

# Financial Results (Consolidated)

## for the Second Quarter of the Fiscal Year Ending March 31, 2012

October 27, 2011

### Hitachi Koki Co., Ltd.

Stock Code: 6581

Stock Exchange Listings: Tokyo (First Section), Osaka (First Section)

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

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Scheduled Submission Date for Quarterly Report (*Shihanki Hokokusho*): November 10, 2011

Scheduled Commencement Date for Dividend Payments: November 30, 2011

Preparation of Supplementary Materials for the Quarterly Financial Results: Yes

Holding of Presentation of Quarterly Financial Results: Yes (for analysts)

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

### 1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2012 (April 1, 2011 to September 30, 2011)

#### (1) Consolidated Operating Results (Cumulative Total)

(Percentages represent change compared with the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income	
	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)
Six months ended September 30, 2011	58,023	(2.5)	2,637	166.0	2,369	134.4
Six months ended September 30, 2010	59,494	5.9	991	(54.6)	1,010	(55.2)

	Quarterly net income		Quarterly net income per share	Quarterly net income per share on fully diluted basis
	(Million yen)	(%)	(Yen)	(Yen)
Six months ended September 30, 2011	1,794	-	17.69	-
Six months ended September 30, 2010	143	(80.2)	1.41	-

#### (2) Consolidated Financial Position

	Total assets	Net assets	Company's equity ratio	Net assets per share
	(Million yen)	(Million yen)	(%)	(Yen)
As of September 30, 2011	135,826	99,260	72.4	970.41
As of March 31, 2011	138,622	102,241	73.1	998.94

(Reference) Owners' equity as of September 30, 2011: ¥98,403 million

Owners' equity as of March 31, 2011: ¥101,296 million

#### 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 2010	6.00	6.00	6.00	6.00	24.00
Fiscal 2011	6.00	6.00			
Fiscal 2011 (forecast)			6.00	6.00	24.00

Note: Adjustment to most recently announced dividend forecast: No

### 3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2012

(April 1, 2011 to March 31, 2012)

(Percentages represent change compared with the previous cumulative second quarter or fiscal year, as applicable.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Fiscal year	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Yen)
	127,000	7.1	7,000	92.8	6,800	83.5	3,700	600.8	36.49

Note: Adjustment to most recently announced consolidated forecasts: No

### 4. Others

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

New: – companies (–) Eliminated: – companies (–)

(2) Application of special accounting methods in the preparation of consolidated quarterly financial statements: Yes

For details, see “2. Items Related to Summary Information (Other)” on page 7.

(3) Changes in accounting policy, changes in accounting estimates, and restatements

① Changes in accounting policy related to revisions in accounting standards: No

② Other changes aside from those in ① above: No

③ Changes in accounting estimates: No

④ Restatements: No

(4) Number of shares issued (common stock)

(a)	Number of shares at the end of the period (including treasury stock)	September 30, 2011	123,072,776	March 31, 2011	123,072,776
(b)	Number of treasury shares at the end of the period	September 30, 2011	21,669,672	March 31, 2011	21,669,283
(c)	Average number of shares outstanding (cumulative with earlier quarters)	Six months ended September 30, 2011	101,403,241	Six months ended September 30, 2010	101,401,679

#### Information regarding the implementation of quarterly review procedures

These quarterly financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Law. Review procedures for the quarterly financial statements based on the Financial Instruments and Exchange Law had not been completed at the time of disclosure of these quarterly financial results.

#### Explanation of the Appropriate Use of Performance Forecasts and Other Related Instructions

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 due to a wide range of factors. For information regarding the scenarios underlying the assumptions we used for our forecasts, please refer to the “(3) Commentary on Our Consolidated Performance Forecasts” section in “1. Commentary on Quarterly Financial Statements” below.

## **1. Commentary on Quarterly Financial Statements**

### **(1) Commentary on Our Consolidated Business Results**

For the six months ended September 30, 2011, sales were firm in Japan as restoration after the Great East Japan Earthquake and economic recovery continued, and sales increased in emerging and resource-rich nations against a backdrop of robust economic growth. However, factors including stagnant conditions not only in housing investment but also the business climate in North America and the continuing severe appreciation of the yen limited net sales to ¥58,023 million, a decrease of 2% compared with the same period of the previous fiscal year.

As for profits, despite the drop in net sales, operating income increased 166% from the same period of the previous fiscal year to ¥2,637 million, ordinary income increased 134% to ¥2,369 million and net income increased ¥1,650 million to ¥1,794 million due to factors including the Hitachi Koki Group's efforts to enhance profitability in ways such as expanding sales of high-value-added products and promoting thorough cost reductions.

### **Performance by Business Segment**

#### **1) Power Tools**

In Japan, housing investment recovered after a temporary halt caused by the Great East Japan Earthquake, while in the Tohoku region demand for products associated with earthquake recovery rose. The Hitachi Koki Group also worked to expand sales of new products such as gardening tools in the home center channel. As a result, sales increased 6% compared with the same period of the previous fiscal year. In particular, sales were strong during the second quarter (the three-month period ended September 30, 2011), increasing a substantial 11% compared with the same period of the previous fiscal year as the Hitachi Koki Group restored its product supply system.

In Europe, a sense of economic slowdown was apparent in some countries due to the impact of the debt crisis in Southern European countries and elsewhere. However, factors such as ongoing economic recovery in Russia and success in enhancing sales channels in France and elsewhere resulted in strong growth. Consequently, sales increased 3% compared with the same period of the previous fiscal year.

In North America, the Hitachi Koki Group's efforts included working to deepen business relationships in the major home center channel while aggressively

expanding sales of pneumatic tools such as nailers. However, factors such as the protracted downturn in housing investment and the impact of the substantial appreciation of the yen caused sales to decrease 23% compared with the same period of the previous fiscal year.

In Asia and other regions, sales growth was high mainly in countries such as India and Thailand where economic growth remains strong. However, sales decreased 1% compared with the same period of the previous fiscal year due to a change of the reporting period of subsidiaries made in the first quarter of the previous fiscal year.

As a result of these factors, segment sales decreased 2% compared with the same period of the previous fiscal year to ¥55,213 million. However, operating income increased ¥1,690 million to ¥1,835 million. This significant improvement was the result of factors including focused efforts in areas such as strengthening cost management and enhancing resistance to changes in exchange rates by promoting optimization of global production locations.

## **2) Life-Science Instruments**

In Japan, conditions were challenging as universities and government research facilities postponed purchases of research equipment due to the impact of the earthquake and private companies reduced costs due to the appreciation of the yen, among other factors. However, sales increased from the same period in the previous fiscal year because of the contribution of growth in domestic shipments of continuous ultracentrifuges for vaccine production, for which demand is expanding. On the other hand, overseas the Hitachi Koki Group worked to expand sales channels and promote its products at trade shows and product seminars, although conditions remained challenging due to factors including the appreciation of the yen.

As a result of these factors, segment sales decreased 4% compared with the same period of the previous fiscal year to ¥2,810 million and operating income decreased 5% to ¥802 million. However, the Hitachi Koki Group was able to maintain a high operating margin.

## **(2) Commentary on Our Consolidated Financial Position**

### **1) Total Assets, Total Liabilities and Total Net Assets**

At the end of the second quarter, total assets were ¥135,826 million, a decrease of ¥2,796 million from the end of the previous fiscal year. Current assets were ¥106,574 million of the total, a decrease of ¥1,721 million. This was mainly the result of decreases in notes and accounts receivable, trade and inventories, partly due to foreign currency translation.

Total liabilities were ¥36,566 million, an increase of ¥185 million. This was mainly due to an increase in income taxes payable because of higher earnings.

Total net assets were ¥99,260 million, a decrease of ¥2,981 million. This was mainly due to a change in foreign currency translation adjustments caused by the appreciation of the yen.

### **2) Cash Flow**

Net cash provided by operating activities was ¥6,776 million due to factors including recording income before income taxes and minority interests and a decline in trade notes and accounts receivable.

Net cash used in investing activities was ¥644 million due to factors including purchase of property, plant and equipment.

Net cash provided by financing activities was ¥156 million because factors including an increase in short-term bank loans offset payment of cash dividends.

As a result of the above, cash and cash equivalents as of September 30, 2011 increased ¥5,625 million from the end of the previous fiscal year to ¥33,049 million.

## **(3) Commentary on Our Consolidated Performance Forecasts**

Looking at the current economic environment, Japan's economy is gradually

recovering after temporarily cooling because of the earthquake. However, economic conditions remain stagnant in North America, and there are concerns about an economic slowdown in Europe, which had generally been firm, and in the emerging and resource-rich nations that have been driving the global economy. Moreover, the yen is projected to continue to appreciate against the U.S. dollar and the Euro, making conditions difficult to predict for the Hitachi Koki Group, which operates globally.

Under these circumstances, the Hitachi Koki Group will steadily implement the following measures in working to secure results.

### **Measures of the Hitachi Koki Group**

In the power tools business, the Hitachi Koki Group will promote measures including further establishing Hitachi as a global brand in lithium-ion battery-operated products through the market penetration of such products, enhancing its lineup of products with brushless motors that are highly energy efficient and contribute to energy conservation, expanding global sales of highly profitable original products that other companies do not offer, and strengthening its comprehensive lineup of Outdoor Power Equipment\* business products that make the most of variations among engine-operated, electrical and cordless power sources, which are a Group strength. Regionally, the Group will work to further expand sales with measures including aggressively broadening sales in the markets of emerging nations where continued growth is forecast, strengthening the retail outlet channel and cultivating the home center channel in the markets of North America and Europe, and working to secure demand for power tools in Japan, which is on a recovery track.

In the life-science instruments business, the Hitachi Koki Group will uncover demand from universities and government research facilities, which are its primary customers, and aggressively carry out measures including stepping up activities to win orders from Japan's national project to support the development and production of vaccines for new strains of influenza, expanding sales channels, enhancing the sales capabilities of overseas sales agents, and cultivating new users in materials-related markets.

As for income, the Hitachi Koki Group will continue to concentrate on improving profitability with measures such as thoroughly promoting activities to reduce cost of sales throughout the Group, facilitating the recovery of fixed costs by ensuring production volume, and continuously pursuing optimal locations for production.

## Consolidated Performance Forecasts

The Hitachi Koki Group's full-year performance forecasts for the fiscal year ending March 31, 2012 are presented below and remain unchanged from the forecasts announced on July 27, 2011. The exchange rate assumptions for the third quarter onward are ¥78 per U.S. dollar and ¥107 per Euro.

(Million yen)

	Fiscal Year Ending March 31, 2012 Forecast	[Reference] Fiscal Year Ended March 31, 2011 (Actual)
Net Sales	127,000	118,558
Operating Income	7,000	3,630
Ordinary Income	6,800	3,705
Net Income	3,700	528

\* Outdoor equipment used for agriculture, gardening, etc.

### 2. Items Related to Summary Information (Other)

#### (1) Changes in Material Subsidiaries during the Period

None applicable.

#### (2) Application of Special Accounting Methods in the Preparation of Consolidated Quarterly Financial Statements

Tax expenses are calculated by multiplying income before income taxes by an effective tax rate reasonably estimated based on income before income taxes for the full fiscal year, including the six months ended September 30, 2011, after the application of tax effect accounting. However, in cases where calculating tax expenses using a reasonably estimated effective tax rate yields a result that is notably lacking in reason, tax expenses are calculated using the legally designated effective tax rate.

#### (3) Changes in Accounting Policy, Changes in Accounting Estimates and Restatements

None applicable.