

**Consolidated Financial Highlights for FY2007  
(From April 1, 2007 to March 31, 2008)**

**NIHON KOHDEN CORPORATION  
(6849)**

May 23, 2008



**Consolidated Financial Results  
for FY2007**

# 1) Consolidated Financial Results for FY2007

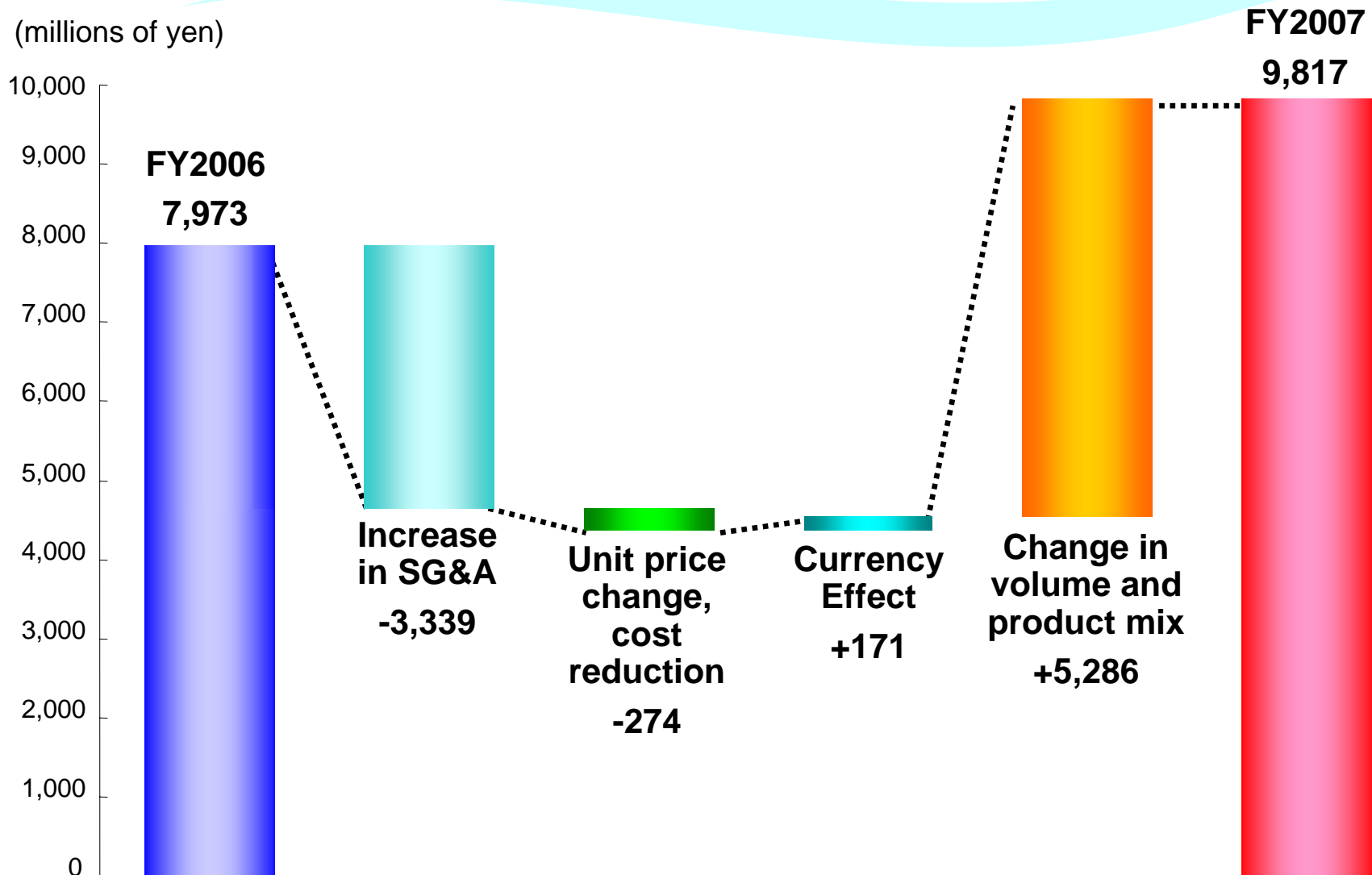
(Amounts of less than ¥1 million are rounded down)

	FY2006	FY2007		
		Forecast	Actual	YoY (%)
<b>Sales</b>	96,679	102,800	<b>104,825</b>	8.4
<b>Operating profit</b>	7,973	9,500	<b>9,817</b>	23.1
<b>Ordinary profit</b>	8,448	9,600	<b>9,545</b>	13.0
<b>Net income</b>	5,052	6,000	<b>5,631</b>	11.5

Average exchange rate	FY2006	FY2007
1 US Dollar	116 yen	114 yen
1 Euro	149 yen	161 yen

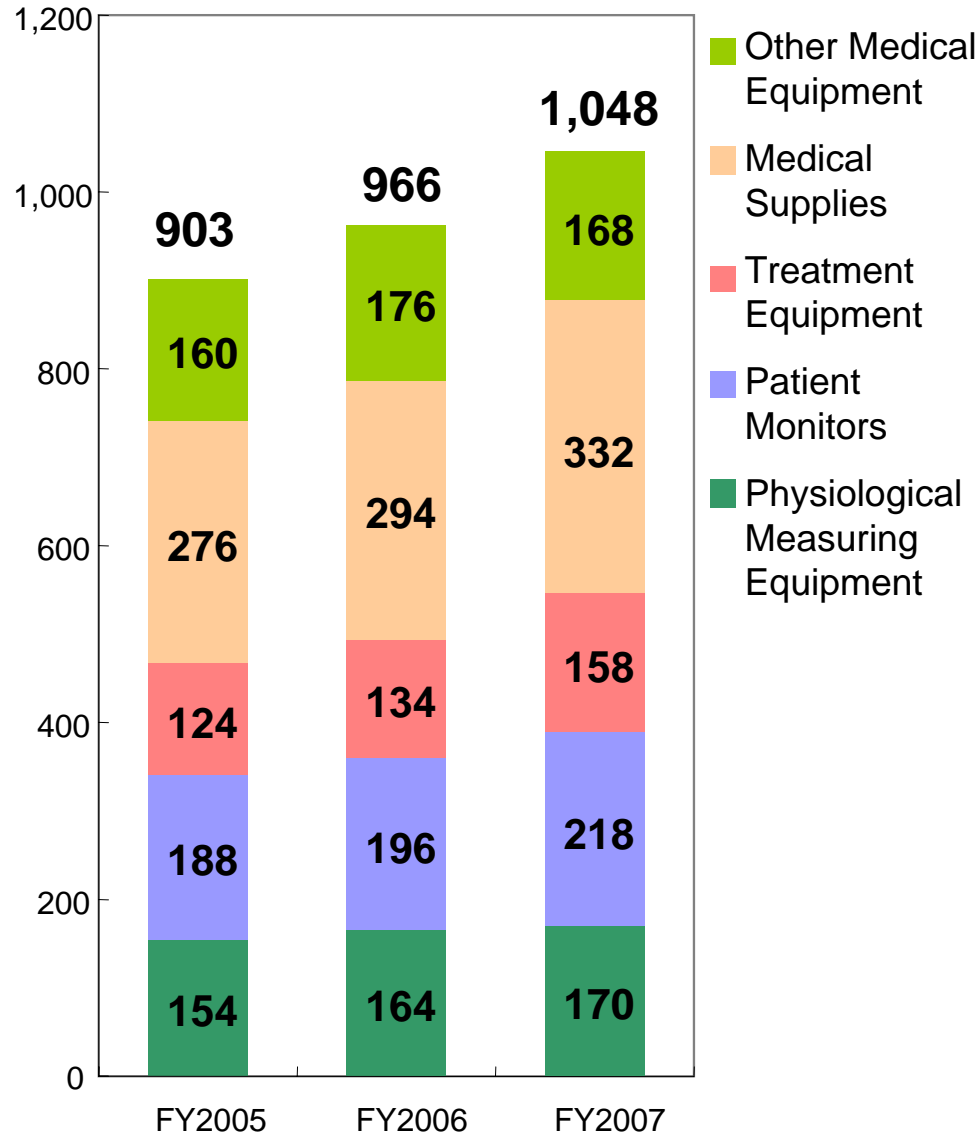
Note: Nihon Kohden announced a revision of forecast for Financial Results for FY2007 on November 12, 2007.  
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## 2) Breakdown of Operating Profit

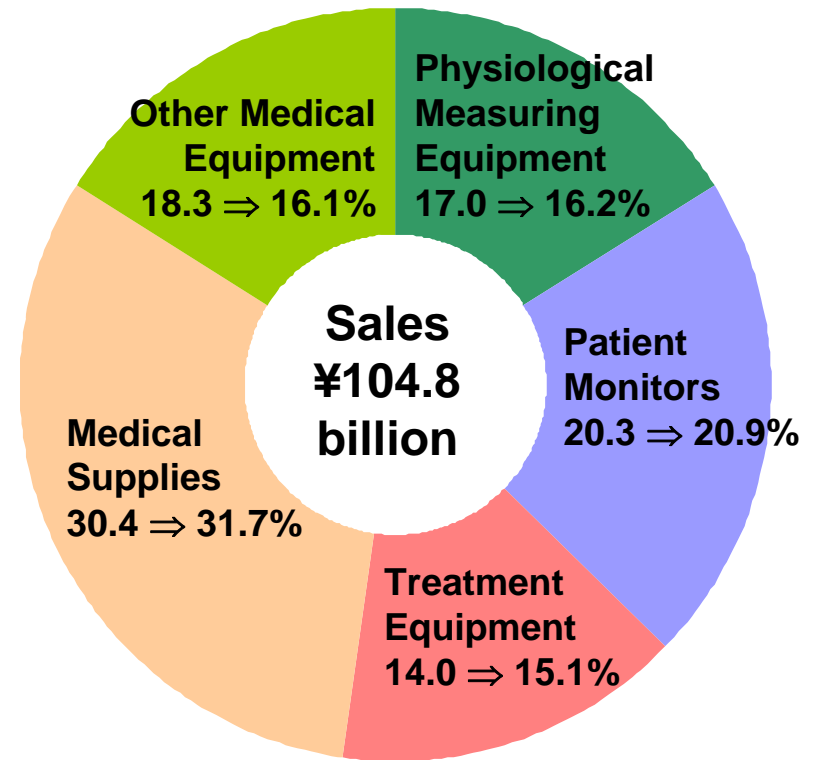


# 3) Sales by Product Category

(¥100 million)



**Sales by Product Category**  
(FY2006 ⇒ FY2007)



# 3.1) Physiological Measuring Equipment

Sales

(millions of yen)

	FY2006	FY2007	YoY (%)
Electroencephalographs	6,701	7,537	12.5
Electrocardiographs	6,119	6,182	1.0
Polygraphs	3,662	3,282	-10.4
Physiological Measuring Equipment	16,481	17,001	3.2
Overseas Sales	5,623	5,808	3.3



Electroencephalographs  
EEG-1200



Electrocardiographs  
ECG-1400



Polygraphs  
RMC-4000

## 3.2) Patient Monitors

### Sales

(millions of yen)

	FY2006	FY2007	YoY (%)
<b>Patient Monitors</b>	19,673	<b>21,882</b>	11.2
<b>Overseas Sales</b>	8,237	<b>9,850</b>	19.6



**Bedside monitors**

BSM-9101



**Central monitors**

CNS-9601

# 3.3-1) Treatment Equipment

**Sales**

(millions of yen)

	FY2006	FY2007	YoY (%)
Defibrillators	7,352	9,567	30.1
Pacemakers	3,408	3,367	-1.2
Ventilators	1,621	1,724	6.4
Other Treatment Instruments	1,107	1,204	8.8
<b>Treatment Equipment</b>	13,488	15,862	17.6
<b>Overseas Sales</b>	2,451	2,556	4.3



**Defibrillators**

TEC-2500



**Pacemakers**

Protos DR

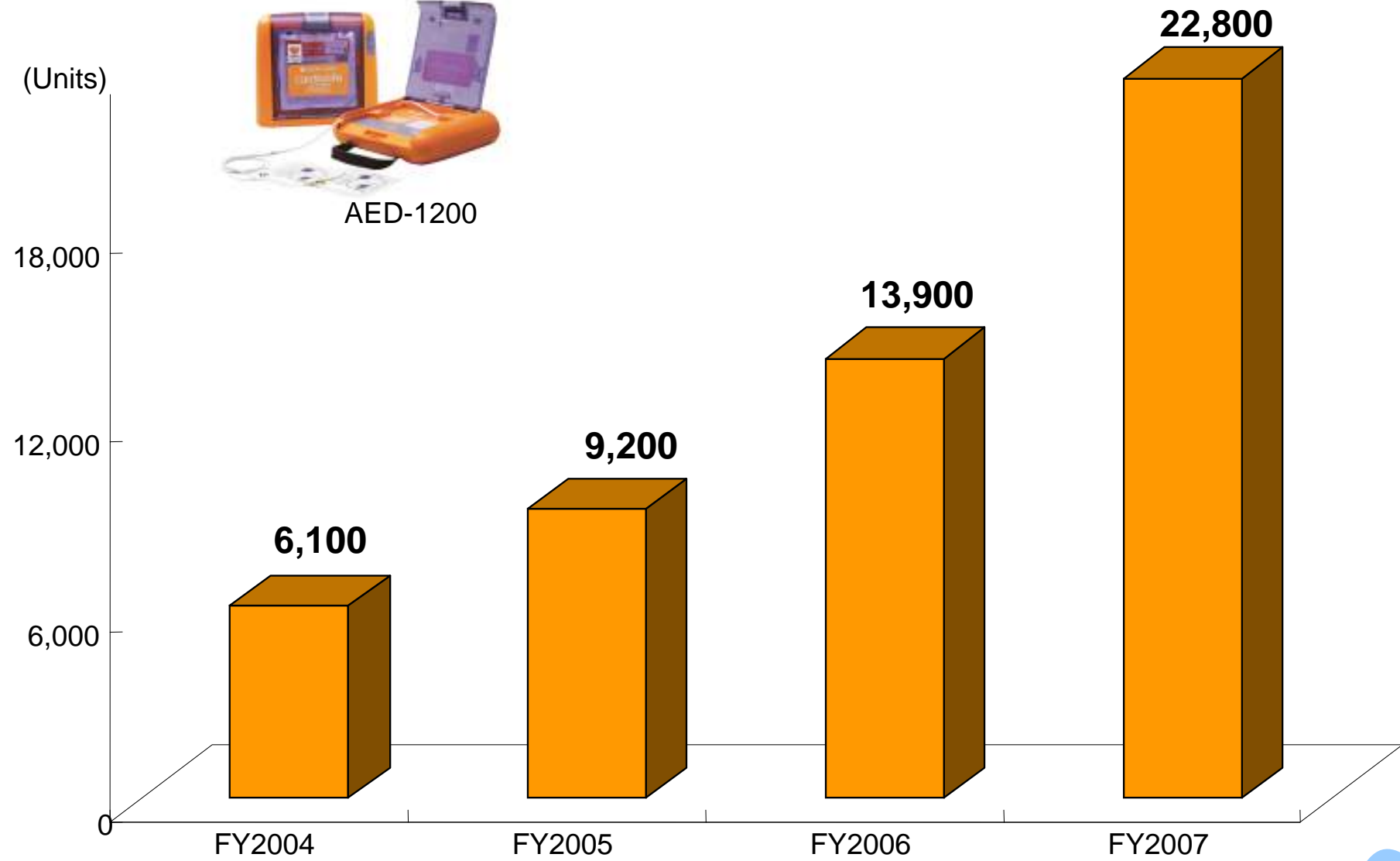


**Ventilators**

RAPHAEL color



# 3.3-2) AED Unit Shipments



# 3.4) Medical Supplies

**Sales**

(millions of yen)

	FY2006	FY2007	YoY (%)
<b>Consumables</b>	23,527	26,912	14.4
<b>Maintenance Service</b>	5,880	6,305	7.2
<b>Medical Supplies</b>	29,407	33,217	13.0
<b>Overseas Sales</b>	3,981	5,466	37.3



**Finger probes**

TL-201T



**Disposable electrodes**

N-03IS3



**EnSite catheter**

## 3.5) Other Medical Equipment

Sales

(millions of yen)

	FY2006	FY2007	YoY (%)
<b>Other Medical Equipment</b>	17,627	<b>16,861</b>	-4.3
<b>Hematology Analyzers</b>	3,396	<b>3,934</b>	15.8
<b>Overseas Sales</b>	1,634	<b>2,005</b>	22.7



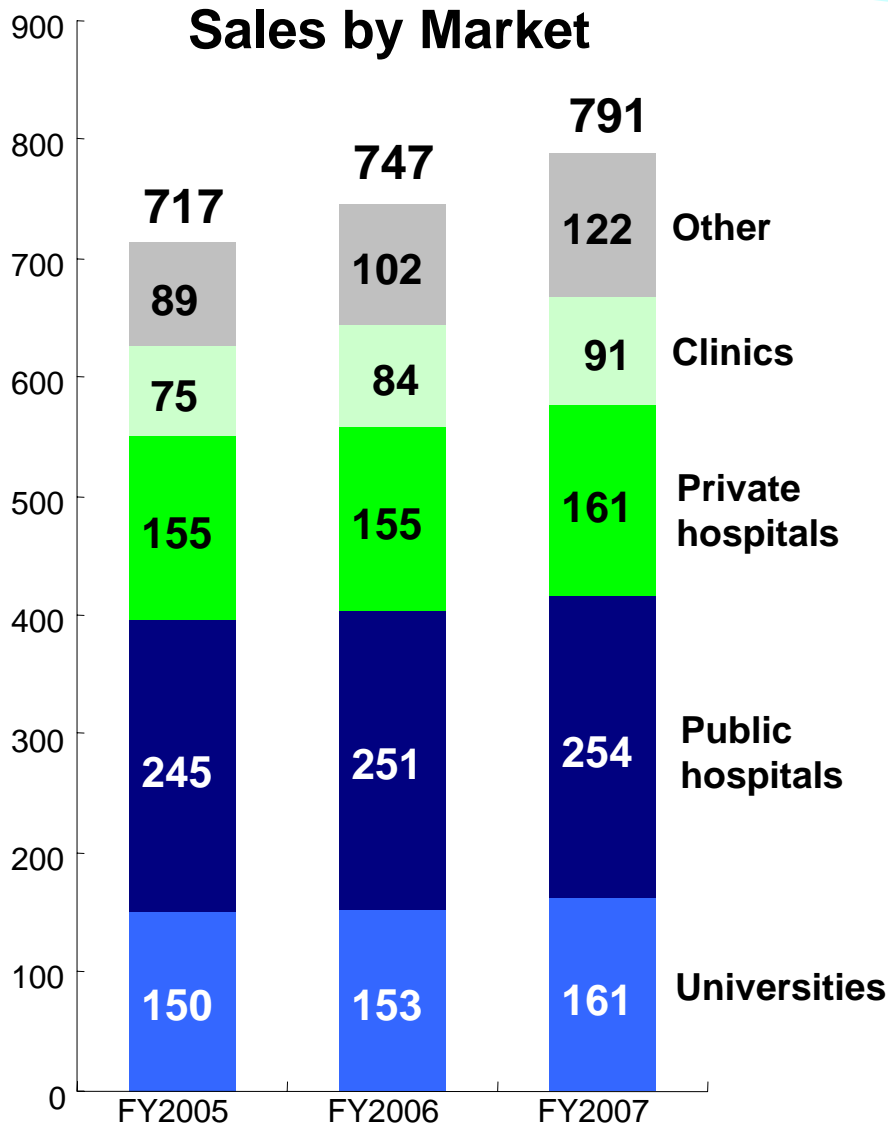
**Automated hematology analyzers**  
MEK-6400



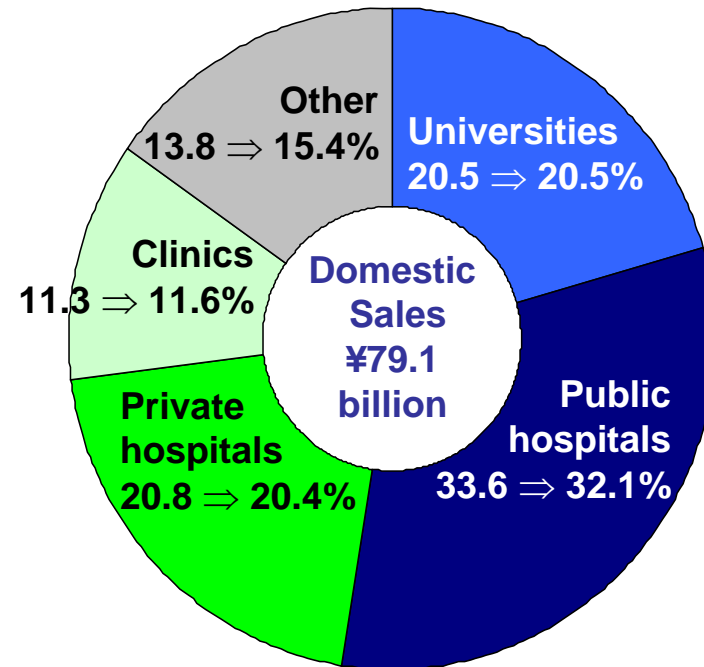
**Clinical support system**  
Prime Park

# 4) Domestic Sales

(¥100 million)



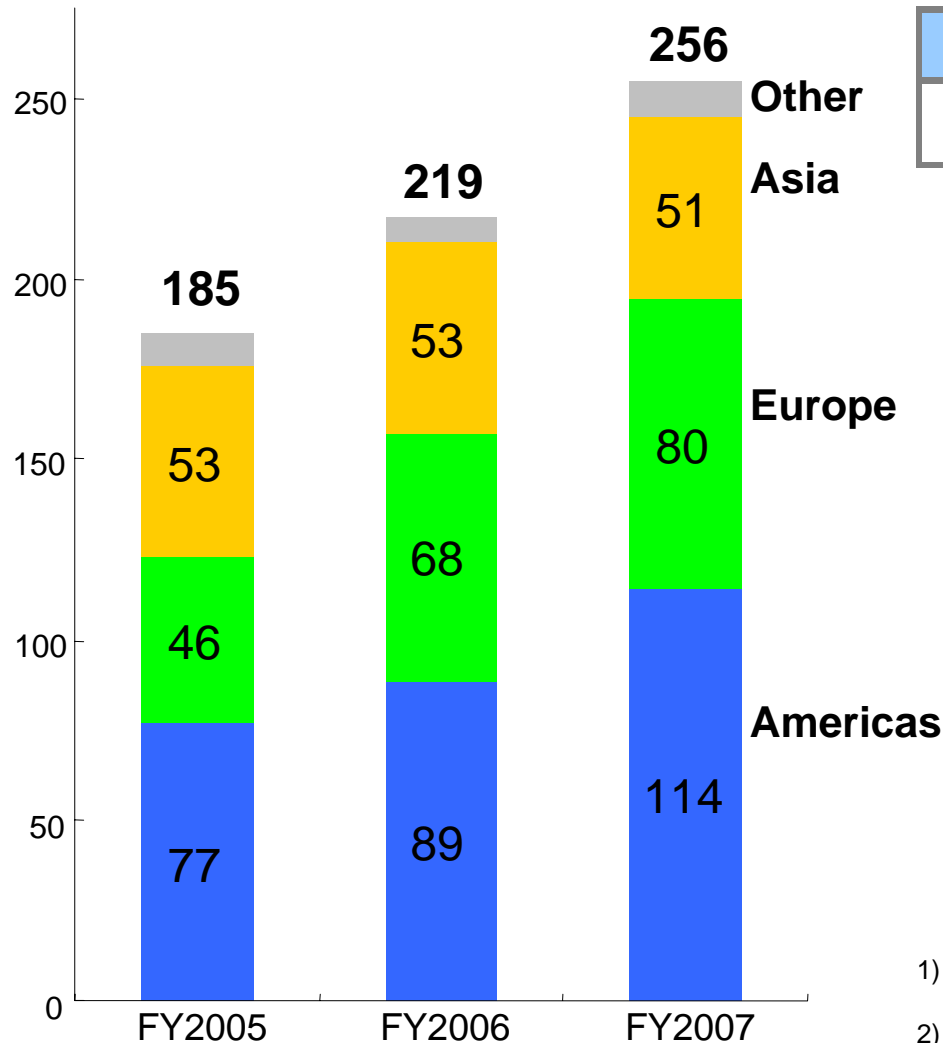
### Sales Composition by Market (FY2006 ⇒ FY2007)



# 5) Overseas Sales

## Geographic Segments

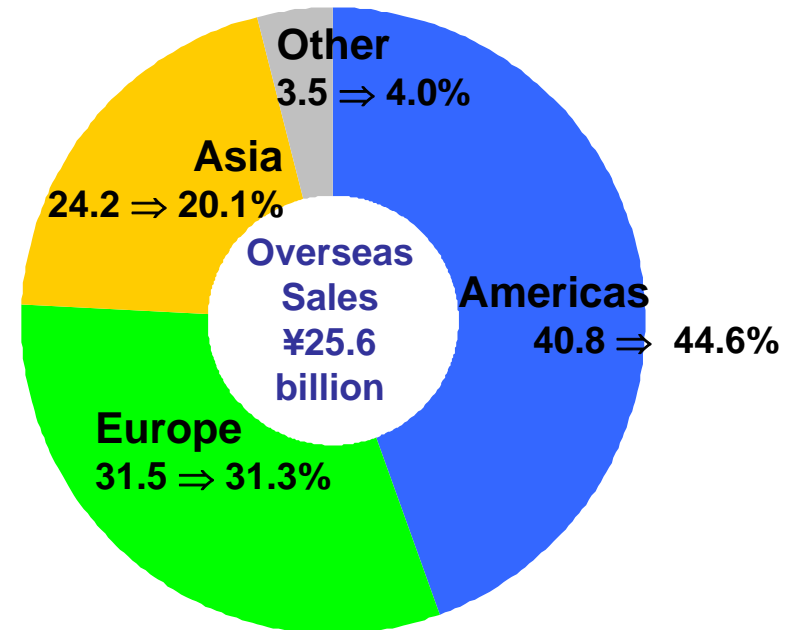
(¥100 million)



## Percentage of Overseas Sales to Consolidated Sales

FY2005	FY2006	FY2007
20.6%	22.7%	24.5%

## Geographic Segments (FY2006 ⇒ FY2007)



- 1) Effective FY2006, Turkey has been reclassified into Europe. Previously it was classified into Asia.
- 2) Sales in Americas include a large deal amounting to ¥1.4 billion in FY2006 and ¥2.2 billion in FY2007.

# 6) Financial Condition

(millions of yen)

	FY2006	FY2007	Change
<b>Current assets</b>	58,908	<b>63,718</b>	4,810
<b>Fixed assets</b>	16,985	<b>16,911</b>	-74
<b>Total assets</b>	75,894	<b>80,630</b>	4,736
<b>Current liabilities</b>	26,376	<b>28,242</b>	1,865
<b>Non-current fixed liabilities</b>	653	<b>573</b>	-79
<b>Total liabilities</b>	27,029	<b>28,815</b>	1,786
<b>Net assets</b>	48,864	<b>51,814</b>	2,949
<b>Total liabilities and net assets</b>	75,894	<b>80,630</b>	4,736

**Cash: -¥2.75 billion** (B/S ¥8.3 billion)  
**CD: +¥5.5 billion** (B/S ¥5.5 billion)  
**Trade notes & accounts receivable: +¥2.13 billion** (B/S ¥30.9 billion)  
**Inventories: -¥0.56 billion** (B/S ¥14.4 billion)

**Tangible fixed assets: +¥0.27 billion** (B/S ¥9.58 billion)  
**Investments in securities: -¥1.24 billion** (B/S ¥3.66 billion)  
 →Decrease in revalued amount

**Trade notes and accounts payable: +¥1.89 billion** (B/S ¥18.01 billion)

# 7) Cash Flows

(millions of yen)

	FY2006	FY2007	Change
I. Cash flows from operating activities	5,882	<b>8,621</b>	2,739
II. Cash flows from investing activities	-3,050	<b>-2,857</b>	192
Free cash flows	2,832	<b>5,764</b>	2,931
III. Cash flows from financing activities	-2,591	<b>-2,887</b>	-296
Effect of exchange rate changes on cash and cash equivalents	-17	<b>-106</b>	-88
Net increase (decrease) in cash and cash equivalents	223	<b>2,769</b>	2,546
Cash and cash equivalents at end of year	11,027	<b>13,797</b>	2,769

Income before income taxes and minority interests:  
¥9.63 billion (+¥1.32 billion)  
Decrease in Inventories:  
¥0.56 billion (+¥1.49 billion)

Capital expenditures:  
¥1.78 billion  
Purchase of intangible assets:  
¥0.53 billion

Decrease in short-term debt:  
¥1.08 billion  
Dividends payments:  
¥1.4 billion  
Purchase of treasury stock:  
¥0.25 billion

## 8) Capital Investments & R&D Costs

(millions of yen)

	FY2006	FY2007		Change	FY2008 Plan
		Plan	Actual		
Capital Investments	2,986	4,000	<b>2,658</b>	-328	4,400
Depreciation	1,698	2,100	<b>2,106</b>	407	2,700
R&D costs	4,756	4,900	<b>4,662</b>	-94	5,000

### **FY07 Actual Capital Investments:**

Molds for new products, gauges, demo products,  
production facility for hematology analyzer reagents (partial),  
machinery at Tomioka factory

### **FY08 Capital Investments Plan:**

Molds for new products, demo products,  
production facility for hematology analyzer reagents, expansion of Tomioka  
factory, restructuring of the business operating system

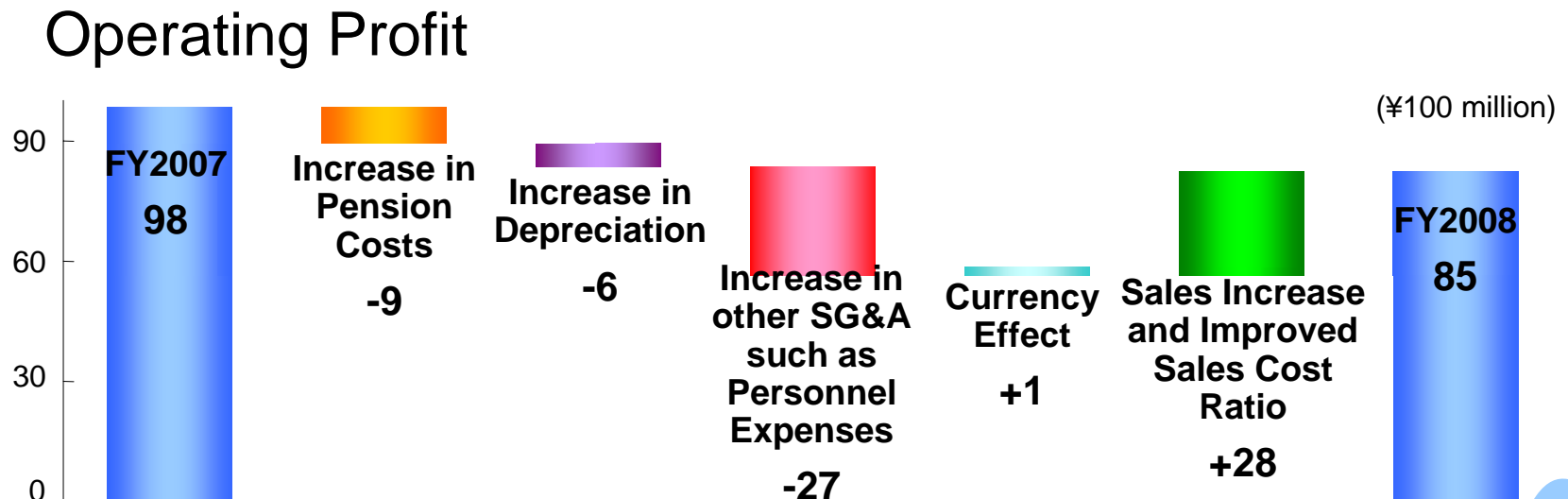
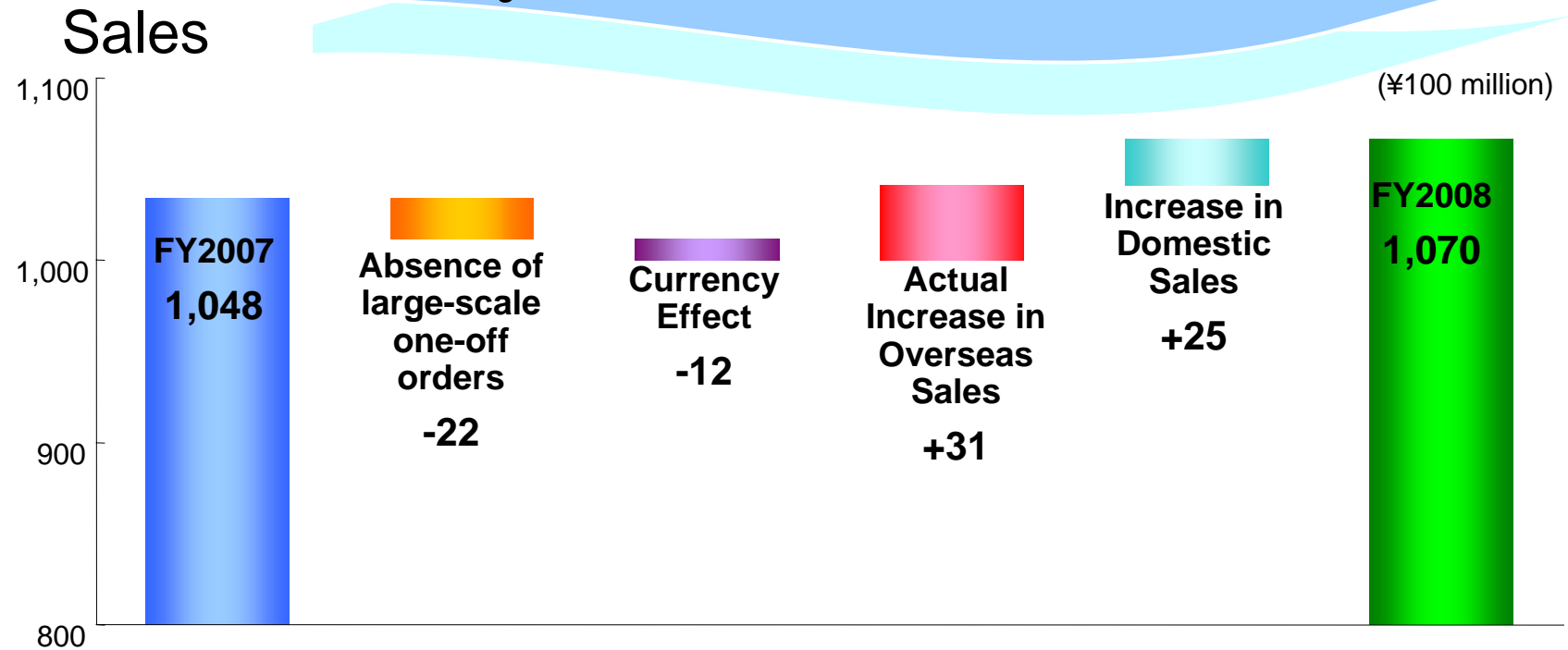


## 9) Forecast for FY 2008 (i)

(millions of yen)

	FY2006	FY2007	FY2008 Forecast	YoY (%)
<b>Sales</b>	96,679	104,825	<b>107,000</b>	2.1
<b>Operating profit</b>	7,973	9,817	<b>8,500</b>	-13.4
<b>Ordinary profit</b>	8,448	9,545	<b>8,500</b>	-11.0
<b>Net income</b>	5,052	5,631	<b>5,200</b>	-7.7
<b>Overseas Sales</b>	21,928	25,687	<b>25,300</b>	-1.5
Percentage of overseas sales to consolidated sales	22.7%	24.5%	23.6%	
<b>Average exchange rate</b>				
1 US Dollar	116 yen	114 yen	105 yen	
1 Euro	149 yen	161 yen	150 yen	

# 9) Analysis of FY2008 Forecasts



## 9) Forecast for FY 2008 (ii)

(millions of yen)

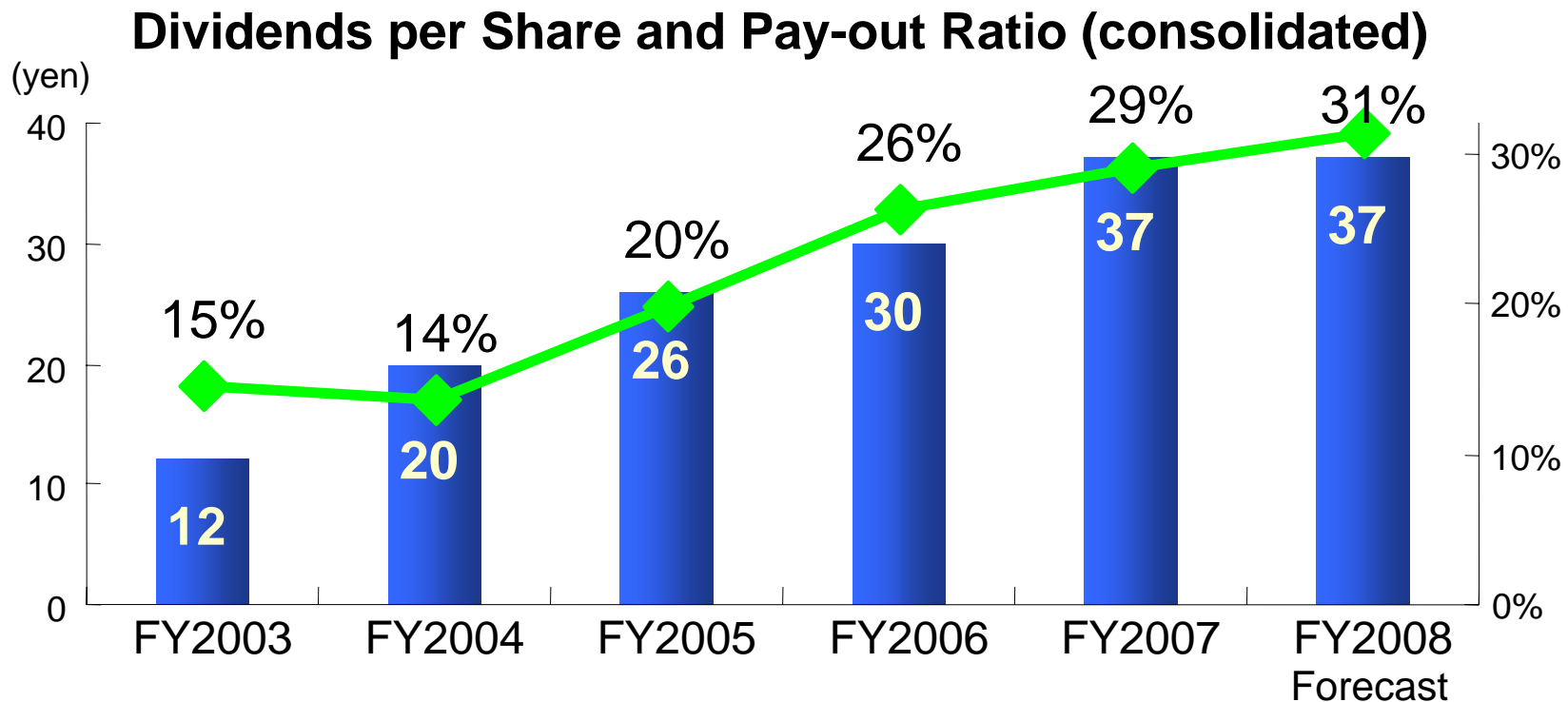
	FY2006	FY2007	FY2008 Forecast	YoY (%)
Physiological Measuring Equipment	16,481	17,001	17,300	1.8
Patient Monitors	19,673	21,882	22,800	4.2
Treatment Equipment	13,488	15,862	17,000	7.2
Medical Supplies	29,407	33,217	33,900	2.1
Other Medical Equipment	17,627	16,861	16,000	-5.1
Total	96,679	104,825	107,000	2.1

# 10) Dividend Policy

## Basic Dividend Policy

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

**Rough indication: Consolidated pay-out ratio of 30%**





# **Basic Strategy**

**SPEED UP II**

**Mid-term Business Plan**

## 1) Management Vision and Policy

### Vision

Increase Nihon Kohden's global brand awareness for medical electronic equipment

### Policy

- 1) Raise corporate value by securing reasonable profits
- 2) Gain customer confidence
- 3) Develop original technologies and products
- 4) Emphasize core businesses and capture global market share
- 5) Increase globalization of business
- 6) Expand into new business lines
- 7) Undertake structural reform
- 8) Strengthen business across the organization
- 9) Promote CSR

## 2) Long-term Management Goals

Achieve by FY2012

Net Sales                      ¥140 billion

Operating Margin              10%

Overseas Sales Ratio        30%

### 3) Mid-term Business Plan

	FY2006 Actual	FY2007 Actual	<b>FY2008 Plan</b>	<b>FY2009 Goal</b>	3 years growth
Net Sales	¥96.6 billion	¥104.8 billion	<b>¥107 billion</b>	<b>¥113 billion</b>	16.9%
Overseas Sales Ratio	22.7%	24.5%	<b>23.6%</b>	<b>27.0%</b>	
Operating Profit	¥7.9 billion	¥9.8 billion	<b>¥8.5 billion</b>	<b>¥10.2 billion</b>	27.9%
Operating Margin	8.2%	9.4%	<b>7.9%</b>	<b>9.0%</b>	
ROE	10.7%	11.3%		<b>12.0%</b>	
Inventory Turnover Rate*	6.4 times	7.3 times		<b>7.4 times</b>	

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



## 4) Key Subjects in FY2008 - 1

### Strengthen business base for future growth

#### 1. Expand manufacturing capability at Tomioka factory

Establish second factory (Sept. 2008)

Meet increased sales of in-house AED and expansion of overseas business

#### 2. Enhance overseas sales network

Establish a sales subsidiary in China (April 2008)

Reorganize Nihon Kohden Italia S.R.I. (April 2008) Change to direct sales

#### 3. Restructure business operating system to raise business efficiency

#### 4. Enhance human resources to enlarge business scale

Invest for future growth and seek further efficiency

# 5) Key Subjects in FY2008 - 2

Focus on growth areas and retain stable earnings

## Business Environment

Aging in advanced countries

Restrain medical costs

Shift from medical treatment to prevention

Safety, quality, efficiency of medical care

Growth in emerging markets, such as BRICs

1. Explore new business opportunities

2. Expand key areas where we can leverage our strength

### Core businesses

1. EEG/EMG
2. ECG/polygraphs
3. Patient monitors
4. Defibrillators/AED
5. Hematology analyzers

3. Strengthen after sales service business

# 6) Explore New Business Opportunities - 1

## 1. Enhance key technologies to expand immunology business

Acquire fabrication techniques for immunodiagnostic agents

**Antibody Technologies: Acquire NIPPON BIOTEST LABO**  
(April 2008)

**Latex Particle Technologies: Establish lab in Kobe**  
(May 2008)

Synergy with our advanced medical electronic technologies

Hematology Analyzer  
MEK-6400



Immunologic Analyzer  
CRP-3100



Expand immunology business in rapid growing POCT market

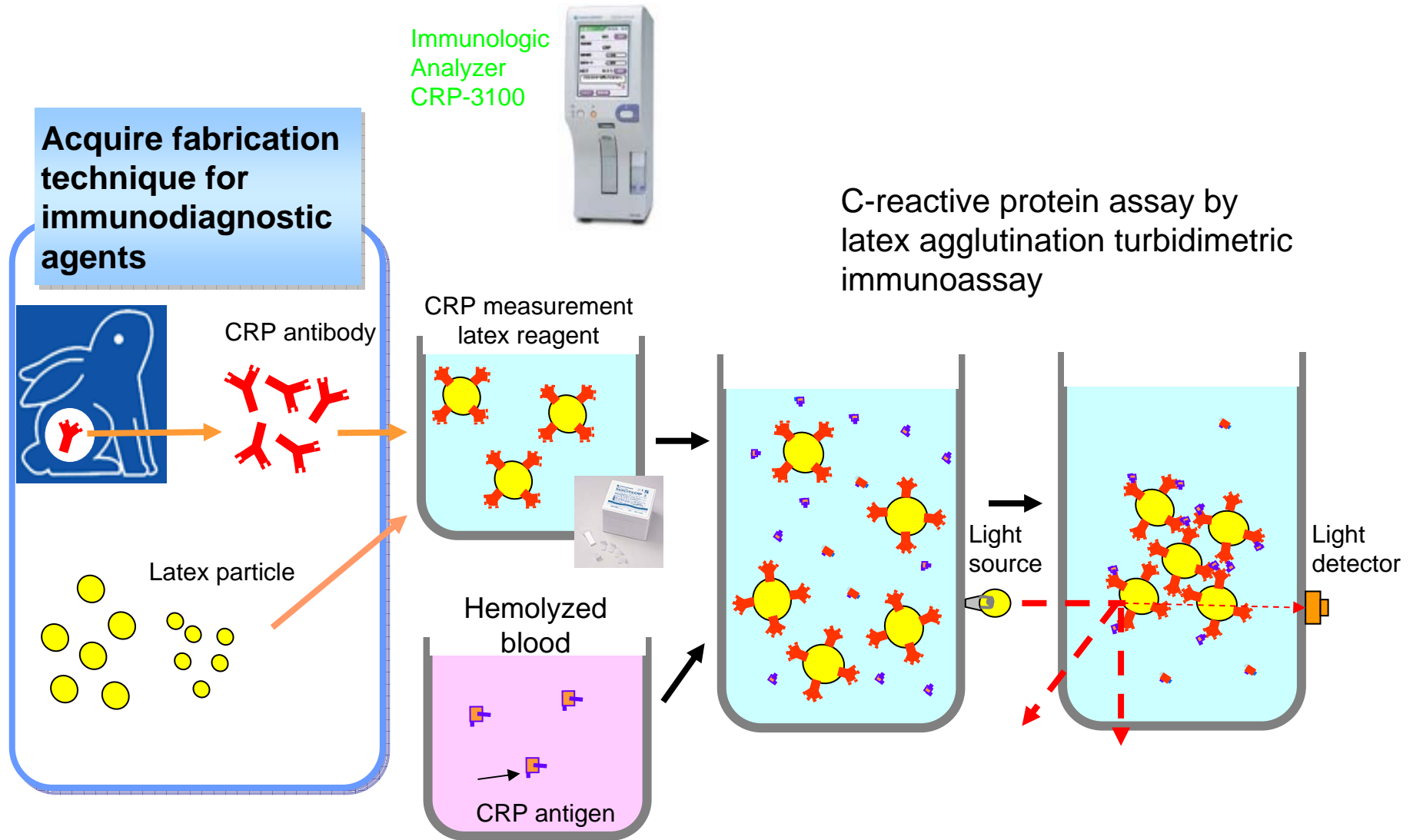
Infection

Diabetes

Cancer

Flu

# [Reference] Acquire Fabrication Technique for Immunodiagnostic Agents



# 6) Explore New Business Opportunities - 2

## 2. Gain new key technologies in immunology & biology

**Establish academic-industrial cooperation**

Establish a lab in the collaborative educational research facility in the field of biomedicine at Tokyo Women's Medical University and Waseda University (May 2008)

**Enhance technical capabilities**

Joint research with specialists in medical science, engineering, and biology

**Accumulate practical applications of R&D themes**

R&D theme: Device used for isolating the cell from the organization, culturing the isolated cell, and diagnosing the isolated cell

**Develop medical devices in new fields to expand our domain identity**

# 7) Expand Key Areas Where We Can Leverage Our Strength - 1

## 1. Expand AED business

Enhance AED product lineup



AED-9321



AED-1200

Launch low-cost AED in FY2008

Explore new distribution channels

Start exporting our own AED

Start marketing our own AED in countries where general citizens are permitted to use AED (FY2008)

Expand AED business domestically and internationally

# 7) Expand Key Areas Where We Can Leverage Our Strength - 2

## 2. Expand patient monitor business

Launch new patient monitors



Japan: April 2008  
International: FY2008

Central monitors CNS-9601



International: May 2008  
Japan: FY2008

Bedside monitors BSM-6501 BSM-6701

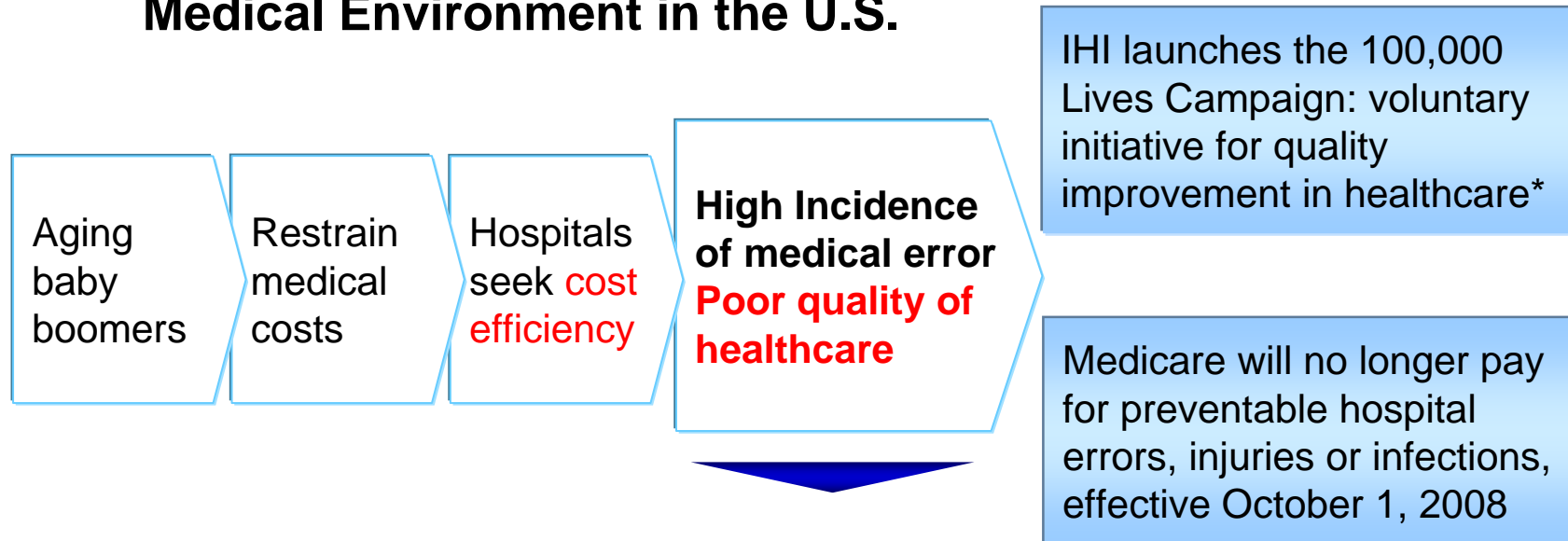
Create a new category within patient monitoring

Nihon Kohden helps hospitals “Save Lives and Avoid Costs” with “Defensive Monitoring” in the U.S.

Expand patient monitors business domestically and internationally

# [Reference] NIHON Kohden helps hospitals “Save Lives and Avoid Costs” with “Defensive Monitoring” in the U.S.

## Medical Environment in the U.S.



## U.S. hospitals need to **“Save lives and avoid costs”**

\* The Institute of Medicine found that up to 98,000 Americans die every year from preventable medical errors made in hospitals. In response, the Institute for Healthcare Improvement launched the 100,000 Lives Campaign and 3,100 hospitals participated. After that success, the 5 Million Lives Campaign was launched to protect patients from five million incidents of medical harm.



# [Reference] Nihon Kohden helps hospitals “Save Lives and Avoid Costs” with “Defensive Monitoring” in the U.S.

## Nihon Kohden’s new monitoring solution to hospitals’ latest needs

### “Defensive Monitoring”

**Monitoring every patient to prevent incidents of medical harm cost-effectively**

Not just high risk patients in conventionally monitored areas such as critical care

#### General Ward

##### NTX

The **world’s first and only** wireless telemetry transmitter that can measure heart rate, blood pressure, oxygen saturation and respiration



#### Nurse Station

##### Prefense

Consists of a **new central station interface** that is simple, easy to use, and cost-effective, combined with **40** NTX.



**Create a new category within patient monitoring**

# 7) Expand Key Areas Where We Can Leverage Our Strength - 3

## 3. High quality products and services

Our products and services have earned a high reputation in U.S. hospitals

### Patient Monitors

(Score of 0-10, 8 vendors)

#### Product Reliability

1.	Philips	8.7
2.	<b>Nihon Kohden</b>	8.6
:		

#### Service Value

1.	<b>Nihon Kohden</b>	8.5
2.	Datascope	8.0
:		

Source: Medical Strategic Planning, Inc., 2006

### EEG (Sleep Assessment)

(Score of 0-10, 6 vendors)

#### User Satisfaction

1.	<b>Nihon Kohden</b>	8.8
2.	Respironics	8.5
:		

Source: MD Buyline, Inc., 2008 Q1

Frost & Sullivan recognizes Nihon Kohden's extraordinary market share growth in the North American multiparameter patient monitoring

**Maintain high quality to further enhance customer satisfaction**

# 8) Strengthen After Sales Service Business

## Accelerate international consumables business

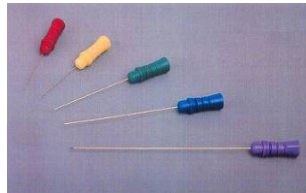
**Product hematology reagents locally**

Joint venture with Span Diagnostics Ltd. in India (May 2008)

→ *Expand business of hematology analyzers and reagents in India*

**Promote EMG electrodes internationally**

Enhance product lineup of needle electrodes for EMG (Electromyogram) (FY2008)



Needle electrodes for EMG (OEM)

→ *Expand business of EMG and related consumables*

Accelerate international consumable business for retaining stable earnings

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