



May 15, 2008

Consolidated Financial Statements for FY2007
(Fiscal Year ended March 31, 2008)

Hitachi Zosen Fukui Corporation (H&F)

Code Number : 6163
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 Stock Exchange Market : JASDAQ
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 Date of the Board Meeting for the Annual Operation Results : May 15, 2008

1. Business results and financial positions for FY2007 (April 1, 2007 – March 31, 2008)

(1) Consolidated results of operations

(Million Yen)

	Net sales		Operating income		Ordinary income		Net income	
FY2007	21,804	5.0%	2,235	25.9%	2,198	24.4%	1,303	25.9%
FY2006	20,767	-	1,775	-	1,767	-	1,035	-

(Note) 1. Percentages (%) are the rates of increase or decrease from the corresponding period of the previous year.

2. Since H&F consolidated reporting began from FY2006 full-year report, FY2006's rate of increase or decrease from FY2005 is not recorded.

	Net income per share primary (Yen)	Net income per share diluted (Yen)	Return on equity	Return on assets	Operating income to net sale
FY2007	132.34	-	16.0%	11.5%	10.3%
FY2006	112.73	-	13.6%	9.2%	8.5%

(Note) Number of shares outstanding at the end of fiscal year (consolidated) :

FY2007 : 9,850,000

FY2006 : 9,850,000



(2) Consolidated financial position at the end of period

(Million Yen except per share figures)

	Total assets	Net assets	Shareholders' equity to total assets	Shareholders' equity per share (Yen)
FY2007	19,213	8,698	45.3%	883.10
FY2006	19,152	7,593	39.6%	770.91

(Note) Shareholders' equity at the end of the period (consolidated) :

FY2007 : 8,698 Million Yen

FY2006 : 7,593 Million Yen -

(3) Consolidated cash flow

(Million Yen)

	Operating Activities	Investigating activities	Financial activities	Cash and cash equivalents at the end of period
FY2007	(535)	(934)	(147)	2,075
FY2006	1,124	(1,119)	887	3,692

2. Dividends

Record date	Dividend per share			Yearly amount of dividend payment (Million Yen)	Dividend payout ratio	Dividend to net assets ratio
	Interim	FY-end	Total			
	(Yen)	(Yen)	(Yen)			
2007.3.31	-	15.00	15.00	147	13.3%	1.9%
2008.3.31	-	18.00	18.00	177	13.6%	2.2%
2009.3.31 (Forecast)	-	20.00	20.00	-	15.6%	-

(Note) 1. Two (2) kinds of ratios mentioned above are indicated on consolidated basis.

2. Dividend at the end of FY2006 15.00 Yen includes 5.00 Yen special commemorative dividend for JASDAQ listing.



3. Forecast of consolidated business results for FY2008

(April 1, 2008 – March 31, 2009)

(Million Yen except per share figures)

	Net sales		Operating income		Ordinary income		Net Income		Net income per share
1st half	9,800	2.4%	940	(16.2)%	910	(17.6)%	540	(18.6)%	54.82 Yen
Full-FY	26,000	19.2%	2,160	(3.4)%	2,100	(4.5)%	1,260	(3.3)%	127.92 Yen

- (Note)
1. Percentages shown for Net Sales, Operating Income, Ordinary Income and Net Income are the rates of increase and decrease from the corresponding period of the previous year.
 2. These statements are based on an assumption in the light of the information currently available at the date of the announcement. Therefore, various kinds of factors can cause actual results to differ materially from these statements.

4. Other Important Information

- (1) Significant changes in scope of consolidation : None
- (2) Changes in accounting principles, procedures and presentation (summary)
 - Attendant with amendments to the corporate tax law, we have booked depreciation expense for property, plant and equipment purchased since April 1, 2007 using the depreciation method stipulated in the amended corporate tax law. The impact of the change on consolidated financial statement immaterial.
 - In conjunction with the abolition of the retirement allowance system for directors and corporate auditors, severance payment of retirement allowance to current serving directors and corporate auditors was approved at the ordinary general meeting on June 26, 2007. Therefore, in this consolidated financial period FY2007, all retirement allowance were transferred and accrued amount of severance payment of retirement allowance to current serving directors and corporate auditors was booked on “others” of noncurrent liabilities.



- Provision for loss on order received : To provide on loss in order received, as far as the orders that loss is anticipated and loss amount can be estimated reasonably among order received (backlog) during the consolidated fiscal year, anticipated loss is recorded from FY2007.
- Provision for board members' bonus : Since bonus for directors and corporate auditors was abolished, "Provision for board members' bonus" was not to be booked from FY2007.
- Regarding consolidated statements of income, "Foreign tax", which was included in other of non-operating expenses until FY2006, was separately booked from FY2007 because it became bigger than 10% of total of non-operating expenses.

(3) Number of shares outstanding (Common Stock)

- As of March 31, 2008 : 9,850,000
- As of March 31, 2007 : 9,850,000

【Consolidated operation results】

1. Analysis of consolidated operating results

In FY2007, Japanese economy has expand modestly driven by steady export and capital investment. However, in addition to high level crude oil price and confusion of financial capital market triggered by sub-prime loan issues, due to jumping up of raw material price since the beginning of this year, future economy is increasing its uncertainty. In the field of automobile industry which is our main customer, although there was consecutive slowdown in domestic market, demand in oversea market maintained a high level. Surrounded by these conditions above, the orders and sales of our main product "press machine" could keep good performance because of the continued capital investment of car manufacturers.

Under these circumstances, emphasizing "Strengthening of merchantability / cost competitiveness and strategic sales", "Establishing a production structure of high efficiency and radical QC awareness raising" and so on as important management policy, H&F group have struggled to realize them.



Regarding strengthening merchantability, “Servo Cushion” which will make best use of the performance of “Servo Press” of high speed and of high efficiency has been developed and now can be introduced to practical use to a considerable extent. We have already developed high speed die to die transfer system “Hexa-Feeder” and combining “Hexa-Feeder” with “Servo Press”, we will promote our sales activity including these new type press line of highest speed and of highest formability in the world.

Regarding sales activity expansion, we are now preparing to establish liaison office in India where further orders are anticipated to increase in the future.

To establish a production structure of high efficiency, large scale NC horizontal boring machine has been introduced in this fiscal year. Moreover, H&F has promoted CAD/CAM and production cost down measures, like decrease of installation expenses by improving quality in our factory before shipment, expanding production in our own factory in stead of sub-contract and so on.

As a result of the above, during FY2007 consolidated new order by business came to press machine ¥10,959 million as same level as FY2006, however, FA system came to ¥5,207 million which is less than FY2006 because number of press line order including FA system decreased, after service came to ¥4,883 million due to efforts in sales activities and totally came to ¥21,050 million as same level as FY2006. Order backlog at the end of FY2007 came to ¥16,857 million as same level as the end of FY2006.

In the aspect of consolidated net sales by business press machine came to ¥ 11,785 million which is more than FY2006, however, FA system came to ¥ 5,384 million which is less than FY2006, after service ¥ 4,633 million came to which is more than FY2006 and totally came to ¥ 21,804 million which is as same level as FY2006.

In the aspect of income (loss), by promoting production cost down, etc., consolidated operating income came to ¥ 2,235 million, consolidated ordinary income came to ¥ 2,198 million and consolidated net income came to 1,303 million, those income figures are much more improved than FY2006.

However, future economy is increasing its uncertainty due to the consecutive jumping up of raw material and crude oil prices, sign of slowdown of USA economy triggered by sub-prime loan issues and so on. Business environment surrounding us is also going to be under the tough situation due to cost up caused by price up of raw material (especially steel), transportation and subcontract and due to competition



intensification caused by the capacity expansion of competitors.

Consolidated business result for FY2008 is forecasted that net sales is much increased to ¥ 26,000 million (19.2% higher than FY2007) due to the earlier application of percentage of completion method. On the contrary, due to production cost up caused by steel price soaring and sales price down caused by fierce competition operating income is ¥ 2,160 million (3.4% less than FY2007), ordinary income is ¥ 2,100 million (4.5% less than FY2007) and net income is ¥ 1,260 million (3.3% less than FY2007), those figures are forecasted as same level as the first fiscal year of new medium term management plan (FY2008, FY2009 and FY2010) which has been already announced. (These statements are based on an assumption in the light of the information currently available at the date of this announcement. Therefore, various kinds of factors can cause actual results to differ materially from these statements).

2. Analysis of consolidated financial position

(1) Assets, liabilities and net assets at the end of FY2007

Current assets at the end of FY2007 came to ¥ 14,684 million, a decrease of ¥ 34 million from the end of FY2006, which was mainly attributable to the decrease of cash and cash deposits and inventories despite the increase of notes and account receivable-trade.

Noncurrent assets came to ¥ 4,529 million, an increase of ¥ 95 million from the end of FY2006, which was mainly attributable to the increase of property, plant and equipment by acquiring buildings and machinery and the increase of investment and other assets due to acquisition investment securities.

Total liabilities came to ¥ 10,515 million, a decrease of ¥ 1,043 million from the end of FY2006, which was mainly attributable to the decrease of notes and accrued payable-trade and accounts payable-other despite the increase of advances received.

Net assets came to ¥ 8,698 million, an increase of ¥ 1,105 million from the end of FY2006, which was mainly attributable to the increase of unappropriated retained earnings (net income ¥ 1,303 million).



(2) Cash flow

Cash and cash equivalents at the end of FY2007 (hereinafter referred to “net cash”), although there were income before income taxes and minority and decrease of inventories, came to ¥ 2,075 million, a decrease of ¥ 1,616 million from the end of FY2006, which was attributable to increase of notes and account receivable-trade, decrease of accrued payable-other, purchase of tangible noncurrent assets and so on.

Position/factor of each cash flow during FY2007 are as follows.

(Cash flow in operating activities)

Net cash used by operating activities during FY2007 was ¥ 535 million (In FY2006 ¥ 1,124 million was gained), which was mainly attributable to the increase of notes and account receivable-trade and the decrease of accrued payable-trade despite of income before income tax and minority interests, the decrease of inventories and so on.

(Cash flow in investing activities)

Net cash used for investing activities during FY2007 was ¥ 934 million (16.5% less than FY2006), which was mainly attributable to purchase of tangible noncurrent assets.

(Cash flow in financing activities)

Net cash used by financing activities during FY2007 was ¥ 147 million (In FY2006 ¥ 887 million was gained), which was mainly attributable to cash dividends paid.

(3) Dividend Policy and Dividend of FY2007 and FY2008

Concerning distribution of profit to shareholders, H&F is implementing a policy of stable dividend, taking into consideration strengthening the financial structure and aiming at raising company value for future operating results. Retained earnings shall be appropriated to research/development and capital investment for expanding business based on middle/long term vision.

Dividend at the end of FY2007 is scheduled to be ¥ 18 per share.

Dividend of FY2008 is scheduled to be ¥ 20 per share.



Consolidated Balance Sheets (As of March 31, 2008)

(1,000 Yen)

	End of FY2007 (March 31, 2008)	End of FY2006 (March 31, 2007)	Increase (Decrease)
Assets			
Current assets:			
Cash and cash deposits	2,725,117	4,342,101	
Notes and account receivable-trade	8,207,373	5,759,433	
Inventories	3,286,637	4,219,872	
Deferred tax assets	429,928	360,705	
Others	38,577	40,580	
Allowance for doubtful accounts	(3,590)	(4,204)	
Total current assets	14,684,043	14,718,489	(34,445)
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures, net	1,357,213	1,433,013	
Machinery, equipment and vehicles, net	1,108,886	982,808	
Land	893,159	893,159	
Construction in progress	31,827	91,300	
Other, net	123,055	83,528	
Total property, plant and equipment	3,514,143	3,483,810	30,333
Intangible noncurrent assets			
Goodwill	21,547	27,703	
Software	68,827	61,911	
Other	8,000	8,075	
Total intangible noncurrent assets	98,375	97,690	684



(1,000 Yen)

	End of FY2007 (March 31, 2008)	End of FY2006 (March 31, 2007)	Increase (Decrease)
Investments and other assets			
Investment securities	212,973	171,412	
Deferred tax assets	614,379	567,034	
Other	90,142	116,957	
Allowance for doubtful accounts	(280)	(2,820)	
Total investments and other assets	917,215	852,583	64,631
Total noncurrent assets	4,529,734	4,434,084	95,649
Total assets	19,213,777	19,152,573	61,204

Liabilities

Current liabilities:

Notes and account payable-trade	1,130,054	1,534,473	
Short term loans payable	200,000	200,000	
Accrued payable-other	3,731,436	4,909,298	
Accrued expenses	1,022,126	1,048,006	
Income taxes payable	562,991	620,367	
Advances received	1,334,268	818,007	
Provision for bonuses	339,000	325,000	
Provision for board members' bonus	-	9,000	
Provision for product warranties	440,000	398,000	
Provision for loss on order received	90,966	-	
Other	234,213	217,865	
Total current liabilities	9,085,057	10,080,019	(994,962)



(1,000 Yen)

	End of FY2007 (March 31, 2008)	End of FY2006 (March 31, 2007)	Increase (Decrease)
Noncurrent liabilities:			
Provision for retirement benefits	1,334,152	1,371,816	
Provision for severance payment for board members	-	107,320	
Other	96,000	-	
Total noncurrent liabilities	1,430,152	1,479,136	(48,984)
Total liabilities	10,515,209	11,559,155	(1,043,946)
<u>Net Assets</u>			
Shareholders' equity:			
Capital stock	1,055,000	1,055,000	
Capital surplus	747,400	747,400	
Retained earnings	6,896,496	5,740,698	1,155,798
Total shareholders' equity	8,698,896	7,543,098	1,155,798
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	(5,337)	43,193	(48,531)
Deferred gains and losses on hedges	-	1,499	(1,499)
Foreign currency translation adjustment	5,009	5,625	(616)
Total valuation and translation adjustments	(327)	50,319	(50,647)
Total net assets	8,698,568	7,593,417	1,105,150
Total liabilities and net assets	19,213,777	19,152,573	61,204



Consolidated Statements of Income (Summarized)
For FY2007 ended March 31, 2008

(1,000 Yen)

	FY2007 (from April 1, 2007 to March 31, 2008)	FY2006 (from April 1, 2006 to March 31, 2007)	Increase (Decrease)
Net sales	21,804,091	20,767,319	1,036,771
Cost of sales	17,795,833	17,501,018	294,814
<u>Gross profit</u>	4,008,258	3,266,301	741,957
Selling, general and administrative expenses	1,773,069	1,491,276	281,792
<u>Operating income</u>	2,235,188	1,775,024	460,164
Non-operating income :			
Interest income	13,722	8,294	
Dividend income	5,471	3,877	
Currency exchange gain	-	7,749	
Income from transference of accrued retirement allowance for board member	3,820	-	
Other	9,092	8,350	
Non-operating income total	32,106	28,272	3,834
Non-operating expenses :			
Interest expenses	141	143	
Currency exchange loss	24,572	-	
Loss due to removal of fixed assets	12,714	23,787	
Reconciliation	8,625	-	
Foreign tax	12,790	-	
Real estate acquisition tax	-	3,742	
Other	9,649	8,362	



(1,000 Yen)

	FY2007 (from April 1, 2007 to March 31, 2008)	FY2006 (from April 1, 2006 to March 31, 2007)	Increase (Decrease)
Non-operating expenses total	68,493	36,036	32,457
<u>Ordinary Income</u>	2,198,801	1,767,260	431,541
Extraordinary expenses :			
Loss on impairment	-	38,797	(38,797)
Income before income taxes and minority interests	2,198,801	1,728,463	470,338
Income taxes	993,468	791,548	
Adjustment to income taxes	(98,214)	(98,747)	
<u>Net income</u>	1,303,548	1,035,661	267,886



Consolidated Statements of Changes in Shareholders' Equity

Fiscal Year Period : FY2007 (From April 1, 2007 to March 31, 2008)

(1,000 Yen)

	Shareholders' Equity			
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance as of March 31, 2007	1,055,000	747,400	5,740,698	7,543,098
Changes during FY2007				
Cash dividends	-	-	(147,750)	(147,750)
Net income	-	-	1,303,548	1,303,548
Net changes in items excluding shareholders' equity during FY2007	-	-	-	-
Total changes during FY2007	-	-	1,155,798	1,155,798
Balance as of March 31, 2008	1,055,000	747,400	6,896,496	8,698,896

(1,000 Yen)

	Valuation and Conversions			Total net assets
	Unrealized holding gain on other securities	Loss on deferred hedges	Foreign currency translation adjustments	
Balance as of March 31, 2007	43,193	1,499	5,625	7,593,417
Changes during FY2007				
Cash dividends	-	-	-	(147,750)
Net income	-	-	-	1,303,548
Net changes in items excluding shareholders' equity during FY2007	(48,531)	(1,499)	(616)	(50,647)
Total changes during FY2007	(48,531)	(1,499)	(616)	1,105,150
Balance as of March 31, 2008	(5,337)	-	5,009	8,698,568



Consolidated Statements of Cash Flows

(1,000 Yen)

	FY2007 (from April 1, 2007 to March 31, 2008)	FY2006 (from April 1, 2006 to March 31, 2007)	Increase (Decrease)
I . Operating Activities:			
Income before income taxes and minority interests	2,198,801	1,728,463	
Depreciation and amortization	454,705	317,492	
Loss on impairment	-	38,797	
Amortization of goodwill	6,156	3,078	
Increase(Decrease) in provision for bonuses	14,000	21,000	
Increase(Decrease) in provision for board members' bonus	(9,000)	9,000	
Increase(Decrease) in provision for product warranties	42,000	99,000	
Increase(Decrease) in provision for loss on order received	90,966	-	
Increase(Decrease) in provision for retirement benefits	(37,664)	30,374	
Increase(Decrease) in provision for board members' retirement allowances	(107,320)	22,030	
Increase(Decrease) in allowance for doubtful receivables	(3,153)	3,764	
Interest and dividend income	(19,193)	(12,172)	
Interest expense	141	143	
Loss of retirement of noncurrent assets	12,714	23,787	
Decrease(Increase) in notes and account Receivable-trade	(2,447,939)	(1,302,026)	

(1,000 Yen)

	FY2007 (from April 1, 2007 to March 31, 2008)	FY2006 (from April 1, 2006 to March 31, 2007)	Increase (Decrease)
Decrease(Increase) in inventories	933,234	41,040	
Decrease(Increase) in other current assets	3,131	363,234	
Increase(Decrease) in notes and account Payable-trade	(349,352)	237,894	
Increase(Decrease) in accrued expenses	(24,249)	(283,589)	
Increase(Decrease) in accrued payable-other	(909,321)	749,771	
Increase(Decrease) in advance received	516,260	(628,072)	
Increase(Decrease) in other current liabilities	(17,280)	31,667	
Board members' bonus	-	(9,000)	
Other, net	146,565	184,939	
Sub-Total	494,202	1,670,620	(1,176,418)
Interest and dividends income received	19,642	11,567	
Interest paid	(153)	(91)	
Income taxes paid	(1,048,764)	(557,706)	
Net cash provided by (used in) operating activities	(535,073)	1,124,390	(1,659,463)

II . Investing activities:

Payment into time deposits	(1,300,000)	(1,600,000)
Decrease in time deposits	1,300,000	1,200,000
Purchase of investment securities	(106,439)	(6,665)
Purchase of stock of subsidiaries	-	(44,748)
Purchase of property, plant and equipment	(795,497)	(625,660)
Purchase of intangible assets	(29,700)	(29,803)
Other, net	(2,881)	(12,537)

(1,000 Yen)

	FY2007 (from April 1, 2007 to March 31, 2008)	FY2006 (from April 1, 2006 to March 31, 2007)	Increase (Decrease)
Net cash provided by (used in) investing activities	(934,519)	(1,119,415)	184,896
III. Financing activities:			
Issuance of stock	-	976,000	
Cash dividends paid	(147,046)	(88,500)	
Net cash provided by (used in) financing activities	(147,046)	887,500	(1,034,546)
IV. Effect of exchange rate changes on cash and cash equivalent:	(346)	7,137	(7,484)
V. Net increase(decrease) in cash and cash equivalents:	(1,616,984)	899,612	(2,516,597)
VI. Cash and cash equivalents at beginning of period:	3,692,101	2,792,489	899,612
VII. Cash and cash equivalents at end of period:	2,075,117	3,692,101	(1,616,984)