

**Financial Results (Consolidated)**  
**for the Half Year ended September 30, 2007**

English Translation or "TYUKAN KESSAN TANSHIN"  
(April 1, 2007 to September 30, 2007)

**Hitachi Koki**

Company Name: Hitachi Koki Co., Ltd.

Local Securities Code Number: 6581

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

President (COO) & Director: Yasuyuki Konishi

Person in Charge for Inquiry: Shingo Yamazaki, General Manager of IR Office

Stock Exchange Listings: Tokyo, Osaka

Planned Date of Submission of Interim Marketable Securities Filing: December 25, 2007

Dividend Payment Commencement Date: November 30, 2007

**1. Consolidated Operating Results in Interim Period (April 1, 2007 to September 30, 2007)**

**(1) Consolidated Operating Results**

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

(% changes are increases/decreases from the prior interim period-end.)

	Net sales		Operating income		Ordinary income	
	(Million yen)	%	(Million yen)	%	(Million yen)	%
Fiscal 2007 interim period	86,900	17.2	10,804	19.6	10,619	19.1
Fiscal 2006 interim period	74,144	10.0	9,035	28.0	8,918	28.8
Fiscal 2006	153,013		19,205		19,083	

	Interim net income (Period under review)		Interim net income per share (Period under review)	Interim net income per share (Period under review) after adjustment for latent shares
	(Million yen)	%		
Fiscal 2007 interim period	6,943	8.0	67.25	67.20
Fiscal 2006 interim period	6,428	12.0	61.45	61.38
Fiscal 2006	13,069		125.71	125.47

(Reference) Investment income and losses resulting from the application of the equity method:

Fiscal 2007 interim period: ¥(1 million)

Fiscal 2006 interim period: ¥(2 million)

Fiscal 2006: ¥(9 million)

**(2) Consolidated Financial Position**

	Total assets	Net assets	Company's equity ratio	Net assets per share
	(Million yen)	(Million yen)	(%)	(Yen)
Fiscal 2007 interim period	163,534	120,863	73.3	1,160.33
Fiscal 2006 interim period	143,028	111,079	77.1	1,058.79
Fiscal 2006	154,143	115,952	74.6	1,113.69

(Reference) Shareholders' equity in fiscal 2007 interim period: ¥119,826 million

Shareholders' equity in fiscal 2006 interim period: ¥110,290 million

Shareholders' equity in fiscal 2006: ¥115,003 million

**(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 2007 interim period	4,851	(4,124)	(2,228)	29,812
Fiscal 2006 interim period	8,581	(2,325)	(2,581)	31,110
Fiscal 2006	16,308	(8,455)	(4,662)	30,975

**2. Cash Dividends**

Reference date	Dividends per share				
	First quarter (June 30)	Midterm (September 30)	Third quarter (December 31)	Fiscal year-end (March 31)	Full fiscal year
Fiscal 2006	(Yen) 7.00	(Yen) 8.00	(Yen) 8.00	(Yen) 15.00	(Yen) 38.00
Fiscal 2007	10.00	10.00			40.00
Fiscal 2007 (forecast)			10.00	10.00	

**3. Consolidated Forecasts for Fiscal Year Ending March 31, 2008  
(April 1, 2007 to March 31, 2008)**

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Yen)
Full fiscal year	178,000	16.3	21,800	13.5	21,300	11.6	13,900	6.4	134.54

**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 interim consolidated financial statements (changes in material items that form the basis for the preparation and presentation of the interim consolidated financial statements)

(1) Changes related to revisions in accounting principles Yes

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

Notes: For details, please refer to "changes in material items that form the basis for the preparation and presentation of the interim consolidated financial statements" on page 11.

(3) Number of shares issued (common stock)

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

Fiscal 2007 interim period: 123,072,776

Fiscal 2006 interim period: 123,072,776

Fiscal 2006: 123,072,776

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

Fiscal 2007 interim period: 19,803,452

Fiscal 2006 interim period: 18,906,222

Fiscal 2006: 19,809,616

Notes: For the number of shares used in the calculation of consolidated net income per share in the interim period of the fiscal year ending March 31, 2008, please refer to "per-share data" on page 11.

## (Additional Information) Non-Consolidated Results

### 1. Interim Non-Consolidated Operating Results (April 1, 2007 to September 30, 2007)

#### (1) Non-Consolidated Operating Results

(% changes are increases/decreases from the prior interim period-end.)

	Net sales		Operating income		Ordinary income	
	(Million yen)	%	(Million yen)	%	(Million yen)	%
Fiscal 2007 interim period	41,794	9.0	8,395	27.4	9,628	26.7
Fiscal 2006 interim period	38,350	9.7	6,588	32.5	7,601	32.4
Fiscal 2006	78,202		14,359		16,016	

	Interim net income (Period under review)		Interim net income per share (Period under review)
	(Million yen)	%	(yen)
Fiscal 2007 interim period	6,326	27.9	61.27
Fiscal 2006 interim period	4,946	-5.8	47.28
Fiscal 2006	10,094		97.09

#### (2) Non-Consolidated Financial Position

	Total assets	Net assets	Company's equity ratio	Net assets per share
	(Million yen)	(Million yen)	(%)	(Yen)
Fiscal 2007 interim period	128,240	108,764	84.8	1,053.21
Fiscal 2006 interim period	120,658	103,491	85.8	993.52
Fiscal 2006	125,228	105,296	84.1	1,019.69

(Reference) Shareholders' equity in fiscal 2007 interim period: ¥108,764 million

Shareholders' equity in fiscal 2006 interim period: ¥103,491 million

Shareholders' equity in fiscal 2006: ¥105,296 million

**2. Non-Consolidated Forecasts for Fiscal Year Ending March 31, 2008  
(April 1, 2007 to March 31, 2008)  
(% changes are increases/decreases from the prior fiscal year-end.)**

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Yen)
Full fiscal year	83,500	6.8	15,000	4.5	17,000	6.1	10,900	8.0	105.50

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

In this filing, we have revised our operating performance forecasts for the fiscal year ending March 31, 2008. For details pertaining to the forecast revisions and underlying assumptions, please refer to "Operating Results" in the "1. Analysis of Operating Results" section of page 3.

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.

**Operating Results and Financial Position**

**1. Analysis of Operating Results**

During the first half of the fiscal year ending March 31, 2008 (fiscal 2007), the Japanese economy remained in a recovery trend on the whole, as evidenced by the pickup in consumer spending and the uptrend in capital expenditures, but housing investment fell in the latter half of the interim period. In the United States, the economy continued to expand moderately on the whole despite a further deceleration in U.S. housing investment, which has been declining since 2006, sparked by the subprime loan problem. In Europe, the economies of Russia and Eastern European countries continued to expand, while the economies of Western European countries generally stayed in a recovery trend. The economies of Asian countries were also steady.

In this business environment, the Hitachi Koki Group moved forward with an array of business initiatives aimed at making the Group more competitive than rivals while closely monitoring trends in the constantly evolving global market. These initiatives included (1) aggressive investment in operations, including the full-fledged entry into the engine and gardening tools business through M&A and the recent establishment of sales subsidiaries, (2) continuous investment in strategic products, such as lithium-ion battery-powered products among others, and (3) thoroughgoing measures aimed at paring production costs.

As a result of the aforementioned factors, consolidated net sales in the first half of fiscal 2007 rose 17% from the previous fiscal year, to ¥86,900 million. Meanwhile, operating income climbed 20%, to ¥10,804 million, ordinary income increased 19%, to ¥10,619 million, and net income advanced 8%, to ¥6,943 million.

Performance by geographical region segment during the first half of fiscal 2007 was as follows.

In Japan, while the number of housing starts fell sharply due to the amended building code that went into effect in June 2007, domestic sales increased 8% from the previous year's level, thanks to aggressive sales promotions of lithium-ion battery-powered products and the new addition of the engine and gardening tools business.

In North America, despite slack U.S. housing investment sliding further and our sales in the region falling 12% year on year, first-half sales were up 8% compared with the level in the second half of fiscal 2006, thanks to measures taken to bolster our presence in home center sales channels and develop new sales channels.

In Europe, sales in Russia and Eastern European countries have stayed robust, and growth in Russia has been especially sharp. In the key Western European markets of England, France, and Germany, initiatives to increase business through major regional retailers are proceeding smoothly, and sales trends in Northern European countries are also brisk. As a result of sales growth throughout Europe, our sales in the region surged 56% from the previous year's level.

In Asia and the rest of the world, our sales increased 45% year on year due to brisk sales in India, the Middle East, and Australia.

In looking at the remainder of fiscal 2007, although the overall economic trend throughout Europe, aside from a few exceptions, is strong, the slump in U.S. housing investment is expected to continue and adversely impact the U.S. economy. In Japan, while the economy continues to rebound gradually, the slide in domestic housing investment has not been halted. In addition to volatility in currency exchange rates and higher raw material prices, there is concern the U.S. subprime loan problem could have knock-on effects on the economies of Japan and Europe. In light of these risks, the outlook for the global economy is far from reassuring.

Against this backdrop, the Hitachi Koki Group is pressing ahead with the expansion of the power tools and accessories businesses, as well as with the reinforcement of the business foundation of its new engine and gardening tools business. The Company is also taking steps to strengthen its development capabilities so as to quickly introduce new products well suited to user needs. Management measures aimed at driving further sales growth include the promotion of the Company's strategic line of lithium-ion battery-powered products in worldwide markets, the development and reinforcement of new sales channels in the United States, and activities aimed at helping the Company's brand take root quickly in the Middle East and Central America, which are new markets for the Group.

In light of the aforementioned trends and initiatives, for fiscal 2007, the Company upwardly revised its forecast for consolidated net sales to ¥178,000 million, for operating income to ¥21,800 million, for ordinary income to ¥21,300 million, and for net income to ¥13,900 million. These compare with the previous forecasts the Company issued on April 26, 2007, calling for 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 new fiscal 2007 forecasts are predicated on foreign currency rates of ¥113 and ¥160 in the second half for the U.S. dollar and the euro, respectively, and of ¥116 and ¥161 in the full fiscal year.

## **2. Analysis of Financial Position**

Total assets at the end of the first half of fiscal 2007 stood at ¥163,534 million, an increase of ¥9,391 million from the end of the previous consolidated fiscal year-end. Within these assets, current assets came to ¥123,034 million, which is a ¥7,696 million increase from the previous consolidated fiscal year-end. This is mainly because of an increase of ¥4,979 million in inventories and of ¥2,849 million

in notes and accounts receivable, reflecting the larger scale of sales and operations and currency exchange rate effects.

Total liabilities at the end of the first half of fiscal 2007 stood at ¥42,670 million, an increase of ¥4,479 million from the end of the previous consolidated fiscal year-end. This is mainly because of an increase in accounts payable of ¥2,158 million due to operational expansion.

Net assets at the end of the first half of fiscal 2007 stood at ¥120,863 million, an increase of ¥4,911 million from the end of the previous consolidated fiscal year-end. This is mainly because retained earnings increased ¥4,362 million as a result of the Company booking interim net income of ¥6,943 million.

Net cash provided by operating activities came to ¥4,851 million, despite corporate income tax and other payments of ¥4,635 million, thanks to interim income before income taxes of ¥10,788 million. Net cash used for investing activities came to ¥4,124 million due to outlays for capital expenditures, business acquisitions, and other factors. Moreover, net cash used for financing activities came to ¥2,228 million due to ¥2,570 million in dividend payments and other factors. Consequently, the balance of cash and cash equivalents declined by ¥1,162 million from the end of the previous fiscal year, to ¥29,812 million.

### **3. Basic Policy concerning Profit Distribution and Dividends in Fiscal 2007 and Fiscal 2008**

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. Since our earnings have expanded steadily and our financial position has remained stable over the past several years in particular, we have switched to paying quarterly dividends and increased dividends in view of profit growth and various other factors in an effort to be swift and proactive in returning profits to our shareholders.

While working to expand earnings and uphold our stable financial position by moving forward with an array of management initiatives, our 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%.

In addition, the Hitachi Koki Group strives for the efficient allocation of retained earnings, concentrating investments on core products and technologies and on making facilities more productive as well as on M&A transactions expected to produce synergistic benefits and promote growth in the scale of business operations.

Regarding our dividend for fiscal 2007, 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 promote the return of profit to shareholders, the Company raised its dividend payout beyond its original plan and paid ¥10 per share. For the second quarter (interim period), the Company also expects to pay a dividend of ¥10 per share. For the third quarter and the fourth quarter (fiscal year-end), the Company also expects to maintain a quarterly dividend payment of ¥10 per share. As a result, the total per-share dividend payment for fiscal 2007 is expected to be ¥40.

## **Management Policy**

### **1. Basic Management Policy**

### **2. Key Management Target**

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

Regarding the above-mentioned 1-3, there have been no material changes to the information we disclosed on these matters in our business performance filing for fiscal 2006 that we issued on April 26, 2007.

To access the filing for fiscal 2006 containing this information, please access the following website links.

Hitachi Koki's website:

<http://www.hitachi-koki.com/financial00.html>

Tokyo Stock Exchange's website (listed company information search page):

<http://www.tse.or.jp/english/index.html>