

Chapter 1 The first ten years

FY2002 - FY2011

On April 1, 2002, the Industrial Components & Equipment Group, related sales divisions, and manufacturing subsidiaries of Hitachi, Ltd. were merged to form Hitachi Industrial Equipment Systems Co., Ltd. The new company was formed under a corporate philosophy that focused on integrated services, sales, and manufacturing, and with “Information, Creation, Technology, Vitality, and Dream” as its slogan, the company worked to expand its business from a more customer-oriented perspective.

FY2002 - FY2004

Restructuring of Industrial Equipment Business

Birth of Hitachi Industrial Equipment Systems

In the 1990s, the bubble economy collapsed, and the Japanese economy entered a long period of economic stagnation. The world was entering an era of great global competition due to the rise of emerging economies and the IT revolution, and the Hitachi Group faced an urgent need to strengthen group management and reform its business structure.

The industrial equipment business, which has been with Hitachi since the company's founding, also suffered from a downturn in business performance. Management reforms were continuously implemented to strengthen product competitiveness, improve productivity, respond quickly to markets, and globalize the business to ensure survival. As part of these efforts, in September 2001, Hitachi, Ltd. announced the establishment of a new company to integrate the development, manufacturing, sales, and service divisions of the industrial equipment business.

On April 1, 2002, Hitachi, Ltd. spun off its Industrial Components & Equipment Group and the related sales divisions and merged them with two manufacturing companies, Hitachi Drive Systems, Ltd. and Hitachi Nakajo Technology, Ltd., and Hitachi Service & Engineering (EAST), Ltd. and Hitachi Service & Engineering (West) Ltd., to form Hitachi Industrial Equipment Systems Co., Ltd.

The new Hitachi Industrial Equipment Systems (HIES) was headquartered at WBG Marive West, in Mihama-ku, Chiba City, and had as its first president Kiyohiko Shiiki, General Manager and CEO of the Industrial Components & Equipment Group of Hitachi, Ltd.

“Information, Creation, Technology, Vitality, Dream”

In line with its corporate philosophy, HIES adopted a comprehensive approach that integrated services, sales, and manufacturing. It expanded its operations with a slogan centered around Information, Creation, Technology, Vitality, and Dream. To foster stronger connections with its longstanding partners, the company organized dealer and distributor conventions across multiple locations in Japan. Furthermore, it positioned itself as a reliable partner for promoting high efficiency, energy conservation, and environmental sustainability, and offering industrial solutions through agile sales strategies and exhibitions.



First president:
Kiyohiko Shiiki

● Company Profile (at the time of found)

Corporate Name	Hitachi Industrial Equipment Systems Co., Ltd.
Head Office	2-6 Nakase, Mihama-ku, Chiba City, Chiba Prefecture WBG Mailbu West 16F
Representative	Kiyohiko Shiiki, President and Representative Director
Founded	April 1st, 2002
Capital	¥9 billion
Employees	Approximately 2,700 (approximately 4,800 on a consolidated basis)
Major Branch and Subbranch	Narashino Works, Nakajo Works, Air Compressor System Division (Shimizu Works) 9 Branches, 1 Subbranch, 39 Service Facilities

— Corporate Philosophy —

“Harmony,” “Sincerity,” and “Pioneering Spirit,” are the basis for the business. HIES links these directly to customers with integrated services, sales, and manufacturing, and the company is determined to contribute to the progress and development of our society through high-quality products and services.

As a corporation and contributor to society, we have a strong commitment to fair and transparent corporate behavior. We shall contribute to a truly affluent society by continuing to develop our business through environmental harmony and proactive social contribution.

Information:	Informatization and providing information to customers
Creation:	Creating people, products, new businesses
Technology:	Be several steps ahead of the competition through unrivaled technological capabilities and technology
Vitality:	Creating a vibrant workplace, revitalizing business and people and providing a workplace where they can play an active role
Dream:	Set big goals and go for them

Integrated management of services, sales, and manufacturing

The integration development process commenced by consolidating the sales and service operations of the Hokkaido and Kansai branch offices into a shared office space, a successful integration model that was subsequently extended to other domestic branch offices. As a result, the company implemented the comprehensive “Operation Z” program across the organization. To drive customer acquisition and foster growth, the company organized product exhibitions and conducted seminars, including exclusive executive sessions for distributors, held at multiple locations. These initiatives aimed to actively advance the development of new customers and expand the company’s reach to flourishing enterprises.

In December 2002, Hitachi Industrial Equipment (Nanjing) Co., Ltd. was founded in China, and commenced the production of industrial inverters in April 2003. During fiscal year 2002, net sales of HIES reached 129.2 billion yen, with global sales accounting for 9.4% of the total.

In 2003, the Solutions & Services Division and the Monozukuri Business Division were established, initiating new endeavors in the domains of services and manufacturing, and a factory remodeling project was initiated to facilitate these advancements. To expand its sales channels for inkjet printers and control devices, HIES established a sales company, Hitachi Drives & Automation GmbH (HIDA), in Germany and acquired a stake in a European distributor in Italy.

In the same year, Narashino Works was the recipient of the Minister of Economy, Trade and Industry Award for “Excellent Energy Management Factory.” In fiscal year 2003, net sales amounted to 133.5 billion yen, with global sales accounting for 11.6% of the total.

Move to new headquarters and engagement in five business domains

In fiscal 2004, the company began full-scale efforts to become the best solution partner in the five business domains of drive controls, environment and new energies, industrial and factory automation, information and control systems, and energy conservation and factory energy management systems (FEMS).

In April, a new business promotion center was established to create “Dream” new businesses and niche businesses, and the “Firefly concept” was announced to promote micro-hydroelectric power generation and solar power generation related businesses.

To create people capable of leading new businesses, the company established an educational system based on the following: 1. Training executives to manage the industrial machinery business; 2. Ensuring employees were equipped to navigate the challenges of globalization; 3. Providing support for the solution business; 4. Fostering the development of skilled professionals; and 5. Promoting integrated services, sales, and manufacturing through awareness reforms.

A comprehensive tradeshow was held at the Narashino Works to promote sales, attracting approximately 750 visitors from sales companies and customers, and a total of 900 people attended the accompanying seminars. In addition, corporate exhibition rooms were set up at Nakajo and Narashino Works.

The company successfully enhanced operational efficiency in its solutions and services by integrating the offices of the East and West service engineering divisions. Additionally, a sales expansion campaign was initiated spearheaded by the service team. Also, customers expressed great satisfaction with the introduction of a 24-hour telephone reception service, which significantly improved the overall quality of service.

The Hitachi Group held an exhibition in China. By participating in this event, HIES expanded its network of distributors for controls, switchgear, compressors, and inkjet printers, and strengthened its service and sales structure. In Southeast Asia, Hitachi Industrial Technology (Thailand), Ltd. (HITT) held a ceremony to celebrate the 15th anniversary of its establishment.

On November 24, the company moved its headquarters to the AKS Building in Akihabara, Tokyo.

These efforts over three years resulted in steady growth in business performance, with net sales for fiscal 2004 totaling 145.6 billion yen and global business accounting for 13.9% of total revenue. The company also received the President’s Award from Hitachi, Ltd. for achieving the goals of the Hitachi Group’s Mid-term Management Plan (i.e., Hitachi Plan).



Hokkaido Branch was first to consolidate sales and services in the same office space



Corporate exhibition room (Nakajo Works)



New head office in Akihabara, Tokyo (AKS building)

FY2005 - FY2009

Growth through management that contributes to environment protection and energy conservation

Aiming for 200 billion yen in net sales with a global ratio of 20%

In April 2005, the design and manufacture of motor block hoists and industrial inkjet printers were transferred from Hitachi Home & Life Solutions to Hitachi Industrial Equipment Systems as Taga Works.

The company then formulated its “2010 Strategy,” a company-wide campaign to achieve net sales of 200 billion yen and operating profit of 10% by FY2010, and set priority themes of increasing commercial strength, reforming manufacturing and operations, and reinforcing the engineering, information-related, and new businesses. At the same time, the company established a business concept that Hitachi Industrial Equipment Systems contributes to environmental protection and energy conservation and concentrated on expanding and strengthening the solutions business.

In sales activities, a CRM Project Division was established to expand the coverage of industrial equipment users nationwide from 37% to 40%. In solutions and services, the East and West remote monitoring service systems were consolidated, while in manufacturing, the company initiated a product modification project to achieve a 30% new product development rate. That year, production and sales of compressors and inkjet printers set new highs.

In February 2006, the Nakajo Works received the Minister of Economy, Trade and Industry’s “Excellent Energy Management Factory” award.

With the aim of achieving a global business ratio of 20%, Hitachi Industrial Equipment (Nanjing) Co., Ltd. started manufacturing compressors, and Tokico Compressor (Suzhou), a technical partner, started manufacturing small size compressors. In addition, the industrial machinery department of a Singapore distributor was absorbed into Hitachi Asia Ltd. to strengthen the sales organization. In fiscal 2005, net sales were 151 billion yen, with global business accounting for 14.8% of the total.



The new Hitachi Industrial Equipment (Nanjing) Company (HINC) plant completed in January 2005

Emergency 5-5-5 Strategy

In fiscal 2006, the inaugural national convention for presidents of HIES dealerships took place at the Imperial Hotel in Tokyo. Concurrently, the Kansai Branch Office launched its first measurement and diagnosis solutions van, which by 2008 was followed by the further deployment of 10 such vans to various branches nationwide. The company further advanced its initiatives by promoting FEMS, implementing electronic map information, and introducing RFID tags to better “visualize” customers and deliveries. Additionally, the company undertook “Remodeling Projects NEXT 1” to upgrade production lines, facilities, and technology in its factories.

To facilitate global expansion, the company entered into a technical cooperation agreement with Shandong Luneng Ruihua for amorphous transformers, and with Hitachi Taiwan for brushless DC motors. In the North American market, the company launched its air compressor business and established new distributors for switchgear, compressors, and inkjet printers.

In fiscal 2006, we implemented the “Emergency 5-5-5 Strategy” to increase sales and reduce costs. As a result, net sales in fiscal 2006 amounted to 166.1 billion yen, of which global business accounted for 15.8%.



The first measurement and diagnosis solutions van “Jo”

Record net sales and operating margin in fiscal 2007

The Ebina Works was transferred from Hitachi Plant Technology in April 2007 and became the Ebina Works under the Air Compressor System Division. During this period, the company focused on promoting cyclical business in its sales activities. In terms of engineering services, the company enhanced the factory automation systems plant at the Saitama business office through the integration of its information backbone system.

Notably, this was the year that the United Nations accredited the world’s first Clean Development Mechanism (CDM) methodology for a transmission and distribution network utilizing amorphous transformers.

International expansion included Hitachi Asia, Ltd. establishing a new office for its industrial machinery division, and Hitachi America, Ltd. opening an office in Charlotte,

North Carolina, for handling industrial machinery products. These endeavors pushed net sales to 169.9 billion yen, of which global operations accounted for 17.0%. The company also attained an all-time high operating margin.

The “Lehman Shock” (Financial Crisis)

The Financial Crisis, which is often symbolized by the collapse of Lehman Brothers, had a profound impact for several years, particularly in the context of Hitachi Industrial Equipment Systems’ activities.

In November 2008, HIES held an exhibition at the Akihabara UDX Building in Tokyo, which attracted an unprecedented 13,000 visitors.

During this time, HIES implemented various initiatives to enhance its operations. A drive system training center was established to improve the skills of employees and distributor employees engaged in sales activities. In the field of engineering services, the company set up a technical standards subcommittee for a quality improvement project. Additionally, HIES completed the construction of a new building at Air Compressor System Division (Shimizu Works)

Amidst these developments, notable achievements were also recognized. HIES’s domestic 5-horsepower induction motor, a foundational product of Hitachi Group, was designated a “Mechanical Heritage” by the Japan Society of Mechanical Engineers. The Hitachi Motor was also certified as an “Eco-Rail Mark” product by the Ministry of Land, Infrastructure, Transport and Tourism.

HIES also pursued expansion efforts globally. It constructed a second plant dedicated to compressors at Hitachi Industrial Equipment (Nanjing) in China and also expanded its sales of amorphous transformers in China, Europe, and North America, while also increasing the distribution of submersible motors in the Middle East and Africa. HIES established a Global Service Support Center within its International Business Division to support these international endeavors.

However, as summer approached, the “Lehman Shock” hit, and the Financial Crisis aggravated the Global Recession. Despite emergency measures implemented by the company, net sales in fiscal 2008 amounted to 159.8 billion yen, with global sales accounting for 16.7% of the total.

Fiscal 2009: secured black ink

In fiscal 2009, both orders and sales remained under pressure. Under these circumstances, the Bebicon Division was transferred to HIES from the Automotive Systems Group of Hitachi, Ltd. and became the Sagami Works of the Air Compressor System Division.

In terms of environmental measures, the company strengthened its business by establishing environmental and energy conservation solutions centers at its Kanto, Chubu, and Kansai branches. Internally, integrated energy monitoring systems were installed at all business offices in response to the provisions of the revised Energy Conservation Act.

Sales were aggressively expanded by focusing on food products, pharmaceuticals, electronic components, and outstanding local enterprises. In engineering services, dedicated maintenance proposal patrol vans “HOSHUCA” were deployed at the Kansai and Keiji Branch offices as a follow-up to the measurement and diagnosis solution vans.

Tokico (Malaysia) Sdn. Bhd. and Tokico Compressor (Suzhou) became Hitachi Group companies, and a joint venture, Hitachi Qianden (Hangzhou) Transformer Co. Ltd. (HQT) was established in which HIES had a 40% equity participation.

In addition to these proactive efforts, cost-cutting and other management efforts resulted in net sales in fiscal 2009 amounting to 121.5 billion yen, with global business accounting for 17.2% of the total, ensuring the company turned a profit for the full year.



The Next Age 2008 exhibition held at Akihabara UDX Building



Hitachi Qianden (Hangzhou) Transformer company (HQT)

Column

Amorphous transformers accredited by UN-certified CDM methodology

Amorphous transformers reduce electrical energy loss by up to 45%. This translates into a reduction of CO₂ emissions equivalent to the amount of CO₂ absorbed by 400 cedar trees in one year.

This led to the world’s first Clean Development Mechanism (CDM) methodology for a power transmission and distribution network using amorphous transformers being accredited by

the United Nations in 2007. CDM is a system that allows developed countries to incorporate into their own national targets the results of greenhouse gas emission reduction projects implemented in developing countries. The United Nations has recognized that if amorphous transformers are used to build a power transmission and distribution facility in a developing country, the reductions achieved can be calculated as part of those of the manufacturing country.



Amorphous transformer

FY2010 – FY2011

A new leap forward under the leadership of President Nagano

Celebrating 100 years of Hitachi's industrial products

In 2010, Hitachi, Ltd. and the Hitachi Group celebrated their 100th anniversary. That period largely coincided with the 100-year history of industrial products, such as motors, transformers, and compressors, that are now the responsibility of Hitachi Industrial Equipment Systems. To commemorate the occasion, HIES published a book on the 100-year history of Hitachi Motors.

At the same time, the company launched “The Motor Neo 100,” a high-efficiency motor with carbon offsets, which received a great response and support as a measure to contribute to the reduction of CO2 emissions by customers.

HIES also released an integrated energy monitoring system to enable energy use in factories to be “visualized.” HIES also established the Engineering Business Project Division to strengthen support for environmental protection and energy-conservation activities.

In June, HIES held a “Business Frontier Exhibition” at Narashino Works, a model factory for energy conservation, and the plant's 100kW solar power generation system and integrated energy monitoring system installed in the DS Building attracted much attention.

Globally, Tokico (Malaysia) Sdn. Bhd. was renamed Hitachi Industrial Equipment Systems (Malaysia) Sdn. Bhd. (HIEM). Hitachi Industrial Equipment (Nanjing) started manufacturing Bebicon compressors in China, and Hitachi Qiantian (Hangzhou) Transformer started producing and selling amorphous transformers. In addition, the company actively developed emerging markets by strengthening its inkjet printer sales network in India and setting up inverter dealerships in Brazil. As a result, net sales in fiscal 2010 amounted to 131.4 billion yen, of which global business accounted for 19.9%.

The Jump Up 2015 strategy implemented under the leadership of President Nagano

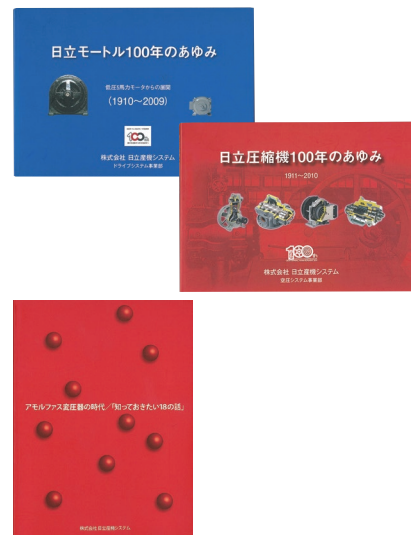
In June 2010, Koushi Nagano became President of HIES. Based on the principles of continuity and evolution, development of human resources, and a focus on the market, and by promoting cyclical oriented business based on a hands-on approach and integrated services, sales, and manufacturing, the new President identified strengthening the domestic business, strategically expanding global business, and participating in, and contributing to, the Hitachi Group's Social Innovation Business as key themes.

Under President Nagano's leadership, thus began the Jump Up 2015 strategy, a company-wide activity aimed at further growth.

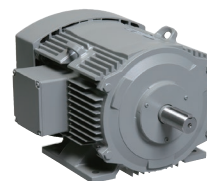
In July, the company exhibited its latest high-efficiency “The Motor Neo 100” and inkjet printers at the Hitachi uVALUE Convention 2010 held at the Tokyo International Forum, along with its founding product, a 5 horsepower induction motor, and a 5 kVA transformer that was the first to carry the Hitachi logo.

In October, at the 10th Conference of the Parties to the Convention on Biological Diversity (COP10) held in Nagoya, Japan, the Nakajo Works was selected as one of 100 green enterprises working to conserve biodiversity.

In January 2011, the Industrial Systems Sales Department was established to improve system solution capabilities, including environmental protection and energy conservation, and an Engineering Business Project division was set up in the Solutions & Services Division.



100 Years of Hitachi Motors (published in 2010), 100 Years of Hitachi Compressors (published in 2011) and The Age of Amorphous Transformers: 18 Stories You Should Know (published in 2012)



High-efficiency “The Motor Neo 100” with carbon offset



Production site of Hitachi Industrial Equipment (Malaysia) Sdn. Bhd.



2nd President: Koushi Nagano

Recovery and reconstruction after the Great East Japan Earthquake

Entering 2011, the Japanese economy was recovering from the global recession caused by the Financial Crisis. HIES was doing well and nearly completing its fiscal 2010 financial results.

At 2:46 p.m. on March 11, a magnitude 9.0 earthquake took place off the coast of Miyagi Prefecture, and a huge tsunami hit the Pacific coast of eastern Japan. This was the Great East Japan Earthquake.

The Tohoku Branch office in Tagajo City, Miyagi Prefecture, was hit by the tsunami, and the Fukushima and Ibaraki branch offices, as well as the Taga and Narashino business offices, were also severely damaged. Customers, distributors, and dealers in the Tohoku and northern Kanto regions were also severely damaged.

Immediately, a task force was set up at the head office to provide emergency support and assess the damage. However, the combination of disrupted transportation and communication networks, supply chain disruptions, and the accident at the Fukushima Daiichi Nuclear Power Plant made restoration efforts extremely difficult. In the midst of these difficult conditions, the company secured a temporary office and service base in Tohoku by the end of March and sent in a total of about 500 support personnel from across Japan to begin assisting customers. From April, HIES switched over to a disaster reconstruction headquarters to support recovery and reconstruction efforts of customers in cooperation with dealers and distributors.

In July, when recovery operations of most of the area had been completed, the company launched a Tohoku Support Sale and donated a portion of the proceeds to the Momo-Kaki Scholarship Society's Scholarship Fund for Orphans of the Great East Japan Earthquake.

Towards the 10th anniversary and a new leap forward

Despite these difficult circumstances, the company continued to reform its operations and develop its business. The Solutions & Services Division strengthened its cyclical business model, production reforms continued at each business site, and the latest equipment was installed at Narashino Works for the production of ultra-high efficiency motors. In October, the company published a book titled "100 Years of Hitachi Compressors."

One of the major goals of the Jump Up 2015 strategy was to achieve a global business ratio of 30%. To help achieve that goal, the company established a technical service center in the Asian belt zone to strengthen its sales and service systems.

Hitachi Industrial Equipment (Nanjing) Co., Ltd. commercialized its first locally developed compact inverter and began production in the spring of 2012. Since then, it has also produced oil-free compressors and DCBL controllers for air conditioning.

In the United States, the company began considering a joint venture for amorphous transformers. In Europe, it established a compressor sales outlet in Russia and expanded its business in key products, following on from inkjet printers.

The same year, the Super Amorphous XSH series of amorphous transformers won the Minister of Land, Infrastructure, Transport and Tourism Award in the 2011 JECA Fair product competition. For its inkjet printer activities, TagaWorks received the 2011 Hitachi, Ltd. President's Technology Award in recognition of its traceability marking system that supports food safety.

As a result of these endeavors, the company's fiscal 2011 results were 142.4 billion yen in net sales, with global business accounting for 21.9% of the total.

In 2012, HIES celebrated its 10th anniversary. The company rebuilt its industrial equipment business, which had been recording losses, and overcame the global recession and the Great East Japan Earthquake to remain profitable for its first 10 years.



Damage from the Great East Japan Earthquake (Tohoku Branch Office)



Reconstruction assistance activities



Minister of Land, Infrastructure, Transport and Tourism Award Poster for Amorphous Transformers



Magazines commemorating the 10th Anniversary of Hitachi Industrial Equipment Systems