

# Hisaka Newsletter

## The 90<sup>th</sup> Fiscal Year (Interim)

From April 1, 2018 to September 30, 2018



Brazed Plate Heat Exchangers (BHEs)

## BUSINESS REPORT

To our shareholders

The first half of our 90<sup>th</sup> fiscal year has ended, and we would like to provide an overview report on those six months.

During the first half of this fiscal year, the global economy performed well, and the domestic economy also continued to recover gradually.

However, there are also issues to be concerned about, such as the trade conflict between the U.S. and China, and the future is uncertain.

In that economic background, while there was a slight decrease in orders received for our Process Engineering segment, demand increased for maintenance and renewals for our Heat Exchanger segment and orders for limited application valves in our Valve segment steadily increased, resulting in 14,279 million yen in orders received (an increase of 3.5% year-on-year) for our Group. Furthermore, net sales increased across all segments, resulting in 15,278 million yen (an increase of 16.4% year-on-year).

Regarding profit, while labor costs have increased as we strengthen our personnel organization to expand our operations, the increase in revenue led to an operating profit of 1,165 million yen (an increase of 49.0% year-on-year), with an ordinary profit of 1,334 million yen (an increase of 36.0% year-on-year). On the other hand, as there was no extraordinary income on securities and we recorded extraordinary losses for disaster-related expenses, such as from the earthquake in northern Osaka Prefecture, the profit attributable to owners of parent were 807 million yen (a decrease of 36.1% year-on-year).

We would like to ask for the continued cooperation and support from our shareholders.



December 2018,  
President and CEO,

**Yoshikazu Takeshita**

# Results by Segment

(\*Monetary amounts listed herein are those before the elimination of internal transactions.)

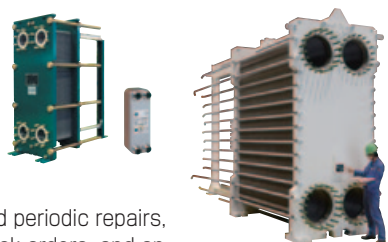
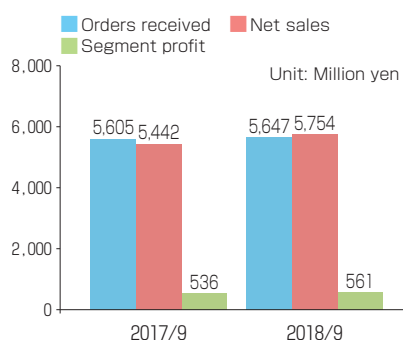
## Heat Exchanger Segment

The Heat Exchanger Segment manufactures and sells plate heat exchangers that perform the heating and cooling of fluids, which are essential in various industries.

While the amount of marine orders received from shipbuilding companies and large overseas plants related to chemicals and energy have been performing poorly, there is demand for maintenance and renewals involved in periodic repairs in the domestic chemicals industry, and orders received reached 5,647 million yen (an increase of 0.7% year-on-year).

In addition to the aforementioned periodic repairs, plant projects, marine-related back orders, and an increase in sales of heat exchangers for the strong semiconductor and machinery industries led to net sales of 5,754 million yen (an increase of 5.7% year-on-year).

Furthermore, while there was an increase in labor costs and the price of raw materials, the increase in revenue led to a segment profit of 561 million yen (an increase of 4.6% year-on-year).



## Process Engineering Segment

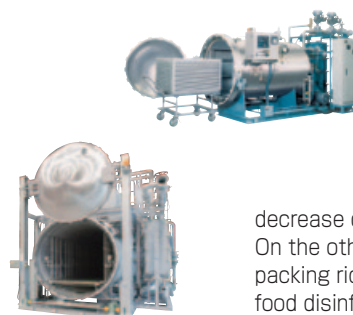
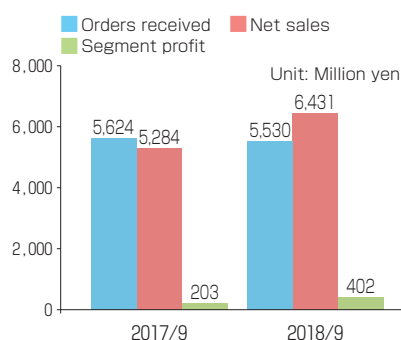
The Process Engineering Segment manufactures and sells cooking disinfecting devices used for retort pouch foods and the like, sterilizing devices for pharmaceuticals, and dyeing and finishing devices for fiber products.

While orders received for retort pouch disinfecting devices remained favorable, there was a decrease in large projects for food product devices, pharmaceutical devices, and dyeing and finishing devices as well as a delay in the receiving order plan, resulting in orders received of 5,530 million yen (a

decrease of 1.7% year-on-year).

On the other hand, large projects for sterile packing rice manufacturing facilities and pet food disinfecting devices and large projects for pharmaceutical devices resulted in net sales of 6,431 million yen (an increase of 21.7% year-on-year).

Also, while there was an increase in labor and other costs, the increase in revenue led to a segment profit of 402 million yen (an increase of 97.8% year-on-year).



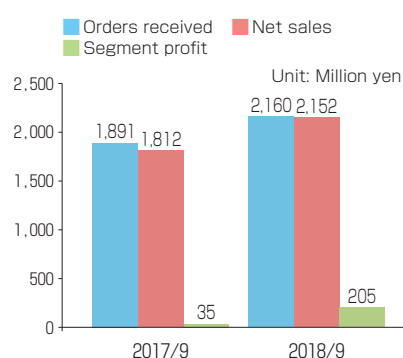
## Valve Segment

The Valve Segment manufactures and sells ball valves and the like used in the control of various fluids.

In addition to the demand for renewals involved in periodic repairs in the domestic chemicals industry, an expansion of sales for limited application valves led to an increase in valves for chocolate production lines and valves for manufacturing lines of electric automobile secondary batteries. As a result, orders received reached 2,160 million yen (an increase of 14.2% year-on-year).

The favorable trend in orders received led to net sales of 2,152 million yen (an increase of 18.7% year-on-year).

Also, while there was an increase in labor and other costs, the increase in revenue led to a segment profit of 205 million yen (an increase of 476.2% year-on-year).



## Other Segments

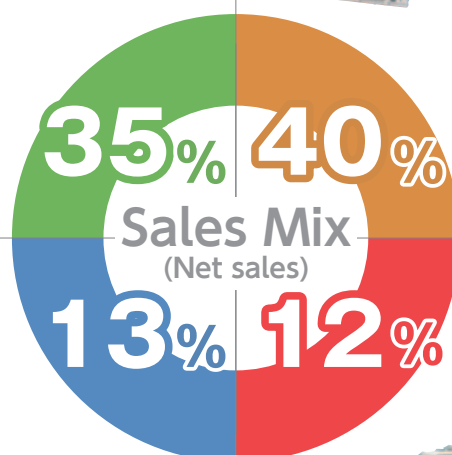
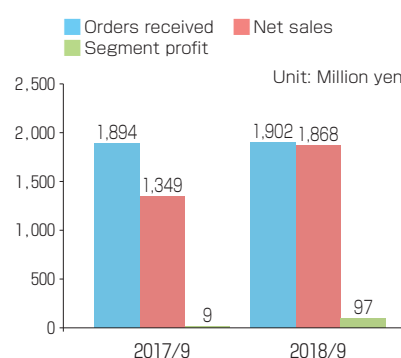
Other segments include operations done by both domestic and overseas subsidiaries, and our solar power generation operations using solar panels on plant roofs.

While large projects for food product devices at domestic subsidiaries decreased, our subsidiary in Malaysia received orders for heat exchangers for the chemicals industry and air conditioning applications, and the orders received at Asahi Industries, Co., Ltd. were included in the scope for consolidation starting this fiscal year. This resulted in orders received of 1,902 million yen (an increase of 0.4% year-on-year).

Furthermore, in addition to food product devices at our subsidiary in China as well as the large projects at our domestic subsidiaries received last fiscal year, the net

sales at Asahi Industries, Co., Ltd. were added in the same way as the orders received. This resulted in net sales of 1,868 million yen (an increase of 38.4% year-on-year).

Due to the increased revenue, the segment profit was 97 million yen (an increase of 978.7% year-on-year).

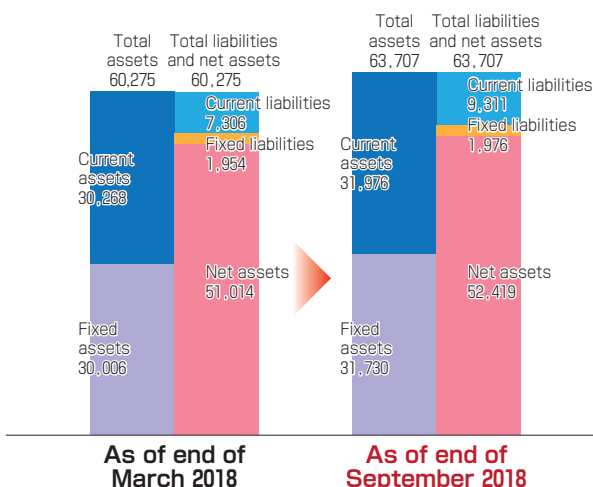




# Consolidated Financial Highlights

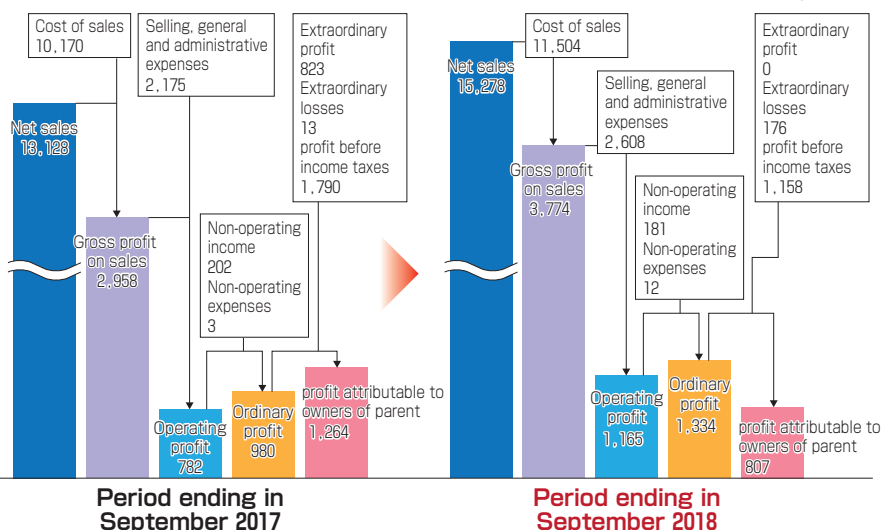
## Summary of Consolidated Balance Sheets

Unit: Millions of yen



## Summary of Consolidated Profit and Loss Statement

Unit: Million yen



## Topics



### Limited Application Valves that Meet Customer Needs

The Valve Segment focuses on development and sales of limited application valves that meet our customers' applications.

Ball valves with special specifications are used in various processes, such as the control of particulate matter, such as pulverized coal (coal fine powder), or the switching of high- and low-pressure ammonia water at iron mills. We develop products that meet these needs and sell them as valves for the iron and steel industry. The iron and steel industry is currently actively investing in facilities, and we will continue to focus on these sales activities.

In recent years, the demand for chocolate is increasing in light of consumers' health-awareness, and major confectionery manufacturers are expanding their facilities to increase production. Chocolate solidifies when it cools, so it is necessary to keep the valves used in a chocolate production line heated to a certain temperature. To meet these needs, we developed a valve with a semi-jacket structure that warms up the valve with hot water, and have been selling that since 2008.



### Development of an Environmentally Friendly Heat Exchanger "BRC-013"

The new "BRC-013" we developed is a type of heat exchanger called a brazed plate heat exchanger (BHE).

In a BHE, multiple plates are stacked and welded with brazing technology. Lightweight, compact, and boasting outstanding benefits in pressure resistance, heat resistance, low temperature resistance, durability, and economic efficiencies. BHEs are often used in refrigerators, water heaters, and heating equipment.

By improving the plate pattern for the BRC-013 we developed, we successfully made it more compact while achieving even more efficient heat exchange. The compactness saves on material resources and also reduces the amount of refrigerant (chlorofluorocarbons) to be filled, thus reducing the burden on the environment.

We will utilize our core technology as a heat exchanger manufacturer and continue to develop global environmentally friendly products.

The BRC-013 has been praised for "acquiring international competitiveness as a compact heat exchanger", and was awarded the "2018 'Super' MONODZUKURI Parts Grand Award - Environment/Resources/Energy Parts Award\*\*".

\*Held by the MONODZUKURI Nippon Conference and the Nikkan Kogyo Shimbum, Ltd.



Ball valve for the iron and steel industry



Valve for a chocolate production line



BRC-013 external appearance (left) and plate (right)

# Consolidated Results

Category	Fiscal year	(Reference)				Unit: Million yen
		88th fiscal year interim (Period ending in September 2016)	89th fiscal year interim (Period ending in September 2017)	90th fiscal year interim (Period ending in September 2018)	88th full fiscal year (Period ending in March 2017)	89th full fiscal year (Period ending in March 2018)
Orders received		13,224	13,794	14,279	26,594	28,914
Net sales		11,756	13,128	15,278	25,023	26,891
Operating profit		419	782	1,165	1,161	1,607
Ordinary profit		311	980	1,334	1,374	1,963
Quarterly (this period) net profit attributable to shareholders of the parent company		1,175	1,264	807	2,191	1,927
Quarterly net profits (this period) per share (in yen)		39.39	42.34	27.04	73.42	64.56
Gross assets		53,531	58,893	63,707	55,616	60,275
Net assets		46,637	50,436	52,419	48,254	51,014
Net assets per share (in yen)		1,561.80	1,689.36	1,755.78	1,616.24	1,708.71

(Note) "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) etc. have been applied since the start of the interim period of the 90th fiscal year. Major management benchmarks for the 89th fiscal year interim and the 89th full fiscal year have been set applying the said accounting standards retroactively.

## Company Profile (Current as of September 30, 2018)

Company name:	HISAKA WORKS, LTD.
Established:	May 5, 1942
Capital	4,15 million yen
Number of employees:	Consolidated: 732, Non-consolidated: 563
Head office address:	2-12-7 Sonezaki, Kita-ku, Osaka City
Branch offices and plant:	Tokyo Branch Office (Chuo-ku, Tokyo) Nagoya Branch Office (Nagoya City, Aichi) Kyushu Branch Office (Fukuoka City, Fukuoka) Kitakyushu Branch Office (Kitakyushu City, Fukuoka) Konoike Plant (Higashiosaka City, Osaka)
Major subsidiaries:	MICROZERO CO., LTD. (Tachikawa City, Tokyo) HISAKAWORKS S.E.A. SDN. BHD. (Malaysia) HISAKA WORKS (CHINA) CO.,LTD. (China)

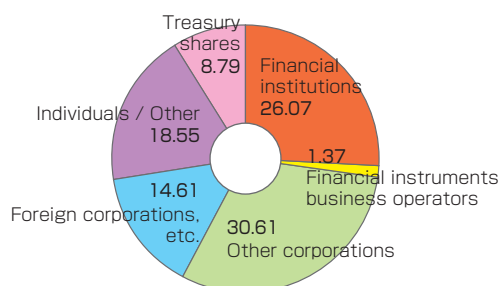
### Directors and Audit & Supervisory Board Members:

Chairman	Yuichi Maeda
President and CEO	Yoshikazu Takeshita
Senior Executive Director	Junichi Nakamura
Executive Director	Tetsuya Inoue
Director	Toshiyuki Funakoshi
Director	Koji Ohta
Director	Tadashi Iizuka
Director	Akihito Adachi
Director (Outside)	Sachie Kato
Director (Outside)	Hikaru Shimomoto
Corporate Auditor	Mitsugu Nakamichi
Auditor (Outside)	Hirofumi Miura
Auditor (Outside)	Akira Nakai

## Status of Shares (Current as of September 30, 2018)

Total number of authorized shares:	129,020,000
Total number of shares issued:	32,732,800
Number of shareholders:	2,729

### Shareholding ratio by owner (%)



### Major shareholders (Top 10)

Shareholder name	Number of shares held	Shareholding ratio
Nisshin Steel Co., Ltd.	2,903,264	9.72%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,880,100	6.29%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,312,500	4.39%
Nippon Life Insurance Company	960,770	3.21%
MUFG Bank, Ltd.	912,640	3.05%
Inaba Denki Sangyo Co., Ltd.	910,802	3.05%
SSBTC CLIENT OMNIBUS ACCOUNT	700,331	2.34%
TAKUMA CO., LTD.	642,000	2.15%
Mizuho Bank, Ltd.	612,640	2.05%
Hisaka Works Business Partners Shareholding Association	588,886	1.97%

(Note) Treasury shares (2,877,487 shares) are excluded.

## Shareholders' Memo

Business year	April 1 to March 31 of the following year
Record date for year-end dividends	March 31
Record date for interim dividends	September 30
Annual General Meeting of Shareholders	June every year
Keeper of shareholder register and account management institution for special account	Mitsubishi UFJ Trust and Banking Corporation
Contact information	Mitsubishi UFJ Trust and Banking Corporation, Osaka Securities Agency Division 3-6-3 Fushimimachi, Chuo-ku, Osaka City, 541-8502 TEL: 0120-094-777 (Toll-free)
Listed stock exchange	First section of the Tokyo Stock Exchange
Public notice method	Electronic notices Public notice URL: <a href="https://www.hisaka.co.jp">https://www.hisaka.co.jp</a> However, in the event of an accident or other unavoidable event that precludes electronic public notice, notices will be published in the Nikkei newspaper.

### (Notice)

- Changes to a shareholder's address, requests for purchases, specifications of a transfer account for dividends, and other such procedures are, in principle, handled at the account management institution (securities firm or the like) where you have opened your account. Please inquire with the securities firm or the like where you have opened your account. Please be aware that the keeper of the shareholder register (Mitsubishi UFJ Trust and Banking Corporation) does not handle such inquiries.
- For procedures related to shares registered in a special account, Mitsubishi UFJ Trust and Banking Corporation is the account management institution. Please inquire with the account management institution for special accounts listed to the left (Mitsubishi UFJ Trust and Banking Corporation). The Mitsubishi UFJ Trust and Banking Corporation main and branch offices also accept messages.
- For unreceived dividends, payments can be made at Mitsubishi UFJ Trust and Banking Corporation main and branch offices.