

# Hutchinson Technology Incorporated



Guides for the journey.®

**usbancorp**  
Piper Jaffray.

# Forward-looking Statements

This presentation contains forward-looking statements that involve a number of risks and uncertainties. Actual results could differ materially from any performance suggested here. These risk factors are described from time to time in the company's reports filed with the Securities and Exchange Commission.



# Today's Presentation

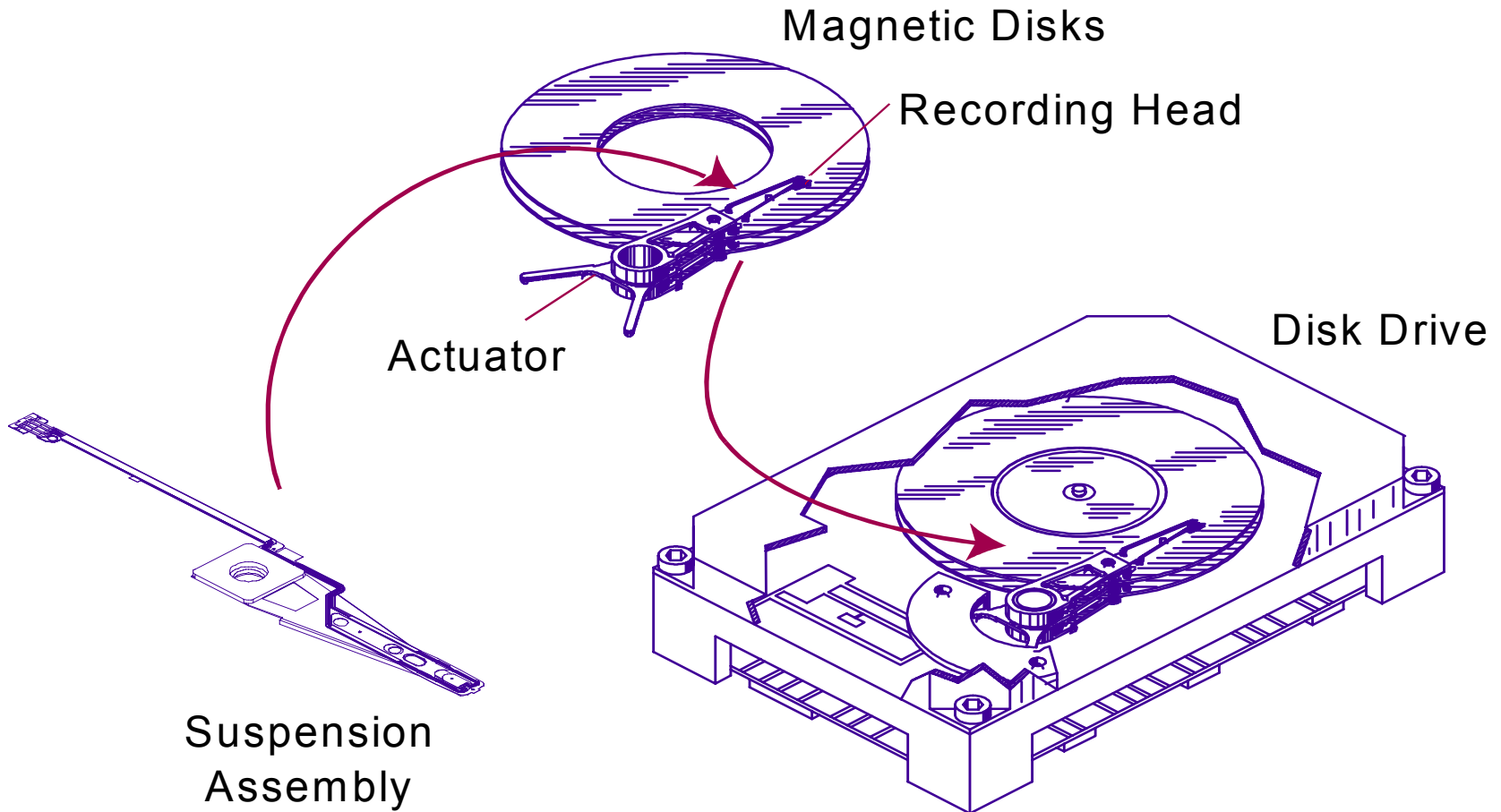
- Our Product and Position
- Our Customers
- Solutions for Customer Requirements
- Industry Dynamics and Suspension Demand
- Improving Productivity and Efficiency
- Diversification: BioMeasurement
- Operating and Financial Performance

# Our Position

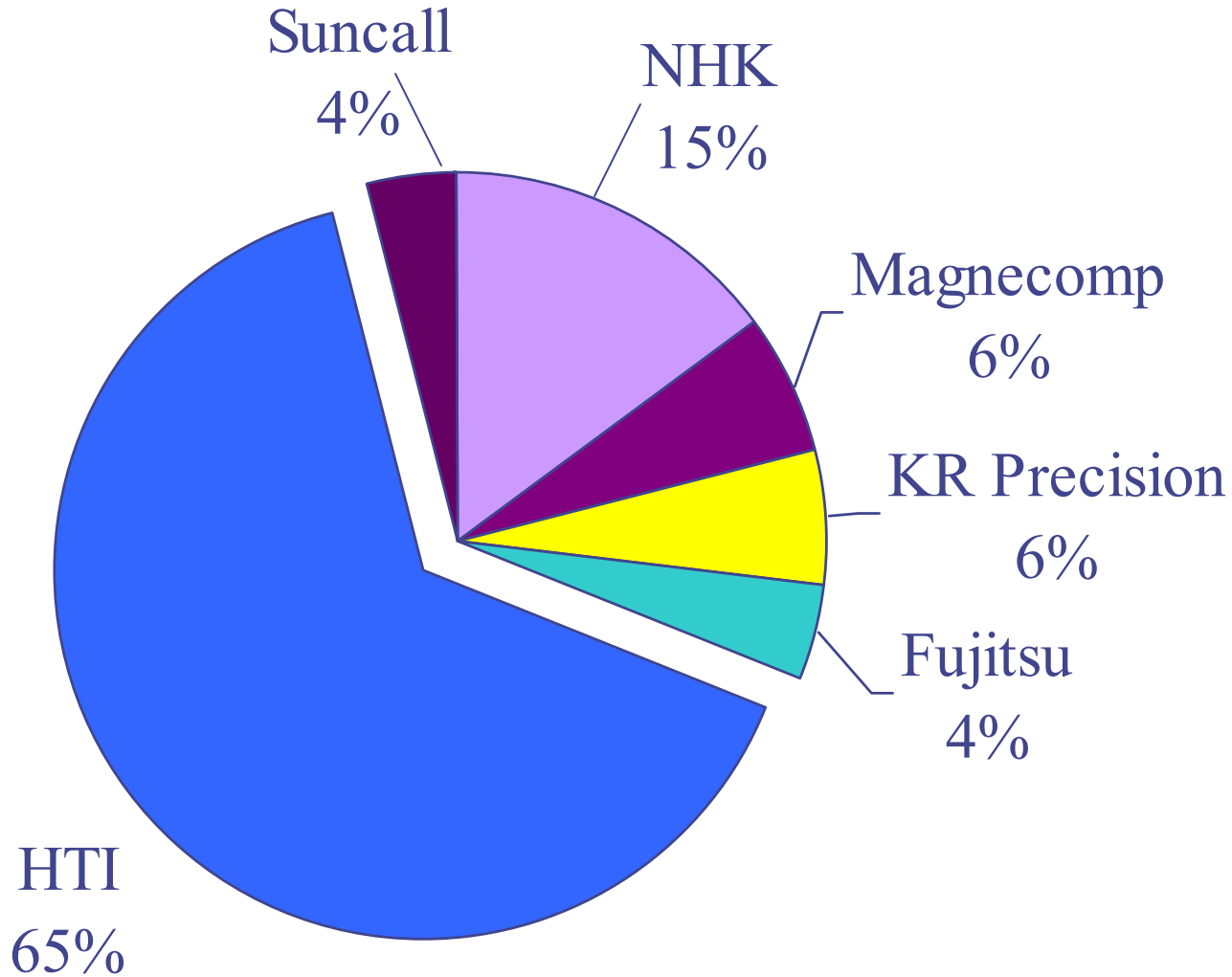
- World's leading supplier of suspension assemblies for disk drives
  - Estimated market share: >65%
- Provider of integrated manufacturing expertise not available elsewhere
  - Patented products and proprietary processes that solve customers' problems

# Our Product

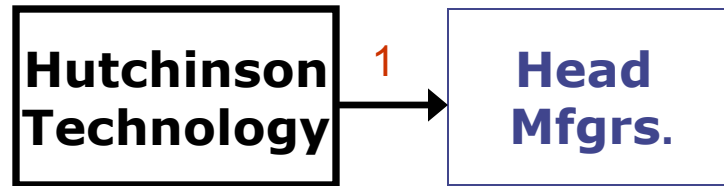
## A Suspension Assembly Primer



# Market Position - estimated



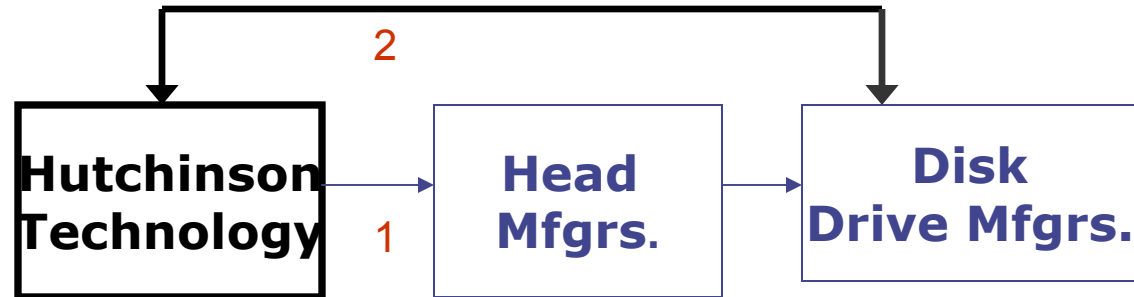
# Our Customers



- Alps
- SAE/TDK
- Read Rite

1. HTI sells suspensions to head mfgs.

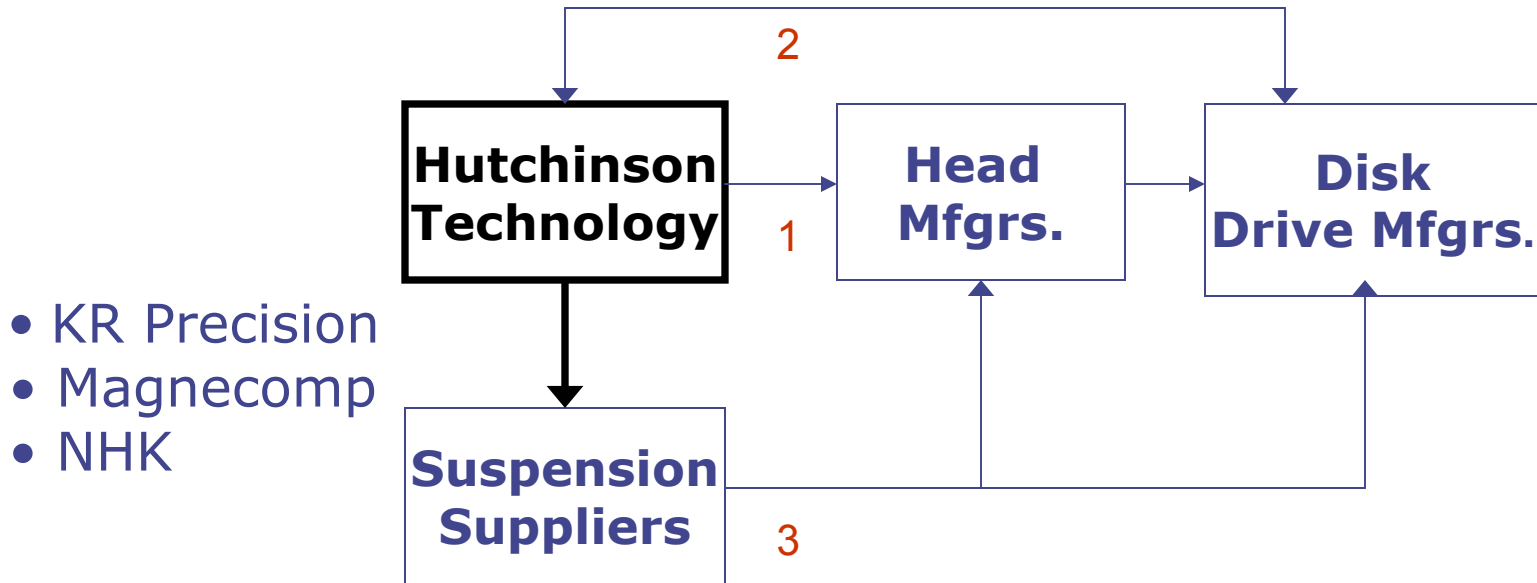
# Our Customers



- Seagate
- Maxtor
- Western Digital
- Hitachi/IBM
- Samsung
- Toshiba
- Fujitsu

1. HTI sells suspensions to Head Mfgs.
2. HTI designs suspensions with the drive mfgs.

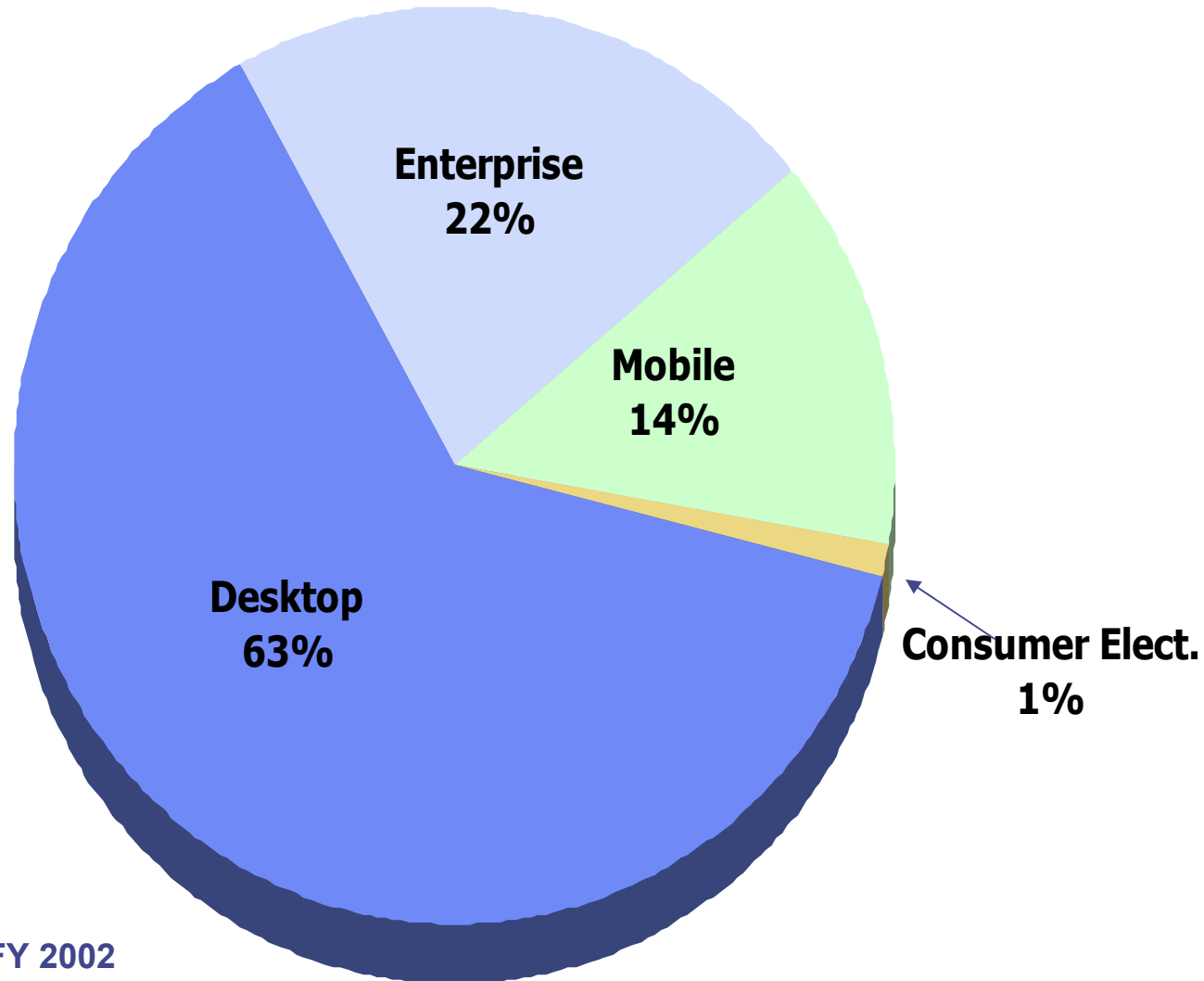
# Our Customers



1. HTI sells suspensions to head mfgs.
2. HTI designs suspensions with the drive mfgs.
3. HTI sells suspension components to other suspension suppliers.

# Where Our Products Go

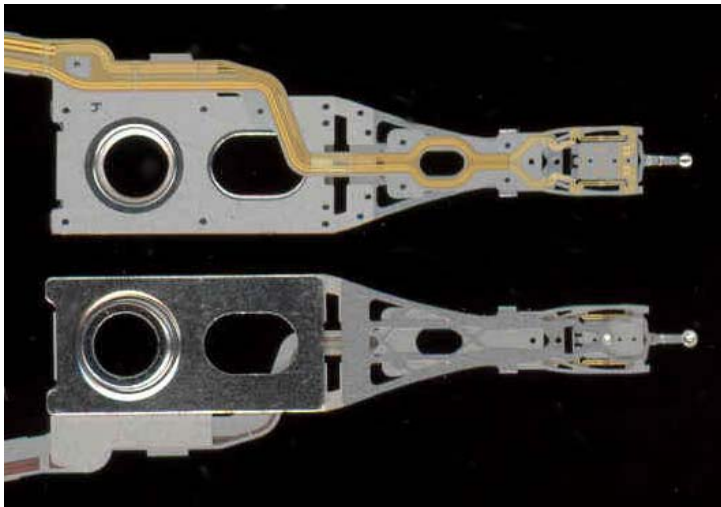
## Suspension Assembly Shipments by Application



Source: HTI FY 2002

# Customer Requirements

- Increase capacity per platter
- Increase data rate
- Improve reliability
- Reduce cost



# The Preferred Solution - TSA

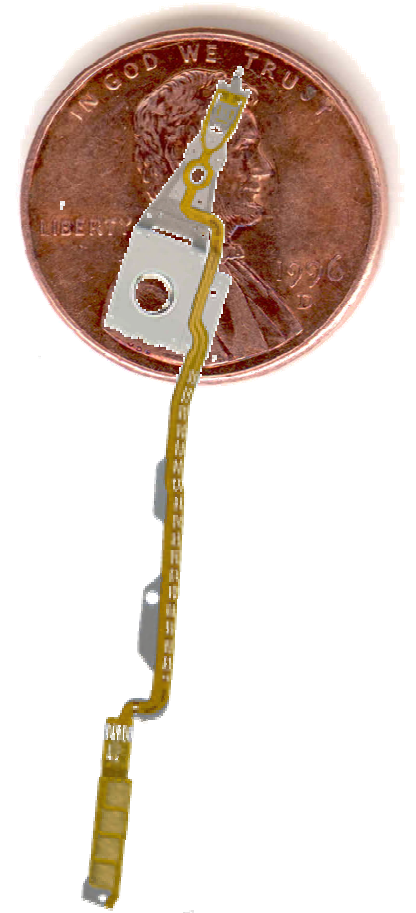
- “Tunable” for specific applications and performance criteria
- Minimizes handling damage
- Simplifies electrical termination
- Improves customers yields
- Reduces customers’ capital spending
- Extendible to future applications



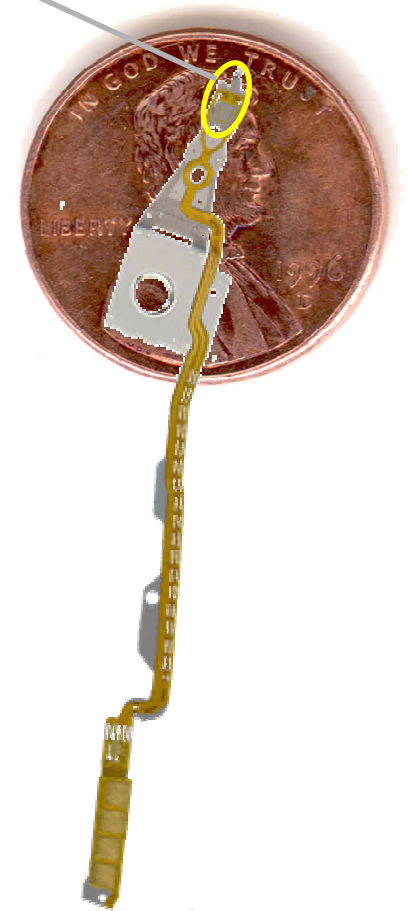
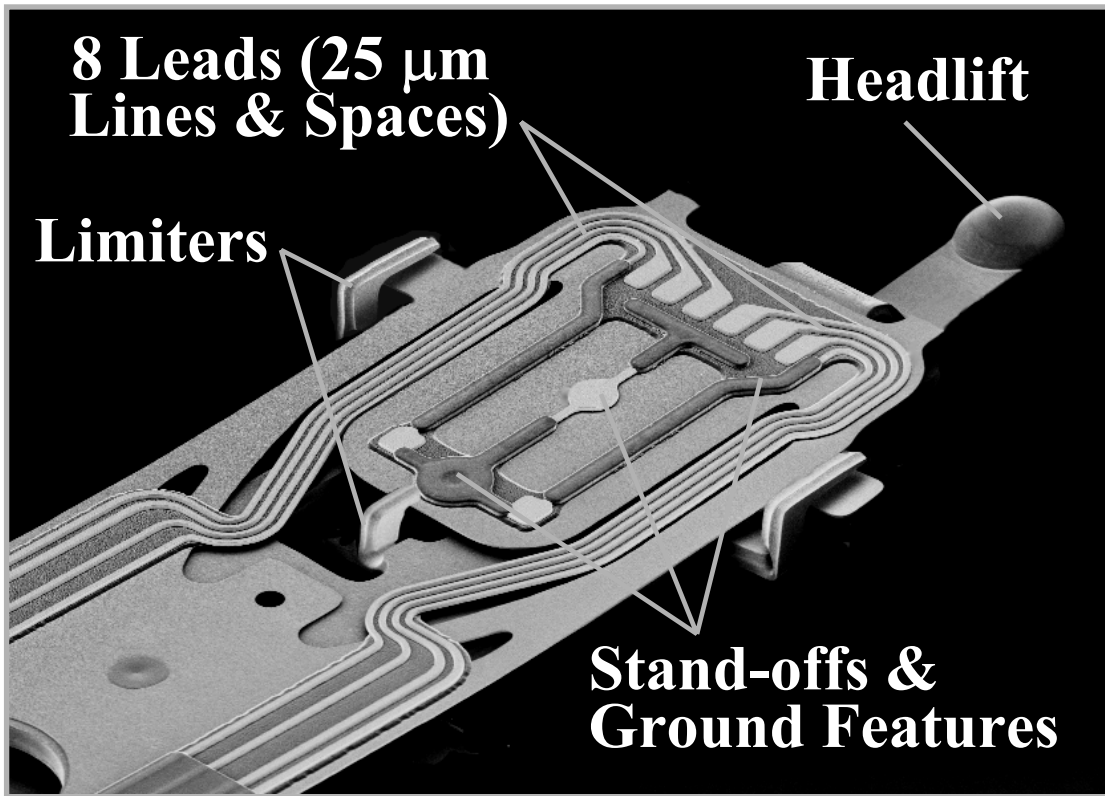
# Miniaturization



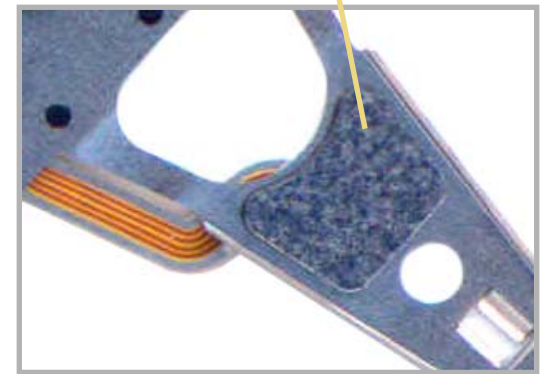
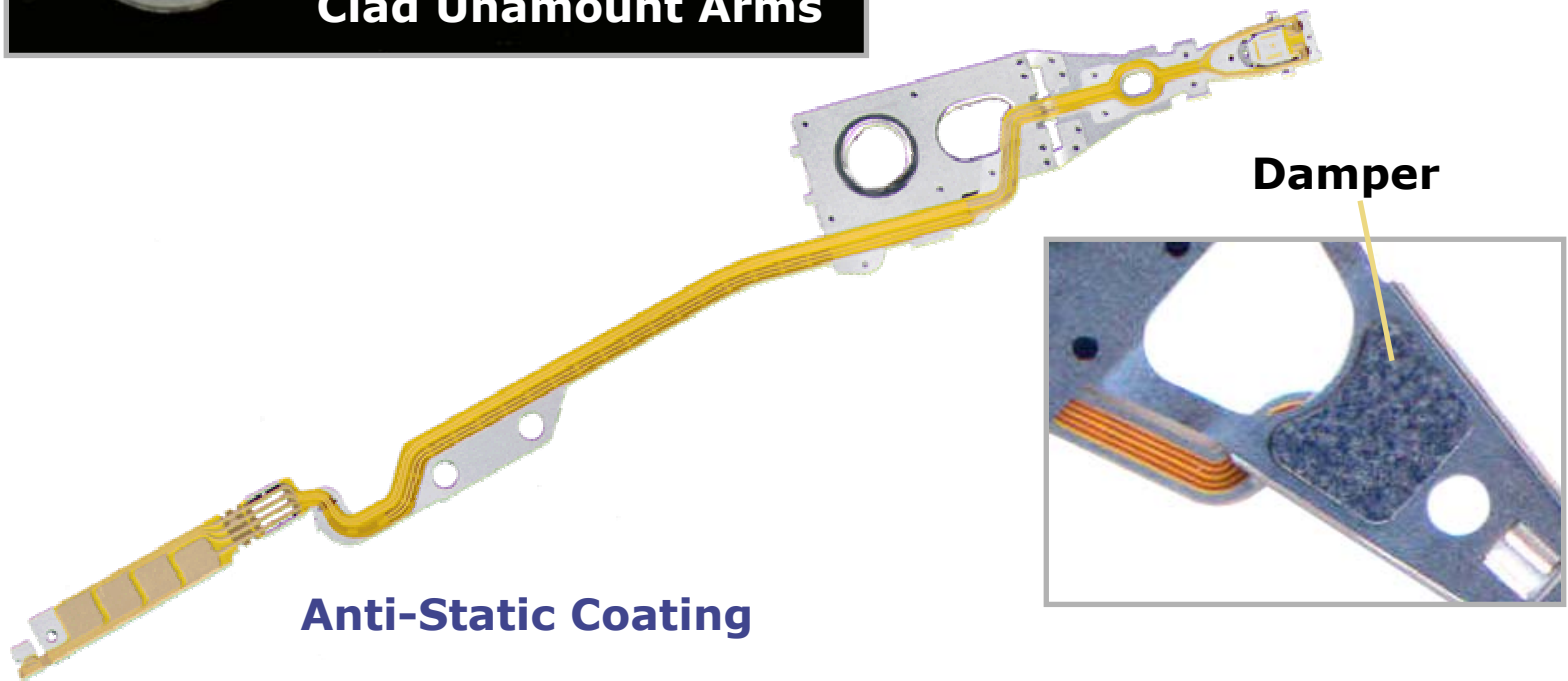
# Miniaturization



# Flexure Features



# Product Features



# Our Integrated Competencies

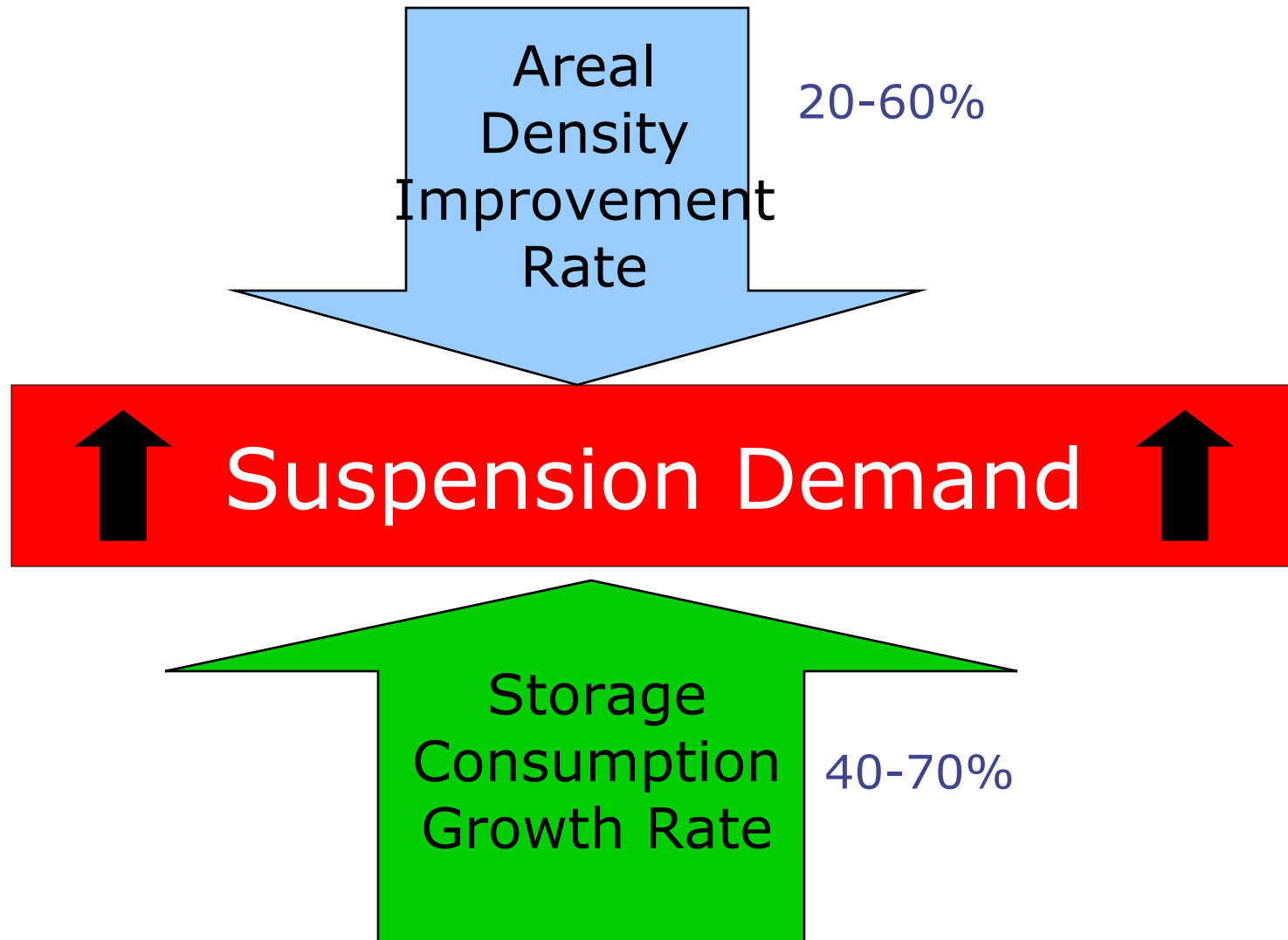
- Industry-leading engineering resources
  - ✓ 138 patents granted for product and feature designs; equal number pending
- On-site Development Center
  - ✓ Prototypes weeks faster than competitors; fast ramps to volume production
- Precision manufacturing infrastructure and proprietary, automated processes
  - ✓ Low part-to-part variation at high volume

# Our Integrated Competencies

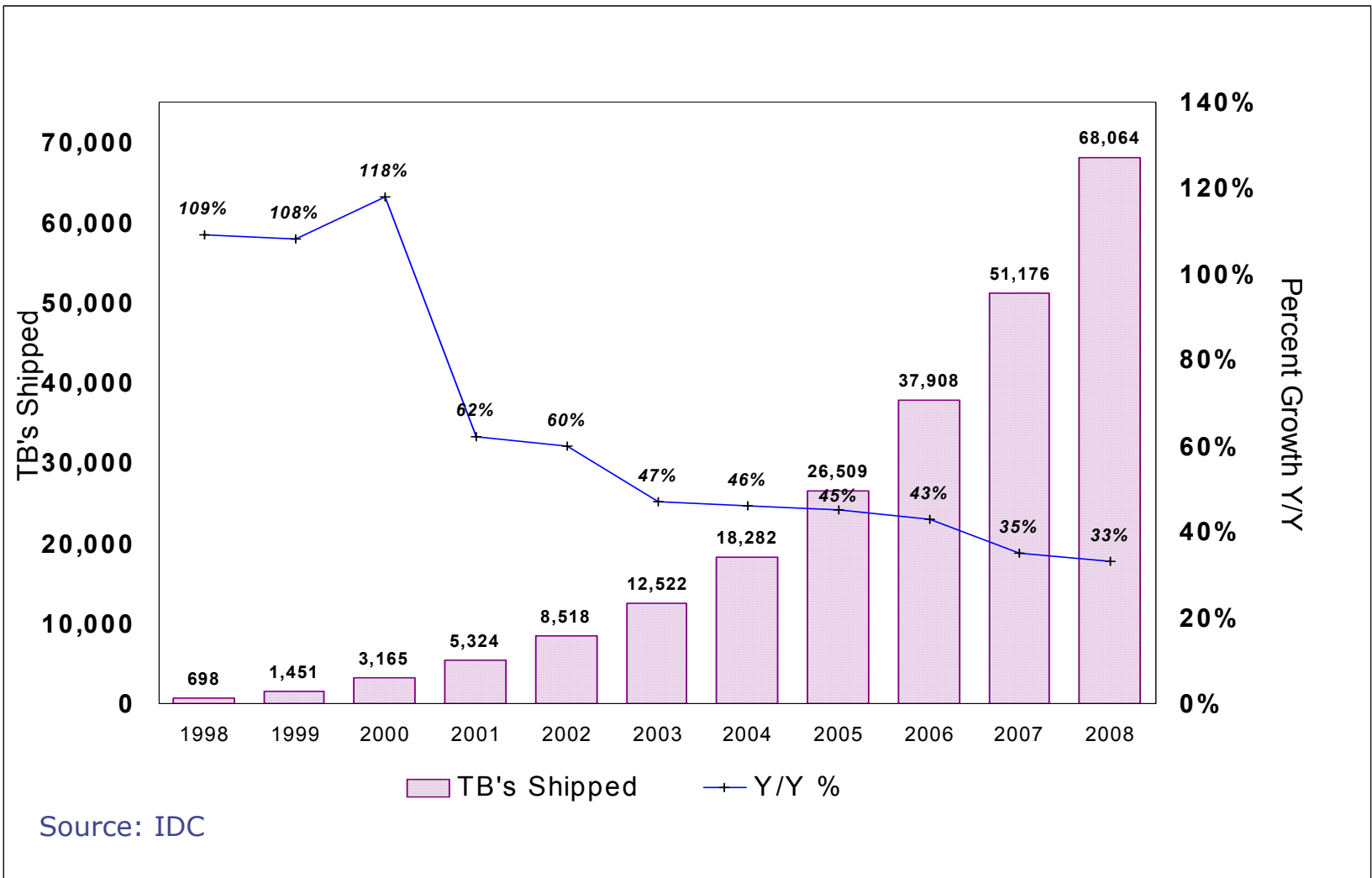
- JIT delivery and on-site support
  - ✓ Inventory hubs and support offices near customers' Asian assembly operations
- Sourcing alternatives for customers
  - ✓ Licensing agreements and component sales
- Efficient supply chain
  - ✓ One-stop shop for TSA platform

# Industry Dynamics and Suspension Demand

# Demand Dynamics

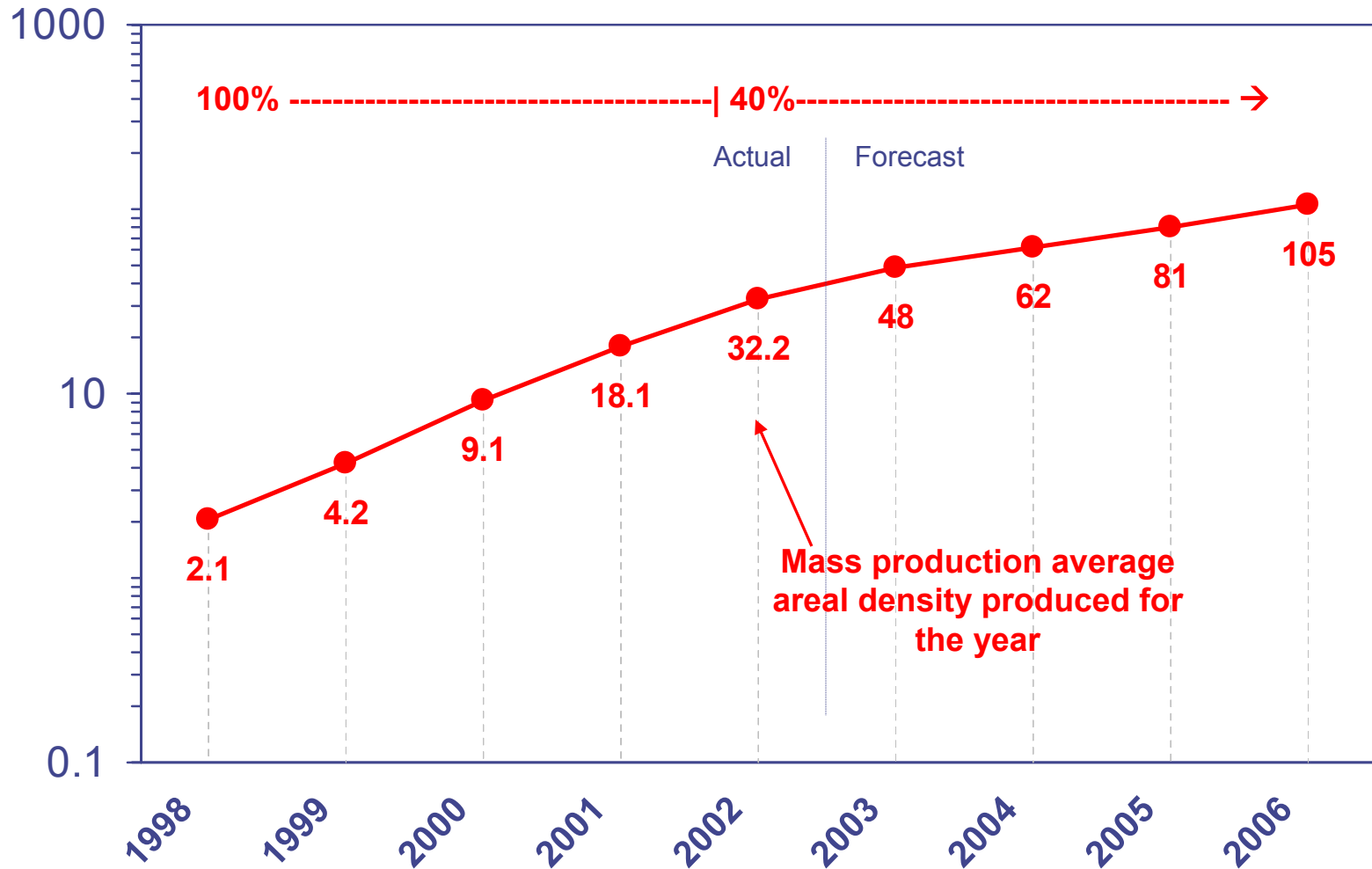


# HDD Storage Growth



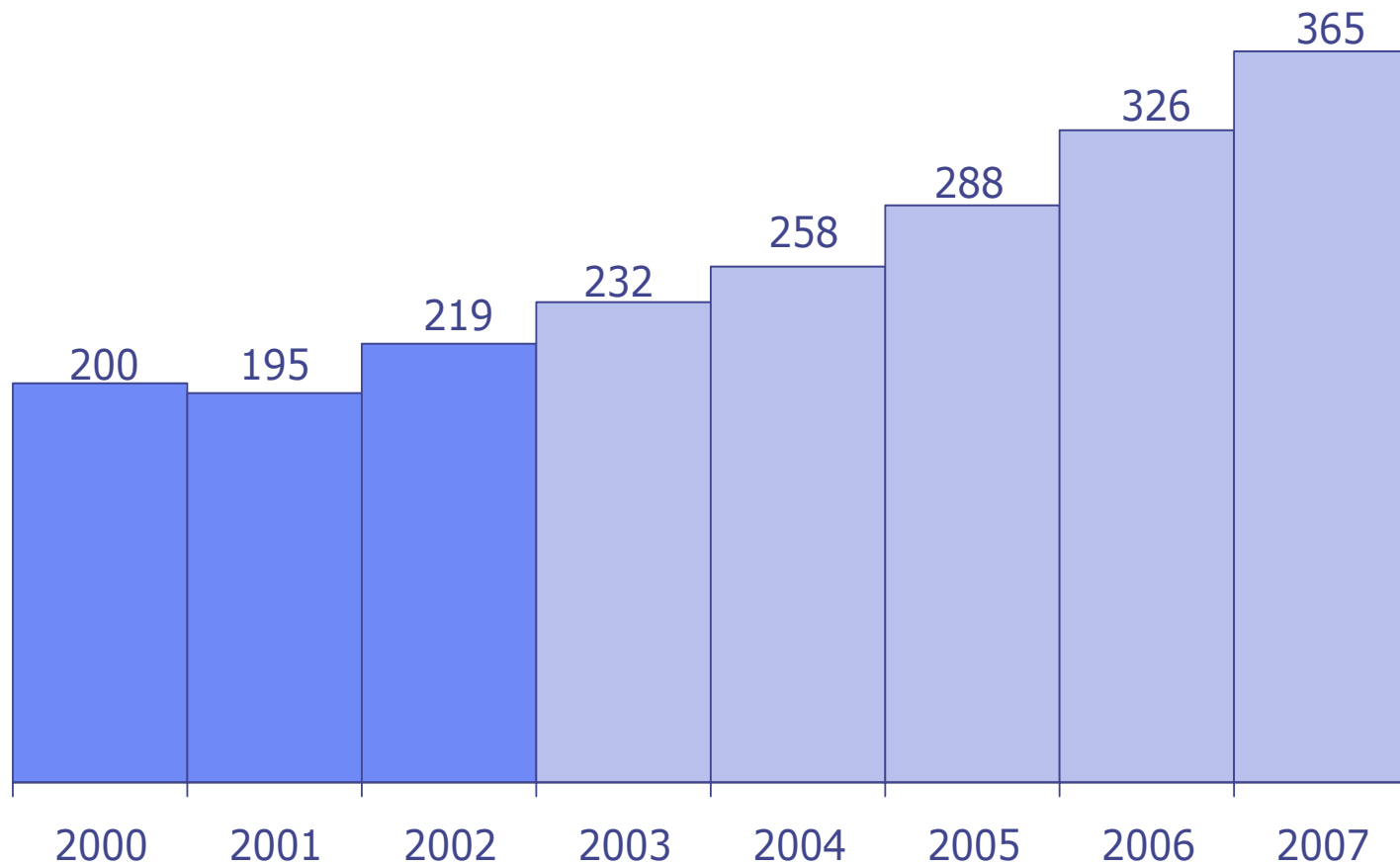
# Areal Density

## Mass Production Gbits / inch<sup>2</sup>



# WW HDD Unit Shipments

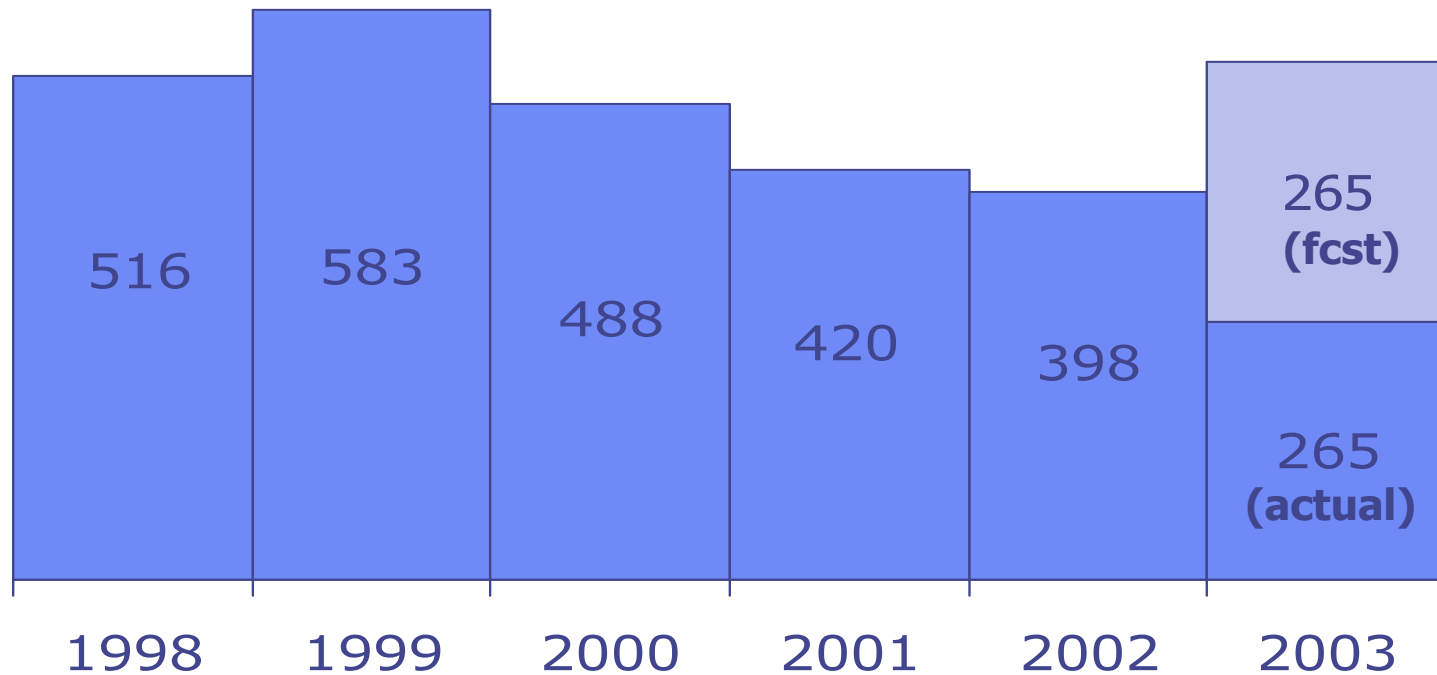
*(units in millions)*



Source: IDC

# HTI Suspensions Shipped

*(units in million)*

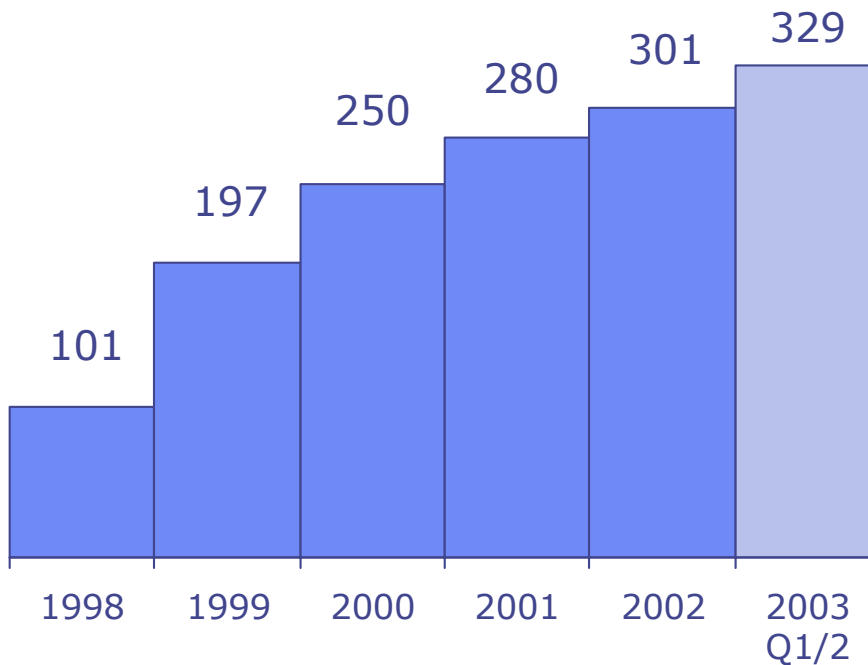


# Improving Productivity and Efficiency

# Productivity

*(in thousands)*

Average Weekly Output  
(per TSA assembly unit)

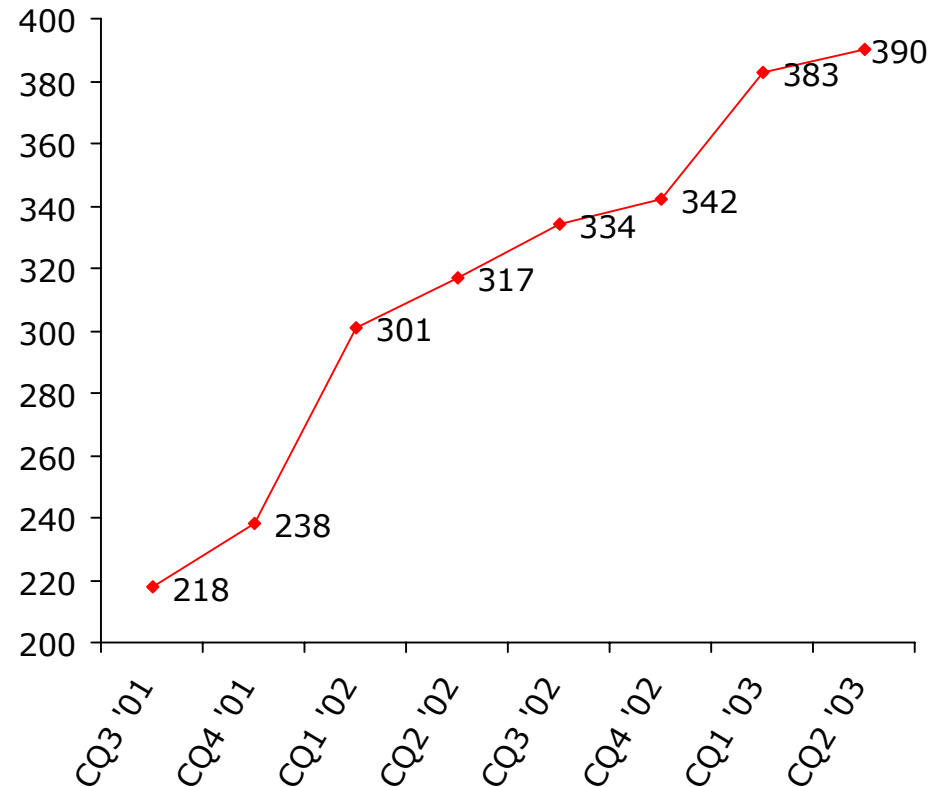


- Improving Yields
- Increasing manufacturing output
- Controlling costs

# Efficiency

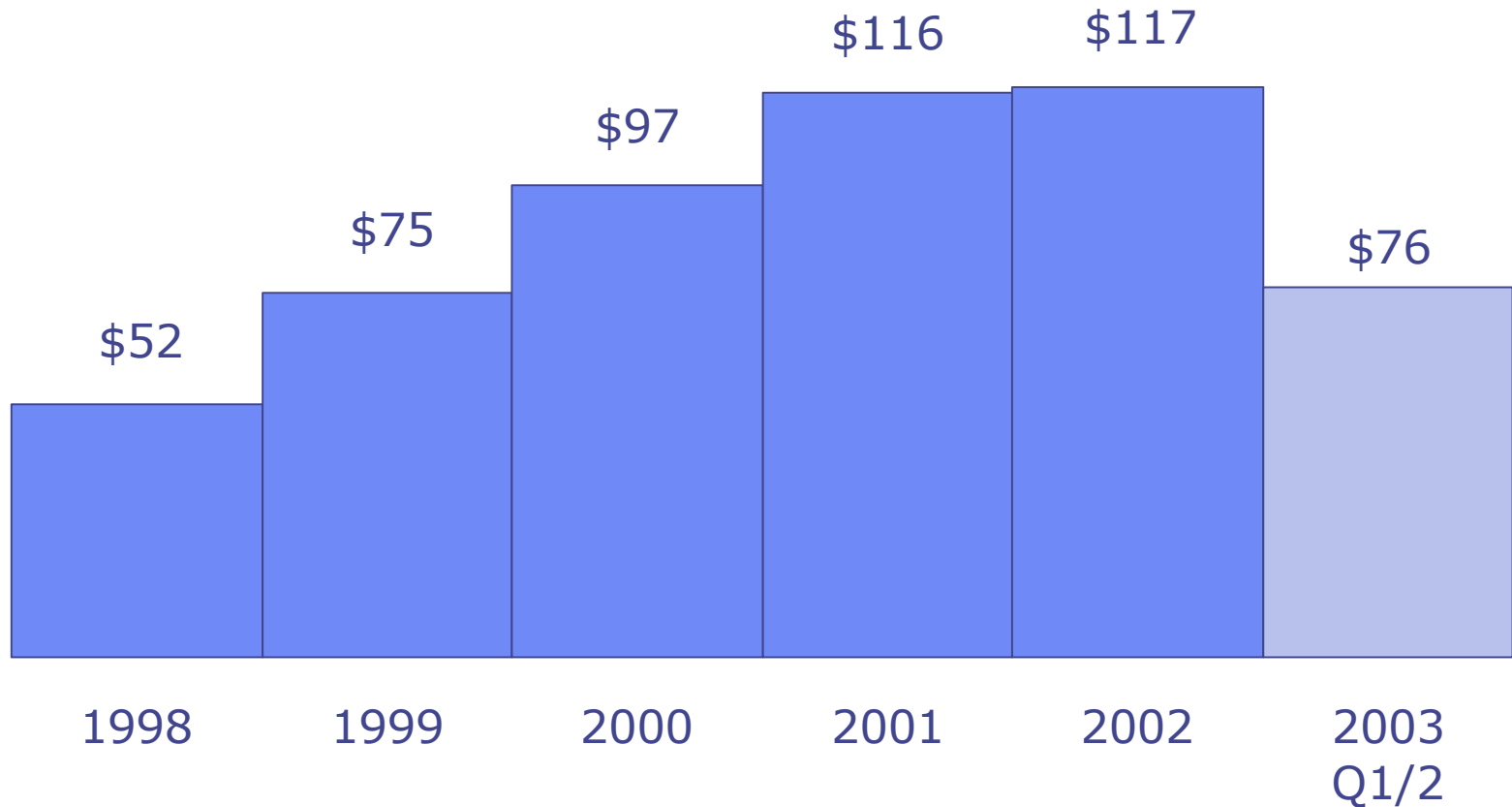
- Suspensions produced per labor hour have increased as a result of improved:
  - Yields
  - Equipment utilization
  - Efficiency
- Number of operators per production unit has decreased from 12 to 5 on recent new TSA programs

**Output Per Assembly Labor Hour**



# Revenue Per Employee

(in thousands)



# Diversification Opportunity



# InSpectra™

## Potential Applications

- Vascular
- Shock Resuscitation
- Orthopedics
- Performance Training

## Accomplishments to Date

- FDA marketing clearance received
- Clinical studies in progress



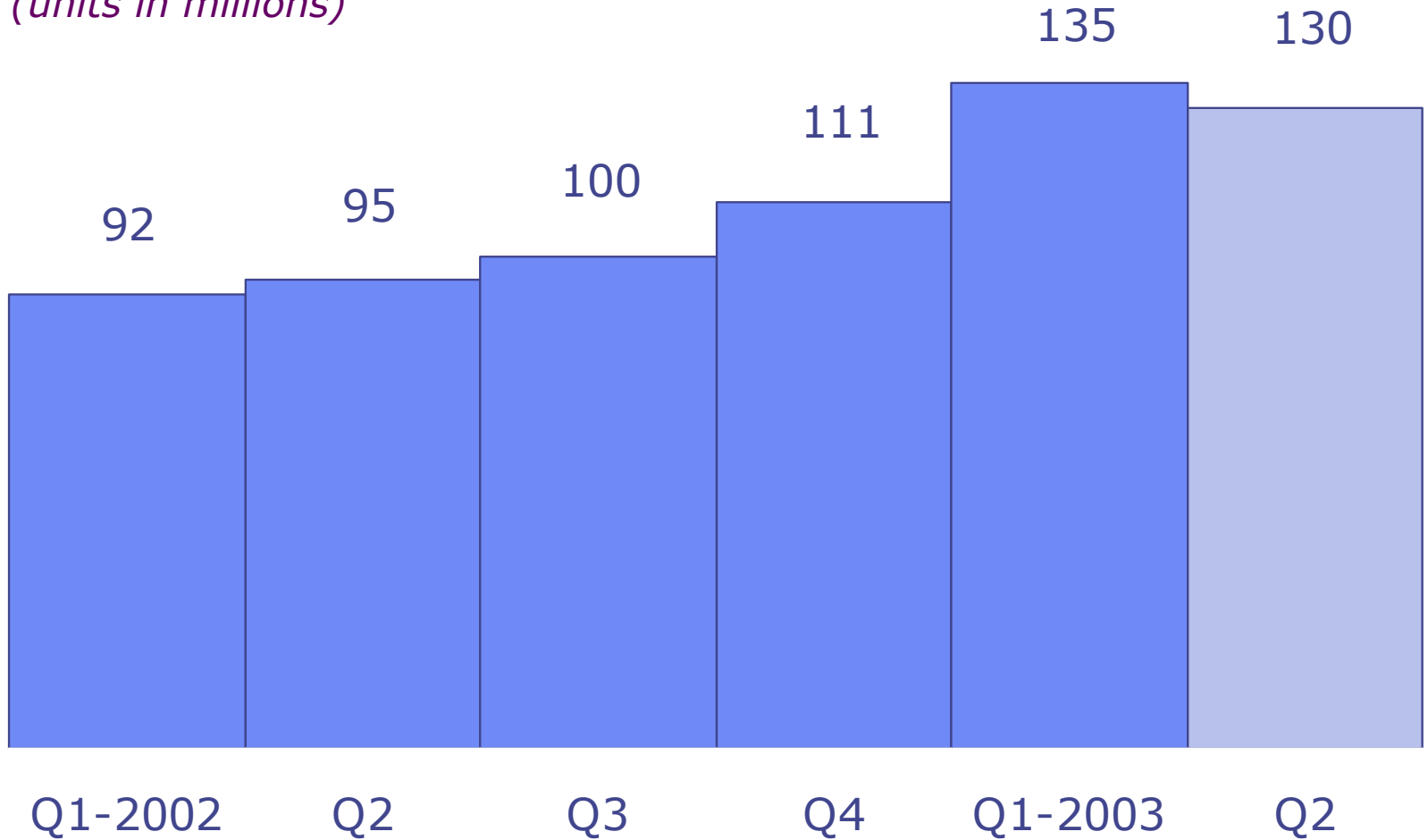
## 2003 Focus

- Establish clinical utility and value of metric
- Focus on “early adopters”

# Financial Performance Review – Fiscal Q2 2003

# Suspensions Shipped

*(units in millions)*

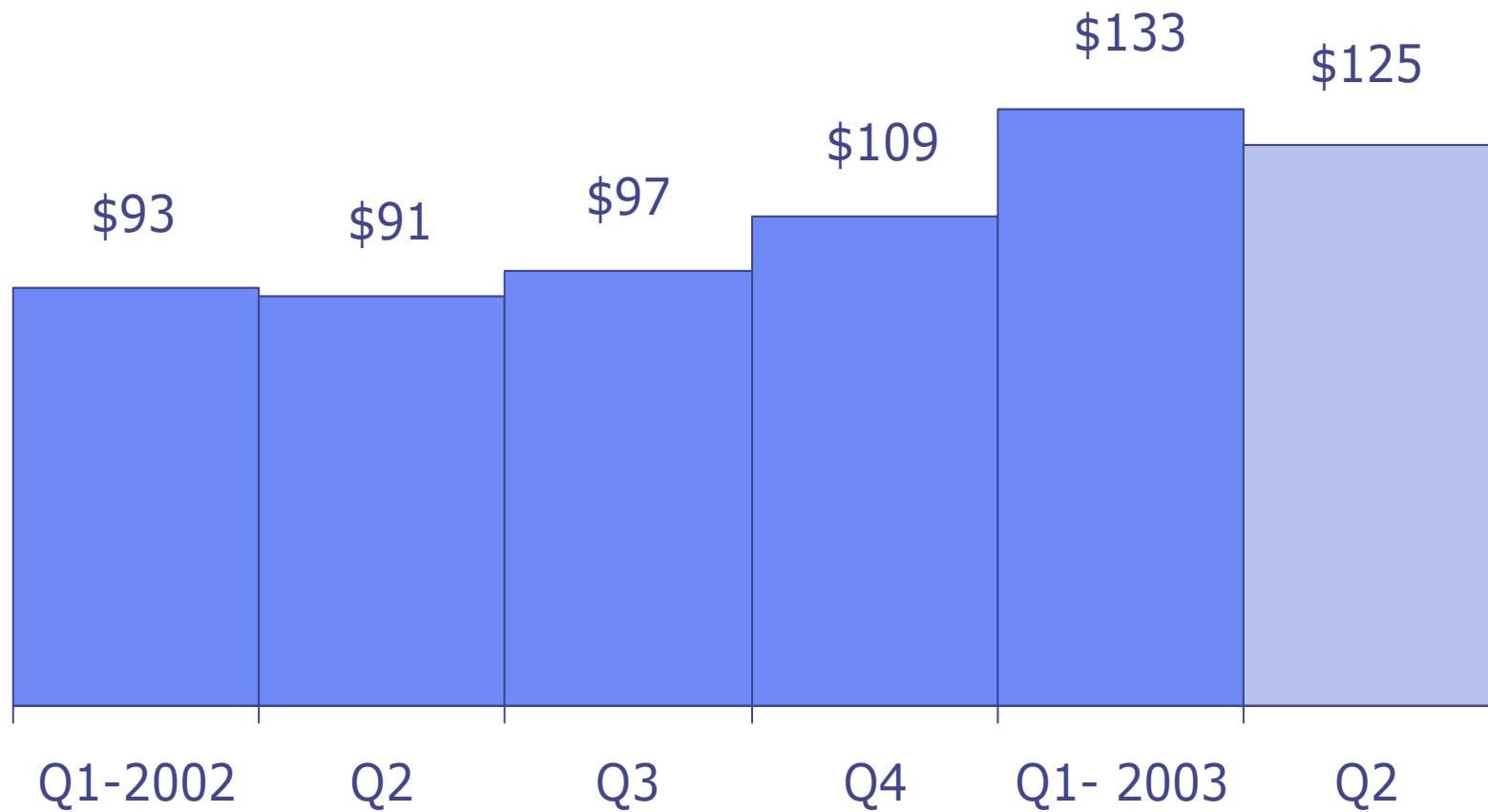


# Average Sell Price

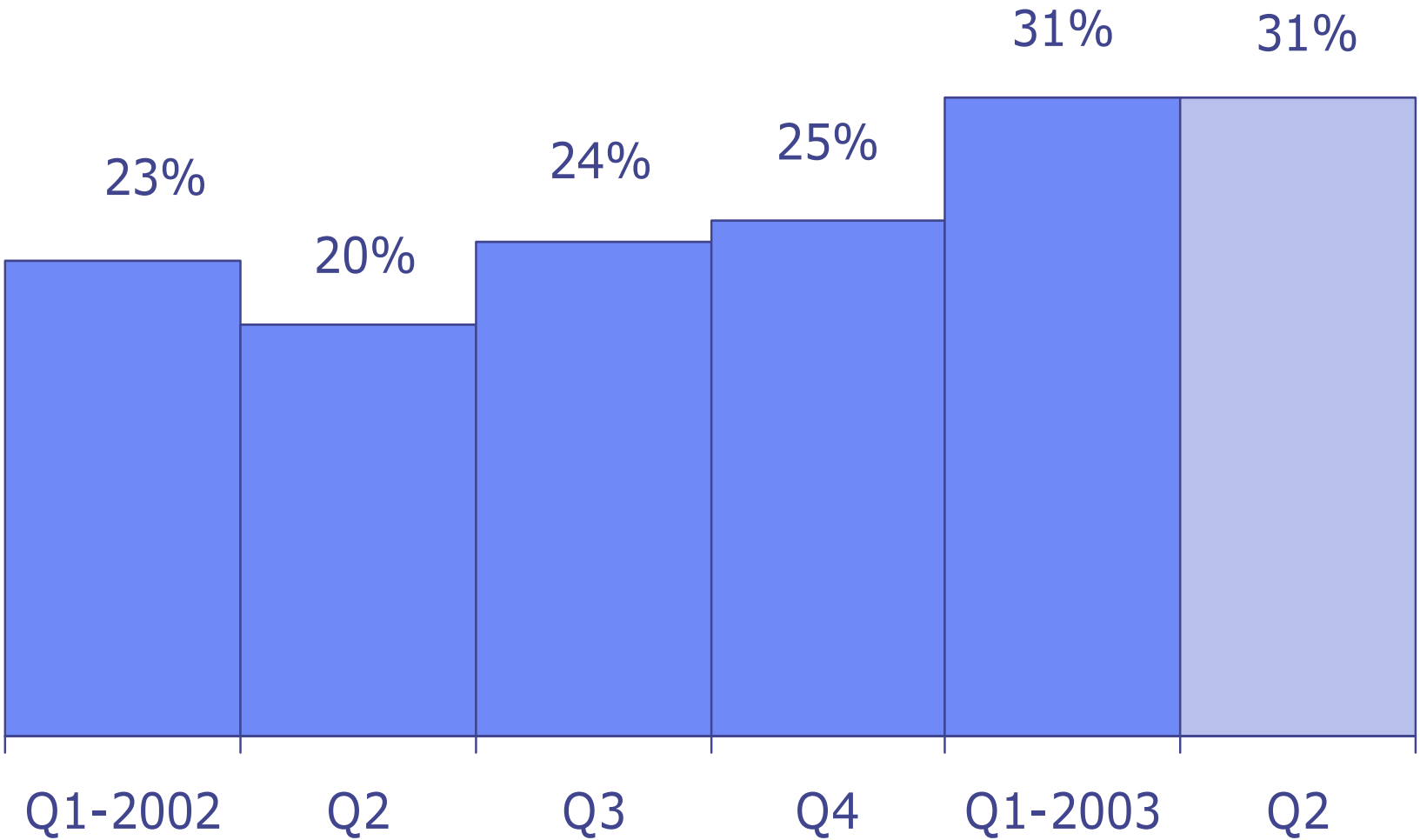


# Sales

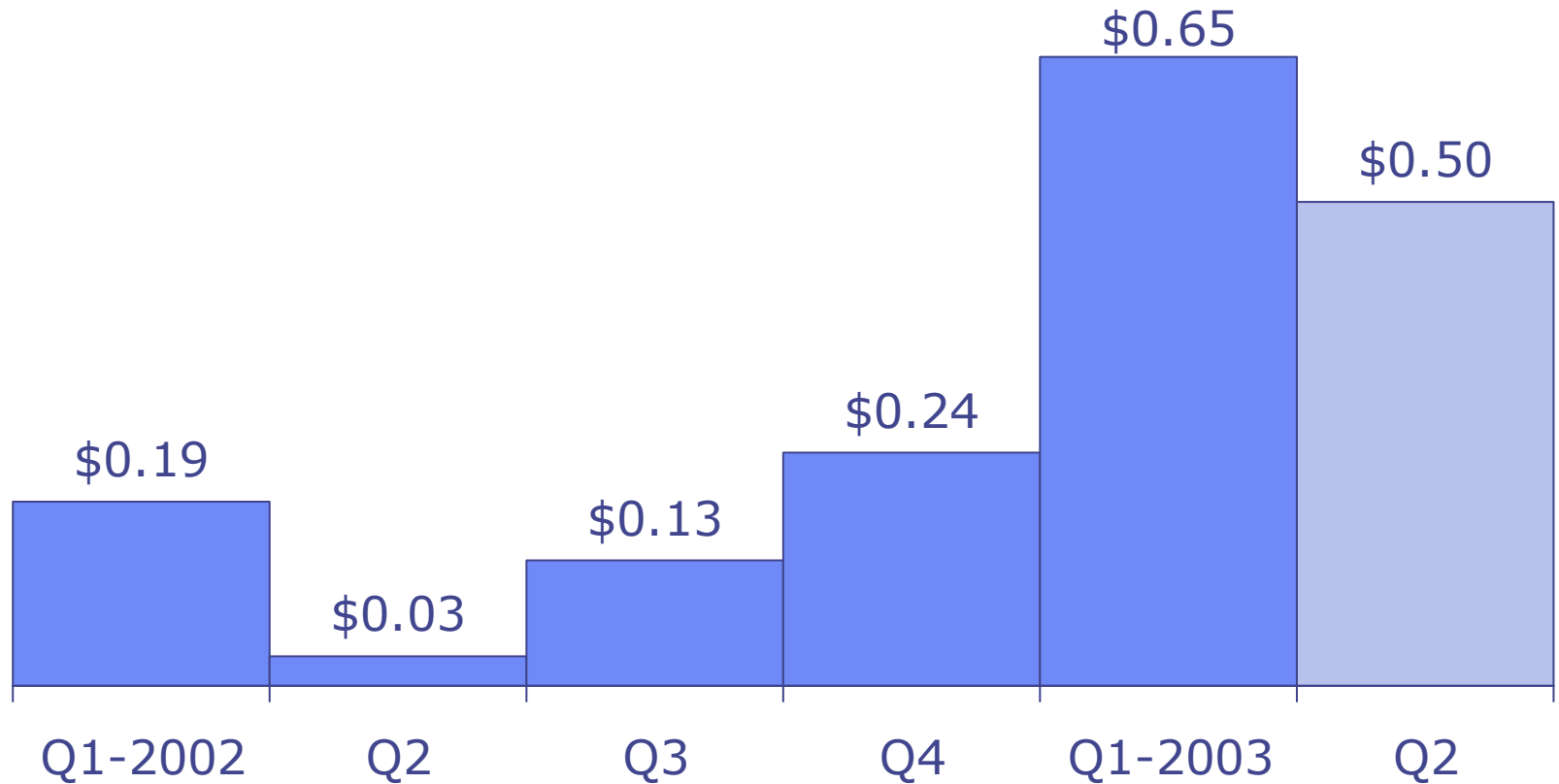
*(in millions)*



# Gross Margins

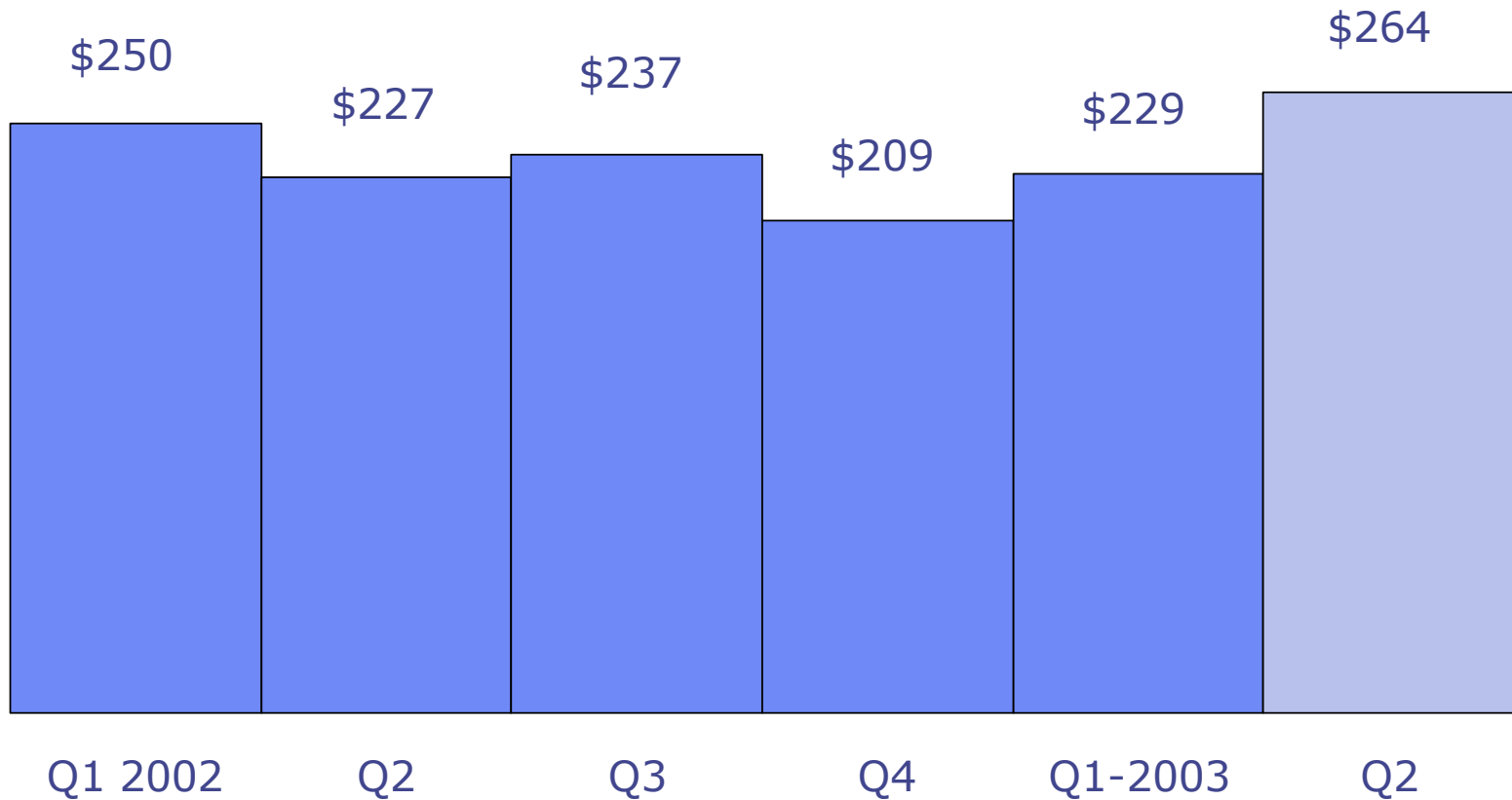


# Earnings Recovering

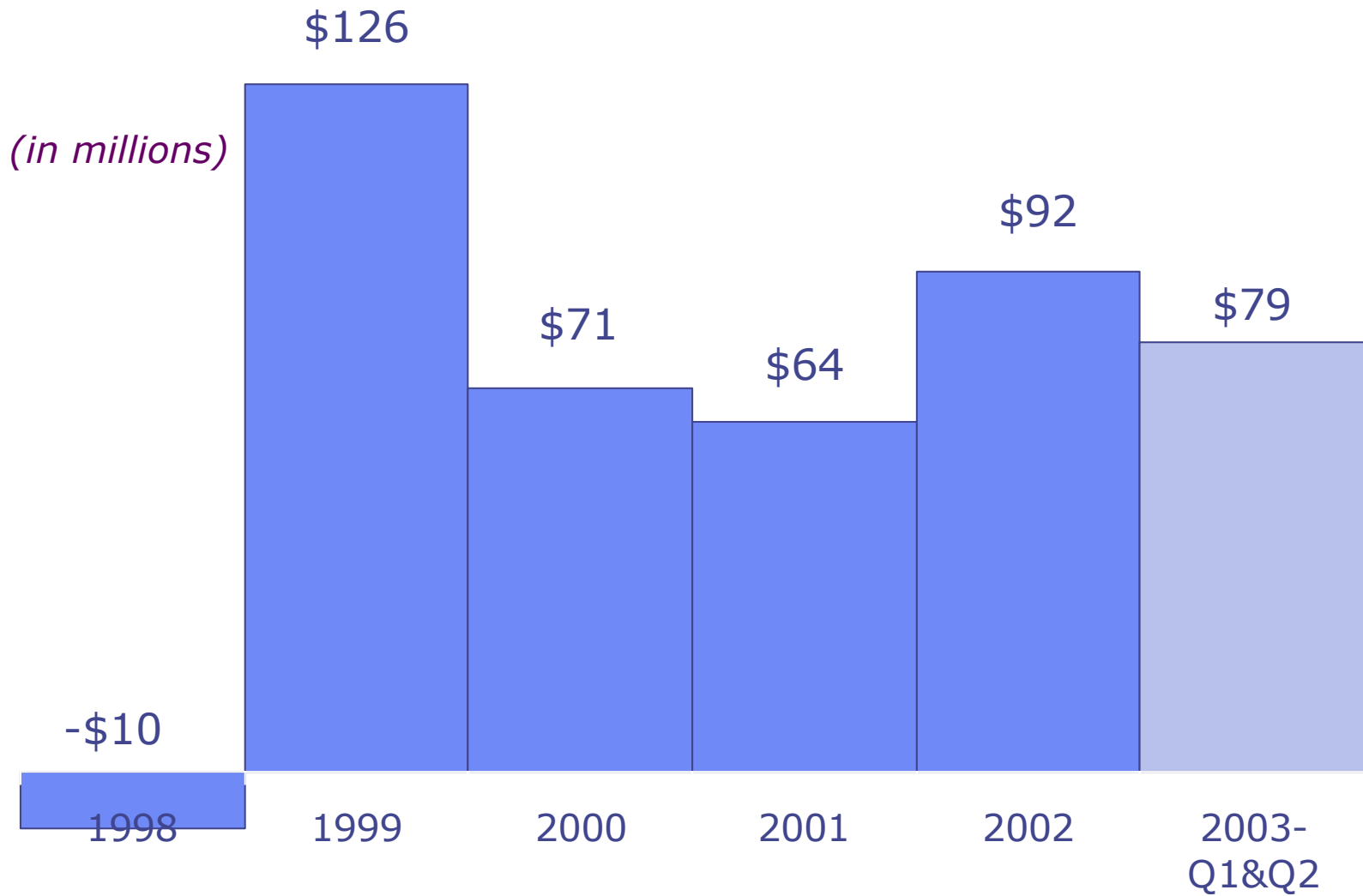


# Cash and Securities

*(in millions)*



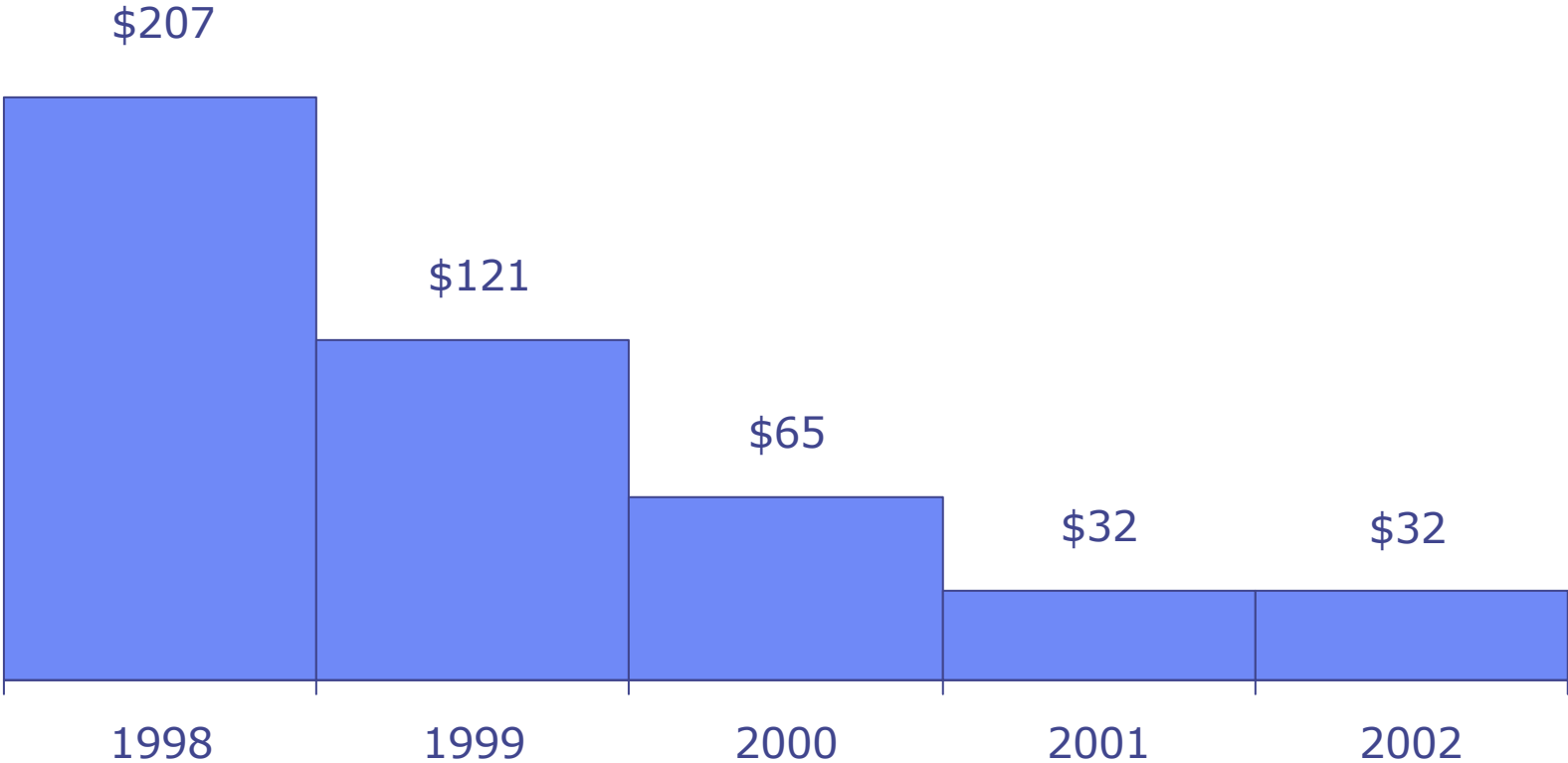
# EBITDA



(Earnings before interest, taxes, depreciation and amortization from continuing operations excluding special charges)

# Capital Expenditures

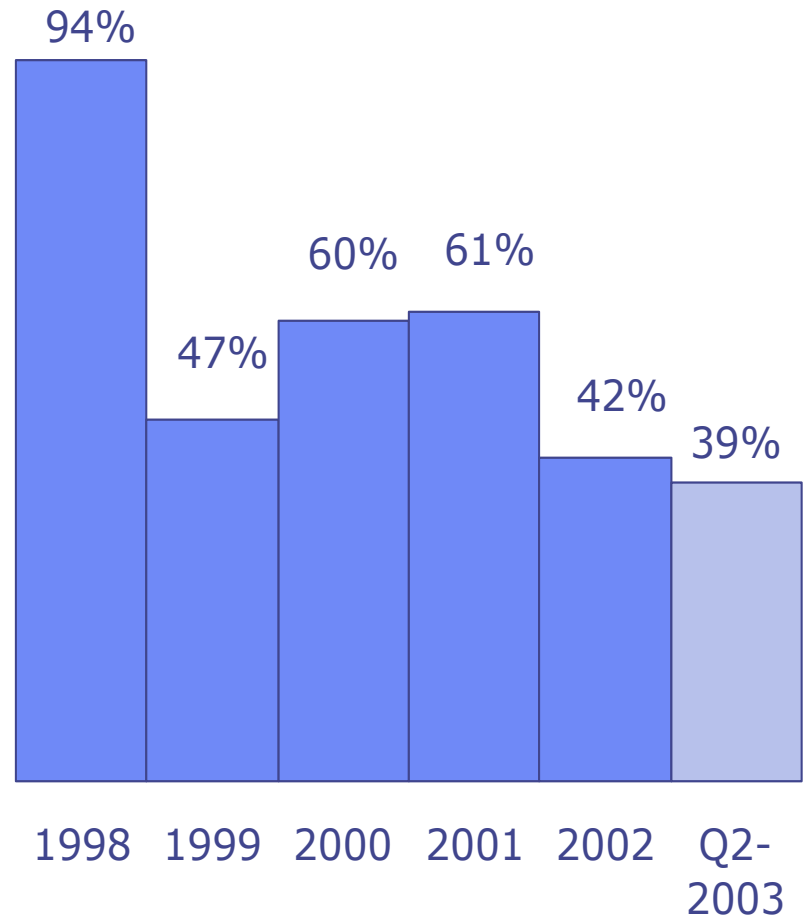
*(in millions)*



# Financial Position

## Debt-to-Equity Ratio Improving

- Redeemed \$133M of 6% Convertible debt - 2q'03
- Completed \$150M of 2.25% Convertible debt - 2q'03



# Fiscal 2003 – Q3 Guidance

Net Sales                      \$125M – \$135M

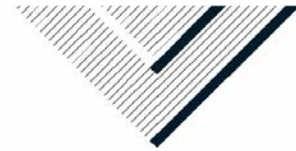
Gross Profit                    26% - 31%

E.P.S.                            \$0.50 - \$0.60

# Summary

- Strong leadership position in growing industry
- Capabilities aligned with customers' needs
- Strong balance sheet

Hutchinson  
TECHNOLOGY



# Question and Answer Session

# Hutchinson Technology Incorporated



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