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**Regarding the Results of the Investigation into Improper Business Dealings and
Accounting Practices by a Consolidated Subsidiary**

As announced in the press release “Regarding Improper Business Dealings and Accounting Practices by a Consolidated Subsidiary,” dated October 5, 2010, Hitachi Koki Co., Ltd. (hereinafter, the Company) established an investigative committee composed of experts from outside the Company as it diligently worked to ascertain the full truth regarding improper business dealings and accounting practices by the Company’s overseas consolidated subsidiary Hitachi Power Tools Europe GmbH (country of incorporation: Germany; business: sales of power tools and other products; hereinafter, HTE) and to determine measures to prevent recurrence.

Having now received the results of the committee’s investigation, the Company has formulated the following preventive measures and also has decided upon punitive measures for the parties involved.

Please note that regarding revisions of past financial results and the announcement of financial results for the second quarter of the fiscal year ending March 31, 2011, the independent accountants in charge are carefully investigating the accounting treatment of value-added tax (VAT) paid on the fictitious sales, but have not yet reached a conclusion. The independent accountants’ decision will be disclosed as soon as a conclusion is reached.

1. Summary

The Company’s management sincerely apologizes for the great trouble it has caused to its shareholders, investors, business partners and all other concerned parties.

The impact of the improper business dealings and accounting practices at HTE on consolidated business results (net of the excess recorded) is generally in line with initial estimates, at ¥9.6 billion on net sales and ¥4.4 billion on operating income (both cumulative totals from fiscal 2005 to the first quarter of fiscal 2010). The impact on net income is not yet confirmed as the designated independent

accountants are still considering the accounting treatment of VAT.

The results of the committee's investigation made clear that the improper business dealings and accounting practices took place under the direction of HTE's former managing director and that there was no organizational involvement from the Company. In addition, while investigations into other subsidiaries newly revealed some minor matters (such as net sales recorded in improper periods), they revealed no improper business dealings or accounting practices like those that took place in HTE. On the other hand, it was also pointed out that various problems do exist in the ways Hitachi Koki Group subsidiaries are managed.

The Company earnestly accepts and will steadily implement the proposals of the investigative committee regarding preventive measures, and at the same time it will thoroughly strengthen the entire Group's governance function in order to prevent a recurrence of this situation.

Going forward, all officers and employees of the Hitachi Koki Group will work together to regain trust. The Company humbly asks for your continued understanding and support.

2. Results of the Investigation

An overview of the investigative report is presented below.

2-1. Facts Revealed by the Investigation of the Investigative Committee

(1) The improper business dealings that took place at HTE basically took the following two patterns.

1. Recording of fictitious sales and cancellation

In collusion with an external participant, create falsified documents, record fictitious sales, and cancel such sales in the following accounting periods and thereafter.

2. Recording of fictitious sales and recording of fictitious supply

In collusion with an external participant, create falsified documents and ship products to a secret warehouse in order to create the appearance of a normal sale, and later create falsified documentation of a transaction between another enterprise substantially controlled by the said external participant whereby the products are shipped from the secret warehouse as if it were an normal purchase.

(2) Impact on HTE's Financial Statements for Past Fiscal Years

Statements of Income Summary (HTE only)

(Thousands of euros)

	06/3		07/3		08/3		09/3		10/3		Five months 10/8	
	Pre-revision	Post-revision	Pre-revision	Post-revision	Pre-revision	Post-revision	Pre-revision	Post-revision	Pre-revision	Post-revision	Pre-revision	Post-revision
	Net sales	16,692	12,868	21,361	17,823	31,208	21,939	40,510	21,082	54,903	26,659	23,033
Operating income (loss)	101	(1,858)	364	(1,122)	693	(4,524)	1,019	(5,892)	746	(8,553)	309	(3,605)
Net income (loss)	(80)	(2,039)	16	(1,496)	75	(5,151)	60	(6,911)	172	(9,127)	56	(3,858)
Operating margin	0.6%	(14.4)%	1.7%	(6.3)%	2.2%	(20.6)%	2.5%	(27.9)%	1.4%	(32.1)%	1.3%	(27.2)%
Net margin	(0.5)%	(15.8)%	0.1%	(8.4)%	0.2%	(23.5)%	0.1%	(32.8)%	0.3%	(34.2)%	0.2%	(29.1)%

Balance Sheets Summary (HTE only)

(Thousands of euros)

	06/3		07/3		08/3		09/3		10/3		Most recent month 10/8	
	Pre-revision	Post-revision	Pre-revision	Post-revision	Pre-revision	Post-revision	Pre-revision	Post-revision	Pre-revision	Post-revision	Pre-revision	Post-revision
	Current assets	12,855	10,896	17,155	13,987	28,377	20,250	43,038	30,158	66,902	48,203	76,826
Property, plant and equipment	945	945	1,034	1,034	1,221	1,221	1,466	1,466	2,118	2,118	2,545	2,545
Total assets	13,800	11,841	18,189	15,021	29,598	21,471	44,504	31,624	69,021	50,322	79,371	57,461
Current liabilities	10,499	10,499	14,872	15,175	24,206	24,775	39,051	41,838	63,396	69,664	73,691	80,661
Net assets	3,301	1,342	3,317	(154)	5,392	(3,305)	5,453	(10,215)	5,625	(19,341)	5,680	(23,200)
Total liabilities and net assets	13,800	11,841	18,189	15,021	29,598	21,471	44,504	31,624	69,021	50,322	79,371	57,461

Impact (HTE only)

(Thousands of euros)

	06/3		07/3		08/3		09/3		10/3		Most recent month 10/8	
	FY	Cumulative total	FY	Cumulative total	FY	Cumulative total	FY	Cumulative total	FY	Cumulative total	FY	Cumulative total
	Net sales	(3,824)	(3,824)	(3,538)	(7,362)	(9,269)	(16,631)	(19,428)	(36,059)	(28,244)	(64,303)	(9,768)
Operating income (loss)	(1,959)	(1,959)	(1,486)	(3,445)	(5,217)	(8,662)	(6,911)	(15,574)	(9,299)	(24,872)	(3,914)	(28,786)
Net assets	(1,959)	(1,959)	(1,512)	(3,471)	(5,225)	(8,697)	(6,971)	(15,668)	(9,299)	(24,966)	(3,914)	(28,880)

Please note that the amount of the value-added tax (VAT) provisionally recorded when net sales were recorded, after being set off against the VAT provisionally recorded when purchases were recorded, was paid monthly to tax authorities. The revisions to HTE's financial statements have recorded the assets and liabilities premised upon the full return and repayment of such VAT paid as a result of fictitious sales.

- (3) Within the scope of the investigation, there was no clear evidence of financial benefit obtained in return for involvement in the improper business dealings by the former managing director of HTE or other participants.
- (4) The investigation did not find any reason to suspect participation by officers or employees of the Company.
- (5) In confirming whether or not similar situations existed at other subsidiaries, some minor matters were newly revealed in addition to the misconduct that the Company was aware of. However, no improper business dealings or accounting practices like those that took place at HTE were revealed.

2-2. Analysis of Reasons for Occurrence

- (1) In the interviews with the former managing director of HTE and other participants, the direct causes of the incident's occurrence were mentioned to be the former managing director of HTE's

substantial sense of pressure to achieve business results and his individual desire for respect and status, but the investigative committee could make no definitive conclusion. It was pointed out that the ringleader lacked the qualities required of the managing director of a subsidiary.

- (2) The Company's overseas subsidiaries are given the authority necessary for their operating activities and a broad scope of authority regarding human resources. On the other hand, the existence of a number of issues in the Company's management of subsidiaries was pointed out as a reason for occurrence. Specifically, 1) HTE's board of directors was not substantially functioning, 2) management procedures, including those adopted by the International Sales Division and the Accounting Control & Finance Division, were insufficient, 3) HTE's internal control system was not appropriately implemented, 4) internal audits were not adequately effective due to constraints on personnel resources and other factors, and 5) compliance awareness and the governance framework were insufficient.

2-3. Allocation of Responsibility

The report judges that the former managing director of HTE should bear exceptionally grave responsibility for his initiative in this incident, and therefore his disciplinary dismissal was appropriate. Further, the report recognizes the serious responsibility of local staff who directly participated in the incident, even if the participation was under the direction of the former managing director. In addition, the representatives of the Company who bear the ultimate responsibility, as well as the directors managing the International Sales Division, the Accounting Control & Finance Division and departments related to internal controls and compliance, who are responsible for managing and supervising the Company's subsidiaries, were found to bear a certain amount of responsibility.

2-4. Proposals of Preventive Measures

- (1) As for individual preventive measures, revisions were proposed to the organization, authority and internal control systems, the internal auditing system, information systems and the internal reporting system, by which opportunities for improper conduct are prevented. In addition, taking actions with regard to the Company's corporate culture by improving compliance awareness, revising the risk management and governance frameworks, and enacting stricter punitive and penalty measures was proposed.
- (2) As for fundamental preventive measures, 1) revision of the management philosophy and Codes of Conduct, 2) revision of management strategy validation processes, 3) revision of business management systems, 4) revision of personnel systems, and 5) preventive measures against improper conduct were proposed to be appropriately supplemented, selected and implemented by the Company based on its earnest consideration.

3. Quantitative Impact on the Company's Consolidated Business Results

An overview of the impact of the improper business dealings and accounting practices at HTE on the Company's consolidated business results is as follows. However, the impact on net income will vary depending on the determination of the accounting treatment for value-added tax (VAT) paid on fictitious sales. Therefore, accounting treatment is presented both for the scenario of "accounts receivable recorded assuming the return of VAT," and the scenario of "VAT being temporarily recorded as an expense and to be recorded as income once returned." Please note that these scenarios have differing impacts on net income only; net sales and operating income are unaffected.

In addition, these revisions of past business results include items that were known in the past but not revised because they were immaterial, as well as revisions relating to newly revealed minor discrepancies. ("Other revisions to past items" below, cumulative figures only)

(1) Accounting Treatment with Accounts Receivable Recorded Assuming the Return of VAT (Low Impact)

(Millions of yen)

	Pre-revision			Impact			Post-revision		
	Net sales	Operating income	Net income	Net sales	Operating income	Net income	Net sales	Operating income	Net income
FY2005	142,009	15,522	11,501	527	321	322	141,482	15,201	11,179
FY2006	153,013	19,205	13,069	531	304	262	152,482	18,901	12,807
FY2007	174,756	22,320	15,561	1,497	1,022	1,047	173,259	21,298	14,514
FY2008	142,013	12,220	5,034	2,747	1,095	962	139,266	11,125	4,072
FY2009	119,166	5,184	3,333	3,698	1,427	1,583	115,468	3,757	1,750
1Q FY2010	30,268	423	84	620	299	151	29,648	124	-67
Total impact of HTE	-	-	-	9,620	4,468	4,327	-	-	-
Other revisions to past items	-	-	-	1,112	200	37	-	-	-
Total	-	-	-	10,732	4,668	4,364	-	-	-

(2) Accounting Treatment with VAT Temporarily Recorded as an Expense and to be Recorded as Income Once Returned (High Impact)

(Millions of yen)

	Pre-revision			Impact				Post-revision		
	Net sales	Operating income	Net income	Net sales	Operating income	Net income	(VAT portion)	Net sales	Operating income	Net income
FY2005	142,009	15,522	11,501	527	321	409	(84)	141,482	15,201	11,095
FY2006	153,013	19,205	13,069	531	304	368	(105)	152,482	18,901	12,701
FY2007	174,756	22,320	15,561	1,497	1,022	1,331	(284)	173,259	21,298	14,230
FY2008	142,013	12,220	5,034	2,747	1,095	1,480	(518)	139,266	11,125	3,554
FY2009	119,166	5,184	3,333	3,698	1,427	282	(698)	115,468	3,757	1,051
1Q FY2010	30,268	423	84	620	299	151	0	29,648	124	-67
Total impact of HTE	-	-	-	9,620	4,468	6,018	(1,689)	-	-	-
Other revisions to past items	-	-	-	1,112	200	37	-	-	-	-
Total	-	-	-	10,732	4,668	6,055	(1,689)	-	-	-

In the case of accounting treatment (2), the impact on cumulative net income increases by just under ¥1.7 billion. However, VAT will be recorded as net income once it is decided to be returned.

4. Preventive Measures

(1) Reformation of Corporate Culture, Firm Establishment of Compliance Awareness

1) Strengthening of Compliance Training

Having now earnestly accepted the occurrence of compliance related misconduct, the Company's top management has reflected on this matter and vowed to send a message to the entire Group while once again implementing compliance training in order to further enhance awareness of compliance among the officers and employees of the Company and its subsidiaries. In this way, the Company will foster an open

corporate culture that prioritizes “Basic Principles and the Path of Virtue” above all else.

2) Making Everyone Aware of the Group Standards for Corporate Conduct

The Company shall make everyone at all Group companies aware of the Hitachi Koki Group Codes of Conduct that were established in September 2010 (including communication in multiple languages), and conduct regular training for officers and employees so they will precisely implement and promulgate relevant codes in their daily duties.

3) Establishment of and Making Known Regulations on Disciplinary Punishment

The Company shall clearly stipulate specific disciplinary punishments for noncompliance and make them known to all employees in order to prevent recurrence.

(2) Strengthening of Auditing and Consolidated Management of Subsidiaries

1) Strengthening of Internal Auditing and Supervisory Guidance

In order to strengthen internal audits of subsidiaries, the Company shall strengthen the auditing framework, adhere to the internal audit implementation cycle (at the longest, once every three years), implement supervisory guidance by accounting and finance divisions, and hold regional management meetings. In addition, the Company shall implement related training, including the use of outside sources, in order to enhance the quality of audit staff.

2) Strengthening of the Functions of the Boards of Directors of Overseas Subsidiaries

The Company shall revise the functions of directors of subsidiaries in reflection of the fact that the boards of its overseas subsidiaries have not been substantially functioning, and take other steps to improve governance including establishment of opportunities for direct supervision by holding board of directors meetings locally as much as possible.

3) Strengthening of Communication with Subsidiaries

The Company shall increase opportunities for its management staff and administrative divisions to make the rounds of subsidiaries, and strengthen communication with the local person in charge and managers by creating a framework for easy daily contact, reporting and consultation.

4) Upgrading of Information Systems

The Company shall upgrade the functions of subsidiaries' information systems so that the actual conditions in those subsidiaries can be recognized in a timely manner, and construct a framework so that the head office can identify the subsidiaries' business risks.

(3) Strengthening of the Internal Reporting System

The Company has already introduced an internal reporting system in Japan and overseas. However, the Company shall again strongly promote the purpose of the systems and of reporting methods (including communication in multiple languages) towards all employees in Japan and overseas, and also consider establishment of external reporting points of contact (such as law offices) in addition to the existing one (the Compliance Division).

(4) Strengthening of Personnel Management

1) Promotion of Personnel Rotation

One of the reasons for the occurrence of misconduct is believed to be stagnant personnel rotation. To prevent this stagnation in personnel changes from creating a breeding ground for legal and regulatory violations, the Company shall appropriately implement rotations of responsible persons and officers of subsidiaries.

2) Reinforcement and Deployment of Suitable Human Resources

The Company shall again review its organization and the suitability of its human resources in order to reinforce human resources at departments where required, and shall deploy suitable human resources to overseas subsidiaries, including allocation of multiple Company staff from accounting and other fields to work as a restraining influence on subsidiaries of a certain size.

5. Punitive Measures against Persons Involved, etc.

Accepting the responsibility for the significant impact of these improper business dealings and accounting practices on consolidated business results, the Company is carrying out punitive measures as follows.

(1) Direct Participant

	Punitive measures	
Former managing director of HTE (seconded from the Company)	As of September 28, 2010	Dismissed as managing director of HTE
	As of October 4, 2010	Dismissed from the Company as a disciplinary punishment

Please note that punitive measures are scheduled to be determined by HTE for other local employees who participated.

(2) Officers of the Company with Management Oversight Responsibilities

1) Change of Officers (as of November 1, 2010)

	New position	Previous position	Notes
Yasuyuki Konishi	Chairman of the Board & Director	Representative Director, Chairman of the Board & Director	

Akihiko Nozaki	Board Director	Senior Vice-President & Director	During the period concerned, was in charge of international sales, and concurrently Board Director of HTE
Mitsuo Takahagi	(Corporate Officer)	Board Director (resigned)	In charge of accounting & finance and subsidiaries, and concurrently Board Director of HTE

2) Decreases in Officers' Remuneration (two months starting from November 2011)

		Notes
Yasuyuki Konishi, Chairman of the Board & Director	30% of monthly remuneration	
Kiyoshi Kato, Representative Director, President & Director	30% of monthly remuneration	
Toru Inoue, Vice-President & Director	10% of monthly remuneration	In charge of compliance and auditing
Osami Maehara, Board Director	20% of monthly remuneration	In charge of international sales
Katsuhiko Ogi, Board Director	10% of monthly remuneration	In charge of compliance and internal control system

Please note that Advisor to the Board of Directors Kozo Kagimoto (President and Chairman of the Board during the period concerned) voluntarily returned 30% of his monthly remuneration (two months), and Corporate Auditor Masabumi Takeuchi (in charge of accounting & finance and subsidiaries during the period concerned) voluntarily returned 30% of his monthly remuneration (two months).