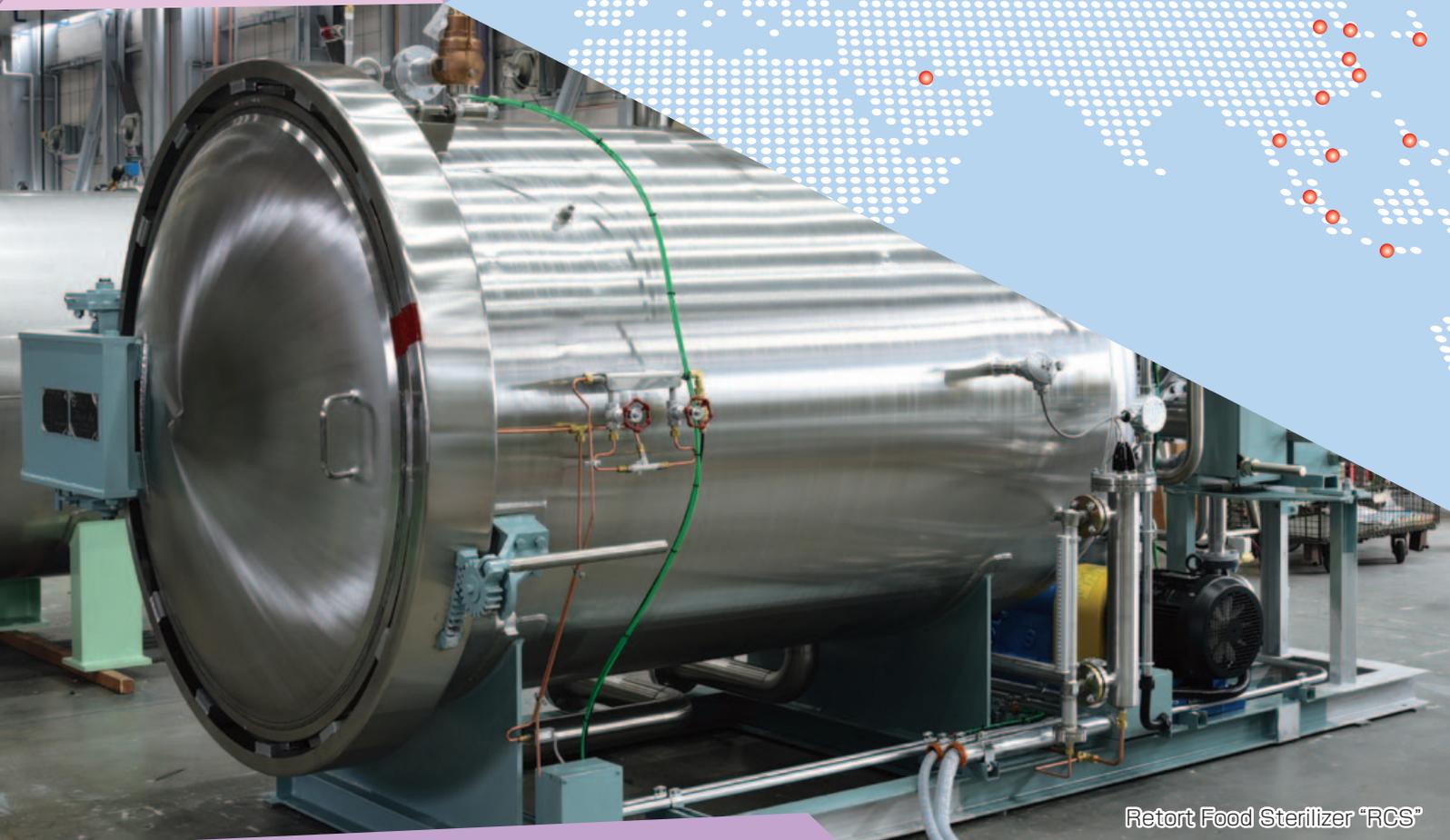


Hisaka Newsletter

The 89th Fiscal Year

From April 1, 2017 to March 31, 2018



Retort Food Sterilizer "RCS"

BUSINESS REPORT

To our shareholders

Our 89th fiscal year has ended, and we would like to provide an overview report on the year.

During the fiscal year under review, the world economy showed strong performance in the advanced countries, especially in Europe and America, and business conditions took a favorable turn in Asia, as well.

Domestically, as well, strong performance by overseas economies together with economic measures and financial policies by the government and Bank of Japan provided the context for continued improvement in corporate income and in the employment and income environment. Business conditions therefore showed a modest recovery.

There were also updates and maintenance accompanying the obsolescence of equipment and facilities across a wide range of industries in the industrial machinery field to which the Group belongs. Active investment in rationalization and labor-saving measures also took place. In combination with the augmentation of production capacity brought about by the recovery in exports, this field showed strong performance.

In this economic environment, and in a context of solid capital investment, the Group recorded ¥28,914 million in orders received (an 8.7% increase year on year). Reflecting a favorable environment for orders and a substantial backlog of orders, net sales also rose to ¥26,891 million (a 7.5% increase year on year).

In terms of profit, the effect of increased revenue and the reduction in unprofitable projects has resulted in operating income reaching ¥1,607 million (a 38.5% increase year on year). Due to the increase in operating income and the decrease in foreign exchange losses, ordinary income reached ¥1,963 million (a 42.8% increase year on year). Profit attributable to owners of parent was ¥1,927 million (a 12.1% decrease year on year) due to the reduction in extraordinary income on investment securities.

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



June 2018
Yoshikazu Takeshita,
President

Results by segment

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

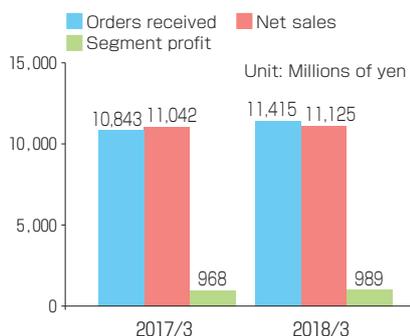
Heat Exchanger Division

The Heat Exchanger Division relates to the manufacture and sale of plate heat exchangers that are indispensable for the heat transfer process in a variety of industries.

Increased orders for small plate heat exchangers and brazed plate heat exchangers in HVAC, semiconductor, and mechanical industries that are active were among the factors yielding strong orders received at ¥11,415 million (a 5.3% increase year on year).

Although the backlog of orders at the beginning of the fiscal year was small, reflecting strong sales for HVAC, semiconductor, and mechanical industries yielded net sales of ¥11,125 million (a 0.8% increase year on year).

With improvement in sales prices and the sales mix, segment profit yielded ¥989 million (a 2.2% increase year on year).



Process Engineering Division

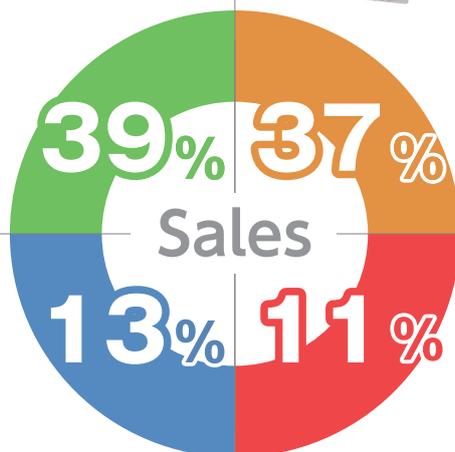
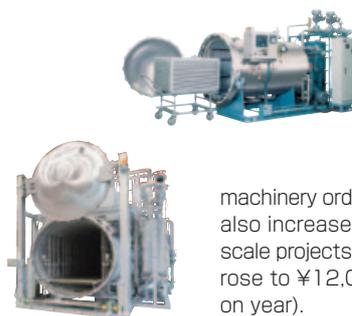
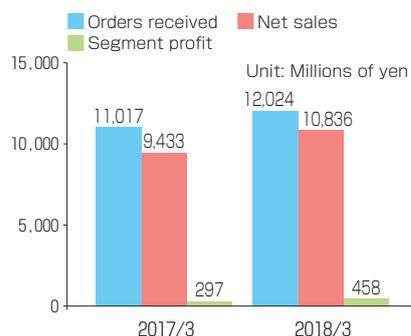
The Process Engineering Division relates to the manufacture and sale of sterilization equipment for retort food, etc., sterilization equipment for pharmaceutical products, and dyeing and finishing equipment for textile products, etc.

As to orders received, the manufacture of liquid dyeing machines for China was progressively shifted from Japan to Chinese subsidiaries, so that orders for dyeing and finishing machines decreased. However, the demand for automation equipment in food plants and other such factors produced strong performance in food

machinery orders, while pharmaceutical machinery also increased due to the acquisition of large-scale projects. The result was that orders received rose to ¥12,024 million (a 9.1% increase year on year).

Due to increased sales in food machinery, net sales reached ¥10,836 million (a 14.9% increase year on year).

The significant increase in profit brought segment profit to ¥458 million (a 54.2% increase year on year).



Valve Division

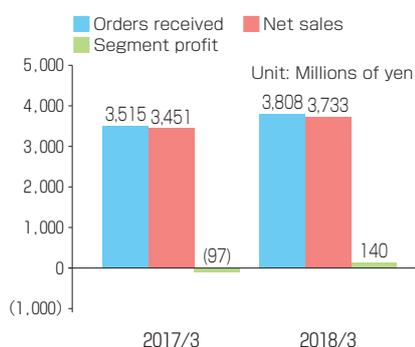
The Valve Division involves the manufacture and sale of ball valves, etc., which are used in various types of fluid control.

In orders received, heightened update demand due to obsolescence produced strong performance in products for the chemical industry. Support for quick delivery demand, reassessment of supply chains, and strengthened relations with distributors were also among the factors contributing to the increase in orders.

With orders for valves with limited uses such as for the chocolate industry and for use with gases increasing as well, a total of ¥3,808 million (an 8.3% increase year on year) was recorded.

Due to the favorable performance in orders, net sales reached ¥3,733 million (an 8.2% increase year on year).

The effect of increased revenue and sales price revisions turned the situation around from the segment loss in the previous fiscal year to achieve segment profit of ¥140 million.

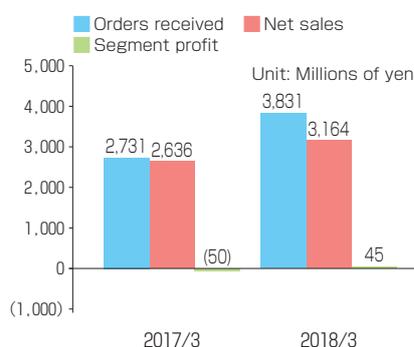


Other segment

The other segment is comprised of business operations by subsidiaries in Japan and overseas and a power generation business utilizing solar panels installed on the roof of Konoike plant. Chinese subsidiaries saw expanding orders for liquid dyeing machines, while subsidiaries in Malaysia and Japan also experienced an increase in orders. The result was that orders received reached ¥3,831 million (a 40.2% increase year on year).

Significant sales expansion in dyeing and finishing machines in China as well as an increase in

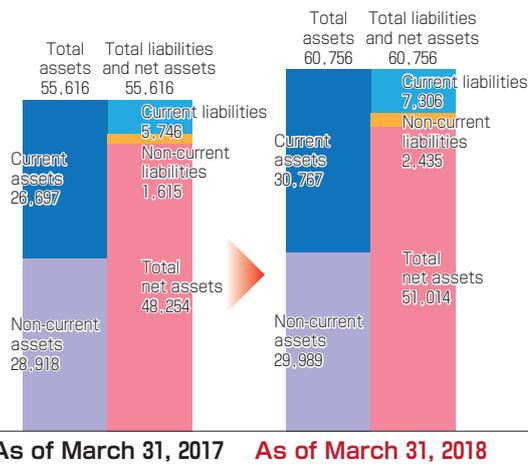
maintenance-related sales by Malaysian subsidiaries brought net sales to ¥3,164 million (a 20.0% increase year on year). Malaysian subsidiaries recorded losses due to the increase in depreciation expenses accompanying large-scale capital investment; however Chinese subsidiaries saw increased revenue that turned the situation around from the segment loss in the previous fiscal year to achieve a segment profit of ¥45 million.



Consolidated financial highlights

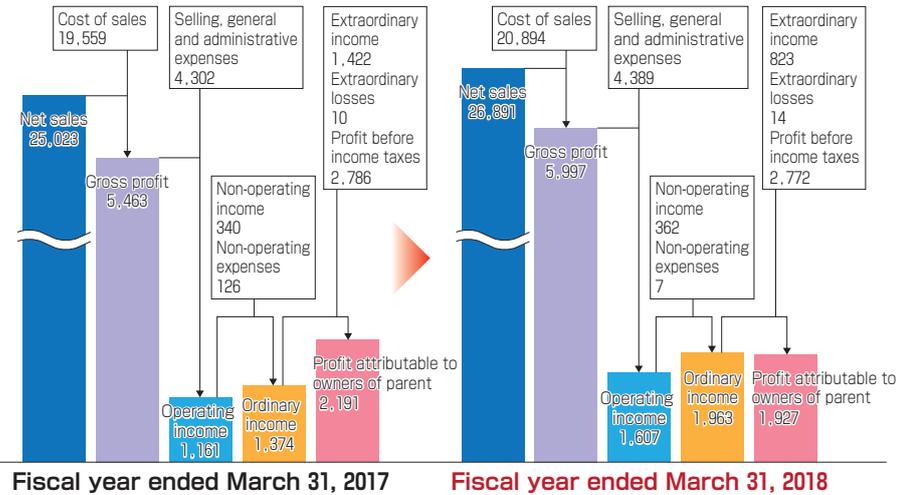
Summary of consolidated balance sheets

Unit: Millions of yen



Summary of consolidated statements of income

Unit: Millions of yen



Topics

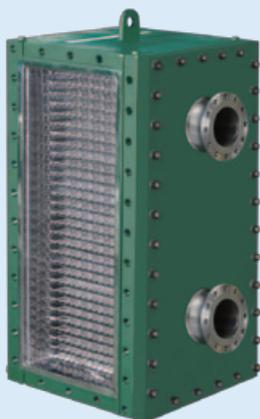


Thermal Solutions Provided by Hisaka

In the heat exchanger operations, the Mid-Term Business Plan "G-17" which began last year defines the "value we provide to the market" as "thermal solutions," and we are aiming to "shift from a component business to a solution business."

One such solution is the "fully welded heat exchanger." Fully welded plate heat exchanger withstand higher heat and pressure conditions by welded plates construction. By expanding our product lineup, we can offer a wide range of proposals to provide total solutions that meet our customers' needs.

We have also developed a new "cyclone-type strainer" as a filter device for seawater used in heat exchangers. Since we received many requests, mainly from customers in the Middle East, to offer strainers for removing foreign material together with our heat exchangers, we developed an original strainer. By providing strainers and other products, Hisaka will continue to provide solutions that improve heat exchanger performance.



Welded plate heat exchanger



Reinforcing suggestions for food sterilizers directed to the expanding LLC food market

Recent years have brought a declining birthrate and growing elderly population, women's participation in society, and changing lifestyles that have resulted, for example, in people increasingly eating alone. For these reasons, there is a growing need for processed foods that give people a sense of security while being delicious, and that are simple and convenient. Consequently, the market for long-life chilled (LLC) food products is now expanding rapidly. LLC food products are foods that are sterilized to retain the deliciousness of just-prepared dishes while ensuring a long shelf life. Heat sterilization at temperatures that do not damage the flavor and optimal cooling play key roles in the manufacture of LLC food products. This process employs our retort food sterilizer "RCS," our rapid preparation sterilizer "RIC," and the "Lift Steamer Z" steaming pasteurizer and food processing machines from our subsidiary Asahi Industry Co., Ltd. LLC food products have longer shelf lives than the ordinary chilled everyday dishes, and they also help reduce the food loss that is currently an issue in society.

We will work with Asahi Industry Co., Ltd. to further strengthen our sales activities directed to LLC food manufacturers.



Retort food sterilizer "RCS"



"Lift Steamer Z" steaming pasteurizer and food processing machines

Earnings fluctuations

Unit: Millions of yen

Fiscal year / Category	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)	FY2017 (fiscal year ended March 31, 2018)
Net orders received	23,082	25,391	25,770	26,594	28,914
Net sales	23,181	24,398	25,393	25,023	26,891
Operating income	1,757	1,342	1,184	1,161	1,607
Ordinary income	2,268	1,831	1,532	1,374	1,963
Profit attributable to owners of parent	1,480	1,313	2,688	2,191	1,927
Earnings per share (Yen)	48.50	44.01	90.04	73.42	64.56
Total assets	55,129	63,252	58,473	55,616	60,756
Net assets	45,985	50,963	47,191	48,254	51,014
Net assets per share (Yen)	1,539.75	1,706.50	1,580.27	1,616.24	1,708.71

Company overview (as of March 31, 2018)

Company name:	HISAKA WORKS, LTD.
Established:	May 1942
Capital stock:	¥4,150 million
Number of employees:	691 (Consolidated) 541 (Non-consolidated)
Head office:	2-12-7 Sonezaki, Kita-ku, Osaka City, Osaka
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 (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)

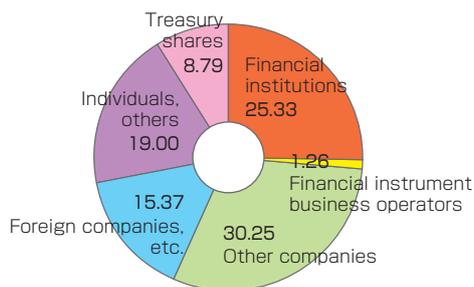
Directors and Audit & Supervisory Board Members (as of June 28, 2018)

Chairman	Yuichi Maeda
President	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
Auditor (Full-time)	Mitsugu Nakamichi
Auditor (Outside)	Hirofumi Miura
Auditor (Outside)	Akira Nakai

Stock status (as of March 31, 2018)

Total number of shares authorized:	129,020,000
Total number of shares issued:	32,732,800
Number of shareholders:	2,844

Shareholding ratio by owner (%)



Major shareholders (Top 10 largest)

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)	1,743,600	5.84%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,178,600	3.94%
Nippon Life Insurance Company	960,770	3.21%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	912,640	3.05%
INABA DENKI SANGYO CO., LTD.	910,802	3.05%
TAKUMA CO., LTD.	642,000	2.15%
Mizuho Bank, Ltd.	612,640	2.05%
STATE STREET BANK AND TRUST COMPANY	583,855	1.95%
Hisaka Works Business Partners Shareholding Association	581,786	1.94%

Notes: 1. Treasury shares (2,877,341 shares) are excluded.

2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd., effective April 1, 2018.

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
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	Section 1, Tokyo Stock Exchange
Notice method	Electronic public notice Public notice URL: https://www.hisaka.co.jp/ However, should electronic public notices become unavailable in the event of a contingency or other unavoidable incident, all notices shall be posted in <i>The NIKKEI</i> .

Notice

- Please notify the account managers at the institution that holds your account (securities firm) regarding address changes, requests to sell or buy shares, designation of account for receiving dividends or other procedures. 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.
- 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.
- Dividends not yet received will be paid at Mitsubishi UFJ Trust and Banking Corporation branches.