

FY10 2nd Quarter Financial Results

Strong performance in Electronic Device Systems business boosts earnings forecast

October 26, 2010

 **Hitachi High-Technologies Corporation**

**President, Chief Executive Officer
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FY10 2nd Quarter Financial Results

I FY10 Q1-Q2 Results

II FY10 Outlook

III Data

I FY10 Q1-Q2 Results

Note: YY/M denotes the year and month of the accounting period end.
(e) denotes the forecast for the previous period (July 2010).

FY10 Q1-Q2 Highlights

(100 million yen)

	Results	YoY		Vs. Previous Forecast	
		Increase/Decrease	Ratio	Increase/Decrease	Ratio
Sales	3,353	+536	+19%	+123	+4%
Operating Income	138	+214	—	+48	+53%
Ordinary Income	143	+213	—	+51	+56%
Net Income	98	+151	—	+36	+58%
Net Income per Share	71.11 yen	+109.69 yen		+26.03 yen	
Cash Dividend per Share	10.00 yen	+5.00 yen		±00.00 yen	
FCF	+87	+152		+39	

*Previous forecast, published July 2010

FY10 Q1-Q2 Explanation of Deviations

Vs. Previous Forecast (July 2010)

Sales (323.0YBn → 335.3YBn +12.3YBn)

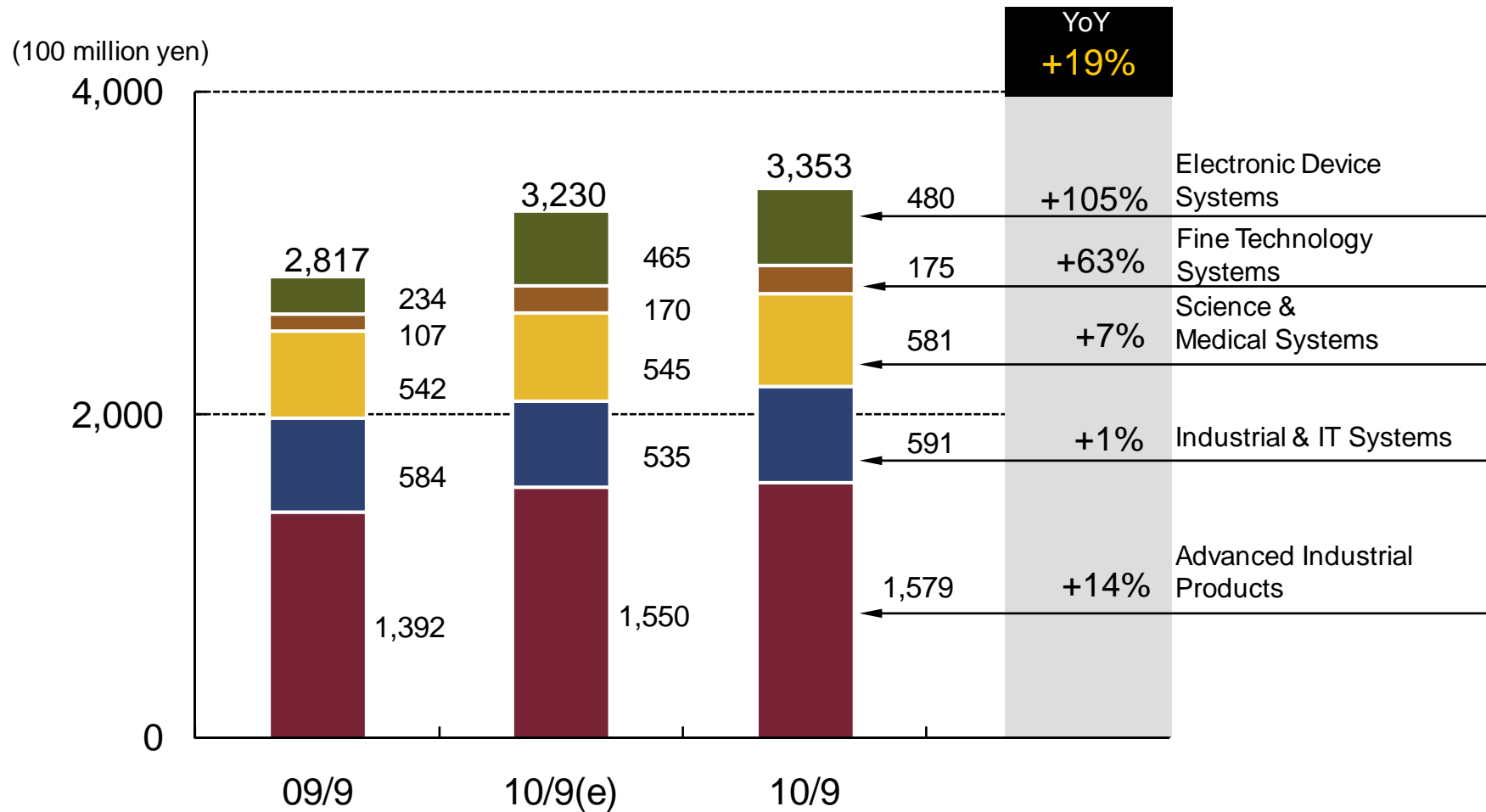
- Science & Medical Systems: Accelerated delivery of clinical analyzers led to growth of 3.6YBn.
- Industrial & IT Systems: Strong performance in mobile phones for the U.S. led to growth of 5.6YBn.
- Advanced Industrial Products: Increased demand for automotive components led to growth of 2.9YBn.

Operating Income (9.0YBn → 13.8YBn +4.8YBn)

- Electronic Device Systems: Strong sales in semiconductor manufacturing equipment and improved production operation led to growth of 2.2YBn.
- Science & Medical Systems: Increasing shipment in clinical analyzers led to growth of 1.5YBn.

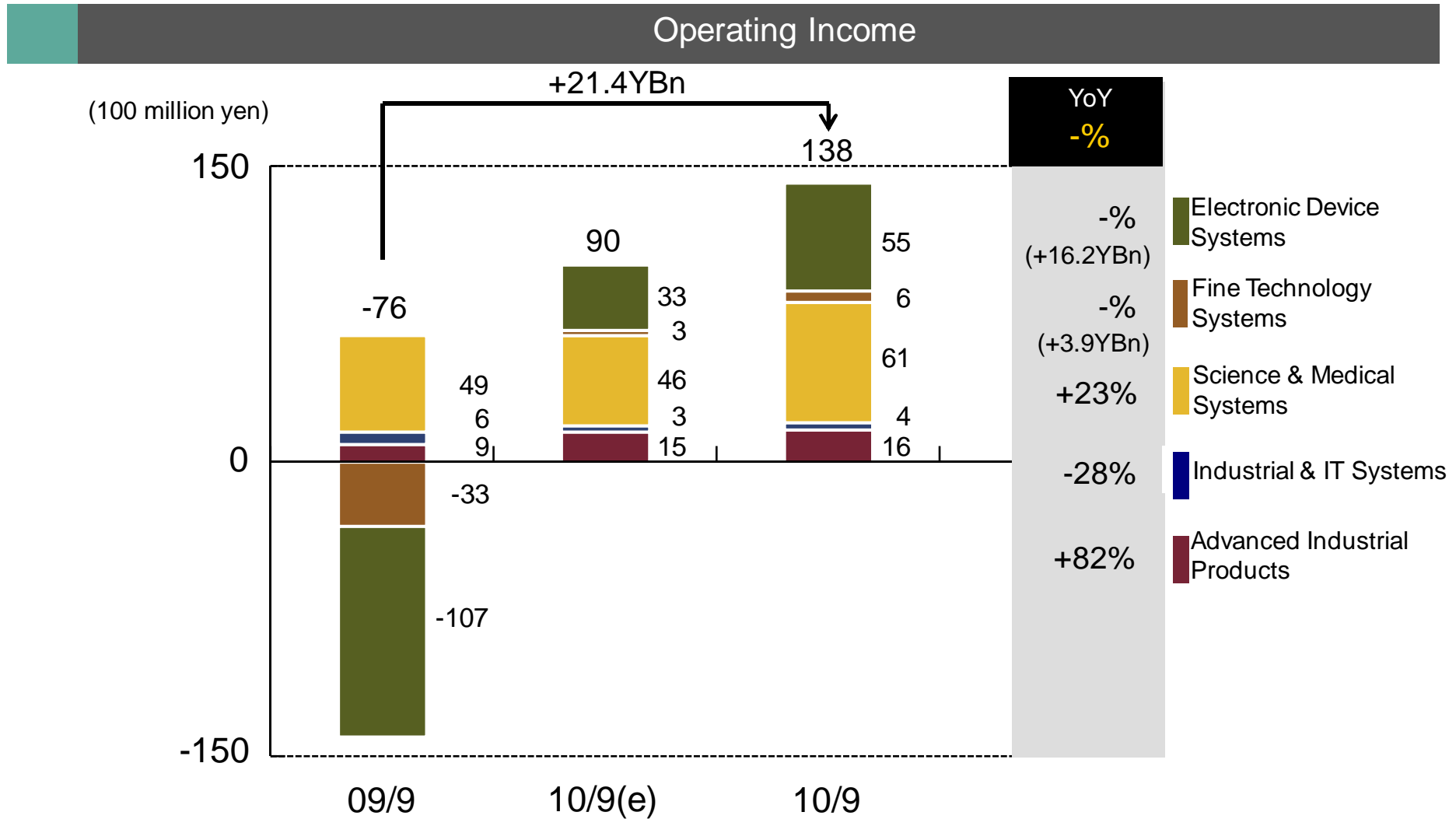
FY10 Q1-Q2 Sales (by Segment)

Sales



Note: Elimination such as subtractions in intersegment transactions, etc., are included in the totals.

FY10 Q1-Q2 Operating Income (by Segment)



Note: Elimination such as subtractions in intersegment transactions, etc., are included in the totals.

Balance Sheet (in Summary)

As of end of September 2010 (100 million yen)

		vs 10/3			vs 10/3	
Current Assets		3,328	+80	Current Liabilities	1,556	-2
Cash & Deposits/Deposit to Hitachi Group Cash Management Fund	921	-97	Notes & Accounts Payable	1,098	-2	
Notes & Accounts Receivable	1,459	+14	Others	457	+0	
Inventories	710	+138	Fixed Liabilities	269	+10	
Others	238	+25	Retirement and Severance Benefits	259	+6	
Fixed Assets	856	-7	Others	10	+4	
Tangible Fixed Assets	557	-2	Net Assets	2,359	+65	
Intangible Fixed Assets	61	+12	Shareholder Capital	2,377	+84	
Investments & Other Assets	237	-17	Assessments/Exchange Difference, etc.	-19	-17	
			Minority Interests	1	-2	
Total Assets	4,184	+73	Total Liabilities & Shareholder Equity	4,184	+73	

Cash Flow Statement (in Summary)

(100 million yen)

	10/1H		10/1H
Cash Flow from Operating Activities	+2	Cash Flow from Financial Activities	-16
Income Before Income Taxes and Minority Interests	+137	Dividends Paid	-14
Depreciation and Amortization	+41	Others	-2
Working Fund	-154	Effect of exchange rate changes	-19
Income Taxes Paid/Refund	-19		
Others	-3		
Cash Flow from Investing Activities	+84		
Capital Expenditures Proceeded from Sales/Purchase of Securities	+0		
Capital Expenditures Proceeded from Sales/Purchase of Property and Equipment	-27		
Others	+111		
Free Cash Flow	+87		
		Cash and Cash Equivalents	10/1H
		At the Beginning of the Year	+902
		Increase/Decrease	+52
		At the end of Term	+954

II FY10 Outlook

Note: YY/M denotes the year and month of the accounting period end.

(e) denotes the forecast for the previous period (July 2010).

(e1) denotes the forecast for the current period (October 2010).

FY10 Outlook (Highlights) ①

(100 million yen)

	FY10 Outlook	YoY		Vs. Previous Forecast	
		Increase/Decrease	Ratio	Increase/Decrease	Ratio
Sales	6,800	+631	+10%	+100	+1%
Operating Income	255	+271	—	+53	+26%
Ordinary Income	260	+265	—	+55	+27%
Net Income	170	+198	—	+44	+35%
Net Income per Share	123.60 yen	+144.15 yen		+31.99 yen	
Cash Dividend per Share	20.00 yen	+5.00 yen		±00.00 yen	
ROE	7.2%	+8.4%		—	
FIV	+39	+161		—	
FCF	+125	-16		+77	

Note: FX rate estimate: 1 USD= 87 yen
1 EUR= 108 yen

*Previous forecast, published July 2010

Measures to Reduce Foreign Exchange Exposure

■ Changes in FX Rates Estimate

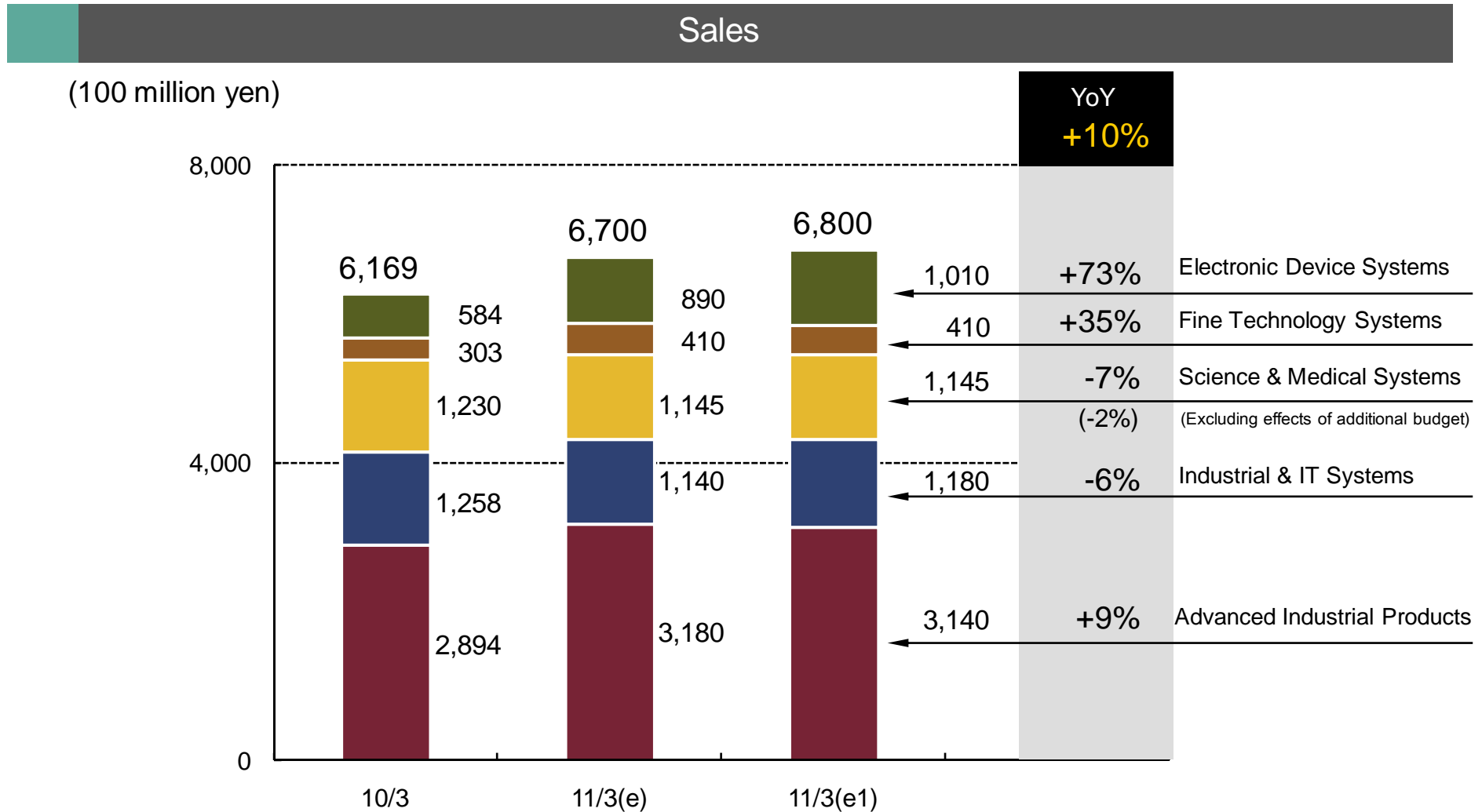
	Start (2010/4)		Previous (2010/7)		Current (2010/10)	
	1H	2H	1H	2H	1H*	2H
USD	85.00	85.00	90.00	85.00	89.40	87.00
EUR	125.00	125.00	110.00	125.00	114.20	108.00

*10/1H is actual rate

■ Measures to Reduce FX Exposure

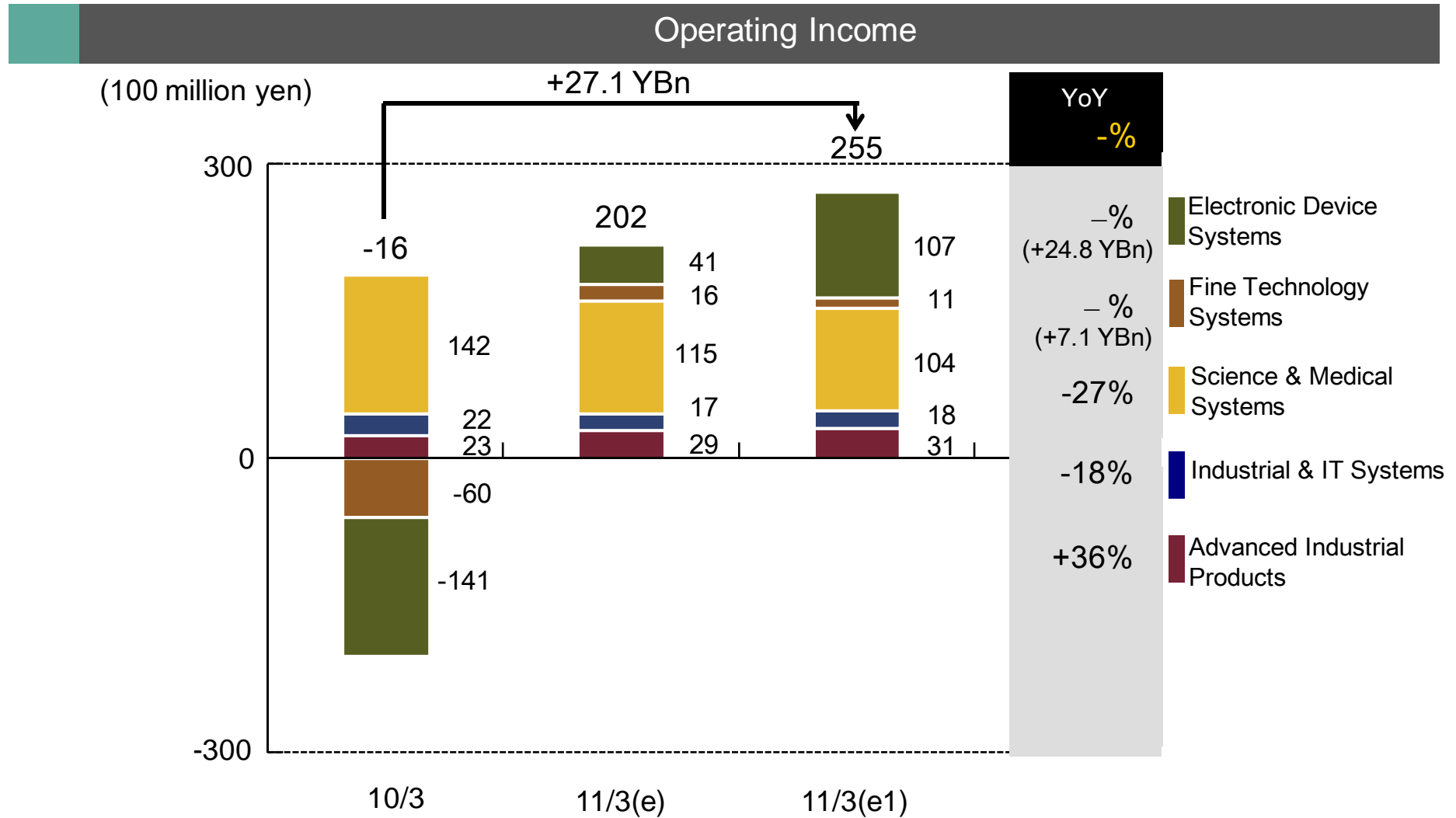
- Foreign currency transactions hedged by forward exchange contracts at the time of order received.
The FX rates estimate in 10/2H has been implemented with the mostly same level as 10/2H rates to reduce FX risk.
- Bolster overseas procurement and production.

FY10 Outlook (Sales by Segment)



Note: Elimination such as subtractions in intersegment transactions, etc., are included in the totals.

FY10 Outlook (Operating Income by Segment)



Note: Elimination such as subtractions in intersegment transactions, etc., are included in the totals.

Trends in Semiconductor Devices and Manufacturing Equipment Market

Semiconductor Device Market

- Strong demand for smartphones and mobile devices has led to recovery in semiconductor device market in FY10 (FY09: 251B\$, FY10: 295B\$). PC market will be bottomed out in short term, underpinned by sales to rising nations and businesses as inventories are liquidated in 2H of FY10.
- NAND, MPU, ASSP forecast to grow in FY11. Although YoY sales are expected to be down 5-7% due to lower prices, DRAM production will continue to expand due to high bit growth.

Semiconductor Manufacturing Equipment Market

- Rapid recovery in market during 1H of FY10 and YoY growth expected to be up 87%.
- While a dip may occur between later 2H of FY10 and beginning of FY11, it will be short and FY11 forecast is expected to be on the same scale as FY10.
- Investment in volume production of the most advanced DRAM (3Xnm), NAND, and logic (2Xnm) continues with new fab construction mainly in advanced memory and foundries.

Trends in Semiconductor Scaling

- Changes in aims of scaling
 - Current: High performance + low cost
 - Future: Low cost + miniaturization

Accelerated scaling of advanced NAND, logic, DRAM

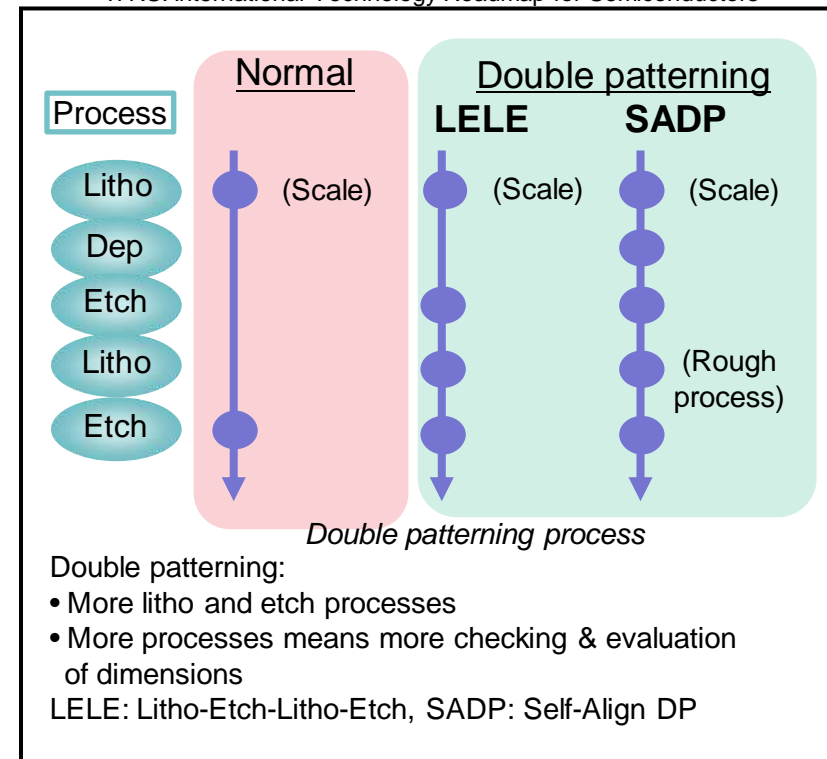
- Trends in next-generation lithography
 - EUV is frontrunner but implementation expected to be delayed
 - Current methods are photo litho + double patterning (DP)
 - DP can reduce pattern pitches in half
 - Possibility for breakthroughs in DP process technology

- HHT developing solutions for next-gen fine pitches
 - Etching system for DP
 - Alignment error measurement on DP chips: CD-SEM (Joint research with IBM)

Acceleration of scaling (NAND flash) Units: nm

Year	2010	2011	2012	2013	2014	2015
ITRS 09 Flash hp	32	28	26	23	20	18
Advanced Flash Scaling Project	32	27-21		18-16		14-11

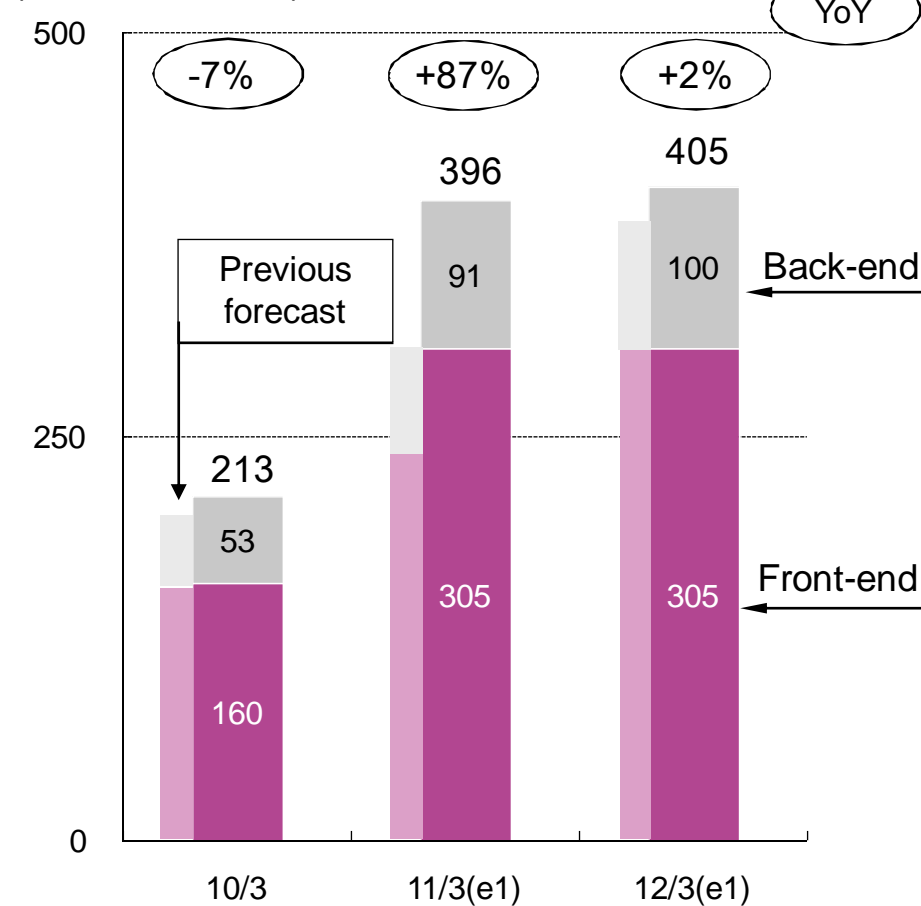
ITRS: International Technology Roadmap for Semiconductors



FY10 Outlook (Electronic Device Systems) ③

Semiconductor Mfg Equip. Market

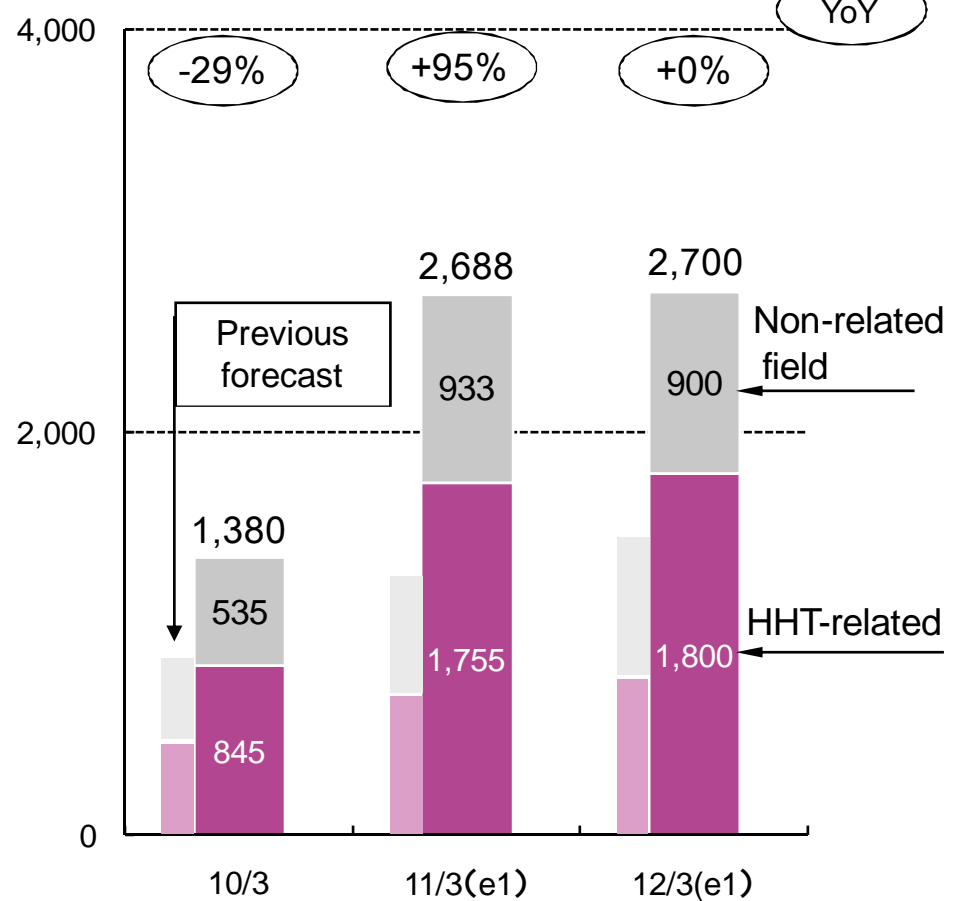
(100 million USD)



Source: Gartner (September 2010) and HHT's estimations. Previous forecast based on Gartner (March 2010) and HHT's estimations.

Assembly Equipment Market

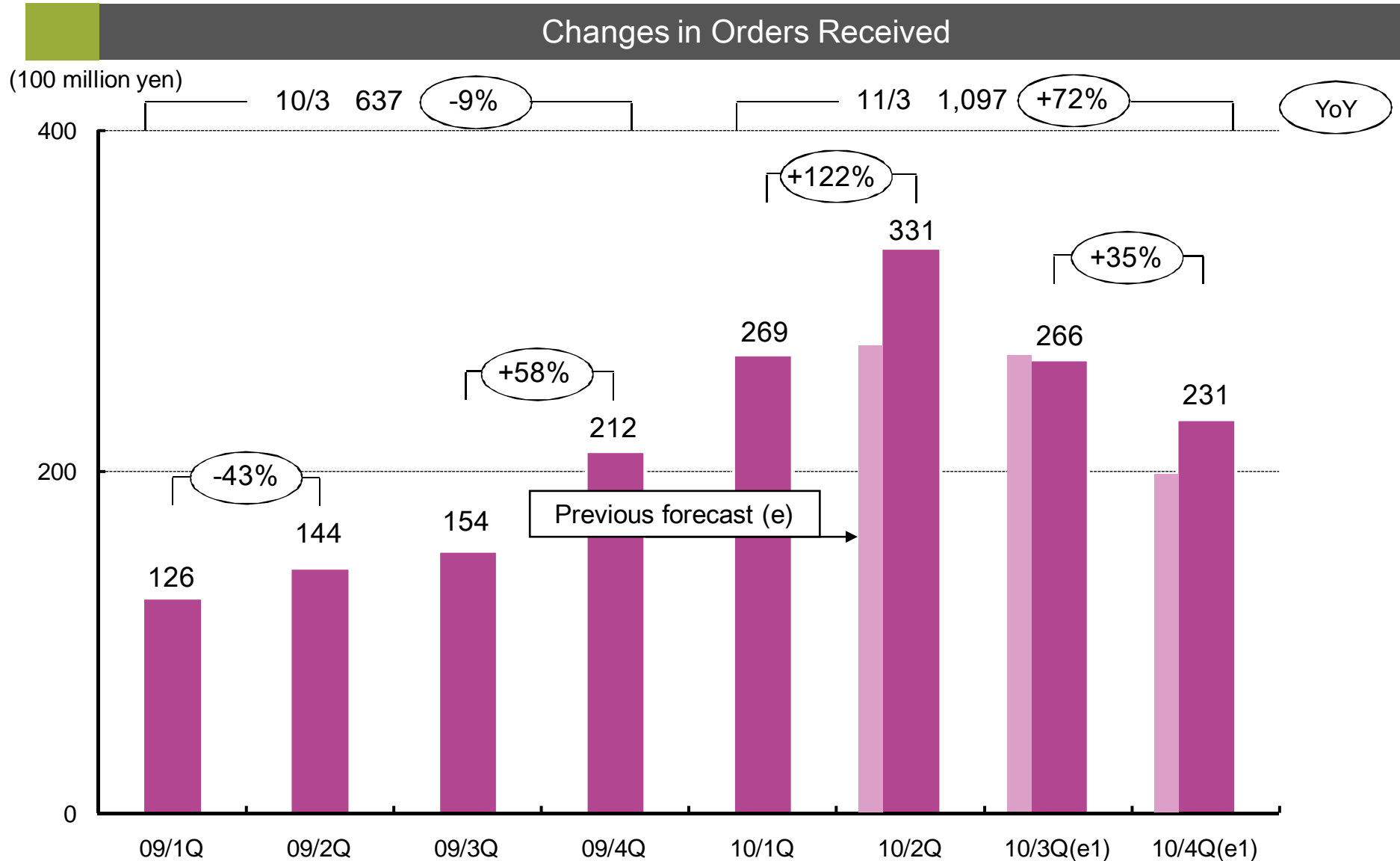
(100 million yen)



Source: Created by HHT, based on data from Japan Robot Association (July 2010).

Previous forecast based on values for FY09, published in April 2010.

FY10 Outlook (Electronic Device Systems) ④



Note: Step and scan exposure system (FY08) is excluded from YoY data.

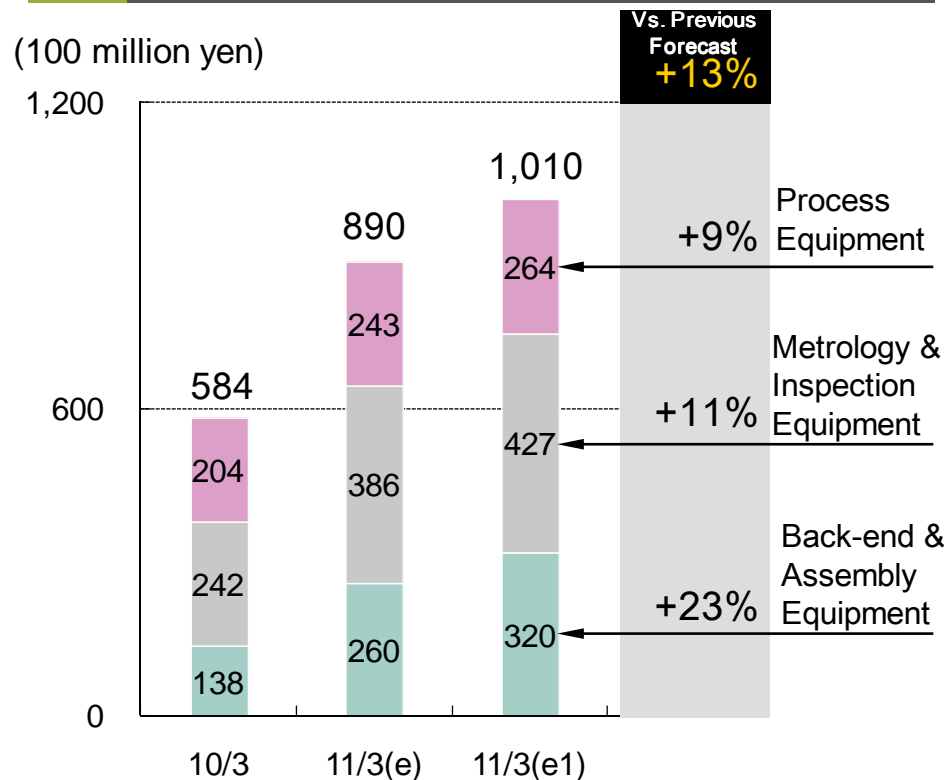
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FY10 Outlook (Electronic Device Systems) ⑤

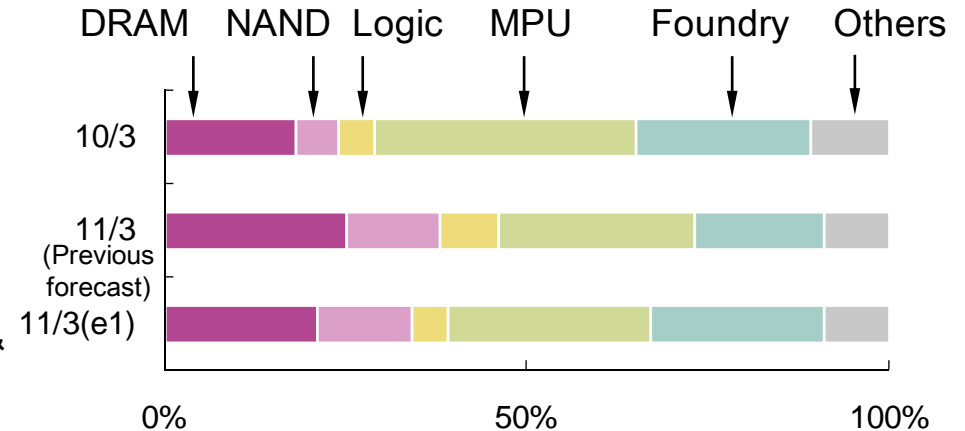
Future Action

1. Front-end/Back-end equipment: Accelerate efforts in growth fields and scaling, and secure orders.
2. Chip mounters: Develop new customers and improve customer service for current customers to achieve share greater than market growth.

Sales Change in Main Business



Sales Ratio by Fields (Front-end Equipment)



Note: Previous forecast based on values for FY10, published in April 2010.

FY09: Secured sales to MPU manufacturers amidst market contraction. 2H foundries also robust.
 FY10: MPU, foundries continue to be robust.
 Ratio to relatively increase after renewed investment by DRAM and NAND manufacturers.

FY10 Outlook (Fine Technology Systems) ①

Trends in FPD Panels and HDDs

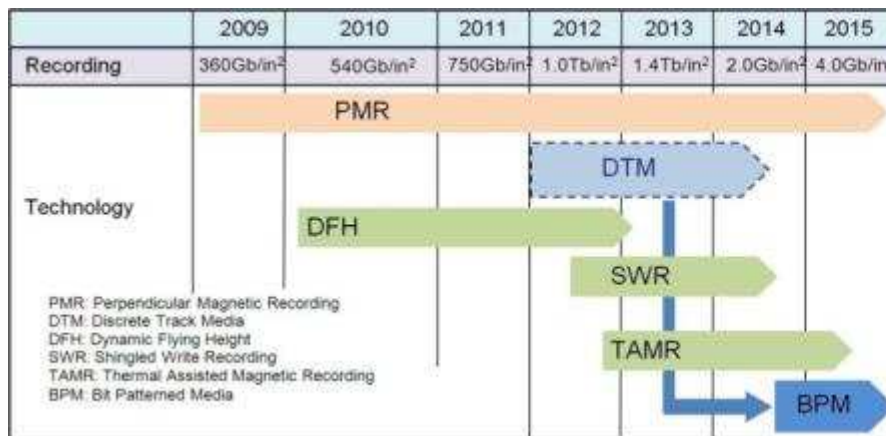
■ FPD Panels

FPD Trend	Technology Trend	HHT Response
Increase in touchscreens	• Finer patterns due to more capacitive screens	• Exposure systems Add ITO alignment function Improve overlay precision
Progression of HD	• Full HD: From 2k4k to 4k8k	
Spread of 3D TV	• High aperture ratio (optical alignment/PSA/COA) • High speed (240Hz/480Hz)	• Assembly equipment Add panel correction function Introduce new connection method
More OLED panels + larger sizes	• Production lines for large mother glass	• Introduce new OLED manufacturing equipment

PSA: Polymer Sustained Alignment COA: CF on Array ITO: Indium Tin Oxide

■ HDDs

Trends in HDD Technology

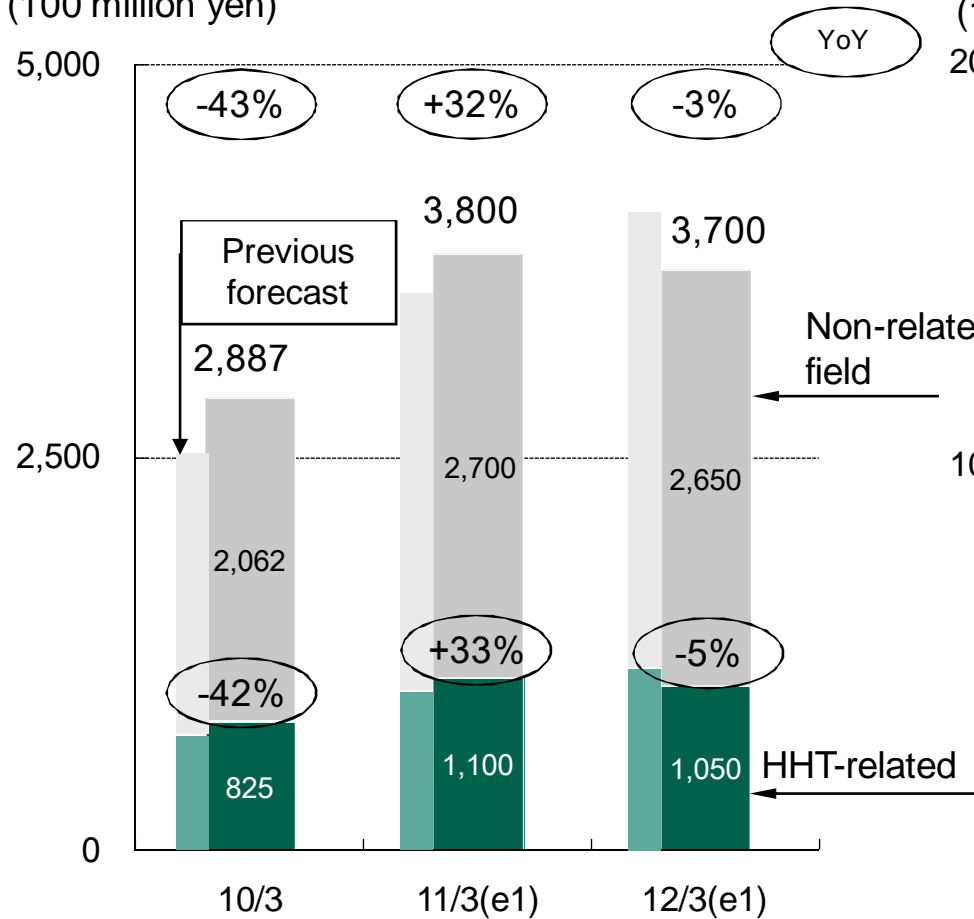


Technology	HHT Equipment	HHT Technology
DFH	Optical media inspection system	(For high densities) Low flying height Optical inspection technology
SWR		
TAMR	Head-related test systems	Laser technology
BPM	Optical media inspection system	(For high densities) Low flying height Optical inspection technology
	Imprinting system	Imprint technology

FY10 Outlook (Fine Technology Systems) ②

FPD Manufacturing Equipment Market

(100 million yen)

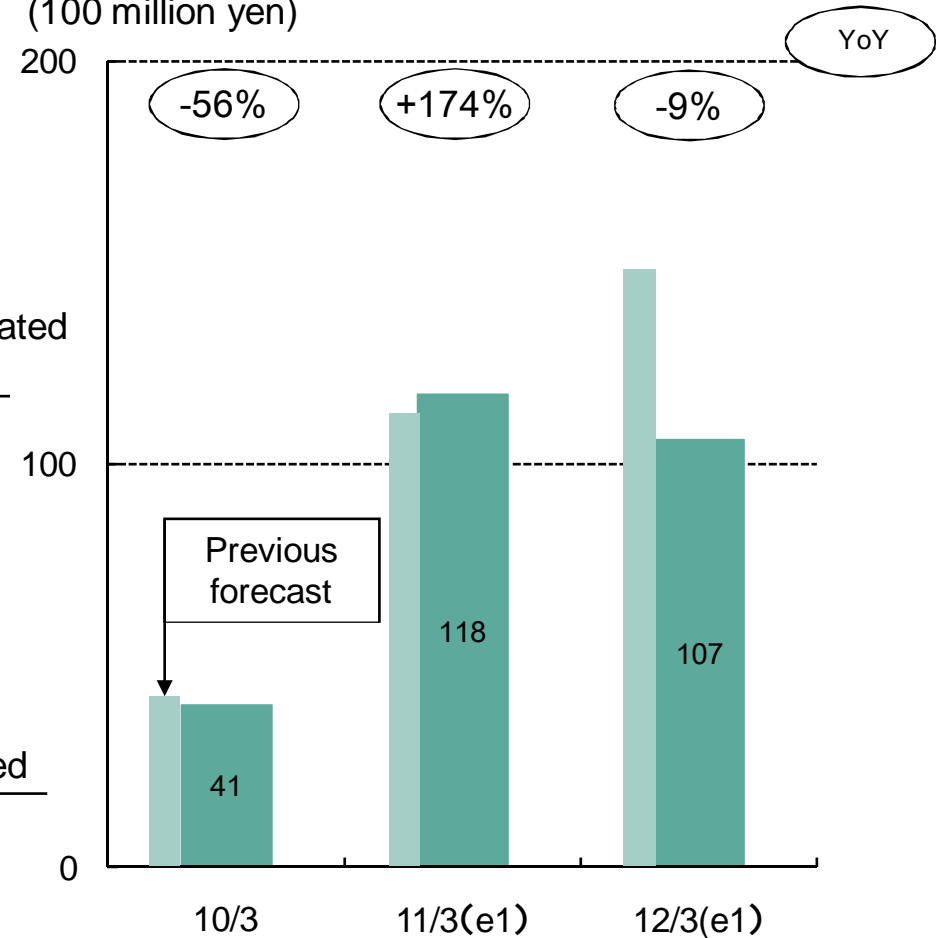


Source: HHT's estimation based on SEAJ (July 2010) data.

Note: Previous forecast based on values published April 2010 for the year ended March 31, 2010.

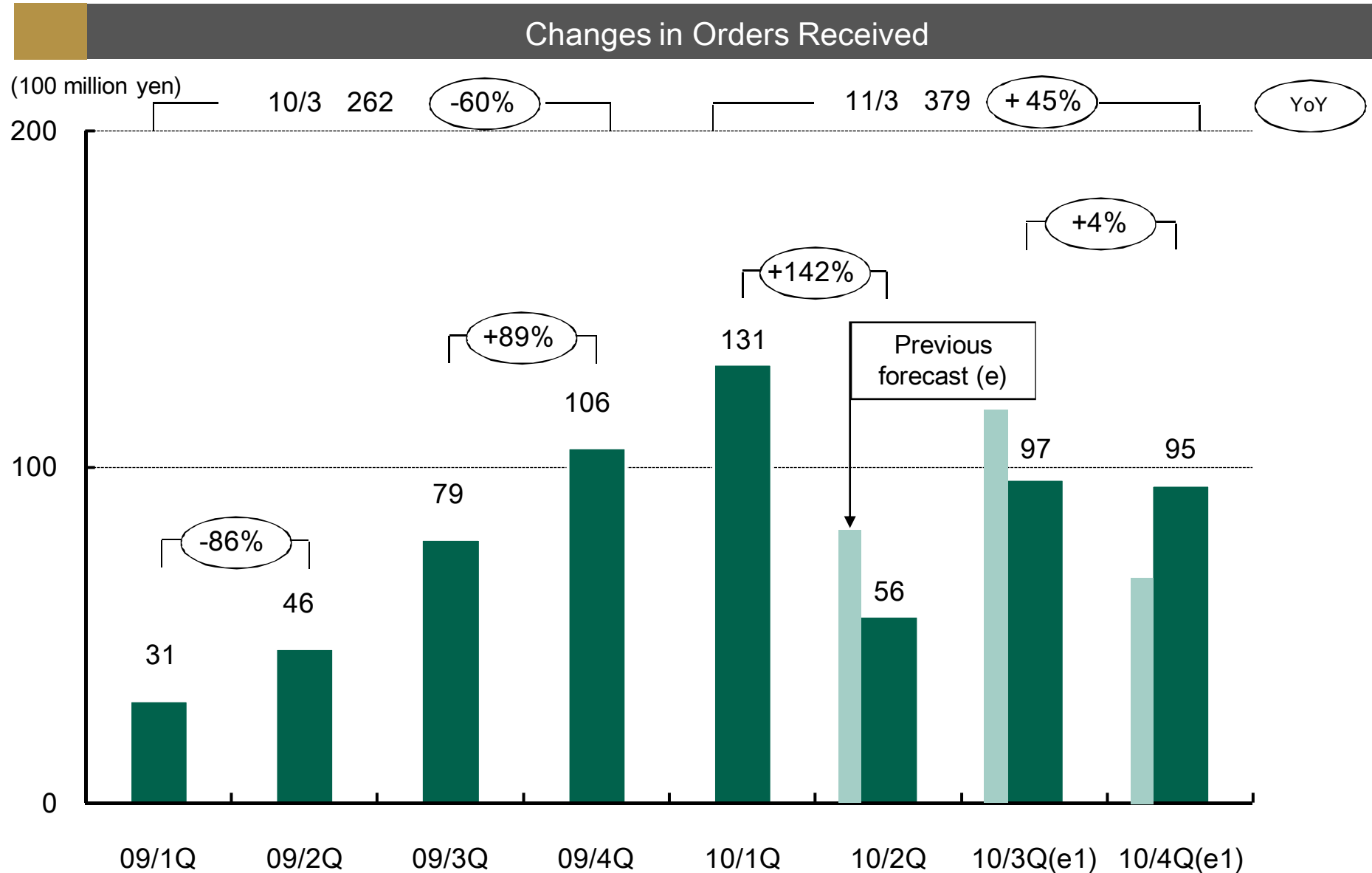
HD Manufacturing Equipment Market (HHT-related)

(100 million yen)



Source: HHT's estimation.

FY10 Outlook (Fine Technology Systems) ③

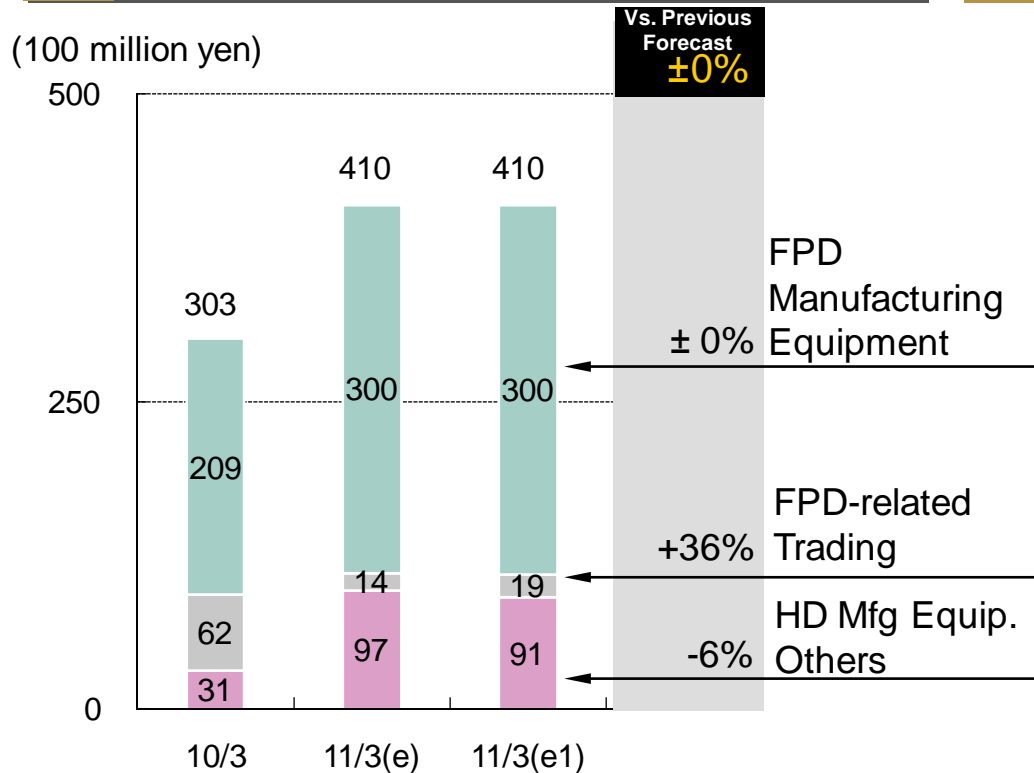


FY10 Outlook (Fine Technology Systems) ④

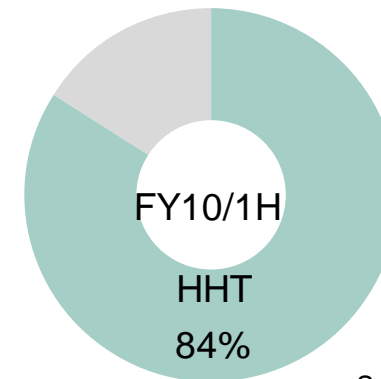
Future Action

1. Maintain position as industry leader through increased product competitiveness (Exposure and HD inspection systems).
2. Continue to develop new products and businesses (OLED manufacturing system).
3. Establish organization resilient to market fluctuations (accelerate global procurement).

Sales Change in Main Business



Share of Color Filter Exposure Systems (G8)



Source: HHT's estimation.

- Accumulated share as of FY09: 68%
- Boosted FY10/1H share with mask correction function for fine line BM and COA

BM: Black Matrix

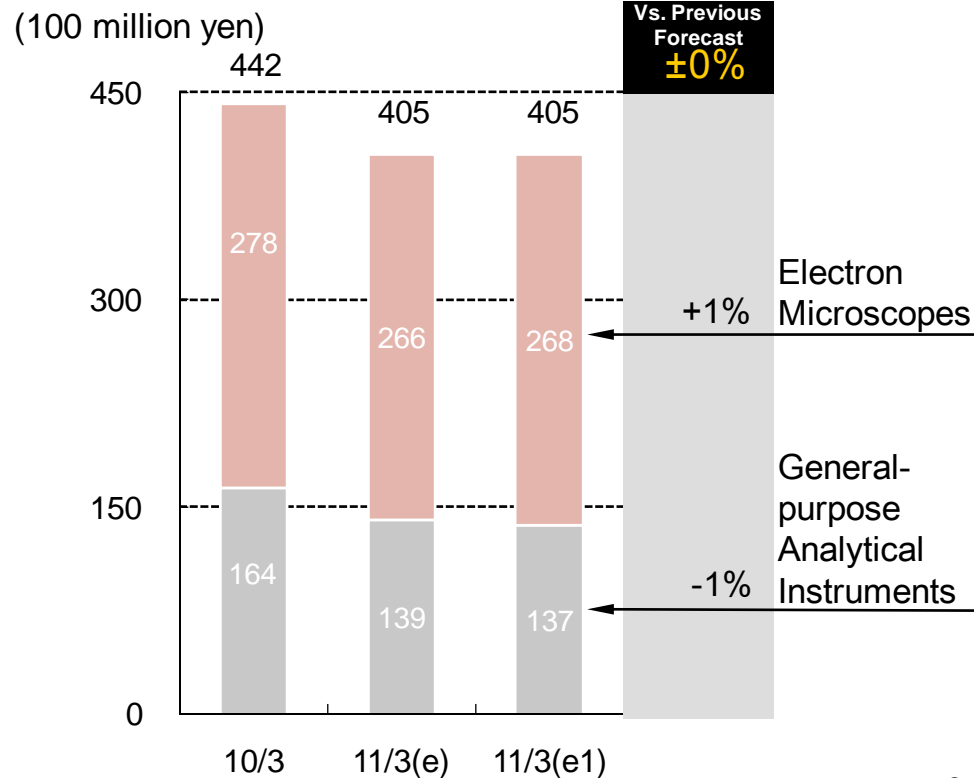
FY10 Outlook (Science & Medical Systems) ①

Future Action

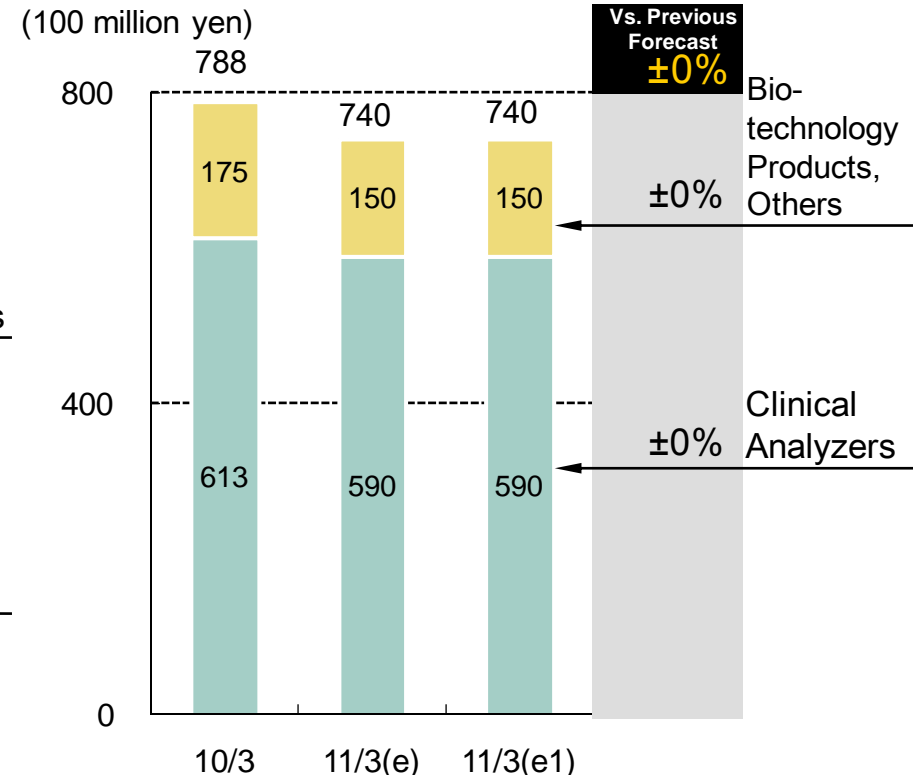
1. Analytical instruments: Actively expand sales in growth markets (LiB, PV, LED, pharmaceuticals, etc.)
2. Biotechnology Products/Clinical Analyzers: Advance SCB with leading domestic and overseas manufacturers.

*SCB: System Collaboration Business

Change in Sales (Analytical Instruments)



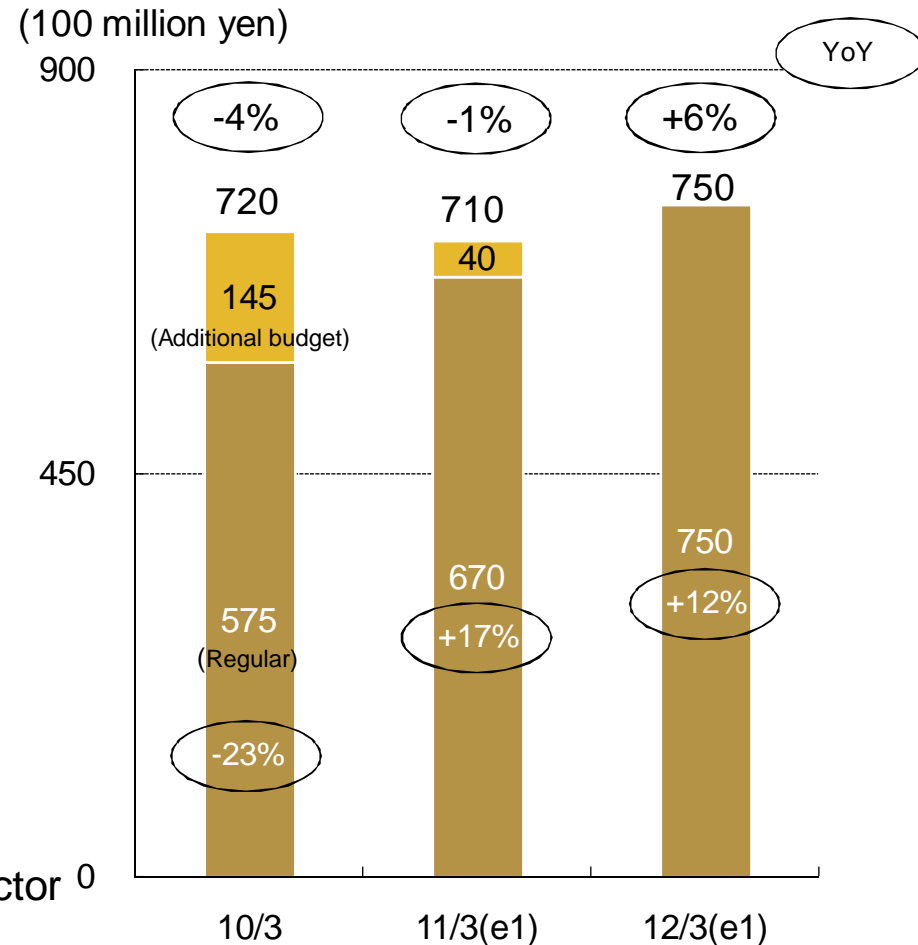
Change in Sales (Biotechnology Products/Clinical Analyzers)



Focused Area in EM/Future Action

- Environment/New Energy (LiB, PV) Market
Pursue business proposals for innovative oxidation inhibiting holder for specimens and application & accessory business.
- Semiconductor Device-related Market
Expand sales of high resolution FE-SEMs & STEMs.
- Biotech/Food/Chemistry Market
Expand sales with introduction of new easy-to-operate TEM for biotech field.
- Overall
Expand SEM base by introducing new Tabletop microscopes to primary schools and private sector Business.

Electron Microscopes Market



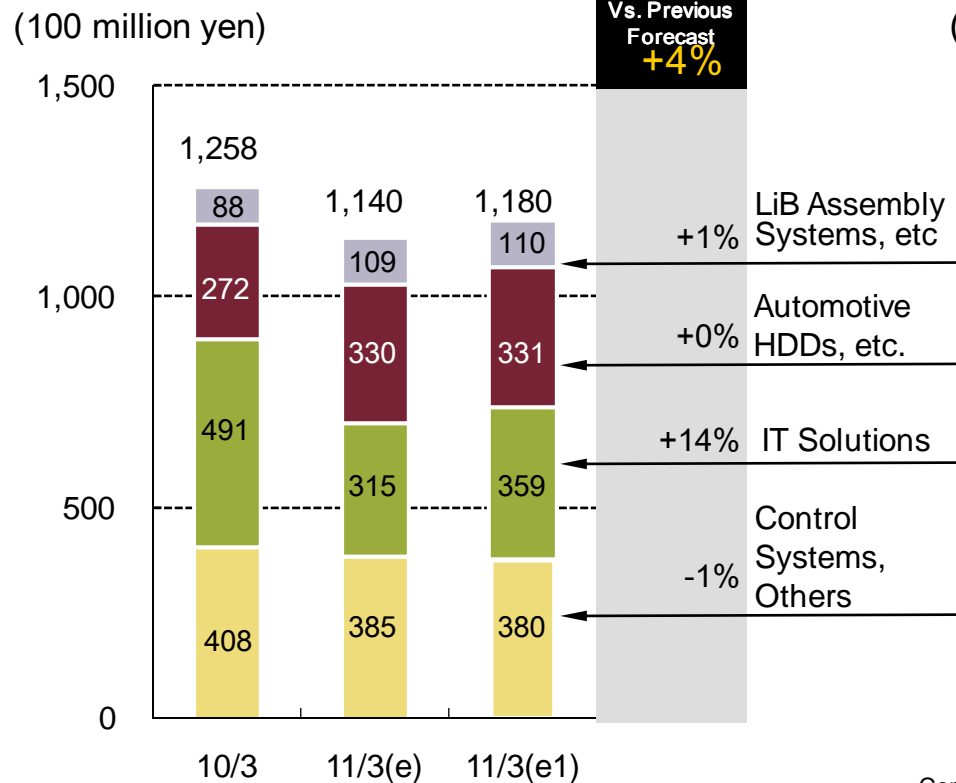
Source: HHT's estimation

FY10 Outlook (Trading Division)

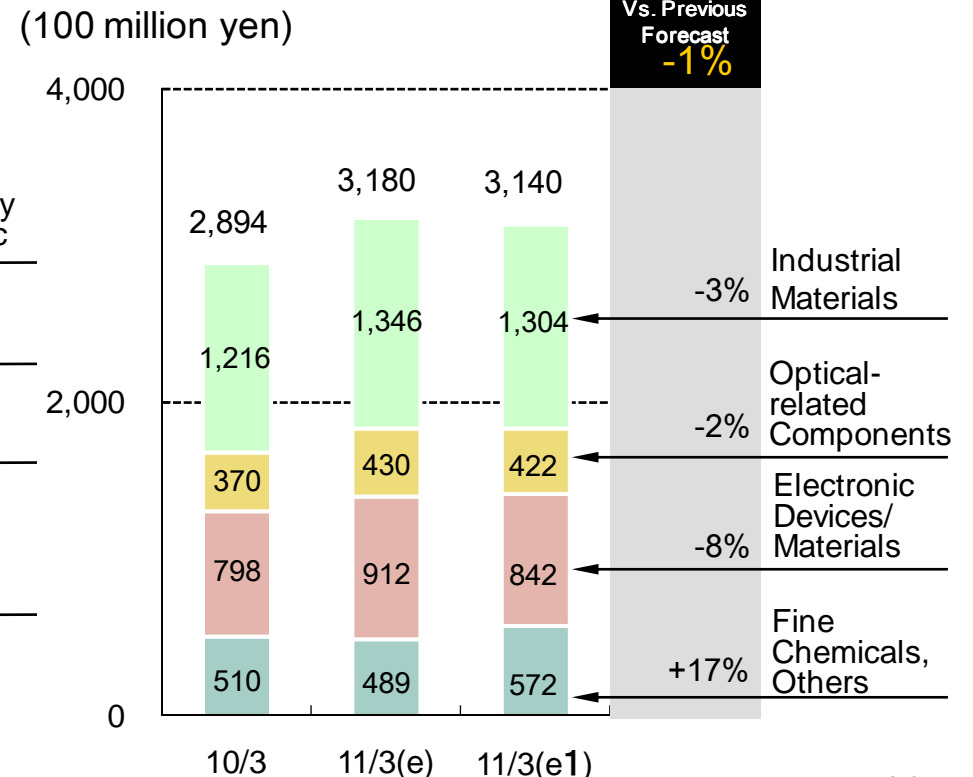
Future Action

1. Expand PV panel-related business.
2. Accelerate development in Asian belt of rising countries.

Changes in Sales (Industrial & IT Systems)



Changes in Sales (Advanced Industrial Products)



III Data

Note: YY/M denotes the year and month of the accounting period end.

Changes in Quarterly Results

(100 million yen)

		FY09 Q1	FY09 Q2	FY09 Q3	FY09 Q4	FY10 Q1	FY10 Q2	
Sales / Operating Income	Electronic Device Systems	Sales	105	129	141	209	169	311
		Operating Income	-48	-59	-24	-11	7	48
	Fine Technology Systems	Sales	59	48	53	143	67	108
		Operating Income	-14	-19	-10	-17	-1	7
	Science & Medical Systems	Sales	242	301	266	422	275	306
		Operating Income	21	28	32	61	30	31
	Industrial & IT Systems	Sales	275	309	284	391	296	295
		Operating Income	-3	8	0	16	-3	7
	Advanced Industrial Products	Sales	661	730	732	771	802	777
		Operating Income	7	2	7	8	11	5
	Others & Elimination/Corporate	Sales	-16	-25	-24	-35	-24	-29
		Operating Income	-1	1	-1	-1	-1	-4
	Total	Sales	1,325	1,492	1,451	1,901	1,585	1,768
		Operating Income	-38	-38	4	56	43	95
Ordinary Income		-32	-37	8	57	50	93	
Net Income		-20	-33	-3	28	35	63	

Capital Expenditures/Depreciation Costs/R&D/Sales by Region

■ Capital Expenditures/Depreciation Costs/R&D

(100 million yen)

	09/1H	10/1H	YoY	10/3	11/3(e)	YoY
Capital Expenditure	52	40	-23%	94	114	+21%
Depreciation Costs	46	41	-10%	96	96	+0%
R&D	94	103	+10%	193	224	+16%

Note: Capital expenditure is based on acquisition base

■ Sales by Region

(100 million yen)


		Japan	North America	Europe	Asia		Others	Total
						Mainland China		
09/1H	Sales	1,325	315	355	766	347	56	2,817
	Ratio	47.1%	11.2%	12.6%	27.2%	12.3%	2.0%	100.0%
10/1H	Sales	1,475	295	356	1,172	517	55	3,353
	Ratio	44.0%	8.8%	10.6%	34.9%	15.4%	1.6%	100.0%

Sales Change in Main Business

(100 million yen)

	FY09 Q1	FY09 Q2	FY09 Q3	FY09 Q4	FY10 Q1	FY10 Q2
Electronic Device Systems	105	129	141	209	169	311
Process Equipment	65	33	57	49	32	77
Metrology & Inspection Equipment	23	55	49	115	79	125
Back-end & Assembly Equipment	17	40	35	45	58	109
Fine Technology Systems	59	48	53	143	67	108
FPD Manufacturing Equipment	52	42	48	131	56	78
HD Manufacturing Equipment , Others	6	6	5	12	11	30
Science & Medical Systems	242	301	266	422	275	306
General-purpose Analytical Instruments	29	39	40	66	27	44
Electron Microscopes	31	67	46	124	36	79
Clinical Analyzers	144	152	137	180	162	139
Biotechnology Products, Others	38	42	43	53	49	44
Industrial & IT Systems	275	309	284	391	296	295
LiB Assembly Systems, etc.	15	19	16	38	35	21
Automotive HDDs, etc.	60	68	68	75	75	82
IT Solutions	114	123	106	148	103	99
Control Systems , Others	85	99	94	130	83	93
Advanced Industrial Products	661	730	732	771	802	777
Industrial Materials	278	287	326	325	336	339
Optical-related Components	70	93	105	102	99	81
Electronic Devices /Materials	209	205	203	181	238	219
Fine Chemicals, Others	104	145	98	162	129	138

General Purpose Analytical Instruments (6.6YBn) and Electron Microscopes (12.4YBn) were reported in the results for Science & Medical Systems for FY09 Q4. These totals have been revised and will show an increase/decrease of 500 million yen from the results announced for FY10 Q3.



Notes on the data

1. All financial statement summaries and results predictions included in this presentation are on a consolidated basis unless otherwise stated.
2. YY/M(e) denotes the year and month of the forecast.
3. All market information for equipment and instruments included in this presentation is for global markets unless otherwise stated.
4. The predictions in this presentation that relate to the future results of the Company were based on information that could be known at the current time. In the industry in which we are active, technology change is rapid and competition is fierce. Various external factors, the world economy, the semiconductor market, and exchange rates also directly and indirectly affect results. Accordingly, please be aware of the possibility that future results may differ from those in this presentation. Any major differences will be publicly announced as they occur in accordance with the timely disclosure regulations of the stock market and the voluntary decisions of the Company.

The information included in this material is for reference when investing, and not a canvass to invest. Brand selection and the final decision is at your own judgment.

END

FY10 2nd Quarter Financial Results

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