

## Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2009

### NIHON KOHDEN CORPORATION (6849)

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(Amounts are rounded down to the nearest million yen)

#### 1. Consolidated Financial Highlights for the 2<sup>nd</sup> Quarter of FY2008 (From April 1, 2008 to September 30, 2008)

##### (1) Consolidated Operating Results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>FY2008 2Q (6 months)</b>	<b>53,855</b>	—	<b>3,880</b>	—	<b>3,881</b>	—	<b>2,206</b>	—
FY2007 2Q (6 months)	50,730	7.7	4,863	47.5	4,918	38.2	2,938	43.4

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
<b>FY2008 2Q (6 months)</b>	<b>50.21</b>	—
FY2007 2Q (6 months)	66.72	—

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
<b>FY2008 2Q (6 months)</b>	<b>78,300</b>	<b>53,054</b>	<b>67.3</b>	<b>1,199.28</b>
FY2007	80,630	51,814	63.8	1,170.31

Reference: Equity Capital: FY2008 2Q: 52,690 million yen FY2007: 51,418 million yen

##### 2. Dividends

	Dividends per share				
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year
	yen	yen	yen	yen	yen
FY2007	—	17.00	—	20.00	37.00
FY2008	—	18.00	—	—	—
FY2008 (Forecast)	—	—	—	19.00	37.00

Note: Revise of dividends forecast: None

##### 3. Consolidated forecast for FY2008 (From April 1, 2008 to March 31, 2009)

	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	111,000	5.9	8,700	-11.4	8,700	-8.9	5,300	-5.9	120.63

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, 2008 to September 30, 2008), the Japanese government has moved forward with the health care system reform and lowered medical treatment fees in April. Outside Japan, cross-border M&A activities have taken place in the medical device industry. As a result, medical device suppliers continued to face a severe business environment.

**Japan:** Domestic sales showed strong growth as the Company continued to focus on promoting IT system solution for hospitals and launched new initiatives for changing environments such as spread of AEDs and the growing point-of-care testing market. Sales in the hospital market were up with strong sales growth of Medical Supplies, as well as increased sales of Patient Monitors and Physiological Measuring Equipment. Sales of diagnostic imaging equipment and POCT products in Other Medical Equipment also increased. In the PAD (public access defibrillation) market, sales of AEDs increased significantly as the Company enhanced its indirect sales channels, in addition to its direct sales force. As a result, domestic sales increased 15.9% over the first half of FY2007, to ¥42,597 million.

**International:** While sales of Physiological Measuring Equipment increased, sales of Patient Monitors, Medical Supplies, Treatment Equipment, and hematology analyzers decreased from the prior year period when we had large-scale orders. Sales in Americas decreased compared with the very strong results of the prior year's first half when we had one large-scale order in Latin America. Particularly, sales of Patient Monitors and Medical Supplies were weak. Sales in Europe were flat with good performance in Patient Monitors and Medical Supplies, while sales of hematology analyzers declined from the prior year period when we had one large-scale order. Sales in Asia increased with higher sales of neurology products and defibrillators. As a result, international sales decreased 19.4% over the first half of fiscal 2007, to ¥11,258 million.

Overall sales during the term under review increased 6.2% over the first half of FY2007 to ¥53,855 million. Gross profit ratio declined compared with the higher gross profit ratio of the prior year period when we had the large-scale order with high gross margin in Latin America. SG&A costs increased due to up-front investments such as capital expenditures and enhancement of human resources, in addition to the heavier burden of pension costs. The pension fund asset value has eroded because of the stock market slump and this has driven up pension costs. As a result, operating income decreased 20.2% to ¥3,880 million. Ordinary income decreased 21.1% to ¥3,881 million and net income decreased 24.9% to ¥2,206 million over the prior year period.

#### 5. Consolidated Sales Results by Product Segment

(Millions of yen)

	Six months ended September 30, 2008	
	Amount	Growth rate (%)
Physiological Measuring Equipment	7,790	5.9
Patient Monitors	10,028	-11.1
Treatment Equipment	9,703	27.0
Medical Supplies	17,209	4.6
Other Medical Equipment	9,124	14.0
Total	53,855	6.2
(Reference) Overseas Sales	11,258	-19.4

## 6. Revise of Consolidated Forecast for FY2008

Based on recent performance trends and future outlook, Nihon Kohden has revised up the sales forecast for FY2008, previously announced on August 6, 2008. As domestic sales is expected to continue to demonstrate steady growth, the Company has revised its domestic sales forecast to ¥87,600 million, up ¥3,400 million from its previous forecast. International sales forecast has been revised to ¥23,400 million, down ¥1,900 million from its previous forecast, because the Company believes economic concerns will influence its international business, particularly in U.S. and Europe. Overall sales forecast for FY2008 is ¥111,000 million, up ¥1,500 million from its previous forecast.

The Company leaves its profit forecast unchanged because the gross profit ratio is expected to be lower than the previous forecast. Operating income, ordinary income and net income for FY2008 are expected to be ¥8,700 million, ¥8,700 million and ¥5,300, respectively.

The Company's forecast for the second half of FY2008 is based on an exchange rate of 103 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 FY2008 by Product Segment)

(Millions of yen)

	FY2008 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	17,700	4.1
Patient Monitors	21,600	-1.3
Treatment Equipment	18,900	19.2
Medical Supplies	34,800	4.8
Other Medical Equipment	18,000	6.8
Total	111,000	5.9
(Reference) Overseas Sales	23,400	-8.9

## 7. Consolidated Financial Statements

### (1) Consolidated Balance Sheets (Summary)

(Millions of yen)

	September 30, 2008 Amount	March 31, 2008 Amount
<b>ASSETS</b>		
Current Assets:		
Cash	9,555	8,303
Trade notes and accounts receivable	27,878	30,941
Marketable Securities	4,500	5,500
Inventories	14,238	14,442
Other current assets	4,185	4,750
Allowance for doubtful receivables	-240	-219
Total current assets	60,118	63,718
Fixed Assets:		
Tangible fixed assets	10,389	9,587
Intangible fixed assets	1,823	1,222
Investments and other assets		
Investments in securities	3,614	3,665
Other investments and other assets	2,633	2,717
Allowance for doubtful receivables	-278	-281
Total investments and other assets	5,969	6,100
Total fixed assets	18,182	16,911
Total Assets	78,300	80,630
<b>LIABILITIES</b>		
Current Liabilities:		
Trade notes and accounts payable	14,856	18,016
Short-term debt	1,988	1,336
Accrued income taxes	1,370	2,122
Accrued bonuses	1,753	2,079
Other current liabilities	4,758	4,687
Total current liabilities	24,726	28,242
Non-current liabilities:		
Long-term debt	22	28
Long-term accounts payable	202	271
Other non-current liabilities	293	273
Total non-current liabilities	519	573
Total liabilities	25,246	28,815
<b>NET ASSETS</b>		
Stockholders' equity:		
Common stock	7,544	7,544
Additional paid-in capital	10,486	10,485
Retained earnings	36,310	34,932
Treasury stock	-2,015	-2,012
Total stockholders' equity	52,326	50,950
Valuation and translation adjustments:		
Net unrealized gain on other securities	470	494
Foreign currency translation adjustments	-107	-26
Total valuation and translation adjustments	363	468
Minority interests	363	395
Total Net Assets	53,054	51,814
Total Liabilities and Net Assets	78,300	80,630

**(2) Consolidated Statements of Income**

(Millions of yen)

	Six months ended
	September 30, 2008
	Amount
Net sales	53,855
Cost of sales	27,350
Gross profit	26,505
Selling, general and administrative expenses	22,625
Operating income	3,880
Non-operating income	
Interest income	19
Dividend income	54
Other, net	132
Total non-operating income	206
Non-operating expenses	
Interest expenses	30
Exchange loss	105
Equity in losses of affiliates	15
Other, net	54
Total non-operating expenses	206
Ordinary income	3,881
Extraordinary income	
Reversal of allowance for doubtful accounts	46
Total extraordinary income	46
Extraordinary expenses	
Loss on disposal of property, plant and equipment	13
Loss on devaluation of investment in securities	1
Total extraordinary expenses	14
Income before income taxes and minority interests	3,913
Income taxes	1,691
Minority interests	16
Net income	2,206

**(3) Consolidated Statements of Cash Flows**

(Millions of yen)

	Six months ended September 30, 2008
<b>Cash flows from operating activities:</b>	
Income before income taxes and minority interests	3,913
Depreciation and amortization	1,181
Increase (decrease) in reserve	-309
Interest and dividend income	-74
Interest expenses	30
Foreign exchange losses (gains)	-113
Loss (gain) on sales of property, plant and equipment	13
(Increase) decrease in trade notes and accounts receivable	3,174
(Increase) decrease in inventories	285
Increase (decrease) in trade notes and accounts payable	-3,191
Other, net	-1
Sub total	4,908
Interest and dividend received	76
Interest paid	-102
Income taxes paid	-2,042
Net cash provided by operating activities	2,839
<b>Cash flows from investing activities:</b>	
Proceeds from sale of investments in securities	1
Purchase of investments in securities	-14
Proceeds from sale of property, plant and equipment	13
Capital expenditures	-2,180
Purchase of intangible assets	-276
Other, net	-25
Net cash used in investing activities	-2,482
<b>Cash flows from financing activities:</b>	
Increase (decrease) in short-term debt	716
Payments on long-term debt	-5
Dividends paid to stockholders	-876
Other, net	-34
Net cash used in financing activities	-200
Effect of exchange rate changes on cash and cash equivalents	49
Net increase in cash and cash equivalents	207
Cash and cash equivalents at beginning of term	13,797
Cash and cash equivalents at end of term	14,004

**(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

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., Mexico, Colombia and Brazil

Europe : Germany, France, Spain, Italy and Russia

Asia : China, Singapore, Korea, Vietnam and Thailand

(Reference)

**(1) Consolidated Statements of Income (Summary)**

(Millions of yen)

	First half FY2007	
	Amount	%
<b>Net sales</b>	<b>50,730</b>	<b>100.0</b>
Cost of sales	24,880	49.0
<b>Gross profit</b>	<b>25,850</b>	<b>51.0</b>
Selling, general and administrative expenses	20,986	41.4
<b>Operating income</b>	<b>4,863</b>	<b>9.6</b>
Non-operating income:		
Interest income	16	
Dividend income	42	
Exchange gain	144	
Other, net	62	
Total non-operating income	266	0.5
Non-operating expenses :		
Interest expense	39	
Equity in losses of affiliates	4	
Loss on disposal of property, plant and equipment	4	
Other, net	163	
Total non-operating expenses	212	0.4
<b>Ordinary income</b>	<b>4,918</b>	<b>9.7</b>
Extraordinary income	63	0.1
<b>Income before income taxes and minority interests</b>	<b>4,981</b>	<b>9.8</b>
Income taxes	2,021	4.0
Minority interests	21	0.0
<b>Net income</b>	<b>2,938</b>	<b>5.8</b>



**(2) Consolidated Statements of Cash Flows**

(Millions of yen)

	<b>First half FY2007</b>
	<b>Amount</b>
<b>Cash flows from operating activities:</b>	
Income before income taxes and minority interests	4,981
Depreciation and amortization	944
Loss on disposal of property, plant and equipment	10
Allowance for doubtful receivables	- 27
Increase (decrease) in accrued bonuses	- 269
Increase (decrease) in accrued bonuses to directors and corporate auditors	- 77
Increase in prepaid pension expenses	- 264
Increase (decrease) in directors retirement allowances	- 281
Interest and dividend income	- 59
Interest expenses	39
Foreign exchange losses (gains)	- 24
Decrease in trade notes and accounts receivable	2,891
(Increase) decrease in inventories	1,687
Decrease in trade notes and accounts payable	- 2,802
Increase (decrease) in consumption taxes payable	120
Equity in earnings of affiliates	4
Other, net	0
<b>Sub total</b>	<b>6,874</b>
Interest and dividend received	59
Interest paid	- 40
Income taxes paid	- 1,871
<b>Net cash provided by operating activities</b>	<b>5,021</b>
<b>Cash flows from investing activities:</b>	
Purchase of investments in securities	- 48
Proceeds from sale of property, plant and equipment	7
Capital expenditures	- 889
Purchase of intangible assets	- 188
Other, net	45
<b>Net cash used in investing activities</b>	<b>- 1,073</b>
<b>Cash flows from financing activities:</b>	
Decrease in short-term debt	- 795
Payments on long-term debt	- 70
Dividends paid to stockholders	- 660
Purchase of treasury stock	- 2
Other, net	- 38
<b>Net cash used in financing activities</b>	<b>- 1,567</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>- 4</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,375</b>
<b>Cash and cash equivalents at beginning of term</b>	<b>11,027</b>
<b>Cash and cash equivalents at end of term</b>	<b>13,403</b>

### (3) Overseas Sales

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

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, France, Spain, Italy and Russia

Asia: China, Korea, Thailand and Vietnam