


## Financial Results

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April 24, 2007

For the Year Ended March 31, 2007

***5 Consecutive Years of Increased Profit;  
Previous Record Profit Surpassed  
~ Operating income totals 45,000 million yen ~***

 **Hitachi High-Technologies Corporation**

[For further information]

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# . Outline of FY06

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# Results for FY06 (Highlights)

(hundred million yen)	SUM	Changes vs. FY05	Changes vs. Previous Forecast
<b>Sales</b>	9,516	+ 7%	+ 3%
<b>Operating Income</b>	451	+ 25%	+ 15%
<b>Ordinary Income</b>	443	+ 26%	+ 15%
<b>Net Income</b>	261	+ 36%	+ 13%
<b>Net Income per Share (yen)</b>	189.81	+ 36%	+ 13%
<b>Cash Dividend per Share (yen)</b>	25.00	± 0%	± 0%

- 1 . All items exceeded forecast values
- 2 . 5 consecutive years of increases in operating income, ordinary income, and net income; previous record levels surpassed
- 3 . ROE increased to 12.7% (+2.2% vs. same period of previous year)

\*The previous forecast was based on the announcement of results for the 3<sup>rd</sup> quarter

# Results for FY06

## (Explanation of Fluctuation)

### Comparisons with Previous Forecast (announcement of results for the 3<sup>rd</sup> quarter)

1. Sales ( 920.0Ybn      951.6Ybn      + 31.6Ybn)

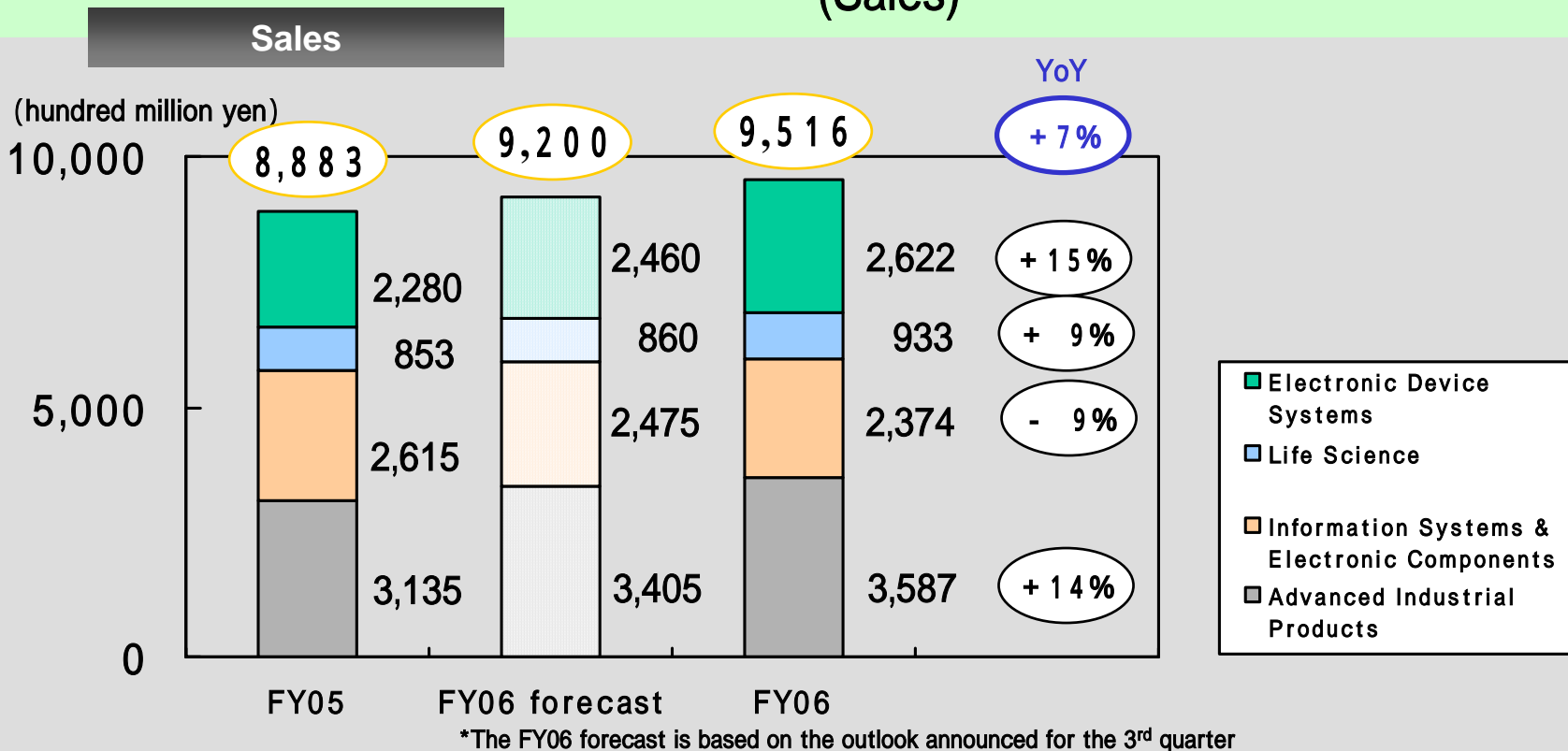
- \* In Electronic Device Systems, favorable performance of semiconductor manufacturing equipment, HDD-related manufacturing equipment, etc. generated a 16,200 million yen increase
- \* In Life Science, favorable performance of medical analysis equipment for the European and U.S. markets led to growth of 7,200 million yen
- \* In Information & Electronic Components, a slump in media device sales and delayed delivery for chip mounters, etc., led to a 10,100 million yen decrease
- \* In Advanced Industrial Materials, trends such as continued high prices of materials and increases in demand for FPD and printer-related materials generated an 18,200 million yen increase

2. Operating Profit ( 39.1Ybn      45.1Ybn      + 6.0Ybn)

- \* In Electronic Device Systems, increased sales together with decreased costs generated a 4,400 million yen increase
- \* In Life Science, favorable performance of medical analysis equipment for the European and U.S. markets led to growth of 1,900 million yen

# Results for FY06

## (Sales)

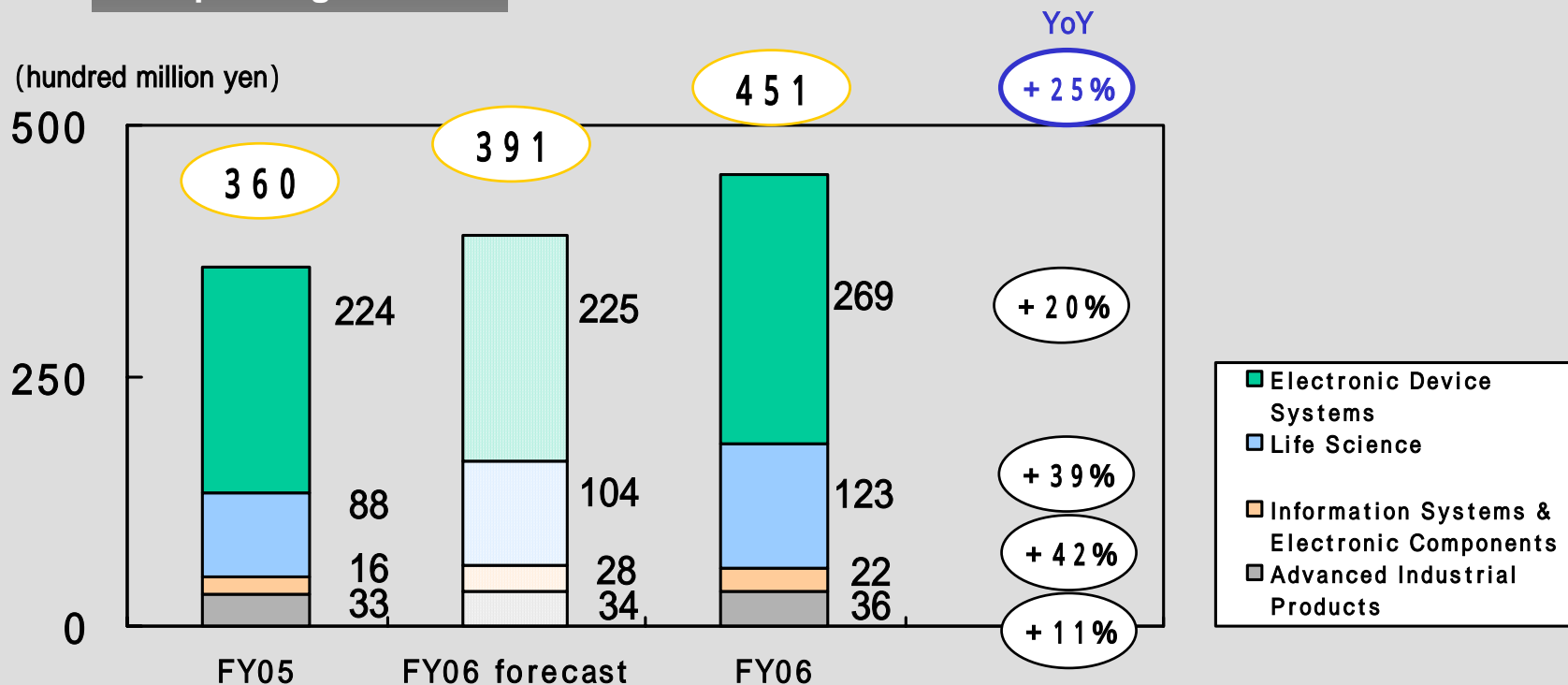


### [Explanation for YoY change]

- 1 . Electronic Device Systems : Semiconductor manufacturing equipment, HDD-related manufacturing equipment, etc., contributed to a year-on-year increase
- 2 . Life Science : As a result of new product introduction, medical analysis equipment for the European and U.S. markets saw a year-on-year increase
- 3 . Information Systems & Electronic Components : In semiconductor devices for mobile-phone use, factors such as decreased demand led to a year-on-year decrease
- 4 . Advanced Industrial Products : Automotive-related components, FPD/printer-related materials, etc., increased

# Results for FY06 (Operating Profit)

## Operating Profit



\*The FY06 forecast is based on the outlook announced for the 3<sup>rd</sup> quarter

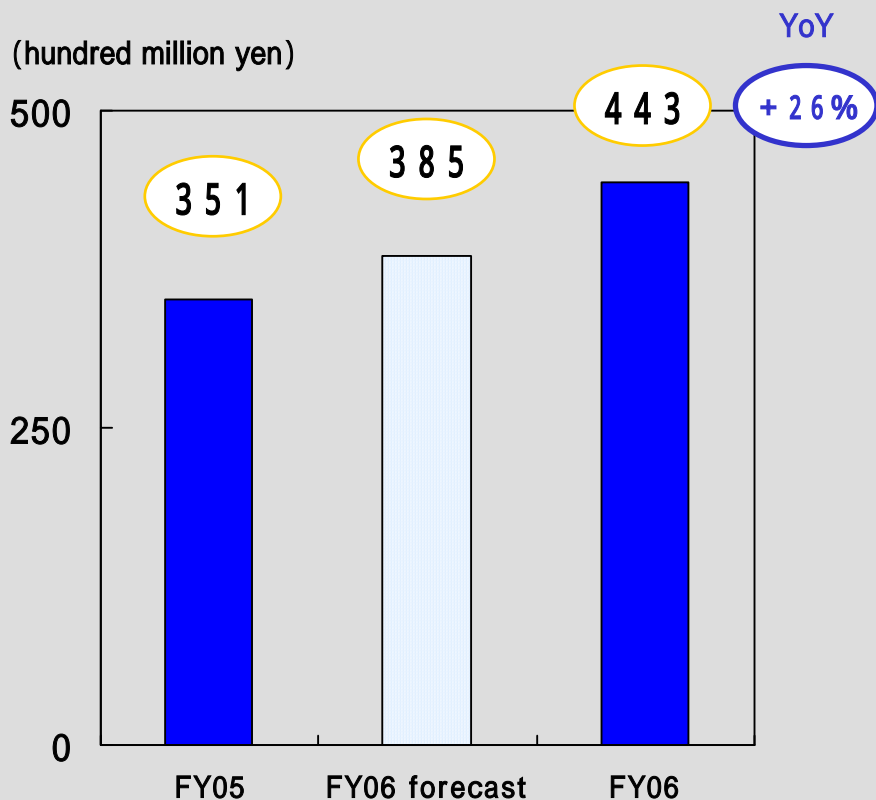
### [Explanation for YoY change]

- 1 . Electronic Device Systems : Increased sales of semiconductor manufacturing equipment, HDD-related manufacturing equipment, etc., contributed
- 2 . Life Science : Favorable performance of medical analysis equipment for the European and U.S. markets, appreciation of Euro, etc., led to an increase

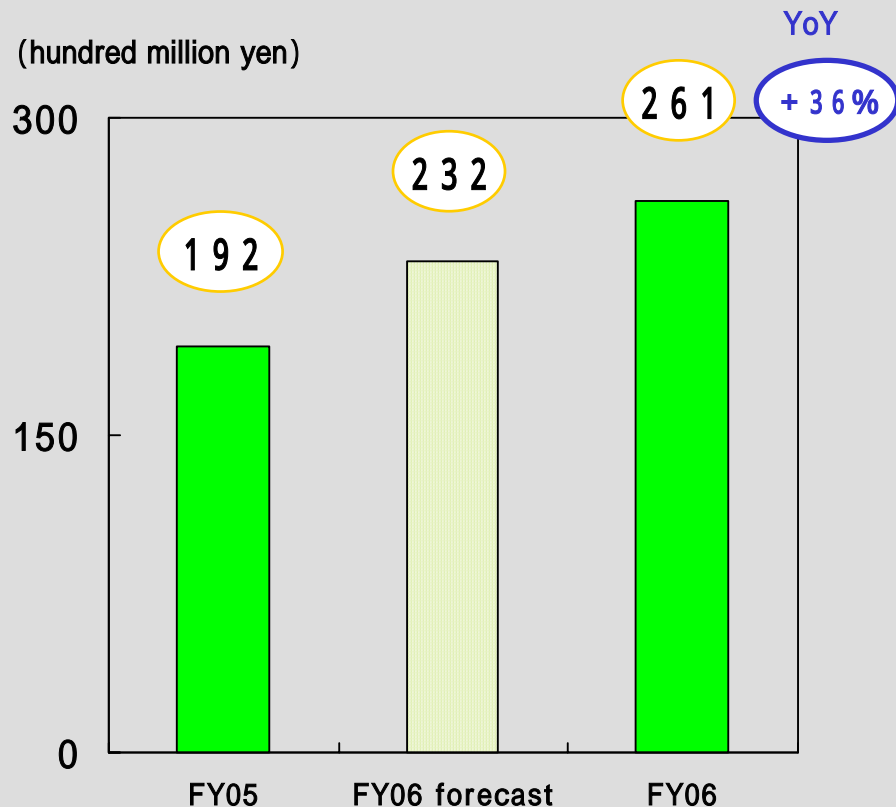
# Results for FY06

(Ordinary Income / Net Income)

## Ordinary Income



## Net Income



\*The FY06 forecast is based on the outlook announced for the 3<sup>rd</sup> quarter



# Financial Position

## (Balance Sheet in Summary)

. Outline FY06

<Year Ended March 31, 2007 (hundred million yen) >

Changes  
vs. FY05

Changes  
vs. FY05

<b>Current Assets</b>	<b>3,808</b>	<b>199</b>	<b>Current Liabilities</b>	<b>2,309</b>	<b>-6</b>
Cash and Deposits, Deposit to Hitachi Group Cash Management Fund	593	+156	Notes and Accounts Payable	1,707	-114
Notes and Accounts Receivable	2,344	-38	Others	602	+108
Inventories	662	+71	<b>Fixed Liabilities</b>	<b>280</b>	<b>-4</b>
Others	209	+9	Retirement and Severance Benefit	267	-4
<b>Fixed Assets</b>	<b>994</b>	<b>+25</b>	Others	13	-0
Tangible Fixed Assets	571	+25	<b>Net Assets</b>	<b>2,213</b>	<b>+233</b>
Intangible Fixed Assets	37	-6	Shareholder Capital	2,088	+222
Investments and Other Assets	386	+6	Assessments / Exchange Differences etc.	75	+7
			Minority Interests	51	+4
<b>Total Asset</b>	<b>4,802</b>	<b>+224</b>	<b>Total Liability &amp; Shareholder's Equity</b>	<b>4,802</b>	<b>+224</b>

1 . Capital to Asset Ratio : 45.0% (+2.8%) ( ) Changes vs. FY05  
 2 . Shareholders' Equity per Share (yen) : 1,572.14 (+167.18)

# Financial Position (Cash Flow)

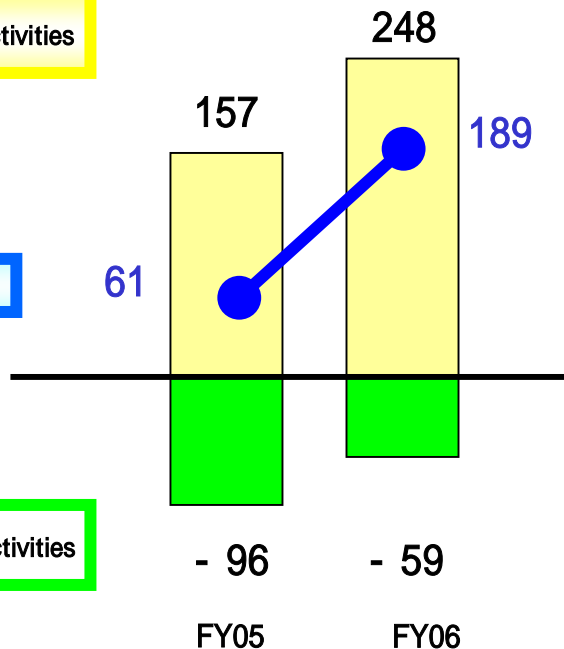
## Cash Flow

(hundred million yen)

Cash Flow from Operating Activities

Free Cash Flow

Cash Flows from Investing Activities



### Cash Flows from Operating Activities (FY06)

1 . Income Before Income Taxes and Minority Interests	43.0Ybn
2 . Depreciation and Amortization	7.6Ybn
3 . Working Fund	- 17.5Ybn
4 . Income Taxes Paid	- 9.3Ybn
	etc.

### Cash Flows from Investing Activities (FY06)

1 . Purchase / selling of Investment in securities	- 0.2Ybn
2 . Capital Expenditures Proceeds from Sales of Property and Equipment	- 5.1Ybn
3 . Expenses by Subsidiary Company Stock Sales	- 0.7Ybn
	etc.

### [Points of FY06]

- 1 . Balance of cash and cash equivalents 59.3Ybn (YoY + 15.7Ybn)
- 2 . Continues to enjoy absence of consolidated debt

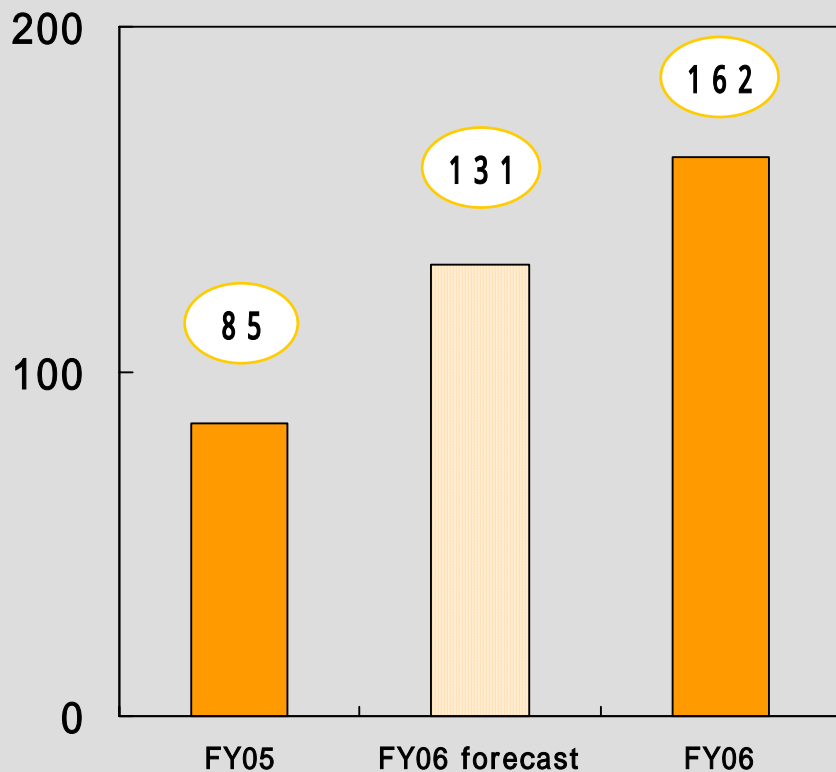
# Management Indicators

(FIV / ROE)

## FIV (Future Inspiration Value)

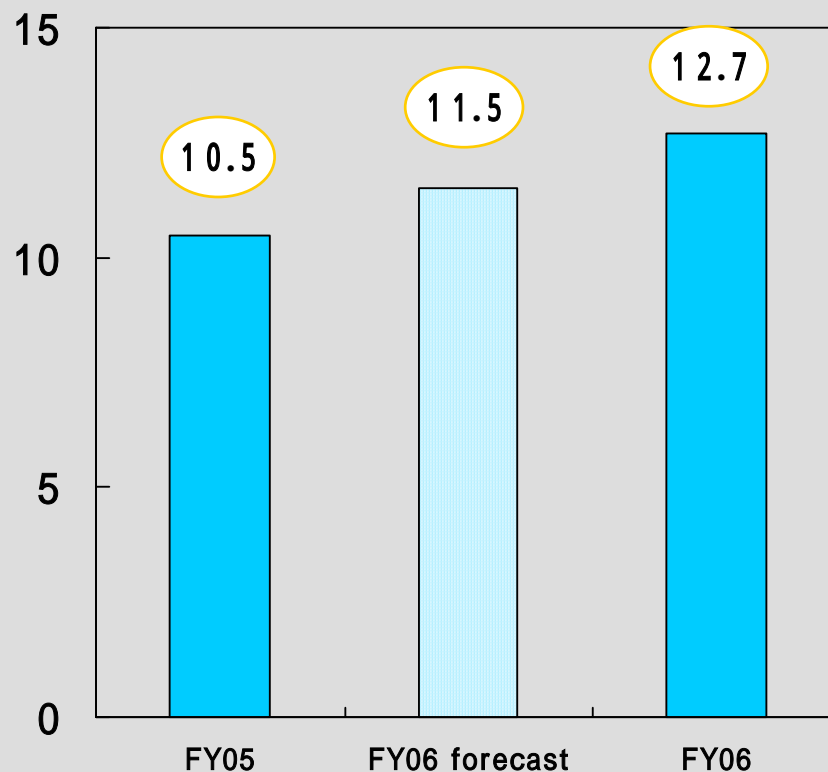
Hitachi Group's original economic value index

(hundred million yen)



## ROE (Return on Equity)

(%)



\*The FY06 forecast is based on the outlook announced for FY06 interim

\*FIV = After tax business profit – Cost of invested capital

Cost of investment capital (shareholders' equity + interest-bearing liabilities + leased assets) × WACC

# . Basic Management Policy

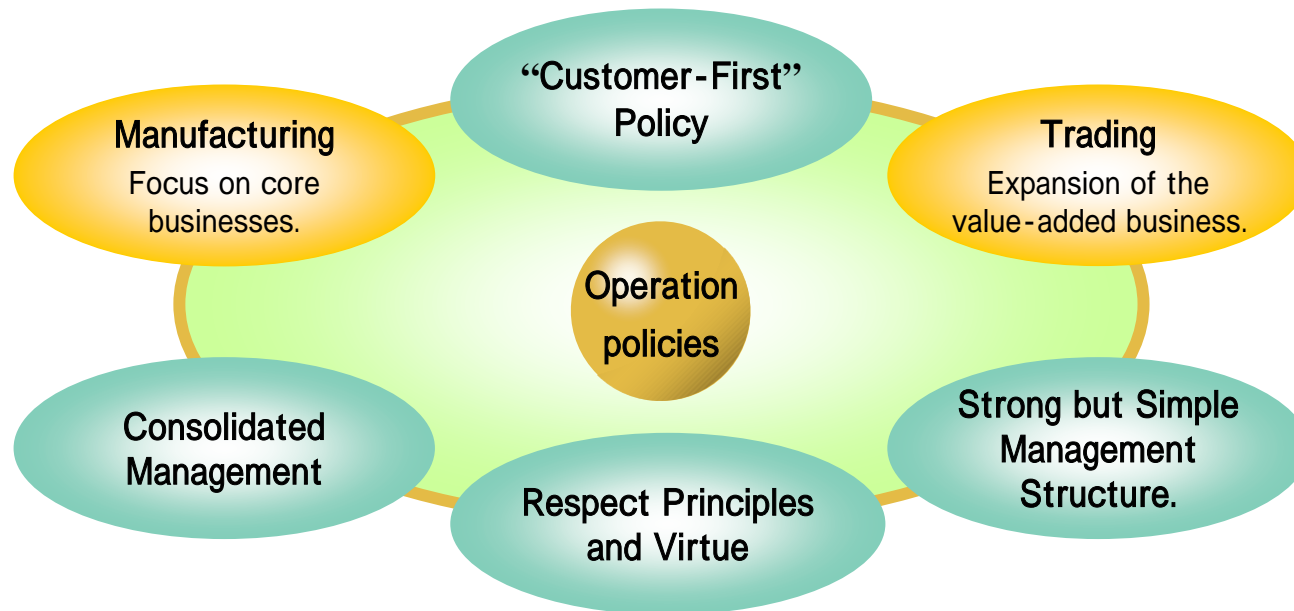
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# Corporate Vision

## Becoming a Global Leader in High-tech Solutions

### Management Policies

- Achieve greater-than-market growth to become highly profitable.
- Maximize corporate value.



# Administration Policy

## Proprietary Products: Strengthening of R&D Contributed to Development of Strong Products and Boosted Speed

### Electronic Device Systems

Development of products to serve as new mainstays, and providing optimum solutions (extending to after-sales service)

### Life Science

Enhancing the company's presence in growth fields that harness advanced technologies such as nanotechnology

## Trading: Developing New Business Model by Mid/long-term Viewpoint & Business Investment

### Information Systems & Electronic Components

Providing optimum solutions fusing hard and soft elements

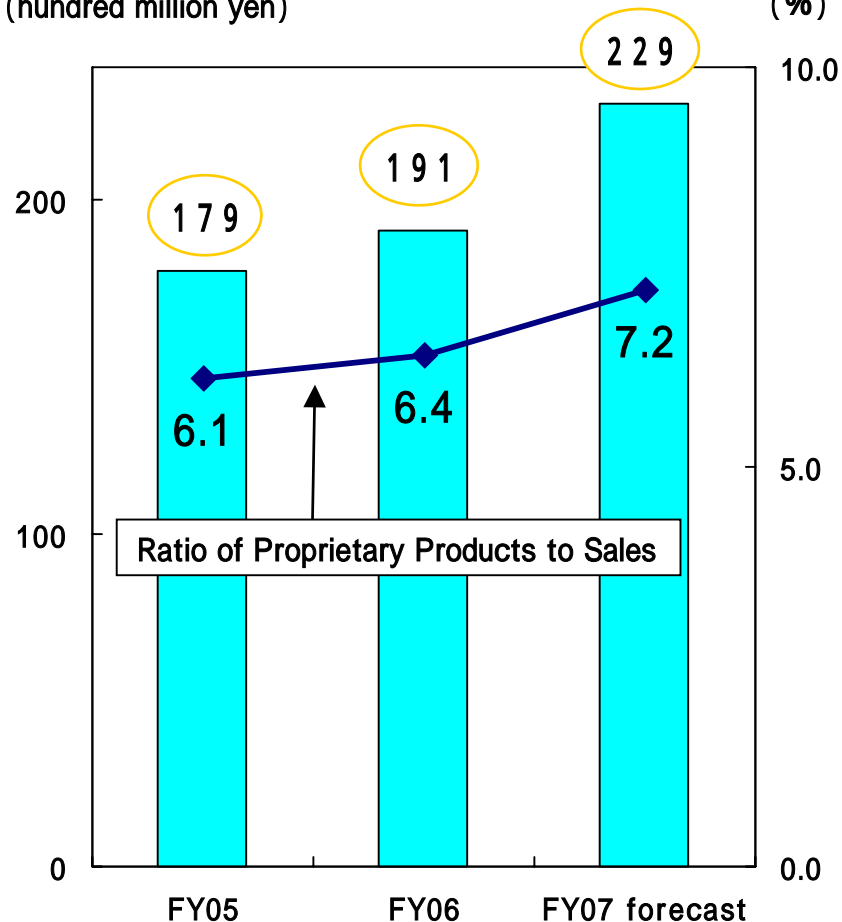
### Advanced Industrial Products

Developing value-added-solution business that utilizes global network

# R&D Investment Plan

## [R&D Expenses]

(hundred million yen)



## Emphasis on R&D

- Strengthening capacity to develop common core technologies; quick to become competitive in these technologies
- Moving forward with joint development with leading-edge customers
- Strengthening cooperation between sales/marketing and design
- Speeding up development; cooperation with Hitachi's laboratories

## Results for FY06

- CG-4000 high-resolution FEB measurement device
- Labospect Series biochemical analyzer
- G8-compliant facility for manufacturing LCD-related products

## Future Actions for FY07

### Main themes of development

- Semiconductor inspection equipment
- Medical analysis equipment
- G10-compliant facility for manufacturing LCD-related products

### Ratio of R&D expenditure to sales in principal segments

- Electronic Device Systems : 7.8 %
- Life Science : 8.1 %

### Principal intellectual property strategy

- Development and implementation of patent strategy as business tool
- Unified management of HHT Group's intellectual property

# Global Strategies

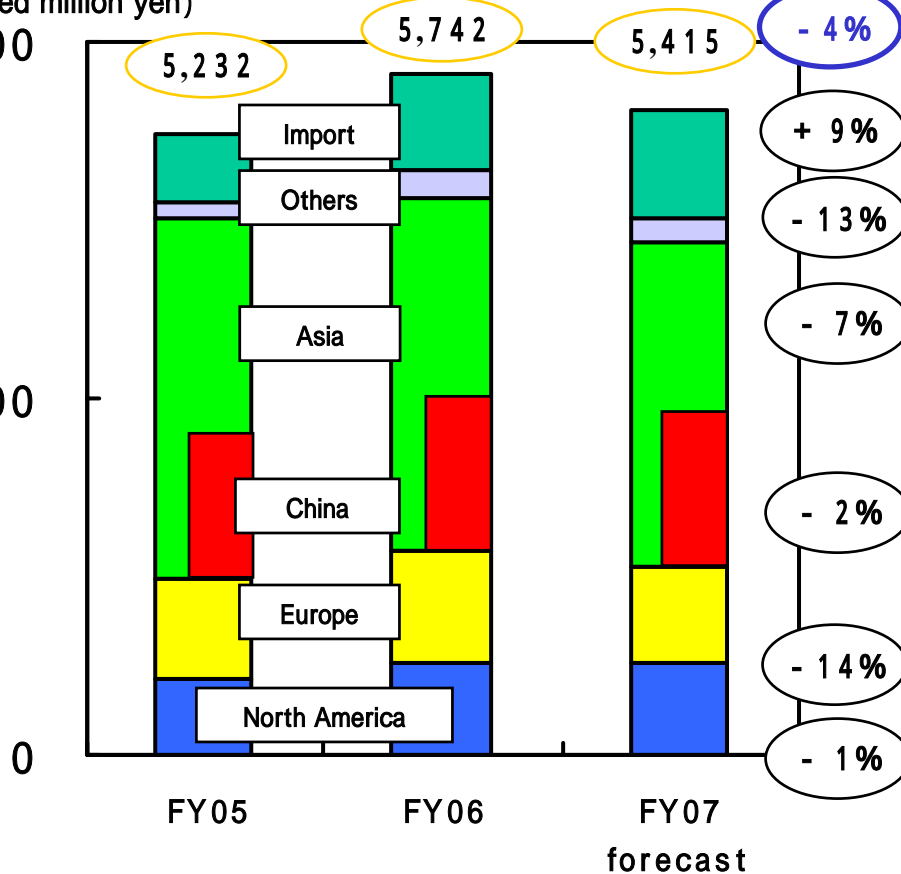
## < Overseas Sales Ratio >

## [Global Business Strategies]

(hundred million yen)

6,000

3,000



1. Promotion of Proprietary Products Business to Achieve Top Global Position  
Development of Next-generation Products Jointly with Major Customers
2. Strengthening Trading-company Functions via Development of High-value-added Businesses
  - (1) Cultivating clients by providing application support for leading-edge devices
  - (2) Providing world's best procurement solutions in advanced industrial materials field
3. Strengthening Global Procurement Capability
  - (1) Strengthening overseas procurement of products and unit components
  - (2) Utilizing global network to expand imports  
Providing solutions to domestic customers
  - (3) Expansion of out-to-out business  
Yearly average target growth 6% (sales)
4. Strengthening Functions of Unified Overseas Regional Management; Strengthening Business Base in Emerging Regions
  - (1) Advancing regional strategies in four areas of U.S., Europe, ASEAN, and China
  - (2) Opened India Branch and Moscow Office in April '07; Mexico Office scheduled for opening in first period of FY07

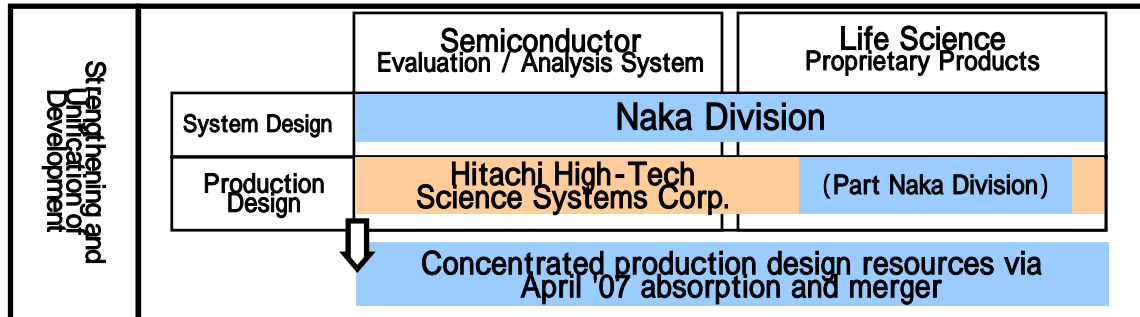
Note: Overseas sales is a simple add up of foreign sales and import sales volume



# Increased Manufacturing Strength Environmental Management

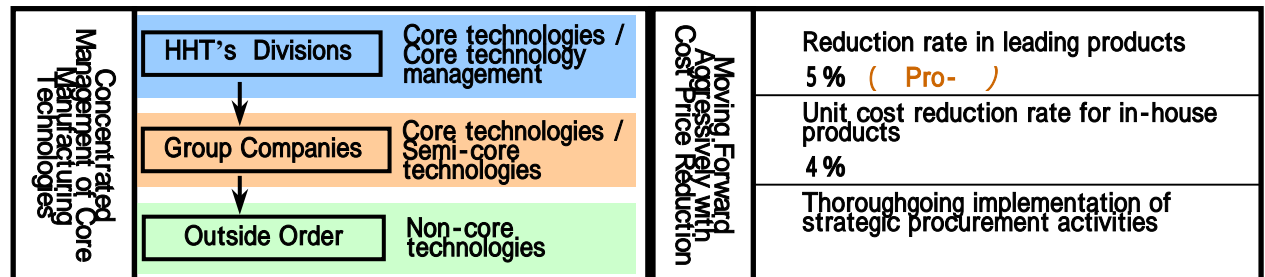
## Establishing Optimum Production Systems

~ Reapportionment of design and manufacturing responsibilities by reorganizing Group companies



## Strengthening Cost-competitiveness

~ Moving forward aggressively with cost price reduction project



## Implementation of Environmental Management

~ Increased application rate of environmentally compatible products; advanced toward zero emissions

[Trends in application rate of environmentally compatible products]

	FY06	FY07	FY10
Application Rate	70%	72%	80%

< Environmentally compatible products >

Use of evaluation standards common to all of the Hitachi Group leads to products with low environmental impact

[Zero emissions attainment position]

	FY06	FY10
Position	6 places	9 places

< Zero emissions attainment position >

Final disposal rate of 1% or less, or final disposal volume of 5 tons or less, for the fiscal year

# . Outlook for FY07

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# Highlights

(hundred million yen)	SUM	Changes vs. FY06
<b>Sales</b>	9,100	- 4%
<b>Operating Income</b>	420	- 7%
<b>Ordinary Income</b>	410	- 7%
<b>Net Income</b>	250	- 4%
<b>Net Income per Share (yen)</b>	181.75	- 4%
<b>Cash Dividend per Share (yen)</b>	25.00	± 0%
<b>FIV</b>	130	- 19%
<b>ROE</b>	11.1%	- 1.6%

\*Rate assumption for FY07 1 US \$ = 110yen

# Outlook for FY07

## (Explanation of Fluctuation)

### Comparisons with FY06 Results

1. Sales ( 9 5 1.6 Ybn      9 1 0.0 Ybn      - 4 1.6 Ybn )

- \* A decrease of 6,200 million yen for Electronic Device Systems due to factors such as lower sales of semiconductor process and back-end process equipment and in HDD-related manufacturing equipment
- \* A decrease of 12,100 million yen for Life Science due to a reactive decrease in medical analysis equipment for the European and American markets vs. the previous year
- \* A 6,900 million yen increase for Information & Electronic Components due to increased sales of chip mounters, communication equipments, etc.
- \* In advanced industrial materials, factors such as a decrease in printer-related materials and a drop in demand for semiconductor-related materials led to a 30,200 million yen decrease

2 . Operating Income ( 4 5.1 Ybn      4 2.0 Ybn      - 3.1 Ybn )

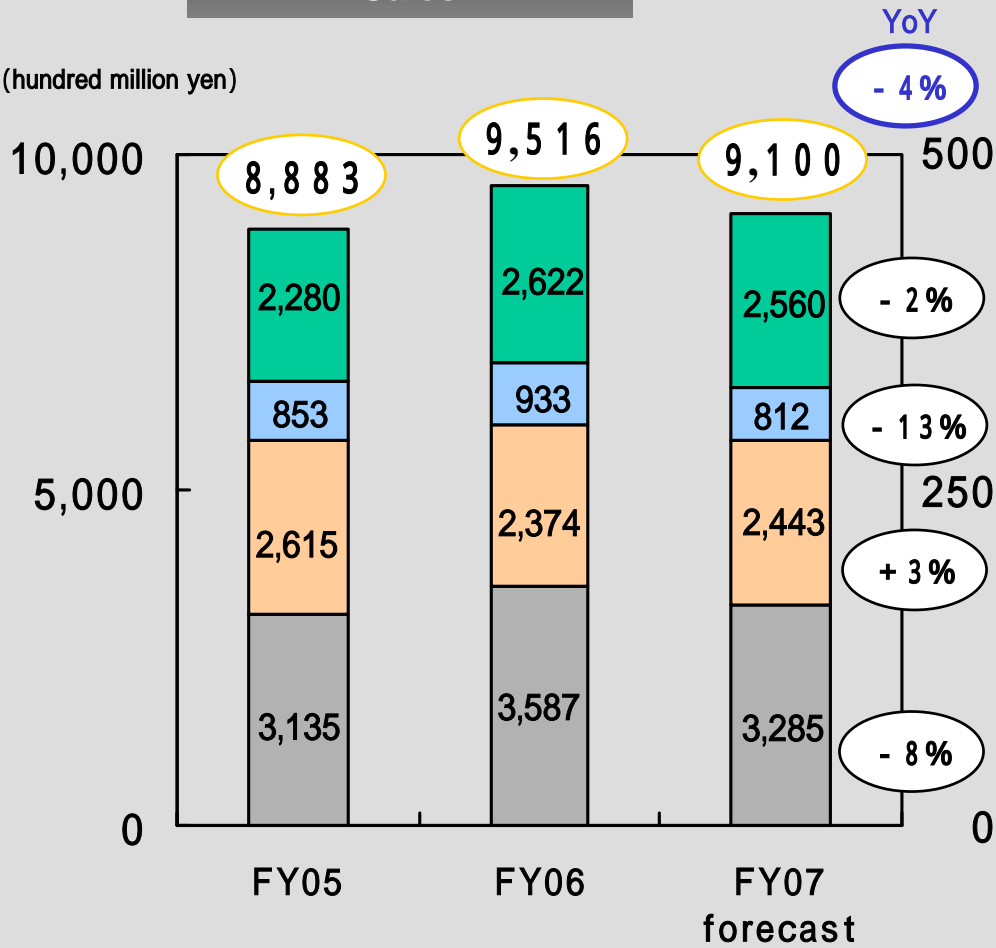
- \* A 1,400 million yen decrease in Electronic Device Systems, due to factors including a drop in sales of HDD-related manufacturing equipment and an increase in R&D expenses
- \* A 4,000 million yen decrease in Life Science, due to factors including a drop in sales of medical analysis equipment for the European and American markets and a decrease in exchange-gain
- \* A 2,900 million yen increase in Information & Electronic Components, due to factors including an increase in sales of chip mounters
- \* A 600 million yen decrease in Advanced Industrial Materials, due to factors such as a decrease in printer-related materials and a drop in demand for semiconductor-related materials

# Outlook for FY07

## (Sales / Operating Profit)

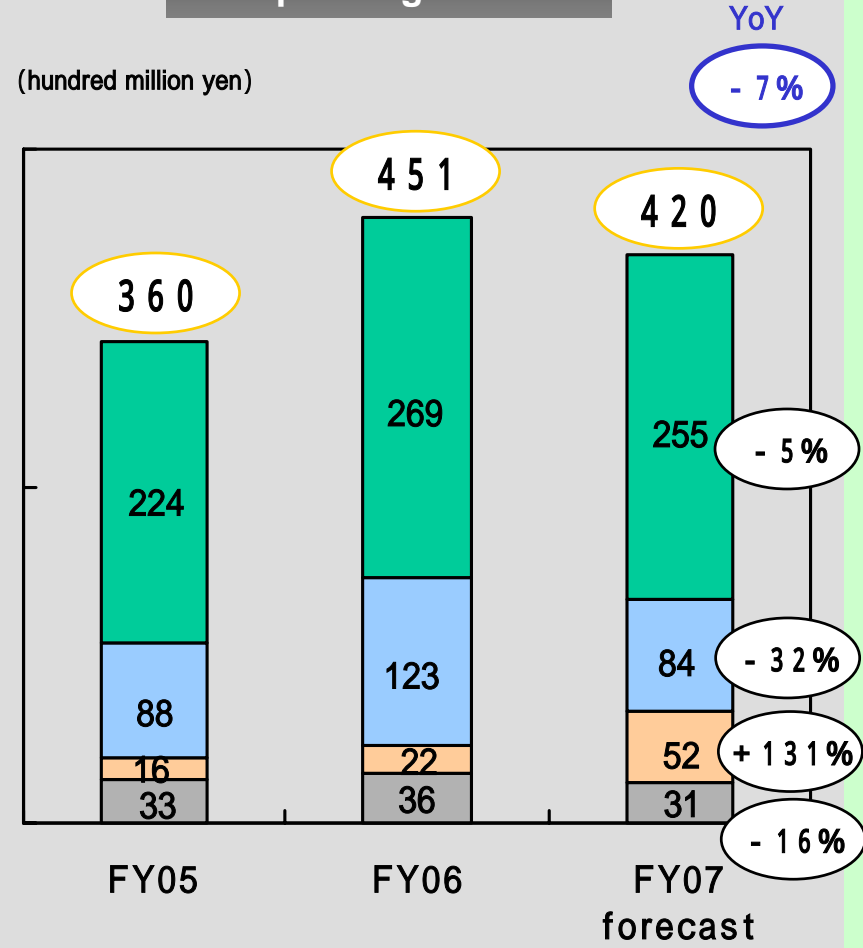
### Sales

(hundred million yen)



### Operating Profit

(hundred million yen)

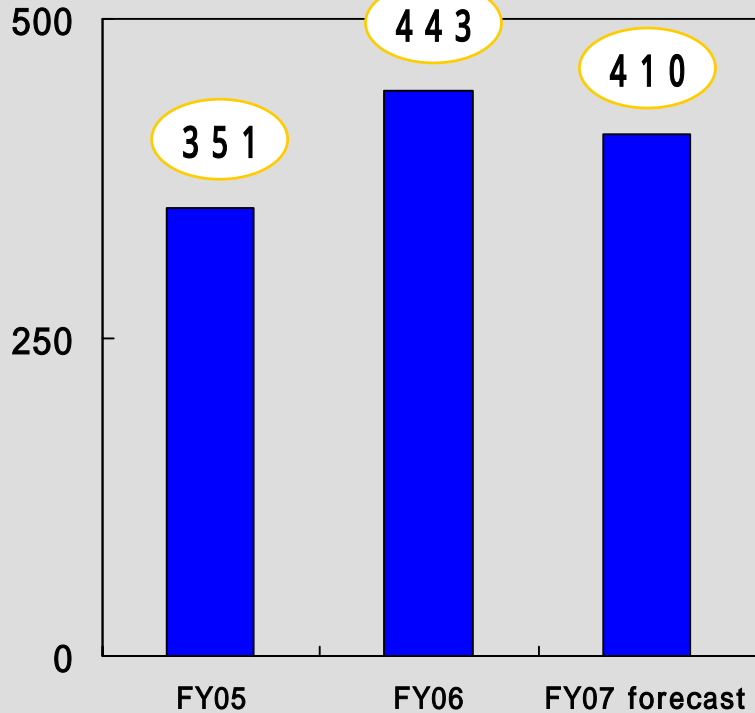


# Outlook for FY07

(Ordinary Income/Net Income)

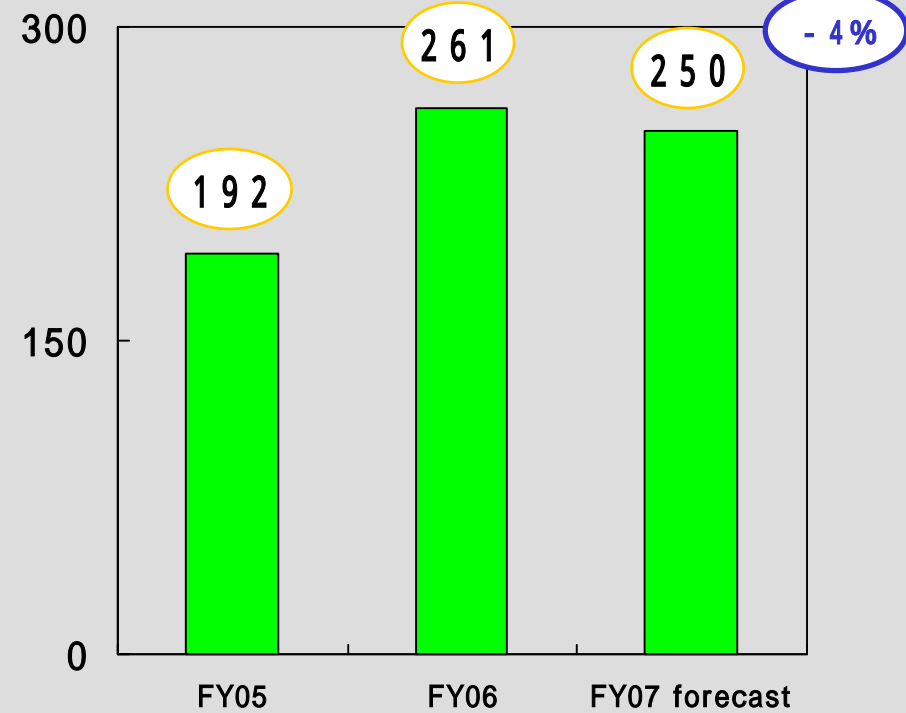
## Ordinary Income

(hundred million yen)



## Net Income

(hundred million yen)



# Main Product Group

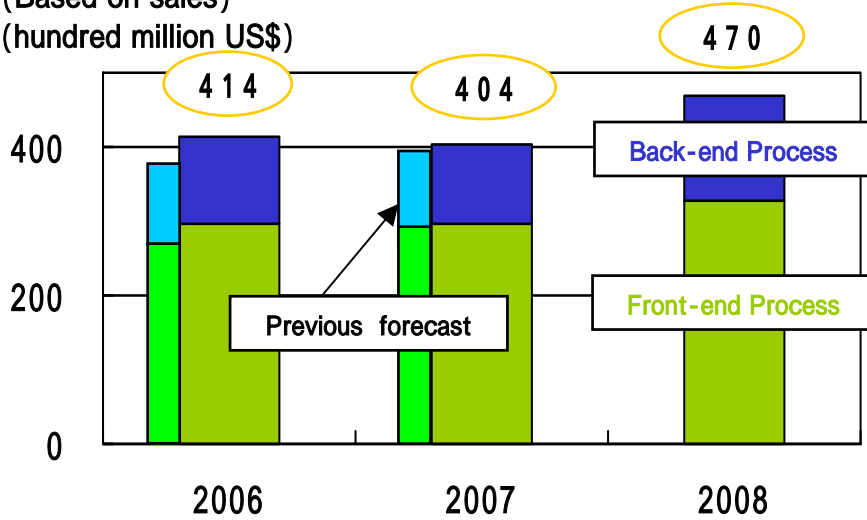
- Semiconductor Manufacturing Equipment
- LCD-related Manufacturing Equipment
- HDD-related Manufacturing Equipment
- Life Science-related Business
- Chip Mounter
- Trading

# Market Trend

## (Semiconductor Manufacturing Equipment)

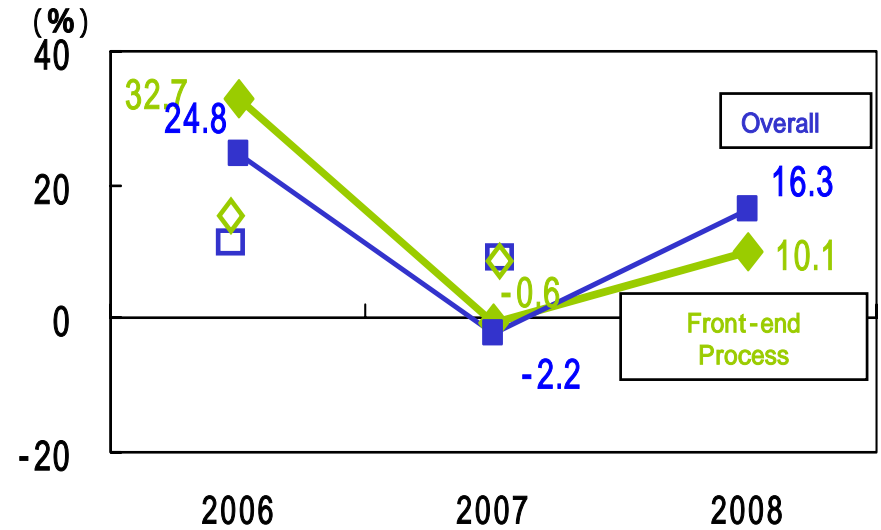
### 【Semiconductor Manufacturing Equipment Market】

(Based on sales)  
(hundred million US\$)



Source: Actual results from SEMI and HHT's estimation (Feb. 2007)

### 【Market's Growth Rate】



Note: The previous forecast is based on the outlook announced for FY06 interim

< 3Q forecast >	2006	2007
□ (Overall)	11.9%	7.8%
◇ (Front-end process)	15.5%	5.8%

### 【Explanation of Situation】

- FY06 semiconductor capital investment consisted of large-scale investment in memory such as DRAM and NAND flash. Also, because of the steep rise in DRAM prices from September through December, Taiwan and Korea invested in additional capacity at the end of 2006
- In FY07, large-scale investment in memory is planned, but because some logic-related customers have cut the monetary value of their capital investment, the growth rate for semiconductor capital investment, both overall and front-end, is expected to be about zero in FY07
- In FY08, production and inventory adjustments made by the semiconductor market in FY07 will be complete, and demand sparked by the Beijing Olympics (August '08) and the U.S. presidential election (November '08) are expected to lead to double-digit market growth in FY08

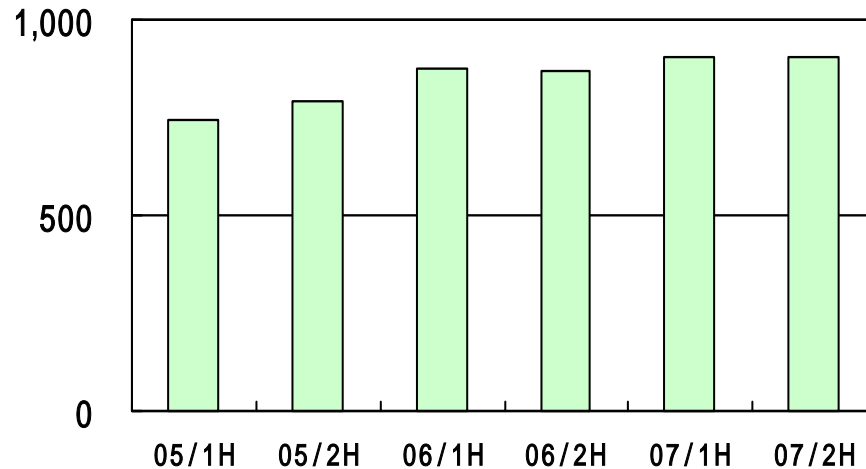


# Changes in Orders Received

## (Semiconductor Manufacturing Equipment)

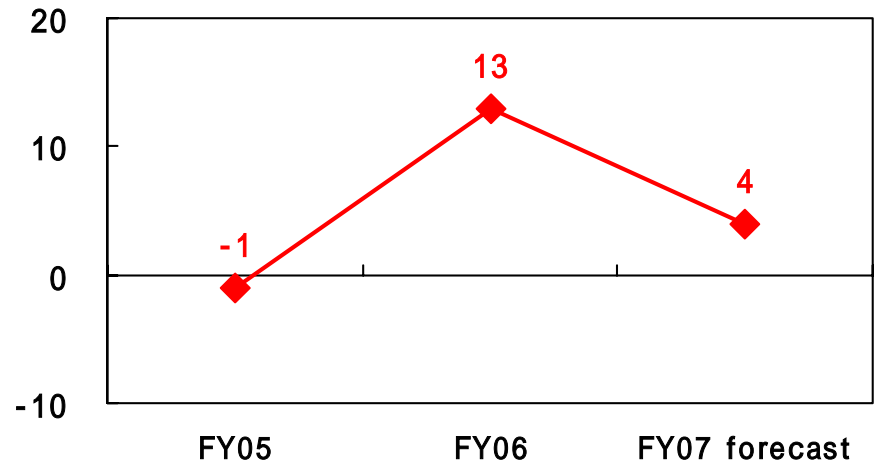
【Changes in Consolidated Order Received】

(hundred million yen)



【Changes in Consolidated Order Received (YoY)】

(%)



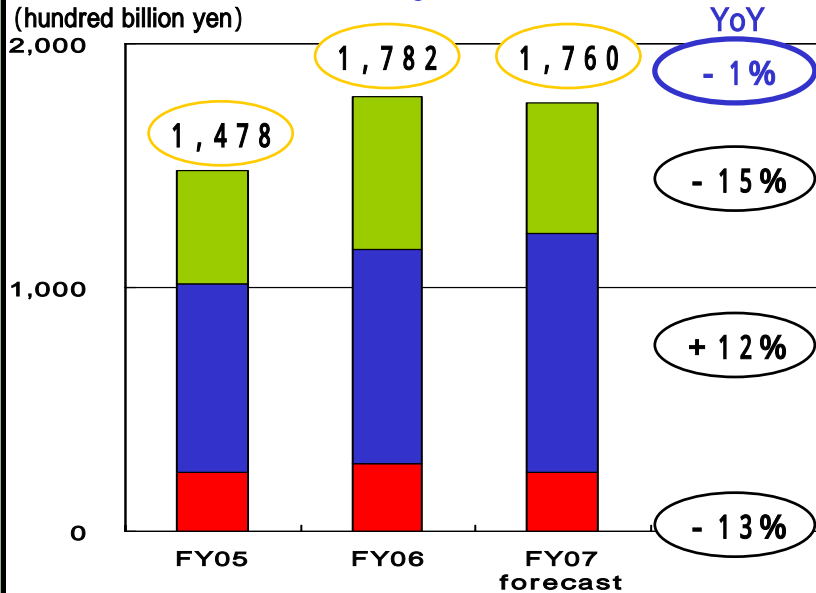
### 【Explanation of Situation】

- 07/1H : Favorable performance of products such as CD-SEMs and analyzers (FE-SEMs) are expected to lead to year-on-year growth of 3%
- 07/2H : Factors such as acquisition of new customers for etching equipment and growth of inspection equipment are expected to lead to year-on-year growth of 5%
- FY07: Factors including the effect of new products such as etching equipment, CD-SEMs, and various types of inspection equipment are expected to generate year-on-year growth of 4%

# Changes in Sales

## (Semiconductor Manufacturing Equipment)

**[Sales Change in Main Business]**



**[Explanation of YoY Changes and Future Actions]**

### Process equipment

In the area of etching equipment, products for large U.S. customers did well in FY06

In FY07, the company anticipates a further sales increase by securing new customers not only in the United States but also in Korea and Taiwan

Sales of photolithography equipment manufactured by ASML increased by a wide margin in FY06 thanks to the cultivation of new customers through introduction of latest equipment; in FY07, the company seeks to expand sales by enhancing ongoing customer support

### Evaluation and analysis equipment

CD-SEMs trended favorably in FY06 due to introduction of new products

In FY07, introduction of new software (DESIGNGUAGE) and of CD-SEMs for mask use boosted the company's competitive strength, leading to further expansion in sales

In inspection equipment (review SEMs, night-vision inspection equipment), review SEMs increased by a wide margin in FY06. In FY07, introduction of various new products will lead to overall growth in inspection equipment

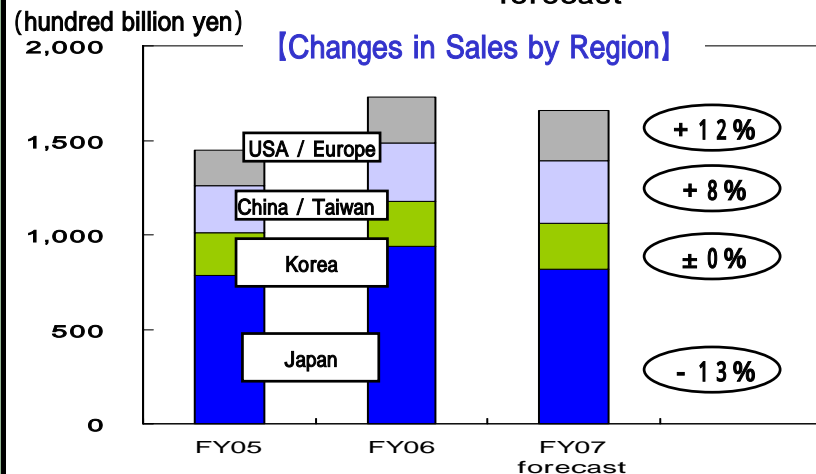
In the area of analyzers, the leading product, FE-SEMs, performed solidly in FY06, and nano-probes also built a track record among key customers. In FY07, introduction of new products, STEM and TEM, will expand sales

### Back-end process equipment (die bonders)

In FY06, increased investment in the Korea and Taiwan regions led to record-breaking sales

Although FY07 will see a decrease, a high level will be maintained by means such as cultivating new customers

**[Changes in Sales by Region]**

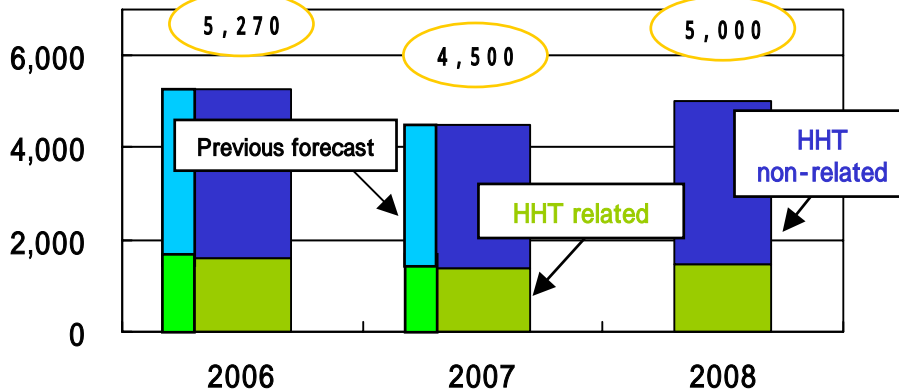


# Market Trend

## (LCD-related Manufacturing Equipment)

### 【LCD-related Manufacturing Equipment Market】

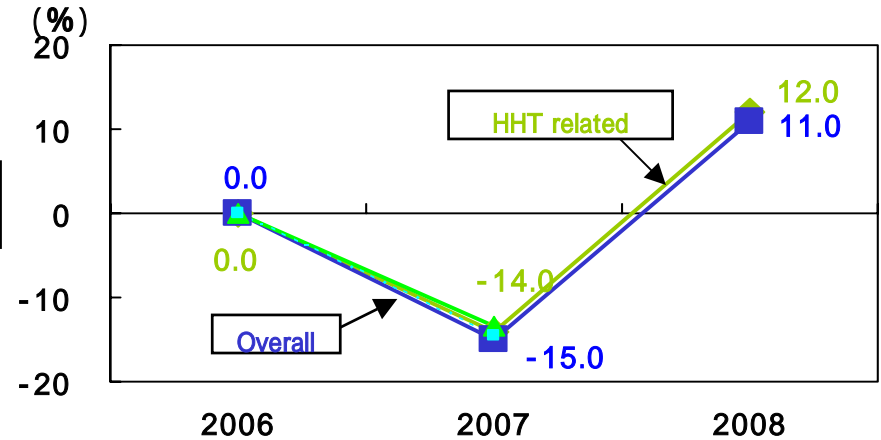
(hundred million yen)



Source:HHT's estimation based on SEAJ (Jan. 2007) data

Note:The previous forecast is based on the outlook announced for FY06 interim

### 【Market's Growth Rate】



< 3Q forecast >		2006	2007
□ (Overall)		0.0%	-14.6%
◇ (HHT related)		0.0%	-13.3%

### 【Explanation of Situation】

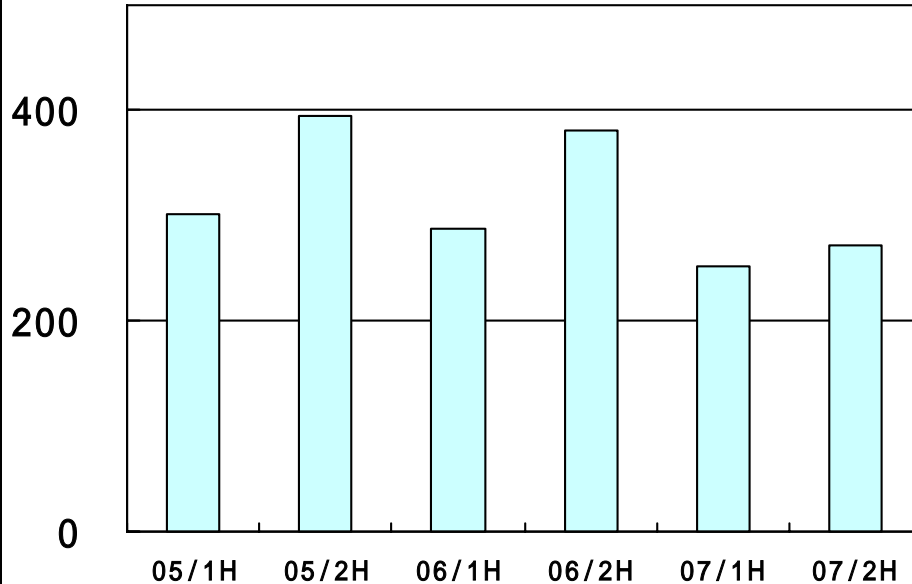
- Demand for LCD TVs and the trend toward larger-sized units are accelerating, and panel makers are engaging in investment wars and sharply reducing prices; this will delay and curtail the scheduling of front-end-process investment plans from the second half of FY06 through FY07, mainly in Korea and Taiwan
- Some makers are moving forward with new and expanded facilities for the next-generation lines, but the market for LCD manufacturing equipment is expected to decrease by 14% from FY06
- In back-end processes, production movements in the vicinity of consumption regions will accelerate, and globalization will accelerate not only in mainland China but also in Central America and other places
- In FY08, investment will resume, and the manufacturing equipment market is expected to recover to double-digit growth

# Changes in Orders Received

## (LCD-related Manufacturing Equipment)

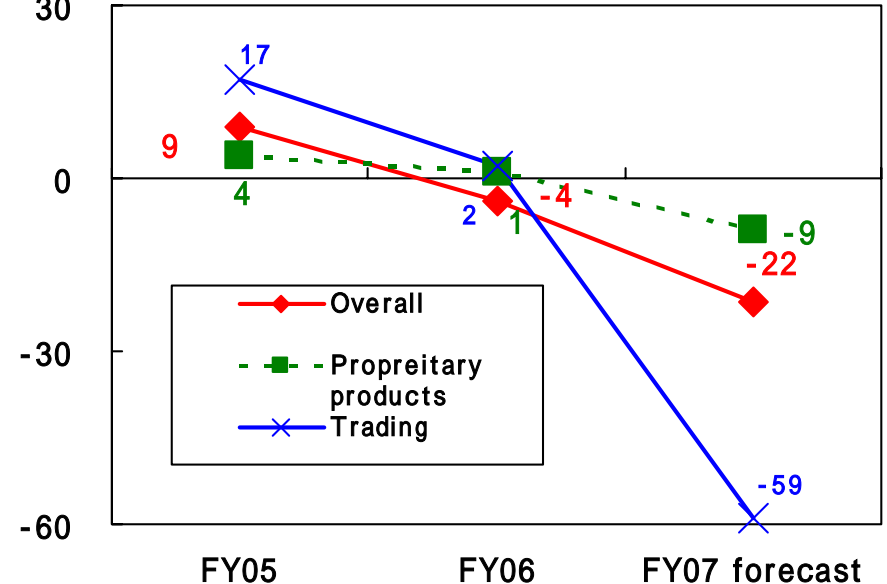
[Changes in Consolidated Order Received]

(hundred million yen)



[Changes in Consolidated Order Received (YoY)]

(%)



[Explanation of Situation ]

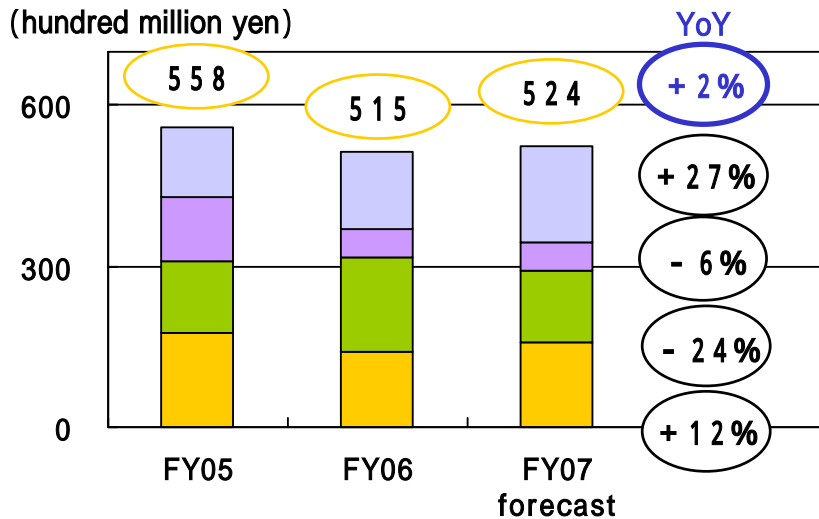
- 07/1H : Assembly/module equipment will trend favorably, but front-end proximity exposure system is expected to drop by a wide margin, leading to a year-on-year decrease of 10%
- 07/2H : Proximity exposure system will recover, but trade products will decrease by a wide margin, leading to an expected year-on-year decrease of 31%
- FY07: Year-on-year decrease of 22% due to the aforementioned factors

Because of large orders generated by customers moving their schedules up in FY06, trade products are expected to see a 59% year-on-year decrease (spot factor)

# Changes in Sales

## (LCD-related Manufacturing Equipment)

### [Sales Change in Main Business]



### [Explanation of YoY Changes]

#### Assembly/module equipment

- The introduction of new products compliant with large-sized LCD TVs, and the acceleration of entry into mainland China by Taiwanese and other makers, has led to a 27% increase

#### Wet process equipment

- Decrease due to competition with overseas makers and reduced investment in front-end processes

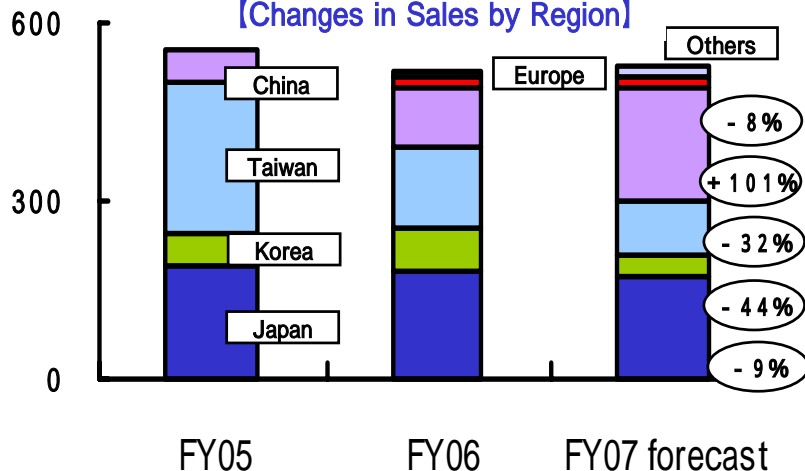
#### Proximity exposure system

- The introduction of new products such as the G8 and G7.5 generations, BM-compliant proximity exposure system, etc., led to a dramatic increase in FY06, but investment in front-end processes will decrease in FY07

#### Inspection equipment, trade products, and other products

- Inspection equipment used in processes has secured a share, but growth has been dulled by a trend toward larger equipment that has reduced the number of lines; and by a drop in investment in glass substrate inspection equipment

### [Changes in Sales by Region]



### [Future Actions]

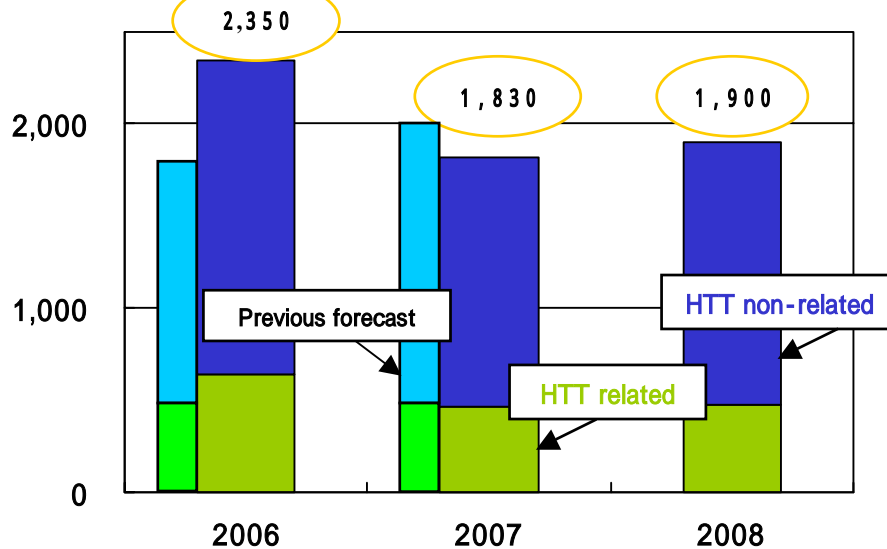
- Build sales/marketing and service organizations and increase production capacity to accommodate the globalization of TV assembly (China, Europe, United States, etc.)
- Quickly become competitive in products compliant with new processes

# Market Trend

## (HDD-related Manufacturing Equipment)

**[HDD-related Manufacturing Equipment Market]**

(hundred million yen)

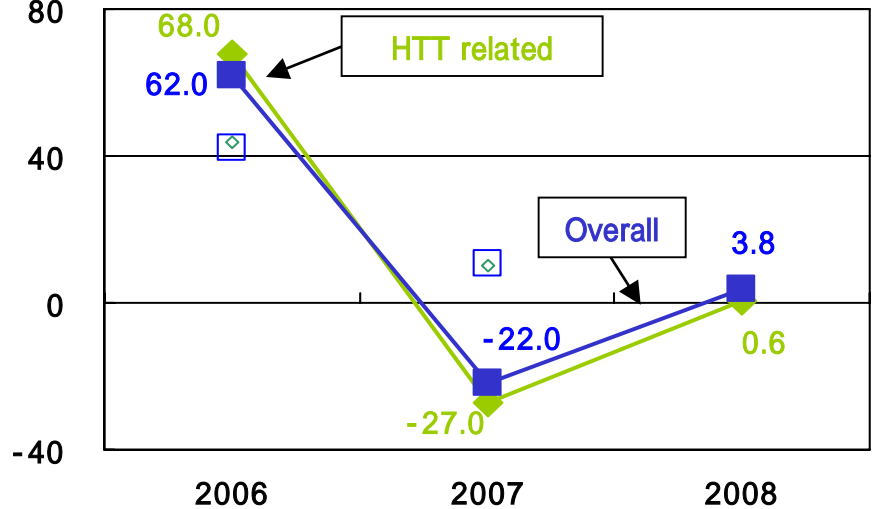


Source: HHT's estimation based on IDEMA data

Note: The previous forecast is based on the outlook announced for FY06 interim

**[Market's Growth Rate]**

(%)



< 3Q forecast >		
□ (Overall)	2006	2007
	42.0%	9.9%
◇ (HTT related)	44.0%	10.9%

### [Explanation of Situation]

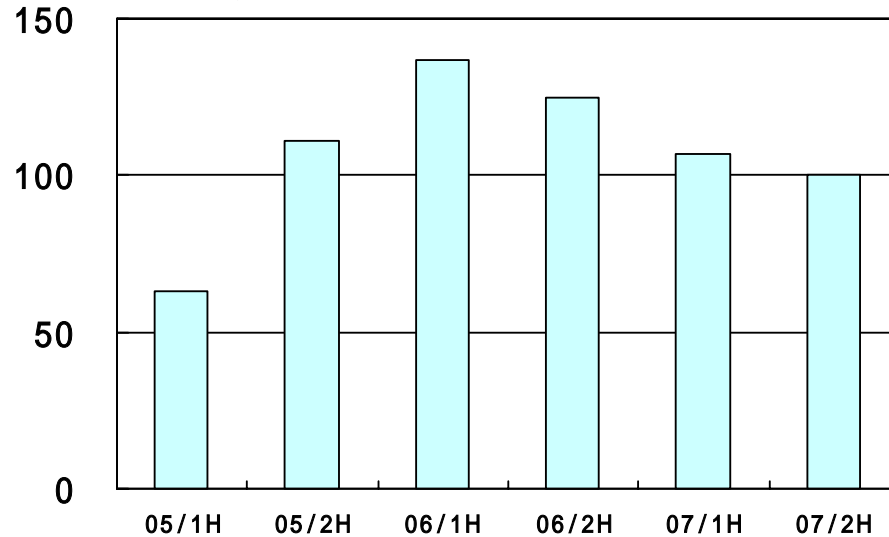
- In the FY06 HDD market, demand for both PC and non-PC products expanded by a wide margin. In the facilities market, expansion of demand for disk heads prompted manufacturers, mainly specialty makers, to make large-scale investments in new plant construction and new or expanded production lines.
- The FY07 HDD market continues to show stable growth. The facilities market is expected to show a 27% year-on-year decrease due to factors such as a drop in capital investment; the high-density trend, which has reduced the number of disks contained in equipment; and moves by captive makers to boost their rate of in-house manufacturing and to carry out business reviews
- Again in FY08, no increase in the growth rate of the number of disks manufactured is expected; there will be only a slight increase of 0.6% over the FY07 volume

# Changes in Orders Received

## (HDD-related Manufacturing Equipment)

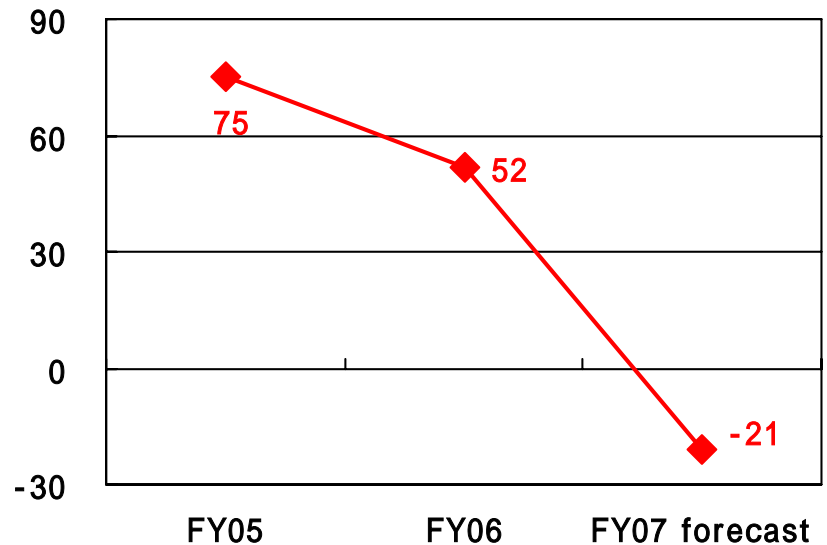
【Changes in Consolidated Order Received】

(hundred million yen)



【Changes in Consolidated Order Received (YoY)】

(%)



### 【Explanation of Situation】

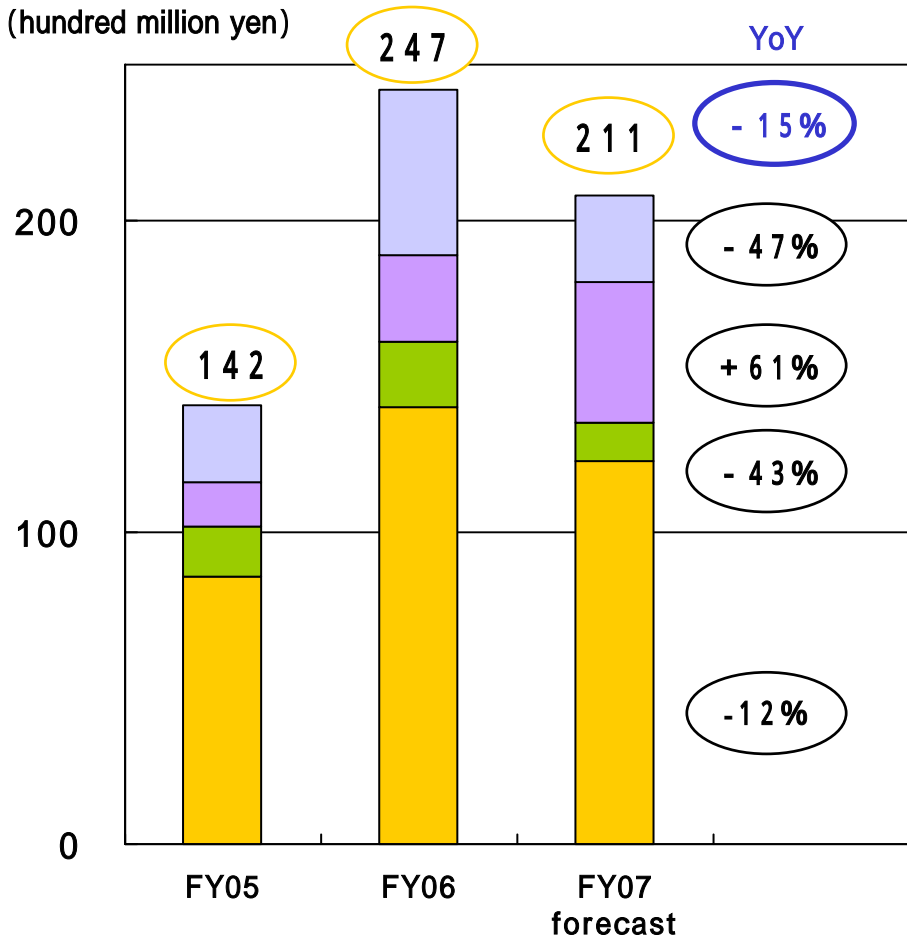
- 07/1H : Makers one after another are postponing and reviewing their capital investment plans, leading to an anticipated year-on-year decrease of 22%
- 07/2H : As in the 1H of FY07, capital investment will decrease
- FY07 : Domestic makers are reducing their capital investment by a notch, and although some U.S. makers will have capital investments, overall investment will reach a plateau, leading to a steep 21% drop year-on-year

# Changes in Sales

## (HDD-related Manufacturing Equipment)

### [Sales Change in Main Business]

(hundred million yen)



### [Explanation of YoY Changes]

#### Head testers

- Plant consolidations and closings by major customers led to reduced capital investment

#### Surface inspection equipment

- Increase in sales due to acquisition of orders from new customers

#### Process equipment

- Reduction in capital investment because of process switch to perpendicular disks

#### Disk testing system

- Reduction in capital investment because of reduced rate of increase in number of disks produced

### [Future Actions]

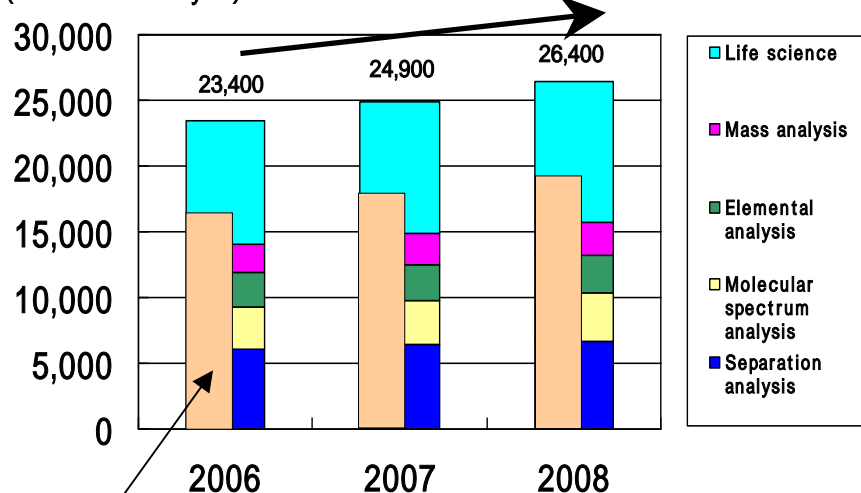
- Acquisition of orders from large U.S. customers
- New product development and market introduction



# Market Trend (Life Science)

## [Overview of Lab Analysis & Life Science Equipment Market]

(hundred million yen) average growth +6% / year



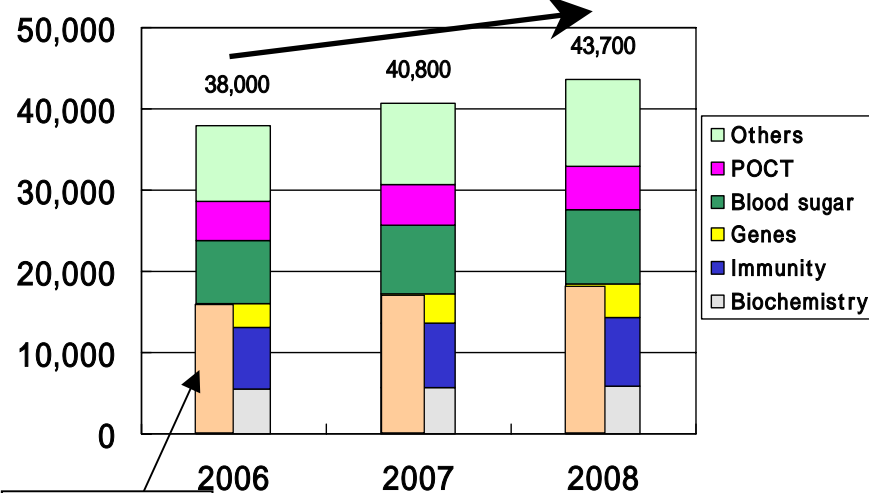
HHT related

Source: SDi Report 9th Edition (2006)

- 1 . Slowdown in growth of general-purpose analysis field (element analysis, molecule spectrum and separation analysis)
  - 6% growth in liquid chromatographs
  - Liquid chromatograph market forming in response to ultra-high-speed trend
- 2 . Steady growth of 8% in qualitative analysis market
  - Shift from protein analysis to diagnostic marker search
- 3 . Growth in life science field slows

## [Overview of In-vitro Diagnostics-related Market]

(hundred million yen) average growth +7% / year



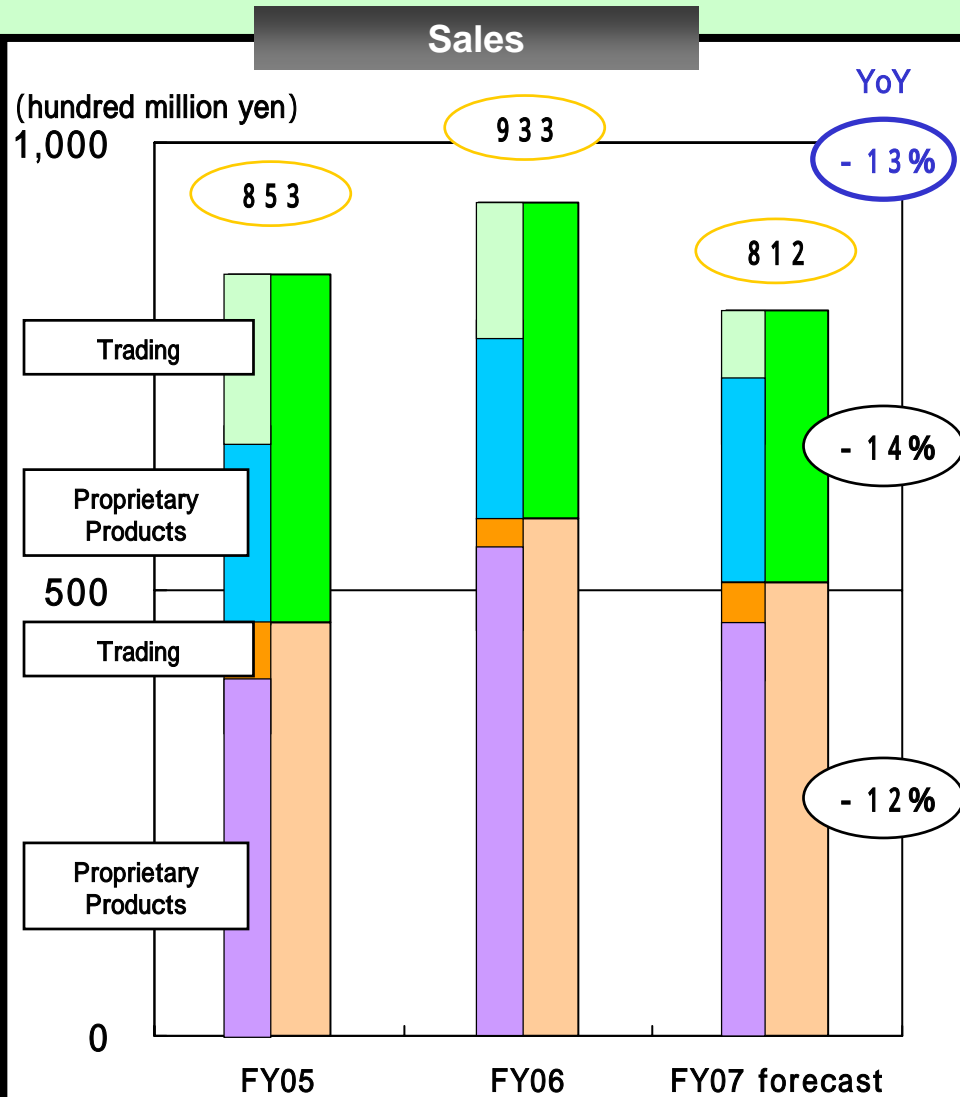
HHT related

Source: HHT's estimation based on Kalorama Information 5th Edition(2006)

- 1 .7% growth in external diagnosis overall
  - Life science field saturated; immunology field growing
- 2 . Japanese market is saturated; growth rate is about zero
- 3 . 16% growth in genetic diagnostics field, mainly infectious diseases

# Changes in Sales

## (Life Science)



### [Explanation of YoY Changes and Future Actions]

#### Biotechnology-related Business

Sales of liquid chromatographs increased in FY06 due to effect of new products

In FY07, full-fledged launch of new ultra-high-speed system will take place with introduction of new column

Sales of liquid chromatograph qualitative analysis devices increased in FY06 thanks to development of technology that moved the products to a superior position

FY07 will see a shift to products for the diagnostic marker search market

DNA sequencers have applications in genetic assessment, foods, and other areas

Deep cultivation of the field has kept business performance at a steady level

Review of products carried, and launch of analysis business in the ASEAN and India markets, have strengthened the brand overseas

#### Medical-related Business

Sales of biochemical and immunological analysis equipment increased in FY06 due to effect of introducing new products for Europe and U.S.

In FY07, a reactive decrease is expected; the company will continue to seek to expand sales by developing its lineup

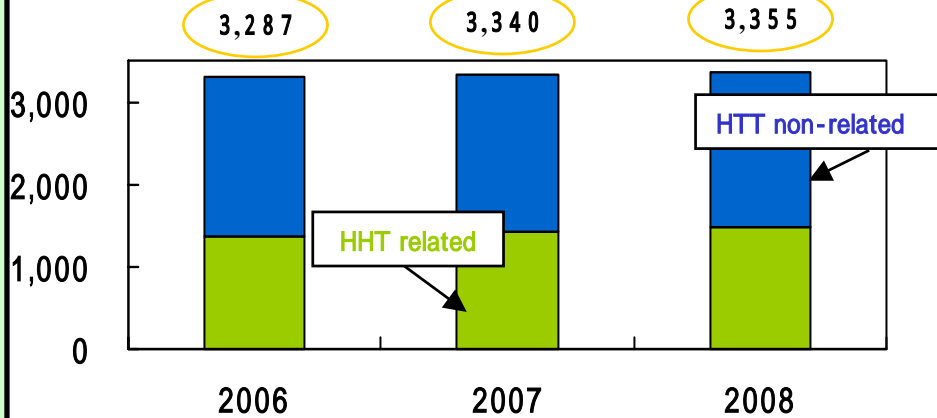
The company seeks to launch new equipment for sale in the domestic and Chinese markets, to promote sales of equipment and reagent systems in China, and to promote the development of a genetic testing business jointly with Eiken Chemical Co.

Note: The previous forecast is based on the outlook announced for FY06 interim

# Market Trend & Changes in Sales (Chip Mounter)

## 【Chip Mounter Market】

(hundred million yen)



Source: HHT's estimation based on Japan Robot Association's data (Nov. 2006)

## 【Explanation of Situation (markets relevant toHHT)】

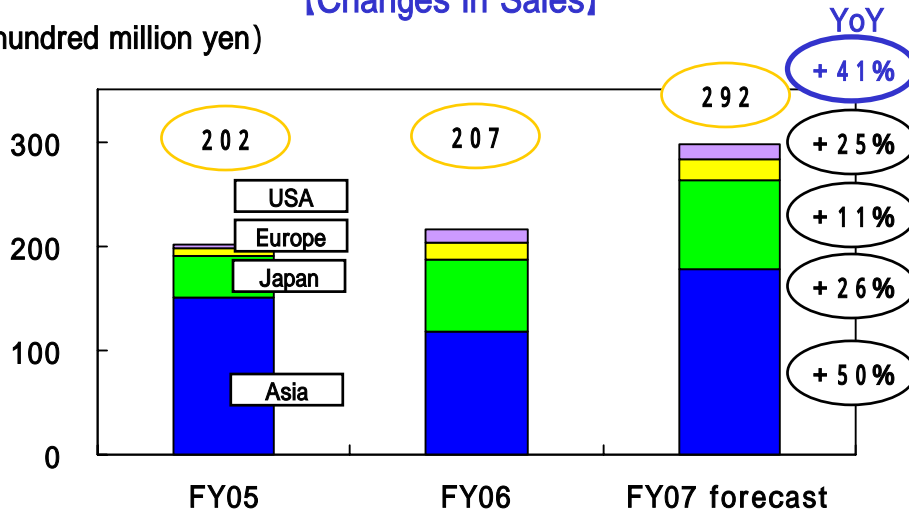
- In FY06, digital AV products and the BRIC's low-end mobile-phone fields saw sharp growth
- From FY07 onward, there will continue to be growth in flat-screen TVs and other digital audio and video equipment, which are becoming larger-sized and lower-priced; and in automotive electronic mounting components, fueled by the increasing prevalence of automotive electronics. However, the overall market is expected to experience a slight drop.

## 【Explanation of YoY Changes and Future Actions】

- In FY06, there was a slight year-on-year increase in the second half of the year as customers pushed back their delivery dates
- In FY07, expansion of share thanks to acquisition of new customers is expected to lead to a dramatic year-on-year increase

## 【Changes in Sales】

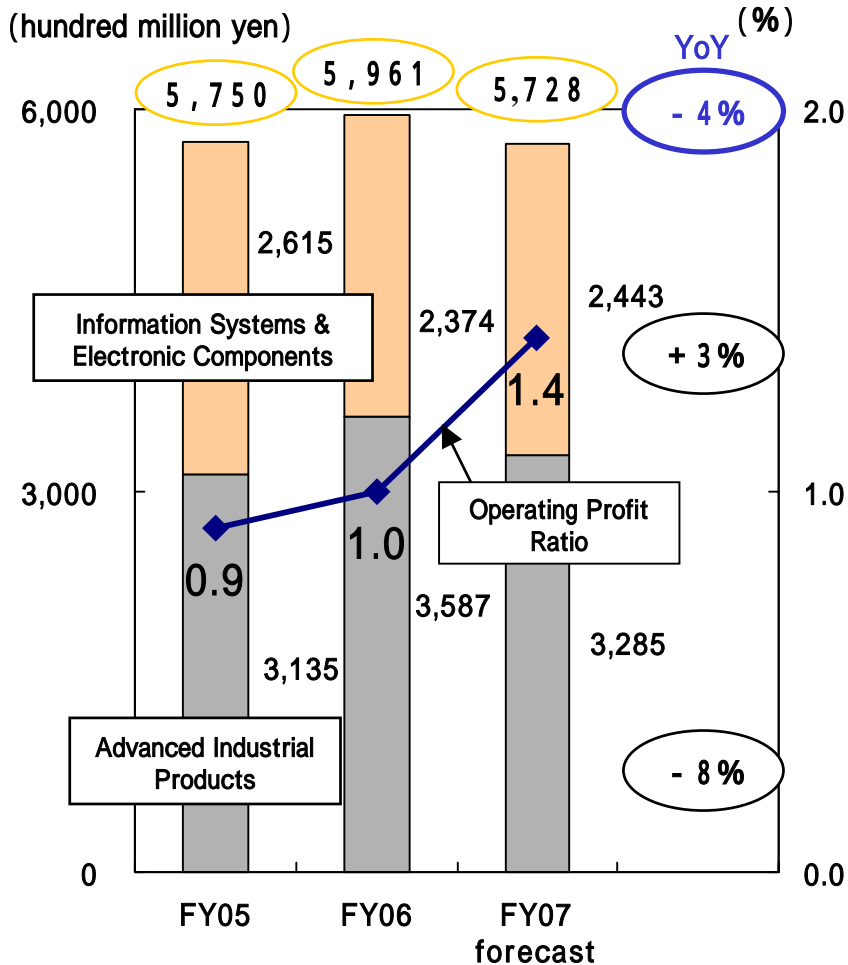
(hundred million yen)



- Future Actions
  - \* Enhanced global sales/marketing and service capabilities have improved customer satisfaction and led to an increase in the number of people working at domestic and overseas bases,
  - \* Share expansion due to introduction of new modular mounter
  - \* Improved production methods have shortened lead times and reduced unit costs

# Trading Division

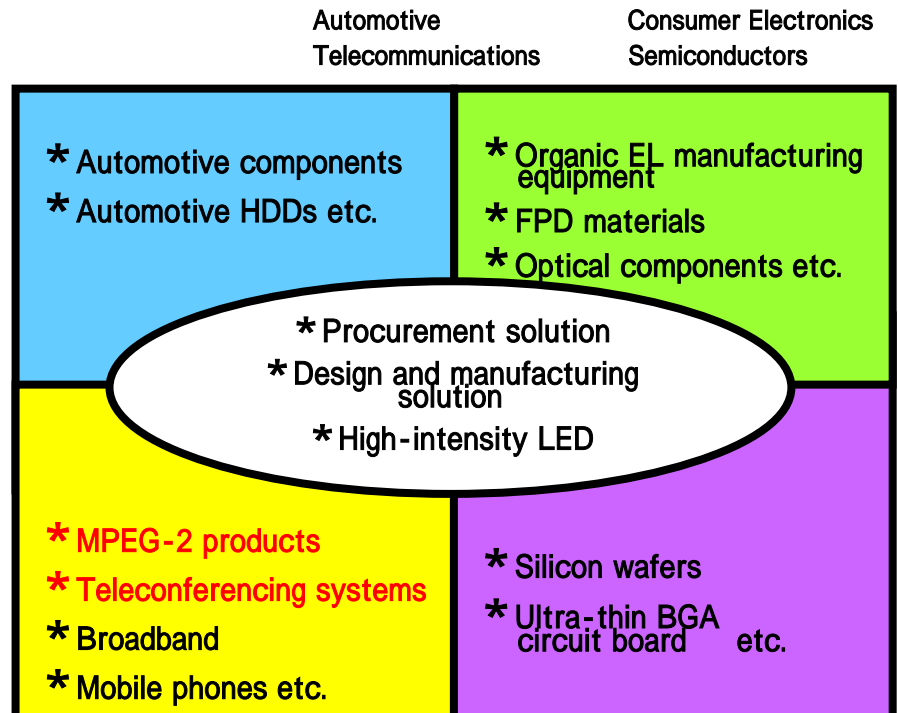
**[Changes in Sales]**



## Basic plans/policies

- Promote high-value-added business via aggressive sales/marketing investment in the four key markets (automotive, consumer electronics, telecommunications, and semiconductors)
- Promote new development by strengthening global sales/marketing capability and engineering capability

## Four key markets

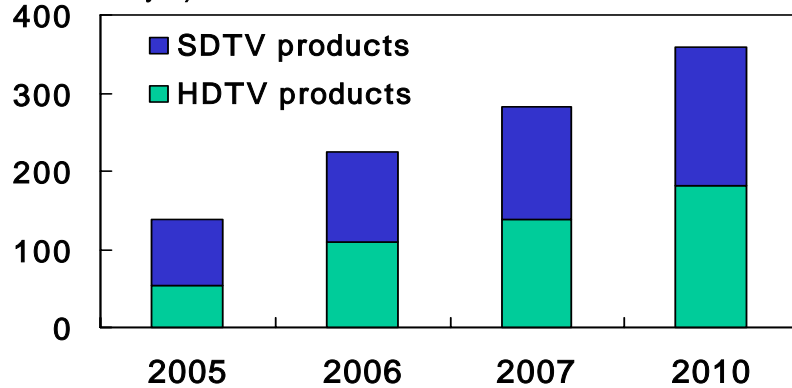


## (1) Strategic Partnership

### Expand Sales of NTT Electronics Corp. (NEL) –made M P E G - 2

#### 【Market Proportion of Image Compression for Professional Broadcast】

(hundred million yen)

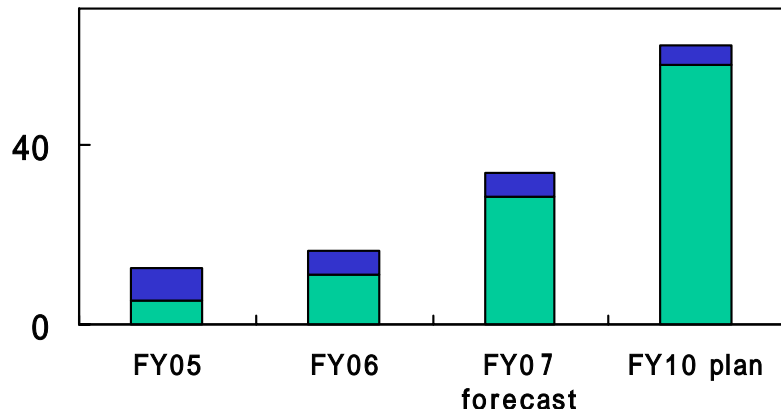


SDTV=Standard Definition TV  
HDTV=High-Definition TV

Source: Created by HHT

#### 【Changes in Sales】

(hundred million yen)



Moving Picture Expert Group 2  
(Format for encoding moving images)

#### 【Business Overview】

- Expand sales of image compression products manufactured by NEL
- Expand sales of LSIs, modules, and complete boxes for overseas professional broadcast use; also strengthen presence in the home network field

#### 【Strengths of NEL Products】

Build technological capability to achieve high resolution, low delay, low power consumption, miniaturization

#### 【Results for FY06】

- 1 . Expand HDTV products for high-end professional broadcast use
- 2 . Build strategic partnerships by investing development expenditure in HDTV MPEG-2 LSI modules

#### 【Business Strategies for FY07】

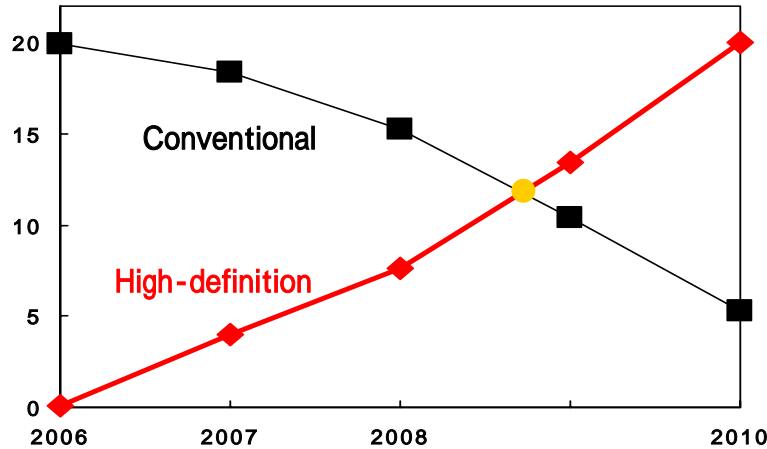
- 1 . Boost share by joining large-scale U.S. broadcast digitalization projects
- 2 . Expand partnerships and cultivate new customers by strengthening W-W sales/marketing resources and cultivating dedicated technical support (investing the company's own money in strengthening engineering capabilities)
- 3 . Cooperate with wireless chip makers to supply platforms and cultivate the consumer electronics home network field

## (2) Software Engineering

### HD (High Definition) Teleconferencing Total Solution **HIGH-TECH VISION**

【Teleconferencing Market (Domestic Shipment)】

(thousand units)



【Business Overview & Value-added / Strength】

**Trading**

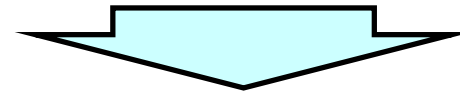
**LifeSize® (USA)**  
World's first high-definition teleconferencing

**Codian (UK)**  
Connecting numerous points

**Proprietary Software Engineering**

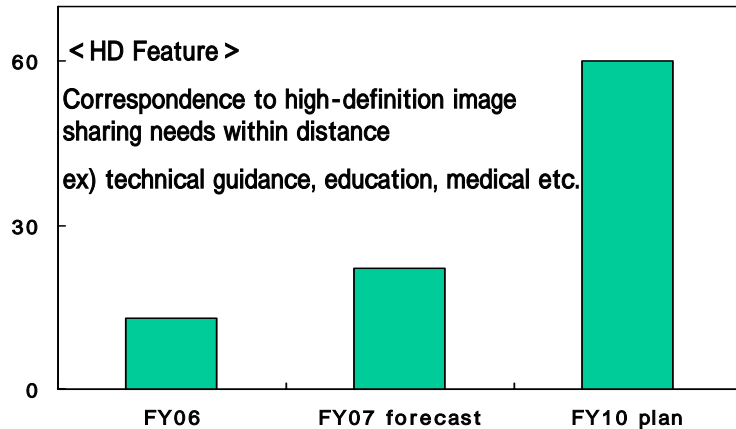
*Hitachi High-Technologies*

Meeting reservation software  
Network construction  
A S P service  
Maintenance support



Offering one-stop solution through trading & proprietary software engineering

(hundred million yen) 【Changes in Sales】



【Result for FY06 & Business Strategy for FY07】

- 1 . The acquisition of FY06 domestic sales agency for LifeSize's products (April 2007 ~ )
- 2 . Strengthening sales by expanding agency

# Reference : Financial Data

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# Quarterly Results

(hundred million yen)

	05/1Q	05/2Q	05/3Q	05/4Q	06/1Q	06/2Q	06/3Q	06/4Q
<b>Sales</b>	1,975	2,274	2,162	2,472	2,226	2,467	2,339	2,484
<b>Operating Income</b>	47	110	68	135	88	121	108	134
<b>Ordinary Income</b>	50	87	73	141	98	124	107	114
<b>Net Income</b>	20	56	49	67	59	72	65	65

## < Sales by Segment >

(hundred million yen)

	05/1Q	05/2Q	05/3Q	05/4Q	06/1Q	06/2Q	06/3Q	06/4Q
<b>Electronic Device System</b>	523	607	464	686	571	662	628	760
<b>Life Science</b>	196	212	197	249	213	239	217	265
<b>Information Systems &amp; Electronic Components</b>	542	695	685	693	583	633	576	583
<b>Advance Industrial Products</b>	714	760	816	845	859	933	919	876



# Capital Expenditure, Depreciation Costs R&D Spending

(hundred million yen)

	FY05	FY06	YoY	FY07 forecast	YoY
Capex	67	106	+ 59%	108	+ 2%
Depreciation	85	76	- 10%	108	+ 41%
R&D	179	191	+ 7%	229	+ 20%

Note: Capital expenditure is entered on an acquisition bases

# Sales Trends by Main Group

Reference: Financial Data

(hundred million yen)

	FY05	FY06	YoY	FY07 forecast	YoY
<b>[Electronic Device Systems]</b>	2,280	2,622	+15%	2,560	-2%
Process Equipment	465	627	+35%	536	-15%
Evaluation/Analysis System	769	877	+14%	983	+12%
LCD-related Equipment	558	515	-8%	524	+2%
HDD-related Equipment	142	247	+74%	211	-15%
Others	346	356	+3%	306	-14%
<b>[Life Science]</b>	853	933	+9%	812	-13%
Bio-related Business	212	232	+9%	284	+22%
Medical-related Business	461	563	+22%	486	-14%
Others	180	138	-23%	42	-70%
<b>[Information Systems. &amp; Electronic Components ]</b>	2,615	2,374	-9%	2,443	+3%
Information Systems	564	591	+5%	576	-3%
Module Systems	324	292	-10%	383	+31%
Semiconductor	683	432	-37%	391	-9%
Media Devices & Communication Equipments	588	610	+4%	639	+5%
Others	456	449	-2%	454	+1%
<b>[Advanced Industrial Products]</b>	3,135	3,587	+14%	3,285	-8%
Industrial Materials	1,354	1,680	+24%	1,559	-7%
Electronic Device Materials	422	524	+24%	590	+13%
Optical-related Components	371	309	-17%	281	-9%
Others	988	1,074	+9%	855	-20%

## < Notes on the data >

All closing data presented here are consolidated figures unless stated otherwise.

Figures are rounded off for amounts under 100 million yen.

Increase and decrease rates are calculated based on yen figures.

Forecasts of this company's future business performance stated in this presentation were devised on the basis of the currently obtainable information. The industries in which this company participates are characterized by rapid change and fierce competition. Also, the company's business performance is influenced both directly and indirectly by various external factors such as the world economy, semiconductor industry conditions, and currency exchange markets. Consequently, it is possible that the company's business performance will differ from the forecasts in this presentation. In the event of major fluctuations, the company will publicly announce those conditions in accordance with the timely-disclosure regulations of the Stock Exchange and at its own discretion.