

## **FY08 2<sup>nd</sup> Quarter Financial Results**

— Operating income was raised to ¥12.6 billion, thanks to a strong performance in Life Sciences

October 23, 2008

 **Hitachi High-Technologies Corporation**

President, Chief Executive Officer  
Hidehito Obayashi, Ph.D.

## FY08 2<sup>nd</sup> Quarter Financial Results

**I** Outline of FY08 Q1-Q2

**II** FY08 Outlook

**III** Financial Data

I

## Outline of FY08 Q1-Q2

(Note) YY/M denotes the year and month of the accounting period-end.

# Outline of FY08 Q1-Q2 (Highlights)

(100 million yen)

	(New criteria) Previous Forecast (e)	Impact from Business Results Change (x)	(New criteria) Results (e1)=(e+x)	vs. Previous Forecast	Impact from Accounting Policy Change (y)	(Old criteria) Results (e1+y)	Y o Y
Sales	4,150	+84	4,234	+2%	-237	4,471	-8%
Operating Income	88	+38	126	+43%	-50	176	-25%
Ordinary Income	93	+46	139	+50%	-50	189	-20%
Net Income	43	+33	76	+76%	-	-	-

(Note) From April 1, 2008, the Company has changed its revenue recognition criteria with regard to products such as semiconductor manufacturing equipment and LCD manufacturing equipment which require post-delivery installation. In principle, revenue is now recognized on complete installation, rather than on delivery.

(Note)

(e) is the previous forecast for the effect of the new recognition criteria (figures announced July 2008)  
(e1) is the revised forecast to reflect the effect of the new recognition criteria (figures announced October 2008)

# Outline of FY08 Q1-Q2 (Explanation of Deviations)

vs. Previous Forecast (Published Values for Q1/Jul. 2008)

## 1. Explanation of Deviations

Sales ( 415.0Ybn → 423.4Ybn +8.4Ybn)

- Electronic Device Systems: Reduction in demands for semiconductor manufacturing equipment led to decrease of 1.2Ybn
- Life Sciences : Favorable performance of clinical analyzers for the European/U.S. market led to the growth of 3.1Ybn
- Advanced Industrial Products : Higher sales of LCD components and materials led to the increase of 6.5Ybn

Operating Income (8.8Ybn → 12.6Ybn +3.8Ybn)

- Electronic Device Systems : Net effect of cost reductions led to increase of 1.3Ybn
- Life Sciences : Favorable performance of clinical analyzers for the European/U.S. market led to the growth of 1.9Ybn

## 2. Impact from Accounting Policy Change

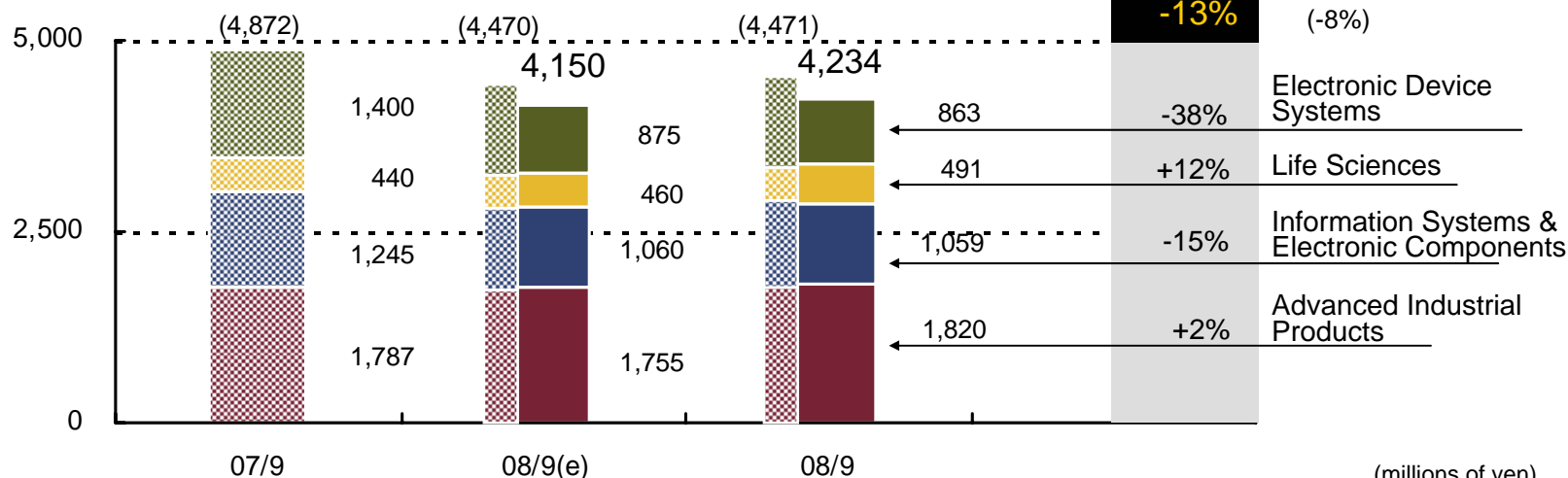
(100 million yen)

	Previous Forecast	Results	Change
Sales	-320	-237	+83
Operating Income	-67	-50	+17

# Outline of FY08 Q1-Q2 (Sales)

## Sales

(100 million yen) ( )=Old criteria



	07/9 Results	Impact from Business Results Change	(Old criteria) 08/9 Results	(Old criteria) YoY	Impact from Accounting Policy Change
Electronic Device Systems	1,400	-309	1,092	-22%	-229
Information Systems & Electronic Components	1,245	-178	1,067	-14%	-8

(millions of yen)

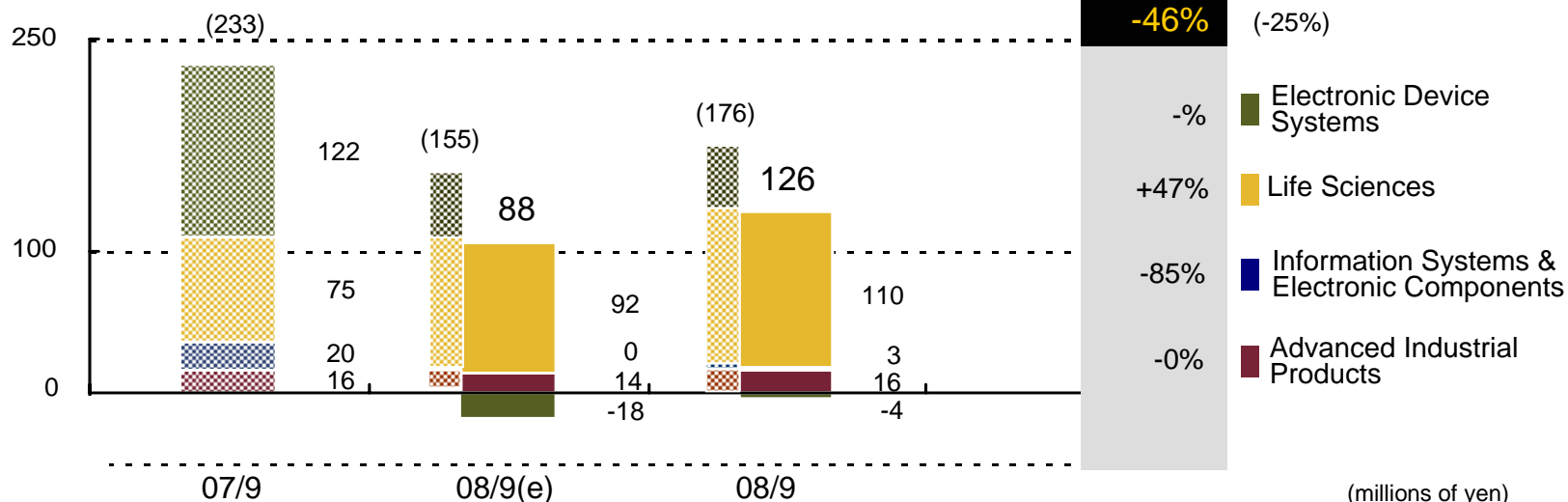
## Explanation of YoY Variations (Old criteria)

- Electronic Device Systems : Reduction in demands for semiconductor manufacturing equipment, LCD manufacturing equipment (trading products) and HD manufacturing equipment led to decrease
- Life Sciences : Increase due to contribution of clinical analyzers for the European/U.S. markets
- Information Systems & Electronic Components : Factors in decline included lower chip mounter and sales of semiconductor devices in Asia

# Outline of FY08 Q1-Q2 (Operating Income)

## Operating Income

(100 million yen) ( )=Old criteria



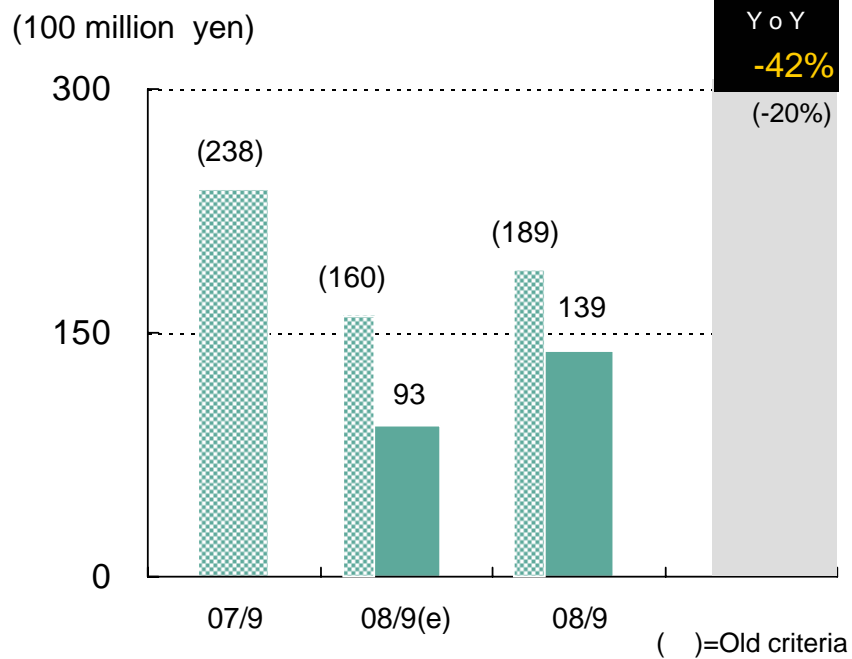
	07/9 Results	Impact from Business Results Change	(Old criteria) 08/9 Results	(Old criteria) YoY	Impact from Accounting Policy Change
Electronic Device Systems	122	-77	45	-63%	-49
Information Systems & Electronic Components	20	-16	4	-80%	-1

## Explanation of YoY Variations (Old criteria)

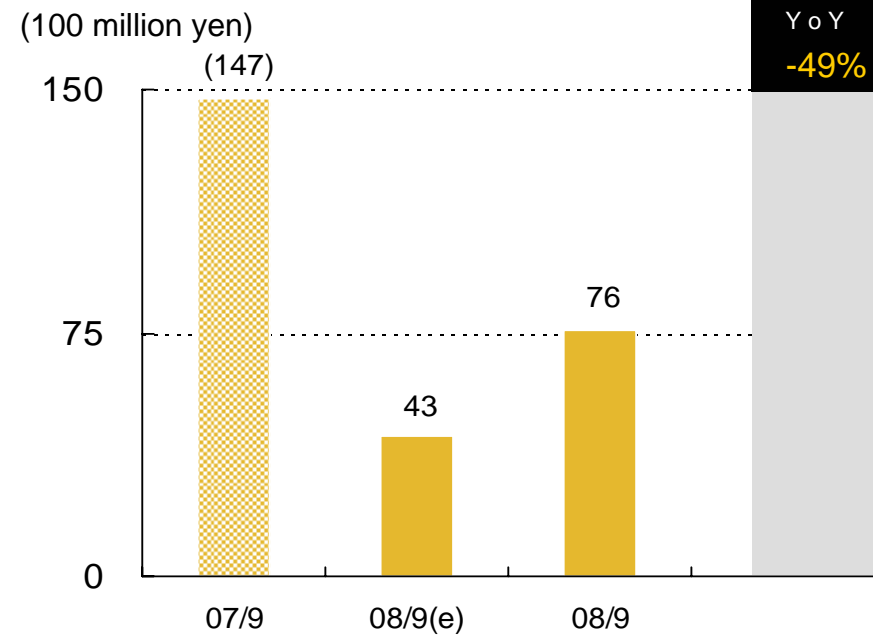
- Electronic Device Systems: Reduction in demands for semiconductor manufacturing equipment and HD manufacturing equipment led to decrease
- Life Sciences : Favorable performance of clinical analyzers for the European/U.S. market led to growth
- Information Systems & Electronic Components : Factors in decline included lower chip mounter

# Outline of FY08 Q1-Q2 (Ordinary Income / Net Income)

## Ordinary Income



## Net Income



## Explanation of YoY Variations (Old criteria)

- Ordinary income declined in line with lower operating income, despite improvement in other income
- Net income also declined due mainly to the lower ordinary income



# Financial Position (Balance Sheet in Summary)

Year Ended September 30, 2008 (100 million yen)

		Changes vs. 08/3			Changes vs. 08/3
<b>Current Assets</b>		<b>3,896</b>	<b>-220</b>	<b>Current Liabilities</b>	
Cash & Deposits/Deposit to Hitachi Group Cash Management Fund	660	-58	Notes & Accounts Payable	1,494	-287
Notes & Accounts Receivable	2,151	-323	Others	651	+5
Inventories	819	+148	<b>Fixed Liabilities</b>		<b>270</b>
Others	267	+13	Retirement and severance benefits	260	+2
<b>Fixed Assets</b>		<b>917</b>	<b>-16</b>	Others	10
Tangible Fixed Assets	594	+7	<b>Net Assets</b>		<b>2,398</b>
Intangible Fixed Assets	42	+3	Shareholder Capital	2,374	+52
Investments & Other Assets	281	-26	Assessments/Exchange Difference etc.	22	-5
			Minority Interests	2	+0
<b>Total Assets</b>	<b>4,813</b>	<b>-236</b>	<b>Total Liabilities &amp; Shareholders' Equity</b>		<b>4,813</b>
					<b>-236</b>

## Points

- Equity Ratio: 49.8%(vs. FY07 +3.3%)
- Book-value per Share (yen): 1,741.90 (vs. FY07 +34.21)

# Financial Position (Cash Flow in Summary)

(100 million yen)	08/1H		08/1H
Cash Flow from Operating Activities	+3	Cash Flow from Financing Activities	-75
Income Before Income Taxes and Minority Interests	+141	Dividends Paid	-24
Depreciation and Amortization	+43	Bought Back Treasury Stock from Minority Shareholders	** -51
Working Fund	-128	Others	-0
Income Taxes Paid	-91	Cash and Cash Equivalents at the end of Term	+687
Others	+38	Net Increase (Decrease) in Cash and Cash Equivalents	-92
Cash Flow from Investing Activities	-20	Cash and Cash Equivalents at the Beginning of Year	+779
Capital Expenditures Proceeded from Sales / Purchase of Securities	+28		
Capital Expenditures Proceeded from Sales / Purchase of Property and Equipment	* -48		
Others	+0		
Free Cash Flow	-16		

## Points

\* Constructed new chip moulder factory at Hitachi High-Tech Instruments Co., Ltd. -2.3Ybn

\*\* Purchased treasury stocks of U.S. subsidiary -5.1Ybn

## II

## Outlook for FY08

(note) YY/M denotes the year and month of the accounting period-end.

# Outlook for FY08 (Highlights)

(100 million yen)

	(New criteria) Previous Forecast (e)	Impact from Business Results Change (x)	(New criteria) Revised Forecast (e1)=(e+x)	vs. Previous Forecast	Impact from Accounting Policy Change (y)	(Old criteria) Revised Forecast (e1+y)	Y o Y
Sales	8,800	0	8,800	0%	-270	9,070	-4%
Operating Income	350	0	350	0%	-68	418	-15%
Ordinary Income	353	0	353	0%	-68	421	-14%
Net Income	220	0	220	0%	-	-	-
ROE	-	-	9%	-	-	-	-
FIV	-	-	90	-	-	-	-

FX Rate Estimate for FY08 : 1USD=102yen  
1EUR=155yen

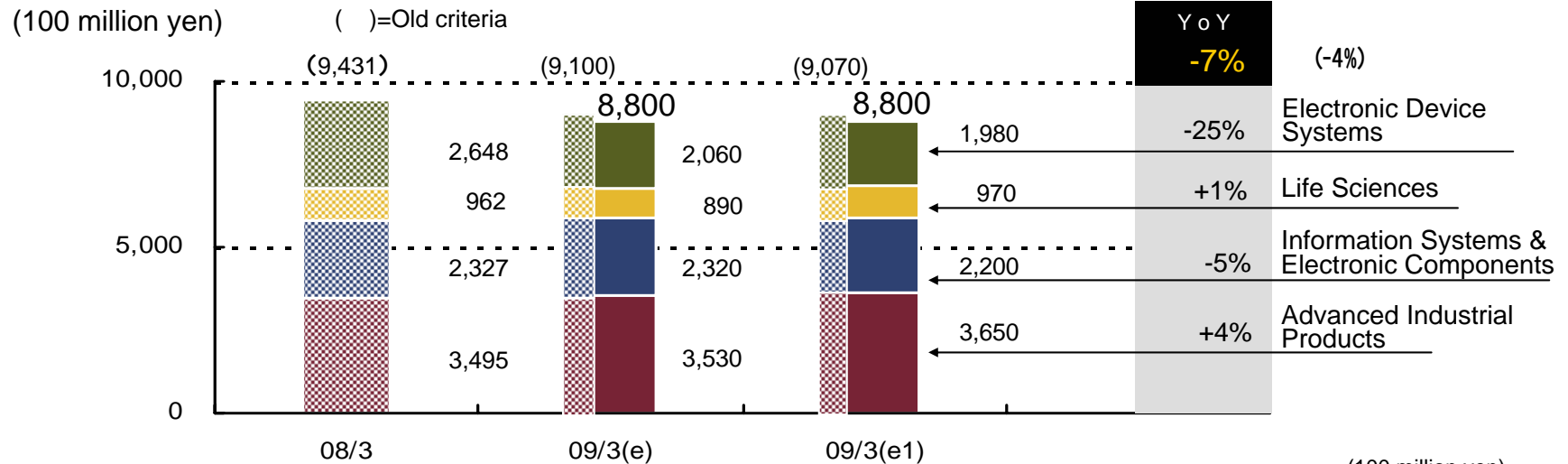
(Note)

(e) is the previous forecast for the effect of the new recognition criteria (figures announced July 2008)

(e1) is the revised forecast to reflect the effect of the new criteria (figures announced October 2008)

# Outlook for FY08 (Sales)

## Sales



	08/3 Results	Impact from Business Results Change	(Old criteria) 9/3(e1)	(Old criteria) YoY	Impact from Accounting Policy Change
Electronic Device Systems	2,648	-418	2,230	-16%	-250
Life Sciences	962	+11	973	+1%	-3
Information Systems & Electronic Components	2,327	-110	2,217	-5%	-17

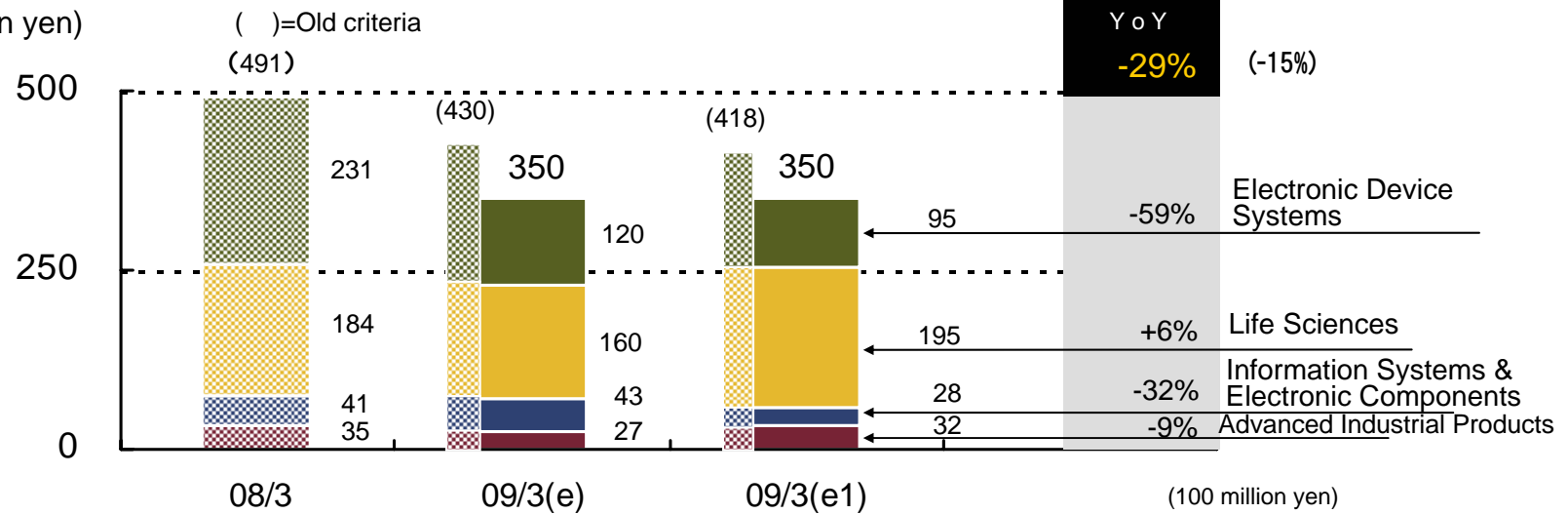
## Explanation of YoY Variations (Old criteria)

- Electronic Device Systems : Lower sales reflecting ongoing curbs on investment in semiconductor manufacturing equipment and HD manufacturing equipment
- Information Systems & Electronic Components : Lower sales reflecting falling demand for semiconductor devices and media devices such as LCD

# Outlook for FY08 (Operating Income)

## Operating Income

(100 million yen)



	08/3 Results	Impact from Business Results Change	(Old criteria) 9/3(e1)	(Old criteria) YoY	Impact from Accounting Policy Change
Electronic Device Systems	231	-71	160	-31%	-65
Life Sciences	184	+11	196	+6%	-1
Information Systems & Electronic Components	41	-11	30	-27%	-2

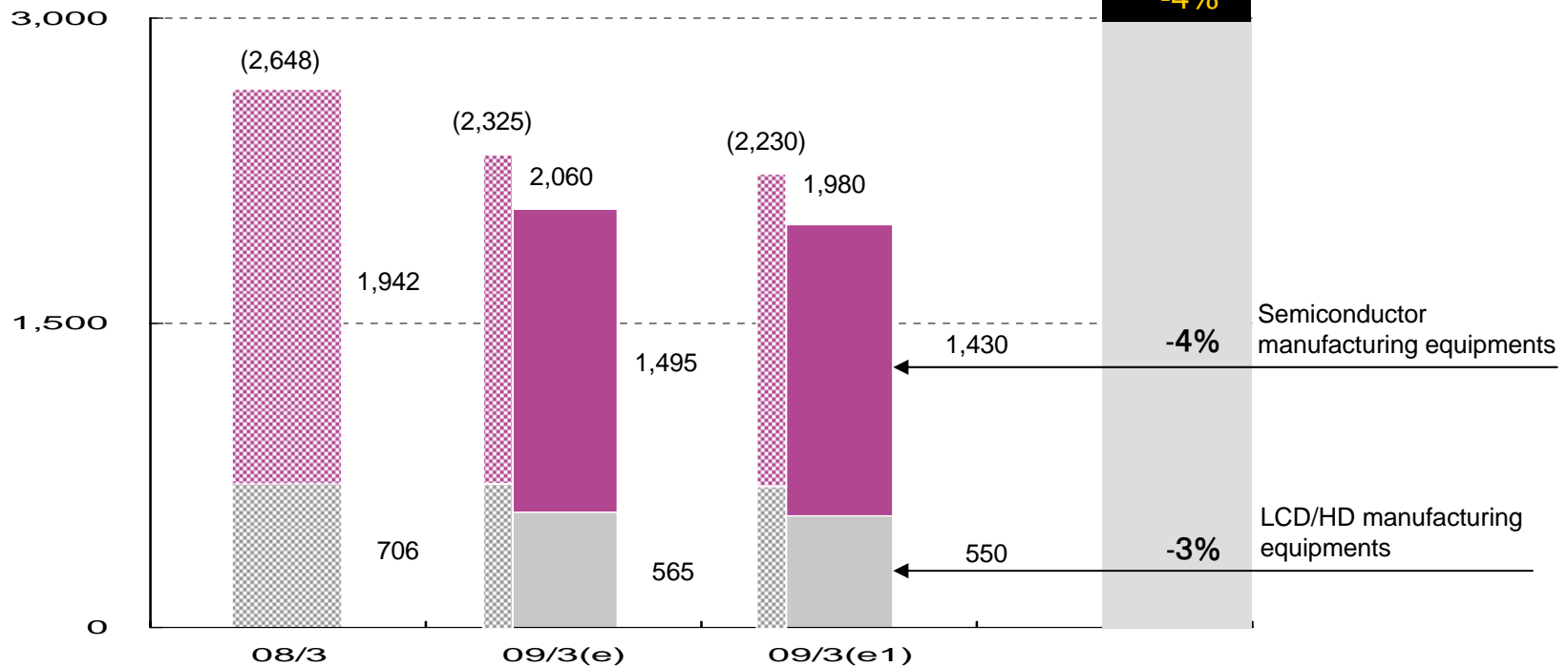
## Explanation of YoY Variations (Old criteria)

- Electronic Device Systems : Lower sales reflecting ongoing curbs on investment in semiconductor manufacturing equipment and HD manufacturing equipment
- Information Systems & Electronic Components : Lower sales reflecting falling demand for semiconductor devices and media devices such as LCD
- Advanced Industrial Products : Decrease due to higher sales development costs

# Outlook by Segment (Electronic Device Systems)

## Sales

(100 million yen) ( )=Old criteria

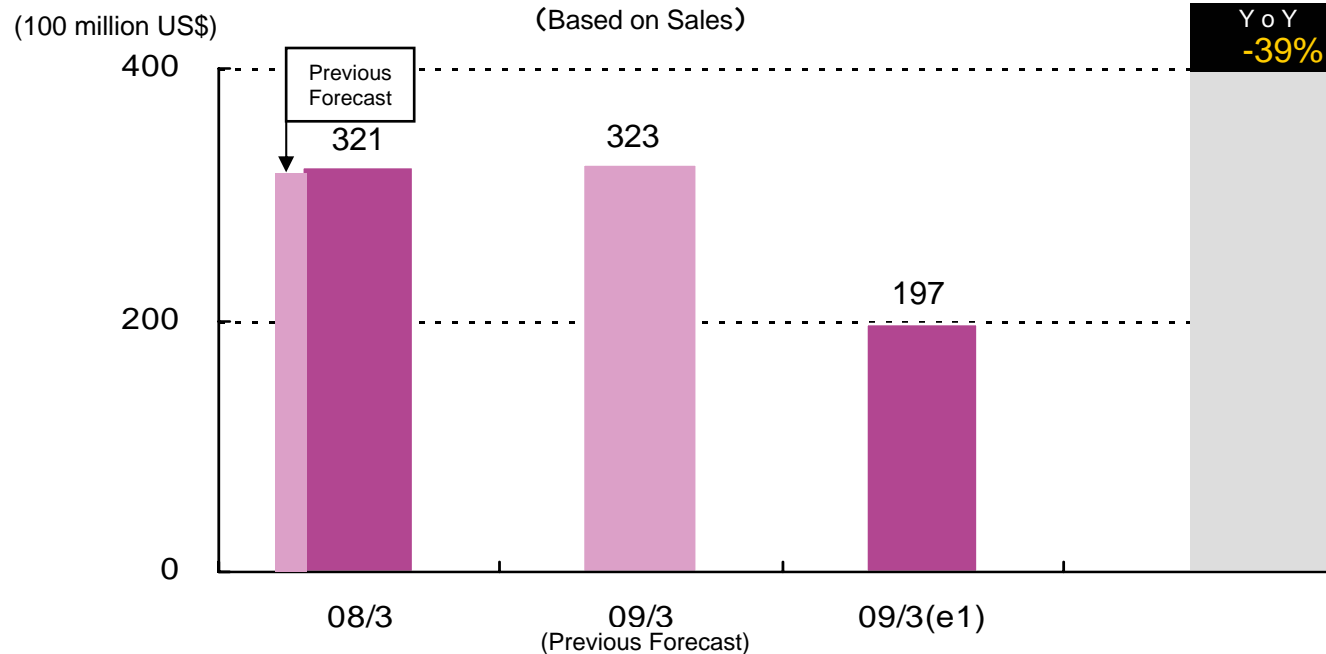


### Impact from Accounting Policy Change

	Previous Forecast (e)	Revised Forecast(e1)	Change
Semiconductor manufacturing equipments	-120	-100	+20
LCD/HD manufacturing equipment	-145	-150	-5

# Market Trend (Semiconductor Manufacturing Equipment)

## SME Market (Front-end)



(Source) Actual results from SEMI & HHT's estimation (Jun. 2008)

\*Previous forecast is based on the announcement for FY08 Interim (Apr. 2008)

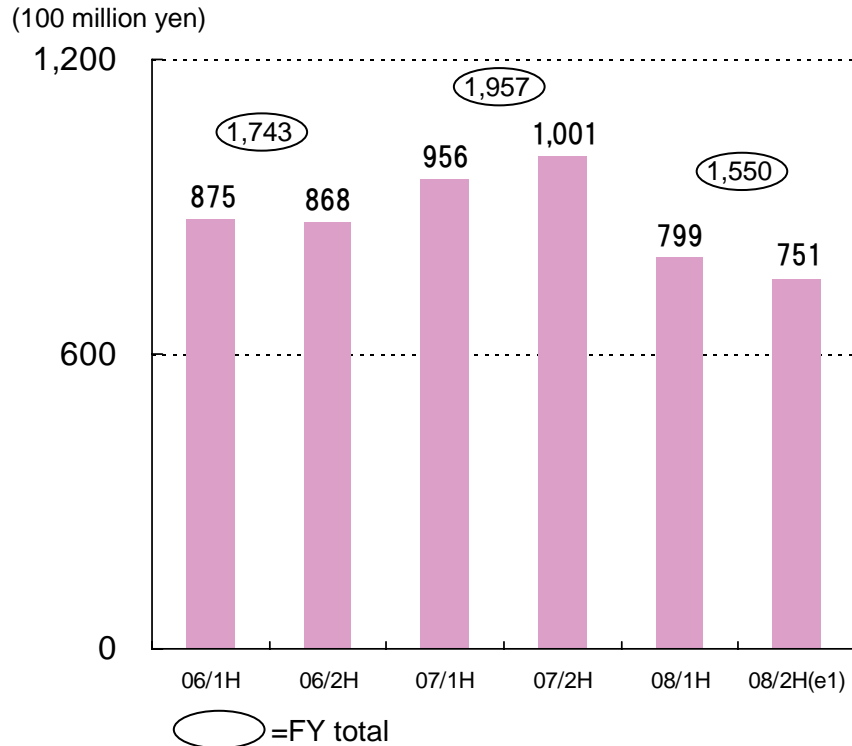
## Contexts

- FY08 1H saw a lackluster SME market, especially memory manufacturers. In addition to macroeconomic uncertainty, highlighted by soaring crude oil prices, this reflected the effect of the major earthquake in May in Sichuan, China, and lower-than-expected demand from the Beijing Olympics
- FY08 2H is expected to see lower sales of finished products using semiconductors because of fears of a global recession sparked by the U.S. financial crisis. This could lead to falling demand for memory and other semiconductor devices as well as put downward pressure on sales prices. The full-year FY08 forecast projects sharp negative growth.

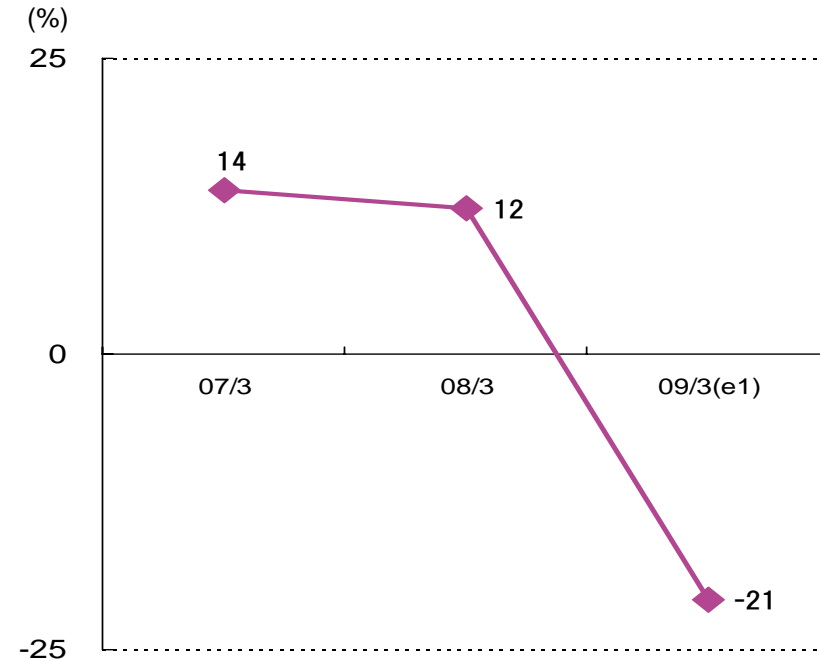


# Changes in Orders Received (Semiconductor Manufacturing Equipment)

Changes in Orders Received



Changes in Orders Received (YoY)

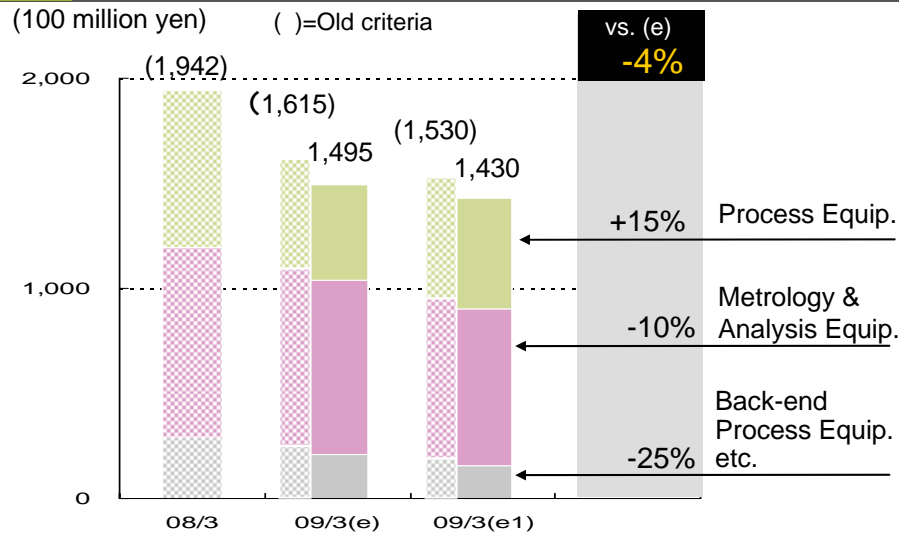


## Contexts

- FY08 1H: 16% YoY decline due to difficult order environment for both proprietary products and trading products as customers worldwide curtailed investment.
- FY08 2H: Projecting 25% YoY decline as customers, notably memory manufacturers, continue to curb investment.
- FY08: Prediction of a YoY fall of 21% based on the above

# Changes in Sales (Semiconductor Manufacturing Equipment)

## Sales Change in Main Business



## Contexts

### Process Equipment

Resumption of investment by major overseas customers expected to compensate for domestic customers' curbs on investment, leading to higher sales of etching systems

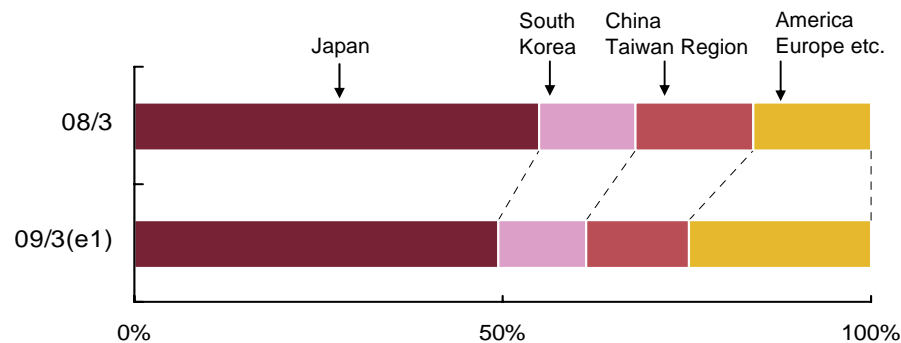
### Metrology & Analysis Equipment

Metrology equipment: Sharp drop due to curtailment of investment by Japanese and Asian device manufacturers  
Analysis Equipment: Largely as previously planned due to new product launches, etc. even though conditions for non-semiconductor fields will also be difficult as the economy slows

### Back-end Process Equipment (Die Bonders)

Decrease because of deteriorating market conditions, centered on South Korea, for both DRAM and NAND Flash

## Sales Ratio by Region



## Future Actions

### Process Equipment

Continue winning orders for etching systems from major U.S. customers and expand business to customers worldwide.

### Metrology & Analysis Equipment

Metrology Equipment: Expand sales to relatively strong MPU and logic manufacturers, as well as solidify base in South Korea and Taiwan markets

Analysis Equipment: Promote sales to universities and research institutes in Japan and overseas

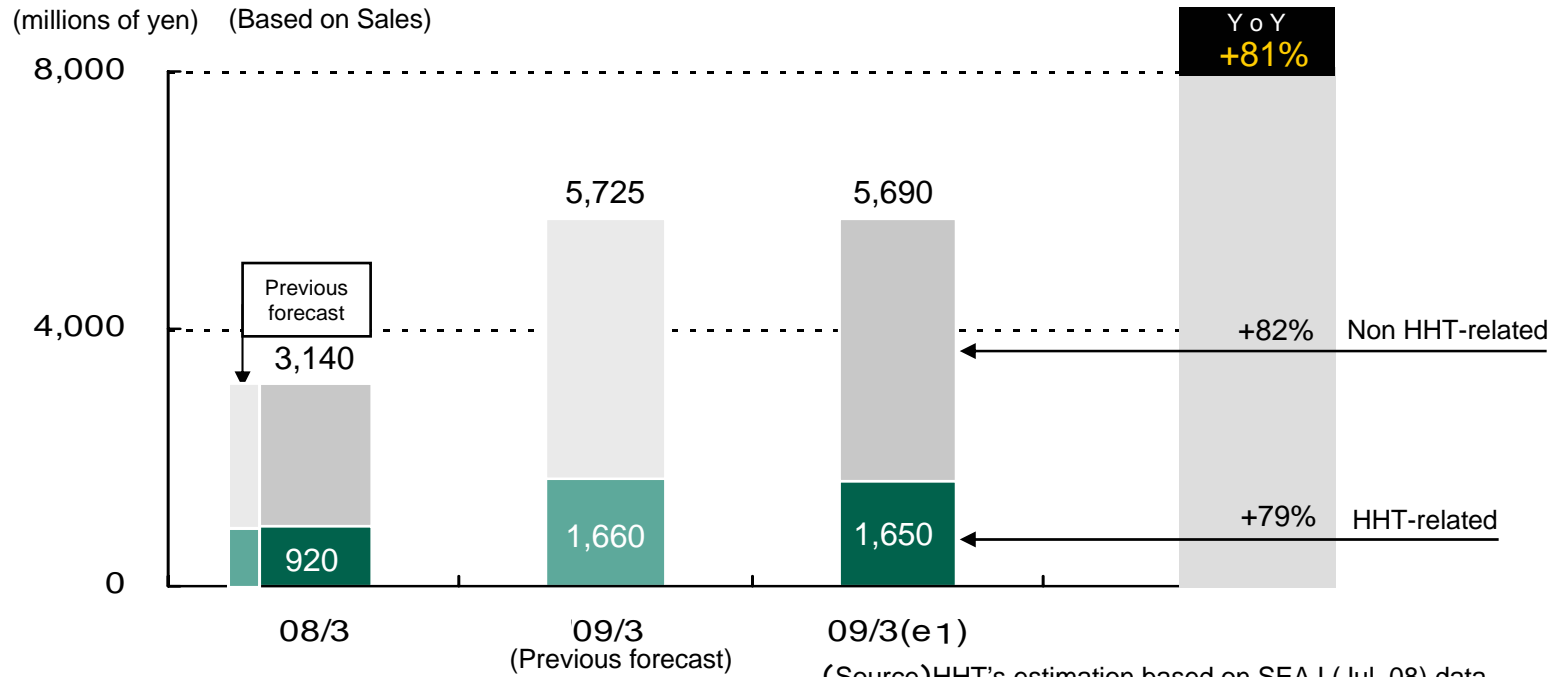
(Japan: Efforts for the revised national budget)

### Back-end Process Equipment (Die Bonders)

Launch new products to capture orders from non-memory customers

# Market Trend (LCD Manufacturing Equipment)

## LCD Manufacturing Equipment Market

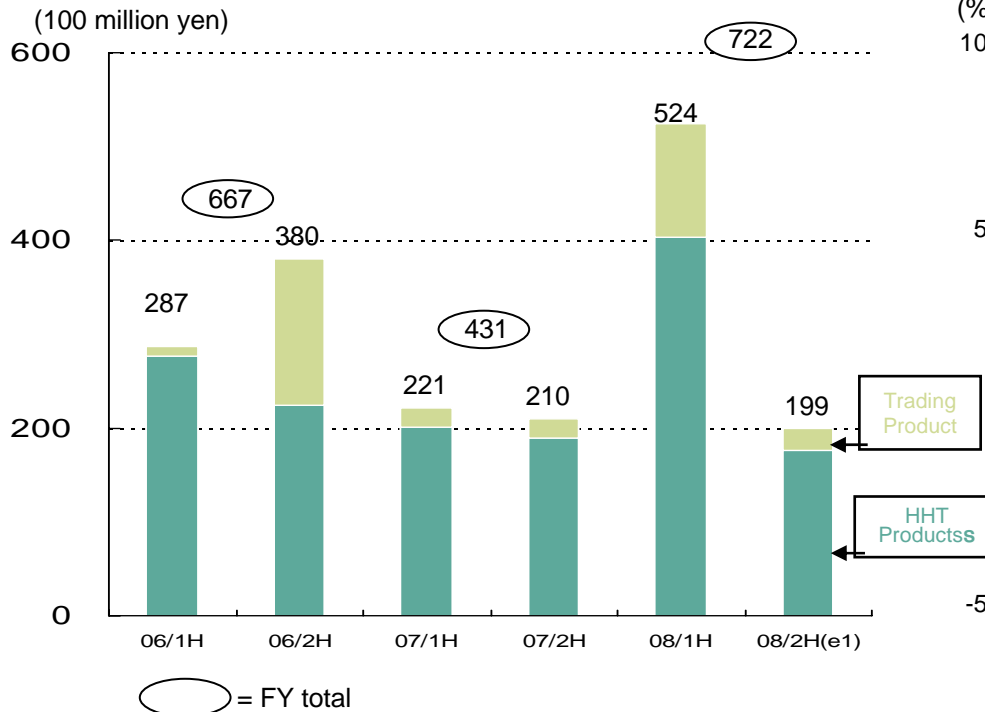


## Contexts

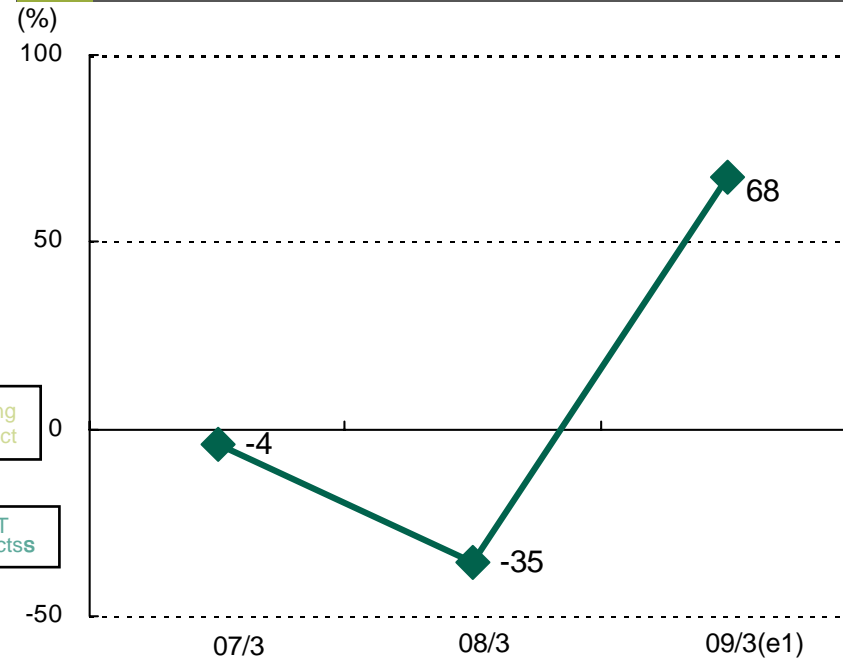
- In FY08 the manufacturing equipment market was expected to grow 81% YoY, but since June it has been on a declining trend due to sudden changes in market conditions.
  - At the beginning of FY08, set manufacturers ordered panels ahead of schedule and upped prices, anticipating that demand would outstrip supply.
  - Demand grew less than expected, particularly for large TVs and monitors. From June on, the supply-demand balance eroded, leading to significant price reductions of panels and continued production cutbacks, mainly among Taiwanese manufacturers.
  - The global economic slowdown continued to exert a serious impact during the second half of FY08, and it is widely thought that recovery will be delayed.

# Changes in Orders Received (LCD Manufacturing Equipment)

Changes in Orders Received



Changes in Orders Received (YoY)

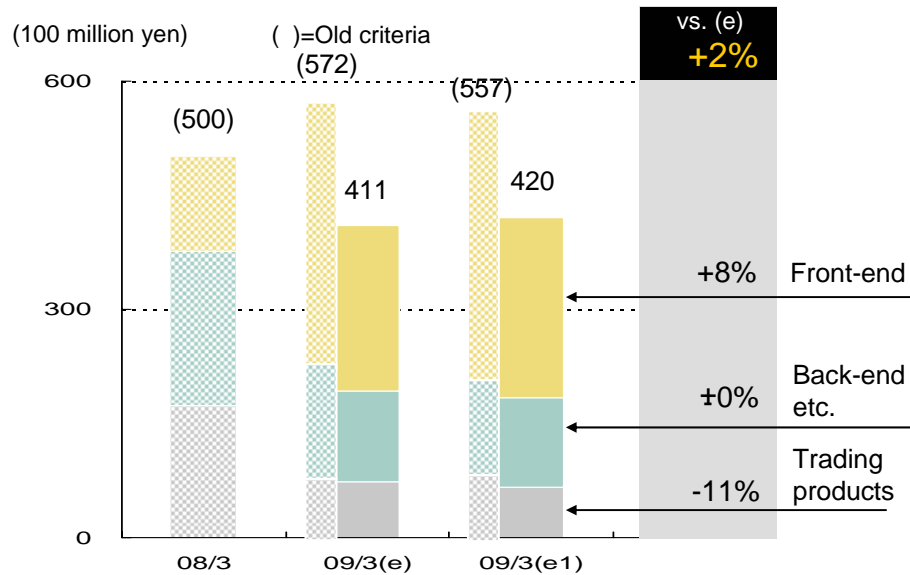


## Contexts

- FY08 1H: The impact of the investment cycle on module assembly systems decreased, but orders grew 137% YoY due to a significant increase in orders for exposure systems and trading products resulting from concentration of investment in front-end processing.
- FY08 2H: From June, LCD panel prices dropped sharply after LCD market balance eroded. We predict that orders will be 5% lower YoY due to customers' careful investment stance.
- FY08 : We predict YoY growth of 68% based on the above.

# Changes in Sales (LCD Manufacturing Equipment)

## Sales Change in Main Business

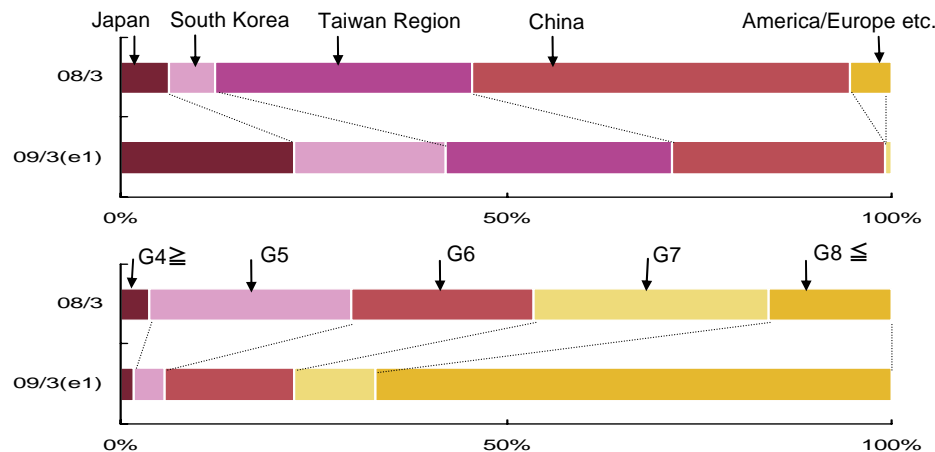


## Contexts

Forecast to continue firmly, although worsening market conditions give cause for concern

- Front-end
  - A sales ratio of around 67% is expected as bulk of investment moves to G8 or higher
  - Proximity exposure system sales expected to increase significantly as companies start stepping up investment activities again
  - Wet process equipment, including G10-compliant equipment, to shift to high value-added products
- Back-end etc.
  - Module assembly systems to shrink as investment drops back
- Trading products
  - Delay in installation of part of products

## Sales Ratio by Region/Generation (front-end)

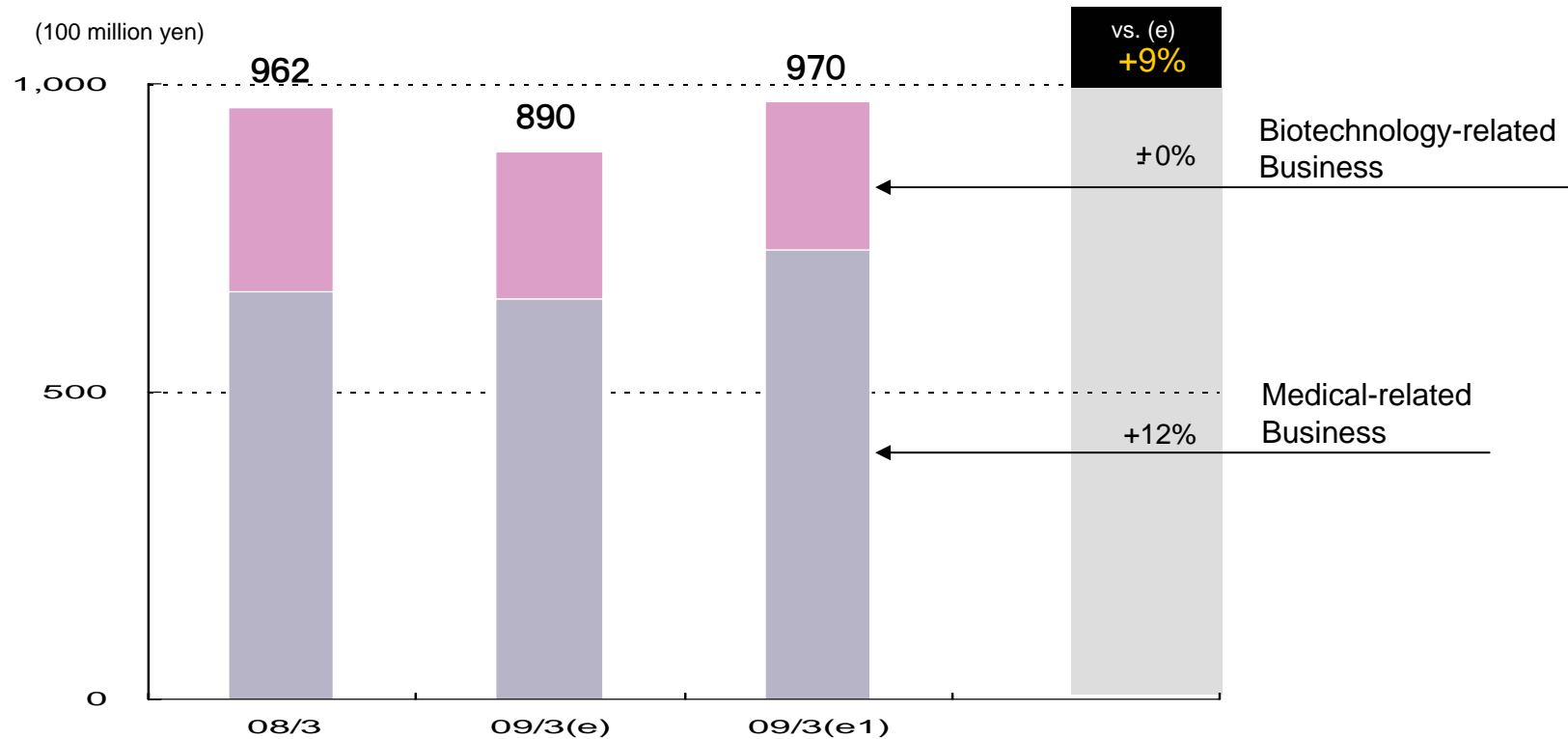


## Future Actions

- Front-end
  - Shipments of G10-compatible equipment to begin in FY08 Q3
- Back-end etc.
  - High productivity equipment (new product) currently under development

# Outlook by Segment (Life Sciences)

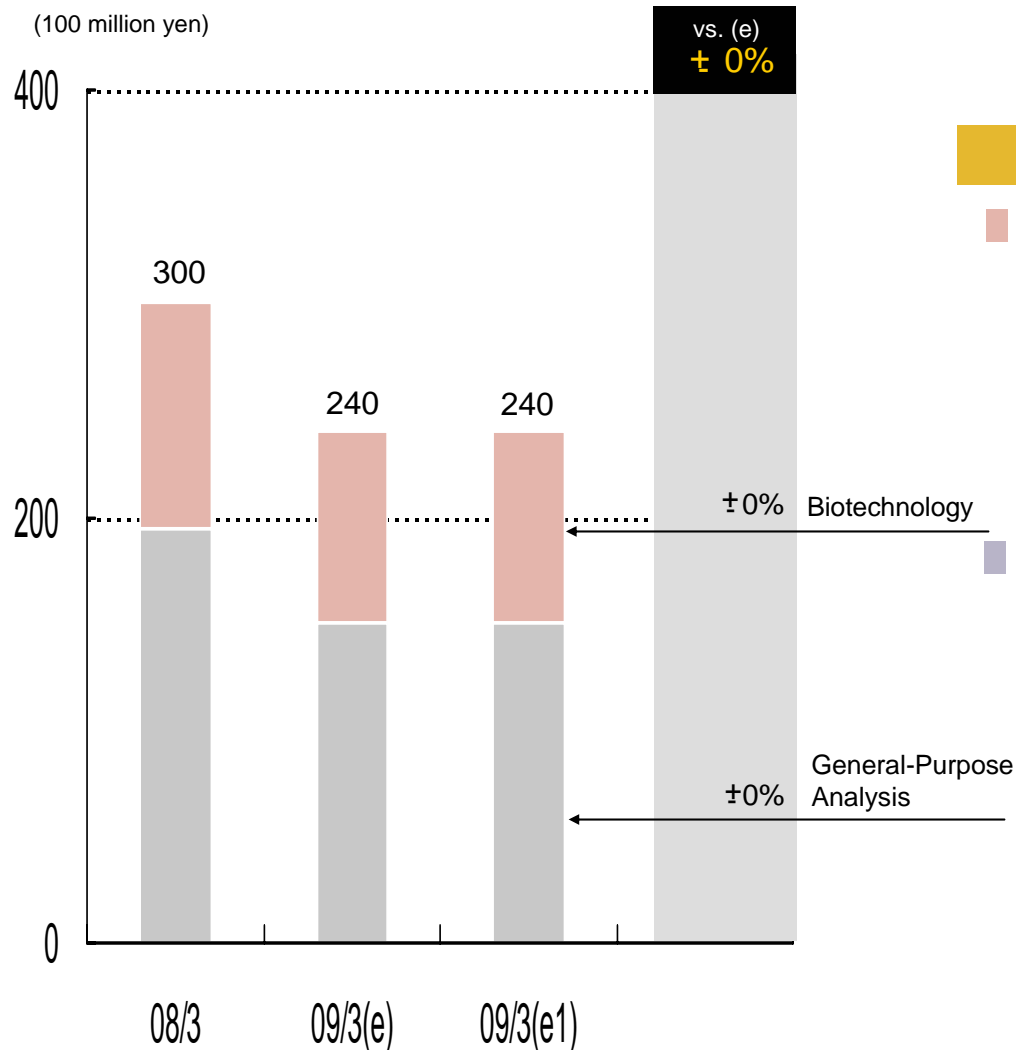
## Sales



Note: The effect of the change in accounting policy in this segment is negligible, and has therefore been omitted.

# Changes in Sales (Biotechnology-related Business)

## Changes in Sales



## Contexts

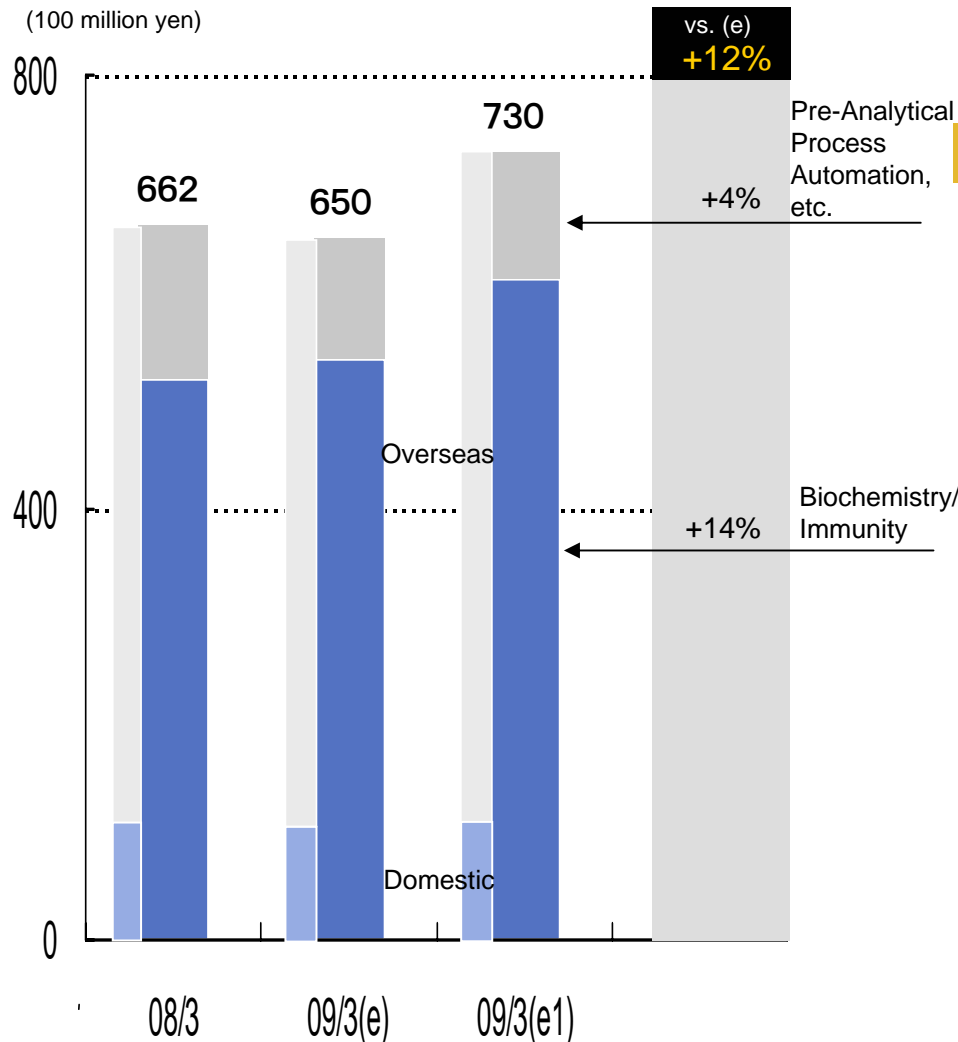
- Selection and concentration in the trading products business ended in FY07
- Business in FY08 has been proceeding according to previous forecasts.

## Future Actions

- **Biotechnology**
  - Expand sales of DNA sequencers to the applications market, where growth can be expected as genetic evaluation and diagnostic applications become more robust
  - Expand liquid chromatograph mass spectrometers through new products featuring ECD (electron capture dissociation) technology to improve protein spectroscopy performance and expand the biotechnology manufacturer market
- **General-Purpose Analysis**
  - **Liquid chromatographs**  
By connecting to industry-standard data stations, deepen channels in the largest market, the pharmaceutical field
  - **Photometers**  
Expand to food and environmental fields by enhancing applications
  - **Trading**  
Establish specialized sales force to enhance sales

# Changes in Sales (Medical-related Business)

## Changes in Sales



## Contexts

- Sales are rising in the European market for mid-scale biochemistry/immunity analysis systems thanks to strong sales of the new compact immunity analysis equipment

## Future Actions

- **Biochemistry/Immunity**
  - In the European market, we aim to achieve above-market growth through ongoing support for further development of SCB with Roche Diagnostics and expansion of sales
  - In Japan and China, we will stimulate demand by providing new added value through promotion of cooperation with test reagent manufacturers and the introduction of online support services.
- **Pre-Analytical Process Automation**
  - As the only manufacturer that produces both analytical equipment and pre-analytical systems, make possible automation of sequential workflows, from laboratory intake management to reporting of results by connecting the modular pre-analytical system to each analytical device
- **New Businesses**
  - Promote SCB with French company bioMérieux in the bacteriological and genetic testing businesses.

\*SCB: System Collaboration Business



Laboratory automation systems contribute to the efficiency and safety of laboratory work

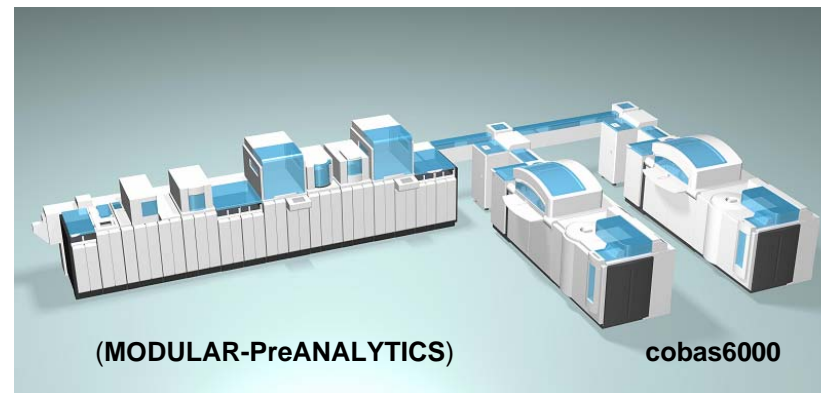
Module assembly format enables the construction of flexible systems to meet the needs and scale of each laboratory

<Special features of laboratory automation systems>

- Asynchronous distributed system enables efficient rack transport
- Maintenance-free syringe-less injection system
- Rack retraction system that makes possible passing over of racks

<Examples of system construction>

- Connecting the MODULAR-PreANALYTICS system to each analytical device enables automation of sequential workflow, from laboratory intake management to reporting of results
- Contributes to greater energy conservation and efficiency of cumbersome laboratory processes



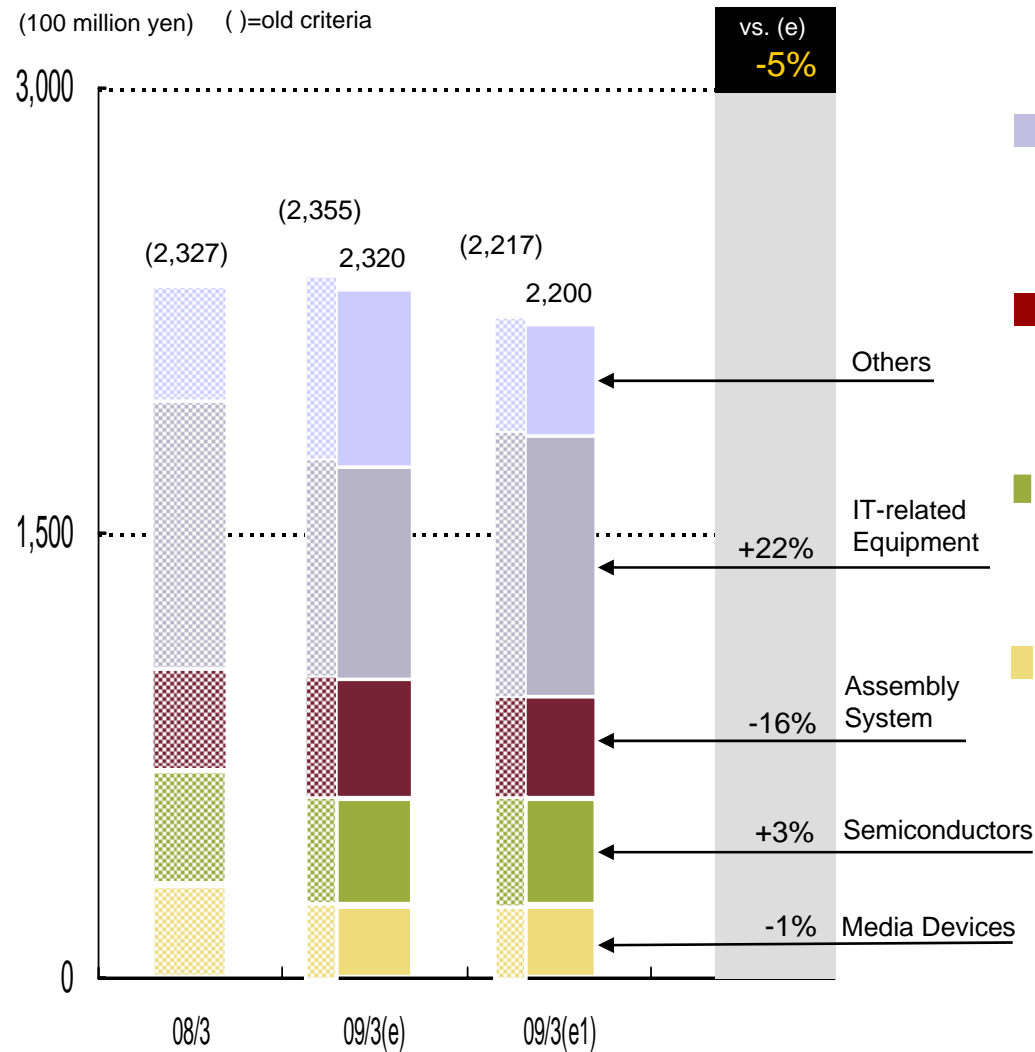
Example of cobas6000 system construction (two units connected)

# Outlook by Segment (Information Systems & Electronics Components)

## Changes in Sales

## Contexts

(100 million yen) ( )=old criteria



### IT-related Equipment

- Increase in sales of mobile phone terminals for the U.S. market

### Assembly System

- Auto parts assembly equipment rose, but chip moulder and other devices decreased

### Semiconductors

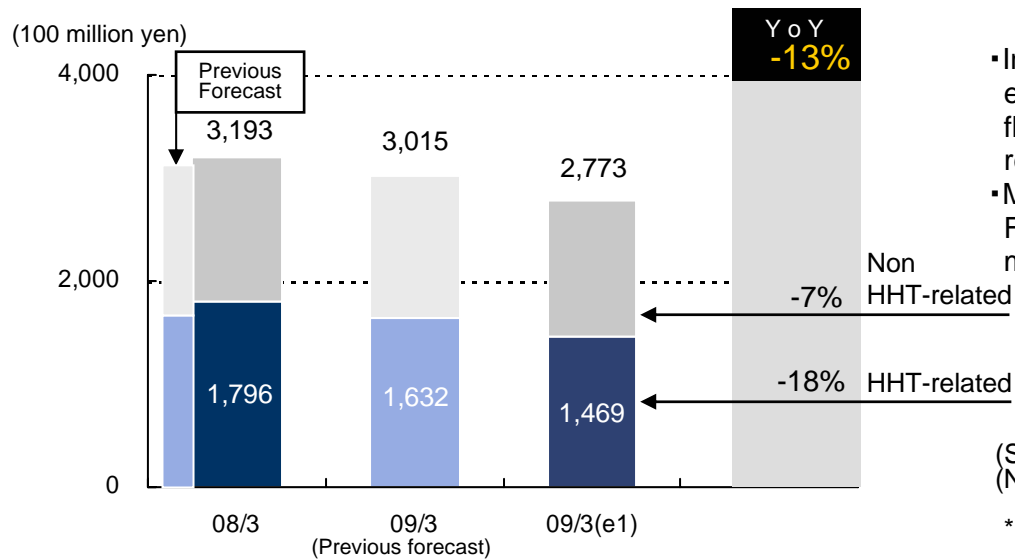
- Increase in sales of general-purpose semiconductors

### Media Devices

- LCD-related components for mobile phone applications and other devices decreased

# Market Trend/Changes in Sales (Chip Mounter)

## Chip Mounter Market



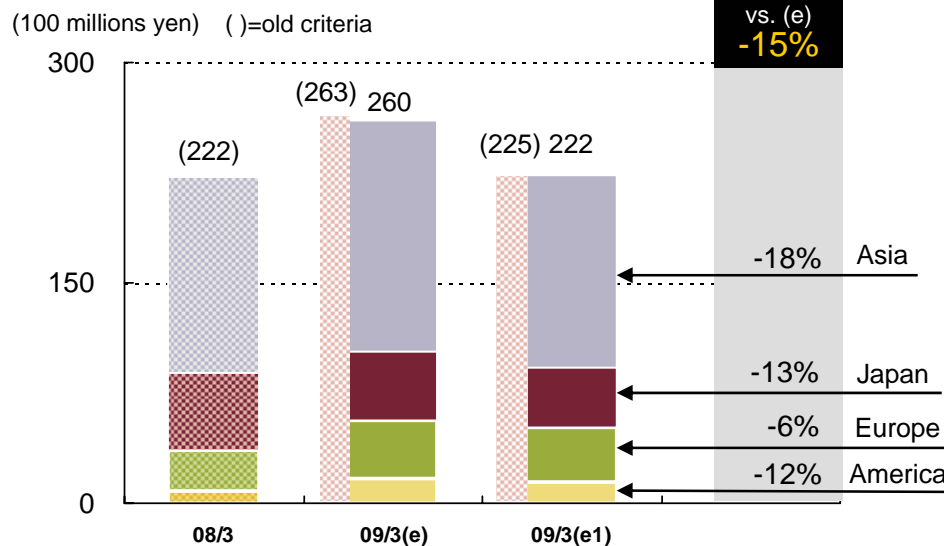
## Market Contexts

- In FY08 1H, demand for capital investment was weak in the electronics market, including mobile phones, notebook PCs, and flat-screen TVs. The situation for EMS capital investment remains to be seen.
- Major capital investment cannot be expected from FY08 2H to FY09 due to the global economic recession. The scale of the market contracted throughout FY08.

(Source) Created by HHT, based on Japan Robot Association's data (Nov. 2007)

\*Previous forecast is based on the announcement for FY07 (Apr. 2008)

## Changes in Sales



## Contexts & Future Actions

- Although competition will intensify due to the slowdown and freeze-up in capital investment by users, sales will remain on a par with the previous year

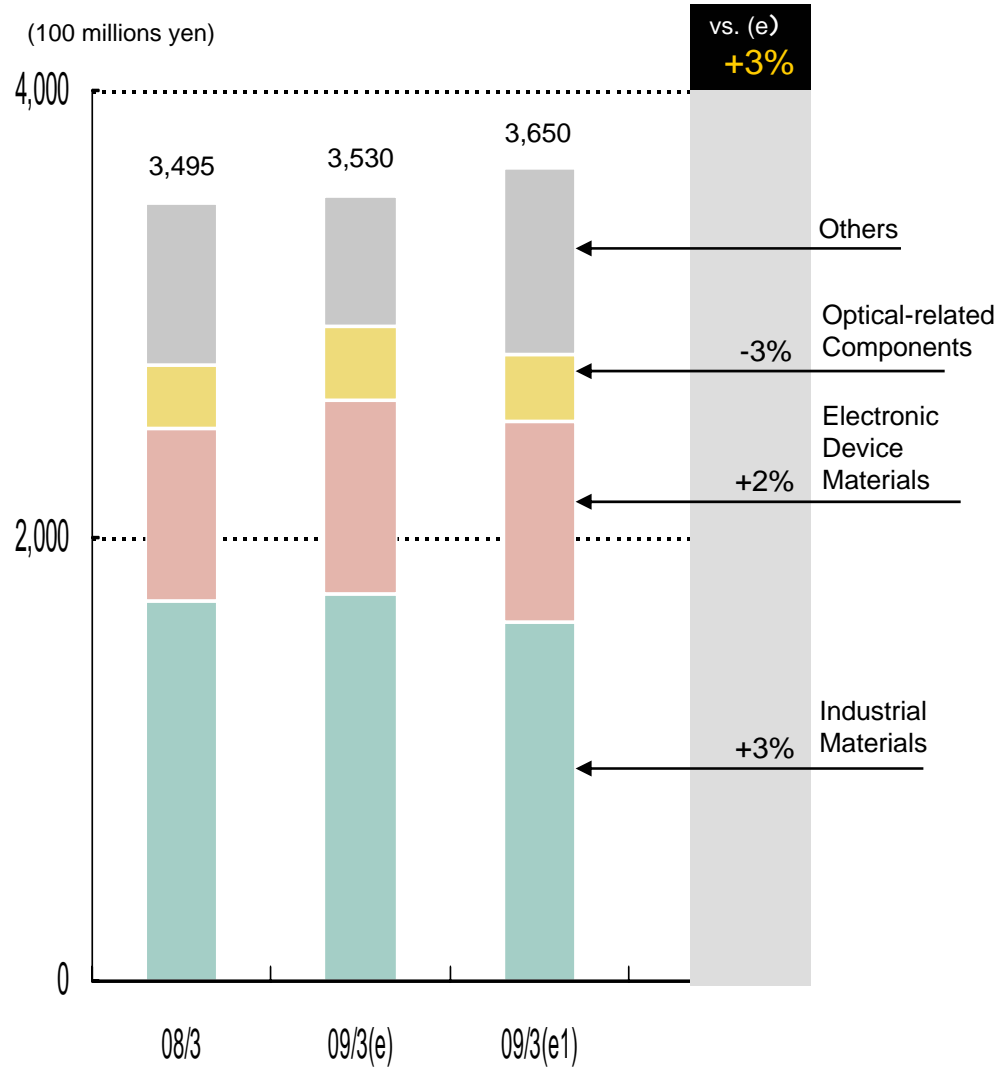
### [Future initiatives]

- Expand share by conveying the appeal of precision mounting and productivity functions
- Continue to enhance global sales and service capabilities, particularly in Asia
- Utilize new plants to facilitate high quality and efficient production and reinforce new product development

# Outlook by Segment (Advanced Industrial Products)

## Changes in Sales

## Contexts



### Optical-related Components

- Decrease, mainly for optical media elements for DVDs

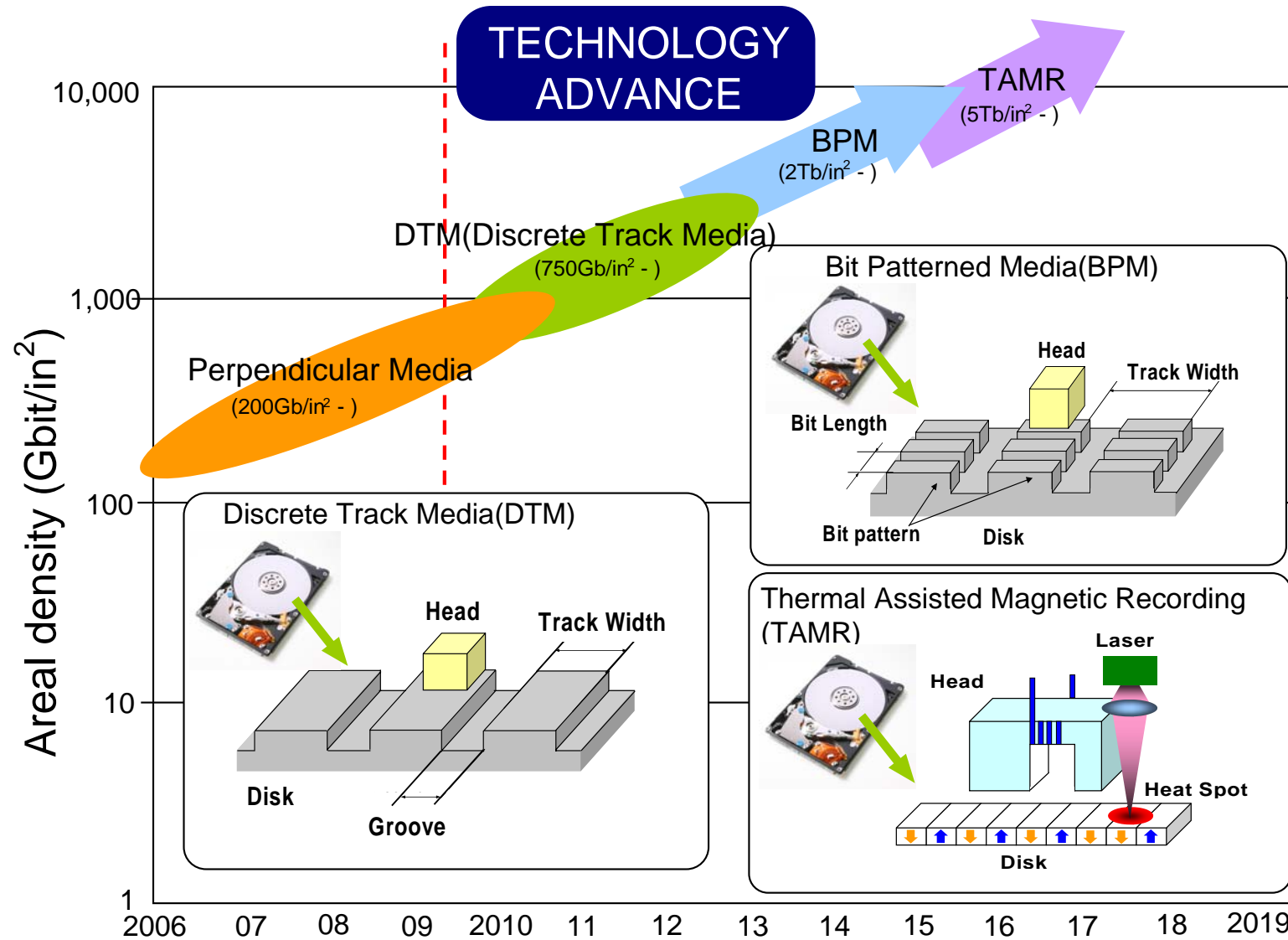
### Electronic Device Materials

- Increase in silicon wafers for solar cell use

### Industrial Materials

- Increase in automotive pressure sensors due to expanded fuel-efficient applications

# <Topics>HD Technology Development Roadmap and Technology Advance



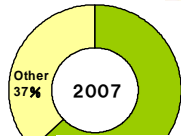
DATA: IDEMA

# <Topics>Development of DTM Manufacturing Equipment

## Current Products

### Substrate

<Surface Inspection Systems>



hitachi High-Technologies:  
WW Share 63%

### Head

<Head Tester>



<QuasiTester>



### Disk

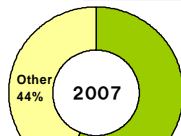
<Disk Test Systems>



<Cleaning Machine>



<Texturing Machine>



hitachi High-Technologies:  
WW Share 56%

## Development Products

◆ Demand  
Low-cost fine manufacturing  
● Technology  
UV cure imprint technology



DTM Equipment  
Nano-Imprint  
Machine

◆ Demand  
Groove measurement  
● Technology  
Optical inspection technology



Nano-Pattern Tester

◆ Demand  
Particle and defect inspection  
● Technology  
Laser scanning technology



Particle Monitor



Optical  
Disk Test Systems

Cleaning Machine

● Enhance Machine  
• High-sensitivity inspection  
technology

### III

## Financial Data

(note) YY/M denotes the year and month of the accounting period-end.

# Quarterly Results

(100 million yen)

	07/Q1	07/Q2	07/Q3	07/Q4	08/Q1	08/Q2
Sales	2,251	2,621	2,263	2,296	1,829	2,404
Operating Income	87	146	81	178	19	106
Ordinary Income	91	147	86	164	26	113
Net Income	57	90	55	67	-2	78

## Sales by Segment

(100 million yen)

	07/Q1	07/Q2	07/Q3	07/Q4	08/Q1	08/Q2
Electronic Device Systems	635	766	587	661	250	612
Life Sciences	196	243	261	261	248	243
Information Systems & Electronic Components	546	700	543	539	443	616
Advanced Industrial Products	874	913	873	834	888	933



# Capital Expenditure/Depreciation Costs/R&D

(100 million yen)

	07/1H	08/1H	Y o Y	08/3	09/3(e1)	Y o Y
Capital Expenditure	47	57	+20%	113	149	+33%
Depreciation Costs	42	43	+3%	89	99	+12%
R&D	101	106	+5%	204	224	+10%

\*Capital Expenditure is based on an acquisition bases

## Context (FY08)

■ Capital Expenditure: 3.7Ybn increase

Extension and renovation of Naka Works

■ R&D: 2.0Ybn increase

Development of elemental technology in Electronic Device Systems and Life Sciences

# Sales Trends by Main Group

(100 million yen)

	07/1H	08/1H*	Y o Y	08/3	09/3(e1)*	Y o Y
<u>Electronic Device Systems</u>	1,400	863	-38%	2,648	1,980	-25%
Process Equip.	329	288	-12%	748	528	-29%
Metrology/Analysis Syst.	446	281	-37%	902	746	-17%
LCD Manufacturing Equip.	317	138	-56%	500	420	-16%
HD Manufacturing Equip.	97	31	-68%	140	55	-60%
Others	211	124	-41%	358	231	-35%
<u>Life Sciences</u>	440	491	+12%	962	970	+1%
Bio-related Business	107	93	-13%	213	211	-1%
Medical-related Business	275	367	+33%	631	708	+12%
Others	58	32	-45%	118	51	-57%
<u>Information Systems &amp; Electronic Components</u>	1,245	1,059	-15%	2,327	2,200	-5%
Information Syst.	512	459	-10%	910	882	-3%
Assembly Syst.	183	143	-22%	334	331	-1%
Semiconductors	200	168	-16%	394	367	-7%
Media Devices	156	124	-21%	313	248	-21%
Others	194	164	-15%	376	373	-1%
<u>Advanced Industrial Products</u>	1,787	1,820	+2%	3,495	3,650	+4%
Industrial Materials	899	900	+0%	1,714	1,791	+4%
Electronic Device Materials	367	464	+26%	764	893	+17%
Optical-related Components	150	155	+3%	284	316	+11%
Others	371	302	-19%	733	650	-11%

\*New criteria

[Notes on the data]

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END

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