

**2010
HARD DISK DRIVE
CAPITAL EQUIPMENT
MARKET & TECHNOLOGY
REPORT**



COUGHLIN ASSOCIATES
SAN JOSE, CALIFORNIA

June 2010

**2010-2015 Capital Equipment
and Technology Report
for the Hard Disk Drive
Industry**

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and
Ed Grochowski**

**COUGHLIN ASSOCIATES
SAN JOSE, CALIFORNIA**

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TABLE OF CONTENTS

	PAGE
INTRODUCTION	15
THE AUTHORS.....	17
ACKNOWLEDGEMENTS:	18
EXECUTIVE SUMMARY	20
SPIN TORQUE TRANSFER MRAM.....	30
MARKET AND INDUSTRY OVERVIEW	36
MARKET OVERVIEW	36
<i>Component Shortages in 2010 and 2011?</i>	41
<i>Disk and Head Projections</i>	42
INDUSTRY OVERVIEW	44
<i>Projections by Application, Form Factor and Substrate</i>	44
<i>Quarterly Production Variations</i>	46
<i>Drive and Component Market Shares</i>	50
TECHNOLOGY ISSUES AND DIRECTIONS.....	62
HDD TECHNOLOGY DEVELOPMENT	62
INTRODUCTION OF NEW TECHNOLOGIES	67
COMPONENT TECHNOLOGY	71
<i>Lithography</i>	71
<i>Magnetic Heads</i>	74
<i>Magnetic Media</i>	87
<i>Changes in Drive Bit Aspect Ratio</i>	97
DISK DRIVE ASSEMBLY.....	101
<i>Servo Track Writing</i>	101
DISK DRIVE TESTING.....	104
DISK DRIVE COMPONENT AND SUBSYSTEM TESTING.	106
MARKET SEGMENTS AND TOP LEVEL GROWTH PROJECTIONS	114
GEOGRAPHIC BREAKDOWN.....	115
2010 CAPITAL EQUIPMENT SPENDING	115
TOP-LEVEL HEAD, DISK AND DRIVE FORECASTS	121
PRODUCTION TEST AND METROLOGY FORECASTS.....	125
PRODUCTION AND PROCESS EQUIPMENT MARKET	134
PROCESS CONTROL AND YIELDS.....	135
DISK DRIVE PROCESSES	136
MAGNETIC HEAD ASSEMBLY	138

<i>Wafer Fabrication</i>	139
<i>Key Features:</i>	143
<i>Slider Fabrication</i>	144
<i>HGA Assembly</i>	144
<i>Head Stack Assembly</i>	144
MAGNETIC MEDIA MANUFACTURING	145
<i>Media Substrate Manufacturing</i>	145
<i>Substrate Cleaning</i>	146
<i>Disk Manufacturing</i>	147
<i>Disk Lubrication</i>	152
<i>Test and Certification</i>	154
CLEANING AND CONTAMINATION CONTROL	155
PRODUCTION / PROCESS EQUIPMENT FORECASTS	159
MANUFACTURER'S PROFILES TEST & METROLOGY EQUIPMENT SUPPLIERS	165
MANUFACTURER'S PROFILES PRODUCTION / PROCESS EQUIPMENT SUPPLIERS	174

LIST OF TABLES

TABLE	PAGE
TABLE 2-1. HDD COMPANY REVENUE AND INDUSTRY CAPITAL EQUIPMENT SPENDING ESTIMATES (2007 TO 2015).	28
TABLE 3-1. AVERAGE DISK AND HEAD PER DRIVE ESTIMATES.....	42
TABLE 3-2. HDD QUARTERLY SHIPMENT CHANGES (2003-2007).	47
TABLE 3-3. HDD QUARTERLY SHIPMENT CHANGES (2003-2009).	47
TABLE 3-4. 2009 MARKET SHARE PERCENTAGE BY APPLICATION. ..	51
TABLE 3-5. 2007 MARKET SHARE PERCENTAGE BY HDD FORM FACTOR.....	51
TABLE 5-1. ASSIGNMENT OF EQUIPMENT INTO CATEGORIES.....	114
TABLE 5-2. HDD COMPANY REVENUE AND INDUSTRY CAPITAL EQUIPMENT SPENDING ESTIMATES (2007 TO 2015).	120
TABLE 5-3. HISTORICAL AND PROJECTED EQUIPMENT SPENDING GROWTH AND SPENDING PER DRIVE (PROD. TEST, PROCESS AND METROLOGY ARE IN \$M, # DRIVES IN MILLIONS AND LAST COLUMN IS \$/DRIVE).....	122
TABLE 6-1. INDEPENDENT TEST AND METROLOGY EQUIPMENT COMPANIES AND CATEGORIES.....	126
TABLE 6-2. PRODUCTION TEST EQUIPMENT AVERAGE UNIT PRICE IN 2010.....	127
TABLE 6-3. MEDIA SERVO WRITER ESTIMATES.....	127
TABLE 6-4. BURN-IN SLOT ESTIMATES.....	128
TABLE 6-5. CERTIFIER/BURNISHER STATION ESTIMATES.....	128
TABLE 6-6. PRODUCTION TEST REVENUE ESTIMATES (\$M).....	129

TABLE 6-7. METROLOGY EQUIPMENT PRICE RANGES AND AVERAGE PRICES.	130
TABLE 6-8. METROLOGY EQUIPMENT REVENUE FORECAST (\$M).....	131
TABLE 7-1. PRODUCTION/PROCESS EQUIPMENT COMPANY SUMMARY BY DRIVE AND COMPONENTS.....	137
TABLE 7-2. PRODUCTION/PROCESS EQUIPMENT SUMMARY FOR MAGNETIC HEAD MANUFACTURING.....	139
TABLE 7-3. GMR HEAD PROCESS AND EQUIPMENT VENDORS.....	140
TABLE 7-4. GMR HEAD PROCESS MEASUREMENTS.....	144
TABLE 7-5. DISK MEASUREMENT AND TEST EQUIPMENT VENDORS... 	146
TABLE 7-6. DISK AND DISK COMPONENT PRODUCTION AND PROCESS EQUIPMENT VENDORS AND THEIR MARKET SEGMENTS... 	147
TABLE 8-1. HEAD AND DISK PROCESS AND PRODUCTION AND PROCESS EQUIPMENT AVERAGE PRICES.....	159
TABLE 8-2. HEAD, DISK AND DISK DRIVE PROCESS AND PRODUCTION EQUIPMENT REVENUE PROJECTIONS.....	160

LIST OF FIGURES

FIGURE	PAGE
FIGURE 2-1. HISTORY AND PROJECTIONS FOR HDD UNIT GROWTH TO 2015 PER MARKET SEGMENT.....	20
FIGURE 2-2. BANDED HDD UNIT VOLUME ESTIMATES.....	21
FIGURE 2-3. AVERAGE DRIVE PRICE TREND FOR SEAGATE, WESTERN DIGITAL AND HGST (Q4 '98 TO Q1 '10).....	22
FIGURE 2-4. WW DISK PRODUCTION CAPACITY ESTIMATES VS DEMAND ESTIMATES (2000 THROUGH 2010).....	23
FIGURE 2-5. HDD QUARTERLY PUBLIC TECHNOLOGY DEMONSTRATIONS AND PRODUCT ANNOUNCEMENTS.....	24
FIGURE 2-6. COMPARISON OF PRODUCT ANNOUNCEMENT TRENDS VS. AREAL DENSITY GROWTH RATES.....	25
FIGURE 2-7. HDD AREAL DENSITY GROWTH AND PROJECTIONS.....	25
FIGURE 2-8. SINGLE-SIDED DISK STORAGE CAPACITY FORM FACTOR PROJECTIONS.....	26
FIGURE 2-9. HDD TECHNOLOGY INTRODUCTION WITH UNIT VOLUME GROWTH.....	26
FIGURE 2-10. HDD COMPONENT TESTING/METROLOGY ROADMAP VS. AREAL DENSITY.....	27
FIGURE 2-11. CAPITAL EQUIPMENT SPENDING VS. NUMBER OF HARD DISK DRIVES TRENDS.....	29
FIGURE 2-12. 2010 CAPITAL EQUIPMENT SPENDING BY TYPE OF EQUIPMENT (TOTAL SPENDING IN 2010 ~\$3.0 B).....	32
FIGURE 2-13. CAPITAL EQUIPMENT SPENDING ESTIMATES FROM 1999 THROUGH 2015.....	32
FIGURE 2-14. 2010 CAPITAL EQUIPMENT SPENDING FOR HEADS MEDIA AND DRIVE.....	33

FIGURE 2-15. CAPITAL EQUIPMENT SPENDING TRENDS BY ALL TRACKED CATEGORIES.	33
FIGURE 2-16. MOMEMTUM SPIN TRANSFER.....	34
FIGURE 2-17. STT-RAM VS CONVENTIONAL MRAM.....	34
FIGURE 3-1. WW DISK CAPACITY SHIPMENT ESTIMATES.....	36
FIGURE 3-2. PROJECTIONS FOR HDD CAPACITIES AT VARIOUS FORM FACTORS.....	37
FIGURE 3-3. COMPARISON OF FORMAT EFFICIENCY WITH MORE ECC CODING FOR 512 AND 4,096 BYTE SECTORS.....	38
FIGURE 3-4. AREAL DENSITY GROWTH OF HDDS /FLASH MEMORY... 	40
FIGURE 3-5. WW DISK PRODUCTION CAPACITY VS. DEMAND ESTIMATES (2000 THROUGH 2010).....	43
FIGURE 3-6. ESTIMATES OF DRIVE, HEADS AND DISKS TO 2015.....	43
FIGURE 3-7. HISTORY AND PROJECTIONS FOR HDD UNIT GROWTH TO 2015 PER MARKET SEGMENT.....	44
FIGURE 3-8. HISTORY AND PROJECTIONS FOR HDD UNIT GROWTH TO 2015 PER DRIVE FORM FACTOR.....	45
FIGURE 3-9. BANDED HDD VOLUME PROJECTIONS TO 2015.....	45
FIGURE 3-10. HDD SHIPMENT QUARTERLY SEASONALITY (UNITS IN MILLIONS).....	46
FIGURE 3-11. HDD QUARTERLY SHIPMENTS, 2006-2009 HISTORICAL, 2010-2015 PROJECTIONS).....	48
FIGURE 3-12. HEAD QUARTERLY SHIPMENTS, 2006-2009 HISTORICAL, 2010-2015 PROJECTIONS).....	49
FIGURE 3-13. DISK QUARTERLY SHIPMENTS. 2006-2009 HISTORICAL, 2010-2015 PROJECTIONS).....	49
FIGURE 3-14. SUBSTRATE QUARTERLY DEMAND (2006-2009 HISTORICAL, 2010-2015 PROJECTIONS).....	50
FIGURE 3-15. 2009 TOTAL HDD MARKET SHARE (BY UNITS).....	50
FIGURE 3-16. 2009 TOTAL DISK PRODUCTION UNIT SHARE.....	52

FIGURE 3-17. 2009 TOTAL HEAD PRODUCTION UNIT SHARE.....	52
FIGURE 3-18. AVERAGE DRIVE PRICE TREND FOR SEAGATE, WESTERN DIGITAL AND HGST (Q4 '98 TO Q1 '10).....	53
FIGURE 3-19. AVERAGE %/GB FOR HDDS AND FLASH MEMORY.....	55
FIGURE 3-20. ENTERPRISE HDD ACCESS/SEEK TIME PERFORMANCE INCREASES.....	55
FIGURE 3-21. MAGNETIC HARD DISK DRIVE INTERNAL DATA RATE..	56
FIGURE 3-22. INDUSTRY HDD MTBF SPECIFICATIONS.....	56
FIGURE 3-23. MARKET HGA PRICING TRENDS VS. TECHNOLOGY.....	58
FIGURE 3-24. MARKET DISK PRICING TRENDS VS. TECHNOLOGY....	58
FIGURE 4-1. HDD AREAL DENSITY GROWTH AND PROJECTIONS.....	62
FIGURE 4-2. HDD QUARTERLY PUBLIC TECHNOLOGY DEMONSTRATIONS DEMONSTRATIONS AND PRODUCT ANNOUNCEM.....	65
FIGURE 4-3. COMPARISON OF PRODUCT ANNOUNCEMENT TRENDS VS. AREAL DENSITY GROWTH RATES.....	66
FIGURE 4-4. STORAGE CAPACITY VS. AREAL DENSITY AND FORM FACTOR.....	67
FIGURE 4-5. HDD TECHNOLOGY ROADMAP WITH UNIT VOLUME GROWTH.....	68
FIGURE 4-6. HDD TECHNOLOGY ROADMAP WITH AREAL DENSITY GROWTH.....	69
FIGURE 4-7. HDD COMPONENT TESTING/METROLOGY ROADMAP VS. AREAL DENSITY.....	70
FIGURE 4-8. LITHOGRAPHIC ROADMAP SHOWING HDD HEAD AND PBM TRENDS VS. ITRS SEMICONDUCTOR REQUIREMENTS.....	71
FIGURE 4-9. BLOCK CO-POLYMER SELF ASSEMBLY.....	73
FIGURE 4-10. NANOIMPRINTING MASTER/WORKING COPY PRODUCTION PROCESS.....	74
FIGURE 4-11. TRENDS IN HEAD WAFER DIAMETERS.....	76
FIGURE 4-12. HDD SPACING AND AREAL DENSITY RELATIONSHIP... 	80

FIGURE 4-13. HEAT ASSISTED MAGNETIC RECORDING SCHEMATIC.	81
FIGURE 4-14. HEAT ASSISTED MAGNETIC RECORDING HEAD PROCESS PROCESS CHANGES.....	82
FIGURE 4-15. SELF-ALIGNING DOUBLE PATTERN LITHOGRAPHY.....	83
FIGURE 4-16. SHINGLE WRITE RECORDING.....	84
FIGURE 4-17. INCREASING COMPLEXITY OF MAGNETIC RECORDING MEDIA (1).....	90
FIGURE 4-18. VISUALIZATION OF PERPENDICULAR RECORDING (SOURCE: SEAGATE).....	93
FIGURE 4-19. DTR/PBM MEDIA PRODUCTION PROCESS (INTEVAC).	94
FIGURE 4-20. DISK MANUFACTURING PRODUCTION WORKFLOW CHANGES WITH DTR AND PBM.....	95
FIGURE 4-21. INTEVAC PATTERNED MEDIA WORKFLOW (2009).....	96
FIGURE 4-22. AREAL DENSITY AND DISK COERCIVITY EVOLUTION...	98
FIGURE 4-23. TRENDS IN RECORDED BIT LENGTH.....	98
FIGURE 4-24. RELATIONSHIP OF TRACK WIDTH TO BIT LENGTH.....	99
FIGURE 4-25. DEVELOPMENT OF BAR WITH TIME.....	100
FIGURE 4-26. CHANGES IN HDD ASSEMBLY WORKFLOW.....	101
FIGURE 4-27. PATTERNED MEDIA SERVO PATTERNS.....	103
FIGURE 4-28. XYRATEX OPTIMUS DRIVE PROCESSING SYSTEM....	105
FIGURE 4-29. ISI ROW BAR QUASI-STATIC TESTER.....	107
FIGURE 4-30. ISI HGA/HSA/HDA QUASI-STATIC TESTER.....	108
FIGURE 4-31. VEECO ICON DIMENSION AFM TOOLS.....	109
FIGURE 4-32. FLYING ON PATTERNED MEDIA.....	110
FIGURE 4-33. GUZIK DTR 3000 READ WRITE SYSTEM.....	110
FIGURE 4-34. TRENDS IN MAXIMUM ALLOWABLE DEFECT SIZE.....	111

FIGURE 4-35. KLA-TENCOR CANDELA 6120 OPTICAL INSPECTION TOOL.....	112
FIGURE 5-1. ESTIMATED 2010 HDD COMPANY EQUIPMENT SPENDING (TOTAL SPENDING ~\$2.2 B).....	116
FIGURE 5-2. ESTIMATED 2010 DISK/SUBSTRATE EQUIPMENT SPENDING (TOTAL SPENDING ~\$1,259 M).....	116
FIGURE 5-3. ESTIMATED 2010 DISK/SUBSTRATE EQUIPMENT SPENDING BY INDEPENDENT DISK SUPPLIERS (TOTAL SPENDING ~\$392 M).....	117
FIGURE 5-4. BREAKDOWN OF 2010 EQUIPMENT SPENDING BETWEEN INDEPENDENT AND CAPTIVE DISK OPERATIONS.....	117
FIGURE 5-5. ESTIMATED 2010 HEAD EQUIPMENT SPENDING (TOTAL SPENDING ~\$954 M).....	118
FIGURE 5-6. 2010 ESTIMATED EQUIPMENT SPENDING BETWEEN INDEPENDENT HEAD AND COMPONENT SUPPLIERS AND CAPTIVE HEAD OPERATIONS.....	118
FIGURE 5-7. 2010 ESTIMATED WAFER/HEAD EQUIPMENT SPENDING (TOTAL SPENDING ~\$954 M).....	119
FIGURE 5-8. 2010 ESTIMATED DISK/SUBSTRATE EQUIPMENT SPENDING (TOTAL SPENDING ~\$1,480 M).....	119
FIGURE 5-9. 2010 ESTIMATED EQUIPMENT SPENDING FOR DRIVES (TOTAL SPENDING ~\$582 M).....	120
FIGURE 5-10. CAPITAL EQUIPMENT SPENDING ON HEADS, MEDIA AND DRIVES.....	121
FIGURE 5-11. CAPITAL EQUIPMENT SPENDING ON PRODUCTION, PRODUCTION TEST AND METROLOGY EQUIPMENT.....	122
FIGURE 5-12. EQUIPMENT SPENDING VS. # OF HDDS TREND.....	123
FIGURE 5-13. TRENDS FOR EQUIPMENT SPENDING FOR PRODUCTION/PROCESS, PRODUCTION TEST AND METROLOGY.....	123
FIGURE 6-1. REVENUE PROJECTIONS FOR PRODUCTION TEST EQUIPMENT 2009-2015.....	129
FIGURE 6-2. REVENUE PROJECTIONS FOR METROLOGY EQUIPMENT 2009-2015.....	132

FIGURE 7-1. SLIDER PROCESS FLOW.....	138
FIGURE 7-2. VEECO HEAD PROCESSING EQUIPMENT (NEXUS).....	141
FIGURE 7-3. PLASMA THERM HEAD PROCESSING EQUIPMENT (VERSALOCK).....	141
FIGURE 7-4. NIKON DEEP UV PHOTOLITHOGRAPHY TOOL.....	143
FIGURE 7-5. INTEVAC 200 LEAN MEDIA SPUTTERING SYSTEM.....	149
FIGURE 7-6. SINGLE SIDED PATTERNED MEDIA ETCH STATION (INTEVAC 2009).....	149
FIGURE 7-7. ANELVA C-3050 SPUTTERING SYSTEM.....	150
FIGURE 7-8. ANELVA PROTOTYPE PATTERNED MEDIA PROCESS..	151
FIGURE 7-9. INTEVAC DLS-100 GRAVITY LUBE COATER.....	152
FIGURE 7-10. INTEVAC ACCULUBER VAPOR LUBE COATER.....	153
FIGURE 7-11. ISO CLEANLINESS EXPECTATIONS FOR HDD/MEDIA/HEAD MANUFACTURING ENVIRONMENTS (SOURCE: LIGHTHOUSE SOLUTIONS).....	156
FIGURE 7-12. HDD MANUFACTURING LIQUID FILTRATION FILTER ROADMAP (PALL 2010).....	156
FIGURE 7-13. PRODUCT RISK FACTOR VS. FREQUENCY OF CONTAMINATION MONITORING.....	157
FIGURE 7-14. HITACHI HIGH TECH AUTOMATED DISK CLEANING SYSTEM.....	157
FIGURE 8-1. HEAD, DISK AND DRIVE PROCESS/PRODUCTION EQUIPMENT REVENUE PROJECTIONS.....	161
FIGURE 8-2. HEAD CAPITAL EQUIPMENT SPENDING.....	162
FIGURE 8-3. DISK CAPITAL EQUIPMENT SPENDING.....	162
FIGURE 8-4. BREAK DOWN OF DRIVE CAPITAL EQUIPMENT SPENDING.....	163

INTRODUCTION

INTRODUCTION

Coughlin Associates is proud to publish this fourteenth report on capital spending trends in the hard disk drive industry.

Demand for traditional computer applications is growing but hard disk drives in mobile, low cost enterprise and consumer applications are experiencing the greatest growth of any market segment and will be in the majority of all hard disk drives by the next decade. This will result in a doubling in total drive unit shipments between 2010 and 2015. This increase in volume will drive capital equipment to sustain the manufacturing volume. Likewise the introduction of heat assisted magnetic recording (HAMR) and patterned media (DTR or PBM) will require purchase of new equipment and development of production processes although the difficulties in these technologies combined with the lack of a clear mandate to introduce one or the other technology in shipping products will delay significant spending on capital equipment to support these technology introduction until 2013-2015. These factors will cause unprecedented but controlled growth in the demand for production process equipment, production test equipment and metrology equipment.

This report explores the drivers for new HDD demand growth and sets expectations for the growth of production and process, production testing and metrology capital equipment. We will describe the changes in HDD technology and what that will require in terms of production and process equipment. We will look at developments in production test and metrology driven by the need to minimize the impact of test on total drive and component cost as well as increasing drive yields and reliability.

Some highlights on the report methodology are:

- Accuracy of final data is about +/-15%
- Analysis is based on top-down (customer spending trends) and bottom-up (vendor sales trends) from interviews with knowledgeable people in the industry
- Data forming the basis of the model was collected from a combination of public and private sources both domestic and abroad
- We checked revenue/spending numbers with appropriate product pricing and volume calculations
- Future projections (through 2015) are based upon current trends and expected forthcoming developments (volume expansion and technology developments)
- We assume over 100% growth in disk drive volume (from about 670 M to 1.4 B) from 2010 to 2015
- We assume 225% growth in capital equipment spending from 2010 to 2015 driven by three factors
 - ⇒ Capital spending to meet new demand

- ⇒ Capital spending to meet new technology requirements such as HAMR and DTR
- ⇒ Capital spending to update facilities and processes
- We assume ~77% of HDD and component company total capital spending overall is on process equipment (remainder on facilities, infrastructure, etc.)

The particular manufacturing spending/revenues categories discussed here are drives; head wafers/sliders/HGAs; as well as disks and disk substrates. The spending in these categories is further broken down into spending/revenue for production process equipment, production testing equipment and metrology equipment. Production and process equipment includes basic assembly and manufacturing tools including automation, contamination control and manufacturing operations. Not included in production and process equipment spending is capital spending on building and basic facility expense such as DI water, gas lines, HVAC, etc. Production test equipment includes drive burn-in racks and testers, certifiers, contamination monitoring equipment as well as servo writers and equipment often classed as metrology equipment but which is used continuously or often on the production line. Metrology equipment refers to measurement equipment that generally not used on the production line, is used for failure analysis, gauging and standardization, AQL testing, etc.

We have identified in this report information from both captive and merchant test equipment suppliers. The distinction is important. Merchant suppliers are eager to garner more business from captive suppliers in order to grow their available market. However, captive suppliers in the past have felt that they are better able to tailor test solutions to specific requirements while controlling the technology and diminishing their reliance on outside suppliers. This make/buy decision continues to be a critical element affecting the fortunes of independent test equipment suppliers; however the general trend is to use more outside suppliers.

This report is based upon recent interviews and analysis as well as historical data from prior reports on capital spending by the author(s). Capital spending reported here is estimated to be within about 15% accuracy of total spending by HDD companies, their component suppliers as well as sub-suppliers. In the course of obtaining the information contained in this report we have contacted or visited many test and process equipment companies, most of the disk drive manufacturers, and several head, media, and sub-components suppliers. During our interviews we received information concerning forecasts, expected technology directions and future requirements. We wish to express our thanks to all who contributed their knowledge and foresight.

In compiling this report we have not included all the detailed data we have gathered. As usual if you have any questions or require additional information please contact us. We are open to provide information readily available to us

(with due regard for the confidentiality of our sources) or develop it for you on a project basis.

THE AUTHORS

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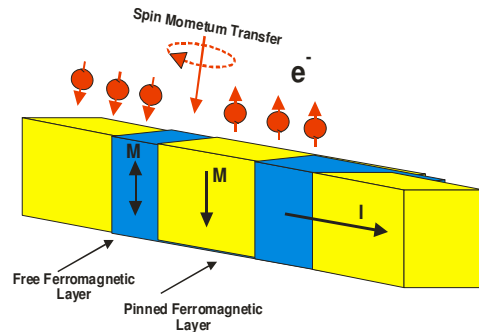
Ed Grochowski, Computer Storage Consultant: Ed Grochowski is a well known speaker on storage technology. He has a 50-year career association with the computer industry, 41 of which were with IBM. Ed worked at the IBM Almaden Research Center where his interests included hard disk drive and component evolutionary trends. Ed's charts are frequently used to describe HDD and storage progress by numerous industry presenters at many conferences. He holds nine patents and has authored and presented numerous articles on HDD and component technology. Ed served as Executive Director of DISKCON and the Symposium series for many years. He was a long time coordinator of the 4K-byte sector standards committee, and is a member of the IEEE. For more information see <http://edwgrochowski.com>.

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This report is the result of extensive interviews and discussions with many people and companies including equipment suppliers as well as their HDD and HDD component customers. The list of companies contacted is extensive and the data we gathered is very comprehensive, not all of it is included in this report. Our thinking and projections were shaped by many inputs. In particular we would like to thank the following companies and organizations for their help and information: Adept, Datagate, Gary Davis Consulting, Guzik Technical Enterprises, Hutchinson Technology, Hitachi GST, Hitachi High Tech, Intevac, KLA Tencor, Lighthouse Solutions, Molecular Imprints, Pall Filters, Park Instruments, Polytec PI, TDK,/SAE, Samsung, Seagate, Toshiba, Veeco, Western Digital, Xyratex, and many others.

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Coughlin Associates



2010 Hard Disk Drive Capital Equipment and Technology Report

Coughlin Associates announces the publication of our latest detailed report addressing technology developments and world-wide capital spending projections from 2010 through 2015 for the hard disk drive industry. Purchase of the PDF report gives company-wide access as well as a copy of a powerpoint document with all report figures and tables. Order your copy today and get a free subscription to the Digital Storage Technology Newsletter!

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