

Hisaka

HISAKA

Newsletter

The 88th Fiscal Year

From April 1, 2016 to March 31, 2017

TOP MESSAGE



Achieving a vibrant group of employees as well as business developments, by having each and every one take on challenges.

June 2017

Yoshikazu Takeshita, President

BUSINESS REPORT

To our shareholders

Our 88th fiscal year has ended, and we would like to provide an overview report on the year.

During the fiscal year under review, the Group actively pursued a growth strategy through means that included the operation of large press machines in Malaysia, M&As and capital participation for business expansion, and the development of the all-welded plate heat exchanger Hi-CUBE, in addition to valves for shield machines used for tunnel construction.

In terms of financial results, net orders received were up 3.2% from the previous fiscal year to ¥26,594 million and net sales were down 1.5% to ¥25,023 million.

Operating income was down 2.0% from the previous fiscal year to ¥1,161 million and ordinary income dropped 10.3% to ¥1,374 million.

Profit attributable to owners of parent was down 18.5% to ¥2,191 million.

In the fiscal year ending March 31, 2018, we expect ¥24,710 million in net sales, ¥1,013 million in operating income, ¥1,213 million in ordinary income, and ¥849 million in profit attributable to owners of parent.

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

Earnings fluctuations

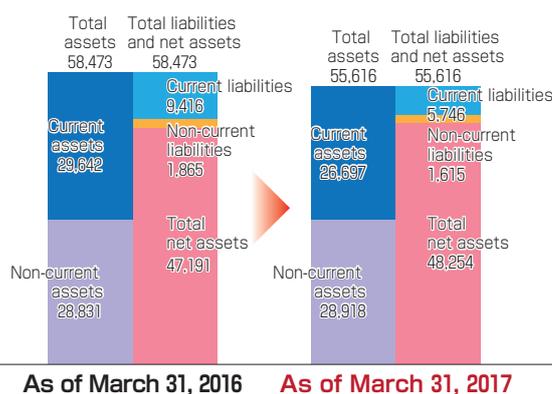
Unit: Millions of yen

Fiscal year	FY2012 (fiscal year ended March 31, 2013)	FY2013 (fiscal year ended March 31, 2014)	FY2014 (fiscal year ended March 31, 2015)	FY2015 (fiscal year ended March 31, 2016)	FY2016 (fiscal year ended March 31, 2017)
Net orders received	22,953	23,082	25,391	25,770	26,594
Net sales	23,699	23,181	24,398	25,393	25,023
Operating income	2,259	1,757	1,342	1,184	1,161
Ordinary income	2,549	2,268	1,831	1,532	1,374
Profit attributable to owners of parent	1,721	1,480	1,313	2,688	2,191
Earnings per share (Yen)	54.62	48.50	44.01	90.04	73.42
Total assets	50,657	55,129	63,252	58,473	55,616
Net assets	43,164	45,985	50,963	47,191	48,254
Net assets per share (Yen)	1,398.02	1,539.75	1,706.50	1,580.27	1,616.24

Consolidated financial highlights

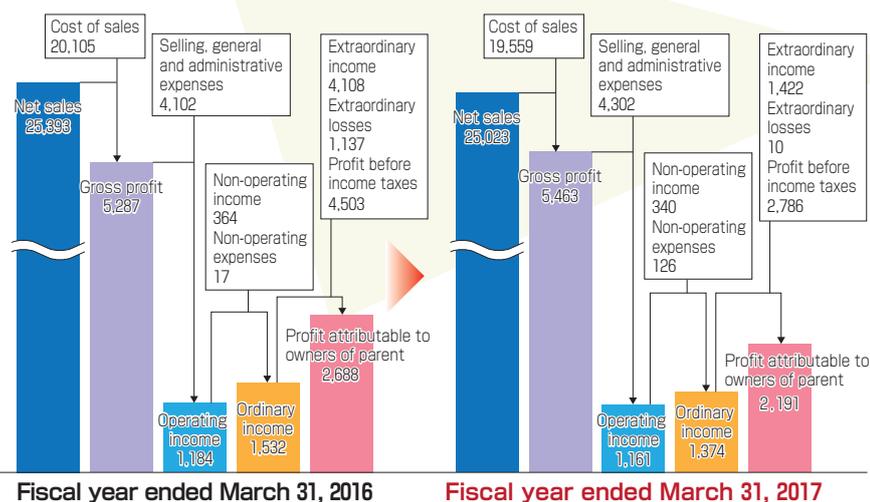
Summary of consolidated balance sheets

Unit: Millions of yen



Summary of consolidated statements of income

Unit: Millions of yen



Topics

G-17 Start of the new medium-term management plan "G-17," aiming for "reform" and "growth"

G-17

Growth **G**overnance
Global **G**oal

Vision

"Achieving a vibrant group of employees as well as business developments, by having each and every one take on challenges."

Slogan

Let us change and we can change it.
Change makes Change

The medium-term management plan "G-14," which was started in the fiscal year ended on March 31, 2015, finished in March of this year. Under "G-14," we conducted active investments aimed at future growth, including the establishment of new bases in Japan and overseas, the establishment of a new plant in Malaysia, and M&As. The new medium-term management plan "G-17" (from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2020) is formulated in light of the achievements of "G-14" and aims for reform and growth in line with the vision and slogan stated to the left. Under "G-17" we will strengthen and expand our solutions businesses that offer supply, maintenance, and management services for products ranging from units to plant facilities, in addition to the manufacturing and sales of machine units. We will work to bolster manufacturing capabilities through the strengthening of design, procurement, and production. Going forward, the Company will continue to capitalize on our control technologies for fluid heat and pressure to offer many products that support security, peace of mind, comfort, and convenience in the fields of clothing, food, housing, medicine, environment, and energy through our sophisticated manufacturing technology.

Performance targets for the fiscal year ending March 31, 2020

Net orders received

¥31.0 billion or more

Net sales

¥30.0 billion or more

Operating income

¥2.4 billion or more

Operating margin

8.0% or more

Results by segment

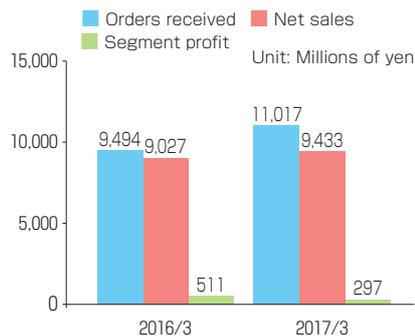
(*The amounts presented are the amounts before elimination of internal transactions.)

Vital Industry Division

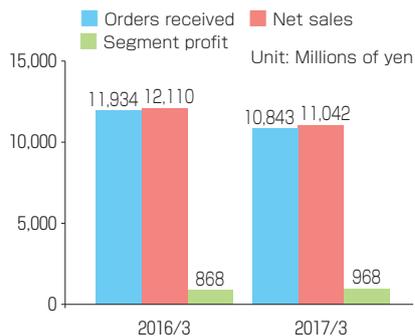
Net orders received for Pharmaceutical Machinery were down as a result of factors such as the impact of the NHI drug price revision. However, net orders received increased compared to the previous fiscal year thanks to the orders for various food plants including pouch-food sterilizers and extraction and concentration equipment due to an increased demand for long-lived foods, as well as the expansion in the sales of liquid dyeing machines in China.

Net sales also increased compared to the previous fiscal year as a result of strong orders.

Segment profit decreased compared to the previous fiscal year as a result of additional costs for plant projects, and the presence of a large-scale Dyeing & Finishing Machinery project with low profitability.



Heat Exchanger Division



Despite a strong performance in maintenance-related services and an increase in orders in the chemical industry sector accompanying facility updates, net orders received decreased compared to the previous fiscal year as a result of the lack of large-scale plant projects for chemical or energy related sectors due to the decline in crude oil prices. Net sales decreased compared to the previous fiscal year as a result of a slump in overseas plant projects.

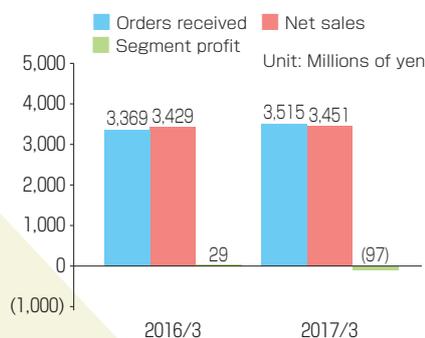
Despite the decrease in net sales, segment profit increased compared to the previous fiscal year as the profit margin was improved thanks to a reduction in low-profit projects and an improvement in the sales ratio for maintenance and small to medium general purpose products.

Valve Division

While there were no significant changes in ball valves for the chemical industry, net orders received increased compared to the previous fiscal year due to several factors, including the addition of orders for newly developed valves for shield machines used in tunnel construction.

Reflecting the state of orders received, net sales increased from the previous fiscal year.

In terms of segment profit, a loss was recorded as a result of increased costs resulting from several factors, including problems with suppliers, despite the fact that sales were flat.

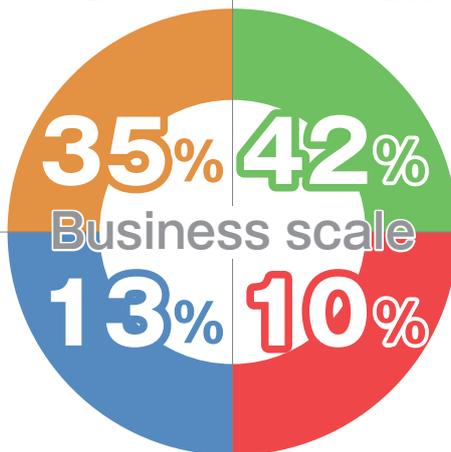


Other segment

The Other segment is comprised of subsidiary business operations in Japan and overseas and a power generation business.

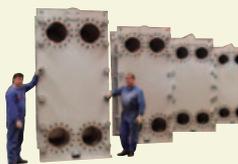
Net orders received increased from the previous fiscal year as a result of several factors, including orders received for large projects for beverage and liquid egg plants at a domestic subsidiary and orders received for concentration equipment for traditional medicine at a Chinese subsidiary.

Net sales also increased over the previous fiscal year as a result of the strong performance at domestic and Chinese subsidiaries. In terms of segment profit, despite an increase in depreciation expenses as a result of the installation of large press machines at the Malaysian subsidiary, the loss amount decreased compared to the previous fiscal year as a result of improvements in profits thanks to increased sales at domestic and Chinese subsidiaries.



Capital and business alliances

LIFT STEAMER Z ▶
a core product of
Asahi Industry Co., Ltd.



◀ Large plate heat exchangers of
ARSOPI-THERMAL S.A.

The Company made Asahi Industry Co., Ltd., a leading company for automatic continuous sterilizers, into its subsidiary, and invested in the capital of ARSOPI-THERMAL S.A., a Portuguese company with which a friendly relationship has been maintained since 1988, through a licensing agreement for plate heat exchangers.



New product development

Completion of triple tube heat exchanger, diaphragm valve, and shield valve with hydraulic actuator.



Triple tube heat exchanger ▲



Diaphragm valve ▶



Shield valve ▲



Information on affiliated athletes



Personnel Division:
Tomotaro Nakamura

Achieved the Dispatch Standard Time at the Japan Para-Swimming Spring Meet held in Shizuoka on March 5, and obtained tentative qualification for representatives of the World Championships to be held in September.

Won a silver medal in Wheelchair fencing, Épée (Cat. B), at the 2017 World Cup held in Hungary from February 15 through 21.



Personnel Division:
Anri Sakurai (on the left)

Corporate outline

Company overview

(as of March 31, 2017)

Company name: HISAKA WORKS, LTD.
Established: May 5, 1942
Representative: Yoshikazu Takeshita, President
Capital stock: ¥4,150 million
Total number of shares issued: 32,732,800
Number of shareholders: 3,033
Number of employees: 663 (Consolidated);
514 (Non-consolidated)

Main offices and plant

- Head office: 2-12-7 Sonezaki, Kita-ku, Osaka City, Osaka
- Tokyo Branch Office: 1-19-8 Kyobashi, Chuo-ku, Tokyo
- Nagoya Branch Office: 1-12-17 Sakae, Naka-ku, Nagoya City, Aichi
- Kyushu Branch Office: 1-15-20 Hakataekimae, Hakata-ku, Fukuoka City, Fukuoka
- Kitakyushu Branch Office: 9-1 Konyamachi, Kokurakita-ku, Kitakyushu City, Fukuoka
- Konoike Plant: 2-1-48 Higashi-konoike-cho, Higashi-Osaka City, Osaka

Main subsidiaries

- MICROZERO CO., LTD. (Tachikawa City, Tokyo)
- HISAKAWORKS S.E.A. SDN. BHD. (Malaysia)
- HISAKA WORKS (CHINA) CO., LTD. (China)

Directors and Auditors

(as of June 29, 2017)

Chairman	Yuichi Maeda
President	Yoshikazu Takeshita
Senior Executive Director	Junichi Nakamura
Executive Director	Hitoshi Iwamoto
Director	Toshiyuki Funakoshi
Director	Tetsuya Inoue
Director	Koji Ohta
Director	Tadashi Iizuka
Director (Outside)	Sachie Kato
Director (Outside)	Hikaru Shimomoto
Auditor (full-time)	Takuo Yamada
Auditor (full-time)	Mitsugu Nakamichi
Auditor (Outside)	Hirofumi Miura
Auditor (Outside)	Akira Nakai

Accounting Auditor

(as of June 29, 2017)

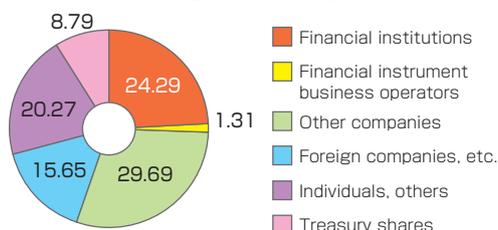
Grant Thornton Taiyo LLC

Stock status

(as of March 31, 2017)

Total number of shares authorized: 129,020,000
Total number of shares issued: 32,732,800
Treasury shares: 2,876,990
Number of shareholders: 3,033

Shareholding ratio by owner (%)



Major shareholders (Top 10 largest)

Shareholder name	Number of shares held and shareholding ratio	
Nisshin Steel Co., Ltd.	2,903,264	8.86%
HISAKA WORKS, LTD.	2,876,990	8.78%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,207,500	3.68%
Nippon Life Insurance Company	960,770	2.93%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	912,640	2.78%
INABA DENKI SANGYO CO., LTD.	910,802	2.78%
BBH BOSTON FOR NOMURA JAPAN SMALLER CAPITALIZATION FUND 620065	875,900	2.67%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	792,500	2.42%
Japan Trustee Services Bank, Ltd. (Trust Account)	788,500	2.40%
TAKUMA CO., LTD.	642,000	1.96%

Shareholders' memo

Business year: April 1 to March 31 of the following year

Record date: March 31 for Annual General Meeting of Shareholders

March 31 for Year-end dividends

September 30 for Interim dividends

(Public notice shall be made in advance when other notices are necessary.)

Notice method: Electronic public notice (Company's website)

(However, should electronic public notices become unavailable in the event of a contingency or other unavoidable incident, all notices shall be posted in *The NIKKEI*.)

Website: <http://www.hisaka.co.jp/english/>

Annual general meeting of shareholders: June

Transfer agent and account management institution for special account: Mitsubishi UFJ Trust and Banking Corporation

Contact: Osaka Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation

3-6-3 Fushimimachi, Chuo-ku, Osaka City, Osaka 541-8502

Tel: 0120-094-777 (toll-free, from within Japan only)

Listed stock exchange: Securities code 6247, Section 1, Tokyo Stock Exchange

Notice

1. Please notify the account managers at the institution that holds your account (securities firm) regarding address changes or requests to sell or buy shares of less than one unit. Please direct inquiries to the securities firm that holds your account. Please note that the transfer agent (Mitsubishi UFJ Trust and Banking Corporation) cannot handle these matters.
2. Please inquire of the aforementioned account manager for special accounts (Mitsubishi UFJ Trust and Banking Corporation) regarding procedures for shares recorded in special accounts. These services are available at Mitsubishi UFJ Trust and Banking Corporation branches nationwide.
3. Dividends not yet received will be paid at Mitsubishi UFJ Trust and Banking Corporation branches nationwide.