

FY2019 - FY2021

## The challenge to become a top global player

Entering fiscal 2019, in its 2021 Mid-term Management Plan, Hitachi Industrial Equipment Systems had set a target of 310 billion yen in sales and a global business ratio of 42% for fiscal 2021. In terms of specific strategies, the plan set out the challenge to become a top global player and a focus on air compressors, which were responsible for growth and profit generation. HIES also targeted expanding marking and strengthening the recurring, solutions and IoT businesses, all based on stable growth in core businesses.

During this period, the global economy slowed significantly due to trade and economic friction between the U.S. and China, the U.K.'s exit from the European Union, and a pandemic caused by a novel coronavirus infection, Covid-19, exposing the company to a harsh business environment.

In April 2021, Yasuhiro (Charlie) Takeuchi became President, and the company took on further challenges to become a top global player.

### Fiscal 2019

## Formulation of 2021 Mid-term Management Plan

### Generate strong product solutions

In March 2019, Hitachi Industrial Equipment Systems formulated its 2021 Mid-term Management Plan. The management policy position (and vision) was to create strong product solutions that contributed to the social innovation business by contributing to the creation of a foundation for technological innovation by optimizing production plans, supporting quality improvement, and reducing environmental impact as the social and environmental value of the business. The company's aim was to take on the challenge of becoming a top global player.

The company set a sales goal of 310 billion yen and a global business ratio of 42% for fiscal 2021, and high target of achieving 400 billion yen and a global business ratio of 50%.

#### 2021 Mid-term Management Plan outline

Target position for fiscal 2021	Ideal results
Net sales: 310 billion yen	Net sales: 400 billion yen
Global business ratio: 42%	Global business ratio: 50%

There were three specific strategies, including:

#### Expansion of global priority businesses (air compressors and marking)

Air compressors and marking as the engines of growth and profit generation, respectively, with recurring business strengthened through connectedness.

#### Strengthening of solutions and IoT product business

Create new businesses for growth in solutions, locations and communications, and drives and automation, and expand IoT business from production to solutions.

#### Stable growth in core businesses

In power substations and distribution, clean air equipment, water pumps and crane systems businesses, cash would be generated to fund investments for growth through expansion of domestic businesses having a high market share.

Also cited as key focus areas were IoTization, digital solutions, automation and labor saving (robotics solutions), rentals and leases (assetless services), energy saving, higher efficiency, cleaning, and traceability/security.

## Expansion of global priority businesses

The 2021 Mid-term Management Plan designated air compressors and marking as global priority businesses.

With a focus on becoming the world's second-largest compressor manufacturer and achieving over 140 billion yen in sales in fiscal 2021, the company leveraged the synergy between the growth of Sullair's business and Hitachi. Air compressor manufacturing capacity was increased in North America by expanding Sullair's Michigan City plant in October 2019. HIES and Sullair embarked on a joint development initiative to introduce top-tier products. The result would be the securing of a leading position in the global market for oil-free compressors. Moreover, the company would also make a robust entry into the European market via M&A strategies, explore emerging markets such as India and Myanmar, and optimize production bases in China. There would also be an expansion of operations in Australia, centering around Sullair.

In products, a new high pressure two-stage compression type vortex blower was launched in July 2019. Additionally, the G series, a new air compressor with improved basic performance and environmental resistance, was released in December.

In the marking business, the company strengthened its global business structure by reinforcing its sales system in Europe, including in Germany and the U.K., established an ink production system in China, and expanded its business in North America by utilizing Sullair's sales network. The goal was to create globally top-tier products, develop environmentally friendly inks, and expand its services through connected systems to become the world's No. 3 company in the field.

In May 2019, the company released a non-OPOSP black ink for inkjet printing on glass and flexible films, and in the same month launched the Gravis UX series of high-speed 1- and 2-stage inkjet printers.



New high pressure two-stage compression type vortex blower



Non-OPOSP black ink for inkjet printing on glass and flexible films

## Solution and IoT product businesses for generating new growth

In the solutions business, with the goal of becoming a comprehensive line builder, the theme was to expand the digital and robotics solutions business, strengthen line building capabilities, and expand the scale of the business including through M&A and collaborations.

In robotics, the company delivered a wide variety of products, including exhaust gas catalytic converter systems, conveyor systems, and catalyst impregnation systems.

In IoT products, the company focused on shifting to high value-added fields and launching new products to expand sales and enhance profitability. In location and communication equipment, the company strengthened its efforts to develop new customers in fields that require high-precision location information, such as nursing care services, agricultural and construction machinery, and railroad maintenance monitoring.

In the IoT controller business, the company strengthened its edge computing capabilities and worked with Hitachi, Ltd. to create new demand.

For the drives business, the company expanded sales of high value-added PM motors, developed built-in models, and introduced superior technologies such as sensing and predictive diagnostics to attract global machinery manufacturers.

Related to products, HIES launched an IoT-enabled industrial controller HX series standalone kit in May 2019.



A high-speed inkjet printer in the Gravis UX series



IoT-enabled industrial controller HX series standalone kit

## Aiming for stable growth in core businesses

In the power substation and distribution business, the aim was to strengthen integrated management of the industrial substation equipment business, including the very-high-voltage business that was transferred from Hitachi, Ltd. In transformers, the focus was on attaining the top market share of 30% in Japan by expanding sales of amorphous transformers and hybrid vacuum circuit breakers (VCBs).

In November 2019, Hitachi Soe Electric & Machinery (HISEM) won a significant project. The Myanmar Ministry of Electricity and Energy ordered approximately 5,600 power distribution transformers. In products, in July 2019, HIES released a multi-circuit product that facilitated the maintenance and inspection of low-voltage insulation monitoring systems. HIES also launched the environment-friendly Zero series of “Kanade” super amorphous transformers. In November, the lineup of the HDR series of high-voltage single-element digital relays was expanded.

In the area of crane systems, clean air equipment and pumps, the company’s aim was to achieve the top domestic market share in the hoist and clean air businesses, while in the wind and water supply pump business, it focused on capturing renewal demand through IoTization and expanding the after-sales business. In products, in August 2019, the company launched the PCJ-S88JSM4 air shower with a corrosion-resistant stainless-steel housing. October saw the release of a new model in the SCV series, a Class II biohazard control cabinet that complies with WHO guidelines.



Hitachi environment-friendly super amorphous transformer Zero “Kanade”



New SCV series model of Class II biohazard control cabinet

## The addition of Sullair contributed to a steady rise in sales and global business ratio

In fiscal 2019, the company turned its attention to expanding the service business in addition to the product business. This meant strengthening and expanding the digital solution business. In April 2019, KEC Corporation became a member of HIES, and work proceeded on establishing a system to develop the robotics solution business in an integrated manner. There was also a focus on establishing an integrated very-high-voltage to low-voltage operational system through the transfer of the substation business from Hitachi, Ltd.

Among the awards and honors received this year was the 67th Electrical Science and Technology Encouragement Award for the development and practical application of an industrial controller that enabled the collection of diverse data and the realization of smart factories.

In fiscal 2019, the addition of Sullair resulted in sales of 276.9 billion yen and helped raise the ratio of global business to 37.6%.

## Fiscal 2020

### Innovation partner for the IoT era

## The new coronavirus infection: Covid-19

In 2020, Covid-19 rapidly spread, creating a pandemic that had a significant impact on the global economy and society.

HIES set its sights on evolving into an innovation partner for the IoT era. As a basic policy, HIES worked to expand priority businesses by strengthening its business structure and investing heavily in growth areas. Meanwhile, HIES also improved profitability by implementing fixed cost measures and business restructuring reforms.

## Global priority businesses aim for top tier ranking

In the air compressor business, priority measures included increasing the market share of stationary and portable models in the North American market, releasing oil-free compressors exclusively for North America, and strengthening the direct sales channel (transition to a five-company structure through acquisition of distributors). In the Chinese market, the company promoted compliance with the new energy-saving GB standard, expansion of the service business, and optimization of production bases.

In the domestic market, the company moved to expand sales by increasing market share through the introduction of next-generation models and by strengthening recurring business through cloud-based monitoring services.

Furthermore, to expand the Sullair business, the company sought to increase its

market share by introducing new products and expanding sales of oil-free portable models launched in January 2020 and oil-free models exclusively for North America launched in April.

In the Chinese market, starting in April, the company released products compliant with the new energy-saving GB standard and strengthened its approach to major customers. At the same time, the company expanded its distributor network and strengthened its after-sales business to acquire new customers in the rental, oil and gas, and food and pharmaceutical industries.

In October 2020, the new Sagami Works started independent operation, and in March, the Ebina Works was integrated. In January 2021, Sullair Taiwan was integrated into Taiwan Hitachi Asia Pacific Co., Ltd. In addition, the production operation of Shenzhen Sullair Asia Industrial (SSAI) was consolidated into Suzhou Sullair Air Equipment (SSAE) to improve production efficiency.

In the Marking System business, under the theme of taking on the challenge of becoming number two in the world, the company made multifaceted efforts to increase its scale by strengthening its business structure, creating globally leading products, enhancing ink products, expanding its service business by becoming more connected, and strengthening marking-based solutions.

### Solution business centered on connectedness

In robotics solutions, HIES expanded the OT solution business by strengthening the system and worked on its product customer approach and cultivation. Furthermore, it deepened cooperation with the industrial division of Hitachi, Ltd. and promoted efforts to help achieve total seamless solutions.

In terms of products, the IoT-enabled hybrid model II industrial controller in the HX series was launched in April 2020.

In location and communication equipment, the company vigorously sought customers who were trying to achieve labor savings by using high-precision location information, and captured demand for connected industrial equipment.



IoT-enabled industrial controller HX Series Hybrid Model II

### Improving core business profitability

Under the theme of strengthening profitability through portfolio transformation and structural reform, the company focused on high-value-added items such as amorphous products (transformers and drives), predictive diagnostics (drives), IoTization (hoists and pumps), cleanness (air showers), and very-high-voltage substations.

Products included the AK series of low-voltage air circuit breakers (ACBs) released in April 2020, and that same month, sales started of Bluetooth-enabled package Bebicon compressors. In July, a gas-insulated switchgear with a 72/84kV Hy-VCB launched. In September, the company began selling a new environmentally-friendly Kanade series of power distribution transformer that used ester oil.



Bluetooth-enabled package Bebicon compressor

### Performance slowdown due to global economic stagnation

In November 2020, the G Series (22/37 kW) of oil-cooled screw air compressors was honored by the Japan Society of Industrial Machinery Manufacturers for product excellence in 2020.

In fiscal 2020 the company faced severe business challenges due to the spread of Covid-19 and increasing friction between the U.S. and China. Sales amounted to 243.1 billion yen, and the ratio of global business declined to 35.2%.



G series of oil-cooled screw air compressor (22/37kW)

## Fiscal 2021

## Takeuchi finishes the 2021 Mid-term Management Plan

## Takeuchi takes the helm as fifth President

In April 2021, Yasuhiro (Charlie) Takeuchi became the fifth President of Hitachi Industrial Equipment Systems.

As President, Mr. Takeuchi stated his aspirations for the company. As HIES approached the 20th anniversary of the company's founding, Mr. Takeuchi wanted to make this the year it overcame the effects of Covid-19 and tenaciously implemented measures to get the company back on a growth trajectory.

Continuing on, he said that in light of the current changes in the global economy, the goals for HIES had been redefined. The basic policy was to provide business value that responded to changing customer needs. HIES would concentrate its strategic investment in the businesses of air compressors and marking and develop high-value-added solution businesses. HIES would also develop total seamless solutions for which the company was establishing initiatives.



5th President  
Yasuhiro Takeuchi

## Aiming for the top position in global leader businesses

HIES' business strategy was to further integrate and optimize the Hitachi and Sullair businesses in air compressors to become the global No. 1 in the compressed air industry and to expand the aftermarket business. In the marking business, the company aimed for the top global market share in CIJ (continuous inkjet) printer products and to expand the solutions/services business. As part of the recurring business, HIES sought to increase the after-sales ratio to 50% through smart maintenance and to expand the subscription business.

Related to the compressor business, manufacturing of screw compressors at Hitachi Industrial Equipment (Malaysia) was transferred to Hitachi Industrial Equipment (Suzhou) Compressor Co. Ltd.

In the marking system business, Hitachi Industrial Equipment & Solutions America, LLC was established in April 2021. By integrating Hitachi Industrial Equipment Marking Solutions Inc. and the industrial equipment division of Hitachi America, Ltd. the company desired to strengthen sales of the marking business in North America.

## Growth and advancement of the solutions business

Viewing the solutions business as a driver for future growth, the company set its sights on expanding its robotics/digital business and providing high-value-added solutions based on "location."

Regarding robotics solutions, there was a further strengthening of the integrated management of the industrial and distribution business unit of Hitachi, Ltd., JR Automation, and HIES. On top of that, there would be an active utilization of M&A and alliances to strengthen and expand the high-precision location and communications business while responding to the transition to 5G.

A specific initiative was the opening of the FitLive Customer Success Center in April 2021. The purpose was to create new value in the manufacturing field by utilizing cloud monitoring data and support the optimal operation of industrial equipment through analysis of customers' operating data.

In March 2022, the company strengthened its lineup of CPTrans industrial wireless routers.

In terms of large orders, the first phase of the demonstration of smart maintenance and inspection operations was completed in March 2022 at the Iwate Prefectural Enterprise Bureau's Shijushida hydroelectric power station. It would make a significant contribution to the efficiency and advancement of operations by utilizing digital technology to perform maintenance and inspection work at the appropriate times.



CPTrans industrial wireless router

## Core businesses to add value through IoT

In the power substation and distribution business, identified air cleaners and other products as growth areas and continued to actively contribute to environmental harmony and energy conservation by shifting to high-value-added products, becoming more connected, moving to amorphous products, and providing predictive diagnostics.

In March 2022, the company constructed a new building at Nakajo Works to strengthen the production capacity for power distribution transformers as part of its contribution to the realization of a decarbonized society.

Related to products, the company began selling a new air shower, the PCJ-H88JIM4, in May 2021. The product features a dust removal rate of 80%. In September, it released the new C series of high-voltage vacuum circuit breakers. In the same month, the company added two new series to its lineup of ultra-high efficiency amorphous transformers for power distribution—one for high-voltage applications and the other for very-high-voltage applications that used vegetable ester oil.

## Celebrating the 20th anniversary of its establishment

In December 2021, Hitachi Industrial Equipment Systems (HIES)' head office was relocated from the AKS Building to the Akihabara First Building (AO Building) in Tokyo. HIES moved into the same building as the Hitachi, Ltd.'s Industry Sector, which allows for greater synergies and integrations to provide our customers with higher value-added products, solutions, and services.

In fiscal year 2021, the company steadily achieved results, capturing the recovery trend of the global economy, with net sales of 272.7 billion yen and a global business ratio of 39.3%. Both exceeded the previous year's results.

At the end of the 2021 Mid-Term Management Plan, HIES's global ratio increased to 40% through concerted globalization efforts centered on Sullair. Additionally, the recurring business model was strengthened through the promotion of product connectivity.

In FY2022, the global economy continued to be unstable due to COVID-19. Despite disruptions to the supply chain, including soaring prices and shortages of raw materials such as semiconductors, electronic components and steel materials, HIES still achieved growth. That year, HIES achieved sales of 307.8 billion yen (113% of the previous year), its best performance since its founding.

Following the first 20 years, HIES aims to pioneer the needs for environmental responsiveness, digitalization and automation to respond to reforms in work styles and safety and security. HIES will also strengthen its recurring business and establish a highly profitable business through ongoing structural reforms.

In addition, from FY2022, the company is undertaking a culture transformation project, "Working Together," to transform its corporate culture to be more open and positive. Under four pillars – "People First," "Work Smarter," "Innovation by Diversity," and "Go Green" – HIES will transform itself into a better company in which employees can take pride. While inheriting a good culture, HIES aims to increase employee engagement and achieve sustainable growth.

In 2022, HIES acquired two global companies. The first, in April, was Photon Energy, a German laser equipment manufacturer. The second, in July, was Telesis Technologies, Inc, a U.S.-based manufacturer of dot peen markers and laser markers. Both companies were acquired to strengthen HIES's marking systems business and expand its product portfolio, as well as to expand its North American business and strengthen its recurring business.

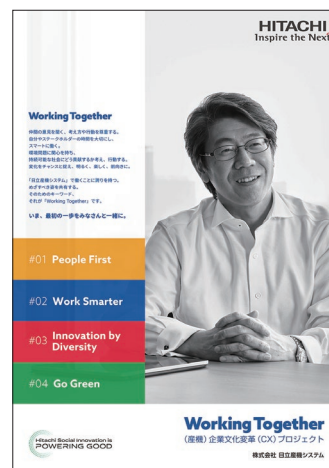
Furthermore, in April 2023, Sullair, a global compressed air solutions provider, changed its trade name to Hitachi Global Air Power. Combined with this name change and other key initiatives (e.g. promotion of global talent pool), HIES will further strengthen the integrated global operation of Hitachi's air compressor business and accelerate its growth.



Exterior view of new building at Nakajo Works



Current head office (AO Building)



"Working Together" poster