

May 11, 2010

NIHON KOHDEN CORPORATION (6849)

Stock Exchange Listing: 1st section Tokyo Stock Exchange
Head Office: Tokyo
Representative: Fumio Suzuki, President and COO
Contact: Fumio Hirose, Operating Officer, General Manager, Corporate Planning Dept.
Phone: +81 / 3-5996-8003

Nihon Kohden draws up a new mid-term business plan

Nihon Kohden today announced a new mid-term business plan covering fiscal years 2010 to 2012. Based on its corporate philosophy of “Fighting disease and enhancing health by advanced technology in order to contribute to the world as well as create an affluent life for employees,” a three-year business plan, SPEED UP III, has been designed with the twin aims of sustaining group growth and enhancing the corporate value of the Company.

I. Long-term vision

Founded in 1951, Nihon Kohden is committed to meeting the challenges of healthcare by utilizing its technological development prowess and experience in clinical practice as well as providing customers with the highest standards of product safety and security. In this way, we have maintained a consistent focus on making a meaningful contribution to society while enhancing the corporate value of the Company and the common interests of its shareholders. In August 2011, the Company will celebrate its 60th anniversary. On the occasion of this important milestone in the Company’s history, we have set out a long-term vision for the next ten years through to 2020. The theme for this long-term vision is:

CHANGE 2020 - The Global Leader of Medical Solutions -

This period will see considerable dynamic change with the reinvention of the Nihon Kohden Group in line with its envisioned corporate status as follows:

(1) Lead the world in the development of revolutionary breakthrough technology

We will utilize the technical experience and expertise accumulated by the Nihon Kohden Group over the past 60 years to:

- 1) Promote healthier and longer lives through collaboration between the public, private and academic sectors both within and outside Japan in the development of revolutionary world-first technologies for prevention, early diagnosis and treatment of lifestyle-related illnesses, dementia and other intractable disease; and
- 2) Help hospitals assure medical safety and security by creating advanced new parameters of measurement and sharpening our competitive monitoring technologies that will lead to appropriate and efficient clinical care.

(2) Achieve the highest level of quality in the world

We will achieve the highest level of quality in the world in order to sustain customer satisfaction well into the

future, thereby earning a solid reputation as a reliable partner.

(3) Attain top share in applicable global markets

We will ensure that business strategies are tailored to regional characteristics and develop optimized business structures that encompass all processes from product development through to production, distribution and after-sales service in order to enable a prompt and effective response to the changing needs of the global health care market, such as the aging of populations in developed markets, and demand for basic health care networks in emerging economies which are experiencing rapid economic growth. To this end, we will strive to attain top market share in a wider range of proprietary products in both the domestic and international markets while aiming for a top share of all proprietary products in the domestic market.

Targets for the period ending March 2020 are sales of ¥200 billion, operating income of ¥25 billion and overseas sales ratio of 40%.

II. SPEED UP III mid-term business plan

SPEED UP III represents the first stage towards achieving the Company's long-term vision. It sets out four basic principles and six key strategies. Nihon Kohden is committed to contributing to society while ensuring the sustained group growth and enhancing its corporate value by meeting the challenges of healthcare through the development of technologies closely connected with clinical practice as well as providing customers with the highest standards of product safety and security.

1. SPEED UP III targets for FY2012 ending March 2013 (consolidated)

	FY2009 actual	FY2012
Sales	¥107.0 billion	¥130.0 billion
- Domestic	¥87.4 billion	¥97.5 billion
- Overseas	¥19.5 billion	¥32.5 billion
Operating income	¥9.3 billion	¥13.0 billion
ROE	10.6 %	12.0 %

Breakdown of overseas sales by region

	FY2009 actual	FY2012
Americas	¥6.2 billion	¥9.4 billion
Europe	¥5.8 billion	¥8.8 billion
Asia	¥6.5 billion	¥13.0 billion
Other	¥0.9 billion	¥1.3 billion

Exchange rate assumptions: ¥90 to the dollar, ¥130 to the euro

2. Basic principles

The four basic principles for realization of the long-term vision are: (1) adopting a customer-focused perspective among employees in the Group in order to maintain the highest standards of safety and security; (2) consolidating the Company's high-profit structure in order to win the severe global competition; (3)

identifying new core business areas capable of generating significant growth; and (4) striving to do everything with greater speed.

3. Key strategies

(1) Promote quality improvement activities

Nihon Kohden is committed to assuring high level of quality for all of our customers through to the end of the product life cycle and attaining a higher reliability as a medical equipment manufacturer. To this end, all departments and divisions in the Nihon Kohden Group strive to maintain the highest standards of safety and reliability in all processes, from design and development, manufacturing to sales and service.

(2) Strengthen technological development capacity

- We are continuously striving to enhance our technological strength and speed of development processes. To this end, we will strengthen our R&D organization in close collaboration with end users in clinical practice, while also pursuing joint development initiatives with research organizations and business partners in Japan and overseas.
- Our overseas R&D facilities develop products and system solutions that are tailored to the demands of local markets.
- We devote considerable resources to the development of technologies and products that directly address the needs of the healthcare industry, such as patient-friendly parameter measurement and sensing technologies with direct benefits for diagnosis; telemetry products designed to improve work flow efficiency and prevent medical errors in general wards; and system solutions for each site including operating rooms and ICU facilities.

(3) Expand and strengthen core business areas

- **Expanding and consolidating the following four core business areas in Japan and overseas will provide the Company with a stable and consistent revenue base.**

Patient Monitors

We will expand our share of global markets through the development of locally tailored products designed to increase the efficiency and safety of medical procedures, and expand associated distribution networks. In the domestic marketplace, we will continue to promote medical safety while strengthening the response to government policy on improvement of the emergency care and NICU system and regeneration of local medical networks. In North America, our marketing strategies are aimed at gaining a strong foothold in the major hospitals market as well as expanding Defensive Monitoring™ sales. In Europe, we are concentrating on middle-end models and system solutions.

Physiological Measuring Equipment

In Japan, we are promoting integrated system solutions that combine diagnostic information system and PACS. In Europe and China, we are reinforcing product differentiation by developing ECG data management systems under joint initiatives with local IT vendors.

Treatment equipment

Nihon Kohden supplies Japanese markets with the finest medical equipment from around the world through a dedicated retail and service network. As the sole domestic manufacturer of AEDs, Nihon Kohden is strengthening its response to volume sales and future replacement demand as well as expanding the export market for AEDs.

Consumables and maintenance services

We aim to expand sales of genuine consumables through more competitive pricing structures as well as disseminating the importance of using genuine consumables. At the same time, we are working to increase maintenance service contracts by offering combined packages incorporating products, consumables and maintenance services.

- **The Company reinforces the operations in China and the emerging economies to seize the growth opportunity.**

China

We are constantly upgrading and expanding our sales and service networks in China as well as strengthening direct control. We are also looking to set up development and production systems that will enable our China operations to supply global markets with widely distributed products.

Emerging economies

We will continue to develop products tailored to emerging markets as well as expanding sales networks.

(4) Accelerate the globalization of the Company

By pursuing globalization at all levels of the Company, we will improve our ability to adapt and respond to changes in the business environment with the aim of becoming the leading medical equipment manufacturer in the global marketplace. To this end, Nihon Kohden group companies will strengthen their organizations in order to speed up decision-making processes, while the Head Office is working to optimize the management of the whole Nihon Kohden group. These initiatives will be complemented by promotion of employee autonomy and leadership in global operations.

(5) Develop new business

Nihon Kohden aims to develop new core businesses as early as possible. We will pursue the development and introduction of innovative medical equipment designed to improve medical safety and security, support longer and healthier lives, and alleviate intractable disease.

Diagnosis and treatment of neurological disease

Nihon Kohden is working on technologies and products for early diagnosis of neurological disease such as dementia and depression. We are introducing neuromodulation treatment solutions in order to provide integrated solutions encompassing diagnosis and treatment of intractable neurological disease.

Improve health for longer lives and a better quality of life

Nihon Kohden is helping to improve health for longer lives and a better quality of life through technologies and products for the prevention, early diagnosis and treatment of lifestyle-related illnesses and urinary incontinence.

Joint development of ventilation therapy

We are working closely with ventilator manufacturers to enhance the safety and security of ventilation therapy through the joint development of new ventilation therapy combined with our competitive monitoring technologies such as alarm management systems.

(6) Consolidate corporate fundamentals

Nihon Kohden remains committed to corporate social responsibility (CSR). At the same time, we aim to achieve higher levels of profitability and more speedy operations in order to overcome the severe global competition.

CSR

- Nihon Kohden will continue to maintain the highest standards of compliance. We are also working to enhance corporate governance through the selection of one outside director and the addition of one outside statutory auditor.
- Environmental considerations are incorporated into product development and production processes.

High profitability and speedy management

- We recently installed a new ERP system in order to improve business efficiency and achieve speedy operations.
- Key objectives include an improved product mix through marketing proprietary flagship products, more cost competitiveness, and optimized production and distribution systems across the entire group.

Disclaimer: This document is based on Company evaluations and analyses at the time of writing and does not in any way constitute a guarantee or warranty that the Company will achieve the numerical targets or implement the measures stated herein.