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**Announcement of Revised Performance Outlook**

Amid challenging economic and business environments, Hitachi Koki Co., Ltd. (Hitachi Koki, the Company) is managing its activities aggressively with the objectives of “achieving thoroughgoing global consolidated management” and “strengthening cost-competitiveness, while realizing high levels of efficiency in management.” As part of this drive and with the aim of winning victory in global competition, in October 2002, Hitachi Koki split off and transferred its printing systems business to Hitachi, Ltd. The Company is now concentrating its resources in its core business of power tools and in the life-science instruments business, which is a promising area for future development.

However, the recent difficult economic and business environments have become even less transparent than before, and no signs of recovery have emerged. Under these circumstances, the Company has decided to take further structural reform measures, including the return of the portion of its National Welfare Pension Fund that it has managed on behalf of the government, the implementation of a preferential early retirement system, and the dissolution of a subsidiary, so as to further strengthen cost-competitiveness.

Accompanying these further structural reform measures, Hitachi Koki anticipates certain extraordinary gains and losses and has therefore revised the outlook for performance as follows.

### **1. Return of the Portion of the Company's National Welfare Pension Fund It Has Managed on Behalf of the Government and Related Matters**

Hitachi Koki received a permit from the Minister of Health, Labor and Welfare, dated January 17, 2003, relieving the Company of its obligations to make future pension payments related to the portion of the Hitachi Koki National Welfare Pension Fund it has managed on behalf of the government.

Accompanying the receipt of this permit, the Company has applied the interim measures provided under Article 47 Section 2 of the *Guidelines for Retirement Allowance Accounting* (interim report) (Report No. 13 of the Accounting System Committee of the Japan Association of Certified Public Accountants). As a result, as of the date of the permit, the Company recognized the nullification of its retirement benefit obligations related to the portion of the fund it has managed on behalf of the government.

Accordingly, the Company is expected to report extraordinary gains of approximately ¥4.4 billion on a non-consolidated basis and approximately ¥6.2 billion on a consolidated basis.

On the other hand, as a result of the partial amortization of the unrecognized net transition obligation under the accounting of employees' severance and retirement benefits, the Company will incur additional expenses, namely, extraordinary losses of approximately ¥500 million on a non-consolidated basis and approximately ¥1.0 billion on a consolidated basis.

## **2. Structural Reforms**

Hitachi Koki will make certain structural reforms, including the implementation of a preferential early retirement plan, the dissolution of Hitachi Koki Yamagata Co., Ltd. (previously announced on November 1, 2002), and the withdrawal of subsidiary Hitachi Koki Haramachi Co., Ltd., from the sand-casting business.

As a result of these reforms, the Company will report extraordinary losses of approximately ¥1.9 billion on a non-consolidated basis and approximately ¥4.2 billion on a consolidated basis.

## **3. Accounting Treatment of the Transfer of the Printing Systems Business**

In October 2002, the Company split off its printing systems business and transferred these activities to Hitachi, Ltd. The transfer price to be agreed upon is expected to exceed the value of the net assets of that business.

However, to reverse the amount of the foreign currency adjustments item related to the printing systems business, amounting to about ¥6.7 billion, accounted as a deductible item in the Company's shareholders' equity, as provided for in the *Guidelines for Accounting for Foreign Currency Transactions*, the Company will incur an extraordinary loss.

Since the financial statements of foreign subsidiaries employ a different exchange rate for (1) assets and liabilities (the rate at the end of the latest period) and (2) shareholders' equity items (the rate at the time accrued), a difference will arise between the amount obtained by deducting liabilities from assets and the amount contained in shareholders' equity. The Company will adjust this difference to make the foreign currency translation adjustments item consistent and will take account of this adjustment amount in shareholders' equity.

The Company's foreign currency translation adjustments item related to the transfer of the printing systems business amounts to approximately minus

¥6.7 billion, and, accordingly, it has reduced consolidated shareholders' equity. However, as a result of the accounting treatment of this time, the minus will be removed, and the Company's consolidated shareholders' equity will rise approximately ¥6.7 billion. Nevertheless, as noted above, since the reversal of the foreign currency translation adjustments item will be treated as an extraordinary loss, this loss for the period will reduce consolidated retained earnings. In other words, consolidated shareholders' equity will be reduced by approximately ¥6.7 billion. As a result, this accounting treatment will have no net impact on consolidated shareholders' equity. Also, since this accounting treatment is substantially a transition of items in the shareholders' equity section, there will be no impact on cash flows.

#### **4. Revision of the Performance Outlook for Fiscal 2003 (April 1, 2002 to March 31, 2003)**

As a consequence of the accounting treatment of the previously mentioned extraordinary gains and losses, the outlook for performance, made public at the time of the announcement of the interim results on October 29, 2002, has been revised as follows.

A cash dividend of ¥4 per share will be paid for the second half of the fiscal year, thus bringing the total dividend for the fiscal year to ¥8 (the same as the outlook issued at the time of the announcement of the interim results), unchanged from the previous year.

(1) Non-consolidated	(Unit: ¥ million, %)		
	Net Sales	OrdinaryIncome	Net Income
Previously announced (A) (October 10, 2002)	71,000	3,250	2,600
Revised outlook (B)	71,000	3,250	4,660
Change (B-A)	-	-	2,060
% change	-	-	79.2
Actual for fiscal 2002	88,357	2,567	3,293

Note: Figures for fiscal 2002 include the printing systems business.

(2) Consolidated	(Unit: ¥ million, %)		
	Net Sales	OrdinaryIncome	Net Income
Previously announced (A) (October 10, 2002)	106,500	3,450	1,500
Revised outlook (B)	106,500	3,450	-5,200
Change (B-A)	-	-	-6,700
% change	-	-	-
Actual for fiscal 2002	127,166	3,102	1,007

Note: Accompanying the transfer of the printing systems business, the Company will report an extraordinary loss on a consolidated basis, but as explained previously, this loss will be recognized only in the accounting treatment, and therefore it will have no net impact on the Company's consolidated shareholders' equity and cash flows. In addition, the transfer price the Company will receive will exceed the value of the net assets of the business.