

Consolidated Financial Results for the 1st 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 1st Quarter of FY2010 (From April 1, 2010 to June 30, 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 1Q (3 months)	23,554	6.3	1,144	44.3	841	-7.1	450	360.7
FY2009 1Q (3 months)	22,157	-17.1	792	-59.1	906	-60.2	97	-91.9

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2010 1Q (3 months)	10.25	—
FY2009 1Q (3 months)	2.22	—

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
As of June 30, 2010	82,057	57,186	69.7	1,301.04
As of March 31, 2010	88,000	57,949	65.8	1,318.49

Reference: Equity Capital: FY2010 1Q: 57,159 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	—				
FY2010 (Forecast)		19.00	—	19.00	38.00

Note: Revise of dividends forecast: None

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
First half	53,000	6.3	4,000	5.4	4,000	5.0	2,300	2.0	52.35
Full year	112,000	4.7	10,000	7.3	10,000	7.0	6,300	6.5	143.40

Note: Revise 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 June 30, 2010), the overall global economy gradually recovered and demand for medical equipment in the international market appeared to be improved. In Japan, hospitals continued to face difficulties, whereas medical treatment fees was revised upward for the first time in 10 years to compensate for the physician shortage and ensure delivery of emergency and perinatal care.

Under these circumstances, the Company launched a new 3-year Business Plan, SPEED UP III, covering fiscal years 2010 to 2012 and implemented key strategies including expanding and strengthening core business areas.

Japan: The Company promoted sales in acute hospitals since their capital spending was expected to recover following the increase in medical treatment fees. As a result, sales of Patient Monitors showed strong growth and sales of EEGs and diagnostic information systems also increased. Installation service sales in Other Medical Equipment also increased and sales of AEDs remained weak. As a result, domestic sales increased 6.9% over the first quarter of FY2009, to ¥19,343 million.

International: Sales of Patient Monitors showed strong growth and sales of Physiological Measuring Equipment also increased, while sales of Treatment Equipment decreased. Sales in the Americas grew driven by sales growth of EEGs and Patient Monitors in the U.S. following the recovery of hospital capital spending. Sales in Europe also grew led by the increase of Patient Monitors sales as mid-end patient monitors received a favorable reception. In Asia, sales in China continued to grow, while sales in Middle-East decreased from the prior year quarter when we had a large spot order of defibrillators. As a result, international sales increased 3.5% over the first quarter of FY2009, to ¥4,211 million.

Overall sales during the term under review increased 6.3% over the prior year quarter to ¥23,554 million and operating income increased 44.3% to ¥1,144 million. Ordinary income decreased 7.1% to ¥841 million with unfavorable currency effects. Net income increased 360.7% to ¥450 million over the prior year quarter when we reported extraordinary loss including provision for product warranties for prior periods.

5. Consolidated Sales by Product Category

	(Millions of yen)	
	Three months ended June 30, 2010	
	Amount	Growth rate (%)
Physiological Measuring Equipment	6,420	+6.7
Patient Monitors	7,252	+16.6
Treatment Equipment	3,724	-7.7
Other Medical Equipment	6,157	+4.6
Total	23,554	+6.3
Domestic Sales	19,343	+6.9
Overseas Sales	4,211	+3.5
(Reference) Overseas Sales		
Americas	1,541	+8.3
Europe	1,206	+16.7
Asia	1,249	-7.5
Other	213	-18.7

Effective FY2010, consumables and maintenance services are reclassified into "Physiological Measuring Equipment", "Patient Monitors", "Treatment Equipment" and "Other Medical Equipment", it was previously classified into "Medical Supplies". Accordingly, figures in the first quarter of FY2009 were reclassified in a same manner for growth rate.

6. Consolidated Forecast for FY2010

As recent performance trends are in line with estimates, the Company reaffirms the forecast for FY2010, previously announced on May 11, 2010. An exclusive OEM Supply and Purchase Agreement with Cardiac Science Corporation to sell their AEDs in Japan was terminated in June 2010. Sales of their AEDs will end as soon as the current inventory runs out or in March 2011. Because both companies will continue to deliver customer service for their AEDs, including recent voluntary field corrective action, and the Company introduced its own AED product in June 2009, the Company expects that the impact of the termination on earnings will be minor.

The Company's forecast for FY2010 is based on an exchange rate of 90 yen to the dollar and 130 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. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	June 30, 2010	March 31, 2010
ASSETS		
Current assets:		
Cash	9,701	8,834
Trade notes and accounts receivable	30,979	35,167
Marketable Securities	4,500	7,500
Merchandise and finished goods	10,845	11,277
Work in process	1,600	76
Raw materials and supplies	2,208	2,151
Other current assets	4,305	4,907
Allowance for doubtful receivables	-238	-230
Total current assets	63,901	69,685
Fixed assets:		
Tangible fixed assets	9,273	9,365
Intangible fixed assets		
Goodwill	802	817
Other intangible fixed assets	3,641	3,534
Total intangible fixed assets	4,443	4,351
Investments and other assets		
Investments in securities	2,534	2,753
Other	1,956	1,895
Allowance for doubtful receivables	-52	-52
Total investments and other assets	4,438	4,597
Total fixed assets	18,155	18,315
Total assets	82,057	88,000
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	16,073	18,200
Short-term debt	1,059	1,131
Accrued income taxes	476	2,713
Reserve for bonuses	569	1,988
Provision for product warranties	336	402
Other current liabilities	5,975	5,284
Total current liabilities	24,490	29,722
Non-current liabilities:		
Long-term debt	10	11
Reserve for retirement benefits	8	—
Long-term accounts payable	194	194
Other non-current liabilities	166	123
Total non-current liabilities	380	329
Total liabilities	24,870	30,051
NET ASSETS		
Stockholders' equity:		
Common stock	7,544	7,544
Additional paid-in capital	10,487	10,487
Retained earnings	41,879	42,307
Treasury stock	-2,017	-2,017
Total stockholders' equity	57,893	58,321
Valuation and translation adjustments:		
Net unrealized gain on other securities	16	150
Foreign currency translation adjustments	-750	-546
Total valuation and translation adjustments	-734	-396
Minority interests	27	23
Total net assets	57,186	57,949
Total liabilities and net assets	82,057	88,000

(2) Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010
Net sales	22,157	23,554
Cost of sales	10,641	11,312
Gross profit	11,516	12,242
Selling, general and administrative expenses	10,723	11,097
Operating income	792	1,144
Non-operating income		
Interest income	5	10
Dividend income	43	44
Foreign exchange gains	59	—
Other, net	47	89
Total non-operating income	156	144
Non-operating expenses		
Interest expenses	10	9
Foreign exchange losses	—	416
Equity in losses of affiliates	5	—
Other, net	27	21
Total non-operating expenses	43	447
Ordinary income	906	841
Extraordinary income		
Gain on sales of noncurrent assets	—	0
Gain on sales of investments in securities	6	—
Reversal of allowance for doubtful accounts	0	1
Total extraordinary income	6	1
Extraordinary expenses		
Loss on sales and retirement of fixed assets	4	—
Loss on retirement of noncurrent assets	—	0
Loss on devaluation of investment in securities	51	1
Provision for product warranties for prior periods	320	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	11
Total extraordinary expenses	376	13
Income before income taxes and minority interests	536	829
Income taxes	437	377
Income before minority interests	—	452
Minority interests	1	2
Net income	97	450

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010
Cash flows from operating activities:		
Income before income taxes and minority interests	536	829
Depreciation and amortization	573	607
Increase (decrease) in provision	-1,418	-1,468
Interest and dividends income	-49	-55
Interest expenses	10	9
Foreign exchange losses (gains)	-20	56
Loss (gain) on sales and retirement of property, plant and equipment	4	0
Decrease (increase) in notes and accounts receivable-trade	4,292	4,821
Decrease (increase) in inventories	-303	-1,148
Increase (decrease) in notes and accounts payable-trade	-2,026	-2,126
Other, net	671	351
Subtotal	<u>2,269</u>	<u>1,878</u>
Interest and dividends income received	49	55
Interest expenses paid	-14	-27
Income taxes paid	-1,199	-2,473
Net cash provided by (used in) operating activities	<u>1,105</u>	<u>-567</u>
Net cash provided by (used in) investing activities:		
Proceeds from sales of investment securities	32	—
Purchase of investment securities	-13	-19
Proceeds from sales of property, plant and equipment	5	0
Purchase of property, plant and equipment	-252	-485
Purchase of intangible assets	-392	-298
Other, net	1	4
Net cash provided by (used in) investing activities	<u>-619</u>	<u>-799</u>
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	37	1
Repayment of long-term loans payable	-1	-1
Cash dividends paid	-771	-818
Repayments of lease obligations	-15	-5
Other, net	-0	-0
Net cash provided by (used in) financing activities	<u>-751</u>	<u>-824</u>
Effect of exchange rate change on cash and cash equivalents	145	61
Net increase (decrease) in cash and cash equivalents	<u>-120</u>	<u>-2,129</u>
Cash and cash equivalents at beginning of period	11,197	16,331
Cash and cash equivalents at end of period	<u>11,077</u>	<u>14,201</u>