

Financial Results (Consolidated)
for the Fiscal Year Ended March 31, 2008

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 26, 2008

Date on Which Dividend Payments to Commence: May 30, 2008

Date of Submission of Marketable Securities Filings: June 26, 2008

1. Consolidated Financial Results for Fiscal 2007 (April 1, 2007 to March 31, 2008)

(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 2007	174,756	14.2	22,320	16.2	22,483	17.8
Fiscal 2006	153,013	7.7	19,205	23.7	19,083	26.8

	Net income		Net income per share	Net income per share (after full dilution)	Net income / Owners' equity	Ordinary income / Total assets	Ordinary income / Net sales
	(Million yen)	(%)	(Yen)	(Yen)	(%)	(%)	(%)
Fiscal 2007	15,561	19.1	150.90	150.74	13.2	14.0	12.8
Fiscal 2006	13,069	13.6	125.71	125.47	11.8	13.2	12.6

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

Fiscal 2007: ¥(14 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	167,501	121,887	72.1	1,180.02
Fiscal 2006	154,143	115,952	74.6	1,113.69

(Reference) Owners' equity in fiscal 2007: ¥120,784 million

Owners' 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 period
	(Million yen)	(Million yen)	(Million yen)	(Million yen)
Fiscal 2007	7,092	(6,612)	(1,750)	29,718
Fiscal 2006	16,308	(8,455)	(4,662)	30,975

2. Cash Dividends

Reference date	Dividends per share				
	First quarter (June 30)	Second quarter (September 30)	Third quarter (December 31)	Fiscal year-end (March 31)	Full fiscal year
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal 2006	7.00	8.00	8.00	15.00	38.00
Fiscal 2007	10.00	10.00	10.00	15.00	45.00
Fiscal 2008 (forecast)	11.00	13.00	11.00	13.00	48.00

Reference date	Aggregate dividend payments (full fiscal year)	Dividend payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	(Million yen)	(%)	(%)
Fiscal 2006	3,938	30.2	3.6
Fiscal 2007	4,633	29.8	3.9
Fiscal 2008 (forecast)		31.2	

Note: Breakdown of fiscal 2007 year-end dividend: ¥10.00 regular dividend, ¥5.00 special dividend

Breakdown of fiscal 2008 forecast second-quarter dividend: ¥11.00 regular dividend, ¥2.00 commemorative dividend

Breakdown of fiscal 2008 forecast year-end dividend: ¥11.00 regular dividend, ¥2.00 commemorative dividend

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2009

(April 1, 2008 to March 31, 2009)

(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)
Second quarter cumulative	89,000	2.4	11,400	5.5	11,100	4.5	7,400	6.6	73.00
Full fiscal year	186,000	6.4	24,000	7.5	23,500	4.5	15,600	0.2	153.82

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, 2008: 123,072,776
- Fiscal year ended March 31, 2007: 123,072,776
- (2) Number of treasury shares at the end of the period:
- Fiscal year ended March 31, 2008: 20,715,125
- Fiscal year ended March 31, 2007: 19,809,616

(Additional Information) Non-Consolidated Results

1. Non-Consolidated Operating Results for the Fiscal Year Ended March 31, 2008 (April 1, 2007 to March 31, 2008)

(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 2007	83,569	6.9	15,950	11.1	17,872	11.6
Fiscal 2006	78,202	7.3	14,359	33.6	16,016	36.7

	Net income		Net income per share	Net income per share (after full dilution)
	(Million yen)	(%)	(Yen)	(Yen)
Fiscal 2007	12,282	21.7	119.11	118.98
Fiscal 2006	10,094	3.2	97.09	96.91

(2) Non-Consolidated Financial Data

	Total assets	Net assets	Company's equity ratio	Net assets per share
	(Million yen)	(Million yen)	(%)	(Yen)
Fiscal 2007	131,057	110,836	84.6	1,082.84
Fiscal 2006	125,228	105,296	84.1	1,019.69

(Reference) Owners' equity in fiscal 2007: ¥110,836 million

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

2. Non-Consolidated Forecasts for the Fiscal Year Ending March 31, 2009 (April 1, 2008 to March 31, 2009)

(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)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Yen)
Second quarter cumulative	41,900	0.3	7,700	(8.3)	9,500	(1.3)	6,200	(2.0)	61.17
Full fiscal year	85,000	1.7	16,000	0.3	17,900	0.2	11,700	(4.7)	115.36

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 2007, ended March 31, 2008, although consumer spending remained flat, the overall Japanese economy, which had been gradually recovering, showed a slowing trend, with housing investment decreasing due to factors including the June 2007 revision to the Building Standards Act, and capital investment, which had been on a growth track, seeming to stall in the second half. Overseas, the U.S. economy decelerated in the second half due to a significant drop in housing investment resulting from the subprime mortgage crisis as well as signs of decline in previously expanding consumer spending and capital investment, 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) the start of operations in the newly entered engine-operated and gardening tools businesses, (2) aggressive investment in such areas as the establishment of new

sales subsidiaries, (3) continuous investment in strategic products, particularly lithium-ion battery-operated products, and (4) thoroughgoing measures aimed at paring production costs.

In view of the aforementioned factors, consolidated net sales increased 14% from the previous fiscal year, to ¥174,756 million, operating income increased 16%, to ¥22,320 million, ordinary income grew 18%, to ¥22,483 million, and net income advanced 19%, to ¥15,561 million. Each of these figures represents a record high for the company.

Performance by geographic area was as follows.

In Japan, although there were knock-on effects from the significant decrease in housing starts in the second half of the fiscal year, sales increased 5% year on year due to factors including aggressive efforts to expand sales of new products such as lithium-ion battery-operated products incorporating brushless motors, which have increased work rates per charge and durability, and the start of the engine-operated tool business.

North American sales decreased 15% from the previous fiscal year due to the severe business environment resulting from stagnant housing investment, decelerating consumer spending and other factors, despite the Company's efforts in areas including opening new store sales channels and strengthening the home center sales channel.

In Europe, sales increased 43% year on year despite signs of an incipient slowdown in some areas. Sales grew significantly in Russia and Eastern Europe because of factors including expansion of sales channels and the effects of introduction of new products, particularly engine-operated tools. Sales were also strong in Western Europe due to marketing promotions at major regional stores.

In Asia and other areas, sales grew 44% compared with the previous fiscal year based on good results in India, the Near and Middle East and Australia.

Regarding the outlook for the economic environment in fiscal 2008, while the Company expects the overall European economy to remain firm, especially in Russia and Eastern Europe, there are concerns about an economic slowdown in some regions. Moreover, the global economic outlook is increasingly unclear, as the Japanese economy seems to be decelerating due to factors including restrained capital investment and sluggish consumer spending, and the slowdown of the U.S. economy stemming from the subprime mortgage crisis is worsening such that fears of a recession have emerged. Coupled with continuing concerns about fluctuations in foreign currency rates and the high prices for crude oil and raw materials, conditions are extremely difficult to forecast.

Amid this severe economic environment, the Group will make its business model of being resistant to

exchange rate fluctuations more steadfast by further promoting globally optimized local production through measures including starting operations at a new factory for engine-operated and power tools in China. We forecast consolidated net sales for fiscal 2008 to grow 6% year on year, to ¥186,000 million, as a result of the promotion of aggressive management policies such as active expansion of sales of engine-operated and garden tools in Japan, North America and Europe, further strengthening and promotion of our lineup of strategic lithium-ion battery-operated products, the establishment and smooth start of effective new sales offices, strengthening of all regional sales channels and rapid penetration of our brand in emerging markets. Although exchange rate risks such as the strengthening of the yen and Chinese yuan are a concern, we also forecast higher profit levels – operating income of ¥24,000 million, ordinary income of ¥23,500 million and net income of ¥15,600 million – based on the expanded scale of sales as we aim to improve productivity, make marketing and distribution more efficient, and reduce costs. The Company's forecasts for fiscal 2008 are predicated on foreign currency rates of ¥100 and ¥155 for the U.S. dollar and the euro, respectively.

2. Analysis of Financial Position

Total assets at the end of fiscal 2007 were ¥167,501 million, an increase of ¥13,357 million from the end of the previous fiscal year. Current assets were ¥127,282 million of the total, an increase of ¥11,944 million from a year earlier, mainly due to a ¥6,373 million increase in notes and accounts receivable and a ¥5,315 million increase in inventories as a result of sales and business expansion.

Total liabilities at the fiscal year end were ¥45,614 million, an increase of ¥7,423 million from a year earlier, mainly due to a ¥3,721 increase in short-term borrowings as working capital for business expansion.

Total net assets at the fiscal year end were ¥121,887 million, an increase of ¥5,934 million from a year earlier, mainly due to an increase of ¥10,944 million in retained earnings on net income of ¥15,561 million and other factors.

Net cash provided by operating activities was ¥7,092 million, as income before income taxes and minority interests of ¥22,841 million offset factors including a ¥9,453 million increase in trade receivables and ¥6,999 million in income taxes paid. Net cash used in investing activities was ¥6,612 million due to capital expenditures and a business transfer. Net cash used in financing activities was ¥1,750 million, with ¥4,623 million in cash dividends paid. Consequently, cash and cash equivalents on March 31, 2008 totaled ¥29,718 million, representing a decrease of ¥1,257 million from the end of the previous fiscal year.

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. 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 ¥10 for the first quarter, ¥10 for the second quarter and ¥10 for the third quarter. For the fiscal year-end dividend, we plan to pay an ordinary dividend of ¥10 and a special dividend of ¥5 for a total of ¥15 per share. As a result, the total dividends per share for fiscal 2007 will come to ¥45, which represents a ¥7 increase year on year and is commensurate to a consolidated dividend payout ratio of 30%.

Regarding our dividend plans for fiscal 2008, as the 60th anniversary of the Company's founding will occur during the year, we would like to thank shareholders for their support to date with a commemorative dividend of ¥2 per share for both the second quarter and the year end. We plan to pay dividends of ¥11 per share for the first quarter, a regular dividend of ¥11 per share and a commemorative dividend of ¥2 per share totaling ¥13 per share for the second quarter, ¥11 per share for the third quarter and a regular dividend of ¥11 per share and a commemorative dividend of ¥2 per share totaling ¥13 per share for the year end. Accordingly, dividends for the full fiscal year are forecast to increase ¥3 per share compared with the previous fiscal year, to ¥48 per share.