

NIHON KOHDEN CORPORATION (6849)

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1. Consolidated Financial Highlights for the 1st Half of FY2007 (From April 1, 2007 to September 30, 2007)

(1) Consolidated Operating Results

(Amounts are rounded down to the nearest million yen)

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half FY2007	50,730	7.7	4,863	47.5	4,918	38.2	2,938	43.4
First half FY2006	47,113	15.6	3,296	32.5	3,558	27.9	2,049	-5.7
FY2006	96,679		7,973		8,448		5,052	

	Net income per share- Basic	Net income per share - Diluted
	yen	yen
First half FY2007	66.72	—
First half FY2006	46.23	—
FY2006	114.12	—

(Note) Investment income for equity method: First half FY2007: - 4 million yen First half FY2006: 18 million yen FY2006: 46 million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
First half FY2007	73,310	51,010	69.1	1,150.04
First half FY2006	72,274	47,211	64.9	1,057.93
FY2006	75,894	48,864	63.9	1,101.41

(Note) Equity: First half FY2007: 50,644 million yen First half FY2006: 46,892 million yen FY2006: 48,503 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
First half FY2007	5,021	-1,073	-1,567	13,403
First half FY2006	2,693	-1,301	-831	11,404
FY2006	5,882	-3,050	-2,591	11,027

2. Dividends

	Dividends per share		
	Interim	Year end	Total
	yen	yen	yen
FY2006	15.00	15.00	30.00
FY2007	17.00	—	34.00
FY2007 (Forecast)	—	17.00	

3. Consolidated Forecast for FY2007 (From April 1, 2007 to March 31, 2008)

The company has revised the forecast for FY2007, previously announced on May 18, 2007.

	Net sales		Operating profit		Ordinary profit		Net income		Net income per share- Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full year	102,800	6.3	9,500	19.1	9,600	13.6	6,000	18.7	136.25

(Note) Percentage figures in the above tables indicate increase/decrease over the corresponding period of previous year.

4. Other

(1) Change in Scope of consolidation: None

(2) Changes in Accounting Rules, Procedures, Presentation Method, etc. for the Consolidation Financial Statement: Yes

(3) Number of outstanding shares (Common Stock)

Number of outstanding shares at the end of the period:

First half FY2007: 45,765,490 First half FY2006: 45,765,490 FY2006: 45,765,490

Number of treasury stocks:

First half FY2007: 1,728,640 First half FY2006: 1,441,173 FY2006: 1,727,745

(Reference) Non-Consolidated Financial Highlights

1. Non-Consolidated Financial Highlights for the 1st Half of FY2007 (From April 1, 2007 to September 30, 2007)

(1) Non-Consolidated Operating Results

(Amounts are rounded down to the nearest million yen)

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half FY2007	33,040	9.5	4,033	48.4	4,542	26.8	3,022	22.9
First half FY2006	30,165	19.2	2,718	41.9	3,582	26.0	2,458	-14.4
FY2006	62,231		6,387		7,675		5,310	

	Net income per share- Basic yen
First half FY2007	68.62
First half FY2006	55.47
FY2006	119.94

(2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
First half FY2007	66,752	46,717	70.0	1,060.86
First half FY2006	66,758	43,213	64.7	974.94
FY2006	67,734	44,558	65.8	1,011.83

(Note) Equity: First half FY2007: 46,717 million yen First half FY2006: 43,213 million yen FY2006: 44,558 million yen

2. Non-Consolidated Forecast for FY2007 (From April 1, 2007 to March 31, 2008)

The company has revised the forecast for FY2007, previously announced on May 18, 2007.

	Net sales		Operating profit		Ordinary profit		Net income		Net income per share- Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full year	67,000	7.7	7,600	19.0	8,400	9.4	5,500	3.6	124.90

(Note) Percentage figures in the above tables indicate increase/decrease over the corresponding period of previous year.

* 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.

5. Review of Operations

During the term under review (April 1, 2007 to September 30, 2007), as the Japanese government made progress on National Health Insurance reform, the business environment remained severe for medical equipment suppliers. Outside Japan, competition intensified as western companies expanded their business scale through M&A as well as the rise of emerging Asian companies. Under these circumstances, to strengthen our organization and business structures, Nihon Kohden has started a new 3-year business plan, SPEED UP II, for the period until FY2009 (ending March 2010).

Japan: Although AED (automated external defibrillators) experienced strong sales growth due to the increased penetration of AEDs in the PAD (public access defibrillation) market, sales in the university market and public hospital market decreased from the first half of prior year when the Company had large-scale orders for information systems. As a result, domestic sales decreased 1.2% over the first half of FY2006, to ¥36,766 million. Patient Monitors sales increased due to higher sales of bedside monitors and clinical information systems. Sales of Treatment Equipment and Medical Supplies also increased steadily. In Physiological Measuring Equipment, sales of ECG and polygraphs decreased due to sluggish sales of system network products, while EEG sales increased.

International: Sales in North America increased due to solid sales of Patient Monitors. Sales of Patient Monitors and Medical Supplies in Latin America soared mainly due to the shipment of the balance of large-scale orders, which was carried forward from the prior year. Sales in Europe were up with good performance in Patient Monitors, hematology analyzers and Medical Supplies. Sales in China were weak mainly due to lower ECG sales, while sales in other Asian countries increased with higher sales of Patient Monitors. As a result, international sales increased 41.3% over the first half of fiscal 2006, to ¥13,964 million.

Overall sales during the term under review increased 7.7% over the first half of FY2006 to ¥50,730 million. Operating profit, ordinary profit and net profit also increased as a result of higher sales and higher gross profit ratio, primarily due to a favorable product mix with increased sales of our own products. Operating profit increased 47.5% to ¥4,863 million, ordinary profit increased 38.2% to ¥4,918 million and net income increased 43.4% to ¥2,938 million over the first half of prior year.

6. Consolidated Sales Results of First half FY2007 by Product Segment

(Millions of yen)

	First half FY2007			First half FY2006	
	Amount	Growth rate (%)	Composition (%)	Amount	Growth rate (%)
Physiological Measuring Equipment	7,356	-10.9	14.5	8,252	23.8
Patient Monitors	11,276	24.4	22.2	9,065	7.3
Treatment Equipment	7,640	12.3	15.1	6,804	25.0
Medical Supplies	16,453	18.4	32.4	13,897	4.1
Other Medical Equipment	8,003	-12.0	15.8	9,094	32.9
Total	50,730	7.7	100.0	47,113	15.6
(Reference) Overseas Sales	13,964	41.3	27.5	9,886	9.6

7. Consolidated Forecast for FY 2007 by Product Segment

(Millions of yen)

	FY2007 (Forecast)		
	Amount	Growth rate (%)	Composition (%)
Physiological Measuring Equipment	16,500	0.1	16.1
Patient Monitors	22,100	12.3	21.5
Treatment Equipment	15,300	13.4	14.9
Medical Supplies	32,100	9.2	31.2
Other Medical Equipment	16,800	-4.7	16.3
Total	102,800	6.3	100.0
(Reference) Overseas Sales	26,100	19.0	25.4

8. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	First half FY2006		First half FY2007		FY2006	
	Amount	%	Amount	%	Amount	%
ASSETS						
Current Assets:						
Cash	11,440		13,413		11,060	
Trade notes and accounts receivable	26,326		26,192		28,805	
Inventories	14,829		13,321		15,008	
Deferred income taxes	3,098		2,818		3,214	
Other current assets	915		882		947	
Allowance for doubtful receivables	-154		-142		-128	
Total current assets	56,455	78.1	56,485	77.0	58,908	77.6
Fixed Assets:						
Tangible fixed assets:						
Buildings and structures	2,981		3,190		3,189	
Machinery, equipment and vehicles	690		652		697	
Tools, furniture and fixtures	2,357		2,596		2,639	
Land	2,499		2,550		2,499	
Construction in progress	401		238		288	
Total tangible fixed assets	8,930	12.4	9,229	12.6	9,314	12.3
Intangible fixed assets	804	1.1	1,010	1.4	1,043	1.4
Investments and other assets:						
Investments in securities	4,769		4,616		4,910	
Deferred income taxes	21		22		19	
Prepaid pension expenses	—		888		—	
Other investments and other assets	1,660		1,382		2,064	
Allowance for doubtful receivables	-366		-325		-366	
Total investments and other assets	6,084	8.4	6,585	9.0	6,627	8.7
Total fixed assets	15,819	21.9	16,825	23.0	16,985	22.4
Total Assets	72,274	100.0	73,310	100.0	75,894	100.0
LIABILITIES						
Current Liabilities:						
Trade notes and accounts payable	15,921		13,318		16,121	
Short-term debt	2,840		1,718		2,522	
Other payables	551		763		859	
Accrued income taxes	1,326		1,611		1,923	
Accrued expenses	1,519		1,675		1,938	
Accrued bonuses	1,464		1,537		1,806	
Accrued bonuses to directors and corporate auditors	—		—		77	
Other current liabilities	831		1,147		1,127	
Total current liabilities	24,454	33.8	21,772	29.7	26,376	34.7
Non-current liabilities:						
Long-term debt	137		40		111	
Long-term accounts payable	—		271		—	
Deferred income taxes	168		177		222	
Liabilities for retirement and severance benefits	263		—		281	
Other non-current liabilities	38		37		37	
Total non-current liabilities	607	0.9	527	0.7	653	0.9
Total liabilities	25,062	34.7	22,300	30.4	27,029	35.6
NET ASSETS						
Stockholders' equity:						
Common stock	7,544	10.4	7,544	10.3	7,544	9.9
Additional paid-in capital	10,485	14.5	10,485	14.3	10,485	13.8
Retained earnings	28,364	39.3	32,987	45.0	30,709	40.5
Treasury stock	-1,017	-1.4	-1,757	-2.4	-1,755	-2.3
Total stockholders' equity	45,376	62.8	49,259	67.2	46,983	61.9
Valuation and translation adjustments:						
Net unrealized gain on other securities	1,563	2.2	1,267	1.7	1,468	1.9
Deferred gains on hedges	10	0.0	0	0.0	0	0.0
Foreign currency translation adjustments	-58	-0.1	116	0.2	49	0.1
Total valuation and translation adjustments	1,515	2.1	1,384	1.9	1,519	2.0
Minority interests	319	0.4	365	0.5	361	0.5
Total Net Assets	47,211	65.3	51,010	69.6	48,864	64.4
Total Liabilities and Net Assets	72,274	100.0	73,310	100.0	75,894	100.0

(2) Consolidated Statements of Income (Summary)

(Millions of yen)

	First half FY2006		First half FY2007		FY2006	
	Amount	%	Amount	%	Amount	%
Net sales	47,113	100.0	50,730	100.0	96,679	100.0
Cost of sales	24,406	51.8	24,880	49.0	49,246	50.9
Gross profit	22,706	48.2	25,850	51.0	47,432	49.1
Selling, general and administrative expenses	19,409	41.2	20,986	41.4	39,458	40.9
Operating profit	3,296	7.0	4,863	9.6	7,973	8.2
Non-operating profit	353	0.7	266	0.5	815	0.8
Non-operating expenses	92	0.2	212	0.4	341	0.4
Ordinary profit	3,558	7.5	4,918	9.7	8,448	8.7
Extraordinary profit	13	0.0	63	0.1	33	0.1
Extraordinary expenses	159	0.3	—	0.0	171	0.2
Income before income taxes and minority interests	3,411	7.2	4,981	9.8	8,310	8.6
Income taxes	1,332	2.8	2,021	4.0	3,202	3.3
Minority interests	29	0.1	21	0.0	55	0.1
Net income	2,049	4.3	2,938	5.8	5,052	5.2

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	First half FY2006	First half FY2007	FY2006 (Summary)
	Amount	Amount	Amount
Cash flows from operating activities:			
Income before income taxes and minority interests	3,411	4,981	8,310
Depreciation and amortization	742	944	1,698
Amortization of goodwill	74	—	74
Loss on disposal of property, plant and equipment	15	10	99
Allowance for doubtful receivables	18	- 27	- 7
Increase (decrease) in accrued bonuses	396	- 269	739
Increase (decrease) in accrued bonuses to directors and corporate auditors	—	- 77	77
Increase in prepaid pension expenses	- 217	- 264	- 567
Increase (decrease) in directors retirement allowances	8	- 281	26
Interest and dividend income	- 36	- 59	- 82
Interest expenses	29	39	92
Exchange (gain) loss	- 19	- 24	71
Loss on devaluation of investments in securities	—	—	18
Gain on sale of investments in securities	—	—	- 19
Decrease in trade notes and accounts receivable	3,764	2,891	1,599
(Increase) decrease in inventories	- 746	1,687	- 926
Decrease in trade notes and accounts payable	- 1,429	- 2,802	- 1,228
Increase (decrease) in consumption taxes payable	- 80	120	- 124
Equity in earnings of affiliates	- 18	4	- 46
Other, net	- 935	0	- 239
Sub total	4,980	6,874	9,565
Interest and dividend received	36	59	84
Interest paid	- 29	- 40	- 87
Income taxes paid	- 2,293	- 1,871	- 3,680
Net cash provided by operating activities	2,693	5,021	5,882
Cash flows from investing activities:			
Proceeds from sale of investments in securities	—	—	60
Purchase of investments in securities	- 127	- 48	- 461
Proceeds from sale of property, plant and equipment	8	7	9
Capital expenditures	- 1,076	- 889	- 2,242
Purchase of intangible assets	- 163	- 188	- 484
Proceeds from purchases of subsidiary stock due to changing scope of consolidation	30	—	30
Other, net	27	45	36
Net cash used in investing activities	- 1,301	- 1,073	- 3,050
Cash flows from financing activities:			
Decrease in short-term debt	- 208	- 795	- 538
Payments on long-term debt	- 16	- 70	- 42
Dividends paid to stockholders	- 575	- 660	- 1,238
Purchase of treasury stock	- 3	- 2	- 740
Other, net	- 28	- 38	- 31
Net cash used in financing activities	- 831	- 1,567	- 2,591
Effect of exchange rate changes on cash and cash equivalents	38	- 4	- 17
Net increase in cash and cash equivalents	599	2,375	223
Cash and cash equivalents at beginning of year	10,804	11,027	10,804
Cash and cash equivalents at end of year	11,404	13,403	11,027

9. Overseas Sales

First half FY2006 (Millions of yen)

	Americas	Europe	Asia	Other	Total
Overseas sales	3,596	2,992	2,904	393	9,886
Consolidated sales					47,113
Percentage of overseas sales to consolidated sales(%)	7.6	6.4	6.2	0.8	21.0

First half FY2007 (Millions of yen)

	Americas	Europe	Asia	Other	Total
Overseas sales	6,955	3,668	2,861	479	13,964
Consolidated sales					50,730
Percentage of overseas sales to consolidated sales (%)	13.7	7.2	5.6	0.9	27.5

FY2006 (Millions of yen)

	Americas	Europe	Asia	Other	Total
Overseas sales	8,941	6,898	5,317	771	21,928
Consolidated sales					96,679
Percentage of overseas sales to consolidated sales(%)	9.2	7.1	5.5	0.8	22.7

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., Venezuela and Colombia

Europe: Germany, Italy, Spain, France and Russia

Asia: China, Korea, Thailand and Vietnam