Financial Results (Consolidated)

for the Fiscal Year Ended March 31, 2007

Hitachi Koki Co., Ltd.

Stock Code: 6581

(URL: http://www.hitachi-koki.co.jp)

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Stock Exchange Listings: Tokyo, Osaka

Planned Date of Regularly Scheduled General Shareholders' Meeting: June 27, 2007

Date on Which Dividend Payments to Commence: May 31, 2007

Date of Submission of Marketable Securities Filings: June 27, 2007

1. Consolidated Financial Results for Fiscal 2006 (April 1, 2006 to March 31, 2007)

(1) Consolidated Operating Results

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

(% changes are increases/decreases from the prior fiscal year-end.)

	Net sales		Operating income		Ordinary income	
	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)
Fiscal 2006	153,013	7.7	19,205	23.7	19,083	26.8
Fiscal 2005	142,009	21.0	15,522	49.4	15,054	45.7

	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 2006	13,069	13.6	125.71	125.47	11.8	13.2	12.6
Fiscal 2005	11,501	37.5	108.92	108.60	11.4	11.8	10.9

(Reference) Investment income and losses resulting from the application of the equity method:
Fiscal 2006: ¥(9 million)
Fiscal 2005: ¥(20 million)

(2) Consolidated Financial Position

	Total assets	Net assets	Company's equity ratio	Net assets per share
	(Million yen)	(Million yen)	(%)	(Yen)
Fiscal 2006	154,143	115,952	74.6	1,113.69
Fiscal 2005	135,741	107,413	79.1	1,021.78

(Reference) Shareholders' equity in fiscal 2006: ¥115,003 million
Shareholders' equity in fiscal 2005: not available

(3) Consolidated Cash Flows (Figures in parentheses indicate a negative number.)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	(Million yen)	(Million yen)	(Million yen)	(Million yen)
Fiscal 2006	16,308	(8,455)	(4,662)	30,975
Fiscal 2005	9,222	(4,662)	(1,435)	27,389

2. Cash Dividends

	Dividends per share				
Reference date	First quarter (June 30)	Interim period (September 30)	Third quarter (December 31)	Fiscal year-end (March 31)	Full fiscal year
Fiscal 2005	(Yen) -	(Yen) 10.00	(Yen) -	(Yen) 14.00	(Yen) 24.00
Fiscal 2006	7.00	8.00	8.00	15.00	38.00
Fiscal 2007 (forecast)	9.00	9.00	9.00	Note	Note

Reference date	Aggregate dividend payments (full fiscal year)	Dividend payout ratio (consolidated)	Dividend on equity ratio (consolidated)
Fiscal 2005	(Million yen) 2,520	(%) 22.0	(%) 2.5
Fiscal 2006	3,938	30.2	3.6
Fiscal 2007 (forecast)		Note	

Note: The Company intends to determine fiscal year-end dividends at the Board of Directors meeting to be held in April 2008, targeting a dividend payout ratio of 30% and taking into full account such factors as future business plans, business results, and financial conditions.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2008

(April 1, 2007 to March 31, 2008)

(for full fiscal year, % changes are increases/decreases from the prior fiscal year-end; for interim, % changes are increases/decreases from the prior interim period-end.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Yen)
Interim	80,000	7.9	9,700	7.4	9,500	6.5	6,000	-6.7	58.04
Full fiscal year	165,000	7.8	20,500	6.7	20,000	4.8	12,600	-3.6	121.73

4. Others

(1) Changes in the state of material subsidiaries during the period (changes regarding specific subsidiaries attendant with change in scope of consolidation) No

(2) Changes in principles, procedures, and methods of presentation, etc., related to the consolidated financial statements (changes in material items that form the basis for the preparation and presentation of the consolidated financial statements)

(1) Changes related to revisions in accounting principles Yes

(2) Other changes aside from those in (1) above No

(3) Number of shares issued (common stock)

(1) Number of shares at the end of the period (including treasury stock):

Fiscal year ended March 31, 2007: 123,072,776

Fiscal year ended March 31, 2006: 123,072,776

(2) Number of treasury shares at the end of the period:

Fiscal year ended March 31, 2007: 19,809,616

Fiscal year ended March 31, 2006: 18,017,294

(Additional Information) Non-Consolidated Results

1. Non-Consolidated Operating Results for the Fiscal Year Ended March 31, 2007 (April 1, 2006 to March 31, 2007)

(1) Non-Consolidated Operating Results (% changes are increases/decreases from the prior fiscal year-end.)

	Net sales		Operating income		Ordinary income	
	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)
Fiscal 2006	78,202	7.3	14,359	33.6	16,016	36.7
Fiscal 2005	72,880	11.2	10,752	49.4	11,719	25.5

	Net income		Net income per share	Net income per share (after full dilution)
	(Million yen)	(%)	(Yen)	(Yen)
Fiscal 2006	10,094	3.2	97.09	96.91
Fiscal 2005	9,783	19.0	92.55	92.28

(2) Non-Consolidated Financial Data

	Total assets	Net assets	Company's equity ratio	Net assets per share
	(Million yen)	(Million yen)	(%)	(Yen)
Fiscal 2006	125,228	105,296	84.1	1,019.69
Fiscal 2005	117,930	102,745	87.1	977.35

(Reference) Shareholders' equity in fiscal 2006: ¥105,296 million
Shareholders' equity in fiscal 2005: not available

2. Non-Consolidated Forecasts for the Fiscal Year Ending March 31, 2008 (April 1, 2007 to March 31, 2008)

(For full fiscal year, % changes are increases/decreases from the prior fiscal year-end; for interim, % changes are increases/decreases from the prior interim period-end.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Yen)
Interim	38,600	0.7	6,600	0.2	7,600	0.0	4,700	-5.0	45.46
Full fiscal year	79,000	1.0	14,400	0.3	16,000	-0.1	9,800	-2.9	94.68

Explanation of the Appropriate Use of Performance Forecasts and Other Related Items

The forecasts shown above and other forward-looking statements are based on information available at the time they were prepared and certain assumptions we consider reasonable. Actual consolidated performance may differ sharply from our forecasts owing to a wide range of factors, including shifts in economic conditions in major markets, changes in foreign currency exchange rates, and changes in raw material prices.

For information regarding the scenarios underlying the assumptions we used for our forecasts, please refer to "1. Analysis of Operating Results" in the "Operating Results and Financial Position" section below.

Operating Results and Financial Position

1. Analysis of Operating Results

During fiscal 2006, ended March 31, 2007, although consumer spending slowed to a flat trend in the latter half of the fiscal year, the Japanese economy remained in a mild recovery trend on the whole, thanks to an increase in private capital investment that accompanied better corporate profits and a pickup in private housing investment, which had been nearly flat, in the latter half of the fiscal year. In overseas economies, a sharp decline in housing investment in the United States led to a softening of the nation's economy, which had been expanding, in the latter half of fiscal 2006, but the economies of Europe and Asia outside of Japan remained brisk.

In this business environment, the Hitachi Koki Group implemented an array of business initiatives in order to stay ahead of rivals while closely monitoring trends in the constantly evolving global market. These initiatives included (1) aggressive investment in operations, (2) continuous investment in strategic products, and (3) thoroughgoing measures aimed at paring production costs.

In view of the aforementioned factors, the Company recorded growth in consolidated sales and profits for a fourth consecutive year in fiscal 2006, driven by the core Power Tools segment. Consolidated net sales rose 8% from the previous fiscal year, to ¥153,013 million. Meanwhile, operating income climbed 24%, to ¥19,205 million, ordinary income increased 27%, to ¥19,083 million, and net income advanced 14%, to ¥13,069 million. Each of these figures represents a record high for the Company. Performance by business segment during fiscal 2006 was as follows.

In the Power Tools segment, domestic sales were about even with year-earlier sales, despite aggressive marketing promotions for products such as lithium-ion batteries, due in part to intensifying competition. In overseas markets, although the trend in the North American region remained unfavorable in the latter half of fiscal 2006 in the wake of a sharper-than-anticipated slowdown in private housing investment in the United States, the Group's overseas sales increased 12% year on year, thanks to burgeoning sales growth in the European region on the whole, driven by continued robust sales growth in Russia and other Eastern European countries as well as brisk sales in Northern and Western European countries.

As a result, fiscal 2006 sales in the Power Tools segment rose 7% from the previous fiscal year, to ¥148,365 million, and operating income for the segment surged 23%, to ¥18,279 million.

In the Life-Science Instruments segment, although operating conditions in Japan remained challenging in the first half of the fiscal year, domestic sales of products such as large-scale ultracentrifuge systems used in the creation of vaccines were brisk in the latter half of fiscal 2006. Segment sales overseas expanded steadily, thanks in part to the positive impact of a direct sales program that commenced at the start of the fiscal year.

Consequently, sales in the Life-Science Instruments segment increased 18% from the previous fiscal year, to ¥4,648 million, and operating income for the segment soared 48% from the previous fiscal year, to ¥926 million.

Regarding the outlook for the economic environment, although the Japanese economy is gradually recovering and the European economy remains firm, we think caution against undue optimism is warranted in view of the uncertainty about future trends in the U.S. economy in light of the expected slowdown in manufacturing activity and the likely persistence of the housing market correction, coupled with concerns about fluctuations in foreign currency rates and the high prices for crude oil and raw materials.

Amid this severe economic environment, the Group has looked to make a full-fledged entry into accessories businesses and has been actively investing in businesses peripheral to power tools such as our acquisition of the asset of the business from Tanaka Kogyo Co., Ltd. This acquisition of the business of Tanaka Kogyo has enabled us to make a serious push into engine and gardening tools businesses.

These include the promotion of its strategic line of lithium-ion battery products in markets worldwide, the development and strengthening of new sales routes in the U.S. market, and activities aimed at helping the Company's brand take root quickly in the Middle East, and Central America, which are markets it entered in fiscal 2006. In view of the aforementioned measures, for fiscal 2007, the Company forecasts consolidated net sales of ¥165,000 million, operating income of ¥20,500 million, ordinary income of ¥20,000 million, and net income of ¥12,600 million.

The Company's forecasts for fiscal 2007 are predicated on foreign currency rates of ¥115 and ¥150 for the U.S. dollar and the euro, respectively.

2. Analysis of Financial Position

Cash flows provided by operating activities in the fiscal year under review increased ¥16,308 million. This reflected income before income taxes for the fiscal year amounting to ¥19,131 million, although there were such factors as the growth in sales stemming from an increase of ¥2,910 million in accounts receivable and a rise in inventory assets of ¥3,251 million.

Cash flows from investing activities decreased ¥8,455 million, due to such factors as ¥3,937 million in outlays for the acquisition of tangible fixed assets for the reinforcement of production capacity and ¥3,847 million in outlays for the acquisition of shares in a subsidiary.

As a result, free cash flow (the sum of cash flows provided by operating activities and cash flows from investing activities) amounted to ¥7,852 million.

Moreover, cash flows from financing activities were down ¥4,662 million. Although short-term borrowings increased ¥2,410 million, the Company made dividend payments of ¥3,843 million and purchased ¥3,344 million in treasury stock.

Consequently, cash and cash equivalents on March 31, 2007, were ¥30,975 million, representing an increase of ¥3,585 million from the end of the previous fiscal year.

3. Basic Policy concerning Profit Distribution and Dividends in Fiscal 2006 and Fiscal 2007

Decisions to distribute profits to shareholders and retain earnings 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 cash dividends, we began to pay quarterly dividends, beginning with the first quarter of fiscal 2006, in an effort to be swift and proactive in returning profits to shareholders. Decisions regarding the amount of the dividend payment for the full fiscal year are based on a comprehensive assessment of future business plans, performance, and financial conditions as well as maintaining quarterly dividends at a certain level and the consolidated dividend payout ratio at approximately 30%.

The Group's earnings continue to grow, and its financial position is stable. Looking forward, management anticipates that the current earnings expansion will stay on track and that the Group's financial position will continue to be stable. Accordingly, to further increase the return of profits to shareholders, Hitachi Koki raised its dividend payout and paid a per-share dividend of ¥7 for the first quarter, ¥8 for the interim period, and ¥8 for the third quarter. For the fiscal year-end dividend, we plan to pay ¥15 per share. As a result, the total dividends per share for fiscal 2006 will come to ¥38, which represents a ¥14 increase year on year and is commensurate to a consolidated dividend payout ratio of 30%.

Regarding our dividend plans for fiscal 2007, we intend to pay per-share dividends of ¥9 for the first quarter, ¥9 for the interim period, and ¥9 for the third quarter. As for the fiscal year-end dividend, this will be determined at the Board of Directors meeting to be held in April 2008 since the decision is based on a comprehensive assessment, taking as a reference point a consolidated dividend payout ratio of approximately 30% in accordance with our basic policy concerning profit distribution.

Management Policies

1. Basic Management Policy

The Hitachi Koki Group's basic management policy is to contribute to society by developing products that precisely meet the needs of users and that feature easy-to-use, ergonomic designs as well as offering services that create a high level of customer satisfaction. As a global enterprise actively broadening its reach around the world, the Group provides power tools and other products with high performance and quality on a worldwide basis. In addition, as a member of society, the Group is committed to its corporate philosophy of "Basic Principles and the Path of Virtue." By striving to further strengthen its compliance systems and uphold rigorous corporate ethical standards, the Group seeks to consistently earn the trust of society at large.

In the midst of a rapidly changing management environment, the Group has implemented aggressive, bold strategies in line with its basic management policy and thereby continues to improve its performance and pursue growth opportunities, while responding to the changing environment. In a market where competition is growing fiercer, the Group is moving toward the goal it set previously of becoming one of the industry's major global players by overcoming intense competition with other manufacturers in its field on a global scale.

2. Key Management Target

While the Group seeks to expand its operations to become a major global player, it also believes the pursuit of high profitability is a necessary condition to achieving sustained growth and development at its businesses and consequently targets a consolidated operating profit margin of more than 10%. It steadfastly strives to consistently attain this target while expanding its operations and further raising its corporate value.

3. Medium- and Long-Term Corporate Strategies and Corporate Challenges

The Group is tackling the issues of strengthening its marketing, product development capabilities, and cost-competitiveness so as to build a sturdy business model that will enable it to prevail in the face of intensifying global competition. It is also aggressively taking various management measures aimed at further improvement in earnings performance.

Corporate strategies aimed at achieving further growth at key businesses in the medium- and long-term are outlined below.
(1) In the area of lithium-ion battery products, by extending the range of its product series and offering a broader lineup of products targeting high-volume points, the Group aims to make its lithium-ion batteries, which incorporate the Group's original multilayered safety structure, among the best-sellers worldwide in their respective categories. Primarily through product strategies, such as measures aimed at reinforcing the Hitachi brand in lithium-ion batteries, the Group is working toward further expanding sales in the three major markets of Japan, North America, and Europe. Plus, in the Middle East as well as Central America, which are emerging markets for the Group, it aims to keep expanding sales through aggressive marketing activities and thereby achieve greater operational scale in these markets.
(2) The Group will develop strategic products that accurately target customer needs and stay ahead of rivals in developing innovative products by strengthening its marketing activities and product development efforts and will introduce these products to the market as quickly as possible.

(3) The Group will structure a global manufacturing network by establishing plants in optimal locations, while taking steps to improve its cost-competitiveness, such as carrying out reforms in production at its manufacturing plants in Japan and overseas and implementing thoroughgoing measures to reduce production costs, and thereby further enhance its earnings power.

(4) The Group will step up efforts aimed at areas peripheral to the power tools business, namely power tool accessories (consumable parts) as well as engine and gardening tools. It estimates annual industry sales of power tools, together with these peripheral businesses, come to about ¥4 trillion, and it is working to further expand its operational scale in these businesses by leveraging the Group's technologies and R&D capabilities as well as its network of manufacturing plants and sales offices.

(5) The Group sees M&A and business alliances as important strategic options and aims to move forward in swift but well-considered steps.