

**Consolidated Financial Highlights for FY2006
(From April 1, 2006 to March 31, 2007)**

**NIHON KOHDEN CORPORATION
(6849)**

<http://www.nihonkohden.com>

May 30, 2007

Consolidated Financial Results

- 1) Financial Results for Consolidated FY2006**
- 2) Breakdown of Operating Profit**
- 3) Sales by Product Category**
- 4) Domestic Sales**
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- 6) Financial Condition**
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- 9) Forecast for FY2007**
- 10) Dividend Policy**

1) Financial Results for Consolidated FY2006

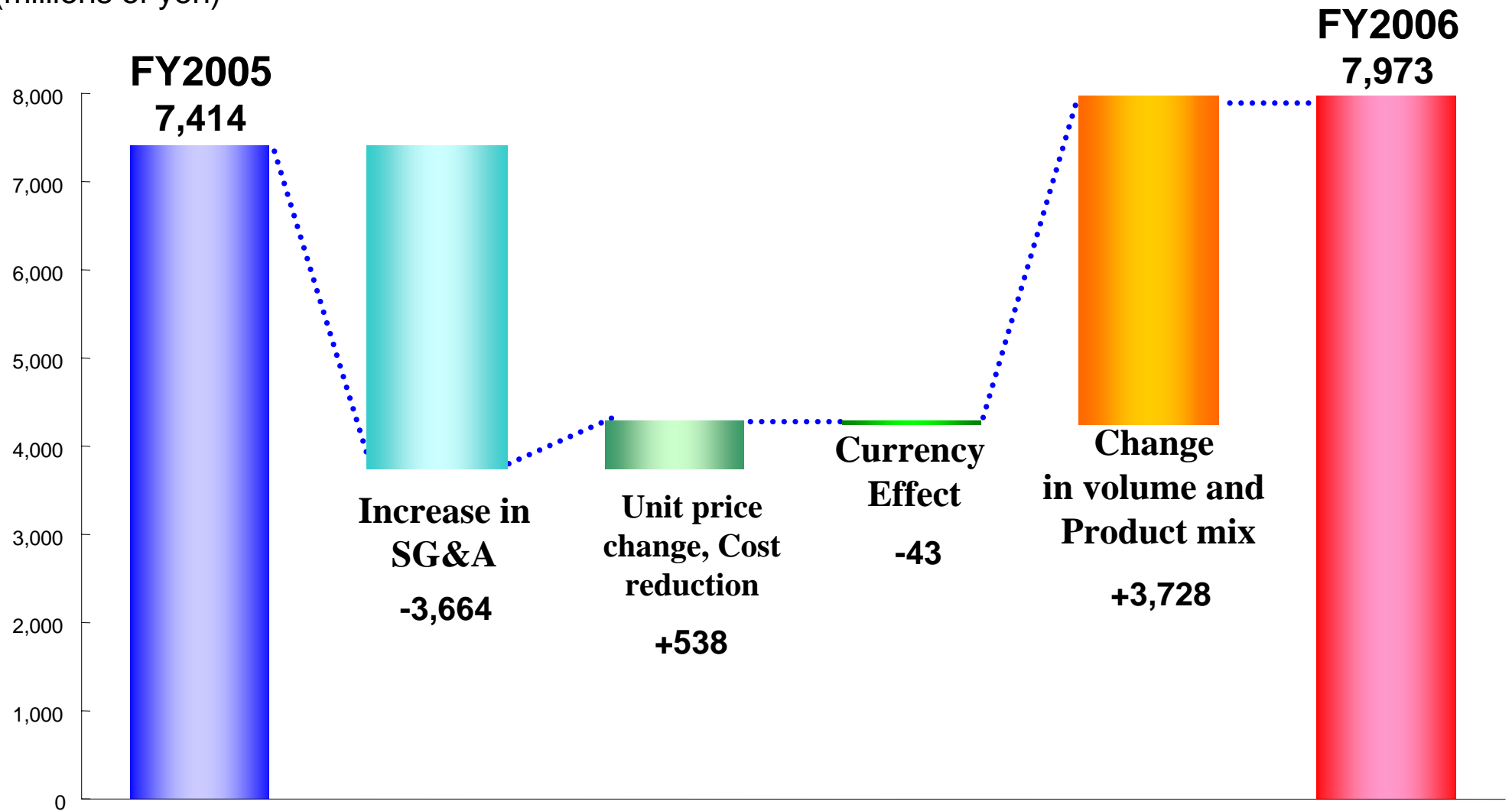
(Amounts of less than ¥1 million are rounded down)

	FY2005	FY2006		
		Forecast*	Actual	YoY (%)
Sales	90,367	97,700	96,679	7.0
Operating profit	7,414	8,800	7,973	7.5
Ordinary profit	8,083	9,000	8,448	4.5
Net profit	5,788	5,400	5,052	-12.7

*November 20, 2006 announced

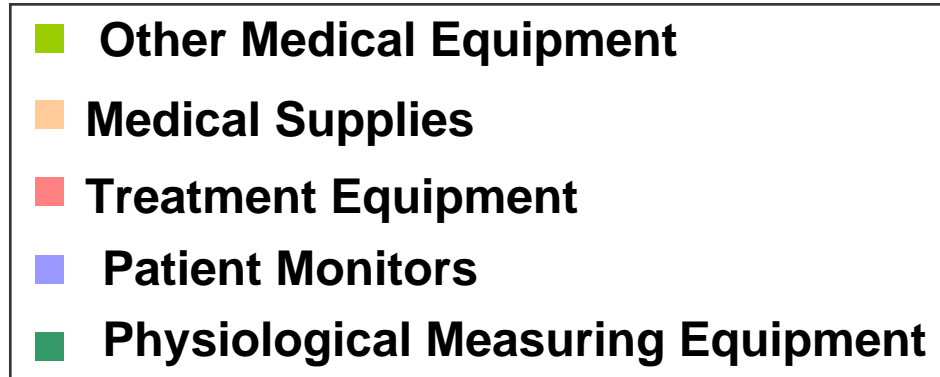
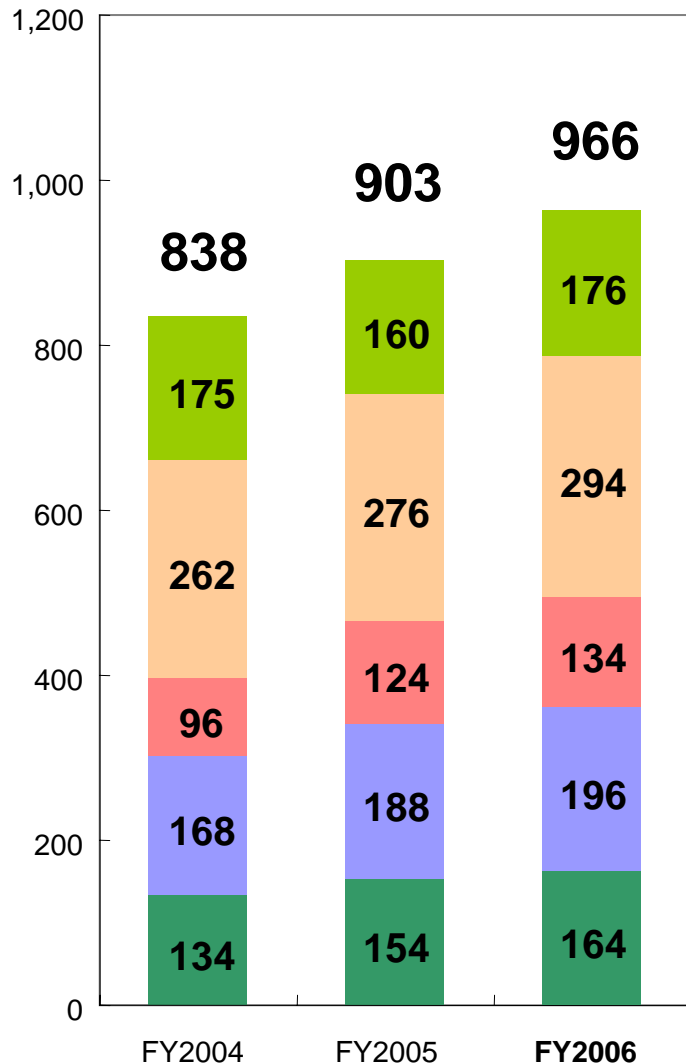
2) Breakdown of Operating Profit

(millions of yen)



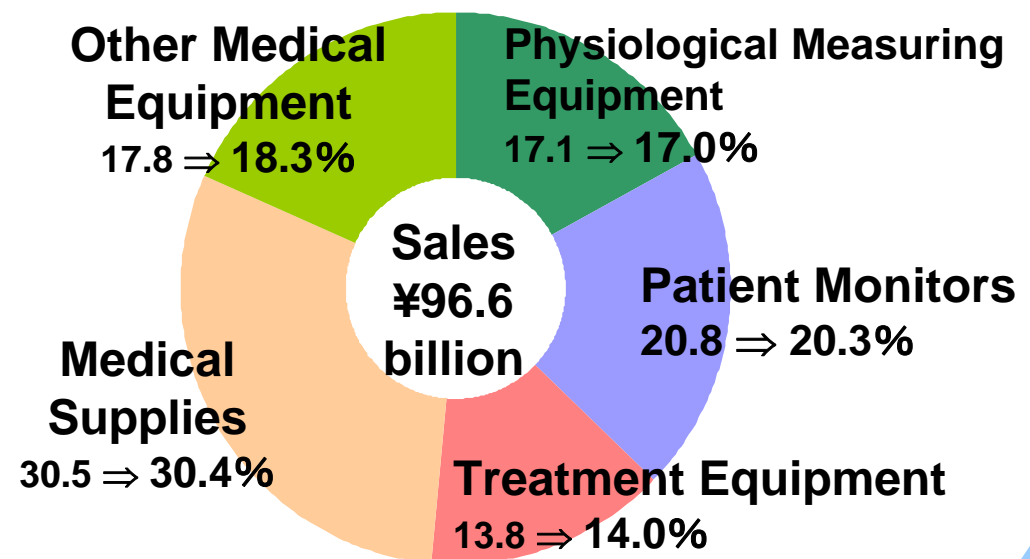
3) Sales by Product Category

(¥100 million)



【Sales by product category】

(FY2005 ⇒ FY2006)



3.1) Physiological Measuring Equipment

(millions of yen)

	FY2005	FY2006	YoY (%)
Electroencephalographs	6,911	6,701	-3.0
Electrocardiographs	5,538	6,119	10.5
Polygraphs	2,959	3,662	23.8
Physiological Measuring Equipment	15,407	16,481	7.0



Electroencephalographs

EEG-1214



Electrocardiographs

ECG-1350



Polygraphs

RMC-4000

3.2) Patient Monitors

(millions of yen)

	FY2005	FY2006	YoY (%)
Patient Monitors	18,838	19,673	4.4



Bedside monitors

BSM-9101



Central monitors

CNS-9701

3.3-1) Treatment Equipment

(millions of yen)

	FY2005	FY2006	YoY (%)
Defibrillators	5,930	7,352	24.0
Pacemakers	3,474	3,408	-1.9
Ventilators	2,097	1,621	-22.7
Other Treatment Equipment	967	1,107	14.5
Treatment Equipment	12,468	13,488	8.2



Defibrillators

TEC-7700



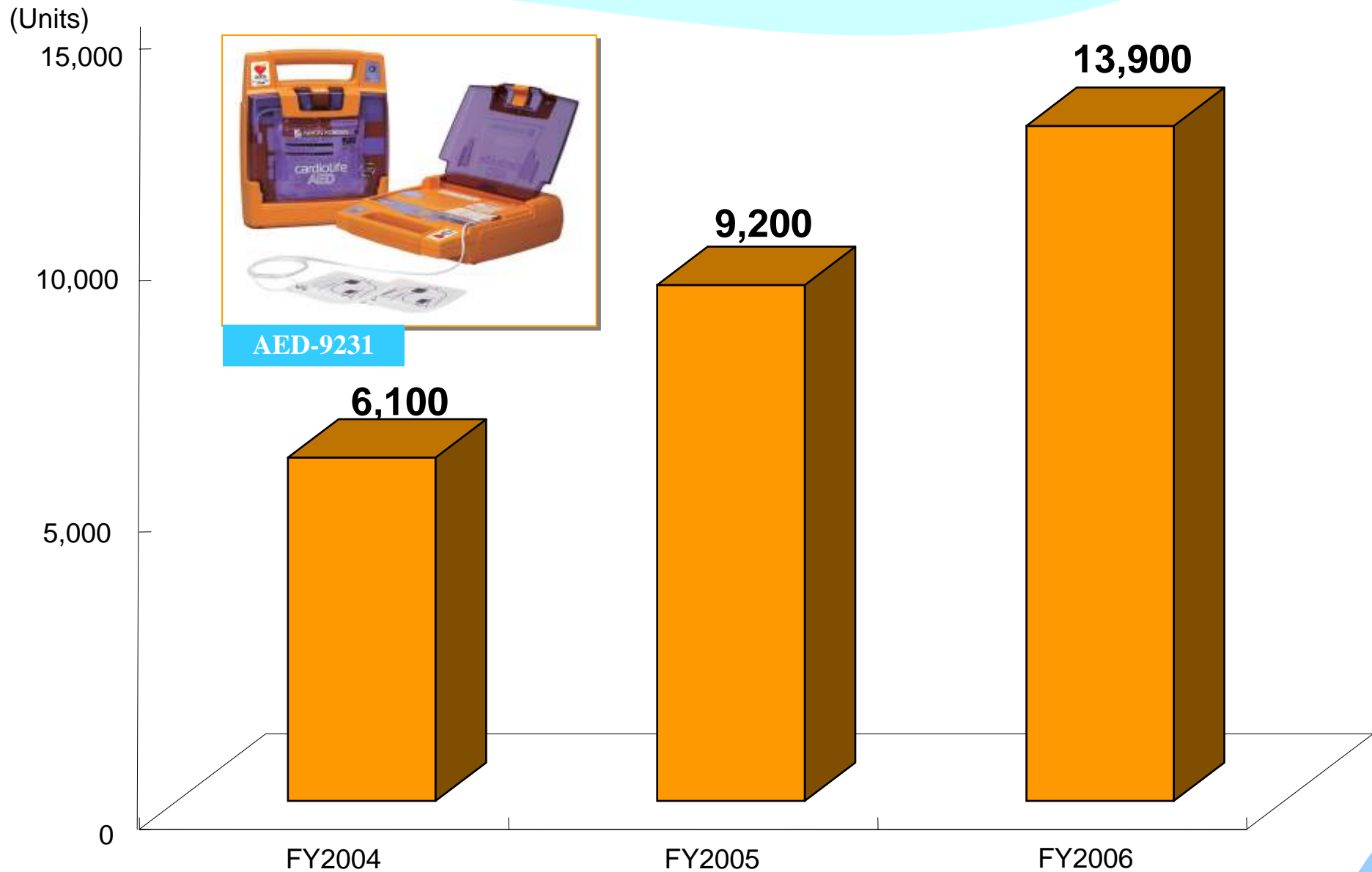
Pacemakers

Protos DR



Ventilators

3.3-2) AED Unit Shipments



3.4) Medical Supplies

(millions of yen)

	FY2005	FY2006	YoY (%)
Consumables	22,049	23,527	6.7
Maintenance Service	5,557	5,880	5.8
Medical Supplies	27,606	29,407	6.5



Finger probes

TL-201T



Disposable electrodes

N-03IS3

3.5) Other Medical Equipment

(millions of yen)

	FY2005	FY2006	YoY (%)
Other Medical Equipment	16,046	17,627	9.9
Hematology Analyzers	2,895	3,396	17.3



Automated hematology analyzers
MEK-6400

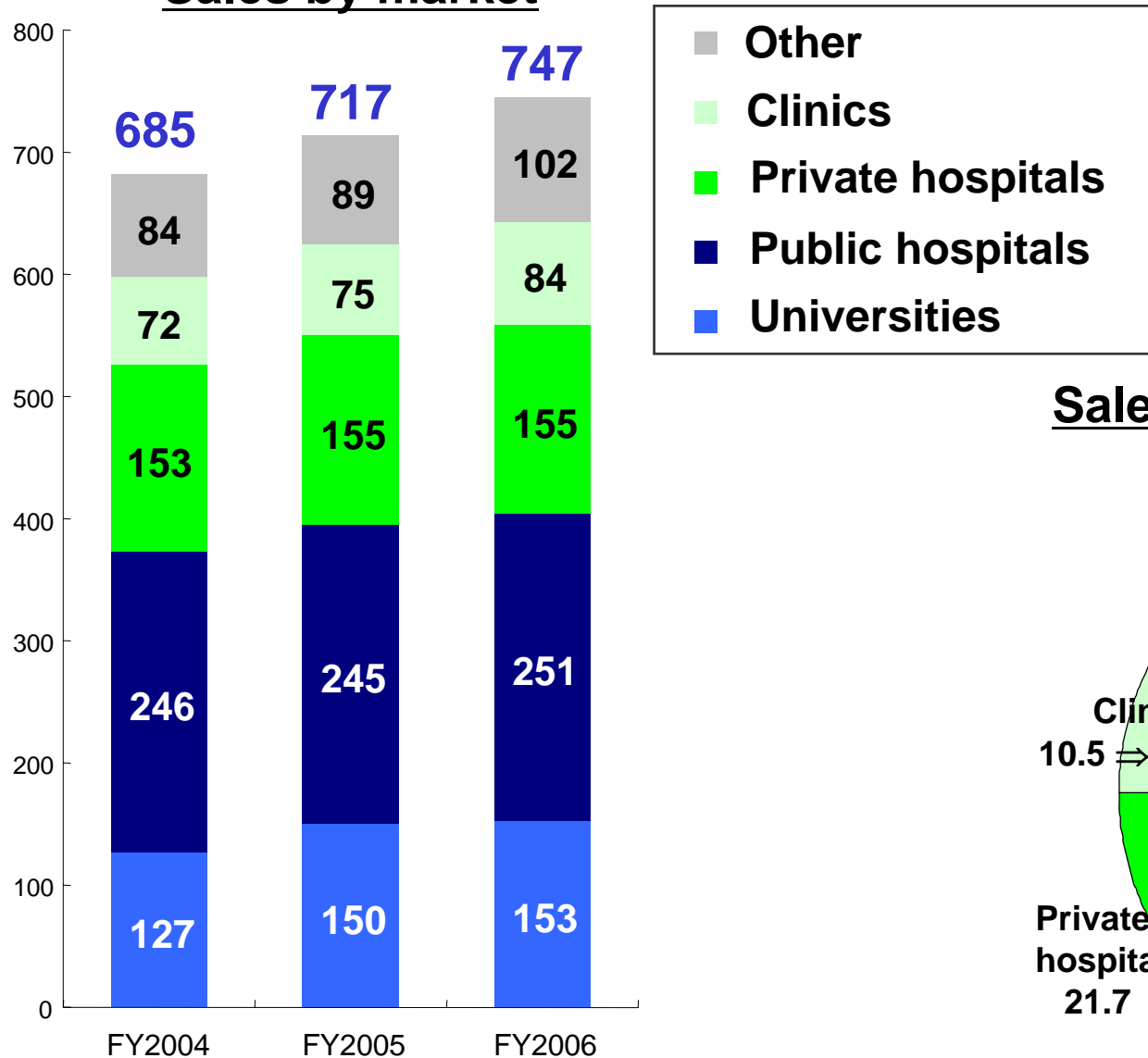


Clinical support system
Prime park

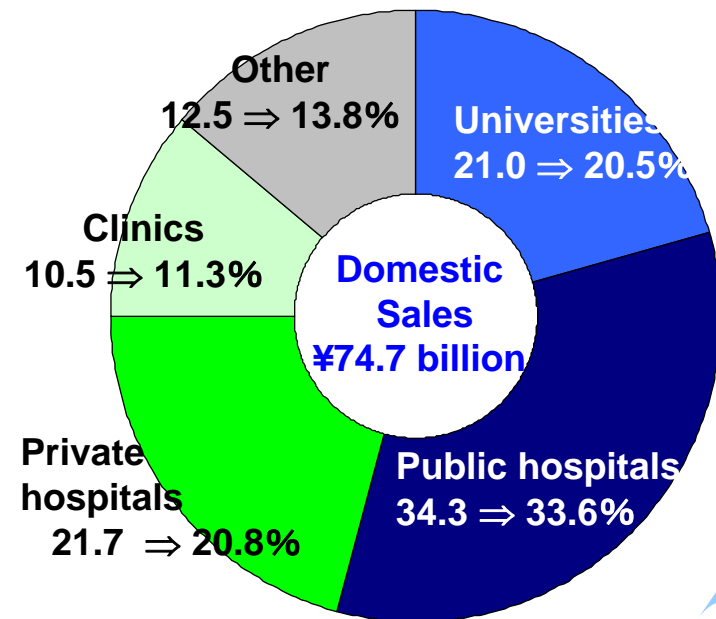
4) Domestic Sales

(¥100 million)

Sales by market



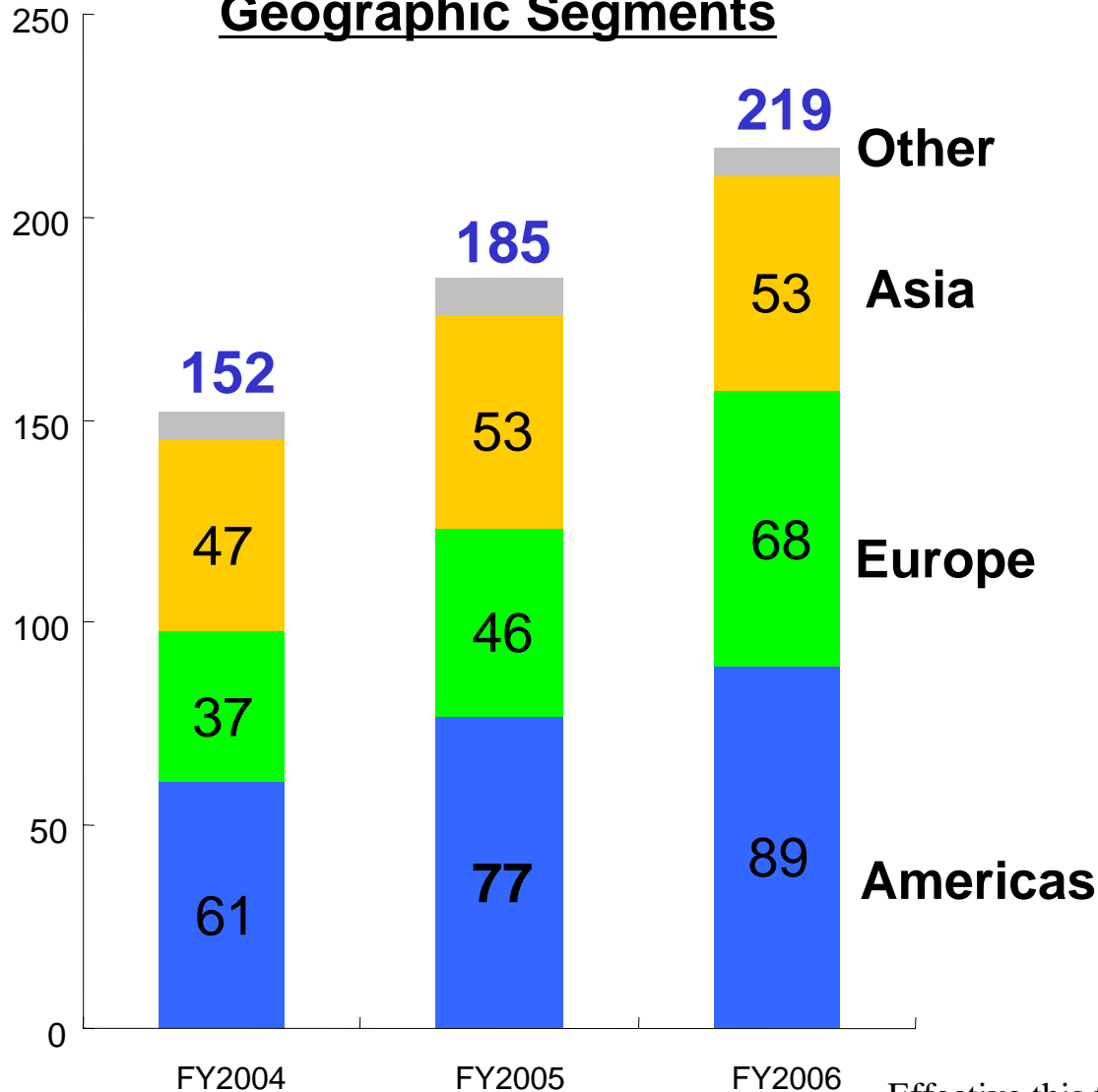
Sales composition by market (FY2005 ⇒ FY2006)



5) Overseas Sales

(¥100 million)

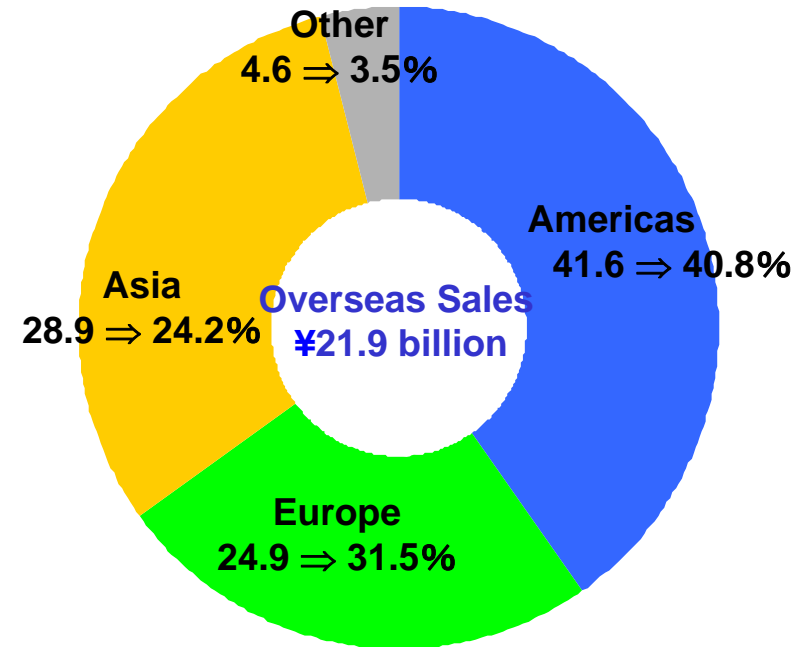
Geographic Segments



Percentage of overseas sales to consolidated sales

FY2004	FY2005	FY2006
18.2%	20.6%	22.7%

Geographic Segments (FY2005 ⇒ FY2006)



Effective this fiscal year, Turkey is reclassified into Europe; previously it was classified into Asia

6) Financial Condition

(millions of yen)

	FY2005	FY2006	Change
Current assets	58,450	58,908	457
Fixed assets	15,060	16,985	1,925
Total assets	73,510	75,894	2,383
Current liabilities	27,296	26,376	-919
Fixed liabilities	336	653	316
Total liabilities	27,632	27,029	-603
Net assets	45,877	48,864	2,986
Total liabilities & Net assets	73,510	75,894	2,383

- **Inventories: + ¥0.92 billion** (B/S ¥15 billion)
→ Due to postponement of a partial shipment of a large order from a foreign customer
- **Trade notes and accounts receivable: - ¥0.76 billion** (B/S ¥28.8 billion)

- **Tangible fixed assets: + ¥0.77 billion** (B/S ¥9.31 billion)
→ EMC site, Partial relocation of HQ functions
- **Investments and other assets: + ¥0.8 billion** (B/S ¥6.62 billion)
→ Increase in prepaid retirement pension

- **Trade notes and accounts payable: - ¥1.22 billion** (B/S ¥16.12 billion)
- **Accrued Bonus: + ¥0.73 billion** (B/S ¥1.80 billion)

7) Cash Flows

(millions of yen)

	FY2005	FY2006	Change	
I Cash flows from operating Activities	7,801	5,882	-1,918	Income taxes paid ¥3.68 billion (+¥2.18 billion)
II Cash flows from investing Activities	-1,514	-3,050	-1,536	Capital expenditures ¥2.24 billion
Free Cash Flows	6,287	2,832	-3,454	Purchase of intangible assets ¥0.48 billion
III Cash flows from financing Activities	-2,597	-2,591	6	Dividends paid to stockholders ¥1.23 billion
Effect of exchange rate changes on cash and cash equivalents	402	-17	-420	Purchase of treasury stock ¥0.74 billion
Net increase (decrease) in cash and cash equivalents	4,091	223	-3,868	Repayment of short-term debt ¥0.53 billion
Cash and cash equivalents at end of year	10,804	11,027	223	

8) Capital Investments and R&D Costs

(millions of yen)

	FY2005	FY2006		Change	FY2007 Plan
		Plan	Actual		
Capital Investments	1,637	2,800	2,986	1,349	4,000
Depreciation	1,592	1,900	1,698	106	2,100
R&D costs	4,812	5,000	4,756	-56	4,900

FY2006 Actual Capital Investments: Molds for new products, Products for sales promotion, EMC site, Partial relocation of HQ's functions, Accounting Software

FY2007 Capital Investments Plan: Molds for new products, Production facility for hematology analyzer reagents, Reconstruction of main information systems

9) Forecast for FY2007 (i)

(millions of yen)

YoY (%)	FY2005	FY2006	FY2007 (Forecast)
Sales	90,367 (7.8)	96,679 (7.0)	101,000 (4.5)
Operating profit	7,414 (3.1)	7,973 (7.5)	8,700 (9.1)
Ordinary profit	8,083 (6.0)	8,448 (4.5)	8,800 (4.2)
Net profit	5,788 (-11.8)	5,052 (-12.7)	5,500 (8.9)
Overseas Sales	18,593 (21.8)	21,928 (17.9)	24,600 (12.2)

9) Forecast for FY2007 (ii)

Sales by Product Category

(millions of yen)

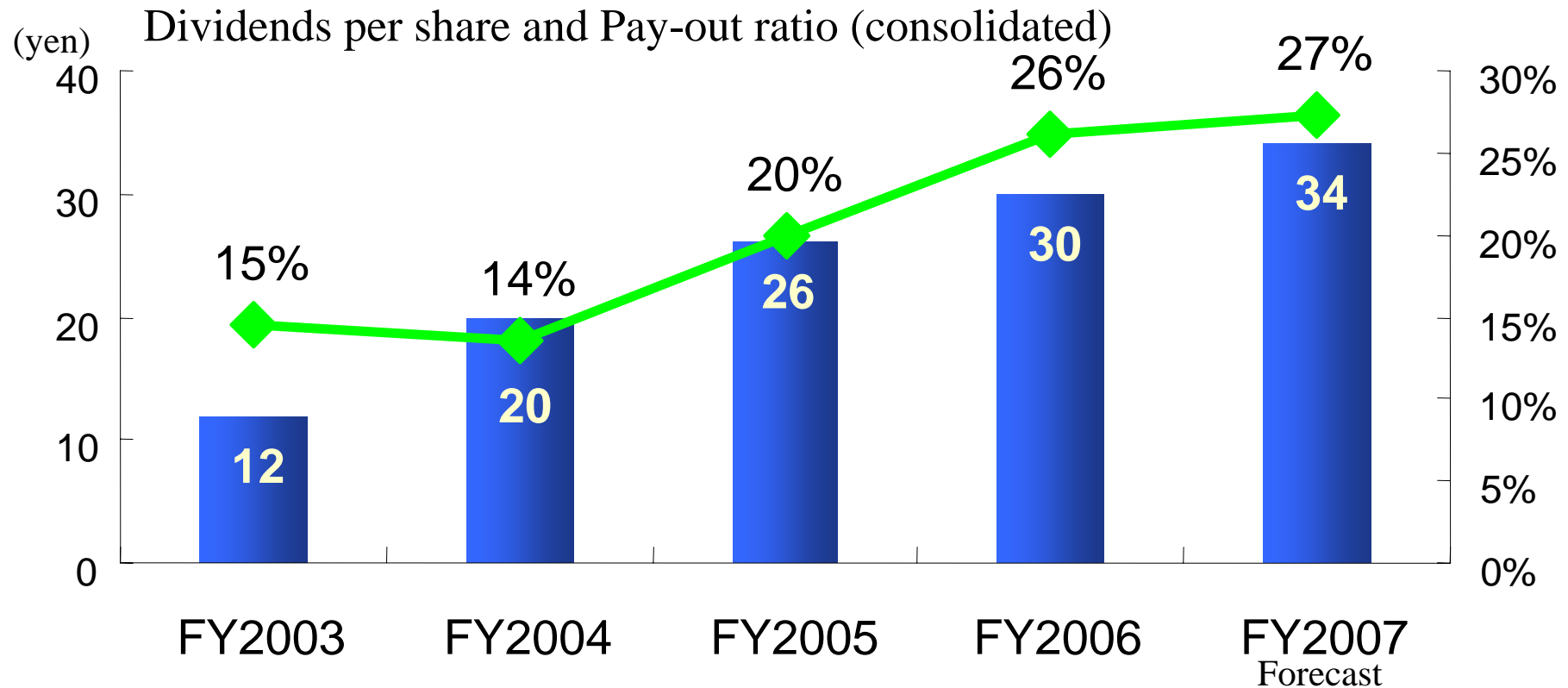
	FY2005	FY2006	FY2007 (Forecast)	YoY (%)
Physiological Measuring Equipment	15,407	16,481	17,000	3.1
Patient Monitors	18,838	19,673	21,300	8.3
Treatment Equipment	12,468	13,488	13,800	2.3
Medical Supplies	27,606	29,407	30,200	2.7
Other Medical Equipment	16,046	17,627	18,700	6.1
Total	90,367	96,679	101,000	4.5

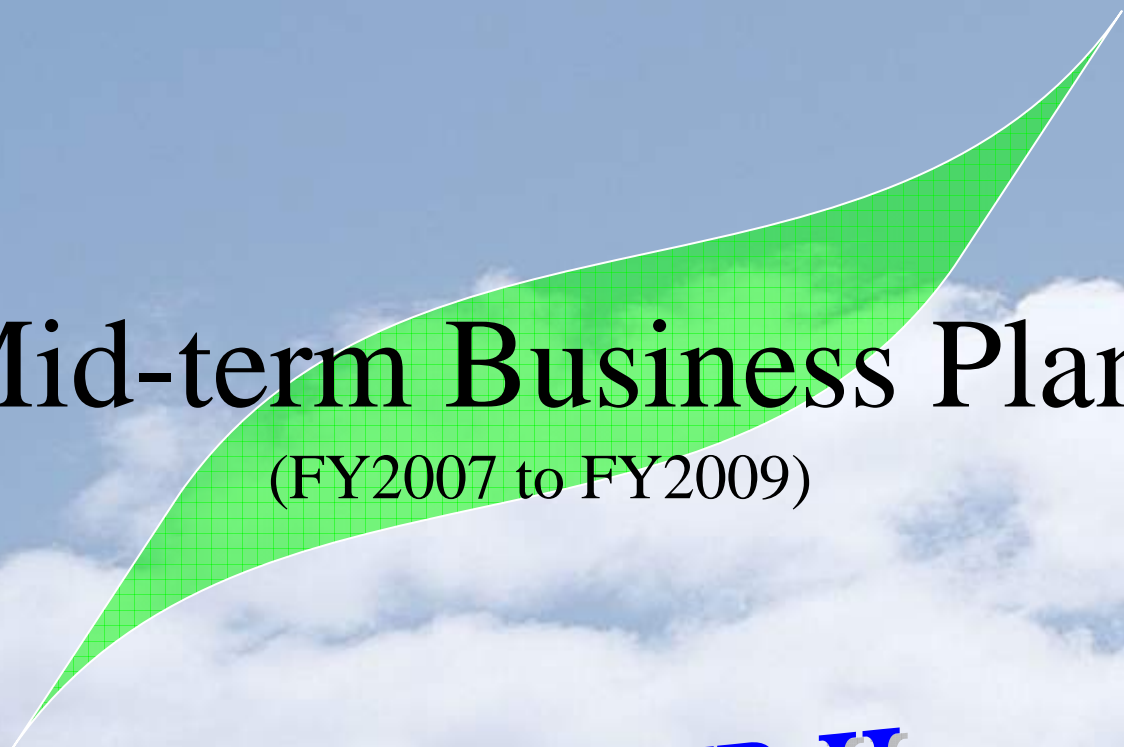
10) Dividend Policy

Basic Dividend Policy

Continue a stable dividend for long periods as well as increase retained earnings for the enhancement of its business structure and future business expansion

Rough indication: Consolidated pay-out ratio of 30%





Mid-term Business Plan

(FY2007 to FY2009)

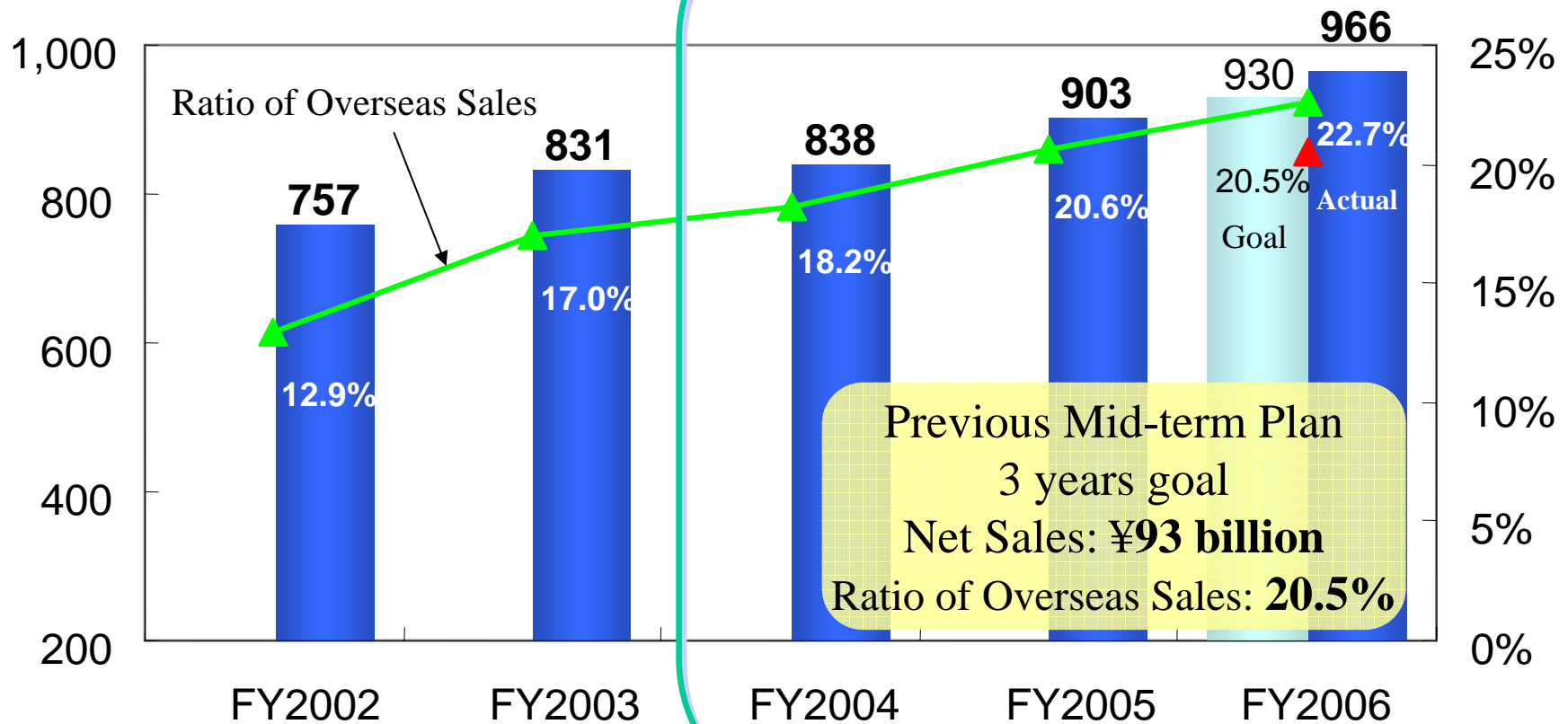
SPEED UP II

Mid-term Business Plan

1) Evaluation of Previous Mid-term Plan (i)

Net Sales / Ratio of Overseas Sales

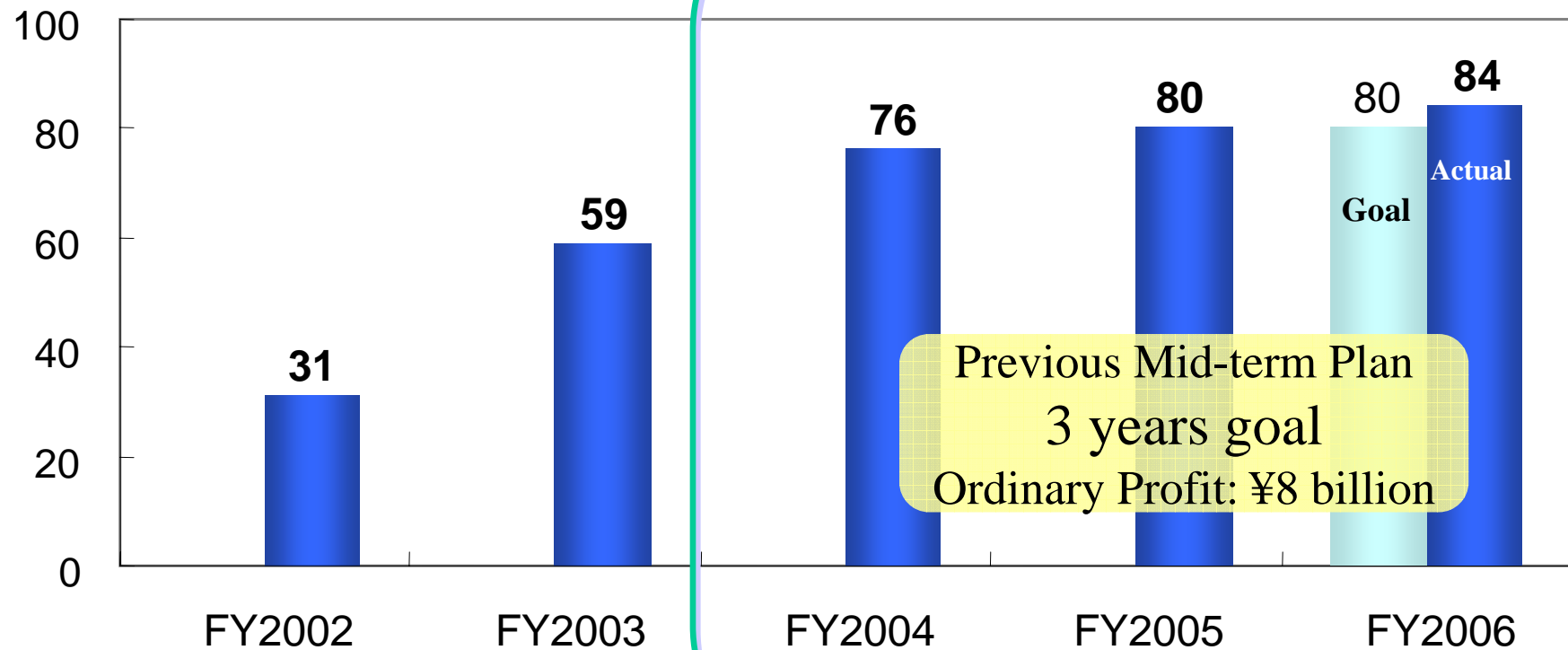
(¥100 million)



1) Evaluation of Previous Mid-term Plan (ii)

Ordinary Profit

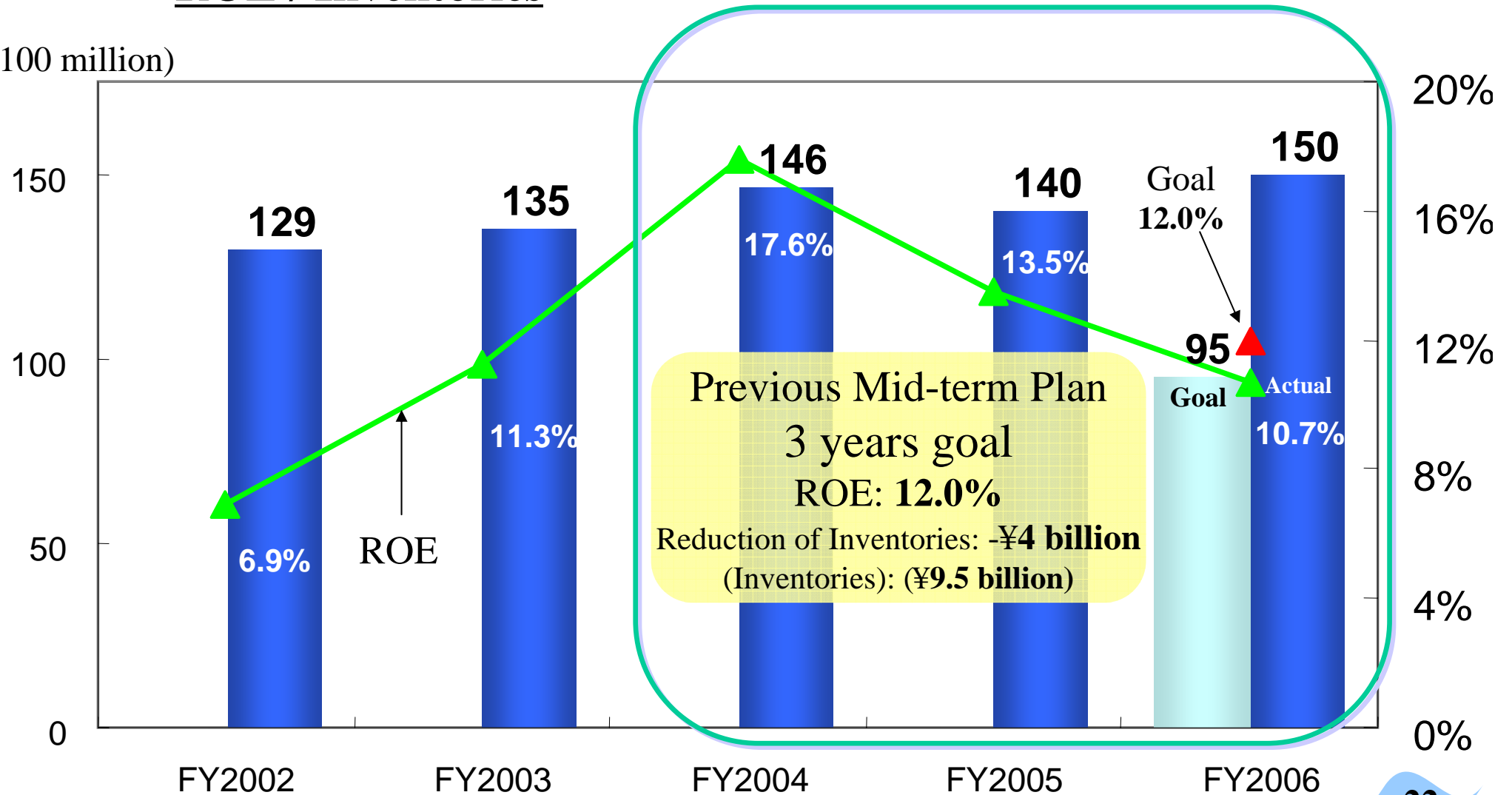
(¥100 million)



1) Evaluation of Previous Mid-term Plan (iii)

ROE / Inventories

(¥100 million)



2) Business Environment (i)

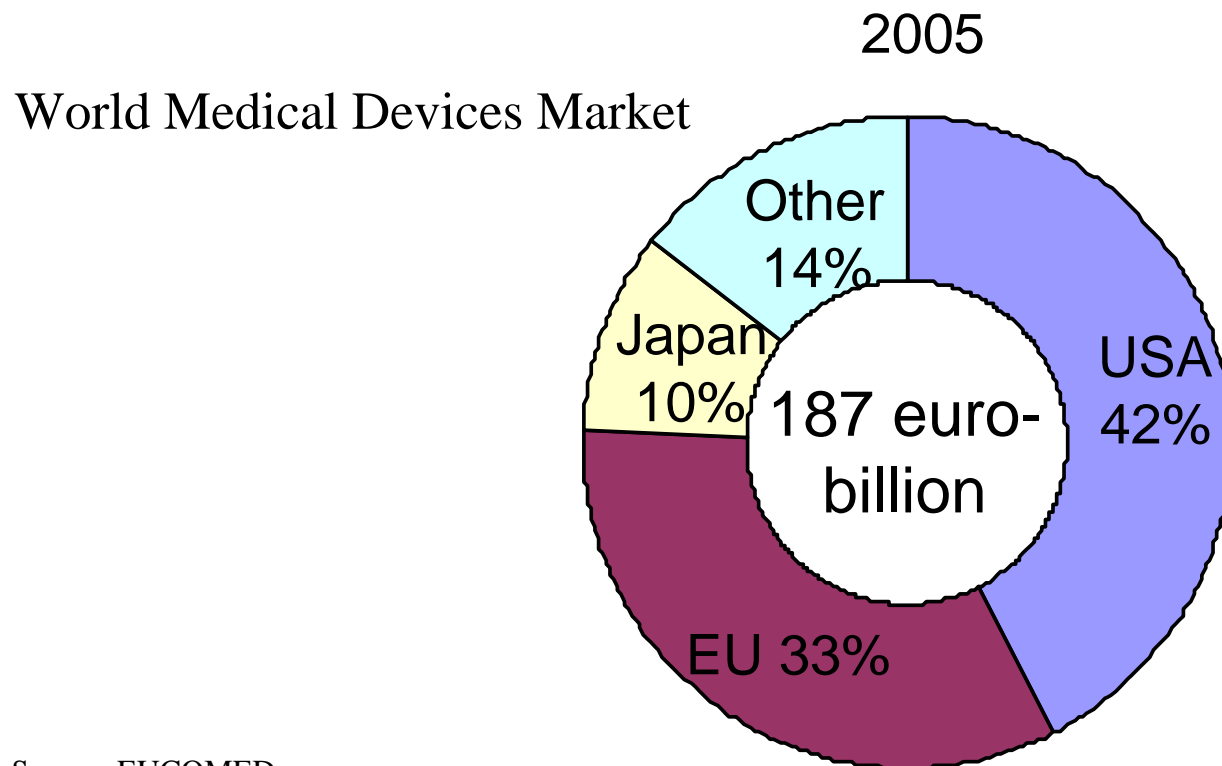
Drastic Changing Business Environment -**Domestic-** **Promotion of Medical System Reform**

- Medical cost containment efforts
 - Thorough lifestyle related diseases prevention
 - Shortening of average hospital days
- Safety / High-quality / Efficiency of Medical Care
 - Role-sharing among medical facilities
(community health care, home medical care)
 - Promoting installation of information technology in medical facilities
(EMR, accounting system)
 - Ensuring medical safety net
 - Providing medical information

2) Business Environment (ii)

Drastic Changing Business Environment -**International**-

- Steady western markets, fast-growing BRICs
- Market reorganization by M&A, emerging companies in china, etc.



Source: EUCOMED

End of 2005 Euro 1=¥139

3) Management Vision and Policy

Vision

Build a global brand as a manufacturer of medical electronic equipment

Policy

- i) Raise its corporate value by securing reasonable profits
- ii) Gain confidence from customers
- iii) Develop original technologies & products
- iv) Emphasize on core businesses, capture global market
- v) Promote globalization in business
- vi) Expand into new business lines
- vii) Undertake structural reform
- viii) Operate business across the organization
- ix) Promote CSR

4) Long-term Management Goal

Achieve by FY2012

Net Sales ¥140 billion

Operating Margin 10%

Overseas Sales Ratio 30%

5) Mid-term Business Plan

	FY2006 Actual	FY2009 Goal	3 years growth
Net Sales	¥96.6 billion	¥113 billion	16.9%
Overseas Sales Ratio	22.7%	27.0%	
Operating Profit	¥7.9 billion	¥10.2 billion	27.9%
Operating Margin	8.2%	9.0%	
ROE	10.7%	12.0%	
Inventory Turnover Rate*	6.4 times	7.4 times	

*Net Sales/Average Inventories as of ends of June, September, December, and March

6) Technology Development Strategy

Provide value-added products contributing to diagnostics, medical treatments, medical safety and operating efficiency on a timely basis

- **Strengthen our business foundation, such as framework for technology development, in order to respond to globalization**
 - Enhance our technical capabilities in order to increase our competitive edge
 - Speed up development time
 - Promote environmentally-friendly product design
- **Strengthen core technologies**
 - Strengthen sensors, biosignal processing, wireless, IT and networking
 - Develop new parameters
- **Creation of new businesses**

Increase cooperation between industry, government and academia and alliance with other companies

 - Streamline development and increase technical development in new areas
 - Create new business lines

7) Product Strategy

- **Focus on its strengths**

- Enhance our product lineup in the areas of acute hospitals and primary care doctors
- Enhance our system network products contributing to installation of information technology in medical facilities

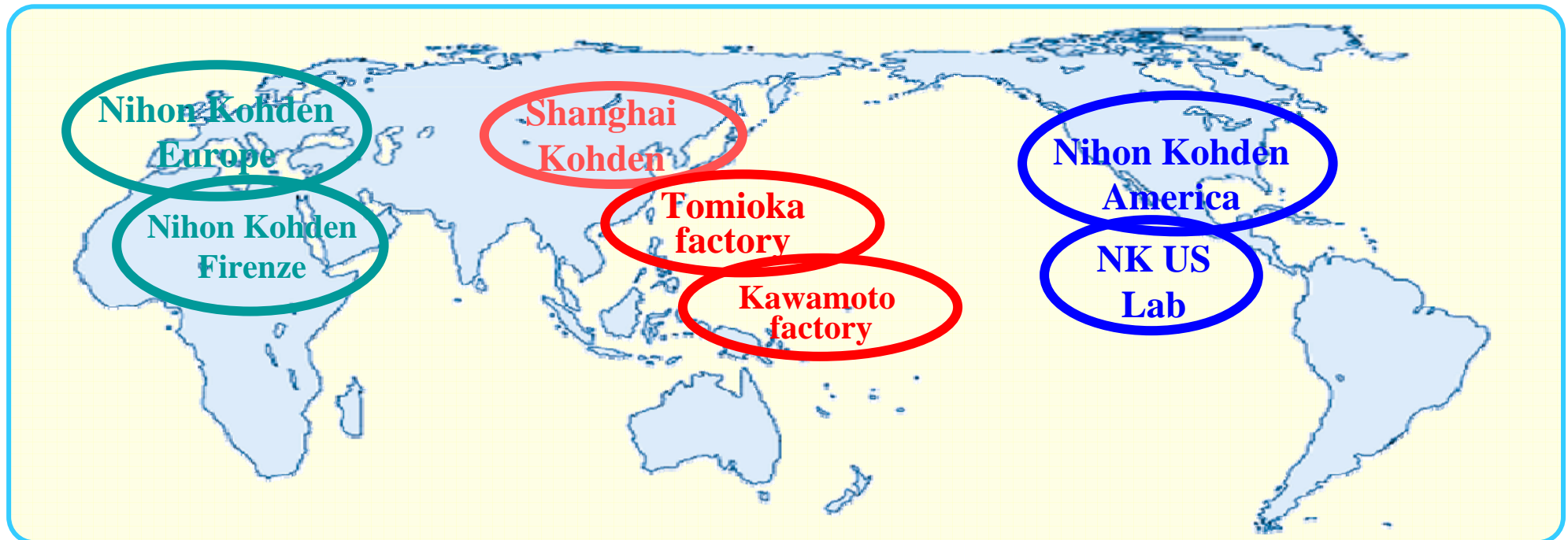
New undertaking

- Speed up to develop and release its original AED as the only domestic defibrillator maker
- Consolidate BeneFicks, a medical information system vendor, in 2006 aiming at the business expansion of medical information systems

- **Promote technical development and enhance our product lineup in growth areas such as specialized medical checkups, medical safety, and solutions for hospital-clinic cooperation systems, to respond to medical system reform**

8) Production and Logistics Strategy

- Strengthen the production system while ensuring quality in order to support a global business
- Promote cost savings by improved production efficiency and procurement
- Shorten delivery time, reduce inventories and reduce logistics cost by optimization of logistics and overseas production



9) Domestic Sales Strategy

**Acute hospitals and
primary care doctors**

Expand market share

- Enhance sales activities focusing on system solution business in the area of diagnostics and examination
- Continue to strengthen our cardiovascular business
- Continue to strengthen our consulting business for private practice startups

**After-sales service
business/PAD business**

Expand

- Strengthen after-sales service business subsequent to product delivery such as business related to repair and maintenance service, consumables, and outsourcing business related to safe management of medical devices
- Promote AED and enhance after-sales service business to expand PAD business

**Service & Sales
organization**

Reinforce

- Reinforce our service organization to contribute to ensuring medical safety
- Reinforce our sales force and training program
- Review role-sharing between sales force and service staff for higher operational efficiency

10) International Sales Strategy (i)

Expand our global business by strengthening our three-axis sales & service network

Build closer and more cooperative relations between our direct marketing network and distributors' networks

Strengthen service structure

Three-axis sales networks



Build a global brand

New undertaking

Europe

Asia

Americas

Leverage installation case study with world-class hospitals to improve visibility of Nihon Kohden brand and extend to other key hospitals

Order from German key hospitals

Installed our Epilepsy Monitoring Unit system in Cleveland Clinic

Expand our wide-range lineup of patient monitors from high-end to low-end and gain its global market share

China

(Current) Three reps offices offer high-end products, and Shanghai Kohden manufactures and offers low-end products
(Plan) Restructure sales and service network to expand our business

USA

Seek distribution channel to sell our hematology analyzers aiming at expanding the global business thereof

11) Enhance Corporate Governance

- Reduce the number of directors
up to 18 → up to 12
- Shorten the directors term of office
2 years → 1 year
- Introduce an operating officer system

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