
Hitachi Enters into Agreement to Acquire Air Compressor Manufacturer Sullair

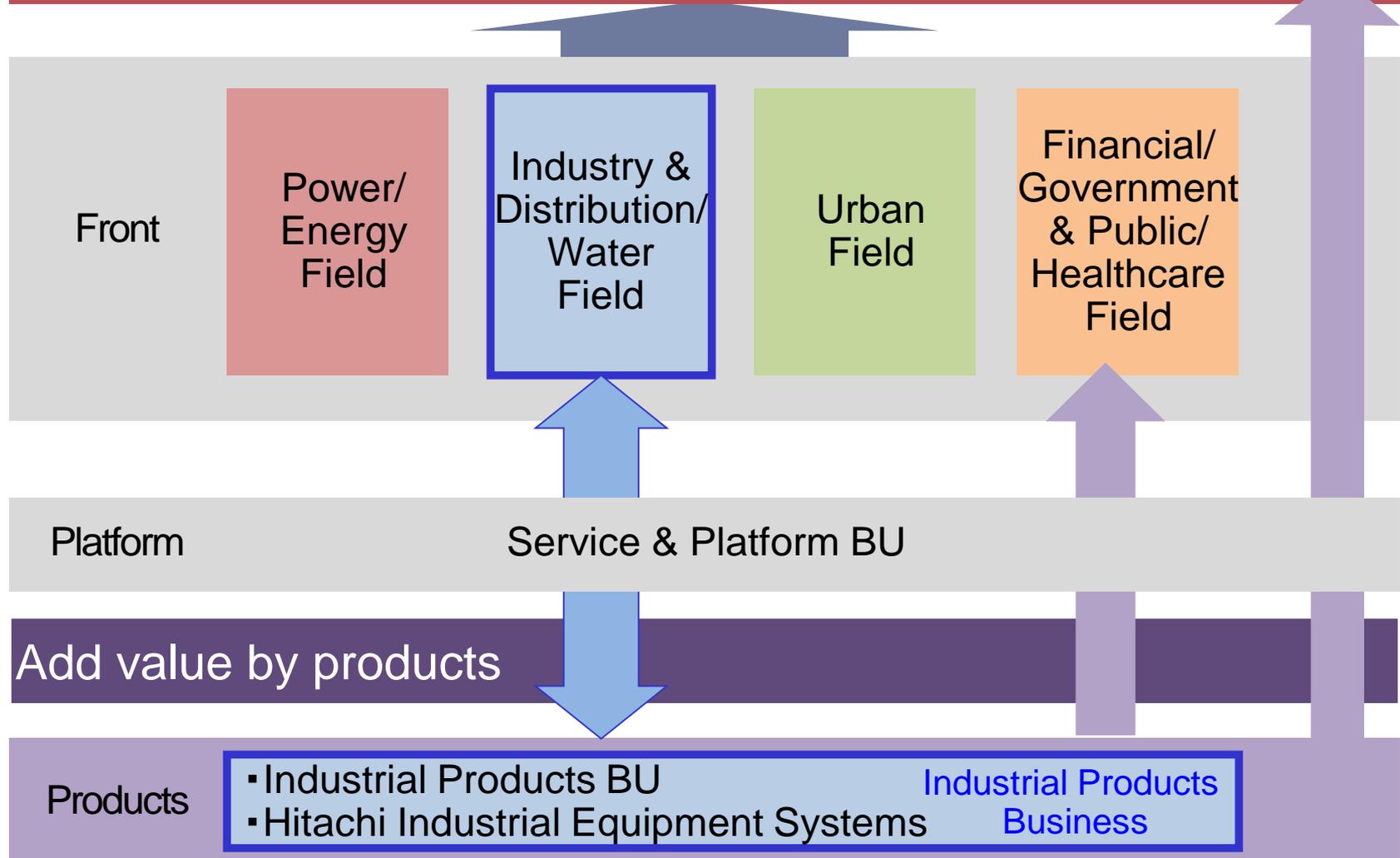
Making a Full-scale Entry
into the North America Compressor Segment

Masakazu Aoki
Executive Vice President and Executive Officer
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1. Hitachi's Industrial Business

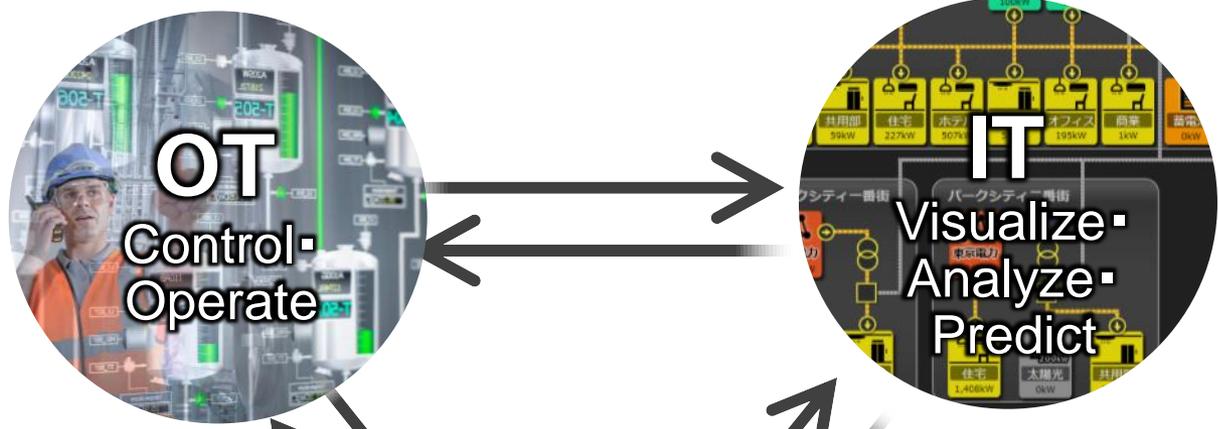
Expand industrial business by collaboration of Front and Product

Realize customer's growth



2. Hitachi's Industrial Products

Provide innovation to customers and society by OT × IT × Product & System



Industrial Products

Motor Inverter Controller UPS-PCS

Centrifugal Compressor Air Compressor M2M Device

Transformer Marking & Coding Pump

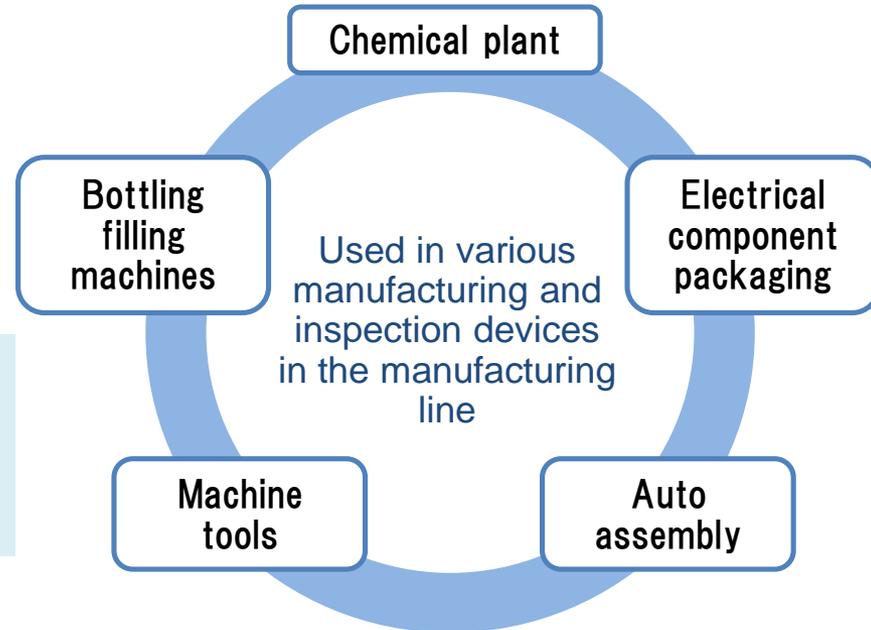


OT: Operational Technology

3. Overview of Air Compressor

Air compressor is a utility that is essential to the industry regarding power sources for pneumatic drive machinery

Stationary



1. Oil flooded: uses oil to cool the inside of the compressor [Used in various industries]
2. Oil free: high-tech product that does not use cooling oil [Essential specification in industries requiring a level of air cleanliness (e.g., Food, Beverage, Pharmaceuticals)]

Portable



Mainly used Construction • Mining • O&G industries

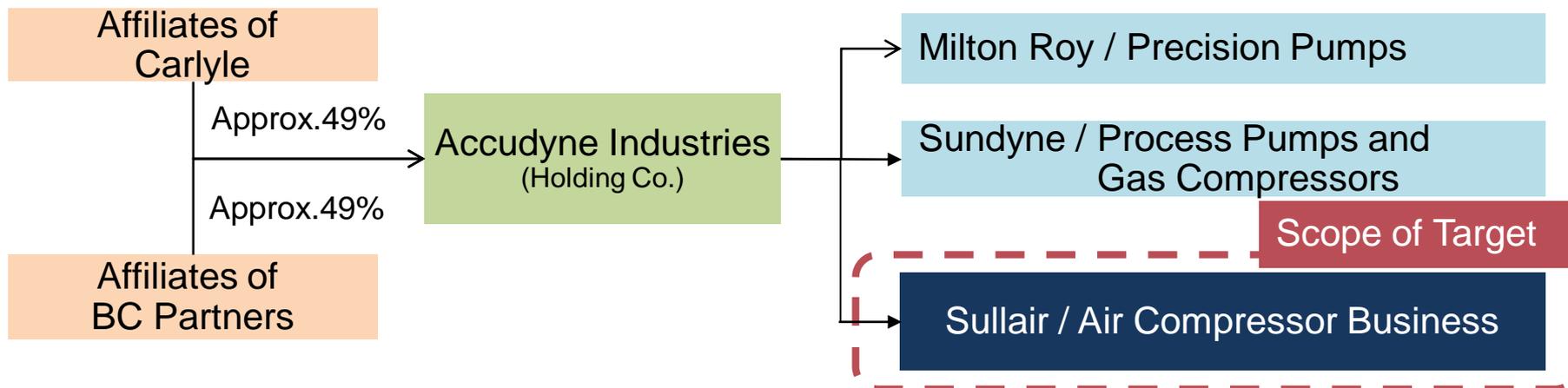


Purpose of Acquisition

- Full scale entry into highly desirable North American compressor segment
- Acquiring Sullair's customer and distributor networks and expand product line-up
- Global expansion of industrial digital solution business utilizing above networks

Target of Acquisition

- Acquire Accudyne's subsidiaries and certain related assets that is related to air compressor business under "Sullair" brand



Total Acquisition Price: 135.7B Yen (1.245B \$)*

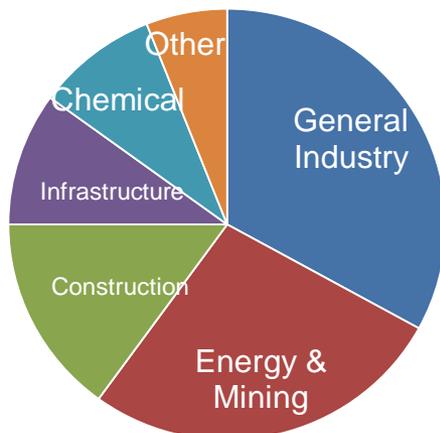
*Subject to customary adjustment

5. Outline of Sullair

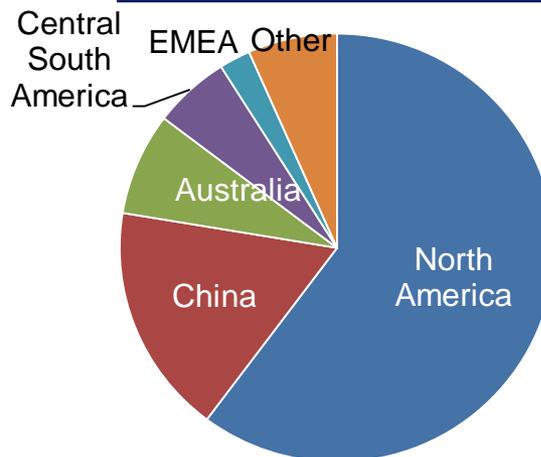
Need to decide FX rate (currently 109yen)

Item	Details		
Establishment	1965	Headquarters	Chicago/US
Representative	President John (Jack) Carlson	No. of Employees	Approx. 890
Business activities	Manufacture/sale/service of stationary and portable air compressors		
Manufacturing site	Michigan city, US / Shenzhen, Suzhou, China		
No. of distributors	Approx. 200 companies in North America, approx. 50 companies in China		
Revenue	FY2016 (Actual) 43.2 billion yen	FY2017 (Forecast)	45.8 billion yen
Adjusted EBITDA	FY2016 (Actual) 7.0 billion yen	FY2017 (Forecast)	8.9 billion yen

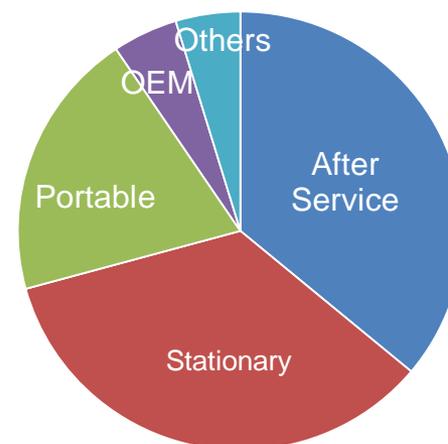
Sales by Customer



Sales by Region



Sales by Products



6. Complementary Relationship with Sullair

Capture various customers by utilizing both Sullair's and Hitachi's strengths

Region/Industry/Product

	Sullair's strengths	Hitachi's strengths
Region	North America, China	Japan, Asia
Industry	Construction, Mining, O&G	Electronics, Auto, Food, Life Science
Product	Large-scale stationary and potable air compressor	Oil-free air compressor, and Inverter air compressor

Sullair Product

Product	Sullair	Sales Ratio (FY15)
Stationary Compressor		36%
Portable Compressor		20%
After Market & Other		44%

Hitachi Product

Product	Hitachi	Sales Ratio (FY15)
Stationary Compressor		59%
Portable Compressor	-	0%
After Market & Other		41%

Acquire Sullair's Distribution Network and Customer Base

■ Distribution Network of Sullair in North America



Sullair

- Distributor: Approx. 200
- End User: Approx. 4,000



Hitachi

- Distributor: Approx. 50
- End User: Approx. 200

8. Utilization of Sullair's Customer Base

Providing Hitachi's connected products for Digital Industrial Solutions



Air compressors

Marking & Coding Products



Enhance Hitachi's products lineup, Distributing products



Sullair's customer in North America : 4,000

Life Science	Food & Beverage	Electric Component	Auto	Construction/Mining	O&G	Retail
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Promoting Digital Solutions from downstream products

Digital Industrial Solutions

IoT Platform 「Lumada」

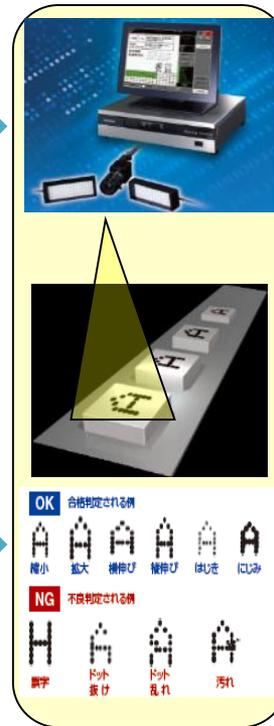
9. Promotion for Marking & Coding Equipment

Provide Marking & Coding equipment to Sullair's customers, especially global key accounts in Food & Beverage industry etc.

Continuous ink jet printer



Vision System



【Samples】



Egg



Can

CO2 Laser Marker



PET



Packaging Film

Expand Solution Business : Coding, Traceability, etc.

Propose Digital Solutions to Sullair's customer base

■ Solution Example



Optimization After Service

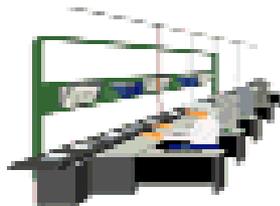
■ Remote Monitoring with Big Data analysis

- Predictive diagnosis: Planning Component replacement
- Field Management: Sending Service Staff

Cloud Database

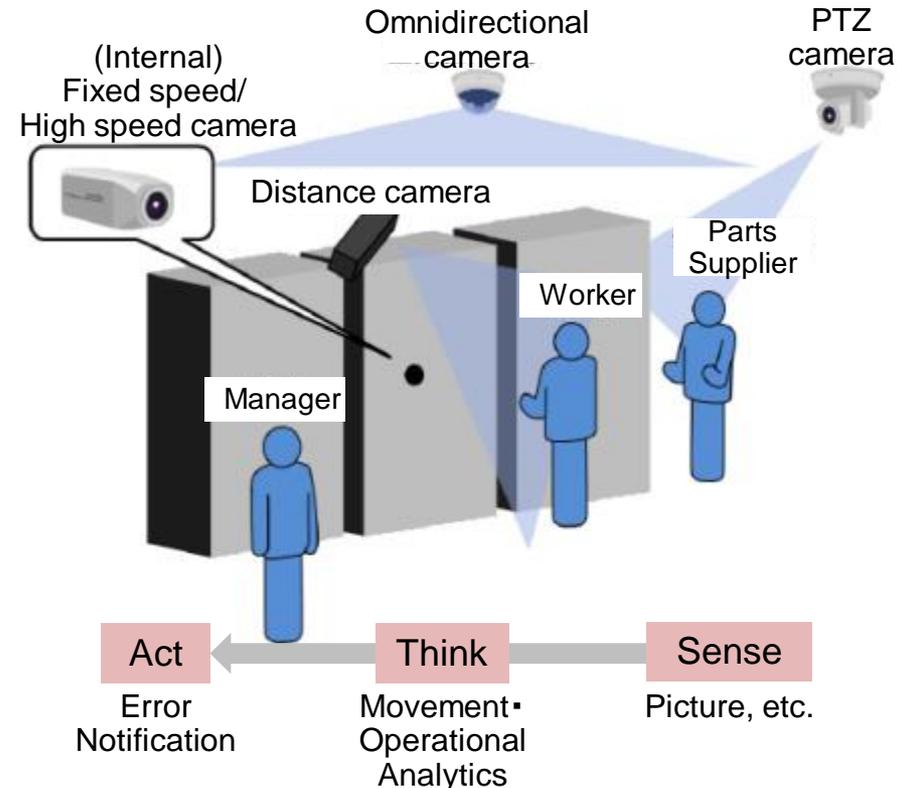
Real Time Operation Monitoring via

- Flood Pressure Sensor
- Temperature Sensor
- Operation Time



Improve Product Quality Assurance Rate

■ Picture Sensing and Movement Analytics



- Acquire Sullair's Distribution Network and Customer Base
- Accelerate North American Business

- Enlarge Air Compressor Business
(Sales target: beyond JPY100Billion)
- Expand to Marking & Coding Business

- Provide Digital Industrial Solution Business Globally

Expansion
of Hitachi's
industrial
business

HITACHI
Inspire the Next