

Financial Results (Consolidated) for the Fiscal Year ended March 31, 2006

English Translation or “ KESSAN TANSHIN”

(April 1, 2005 to March 31, 2006)

Hitachi Koki

Company Name: Hitachi Koki Co., Ltd.

Local Securities Code Number: 6581

(URL: <http://www.hitachi-koki.com>)

President (CEO) & Director: Kozo Kagimoto

Stock Exchange Listings: Tokyo, Osaka

Head Office: Tokyo, Japan

Board of Directors Meeting for Approval of Financial Results: April 26, 2006

Name of the Parent Company, Etc.: Hitachi, Ltd. (Local Securities Code Number: 6501)

Proportion of the Company's Shareholder Voting Rights Held by the Parent Company, Etc.: 37.92%

U.S. accounting practices have not been adopted in this statement.

1. CONSOLIDATED FINANCIAL RESULTS FOR FISCAL 2005 (April 1, 2005 to March 31, 2006)

(1) Consolidated Operating Results (Figures less than ¥1 million have been omitted.)

	Net sales		Operating income		Ordinary income	
	(Million yen)	%	(Million yen)	%	(Million yen)	%
Fiscal 2005	142,009	21.0	15,522	49.4	15,054	45.7
Fiscal 2004	117,408	19.6	10,391	62.7	10,334	62.8

	Net income		Net income per share	Net income per share (after full dilution)	Net income/ Shareholders' equity	Ordinary income /Total assets	Ordinary income /Sales
	(Million yen)	%	(yen)	(yen)	%	%	%
Fiscal 2005	11,501	37.5	108.92	108.60	11.4	11.8	10.6
Fiscal 2004	8,363	96.7	78.78	78.67	9.1	9.0	8.8

Notes: 1. Investment income and losses resulting from the application of the equity method:

Fiscal 2005 : ¥(20 million)

Fiscal 2004 : ¥(23 million)

2. Average number of shares outstanding during the period (consolidated):

Fiscal 2005 : 104,954,104 shares

Fiscal 2004 : 105,431,189 shares

3. Changes in accounting methods: Yes (Content) Application of impairment accounting standards

4. Percentages in the columns of net sales, operating income, ordinary income, and net income indicate changes from the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(Million yen)	(Million yen)	(%)	(Yen)
Fiscal 2005	135,741	107,413	79.1	1,021.78
Fiscal 2004	120,506	94,906	78.8	904.62

Note: Number of shares issued at end of the period (consolidated):

Fiscal 2005 : 105,055,482 shares

Fiscal 2004 : 104,849,349 shares

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of the period
	(Million yen)	(Million yen)	(Million yen)	(Million yen)
Fiscal 2005	9,222	(4,662)	(1,435)	27,389
Fiscal 2004	9,231	(8,043)	(2,565)	23,366

(4) Scope of Consolidation/Equity Method Accounting

Consolidated subsidiaries: 23

Unconsolidated subsidiaries accounted for by the equity method: 1

Affiliates accounted for by the equity method: 0

(5) Changes in Scope of Consolidation/Equity Method

Newly consolidated subsidiaries: 2

Subsidiaries excluded from consolidation: 1

Companies included in equity method accounting: 0

Companies excluded from equity method accounting: 1

2. FORECAST FOR CONSOLIDATED FINANCIAL RESULTS FOR FISCAL 2006 (April 1, 2006 to March 31, 2007)

	Net sales	Ordinary income	Net income
	(Million yen)	(Million yen)	(Million yen)
Interim	73,000	7,700	5,100
Full-year	150,000	16,000	10,600

(Estimated net income per share for fiscal 2006 (Full-year) : ¥100.71)

Management Policies

1. Basic Management Policy

The Hitachi Koki Group's basic management policy is to contribute to society by providing products and services that incorporate globally top-class technologies, and as a global corporation, we offer high-performance, high-quality power tools and other products to customers throughout the world. In addition, as a member of society, Hitachi Koki is committed to its corporate philosophy of "Basic Principles and the Path of Virtue," and the Company is striving to further strengthen its compliance with laws and regulations and ensure thorough conformance with corporate ethics standards so that it can be a company that consistently earns the trust of society at large.

In line with its basic management policy, the Hitachi Koki Group is seeking to become one of the world's major players in its main business field by proactively and decisively implementing management measures to improve its performance and the growth potentials of its businesses. In the future, Hitachi Koki will strive to overcome intense competition with its rivals in the global power tool market, sustain a further surge of corporate development, and steadily advance toward its objective of being one of the world's major players.

2. Medium- and Long-Term Corporate Strategies

To date, the Hitachi Koki Group has taken diverse measures aimed at helping quickly attain its objective of gaining a 13% share of the global power tool market (the G13 objective) amid intense global competition. These measures include the proactive implementation of business investments and the launch of a steady stream of strategic products. As a result, during the fiscal year under review, ended March 31, 2006, the Group was able to achieve a third consecutive year of growth in both revenue and profit—mainly in the power tool sector, the Group's core business—and attain the G13 objective. Moreover, the level of net income was the highest ever recorded since the Company's founding. In the future, the Group will endeavor to maintain its current momentum and realize an additional surge of business development.

The Hitachi Koki Group's current medium- to long-term management strategies include those designed to (1) proactively undertake marketing activities in global markets and thereby further increase its sales and expand business scale; (2) build an optimal manufacturing system for responding to globalization and thereby strengthen cost-competitiveness as well as boost profitability; and (3) upgrade capabilities for using digital engineering technologies in product development programs, work to quickly and continually launch new offerings that are tailored

to user needs and are potential “global top products,” and proactively engage in strategic M&A transactions and alliances. In these ways, the Group is dynamically implementing business strategies aimed at making it one of the world’s major players.

3. Basic Policy Concerning Profit Distribution

Decisions concerning profit distribution are made after taking full account of future business plans, performance, financial conditions, and other factors. In addition, Hitachi Koki strives for the efficient allocation of retained earnings, concentrating investments on core products and technologies and on rationalizing facilities as well as on M&A transactions expected to produce synergistic benefits and promote growth in the scale of business operations.

Regarding dividends, having already raised its ordinary interim dividend by ¥1 per share from the previous year, to ¥10 per share, Hitachi Koki plans to respond to its shareholder support by raising the level of its fiscal year-end ordinary dividend payment ¥2 per share and implementing an additional ¥2 per share special dividend in light of the positive trends in its performance, bringing the total sum of year-end dividends to ¥14 per share. Accordingly, the total dividends applicable to the fiscal year under review are projected to amount to ¥24 per share a ¥4 increase from the previous year.

As the implementation of Japan’s new Company Law (*Kaisha Ho*) makes it possible for companies to fund dividend payments with retained earnings based on board of directors’ resolutions, Hitachi Koki plans to revise its articles of incorporation and begin distributing dividend payments quarterly.

4. The Company’s Views and Policies Regarding the Reduction in Size of Investment Units

The Company recognizes that the reduction in the size of investment units is an effective measure to improve the liquidity of its shares and to accelerate the increase in the number of its shareholders and that the size of investment units is an issue that should be carefully reviewed by the Company with due consideration given to liquidity conditions in the market for the Company’s stock, the composition of shareholders, and other pertinent factors. The Company will continue to deliberate this issue to set up the most appropriate size of the investment unit.

5. Matters Related to Parent Company and Other Related Companies

(1) Business Name of the Parent Company, etc.

(As of March 31, 2006)

Parent company, etc.	Attributes	Proportion of the Company's Shareholder Voting Rights Held by the Parent Company, etc.	Securities exchanges and other financial markets listing shares issued by the parent company, etc.
Hitachi, Ltd.	In the case that the listed company is an affiliate of other companies, such other companies	37.92% (10.73%)	Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange, Fukuoka Stock Exchange, Sapporo Stock Exchange, Luxembourg Stock Exchange, Frankfurt Stock Exchange, Amsterdam Stock Exchange, Paris Stock Exchange, and New York Stock Exchange

Notes: The parenthetical figure under "Proportion of the Company's Shareholder Voting Rights Held by the Parent Company, etc." represents that part of the percentage of shareholders' voting rights indirectly held, which is included in the percentage above.

(2) Position of the Listed Company (Hitachi Koki) in the Corporate Group of the Parent Company, etc. and Its Relationship with Other Listed Companies and the Parent Company, etc.

The Company, as a member of the Hitachi Group sharing the Hitachi brand, maintains close relationships with its principal shareholder, Hitachi, Ltd., and other members of the Hitachi Group. Hitachi, Ltd. is a company that owns 27.19% of the Company's shareholding rights, and the Company is an affiliated company of Hitachi, Ltd.

It is the Company's basic policy to maintain autonomous operations in business and transactions with Hitachi, Ltd. and each of the other Hitachi Group companies.

With regard to matters related to trading with the parent company etc., the Company utilizes the Hitachi Group fund-pooling system as a way to manage surplus funds.

Operating Results and Financial Position

1. Operating Results

With respect to the Japanese economy during the fiscal year under review, improvement in corporate profitability promoted a rise in capital investment, and personal consumption also showed a moderate rise. Moreover, while housing investment was generally flat during the first half of the year, it began growing during the latter half. These and other factors indicated that the current economic expansion, which was initially weak, has progressively gathered momentum. Overseas, economic expansion proceeded smoothly in the United States and the Asian region, but the modest recovery achieved in the European region lacked strength.

In this business environment, the Hitachi Koki Group has been striving to overcome harsh global competition and establish itself as one of the world's top players by (1) adding and expanding marketing routes and thereby expanding sales on a global scale, (2) building optimal manufacturing systems and thereby augmenting profitability, and (3) upgrading product development capabilities and thereby enabling the rapid launch of high-value-added products. In these and other ways, the Group has been proactively working to develop its operations.

In addition, in the field of product development, Hitachi Koki has won various awards in recognition of its product development achievements. In the fiscal year under review, the Company for the first time won an award in the U.S.-based Industrial Design Excellence Awards (IDEA) program, which has considerable prestige throughout the world, and won an award in the Germany-based International Forum Design Award (iF Design) program for the fourth consecutive year. The Company will continue working to receive such awards in consecutive years.

Amid these conditions, during the fiscal year under review, Hitachi Koki recorded a strong consolidated performance, achieving a third consecutive year of rising sales and profitability, primarily due to contributions from its core business, the power tool sector. Consolidated net sales surged 21% from the previous fiscal year, to ¥142,009 million, and consolidated operating income soared 49% from the previous fiscal year, to ¥15,522 million.

Performance by business sector during the fiscal year under review was as follows.

Regarding the Power Tools Sector, domestic sales increased 10% due to strong sales of pneumatic tools and accessories (including consumables) and items sold through home centers as well as cordless tools and other new products. Overseas, sales of items sold through home centers and pneumatic tools continued to surge considerably in the North

America region, and sales in the European region also increased greatly, reflecting such factors as continued rapid growth in sales in Russia and other Eastern European countries. As a result, total overseas sales were up 28% from the previous year.

Thus, fiscal 2006 sales in the Power Tools Sector rose 22% from the previous year, to ¥138,081 million, and operating income for the sector surged 47% from the previous year, to ¥14,894 million.

Regarding the Life-Science Instruments Sector, operating conditions continued to be harsh, and sales were sluggish during the first half of the year. During the latter half of the year, however, Hitachi Koki recorded strong domestic sales of centrifuges and industrial-use ultracentrifuges, and this led to an increase in sales for the fiscal year as a whole.

Consequently, sales in the Life-Science Instruments Sector rose 4% from the previous year, to ¥3,927 million. Reflecting the receipt of approximately ¥100 million in patent royalty income, operating income for the sector surged 116% from the previous year, to ¥627 million.

As a result, the Company's consolidated ordinary income advanced 46% from the previous year, to ¥15,054 million, and consolidated net income rose 38%, to the record high level of ¥11,501 million.

2. Financial Position

Cash flows provided by operating activities in the fiscal year under review increased ¥9,222 million. This reflected income before income taxes for the fiscal year amounting to ¥14,927 million, which offset such negative factors as an increase in sales credits of ¥6,031 million resulting from the expansion of sales and in inventory assets of ¥1,996 million due to the expansion of net sales.

Cash flows from investing activities decreased ¥4,662 million, due to such factors as an acquisition of tangible fixed assets amounting to ¥3,829 million in connection with measures to increase production capacity, etc.

Thus, combined cash flows associated with operating activities and investing activities increased ¥4,560 million.

Cash flows from financing activities decreased ¥1,435 million, due to such factors as dividend payments of ¥2,200 million and other factors, despite an increase in short-term borrowings of ¥716 million.

Consequently, cash and cash equivalents at the end of the fiscal year under review, increased ¥3,671 million from the balance at the end of the previous fiscal year. Furthermore, ¥352 million was added to cash and cash equivalents as a result of making Sankyo Diamond Industries Co., Ltd., a subsidiary and newly consolidating its financial statements with those of the Company. As a result, cash and cash equivalents stood at ¥27,389 million at the end of the fiscal year under review.

3. Forecast for Fiscal 2006

Regarding the current economic environment, although Japan's moderate economic recovery is proceeding, optimism would be imprudent in light of the difficulty of predicting economic trends in the United States, along with such factors as currency exchange rate fluctuations and surging crude oil and raw materials prices.

In view of these trends, in fiscal 2006, the Company projects that it will record net sales of ¥150,000 million, ordinary income of ¥16,000 million, and net income of ¥10,600 million, on a consolidated basis.

Regarding dividends applicable to fiscal 2006, the Company plans to distribute dividends amounting to ¥24 per share. As the implementation of Japan's new Company Law (*Kaisha Ho*) makes it possible for companies to fund dividend payments with retained earnings based on board of directors' resolutions, Hitachi Koki plans to revise its articles of incorporation and begin distributing dividend payments quarterly.