

Financial Highlights (In thousands)

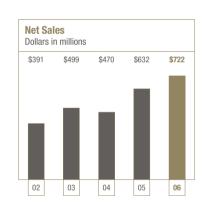
For the Year:	2006	2005	2004	2003	2002
Net sales	\$721,507	\$631,581	\$469,696	\$498,946	\$390,694
Income before income taxes	\$ 23,882	\$ 67,782	\$ 43,660	\$ 79,632	\$ 17,649
Percent of net sales	3%	11%	9%	16%	5%
Net income	\$ 20,476	\$ 54,881	\$ 73,113	\$ 64,502	\$ 15,002
Percent of net sales	3%	9%	16%	13%	4%
Weighted average common and diluted shares outstanding	30,815	30,779	31,453	31,410	25,534
At Year End:					
Cash, cash equivalents and securities available for sale	\$290,441	\$206,511	\$258,060	\$292,365	\$209,109
Shareholders' investment	\$578,724	\$552,539	\$473,552	\$431,375	\$356,961
Return on shareholders' investment	4%	11%	16%	16%	4%

About the company

Hutchinson Technology is a global technology leader committed to creating value by developing solutions to critical customer problems. Our culture of quality, continuous improvement, superior innovation and a relentless focus on the fundamentals enables us to lead in the markets we serve.

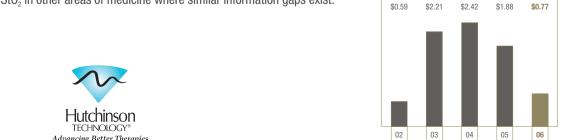
Our Disk Drive Components Division is the world's leading supplier of suspension assemblies for disk drives. Suspension assemblies are precise electro-mechanical components that hold a disk drive's recording head at microscopic distances above the drive's disks. Our innovative product solutions help customers improve yields, increase reliability and enhance disk drive performance, thereby increasing the value they derive from our products.

Our BioMeasurement Division is filling a critical information gap in the monitoring of trauma patients with the introduction of the InSpectra™ StO₂ Tissue Oxygenation Monitor. Launched in late 2006, the device gives hospital trauma teams the ability to noninvasively and continuously measure tissue oxygen saturation (StO₂) and monitor it during resuscitation. Because tissue oxygenation is fundamental to health, we continue to study the potential benefits of monitoring StO₂ in other areas of medicine where similar information gaps exist.



Annual Earnings per Share

In dollars







Creating value through a culture

At Hutchinson Technology, enduring competitive advantage arises from our proven ability to develop and implement ideas that solve critical problems, create value and earn an economic return. This ability is rooted in a culture of excellence distinguished by focus on facts and fundamentals, a passion for continuous improvement and emphasis on innovation. This culture is brought to life by people who set high standards, take initiative and think and act like owners.

Fundamentals We emphasize understanding fundamental science and engineering principles across multiple fields, including physics, optics, chemistry and metallurgy. Economic, scientific and engineering disciplines permeate our approach to developing innovative solutions to customers' challenges, whether in the disk drive industry or in the development of new medical devices. Data and facts drive our decision making.









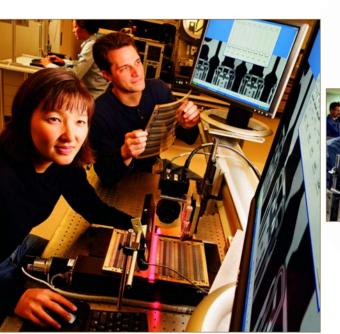


Process We complement our emphasis on data, facts, science and engineering with a passion for process improvement and application of quality disciplines. We strive relentlessly to optimize efficiency, yield, throughput and quality across every process to improve profitability and enhance customers' overall experience of working with us. Every person and every facet of our business must be on a continuous improvement path.

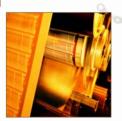


Innovation We strive to innovate faster and better than our competitors to give customers compelling reasons to do business with us. We begin by developing a thorough understanding of what customers value. We translate that understanding into breakthrough products, distinctive capabilities and proven processes that we adhere to rigorously.

of excellence







People Our culture of excellence is brought to life by our people. We hire talented people, provide ongoing training for them and encourage continuous learning. We evaluate them objectively and reward them based on team and individual contributions to our company's success. Our employee development and compensation management systems help drive team and individual responsibility and accountability for long-term growth and profitability, innovation, customer satisfaction and attainment of continuous improvement goals.

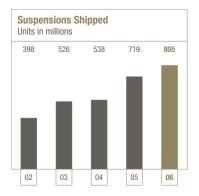
The merits of our culture of excellence are evident in the solutions to disk drive performance challenges we have developed in our Disk Drive Components Division and in the patient monitoring breakthrough represented by our InSpectra™ StO₂ Tissue Oxygenation Monitor. In the disk drive industry, the TSA platform we developed to address challenges presented by smaller disk drive form factors has been adopted industry-wide. Our TSA+ platform, currently in development, will help meet the challenges presented by further disk drive and suspension assembly miniaturization and help our customers further improve disk drive performance. In medical care, our InSpectra™ StO₂ Tissue Oxygenation Monitor overcomes deficiencies of current methods of measuring tissue oxygenation and fills a critical and widely recognized information gap in the monitoring of trauma and emergency medicine patients.

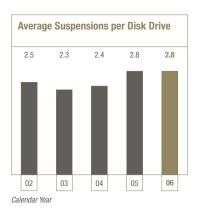
Consistently delivering problem-solving innovations such as these requires a unique mix of economic understanding, scientific and engineering expertise, marketing insight, operational excellence and management discipline that is not easily replicated. At Hutchinson Technology, our culture of excellence is the foundation of our competitive advantage.

Letter to shareholders

Five years ago, Hutchinson Technology shipped approximately 420 million suspension assemblies during its fiscal year while unit shipments of disk drives for the calendar year totaled about 195 million. For 2006, our shipments of suspension assemblies nearly doubled compared to the 2001 level, totaling 805 million, and unit shipments of disk drives for calendar 2006 are expected to be more than double the 2001 total, reaching approximately 437 million.

These numbers provide perspective on the longer-term trend in disk drive and suspension assembly demand. Within the longer-term trend, however, there have been and will continue to be considerable fluctuations in short-term demand. For instance, our unit shipments of suspension assemblies declined from 2001 to 2002, spiked 32 percent from 2002 to 2003, were relatively flat from 2003 to 2004, then spiked again – up 34 percent – from 2004 to 2005. Our 2006 suspension assembly shipments increased 12 percent compared with 2005.







John A. Ingleman Sr. Vice President and Chief Financial Officer

Wayne M. Fortun
President and
Chief Executive Officer

Throughout our history, we have managed through fluctuations in demand, transitions to new technologies and changes in the composition of our customer base in the disk drive industry. Constant in this often turbulent environment has been our focus on operating excellence and continuous improvement and on solving customers' problems through innovations derived from our engineering and technical expertise. As a result, we are able to weather turbulence and emerge from transitional periods a stronger company.

2006 was another of the challenging transitional years the industry often presents. While we achieved record levels of suspension assembly shipments and net sales in 2006, we also managed through several challenges. These included:

- Significant fluctuations in projected demand growth
- Underutilization of manufacturing capacity added in anticipation of strong demand growth
- Further consolidation among the disk drive makers as Seagate acquired Maxtor, and
- Transitions in fundamental suspension assembly and disk drive technologies requiring extraordinary investments in our processes.

2006 was also an important year for investment in our BioMeasurement Division. As fiscal 2007 began, we were beginning the commercial introduction of our **InSpectra™ StO**₂ Tissue Oxygenation Monitor in targeted trauma and emergency medicine markets.

Looking ahead, we expect the actions we are taking to develop new manufacturing capabilities and diversify our business will be rewarded with a further strengthening of our competitive position in the disk drive industry and substantial new opportunities in the medical market.

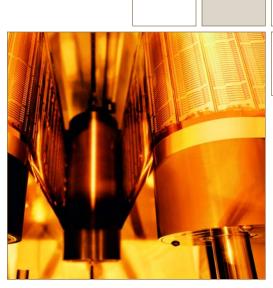
Volume Growth

Demand for suspension assemblies continued to grow in 2006, but at a more moderate pace than in the prior year. Further consolidation among disk drive manufacturers resulted in the elimination of some disk drive programs, creating some uncertainty in the disk drive industry supply chain. In the second half of our year, seasonally lower demand for disk drives used in desktop applications and customers' management of their component inventories reduced suspension assembly demand. Despite this challenging environment, we increased our shipment volumes by 12 percent compared with 2005, generating record net sales of \$722 million.

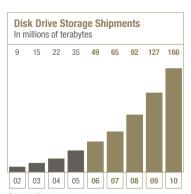
Our capacity utilization and manufacturing efficiency, which vary depending on overall demand and product mix, have a substantial impact on our profitability. In the first half of our year, our gross margins were reduced by lower yields and productivity on an increasing mix of advanced TSA products. In the second half, our yields and productivity increased substantially as our manufacturing proficiency improved, but demand weakened. This resulted in underutilization of recently added manufacturing capacity, and the associated higher depreciation and overhead costs further reduced our gross margins. For the full year, our gross margin was 20 percent compared with 28 percent in 2005.

The long-term outlook for the proliferation of disk drive applications and the resulting growth in unit shipments remains strong. Storage industry analysts currently expect unit shipments to grow at a compound annual rate of 13 to 14 percent over the next five years.

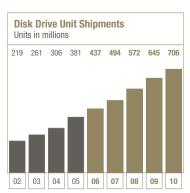
We expect the long-term rate of growth in suspension assembly shipments to approximate the rate of growth in disk drive shipments. Short-term swings related to seasonality, product introduction



Our TSA+ additive process technology will enable us to meet further miniaturization and precision requirements for future suspension assembly products.



Calendar Year Source: IDC WW Hard Disk Drive 2006-2010 Forecast Update. November 2006



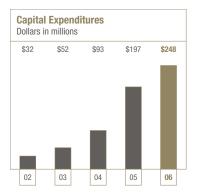
Calendar Year Source: IDC WW Hard Disk Drive 2006-2010 Forecast Update, November 2006

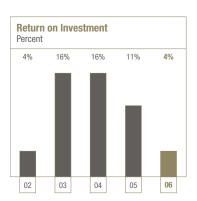
cycles and the pace of adoption of new technologies will continue. We strive to mitigate the effects of short-term volatility on our operating results and the pace of our capital investments in several ways, including improving yields and productivity, controlling our costs and strategically managing our inventories.

Technology Transitions

To maintain our industry leadership and meet customers' requirements, we have made significant investments in new capabilities for producing suspension assemblies and in the capacity required for a changing product mix. The mix of suspension assemblies making up future volume will accommodate smaller recording heads, finer electrical conductors and advanced features needed to achieve specific performance criteria.

To meet this market need, we are enhancing our current "subtractive" manufacturing processes to enable production of advanced





TSA products incorporating finer conductors and features. We are also simultaneously developing "additive" processes that build up rather than etch out even finer conductors and features, to create our TSA+ platform. Our progress on both our advanced subtractive processes and new TSA+ additive processes is proceeding as planned, which will enable us to meet market requirements resulting from further increases in data density and the continuing shift to smaller form factor recording heads and disk drives.

We delivered initial samples of TSA+ suspensions in late 2006 and expect to have a volume TSA+ production line ready during 2007. TSA+ suspensions will likely account for only a small portion of our total 2007 shipments, which will give us time to gain proficiency with the related new processes ahead of our expected shift to this platform.

We are also managing process development, capacity expansion and related capital investment and research and development spending to balance near-term volume and product mix with longer-term demand trends and customer adoption of new technologies. During 2006, we deferred some equipment deliveries and installations to adjust for weaker near-term demand. However, some of our capital investments related to longer lead-time projects. These projects could not be deferred without jeopardizing the development and availability of capabilities we will need to meet future customer requirements and maintain our industry leadership.

Commercial Launch of InSpectra™ StO₂ Tissue Oxygenation Monitor Begins

Assessing tissue oxygenation is critical in trauma care. Insufficient tissue oxygenation, which is not easily detected, can lead to shock and put patients at high risk of death. For instance, auto accident victims with no obvious external signs of trauma may have internal injuries that could lead to insufficient delivery of oxygenated blood to their organ and muscle tissues.

Because of the limitations of common methods of assessing tissue oxygenation, trauma physicians have long expressed a need for an objective, noninvasive, direct and continuous way to monitor tissue oxygenation. The InSpectra™ StO₂ Tissue Oxygenation Monitor, developed by our BioMeasurement Division, meets this need by providing a noninvasive, continuous and direct measurement of local tissue oxygenation.

This second-generation device incorporates a number of changes to the original device, which was intended primarily for research studies. The changes, which were suggested by trauma physicians and nurses, support clinical use of the device in trauma and emergency medicine settings. Among them are improved portability, start-up speed and ruggedness, backup battery power and a trended display of StO₂ readings.

As our new year began, researchers presented the results of our multi-site StO₂ Trauma Study at a number of medical conferences in the United States and Europe. We initiated this study in 2004 to identify the role that StO₂ monitoring with our device could play in hemorrhagic shock and resuscitation. The study results confirmed the utility of StO₂ monitoring in helping physicians determine if patients are experiencing poor tissue oxygenation due to compromised circulation, which is commonly associated with shock. Obtaining marketing approval from the U.S. Food and Drug Administration in July 2006, completion of the multi-site StO₂ Trauma Study and securing the CE Mark in October 2006 cleared the way for the commercial launch of the InSpectra™ StO₂ Tissue Oxygenation Monitor in the first quarter of fiscal 2007.

From the very start, our entry into the medical device marketplace has emphasized a thorough understanding of the relevant science that characterizes our culture and problem-solving approach. In developing the InSpectra™ StO₂ Tissue Oxygenation Monitor, we also drew on engineering capabilities, leading-edge measurement expertise and process, quality and customer engagement disciplines core to our suspension assembly business. As a result, we were able to bring the medical marketplace an innovative product that fills a critical, widely recognized information gap in the monitoring of trauma patients.

Because tissue oxygenation is so fundamental to health, we also envision many other applications for this product. Our goal is to support each application with strong clinical data as we are doing now for the use of this device in trauma care.

Entering 2007, our company is well positioned to continue creating value for customers and shareholders. Our balance sheet is strong, bolstered by the addition of low cost debt during 2006. We managed down our capital spending during the year and expect the level of capital investment required in 2007 to be substantially less than that of the prior two years. Our enhanced process capabilities will strengthen our ability to satisfy long-term growth in suspension assembly demand, as well as requirements driven by disk drive and suspension assembly miniaturization. In our BioMeasurement Division, commercial launch of our InSpectra™ StO₂ Tissue Oxygenation Monitor has begun.

We thank our people for their dedication and effort in 2006. They collectively create and sustain the culture of excellence that is our company's distinctive strength and key source of competitive advantage. We look forward to the new year with excitement and confidence.

Wayne M. Fortun

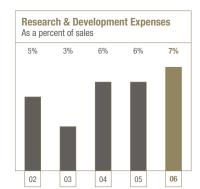
President and Chief Executive Officer

John a Jozlem

Wayne M. fortun

John A. Ingleman

Sr. Vice President and Chief Financial Officer



Directors and Officers

Directors

Jeffrey W. Green ****
Chairman of the Board
Hutchinson Technology Inc.
Director since 1965

Wayne M. Fortun President and Chief Executive Officer Hutchinson Technology Inc. Director since 1983

W. Thomas Brunberg*
Chairman
Brunberg Blatt and Company, Inc.
(Accounting Firm)
Director since 1975

Archibald Cox, Jr.**, ****
Chairman
Sextant Group, Inc. (Financial
Advisory Firm)
Director since 1996

Russell Huffer*, *****
Chairman, President
and Chief Executive Officer
Apogee Enterprises, Inc.
(Manufacturing)
Director since 1999

William T. Monahan**, ***
Chairman and Interim
Chief Executive Officer
Novelis, Inc.
(Manufacturing)
Director since 2000

Richard B. Solum**, ***
Retired Partner
Dorsey & Whitney LLP
(Law Firm)
Director since 1999

Thomas R. VerHage *,***
Vice President and
Chief Financial Officer
Donaldson Company, Inc.
(Manufacturing)
Director since 2006

- *Audit Committee
- **Compensation Committee
- ***Governance and Nominating Committee
- ****Competitive Excellence Committee

Officers

Jeffrey W. Green Chairman of the Board Joined HTCH in 1965

Wayne M. Fortun President and Chief Executive Officer Joined HTCH in 1975

John A. Ingleman Sr. Vice President and Chief Financial Officer Joined HTCH in 1977

Peggy Steif Abram Secretary Faegre & Benson LLP Appointed in 2003

Rebecca A. Albrecht Vice President of Human Resources Joined HTCH in 1983

Ruth N. Bauer Treasurer Joined HTCH in 1985

Kevin D. Bjork Vice President of Quality Joined HTCH in 1982

Richard G. Fiedler Vice President of Engineering Disk Drive Components Division Joined HTCH in 1989 Beatrice A. Graczyk Vice President of Business Development Joined HTCH in 1970

Peter J. Ollmann Vice President of Operations Disk Drive Components Division Joined HTCH in 1987

Richard J. Penn Sr. Vice President and President Disk Drive Components Division Joined HTCH in 1981

David P. Radloff Vice President of Corporate Finance Joined HTCH in 1986

R. Scott Schaefer Vice President and Chief Technical Officer Joined HTCH in 1979

Kathleen S. Skarvan Vice President of Sales and Marketing Disk Drive Components Division Joined HTCH in 1980

Christina M. Temperante Vice President and President BioMeasurement Division Joined HTCH in 2001

Corporate Information

Corporate Headquarters
Hutchinson Technology Inc.
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Hutchinson, Minnesota
55350-9784
(320) 587-3797

Other U.S. Locations
Eau Claire, Wisconsin
Plymouth, Minnesota
Sioux Falls. South Dakota

Foreign Offices
Arnhem, Netherlands
Bangkok, Thailand
Chang An,
Guangdong Province, PRC
Dongguan City,
Guangdong Province, PRC
Seoul, South Korea
Singapore
Tokyo, Japan
Wuxi, Jiangsu Province, PRC

Annual Shareholders Meeting Wednesday, January 31, 2007 10:00 a.m. Central Standard Time Hutchinson Technology Inc. 40 West Highland Park Drive NE Hutchinson, Minnesota 55350-9784

Common Stock Listing Traded in The NASDAQ Global Select Market Trading symbol: HTCH Shareholders of Record as of December 7, 2006: 621

Dividend Policy
We have never paid any cash dividends on our common stock. We currently intend to retain all earnings for use in our business and do not anticipate paying cash dividends in the foreseeable future. Any future determination as to payment of dividends will depend upon our financial condition and results of operations and such other factors as are deemed relevant by the Board of Directors.

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Wells Fargo Bank, N.A.
Shareowner Services
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55075-1139
(800) 468-9716

Independent Registered Public Accounting Firm Deloitte & Touche LLP Minneapolis, Minnesota

Legal CounselFaegre & Benson LLP
Minneapolis, Minnesota

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Information Online
We invite you to learn more
about Hutchinson Technology Inc. at
www.htch.com and
www.htibiomeasurement.com

