

# Hisaka Newsletter

## The 90<sup>th</sup> Fiscal Year

From April 1, 2018 to March 31, 2019



Plate Heat Exchanger for CO<sub>2</sub> Recovery (SX-80)

## BUSINESS REPORT

To our shareholders,

Our 90th fiscal year has now ended, and we would like to provide an overview report for this year.

In this fiscal year we experienced gradual growth driven by the U.S.'s strong economic expansion, but the future situation of the world economy remains uncertain, with trade friction intensifying between the U.S. and China, the Chinese economy losing its momentum and an unstable situation in Europe. Meanwhile, in an environment marked by improved corporate profits, employment and income, the Japanese domestic economy continues to stay on a moderate recovery trend.

In this economic environment, our Process Engineering and Valve segments are thriving despite orders from our Heat Exchanger and Other segments decreasing. This took the orders received by our company group to 30,669 million yen (a 6.1% increase over the previous fiscal year). Net sales increased across all segments, resulting in 30,939 million yen (an increase of 15.1% year-on-year).

In terms of profit, while labor costs have increased as we strengthen our personnel organization to expand our operations, the increase in net sales led to an operating profit of 2,040 million yen (an increase of 26.9% year-on-year), with an ordinary profit of 2,337 million yen (an increase of 19.1% year-on-year). On the other hand, as there was a decrease in extraordinary income on investment securities and we recorded extraordinary losses for disaster-related expenses, such as from the earthquake in northern Osaka Prefecture, the net profit for the year attributable to shareholders of the parent company were 1,596 million yen (a decrease of 17.2% year-on-year).

We would like to ask all of our valued shareholders for the continued cooperation and support.



June 2019,  
President and CEO,  
**Yoshikazu Takeshita**

# Results by Segment

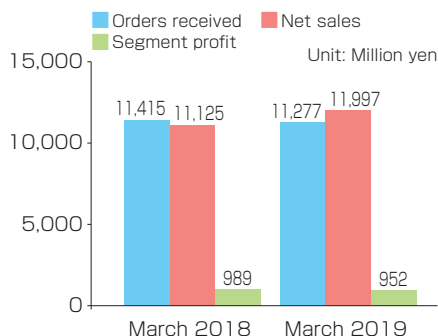
(\*Monetary amounts listed herein are those before the elimination of internal transactions.)

## 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.

Maintenance related orders for the domestic chemicals and marine industries progressed favorably and we received orders related to overseas shipbuilding projects. However, as plant orders stagnated, orders received yielded 11,277 million yen (a 1.2% decrease compared to the previous fiscal year).

Favorable performance of maintenance related orders for the domestic chemicals industry, and a backlog of overseas plant and marine projects meant that net sales yielded 11,997 million yen (an increase of 7.8% year-on-year). A decrease in high-margined orders and increases in the costs of labor and materials resulted in a segment profit of 952 million yen (a decrease of 3.7% year-on-year).



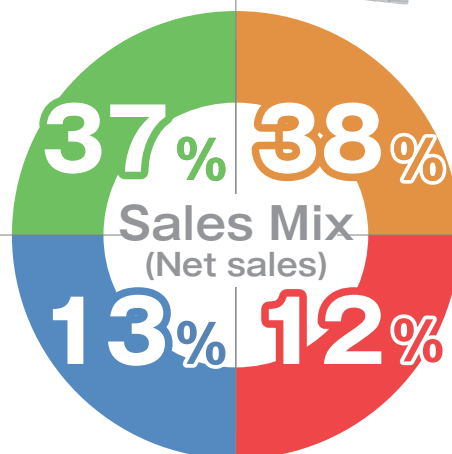
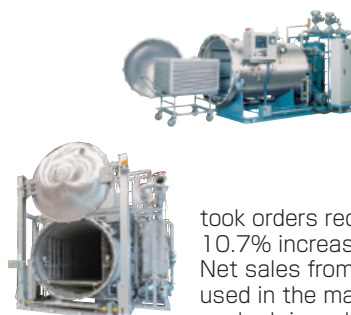
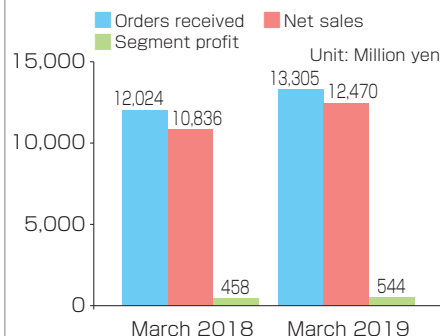
## Process Engineering Segment

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

Orders of sterilizing devices for retort-packed or chilled foods progressed favorably and we received orders from both inside and outside Japan for equipment used in the manufacture of sterile-packed cooked rice. We also received orders of large or renewal projects for dyeing and finishing devices, which

took orders received to 13,305 million yen (a 10.7% increase over the previous fiscal year). Net sales from large projects for equipment used in the manufacture of sterile-packed cooked rice, along with pharmaceutical sterilizing devices and preparation equipment, resulted in net sales of 12,470 million yen (an increase of 15.1% year-on-year).

While there was an increase in labor and other costs, the increase in revenue led to a segment profit of 544 million yen (an increase of 18.8% year-on-year).



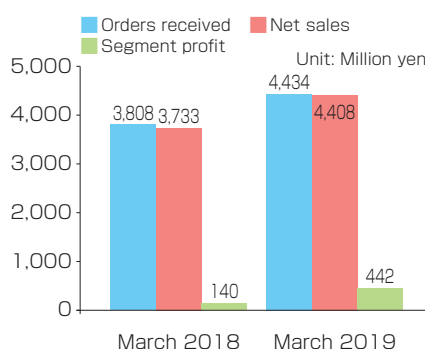
## Valve Segment

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

With renewal demand for the domestic chemicals industry remaining strong and improved performance in securing orders for limited application valves used on chocolate production lines and rechargeable battery manufacturing lines, the orders received yielded 4,434 million yen (a 16.4% increase over the previous fiscal year).

The favorable trend in orders received led to net sales of 4,408 million yen (an increase of 18.1% year-on-year).

While there was an increase in labor and other costs, the increase in net sales and strengthened sales of high added value items led to a segment profit of 442 million yen (an increase of 214.3% year-on-year).

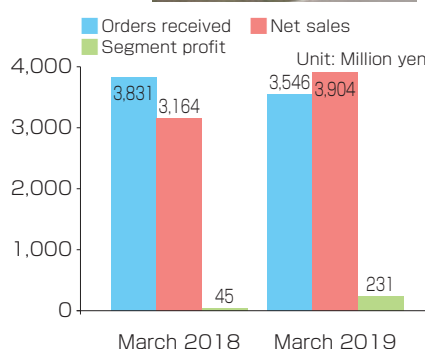


## Other Segment

Other segment include operations carried out by both domestic and overseas subsidiaries, and our solar power generation operations which are carried out at the Konoike Plant.

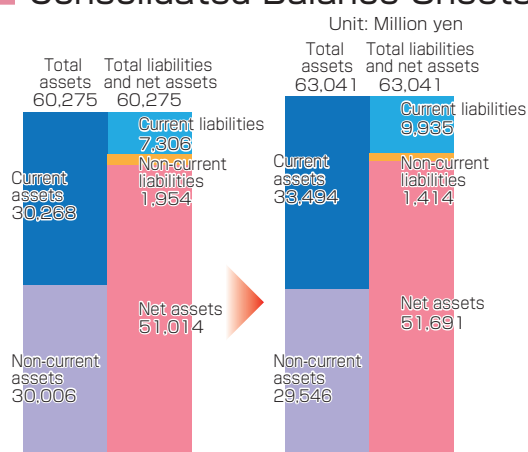
Our subsidiary in Malaysia received a large project of heat exchanger components. However, despite orders received by Asahi Industry, Co., Ltd. being added from this fiscal year as part of consolidating company accounts, issues such as dyeing and finishing device projects by our Chinese subsidiary being postponed, meant the orders received yielded 3,546 million yen (a

7.4% decrease compared to the previous fiscal year). Component projects at our Malaysian subsidiary resulted in steady progress and at our domestic subsidiaries large projects of food manufacturing equipment added to sales. In addition, along with the orders received, net sales from Asahi Industry, Co., Ltd. were also added, which led to net sales of 3,904 million yen (an increase of 23.4% year-on-year). Due to an increase in net sales, the segment profit was 231 million yen (an increase of 408.5% year-on-year).

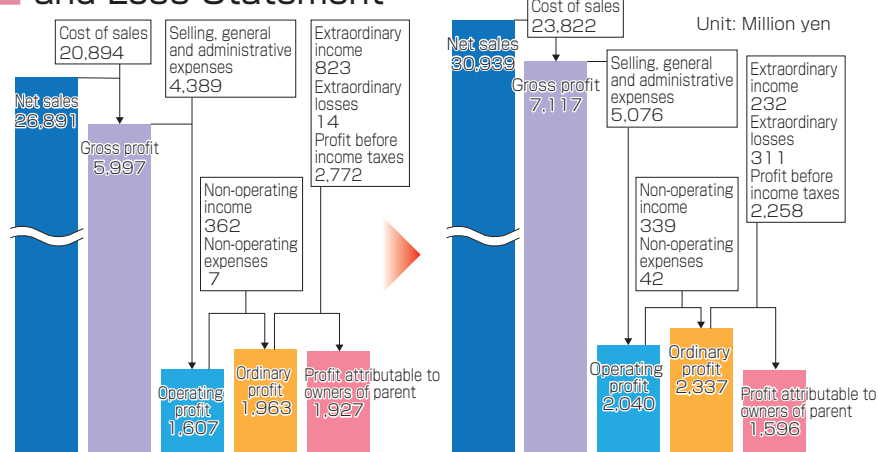


# Consolidated Financial Highlights

## Summary of Consolidated Balance Sheets



## Summary of Consolidated Profit and Loss Statement



As of March 31, 2018 As of March 31, 2019

Fiscal year ended March 31, 2018

Fiscal year ended March 31, 2019

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 period ending March 2019. Major management benchmarks for the period ending March 2018 have been set applying the said accounting standards retroactively.

## Topics



### Integrated Komatsugawa Chemical Engineering Co., Ltd. Into Our Group Company

We purchased shares in Komatsugawa Chemical Engineering Co., Ltd. acquiring the company on April 3 and welcoming them into our company group. In addition to antibody drug manufacturing equipment, which is an expanding global market, this company possesses technology and expertise associated with equipment used in the chemicals and food industries. Meanwhile, our company group deals with pharmaceutical sterilizing devices, food sterilizing devices and a wide variety of manufacturing plants. Therefore, as members of the same group the future aim is to utilize our respective technology, expertise, production systems and sales channels to expand our business domain and acquire new customers.

Company name	Komatsugawa Chemical Engineering Co., Ltd.
established	December 1946
Business facilities	Head office: Chiyoda-ku, Tokyo Factories: Misato City, Saitama and Narita City, Chiba
Number of employees	99 staff (as of May 2019)
Description of business operations	Manufacture and sale of machinery and equipment for food, chemicals, biochemical and pharmaceutical industries, plus plant engineering operations
Net sales	1,357 million yen (as of June 2018)
Capital	100 million yen (as of May 2019)
Shareholder composition	HISAKA WORKS, LTD.: 94.59% Others: 5.41%



Animal Cell Culture Plant



Microorganism Mass Cultivation Equipment



### Hisaka's Heat Exchangers for CO<sub>2</sub> Recovery Plants

This May, JUMBO plate heat exchangers of the "SX-80" type were installed in the CO<sub>2</sub> capture and storage (CCS) plant of a thermal power station in Japan.

"Chemical absorption" is a CCS process which uses an "amine solution" as an absorbent. CO<sub>2</sub> which is captured selectively in exhaust gas is easily absorbed at low temperatures and easily released at high temperatures. However, in order to release CO<sub>2</sub>, low temperature rich absorbent with CO<sub>2</sub> has to be heated, which consumes thermal energy.

With higher heat recovery performance, our "SX-80" type plate heat exchangers can recover more than 90% of the heat from hot lean amine to be cooled and transfer it to cold rich amine to be heated. Since the newly developed gasket material has higher resistance for a high temperature amine solution, it achieves cost reduction and stable operation in the plant.

In processes other than CCS, we also supply high performance plate heat exchangers which are suitable for saving energy, and are working together with our customers to contribute to a reduction in CO<sub>2</sub> emissions.



CO<sub>2</sub> Recovery Plant (Sample image)



Plate Heat Exchanger for CO<sub>2</sub> Recovery (SX-80)

# Consolidated Results

Unit: Million yen

Fiscal year Category	86th fiscal year (Period ending in March 2015)	87th fiscal year (Period ending in March 2016)	88th fiscal year (Period ending in March 2017)	89th fiscal year (Period ending in March 2018)	90th fiscal year (Period ending in March 2019)
Orders received	25,391	25,770	26,594	28,914	30,669
Net sales	24,398	25,393	25,023	26,891	30,939
Operating profit	1,342	1,184	1,161	1,607	2,040
Ordinary profit	1,831	1,532	1,374	1,963	2,337
Profit attributable to owners of parent	1,313	2,688	2,191	1,927	1,596
Earnings per share (in yen)	44.01	90.04	73.42	64.56	53.48
Total assets	63,252	58,473	55,616	60,275	63,041
Net assets	50,963	47,191	48,254	51,014	51,691
Net assets per share (in yen)	1,706.50	1,580.27	1,616.24	1,708.71	1,731.40

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 90th fiscal year. Major management benchmarks for the 89th fiscal year have been set applying the corresponding accounting standards retroactively.

## Company Profile (Current as of March 31, 2019)

Company name: HISAKA WORKS, LTD.  
 Established: May 1942  
 Capital: 4.15 billion yen  
 Number of employees: Consolidated: 749, Non-consolidated: 574  
 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)

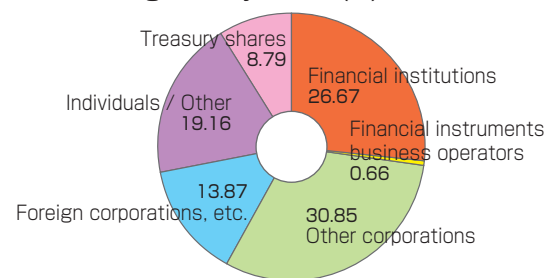
## Directors (as of June 27, 2019)

President and CEO Yoshikazu Takeshita  
 Executive Director Tetsuya Inoue  
 Executive Director Koji Ohta  
 Executive Director Tadashi Iizuka  
 Director Toshiyuki Funakoshi  
 Director Akihito Adachi  
 Director Toshiya Usami  
 Director (Outside) Koji Mizumoto  
 Director (Outside) Yuko Tsuno  
 Corporate Auditor Mitsugu Nakamichi  
 Auditor (Outside) Hirofumi Miura  
 Auditor (Outside) Akira Nakai

## Share status (as of March 31, 2019)

Total number of authorized shares: 129,020,000  
 Total number of shares issued: 32,732,800  
 Number of shareholders: 2,982

### 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)	2,063,400	6.91%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,413,200	4.73%
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	678,623	2.27%
TAKUMA Co., Ltd.	642,000	2.15%
STATE STREET BANK AND TRUST COMPANY 505103	621,019	2.08%
Mizuho Bank, Ltd.	612,640	2.05%

(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, 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 institution where your account is set up. 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.