

To Our Shareholders and Customers



Yasuyuki Konishi

Chairman of the Board &
Director



Kiyoshi Kato

President & Director

Business Results

During fiscal 2010, ended March 31, 2011, due to the impact of the Great East Japan Earthquake, the Hitachi Koki Group was forced to suspend operations at domestic production bases and also experienced difficulties in distribution, and consequently was unable to count on a year-end rise in sales in Japan. However, as a result of efforts including strengthening global sales channels, cultivating new customers and actively expanding sales of new products, the Group secured year-on-year increases in sales in every region, with substantial growth in emerging nations including Russia, India and China.

As for income, the Hitachi Koki Group worked aggressively to strengthen profitability, thoroughly cutting costs and reducing inventories globally while promoting a shift in production to factories in China. However, the sharp appreciation of the yen and shortfalls in product supply in Japan due to the impact of the Great East Japan Earthquake were among the factors exerting downward pressure on operating income.

In addition, the Hitachi Koki Group recorded an extraordinary loss on disaster recovery costs of ¥1,588 million for repairs to buildings damaged by the Great East Japan Earthquake, costs relating to the restoration of machinery and equipment, and fixed expenses for idle factories. On the other hand, the Group recorded ¥1,353 million in gain on adjustment of value-added tax (VAT) as extraordinary income.

As a result of these factors, on a consolidated basis for fiscal 2010, net sales increased 3% compared with the previous fiscal year, to ¥118,558 million, operating income decreased 0.2%, to ¥3,630 million, income before income taxes and minority interests decreased 19%, to ¥3,101 million, and net income decreased 45%, to ¥528 million.

Shareholder Returns

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, Hitachi Koki pays quarterly dividends in an effort to be swift and proactive in returning profits to shareholders. Hitachi Koki takes a comprehensive view of factors including changes in the operating environment, future business plans, business results and financial condition in considering dividend payments as it works to continue paying annual dividends that are as stable as possible.

Initiatives Going Forward

Looking at economic conditions in fiscal 2011, growth rates are forecast to remain high in emerging nations, which have been driving the global economy. Among developed countries, in the United States and Europe an overall trend toward recovery, albeit gradual, is expected, despite some differences among individual countries. However, with concerns about the impact on the global economy of factors including political instability in the Middle East and other countries, financial issues in Europe, and a sharp rise in crude oil and raw material prices, together with uncertainty about the impact of the Great East Japan Earthquake on the Japanese economy, making predictions is impossible.

Amid such conditions, the Hitachi Koki Group will promote a variety of management initiatives, including measures to strengthen sales, product development and cost competitiveness, with the aim of improving performance in order to build a resilient corporate structure that will prevail amid intensifying global competition.

Medium-to-long-term management strategies and issues to be dealt with are outlined below.

- (1) The Group will accelerate the development of the Outdoor Power Equipment* business, which makes the most of the strengths of its comprehensive lineup of electrical, cordless, and engine-operated products, as a pillar of its business expansion.
- (2) In the area of lithium-ion battery-operated products, the Group will extend the wide range of its product series centered on products with highly energy-efficient brushless motors, and will aggressively work to establish Hitachi as a global brand in lithium-ion battery-operated products.
- (3) In the field of Accessories, which has a market size comparable to power tools, the Group will upgrade its business base for dramatic growth.
- (4) While accurately determining region-specific economic trends and country risk, the Group will secure sales and expand the scale of its business to increase sales not only in its three major markets of Japan, North America and Europe, but also in emerging nations including Russia, India, China, Southeast Asia and other countries and regions where it has already established a base, in addition to quickly establishing a business base and conducting aggressive and timely measures, including

* Outdoor equipment used for agriculture, gardening, etc.

opening and deepening new store sales channels, in the Middle East, Central and South America and other regions where future growth is expected.

- (5) The Group will promote the development of strategic products that accurately target customer needs and innovative products that rivals cannot produce by strengthening marketing activities and product development efforts, and will introduce profitable new products to the market as quickly as possible. In addition, the Group will strengthen product development to improve the user's work environment by reducing size, weight, vibration, noise and dust dispersion, to enhance its lineup of products that result in a high level of customer satisfaction.
- (6) The Group will work to strengthen production in China, and will structure a global manufacturing network by establishing plants in optimal locations in consideration of appropriate risk diversification. At the same time, the Group will take steps to improve its cost competitiveness in ways such as improving production efficiency at its manufacturing plants in Japan and overseas, and implementing thoroughgoing measures to reduce production costs, thereby ensuring its earnings power and a stable product supply framework.
- (7) The Group will continue to consider methods to rapidly expand the scale of its Power Tools, Outdoor Power Equipment and Accessories businesses, with M&A and alliances as an important strategy.
- (8) The Group will expand the scale of the Life-Science Instruments business by deploying high-value-added products that use its advanced technical capabilities in new fields such as the materials market, and work for growth as a high-earning business.

global enterprise, the Group will conduct its Power Tools and other businesses worldwide. In addition, as a member of society, the Group is working to strengthen compliance and steadfastly uphold corporate ethics throughout Group businesses, based on its corporate creed of "Basics and Ethics," with the goal of being a socially trusted enterprise.

In addition, while working to expand the scope of business to become a global major player, we will pursue profitability, targeting a consolidated operating margin of 10% or more, and continue tirelessly striving to further raise corporate value in order to achieve continuous growth and development of our businesses.

We would like to take this opportunity to express our sincere gratitude for the outpouring of support from overseas to the affected areas after the Great East Japan Earthquake. Hitachi Koki was forced to suspend production, but our main factory in Ibaraki Prefecture resumed partial production at the end of March and all lines were operating by early April. In addition, with the resumption of production at our manufacturing subsidiary in Fukushima Prefecture in June, we have luckily been able to minimize the impact on our business results. We will continue to secure a stable production system as we strive to remove obstacles to product supply for the future reconstruction of the affected area.

We thank you for your continued support and understanding.



Yasuyuki Konishi
Chairman of the Board & Director

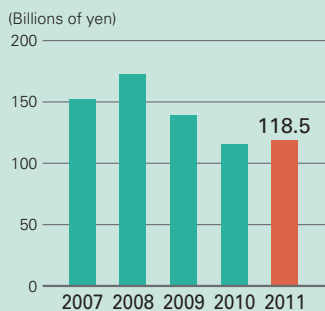


Kiyoshi Kato
President & Director

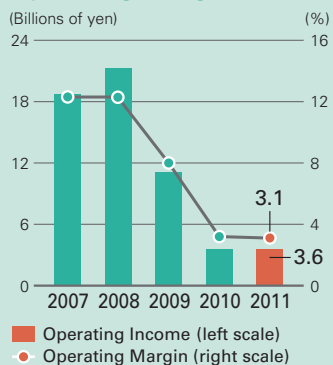
Management Policy

The Hitachi Koki Group's basic management policy will continue to be to contribute to society by offering innovative, high-performance and high-quality products and services that result in a high level of customer satisfaction. As a

Net Sales



Operating Income/ Operating Margin



Net Income



Cash Dividends per Share

