

Consolidated Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2011 (Japan GAAP)
NIHON KOHDEN CORPORATION (6849)

Stock Exchange Listing: 1st section Tokyo Stock Exchange
 Head Office: Tokyo
 Representative: Fumio Suzuki, President and COO
 Contact: Fumio Hirose, Operating Officer, General Manager, Corporate Planning Dept.
 Phone: +81 / 3 - 5996 - 8003 (URL <http://www.nihonkohden.co.jp>)

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the 3rd Quarter of FY2010 (From April 1, 2010 to December 31, 2010)
(1) Consolidated Operating Results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2010 3Q (9 months)	79,276	5.8	6,011	3.3	5,662	-4.2	3,816	-0.5
FY2009 3Q (9 months)	74,961	-4.3	5,817	18.7	5,908	29.6	3,835	41.5

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2010 3Q (9 months)	86.87	—
FY2009 3Q (9 months)	87.31	—

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

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2010 3Q (9 months)	85,109	59,469	69.8	1,352.80
As of March 31, 2010	88,000	57,949	65.8	1,318.49

Reference: Equity Capital: FY2010 3Q: 59,432 million yen FY2009: 57,925 million yen

2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2009	—	17.00	—	20.00	37.00
FY2010	—	19.00	—		
FY2010 (Forecast)				25.00	44.00

Note: (1) Revision of dividends forecast: Yes

(2) Breakdown of year-end dividends for FY2010(Forecast): Ordinary Dividend 19.00 yen, Commemorative dividend 6.00 yen

3. Consolidated forecast for FY2010 (From April 1, 2010 to March 31, 2011)

	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
Full year	112,000	4.7	10,000	7.3	10,000	7.0	6,300	6.5	143.40

Note: Revision of consolidated forecast: None

*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, 2010 to December 31, 2010), the overall global economy gradually recovered, followed by a steady demand for medical equipment in the international market. In Japan, hospitals continued to face difficulties, whereas medical treatment fees were revised upward for the first time in 10 years and the Japanese government allocated a budget in regional medical care revival plan in order to compensate for the physician shortage and ensure delivery of emergency and perinatal care.

Under this business environment, the Company launched its new 3-year Business Plan, SPEED UP III, covering fiscal years 2010 to 2012 and focused on implementing key strategies including expanding and strengthening core business areas as well as developing new business.

Japan: Sales in the hospital market, particularly in acute hospitals, increased favorably since their capital spending recovered following the upward revision of medical treatment fees. Sales of Patient Monitors showed strong growth, supported by higher sales of bedside monitors and telemetry systems. The introduction of a new transmitter also impacted sales favorably. Sales of EEGs, ECGs and diagnostic information systems increased in Physiological Measuring Equipment. In the PAD market, sales of AEDs remained weak. As a result, domestic sales increased 5.5% over the 9 months of FY2009, to ¥64,127 million.

International: Sales of Patient Monitors showed strong growth in all areas including the Americas, Europe and Asia. Sales of Hematology Analyzers also increased, while sales of Physiological Measuring Equipment and Treatment Equipment decreased. In the Americas, the Company enjoyed strong growth in the United States and Latin America. Sales in Europe increased due to solid sales in Germany, Italy, and Russia. A large spot order in Romania also impacted sales favorably. In Asia, sales in South Korea and Southeast Asia grew favorably, while sales in China and Middle-East decreased from the 9 months of FY2009. As a result, international sales increased 6.8% over the 9 months of FY2009, to ¥15,148 million.

Overall sales during the term under review increased 5.8% over the 9 months of FY2009 to ¥79,276 million. Gross margin narrowed to 50.3% from 51.7% primarily due to changes in accounting processing and unfavorable product mix. As a result, operating income increased 3.3% to ¥6,011 million. Due to exchange loss, ordinary income decreased 4.2% to ¥5,662 million and net income decreased 0.5% to ¥3,816 million over the 9 months of FY2009.

5. Consolidated Sales Results by Product Category

	(Millions of yen)	
	Nine months ended December 31, 2010	
	Amount	Growth rate (%)
Physiological Measuring Equipment	20,273	+ 4.3
Patient Monitors	26,475	+ 14.0
Treatment Equipment	13,293	- 4.6
Other Medical Equipment	19,233	+ 4.8
Total	79,276	+ 5.8
(Reference) Domestic Sales	64,127	+ 5.5
(Reference) Overseas Sales	15,148	+ 6.8
(Reference) Overseas Sales		
Americas	5,042	+ 12.2
Europe	4,749	+ 6.5
Asia	4,556	- 0.1
Other	800	+ 19.7

Effective FY2010, consumables and maintenance services, which were previously classified under "Medical Supplies", have been classified under the relevant "Physiological Measuring Equipment", "Patient Monitors", "Treatment Equipment" or "Other Medical Equipment" categories. Figures for FY2009 have been reclassified in this way to reflect the growth rate of each individual category.

6. Revise of Consolidated Forecast for FY2010

As recent performance trends are in line with estimates, the Company reaffirms the forecast for FY2010, previously announced on November 4, 2010.

The Company's forecast for the fourth quarter of FY2010 is based on an exchange rate of 84 yen to the dollar and 113 yen to the euro. Exchange rate fluctuations will not have much impact on operating income because the Company's import and export business are roughly balanced.

7. Others

(1) Change in the valuation method for inventory assets

Inventories were previously stated principally at cost determined by the gross average method for merchandise and finished goods and the last purchase method for raw materials and supplies. From this fiscal year, the Company adopted the moving-average method due to introduction of the enterprise resource planning system.

As a result, gross profit, operating income, ordinary income and income before income taxes and minority interests decreased by ¥139 million, respectively.

(2) Change in account processing of consolidated statements of income

Following the introduction of the enterprise resource planning system, some costs related to services are included in cost of sales from this fiscal year, which was previously included in selling, general and administrative expenses.

As a result, gross profit decreased by ¥465 million. The change has no effect on operating income, ordinary income and income before income taxes and minority interests.

7. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	December 31, 2010	March 31, 2010
ASSETS		
Current assets:		
Cash	8,122	8,834
Trade notes and accounts receivable	31,643	35,167
Marketable Securities	8,000	7,500
Merchandise and finished goods	10,879	11,277
Work in process	1,391	76
Raw materials and supplies	2,430	2,151
Other current assets	4,820	4,907
Allowance for doubtful receivables	-192	-230
Total current assets	67,096	69,685
Fixed assets:		
Tangible fixed assets	9,349	9,365
Intangible fixed assets		
Goodwill	776	817
Other intangible fixed assets	3,498	3,534
Total intangible fixed assets	4,274	4,351
Investments and other assets		
Investments in securities	2,430	2,753
Other investments and other assets	2,009	1,895
Allowance for doubtful receivables	-51	-52
Total investments and other assets	4,388	4,597
Total fixed assets	18,013	18,315
Total assets	85,109	88,000
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	17,715	18,200
Short-term debt	1,041	1,131
Accrued income taxes	461	2,713
Reserve for bonuses	1,032	1,988
Provision for product warranties	362	402
Other current liabilities	4,541	5,284
Total current liabilities	25,155	29,722
Non-current liabilities:		
Long-term debt	8	11
Reserve for retirement benefits	79	—
Long-term accounts payable	194	194
Other non-current liabilities	202	123
Total non-current liabilities	484	329
Total liabilities	25,640	30,051
NET ASSETS		
Stockholders' equity:		
Common stock	7,544	7,544
Additional paid-in capital	10,487	10,487
Retained earnings	44,410	42,307
Treasury stock	-2,019	-2,017
Total stockholders' equity	60,423	58,321
Valuation and translation adjustments:		
Net unrealized gain on other securities	-49	150
Foreign currency translation adjustments	-942	-546
Total valuation and translation adjustments	-991	-396
Minority interests	37	23
Total net assets	59,469	57,949
Total liabilities and net assets	85,109	88,000

(2) Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Net sales	74,961	79,276
Cost of sales	36,211	39,388
Gross profit	38,750	39,888
Selling, general and administrative expenses	32,932	33,876
Operating income	5,817	6,011
Non-operating income		
Interest income	21	12
Dividends income	101	79
Other, net	182	194
Total non-operating income	306	286
Non-operating expenses		
Interest expenses	25	11
Exchange loss	106	574
Equity in losses of affiliates	5	—
Other, net	76	49
Total non-operating expenses	214	636
Ordinary income	5,908	5,662
Extraordinary income		
Gain on sales of noncurrent assets	—	0
Reversal of allowance for doubtful accounts	61	28
Gain on sales of investment securities	195	7
Total extraordinary income	256	36
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	11	—
Loss on retirement of noncurrent assets	—	9
Loss on sales of investment securities	—	1
Loss on valuation of investment securities	51	—
Provision for product warranties for prior periods	320	—
Loss on adjustment for asset retirement obligations for prior periods	—	11
Total extraordinary losses	383	21
Income before income taxes and minority interests	5,781	5,676
Income taxes	1,933	1,846
Income before minority interest	—	3,830
Minority interests in income	12	13
Net income	3,835	3,816

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Cash flows from operating activities:		
Income before income taxes and minority interests	5,781	5,676
Depreciation and amortization	1,832	1,944
Increase (decrease) in provision	-1,141	-954
Interest and dividends income	-123	-91
Interest expenses	25	11
Foreign exchange losses (gains)	-33	64
Loss (gain) on sales and retirement of property, plant and equipment	11	8
Decrease (increase) in notes and accounts receivable-trade	1,703	3,275
Decrease (increase) in inventories	-203	-1,195
Increase (decrease) in notes and accounts payable-trade	-322	-484
Other, net	1,161	-481
Subtotal	<u>8,692</u>	<u>7,773</u>
Interest and dividends income received	123	92
Interest expenses paid	-24	-29
Income taxes paid	-2,621	-4,316
Net cash provided by (used in) operating activities	<u>6,169</u>	<u>3,520</u>
Cash flows from investing activities:		
Proceeds from sales of investment securities	380	23
Purchase of investment securities	-24	-37
Proceeds from sales of property, plant and equipment	8	4
Purchase of property, plant and equipment	-883	-1,449
Purchase of intangible assets	-1,342	-558
Other, net	2	-39
Net cash used in investing activities	<u>-1,859</u>	<u>-2,057</u>
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	-419	0
Repayment of long-term loans payable	-4	-3
Cash dividends paid	-1,573	-1,713
Repayments of lease obligations	-31	-26
Other, net	-1	-1
Net cash used in financing activities	<u>-2,029</u>	<u>-1,744</u>
Effect of exchange rate change on cash and cash equivalents	93	29
Net increase (decrease) in cash and cash equivalents	<u>2,373</u>	<u>-251</u>
Cash and cash equivalents at beginning of period	11,197	16,331
Cash and cash equivalents at end of period	<u>13,571</u>	<u>16,079</u>