ended March 31, 2010, 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.

## **(g) Leases**

Finance leases, except for certain immaterial leases, are capitalized in the balance sheet. Amortization of finance lease assets is calculated by straight-line method over the lease period assuming no residual value.

The Company and its consolidated domestic subsidiaries account for the finance leases for which ownership is not transferring to the lessee and commenced prior to April 1, 2008 as operating leases. The pro-forma information of such leases on a "as if capitalized" as operating leases basis is presented in Note 8. "Leases".

## **(h) Income Taxes**

The provision for income taxes is computed based on income for financial statement purpose. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

## **(i) 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. Diluted earnings per share reflect 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.

### 3. Inventories

Inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Finished goods and merchandises .....	¥ 38,503	¥ 35,759	\$ 413,833
Raw materials .....	7,547	6,853	81,115
Work in process .....	6,192	6,410	66,552
Packing and other .....	2,462	2,092	26,462
Total .....	¥ 54,704	¥ 51,114	\$ 587,962

### 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, 2010 and 2009.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Deferred tax assets			
Operating loss carryforwards for tax purposes .....	¥ 4,330	¥ 3,475	\$ 46,539
Intercompany profits .....	821	690	8,824
Allowance for bonuses to employees .....	706	654	7,588
Allowance for loss on clearance of business .....	792	792	8,513
Accounts receivable .....	190	188	2,042
Loss on impairment of fixed assets .....	808	883	8,685
Excess of allowance for doubtful accounts over tax allowable amounts .....	1,159	1,171	12,457
Accrued pension and severance liabilities .....	782	743	8,405
Accrued enterprise taxes .....	378	203	4,063
Other .....	1,070	1,071	11,500
Gross deferred tax assets .....	¥ 11,036	¥ 9,870	\$ 118,616
Less: Valuation allowance .....	(4,941)	(4,272)	(53,106)
Total deferred tax assets .....	¥ 6,095	¥ 5,598	\$ 65,510
Deferred tax liabilities			
Unrealized gain on available-for-sale securities .....	¥ 10,267	¥ 3,423	\$ 110,350
Other .....	115	100	1,236
Total deferred tax liabilities .....	¥ 10,382	¥ 3,523	\$ 111,586
Net deferred tax assets (liabilities) .....	¥ (4,287)	¥ 2,075	\$ (46,076)

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

	2010	2009
Statutory tax rate .....	40.5%	40.5%
Expenses not deductible for tax purposes .....	2.5	1.8
Non-taxable dividend income .....	(1.3)	(1.4)
Loss in subsidiaries .....	7.4	13.9
Tax credits primarily for research and development costs .....	(2.4)	(5.0)
Other .....	(0.8)	0.0
Effective income tax rate .....	45.9	49.8

## 5. Pledged Assets

The following assets were pledged as collateral:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Land .....	¥ 1,523	¥ 2,448	\$ 16,369
Buildings and structures .....	7,672	9,437	82,459
Notes receivable .....	—	3,432	—
Total .....	¥ 9,195	¥ 15,317	\$ 98,828

The above assets were pledged against the following liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Short term bank loans .....	¥ 910	¥ 3,925	\$ 9,781
Current portion of long-term debt .....	1,137	681	12,221
Long-term debt .....	5,666	5,863	60,898
Total .....	¥ 7,713	¥ 10,469	\$ 82,900

## 6. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries reviewed their fixed assets for impairment as of March 31, 2010 and 2009, as a result, recognized impairment loss of ¥23 million (US\$ 241 thousand) and ¥163 million, respectively. In the year ended March 31, 2010, impairment loss was recognized on the long-lived assets of the overseas subsidiaries, due to the idleness or decreased recoverability.

In the year ended March 31, 2009, impairment loss was recognized on the domestic fixed assets as follows.

2009			
Use	Type of asset	Location	Millions of yen
Idle asset	Buildings and Machinery etc.	3 sites in Gunma Pref. etc.	¥ 150
Assets for common use	Buildings and Land	1 site in Akita Pref.	13
Total .....			¥ 163

## 7. Investment securities

Investment securities as of March 31, 2010 and 2009 consisted of the followings:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Non-current:			
Marketable:			
Marketable equity securities .....	¥ 48,713	¥ 31,770	\$ 523,571
Investment trust funds and other .....	42	39	451
Sub total.....	¥ 48,755	¥ 31,809	\$ 524,022
Non-marketable securities .....	¥ 1,333	¥ 1,394	\$ 14,327
Total .....	¥ 50,088	¥ 33,203	\$ 538,349

The carrying amounts and aggregate fair values of marketable securities for investments as of March 31, 2010 and 2009 were as follows:

	Millions of yen			
	2010			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities .....	¥ 24,290	¥ 25,195	¥ 772	¥ 48,713
Debt securities and other .....	47	—	5	42
Total .....	¥ 24,337	¥ 25,195	¥ 777	¥ 48,755

	Thousands of U.S. dollars(Note 1)			
	2010			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities .....	\$ 261,071	\$ 270,798	\$ 8,298	\$ 523,571
Debt securities and other .....	505	—	54	451
Total .....	\$ 261,576	\$ 270,798	\$ 8,352	\$ 524,022

	Millions of yen			
	2009			
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities .....	¥ 24,200	¥ 11,279	¥ 3,709	¥ 31,770
Debt securities and other .....	61	—	22	39
Total .....	¥ 24,261	¥ 11,279	¥ 3,731	¥ 31,809

## 8. Leases

Finance leases entered into prior to April 1, 2008 that do not transfer ownership of leased property to the lessee are accounted for as if they were operating leases. The details of such finance leases accounted for as operating leases at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
	Acquisition cost .....	¥ 1,431	¥ 1,659
Accumulated depreciation .....	1,098	1,113	11,801
Net leased property .....	¥ 333	¥ 546	\$ 3,579

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
	Payments due within one year .....	¥ 258	¥ 290
Payments due after one year .....	237	440	2,547
Total .....	¥ 495	¥ 730	\$ 5,320

Lease payments under such leases for the years ended March 31, 2010 and 2009 were ¥307 million(US\$3,300 thousand) and ¥535million, respectively.

## 9. Financial instruments

### (1) Circumstances on financial instruments

#### (a) Policy for financial instruments

The Company manages the temporary surplus funds by deposit with banks that have a high level of safety.

The Company raises funds for business operation with mainly bank loans and bonds considering their business investment and cash planning.

#### (b) Details and risk of financial instruments and its risk management

Receivable such as trade notes and accounts receivable are exposed to customer's credit risk. Receivables denominated in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

In order to reduce the customer's risk, the company monitors the dues and balances by customer in accordance with the company's regulations of credit administration.

Investments securities are exposed to the market fluctuation risk, but mainly consist of equity of the companies which conduct business with the company. The company periodically reviews the market price of such securities.

Payables such as trade notes, accounts payable and accounts payable other are due within 1 year. Payables denominated in foreign currency are exposed to the risk of fluctuation in foreign currency exchange rates.

Short-terms loans payable are mainly borrowed to raise operating capital and long-terms loans payable are mainly borrowed to make capital expenditures. Bonds and commercial papers are mainly issued to raise the funds for bonds retirement.

Lease obligations are mainly for the capital expenditures, free from interest-rate risk because the interest rate is fixed.

Payables, loans and bonds are exposed to the liquidity risk, but the Company and its subsidiaries manage the risk by establishing cash planning.

#### (c) Supplemental information on market values of financial instruments

Market values of financial instruments include values based on market price and reasonably estimated values when market price is not available. Because a change factor is counted in the estimation, the estimated price may be changed by adopting different assumptions.

### (2) Fair values of financial instruments

The book values, fair values and the differences between them as of March 31, 2010 are as follows (Financial instruments for which the fair value is extremely difficult to determine are not included as described in Remark 2.):

	Millions of yen			Thousands of U.S. dollars (Note 1)	
	Book value	Fair value	Difference	Difference	
Cash on hand and in banks .....	¥ 59,267	¥ 59,267	¥ —	\$ —	—
Trade notes and accounts receivable, net allowance for doubtful receivables.....	55,871	55,871	—	—	—
Investments securities .....	48,755	48,755	—	—	—
Assets total .....	¥ 163,893	¥ 163,893	¥ —	\$ —	—
Trade notes and accounts payable .....	¥ 29,204	¥ 29,204	¥ —	\$ —	—
Short-term bank loans, current portion of long-term debt, and commercial paper .....	84,603	84,603	—	—	—
Other notes and account payable (1) .....	9,662	9,662	—	—	—
Long-term debt .....	115,840	115,216	624	6,707	—
Lease obligations (2).....	1,416	1,343	73	784	—
Liabilities total .....	¥ 240,725	¥ 240,028	¥ 697	\$ 7,491	—

Note:

(1) This is included in accrued expenses and notes and accounts payable for plant and equipment on the balance sheet.

(2) This is included in other current liabilities and other long-term liabilities on the balance sheet.



**Remark 1 Methods used to calculate fair values of financial instruments and the details of securities**

<Assets>

- Cash on hand and in banks and trade notes and accounts receivable  
Cash on hand and in banks and trade notes and accounts receivable are stated at the relevant book value because the settlement periods are short and the fair values are almost the same as the book value.
- Investments securities  
Equity securities are stated at market value. See Note 7. "Investment securities" for the detailed information by classification.

<Liabilities>

- Trade notes and accounts payable and short-term bank loans and current portion of long-term debt  
Because the settlement periods of the above items are short and their fair values are almost the same as their book values, the relevant book values are used.
- Long-term debt  
The fair value of long-term debt is calculated by applying a discount rate to the total of principal and interest. The discount rate is based on the assumed interest rate if a similar new loan was entered into.
- Lease obligation  
The fair value of lease obligations is calculated by applying a discount rate to the total of principal and interest. The discount rate is based on the assumed interest rate if a current lease transaction was renewed.

**Remark 2 Financial instruments for which the fair value is extremely difficult to determine**

	Millions of yen	Thousands of U.S. dollars (Note 1)
Unlisted equity securities .....	¥ 24,120	\$ 259,243

Because these items have no market value and are difficult to estimate the future cash flow and it is extremely difficult to determine their fair values, they are not included in investment securities and investment in unconsolidated subsidiaries and an affiliate accounted for by the equity method above.

**Remark 3 Planned redemption amounts after the balance sheet date for monetary receivables with maturity dates are as follows:**

	Millions of yen	Thousands of U.S. dollars (Note 1)
	Within 1 year	Within 1 year
Cash and cash equivalents .....	¥ 59,267	\$ 637,006
Trade notes and accounts receivable .....	55,871	600,505

**Remark 4 Planned repayment amounts after the balance sheet date for monetary payables with maturity dates are as follows:**

	Millions of yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Trades and accounts payable .....	¥ 29,204	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term bank loans, current portion of long-term debt, and commercial paper .....	84,603	—	—	—	—	—
Other notes and account payable .....	9,662	—	—	—	—	—
Long term debt .....	—	23,636	31,305	12,001	30,597	18,301
Lease obligations .....	318	293	270	252	283	—
<b>Total .....</b>	<b>¥ 123,787</b>	<b>¥ 23,929</b>	<b>¥ 31,575</b>	<b>¥ 12,253</b>	<b>¥ 30,880</b>	<b>¥ 18,301</b>

	Thousands of U.S. dollars (Note 1)					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Trades and accounts payables .....	\$ 313,886	\$ —	\$ —	\$ —	\$ —	\$ —
Short-term bank loans, current portion of long-term debt, and commercial paper .....	909,319	—	—	—	—	—
Other notes and account payable .....	103,848	—	—	—	—	—
Long term debt .....	—	254,042	336,468	128,987	328,858	196,700
Lease obligations .....	3,418	3,149	2,902	2,709	3,042	—
<b>Total .....</b>	<b>\$ 1,330,471</b>	<b>\$ 257,191</b>	<b>\$ 339,370</b>	<b>\$ 131,696</b>	<b>\$ 331,900</b>	<b>\$ 196,700</b>

## 10. 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, 2010 and 2009 was 0.846% and 1.207%, respectively.

The weighted-average interest rate of commercial paper for the year ended March 31, 2010 was 0.107%.

Long-term debt comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
1.07% unsecured bonds due 2010 .....	¥ —	¥ 3,000	\$ —
1.18% unsecured bonds due 2009 .....	—	3,000	—
1.51% unsecured bonds due 2012 .....	5,000	5,000	53,740
1.37% unsecured bonds due 2014 .....	3,000	—	32,244
1.42% unsecured bonds due 2011 .....	10,000	10,000	107,481
1.37% unsecured bonds due 2013 .....	10,000	10,000	107,481
2.04% unsecured bonds due 2018 .....	10,000	10,000	107,481
Zero coupon convertible bonds due 2023 .....	—	14,000	—
Zero coupon convertible bonds due 2015 .....	15,000	—	161,221
1.28% unsecured bonds due 2009 .....	—	100	—
0.7% unsecured bonds due 2010 .....	—	20	—
0.95% unsecured bonds due 2010 .....	100	100	1,075
0.79% unsecured bonds due 2010 .....	10	30	107
1.55% unsecured bonds due 2011 .....	50	50	538
Long-term bank loans due through 2020, with weighted-average interest rate of 1.434% for the year ended March 31, 2010, and of 1.506% for the year ended March 31, 2009. ....	93,082	82,704	1,000,451
Less current portion of long-term debt .....	(30,402)	(23,832)	(326,763)
<b>Total .....</b>	<b>¥ 115,840</b>	<b>¥ 114,172</b>	<b>\$ 1,245,056</b>

In March 2003, the Company issued ¥3,000 million (US\$32,244 thousand) of 1.07% privately-placed bonds due 2010.

In July 2004, the Company issued ¥3,000 million (US\$32,244 thousand) of 1.18% privately-placed bonds due 2009.

In February 2009, the Company issued ¥ 5,000 million (US\$53,740 thousand) of 1.51% privately-placed bonds due 2012.

In September 2009, the Company issued ¥ 3,000 million (US\$32,244 thousand) of 1.37% privately-placed bonds due 2014.

In March 2006, the Company issued ¥10,000 million (US\$107,481 thousand) of 1.42% unsecured bonds due 2011.

In March 2008, the Company issued ¥10,000 million (US\$107,481 thousand) of 1.37% unsecured bonds due 2013.

In March 2008, the Company issued ¥10,000 million (US\$107,481 thousand) of 2.04% unsecured bonds due 2018.

In July 2003, the Company issued ¥14,000 million (US\$150,473 thousand) of zero coupon convertible bonds due 2023.

In March 2010, the Company issued ¥14,000 million (US\$150,473 thousand) of zero coupon convertible bonds due 2015.

In July 2004, Zensei Pharmaceutical Industries Co., Ltd. issued ¥100 million (US\$1,075 thousand) of 1.28% privately-placed bonds due 2009.

In January 2005, Zensei Pharmaceutical Industries Co., Ltd. issued ¥100 million (US\$1,075 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\$1,075 thousand) of 0.95% privately-placed bonds due 2010.

In August 2005, Zensei Pharmaceutical Industries Co., Ltd. issued ¥100 million (US\$1,018 thousand) of 0.79% privately-placed bonds to be serially redeemed by 2010.

In March 2006, Zensei Pharmaceutical Industries Co., Ltd. issued ¥50 million (US\$537 thousand) of 1.55% privately-placed bonds due 2011.

The aggregate annual maturities of long-term debt outstanding at March 31, 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
		2010		2010
2010.....	¥	30,402	\$	326,763
2011.....		23,636		254,041
2012.....		31,305		336,468
2013 and thereafter.....		60,899		654,547
Total.....	¥	146,242	\$	1,571,819

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.

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.

## 11. 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, 2010 and 2009.

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2010	2009	2010	
1) Projected benefit obligation.....	¥ (10,084)	¥ (9,194)	\$ (108,383)	
2) Fair value of plan assets.....	7,122	6,337	76,547	
3) Projected benefit obligation in excess of plan assets 1)+2).....	(2,962)	(2,857)	(31,836)	
4) Unrecognized actuarial (gain) loss.....	1,039	1,030	11,167	
5) Unrecognized past service obligation.....	(15)	(18)	(161)	
6) Total 3)+4)+5).....	(1,938)	(1,845)	(20,830)	
7) Prepaid pension cost.....	35	44	376	
8) Accrued pension and severance liabilities 6)-7).....	¥ (1,973)	¥ (1,889)	\$ (21,206)	

The breakdown of net pension and severance costs for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2010	2009	2010	
Service cost.....	¥ 640	¥ 679	\$ 6,879	
Interest cost.....	223	220	2,397	
Expected return on plan assets.....	(103)	(116)	(1,107)	
Amortization of actuarial gain.....	83	(230)	892	
Amortization of past service obligation.....	(3)	(3)	(32)	
Other.....	30	85	322	
Net pension and severance costs.....	¥ 870	¥ 635	\$ 9,351	

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

	2010	2009
Discount rate.....	Primarily 1.8%	Primarily 2.5%
Expected rate of return on plan assets.....	Primarily 1.5%	Primarily 1.5%
Amortization period of past service obligation.....	Primarily 5 years	Primarily 5 years
Amortization period of actuarial differences.....	Primarily 5 years	Primarily 5 years

## 12. 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)	
	2010	2009	2010	
Liabilities for guarantees .....	¥ —	¥ 54	\$ —	
Export drafts discounted .....	3	18	32	
Trade notes receivable discounted.....	32	14	343	
Total .....	¥ 35	¥ 86	\$ 375	

## 13. Net Assets

The significant provisions in the Corporate Law of Japan (the "Corporate Law") that influence financial and accounting matters are summarized below:

### (a) Dividends

Under the Corporate 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, and (4) the service period of the directors is prescribed as one year rather than the normal term of two years by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Company's present system meets the first three criteria but the two-year service period of the directors does not meet the fourth criterion.

Interim dividends may also be paid once a year by the resolution of the board of directors if the articles of incorporation of the company stipulate so. The Company's articles of incorporation contain such a stipulation, and it pays interim dividend semi-annually by the resolution of the Board of Directors.

The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

## 14. Segment Reporting

The Company and its consolidated subsidiaries are primarily engaged in the business consisting of three major segments: Medical Equipment, Pharmaceutical and Glass and Materials. The Company is organized into operating segments 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

### (b) Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation.

The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions by the resolution of the shareholders.

The Company's legal reserve, which is included in retained earnings, amounted to ¥1,196 million (US\$12,855 thousand) as of March 31, 2010, and its additional paid-in capital, which is included in capital surplus, amounted to ¥29,972 million (US\$ 322,141 thousand) as of March 31, 2010.

and diagnostic products for hospital use, and medical equipment incorporating solutions and drugs, such as pre-filled syringes and injectable kit product.

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

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, 2010 and 2009 was as follows:

	Millions of yen						
	2010						
	Medical Equipment	Pharmaceutical	Glass & Materials	Other	Total	Eliminations/Corporate	Consolidated
Net sales:							
Outside.....	¥ 110,394	¥ 57,978	¥ 8,668	¥ 790	¥ 177,830	¥ —	¥ 177,830
Intersegment .....	—	0	4,144	109	4,253	(4,253)	—
Total .....	110,394	57,978	12,812	899	182,083	(4,253)	177,830
Operating expenses .....	92,232	53,353	10,887	730	157,202	2,534	159,736
Operating income .....	¥ 18,162	¥ 4,625	¥ 1,925	¥ 169	¥ 24,881	¥ (6,787)	¥ 18,094
Identifiable assets .....	¥ 152,734	¥ 107,875	¥ 11,044	¥ 5,767	¥ 277,420	¥ 105,977	¥ 383,397
Depreciation and amortization .....	9,050	8,132	371	84	17,637	784	18,421
Loss on impairment of fixed assets .....	23	—	—	—	23	—	23
Capital expenditures .....	9,438	4,674	244	130	14,486	723	15,209

	Thousands of U.S. dollars (Note 1)						
	2010						
	Medical Equipment	Pharmaceutical	Glass & Materials	Other	Total	Eliminations/Corporate	Consolidated
Net sales:							
Outside.....	\$ 1,186,522	\$ 623,151	\$ 93,164	\$ 8,491	\$ 1,911,328	\$ —	\$ 1,911,328
Intersegment .....	—	0	44,540	1,172	45,712	(45,712)	—
Total .....	1,186,522	623,151	137,704	9,663	1,957,040	(45,712)	1,911,328
Operating expenses .....	991,316	573,442	117,014	7,846	1,689,618	27,235	1,716,853
Operating income .....	\$ 195,206	\$ 49,709	\$ 20,690	\$ 1,817	\$ 267,422	\$ (72,947)	\$ 194,475
Identifiable assets .....	\$ 1,641,594	\$ 1,159,448	\$ 118,702	\$ 61,984	\$ 2,981,728	\$ 1,139,048	\$ 4,120,776
Depreciation and amortization .....	97,270	87,403	3,988	903	189,564	8,426	197,990
Loss on impairment of fixed assets .....	247	—	—	—	247	—	247
Capital expenditures .....	101,440	50,236	2,623	1,397	155,696	7,771	163,467

	Millions of yen						
	2009						
	Medical Equipment	Pharmaceutical	Glass & Materials	Other	Total	Eliminations/Corporate	Consolidated
Net sales:							
Outside.....	¥ 112,970	¥ 52,726	¥ 9,554	¥ 695	¥ 175,945	¥ —	¥ 175,945
Intersegment .....	—	0	3,389	90	3,479	(3,479)	—
Total .....	112,970	52,726	12,943	785	179,424	(3,479)	175,945
Operating expenses .....	96,761	48,644	11,171	781	157,357	3,813	161,170
Operating income .....	¥ 16,209	¥ 4,082	¥ 1,772	¥ 4	¥ 22,067	¥ (7,292)	¥ 14,775
Identifiable assets .....	¥ 120,447	¥ 111,203	¥ 10,800	¥ 6,106	¥ 248,556	¥ 82,085	¥ 330,641
Depreciation and amortization .....	9,720	6,963	445	89	17,217	892	18,109
Loss on impairment of fixed assets .....	13	19	131	—	163	—	163
Capital expenditures .....	11,516	20,633	134	68	32,351	791	33,142

Note:

- (1) Operating expenses of "Eliminations/Corporate" for the years ended March 31, 2010 and 2009 included unallocated corporate costs of ¥6,787 million (US\$72,947 thousand) and ¥7,292 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, 2010 and 2009 included ¥106,079 million (US\$ 1,140,144 thousand) and ¥82,341 million of corporate assets, respectively, consisting primarily of cash and cash equivalents, investments securities, research and development-related equipment and headquarters administration-related assets.

The information by geographic area for the years ended March 31, 2010 and 2009 was as follows:

	Millions of yen						
	2010						
	Japan	America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales:							
Outside	¥ 139,379	¥ 17,833	¥ 12,901	¥ 7,717	¥ 177,830	¥ —	¥ 177,830
Intersegment	29,444	592	4	15,328	45,368	(45,368)	—
Total	168,823	18,425	12,905	23,045	223,198	(45,368)	177,830
Operating expenses	145,800	18,509	12,857	20,856	198,022	(38,286)	159,736
Operating income (loss)	¥ 23,023	¥ (84)	¥ 48	¥ 2,189	¥ 25,176	¥ (7,082)	¥ 18,094
Identifiable assets	¥ 276,570	¥ 6,268	¥ 7,249	¥ 10,880	¥ 300,967	¥ 82,430	¥ 383,397

	Thousands of U.S. dollars (Note 1)						
	2010						
	Japan	America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales:							
Outside	\$ 1,498,054	\$ 191,670	\$ 138,661	\$ 82,943	\$ 1,911,328	\$ —	\$ 1,911,328
Intersegment	316,466	6,363	43	164,746	487,618	(487,618)	—
Total	1,814,520	198,033	138,704	247,689	2,398,946	(487,618)	1,911,328
Operating expenses	1,567,067	198,936	138,188	224,162	2,128,353	(411,500)	1,716,853
Operating income (loss)	\$ 247,453	\$ (903)	\$ 516	\$ 23,527	\$ 270,593	\$ (76,118)	\$ 194,475
Identifiable assets	\$ 2,972,592	\$ 67,369	\$ 77,913	\$ 116,939	\$ 3,234,813	\$ 885,962	\$ 4,120,775

	Millions of yen						
	2009						
	Japan	America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales:							
Outside	¥ 134,330	¥ 21,307	¥ 12,432	¥ 7,876	¥ 175,945	¥ —	¥ 175,945
Intersegment	30,207	823	4	14,382	45,416	(45,416)	—
Total	164,537	22,130	12,436	22,258	221,361	(45,416)	175,945
Operating expenses	144,027	22,721	12,468	20,848	200,064	(38,894)	161,170
Operating income (loss)	¥ 20,510	¥ (591)	¥ (32)	¥ 1,410	¥ 21,297	¥ (6,522)	¥ 14,775
Identifiable assets	¥ 256,812	¥ 3,025	¥ 5,082	¥ 6,085	¥ 271,004	¥ 59,637	¥ 330,641

Note:

- (1) Operating expenses of "Eliminations/Corporate" for the years ended March 31, 2010 and 2009 included unallocated corporate costs of ¥6,787 million (US\$72,947 thousand) and ¥7,292 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, 2010 and 2009 included ¥106,079 million (US\$ 1,140,144 thousand) and ¥82,341 million of corporate assets, respectively, consisting primarily of cash and cash equivalents, investments securities, research and development-related equipment and headquarters administration-related assets.
- (3) The main countries of each geographic area are:  
 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							
	2010				2009			
	America	Europe	Asia	Total	America	Europe	Asia	Total
Export sales and sales by								
overseas subsidiaries.....	¥ 27,865	¥ 20,662	¥ 10,836	¥ 59,363	¥ 33,291	¥ 19,991	¥ 10,666	¥ 63,948
Percentage of such sales against								
consolidated net sales.....	15.7%	11.6%	6.1%	33.4%	18.9%	11.4%	6.1%	36.4%

	Thousands of U.S. dollars (Note 1)			
	2010			
	America	Europe	Asia	Total
Export sales and sales by				
overseas subsidiaries.....	\$ 299,495	\$ 222,077	\$ 116,466	\$ 638,038
Percentage of such sales against				
consolidated net sales.....	15.7%	11.6%	6.1%	33.4%

## 15. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
	Salaries .....	¥ 8,852	¥ 9,610
Freight charges.....	3,776	4,320	40,585

## 16. Research and Development Expenses

Research and development expenses for the years ended March 31, 2010 and 2009 were ¥4,846 million (US\$52,085 thousand) and ¥5,352 million, respectively.

## 17. 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)
	2010	2009	2010
	Cash paid during the year for:		
Interest .....	¥ 2,304	¥ 2,784	\$ 24,764
Income tax .....	4,236	3,522	45,529

## INDEPENDENT AUDITORS' REPORT

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, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of Nipro Corporation's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Osaka, Japan  
July 22, 2010

Osaka Audit Corporation

*Osaka Audit Corporation*



# Corporate Information (As of March 31, 2010)

## 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  
 URL : http://www.nipro.co.jp/en

## 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

Nipro Corporation	2,216
Consolidated subsidiaries	7,723
Total	9,939

## 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.	7,740	12.12
The Master Trust Bank of Japan, Ltd.	4,548	7.12
Trust & Custody Services Bank, Ltd.	2,436	3.81
Minoru Sano	1,993	3.12
Resona Bank Limited	1,380	2.16
Mizuho Corporate Bank, Ltd.	782	1.23
The Dai-ichi Life Insurance Company, Limited	614	0.96
Mitsubishi Tanabe Pharma Corporation	583	0.91
Nipro's employee shareholding plan	531	0.83

## Common Stock

Authorized	200,000,000 shares
Issued	63,878,505 shares
Outstanding	63,423,177 shares
Number of Shareholders	15,398

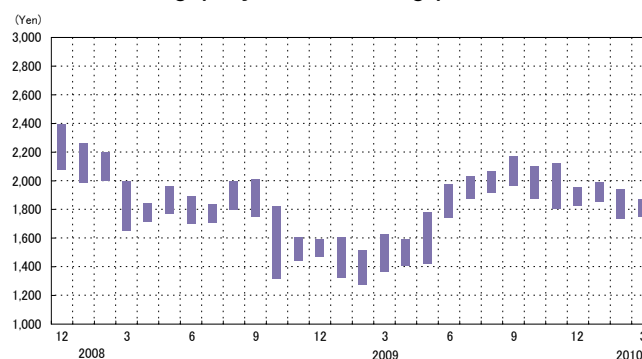
## Stock Listings

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

## Stock Price Range(Tokyo Stock Exchange)



## Major Subsidiaries and Affiliates (As of June 30, 2010)

Area	Country	Name	Segment	Principal business	
Domestic	Japan	Nipro Medical Industries Co.,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	
		Nipro Patch Co., Ltd.	Pharmaceutical	Manufacturing and R&D	
		Bipha Corporation *	Pharmaceutical	R&D, Manufacturing and Marketing	
Overseas	Thailand	Nipro (Thailand) Corporation Limited	Medical Equipment	Manufacturing	
		Nipro Sales (Thailand) Co.,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	
	Brazil	Nipro Medical 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
			Nipro Diagnostics, Inc.	Medical Equipment	Manufacturing and Marketing
Belguim	Nipro Europe N.V.	Medical Equipment	Marketing		

\* : Affiliate accounted for by the equity method



**NIPRO CORPORATION**

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