NIPRO
Your Partner in Health Care

Annual Report 2016

Year Ended March 31, 2016

Contents

Profile

To Become a Truly Global Comprehensive Medical Care Company

Since its establishment in 1954, Nipro Corporation has expanded its business from glass materials to medical devices and pharmaceutical products, based on our corporate management philosophy and our concept of technological innovation. We provide products and technologies in a wide range of fields to meet the needs of patients and the medical treatment frontline.

The aim of Nipro now is to become a truly global comprehensive medical care company that can fulfill the desire of people of the world, having different cultures, customs and lifestyles, "to lead a healthy life". Our mission therefore is to strive earnestly to create new value from a "user-focused" unwavering attitude of how to contribute to medical services on a global scale.

Nipro's Strength—A "Trinity" Business Model

Medical devices, pharmaceuticals and glass products are the three pillars of Nipro's business. We shall continue to further develop these business areas in a harmonious manner. Nipro's unique strength of technology and know-how about medical devices, pharmaceuticals and glass products is manifested to the maximum extent, for instance, in our combination products like double bag kit and pre-filled syringe.

Making full use of this strength would ensure the safety of patients and labor saving in clinical practice. It would also enable speedy response to a wide range of emerging needs felt across the world and to seed ideas.

Medical-Related Business

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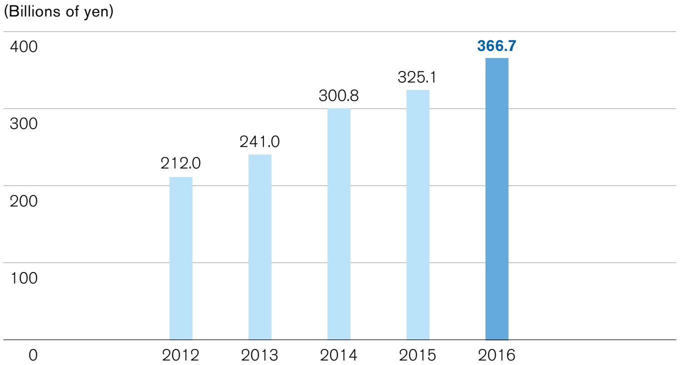
Consolidated Financial Highlights

Nipro Corporation and its Consolidated Subsidiaries
Years ended March 31, 2016, 2015, 2014, 2013, and 2012

					Millions of yen	Thousands of U.S. dollars
	2016	2015	2014	2013	2012	**2016**
For the year:						
Net sales	**¥366,650**	¥325,084	¥300,753	¥241,021	¥212,013	**$3,253,905**
Operating income	**24,205**	16,572	12,290	11,371	15,825	**214,812**
Net income attributable to shareholders of parent	**19,719**	12,470	2,861	10,232	4,586	**175,000**
Capital expenditures	**57,101**	47,698	35,093	37,997	39,525	**506,754**
Depreciation and amortization	**30,147**	27,668	25,151	21,210	21,581	**267,545**
R&D expenses	**10,269**	8,646	7,891	6,464	5,957	**91,134**
At the year-end:						
Total assets	**¥708,883**	¥695,307	¥619,655	¥579,302	¥499,687	**$6,291,116**
Net assets	**175,508**	178,810	135,961	128,763	113,951	**1,557,579**
Per share data (in yen and U.S. dollars):						
Net income						
Basic earnings (*3)	**¥ 116.2**	¥ 81.0	¥ 18.2	¥ 60.0	¥ 35.3	**$ 1.03**
Diluted earnings (*3)	**114.7**	–	16.3	54.1	31.0	**1.02**
Cash dividends	**33.5**	32.5	30.5	27.5	23.5	**0.30**
Equity (*3)	**977.6**	988.8	832.1	703.5	643.9	**8.68**

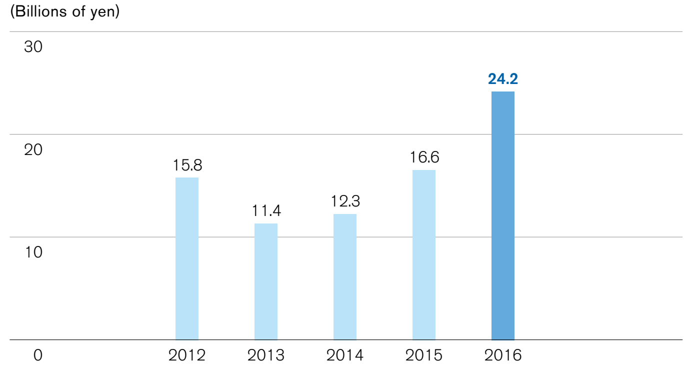
Net Sales

(Billions of yen)



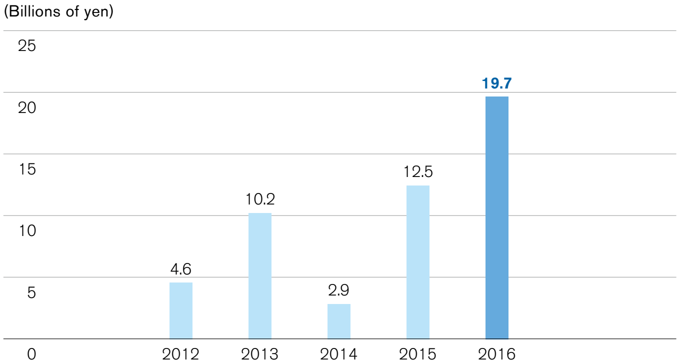
Operating Income

(Billions of yen)



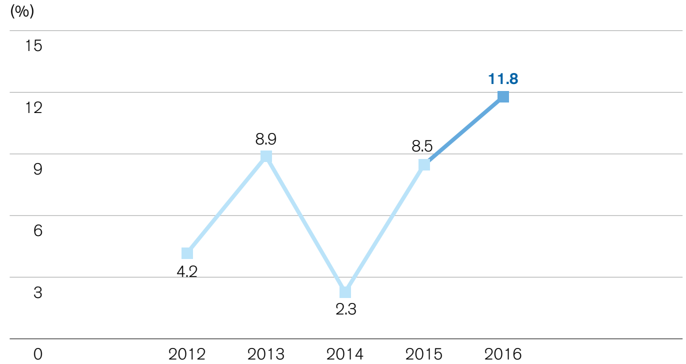
Net Income Attributable to Shareholders of Parent

(Billions of yen)



Return on Equity

(%)



A Message to Our Shareholders and Investors

Results for the fiscal year ended March 31, 2016

Fiscal 2016, which ended March 31, 2016, yielded far-reaching results thanks to Nipro's consistent adherence to the thinking that "product competitiveness is a manufacturer's lifeline." Having not only strengthened our sales structure and improved production efficiency, we were able to bring about improvements in the integration of sales and production on a global scale.

As a result, net sales grew 12.8% year on year to ¥366.7 billion and operating income rose 46.1% to ¥24.2 billion, while net income attributable to shareholders of parent totaled ¥19.7 billion, an increase of 58.1% from the previous fiscal year.

In the Medical-Related business, sales of products related to injection, transfusion and dialysis as well as cardiovascular products remained solid. In overseas sales, we greatly increased the sales quantity of our own-brand dialyzers in all the world's major regions.

In the Pharmaceutical-Related business, plant utilization rates improved and there was an increase in revenues due to an increased number of contract-manufactured biopharmaceuticals, orally administered drugs and injectable solutions.

In the Glass-Related business, in addition to concentrating on the needs of global customers and capturing new demand, we promoted the development of high value-added products and the improvement of their production environments in response to demand for injectable formulations with greater stability and higher quality.

We sold consolidated subsidiary Nipro Diagnostics, Inc. in January 2016. The reason for the sale was that blood glucose self-monitoring products were determined to be a difficult field in which to promote Nipro's uniqueness. As a result, although there will be a negative impact on future Nipro revenue, the rate of sales expansion excluding Nipro Diagnostics will grow and is planned to trend upward steadily.

Developing New Technologies to Enhance Product Competitiveness

Yoshihiko Sano
President & Representative Director

ACTION in 2015-2016

2016

February 10, 2016
Japan's Ministry of Health, Labour and Welfare designates autologous mesenchymal stem cells from bone marrow as product subject to "SAKIGAKE (forerunner) Designation System"

March 31, 2016
Launched CELLAFORTE™ automated cell culture system for stem cells

2015

November 13, 2015
Construction of Regenerative Medicine R&D Center (provisional name) commenced

November 12, 2015
Overseas base established in China

October 29, 2015
South American base established in Ecuador

October 15, 2015
Acquires rights to sell dialysis consumables to Mauritius

September 11, 2015
Launched MightySat™ Rx fingertip pulse oximeter

September 4, 2015
Consolidated U.S. company Infraredx, Inc.
India sales subsidiary Nipro Medical (India) Pvt. Ltd. opens head office

May 7, 2015
Pharmaceutical production plant in Vietnam commences operations

Meeting the world's medical needs

In Japan, we are making progress with the introduction of new treatment methods called online hemodiafiltration (HDF) and internal hemodiafiltration (iHDF), and at the same time Nipro dialyzers and HDF filters with a greater degree of accuracy are being adopted. I believe this trend will continue in the years to come. In the fiscal year ending March 31, 2017, it is anticipated that the introduction of online HDF and iHDF will be further facilitated in step with reimbursement price revisions, and the expectations are that there will be further expansion in the sales of our products. With regard to generic drugs, we greatly increased outsourced manufacturing and the number of products as a result of focusing on upgrading production systems capable of providing consistent quality.

Overseas, we are making headway in the building of a sales network for medical equipment in emerging markets, including China and India, and thereby are bringing about an increase in our share of those markets. With regard to our own-brand dialyzer-related products, there were significant increases in sales quantity in all the major regions of the world, and plant production and shipments could not keep pace with demand. There is a sudden increase in demand for dialysis-related products in emerging economies, and we will develop and expand our production facilities in the coming years in anticipation of ongoing sales expansion.

Initiatives for growth

At Nipro, we are concentrating our efforts on developing and expanding our business base. In the fiscal year under review, we implemented a raft of measures.

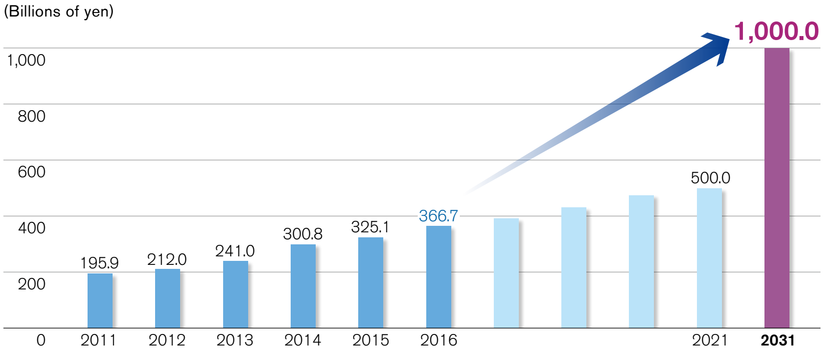
In Japan, we commenced sales in April 2015 of the anti-thrombotic catheters, clinical diagnostic agents and other products that we had acquired from Unitika Ltd. Overseas, we expanded and upgraded our sales structure, for example by establishing Nipro Medical (India) Pvt. Ltd., and acquired the Boston, U.S.-based advanced medical equipment development company, Infraredx, Inc.

From the production perspective, having received approvals and authorizations from the Vietnamese Ministry of Health and Japan's drug management authorities, Nipro Pharma Vietnam Co., Ltd. commenced the commercial production of injectables. In Japan, we installed a new dialyzer production line at our Odate plant and invested in a number of other facilities, including new plants for Zensei Pharmaceutical Industries Co., Ltd. and Nipro Patch Co., Ltd., and in the Regenerative Medicine R&D Center. At the Nipro Odate plant, Nipro Medical Industries Co., Ltd., Nipro (Thailand) Corporation Limited and Nipro (Shanghai) Co., Ltd. we established product quality maintenance units—separate from the existing quality assurance (QA) departments and serving as implementation sections that target zero customer complaints—and thereby enhanced our QA systems.

By enhancing our business base and systems in this manner, I consider that we are well placed to successfully achieve our already stated target of ¥500 billion in consolidated sales by fiscal 2021. Accordingly reaffirming our longer term target of recording consolidated sales of ¥1 trillion by fiscal 2031, I will be formulating management strategies and developing and expanding our business base to those ends.

Net Sales Results and Plan (For the years ended March 31)

(Billions of yen)



Management policies and outlook for fiscal 2017

The management policies for the current fiscal year cover four themes: focus our strengths on developing new products and accelerate the development of new technologies; strengthen the market competitiveness of our existing products; achieve the goals of zero defects and the world's leading safety measures in hospitals and other medical settings; and further strengthen our overseas plants' capability to generate profits and have them go into the black by matching our production and sales systems.

Underpinning Nipro's business are the way in which we take the user's viewpoint in global markets and create high value-added products that outperform those of other companies, including in terms of safety, to enable us to respond to needs on the medical treatment frontline. Based on this concept, we provide our customers with products that are more competitive and services that are better and thus we have continued to grow. Having restated our aim to record consolidated sales of ¥1 trillion, we will need to further expand our business. For that reason, we need to accelerate product development and work to further strengthen an increased production system.

With regard to the results for the current fiscal year, despite the fall in sales associated with the exclusion of Nipro Diagnostics from the scope of consolidation and the negative impact of exchange rate fluctuations, I believe that we can achieve growth of approximately 10% in sales excluding these impacts.

Building a robust organization

Upholding "willingness" as our corporate credo, Nipro works to maintain a workplace environments in which all its employees can work with motivation and encourages the creation of organizations that possess a sense of unity between sales and production and are thus better capable of responding to user needs.

In 2016, with the aim of supporting a balance between work and childrearing, we launched the setting up of childcare facilities on business sites. We are also committed to continuing to build a remuneration system that distributes profits in accordance with work achievements. At the parent company level, we are about to complete the remuneration system, and the plan is to promote its introduction at all Nipro Group companies in the years ahead. Forming a mechanism linked to the overall maximization of employee motivation, I believe that this remuneration system will be the greatest weapon in improving Nipro's competitiveness in the years ahead.

To our shareholders

Returning profits to shareholders is one of Nipro's key business policies. Having improved its profit ratio, Nipro would like to distribute larger dividends among its shareholders. For the fiscal year under review, Nipro paid a dividend of ¥33.50 per share, an increase of ¥1 per share compared with the previous fiscal year.

Up to now, Nipro has worked to reinforce its business base to sustain its growth as a global medical manufacturer. Consequently, I feel that we are approaching cruising speed for revenue growth. Looking ahead to achieving the Company's target ¥1 trillion in consolidated sales by the fiscal 2031, we will redouble our efforts to conduct product development to enable us to meet user needs and thus supply products that display enhanced competitiveness when compared with those of other companies.

We sincerely appreciate the ceaseless support and encouragement of our shareholders as we pursue these goals.

July 2016

Yoshihiko Sano
President & Representative Director

Board of Directors and Auditors

Front row, from left: Makoto Sato, Yoshihiko Sano, Kazuo Wakatsuki
Back row, from left: Yoshiko Tanaka, Kyoetsu Kobayashi, Kiyotaka Yoshioka, Minako Oomizu, Toshiaki Masuda

Representative Director

Yoshihiko Sano
President & Representative Director

Managing Directors

Makoto Sato
Kazuo Wakatsuki
Kiyotaka Yoshioka
Toshiaki Masuda
Kyoetsu Kobayashi

Directors

Akihiko Yamabe
Mitsutaka Ueda
Tsuyoshi Yamazaki
Hideo Okamoto
Masanobu Iwasa
Yozo Sawada
Kimihito Minoura
Hideto Nakamura
Yasushi Kutsukawa
Masayuki Ito
Itsuo Akasaki
Kazuhiko Sano
Akio Shirasu
Hiroshi Yoshida
Hiroshi Sudoh
Takeo Kikuchi
Kenichi Nishida
Toyoshi Yoshida
Kouki Hatakeyama
Yasushi Ohyama
Kenju Fujita
Takehito Yogo
Yoshiko Tanaka
(External Director)
Minako Oomizu
(External Director)

Standing Statutory Auditor

Takayuki Nomiya

Statutory Auditors

Kazumichi Irie
Masayoshi Hasegawa

Review of Operations

Medical-Related Business
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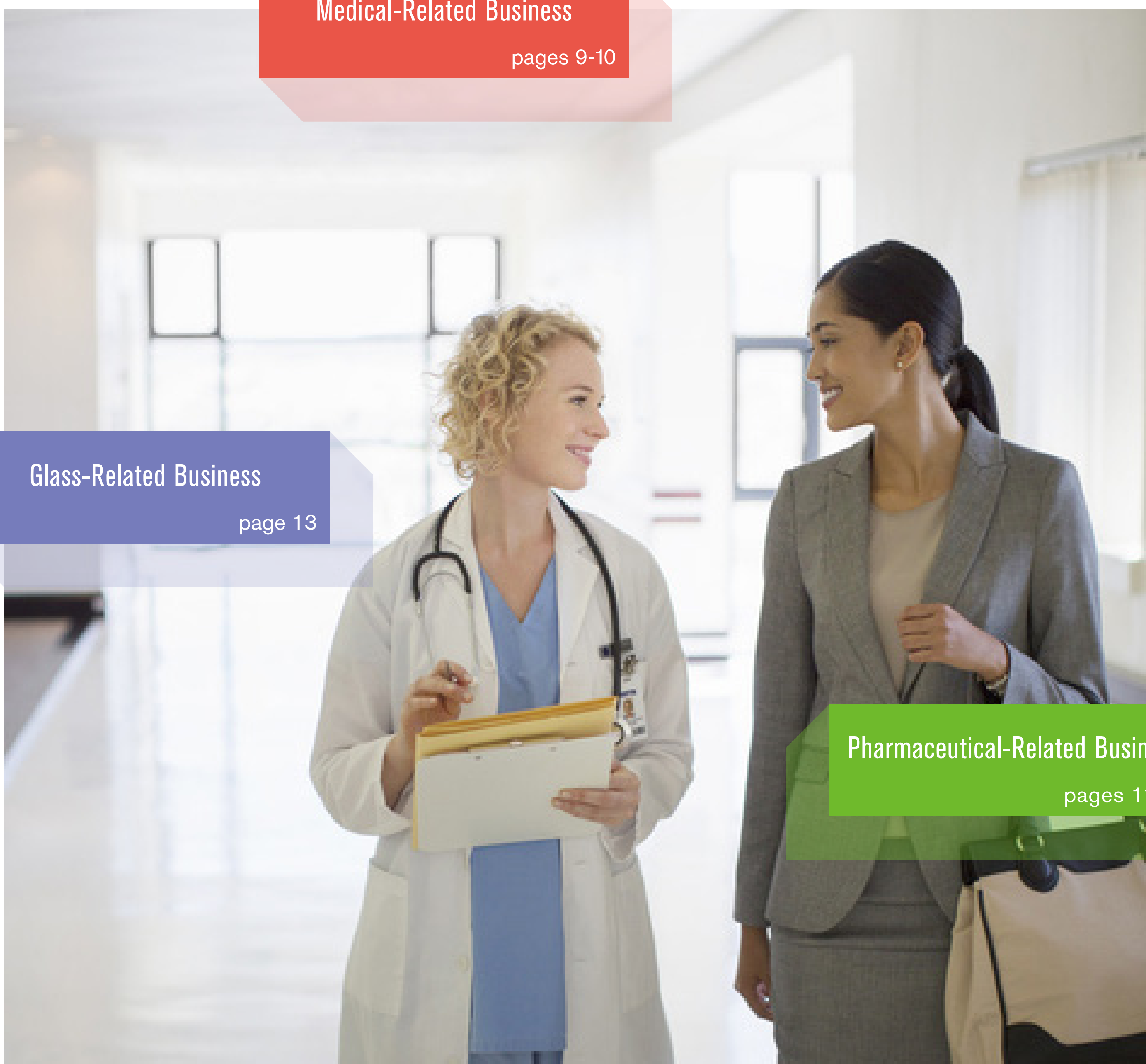

Glass-Related Business
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Pharmaceutical-Related Business
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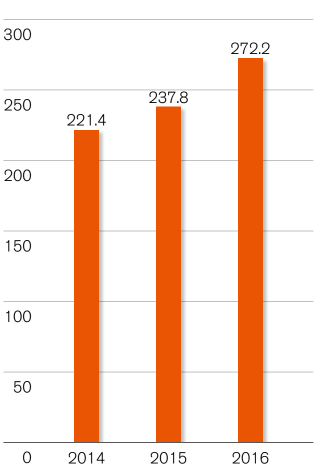
Medical-Related Business

Note: This chart does not include the sales of pharmaceutical products, etc. The total sales amount of this chart is 215.3 billion yen.

In this business market segment, Nipro engages in the development, manufacture and sale of injection-infusion, artificial organ and cell-culture related products, as well as the sale of medical equipment for renal treatment, diabetes and generic drugs on a global basis.

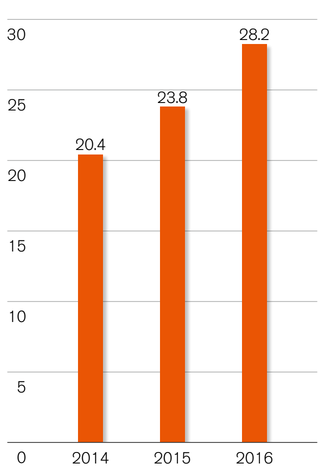
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



Financial Results for Fiscal 2016

In the fiscal year ended March 31, 2016, net sales in the Medical-Related Business increased 14.5% year on year to ¥272.2 billion. Operating income grew 18.4% to ¥28.2 billion.

In Japan, sales and profits of injection-infusion, enteral nutrition, renal, and vascular products remain strong. Sales of hemodiafilter and dialysis machines in the renal products category were especially robust. Sales of cardio vascular surgery products experienced a recovery.

Overseas, sales volumes of dialyzers, bloodlines and other renal products grew substantially in major regions all over the world. In India, where market expansion is expected, steps were taken to establish Nipro Medical (India) Pvt. Limited and to expand the Group's sales structure. On the production side, factories in India, China (Hefei), Indonesia and Bangladesh helped to stabilize and increase production and sales.

Strategy and Outlook for Fiscal 2017

In the Medical-Related Business, along with dialyzers and other renal products, we aim to expand our market share in such fields as artificial heart-lung and vascular products.

In Japan, where healthcare reimbursement pricing reforms occurred in 2016, we are focusing more on hemodiafilters and dialyzers that are less affected by this repricing.

In overseas markets, we are promoting the expansion of our sales networks especially in India and are conducting aggressive marketing activities in other countries. By the end of March 31, 2017, we expect to see an increase in both domestic and overseas sales through sales promotions.

For generic drugs, we will continue to pursue synergies in collaboration with the Medical Device Business and its sales teams. Along with our continuous effort to develop new products, we will maintain our focus on cultivating various sales channels including universities, major hospitals, retail pharmacy groups, wholesalers and distribution partners.

Surdial™-X

Surdial™-X offers the user the flexibility to set up treatments tailored to the patient's needs; its slim and ergonomic design takes up less space on the ward or dialysis unit giving more space to the patient and the operator.

Leveraging Brand for Long-Term Growth

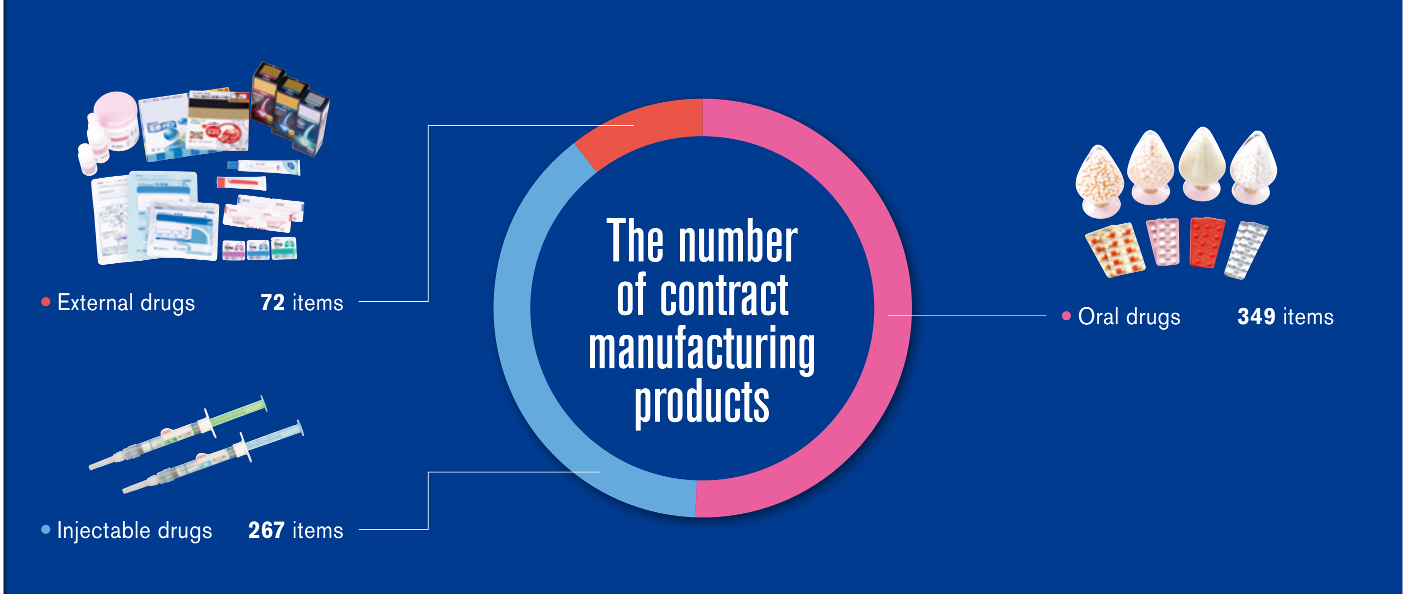
Nipro has identified efforts to secure profitable operations by strengthening earnings at its overseas plants and optimizing its production and sales structure as a key policy in 2016.

Against this backdrop, overseas sales continue to expand steadily, while the Nipro brand is becoming increasingly recognized worldwide.

Sales by region

Year-on-year growth of Nipro brand products

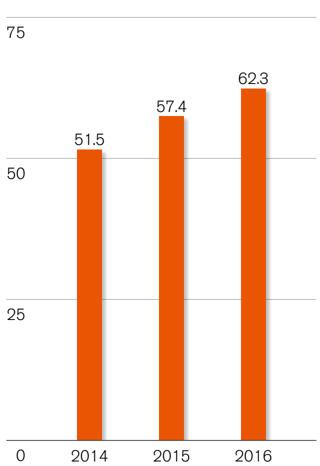
Pharmaceutical-Related Business



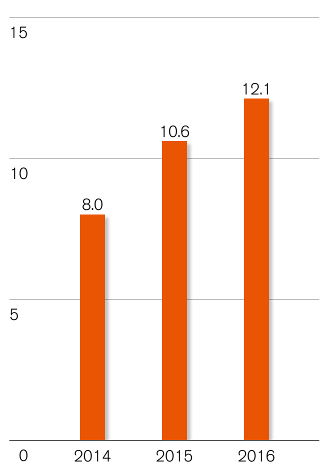
Nipro, as one of the leading CDMO* companies in the world, manufactures various pharmaceuticals including oral drugs, injectables and external preparations, which are supplied to 84 pharmaceutical companies in Japan.

* Contract Development and Manufacturing Organization

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



Financial Results for Fiscal 2016

In the fiscal year from April 1, 2015 to March 31, 2016, in the Pharmaceutical-Related business, compared with the previous fiscal year, net sales increased 8.5%, to ¥62.3 billion, and operating income rose 14.3%, to ¥12.1 billion.

We took steps to supply CDMO services. This included the contract manufacturing of existing products as well as contract development from the formulation design of oral drugs and external preparations. We also undertook contract development drawing on the strengths of our development and manufacturing capabilities in direct pharmaceutical containers including vials, syringes and bags. Furthermore, we provided a broad range of services including life-cycle management support in an effort to deliver added value and increase differentiation.

In recent years, products produced in the Nipro Group's pharmaceutical plants have been supplied to 13 countries mainly in Asian and European markets. This in turn has helped to increase overseas sales.

Strategy and Outlook for Fiscal 2017

As one of the top pharmaceutical contract manufacturing organizations in Japan, we will further enhance production capacity as well as quality assurance systems that also comply with the standards of overseas advanced countries. In addition, we will further strengthen the production capacity of our overseas sites to increase the supply of pharmaceuticals to the world market.

With regard to pharmaceutical containers and devices related to the preparation and administration of pharmaceuticals, we will continue to develop and supply products that offer safety and convenience.

As a key pharmaceutical plant initiative, we will install an ultra-high-speed tableting machine at the new Izumi Plant of Zensei Pharmaceutical Industries Co., Ltd. in order to enhance production efficiency and will also place a high-performance cut packaging machine in the new Odate Plant of Nipro Patch Co., Ltd. with the aim of increasing production capacity.

In addition, the manufacturing facility for lyophilized vials owned and operated by Nipro Pharma Vietnam Co., Ltd. has been approved for pharmaceutical contract manufacturing by Vietnam's Ministry of Health and the Ministry of Health, Labour and Welfare of Japan. Operations will commence from July 2016 with products supplied to the Japanese Market.

Global Strategy

Upgrading and Expanding Pharmaceutical Manufacturing Base

Nipro recognizes the urgent need to build a global sales channel network and gain a competitive advantage with respect to product costs while upgrading and expanding its production capacity in line with the rapid growth in its pharmaceutical business. Working to further boost its supply system, the Company has expanded its pharmaceutical manufacturing base in Odate City, Akita Prefecture, and established a manufacturing subsidiary in Vietnam.

Odate Plant

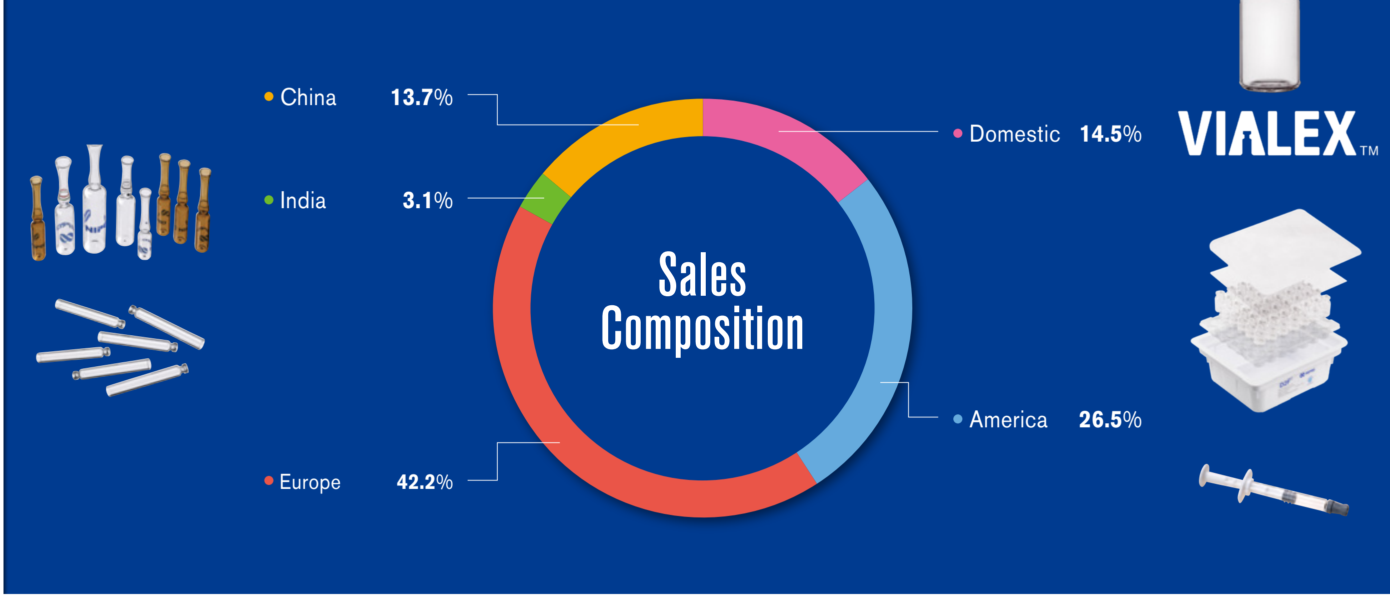
As the only company within the Nipro Group involved in external preparations, Nipro Patch Co., Ltd. constructed a new plant in the Niida Industrial Park in Odate City, Akita Prefecture and commenced the manufacture of mainly solvent-type tapes in May 2016.

Looking ahead, steps will be taken to produce other formulation products including external preparations with plans to supply products to other countries than Japan beginning with European countries and the US.

Vietnam Plant

Nipro Pharma Vietnam Co., Ltd., a pharmaceutical manufacturing subsidiary of the Nipro Group located in Hai Phong City, commenced commercial production in April 2015. Following the ampoule formulation facility, operations commenced at a lyophilized vial formulation facility in July 2016.

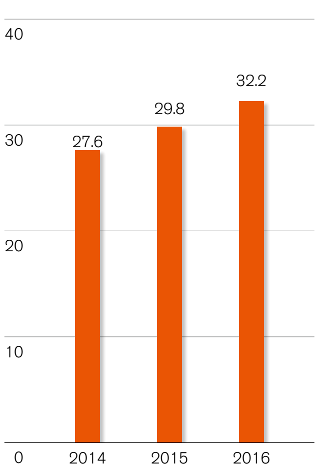
Glass-Related Business



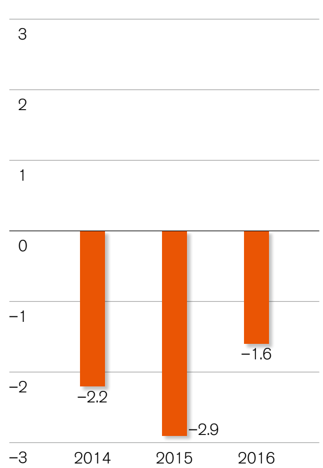
Nipro has undertaken the manufacture and sale of glass products mainly for medical products since its foundation. Effective from fiscal 2017, the Glass-Related Business has been renamed the *Pharma Packaging Business*.

VIALEX™ offers tubing vials of unprecedented surface quality with surface hydrolytic resistance levels only known with molded glass

Net Sales
(Billions of yen)



Operating Loss
(Billions of yen)



Financial Results for Fiscal 2016

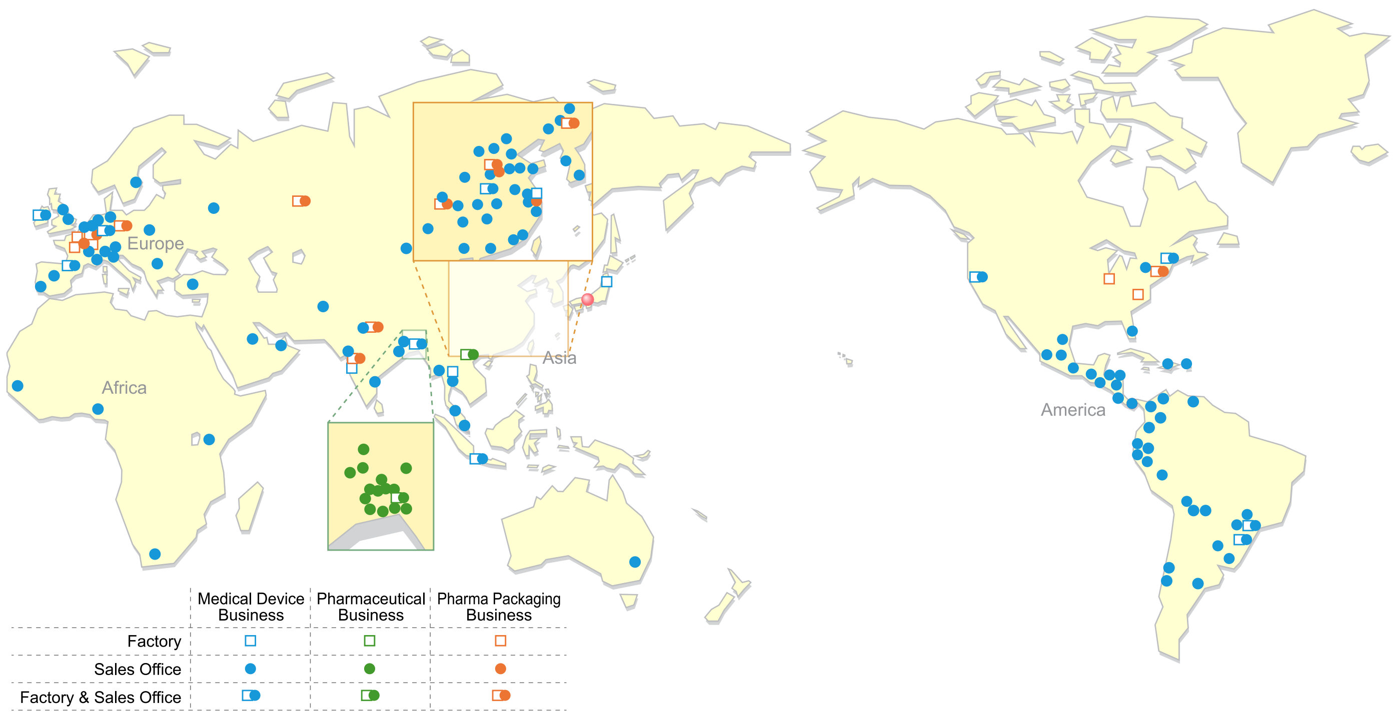
Net sales of the Glass-Related Business increased 7.9% year on year to ¥32.2 billion. In the fiscal year under review, the Company incurred an operating loss of ¥1.6 billion. This was, however, and improvement of ¥1.3 billion compared with the previous fiscal year.

In Japan, Nipro reported strong sales growth mainly in tube glass, vials and pre-filled syringes. Overseas, results were also firm. Despite the effects of subdued buying by pharmaceutical manufacturers due mainly to amendments to the Good Manufacturing Practice (GMP) by the State Food and Drug Administration (SFDA) in China, vial and ampoule sales grew in other emerging markets such as India and Russia.

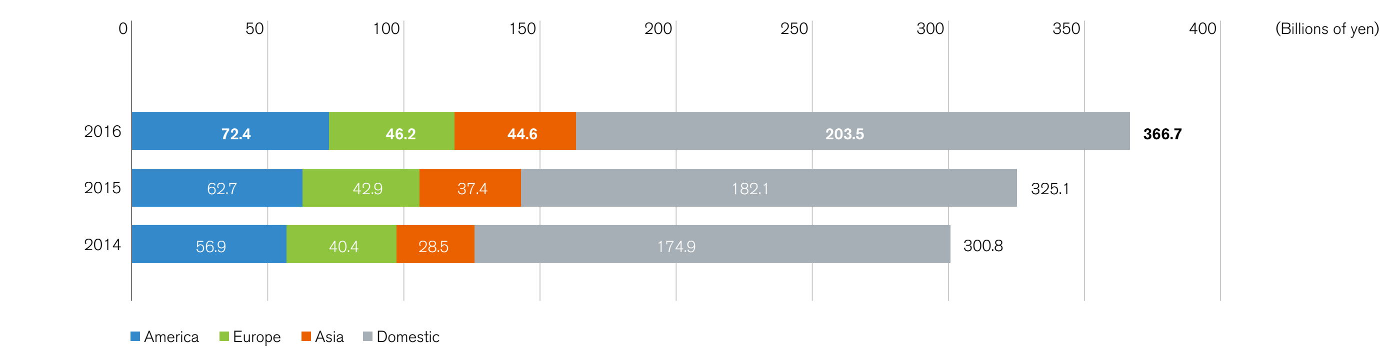
Strategy and Outlook for Fiscal 2017

In fiscal 2017, plans are in place to improve the quality as well as manufacturing efficiency of sites all over the world. In addition to glass containers, we will also expand our product lineup of such items as rubber stoppers and plastic containers while improving profitability in Japan and overseas with the aim of securing a turnaround to operating profit.

Global Activities



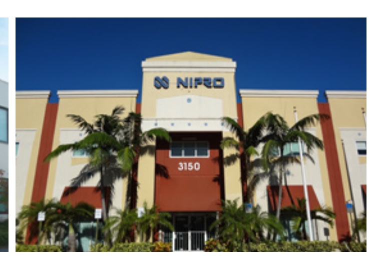
Net Sales by Region (For the years ended March 31)



Nipro PhamaPackaging Germany GmbH

PT. Nipro Indonesia JAYA

Nipro Europe N.V.



Nipro Medical Corporation

Our Efforts in Regenerative Medicine

An increasing number of companies are working on the development of regenerative medicine using stem cells, such as iPS cells. Nipro has recognized the regenerative medicine and cell therapy field as a future pillar in its medical business. One of Nipro's subsidiaries, Cell Science & Technology Institute, Inc., has been constructing a new factory in Yamagata Prefecture to meet the growing demand for culture medium and its higher quality requests. We are also working together with Sapporo Medical University to develop regenerative medicines for stroke and spinal cord injuries.

Construction of the Regenerative Medicine R&D Center

In collaboration with Sapporo Medical University, Nipro has been developing regenerative medicines that use mesenchymal stem cells* derived from the patient's bone marrow to treat cerebral infraction and spinal cord injuries. In December 2015, Nipro began construction on the Regenerative Medicine R&D Center on a site next to Sapporo Medical University.

At the initial step of this new therapy, a small amount of bone marrow from the patient is collected. Next, the collected stem cells are multiplied by 10,000 by cell culturing. These cells are then injected back into the patient to improve motor function of the paralyzed areas.

The Regenerative Medicine R&D Center will become a development base for cell therapies (regenerative medicines and related products).

* Mesenchymal stem cells: stem cells with the ability to differentiate into nerves, blood vessels, etc.

Designated Items under the Sakigake Designation System

The regenerative medicines for treating spinal cord injuries, under development by Nipro and Sapporo Medical University, were designated in February 2016 by the Ministry of Health, Labor and Welfare's Sakigake Designation System*. This is the first regenerative medicine which received such designation in Japan. Items designated under this system are fast-tracked for approval in about six months, which normally takes around a year, making it possible to release the product into the market much more quickly.

* The Sakigake Designation System is a system designed to facilitate the commercialization of cutting-edge medicines and medical equipment in Japan before the rest of the world.

Conceptional Drawing of the Regenerative Medicine R&D Center

Interview with Manabu Kodo

How would you define Nipro's iMEP?

Manabu Kodo
Head of iMEP and Medical Technology Division for Planning, Development & Marketing

Nipro's iMEP, the institute for MEdical Practice, is a state-of-the-art training facility for health professionals. iMEP was founded in October 2014, in Minami-Kusatsu City, Shiga Prefecture. In recent years, there has been an increase in the minimum skill levels required for health care personnel. This is why our company built the iMEP training facility. Through iMEP, our company provides realistic simulations of hospital rooms, a cineangiography room, and an operation room, all of which are equipped with the latest medical equipment and facilities. In addition, we also host and hold seminars and simulation-based training to discuss the current topics of interest within the healthcare industry and clinical practice.

Could you please tell us more about iMEP and Nipro's product development?

Through the training conducted at iMEP, our company is able to get feedback directly from our users, and in turn apply that knowledge to our future product development. For example, say there is a difference with the specifications and design of the medical equipment we use for training and the equipment manufactured by our competitors; the difference in specifications would naturally have an effect on the outcome of the procedure. We are thus able to see the effect the difference makes, and it will give us some insight, some hints on how to improve the specifications of future medical equipment. This is especially true in the case of disposable medical equipment. By familiarizing ourselves with the entire medical procedure, from beginning to end, we are also able to see the importance of the surrounding details such as the individual packaging of the product. Moreover, iMEP is located within the same premises as our Product Research and Development Department, R&D Laboratory, Pharmaceutical Research Institute, and our Production Technology Center. From the most basic experiments to advanced testing at the frontline of the medical field, planning, preparation, production, and verification are carried out at each stage. It all amounts to a greatly beneficial R&D environment where people unite and work together at all times.

What does the future hold for iMEP?

The defining characteristic of iMEP is that it is a place where the trainees can receive a wide range of medical training. They can participate in lectures, training to boost their skills, simulation-based training, and so on, all at one time. In addition to learning the basics of medical education, training is essential. Clinical skills, medical assessment capabilities, and teamwork between medical staff from various fields all require integrated training. In addition, in terms of medical economics, it is very likely that the medical industry will shift from hospitals to personal homes with home nursing. It is necessary for providers of training facilities like Nipro to not only maintain enriching learning environments, but also to develop new and suitable simulators to keep up with an ever-evolving industry as medical equipment and technologies improve.

Development serves an important role in both the fulfillment of so-called "hard" aspects like medical equipment and devices, and in "soft" aspects such as educators and educational systems. I personally believe that it is necessary to strengthen the collaboration between all kinds of scientific societies and training organizations. Nowadays, people are realizing that it is essential to continue training even after qualifying as a healthcare provider. It is predicted that there will be a further increase in the number of educational facilities in Japan over the next decade, but each facility can only provide a limited education to each individual. This is why I believe it is important that we build a global, educational environment that connects all of these facilities.

In regards to medical training, the important role that companies like Nipro play lies behind our connection to the development and innovation of medical equipment. With its simulation training rooms, its ability to receive and relay feedback from the users to the industry, and its significant contribution to the development of new and superior medical equipment, it is my belief that our facility, iMEP, has an important mission to fulfill.

Research and Development Activities

The Nipro Group is involved in and serves a central role in the research and development of medical devices and pharmaceuticals at the Nipro Life Science Site located in Minami Kusatsu, Shiga Prefecture.

R&D activities of the different business segments are described below.

1. Medical-Related Business

Nipro has been conducting research and development in the following fields, with the Research and Development Laboratory playing a pivotal role. The expenses of research and development conducted by this business segment were ¥5.6 billion (approximately US$56 million).

Cell Drug Division

Nipro has been developing automated cell culture systems for cell drugs (regenerative medical products) and IPS/ES cells through ongoing research projects with industry, academia, and government in the field of stem cell therapy.

With cell pharmaceuticals, Nipro has entered into a licensing agreement with Sapporo Medical University with the objective of making autologous bone marrow cells into pharmaceutical products for practical use in regenerative treatment of cerebral infarction and spinal cord injuries. In February 2016, this was designated a “SAKIGAKE (forerunner) Designation System” by Japan’s Ministry of Health, Labour and Welfare.

Medical Devices Division

With transfusion products, *SAFETOUCH*® Manifold P, a connector which can be used to pump the optimal multiple dosages in operating rooms and ICUs, was added to our *SAFETOUCH*® transfusion system lineup, a needleless connection system.

For dialysis products, in order to prevent foaming at the time of the liquid replacement of blood circuits, we began development and sales of cyclone chambers in which replacement liquid enters the chamber from the side.

With anesthesia products, a 150 mL model was added to our lineup of *Surefuser*®*A*, a pressurized infusion instrument that can perform more precise chemical injections through the use of pressure from stable balloon contractions. This 150 mL model is suitable for the epidural, subcutaneous and vein administration of an analgesic and local anesthetic, and especially useful for the 46-hour administration of fluorouracil.

SAFETECT®

Diagnostic and Testing Products Division

Nipro released an improved genetic testing drug that can more rapidly and easily detect rifampicin-resistant tuberculosis. "Genoscholar®/*NTM+MDR-TB*," which can detect tuberculosis, drug-resistant tuberculosis, and non-tuberculous mycobacteriosis at the same time, has been recommended by the World Health Organization (WHO).

Functional Pharmaceutical Containers Division

Nipro has also received permission to manufacture and sell devices used for tympanic membrane regeneration within the field of otolaryngology, as well as nerve fixation within the field of brain surgery. In addition, Nipro has completed the registration process for the transfer needle, *SAFETECT®*, a component for pre-filled syringes with a safety mechanism.

ATHEROCUT®

Circulatory and Interventional Products Division

As a product to treat coronary diseases like acute myocardial infarction or coronary artery occlusion by percutaneous coronary intervention (PCI), Nipro DCA (directional coronary atherectomy) catheter, *ATHEROCUT®* was approved for manufacture and distribution in 2014. This device helps to cut lesions, as well as remove atheromas from narrowed or occluded coronary arteries, by means of a small embedded rotary cutter. After receiving feedback from cardiologists, we improved the product to focus on user friendliness and safety, and have relaunched the product in the market.

As a product for percutaneous peripheral intervention (PPI) therapy on peripheral blood vessels, we are aiming to distribute "*FINESTREAM® S*" by 2016, a PTA balloon catheter used for balloon dilation of stenosed peripheral arteries that features better balloon flexibility than the current *FINESTREAM® P*.

FINESTREAM® S

Surgery Division

By utilizing the processing technology of reabsorbing materials, we are continuing to develop an implantable medical device that includes the nerve regeneration inducing tubes, *RENERVE®*, and pericardium regeneration auxiliary material for regeneration medicine.

Artificial Organs Division

Nipro developed a disposable centrifugal pump, *BIOFLOAT®* and the device that drives it. This pump delivers long-term durability and reduced hemolysis based on non-contact bearings that utilize dynamic pressure floatation technology. This device was developed for cardiac surgery, and Nipro applied for permission to start manufacture of the product in April 2015.

In the field of hemocatharsis, we aim to spread the advantages of powder formulations of dialysis solutions overseas by using our knowledge accumulated in Japan. First, we received marketing approval of a powder formulation suitable for India and started distribution of the formulation. In addition, in order to accommodate regional differences, we developed a version of the device that dissolves the powder formulation quantitatively and simply, and started distribution of the device to Latin America and India.

Pain Treatment Device Division

As a new business started in 2016, we are researching and developing magnetic treatment devices that take into account biorhythms useful in treating chronic pain, mood disorder and other afflictions. In addition, numerous improvements have been made to product prototypes.

2. Pharmaceutical-Related Business

The following research and development activities are carried out with the Pharmaceutical Research Center playing a pivotal role. The research and development expenses for this business segment in the fiscal year were ¥4.7 billion (approximately US$47 million).

Injectable Drugs

We have been actively pursuing the development of formulations for injection kits that have excellent usability in medical practice, in addition to our normal vial or ampoule formulations.

Oral Drugs

In addition to the development of general oral agents, we engage in the development of value-added formulations that employ innovative methods. In order to enhance discernibility at the medical frontline, we are also creating formulations compatible with tablet printing and are putting in place a lineup of tablets with printed names.

Lewprorelin Acetate for Injection Kit

External Use Products

While also keeping an eye on overseas markets, we have continued to work on the development of tapes and hydrogel patches that are hypoallergenic, thin and lightweight and have good tackiness and stretchability.

We are developing microneedles, a new concept of percutaneous absorption formulation "injectable drug plastered on the skin" that can relieve patients' pain and may be more effective.

Generic Anti-Cancer Drugs and Biosimilars

From the next fiscal year and beyond, we will continue to develop oral and injectable anti-cancer generic drugs.

Within the field of biosimilars, Nipro plans to rapidly develop products based on collaboration with partners, who have excellent active pharmaceutical ingredients at a reasonable price and quantity.

Status of Corporate Governance

1. Corporate Governance System

(1) Corporate Governance System and Reasons for Adoption

Nipro Corporation has an established corporate governance system including organizations for the Meeting of Shareholders and directors as required under the Companies Act, in addition to a Board of Directors, auditors, Board of Auditors and an Accounting Auditor. Nipro has also established internal committees such as the Operational Risk Management Committee. This committee continuously maintains close coordination with external parties such as the company attorney, to enable effective monitoring and supervision of the efficiency and propriety of operations across the Company as a whole.

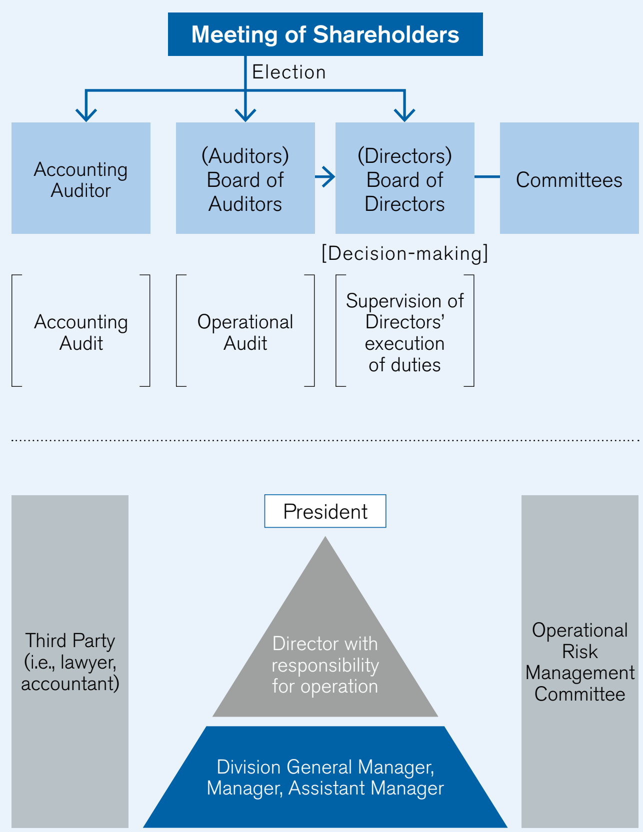
(2) Internal Control Systems

Nipro strives to make business units the foundation of its internal control system for the Nipro Group as a whole. Nipro's directors and auditors, as well as representatives of each of the major companies of the Group, hold a Group management meeting on a monthly basis. These meetings are used to report on the progress of business activities, decide key operating matters, and deliberate on pending matters. To build awareness of compliance with laws, regulations and corporate ethics among executives and employees, Nipro establishes, and promotes awareness toward, the "Nipro Code of Practice."

(3) Risk Management System

Nipro has established risk management regulations and a system for managing business and other specific risks. Its purpose is to recognize and capture risks that could have a material impact on business operations, in an appropriate and comprehensive manner. Nipro has also established an Operational Risk Management Committee to ensure cross-sectional management across all Group companies. The committee endeavors to further strengthen risk management systems to prevent, avoid and learn from risks and crises. Nipro has also established a Sanction Committee, chaired by the President, which endeavors to ensure sound business management through the appropriate handling of sanctions. Nipro produced the Disaster Prevention and Crisis Management handbook and distributed it to each employee within the Nipro Group. Nipro tries hard to keep employees fully informed about taking calm and appropriate action when faced with disasters and about reassessing and renewing business continuity plans as appropriate.

(4) Basic Structure of Corporate Governance and Risk Management



Conceptual Diagram of Corporate Governance

2. Internal and Statutory Auditing

(1) Internal Auditing

Nipro has established the Internal Audit Division, consisting of the Audit Office and the Overseas Audit Office, and conducts audits of accounting and other operations based on internal audit protocols.

(2) Statutory Auditing

For each statutory audit, auditors attend key meetings such as those of the Board of Directors, in accordance with the auditing policy and roles determined by the Board of Auditors. Auditors receive performance reports from directors and employees, and are able to request further explanation when necessary, and inspect key documents. Auditors also undertake other auditing duties such as investigating the state of operations and assets in key places of business. Board of Auditors meetings are held regularly, or as necessary, in order to exchange views and hold discussions.

3. Outside Directors and Outside Auditors

(1) Outside Directors and Outside Auditors

Two of the directors are outside directors and two of the three auditors are outside auditors. Two of the outside directors and one of the outside auditors are designated as independent directors.

(2) Policy and Criteria for Independence from the Filing Company in the Election of Outside Directors and Outside Auditors

Nipro determines the criteria for the independence of outside directors and outside auditors as a part of separate corporate governance guidelines taking into consideration the provisions stipulated under the Financial Instruments and Exchange Act. In the event that either case does not fall within the scope of this criteria, outside directors and outside auditors are deemed to be independent from the Company and that there is no possibility of a conflict of interest with general shareholders.

(3) Approach to the Election of Outside Directors and Outside Auditors

Close coordination with the outside directors and the full-time auditors, employees of the Audit Office and assigned staff from the management section of the head office (as needed) ensures sufficient cover to implement the supervision and the audit function and role as required by the current corporate governance system.

(4) Mutual Collaboration between Outside Audits and Internal, Statutory and Accounting Audits, and the Relationship between Internal Control Divisions

The outside directors attend meetings of the Board of Directors and supervise our management based on their extensive knowledge and management experience from an independent standpoint. The outside auditors carry out auditing activities including attending key meetings such as meetings of the Board of Directors in accordance with the audit policy and roles determined by the Board of Auditors. They are able to access reports via the full-time auditors or directly from directors and employees, and inspect key documents. The outside auditors also attend periodic or occasional meetings of the Board of Auditors to contribute to discussions and exchange opinions from an objective and independent viewpoint. The outside auditors strive to facilitate a smooth audit service through close collaboration with employees of the Audit Office, the full-time auditors, auditors of subsidiaries and the accounting auditor.

4. Accounting Audits

Name of Accounting Auditor: Hibiki Audit Corporation
Names of Certified Public Accountants conducting the Audit:
Kazuhiro Bando,
Takashi Kinoshita,
Miho Ishihara

Support Staff for Audits:
Certified Public Accountants: 12
Other staff: 4

Remuneration paid to Directors and Auditors

	Millions of yen				
	Total amount of remuneration	Total amount of remuneration by type			Number of eligible corporate officers
		Annual remuneration	Bonus	Retirement benefits	
Directors	¥570	¥134	¥390	¥46	28
Auditors excluding external auditors	7	7	–	–	1
External auditors	11	11	–	–	4

	Thousands of U.S. dollars				
	Total amount of remuneration	Total amount of remuneration by type			Number of eligible corporate officers
		Annual remuneration	Bonus	Retirement benefits	
Directors	$5,058	$1,189	$3,461	$408	28
Auditors excluding external auditors	62	62	–	–	1
External auditors	98	98	–	–	4

Financial Review

Overview

During the period under review, a shift to a full-fledged recovery failed to take shape on account of the economic slowdown in China, the decline in crude oil prices, the increase in interest rates in the U.S., and other developments. There is even greater uncertainty regarding Japan's economy for various reasons, including the impact of the Chinese economy, the economic slowdown in developing countries, as well as growing instability throughout the world, the source of which is the Middle East. Looking at exchange rates, the yen was weak during the first half of the year and increased thereafter. This prevented the economy from achieving a full-fledged recovery.

Under these circumstances, the Nipro Group worked to improve operating results through continued efforts to expand sales and reduce costs while placing the greatest priority on user safety.

Consolidated Business Results

Relevant quantitative data for the period under review has been converted at the rate of US$1.00 = ¥112.68 (the rate of exchange as of March 31, 2016).

Net Sales

In the year ended March 31, 2016, consolidated sales increased by 12.8% compared with the previous fiscal year to ¥366.7 billion (US$3,253.9 million).

Cost of Sales

The cost of sales increased 11.2% compared with the previous fiscal year to ¥250.8 billion (US$2,225.5 million). This increase corresponded to the increase in net sales, and the ratio of cost of sales to net sales decreased by 1.0 percentage points compared with the previous fiscal year to 68.4%.

As a result, gross profit increased by 16.39% compared with the previous fiscal year to ¥115.9 billion (US$1,028.4 million).

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 10.5% compared with the previous fiscal year to ¥91.7 billion (US$813.6 million), mainly due to an increase in labor costs and research and development expenses.

Operating Income

As a result of the aforementioned factors, operating income increased by 46.1% compared with the previous fiscal year to ¥24.2 billion (US$214.8 million). The ratio of operating income to net sales increased by 1.5 percentage points to 6.60%, mainly due to the increased income from the Medical-Related Business.

Other Income (Expenses)

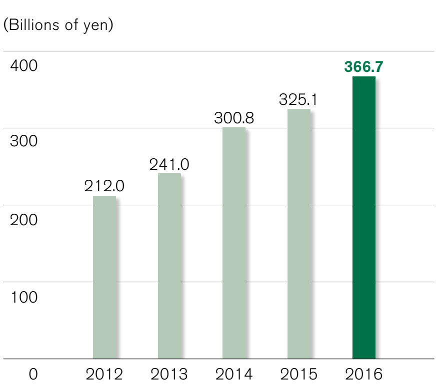
We recorded other income of ¥2.1 billion (US$18.5 million), ¥1.3 billion lower compared with other income in the previous fiscal year. In the period under review, we recorded ¥7.2 billion (US$63.7 million) in foreign exchange losses, while we reported ¥4.9 billion in foreign exchange gains in the previous period.

Income before Income Taxes

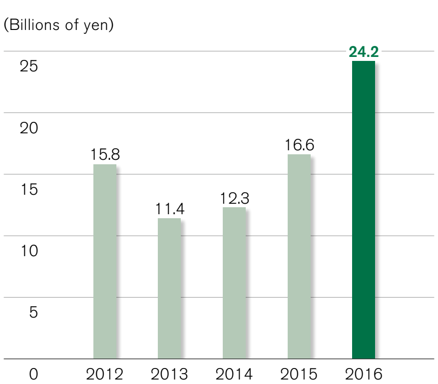
As a result of the factors outlined above, income before income taxes increased by 32.0% compared with the previous fiscal year to ¥26.3 billion (US$233.3 million).

(Years ended March 31)

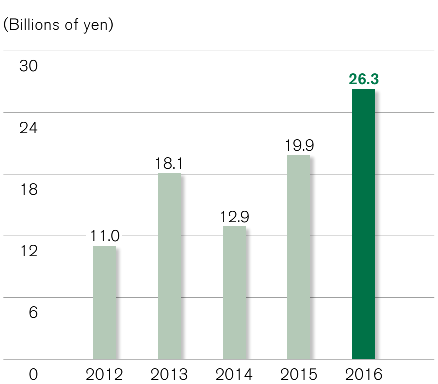
Net Sales



Operating Income



Income Before Income Taxes



Income Taxes

Income taxes, including deferred taxes, decreased by ¥0.3 billion, or 4.1%, compared with the previous fiscal year to ¥6.8 billion (US$60.4 million). The effective tax rate was 25.9%, lower than the rate of 35.4% for the previous fiscal year. This decrease is mainly due to adjustments to the Company's consolidated accounts to reflect the gain on sales of shares of subsidiaries and associates in connection with Nipro Diagnostics, Inc.

Net Income (Loss) Attributable to Non-controlling Interests

Net loss attributable to non-controlling interests amounted to ¥0.2 billion (US$2.1 million).

Net Income Attributable to Shareholders of Parent

Net income attributable to shareholders of parent increased by 58.1% compared with the previous fiscal year to ¥19.7 billion (US$175.0 million). Net income per share increased to ¥116.2 (US$1.03) from ¥81.0 for the previous fiscal year. Return on equity increased 3.3 percentage points to 11.8% from 8.5% for the previous fiscal year because of the higher net income. In the period under review, the Company recorded a gain on sales of shares of subsidiaries and associates and a gain on investments in capital of subsidiaries and associates totaling ¥15.7 billion (US$139.1 million) in connection with Nipro Diagnostics, Inc. and Shanghai Nissho Vacuum Flask Refill Co., Ltd.

Net Sales by Geographic Segment

Japan

In Japan, net sales increased by11.7% compared with the previous fiscal year to ¥203.5 billion (US$1,805.7 million) mainly due to firm sales in the Medical-Related business.

America

In America, net sales increased by 15.6% compared with the previous fiscal year to ¥72.4 billion (US$642.7 million) due to the stable expansion of sales Nipro brand dialysis products.

Europe

In Europe, net sales increased by 7.7% compared with the previous fiscal year to ¥46.2 billion (US$409.6 million) due to the sound sales of dialysis products.

Asia

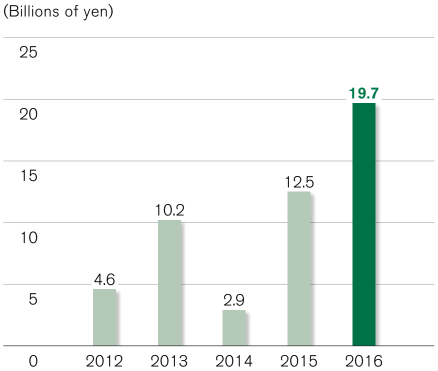
In Asia, net sales increased by 19.3% compared with the previous fiscal year to ¥44.6 billion (US$396.0 million) mainly because of the sales increase at new plants.

Financial Position

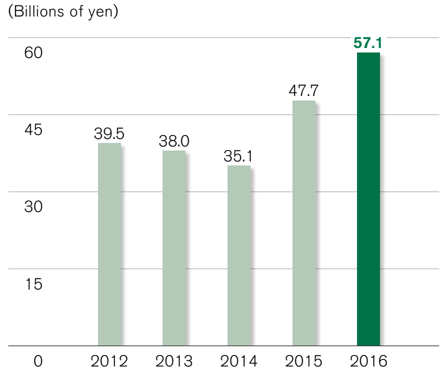
Total assets as of March 31, 2016 stood at ¥708.9 billion (US$6,291.1 million), an increase of ¥13.6 billion (US$120.5 million) compared with the end of the previous fiscal year. Of this total, current assets increased by ¥17.8 billion while noncurrent assets decreased by ¥4.2 billion. The main reason for the increase in current assets was the increase in cash and deposits of ¥13.8 billion. The decrease in noncurrent assets largely reflected the decrease in deferred income taxes of ¥4.0 billion.

(Years ended March 31)

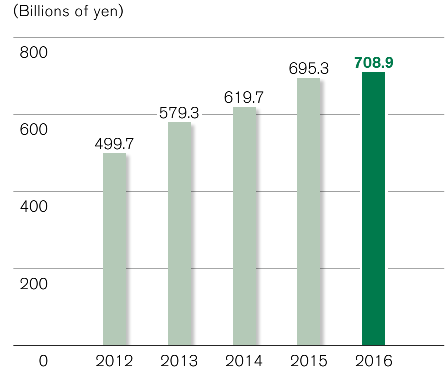
Net Income Attributable to Shareholders of Parent
(Billions of yen)



Capital Expenditures
(Billions of yen)



Total Assets
(Billions of yen)



Total liabilities as of March 31, 2016 stood at ¥533.4 billion (US$4,733.5 million), up ¥16.9 billion (US$149.8 million) compared with the end of the previous fiscal year. Current liabilities decreased by ¥26.3 billion and long-term liabilities increased by ¥43.1 billion. The principal reason for the decrease in current liabilities was the decrease in short-term bank loans of ¥36.2 billion. The main cause for the increase in long-term liabilities was the increase in long-term debt of ¥42.1 billion.

Total net assets as of March 31, 2016 stood at ¥175.5 billion (US$1,557.6 million). This was ¥3.3 billion (US$29.3 million) lower than the balance as of the end of the previous fiscal year. Shareholders' equity increased by ¥13.8 billion. Accumulated other comprehensive income decreased by ¥15.4 billion. As a result, the equity ratio decreased by 0.7 of a percentage point compared with the end of the previous fiscal year, to 23.4%.

Cash Flow

Net cash provided by operating activities amounted to ¥29.9 billion (US$265.7 million). The major cash inflows were net income and depreciation and amortization.

Net cash used in investing activities came to ¥16.5 billion (US$146.6 million). The principal cash outflow was purchase of property, plant and equipment.

Net cash used in financing activities amounted to ¥3.6 billion (US$32.2 million). The major cash outflow was repayment of long-term loans.

As a result, cash and cash equivalents stood at ¥112.0 billion (US$993.8 million) as of March 31, 2016.

Staff

The total number of employees as of the end of the period under review increased by 1,090 compared with the end of the previous fiscal year, to 24,243. Employees in Japan increased by 615, to 7,013, and the number of overseas employees increased by 475, to 17,230.

Basic Policy on Distribution of Profit

At Nipro, we have been paying dividends to shareholders by positioning the return of profits as an important management policy. Retained earnings will be actively invested in the research and development division, in addition to the sales division and production division, as a part of efforts to expand the business base and promote long-term business development. Through these means, we will ensure stable profits and achieve continued growth.

Risk Factors

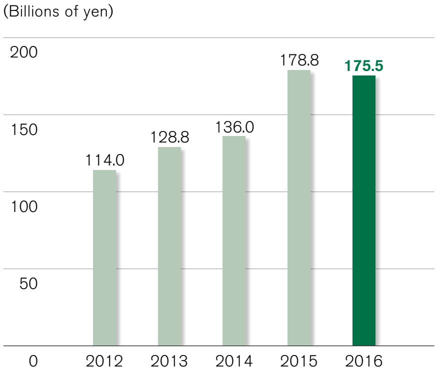
The following are risks that may have an effect on the Nipro Group's operational results and/or financial condition. The items concerned were determined as of March 31, 2016.

(1) Risks Related to Product Safety

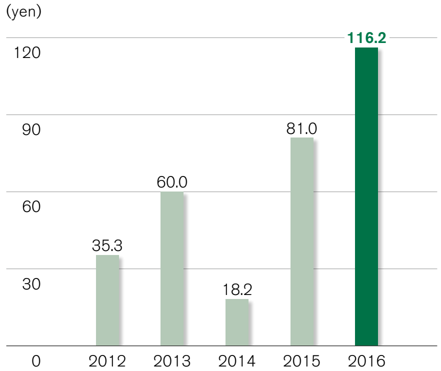
The Nipro Group brings all of its capabilities to bear in ensuring product safety in the design, development and manufacturing of medical devices and pharmaceutical products. There are still risks, however, such as accidental defects or adverse effects that could result in damages to a third party and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

(Years ended March 31)

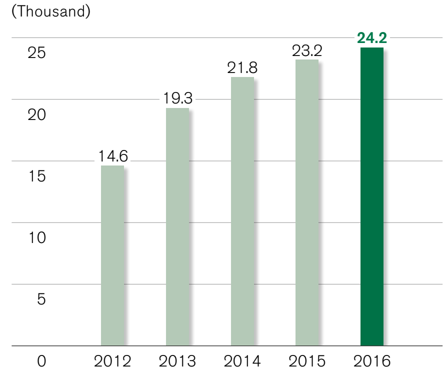
Net Assets
(Billions of yen)



Basic Earnings per Share
(yen)



Number of Employees
(Thousand)



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 operational results and/or 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 operational results and/or 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 government organizations, including the National Health Insurance System and the Pharmaceutical Affairs Law. Should circumstances arise in which we are unable to respond to changes in the environment brought about by unforeseeable wholesale changes in government healthcare policies, there could be a material adverse effect on our operational results and/or financial condition.

(4) Risks Related to Changes in Sale Prices

The products sold by the Nipro Group include some that are affected on an irregular two-year basis by price reductions under the Japanese payment system for medical care, drug prices and reimbursement prices for medical materials and supplies. Moreover, 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 operational results and/or financial condition.

(5) Risks Related to Changes in Prices of Raw Materials

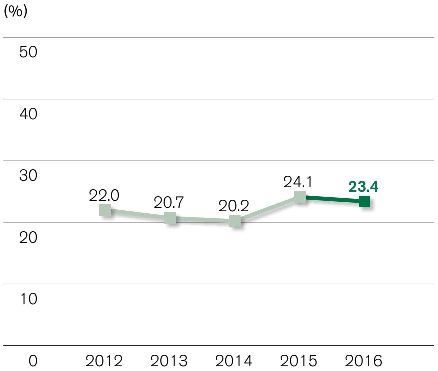
The products manufactured by the Nipro Group include some that are made from petrochemical products such as plastics. Should the cost of raw materials such as petrochemicals rise, there could be a material adverse effect on our operational results and/or financial condition.

(6) Risks Related to Overseas Expansion

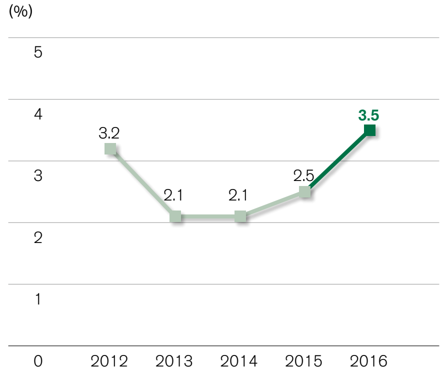
The Nipro Group maintains manufacturing bases and sales offices around the world for the production and supply of its products. Should there be unexpected revisions to legal regulations or political or economic changes in these countries or regions, there could be a material adverse effect on our operational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

(Years ended March 31)

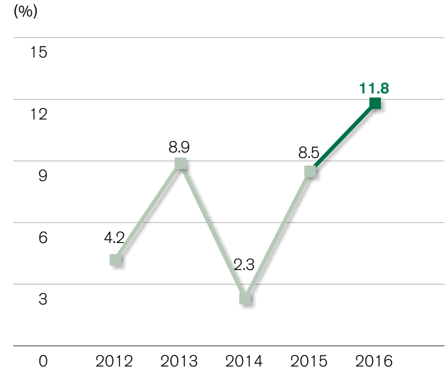
Equity Ratio
(%)



Return on Assets
(%)



Return on Equity
(%)



(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 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 operational results and/or 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 operational results and/or 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 Euros, 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 operational results and/or 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 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 operational results and/or financial condition.

(11) Risks Related to Controls on Personal Information

The Nipro Group has established strict precautions to protect the confidentiality of personal information in our possession. However, if due to unforeseen events or an accident this personal information is leaked outside the Group, causing a loss of trust or customers, there could be a material adverse effect on our operational results and/or financial condition.

(12) Risks Related to Fund Raising

The Nipro Group relies on debt finance in the form of loans from financial institutions or issuance of corporate bonds and commercial paper, etc., to raise business and investment funds. If due to turmoil in financial markets, there is a reduction in lending from financial institutions or a significant downgrade of our credit rating by credit rating agencies, we may not be able to raise the necessary funds when we need them on acceptable terms. At the same time, we may incur restrictions on our fund raising capabilities or see an increase in the cost of fund raising. Any of these occurrences could have a material adverse effect on our operational results and/or financial condition.

(13) Risks Related to M&A and Business Alliances

The Nipro Group conducts M&A activities and enters into business alliances to reinforce its business base. Prior to concluding these deals, we carry out a thorough investigation of the target company. However, should any problems arise such as the discovery of unrecognized liabilities or should the development of the acquired business not proceed as planned, there could be a material adverse effect on our operational results and/or financial condition.

(14) Other Risks

Fires, earthquakes, acts of terrorism, wars, epidemics, or other unforeseen man-made or natural disasters affecting areas or facilities where the Nipro Group conducts its business activities may cause a delay or interruption in production, sales, distribution, or provision of services. Should such a delay or interruption be extended, there could be a material adverse effect on our operational results and/or financial condition.

Ten-Year Summary

Nipro Corporation and its Consolidated Subsidiaries
Years ended March 31

Millions of yen

	2016	2015	2014	2013
Income Statement Data:				
Net sales	¥ 366,650	¥ 325,084	¥ 300,753	¥ 241,021
Medical-Related (*1)	272,168	237,777	221,363	169,971
Pharmaceutical-Related (*1)	62,266	57,372	51,508	66,212
Glass-Related (*1)	32,184	29,830	27,611	4,603
Other (*1)	32	105	271	235
Store (*1)	–	–	–	–
Cost of sales	250,773	225,525	213,221	175,314
Selling, general and administrative expenses	91,672	82,987	75,242	54,336
Operating income	24,205	16,572	12,290	11,371
Medical-Related (*2)	28,204	23,813	20,436	14,287
Pharmaceutical-Related (*2)	12,060	10,553	8,013	3,988
Glass-Related (*2)	(1,618)	(2,889)	(2,183)	601
Other (*2)	61	131	216	222
Store (*2)	–	–	–	–
Income before income taxes	26,285	19,908	12,891	18,060
Net income attributable to shareholders of parent	19,719	12,470	2,861	10,232
Capital expenditures	57,101	47,698	35,093	37,997
Depreciation and amortization	30,147	27,668	25,151	21,210
R&D expenses	10,269	8,646	7,891	6,464
Balance Sheet Data:				
Total assets	¥ 708,883	¥ 695,307	¥ 619,655	¥ 579,302
Property, plant and equipment—net	223,757	220,195	191,594	174,703
Working capital	115,970	71,945	45,405	74,216
Current liabilities	252,148	278,402	250,715	213,758
Long-term liabilities	281,227	238,095	232,979	236,781
Common stock	84,398	84,398	84,398	84,398
Capital surplus	–	635	689	636
Net assets	175,508	178,810	135,961	128,763

Yen

	2016	2015	2014	2013
Per Share Data:				
Basic earnings (*3)	¥ 116.2	¥ 81.0	¥ 18.2	¥ 60.0
Diluted earnings (*3)	114.7	–	16.3	54.1
Cash dividends	33.5	32.5	30.5	27.5
Equity (*3)	977.6	988.8	832.1	703.5
Number of common shares issued	171,459,479	171,459,479	171,459,479	171,459,479
Number of employees	24,243	23,153	21,826	19,327
Selected Data and Ratios:				
Equity ratio (*4) (%)	23.4	24.1	20.2	20.7
Return on assets (*4) (%)	3.5	2.5	2.1	2.1
Return on equity (*4) (%)	11.8	8.5	2.3	8.9
Price earnings ratio (*4) (times)	9.2	14.1	51.0	14.0

(*1) Effective the fiscal year ended March 31, 2011, the Company has adopted ASBJ Statement No. 17 "Accounting Standard for Disclosures about Segment of an Enterprise and Related Information" (March 27, 2009) and ASBJ Guidance No. 20 " Guidance on Accounting Standard for Disclosures about Segment of an Enterprise and Related Information" (March 21, 2008). Net sales and operating income for the period for the fiscal year ended March 31, 2010 have been restated to show what the Group's result would have been if the new accounting standards had been applied in that year. Before the fiscal year ended March 31, 2009, net sales and operating income have been stated in compliance with previous accounting rules. In addition, the corporate reorganization was conducted effective on October 1, 2012 in order to enforce Pharmaceutical-Related business and build a strong cooperative relationship among Medical-Related, Pharmaceutical-Related and Glass-Related businesses. As a result of this reorganization, some business divisions included in Glass-Related business were changed to Pharmaceutical-Related business. The segment information is presented as if the aforementioned reorganization had been conducted at the beginning of the financial year 2012, and the presentation for the prior financial years are not restated.

(*2) Operating income at the operating segment level is not adjusted for intra-segment transactions. See Note 15. "Segment Reporting" to the consolidated financial statements.

	2012	2011	2010	2009	2008	Millions of yen 2007	Thousands of U.S. dollars (Note 1) **2016**
	¥ 212,013	¥ 195,943	¥ 177,830	¥ 175,945	¥ 172,113	¥ 184,363	**$3,253,905**
	145,082	132,817	118,517	112,970	111,084	97,300	**2,415,406**
	59,715	38,005	34,528	52,726	48,754	42,152	**552,592**
	6,954	24,704	24,338	9,554	11,437	12,919	**285,623**
	262	417	447	695	838	1,019	**284**
	–	–	–	–	–	30,973	**–**
	149,253	137,768	126,145	124,396	123,108	132,142	**2,225,532**
	46,935	40,950	33,591	36,774	35,328	39,168	**813,561**
	15,825	17,225	18,094	14,775	13,677	13,053	**214,812**
	17,078	18,437	19,923	16,209	15,830	14,334	**250,302**
	4,940	1,658	2,102	4,082	3,271	3,298	**107,029**
	454	2,701	3,103	1,772	1,890	1,865	**(14,359)**
	230	88	64	4	13	151	**541**
	–	–	–	–	–	270	**–**
	11,022	7,432	13,872	9,379	8,260	16,776	**233,272**
	4,586	2,456	7,253	4,531	4,454	8,555	**175,000**
	39,525	23,323	15,209	33,142	25,900	23,093	**506,754**
	21,581	21,244	18,421	18,109	15,054	12,470	**267,545**
	5,957	4,977	4,846	5,352	6,194	4,461	**91,134**
	¥ 499,687	¥ 476,510	¥ 383,397	¥ 330,641	¥ 349,302	¥ 336,660	**$6,291,116**
	145,679	128,506	124,209	126,739	118,812	104,882	**1,985,774**
	61,346	40,621	41,725	46,070	53,911	43,128	**1,029,197**
	189,090	176,401	138,204	114,796	108,835	104,105	**2,237,735**
	196,646	191,071	129,122	119,285	120,923	105,535	**2,495,802**
	84,398	28,663	28,663	28,663	28,663	28,663	**749,006**
	636	29,973	29,973	29,973	29,975	29,973	**–**
	113,951	109,038	116,071	96,560	119,544	127,020	**1,557,579**
							U.S. dollars (Note 1)
	¥ 35.3	¥ 19.4	¥ 114.4	¥ 71.4	¥ 70.2	¥ 134.7	**$ 1.03**
	31.0	17.4	114.1	–	–	–	**1.02**
	23.5	50.0	53.0	32.0	37.5	80.0	**0.30**
	643.9	839.7	1,802.3	1,498.5	1,861.8	1,979.2	**8.68**
	171,459,479	63,878,505	63,878,505	63,878,505	63,878,505	63,878,505	
	14,566	12,017	9,939	9,354	9,020	8,807	
	22.0	22.4	29.8	28.7	33.8	37.3	
	3.2	4.0	5.1	4.3	4.0	3.9	
	4.2	2.2	6.9	4.2	3.7	7.2	
	17.5	42.5	15.8	21.5	24.8	17.1	

(*3) Effective the fiscal year ended March 31, 2012, the Company has adopted ASBJ Statement No. 2 "Accounting Standard for Earnings per Share" (June 30, 2010), ASBJ Guidance No. 4 "Guidance on Accounting Standard for Earnings per Share" (June 30, 2010) and ASBJ PITF No. 9 "Practical Solution on Accounting for Earnings per Share" (June 30, 2010). In addition, the Company split one share of common stock into two shares on October 1, 2011 based on a resolution at the board of directors' meeting held on August 27, 2011. In accordance with this adoption, equity per share, basic earnings per share and diluted earnings per share are calculated on the assumption that the two-for-one stock split of common stock was conducted at the beginning of the fiscal year ended March 31, 2011. Before the fiscal year ended March 31, 2010, each amount has been stated in compliance with previous accounting rules.

(*4) Equity ratio is the ratio of the sum of the total shareholders' equity and accumulated other comprehensive income 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 accumulated other comprehensive income during the period. The 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 the basic earnings per share.

Consolidated Balance Sheets

Nipro Corporation and its Consolidated Subsidiaries
As of March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Assets			
Current assets:			
Cash and cash equivalents	**¥ 111,978**	¥ 98,199	**$ 993,770**
Time deposits (over three months)	**14,690**	14,672	**130,369**
Trade notes and accounts receivable (Note 5)	**113,236**	114,477	**1,004,934**
Allowance for doubtful receivables	**(983)**	(2,783)	**(8,724)**
Inventories (Note 3)	**102,702**	102,476	**911,448**
Deferred income taxes (Note 4)	**6,380**	6,964	**56,621**
Other current assets	**20,115**	16,342	**178,514**
Total current assets	**368,118**	350,347	**3,266,932**
Property, plant and equipment (Note 5):			
Land	**¥ 21,124**	¥ 22,027	**187,469**
Buildings and structures	**184,038**	174,138	**1,633,280**
Machinery and equipment	**267,281**	258,590	**2,372,036**
Construction in progress	**27,644**	31,243	**245,332**
	500,087	485,998	**4,438,117**
Accumulated depreciation	**(276,330)**	(265,803)	**(2,452,343)**
Property, plant and equipment—net	**223,757**	220,195	**1,985,774**
Intangible assets (Note 5):			
Goodwill	**28,877**	26,364	**256,274**
Other intangible assets	**16,036**	18,005	**142,315**
Total intangible assets	**44,913**	44,369	**398,589**
Investments and other assets:			
Investment in unconsolidated subsidiaries and an affiliate accounted for by the equity method	**2,799**	5,764	**24,840**
Investment securities (Note 6)	**56,019**	58,313	**497,151**
Lease deposits	**1,472**	1,356	**13,064**
Deferred income taxes (Note 4)	**3,948**	7,900	**35,037**
Other assets	**7,857**	7,063	**69,729**
Total investments and other assets	**72,095**	80,396	**639,821**
Total	**¥ 708,883**	¥ 695,307	**$ 6,291,116**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Liabilities and net assets			
Current liabilities:			
Short-term bank loans (Notes 5 and 9)	¥ 46,062	¥ 82,248	$ 408,786
Current portion of long-term debt (Notes 5 and 9)	82,050	81,952	728,168
Trade notes and accounts payable	56,185	51,751	498,624
Accrued income taxes	4,266	3,508	37,859
Accrued expenses	22,691	22,508	201,376
Allowance for loss on clearance of business	–	–	–
Commercial paper (Note 9)	10,000	10,000	88,747
Notes and accounts payable for plant and equipment	22,059	11,760	195,767
Other current liabilities	8,835	14,675	78,408
Total current liabilities	252,148	278,402	2,237,735
Long-term liabilities:			
Long-term debt (Notes 5 and 9)	268,276	226,214	2,380,866
Net defined benefit liability (Note 10)	5,017	3,841	44,524
Deferred income taxes (Note 4)	1,985	2,162	17,616
Other long-term liabilities	5,949	5,878	52,796
Total long-term liabilities	281,227	238,095	2,495,802
Commitments and contingent liabilities (Note 11)			
Net Assets (Note 14):			
Common stock	84,398	84,398	749,006
Authorized: 400,000,000 shares			
Issued: 171,459,479 shares			
Capital surplus	–	635	–
Retained earnings	73,068	58,886	648,456
Less cost of common shares of treasury stock	(1,475)	(1,687)	(13,090)
(1,666,187 shares in 2016 and 1,899,861 shares in 2015)			
Total shareholders' equity	155,991	142,232	1,384,372
Unrealized gain (loss) on available-for-sale securities	(3,347)	(2,311)	(29,703)
Deferred gains or losses on hedges	(12)	39	(107)
Foreign currency translation adjustments	14,187	27,870	125,905
Remeasurements of defined benefit plans	(821)	(171)	(7,286)
Accumulated other comprehensive income	10,007	25,427	88,809
Non-controlling interests	9,510	11,151	84,398
Total net assets	175,508	178,810	1,557,579
Total	¥708,883	¥695,307	$6,291,116

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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net sales	¥366,650	¥325,084	$3,253,905
Cost of sales	250,773	225,525	2,225,532
Gross profit	115,877	99,559	1,028,373
Selling, general and administrative expenses (Notes 16 and 17)	91,672	82,987	813,561
Operating income	24,205	16,572	214,812
Other income (expenses):			
Interest and dividend income	2,182	2,679	19,365
Interest expense	(4,501)	(4,067)	(39,945)
Loss (gain) on sale and disposal of property, plant and equipment—net	(310)	857	(2,751)
Exchange gain (loss)	(7,182)	4,923	(63,738)
Equity in loss of an affiliated company	(95)	(168)	(843)
Gain on sale of subsidiaries and affiliates' stocks	15,674	3,403	139,102
Loss on impairment of fixed assets	0	(66)	0
Loss (gain) on step acquisitions	(2,239)	–	(19,870)
Other loss—net	(1,449)	(4,225)	(12,860)
Income before income taxes	26,285	19,908	233,272
Income taxes (Note 4):			
Current	2,110	8,349	18,725
Deferred	4,697	(1,253)	41,684
Net income	19,478	12,812	172,863
Net income (loss) attributable to non-controlling interests	(241)	342	(2,137)
Net income attributable to shareholders of parent	¥ 19,719	¥ 12,470	$ 175,000

	Yen		U.S. dollars (Note 1)
Amounts per common share:			
Basic earnings	¥ 116.2	¥ 81.0	$ 1.03
Diluted earnings	114.7	–	1.02
Cash dividends	33.5	32.5	0.30

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Nipro Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net income	¥ 19,478	¥12,812	$ 172,863
Other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	(1,036)	5,134	(9,194)
Deferred gains or losses on hedges	(51)	1	(453)
Foreign currency translation adjustment	(13,861)	14,656	(123,012)
Remeasurements of defined benefit plans	(655)	187	(5,813)
Share of other comprehensive income of entities accounted for using equity method	(1)	1	(9)
Comprehensive income	¥ 3,874	¥32,791	$ 34,382
Comprehensive income attributable to:			
Shareholders of the parent	4,298	32,196	38,144
Non-controlling interests	(424)	665	(3,762)

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, 2016 and 2015

	Thousands												Millions of yen
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain (loss) on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2014	171,459	¥84,398	689	¥52,568	¥(18,000)	¥119,655	¥(7,444)	¥ 38	¥ 13,535	¥(357)	¥ 5,772	¥10,534	¥135,961
Cumulative effects of changes in account policies				98		98							98
Balance at March 31, 2014	171,459	¥84,398	¥689	¥52,666	¥(18,000)	¥119,753	¥(7,444)	¥ 38	¥ 13,535	¥(357)	¥ 5,772	¥10,534	¥136,059
Net income				12,470		12,470							12,470
Increase (decrease) in retained earnings due to inclusion of new subsidiaries in consolidation				(325)		(325)							(325)
Cash dividends				(4,992)		(4,992)							(4,992)
Purchase of treasury stock					(1)	(1)							(1)
Disposal of treasury stock			(54)	(932)	16,314	15,328							15,328
Decrease of retained earnings (Other)				(1)		(1)							(1)
Other net change during the year						–	5,133	1	14,335	186	19,655	617	20,272
Balance at March 31, 2015	171,459	84,398	635	58,886	(1,687)	142,232	(2,311)	39	27,870	(171)	25,427	11,151	178,810
Net income				19,719		19,719							19,719
Increase (decrease) in retained earnings due to inclusion of new subsidiaries in consolidation				–		–							–
Cash dividends				(5,371)		(5,371)							(5,371)
Purchase of treasury stock					(4)	(4)							(4)
Disposal of treasury stock			–	–	216	216							216
Decrease of retained earnings (Other)			(635)	(166)		(801)							(801)
Other net change during the year							(1,036)	(51)	(13,683)	(650)	(15,420)	(1,641)	(17,061)
Balance at March 31, 2016	171,459	¥84,398	¥ –	¥73,068	¥ (1,475)	¥155,991	¥(3,347)	¥(12)	¥ 14,187	¥(821)	¥ 10,007	¥ 9,510	¥175,508

	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 (loss) on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2015	171,459	$749,006	$ 5,635	$522,595	$(14,972)	$1,262,264	$(20,509)	$ 346	$ 247,338	$(1,518)	$ 225,657	$ 98,962	$1,586,883
Net income				175,000		175,000							175,000
Increase (decrease) in retained earnings due to inclusion of new subsidiaries in consolidation				–		–							–
Cash dividends				(47,666)		(47,666)							(47,666)
Purchase of treasury stock					(35)	(35)							(35)
Disposal of treasury stock			–	–	1,917	1,917							1,917
Decrease of retained earnings (Other)			(5,635)	(1,473)		(7,108)							(7,108)
Other net change during the year						–	(9,194)	(453)	(121,432)	(5,769)	(136,848)	(14,564)	(151,412)
Balance at March 31, 2016	171,459	$749,006	$ –	$648,456	$(13,090)	$1,384,372	$(29,703)	$(107)	$ 125,905	$(7,286)	$ 88,809	$ 84,398	$1,557,579

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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Operating activities:			
Net income	¥ 19,719	¥ 12,470	$ 175,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	30,147	27,668	267,545
Amortization of goodwill	3,687	5,837	32,721
Loss on impairment of fixed assets	–	66	–
Equity in profit of an affiliated company	95	169	843
Allowance for doubtful receivables	1,023	1,292	9,079
Gain (loss) on sales of available-for-sales securities	289	(426)	2,565
Gain on sale of investment in consolidated subsidiaries	(15,674)	–	(139,102)
Loss on step acquisitions	2,239	–	19,870
Provision for deferred taxes	4,697	(1,254)	41,684
Exchange loss (gain)	1,645	(2,801)	14,599
Loss on devaluation of marketable securities	80	1	710
Loss (gain) on sale and disposal of property, plant and equipment—net	310	(857)	2,751
Other, net	(348)	252	(3,088)
Changes in operating assets and liabilities:			
Trade receivables	(5,681)	(6,766)	(50,417)
Inventories	(6,705)	(8,120)	(59,505)
Other current assets	(9,795)	5,502	(86,928)
Lease deposits	(101)	(79)	(896)
Trade payables	6,162	1,147	54,686
Accrued income taxes	332	(6,800)	2,947
Other, net	(2,187)	681	(19,409)
Total adjustments	10,215	15,512	90,655
Net cash provided by operating activities	29,934	27,982	265,655
Investing activities:			
Purchase of property, plant and equipment	(38,086)	(38,772)	(338,001)
Proceeds from sales of property, plant and equipment	(746)	3,749	(6,621)
Purchase of available-for-sale securities	(513)	(2,048)	(4,553)
Purchase of investments in unconsolidated subsidiaries	–	(1,225)	–
Proceeds from sales of available-for-sale securities	1,114	11,520	9,886
Purchases of investments in consolidated subsidiaries resulting in change in scope of consolidation	–	(754)	–
Proceeds from investments in consolidated subsidiaries resulting in change in scope of consolidation	383	–	3,399
Proceeds from sales of investments in consolidated subsidiaries resulting in change in scope of consolidation	19,512	–	173,163
Payments for transfer of business	–	(1,400)	–
Deposits (Over three months)	(989)	898	(8,777)
Other, net	2,811	(1,682)	24,947
Net cash used in investing activities	(16,514)	(29,714)	(146,557)
Financing activities:			
Net increase (decrease) in short-term loans	(32,858)	3,210	(291,605)
Proceeds from long-term loans	105,370	83,331	935,126
Repayment of long-term loans	(66,012)	(52,384)	(585,836)
Proceeds from issuance of bonds	24,967	2,983	221,574
Repayment of bonds	(27,840)	(4,715)	(247,071)
Proceeds from disposal of treasury stock	215	213	1,908
Proceeds from sales of treasury shares	(16)	(2)	(142)
Cash dividends paid	(5,385)	(5,008)	(47,790)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,600)	–	(14,199)
Other, net	(474)	(1,030)	(4,207)
Net cash used in financing activities	(3,633)	(26,598)	(32,242)
Effect of exchange rate changes on cash and cash equivalents	3,218	1,785	28,559
Net increase in cash and cash equivalents	13,005	26,651	115,415
Cash and cash equivalents, beginning of period	98,199	70,892	871,486
Cash and cash equivalents of newly consolidated subsidiary, beginning of period	773	656	6,860
Cash and cash equivalents, end of period	¥ 111,977	¥ 98,119	$ 993,761

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 has 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 five 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 ¥112.68=US$1, the approximate exchange rate on March 31, 2016. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at that or any other rate.

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 profits included in assets resulting from transactions within the Company and its consolidated subsidiaries have been eliminated. The difference between the cost of investments in subsidiaries and affiliates and the equity in their net assets at the dates of acquisition is amortized on a straight-line basis over five to twenty years.

All accounts herein have been presented on the basis of the 12 months ended March 31, 2016 for the Company and for consolidated domestic subsidiaries, and December 31, 2015 for all consolidated overseas subsidiaries.

Adjustments have been made for any significant intercompany transactions which took place during the period between the end of the 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 rates as of the balance sheet date except for shareholders' equity, which is translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated into Japanese yen at the average exchange rates for the period. Resulting translation adjustments are shown as "Foreign currency translation adjustments" in the "Accumulated other comprehensive income" section of net assets.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, readily available deposits and short-term highly liquid investments with original maturities of three months or less.

(d) Allowance for Doubtful Receivables

An allowance for possible losses from trade notes and accounts receivable, loans and other receivables is provided based on the actual rate of past bad debts and the uncollectible amounts of certain individual receivables.

(e) Inventories

Inventories are stated principally at the lower of average cost or net realizable value.

(f) Property, Plant and Equipment

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.

(g) Intangible Assets

Amortization of intangible assets, including software for the Company's own use, is computed by the straight-line method over the estimated useful life of the asset.

Goodwill is amortized on a straight-line basis over the period the Company benefits from its use. If the amount is not significant, it is expensed when incurred.

(h) 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 stated at amortized cost.

ii) available-for-sale securities, which are not classified as the aforementioned securities, are stated at fair value. Unrealized gains and losses, net of applicable taxes, are reported as "Accumulated other comprehensive income" of net assets.

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.

(i) Allowance for Loss on Clearance of Business

The Company has withdrawn from retail business and a provision for anticipated losses of sales of related fixed assets is provided.

(j) Employees' Retirement and Severance Benefits

Method of Attributing Expected Benefit to Periods

In calculating retirement benefit obligation, the estimated amount of retirement benefit is attributed to the periods on the benefit formula basis.

Accounting Method of Actuarial Gains and Losses and Prior Service Costs

Prior service costs are amortized on the straight-line basis over a certain period (mainly 5 years) which is within the average of the estimated remaining service years of the employees when they occur.

Actuarial gains and losses are amortized on the straight-line basis over a certain period (mainly 5 years) which is within the average of the estimated remaining service years of the employees commencing from the following year in which they arise.

(k) Derivatives

Derivatives are stated at fair value, with changes in fair value included in net income or loss for the period in which they arise, unless derivatives are used for hedging purposes. Please see (m) Hedge Accounting below.

(l) Leases

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

The Company and its consolidated domestic subsidiaries account for certain finance leases as operating leases, which do not transfer ownership to the lessee and existed prior to April 1, 2008.

(m) Hedge Accounting

<Method of hedge accounting>

The deferral hedge accounting method is applied in principle. The allocation method is applied to currency swaps and the exceptional accounting method is applied to interest rate swaps when certain hedging criteria are met.

<Hedge instrument and hedge items>

(Hedging instruments)	(Hedged items)
Currency swap	Short-term and long-term debt denominated in foreign currency
Interest rate swap	Interest on short-term and long-term debt

<Hedge policy>

The Company uses currency swaps and interest rate swaps to reduce currency exposure and interest volatility risk.

<Method for assessing hedge effectiveness>

Hedge effectiveness is not assessed for currency swaps which meets certain criteria of the allocation method and interest rate swaps which meet certain criteria of the exceptional accounting method.

(n) Income Taxes

The provision for income taxes is computed based on income for financial statement purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the 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.

(o) 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 assume 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.

(p) Changes in Accounting Policy

Application of Accounting Standards for Business Combinations

Effective beginning of the fiscal year ended March 31, 2016, the Company applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Accounting Standard for consolidated financial statements (ASBJ Statement No. 22, September 13, 2013), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013).

Any differences arising from the movement of ownership interest in a subsidiary are recorded as a change in capital surplus as long as the parent company retains control over the subsidiary, and acquisition-related expenses are recorded as expenses when occurred.

Also, for business combinations conducted from the beginning of the fiscal year, the Company changed to the method to reflect the revisions to the allocated amount to acquisition cost determined by provisional accounting treatment in the consolidated financial statements for the fiscal year of the acquisition date.

In addition, the presentations of some items of net income were changed, and the presentation of 'minority interests' was changed to 'non-controlling interests'. The consolidated financial statements for the previous fiscal year were reclassified to reflect the subject changes in presentation.

In the consolidated cash flow statement for the fiscal year ended March 31, 2016, cash flow regarding the acquisition and/or sales of subsidiaries' stocks without changing the scope of consolidation is described in the section of "Financing activities". Cash flow regarding acquisition-related expenses arising from acquisition of subsidiaries with changes in the scope of consolidation or the expenses arising from acquisition and/or sales of subsidiaries' stocks without changes in the scope of consolidation are described in the section of "Operating activities."

For the application of Accounting Standards for Business Combinations and other standards, the Company follows the transitional treatment prescribed in Article 58-2 (4) of Accounting Standard for Business Combinations, Article 44-5 (4) of Accounting Standard for consolidated financial statements, and Article 57-4 (4) of Accounting Standard for Business Divestitures, applying from the beginning of the fiscal year ended March 31, 2016 and going forward.

As a result, capital surplus decreased ¥635 million (US$5,636 thousand) and retained earnings decreased ¥111 million (US$986 thousand) at the end of the fiscal year under review. Operating income and ordinary income increased ¥55 million (US$489 thousand), and income before income taxes and minority interests increased ¥51 million (US$453 thousand), respectively. The impact on amounts per share is described in the relevant section.

(q) Accounting Standard Issued but not yet Effective

Implementation Guidance on Recoverability of Deferred Tax Assets

On December 28, 2015, the ASBJ issued "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26). The ASBJ basically continues to apply the framework used in "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" (Audit Committee Report No. 66, Japanese Institute of Certified Public Accountants), where an entity is classified into one of five categories according to certain criteria and the recoverability of deferred tax assets is assessed based on the entity's assigned category. However, the ASBJ reflected necessary changes in the guidance regarding the following accounting treatments:

(1) Treatment is clarified for entities that do not meet the criteria for any of the five categories.
(2) Criteria for classifying entities as "Category 2" or "Category 3" is changed from ordinary income to taxable income in the absence of infrequent or unusual events.
(3) For "Category 2" entities, deferred tax assets attributable to deductible temporary differences for which scheduling the timing of the reversals is not possible are considered to be realizable if certain conditions are met. Under Audit Committee Report No. 66, deferred tax assets are considered to be realizable to the extent not exceeding the amount based on a scheduling of future reversals of temporary differences.
(4) For "Category 3" entities, the future period of estimated taxable income can be estimated in excess of five years if certain conditions are met. Under Audit Committee Report No. 66, the future estimable period is generally limited to five years.
(5) For entities classified as "Category 4," they can be treated as "Category 2" or "Category 3" if certain conditions are met and such entities can use the methods of measurement of deferred tax assets stipulated in "Category 2" or "Category 3." The Company and its domestic subsidiaries will adopt the guidance effective from the beginning of the fiscal year ended March 31, 2017. At present, the Company is in the process of evaluating the impact on the consolidated financial statements of the adoption of this implementation guidance.

3. Inventories

Inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Finished goods and merchandise	**¥ 68,683**	¥ 67,413	**$609,540**
Raw materials	**19,164**	18,908	**170,074**
Work in process	**10,168**	12,150	**90,238**
Packing and other	**4,687**	4,005	**41,596**
Total	**¥102,702**	¥102,476	**$911,448**

4. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in aggregate, resulted in a normal statutory tax rate of approximately 33% and 35.4% for the years ended March 31, 2016 and 2015, respectively.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Deferred tax assets			
Tax loss carryforwards	**¥ 6,411**	¥ 9,429	**$ 56,896**
Intercompany profits	**2,552**	2,409	**22,648**
Valuation loss on inventories	**1,312**	953	**11,644**
Allowance for bonuses to employees	**1,017**	873	**9,026**
Sales allowance	**282**	242	**2,503**
Loss on impairment of fixed assets	**88**	93	**781**
Excess of allowance for doubtful accounts over tax allowable amounts	**1,201**	1,528	**10,658**
Net defined benefit liability	**1,479**	1,144	**13,125**
Accrued enterprise taxes	**283**	237	**2,511**
Unrealized loss on available-for-sale securities	**2,084**	1,797	**18,495**
Goodwill	**1,023**	1,671	**9,079**
Other	**2,497**	3,919	**22,160**
Gross deferred tax assets	**¥20,229**	¥24,295	**$179,526**
Less: Valuation allowance	**(8,048)**	(6,121)	**(71,424)**
Total deferred tax assets	**¥12,181**	¥18,174	**$108,102**
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	**409**	452	**3,630**
Revaluation reserve for land	**676**	676	**5,999**
Revaluation reserve for intangible assets	**238**	1,222	**2,112**
Revaluation reserve for fixed assets—other	**1,228**	1,717	**10,898**
Other	**1,308**	1,782	**11,608**
Total deferred tax liabilities	**¥ 3,859**	¥ 5,849	**$ 34,247**
Net deferred tax assets (liabilities) (*1)	**¥ 8,322**	¥12,325	**$ 73,855**

(*1) The current portion of Deferred Tax Liabilities for the year ended March 31, 2016 is ¥21 million (US$187 thousand) and is accounted for as "Others" of Current Liabilities.

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

	2016	2015
Statutory tax rate	33.0%	—%
Expenses not deductible for tax purposes	1.8	—
Non-taxable dividend income	(0.4)	—
Loss in subsidiaries	—	—
Effect of tax rate change	0.9	—
Amortization of goodwill	0.4	—
Tax credits primarily for research and development costs	(3.4)	—
Tax loss carryforwards	—	—
Valuation allowance	11.2	—
Adjustment procedure for consolidation of gain on sales of subsidiaries and affiliates' stocks	(19.9)	
Other	2.3	—
Effective income tax rate	25.9	—

*Adjustment of deferred tax assets and liabilities following the change in the statutory tax rates
"Act on Partial Revision of the Income Tax Act" (Law No. 15, 2016) and "Revision of the Local Tax Law" (Law No. 13, 2016) were passed by the National Diet on March 29, 2016. Accordingly, the statutory tax rate for calculating deferred tax assets and liabilities for this fiscal year under review (limited to those to be eliminated on and after April 1, 2016) has been changed from 32.2% of the previous fiscal year to 30.8% for those which are expected to be recovered or paid from April 1, 2016 to March 31, 2018 and to 30.6% for those which are expected to be recovered or paid on and after April 1, 2018.

As a result, net deferred tax assets decreased ¥329 million (US$2,920 thousand), while income taxes deferred increased ¥228 million (US$2,023 thousand) and the valuation difference on available-for-sale securities increased ¥101 million (US$896 thousand).

5. Pledged Assets

The following assets were pledged as collateral:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Buildings and structures	¥ 9,473	¥14,503	$ 84,070
Machinery and equipment	359	3,684	3,186
Land	3,372	4,227	29,925
Trade notes receivable	109	6,699	967
Other	6,674	19,325	59,230
Total	¥19,987	¥48,438	$177,378

The above assets were pledged against the following liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Short-term bank loans	¥1,223	¥ 3,007	$10,854
Current portion of long-term debt	1,521	1,289	13,498
Long-term debt	3,286	5,730	29,162
Total	¥6,030	¥10,026	$53,514

6. Investment Securities

Investment securities as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Non-current:			
Marketable:			
Marketable equity securities	¥54,288	¥56,623	$481,789
Investment trust funds and other	—	—	—
Subtotal	¥54,288	¥56,623	$481,789
Non-marketable securities	¥ 1,731	¥ 1,690	$ 15,362
Total	¥56,019	¥58,313	$497,151

The carrying amounts and aggregate fair values of marketable securities for investments as of March 31, 2016 and 2015 were as follows:

				Millions of yen
				2016
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	**¥59,717**	**¥7,382**	**¥12,811**	**¥54,288**
Debt securities and other	**—**	**—**	**—**	**—**
Total	**¥59,717**	**¥7,382**	**¥12,811**	**¥54,288**

				Thousands of U.S. dollars (Note 1)
				2016
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	**$529,970**	**$65,513**	**$113,694**	**$481,789**
Debt securities and other	**—**	**—**	**—**	**—**
Total	**$529,970**	**$65,513**	**$113,694**	**$481,789**

				Millions of yen
				2015
	Cost	Unrealized gain	Unrealized loss	Fair Value
Available-for-sale securities				
Equity securities	¥60,771	¥8,208	¥12,356	¥56,623
Debt securities and other	—	—	—	—
Total	¥60,771	¥8,208	¥12,356	¥56,623

Proceeds from sales of securities and gross realized gains or losses on those sales for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Proceeds	**¥1,114**	¥11,520	**$9,886**
Gains on sales	**—**	3,403	**—**
Losses on sales	**289**	2,977	**2,565**

7. Financial Instruments

(1) Circumstances on financial instruments

(a) Policy for financial instruments

The Company and its consolidated subsidiaries manage the temporary surplus funds by deposits with banks that have a high level of safety. Based on capital investment planning and financing planning, the Company and its consolidated subsidiaries raise funds for business operation with bank loans, commercial paper, corporate bonds, and issuing convertible bond-type corporate bonds with a warrant of booking new stocks.

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

Receivables 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 credit administration regulations.

Investment securities are exposed to 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-term loans payable are mainly borrowed to raise operating capital and long-terms loans payable are mainly borrowed to make capital expenditures. A part of long-term loans with the floating interest rate has the risk of interest rate fluctuation, but the Company and its consolidated subsidiaries use interest rate swaps to solidify the interest rate. For some of the loans denominated in foreign currency, the Company and its consolidated subsidiaries use currency swaps to hedge the currency fluctuation risk.

Bonds and commercial paper are mainly issued to raise the funds for the retirement of bonds.

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

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

(c) Supplemental information on fair values of financial instruments

Fair values of financial instruments include values based on market price and reasonably estimated values when market price is not available. Because variable factors are counted in the estimation, the estimated values may vary by adopting different assumptions.

(2) Fair values of financial instruments

The book values, fair values and the differences between them as of March 31, 2016 and 2015 are as follows (Financial instruments for which the market value is extremely difficult to determine are not included as described in remark 2.):

	Millions of yen			Millions of yen		
	2016			2015		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Cash and cash equivalents, time deposits	**¥126,668**	**¥126,668**	**¥ –**	¥112,871	¥112,871	¥ –
Trade notes and accounts receivable, net of allowance for doubtful receivables	**112,253**	**112,253**	**–**	111,693	111,693	–
Investment securities	**54,288**	**54,288**	**–**	56,623	56,623	–
Assets total	**¥293,209**	**¥293,209**	**¥ –**	¥281,187	¥281,187	¥ –
Trade notes and accounts payable	**¥ 56,185**	**¥ 56,185**	**¥ –**	¥ 51,751	¥ 51,751	¥ –
Short-term bank loans, current portion of long-term debt, and commercial paper	**138,112**	**138,112**	**–**	174,200	174,200	–
Other notes and account payable (*1)	**34,063**	**34,063**	**–**	23,440	23,440	–
Long-term debt	**243,276**	**242,990**	**286**	226,214	224,599	1,615
Convertible bond	**25,000**	**25,000**	**–**	–	–	–
Lease obligations (*2)	**4,177**	**4,088**	**89**	3,956	3,768	188
Liabilities total	**¥500,813**	**¥500,438**	**¥375**	¥479,561	¥477,758	¥1,803

	Thousands of U.S. dollars (Note 1)		
	2016		
	Book value	Fair value	Difference
Cash and cash equivalents, time deposits	**$1,124,139**	**$1,124,139**	**$ –**
Trade notes and accounts receivable, net of allowance for doubtful receivables	**996,210**	**996,210**	**–**
Investment securities	**481,789**	**481,789**	**–**
Assets total	**$2,602,138**	**$2,602,138**	**$ –**
Trade notes and accounts payable	**$ 498,624**	**$ 498,624**	**$ –**
Short-term bank loans, current portion of long-term debt, and commercial paper	**1,225,701**	**1,225,701**	**–**
Other notes and account payable (*1)	**302,299**	**302,299**	**–**
Long-term debt	**2,158,999**	**2,156,461**	**2,538**
Convertible bond	**221,867**	**221,867**	**–**
Lease obligations (*2)	**37,070**	**36,280**	**790**
Liabilities total	**$4,444,560**	**$4,441,232**	**$3,328**

(*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 and cash equivalents, time deposits and trade notes and accounts receivable
  Cash and cash equivalents 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 6. "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 and commercial paper
  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.
- Other notes and account payable
  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 and convertible bond
  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)
	2016	2015	2016
Unlisted equity securities	**¥4,273**	¥7,454	**$37,922**

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 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)
	2016	2015	2016
	Within 1 year	Within 1 year	Within 1 year
Cash and cash equivalents, time deposits	**¥126,668**	¥112,871	**$1,124,139**
Trade notes and accounts receivable	**112,253**	111,693	**996,210**

Remark 4 Planned repayment amounts after the balance sheet date for monetary payables with maturity dates

Planned repayment amounts after the balance sheet date for monetary payables with maturity dates at March 31, 2016 are as follows:

	Millions of yen					
						2016
	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
Trade notes and accounts payable	**¥ 56,185**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ –**
Short-term bank loans, current portion of long-term debt, and commercial paper	**138,112**	**–**	**–**	**–**	**–**	**–**
Other notes and account payable	**34,063**	**–**	**–**	**–**	**–**	**–**
Long-term debt	**–**	**73,594**	**38,581**	**48,331**	**21,759**	**61,011**
Convertible bond	**–**	**–**	**–**	**–**	**25,000**	**–**
Lease obligations	**1,045**	**877**	**767**	**657**	**418**	**413**
Total	**¥229,405**	**¥74,471**	**¥39,348**	**¥48,988**	**¥47,177**	**¥61,424**

	Thousands of U.S. dollars (Note 1)					
						2016
	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
Trade notes and accounts payable	**$ 498,624**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Short-term bank loans, current portion of long-term debt, and commercial paper	**1,225,701**	**–**	**–**	**–**	**–**	**–**
Other notes and account payable	**302,299**	**–**	**–**	**–**	**–**	**–**
Long-term debt	**–**	**653,124**	**342,394**	**428,923**	**193,104**	**541,454**
Convertible bond	**–**	**–**	**–**	**–**	**221,867**	**–**
Lease obligations	**9,274**	**7,783**	**6,807**	**5,831**	**3,710**	**3,665**
Total	**$2,035,898**	**$660,907**	**$349,201**	**$434,754**	**$418,681**	**$545,119**

	Millions of yen					
						2015
	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
Trade notes and accounts payable	¥ 51,751	¥ –	¥ –	¥ –	¥ –	¥ –
Short-term bank loans, current portion of long-term debt, and commercial paper	174,200	–	–	–	–	–
Other notes and account payable	23,440	–	–	–	–	–
Long-term debt	–	72,307	63,797	22,784	34,035	33,291
Convertible bond	–	–	–	–	–	–
Lease obligations	828	931	564	463	768	402
Total	¥250,219	¥73,238	¥64,361	¥23,247	¥34,803	¥33,693

8. Derivatives

The Company and its consolidated subsidiaries had the following derivatives contracts outstanding at March 31, 2016 and 2015.

(1) Derivatives for which hedge accounting has not been applied.

(a) Currency related

		Millions of yen		
				2016
	Type of Derivative	Contract amount	Over 1 year out-of-contract amount	Fair Value
Transaction other than market transaction	NDF	**¥350**	**¥–**	**¥(1)**

		Thousands of U.S. dollars (Note 1)		
				2016
	Type of Derivative	Contract amount	Over 1 year out-of-contract amount	Fair Value
Transaction other than market transaction	NDF	**$3,106**	**$–**	**$(9)**

		Millions of yen		
				2015
	Type of Derivative	Contract amount	Over 1 year out-of-contract amount	Fair Value
Transaction other than market transaction	NDF	¥–	¥–	¥–

Fair value is based on information provided by a financial institution at the end of the fiscal year.

(b) Interest related

	Type of Derivative	Contract amount	Over 1 year out-of-contract amount	Fair Value
		Millions of yen		
		2016		
Transaction other than market transaction	Interest rate option	¥66	¥–	¥ –
	Interest rate swap			
	To receive variable/To pay fixed	¥18	¥–	¥(1)

	Type of Derivative	Contract amount	Over 1 year out-of-contract amount	Fair Value
		Thousands of U.S. dollars (Note 1)		
		2016		
Transaction other than market transaction	Interest rate option	$586	$–	$ –
	Interest rate swap			
	To receive variable/To pay fixed	$160	$–	$(9)

	Type of Derivative	Contract amount	Over 1 year out-of-contract amount	Fair Value
		Millions of yen		
		2015		
Transaction other than market transaction	Interest rate option	¥73	¥ –	¥ 0
	Interest rate swap			
	To receive variable/To pay fixed	¥40	¥20	¥(2)

Fair value is based on information provided by a financial institution at the end of the fiscal year.

(2) Derivatives for which hedge accounting has been applied.

(a) Currency related

Method of hedge accounting	Type of Derivative	Principal Hedge Item	Contract amount	Over 1 year out-of-contract amount	Fair Value
			Millions of yen		
			2016		
Principle method	Currency swap	Account receivables	¥ 371	¥ –	¥(11)
Allocation method of forward foreign exchange contract, etc.	Currency swap	Long-term loans	¥1,125	¥54	(*1)

Method of hedge accounting	Type of Derivative	Principal Hedge Item	Contract amount	Over 1 year out-of-contract amount	Fair Value
			Thousands of U.S. dollars (Note 1)		
			2016		
Principle method	Currency swap	Account receivables	$3,293	$ –	$(98)
Allocation method of forward foreign exchange contract, etc.	Currency swap	Long-term loans	$9,984	$479	(*1)

Method of hedge accounting	Type of Derivative	Principal Hedge Item	Contract amount	Over 1 year out-of-contract amount	Fair Value
			Millions of yen		
			2015		
Principle method	Currency swap	Account receivables	¥ 337	¥ –	¥36
Allocation method of forward foreign exchange contract, etc.	Currency swap	Long-term loans	¥1,196	¥1,125	(*1)

(*1) The fair value of interest rate swap to which the exceptional accounting method is applied and the fair value of forward foreign exchange contract, etc., to which the allocation method is applied are included in the fair value of long-term loans in Note 9. "Financial Instruments" because such interest rate swap and forward foreign exchange contract, etc., are accounted for as a single item with the corresponding long-term loans.

(b) Interest related

Method of hedge accounting	Type of Derivative	Principal Hedge Item	Contract amount	Over 1 year out-of-contract amount	Fair Value
			Millions of yen		
			2016		
Principle method	Interest rate swap	Long-term loans	¥ 138	¥ 70	¥4
Exceptional accounting method for interest rate swap	Interest rate swap	Long-term loans	¥2,222	¥725	(*1)

Method of hedge accounting	Type of Derivative	Principal Hedge Item	Contract amount	Over 1 year out-of-contract amount	Fair Value
			Thousands of U.S. dollars (Note 1)		
			2016		
Principle method	Interest rate swap	Long-term loans	$ 1,225	$ 621	$35
Exceptional accounting method for interest rate swap	Interest rate swap	Long-term loans	$19,720	$6,434	(*1)

Method of hedge accounting	Type of Derivative	Principal Hedge Item	Contract amount	Over 1 year out-of-contract amount	Fair Value
			Millions of yen		
			2015		
Principle method	Interest rate swap	Long-term loans	¥ 212	¥ 140	¥7
Exceptional accounting method for interest rate swap	Interest rate swap	Long-term loans	¥2,719	¥2,222	(*1)

(*1) The fair value of interest rate swap to which the exceptional accounting method is applied and the fair value of forward foreign exchange contract, etc., to which the allocation method is applied are included in the fair value of long-term loans in Note 7. "Financial Instruments" because such interest rate swap and forward foreign exchange contract, etc., are accounted for as a single item with the corresponding long-term loans.

9. Short-Term Loans and Long-Term Debt

Short-term loans comprised overdrafts and promissory notes.
The weighted-average interest rates of short-term bank loans for the years ended March 31, 2016 and 2015 were 0.7878% and 0.8568%, respectively.
The weighted-average interest rates of commercial paper for the years ended March 31, 2016 and 2015 were 0.069% and 0.1112%, respectively.
Long-term debt comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
2.04% unsecured bonds due 2018	¥ 10,000	¥ 10,000	$ 88,747
0.877% unsecured bonds due 2016 (*1)	–	20,000	–
	–	[20,000]	–
0.83% unsecured bonds due 2016 (*1)	–	6,000	–
	–	[6,000]	–
1.09% unsecured bonds due 2018	4,000	4,000	35,498
0.61% unsecured bonds due 2019 (*1)	1,200	1,600	10,650
	[400]	[400]	[3,550]
0.57% unsecured bonds due 2020	3,000	3,000	26,624
0% unsecured bonds due 2021	25,000	–	221,867
0.64% unsecured bonds due 2016 (*1)	1,000	1,000	8,875
	[1,000]	–	[8,875]
0.30%~0.86% unsecured bonds due 2019 (*1) (*2)	1,392	2,832	12,353
	[862]	[1,440]	[7,650]
Long-term bank loans due through 2074, with weighted-average interest rate of 1.0198% for the year ended March 31, 2016, and of 1.1039% for the year ended March 31, 2015	304,734	259,734	2,704,420
Less current portion of long-term debt	(82,050)	(81,952)	(728,168)
Total	¥268,276	¥226,214	$2,380,866
	[2,262]	[27,840]	[20,075]

(*1) [ ] is the amount of the current portion of bonds.
(*2) This is the total amount of the bonds Goodman Co., Ltd. issued.
In March 2008, the Company issued ¥10,000 million (US$88,747 thousand) of 2.04% unsecured bonds due 2018.
In March 2011, the Company issued ¥20,000 million (US$177,494 thousand) of 0.877% unsecured bonds due 2016.
In March 2013, the Company issued ¥6,000 million (US$53,248 thousand) of 0.83% unsecured bonds due 2016.
In March 2013, the Company issued ¥4,000 million (US$35,498 thousand) of 1.09% unsecured bonds due 2018.
In March 2014, the Company issued ¥2,000 million (US$17,749 thousand) of 0.61% unsecured bonds due 2019.
In March 2015, the Company issued ¥3,000 million (US$26,624 thousand) of 0.57% unsecured bonds due 2020.
In January 2016, the Company issued ¥25,000 million (US$221,867 thousand) of 0% unsecured bonds due 2021.
In April 2011, Nipro Pharma Corporation issued ¥1,000 million (US$8,875 thousand) of 0.64% privately placed bonds due 2016.
From November 2010 to February 2014, Goodman Co., Ltd. issued ¥4,424 million (US$39,262 thousand) of 0.30% and 0.86% unsecured bonds due from 2015 to 2019.

The aggregate annual maturities of long-term debt outstanding at March 31, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2016	2016
2016	¥ 82,050	$ 728,168
2017	73,594	653,124
2018	38,581	342,394
2019 and thereafter	156,101	1,385,348
Total	¥350,326	$3,109,034

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.

10. Accrued Pension and Severance Liabilities

The Company and certain consolidated subsidiaries have defined benefit pension plans and unfunded retirement benefit plans, and a defined contribution pension plan for employees.
Certain consolidated subsidiaries have recorded liabilities for retirement benefit and assets for a retirement benefit based on the simplified method.

(1) Defined Benefit Plans

(a) The reconciliation of beginning and ending balances of the benefit obligation (excluding the defined benefit plans applied based on the simplified method) are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Obligation at April 1	**¥11,467**	¥11,003	**$101,766**
Cumulative effects of changes in accounting policies	**–**	(150)	**–**
Restated balance	**11,467**	10,853	**101,766**
Service cost	**835**	664	**7,410**
Interest cost	**129**	151	**1,145**
Actuarial gains and losses	**701**	199	**6,221**
Prior service cost	**7**	–	**62**
Benefit payments	**(409)**	(374)	**(3,630)**
Increasing by change from the simplified method to the principle method	**1,195**		**10,605**
Decreasing by sale of subsidiary shares	**(326)**		**(2,893)**
Other (foreign currency translation adjustments, etc.)	**(45)**	(26)	**(399)**
Obligation at March 31	**¥13,554**	¥11,467	**$120,287**

(b) The reconciliation of beginning and ending balances of the fair value of the plan assets (excluding the defined benefit plans applied based on the simplified method) is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Fair value of plan assets at April 1	**¥8,339**	¥7,577	**$74,006**
Expected return on plan assets	**156**	131	**1,384**
Actuarial gains and losses	**(269)**	305	**(2,387)**
Company contribution	**633**	508	**5,618**
Benefit payments	**(212)**	(206)	**(1,881)**
Increasing by change from the simplified method to the principle method	**617**	–	**5,475**
Decreasing by sale of subsidiary shares	**(174)**	–	**(1,544)**
Other (foreign currency translation adjustments, etc.)	**(7)**	24	**(62)**
Fair value of plan assets at March 31	**¥9,083**	¥8,339	**$80,609**

(c) The reconciliation of beginning and ending balances of liabilities for retirement benefit applied based on the simplified method is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Liabilities for retirement benefit at April 1	**¥ 573**	¥519	**$ 5,085**
Beginning balance of newly consolidated subsidiary	**–**	10	**–**
Retirement benefit cost	**136**	183	**1,207**
Retirement payments	**(22)**	(20)	**(195)**
Contribution for the plan	**(6)**	(83)	**(53)**
Increasing by change from the simplified method to the principle method	**(346)**		**(3,071)**
Other (foreign currency translation adjustments, etc.)	**(40)**	(36)	**(355)**
Liabilities for retirement benefit at March 31	**¥ 295**	¥573	**$ 2,618**

(d) The reconciliation of ending balance of the benefit obligation and the fair value of the plan assets, and liabilities and assets for retirement benefit are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Benefit obligation on funded scheme	**¥12,642**	¥11,748	**$112,194**
Plan assets	**(9,126)**	(8,999)	**(80,990)**
	¥ 3,516	¥ 2,749	**$ 31,204**
Benefit obligations on non-funded scheme	**¥ 1,248**	¥ 952	**$ 11,075**
Net assets (liabilities) on the consolidated balance sheet	**4,764**	3,701	**42,279**
Net defined benefit liability	**5,017**	3,841	**44,524**
Net defined benefit asset	**(253)**	(140)	**(2,245)**
Net assets (liabilities) on the consolidated balance sheet	**¥ 4,764**	¥ 3,701	**$ 42,279**

(*) Including the defined benefit plans applied based on the simplified method

(e) The breakdown of net pension and severance costs is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Service cost	**¥ 835**	¥ 664	**$ 7,410**
Interest cost	**129**	151	**1,145**
Expected return on plan assets	**(156)**	(131)	**(1,384)**
Amortization of actuarial gains and losses	**40**	34	**355**
Amortization of past service obligation	**55**	53	**488**
Retirement benefit cost based on the simplified method	**136**	183	**1,207**
Increasing by change from the simplified method to the principle method	**231**	–	**2,050**
Other	**–**	5	**–**
Total	**¥1,270**	¥ 959	**$11,271**

(f) Remeasurements of defined benefit plans (Other Comprehensive Income)

The breakdown of the items recorded in adjustments to defined benefit plans are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Prior service cost	**¥ (7)**	¥ –	**$ (62)**
Actuarial gains and losses	**(930)**	306	**(8,253)**
Total	**¥(937)**	¥306	**$(8,315)**

(g) Remeasurements of defined benefit plans (Accumulated Other Comprehensive Income)

The breakdown of the items recorded in adjustments to defined benefit plans are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Unrecognized prior service cost	**¥ (173)**	¥(221)	**$ (1,535)**
Unrecognized actuarial loss	**(1,003)**	(18)	**(8,901)**
Total	**¥(1,176)**	¥(239)	**$(10,436)**

(h) Items concerning the pension assets

1. Breakdown of the pension assets

The ratios of the plan assets are as follows:

	2016	2015
Bonds	**41%**	38%
Equities	**21%**	25%
Cash and deposits	**0%**	0%
General account	**33%**	31%
Others	**5%**	6%
Total	**100%**	100%

(*) Including the defined benefit plans applied based on the simplified method

2. Setting of the long-term expected rate of return

The long-term expected rate of return is to be determined considering the current and future allocation of plan assets, and the current and expected long-term rate of return from the diverse assets composing the plan assets.

(i) Calculation basis of actuarial methods

The main calculation basis of actuarial methods at the end of the period is as follows:

	2016	2015
Discount rate	**Primarily 0.2%**	Primarily 0.8%
Expected long-term rate of return	**Primarily 1.5%**	Primarily 1.5%
Assumed wage increase rate	**Primarily 6.5%**	Primarily 6.6%

(2) Defined Contribution Retirement Plans

The amounts of necessary contributions to defined contribution retirement plans within the Company and consolidated subsidiaries were ¥542 million (US$4,810 thousand).

11. Commitments and Contingent Liabilities

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Liabilities for guarantees			
Export drafts discounted	**¥101**	¥ 13	**$896**
Trade notes receivable discounted	**–**	169	**–**
Total	**¥101**	¥182	**$896**

12. Stock Options

The stock options outstanding as of March 31, 2016 and 2015 were as follows:
Consolidated subsidiary (Goodman Co., Ltd.)

	2016		2015	
	November 25, 2005 at board of directors' meeting	April 27, 2006 at board of directors' meeting	November 25, 2005 at board of directors' meeting	April 27, 2006 at board of directors' meeting
Persons granted	Directors of Goodman Co., Ltd: 4 Employees of Goodman Co., Ltd: 348 Others: 4	Employees of Goodman Co., Ltd: 6	Directors of Goodman Co., Ltd: 4 Employees of Goodman Co., Ltd: 348 Others: 4	Employees of Goodman Co., Ltd: 6
Class and number of shares	878,500 shares of common stock of Goodman	7,000 shares of common stock of Goodman	878,500 shares of common stock of Goodman	7,000 shares of common stock of Goodman
Grant date	December 5, 2005	April 28, 2006	December 5, 2005	April 28, 2006
Exercise period	From December 6, 2005 to August 31, 2015	From April 28, 2006 to August 31, 2015	From December 6, 2005 to August 31, 2015	From April 28, 2006 to August 31, 2015
Terms for vesting	None	None	None	None
Specified term of years before vesting	None	None	None	None

In addition to the aforementioned information of the stock options outstanding, the stock option activity is as follows:
Consolidated subsidiary (Goodman Co., Ltd.)

	2016		2015	
	November 25, 2005 at board of directors' meeting	April 27, 2006 at board of directors' meeting	November 25, 2005 at board of directors' meeting	April 27, 2006 at board of directors' meeting
Non-vested shares				
At the beginning of the year	**–**	**–**	–	–
Granted during the year	**–**	**–**	–	–
Forfeited and expired during the year	**–**	**–**	–	–
Vested during the year	**–**	**–**	–	–
At the end of the year	**–**	**–**	–	–
Vested shares				
At the beginning of the year	**253,000**	**2,000**	253,000	2,000
Vested during the year	**–**	**–**	–	–
Exercised during the year	**–**	**–**	–	–
Forfeited and expired during the year	**–**	**–**	–	–
Unexercised at the end of the year	**253,000**	**2,000**	253,000	2,000

The number of stock options were converted into that of common stocks.

	Yen		U.S. dollars (Note 1)	
	2016		**2016**	
	November 25, 2005 at board of directors' meeting	April 27, 2006 at board of directors' meeting	November 25, 2005 at board of directors' meeting	April 27, 2006 at board of directors' meeting
Exercise price	**¥2,169**	**¥2,415**	**$19**	**$21**
Average stock price at exercise	**–**	**–**	**–**	**–**
Fair value price at the grant date	**–**	**–**	**–**	**–**

	Yen	
	2015	
	November 25, 2005 at board of directors' meeting	April 27, 2006 at board of directors' meeting
Exercise price	¥2,169	¥2,415
Average stock price at exercise	–	–
Fair value price at the grant date	–	–

13. Business Combination

1. Business combination by acquirement

At the Board of Directors' meeting dated September 4, 2015, Nipro Corporation determined that Infraredx, Inc. (hereafter "Infraredx"), an equity-method application affiliated company of Nipro Corporation, would become a wholly owned subsidiary of Goodman USA, Inc. and merge with Nipro Vascular USA Corporation, which was newly established for the purpose of this merger as a wholly owned subsidiary of Goodman USA, Inc. On October 1, 2015, Infraredx merged as the surviving company with Nipro Vascular USA Corporation.

(1) Outline of the business combination

① Outline of the acquired company

Company name: Infraredx, Inc.

Business: Development, manufacture and sale of medical equipment

② Reason of acquisition

We believe that a 100% acquisition is preferable to make prompt and flexible decisions from a middle- and long-term perspective under the consistent business policies of our group. In addition, it is expected to expand "TVC Imaging System", the company's first-in-class product, in the Japanese market, which is considered as the center of the global market of intravascular ultrasound (IVUS), as well as to establish and expand our sales network in overseas.

③ Date of business combination — October 1, 2015

④ Legal form of the business combination — Absorb-type of merger

⑤ Company name after combination — No Change

⑥ Ratio of voting

Ratio of voting before business combination:	25.06%
Ratio of voting acquired on business combination day:	74.94%
Ratio of voting after business combination:	100.00%

⑦ Foundation for decision of acquired company

We decided Nipro Vascular USA Corporation should be the combination company, based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

(2) Performance period of combination company on the financial balance sheets

From October 1, 2015 to March 31, 2016

(3) Acquisition cost and breakdown of each kind of counter value

Counter value (actual value of Nipro Vascular USA Corporation, etc.)	¥0 million ($0 thousand)
Acquisition cost	¥0 million ($0 thousand)

(4) Amount and details of main acquisition-related expenses

Cost of advisory, etc. ¥183 million ($1,625 thousand)

(5) Balance between acquisition cost of acquired company and total amount of costs per each transaction

Loss on step acquisitions ¥2,238 million ($19,862 thousand)

(6) Amount of goodwill, reason of occurrence, and amortization method and period

① Amount of goodwill ¥6,579 million ($58,387 thousand)

② Reason of occurrence

excess earning power of future business deployment

③ Amortization method and period

Straight-line method for the period in which expected return on investment will affect

(7) Received assets and liabilities

Current assets	¥926 million ($8,218 thousand)
Non-current assets	¥8,457 million ($75,054 thousand)
Total amount of assets	¥9,383 million ($83,272 thousand)
Current liabilities	¥9,383 million ($83,272 thousand)
Total amount of liabilities	¥9,383 million ($83,272 thousand)

2. Trading under common control

(1) Outline of trading

① Company name and business at the time of the business combination

Nipro Corporation	Manufacture and sale of Medical equipment, pharmaceuticals and pharma packaging
Nipro Europe Group Companies N.V.	Holding company in Europe

② Date of business combination — December 22, 2015

③ Legal form of the business combination — Stock of subsidiaries contributed in kind

④ Others

"We have contributed in kind to Nipro Europe Group Companies N.V. stock of subsidiaries, intending to strengthen the overseas business structure in Europe through Nipro Europe Group Companies N.V.

In this trade, the targeted of subsidiaries are as follows:

- Nipro Europe N.V.
- Nipro Pharmapackaging International N.V.
- Nipro Pharmapackaging France S.A.S.
- Nipro Pharmapackaging Germany GmbH."

(2) Implemented accounting treatment

This merger was processed as a transaction under common control, based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

3. Business divestitures

(1) Outline of business divestitures

① Purchaser company — Sinocare Group

② Contents of divested business

Consolidated subsidiaries	Nipro Diagnostics, Inc. (NDI)
Business	Development, manufacture and sale of diabetes products

③ Reason of business divestitures

We acquired Home Diagnostics, Inc. (currently, NDI) of the USA in March 2010 and entered the worldwide business of self-monitoring of blood glucose. Since then, sales have increased stably. However, the global business environment for such products, such as in North America, has deteriorated and reorganization in the market is now apparent.

Under such circumstances, we considered various measures such as focusing on continuous product development and investment, before deciding to transfer the shares of NDI to Sinocare Group, a company focusing on examination-related products such as blood glucose meters, especially in China. We believe that purchasing products from a group company and selling them is more effective for reducing our burden and expanding our business.

④ Date of business divestitures — 7th January 2016
January 7, 2016

⑤ Legal form and others — Stock transfer paid in properties such as cash

(2) Implemented accounting treatment

① The amount transfer loss

Gain on sales of subsidiaries' and affiliates' stocks ¥14,072 million ($124,885 thousand)

② Appropriate book values of assets and liabilities

Current assets	¥14,437 million ($128,124 thousand)
Non-current assets	¥15,790 million ($140,132 thousand)
Total amount of assets	¥30,227 million ($268,256 thousand)
Current liabilities	¥14,560 million ($129,216 thousand)
Non-current liabilities	¥2,549 million ($22,622 thousand)
Total amount of liabilities	¥17,109 million ($151,838 thousand)

③ Accounting treatment

We allocated the difference between consolidated book value and sale value to "extraordinary income" as Gain on sales of subsidiaries and affiliates' stocks

(3) Reported segment in which the divested business included

Medical segment

(4) Appropriate amount concerning divested business in Profit and loss statement

Sales amount	¥18,078 million ($160,437 thousand)
Operating losses	¥4,128 million ($36,635 thousand)

14. 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 an 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.

(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 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 the 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' meeting.

The Company's legal reserve, which is included in retained earnings, amounted to ¥3,215 million (US$22,532 thousand) as of March 31, 2016, and its additional paid-in capital, which is included in capital surplus, amounted to ¥635 million (US$5,635 thousand) as of March 31, 2016.

15. Segment Reporting

Outline of Reportable Operating Segments

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

The Company currently operates its business on a stand-alone basis with the divisional organization and evaluates the performance of sales and manufacturing of each division regardless of their products. Accordingly, the Company has three reportable operating business segments according to the divisions (Medical-Related business, Pharmaceutical-Related business and Glass-Related business), which are divided mainly by their products.

Medical-Related

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

Pharmaceutical-Related

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

Glass-Related

The MP Glass division sells glass for vials and ampoules for medical use, glass for thermos bottles and glass for lighting. Overseas subsidiaries manufacture and sell tube glass and glass for vials and ampoules for medical use.

Business segment information for the years ended March 31, 2016 and 2015 was as follows:

Millions of yen — 2016

	Reportable Segment: Medical-Related	Reportable Segment: Pharmaceutical-Related	Reportable Segment: Glass-Related	Reportable Segment: Total	Other (*1)	Total	Adjustment (*2)	Consolidated financial statements
Net sales:								
Outside	¥272,168	¥ 62,266	¥32,184	¥366,618	¥32	¥366,650	¥ –	¥366,650
Intersegment	1,737	8,815	874	11,426	39	11,465	(11,465)	–
Total	273,905	71,081	33,058	378,044	71	378,115	(11,465)	366,650
Operating income (loss)	28,204	12,060	(1,618)	38,646	61	38,707	(14,502)	24,205
Identifiable assets	¥338,889	¥154,304	¥66,812	¥560,005	¥55	¥560,060	¥148,823	¥708,883
Other items								
Depreciation and amortization	¥ 15,133	¥ 9,327	¥ 3,403	¥ 27,863	–	¥ 27,863	¥ 2,284	¥ 30,147
Amortization of goodwill	2,649	5	1,033	3,687	–	3,687	–	3,687
Capital expenditures	24,549	21,277	6,095	51,921	–	51,921	5,180	57,101

Thousands of U.S. dollars (Note 1) — 2016

	Reportable Segment: Medical-Related	Reportable Segment: Pharmaceutical-Related	Reportable Segment: Glass-Related	Reportable Segment: Total	Other (*1)	Total	Adjustment (*2)	Consolidated financial statements
Net sales:								
Outside	$2,415,406	$ 552,592	$285,623	$3,253,621	$284	$3,253,905	$ –	$3,253,905
Intersegment	15,415	78,230	7,757	101,402	346	101,748	(101,748)	–
Total	2,430,821	630,822	293,380	3,355,023	630	3,355,653	(101,748)	3,253,905
Operating income (loss)	250,302	107,029	(14,359)	342,972	541	343,513	(128,701)	214,812
Identifiable assets	$3,007,535	$1,369,400	$592,936	$4,969,871	$488	$4,970,359	$1,320,757	$6,291,116
Other items								
Depreciation and amortization	$ 134,301	$ 82,774	$ 30,201	$ 247,276	–	$ 247,276	$ 20,269	$ 267,545
Amortization of goodwill	23,509	44	9,168	32,721	–	32,721	–	32,721
Capital expenditures	217,865	188,827	54,091	460,783	–	460,783	45,971	506,754

Millions of yen — 2015

	Reportable Segment: Medical-Related	Reportable Segment: Pharmaceutical-Related	Reportable Segment: Glass-Related	Reportable Segment: Total	Other (*1)	Total	Adjustment (*2)	Consolidated financial statements
Net sales:								
Outside	¥237,777	¥ 57,372	¥29,830	¥324,979	¥105	¥325,084	¥ –	¥325,084
Intersegment	1,535	8,401	775	10,711	34	10,745	(10,745)	–
Total	239,312	65,773	30,605	335,690	139	335,829	(10,745)	325,084
Operating income (loss)	23,813	10,553	(2,889)	31,477	131	31,608	(15,036)	16,572
Identifiable assets	¥350,870	¥137,570	¥70,176	¥558,616	¥ 55	¥558,671	¥136,636	¥695,307
Other items								
Depreciation and amortization	¥ 13,357	¥ 9,569	¥ 3,023	¥ 25,949	¥ –	¥ 25,949	¥ 1,719	¥ 27,668
Amortization of goodwill	3,912	4	1,921	5,837	–	5,837	–	5,837
Capital expenditures	14,486	17,854	8,429	40,769	–	40,769	6,929	47,698

(*1) "Other" is the business segment which is not included in the reportable segment and consists of real estate income and sales by headquarters.
(*2) Adjustment is as follows:

- Adjustments for operating income ended March 31, 2016 and 2015 include ¥(1,070) million (US$(9,496) thousand) and ¥(3.041) million of adjustment for unrealized gain and ¥(13.432) million (US$(119,205) thousand) and ¥(11,994) million of corporate cost, respectively. Corporate cost consists primarily of sales, general and administrative expenses and research and development costs which do not belong to the reportable segment.
- Adjustments for Identifiable assets ended March 31, 2016 and 2015 include ¥(10,777) million (US$(95,643) thousand) and ¥(10,933) million of elimination of inter-segment transaction and ¥159,599 million (US$1,416,392 thousand) and ¥147,569 million of corporate assets, respectively. Corporate assets consisted primarily of cash and deposits, investment securities, assets for development and assets for the management division of head office which do not belong to the reportable segment.
- Adjustments for depreciation and amortization ended March 31, 2016 and 2015 are for corporate assets. Depreciation and amortization and Capital expenditures include long-term prepaid expenses.
- Adjustment for capital expenditures is an increase in corporate assets.

Loss on impairment of fixed assets and Unamortized balance of goodwill by business segment were as follows:

	Millions of yen											
	2016						2015					
	Reportable Segment						Reportable Segment					
	Medical-Related	Pharmaceutical-Related	Glass-Related	Total	Other	Total	Medical-Related	Pharmaceutical-Related	Glass-Related	Total	Other	Total
Loss on impairment of fixed assets	**¥ 0**	**¥–**	**¥ –**	**¥ 0**	**¥–**	**¥ 0**	¥ 0	¥ –	¥ 66	¥ 66	¥–	¥ 66
Unamortized balance of goodwill	**23,718**	**9**	**5,150**	**28,877**	**–**	**28,877**	19,837	13	6,514	26,364	–	26,364

	Thousands of U.S. dollars (Note 1)					
	2016					
	Reportable Segment					
	Medical-Related	Pharmaceutical-Related	Glass-Related	Total	Other	Total
Loss on impairment of fixed assets	**$ 0**	**$ –**	**$ –**	**$ 0**	**$–**	**$ 0**
Unamortized balance of goodwill	**210,490**	**80**	**45,704**	**256,274**	**–**	**256,274**

Net sales and Property, plant and equipment for each area were as follows:

	Millions of yen									
	2016					2015				
	Japan	America	Europe	Asia	Total	Japan	America	Europe	Asia	Total
Net sales	**¥203,462**	**¥72,416**	**¥46,156**	**¥44,616**	**¥366,650**	¥182,149	¥62,662	¥42,874	¥37,399	¥325,084
Property, plant and equipment	**125,709**	**9,586**	**14,685**	**73,777**	**223,757**	108,211	19,664	12,965	79,355	220,195

	Thousands of U.S. dollars (Note 1)				
	2016				
	Japan	America	Europe	Asia	Total
Net sales	**$1,805,662**	**$642,670**	**$409,620**	**$395,953**	**$3,253,905**
Property, plant and equipment	**1,115,628**	**85,073**	**130,325**	**654,748**	**1,985,774**

16. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Salaries	**¥22,230**	¥19,397	**$197,284**
Freight charges	**8,205**	7,358	**72,817**

17. Research and Development Expenses

Research and development expenses for the years ended March 31, 2016 and 2015 were ¥10,269 million (US$91,134 thousand) and ¥8,646 million, respectively.

18. 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)
	2016	2015	2016
Cash paid during the year for:			
Interest	**¥4,506**	¥ 3,989	**$39,989**
Income tax	**4,780**	16,979	**42,421**

Report of Independent Auditors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nipro Corporation

We have audited the accompanying consolidated balance sheet of Nipro Corporation and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016, are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Osaka, Japan
July 22, 2016

PKF Hibiki Audit Corporation

PKF Hibiki Audit Corporation

Corporate Information (As of March 31, 2016)

Date of Establishment
July 8, 1954

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

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

Number of Employees

Parent Company	3,190
Consolidated subsidiaries	21,053
Total	24,243

Common Stock

Authorized	400,000,000 shares
Issued	171,459,479 shares
Outstanding	170,509,592 shares
Number of Shareholders	62,260

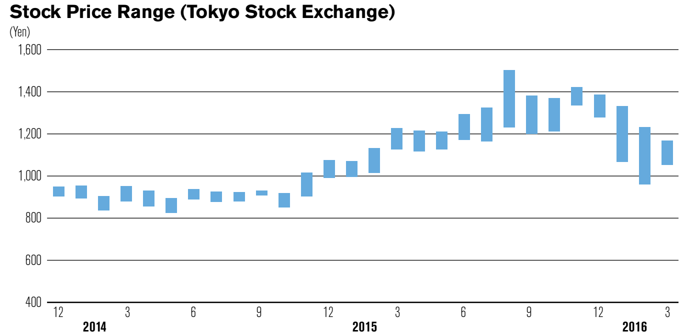
Stock Listing
Tokyo Stock Exchange,
Ticker Code: 8086

Transfer Agent
Mizuho Trust & Banking Co., Ltd., Head Office
Stock Transfer Agency Dept.
1-2-1, Yaesu, Chuo-ku, Tokyo, 103-8670, Japan

Principal Shareholders

	Number of Shares Held (in thousands)	Percentage of Total Shares in Issue (%)
Nippon Electric Glass Co., Ltd.	24,003	14.00
Japan Trustee Services Bank, Ltd.	17,492	10.20
Resona Bank Limited	5,360	3.13
The Master Trust Bank of Japan, Ltd	4,633	2.70
Trust & Custody Services Bank, Ltd.	4,074	2.38
STATE STREET BANK AND TRUST COMPANY 505223	2,150	1.25
Kazumi Sano	1,910	1.11
Mizuho Bank, Ltd.	1,566	0.91
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	1,442	0.84
JP Morgan Chase Bank 385151	1,278	0.75
Total	63,909	37.27

Stock Price Range (Tokyo Stock Exchange)



Major Group Companies (As of June 30, 2016)

Area	Country	Name	Principal business
Domestic	Japan	Nipro Medical Industries Co., Ltd.	Manufacturing and marketing of medical devices
		Goodman Co., Ltd.	Manufacturing and marketing of medical devices
		Nipro Pharma Corporation	Manufacturing and marketing of pharmaceuticals
		Zensei Pharmaceutical Industries Co., Ltd.	Manufacturing and marketing of pharmaceuticals
		Nichihos Co., Ltd.	Management of dispensing pharmacies and marketing of pharmaceutical products
		Cell Science & Technology Institute, Inc.	Development and manufacture of cell culture media
Overseas	Thailand	Nipro (Thailand) Corporation Limited	Manufacturing and marketing of medical devices
		Nipro Sales (Thailand) Co., Ltd.	Marketing of medical devices
	China	Nipro (Shanghai) Co., Ltd.	Manufacturing and marketing of medical devices
		Nipro Trading (Shanghai) Co., Ltd.	Marketing of medical devices
		Chengdu Pingyuan Nipro Pharmaceutical Packaging Co., Ltd.	Manufacturing and marketing of glass products
		Jilin Nipro Jiaheng Pharmaceutical Packaging Co., Ltd.	Manufacturing and marketing of glass products
		Anyang Nipro Changda Pharmaceutical Packaging Co., Ltd.	Manufacturing and marketing of glass products
		Nipro Medical (Hefei) Co., Ltd.	Manufacturing and marketing of medical devices
	Singapore	Nipro Asia Pte Ltd.	Marketing of medical devices
	India	Nipro India Corporation Private Limited	Manufacturing and marketing of medical devices
		Nipro PharmaPackaging India Private Limited	Manufacturing and marketing of medical glass products
		Nipro Tube Glass Limited	Manufacturing and marketing of medical glass products
		Nipro Medical (India) Pvt. Ltd.	Marketing of medical devices
	Bangladesh	Nipro JMI Co., Ltd.	Manufacturing and marketing of medical devices
		Nipro JMI Pharma Ltd.	Manufacturing and marketing of pharmaceuticals
	Indonesia	PT. Nipro Indonesia JAYA	Manufacturing and marketing of medical devices
	UAE	Nipro Middle East FZE	Marketing of medical devices
	Brazil	Nipro Medical Ltda.	Manufacturing and marketing of medical devices
	U.S.A.	Nipro Medical Corporation	Marketing of medical devices
		Nipro PharmaPackaging Americas Corporation	Manufacturing and marketing of medical glass products
	Belguim	Nipro Europe N.V.	Marketing of medical devices
		Nipro PharmaPackaging Belgium N.V.	Manufacturing and marketing of medical glass products
	France	Nipro PharmaPackaging France S.A.S.	Manufacturing and marketing of medical glass products
	Germany	Nipro PharmaPackaging Germany GmbH	Manufacturing and marketing of medical glass products
	Switzerland	Nipro Pharma Glass AG	Business management

NIPRO CORPORATION
3-9-3 Honjo-nishi, Kita-ku, Osaka 531-8510, Japan
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Facsimile: +81-6-6375-0669
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