

Consolidated Financial Results for the Fiscal Year Ended March 31, 2009

NIHON KOHDEN CORPORATION (6849)

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(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for FY2008 (From April 1, 2008 to March 31, 2009)

(1) Consolidated Operating Results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2008	109,123	4.1	8,106	-17.4	7,640	-20.0	4,610	-18.1
FY2007	104,825	8.4	9,817	23.1	9,545	13.0	5,631	11.5

Note: Percentages indicate increase/decrease over the corresponding period in the previous fiscal year.

	Net income per share- Basic	Net income per share - Diluted	Return on Equity	Ordinary income to total assets	Operating income Margin
	yen	yen	%	%	%
FY2008	104.94	—	8.8	9.5	7.4
FY2007	128.01	—	11.3	12.2	9.4

Reference: Investment income for equity method: FY2008: -43 million yen FY2007: -9 million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2008	80,479	53,569	66.5	1,219.06
FY2007	80,630	51,814	63.8	1,170.31

Reference: Equity capital: FY2008: 53,558 million yen FY2007: 51,418 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2008	4,123	-5,968	-601	11,197
FY2007	8,621	-2,857	-2,887	13,797

2. Dividends

	Dividends per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year			
	yen	yen	yen	yen	yen	Millions of yen	%	%
FY2007	—	17.00	—	20.00	37.00	1,627	28.9	3.3
FY2008	—	18.00	—	19.00	37.00	1,625	35.3	3.1
FY2009 (Forecast)	—	17.00	—	17.00	34.00		40.4	

3. Consolidated forecast for FY2009 (From April 1, 2009 to March 31, 2010)

	Net sales		Operating income		Ordinary income		Net income		Net income per share - Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	50,500	-6.2	2,200	-43.3	2,200	-43.3	1,300	-41.1	29.59
Full year	107,000	-1.9	6,000	-26.0	6,000	-21.5	3,700	-19.8	84.22

(Reference) Non-Consolidated Financial Highlights

1. Non-Consolidated Financial Highlights for FY2008 (From April 1, 2008 to March 31, 2009)

(1) Non-Consolidated Operating Results

(Amounts are rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2008	69,328	0.4	5,268	-36.9	5,596	-36.0	3,749	-29.0
FY2007	69,052	11.0	8,350	30.7	8,742	13.9	5,283	-0.5

Note: Percentage figures in the above tables indicate increase/decrease over the corresponding period of previous year.

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2008	85.33	—
FY2007	120.10	—

(2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2008	69,843	48,852	69.9	1,111.94
FY2007	73,823	47,202	63.9	1,074.35

Reference: Equity capital: FY2008: 48,852 million yen FY2007: 47,202 million yen

* The above estimates are based on information available on the date of this report's announcement.
Actual results may differ from such estimates due to unforeseen circumstances.

4. 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 global economy appeared to have entered 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 management structure, Nihon Kohden implemented various measures in its 3-year business plan, SPEED UP II, for the period until FY2009 (ending March 2010).

The Company continues to introduce products that can help to improve medical safety and efficiency. The new arrhythmia analysis software ensuring accurate arrhythmia detection was released and new series of patient monitors enhancing alarm functions were launched. In order to strengthen its technological capability, it acquired Nippon Biotest Labo, the supplier of antibodies for reagents, and Neurotronics Incorporated, the 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 in-house AED and the expansion of overseas business. In India, the 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 ¥109,123 million. Gross profit ratio declined due to unfavorable product mix. SG&A costs 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 had driven up pension costs. As a result, operating income decreased 17.4% to ¥8,106 million, Ordinary income decreased 20.0% to ¥7,640 million and net income decreased 18.1% to ¥4,610 million over FY2007.

[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 point-of-care testing 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 were hurt by strong yen and decreased compared with the strong results of the previous fiscal year when we had large-scale orders. In Asia, sales in China reported higher growth as a result of the enhancement of the business structure. As a result, international sales decreased 15.4% over FY2007, to ¥21,721 million.

[Sales by product category]

Physiological Measuring Equipment: Increased sales of EEGs and polygraphs favorably impacted domestic sales, partially offset by lower sales of ECGs. Internationally, sales of EEGs and ECGs decreased, particularly EEGs 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 Monitors sales increased due to higher sales of clinical information systems. Sales of bedside monitors and telemetry systems also grew due to new products launch. Outside Japan, sales in the Americas were down sharply. The absence of large-scale order in Latin America and the difficult economic situation in the U.S. had a negative effect. Overall, sales decreased 8.4% over the previous fiscal year to ¥20,039 million.

Treatment Equipment: Domestic sales of AED grew favorably. Sales of defibrillators in medical facilities and ambulances grew due to new products launch. Ventilators sales also increased and pacemakers sales remained roughly 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. International 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 ¥34,798 million.

Other Medical Equipment: In Japan, sales of clinical systems, diagnostic imaging equipment and POCT 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 ¥19,367 million.

5. Consolidated Sales Results by Product Segment

(Millions of yen)

	FY2008	
	Amount	Growth rate (%)
Physiological Measuring Equipment	16,811	-1.1
Patient Monitors	20,039	-8.4
Treatment Equipment	18,106	+14.1
Medical Supplies	34,798	+4.8
Other Medical Equipment	19,367	+14.9
Total	109,123	+4.1
(Reference) Domestic Sales	87,402	+10.4
(Reference) Overseas Sales	21,721	-15.4

6. Consolidated Forecast for FY2009

The global financial crisis spread into the real economy both in advanced and emerging countries and global economy appeared to have entered recession. The weak demand for medical device will continue, primarily among the international market. Immediate effects of economic slowdown have not emerged in the Japanese hospital market, but hospitals continue to face difficulties due to doctor shortage and government spending restraint on healthcare. In addition, AED sales in the PAD market are expected to slow down due to weak economy.

Under these circumstances, Nihon Kohden will steadily implement various measures in its 3-year business plan, SPEED UP II, for the period until FY2009 (ending March 2010) and will advance measures to improve profitability. It includes cost reduction, inventory optimization, sales expansion of in-house products and company-wide expense reduction. The Company introduces ERP to raise business efficiency. In addition, it launches "Columbus Committee", which is directly under the president's command, to enhance its global business.

Nihon Kohden forecasts overall sales, operating income, ordinary income and net income for FY2009 to be ¥107,000 million, ¥6,000 million, ¥6,000 million and ¥3,700 million, respectively. In Japan, AED sales are expected to slow down in the PAD market. In the hospital market, the Company continues to focus on promoting IT system solution which contributes medical safety and business efficiency and expanding sales of consumables and maintenance services. As a result, domestic sales are expected to be ¥87,500 million, an increase of 0.1% over the FY2008. Internationally, demand in the U.S. and Europe will remain weak due to economic slowdown and the sharp appreciation of the yen will negatively impact the conversion of overseas sales into yen. As a result, overseas sales are expected to be ¥19,500 million, a decrease of 10.2% over fiscal 2008. SG&A costs will increase due to the increase of depreciation and the heavier burden of pension costs. The pension fund asset value has eroded because of the stock market slump and this has driven up pension costs. For these reasons, operating income, ordinary income and net income for FY2009 are expected to decrease over FY2008. Accordingly, the Company will not be able to achieve the FY2009 target set in the business plan, SPEED UP II.

The Company's forecast for FY2009 is based on an exchange rate of 90 yen to the dollar and 120 yen to the euro. Exchange rate fluctuations will not have much impact on operating profit because the Company's import and export business are roughly balanced.

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

After assessing future economic conditions, the Company will review FY2012 goal, together with the drawing up of the new mid-term business plan from FY2010.

(Consolidated Forecast for FY2009 by Product Segment)

(Millions of yen)

	FY2009 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	16,700	-0.7
Patient Monitors	19,900	-0.7
Treatment Equipment	16,400	-9.4
Medical Supplies	36,200	+4.0
Other Medical Equipment	17,800	-8.1
Total	107,000	-1.9
(Reference) Domestic Sales	87,500	+0.1
(Reference) Overseas Sales	19,500	-10.2

7. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2008	March 31, 2009
ASSETS		
Current assets:		
Cash	8,303	8,701
Trade notes and accounts receivable	30,941	32,271
Marketable Securities	5,500	2,500
Inventories	14,442	—
Merchandise and finished goods	—	11,161
Work in process	—	587
Raw materials and supplies	—	2,393
Deferred tax assets	3,372	3,179
Other current assets	1,377	857
Allowance for doubtful receivables	-219	-181
Total current assets	63,718	61,470
Fixed assets:		
Tangible fixed assets		
Buildings and structures	3,096	3,730
Machinery, equipment and vehicles	829	1,016
Equipment	2,676	2,539
Land	2,550	2,680
Lease assets	—	140
Construction in progress	433	194
Total Tangible fixed assets	9,587	10,301
Intangible fixed assets		
Goodwill		872
Other intangible fixed assets		2,160
Total intangible fixed assets	1,222	3,032
Investments and other assets		
Investments in securities	3,665	2,874
Deferred tax assets	176	618
Prepaid pension cost	1,185	997
Other investments and other assets	1,355	1,421
Allowance for doubtful receivables	-281	-238
Total investments and other assets	6,100	5,674
Total fixed assets	16,911	19,008
Total assets	80,630	80,479

(Millions of yen)

	March 31, 2008	March 31, 2009
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	18,016	16,028
Short-term debt	1,336	2,372
Accounts payable-other	1,528	1,355
Lease obligations	—	46
Accrued income taxes	2,122	1,184
Accrued expenses	1,914	1,835
Reserve for bonuses	2,079	2,216
Other current liabilities	1,244	1,239
Total current liabilities	28,242	26,277
Non-current liabilities:		
Long-term debt	28	19
Long-term accounts payable	271	202
Lease obligations	—	89
Deferred Tax Liabilities	232	278
Other non-current liabilities	41	42
Total non-current liabilities	573	631
Total liabilities	28,815	26,909
NET ASSETS		
Stockholders' equity:		
Common stock	7,544	7,544
Additional paid-in capital	10,485	10,487
Retained earnings	34,932	37,972
Treasury stock	-2,012	-2,016
Total stockholders' equity	50,950	53,987
Valuation and translation adjustments:		
Net unrealized gain on other securities	494	66
Foreign currency translation adjustments	-26	-494
Total valuation and translation adjustments	468	-428
Minority interests	395	10
Total net assets	51,814	53,569
Total liabilities and net assets	80,630	80,479

(2) Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2008	Year ended March 31, 2009
Net sales	104,825	109,123
Cost of sales	52,083	55,156
Gross profit	52,742	53,967
Selling, general and administrative expenses	42,924	45,861
Operating income	9,817	8,106
Non-operating income		
Interest income	40	38
Dividend income	74	94
Other, net	216	272
Total non-operating income	331	404
Non-operating expenses		
Interest expenses	66	63
Loss on sales and retirement of fixed assets	72	—
Equity in losses of affiliates	9	43
Exchange loss	300	461
Other, net	154	301
Total non-operating expenses	603	870
Ordinary income	9,545	7,640
Extraordinary income		
Reversal of allowance for doubtful accounts	97	116
Total extraordinary income	97	116
Extraordinary expenses		
Loss on devaluation of investment in securities	3	29
Loss on sales and retirement of fixed assets	—	29
Other, net	—	4
Total extraordinary expenses	3	62
Income before income taxes and minority interests	9,639	7,693
Income taxes	3,628	2,950
Income taxes-deferred	329	100
Total Income taxes	3,958	3,050
Minority interests	49	32
Net income	5,631	4,610

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2008	Year ended March 31, 2009
Cash flows from operating activities:		
Income before income taxes and minority interests	9,639	7,693
Depreciation and amortization	2,106	2,726
Amortization of goodwill	—	24
Amortization of negative goodwill	—	-37
Loss (gain) on sales of property, plant and equipment	72	29
Increase (decrease) in allowance for doubtful accounts	6	-81
Increase (decrease) in reserve for bonuses	273	136
Increase (decrease) in reserve for directors' bonuses	-77	—
Decrease (increase) in prepaid pension costs	-561	187
Increase (decrease) in reserve for directors' retirement benefits	-281	—
Interest and dividend income	-114	-132
Interest expenses	66	63
Foreign exchange losses (gains)	11	30
Loss (gain) on valuation of investment securities	16	71
(Increase) decrease in trade notes and accounts receivable	-1,861	-1,290
(Increase) decrease in inventories	565	394
Increase (decrease) in trade notes and accounts payable	1,894	-2,021
Increase (decrease) in accrued consumption taxes	199	-52
Equity in (earnings) losses of affiliates	9	43
Other, net	94	95
Sub total	12,058	7,883
Interest and dividend received	115	134
Interest paid	-86	-67
Income taxes paid	-3,466	-3,827
Net cash provided by operating activities	8,621	4,123
Cash flows from investing activities:		
Proceeds from sale of investments in securities	—	1
Purchase of investments in securities	-416	-47
Proceeds from sale of property, plant and equipment	19	58
Capital expenditures	-1,787	-3,524
Purchase of intangible assets	-537	-1,205
Proceeds from acquisition of newly consolidated subsidiaries	—	17
Payments for acquisition of newly consolidated subsidiaries	—	-500
Purchase of investments in subsidiaries	—	-774
Other, net	-136	6
Net cash used in investing activities	-2,857	-5,968
Cash flows from financing activities:		
Increase (decrease) in short-term debt	-1,089	1,175
Proceeds from long-term loans payable	—	2
Repayment of long-term loans payable	-83	-11
Dividends paid to stockholders	-1,409	-1,669
Decrease (increase) in treasury stock	-256	-2
Cash dividends paid to minority shareholders	-38	-32
Repayments of lease obligations	—	-63
Other, net	-10	—
Net cash used in financing activities	-2,887	-601
Effect of exchange rate changes on cash and cash equivalents	-106	-152
Net increase in cash and cash equivalents	2,769	-2,599
Cash and cash equivalents at beginning of term	11,027	13,797
Cash and cash equivalents at end of term	13,797	11,197

(4) Overseas Sales

Year ended March 31, 2008

(Millions of yen)

	Americas	Europe	Asia	Other	Total
Overseas sales	11,445	8,043	5,173	1,024	25,687
Consolidated sales					104,825
Percentage of overseas sales to consolidated sales (%)	10.9	7.7	4.9	1.0	24.5

Year ended March 31, 2009

(Millions of yen)

	Americas	Europe	Asia	Other	Total
Overseas sales	7,856	6,791	6,011	1,062	21,721
Consolidated sales					109,123
Percentage of overseas sales to consolidated sales (%)	7.2	6.2	5.5	1.0	19.9

Note: 1. Overseas sales comprise sales of the Company and its consolidated subsidiaries in countries and regions other than Japan.

2. 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, South Korea, Vietnam and Thailand