

Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2010

NIHON KOHDEN CORPORATION (6849)

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(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the 2nd Quarter of FY2009 (From April 1, 2009 to September 30, 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	%
FY2009 2Q (6 months)	49,847	-7.4	3,795	-2.2	3,809	-1.8	2,253	2.2
FY2008 2Q (6 months)	53,855	—	3,880	—	3,881	—	2,206	—

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2009 2Q (6 months)	51.30	—
FY2008 2Q (6 months)	50.21	—

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
FY2009 2Q (6 months)	78,416	55,132	70.3	1,254.50
FY2008	80,479	53,569	66.5	1,219.06

Reference: Equity Capital: FY2009 2Q: 55,115 million yen FY2008: 53,558 million yen

2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2008	—	18.00	—	19.00	37.00
FY2009	—	17.00	—	—	—
FY2009 (Forecast)	—	—	—	17.00	34.00

Note: Revise of dividends forecast: None

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
Full year	107,000	-1.9	8,200	1.2	8,200	7.3	5,100	10.6	116.08

Note: Revise of consolidated forecast: Yes

*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, 2009 to September 30, 2009), the global economy remained in recession, although the worst appeared to be over due to stimulus packages by countries.

The economic slowdown weakened demand for medical equipment in the Americas and Europe as well as demand for AEDs in the Japanese PAD market. In the Japanese hospital market, hospitals continued to face difficulties due to government spending restraint on healthcare. At the same time, there was a new push to improve health care and the Japanese government allocated a fiscal 2009 budget to solve the physician shortage, ensure delivery of emergency and perinatal care, and revitalize regional health care.

Under these circumstances, the Company had implemented a 3-year Business Plan, SPEED UP II, of which the final year is the term under review. The Company also took additional measures to improve profitability and launched a "Columbus Committee" to strengthen global business.

Japan: In the PAD market, sales of AEDs declined due to the difficult economic situation. Sales in the hospital market increased due to higher sales of Medical Supplies. Sales in diagnostic information systems also increased as universities and public hospitals promoted to introduce IT systems. This was partially offset by lower sales of Patient Monitors and diagnostic imaging equipment. As a result, domestic sales decreased 4.1% over the first half of FY2008, to ¥40,867 million.

International: Sales in the Americas and Europe decreased, mainly due to the difficult economic situation and a negative currency translation impact. In Asia, sales in China reported higher growth as a result of the enhancement of the business structure, although sales in other Asian countries decreased. Sales in Physiological Measuring Equipment, Patient Monitors and hematology analyzers were weak. As a result, international sales declined 20.2% over the first half of FY2008, to ¥8,980 million.

Overall sales during the term under review decreased 7.4% over the first half of FY2008 to ¥49,847 million. Gross margin improved due to a favorable sales mix and SG&A expenses declined as the Company took a proactive action to manage expenses. As a result, operating income decreased 2.2% to ¥3,795 million. Ordinary income decreased 1.8% to ¥3,809 million and net income increased 2.2% to ¥2,253 million over the first half of FY2008.

5. Consolidated Sales Results by Product Segment

	(Millions of yen)	
	Six months ended September 30, 2009	
	Amount	Growth rate (%)
Physiological Measuring Equipment	7,288	-6.4
Patient Monitors	8,503	-15.2
Treatment Equipment	7,574	-21.9
Medical Supplies	18,143	+5.4
Other Medical Equipment	8,337	-8.6
Total	49,847	-7.4
(Reference) Domestic Sales	40,867	-4.1
(Reference) Overseas Sales	8,980	-20.2

6. Revise of Consolidated Forecast for FY2009

Based on recent performance trends and future outlook, Nihon Kohden has revised the forecast for FY2009, previously announced on May 12, 2009. The Company leaves its sales forecast unchanged. Because first half income largely exceeded its initial forecast and the Company will continue to take a proactive action to manage expenses, operating income, ordinary income and net income for FY2009 are expected to be ¥8,200 million (up ¥2,200 million from its previous forecast), ¥8,200 million (up ¥2,200 million from its previous forecast), and ¥5,100 (up ¥1,400 million from its previous forecast), respectively.

The Company's forecast for the second half of FY2009 is based on an exchange rate of 90 yen to the dollar and 132 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.

(Consolidated Forecast for FY2009 by Product Segment)

	(Millions of yen)	
	FY2009 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	16,700	-0.7
Patient Monitors	19,600	-2.2
Treatment Equipment	16,300	-10.0
Medical Supplies	36,700	+5.5
Other Medical Equipment	17,700	-8.6
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)

	September 30, 2009	March 31, 2009
Assets		
Current assets:		
Cash and deposits	7,173	8,701
Notes and accounts receivable-trade	29,105	32,271
Short-term investment securities	7,500	2,500
Merchandise and finished goods	9,804	11,161
Work in process	672	587
Raw materials and supplies	2,086	2,393
Other	3,694	4,036
Allowance for doubtful accounts	-160	-181
Total current assets	59,876	61,470
Noncurrent assets:		
Property, plant and equipment	9,770	10,301
Intangible assets		
Goodwill	845	872
Other	2,896	2,160
Total intangible assets	3,741	3,032
Investments and other assets		
Investment securities	2,820	2,874
Other	2,404	3,038
Allowance for doubtful accounts	-197	-238
Total investments and other assets	5,028	5,674
Total noncurrent assets	18,540	19,008
Total assets	78,416	80,479
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	13,630	16,028
Short-term loans payable	1,916	2,372
Income taxes payable	1,140	1,184
Provision for bonuses	1,619	2,216
Provision for product warranties	335	—
Other	4,038	4,476
Total current liabilities	22,681	26,277
Noncurrent liabilities:		
Long-term loans payable	16	19
Long-term accounts payable-other	194	202
Other	393	410
Total noncurrent liabilities	603	631
Total liabilities	23,284	26,909
Net assets		
Shareholders' equity:		
Capital stock	7,544	7,544
Capital surplus	10,487	10,487
Retained earnings	39,377	37,972
Treasury stock	-2,017	-2,016
Total shareholders' equity	55,392	53,987
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	182	66
Foreign currency translation adjustment	-459	-494
Total valuation and translation adjustments	-276	-428
Minority interests	16	10
Total net assets	55,132	53,569
Total liabilities and net assets	78,416	80,479

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net sales	53,855	49,847
Cost of sales	27,350	24,265
Gross profit	26,505	25,582
Selling, general and administrative expenses	22,625	21,786
Operating income	3,880	3,795
Non-operating income		
Interest income	19	13
Dividends income	54	43
Other	132	115
Total non-operating income	206	173
Non-operating expenses		
Interest expenses	30	19
Exchange loss	105	76
Equity in losses of affiliates	15	5
Other	54	57
Total non-operating expenses	206	158
Ordinary income	3,881	3,809
Extraordinary income		
Reversal of allowance for doubtful accounts	46	54
Gain on sales of investment securities	—	179
Total extraordinary income	46	234
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	13	8
Loss on valuation of investment securities	1	51
Provision for product warranties for prior periods	—	320
Total extraordinary losses	14	379
Income before income taxes and minority interests	3,913	3,664
Income taxes	1,691	1,403
Minority interests in income	16	6
Net income	2,206	2,253

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	3,913	3,664
Depreciation and amortization	1,181	1,184
Increase (decrease) in provision	-309	-324
Interest and dividends income	-74	-57
Interest expenses	30	19
Foreign exchange losses (gains)	-113	-12
Loss (gain) on sales and retirement of property, plant and equipment	13	8
Decrease (increase) in notes and accounts receivable-trade	3,174	2,946
Decrease (increase) in inventories	285	1,579
Increase (decrease) in notes and accounts payable-trade	-3,191	-2,397
Other, net	-1	-12
Subtotal	4,908	6,597
Interest and dividends income received	76	57
Interest expenses paid	-102	-15
Income taxes paid	-2,042	-1,213
Net cash provided by (used in) operating activities	2,839	5,425
Net cash provided by (used in) investing activities:		
Proceeds from sales of investment securities	1	330
Purchase of investment securities	-14	-13
Proceeds from sales of property, plant and equipment	13	3
Purchase of property, plant and equipment	-2,180	-586
Purchase of intangible assets	-276	-523
Proceeds from acquisition of newly consolidated subsidiaries	17	—
Other, net	-43	2
Net cash provided by (used in) investing activities	-2,482	-787
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	716	-444
Repayment of long-term loans payable	-5	-3
Cash dividends paid	-876	-834
Repayments of lease obligations	—	-26
Other, net	-34	-0
Net cash provided by (used in) financing activities	-200	-1,309
Effect of exchange rate change on cash and cash equivalents	49	142
Net increase (decrease) in cash and cash equivalents	207	3,472
Cash and cash equivalents at beginning of period	13,797	11,197
Cash and cash equivalents at end of period	14,004	14,669

(4) Overseas Sales
Six months ended September 30, 2008

(Millions of yen)

	Americas	Europe	Asia	Other	Total
Overseas sales	3,965	3,644	3,028	620	11,258
Consolidated sales					53,855
Percentage of overseas sales to consolidated sales (%)	7.4	6.8	5.6	1.2	20.9

Six months ended September 30, 2009

(Millions of yen)

	Americas	Europe	Asia	Other	Total
Overseas sales	2,917	2,617	2,963	481	8,980
Consolidated sales					49,847
Percentage of overseas sales to consolidated sales (%)	5.9	5.3	5.9	1.0	18.0

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., Brazil, Colombia, Chile and Mexico

Europe : Germany, France, Spain, Italy and Russia

Asia : China, Singapore, Korea, India and Vietnam