

Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2011 (Japan GAAP)

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 FY2010 (From April 1, 2010 to September 30, 2010)

(1) Consolidated Operating Results

Note: Percentages indicate increase/decrease over the corresponding period in the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2010 2Q (6 months)	52,526	5.4	4,096	7.9	3,867	1.5	2,609	15.8
FY2009 2Q (6 months)	49,847	-7.4	3,795	-2.2	3,809	-1.8	2,253	2.2

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2010 2Q (6 months)	59.39	—
FY2009 2Q (6 months)	51.30	—

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2010 2Q (6 months)	84,770	59,233	69.8	1,347.52
As of March 31, 2010	88,000	57,949	65.8	1,318.49

Reference: Equity Capital: FY2010 2Q: 59,200 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	—	19.00	—	—	—
FY2010 (Forecast)	—	—	—	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
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 September 30, 2010), the overall global economy gradually recovered, although the pace of recovery has been slowing since summer. Accordingly, there was a steady demand for medical equipment in the international market. In Japan, hospitals continued to face difficulties, whereas medical treatment fees were revised upward for the first time in 10 years to compensate for the physician shortage and ensure delivery of emergency and perinatal care. Under this business environment, the Company launched its new 3-year Business Plan, SPEED UP III, covering fiscal years 2010 to 2012 and focused on implementing 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. In the hospital market, sales of Patient Monitors showed strong growth, supported by higher sales of bedside monitors and telemetry systems. The introduction of a new transmitter also impacted sales favorably. Sales of EEGs and diagnostic information systems increased in Physiological Measuring Equipment, while sales of ventilators also increased in Treatment Equipment. In the PAD market, sales of AEDs remained weak. As a result, domestic sales increased 5.5% over the first half of FY2009, to ¥43,124 million.

International: Sales of Patient Monitors showed strong growth in all areas including the Americas, Europe and Asia. Sales of Physiological Measuring Equipment remained at the same level as the same period in the previous fiscal year, while sales of Treatment Equipment decreased sharply. 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 increased due to solid sales in Germany, Italy, and Russia. A large spot order in Romania also impacted sales favorably. In Asia, sales in China grew moderately, while sales in Middle-East decreased from the first half of FY2009 when we received a large spot order of defibrillators. As a result, international sales increased 4.7% over the first half of FY2009, to ¥9,401 million.

Overall sales during the term under review increased 5.4% over the first half of FY2009 to ¥52,526 million and operating income increased 7.9% to ¥4,096 million. Ordinary income increased 1.5% to ¥3,867 million and net income increased 15.8% to ¥2,609 million.

5. Consolidated Sales by Product Category

	(Millions of yen)	
	Six months ended September 30, 2010	
	Amount	Growth rate (%)
Physiological Measuring Equipment	13,625	+ 4.4
Patient Monitors	17,500	+ 15.0
Treatment Equipment	8,580	- 3.4
Other Medical Equipment	12,820	+ 1.0
Total	52,526	+ 5.4
Domestic Sales	43,124	+ 5.5
Overseas Sales	9,401	+ 4.7
(Reference) Overseas Sales		
Americas	3,249	+ 11.4
Europe	2,735	+ 4.5
Asia	3,000	+ 1.2
Other	416	- 13.6

Effective FY2010, consumables and maintenance services, which were previously classified under "Medical Supplies", have been classified under the relevant "Physiological Measuring Equipment", "Patient Monitors", "Treatment Equipment" or "Other Medical Equipment" categories. Figures for FY2009 have been reclassified in this way to reflect the growth rate of each individual category.

6. Revise of Consolidated Forecast for FY2010

Based on recent performance trends and future outlook, domestic sales and overseas sales for FY2010 are expected to be ¥91,000 million (up ¥1,000 million from its previous forecast) and ¥21,000 million (down ¥1,000 million from its previous forecast), respectively. The Company leaves its income forecast unchanged.

The Company's forecast for the second half of FY2010 is based on an exchange rate of 84 yen to the dollar and 113 yen to the euro. Overseas sales forecast is revised to reflect a negative currency translation impact. 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 FY2010 by Product Segment)

	(Millions of yen)	
	FY2010 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	28,800	+ 2.9
Patient Monitors	37,200	+ 12.7
Treatment Equipment	18,400	- 4.9
Other Medical Equipment	27,600	+ 3.4
Total	112,000	+ 4.7
Domestic Sales	91,000	+ 4.1
Overseas Sales	21,000	+ 7.3

Effective FY2010, consumables and maintenance services, which were previously classified under "Medical Supplies", have been classified under the relevant "Physiological Measuring Equipment", "Patient Monitors", "Treatment Equipment" or "Other Medical Equipment" categories. Figures for FY2009 have been reclassified in this way to reflect the growth rate of each individual category. The reclassified figures for FY2009 have been changed from the previously announced figures of May 11, 2010 in accordance with the current operation of new classification.

7. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	September 30, 2010	March 31, 2010
ASSETS		
Current assets:		
Cash	7,261	8,834
Trade notes and accounts receivable	31,514	35,167
Marketable Securities	9,500	7,500
Merchandise and finished goods	10,279	11,277
Work in process	1,454	76
Raw materials and supplies	2,269	2,151
Other current assets	4,481	4,907
Allowance for doubtful receivables	-187	-230
Total current assets	<u>66,573</u>	<u>69,685</u>
Fixed assets:		
Tangible fixed assets	9,431	9,365
Intangible fixed assets		
Goodwill	789	817
Other intangible fixed assets	3,600	3,534
Total intangible fixed assets	<u>4,389</u>	<u>4,351</u>
Investments and other assets		
Investments in securities	2,418	2,753
Other investments and other assets	2,009	1,895
Allowance for doubtful receivables	-52	-52
Total investments and other assets	<u>4,375</u>	<u>4,597</u>
Total fixed assets	<u>18,196</u>	<u>18,315</u>
Total assets	<u>84,770</u>	<u>88,000</u>
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	15,740	18,200
Short-term debt	1,417	1,131
Accrued income taxes	1,381	2,713
Reserve for bonuses	1,813	1,988
Provision for product warranties	346	402
Other current liabilities	4,382	5,284
Total current liabilities	<u>25,081</u>	<u>29,722</u>
Non-current liabilities:		
Long-term debt	9	11
Reserve for retirement benefits	43	—
Long-term accounts payable	194	194
Other non-current liabilities	207	123
Total non-current liabilities	<u>454</u>	<u>329</u>
Total liabilities	<u>25,536</u>	<u>30,051</u>
NET ASSETS		
Stockholders' equity:		
Common stock	7,544	7,544
Additional paid-in capital	10,487	10,487
Retained earnings	44,038	42,307
Treasury stock	-2,018	-2,017
Total stockholders' equity	<u>60,051</u>	<u>58,321</u>
Valuation and translation adjustments:		
Net unrealized gain on other securities	-62	150
Foreign currency translation adjustments	-788	-546
Total valuation and translation adjustments	<u>-850</u>	<u>-396</u>
Minority interests	33	23
Total net assets	<u>59,233</u>	<u>57,949</u>
Total liabilities and net assets	<u>84,770</u>	<u>88,000</u>

(2) Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2009	Six months ended September 30, 2010
Net sales	49,847	52,526
Cost of sales	24,265	26,031
Gross profit	25,582	26,495
Selling, general and administrative expenses	21,786	22,399
Operating income	3,795	4,096
Non-operating income		
Interest income	13	10
Dividends income	43	44
Other, net	115	147
Total non-operating income	173	202
Non-operating expenses		
Interest expenses	19	9
Exchange loss	76	367
Equity in losses of affiliates	5	—
Other, net	57	54
Total non-operating expenses	158	431
Ordinary income	3,809	3,867
Extraordinary income		
Gain on sales of noncurrent assets	—	0
Gain on sales of investment securities	179	7
Reversal of allowance for doubtful accounts	54	24
Total extraordinary income	234	31
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	8	—
Loss on retirement of noncurrent assets	—	5
Loss on sales of investment securities	—	1
Loss on valuation of investment securities	51	—
Provision for product warranties for prior periods	320	—
Other, net	—	11
Total extraordinary losses	379	18
Income before income taxes and minority interests	3,664	3,880
Income taxes	1,403	1,264
Income before minority interest	—	2,616
Minority interests in income	6	7
Net income	2,253	2,609

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2009	Six months ended September 30, 2010
Cash flows from operating activities:		
Income before income taxes and minority interests	3,664	3,880
Depreciation and amortization	1,184	1,248
Increase (decrease) in provision	-324	-229
Interest and dividends income	-57	-55
Interest expenses	19	9
Foreign exchange losses (gains)	-12	41
Loss (gain) on sales and retirement of property, plant and equipment	8	5
Decrease (increase) in notes and accounts receivable-trade	2,946	3,682
Decrease (increase) in inventories	1,579	-497
Increase (decrease) in notes and accounts payable-trade	-2,397	-2,459
Other, net	-12	-794
Subtotal	6,597	4,830
Interest and dividends income received	57	54
Interest expenses paid	-15	-29
Income taxes paid	-1,213	-2,380
Net cash provided by (used in) operating activities	5,425	2,475
Cash flows from investing activities:		
Proceeds from sales of investment securities	330	4
Purchase of investment securities	-13	-37
Proceeds from sales of property, plant and equipment	3	4
Purchase of property, plant and equipment	-586	-1,093
Purchase of intangible assets	-523	-386
Other, net	2	-7
Net cash used in investing activities	-787	-1,516
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	-444	327
Repayment of long-term loans payable	-3	-2
Cash dividends paid	-834	-884
Repayments of lease obligations	-26	-15
Other, net	-0	-0
Net cash used in financing activities	-1,309	-576
Effect of exchange rate change on cash and cash equivalents	142	36
Net increase (decrease) in cash and cash equivalents	3,472	418
Cash and cash equivalents at beginning of period	11,197	16,331
Cash and cash equivalents at end of period	14,669	16,749