

Annual Report

April 2008-March 2009



Fighting Disease with Electronics

 **NIHON KOHDEN**

Company Profile

Nihon Kohden is Japan's foremost manufacturer and provider of medical electronic equipment. We are the number one supplier to Japan and one of the leaders in the world.

In 1951, Dr. Yoshio Ogino established Nihon Kohden and developed the world's first electroencephalograph that was completely AC powered. For more than half a century since then, the Company has broadened its product range into a variety of high technology medical equipment such as patient monitors, electrocardiographs, defibrillators, AEDs (automated external defibrillators), hematology analyzers, and other physiological measuring equipment and sensors.

Nihon Kohden intends to continue growing as a global organization. In line with this aim, the Company has subsidiaries in North America, Europe and Asia, and distributors around the world. The Company is committed to a policy of building strategic business relationships with foreign

manufacturers of high quality medical equipment and incorporating outstanding imported products in our product line.

Because safety and reliability is our top priority, export products are manufactured in ISO9001 and ISO13485 certified factories.

Nihon Kohden is making every possible effort to ensure that the actions of the Company and its employees contribute to preserving the environment. As evidence of this commitment, we have received company-wide integrated ISO14001 certification of environment management system for our six offices including our head office and all production factories in Japan.

Health care professionals throughout the world are familiar with Nihon Kohden as a manufacturer of innovative equipment that is reliable, high quality, safe, and easy to operate.



Nihon Kohden's logo graphically expresses the light beaming from a lighthouse. Just as a shining stream of light on a dark nocturnal sea has ensured the safety of mariners, so we have been beaming a light offering hope to those suffering from illness.

On a stormy night, that light offers hope and confidence that the ship will sail on safely. That beam of light evokes the image of limitless progress in the future.

As one of the leaders in the medical industry, we at Nihon Kohden sincerely desire to continue the meaningful work of protecting the health of humans and improving medical treatment.

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Consolidated Financial Highlights

Nihon Kohden Corporation and Consolidated Subsidiaries
Year ended March 31, 2009, 2008, 2007, 2006, and 2005

| | Millions of yen | | | | | Thousands of U.S. dollars ⁽¹⁾ |
|---|-----------------|----------|---------|---------|---------|--|
| | 2009 | 2008 | 2007 | 2006 | 2005 | 2009 |
| Net sales | ¥109,124 | ¥104,826 | ¥96,679 | ¥90,368 | ¥83,808 | \$1,110,903 |
| Operating income | 8,106 | 9,818 | 7,974 | 7,415 | 7,189 | 82,521 |
| Income before income taxes and minority interests | 7,694 | 9,640 | 8,311 | 8,261 | 7,608 | 78,327 |
| Net income | 4,611 | 5,632 | 5,053 | 5,788 | 6,563 | 46,941 |
| Total assets | 80,480 | 80,630 | 75,894 | 73,511 | 67,478 | 819,302 |
| Net assets ⁽²⁾ | 53,570 | 51,814 | 48,865 | 45,878 | 40,415 | 545,353 |
| Amounts per share ⁽³⁾ : | yen | | | | | U.S. dollars |
| Net income-basis | ¥104.94 | ¥128.01 | ¥114.12 | ¥128.56 | ¥145.21 | \$1.07 |
| Cash dividends | 37.00 | 37.00 | 30.00 | 26.00 | 20.00 | 0.37 |

Notes : (1) U.S. dollars amounts are translated from yen, for convenience only, at the rate of ¥98.23 = US\$1.

(2) Certain retroactive adjustments of previously reported net assets have been made to conform to the presentation used from the year March 31, 2007.

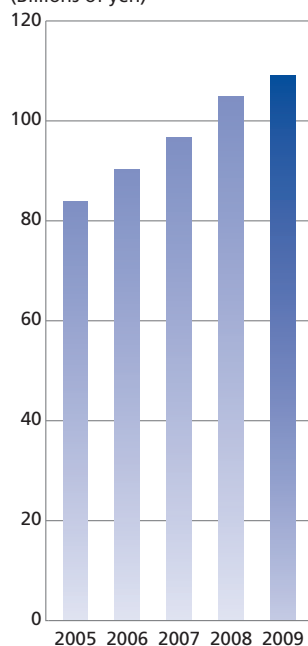
(3) Computation of net income and dividends per share was based on the average number of shares of common stock outstanding during each fiscal year.

Cash dividends per share are dividends applicable to the respective years including dividends to be paid after the end of the year.

See Note 10 and 13 of Consolidated Financial Statements.

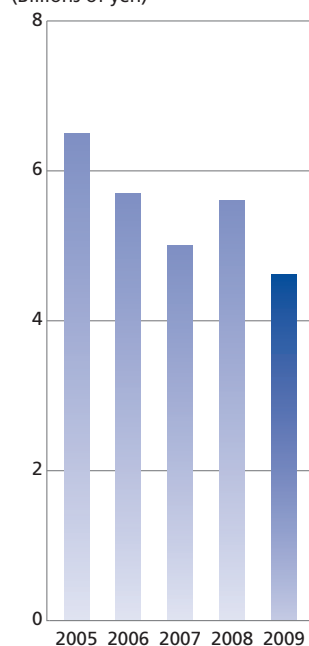
Net sales

(Billions of yen)



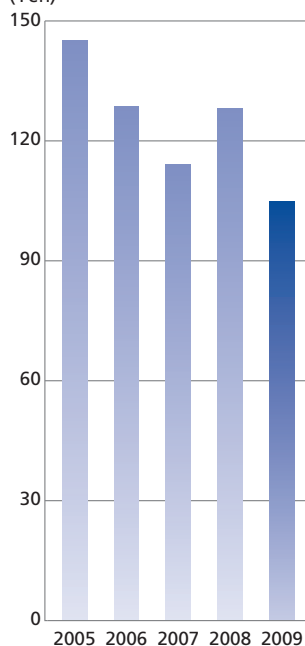
Net income

(Billions of yen)



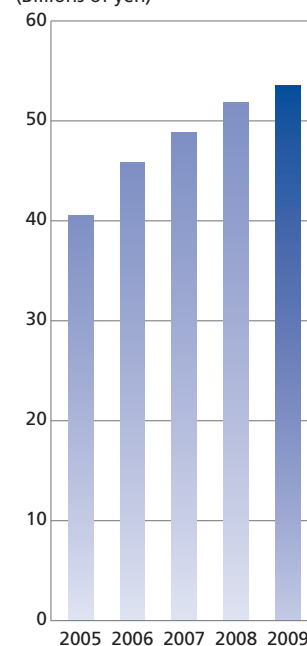
Net income per share

(Yen)



Net assets

(Billions of yen)



To our stockholders

First of all we would like to sincerely thank everyone for your continued support.

For more than half a century we have enthusiastically continued our original mission of “fighting disease with electronics” and Nihon Kohden has continued to move forward as a top manufacturer of medical electronic equipment. In that period, with a particular eye toward the connection between human and machine, we have concentrated our efforts on developing human-machine interface technologies and turned them into practical reality in many excellent medical electronic products. Nihon Kohden developed the basis of SpO₂ which is indispensable in modern medicine. We have become the world’s leading manufacturer of electroencephalographs and our electrocardiographs, evoked potential and electromyogram measuring systems, patient monitors, defibrillators, automatic hematology analyzers and other medical equipment have earned an excellent reputation among users around the world.

With our 1995 ISO9001 certification, the international standard of quality assurance, and CE marking in 1996, based on the EU Medical Device Directive, Nihon Kohden has constructed a consistent quality assurance system covering all areas, from development to after sales service. Based on our quality policy that “The good quality of our product must be maintained to keep our customer satisfied for a long time,” we are continually striving to develop the highest quality products.

As environmental issues are getting widespread international attention, Nihon Kohden aims to implement business operations that are gentle on the earth. To carry this out, we established an environmental policy in October 2000. Our six major sites in Japan, including our head office in Tokyo and our main production facility at Tomioka, received ISO 14001 certification.

We have a strong product development capability in human-machine interface technologies such as sensors and biosignal processing. We believe innovative technology development in this area will enable us to improve our competitive position and strengthen our presence. We are also enhancing our software technology and pursuing development of high quality and user-friendly products.

Product development is also based on our fundamental policy of making value-added products that are always well received in the global market. To realize our ideal that everyone in the world could receive the highest level of medical care, we are expanding development, production and marketing of Nihon Kohden products throughout the world.

FY2008 was a very challenging year due to the global economic downturn and we believe that the weak demand for medical devices will continue through FY2009, primarily in the international market.

Under these difficult circumstances, Nihon Kohden will steadily implement various measures in its 3-year business plan, SPEED UP II, for the period through FY2009 (ending March 2010) and we will take additional measures to improve profitability.

Furthermore, we recently launched a "Columbus Committee," which reports directly to the president, to strengthen global business. We will continue to work to realize the management vision of "increasing Nihon Kohden's global brand awareness for medical equipment."

We remain wholly committed to increasing the value of the company and ask for your continued support.



Kazuo Ogino
Chairman and CEO

Fumio Suzuki
President and COO

Measures to meet the changing environment

The global financial crisis spread into the real economy in developed as well as emerging countries and the global economy appears to have entered a recession. The weak demand for medical devices will continue, primarily in the international market.

To meet these difficult circumstances, Nihon Kohden will steadily implement various measures in its 3-year business plan for the period through FY2009 (ending March 2010) and will take additional action.

The Company launched a profitability improvement program across the Nihon Kohden Group. It includes cost reduction, inventory optimization, sales expansion of in-house products and company-wide expense reduction. The Company also introduced ERP to raise business efficiency and expects to start operations from FY2010.

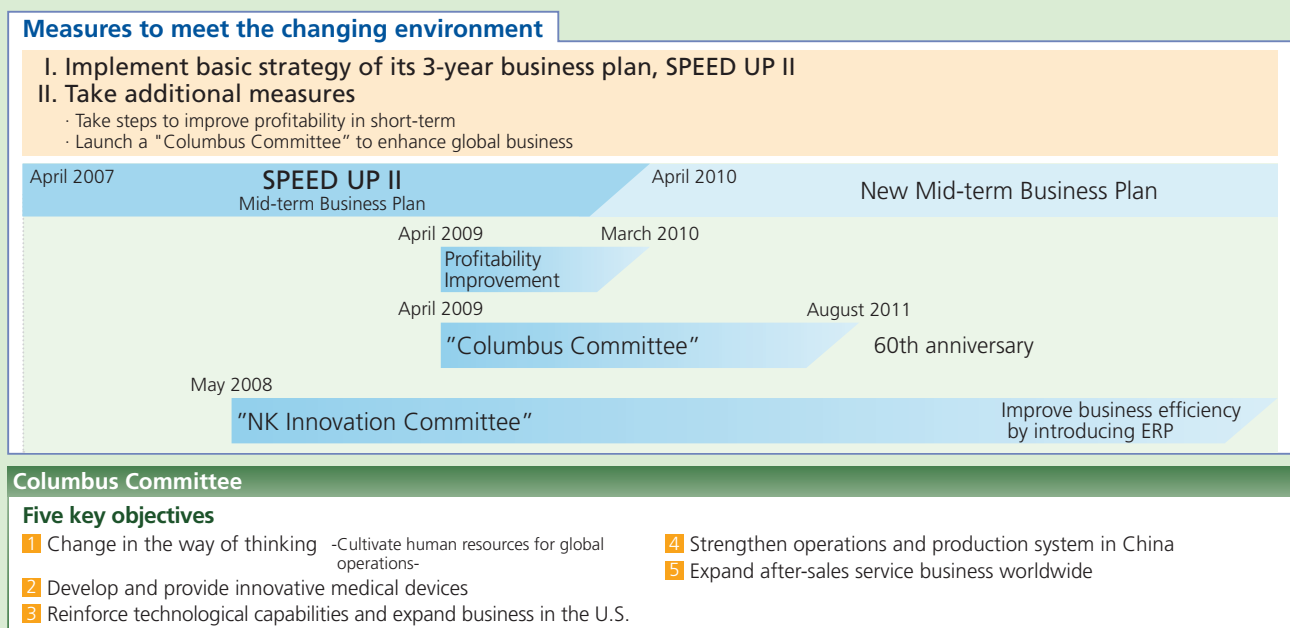
In addition, Nihon Kohden launched a "Columbus Committee," which is directly under the president's command, to enhance its global business. In order to take action against the economic downturn and strengthen its business structure as a global company, this committee is focusing on five key objectives (see the chart at the bottom of this page).

China and the U.S. remain key markets for the Company and capturing opportunities to strengthen our position in these selected geographic markets is among the key objectives. In China, the Company established a sales subsidiary and made Shanghai Kohden Medical Electronic Instrument Corporation a 100% owned subsidiary. In the U.S., Nihon Kohden acquired Neurotronics Incorporated, a developer of sleep analysis devices and software.

Nihon Kohden will continue to move forward with its strategic measures and strengthen its position for the next economic upturn.

[Status of FY2012 goal, long-term management goal set in 3-year business plan, SPEED UP II]

After assessing future economic conditions, the Company will review FY2012 goals and draw up a new mid-term business plan to be implemented from FY2010.



Acquisition of Neurotronics Incorporated



Nihon Kohden strengthened its position as a leader in the neurology business by acquiring Neurotronics Incorporated (Headquarters: Gainesville, Florida).

Neurotronics develops, sells and services a sleep data management suite of programs, including the sleep brain wave analysis program Polysmith™ DMS. Neurotronics has gained a reputation for quality products and support in the U.S. market.

Nihon Kohden and Neurotronics have been long-standing strategic partners in the sleep-respiratory business. This acquisition will enable the Company to synergize its neurology diagnostics technology and Neurotronics' sleep analysis expertise to strengthen its products and services in this growing sleep-respiratory market. The Company also expects to increase both companies' sales by leveraging Nihon Kohden's global distribution network.

Through the combined efforts of both companies, Nihon Kohden expects to increase world-wide sales in sleep and set a foundation for its long-term strategy in the sleep and neurodiagnostic fields, with the continuing goal of improving the quality of medical treatment.

New series of patient monitors



Nihon Kohden continues to introduce products that can help to improve medical safety and efficiency. We released the new arrhythmia analysis software that ensures accurate arrhythmia detection and we launched new series of patient monitors with enhanced alarm function.

A new central monitor, CNS-9601, and new telemetry monitoring systems, WEP-5200 series, provide enhanced alarm functions with a large data storage capacity and a variety of synchronized review screens for convenient operation.

The new BSM-6000 series Life Scope TR bedside monitors use Nihon Kohden's advanced technology to provide many advanced features in a compact package, such as highly reliable arrhythmia detection, 12-lead ECG analysis, full disclosure review, BIS management, and dual batteries.

Our AEDs support Tokyo Marathon again this year

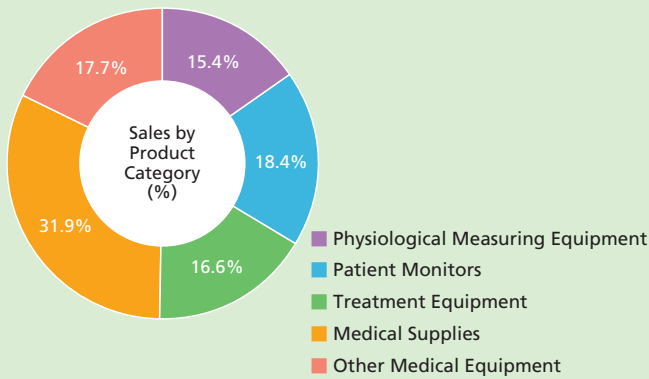


The Tokyo Marathon 2009 was held on March 22, 2009 and 35,000 runners participated in the race. Nihon Kohden supported this big event by providing AEDs for runner safety and served as an official sponsor. 61 AEDs and 60 volunteers from Nihon Kohden were deployed along the course to prepare for any contingency on the date of the race.



One runner in the race collapsed, but an AED saved his life. Nihon Kohden will continue to support the spread of AEDs and provide training programs in order to create a healthy and safe society.

At a Glance



Physiological Measuring Equipment

Electroencephalographs, evoked potential and electromyogram measuring systems, electrocardiographs, polygraphs, respiratory measuring devices, diagnostic information systems, and other equipment



15.4%

MEB-2300

Patient Monitors

Instruments that continuously monitor the patient's condition (central monitors, bedside monitors, wireless monitors, Remote Access Software and other equipment), and clinical information systems



BSM-6701

18.4%

Treatment Equipment

Defibrillators, AEDs (automated external defibrillators), pacemakers, ventilators, patient warming systems, and other equipment

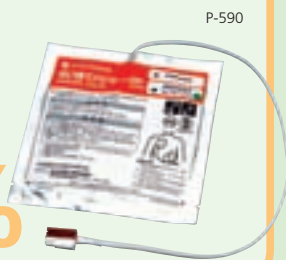


AED-2100

16.6%

Medical Supplies

Recording paper, electrodes, reagents, catheters, maintenance parts, and other consumables



P-590

31.9%

Other Medical Equipment

Automated hematology analyzers, emergency transmitters, hand held emergency monitors, ultrasound diagnostic equipment, transformers, and other equipment



MEK-6450

17.7%

Raising the Level of Health Care in Japan - Our Import Business -

To satisfy every customer demand, Nihon Kohden continues to introduce the most advanced medical products from all over the world into Japan. Nihon Kohden is not only a leading manufacturer, but a leading distributor of medical devices in Japan.

Nihon Kohden currently imports and distributes a wide range of medical devices in various fields such as

cardiology, anesthesiology, respiratory care, emergency care, POCT and rehabilitation.

Through our nationwide sales network of approximately 120 sales offices, we continue to introduce the world's first-class medical products and be Japan's provider of choice for advanced medical products.

Review of Operations

During the term under review (April 1, 2008 to March 31, 2009), the global financial crisis, triggered by the U.S. subprime mortgage crisis, spread into the real economy and the global economy appeared to have entered a recession. The economic slowdown weakened demand for medical equipment in some countries such as Russia and U.S. hospitals have begun freezing capital spending on medical equipment.

With these circumstances in mind, to strengthen its business operations, Nihon Kohden implemented various measures in its 3-year business plan, SPEED UP II, for the period through FY2009 (ending March 2010).

The Company continues to introduce products that can help to improve medical safety and efficiency. New arrhythmia analysis software which ensures accurate arrhythmia detection was released and a new series of patient monitors with enhanced alarm function was launched. In order to strengthen its technological capability, Nihon Kohden acquired Nippon Biotest

Laboratories Inc., a supplier of antibodies for reagents, and Neurotronics Incorporated, a developer of sleep analysis devices and software. The Company's main production facility at Tomioka expanded its manufacturing capability to meet the increased sales of AEDs and the expansion of international business. In India, a new joint venture company started to produce reagents. In China, the Company established a sales subsidiary and made Shanghai Kohden Medical Electronic Instrument Corporation its 100% owned subsidiary. In addition, the Company introduced ERP to raise business efficiency and enhanced human resources to enlarge its business scale.

As a result, overall sales during the term under review increased 4.1% over FY2007 to ¥109,124 million. Because gross profit ratio declined and SG&A expenses increased, operating income decreased 17.4% to ¥8,106 million and net income decreased 18.1% to ¥4,611 million over FY2007.



Management's Discussion and Analysis

Sales

In the term under review, sales increased ¥4,298 million, or 4.1%, to ¥109,124 million.

Sales by Product Category

Physiological Measuring Equipment: Increased sales of EEGs and polygraphs favorably impacted domestic sales. This was partially offset by lower sales of ECGs. Internationally, sales of EEGs and ECGs decreased. In particular, EEG sales were weak in the Americas and Europe. Overall, sales decreased 1.1% over the previous fiscal year to ¥16,811 million.

Patient Monitors: In Japan, Patient Monitor sales increased due to higher sales of clinical information systems. Sales of bedside monitors and telemetry systems also grew due to new product introductions. Outside Japan, sales in the Americas were down due to the absence of a large-scale order in Latin America. The strong yen and the difficult economic situation in the U.S. also had negative effects. Overall, sales decreased 8.4% over the previous fiscal year to ¥20,040 million.

Treatment Equipment: Domestic sales of AEDs grew favorably. Sales of defibrillators in medical facilities and ambulances grew due to new product introductions. Ventilators sales also increased and pacemakers sales remained flat. Internationally, sales of defibrillators in medical facilities and ambulances increased in Asia. Overall, sales increased 14.1% over the previous fiscal year to ¥18,106 million.

Medical Supplies: In Japan, sales of consumables such as sensors and AED electrode pads increased. Maintenance service sales also increased. Internationally, consumables sales decreased sharply due to the absence of a large-scale order in Latin America. Overall, sales increased 4.8% over the previous fiscal year to ¥34,799 million.

Other Medical Equipment: In Japan, sales of clinical systems, diagnostic imaging equipment and POCT (point-of-care testing) products increased. Internationally, sales of hematology analyzers

decreased due to the absence of a large-scale order in Europe. Overall, sales increased 14.9% over the previous fiscal year to ¥19,368 million.

Sales by Region

Japan: The Company continued to help hospitals to improve medical safety and quality by holding seminars on safety management of medical devices. The Company also launched new initiatives for changing environments such as spread of AEDs and the growing POCT market. Sales in the hospital market were up with strong sales growth of Medical Supplies and clinical systems as well as increased sales of Physiological Measuring Equipment and Patient Monitors. Sales of diagnostic imaging equipment and POCT products in Other Medical Equipment also increased. In the PAD (public access defibrillation) market, sales of AEDs increased significantly as the Company enhanced its indirect sales channels, in addition to its direct sales force. As a result, domestic sales increased 10.4% over FY2007, to ¥87,402 million.

International: Sales in the Americas and Europe decreased compared with the strong results of the previous fiscal year when we had large-scale orders. In addition, the strong yen and the difficult economic situation had a negative impact. In Asia, sales in China reported higher growth following the enhancement of the business structure. As a result, international sales decreased 15.4% over FY2007, to ¥21,722 million.

Cost of Sales, SG&A Expenses and Operating Income

In the term under review, cost of sales were ¥55,156 million. Gross profit ratio declined 80 basis points to 49.5%, primarily due to unfavorable product mix. Gross profit on sales increased ¥1,225 million, or 2.3%, to ¥53,968 million.

Selling, general, and administrative expenses increased due to up-front investments such as capital expenditures and enhancement of human resources, in addition to the heavier burden of pension costs. The pension fund asset value had eroded because of the stock market slump and this drove up pension

costs. The ratio of SG&A expenses to sales increased 120 basis points to 42.1%. Research and development costs, included in cost of sales and SG&A expenses, were ¥4,657 million (4.3% of sales).

As a result, operating income decreased ¥1,712 million, or 17.4% to ¥8,106 million.

Other Income and Expenses, Net Income

Net other expenses increased ¥234 million to ¥412 million, mainly due to exchange loss.

Income before income tax and minority interests decreased ¥1,946 million to ¥7,694 million.

Net income decreased ¥1,021 million to ¥4,611 million from ¥5,632 million in the previous fiscal year. Net income per share was ¥104.94.

Cash Flows

Net cash provided by operating activities during the year under review decreased ¥4,498 million to ¥4,124 million. It includes ¥7,694 million of income before income taxes and minority interests, ¥2,714 million of depreciation and amortization, and ¥3,827 million of income taxes paid.

Net cash used in investing activities increased ¥3,110 million to ¥5,968 million. We used ¥3,525 million for capital expenditures, ¥1,205 million for purchase of intangible fixed assets, and ¥774 million for investments in subsidiaries.

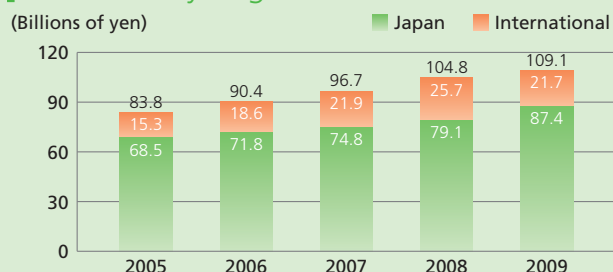
As a result of these factors, negative free cash flow amounted to ¥1,844 million, a substantial decrease from the previous fiscal year's free cash flow of ¥5,764 million.

Net cash used in financing activities decreased ¥2,286 million to ¥602 million. We paid ¥1,669 million for stockholders dividends and received ¥1,175 million from increase in short-term borrowings.

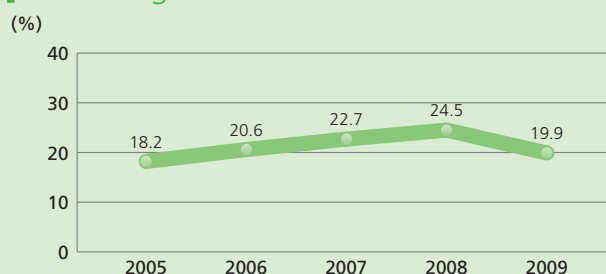
As a result, cash and cash equivalents as of March 31, 2009 decreased ¥2,599 million to ¥11,198 million.

Years ended March 31

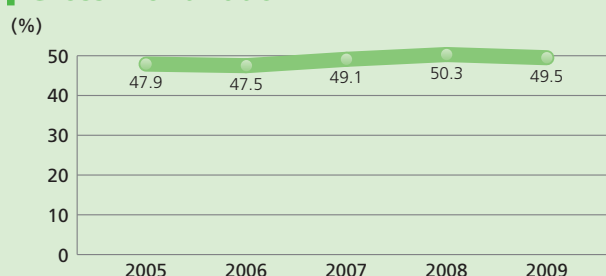
Net Sales by Region



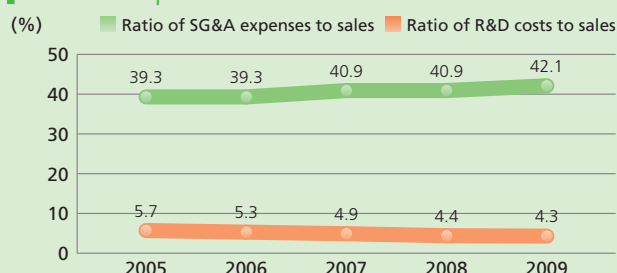
Percentage of International Sales



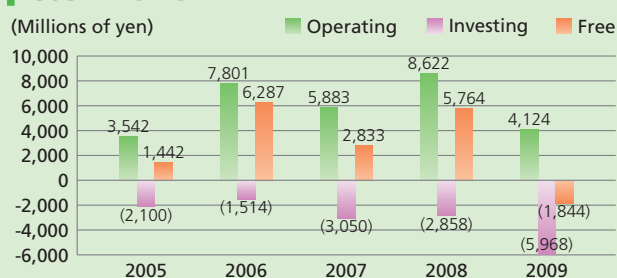
Gross Profit Ratio



SG&A Expenses/R&D Costs to Net Sales



Cash Flows



Consolidated Balance Sheets

March 31, 2009 and 2008

| Assets | Millions of yen | | Thousands of U.S. dollars (note 2) |
|--|-----------------|---------|------------------------------------|
| | 2009 | 2008 | 2009 |
| Current Assets: | | | |
| Cash (note 3) | ¥ 8,701 | ¥ 8,304 | \$ 88,578 |
| Trade notes and accounts receivable | 32,272 | 30,942 | 328,535 |
| Short-term investments (note 4) | 2,500 | 5,500 | 25,451 |
| Inventories | 14,143 | 14,443 | 143,979 |
| Deferred income taxes (note 8) | 3,180 | 3,373 | 32,373 |
| Other current assets | 857 | 1,377 | 8,724 |
| Less allowance for doubtful receivables | 182 | 220 | 1,853 |
| Total current assets | 61,471 | 63,719 | 625,787 |
| Property, plant and equipment, net of accumulated depreciation; ¥18,844 million (\$191,835 thousand) in 2009 and ¥17,194 million in 2008: | | | |
| Buildings and structures | 3,731 | 3,097 | 37,982 |
| Machinery, equipment and vehicles | 1,017 | 830 | 10,353 |
| Tools, furniture and fixtures | 2,539 | 2,676 | 25,848 |
| Land | 2,681 | 2,551 | 27,293 |
| Leased assets | 140 | – | 1,425 |
| Construction in progress | 194 | 434 | 1,975 |
| Net property, plant and equipment | 10,302 | 9,588 | 104,876 |
| Intangible assets, net: | | | |
| Goodwill | 872 | 48 | 8,877 |
| Other | 2,160 | 1,174 | 21,989 |
| Total intangible assets | 3,032 | 1,222 | 30,866 |
| Investments and other assets: | | | |
| Investments in securities (notes 4 and 5) | 2,875 | 3,666 | 29,268 |
| Deferred income taxes (note 8) | 619 | 176 | 6,301 |
| Prepaid retirement and severance benefits (note 7) | 998 | 1,186 | 10,160 |
| Other investments and other assets | 1,422 | 1,355 | 14,477 |
| Less allowance for doubtful receivables | 239 | 282 | 2,433 |
| Total investments and other assets | 5,675 | 6,101 | 57,773 |
| Total assets | ¥80,480 | ¥80,630 | \$819,302 |

See accompanying notes to consolidated financial statements.

| Liabilities and Net Assets | Millions of yen | | Thousands of U.S. dollars (note 2) |
|--|-----------------|---------|------------------------------------|
| | 2009 | 2008 | 2009 |
| Current liabilities: | | | |
| Trade notes and accounts payable | ¥16,028 | ¥18,016 | \$163,168 |
| Short-term debt and current installments of long-term debt (note 6) | 2,418 | 1,336 | 24,616 |
| Other payables | 1,355 | 1,529 | 13,794 |
| Accrued income taxes (note 8) | 1,185 | 2,123 | 12,064 |
| Accrued expenses | 1,836 | 1,914 | 18,691 |
| Accrued bonuses | 2,217 | 2,080 | 22,569 |
| Other current liabilities | 1,239 | 1,244 | 12,613 |
| Total current liabilities | 26,278 | 28,242 | 267,515 |
| Non-current liabilities: | | | |
| Long-term debt (note 6) | 108 | 28 | 1,100 |
| Deferred income taxes (note 8) | 279 | 233 | 2,840 |
| Other non-current liabilities | 245 | 313 | 2,494 |
| Total non-current liabilities | 632 | 574 | 6,434 |
| Total liabilities | 26,910 | 28,816 | 273,949 |
| Stockholders' equity: | | | |
| Common stock (note 9): | 7,545 | 7,545 | 76,809 |
| Authorized 98,986,000 shares; issued 45,765,490 shares in 2009 and 2008 | | | |
| Additional paid-in capital (note 9) | 10,487 | 10,485 | 106,760 |
| Retained earnings (note 10) | 37,972 | 34,932 | 386,562 |
| Treasury stock, at cost; 1,830,850 shares in 2009 and 1,829,595 shares in 2008 | (2,016) | (2,012) | (20,523) |
| Total stockholders' equity | 53,988 | 50,950 | 549,608 |
| Valuation and translation adjustments: | | | |
| Net unrealized gain on other securities (note 4) | 66 | 494 | 672 |
| Foreign currency translation adjustments | (495) | (26) | (5,039) |
| Total valuation and translation adjustments | (429) | 468 | (4,367) |
| Minority interests | 11 | 396 | 112 |
| Total net assets | 53,570 | 51,814 | 545,353 |
| Commitments and contingencies (note 15) | | | |
| Total liabilities and net assets | ¥80,480 | ¥80,630 | \$819,302 |

Consolidated Statements of Income

March 31, 2009 and 2008

| | Millions of yen | | Thousands of U.S. dollars (note 2) |
|---|-----------------|----------|------------------------------------|
| | 2009 | 2008 | 2009 |
| Net sales | ¥109,124 | ¥104,826 | \$1,110,903 |
| Cost of sales (note 12) | 55,156 | 52,083 | 561,498 |
| Gross profit | 53,968 | 52,743 | 549,405 |
| Selling, general and administrative expenses (notes 11 and 12) | 45,862 | 42,925 | 466,884 |
| Operating income | 8,106 | 9,818 | 82,521 |
| Other income (deductions): | | | |
| Interest income | 38 | 41 | 387 |
| Dividend income | 94 | 74 | 957 |
| Interest expenses | (64) | (66) | (652) |
| Equity in losses of affiliates | (44) | (9) | (448) |
| Exchange loss | (461) | (300) | (4,693) |
| Loss on sale/disposal of property, plant and equipment | (29) | (73) | (295) |
| Loss on devaluation of investments in securities | (29) | (3) | (295) |
| Other, net | 83 | 158 | 845 |
| | (412) | (178) | (4,194) |
| Income before income taxes and minority interests | 7,694 | 9,640 | 78,327 |
| Income taxes (note 8): | | | |
| Current | 2,951 | 3,629 | 30,042 |
| Deferred | 100 | 329 | 1,018 |
| | 3,051 | 3,958 | 31,060 |
| Income before minority interests | 4,643 | 5,682 | 47,267 |
| Minority interests | 32 | 50 | 326 |
| Net income | ¥ 4,611 | ¥ 5,632 | \$ 46,941 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

March 31, 2009 and 2008

| | Stockholders' equity | | | | | Valuation and translation adjustments | | | | | Total net assets |
|---|--------------------------|---|-----------------------------------|-------------------|---------|---|-----------------------------|--|---------|-----------------------|------------------|
| | Common stock (note 9) | Additional paid-in capital (note 9) | Retained earnings (note 10) | Treasury stock | Total | Net unrealized gain on other securities (note 4) | Deferred gains on hedges | Foreign currency translation adjustments | Total | Minority interests | |
| | | | | | | | | | | | |
| Balance at March 31, 2007 | ¥7,545 | ¥10,485 | ¥30,710 | ¥(1,756) | ¥46,984 | ¥1,469 | ¥1 | ¥ 50 | ¥1,520 | ¥361 | ¥48,865 |
| Changes arising during year: | | | | | | | | | | | |
| Cash dividends | | | (1,410) | | (1,410) | | | | | | (1,410) |
| Net income | | | 5,632 | | 5,632 | | | | | | 5,632 |
| Purchase of treasury stock | | | | (257) | (257) | | | | | | (257) |
| Disposition of treasury stock | | 0 | | 1 | 1 | | | | | | 1 |
| Net changes other than stockholders' equity | | | | | | (975) | (1) | (76) | (1,052) | 35 | (1,017) |
| Total changes during the year | – | 0 | 4,222 | (256) | 3,966 | (975) | (1) | (76) | (1,052) | 35 | 2,949 |
| Balance at March 31, 2008 | 7,545 | 10,485 | 34,932 | (2,012) | 50,950 | 494 | – | (26) | 468 | 396 | 51,814 |
| Changes arising during year: | | | | | | | | | | | |
| Cash dividends | | | (1,670) | | (1,670) | | | | | | (1,670) |
| Net income | | | 4,611 | | 4,611 | | | | | | 4,611 |
| Purchase of treasury stock | | | | (7) | (7) | | | | | | (7) |
| Disposition of treasury stock | | 2 | | 3 | 5 | | | | | | 5 |
| Other | | | 99 | | 99 | | | | | | 99 |
| Net changes other than stockholders' equity | | | | | | (428) | | (469) | (897) | (385) | (1,282) |
| Total changes during the year | – | 2 | 3,040 | (4) | 3,038 | (428) | – | (469) | (897) | (385) | 1,756 |
| Balance at March 31, 2009 | ¥7,545 | ¥10,487 | ¥37,972 | ¥(2,016) | ¥53,988 | ¥ 66 | ¥– | ¥(495) | ¥ (429) | ¥ 11 | ¥53,570 |

| | Stockholders' equity | | | | | Valuation and translation adjustments | | | | | Total net assets |
|---|----------------------|----------------------------|-------------------|----------------|-----------|---|--------------------------|--|-----------|--------------------|------------------|
| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock | Total | Net unrealized gain on other securities | Deferred gains on hedges | Foreign currency translation adjustments | Total | Minority interests | |
| | | | | | | | | | | | |
| Balance at March 31, 2008 | \$76,809 | \$106,740 | \$355,614 | \$(20,483) | \$518,680 | \$5,029 | \$– | \$ (265) | \$4,764 | \$4,032 | \$527,476 |
| Changes arising during year: | | | | | | | | | | | |
| Cash dividends | | | (17,001) | | (17,001) | | | | | | (17,001) |
| Net income | | | 46,941 | | 46,941 | | | | | | 46,941 |
| Purchase of treasury stock | | | | (71) | (71) | | | | | | (71) |
| Disposition of treasury stock | | 20 | | 31 | 51 | | | | | | 51 |
| Other | | | 1,008 | | 1,008 | | | | | | 1,008 |
| Net changes other than stockholders' equity | | | | | | (4,357) | | (4,774) | (9,131) | (3,920) | (13,051) |
| Total changes during the year | – | 20 | 30,948 | (40) | 30,928 | (4,357) | – | (4,774) | (9,131) | (3,920) | 17,877 |
| Balance at March 31, 2009 | \$76,809 | \$106,760 | \$386,562 | \$(20,523) | \$549,608 | \$ 672 | \$– | \$(5,039) | \$(4,367) | \$ 112 | \$545,353 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

March 31, 2009 and 2008

| | Millions of yen | | Thousands of U.S. dollars (note 2) |
|--|-----------------|---------|------------------------------------|
| | 2009 | 2008 | 2009 |
| Cash flows from operating activities: | | | |
| Income before income taxes and minority interests | ¥ 7,694 | ¥ 9,640 | \$ 78,327 |
| Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities: | | | |
| Depreciation and amortization | 2,714 | 2,106 | 27,629 |
| Loss on sale/disposal of property, plant and equipment | 29 | 73 | 295 |
| Allowance for doubtful receivables | (81) | 7 | (825) |
| Increase in accrued bonuses | 137 | 273 | 1,395 |
| Decrease in accrued bonuses to directors and corporate auditors | – | (77) | – |
| (Increase) decrease in prepaid retirement and severance benefits | 187 | (843) | 1,904 |
| Interest and dividend income | (132) | (115) | (1,344) |
| Interest expenses | 64 | 66 | 652 |
| Loss on devaluation of investments in securities | 72 | 17 | 733 |
| Increase in trade notes and accounts receivable | (1,291) | (1,861) | (13,143) |
| Decrease in inventories | 394 | 566 | 4,011 |
| Increase (decrease) in trade notes and accounts payable | (2,021) | 1,895 | (20,574) |
| Equity in losses of affiliates | 44 | 9 | 448 |
| Other, net | 74 | 303 | 753 |
| Sub total | 7,884 | 12,059 | 80,261 |
| Interest and dividend received | 134 | 115 | 1,364 |
| Interest paid | (67) | (86) | (682) |
| Income taxes paid | (3,827) | (3,466) | (38,960) |
| Net cash provided by operating activities | 4,124 | 8,622 | 41,983 |
| Cash flows from investing activities: | | | |
| Proceeds from sale of investments in securities | 1 | – | 10 |
| Purchase of investments in securities | (48) | (416) | (489) |
| Capital expenditures | (3,525) | (1,788) | (35,885) |
| Purchase of intangible assets | (1,205) | (537) | (12,267) |
| Payment for acquisition of investments in subsidiaries resulting in a change in the scope of consolidation | (483) | – | (4,917) |
| Purchase of investments in subsidiaries | (774) | – | (7,879) |
| Other, net | 66 | (117) | 672 |
| Net cash used in investing activities | (5,968) | (2,858) | (60,755) |
| Cash flows from financing activities: | | | |
| Increase (decrease) in short-term debt | 1,175 | (1,090) | 11,962 |
| Proceeds from long-term debt | 2 | – | 20 |
| Payments on long-term debt | (12) | (83) | (122) |
| Dividends paid to stockholders | (1,669) | (1,409) | (16,991) |
| Dividends paid to minority stockholders of subsidiaries | (32) | – | (326) |
| Purchase of treasury stock | (2) | (257) | (20) |
| Other, net | (64) | (49) | (651) |
| Net cash used in financing activities | (602) | (2,888) | (6,128) |
| Effect of exchange rate changes on cash and cash equivalents | (153) | (107) | (1,558) |
| Net increase (decrease) in cash and cash equivalents | (2,599) | 2,769 | (26,458) |
| Cash and cash equivalents at beginning of year | 13,797 | 11,028 | 140,456 |
| Cash and cash equivalents at end of year (note 3) | ¥11,198 | ¥13,797 | \$113,998 |

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

Nihon Kohden Corporation (the Company) and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

Previously, a company could use the financial statements of its foreign subsidiaries which have been prepared in conformity with financial accounting standards of the countries of their domicile. From the year ended March 31, 2009, the Company adopted "Practical Solution on unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006). This PITF requires that for the preparation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle, and financial statements prepared by foreign subsidiaries in accordance with IFRSs or the generally accepted accounting principles in the United States (U.S. GAAP) tentatively may be used for the consolidation process, however, the items listed in the PITF should be adjusted in the consolidation process so that net income is accounted for in accordance with Japan GAAP unless they are not material. The Company made necessary modification to the consolidated financial statements according to the PITF. The effect of the change on operating income and income before income taxes and minority interests is immaterial.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries (29 subsidiaries for 2009 and 25 subsidiaries for 2008).

All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in affiliates are accounted for by the equity method.

The Accounting Standards for Consolidation require the control or influence concept for the consolidation scope of subsidiaries and affiliates. Under the control or influence concept, a company in which the parent company or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations is fully consolidated, and a company over which the parent company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method.

The difference between the cost and the underlying net assets at the date of investments in subsidiaries or affiliates is allocated to identifiable assets and liabilities based on fair market value at the date of investments.

The unallocated portion of the difference, which is recognized as goodwill or negative goodwill, is amortized within 20 years, or if the amount is immaterial, it is charged to income in the year of investments.

(c) Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Company considers all highly liquid investments with insignificant risk of changes in value which have maturities of generally three months or less when purchased to be cash equivalents.

(d) Short-term Investments and Investments in Securities

Under the Accounting Standards for Financial Instruments, securities are classified into four categories – "trading securities," "held-to-maturity securities," "investments in affiliates" and "other securities." Securities classified as "trading securities" are stated at fair value and unrealized gains or losses are recorded in the consolidated statements of income. Securities classified as "held-to-maturity securities" are stated at amortized cost. Securities classified as "other securities" with fair value are stated at fair value and unrealized gains or losses, net of related taxes, are excluded from earnings and recorded in a separate component of net assets. Realized gains and losses on the other securities are computed using the moving-average cost. Debt classified as "other securities" for which fair value is not available are stated at the amortized cost. Equity securities classified as "other securities" for which fair value is not available are stated at the moving-average cost. Holding securities of the Company are classified as other securities.

(e) Inventories

Inventories were previously stated principally at cost determined principally by the gross average method. From the year ended March 31, 2009, the Company adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006), and inventories are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses, determined principally by the average method. The effect of the change on operating income and income before income taxes and minority interests is immaterial.

(f) Property, Plant and Equipment

Property, plant and equipment are carried substantially at cost. The Company and its domestic subsidiaries provided depreciation principally by the declining-balance method based on the estimated useful lives, except for the buildings acquired on or after April 1, 1998, which are depreciated based on the straight-line method. Its foreign subsidiaries provided depreciation principally by the straight-line method.

The estimated useful lives are as follows:

| | |
|-----------------------------------|------------|
| Buildings and structures | 4-50 years |
| Machinery, equipment and vehicles | 2-15 years |

From the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries changed the estimated useful lives of machinery as a result of review of their useful lives. The effect of this change is immaterial.

From the year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries changed the estimated residual value of property, plant and equipment which was acquired on or after April 1, 2007 from 5% of the acquisition cost to ¥1. As a result of the change, both operating income and income before income taxes and minority interests decreased by ¥113 million.

From the year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, property, plant and equipment acquired on or before March 31, 2007 which were depreciated to the allowable limit (95% of the acquisition cost) in a particular business year can be further depreciated down to ¥1 evenly over five years starting from the following business year. As a result of the change, both operating income and income before income taxes and minority interests decreased by ¥76 million.

(g) Intangible Assets

Intangible assets are carried at cost less amortization. The expenses for internal use computer software are deferred and amortized by the straight-line method over the estimated useful lives (3-5 years). Intangible assets other than software are deferred and amortized by the straight-line method at rates based on the estimated useful lives of the respective assets.

(h) Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided at an amount of uncollectible receivables based on historical loss ratios and an amount that takes into consideration the possibility of specific liabilities.

(i) Retirement and Severance Benefits

The Company and its consolidated subsidiaries have retirement benefit plans covering substantially all employees.

Under the Accounting Standards for Retirement and Severance Benefits, provisions have been made in the accompanying consolidated financial statements based on the present value of the projected future retirement and severance benefits attributable to employee services rendered by the end of the year, less amounts funded under pension plans.

For the year ended March 31, 2007, the Company and its subsidiaries had unfunded defined benefit pension plans for directors and corporate auditors. The provision for the plans was made in the accompanying consolidated financial statements for the vested benefits to which directors and corporate auditors are entitled if they were to retire or sever immediately at the balance sheet dates.

(j) Leases

Previously, finance leases, except for those where the legal title of the underlying property is transferred from the lessor to the lessee at the end of the lease term, are accounted for similarly to operating leases. On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the former accounting standard for lease transactions issued on June 17, 1993, and ASBJ Guidance No.16, "Guidance on Accounting Standard for Lease Transactions," which revised the former guidance issued on January 18, 1994. From the year ended March 31, 2009, the Company adopted the revised accounting standards. The revised accounting standards require that all finance lease transactions shall be capitalized.

Leased assets related to finance lease transactions without title transfer are depreciated on a straight-line basis, with the lease periods as their useful lives and no residual value. The effect of this change on operating income and income before income taxes and minority interests is immaterial.

Regarding finance leases transactions without title transfer for which the starting date for the lease transactions is prior to the initial fiscal year in which these new accounting standards apply, the Company and its domestic consolidated subsidiaries have continued recognize lease payments as expenses.

(k) Foreign Currency Translation

Under the Accounting Standards for Foreign Currency Transactions, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction date, receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange as of the balance sheet date, and gains or losses resulting from the translation of foreign currencies are credited or charged to income. Assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange as of the balance sheet date and revenues and expenses into yen at the rate of exchange prevailing during the year, and a comprehensive adjustment resulting from translation is presented as "Foreign currency translation adjustments" and "Minority interests" in a component of net assets.

(l) Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitant tax and business tax.

The Accounting Standards for Income Taxes require that deferred income taxes be accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, and the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(m) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used as of and for the year ended March 31, 2009.

2 Financial Statement Translation

The consolidated financial statements are expressed in Japanese yen. However, solely for the convenience of the reader, the consolidated financial statements as of and for the year ended March 31, 2009 have been translated into United States dollars at the rate of ¥98.23=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2009. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

3 Cash and Cash Equivalents

Reconciliation between "Cash" in the accompanying consolidated balance sheets and "Cash and cash equivalents" in the accompanying consolidated statements of cash flows at March 31, 2009 and 2008 is follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2009 | 2008 | 2009 |
| Cash | ¥ 8,701 | ¥ 8,304 | \$ 88,578 |
| Short-term investments that have maturities of three months or less | 2,500 | 5,500 | 25,451 |
| Time deposits with maturities of over three months | (3) | (7) | (31) |
| Cash and cash equivalents | ¥ 11,198 | ¥ 13,797 | \$ 113,998 |

4 Short-term Investments and Investments in Securities

Acquisition cost, balance sheet amount, gross unrealized gain and gross unrealized loss of other securities with fair value as of March 31, 2009 and 2008 are summarized as follows:

| | Millions of yen | | | Balance sheet amount |
|----------------------------------|------------------|-----------------------|-----------------------|----------------------|
| | Acquisition cost | Gross unrealized gain | Gross unrealized loss | |
| March 31, 2009 Equity securities | ¥ 2,159 | ¥ 382 | ¥ (271) | ¥ 2,270 |
| | ¥ 2,159 | ¥ 382 | ¥ (271) | ¥ 2,270 |
| March 31, 2008 Equity securities | ¥ 2,187 | ¥ 971 | ¥ (137) | ¥ 3,021 |
| | ¥ 2,187 | ¥ 971 | ¥ (137) | ¥ 3,021 |

| | Thousands of U.S. dollars | | | Balance sheet amount |
|----------------------------------|---------------------------|-----------------------|-----------------------|----------------------|
| | Acquisition cost | Gross unrealized gain | Gross unrealized loss | |
| March 31, 2009 Equity securities | \$ 21,979 | \$ 3,889 | \$ (2,759) | \$ 23,109 |
| | \$ 21,979 | \$ 3,889 | \$ (2,759) | \$ 23,109 |

It is not practicable to estimate the fair value of securities as of March 31, 2009 and 2008 described below because of lack of market price and difficulty in estimating fair value.

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2009 | 2008 | 2009 |
| Other securities: | | | |
| Unlisted equity securities | ¥ 387 | ¥ 387 | \$ 3,940 |
| Certificates of deposit | 2,500 | 5,500 | 25,450 |
| Investments in limited partnership and similar partnership | 186 | 182 | 1,894 |
| | ¥ 3,073 | ¥ 6,069 | \$ 31,284 |

For the year ended March 31, 2009, proceeds from sale of other securities were ¥1 million (\$10 thousand) and the gross realized losses were ¥1 million (\$10 thousand). There is no sale of other securities for the year ended March 31, 2008.

5 Investments in Affiliates

The aggregate carrying amounts of investments in affiliates as of March 31, 2009 and 2008 are ¥32 million (\$326 thousand) and ¥76 million, respectively.

6 Short-term and Long-term Debt

Short-term debt is represented by bank loans which are due within one year. The weighted average interest rates of short-term debt are 1.9% and 2.0% at March 31, 2009 and 2008, respectively.

Long-term debt as of March 31, 2009 and 2008 is summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|------|---------------------------|
| | 2009 | 2008 | 2009 |
| Loans from banks, unsecured, maturing in installments through 2016; bearing weighted average interest of 1.9% and 2.0% at March 31, 2009 and 2008, respectively | ¥ 21 | ¥ 30 | \$ 214 |
| Lease liabilities maturing in installments through 2013 | 135 | — | 1,374 |
| Less current installments: | 156 | | 1,588 |
| Loans | 2 | 2 | 20 |
| Lease liabilities | 46 | — | 468 |
| | ¥ 108 | ¥ 28 | \$ 1,100 |

The aggregate annual maturities of loans from banks after March 31, 2010 are as follows:

| | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| Year ending March 31: | | |
| 2011 | ¥ 4 | \$ 41 |
| 2012 | 4 | 41 |
| 2013 | 3 | 31 |
| 2014 | 5 | 51 |

The aggregate annual maturities of lease liabilities after March 31, 2010 are as follows:

| | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| Year ending March 31: | | |
| 2011 | ¥ 45 | \$ 458 |
| 2012 | 24 | 244 |
| 2013 | 19 | 193 |
| 2014 | 1 | 10 |

As is customary in Japan, both short-term and long-term bank loans are under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset cash deposits against obligations due the bank.

7 Retirement and Severance Benefits

The Company and its domestic subsidiaries have defined benefit retirement and pension plans, which consist of a contributory benefit plan provided under the Welfare Pension Insurance Law of Japan and tax qualified noncontributory pension plans. The welfare pension plan consisted of two tiers, the substitution portion of Japanese Welfare Pension Insurance and the corporate portion which was established at the discretion of the Pension Fund of Japan Electronics Information Technology Industry as an industry-wide multi-employer noncontributory plan. Certain foreign subsidiaries have defined contribution pension plans.

The funded status of the pension plans at March 31, 2009 and 2008 is outlined as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------------|---------------------------|
| | 2009 | 2008 | 2009 |
| Projected benefit obligation | ¥ (13,838) | ¥ (13,537) | \$ (140,874) |
| Plan assets at fair value | 11,835 | 13,789 | 120,483 |
| Funded status | (2,003) | 252 | (20,391) |
| Unrecognized actuarial loss | 3,001 | 934 | 30,551 |
| Amount recognized in the consolidated balance sheets | 998 | 1,186 | 10,160 |
| Prepaid retirement and severance benefits | (998) | (1,186) | (10,160) |
| Accrued retirement and severance benefits | ¥ — | ¥ — | \$ — |

Note: 1. The plan assets of the welfare pension fund cannot be specifically allocated to the individual participants or to the

substitution and corporate portions. However, based on the Company's proportion of the contribution to the aggregate pension contributions, the plan assets of the welfare pension fund at March 31, 2009 and 2008 are estimated to be ¥8,238 million (\$83,864 thousand) and ¥8,189 million, respectively, and they are not included in the above table.

2. Prepaid retirement and severance benefits as of March 31, 2009 and 2008 are included in "Investments and other assets - Other investments and other assets" in the accompanying consolidated balance sheets.

Net periodic pension cost for the years ended March 31, 2009 and 2008 consists of the following components:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------------|-----------------|-------|---------------------------|
| | 2009 | 2008 | 2009 |
| Service cost | ¥ 829 | ¥ 802 | \$ 8,440 |
| Interest cost | 271 | 268 | 2,759 |
| Expected return on plan assets | (276) | (306) | (2,810) |
| Amortization of actuarial loss (gain) | 345 | (465) | 3,512 |
| Net periodic pension cost | ¥ 1,169 | ¥ 299 | \$ 11,901 |

Note: For the years ended March 31, 2009 and 2008, the amount of "Service cost" excludes contributions to the welfare pension fund of ¥652 million (\$6,637 thousand) and ¥844 million, respectively.

Significant assumptions of pension plans used to determine these amounts in fiscal 2009 and 2008 are as follows:

| | 2009 | 2008 |
|---|----------------------|---------------|
| Periodic allocation method for projected benefit | Straight-line | Straight-line |
| Discount rate | 2.0% | 2.0% |
| Expected rate of return on plan assets | 2.0% | 2.0% |
| Period for amortization of unrecognized actuarial loss/gain * | 5 years | 5 years |

* Amortized on a declining-balance method over certain period within the average remaining period of employees

According to the "Partial Amendments to Accounting Standard for Retirement Benefits Part 2" (Accounting Standards Board of Japan Statement No.14, issued on May 15, 2007), the most recent funded status of the pension plans and the ratio of the company to the entire plans, and the supplementary description are required to be disclosed for corporate pensions under multi-employer pension plans under which the required contribution is recognized as the net pension cost, unless they are insignificant.

Funded status of the whole welfare pension plan at March 31, 2008 and 2007 is outlined as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
| | 2008 | 2007 | 2008 |
| Plan assets at fair value - (1) | ¥ 194,287 | ¥ 207,901 | \$ 1,977,878 |
| Benefit obligation under pension funding programs - (2) | 226,156 | 209,884 | 2,302,311 |
| (1) - (2) | ¥ (31,869) | ¥ (1,983) | \$ (324,433) |

The Company's proportion of the salaries to the whole of welfare pension plan at March 31, 2009 and 2008 are 6.4% and 5.9%, respectively, and the employer's proportion of the contribution to the total contribution for the both years ended March 31, 2009 and 2008 are 65.8%.

Directors and corporate auditors are not covered by the plans described above. For such persons, the Company has unfunded defined benefit pension plan. Under the plan, directors and corporate auditors are entitled to lump-sum payments based on the current rate of pay and length of service when they leave the Company. The Company provides for the amount of the vested benefits to which directors and corporate auditors are entitled if they were to retire or sever immediately at the balance sheet dates. At the general meeting of stockholders held on June 28, 2007, abolishment of retirement benefit system for directors and corporate auditors of the Company was approved and directors and corporate auditors were entitled to lump-sum payment up to the date of the abolishment when they leave the Company. Provision for the current year and prior years of ¥67 million are recorded in selling, general and administrative expenses for the year ended March 31, 2008.

8 Income Taxes

The Company and its domestic subsidiaries are subject to Japanese corporate, inhabitant and business taxes based on income which, in the aggregate, result in a statutory tax rate of approximately 40.7% in 2009 and 2008.

A reconciliation of the statutory tax rate and the effective tax rate as a percentage of income before income taxes and minority interests for the years ended March 31, 2009 and 2008 is follows:

| | 2009 | 2008 |
|--|-------|-------|
| Statutory tax rate | 40.7% | 40.7% |
| Change in valuation allowance | 1.2 | 2.8 |
| Expenses not deductible for tax purposes | 1.1 | 1.2 |
| Income not credited for tax purposes | (0.2) | (0.1) |
| Utilization of tax loss carryforward | (0.7) | (0.6) |
| Per capita tax | 0.5 | 0.4 |
| Difference in statutory tax rates of subsidiaries | (1.1) | (0.6) |
| Tax credits primarily for research and development costs | (4.6) | (4.1) |
| Other | 2.8 | 1.4 |
| Effective tax rate | 39.7% | 41.1% |

Significant components of deferred tax assets and liabilities at March 31, 2009 and 2008 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|------------------------------|
| | 2009 | 2008 | 2009 |
| Deferred tax assets: | ¥ 612 | ¥ 474 | \$ 6,230 |
| Valuation loss for inventories | 116 | 188 | 1,181 |
| Accrued business tax | 905 | 838 | 9,213 |
| Accrued bonuses | 122 | 150 | 1,242 |
| Allowance for doubtful receivables | 959 | 886 | 9,763 |
| Depreciation and amortization | | | |
| Intercompany profits on inventories, and property, plant and equipment | 1,299 | 1,662 | 13,224 |
| Other | 856 | 676 | 8,714 |
| | 4,869 | 4,874 | 49,567 |
| Valuation allowance | (830) | (740) | (8,449) |
| | 4,039 | 4,134 | 41,118 |
| Deferred tax liabilities: | | | |
| Net unrealized gain on other securities | (46) | (339) | (469) |
| Prepaid retirement and severance benefits | (461) | (479) | (4,693) |
| Other | (12) | — | (122) |
| | (519) | (818) | (5,284) |
| Net deferred tax assets | ¥ 3,520 | ¥ 3,316 | \$ 35,834 |

Net deferred tax assets and liabilities as of March 31, 2009 and 2008 are reflected in the accompanying consolidated balance sheets under the following captions:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|------------------------------|
| | 2009 | 2008 | 2009 |
| Current assets - Deferred income taxes | ¥ 3,180 | ¥ 3,373 | \$ 32,373 |
| Investments and other assets - Deferred income taxes | 619 | 176 | 6,301 |
| Non-current liabilities - Deferred income taxes | (279) | (233) | (2,840) |
| Net deferred tax assets | ¥ 3,520 | ¥ 3,316 | \$ 35,834 |

9 Common Stock

Under the Corporation Law, the entire amount of the issue price of shares is required to be designated as stated common stock account although a company in Japan may, by resolution of its Board of Directors, account for an amount not exceeding 50% of the issue price of new shares as additional paid-in capital.

10 Retained Earnings and Dividends

The Corporation Law provides that an amount equal to 10% of distributions from retained earnings paid by the Company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25% of their respective stated capital. The Corporation Law also provides that additional paid-in capital and legal reserve are available for appropriations by the resolution of the stockholders. Balances of the legal reserve are included in retained earnings in the accompanying consolidated balance sheets.

Cash dividends charged to retained earnings for the years ended March 31, 2009 and 2008 represent dividends paid out during those years. The amount available for dividends is based on the amount recorded in the Company's non-consolidated books of account in accordance with the Corporation Law.

(a) Dividends paid during the year ended March 31, 2008

The following was approved by the general meeting of stockholders held on June 28, 2007.

| | |
|-------------------------------------|----------------|
| (a) Total dividends | ¥661 million |
| (b) Cash dividends per common share | ¥15 |
| (c) Record date | March 31, 2007 |
| (d) Effective date | June 29, 2007 |

The following was approved by the Board of Directors held on November 12, 2007.

| | |
|-------------------------------------|--------------------|
| (a) Total dividends | ¥749 million |
| (b) Cash dividends per common share | ¥17 |
| (c) Record date | September 30, 2007 |
| (d) Effective date | December 6, 2007 |

(b) Dividends paid during the year ended March 31, 2008

The following was approved by the general meeting of stockholders held on June 27, 2008.

| | |
|-------------------------------------|---------------------------------|
| (a) Total dividends | ¥879 million (\$8,948 thousand) |
| (b) Cash dividends per common share | ¥20 (\$0.20) |
| (c) Record date | March 31, 2008 |
| (d) Effective date | June 30, 2008 |

The following was approved by the Board of Directors held on November 7, 2008.

| | |
|-------------------------------------|---------------------------------|
| (a) Total dividends | ¥791 million (\$8,053 thousand) |
| (b) Cash dividends per common share | ¥18 (\$0.18) |
| (c) Record date | September 30, 2008 |

(d) Effective date December 3, 2008

(c) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2009

The following was approved by the general meeting of stockholders held on June 26, 2009.

| | |
|-------------------------------------|---------------------------------|
| (a) Total dividends | ¥835 million (\$8,500 thousand) |
| (b) Dividend source | Retained earnings |
| (c) Cash dividends per common share | ¥19 (\$0.19) |
| (d) Record date | March 31, 2009 |
| (e) Effective date | June 29, 2009 |

11 Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|----------------|-----------------|----------|---------------------------|
| | 2009 | 2008 | 2009 |
| Salaries | ¥ 19,335 | ¥ 18,064 | \$196,834 |
| Pension costs | 1,123 | 282 | 11,432 |
| Depreciation | 1,497 | 1,295 | 15,240 |
| Legal welfare | 3,044 | 2,890 | 30,988 |
| Transportation | 2,252 | 2,118 | 22,926 |

12 Research and Development Costs

Research and development costs charged to manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2009 and 2008 are ¥4,657 million (\$47,409 thousand) and ¥4,662 million, respectively.

13 Net Income per Share Information

(a) Net Income per Share

Basic net income per share, and reconciliation of the numbers and the amounts used in the basic net income per share computations for the years ended March 31, 2009 and 2008 are as follows:

| | Yen | | U.S. dollars |
|----------------------------|----------|----------|--------------|
| | 2009 | 2008 | 2009 |
| Basic net income per share | ¥ 104.94 | ¥ 128.01 | \$ 1.07 |

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2009 | 2008 | 2009 |
| Net income | ¥ 4,611 | ¥ 5,632 | \$ 46,941 |
| Net income not applicable to common stockholders | — | — | — |
| Net income applicable to common stockholders | ¥ 4,611 | ¥ 5,632 | \$ 46,941 |

| | Number of shares (Thousands) | |
|---|------------------------------|--------|
| | 2009 | 2008 |
| Weighted average number of shares outstanding on which basic net income per share is calculated | 43,935 | 43,995 |

(b) Net Assets per Share

Net assets per share, and reconciliation of the numbers and the amounts used in the net assets per share computations at March 31, 2009 and 2008 are as follows:

| | Yen | | U.S. dollars |
|----------------------|------------------|-----------|-----------------|
| | 2009 | 2008 | 2009 |
| Net assets per share | ¥1,219.06 | ¥1,170.31 | \$ 12.41 |

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2009 | 2008 | 2009 |
| Total net assets | ¥ 53,570 | ¥ 51,814 | \$545,353 |
| Amount deducted from total net assets: | | | |
| Minority interests | 11 | 396 | 112 |
| Net assets applicable to common stockholders | ¥ 53,559 | ¥ 51,418 | \$545,241 |

| | Number of shares (Thousands) | |
|---|------------------------------|--------|
| | 2009 | 2008 |
| Number of shares outstanding at end of year on which net assets per share is calculated | 43,935 | 43,936 |

14 Leases

A summary of assumed amounts of acquisition cost which includes interest portion, accumulated depreciation and net book value at March 31, 2009 and 2008 are as follows, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

| | Millions of yen | | |
|--------------------------|-----------------------------------|-------------------------------|--------------|
| | Machinery, equipment and vehicles | Tools, furniture and fixtures | Total |
| March 31, 2009 | | | |
| Acquisition cost | ¥ 143 | ¥ 56 | ¥ 199 |
| Accumulated depreciation | 66 | 38 | 104 |
| Net book value | ¥ 77 | ¥ 18 | ¥ 95 |
| March 31, 2008 | | | |
| Acquisition cost | ¥ 137 | ¥ 69 | ¥ 206 |
| Accumulated depreciation | 64 | 40 | 104 |
| Net book value | ¥ 73 | ¥ 29 | ¥ 102 |

| | Thousands of U.S. dollars | | |
|--------------------------|-----------------------------------|-------------------------------|----------------|
| | Machinery, equipment and vehicles | Tools, furniture and fixtures | Total |
| March 31, 2009 | | | |
| Acquisition cost | \$1,456 | \$570 | \$2,026 |
| Accumulated depreciation | 672 | 387 | 1,059 |
| Net book value | \$ 784 | \$183 | \$ 967 |

Future minimum payments which include interest portion required under finance leases at March 31, 2009 and 2008 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------|-----------------|------|---------------------------|
| | 2009 | 2008 | 2009 |
| Within one year | ¥ 45 | ¥ 53 | \$ 458 |
| Over one year | 50 | 49 | 509 |
| | ¥ 95 | ¥102 | \$ 967 |

Lease payments for the years ended March 31, 2009 and 2008 amounted to ¥71 million (\$723 thousand) and ¥58 million, respectively.

Future minimum payments required under noncancellable operating leases at March 31, 2009 and 2008 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------|-----------------|-------|---------------------------|
| | 2009 | 2008 | 2009 |
| Within one year | ¥ 139 | ¥ 116 | \$ 1,415 |
| Over one year | 147 | 326 | 1,497 |
| | ¥ 286 | ¥ 442 | \$ 2,912 |

15 Derivative Financial Instruments

The Company does not hold or issue derivative financial instruments for the purpose of trading. Derivative financial instruments held by the Company comprise forward exchange contracts and used to hedge the risk of changes in foreign currency exchange rates associated with assets and liabilities denominated in foreign currencies.

If certain criteria were met, receivables or payables denominated in foreign currency hedged with forward exchange contracts were translated using the forward rate and such forward exchange contracts were not stated at fair value.

The counterparties to these derivative transactions are financial institutions with high credit ratings and consequently, the Company does not anticipate credit-related losses from non-performance by the counterparties to transactions involving derivative financial instruments.

The accounting department has executed and controlled derivative transactions and controlled the risks, and the accounting manager has reported the transaction records to the executive management meeting, if necessary.

In fiscal 2009 and 2008, the information relating to fair value of derivative transactions to which hedge accounting is applied is not subject to disclosure.

16 Segment Information

(a) Industry segments

Sales, operating income and assets of medical electronic equipments business are over 90% of those of all segments for the years ended March 31, 2009 and 2008.

(b) Geographic segments

Segment information by geographic area for the years ended March 31, 2009 and 2008 is summarized as follows:

Millions of yen

| | 2009 | | | | | | Elimination / corporate | Consolidated |
|----------------------------|----------|----------|--------|--------|----------|----------|----------------------------|--------------|
| | Japan | Americas | Europe | Asia | Total | | | |
| Sales to outside customers | ¥ 95,223 | ¥5,894 | ¥6,149 | ¥1,858 | ¥109,124 | ¥ — | ¥109,124 | |
| Inter-segment sales | 7,182 | 469 | — | 961 | 8,612 | (8,612) | — | |
| | 102,405 | 6,363 | 6,149 | 2,819 | 117,736 | (8,612) | 109,124 | |
| Operating expenses | 94,612 | 6,274 | 6,183 | 2,491 | 109,560 | (8,542) | 101,018 | |
| Operating income (loss) | ¥ 7,793 | ¥ 89 | ¥ (34) | ¥ 328 | ¥ 8,176 | ¥ (70) | ¥ 8,106 | |
| Assets | ¥ 72,141 | ¥3,159 | ¥4,436 | ¥1,971 | ¥ 81,707 | ¥(1,227) | ¥ 80,480 | |

Millions of yen

| | 2008 | | | | | | Elimination / corporate | Consolidated |
|----------------------------|---------|----------|--------|--------|----------|----------|----------------------------|--------------|
| | Japan | Americas | Europe | Asia | Total | | | |
| Sales to outside customers | ¥89,629 | ¥7,512 | ¥6,956 | ¥ 729 | ¥104,826 | ¥ — | ¥104,826 | |
| Inter-segment sales | 7,567 | 426 | — | 797 | 8,790 | (8,790) | — | |
| | 97,196 | 7,938 | 6,956 | 1,526 | 113,616 | (8,790) | 104,826 | |
| Operating expenses | 87,677 | 7,778 | 6,752 | 1,368 | 103,575 | (8,567) | 95,008 | |
| Operating income | ¥ 9,519 | ¥ 160 | ¥ 204 | ¥ 158 | ¥ 10,041 | ¥ (223) | ¥ 9,818 | |
| Assets | ¥73,037 | ¥3,244 | ¥4,576 | ¥1,340 | ¥ 82,197 | ¥(1,567) | ¥ 80,630 | |

Thousands of U.S. dollars

| | 2009 | | | | | | Elimination / corporate | Consolidated |
|----------------------------|------------|----------|----------|----------|-------------|------------|----------------------------|--------------|
| | Japan | Americas | Europe | Asia | Total | | | |
| Sales to outside customers | \$ 969,388 | \$60,002 | \$62,598 | \$18,915 | \$1,110,903 | \$ — | \$1,110,903 | |
| Inter-segment sales | 73,114 | 4,775 | — | 9,783 | 87,672 | (87,672) | — | |
| | 1,042,502 | 64,777 | 62,598 | 28,698 | 1,198,575 | (87,672) | 1,110,903 | |
| Operating expenses | 963,168 | 63,871 | 62,944 | 25,359 | 1,115,342 | (86,960) | 1,028,382 | |
| Operating income | \$ 79,334 | \$ 906 | \$ (346) | \$ 3,339 | \$ 83,233 | \$ (712) | \$ 82,521 | |
| Assets | \$ 734,409 | \$32,159 | \$45,160 | \$20,065 | \$ 831,793 | \$(12,491) | \$ 819,302 | |

1. The major countries or regions other than Japan in the respective divisions are as follows:

Americas: U.S.A.

Europe: Germany, France, Spain and Italy

Asia: China, Singapore, Korea and India

2. Corporate assets of ¥5,446 million (\$55,441 thousand) and ¥5,231 million as of March 31, 2009 and 2008 in the Elimination / corporate line consist primarily of assets relating to the administrative operations and investments in securities etc.

3. For the year ended March 31, 2009, as described in Note 1 (f), the Company and its domestic consolidated subsidiaries changed the estimated useful lives of machinery. The effect of this change on each segment is immaterial.

4. For the year ended March 31, 2009, as described in Note 1 (j), the Company adopted revised "Accounting Standard for Lease Transactions" (ASBJ Statement No.13, revised on March 30, 2007) and revised "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16, revised on March 30, 2007). The effect of this change on each segment is immaterial. Regarding finance leases transactions without title transfer for which the starting date for the lease transactions is prior to the initial fiscal year in which these new accounting standards apply, the Company and its domestic consolidated subsidiaries have continued recognize lease payments as expenses.

5. For the year ended March 31, 2009, as described in Note 1 (a), the Company adopted "Practical Solution on unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006) and necessary modification was made to the consolidated financial statements. The effect of this change on each segment is immaterial.

6. For the year ended March 31, 2009, as described in Note 1 (e), the Company adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006). The effect of this change on each segment is immaterial.

7. For the year ended March 31, 2008, as described in Note 1 (f), the Company and its domestic consolidated subsidiaries changed the estimated residual value of property, plant and equipment which was acquired on or after April 1, 2007 from 5% of the acquisition cost to ¥1. As a result of the change, operating income in Japan decreased by ¥113 million. And property, plant and equipment acquired on or before March 31, 2007 which were depreciated to the allowable limit (95% of the acquisition cost) in a particular business year can be further depreciated down to ¥1 evenly over five years starting from the following business year. As a result of the change, operating income in Japan decreased by ¥76 million.

(c) Overseas sales

Information for overseas sales for the years ended March 31, 2009 and 2008 is summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2009 | 2008 | 2009 |
| Overseas sales: | | | |
| Americas | ¥ 7,857 | ¥ 11,446 | \$ 79,986 |
| Europe | 6,791 | 8,043 | 69,134 |
| Asia | 6,012 | 5,173 | 61,203 |
| Other | 1,062 | 1,025 | 10,811 |
| | ¥ 21,722 | ¥ 25,687 | \$ 221,134 |
| Consolidated sales | ¥109,124 | ¥104,826 | \$1,110,903 |
| Percentage of overseas sales to consolidated sales | 19.9% | 24.5% | 19.9% |

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

Americas: U.S.A., Mexico, Colombia and Peru

Europe: Germany, France, Spain, Italy and Russia

Asia: China, Singapore, Korea, Vietnam and Thailand

17 Supplemental Cash Flow Information

Assets and liabilities of newly consolidated subsidiaries in fiscal 2009 by acquisition at the inception of consolidation, and net expenditure for acquisition are as follows:

(Nippon Biotest Laboratories Inc.)

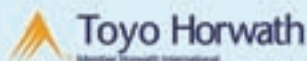
| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Current assets | ¥232 | \$2,362 |
| Non-current assets | 61 | 621 |
| Current liabilities | (37) | (377) |
| Non-current liabilities | (170) | (1,731) |
| Negative goodwill | (41) | (417) |
| Cash paid for acquisition of the subsidiary | 45 | 458 |
| Cash and cash equivalents held by the subsidiary | 63 | 641 |
| Receipt from acquisition of the subsidiary | ¥ 18 | \$ 183 |

(Neurotronics, Inc)

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Current assets | ¥ 55 | \$ 560 |
| Non-current assets | 5 | 51 |
| Current liabilities | (6) | (61) |
| Goodwill | 456 | 4,642 |
| Cash paid for acquisition of the subsidiary | 510 | 5,192 |
| Cash and cash equivalents held by the subsidiary | 9 | 92 |
| Payment for acquisition of the subsidiary | ¥(501) | \$(5,100) |

Independent Auditors' Report

March 31, 2009 and 2008



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To the Board of Directors of
Nihon Kohden Corporation

We have audited the accompanying consolidated balance sheets of Nihon Kohden Corporation and consolidated subsidiaries as of March 31, 2009 and 2008, and related consolidated statements of income, changes in net assets and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nihon Kohden Corporation and consolidated subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements as of and for the year ended March 31, 2009 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis described in Note 2 to the consolidated financial statements.

A handwritten signature in black ink that reads "Toyo Horwath" in a cursive, flowing script.

Toyo Horwath
Tokyo, Japan
June 29, 2009

Board of Directors, Corporate Auditors and Operating Officers

Chairman and CEO

Kazuo Ogino

President and COO

Fumio Suzuki

Corporate Directors

Eishi Harasawa
Kenji Hakuta
Toshifumi Kamihirata
Toshitsugu Izawa
Yoshito Tsukahara
Takashi Tamura
Toshinobu Mayuzumi

Corporate Auditors

Takeshi Akahane
Takeshi Matsushima

Outside Corporate Auditors

Kuniyasu Aoki
Osamu Kato

Operating Officers

Masami Sugiyama
Haruto Doi
Masaharu Arakane
Hiroshi Aida
Tatsuya Nakagawa
Eiichi Tanaka
Hideo Ozawa
Fumio Hirose
Kazuhiko Ikuta

Corporate Data

Date of Incorporation

August 7, 1951

Paid-in Capital*

¥7,544 million

Shares of Common Stock Issued*

45,765 thousand

Number of Employees*

3,552 (group)
*As of March 31, 2009

Head Office

Shinjuku-ku, Tokyo 161-8560, Japan
Phone: +81 (3) 5996-8000 Fax: +81 (3) 5996-8085

International Division

Nakano-ku, Tokyo 164-0003, Japan
Phone: +81 (3) 5996-8036 Fax: +81 (3) 5996-8100

Latin America Representative Office (Miami, FL, USA)

Middle East Representative Office (Dubai, U.A.E)

Web Site

www.nihonkohden.com

Subsidiaries

● Japan

Sales

Nihon Kohden Hokkaido Corporation
Nihon Kohden Tohoku Corporation
Nihon Kohden Higashi Kanto Corporation
Nihon Kohden Kita Kanto Corporation
Nihon Kohden Tokyo Corporation
Nihon Kohden Minami Kanto Corporation
Nihon Kohden Chubu Corporation
Nihon Kohden Kansai Corporation
Nihon Kohden Chushikoku Corporation
Nihon Kohden Kyushu Corporation

Production

Nihon Kohden Tomioka Corporation

Other

Beneficks Corporation
Nippon Biotest Laboratories Inc.
Nihon Kohden Service Corporation
E-Staff Corporation

● International

Sales

USA
Nihon Kohden America, Inc. (Foothill Ranch, CA, USA)

Europe

Nihon Kohden Europe GmbH (Rosbach, v.d.H, Germany)
Nihon Kohden France Sarl (Cachan, France)
Nihon Kohden Italia S.r.l. (Bergamo, Italy)
Nihon Kohden Iberica S.L. (Madrid, Spain)

Asia

Nihon Kohden Trading (Shanghai) Co., Ltd. (Shanghai, China)
Nihon Kohden Singapore Pte Ltd. (Harbour Front Center, Singapore)
Nihon Kohden Korea, Inc. (Seoul, Korea)

R&D

USA

NK US Lab (Irvine, CA, USA)
Neurotronics Inc. (Gainesville, Florida, USA)

China (software)

Medinet Kohden Shanghai Corporation (Shanghai, China)

Production

China

Shanghai Kohden Medical Electronic Instrument Corporation (Shanghai, China)

Italy

Nihon Kohden Firenze, S.r.l. (Florence, Italy)

India

Span Nihon Kohden Diagnostics Private Ltd. (Surat, India)

Major Stockholders*

| Stockholders | No. of Shares (thousands) | Stockholding ratio |
|---|---------------------------|--------------------|
| Japan Trustee Service Bank, Ltd. (Trust account) | 4,017 | 8.77% |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 3,208 | 7.00% |
| Saitama Resona Bank, Ltd. | 2,096 | 4.58% |
| Japan Trustee Service Bank, Ltd. (Trust account 4G) | 2,031 | 4.43% |
| Toshiba Medical Systems Corporation | 1,990 | 4.34% |
| State Street Bank and Trust Company | 1,361 | 2.97% |
| Fujitsu Ltd. | 1,063 | 2.32% |
| NIPPONKOA Insurance Co., Ltd. | 974 | 2.12% |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 862 | 1.88% |
| Japan Trustee Service Bank, Ltd. (Re-trusted by Chuo Mitsui Asset Trust and Banking Co., Ltd. /CMTB Equity Investments Co., Ltd. trust account) | 600 | 1.31% |
| Subtotal | 18,206 | |
| Total Outstanding Issue | 45,765 | |

* As of March 31, 2009



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