



Annual Report

April 2011 – March 2012

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 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.

■ Contents

Consolidated Financial Highlights	1	Consolidated Statement of Income	12
To Our Stockholders	2	Consolidated Statement of Changes in Net Assets ...	13
Topics	4	Consolidated Statement of Cash Flows	14
At a Glance.....	6	Notes to Consolidated Financial Statements	15
Review of Operations	7	Independent Auditors' Report	27
Management's Discussion and Analysis	8	Corporate Directory	28
Consolidated Balance Sheet	10		



Consolidated Financial Highlights

Nihon Kohden Corporation and Consolidated Subsidiaries
 Years ended March 31, 2012, 2011, 2010, 2009, and 2008

	Millions of yen					Thousands of U.S. dollars ⁽¹⁾
	2012	2011	2010	2009	2008	2012
Net sales	¥120,718	¥113,380	¥107,014	¥109,124	¥104,826	\$1,468,767
Operating income	12,027	10,598	9,321	8,106	9,818	146,332
Income before income taxes and minority interests	12,181	10,293	9,148	7,694	9,640	148,206
Net income	7,622	6,573	5,917	4,611	5,632	92,736
Total assets	99,403	92,496	88,001	80,480	80,630	1,209,429
Net assets	67,911	62,294	57,949	53,570	51,814	826,268

Amounts per share ⁽²⁾ :	Yen					U.S. dollars
	2012	2011	2010	2009	2008	2012
Net income-basic	¥173.49	¥149.62	¥134.68	¥104.94	¥128.01	\$2.11
Cash dividends	44.00	44.00	37.00	37.00	37.00	0.54

Notes : (1) U.S. dollars amounts are translated from yen, for convenience only, at the rate of ¥82.19 = US\$1.

(2) 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 9 and 13 of Consolidated Financial Statements.





To Our Stockholders

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

One year has passed since the Great East Japan Earthquake and reconstruction of the affected areas is gradually progressing. Nihon Kohden Group pledges continuous support for the recovery in the affected areas.

On August 7, 2011, we celebrated the 60th anniversary of our founding. We sincerely appreciate all stakeholders who supported and enabled us to celebrate the 60th anniversary.

Ever since the Company's founding in 1951, 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, automated 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 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 that 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.

FY2011 was an overall positive year for us. In Japan, sales in the acute care market increased favorably due to stable capital spending by hospitals following the upward revision of medical service fees of 2010. Internationally, we enjoyed sales growth in the Americas, Europe and Asia. As a result, we could record the highest revenue and income in the Company's history.

Nihon Kohden continues to carry out its SPEED UP III 3-year business plan for fiscal

years 2010 to 2012 and focus on implementing key strategies including expanding and strengthening its core business areas as well as accelerating globalization. We are making the utmost effort to achieve the target of FY2012 in order to sustain group growth and enhance the corporate value.

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



Kazuo Ogino
Chairman and CEO

Fumio Suzuki
President and COO



Nihon Kohden accelerates business expansion in emerging markets

India

Nihon Kohden established a sales subsidiary, Nihon Kohden India Private Ltd. and started operations in FY2011.

In India, Nihon Kohden had provided sales and support services through its network of local distributors such as Span Diagnostics Ltd. (SPAN). SPAN had been Nihon Kohden's distributor of hematology analyzers over the last ten years and their sales and support activities enabled the Company to earn a high reputation and high number of installations. In 2008, the Company and SPAN established a joint-venture company, Span Nihon Kohden Diagnostics Private Ltd., to manufacture reagents.

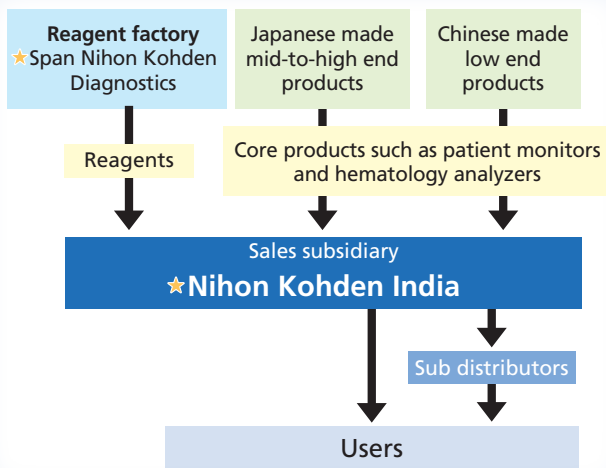
In India, the medical service environment is improving along with strong economic growth and demand for medical devices is expected to grow. The newly established Nihon Kohden India will expand its sales and support activities from hematology analyzers and reagents to the Company's core products such as patient monitors.

Brazil

Nihon Kohden established a sales subsidiary in Sao Paulo, Nihon Kohden Do Brasil Ltda. The sales subsidiary aims to expand the market across Brazil which is one of the major markets in Latin America. Operations commenced in April 2012.

Previously Nihon Kohden's Latin America representative office had conducted sales activities in Brazil through local distributors. Brazil has shown strong economic growth and the medical equipment market is expected to expand. Accordingly, we established this direct sales office to expand operations in Brazil. The new direct sales office performs sales and service operations with regional distributors with the aim of enhancing brand image and providing tailored customer services.

Under its SPEED UP III mid-term business plan, Nihon Kohden is strengthening its operations in emerging markets to seize the growth opportunity. We will continue to develop products tailored to emerging markets as well as expand our sales network.



A new amplifier with 256 channels for EEG, JE-120A

Nihon Kohden introduced the new JE-120A amplifier to satisfy customers who need more EEG channels at higher sampling rates. The JE-120A provides 64 to 256 channels with up to 10KHz sampling rate.

Medical research suggests that high frequency oscillations (HFO) are a specific indicator of the epileptogenic region of the brain. HFOs, along with new micro electrode recording arrays, require both significantly more recording channels as well as higher sampling rates. The JE-120A provides a clinical and research solution for recording HFOs.

For research purposes, an optional second data stream allows recording at 10KHz on all 256 channels. From clinical application to the research environment, the JE-120A provides the most enhanced solution available today to seamlessly acquire data in both environments with a single amplifier.

Nihon Kohden's tradition of manufacturing high quality amplifiers continues with the JE-120A, the newest addition to the JE amplifier family. Its superior design provides the most flexible and reliable waveform recordings available on the market today.



Mini Junction Box
JE-125AK, JE-226AK, JE-227AK, JE-228AK



JE-120A



EEG-1200

A new 5-part differential hematology analyzer, MEK-7300

Nihon Kohden introduced a new compact automatic hematology analyzer, the Celltac Es MEK-7300 featuring 23 parameters with WBC 5 part differential.

The large 10.4-inch color LCD screen has touch panel operation and an onscreen operation guide which allows easy operation in the ER or during off-peak shifts when hematology specialists are not available.

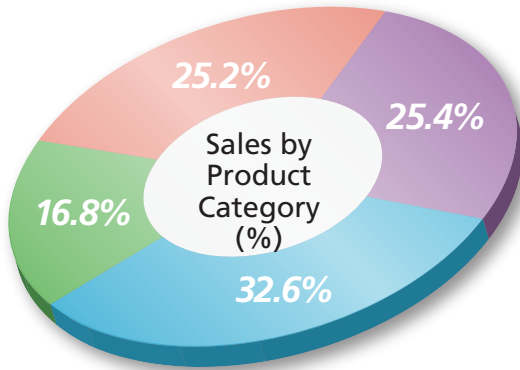
MEK-7300 has various measuring modes including closed measuring mode and open measuring mode. It also has a capillary measuring mode which requires just 10 μ L of blood. This is gentle on patients with lower blood volume such as infants and the elderly.



* This product is only available in Japan.



At a Glance



- Physiological Measuring Equipment
- Patient Monitors
- Treatment Equipment
- Other Medical Equipment

Physiological Measuring Equipment

Electroencephalographs, evoked potential and electromyogram measuring systems, electrocardiographs, polygraphs for cath labs, diagnostic information systems, and related consumables and services



25.4%

EEG-1214

Patient Monitors

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



32.6%

PVM-2701

Treatment Equipment

Defibrillators, AEDs (automated external defibrillators), pacemakers, ICDs, ventilators, VNSs (vagus nerve stimulations), cochlear implants, and related consumables and services



16.8%

AED-2152

Other Medical Equipment

Automated hematology analyzers, ultrasound diagnostic equipment, basic laboratory equipment, transformers, other equipment, and consumables and services



25.2%

MEK-7300

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, 2011 to March 31, 2012), the Japanese economy showed a moderate recovery trend, as reconstruction after the Great East Japan Earthquake gradually advanced. Internationally, the prolonged European sovereign debt crisis caused concern of a global economic slowdown, although emerging economies have grown. In the medical equipment industry, there has been increased domestic demand for medical devices in acute care as a result of the upward revision of medical treatment fees in April 2010 which led to improved earnings for hospitals. There has also been increased demand for information systems supported by an increased introduction of IT systems in hospitals. Internationally, demand for medical devices was steady in the U.S. and emerging countries while the European market remained difficult due to the debt crisis.

Under these circumstances, the Company implemented key strategies including expanding and strengthening core business areas and strengthening technological development capacity under its SPEED UP III three-year business plan which covers fiscal years 2010 to 2012.

The Company is continuing to introduce products that support more efficient testing with simple operation. It launched a new high-performance electrocardiograph with its original technology, derived 18-lead ECG*, as well as a new 5-part differential hematology analyzer. It also released two new export products, a high-performance defibrillator with multi-parameter monitoring and a 256-channel amplifier for EEG. Nihon Kohden also strengthened its business structure in emerging markets. Nihon Kohden India Private Ltd. began operation and Nihon Kohden Do Brasil Ltda. was established. In order to improve service quality and efficiency, the Company decided to consolidate Nihon Kohden Service Corporation as of April 1st, 2012.

As a result, overall sales during the term under review increased 6.5% over FY2010 to ¥120,718 million. Operating income increased 13.5% to ¥12,027 million and net income increased 16.0% over FY2010 to ¥7,622 million.

*18-lead ECG is a measurement method to derive 6-lead ECG, right-side leads V3R-V5R and posterior leads V7-V9 from the standard 12-lead ECG. This can help detect right ventricular infarction and posterior infarction which are difficult to detect from the standard 12-lead ECG. This technology is only available in Japan.

Mid-term Business Plan SPEED UP III

Target for FY2012 (ending March 31, 2013)

Sales	¥130 billion
Overseas Sales Ratio	25%
Operating Income	¥13 billion
ROE	12%

Key Strategies

1. Promote quality improvement activities
2. Strengthen technological development capacity
3. Expand and strengthen core business areas
4. Accelerate the globalization of the Company
5. Develop new business
6. Consolidate corporate fundamentals



Management's Discussion and Analysis

Sales

In the term under review, sales increased ¥7,338 million, or 6.5%, to ¥120,718 million.

Sales by Product Category

Physiological Measuring Equipment: In Japan, sales of diagnostic information systems showed strong growth. Sales of electrocardiographs and polygraphs for cath lab increased while sales of electroencephalographs were weak. Internationally, sales increased in all areas including the Americas, Europe and Asia. EEG sales were strong in the Americas, while ECG sales were strong in Europe and Asia. Overall, sales increased 8.8% over the previous fiscal year to ¥30,676 million.

Patient Monitors: In Japan, sales of clinical information systems showed strong growth and consumable sales such as sensors also increased robustly. Outside Japan, sales remained almost the same level as the previous fiscal year. Sales in Europe and Asia increased, while sales in the Americas decreased due to unfavorable foreign currency impacts. Sales in other areas were also weak. Overall, sales increased 5.6% over the previous fiscal year to ¥39,352 million.

Treatment Equipment: In Japan, AED sales recovered in the PAD market and defibrillators for hospitals showed favorable growth. Sales of vagus nerve stimulation therapy systems and irrigation catheters also contributed to a sales increase. Internationally, sales of defibrillators for hospitals showed robust growth. Sales of Metran ventilators also contributed to a sales increase. Overall, sales increased 6.4% over the previous fiscal year to ¥20,289 million.

Other Medical Equipment: In Japan, sales of hematology analyzers increased. Sales of locally purchased products including medical information systems also increased. Internationally, sales of hematology analyzers showed strong growth, while sales of locally purchased products decreased. Overall, sales increased 5.4% over the previous fiscal year to ¥30,401 million.

Sales by Region

Japan: Both the hospital market and the clinic market remained steady and sales of all product categories increased. Sales of information systems showed strong growth due to introduction of IT systems in university and public hospitals. Sales of consumables and maintenance services also increased favorably. As a result, domestic sales increased 7.2% over FY2010 to ¥99,707 million.

International: Sales increased in all areas including the Americas, Europe and Asia. In the Americas, the Company realized sales growth in the United States despite unfavorable foreign currency impacts. Sales in Latin America also increased favorably. Sales in Europe increased due to sales recovery in Russia and Turkey. Sales in Germany also increased. In Asia, sales in China and India grew favorably. In Other areas, sales in North African countries were weak due to political instability. As a result, international sales increased 3.3% over FY2010 to ¥21,011 million.

Cost of Sales, SGA Expenses and Operating Income

In the term under review, cost of sales was ¥60,039 million. Gross profit ratio remained almost the same level of the previous fiscal year at 50.3%. Gross profit on sales increased ¥3,492 million, or 6.1%, to ¥60,679 million.

Selling, general and administrative expenses increased due to a planned increase in R&D and sales force. The ratio of SGA expenses to sales declined 80 basis points to 40.3%. Research and development costs were ¥5,584 million (4.6% of sales).

As a result, operating income increased ¥1,429 million, or 13.5% to ¥12,027 million.

Other Income and Expenses, Net Income

Net other income turned to positive and totaled ¥154 million, mainly due to the decrease of exchange loss.

Income before income tax and minority interests increased ¥1,888 million to ¥12,181 million.

Net income increased ¥1,049 million to ¥7,622 million from ¥6,573 million in the previous fiscal year. Net income per share was ¥173.49.

Cash Flows

Net cash provided by operating activities during the year under review increased ¥1,667 million to ¥7,560 million. It includes ¥12,181 million of income before income taxes and minority interests, ¥2,901 million of depreciation and amortization, and ¥4,675 million of income taxes paid.

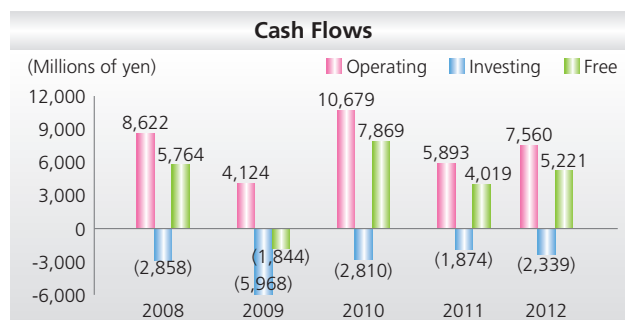
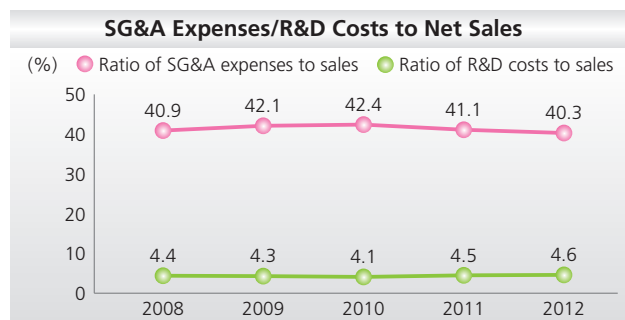
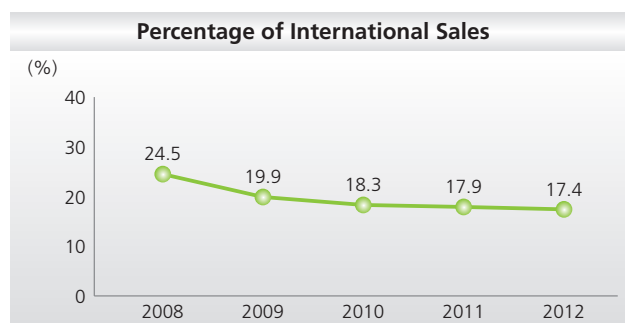
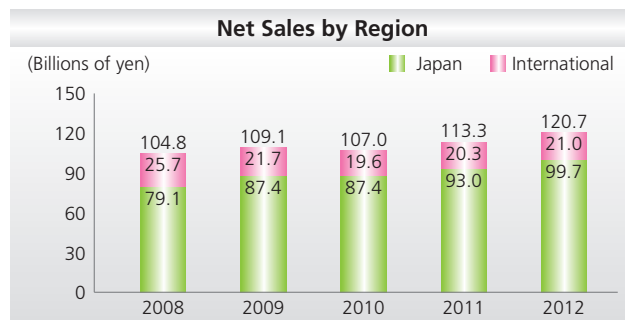
Net cash used in investing activities increased ¥465 million to ¥2,339 million. We used ¥1,888 million for capital expenditures and ¥426 million for purchase of intangible assets.

As a result of these factors, free cash flow amounted to ¥5,221 million.

Net cash used in financing activities increased ¥1,189 million to ¥2,726 million. We paid ¥2,020 million for stockholders dividends and decreased short-term borrowings by ¥659 million.

As a result, cash and cash equivalents as of March 31, 2012 increased ¥2,496 million to ¥21,305 million.

Years ended March 31



Consolidated Balance Sheet

March 31, 2012

Assets	Millions of yen		Thousands of U.S. dollars (note 2)
	2012	2011	2012
Current Assets:			
Cash (note 3)	¥ 9,343	¥ 9,332	\$ 113,676
Trade notes and accounts receivable	42,250	37,363	514,053
Short-term investments (note 4)	12,000	9,500	146,003
Inventories	14,153	14,285	172,198
Deferred income taxes (note 7)	3,839	4,178	46,709
Other current assets	1,525	1,058	18,554
Less allowance for doubtful receivables	367	349	4,465
Total current assets	82,743	75,367	1,006,728
Property, plant and equipment, net of accumulated depreciation; ¥22,777 million (\$277,126 thousand) in 2012 and ¥21,323 million in 2011:			
Buildings and structures	3,118	3,305	37,936
Machinery, equipment and vehicles	520	670	6,327
Tools, furniture and fixtures	2,041	1,811	24,833
Land	2,624	2,624	31,926
Leased assets	46	91	560
Construction in progress	167	337	2,032
Net property, plant and equipment	8,516	8,838	103,614
Intangible assets, net:			
Goodwill	758	763	9,223
Other	2,764	3,307	33,629
Total intangible assets	3,522	4,070	42,852
Investments and other assets:			
Investments in securities (note 4)	2,556	2,363	31,098
Deferred income taxes (note 7)	998	773	12,143
Other investments and other assets	1,127	1,137	13,712
Less allowance for doubtful receivables	59	52	718
Total investments and other assets	4,622	4,221	56,235
Total assets	¥99,403	¥92,496	\$1,209,429

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (note 2)
	2012	2011	2012
Current liabilities:			
Trade notes and accounts payable	¥20,068	¥18,870	\$ 244,166
Short-term debt and current installments of long-term debt (note 5)	620	1,339	7,543
Other payables	1,616	1,696	19,662
Accrued income taxes (note 7)	2,190	2,330	26,645
Accrued expenses	2,454	1,999	29,858
Accrued bonuses	2,461	1,457	29,943
Other current liabilities (note 5)	1,305	1,983	15,878
Total current liabilities	30,714	29,674	373,695
Non-current liabilities:			
Long-term debt (note 5)	4	7	49
Liabilities for retirement and severance benefits (note 6)	405	116	4,927
Deferred income taxes (note 7)	15	26	183
Other non-current liabilities (note 5)	354	379	4,307
Total non-current liabilities	778	528	9,466
Total liabilities	31,492	30,202	383,161
Stockholders' equity:			
Common stock (note 8): Authorized 98,986,000 shares; issued 45,765,490 shares in 2012 and 2011	7,545	7,545	91,799
Additional paid-in capital (note 8)	10,487	10,487	127,594
Retained earnings (note 9)	52,769	47,168	642,037
Treasury stock, at cost; 1,833,297 shares in 2012 and 1,833,006 shares in 2011	(2,021)	(2,020)	(24,589)
Total stockholders' equity	68,780	63,180	836,841
Accumulated other comprehensive income (loss):			
Net unrealized gain (loss) on other securities (note 4)	45	(77)	547
Foreign currency translation adjustments	(955)	(843)	(11,619)
Total accumulated other comprehensive loss	(910)	(920)	(11,072)
Minority interests	41	34	499
Total net assets	67,911	62,294	826,268
Commitments and contingencies			
Total liabilities and net assets	¥99,403	¥92,496	\$1,209,429

Consolidated Statement of Income

March 31, 2012

	Millions of yen		Thousands of U.S. dollars (note 2)
	2012	2011	2012
Net sales	¥120,718	¥113,380	\$1,468,767
Cost of sales (note 11)	60,039	56,193	730,490
Gross profit	60,679	57,187	738,277
Selling, general and administrative expenses (notes 10 and 11)	48,652	46,589	591,945
Operating income	12,027	10,598	146,332
Other income (deductions):			
Interest income	34	22	414
Dividend income	82	79	998
Interest expenses	(19)	(15)	(231)
Gain on sale of investments in securities (note 4)	1	5	12
Exchange loss	(132)	(312)	(1,606)
Loss on sale/disposal of property, plant and equipment	(13)	(14)	(158)
Loss on devaluation of investments in securities	—	(1)	—
Reversal of allowance for doubtful receivables	—	30	—
Product voluntary field correction expenses	—	(244)	—
Cumulative effect of accounting change	—	(12)	—
Donation	—	(58)	—
Loss on disaster	—	(42)	—
Other, net	201	257	2,445
	154	(305)	1,874
Income before income taxes and minority interests	12,181	10,293	148,206
Income taxes (note 7):			
Current	4,523	3,983	55,031
Deferred	23	(272)	280
	4,546	3,711	55,311
Income before minority interests	7,635	6,582	92,895
Minority interests	13	9	159
Net income	¥ 7,622	¥ 6,573	\$92,736

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

March 31, 2012

	Millions of yen		Thousands of U.S. dollars (note 2)
	2012	2011	2012
Income before minority interests	¥7,635	¥6,582	\$92,895
Other comprehensive income (loss) arising during the year (note 12):			
Net unrealized gain (loss) on other securities	122	(227)	1,484
Foreign currency translation adjustments	(119)	(294)	(1,448)
Total other comprehensive income (loss) arising during the year	3	(521)	36
Comprehensive income	¥7,638	¥6,061	\$92,931
Comprehensive income attributable to:			
Owners of the parent	¥7,631	¥6,050	\$92,846
Minority interests	7	11	85

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

March 31, 2012

	Millions of yen									
	Stockholders' equity					Accumulated other comprehensive income (loss)				
	Common stock (note 8)	Additional paid-in capital (note 8)	Retained earnings (note 9)	Treasury stock	Total	Net unrealized gain (loss) on other securities (note 4)	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance at March 31, 2010	¥7,545	¥10,487	¥42,308	¥(2,018)	¥58,322	¥150	¥(546)	¥(396)	¥23	¥57,949
Changes arising during year:										
Cash dividends			(1,713)		(1,713)					(1,713)
Net income			6,573		6,573					6,573
Purchase of treasury stock				(2)	(2)					(2)
Disposition of treasury stock		0		0	0					0
Net changes other than stockholders' equity						(227)	(297)	(524)	11	(513)
Total changes during the year	–	0	4,860	(2)	4,858	(227)	(297)	(524)	11	4,345
Balance at March 31, 2011	7,545	10,487	47,168	(2,020)	63,180	(77)	(843)	(920)	34	62,294
Changes arising during year:										
Cash dividends			(2,021)		(2,021)					(2,021)
Net income			7,622		7,622					7,622
Purchase of treasury stock				(1)	(1)					(1)
Disposition of treasury stock		0		0	0					0
Net changes other than stockholders' equity						122	(112)	10	7	17
Total changes during the year	–	0	5,601	(1)	5,600	122	(112)	10	7	5,617
Balance at March 31, 2012	¥7,545	¥10,487	¥52,769	¥(2,021)	¥68,780	¥45	¥(955)	¥(910)	¥41	¥67,911

	Thousands of U.S. dollars (note 2)									
	Stockholders' equity					Accumulated other comprehensive income (loss)				
	Common stock (note 8)	Additional paid-in capital (note 8)	Retained earnings (note 9)	Treasury stock	Total	Net unrealized gain (loss) on other securities (note 4)	Foreign currency translation adjustments	Total	Minority interests	Total net assets
Balance at March 31, 2011	\$91,799	\$127,594	\$573,890	\$(24,577)	\$768,706	\$(937)	\$(10,257)	\$(11,194)	\$414	\$757,926
Changes arising during year:										
Cash dividends			(24,589)		(24,589)					(24,589)
Net income			92,736		92,736					92,736
Purchase of treasury stock				(12)	(12)					(12)
Disposition of treasury stock		0		0	0					0
Other										
Net changes other than stockholders' equity						1,484	(1,362)	122	85	207
Total changes during the year	–	0	68,147	(12)	68,135	1,484	(1,362)	122	85	68,342
Balance at March 31, 2012	\$91,799	\$127,594	\$642,037	\$(24,589)	\$836,841	\$547	\$(11,619)	\$(11,072)	\$499	\$826,268

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

March 31, 2012

	Millions of yen		Thousands of U.S. dollars (note 2)
	2012	2011	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥12,181	¥10,293	\$148,206
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	2,901	2,747	35,296
Loss on sale/disposal of property, plant and equipment	13	14	158
Allowance for doubtful receivables	25	118	304
Increase (decrease) in accrued bonuses	1,004	(533)	12,216
Decrease in prepaid retirement and severance benefits	–	33	–
Increase in liabilities for retirement and severance benefits	289	116	3,516
Interest and dividend income	(116)	(101)	(1,411)
Interest expenses	19	16	231
Loss on devaluation of investments in securities	13	11	158
Increase in trade notes and accounts receivable	(5,104)	(2,495)	(62,100)
(Increase) decrease in inventories	132	(779)	1,606
Increase in trade notes and accounts payable	1,199	670	14,588
Other, net	(417)	114	(5,074)
Sub total	12,139	10,224	147,694
Interest and dividend received	115	102	1,399
Interest paid	(19)	(36)	(231)
Income taxes paid	(4,675)	(4,397)	(56,880)
Net cash provided by operating activities	7,560	5,893	91,982
Cash flows from investing activities:			
Proceeds from sale of investments in securities	38	36	462
Purchase of investments in securities	(43)	(37)	(523)
Capital expenditures	(1,888)	(1,379)	(22,971)
Purchase of intangible assets	(426)	(552)	(5,183)
Other, net	(20)	58	(244)
Net cash used in investing activities	(2,339)	(1,874)	(28,459)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(659)	231	(8,018)
Payments on long-term debt	(4)	(4)	(49)
Dividends paid to stockholders	(2,020)	(1,720)	(24,577)
Purchase of treasury stock	(1)	(2)	(12)
Other, net	(42)	(42)	(511)
Net cash used in financing activities	(2,726)	(1,537)	(33,167)
Effect of exchange rate changes on cash and cash equivalents	1	(4)	12
Net increase in cash and cash equivalents	2,496	2,478	30,368
Cash and cash equivalents at beginning of year	18,809	16,331	228,848
Cash and cash equivalents at end of year (note 3)	¥21,305	¥18,809	\$259,216

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2012

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.

“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) 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 modifications to the consolidated financial statements according to the PITF.

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 31 subsidiaries.

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 statement 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 statement 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 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. Finished goods, merchandises, semi-finished goods, raw materials and supplies are determined principally by the moving average method. Work in process is determined principally by the specific identification method.

(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

(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.

(j) Accrued Warranty Expenses

Accrued warranty expenses are estimated based on the ratio of historical warranty expenses against sales or estimated individually for after-sale repair expenses.

(k) Leases

All finance lease transactions are 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.

Finance leases transactions without title transfer which commenced prior to April 1, 2008 continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

(l) 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" in a component of accumulated other comprehensive loss and "Minority interests".

(m) 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.

(n) Accounting Changes and Error Corrections

From the year ended March 31, 2012, the Company applied "the Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24, December 4, 2009) and "the Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24, December 4, 2009).

The Standard and the Guidance prescribe 1) treatment in principle for changes in accounting policies, 2) treatment for changes in presentations, 3) treatment for changes in accounting estimates, and 4) treatment for corrections of prior period errors.

(o) 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, 2012.

2 Financial Statement Translation

The translations of the yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 30, 2012, which was ¥82.19 to U.S. \$1. 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 sheet and "Cash and cash equivalents" in the accompanying consolidated statement of cash flows at March 31, 2012 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash	¥ 9,343	¥ 9,332	\$ 113,676
Short-term investments that have maturities of three months or less	12,000	9,500	146,003
Time deposits with maturities of over three months	(38)	(23)	(463)
Cash and cash equivalents	¥ 21,305	¥ 18,809	\$ 259,216

4 Short-term Investments and Investments in Securities

Balance sheet amount, acquisition cost, gross unrealized gain and gross unrealized loss of other securities with fair value as of March 31, 2012 and 2011 are summarized as follows:

	Millions of yen			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2012				
Equity securities	¥ 2,080	¥ 167	¥ (135)	¥ 2,048
Bond securities	10	–	–	10
Other	12,000	–	–	12,000
	¥ 14,090	¥ 167	¥ (135)	¥ 14,058
March 31, 2011				
Equity securities	¥ 1,928	¥ 120	¥ (257)	¥ 2,065
Bond securities	10	–	–	10
Other	9,500	–	–	9,500
	¥ 11,438	¥ 120	¥ (257)	¥ 11,575

	Thousands of U.S. dollars			
	Balance sheet amount	Gross unrealized gain	Gross unrealized loss	Acquisition cost
March 31, 2012				
Equity securities	\$ 25,307	\$ 2,032	\$ (1,643)	\$ 24,918
Bond securities	122	–	–	122
Other	146,003	–	–	146,003
	\$ 171,432	\$ 2,032	\$ (1,643)	\$ 171,043

For the years ended March 31, 2012 and 2011, proceeds from the sale of other securities are ¥19 million (\$231 thousand) and ¥36 million, respectively. For the years ended March 31, 2012 and 2011, gross realized gains are ¥1 million (\$12 thousand) and ¥7 million, respectively. For the years ended March 31, 2012 and 2011, gross realized losses are ¥0 million (\$0 thousand) and ¥2 million, respectively.

5 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 1.0% both at March 31, 2012 and 2011.

Long-term borrowings as of March 31, 2012 and 2011 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loans from banks, unsecured, maturing in installments through 2016; bearing weighted average interest of 1.5% at March 31, 2012 and 1.9% at March 31, 2011	¥ 7	¥ 11	\$ 85
Less current installments	3	4	36
	¥ 4	¥ 7	\$ 49

Lease liabilities as of March 31, 2012 and 2011 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Lease liabilities maturing in installments through 2016	¥ 40	¥ 81	\$ 487
Less current installments	22	40	268
	¥ 18	¥ 41	\$ 219

The aggregate annual maturities of long-term borrowings after March 31, 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
			2012
Year ending March 31:			
2014	¥ 1		\$ 12
2015	1		12
2016	1		12
2017	0		0

The aggregate annual maturities of lease liabilities after March 31, 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
			2012
Year ending March 31:			
2014	¥ 16		\$ 195
2015	2		24
2016	0		0
2017	—		—

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.

6 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 a defined benefit corporation pension plan. 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, 2012 and 2011 is outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	¥ (15,231)	¥ (13,806)	\$ (185,314)
Unrecognized actuarial loss	1,599	683	19,455
Plan assets at fair value	13,227	13,007	160,932
Amount recognized in the consolidated balance sheet	(405)	(116)	(4,927)
Accrued retirement and severance benefits	¥ (405)	¥ (116)	\$ (4,927)

Net periodic pension cost for the years ended March 31, 2012 and 2011 consists of the following components:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	¥ 869	¥ 861	\$ 10,573
Interest cost	276	270	3,358
Expected return on plan assets	(260)	(264)	(3,163)
Amortization of actuarial loss	252	108	3,066
Net periodic pension cost	¥ 1,137	¥ 975	\$ 13,834

Note: For the years ended March 31, 2012 and 2011, the amount of "Service cost" excludes contributions to the welfare pension fund of ¥685 million (\$8,334 thousand) and ¥701 million, respectively.

Significant assumptions of pension plans used to determine these amounts in fiscal 2012 and 2011 are as follows:

	2012	2011
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

Funded status of the whole welfare pension plan under multi-employer pension plan at March 31, 2011 and 2010 is outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Plan assets at fair value - (1)	¥ 186,324	¥ 185,995	\$2,266,991
Benefit obligation under pension funding programs - (2)	220,188	218,220	2,679,012
(1) - (2) *	¥ (33,864)	¥ (32,225)	\$ (412,021)

The Company's proportion of the salaries to the whole of welfare pension plan both at March 31, 2012 and 2011 are 7.4% and 7.1%, respectively. This is different from the actual ratio of the Company's contribution to the total.

Main reason of the differences above* at March 31, 2011 and 2010 is unrecognized prior service cost of the pension program of ¥17,266 million (\$210,074 thousand) and ¥18,299 million, respectively. The unrecognized prior service cost is amortized over 20 years by the straight-line method.

7 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 2012 and 2011.

The "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake" (Act No.117 of 2011) were issued on December 2, 2011 and the statutory tax rate is to be changed accordingly with effect from fiscal years beginning on April 1, 2012 and onward.

As a result of these changes, deferred income taxes (current assets) decreased by ¥164 million (\$1,995 thousand), deferred income taxes (investments and other assets) decreased by ¥98 million (\$1,192 thousand), deferred income taxes (non-current liabilities) decreased by ¥23 million (\$280 thousand), net unrealized gain (loss) on other securities increased by ¥3 million (\$37 thousand) and income taxes - deferred reported in the consolidated statement of income increased ¥242 million (\$2,944 thousand).

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, 2012 and 2011 is follows:

	2012	2011
Statutory tax rate	40.7%	40.7%
Change in valuation allowance	(0.7)	2.8
Expenses not deductible for tax purposes	0.9	0.9
Income not credited for tax purposes	(0.1)	(0.1)
Utilization of tax loss carryforward	(0.0)	(1.0)
Per capital tax	0.4	0.6
Difference in statutory tax rates of subsidiaries	(0.2)	(0.8)
Tax credits primarily for research and development costs	(6.4)	(4.9)
Change in tax rates	2.0	-
Other	0.7	(2.1)
Effective tax rate	37.3%	36.1%

Significant components of deferred tax assets and liabilities at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Valuation loss for inventories	¥ 654	¥ 875	\$ 7,957
Accrued business tax	208	200	2,531
Accrued bonuses	932	582	11,340
Liabilities for retirement and severance benefits	195	65	2,373
Accrued warranty expenses	163	254	1,983
Allowance for doubtful receivables	92	80	1,119
Depreciation and amortization	1,570	1,719	19,102
Intercompany profits on inventories, and property, plant and equipment	1,201	1,277	14,612
Net unrealized gain on other securities	–	57	–
Other	744	830	9,052
	5,759	5,939	70,069
Valuation allowance	(887)	(971)	(10,792)
	4,872	4,968	59,277
Deferred tax liabilities:			
Net unrealized gain on other securities	(21)	–	(255)
Asset retirement obligations	(21)	(25)	(255)
Other	(8)	(18)	(98)
	(50)	(43)	(608)
Net deferred tax assets	¥ 4,822	¥ 4,925	\$ 58,669

Net deferred tax assets and liabilities as of March 31, 2012 and 2011 are reflected in the accompanying consolidated balance sheet under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current assets - Deferred income taxes	¥ 3,839	¥ 4,178	\$ 46,709
Investments and other assets - Deferred income taxes	998	773	12,143
Non-current liabilities - Deferred income taxes	(15)	(26)	(183)
Net deferred tax assets	¥ 4,822	¥ 4,925	\$ 58,669

8 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.

9 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 Act 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 sheet.

Cash dividends charged to retained earnings for the years ended March 31, 2012 and 2011 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, 2011

The following was approved by the general meeting of stockholders held on June 29, 2010.

(a) Total dividends	¥879 million
(b) Cash dividends per common share	¥20
(c) Record date	March 31, 2010
(d) Effective date	June 30, 2010

The following was approved by the Board of Directors held on November 4, 2010.

(a) Total dividends	¥835 million
(b) Cash dividends per common share	¥19

(c) Record date	September 30, 2010
(d) Effective date	December 1, 2010

(b) Dividends paid during the year ended March 31, 2012

The following was approved by the general meeting of stockholders held on June 28, 2011.

(a) Total dividends	¥1,098 million (\$13,359 thousand)
(b) Cash dividends per common share	¥25 (\$0.30)
(c) Record date	March 31, 2011
(d) Effective date	June 29, 2011

The following was approved by the Board of Directors held on November 7, 2011.

(a) Total dividends	¥923 million (\$11,230 thousand)
(b) Cash dividends per common share	¥21 (\$0.26)
(c) Record date	September 30, 2011
(d) Effective date	November 30, 2011

(c) Dividends to be paid after the balance sheet date but the record date for the payment belongs to the year ended March 31, 2012

The following was approved by the general meeting of stockholders held on June 27, 2012.

(a) Total dividends	¥1,010 million (\$12,289 thousand)
(b) Dividend source	Retained earnings
(c) Cash dividends per common share	¥23 (\$0.28)
(d) Record date	March 31, 2012
(e) Effective date	June 28, 2012

10 Selling, General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Salaries	¥ 18,744	¥ 19,190	\$ 228,057
Pension costs	1,684	907	20,489
Depreciation	2,070	2,013	25,186
Legal welfare	2,823	3,300	34,347
Transportation	2,218	2,130	26,986

11 Research and Development Costs

Research and development costs charged to manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2012 and 2011 are ¥5,584 million (\$67,940 thousand) and ¥5,106 million, respectively.

12 Other Comprehensive Income

The reclassification adjustment and the related income tax effects allocated to each component of other comprehensive income (loss) for the year ended March 31, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
Net unrealized gain on other securities:			
Arising during the year	¥ 201		\$ 2,445
Reclassification adjustment	(1)		(12)
Before tax amount	200		2,433
Tax expense	(78)		(949)
Net-of-tax amount	122		1,484
Foreign currency translation adjustments:			
Arising during the year	(119)		(1,448)
Total other comprehensive income	¥ 3		\$ 36

13 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, 2012 and 2011 are as follows:

	Yen		U.S. dollars
	2012	2011	2012
Basic net income per share	¥ 173.49	¥ 149.62	\$ 2.11

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net income	¥ 7,622	¥ 6,573	\$ 92,736
Net income not applicable to common stockholders	—	—	—
Net income applicable to common stockholders	¥ 7,622	¥ 6,573	\$ 92,736

	Number of shares (Thousands)	
	2012	2011
Weighted average number of shares outstanding on which basic net income per share is calculated	43,932	43,933

(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, 2012 and 2011 are as follows:

	Yen		U.S. dollars
	2012	2011	2012
Net assets per share	¥ 1,544.87	¥ 1,417.18	\$ 18.80

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total net assets	¥ 67,911	¥ 62,294	\$ 826,268
Amount deducted from total net assets:			
Minority interests	41	34	499
Net assets applicable to common stockholders	¥ 67,870	¥ 62,260	\$ 825,769

	Number of shares (Thousands)	
	2012	2011
Number of shares outstanding at end of year on which net assets per share is calculated	43,932	43,932

14 Leases

A summary of assumed amounts of acquisition cost which includes interest portion, accumulated depreciation and net book value at March 31, 2012 and 2011 are as follows, which would have been reflected in the consolidated balance sheet 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, 2012			
Acquisition cost	¥ 4	¥ 5	¥ 9
Accumulated depreciation	4	3	7
Net book value	¥ 0	¥ 2	¥ 2
March 31, 2011			
Acquisition cost	¥ 14	¥ 14	¥ 28
Accumulated depreciation	12	10	22
Net book value	¥ 2	¥ 4	¥ 6

	Thousands of U.S. dollars		
	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
March 31, 2012			
Acquisition cost	\$ 49	\$ 60	\$ 109
Accumulated depreciation	49	36	85
Net book value	\$ 0	\$ 24	\$ 24

Future minimum payments which include interest portion required under finance leases currently accounted for as operating leases at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Within one year	¥ 1	¥ 4	\$ 12
Over one year	1	2	12
	¥ 2	¥ 6	\$ 24

Lease payments for finance leases currently accounted for as operating leases for the years ended March 31, 2012 and 2011 amounted to ¥4 million (\$49 thousand) and ¥10 million, respectively.

Future minimum payments required under noncancellable operating leases at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Within one year	¥ 121	¥ 183	\$ 1,472
Over one year	107	329	1,302
	¥ 228	¥ 512	\$ 2,774

15 Financial Instruments

Conditions of Financial instruments

(1) Management policy

The Company and subsidiaries (the "Group") has a policy to invest in sound and highly safe financial instruments. The Group uses its own resources for business, and when a temporary shortfall of the operating funds the Group finances funds through bank loans. Surplus funds are invested in highly safe financial instruments.

The Group uses derivatives to hedge future fluctuation of foreign exchange rates and does not enter into derivatives for speculative purposes.

(2) Financial instruments and risks

Trade notes and accounts receivable are exposed to customer's credit risk. Trade receivables and loans receivables denominated in foreign currency are exposed to fluctuation risk of foreign exchange rates. Investment securities are exposed to market fluctuation risk.

Maturities of trade notes and accounts payable are mostly within one year. Trade payables denominated in foreign currency are exposed to fluctuation risk of foreign exchange rates. The Group finances necessary funds through short-term bank loans when a temporary shortfall of the operating funds.

(3) Financial instruments risk management

1) Credit risk

The Group performs due date controls and monitors major customers' credit status, rapidly understands the collectability issues to mitigate customers' credit risk of notes and accounts receivable.

To mitigate the counterparty risk, the counterparties to derivative transactions are limited to financial institutions with high credit ratings.

2) Market risk

To mitigate the foreign currency fluctuation risk, categorized by currency, the Group uses a foreign exchange contract for hedging the cash flow fluctuation risk associated with an operating receivable and payable and loan denominated in foreign currencies. Foreign exchange contracts entered into by the Group are limited to the extent of an existing foreign operating receivable and payable and loan or a highly probably forecasted transaction.

The Group regularly monitors a stock price, an issuer's financial status and a market condition, and continuously considers whether the Group holds the stock.

3) Liquidity risk

The Group prepares and updates a funds management plan on a monthly basis in order to control liquidity risk.

(4) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments are measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments which quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used.

Fair value of financial instruments

The carrying amounts on the consolidated balance sheet, fair value, and differences as of March 31, 2012 and 2011 are as follows. Financial instruments, of which it is extremely difficult to measure the fair value, are not included. (Please see "<2> Financial instruments of which the fair value is extremely difficult to measure")

	Millions of yen					
	2012			2011		
	Carrying value	Fair value	Differences	Carrying value	Fair value	Differences
(1) Cash	¥ 9,343	¥ 9,343	¥ —	¥ 9,332	¥ 9,332	¥ —
(2) Trade notes and accounts receivable	42,250	42,250	—	37,363	37,363	—
(3) Short-term investments	12,000	12,000	—	9,500	9,500	—
(4) Investments in securities:						
Other securities	2,090	2,090	—	1,938	1,938	—
(5) Trade notes and accounts payable	20,068	20,068	—	18,870	18,870	—
(6) Short-term debt	620	620	—	1,339	1,339	—

	Thousands of U.S. dollars		
	2012		
	Carrying value	Fair value	Differences
(1) Cash	\$ 113,676	\$ 113,676	\$ —
(2) Trade notes and accounts receivable	514,053	514,053	—
(3) Short-term investments	146,003	146,003	—
(4) Investments in securities:			
Other securities	25,429	25,429	—
(5) Trade notes and accounts payable	244,166	244,166	—
(6) Short-term debt	7,543	7,543	—

<1> Fair value measurement of financial instruments

Assets and liabilities:

(1) Cash, (2) Trade notes and accounts receivable, (3) Short-term investments

The fair value approximates the carrying value because of the short maturity of these instruments.

(4) Investments in securities

The fair value of equity securities is calculated by quoted market price and the fair value of bond securities is based on the present value of future cash flows discounted using the rates considering credit risk and the remaining terms to maturity.

(5) Trade notes and accounts payable and (6) Short-term debt

The fair value approximates the carrying value because of the short maturity of these instruments.

<2> Financial instruments of which the fair value is extremely difficult to measure

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unlisted equity securities	¥ 239	¥ 239	\$ 2,908
Investments in limited partnership and similar partnership	227	186	2,762

Above are not included in "(4) Investments in securities - other securities" because there is no market value and future cash flows cannot be estimated, therefore it is extremely difficult to measure the fair value.

<3> Projected future redemption of monetary claim and securities with maturities as of March 31, 2012

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash	¥ 9,343	¥ —	¥ —	¥ —
(2) Trade notes and accounts receivable	42,250	—	—	—
(3) Short-term investments	12,000	—	—	—
(4) Investments in securities:				
Other securities with maturities:				
Bond securities	—	10	—	—

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash	\$ 113,676	\$ —	\$ —	\$ —
(2) Trade notes and accounts receivable	514,053	—	—	—
(3) Short-term investments	146,003	—	—	—
(4) Investments in securities:				
Other securities with maturities:				
Bond securities	—	122	—	—

<4> The annual maturities of the long-term debt

Please see note (5) Short-term and Long-term Debt.

The fair value of forward exchange contracts is computed based on quotes from counterparties.

16 Segment Information

"The Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009) and "the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008) adopt the management approach as the segment reporting method. Disclosures about segments of an enterprise and related information should provide proper information on the nature of various business activities in which it engages and the economic environments in which it operates.

Because the Company and consolidated subsidiaries operate in one operating segment, medical electronic equipment business, the segment information is not disclosed for the years ended March 31, 2012 and 2011.

Related Information

(a) Information by products and services

Sales by products and services for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Physiological measuring equipment	¥ 30,676	¥ 28,189	\$ 373,232
Patient monitors	39,352	37,274	478,793
Treatment equipment	20,289	19,073	246,855
Other	30,401	28,844	369,887
	¥ 120,718	¥ 113,380	\$ 1,468,767

(b) Geographic information

(1) Geographical sales for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Japan	¥ 99,707	¥ 93,047	\$ 1,213,128
Americas	6,951	6,809	84,572
Europe	6,384	6,075	77,674
Asia	6,795	6,257	82,674
Other	881	1,192	10,719
	¥ 120,718	¥ 113,380	\$ 1,468,767

(2) Because property, plant and equipment located in Japan are over 90% of property, plant and equipment in the consolidated balance sheet, the geographic information of property, plant and equipment is not disclosed for the years ended March 31, 2012 and 2011.

(c) Information by major customers

Because no particular third party whose sales are over 10% of sales in the consolidated statement of income exists, the information by major customers is not disclosed for the years ended March 31, 2012 and 2011.

Information of impairment loss on fixed assets by reported segments

The information is not applicable for the years ended March 31, 2012 and 2011.

Goodwill by reported segments

The information is not applicable for the years ended March 31, 2012 and 2011.

Negative goodwill incurred by reported segments

The information is not applicable for the years ended March 31, 2012 and 2011.



Nihon Kohden Corporation and Consolidated Subsidiaries

Independent Auditors' Report

March 31, 2012



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BDO Toyo & Co.
Kandamitoshirocho7,
Chiyoda-ku, Tokyo
101-0053 Japan

To the Board of Directors of
Nihon Kohden Corporation

We have audited the accompanying consolidated financial statements of Nihon Kohden Corporation, which comprise the consolidated balance sheet as of March 31, 2012, and the consolidated statement of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nihon Kohden Corporation as of March 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in note 2 to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

BDO Toyo & Co.

BDO Toyo & Co.
Tokyo, Japan
June 28, 2012

Corporate Directory

As of June 27, 2012

Board of Directors, Corporate Auditors and Operating Officers

Chairman and CEO

Kazuo Ogino

President and COO

Fumio Suzuki

Corporate Directors

Kenji Hakuta
Toshitsugu Izawa
Toshinobu Mayuzumi
Yoshito Tsukahara
Takashi Tamura
Hiroshi Aida
Tatsuya Nakagawa
Hirokazu Ogino

Outside Corporate Directors

Masaya Yamauchi
Minoru Obara

Corporate Auditors

Takeshi Akahane
Masami Sugiyama

Outside Corporate Auditors

Osamu Kato
Masahiro Kawamura

Operating Officers

Eishi Harasawa
Toshifumi Kamihirata
Eiichi Tanaka
Fumio Hirose
Kazuhiko Ikuta
Shinji Yamamori
Shigeru Hirata
Toshihiko Hiraoka
Yasuhiro Yoshitake
Kazuteru Yanagihara
Yoshiaki Uematsu

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*

4,057 (group)

*As of March 31, 2012

Head Office

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

International Operations

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 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.
E-Staff Corporation

● International

Sales

Americas

Nihon Kohden America, Inc. (Foothill Ranch, CA, USA)
Nihon Kohden Do Brasil Ltda. (Sao Paulo, Brasil)

Europe

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

Asia

Nihon Kohden Trading (Shanghai) Co., Ltd. (Shanghai, China)*
Nihon Kohden India Private Ltd. (Gurgaon, Haryana, India)
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, FL, 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)

* 3 chinese subsidiaries were merged in July 2012 and Shanghai Kohden Medical Electronic Instrument Corporation has been the surviving company.

Major Stockholders*

Stockholders	No. of Shares (thousands)	Stockholding Ratio
Japan Trustee Service Bank, Ltd. (trust account)	2,632	5.75%
Saitama Resona Bank, Ltd.	2,096	4.58%
Toshiba Medical Systems Corporation	1,990	4.34%
The Master Trust Bank of Japan, Ltd. (trust account)	1,823	3.98%
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	1,179	2.57%
National Mutual Insurance Federation of Agricultural Cooperatives (Zenkyoren)	1,168	2.55%
State Street Bank and Trust Company 505223	1,164	2.54%
State Street Bank and Trust Company	1,107	2.42%
Fujitsu Ltd.	1,063	2.32%
Japan Trustee Service Bank, Ltd. (trust account 9)	881	1.92%
Subtotal	15,107	
Total Outstanding Issue	45,765	

* As of March 31, 2012



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