

Consolidated Financial Results for the Fiscal Year Ended March 31, 2011(Japan GAAP)

NIHON KOHDEN CORPORATION (6849)

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(Percentages indicate increase/decrease over the corresponding period in the previous fiscal year.)

1. Consolidated Financial Highlights for FY2010 (From April 1, 2010 to March 31, 2011)

(1) Consolidated Operating Results (Amounts are rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2010	113,380	5.9	10,598	13.7	10,569	13.1	6,573	11.1
FY2009	107,013	-1.9	9,321	15.0	9,343	22.3	5,917	28.3

Note: Comprehensive income: FY2010: 6,060 million yen (1.6% change) FY2009: 5,962 million yen (- %)

	Net income per share- Basic	Net income per share- Diluted	Return on Equity	Ordinary income to total assets	Operating income Margin
	yen	yen	%	%	%
FY2010	149.62	—	10.9	11.7	9.3
FY2009	134.68	—	10.6	11.1	8.7

Reference: Investment income for equity method: FY2010: - million yen FY2009: -5 million yen

(2) Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2010	92,495	62,294	67.3	1,417.18
FY2009	88,000	57,949	65.8	1,318.49

Reference: Equity capital: FY2010: 62,260 million yen FY2009: 57,925 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
FY2010	5,892	-1,874	-1,536	18,808
FY2009	10,679	-2,810	-2,850	16,331

2. Dividends

	Dividends per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	First quarter	Interim (Second quarter)	Third quarter	Year-end	Full-year			
	yen	yen	yen	yen	yen	Millions of yen	%	%
FY2009	—	17.00	—	20.00	37.00	1,625	27.5	2.9
FY2010	—	19.00	—	25.00	44.00	1,933	29.4	3.2
FY2011 (Forecast)	—	21.00	—	21.00	42.00		26.0	

Note: Breakdown of year-end dividends for FY2010(Forecast): Ordinary Dividend 19.00 yen, Commemorative dividend 6.00 yen

3. Consolidated forecast for FY2011 (From April 1, 2011 to March 31, 2012)

	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	56,500	7.6	4,100	0.1	4,100	6.0	2,700	3.5	61.46
Full year	120,000	5.8	11,000	3.8	11,000	4.1	7,100	8.0	161.61

(Reference) Others

(1) Change in the valuation method for inventory assets

Inventories were previously stated principally at cost determined by the gross average method for merchandise and finished goods and the last purchase method for raw materials and supplies. From this fiscal year, the Company adopted the moving-average method due to introduction of the enterprise resource planning system.

As a result, gross profit, operating income, ordinary income and income before income taxes and minority interests decreased by ¥125 million, respectively.

(2) Change in account processing of consolidated statements of income

Following the introduction of the enterprise resource planning system, some costs related to services are included in cost of sales from this fiscal year, which was previously included in selling, general and administrative expenses.

As a result, gross profit decreased by ¥473 million. The change has no effect on operating income, ordinary income and income before income taxes and minority interests.

(Reference) Non-Consolidated Financial Highlights

1. Non-Consolidated Financial Highlights for FY2010 (From April 1, 2010 to March 31, 2011)

(1) Non-Consolidated Operating Results

(Amounts are rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2010	68,205	-1.4	5,376	-17.4	6,268	-12.8	4,252	-8.0
FY2009	69,165	-0.2	6,511	23.6	7,184	28.4	4,620	23.2

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

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
FY2010	96.80	—
FY2009	105.16	—

(2) Non-Consolidated Financial Conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2010	78,004	54,284	69.6	1,235.64
FY2009	79,090	51,973	65.7	1,183.00

Reference: Equity capital: FY2010: 54,284 million yen FY2009: 51,973 million yen

* 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 March 31, 2011), the overall global economy gradually recovered, followed by 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 and the Japanese government allocated a budget for a regional medical care revival plan in order to compensate for the physician shortage and ensure delivery of emergency and perinatal care. However, the Great East Japan Earthquake on March 11, 2011 resulted in an enormous loss of human life as well as massive economic damage.

In this business environment, the Company launched its 3-year business plan for fiscal years 2010 to 2012, SPEED UP III, and focused on implementing key strategies including expanding and strengthening its core business areas as well as accelerating globalization.

The Company continues to introduce products that can help to improve medical safety and efficiency. In Patient Monitors, it launched a new central monitor for advanced markets and a high-mid end bedside monitor for emerging markets. In China, the Company launched a new locally developed and manufactured ECG data management system and a central monitor. In order to expand its treatment equipment business, Nihon Kohden signed an agreement with Metran Co.,Ltd. to acquire exclusive rights for worldwide marketing of Metran ventilators. Nihon Kohden also strengthened its business structure in Europe by establishing NIHON KOHDEN UK Ltd. and making a sole agency agreement with Delrus Inc in Russia.

As a result, overall sales during the term under review increased 5.9% over FY2009 to ¥113,380 million. Operating income increased 13.7% to ¥10,598 million and ordinary income increased 13.1% to ¥10,569 million. After extraordinary expenses including product voluntary field corrective action expenses of ¥243 million, net income increased 11.1% over FY2009 to ¥6,573 million.

Regarding the impact of the Great East Japan Earthquake, all employees were safe and there was no serious damage to the Company's buildings and facilities. Product delivery for some sales contracts was postponed to the next fiscal year and there were plant shutdown during the rolling blackouts, but the impact on earnings was minor. In order to support disaster stricken region, the Company provided monetary donations and relief supplies worth ¥99 million, which was reported as non-operating expenses and extraordinary expenses.

[Sales by region]

Japan: Sales in the hospital market, particularly the acute care market, increased favorably due to recovery of capital spending by hospitals following the upward revision of medical treatment fees. Sales of Patient Monitors showed strong growth, supported by good sales of high-performance bedside monitors, telemetry systems and color LCD transmitters. In Physiological Measuring Equipment, sales of EEGs, ECGs and diagnostic information systems increased. In Treatment Equipment, sales of ventilators and artificial ear increased, although sales of AEDs remained weak. As a result, domestic sales increased 6.4% over FY2009 to ¥93,046 million.

International: Sales of Patient Monitors showed strong growth, offsetting the negative impact of currency exchange rates. Sales of Physiological Measuring Equipment, Treatment Equipment and Hematology Analyzers decreased. In the Americas, the Company enjoyed strong growth in the United States, while sales in Latin America decreased. Sales in Europe increased due to solid sales in Germany and Russia. A large spot order in Romania also impacted sales favorably. In Asia, sales in South Korea and Southeast Asia grew favorably, while sales in China and the Middle-East decreased. As a result, international sales increased 3.9% over FY2009 to ¥20,333 million.

[Sales by product category]

Physiological Measuring Equipment: In Japan, sales of EEGs, ECGs and diagnostic information systems increased, while Polygraphs for cath lab remained almost the same level as the previous fiscal year. Internationally, mainly due to unfavorable currency exchange rates, EEG sales were weak in Europe, while ECG sales were weak in the Americas. Overall, sales increased 0.8% over the previous fiscal year to ¥28,189 million.

Patient Monitors: In Japan, sales showed strong growth, especially in the acute care market, supported by favorable sales of high-performance bedside monitors, telemetry systems and color LCD transmitters. Outside Japan, sales increased in all areas including the Americas, Europe and Asia. Sales in the United States showed strong growth as the Prefense™*, which was developed to improve patient care in general wards, gained recognition and contributed to increased sales. In Europe, high-performance bedside monitors gained a high reputation and favorable sales volume. A large spot order in Romania also impacted sales favorably. Overall, sales increased 13.0% over the previous fiscal year to ¥37,274 million.

*Prefense™ is an innovative solution which enables medical personnel to monitor and track trends on vital statistics on a continuous basis via a wireless transmitter and provide advance warning of deterioration in patient condition. The Company developed it for the U.S market where medical harm has become an important issue.

Treatment Equipment: In Japan, ventilators sales increased favorably. Sales of artificial ear and vagus nerve stimulation therapy systems also increased. Sales of AEDs declined sharply. Internationally, sales of defibrillators in medical facilities and ambulances decreased, although sales of AEDs increased mainly in South Korea. Overall, sales decreased 1.4% over the previous fiscal year to ¥19,073 million.

Other Medical Equipment: In Japan, sales of hematology analyzers increased. Sales of locally purchased products including diagnostic imaging equipment also increased. Internationally, sales of hematology analyzers decreased and sales of locally purchased products increased. Overall, sales increased 8.1% over the previous fiscal year to ¥28,843 million.

5. Consolidated Sales Results by Product Category

(Millions of yen)

	FY2010	
	Amount	Growth rate (%)
Physiological Measuring Equipment	28,189	+0.8
Patient Monitors	37,274	+13.0
Treatment Equipment	19,073	-1.4
Other Medical Equipment	28,843	+8.1
Total	113,380	+5.9
(Reference) Domestic Sales	93,046	+6.4
(Reference) Overseas Sales	20,333	+3.9
(Reference) Overseas Sales		
Americas	6,808	+8.1
Europe	6,075	+3.7
Asia	6,256	-3.8
Other	1,192	+31.3

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.

6. Consolidated Forecast for FY2011

In Japan, medical treatment fees were revised upward in April 2010 and the regional medical care revival plan, for which the Japanese government provides necessary funding in the supplementary budget, has made progress. Accordingly, acute care hospitals are likely to continue stable capital spending. Regarding the impact of the Great East Japan Earthquake on the market environment, restoration of medical care systems in affected areas will proceed gradually, while there is uncertainty about the effects of the electrical power supply shortage in the Tohoku and Kanto areas. Internationally, demand for medical equipment will remain strong in emerging countries and the United States, while there is concern about the impact of financial crisis in Europe. Since competition among companies has intensified domestically and internationally, the Company will continue to face a severe business environment.

Under these circumstances, Nihon Kohden will implement its 3-year business plan, SPEED UP III, for the period until FY2012 (ending March 2013) in order to achieve sustained group growth and enhance its corporate value. The Company forecasts overall sales, operating income, ordinary income and net income for FY2011 to be ¥120,000 million, ¥11,000 million, ¥11,000 million and ¥7,100 million, respectively. In Japan, the Company aims to expand sales in acute care hospitals since they are expected to continue stable capital spending. The Company will also focus on recovering its AED unit sales. Internationally, the Company will expand its sales network and continue to introduce products that can help to improve medical safety and efficiency. In addition, it will strengthen business operations in China, India, Brazil and other emerging countries.

Based on current circumstances, the Company has evaluated the impact of the Great East Japan Earthquake on earnings. The Company expects cost increase of parts and expenses due to the electrical power supply shortage. There is a possibility that parts shortage may affect production of some products, but it will be resolved within one year. The Company will promptly disclose any new information of significant impact.

The Company's forecast for FY2011 is based on an exchange rate of 85 yen to the dollar and 110 yen to the euro. Exchange rate fluctuations will not have much impact on operating profit because the Company's import and export business are roughly balanced.

(Consolidated Forecast for FY2011 by Product Category)

(Millions of yen)

	FY2011 (Forecast)	
	Amount	Growth rate (%)
Physiological Measuring Equipment	29,600	+5.0
Patient Monitors	41,050	+10.1
Treatment Equipment	19,700	+3.3
Other Medical Equipment	29,650	+2.8
Total	120,000	+5.8
(Reference) Domestic Sales	96,000	+3.2
(Reference) Overseas Sales	24,000	+18.0

7. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2010	March 31, 2011
ASSETS		
Current assets:		
Cash	8,834	9,331
Trade notes and accounts receivable	35,167	37,363
Marketable securities	7,500	9,500
Merchandise and finished goods	11,277	10,802
Work in process	76	1,202
Raw materials and supplies	2,151	2,279
Deferred tax assets	3,774	4,177
Other current assets	1,132	1,057
Allowance for doubtful receivables	-230	-348
Total current assets	69,685	75,366
Fixed assets:		
Tangible fixed assets		
Buildings and structures, net	3,465	3,304
Machinery, equipment and vehicles, net	781	669
Equipment, net	2,021	1,810
Land	2,680	2,624
Lease assets, net	98	90
Construction in progress	318	337
Total tangible fixed assets	9,365	8,838
Intangible fixed assets		
Goodwill	817	763
Other intangible fixed assets	3,534	3,307
Total intangible fixed assets	4,351	4,070
Investments and other assets		
Investments in securities	2,753	2,363
Deferred tax assets	749	773
Prepaid pension cost	32	—
Other investments and other assets	1,113	1,136
Allowance for doubtful receivables	-52	-51
Total investments and other assets	4,597	4,220
Total fixed assets	18,315	17,129
Total assets	88,000	92,495

(Millions of yen)

	March 31, 2010	March 31, 2011
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	18,200	18,870
Short-term debt	1,131	1,339
Accounts payable-other	1,582	1,696
Lease obligations	35	39
Accrued income taxes	2,713	2,330
Accrued expenses	1,937	1,999
Reserve for bonuses	1,988	1,456
Provision for product warranties	402	623
Other current liabilities	1,729	1,319
Total current liabilities	29,722	29,673
Non-current liabilities:		
Long-term debt	11	7
Long-term accounts payable	194	194
Lease obligations	52	41
Deferred tax liabilities	18	25
Provision for retirement benefits	—	116
Other non-current liabilities	52	143
Total non-current liabilities	329	528
Total liabilities	30,051	30,201
NET ASSETS		
Stockholders' equity:		
Common stock	7,544	7,544
Additional paid-in capital	10,487	10,487
Retained earnings	42,307	47,167
Treasury stock	-2,017	-2,019
Total stockholders' equity	58,321	63,179
Valuation and translation adjustments:		
Net unrealized gain on other securities	150	-76
Foreign currency translation adjustments	-546	-843
Total valuation and translation adjustments	-396	-919
Minority interests	23	34
Total net assets	57,949	62,294
Total liabilities and net assets	88,000	92,495

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2010	Year ended March 31, 2011
Net sales	107,013	113,380
Cost of sales	52,377	56,193
Gross profit	54,636	57,187
Selling, general and administrative expenses	45,315	46,588
Operating income	9,321	10,598
Non-operating income		
Interest income	30	21
Dividend income	78	79
Other, net	308	364
Total non-operating income	418	465
Non-operating expenses		
Interest expenses	33	16
Exchange loss	176	312
Equity in losses of affiliates	5	—
Contribution	—	58
Other, net	180	107
Total non-operating expenses	396	494
Ordinary income	9,343	10,569
Extraordinary income		
Gain on sales of noncurrent assets	—	12
Gain on sales of investments in securities	195	7
Reversal of allowance for doubtful accounts	108	30
Total extraordinary income	303	50
Extraordinary expenses		
Loss on sales and retirement of fixed assets	126	—
Loss on sales of noncurrent assets	—	2
Loss on retirement of noncurrent assets	—	23
Loss on sales of investment securities	—	2
Loss on devaluation of investment in securities	51	0
Provision for product warranties for prior periods	320	—
Product voluntary field correction expenses	—	243
Loss on disaster	—	41
Other, net	—	11
Total extraordinary expenses	497	326
Income before income taxes and minority interests	9,148	10,292
Income taxes	4,313	3,982
Income taxes-deferred	-1,093	-271
Total income taxes	3,220	3,710
Income before minority interest	—	6,581
Minority interests	11	8
Net income	5,917	6,573

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Year ended March 31, 2010	Year ended March 31, 2011
Income before minority interests	—	6,581
Other comprehensive income		
Valuation difference on available-for-sale securities	—	-226
Foreign currency translation adjustment	—	-294
Total other comprehensive income	—	-521
Comprehensive Income	—	6,060
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	—	6,049
Comprehensive income attributable to minority interests	—	10

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2010	Year ended March 31, 2011
Cash flows from operating activities:		
Income before income taxes and minority interests	9,148	10,292
Depreciation and amortization	2,507	2,694
Amortization of goodwill	54	52
Loss (gain) on sales of property, plant and equipment	28	10
Loss (gain) on sales and retirement of intangible assets	97	3
Increase (decrease) in allowance for doubtful accounts	-138	118
Increase (decrease) in reserve for bonuses	-227	-532
Increase (decrease) in reserve for guarantee for after-care of products	402	221
Increase (decrease) in provision for retirement benefits	—	116
Decrease (increase) in prepaid pension costs	965	32
Interest and dividends income	-109	-101
Interest expenses	33	16
Foreign exchange losses (gains)	-26	12
Loss (gain) on valuation of investment securities	97	11
Loss (gain) on sales of investment securities	-195	-4
Decrease (increase) in notes and accounts receivable-trade	-2,680	-2,495
Decrease (increase) in inventories	636	-778
Increase (decrease) in notes and accounts payable-trade	2,172	669
Increase (decrease) in accrued consumption taxes	177	-152
Equity in (earnings) losses of affiliates	5	—
Other, net	438	38
Subtotal	13,388	10,224
Interest and dividends income received	108	101
Interest expenses paid	-13	-36
Income taxes paid	-2,804	-4,396
Net cash provided by (used in) operating activities	10,679	5,892
Cash flows from investing activities:		
Proceeds from sales of investment securities	402	35
Purchase of investment securities	-50	-37
Proceeds from sales of property, plant and equipment	11	74
Purchase of property, plant and equipment	-1,186	-1,379
Purchase of intangible assets	-1,990	-552
Other, net	3	-16
Net cash used in investing activities	-2,810	-1,874
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	-1,211	231
Repayment of long-term loans payable	-5	-4
Net decrease (increase) in treasury stock	-1	-1
Cash dividends paid	-1,574	-1,719
Repayments of lease obligations	-57	-42
Net cash used in financing activities	-2,850	-1,536
Effect of exchange rate change on cash and cash equivalents	114	-3
Net increase (decrease) in cash and cash equivalents	5,133	2,477
Cash and cash equivalents at beginning of period	11,197	16,331
Cash and cash equivalents at end of period	16,331	18,808