

Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2010

NIHON KOHDEN CORPORATION (6849)

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(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the 1st Quarter of FY2009 (From April 1, 2009 to June 30, 2009)

(1) Consolidated Operating Results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2009 1Q (3 months)	22,157	-17.1	792	-59.1	910	-60.0	102	-91.5
FY2008 1Q (3 months)	26,732	—	1,938	—	2,276	—	1,202	—

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2009 1Q (3 months)	2.32	—
FY2008 1Q (3 months)	27.37	—

Note: Percentages indicate increase/decrease over the corresponding period in the previous fiscal year.

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2009 1Q (3 months)	75,800	53,248	70.2	1,211.72
FY2008	80,479	53,569	66.5	1,219.06

Reference: Equity Capital: FY2009 1Q: 53,236 million yen FY2008: 53,558 million yen

2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2008	—	18.00	—	19.00	37.00
FY2009	—	—	—	—	—
FY2009 (Forecast)	—	17.00	—	17.00	34.00

Note: Revise of dividends forecast: None

3. Consolidated forecast for FY2009 (From April 1, 2009 to March 31, 2010)

	Net sales		Operating income		Ordinary income		Net income		Net income per share - Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	50,500	-6.2	2,200	-43.3	2,200	-43.3	1,300	-41.1	29.59
Full year	107,000	-1.9	6,000	-26.0	6,000	-21.5	3,700	-19.8	84.22

Note: Revise of consolidated forecast: None

*The above estimates are based on information available on the date of this report's announcement. Actual results may differ from such estimates due to unforeseen circumstances.

4. Review of Operations

During the term under review (April 1, 2009 to June 30, 2009), the overall global economy remained in recession, although there were some signs of recovery. The economic slowdown weakened demand for medical equipment in the international market as well as demand for AEDs in the Japanese PAD market. In the Japanese hospital market, hospitals continued to face difficulties due to government spending restraint on healthcare. At the same time, there was a new push to improve health care and the Japanese government allocated a fiscal 2009 budget to solve the physician shortage, ensure delivery of emergency and perinatal care, and revitalize regional health care.

Under these circumstances, the Company had implemented a 3-year Business Plan, SPEED UP II, of which the final year is the term under review. The Company also took additional measures to improve profitability and launched a "Columbus Committee" to strengthen global business.

Japan: In the PAD market, sales of AEDs declined due to the difficult economic situation. Sales in the hospital market declined at all product categories except Medical Supplies, compared with the first quarter of FY2008 when we had strong sales in the university market and public hospital market. As a result, domestic sales decreased 14.9% over the first quarter of FY2008, to ¥18,087 million.

Sales in the university market and public hospital market make up a large proportion of domestic sales in the Nihon Kohden Group. Due to the timing of their budget implementation, the Group's sales tend to be higher in the final month of each half of the fiscal year (September for the first half and March for the second half). It follows that sales in the first and third quarters are usually lower than the second and fourth quarters. Because the budget implementation was earlier than usual, consolidated sales for the first quarter of FY2008 accounted for 24.5% of last year's total sales.

International: International sales decreased, mainly due to the difficult economic situation and a negative currency translation impact. Sales in all product categories declined except Treatment Equipment. In particular, Patient Monitors and hematology analyzers were weak. As a result, international sales declined 25.7% over the prior year quarter, to ¥4,070 million.

Overall sales during the term under review decreased 17.1% over the prior year quarter to ¥22,157 million and operating income decreased 59.1% to ¥792 million. Ordinary income decreased 60.0% to ¥910 million and net income decreased 91.5% to ¥102 million over the prior year quarter. Effective from the current fiscal year, the Company has reserved for product warranties in order to calculate appropriate periodic costs. Accordingly, extraordinary loss includes provision for product warranties for prior periods.

5. Consolidated Sales by Product Category

	(Millions of yen)	
	Three months ended June 30, 2009	
	Amount	Growth rate (%)
Physiological Measuring Equipment	3,340	-14.1
Patient Monitors	3,327	-37.3
Treatment Equipment	3,418	-26.1
Medical Supplies	8,559	+3.4
Other Medical Equipment	3,510	-24.2
Total	22,157	-17.1
(Reference) Domestic Sales	18,087	-14.9
(Reference) Overseas Sales	4,070	-25.7

6. Consolidated Forecast for FY2009

As recent performance trends are in line with estimates, the Company reaffirms the forecast for FY2009, previously announced on May 12, 2009.

The Company's forecast for FY2009 is based on an exchange rate of 90 yen to the dollar and 120 yen to the euro. Exchange rate fluctuations will not have much impact on operating income because the Company's import and export business are roughly balanced.

7. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	June 30, 2009	March 31, 2009
Assets		
Current assets:		
Cash and deposits	7,381	8,701
Notes and accounts receivable-trade	27,961	32,271
Short-term investment securities	3,700	2,500
Merchandise and finished goods	11,375	11,161
Work in process	808	587
Raw materials and supplies	2,261	2,393
Other	3,839	4,036
Allowance for doubtful accounts	-189	-181
Total current assets	<u>57,138</u>	<u>61,470</u>
Noncurrent assets:		
Property, plant and equipment	9,951	10,301
Intangible assets		
Goodwill	859	872
Other	2,230	2,160
Total intangible assets	<u>3,089</u>	<u>3,032</u>
Investments and other assets		
Investment securities	3,217	2,874
Other	2,643	3,038
Allowance for doubtful accounts	-238	-238
Total investments and other assets	<u>5,621</u>	<u>5,674</u>
Total noncurrent assets	<u>18,662</u>	<u>19,008</u>
Total assets	<u>75,800</u>	<u>80,479</u>
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	14,001	16,028
Short-term loans payable	2,443	2,372
Income taxes payable	432	1,184
Provision for bonuses	489	2,216
Provision for product warranties	301	—
Other	4,254	4,476
Total current liabilities	<u>21,923</u>	<u>26,277</u>
Noncurrent liabilities:		
Long-term loans payable	17	19
Long-term accounts payable-other	194	202
Other	417	410
Total noncurrent liabilities	<u>629</u>	<u>631</u>
Total liabilities	<u>22,552</u>	<u>26,909</u>
Net assets		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,487	10,487
Retained earnings	37,239	37,972
Treasury stock	-2,016	-2,016
Total shareholders' equity	<u>53,254</u>	<u>53,987</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	314	66
Deferred gains or losses on hedges	-22	—
Foreign currency translation adjustment	-310	-494
Total valuation and translation adjustments	<u>-18</u>	<u>-428</u>
Minority interests	12	10
Total net assets	<u>53,248</u>	<u>53,569</u>
Total liabilities and net assets	<u>75,800</u>	<u>80,479</u>

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2008	Three months ended June 30, 2009
Net sales	26,732	22,157
Cost of sales	13,574	10,641
Gross profit	13,157	11,516
Selling, general and administrative expenses	11,219	10,723
Operating income	1,938	792
Non-operating income		
Interest income	11	5
Dividends income	53	48
Foreign exchange gains	227	59
Other	93	47
Total non-operating income	385	161
Non-operating expenses		
Interest expenses	9	10
Equity in losses of affiliates	15	5
Other	21	27
Total non-operating expenses	46	43
Ordinary income	2,276	910
Extraordinary income		
Reversal of allowance for doubtful accounts	6	0
Gain on sales of investment securities	—	6
Total extraordinary income	6	6
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	8	4
Loss on valuation of investment securities	—	51
Provision for product warranties for prior periods	—	320
Total extraordinary losses	8	376
Income before income taxes and minority interests	2,275	540
Income taxes	1,057	437
Minority interests in income	15	1
Net income	1,202	102

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2008	Three months ended June 30, 2009
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	2,275	540
Depreciation and amortization	552	573
Increase (decrease) in provision	-1,488	-1,418
Interest and dividends income	-64	-53
Interest expenses	9	10
Foreign exchange losses (gains)	30	-20
Loss (gain) on sales and retirement of property, plant and equipment	8	4
Decrease (increase) in notes and accounts receivable-trade	1,406	4,292
Decrease (increase) in inventories	-100	-303
Increase (decrease) in notes and accounts payable-trade	-1,884	-2,026
Other, net	792	671
Subtotal	1,537	2,269
Interest and dividends income received	61	53
Interest expenses paid	-12	-14
Income taxes paid	-2,007	-1,199
Net cash provided by (used in) operating activities	-422	1,109
Net cash provided by (used in) investing activities:		
Proceeds from sales of investment securities	1	32
Purchase of investment securities	-14	-13
Proceeds from sales of property, plant and equipment	1	5
Purchase of property, plant and equipment	-795	-252
Purchase of intangible assets	-224	-392
Proceeds from acquisition of newly consolidated subsidiaries	17	—
Other, net	0	1
Net cash provided by (used in) investing activities	-1,012	-619
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	403	37
Repayment of long-term loans payable	-2	-1
Cash dividends paid	-816	-771
Repayments of lease obligations	—	-15
Other, net	-0	-0
Net cash provided by (used in) financing activities	-417	-751
Effect of exchange rate change on cash and cash equivalents	10	141
Net increase (decrease) in cash and cash equivalents	-1,841	-120
Cash and cash equivalents at beginning of period	13,797	11,197
Cash and cash equivalents at end of period	11,955	11,077

(4) Overseas Sales
Three months ended June 30, 2008

(Millions of yen)

	Americas	Europe	Asia	Other	Total
Overseas sales	2,056	1,543	1,625	255	5,479
Consolidated sales					26,732
Percentage of overseas sales to consolidated sales (%)	7.7	5.8	6.1	1.0	20.5

Three months ended June 30, 2009

(Millions of yen)

	Americas	Europe	Asia	Other	Total
Overseas sales	1,423	1,033	1,350	262	4,070
Consolidated sales					22,157
Percentage of overseas sales to consolidated sales (%)	6.4	4.7	6.1	1.2	18.4

Note: 1. Overseas sales comprise sales of the Company and its consolidated subsidiaries in countries and regions other than Japan.

2. The major countries or regions in the respective divisions are as follows:

Americas : U.S.A., Brazil, Colombia, Chile and Mexico

Europe : Germany, France, Spain, Italy and Russia

Asia : China, Singapore, Korea, India and Vietnam