

NIHON KOHDEN CORPORATION (6849)

Stock Exchange Listing: 1st section Tokyo Stock Exchange

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Nihon Kohden draws up a new mid-term business plan

Nihon Kohden today announced a new mid-term business plan for the Nihon Kohden group covering fiscal years 2007 to 2009. Based on the Company's corporate philosophy of "Fighting disease and enhancing health by advanced technology in order to contribute to the world as well as create an affluent life for employees", a 3-year business plan "SPEED UP II" was designed with the aims of sustaining group growth and enhancing corporate value of the Company.

In the previous mid-term plan (FY 2004 to FY 2006), Nihon Kohden implemented various measures to increase corporate value under the theme of "Establishing high-profit structure by strengthening management structure and management base". In the domestic market, the Company emphasized development of products with high market demand, such as system network products that support hospitals in introducing IT to their operations, in order to respond to medical system reform. At the same time, the Company worked to increase share in the acute hospital market and promoted dissemination of AED (automatic external defibrillator) in the emerging market of PAD (public access defibrillation). In overseas markets, the Company established a three axis organization based on the Americas, Europe and Asia. As a result, the Company marked consolidated sales of ¥96.6 billion, consolidated ordinary profit of ¥8.4 billion and ratio of overseas sales of 22.7%; all of those exceeded the original plan of ¥93 billion, ¥8 billion and 20.5%, respectively. However, the targets of ROE and inventory reduction remain to be met.

In the new mid-term business plan, Nihon Kohden continues the theme of its previous mid-term business plan of "Establishing high-profit structure achieved by strengthening management structure and management base" and management vision of "Building a global brand as a manufacturer of medical electronic equipment". The Company also set a new long-term management goal of "achieving sales of ¥140 billion, operating profit margin of 10%, and ratio of overseas sales of 30% by FY2012". Nihon Kohden aims to increase its corporate value and common interests of its stockholders by steadily implementing various measures presented in the new mid-term business plan "SPEED UP II".

1. Management Vision/Long-term Management Goal

- Build a global brand as a manufacturer of medical electronic equipment
- Achieve sales of ¥140 billion, operating profit margin of 10%, and ratio of overseas sales of 30% by FY2012

2. Mid-term Business Plan

(1) Targets of "SPEED UP II" (Consolidated)

	FY2006 Actual	Target for FY2009
Net Sales	¥96.6 billion	¥113.0 billion
ratio of overseas sales	23%	27%
Operating Profit	¥7.9 billion	¥10.2 billion
Inventory turnover rate	6.4 times	7.4 times
ROE	10.7%	12.0%

(2) Concrete Strategy

In the new mid-term business plan, we will pursue the following aims:

- Enhance our technical capabilities in order to increase to our competitive edge and create new businesses
- In the domestic market, expand market share in the areas of acute hospitals and primary care doctors which play core roles in the region
- In the overseas market, expand our global business by strengthening our three-axis sales network
- Establish a production and logistics system that is focused on the global market
- Cultivate professional human resources to support these business operations

i) Product Strategy

- Strengthen our business foundation, such as framework for technology development and product supply system, in order to respond to globalization
- Strengthen core technologies, such as sensors, biosignal processing, wireless, IT and networking, to provide value-added products on a timely basis
- Promote technical development and enhance our product lineup in growth areas such as specialized medical checkups, medical safety, and solutions for hospital-clinic cooperation systems, to respond to medical system reform
- Promote environmentally-friendly product design for environmental preservation
- Increase technical development in new areas by increasing cooperation between industry, government and academia and alliance with other companies, leading to the creation of new businesses

ii) Production and Logistics Strategy

- Strengthen the production system while ensuring quality in order to support a global business
- Promote cost savings by improved production efficiency and procurement
- Shorten delivery time, reduce inventories and reduce logistics cost by optimization of logistics and overseas production

iii) Domestic Sales Strategy

- Expand market share in the field of acute hospitals and primary care doctors which play core roles in the local healthcare and strengthen after-sales service business subsequent to product delivery such as business related to repair and maintenance service, consumables, and outsourcing business related to safe management of medical devices.
- Enhance sales activities focusing on system solution business in the area of diagnostics and examination
- Promote AED and enhance after-sales service business to expand PAD business
- Continue to strengthen our consulting business for private practice startups
- Reinforce our service organization to facilitate consistent provision of high-quality service which contributes to ensuring medical safety as well as improving customer satisfaction

iv) International Sales Strategy

- Establish strong international sales network based on three axis organizations, the Americas, Europe and Asia, by building closer and more cooperative relations between our direct marketing network and distributors' networks
- Strengthen service structure by enhancing regional service networks and improving quality of technical service system
- Improved plan by region
 - Increase sales offices in order to strengthen sales force and customer service in North America
 - Establish close relationship with key hospitals to enhance our presence in major European markets
 - Restructure sales and service network in China, the biggest market in Asia, to expand our business

v) Reorganization of Management System and Enhance Human Resource Development

- Enhance corporate governance aiming at a management system that can respond promptly and flexibly to change in business environment by reducing the number of directors, shortening the directors term of office, and introducing an operating officer system
- Strengthen internal control system and promote CSR (corporate social responsibility) to respond to business expansion
- Cultivate and recruit human resources capable of global business operations

Disclaimer: Contents described in this document are based on the Company's best judgments at the time it was prepared and do not constitute a guarantee or promise that the Company will achieve its numerical targets or implement the measures.