

Consolidated Financial Highlights for First Half of FY2012

(From April 1, 2012 to September 30, 2012)

1. Consolidated Financial Results for First Half of FY2012
2. Forecast for FY2012
3. Strategy to Achieve the Mid-term Business Plan

November 8, 2012

Fighting Disease with Electronics



Consolidated Financial Results for First Half of FY2012

1) Consolidated Financial Results for the 1st Half of FY2012

(Amounts of less than ¥1 million are rounded down)

	First half FY2011	First half FY2012			
		Original Forecast (May 10 announced)	Revised Forecast (Aug. 2 announced)	Actual	YoY (%)
Sales	55,297	60,000	60,000	60,581	9.6
Domestic Sales	45,663	-	-	49,804	9.1
Overseas Sales	9,634	-	-	10,777	11.9
Operating income	4,146	4,300	5,000	5,410	30.5
Ordinary income	3,836	4,300	4,700	5,189	35.2
Net income	2,308	2,600	2,800	3,134	35.8

Currency Effect:
-¥0.4 billion (-4%)

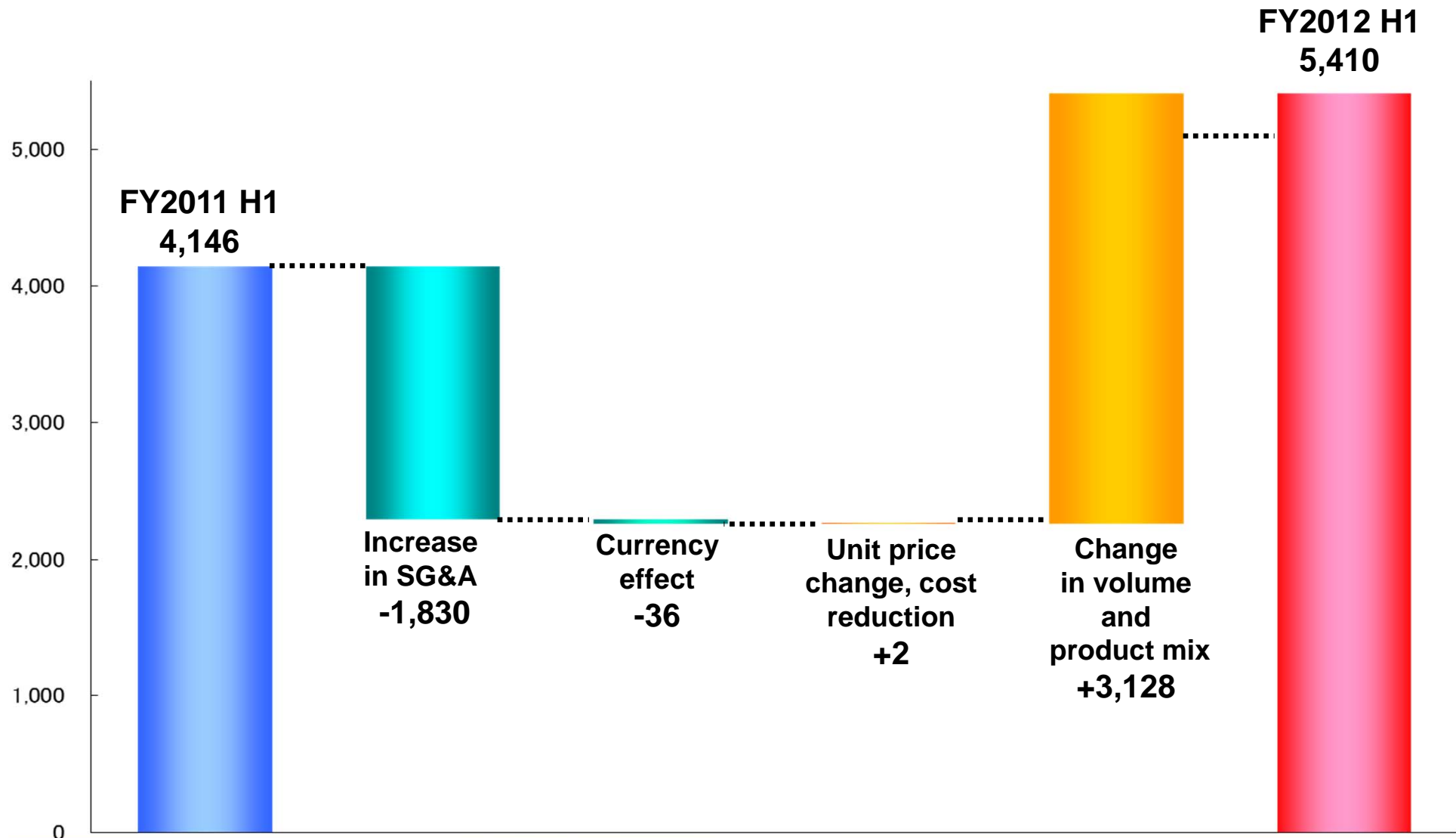
Gross Margin Ratio
50.0% in FY2011 H1
→50.5% in FY2012 H1
SG&A Ratio
42.5% in FY2011 H1
→41.6% in FY2012 H1

Foreign exchange losses:
¥0.5 billion

Average exchange rate	First half FY2011	First half FY2012
1 US Dollar	80 yen	80 yen
1 EURO	116 yen	101 yen

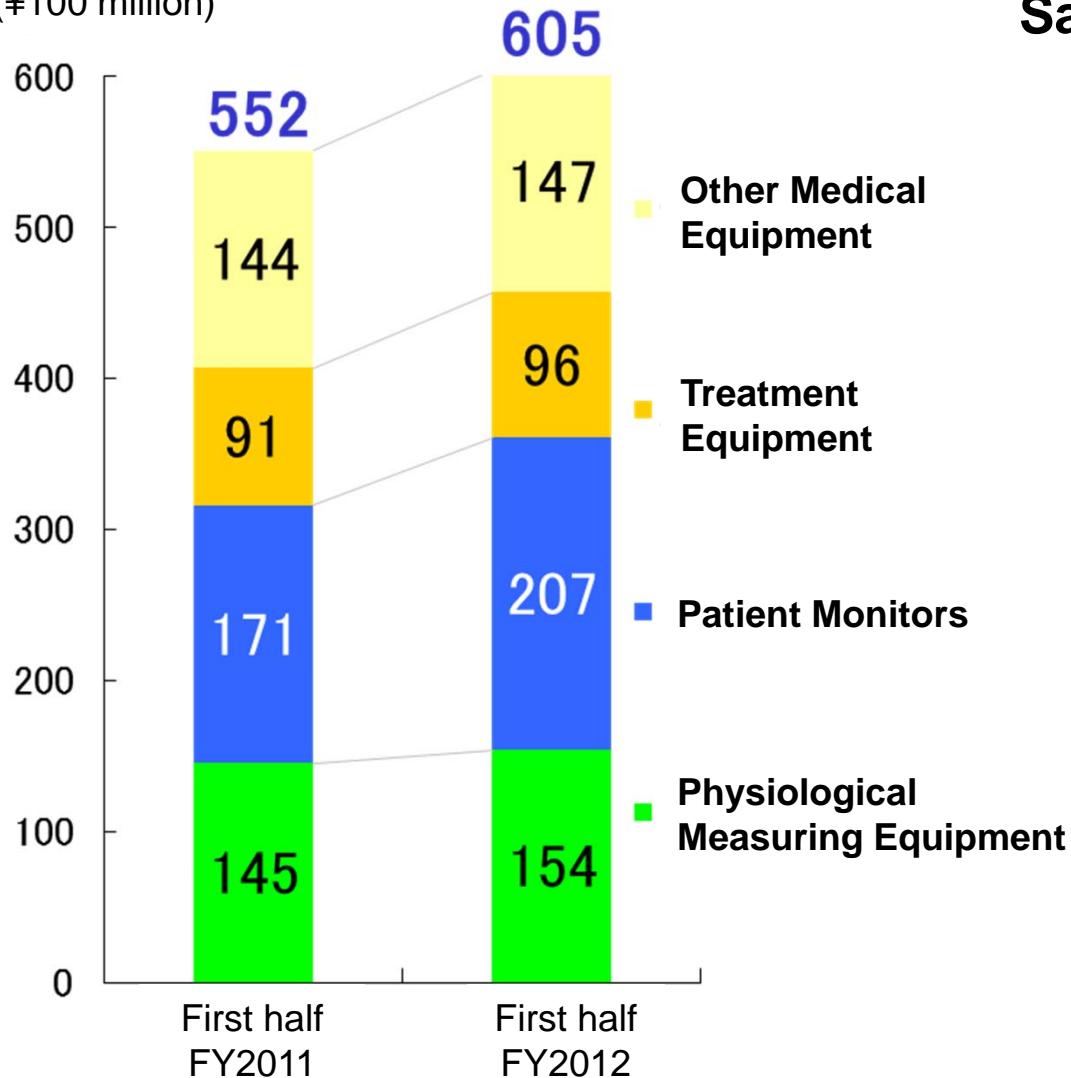
2) Breakdown of Operating Income

(Amounts of less than ¥1 million are rounded down)



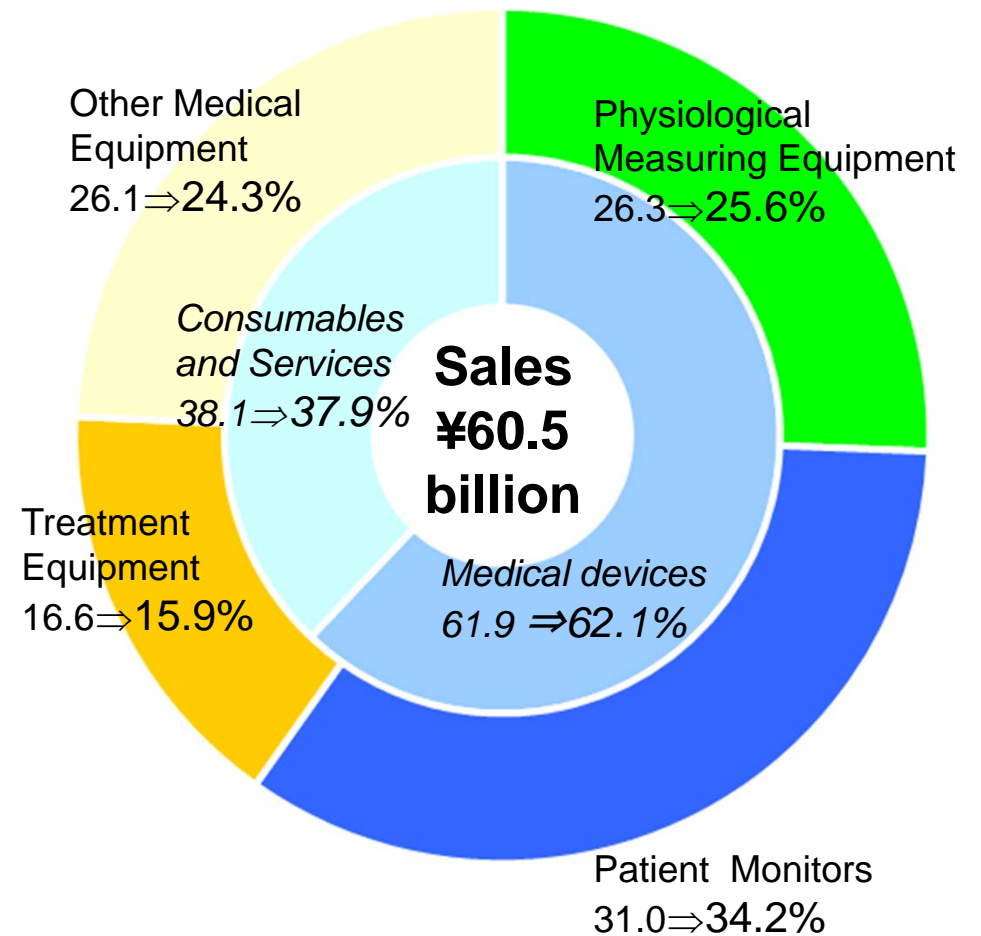
3) Sales by Product Category

(¥100 million)



Sales composition by product category

(FY2011 H1 ⇒ FY2012 H1)



3.1) Physiological Measuring Equipment

(Sales, millions of yen)

	First half FY2011	First half FY2012	YoY (%)
Electroencephalographs	3,650	4,008	9.8
Electrocardiographs	3,208	3,345	4.3
Polygraphs for Cath Lab	3,676	4,107	11.7
Other Physiological Measuring Equipment	4,033	4,020	-0.3
Physiological Measuring Equipment	14,570	15,481	6.3
Domestic Sales	11,855	12,647	6.7
Overseas Sales	2,714	2,833	4.4

- Sales of polygraphs for cath labs RMC-4000 increased
- Sales of EP catheters also increased from volume increase to offset official prices down

* Other Physiological Measuring Equipment includes diagnostic information system and other company's products.



Electroencephalographs
EEG-1250



Electrocardiographs
ECG-2500



Polygraphs for cath labs
RMC-4000

3.2) Patient Monitors

(Sales, millions of yen)

	First half FY2011	First half FY2012	YoY (%)
Patient Monitors	17,133	20,738	21.0
Domestic Sales	12,860	15,399	19.7
Overseas Sales	4,272	5,338	25.0

← Sales in the private hospital market increased favorably

← Sales increased in all 3 areas



Bedside monitors
BSM-6000 series



Central monitors
CNS-6201



Transmitter with LCD
ZS-530P

3.3) Treatment Equipment

(Sales, millions of yen)

	First half FY2011	First half FY2012	YoY (%)
Defibrillators (for Hospital and Ambulance)	2,022	1,892	-6.5
AED (Automated External Defibrillator)	2,336	3,211	37.4
Pacemakers / ICD	1,880	1,224	-34.9
Ventilators	1,011	1,020	1.0
Other Treatment Equipment	1,933	2,284	18.2
Treatment Equipment	9,184	9,634	4.9
Domestic Sales	7,964	8,618	8.2
Overseas Sales	1,220	1,015	-16.8
(Ref.) AED Unit Shipments	11,400	17,300	51.8
Domestic unit Sales	10,500	16,400	56.2



Defibrillators
TEC-8300



AED
AED-2150



Pacemakers
Nuance DR RF



Ventilators
HAMILTON-C1

3.4) Other Medical Equipment

(Sales, millions of yen)

	First half FY2011	First half FY2012	YoY (%)
Hematology Analyzers	3,235	3,578	10.6
Transformers, Imaging Systems, Medical equipment for study and others *	11,173	11,141	-0.3
Other Medical Equipment	14,409	14,727	2.2
Domestic Sales	12,982	13,138	1.2
Overseas Sales	1,426	1,589	11.4

- Domestic:
New product contributed
to sales increase

MEK-7300



- Overseas:
Sales of hematology
analyzers and reagents
increased favorably in China

* Includes consumables, installation and maintenance service which are not applicable to other categories.



Automated hematology analyzers
MEK-7300

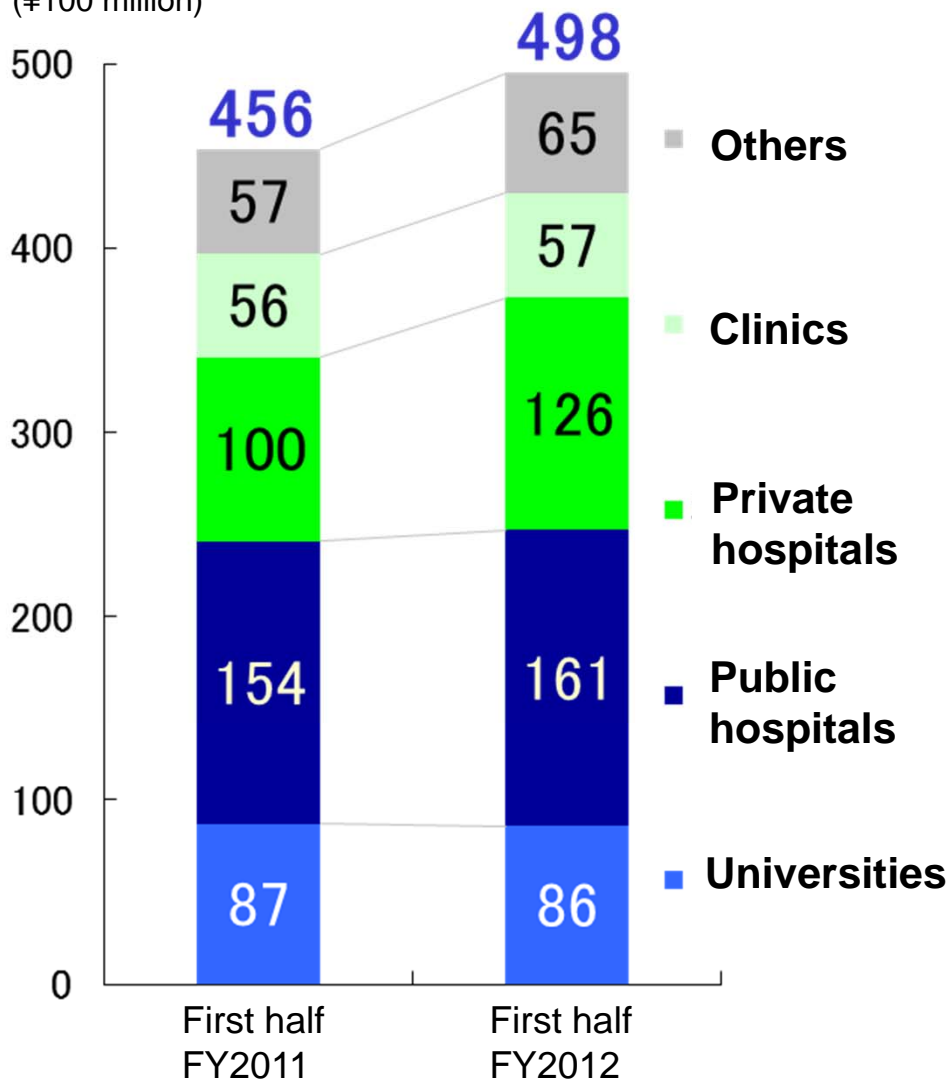


Multi-channel telemetry system
WEB-1000

4) Domestic Sales

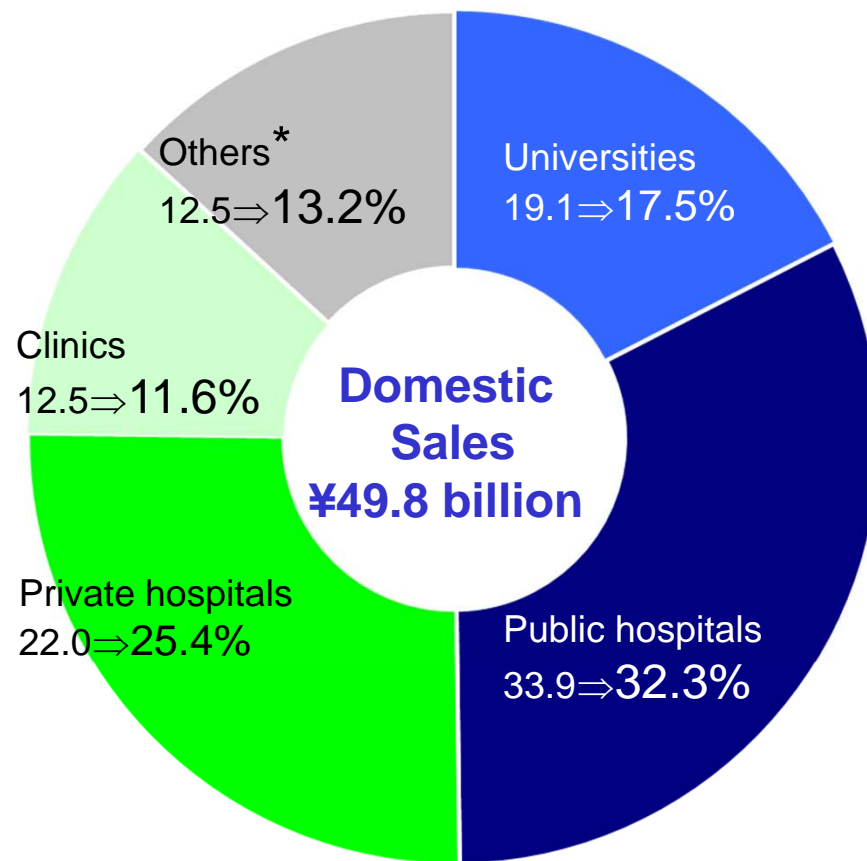
Sales by market

(¥100 million)



Sales composition by market

(FY2011 H1⇒FY2012 H1)

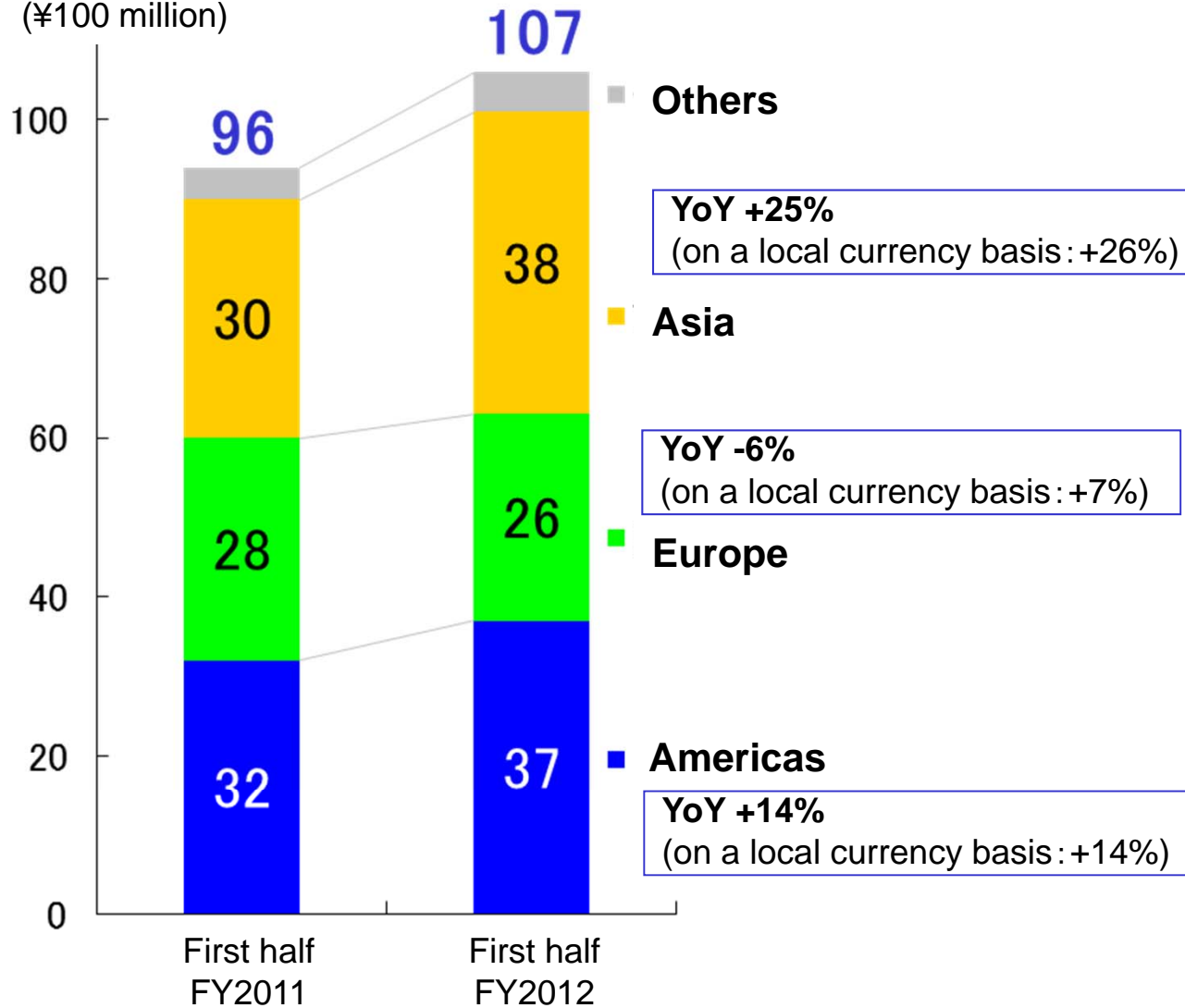


* Other includes laboratories, animal hospitals and PAD (public access defibrillation) markets such as schools and private companies.

5) Overseas Sales

Geographic Segments

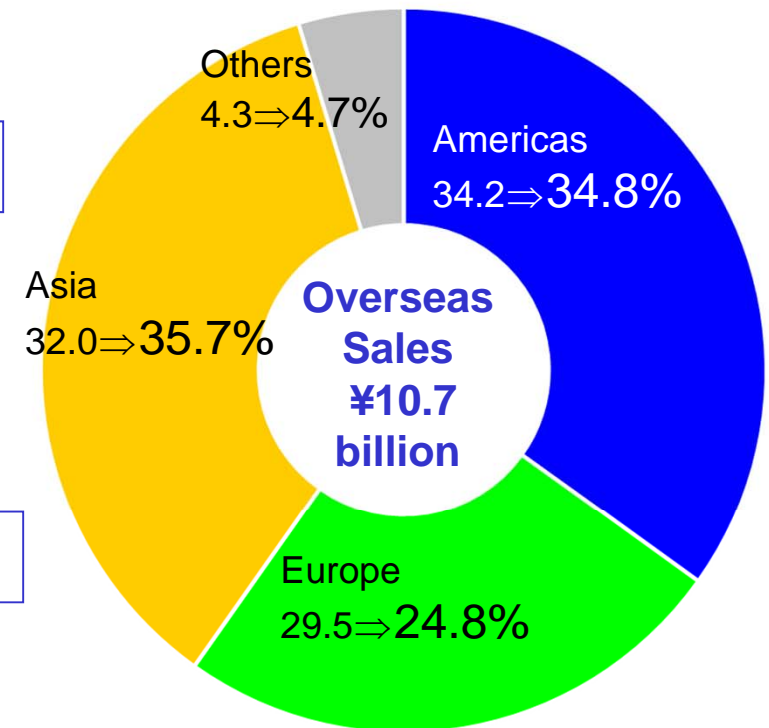
(¥100 million)



Percentage of overseas sales to consolidated sales

First half FY2011	First half FY2012
17.4%	17.8%

Geographic Segments (FY2011 H1 ⇒ FY2012 H1)



6) Financial Condition

(Amounts of less than ¥1 million are rounded down)

	FY2011	First half FY2012	Change
Current assets	82,742	82,470	-271
Fixed assets	16,660	16,852	192
Total assets	99,403	99,323	-79
Current liabilities	30,714	28,312	-2,401
Non-current fixed liabilities	778	1,115	337
Total liabilities	31,492	29,428	-2,064
Net assets	67,911	69,895	1,984
Total liabilities & Net assets	99,403	99,323	-79

7) Capital Investments and R&D Costs

(Amounts of less than ¥1 million are rounded down)

	First half FY2011	First half FY2012	FY2011	FY2012	
				Original Forecast (May 10 announced)	Revised Forecast (Nov. 2 announced)
Capital Investments	935	1,207	2,063	3,400	3,400
Depreciation	1,296	1,295	2,849	3,200	3,200
R&D costs	2,628	2,866	5,583	5,800	6,100

FY2012 H1 Actual Capital Investments

- Molds for new products, measuring equipment and jigs, products for demonstration

FY2012 H2 Capital Investments Plan

- Molds for new products, measuring equipment and jigs, products for demonstration, expansion of production capacity (¥0.4 billion), enhancement of ERP system (¥0.2 billion)

Forecast for FY2012

1) Business Environment

Japan

Upward revision of medical service fees in April 2012

- Ease burden for hospital doctors
- Improve home medical/long-term care
- Innovate medical care for cancers and dementia

Regional Medical Care Revival Plan
(FY2009 to FY2013)

FY2009 Supplemental Budget ¥235bil
FY2010 Supplemental Budget ¥210bil
FY2011 Supplemental Budget ¥ 72bil
Total ¥517bil

International

U.S.

Economy will be on recovery path

Europe

Uncertainty over Europe's debt crisis continues

Emerging Countries

- Solid growth expected in Southeast Asia
- Concern about the weakening demand in China

2) Forecast for FY2012

(Amounts of less than ¥1 million are rounded down)

	FY2011	FY2012		YoY (%)
		Original Forecast (May 10 announced)	Revised Forecast (Nov. 2 announced)	
Sales	120,718	130,000	130,000	7.7
Domestic Sales	99,706	105,000	106,500	6.8
Overseas Sales	21,011	25,000	23,500	11.8
Operating income	12,027	13,000	13,000	8.1
Ordinary income	12,193	13,000	13,000	6.6
Net income	7,621	7,900	7,900	3.7

Outlook for gross margin and SG&A

- Gross margin ratio is in line with original forecast
- SG&A expenses are in line with original forecast
 - Some unused portion is carried over into H2
(such as costs incurred to improve existing products)
- R&D costs exceed original forecast for new product development of patient monitors

Percentage of overseas sales
to consolidated sales

17.4% 19.2% **18.1%**

Average exchange rate

1 US Dollar	79 yen	80 yen	79 yen
1 EURO	110 yen	100 yen	100 yen

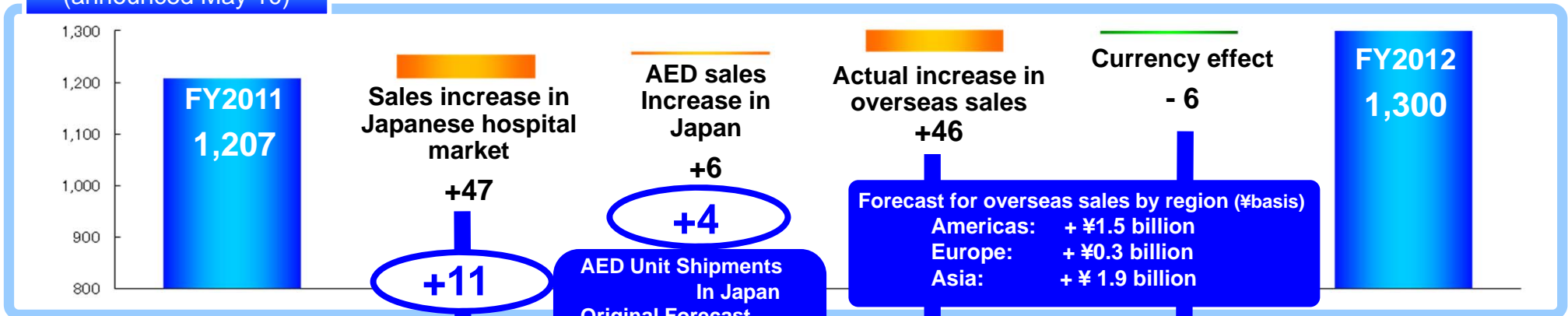
(Second half FY2012)

78 yen
99 yen

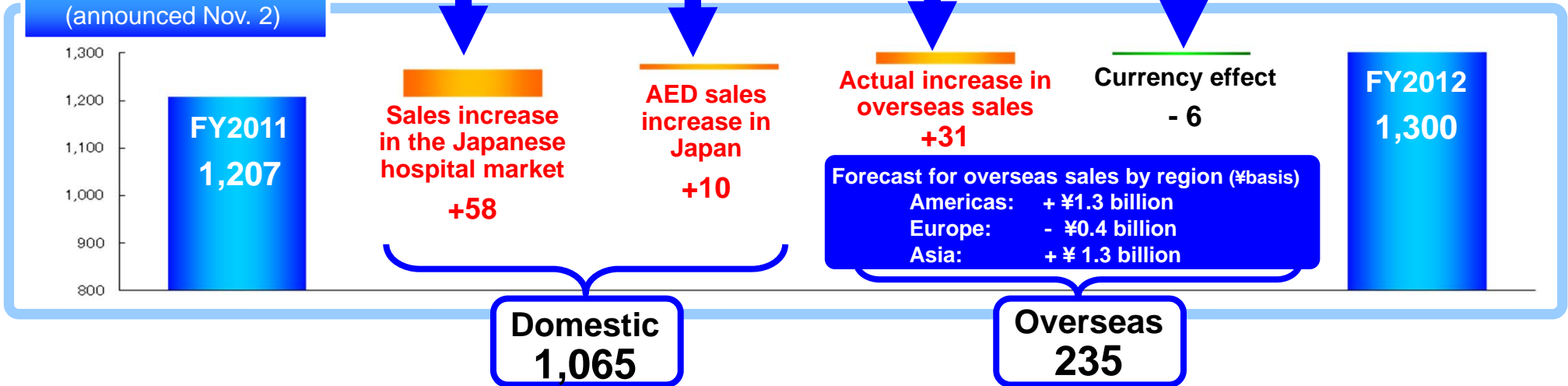
3) Analysis of FY2012 Forecast Sales

(¥100 million)

Original Forecast (announced May 10)



Revised Forecast (announced Nov. 2)



(Ref.) Consolidated Forecast FY2012 by Product Segment

(Amounts of less than ¥1 million are rounded down)

	FY2011	FY2012		YoY (%)
		Original Forecast (May 10 announced)	Revised Forecast (Nov. 2 announced)	
Physiological Measuring Equipment	30,676	32,650	32,500	5.9
Patient Monitors	39,352	43,550	45,200	14.9
Treatment Equipment	20,288	21,550	20,950	3.3
Other Medical Equipment	30,400	32,250	31,350	3.1
Total	120,718	130,000	130,000	7.7
(Reference)				
Consumables and Services	44,525	47,550	47,650	7.0

Strategy to Achieve the Mid-term Business Plan

SPEED UP III 1) Progress of Mid-term Business Plan (i)

¥billion	FY2011 actual	FY2012 target	FY2012 forecast	Differ- ence
Sales	120.7	130.0	130.0	± 0
Domestic	99.7	97.5	106.5	+9.0
Overseas	21.0	32.5	23.5	-9.0
Operating income	12.0	13.0	13.0	± 0
ROE	11.7%	12.0%	—	

- Hospital capital spending increased following upward revisions of medical service fees in 2010 and 2012 in addition to the government-led Regional Medical Care Revival Plan

Exchange Rate: 1 US Dollar
1 Euro

90 yen
130yen

79 yen
100yen

Breakdown of overseas sales by region

Americas	6.9	9.4	8.3	-1.1
Europe	6.3	8.8	6.0	-2.8
Asia	6.7	13.0	8.1	-4.9
Other	0.8	1.3	1.1	-0.2

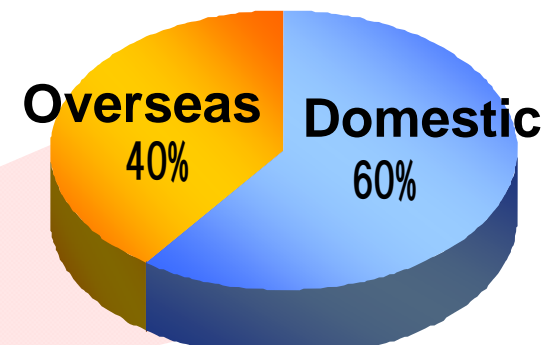
- Negative currency effect
- Business in North America in line with target on a local currency basis
- Prolonged sovereign debt crisis in Europe

- SFDA approval took longer until FY2011
- Concern about weakening demand since Oct 2012 in China

SPEED UP III 1) Progress of Mid-term Business Plan (ii)

Long-term Vision (April 2010 to March 2020)

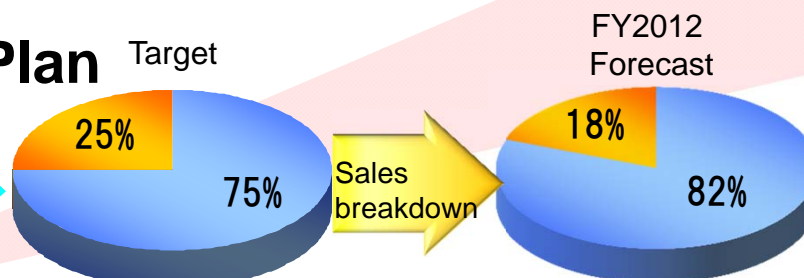
The CHANGE 2020
-The Global Leader of Medical Solutions-



Mid-term Business Plan

(FY2010 to FY2012)

SPEED UP III



FY2012



**Fiscal year ending
March 2020**



As the last year of *SPEED UP III*, FY2012 is the year to implement measures for the 2020 Long-term Vision and develop a next Mid-term Business Plan which starts FY2013

2) Expand and Strengthen Core Business Areas

Developed markets

Emerging economies

EEGs

ECGs

Patient
monitors

Defibrillators

Hematology
Analyzers

Sensor technology (etCO₂, SpO₂, NIBP, esCCO, aEEG, etc.)

IT solution

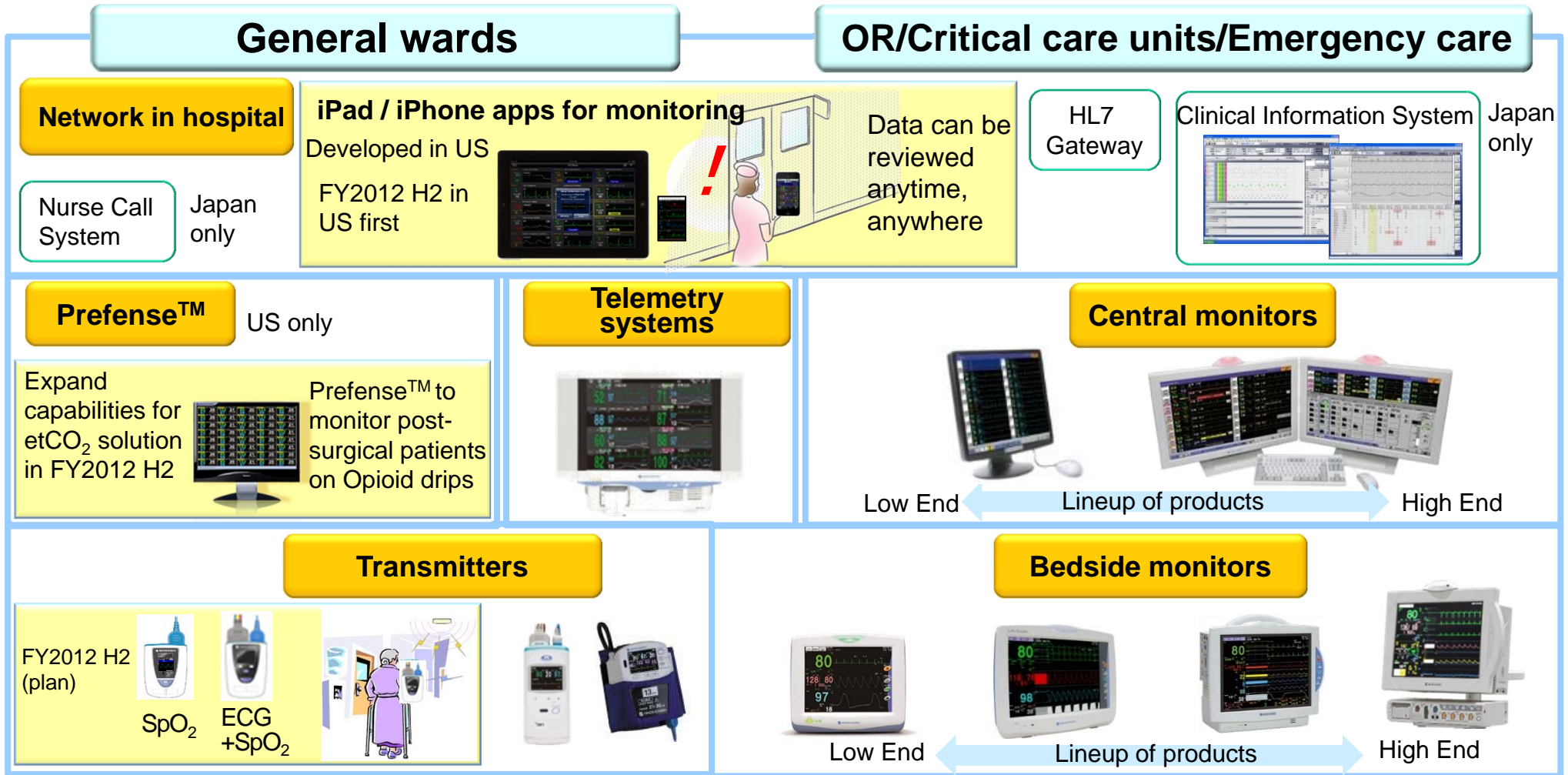
Nihon Kohden is the only patient monitor maker with its own sensor technology.

New products in FY2011 and FY2012

 <p>2012 (Japan)</p>  <p>2012</p>  <p>2012</p>	 <p>2012</p>   <p>2013 (plan)</p>	 <p>2011 (international) 2012 (Japan)</p>  <p>2012 (Japan)</p>  <p>FY2012 H2 (plan)</p> 	 <p>2011 (international) 2012 (Japan)</p>  <p>2012</p>	 <p>2012</p>  <p>FY2012 H2 (plan)</p>
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3.1) Patient Monitoring Business

Expand product line up



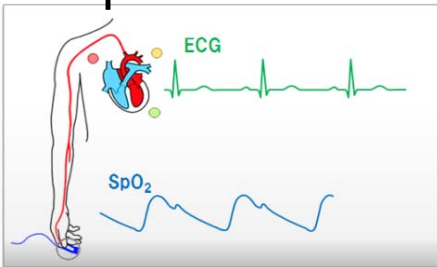
3.2) Patient Monitoring Business

Differentiated by a new parameter

esCCCO™ (estimated Continuous Cardiac Output)
New innovative CCO measurement method using ECG and pulse oximetry

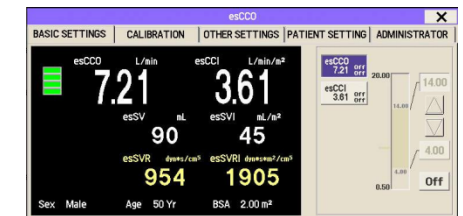
World's first!

esCCCO is a new technology to calculate cardiac output **continuously** and **noninvasively**.

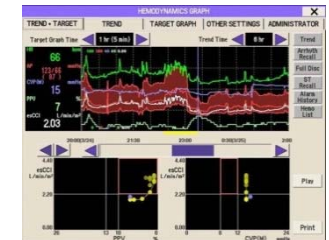


- No infection risk
- No pain
- Easy to measure
- No additional running cost

esCCCO window



Hemodynamics Review Program



FY2011

Clinical studies conducted and initial sales launched in **Europe**.

FY2012

Expand applicable models



BSM-3000



BSM-6000

Expand market

In addition to Europe, we introduced **esCCCO™** in selected countries in Asia, Latin America and Africa.

Initiate clinical research in the US to receive FDA approval

4) Expand U.S. business

Enhance the business platform in the largest market in the world

Patient Monitor

- Multiple contracts led by Prefense™



patient monitoring systems in ICU, CCU etc.

Prefense™ in general wards

- Strengthen sales network
 - Partner with Group Purchase Organizations
 - Strengthen direct sales force

Neurology

- Approach top 50 hospitals

- Launch competitive product

256 channel amplifier units for epilepsy EEG diagnostics solutions



JE-120A

- Win new orders

from top 50 neurology and neurosurgery hospitals in U.S.

Well-known hospital in Dallas, Texas

Well-known hospital in California

Resuscitation

- Acquire



In-hospital

Pre-hospital

5) Defibtech's Profile

- Location: Connecticut, U.S.A.
- Incorporation: 1999
- Number of Employees: 69 (as of April, 2012)
- Founders: Glenn W. Laub, CEO
Gintaras Vaisnys, President
- Business:

Defibtech is a manufacturer of resuscitation equipment with more than 160,000 AED devices installed all over the world, mainly in the U.S. Defibtech has plans to enhance its product lineup for the resuscitation field.



Its competitiveness is superior engineering

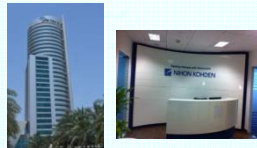
Mr. Laub, a cardiothoracic surgeon and Mr. Vaisnys, an engineer have extensive experience in medical device design. Their engineers have also extensive device design experience in hospital equipment, invasive medical devices and a variety of commercial products.

6) Expand Business in Emerging Markets

Expand sales & service networks

Nihon Kohden Middle East

Establish Sep 2012
and start operation
Oct 2012



Consolidate 3 Chinese subsidiaries

Consolidated July 2012
Unify R&D, Production, Sales and Service in one subsidiary to accelerate and streamline business operations



Nihon Kohden India


Established March 2011

- Enhance distributor network in each region
- Build up reference sites for brand recognition



Enhance sales structure in Southeast Asia

Strengthen distributor support

- Marketing approach utilizing 
- Strengthen ties with key doctors



Nihon Kohden Do Brasil










Established January 2012

Complete administrative setup and start operation
December 2012 (plan)

7) Expand Business in China

Hybrid Japanese & Chinese products

Offer “hybrid” products by the combination of Japanese and Chinese products.

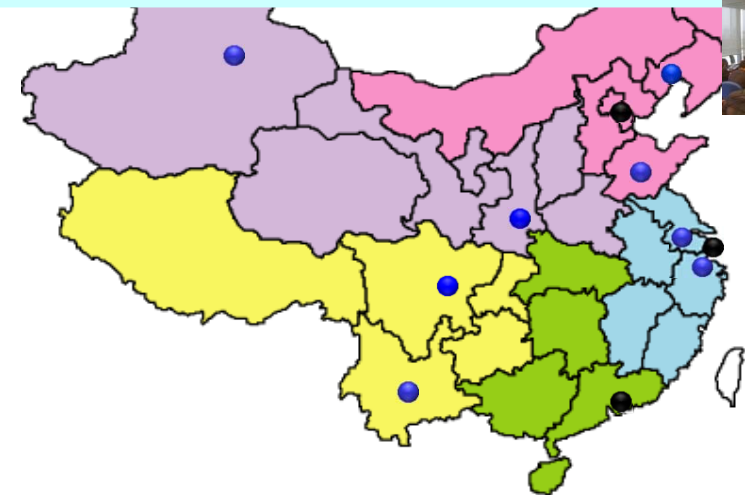
<p>Mid to high end market</p> <p>Made in Japan</p> <p>+</p> <p>Made in China</p>	<p>EEGs</p> <p>Patient Monitors</p>  <p>Bedside monitors Telemetry</p>	<p>Defibrillators & AEDs</p> <p>ECGs</p>  <p>ECGs</p>	<p>Hematology Analyzers</p>  <p>5-part diff</p>
	 <p>Central monitors</p>	 <p>ECG data mgmt. system ECG Holter</p>	 <p>Reagents FY2012 H2 (plan) 5-part diff</p>
<p>Upper low end market</p>	<p>Expand locally-produced low-end products</p>		
 <p>Bedside monitors</p>	 <p>ECGs 2013 (plan)</p>	 <p>3-part diff</p>	

Enhance sales and service networks

• Establish sales and service office

In addition to Beijing, Shanghai and Guangzhou, Xian and Chengdu in 2011, Shenyang, Nanjing, Kunming, Hangzhou, Urumqi and Jinan in 2012

• Host clinical seminars and build up reference sites in each region



8.1) Stable Growth of Domestic Business

Each municipality makes and promotes Regional Medical Care Revival Plan

Example: endowed chair project, hospital rebuilding support project, home care project

Emergency medical system project

New products in 2012 for emergency care



Perinatal medical system project

New products in 2012 for NICU/Pediatric

EEG monitoring is rapidly spreading in NICU



EEG with aEEG* analysis software

HFO** ventilator which is gentle on neonatal lungs

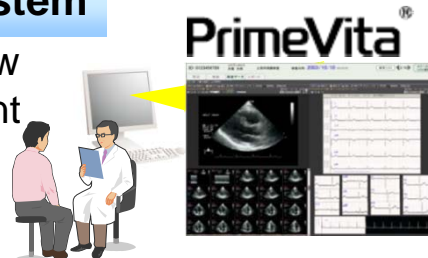


Metran ventilator

IT network promotion project

Diagnostic information system

- It facilitates laboratory workflow by collecting data from different measuring equipment.
- It links to EMR smoothly.



Gentle products for baby



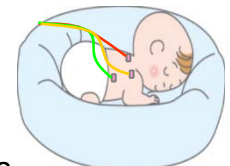
Oxygen mask with CO₂ monitoring



SpO₂ sensor



Electrodes



* aEEG (amplitude-integrated EEG) is the most commonly used digital trend for newborns

** HFO(high frequency oscillation):A form of mechanical ventilation in which small tidal volumes are delivered at very rapid rates

8.2) Stable Growth of Domestic Business

Enhance customer support

Establish Phoenix Academy

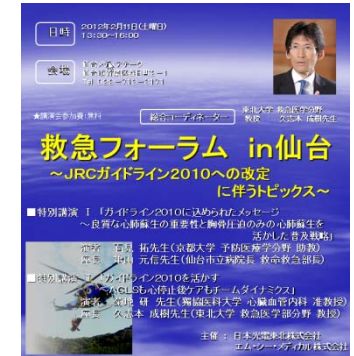
- Build an environment for clinical simulation
- Enhance training programs for customers
- Increase concrete discussion with customers



Training sessions for clinical laboratory technicians and nurses in each region



Academic seminars in each region



Raise quality of 1,100 domestic sales reps and service staff

- Utilize Phoenix Academy for workforce training to improve expertise and skills
- All staff will have ability to provide total solutions and satisfy customers

Offer unique added value and improve Nihon Kohden brand

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