

# Hisaka Newsletter

## The 92<sup>nd</sup> Fiscal Year

April 1, 2020 to March 31, 2021



Food Sterilization System LG PACK (Test Equipment)

## BUSINESS REPORT

To our shareholders,

Our 92nd fiscal year has ended, and we would like to provide an overview report on this period.

Due to the spread of COVID-19, both the global economy and the domestic economy faced an extremely difficult situation during the current fiscal year. In Hisaka Group business areas as well, although there was increased demand in some industries such as pharmaceutical equipment, demand weakened in most industries as planned projects were reduced in scale, postponed, or canceled due to capital investment cuts.

Based on our new "G-20" medium-term management plan that started in April 2020, the Hisaka Group is promoting a variety of measures through "new initiatives" toward "creating new value," with an eye on the ideal image of society after the pandemic has ended.

In this environment, orders received by the Hisaka Group were 28,165 million yen (an 11.9% decrease compared with the same period of the previous fiscal year) due to the impact of the economic downturn, and sales were 28,437 million yen (a 12.5% decrease compared with the same period of the previous fiscal year) due to a slump in orders received and fewer large-lot projects. In terms of profit, reduced revenue and large-scale repair costs at Konoike Plant led to an operating profit of 1,409 million yen (a decrease of 38.0% compared with the same period of the previous fiscal year), with an ordinary profit of 1,765 million yen (a decrease of 31.4% compared with the same period of the previous fiscal year). The net profit for the current period attributable to shareholders of the parent company was 1,212 million yen (a decrease of 41.7% compared with the same period of the previous fiscal year), since we had recorded gains from negative goodwill as extraordinary income in the previous fiscal year.

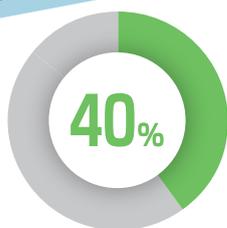
We would like to ask all of our valued shareholders for their continued cooperation and support.



**Yoshikazu Takeshita**

President and CEO, June 2021

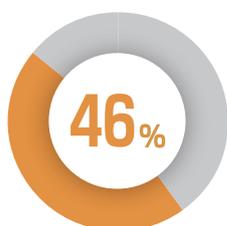
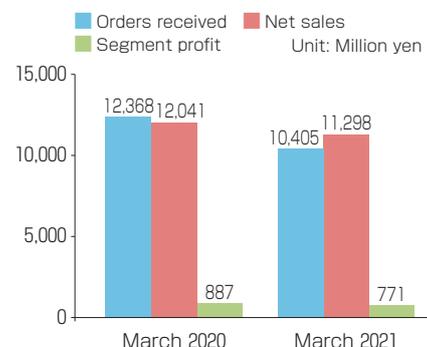
# Results by Segment



## Heat Exchanger Segment



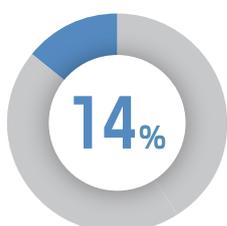
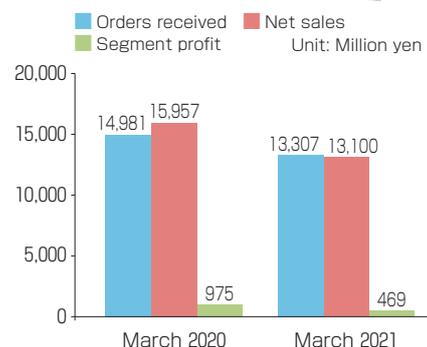
The Heat Exchanger Segment manufactures and sells plate heat exchangers that perform the heating and cooling of fluids, which are essential in various industries. Orders received reached 10,405 million yen (a 15.9% decrease compared with the previous fiscal year). In addition to a significant decrease in new shipbuilding projects, electric power and industrial equipment performed sluggishly, resulting in a decrease. Net sales were 11,298 million yen (a decrease of 6.2% compared with the previous fiscal year). Although demand for maintenance was strong, primarily for chemicals and pharmaceuticals, orders for electrical power and industrial equipment were sluggish, resulting in reduced revenue. Segment profit was 771 million yen (a decrease of 13.1% compared with the previous fiscal year).



## Process Engineering Segment



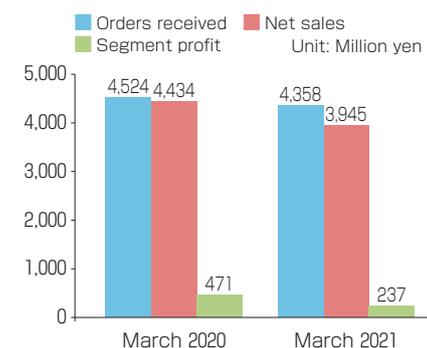
The Process Engineering Segment manufactures and sells cooking disinfecting devices used for retort pouch foods and the like, plus sterilizing and culturing devices for pharmaceuticals, and dyeing and finishing devices for fiber products. Orders received reached 13,307 million yen (an 11.2% decrease compared with the previous fiscal year). Orders for COVID-19 vaccine culture plants and other pharmaceutical equipment were strong, but inquiries for food manufacturing equipment and dyeing and finishing devices fell sharply. As a result, the orders received declined. Net sales were 13,100 million yen (a decrease of 17.9% compared with the previous fiscal year). There were plant projects for pharmaceutical equipment, but a reactionary decline in large projects for food manufacturing equipment and sluggish sales for domestic dyeing and finishing devices resulted in reduced revenue. Segment profit was 469 million yen (a decrease of 51.9% compared with the previous fiscal year).



## Valve Segment



The Valve Segment manufactures and sells ball valves and the like used in the control of various fluids. Orders received reached 4,358 million yen (a 3.7% decrease compared with the previous fiscal year). Although we received orders for large-lot projects for the chemical industry and other areas, the number was down due to the impact of a slowdown in capital investment in various industries such as the steel industry. Net sales were 3,945 million yen (a decrease of 11.0% compared with the previous fiscal year). Due to stagnant demand in the chemical industry and the steel industry, small-lot projects with short delivery times decreased, resulting in a decrease in revenues. Segment profit was 237 million yen (a decrease of 49.6% compared with the previous fiscal year).

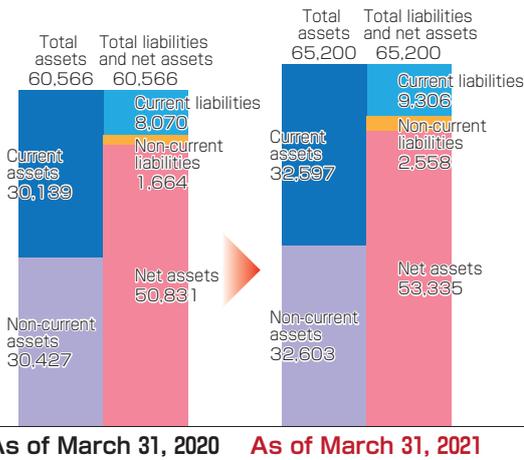


\* Starting from the current fiscal year, subsidiary segments (operations) that conventionally had been included in "Other" segments have been assigned to the "Heat Exchanger," "Process Engineering," and "Valve" main segments according to the nature of the segment, and segments other than the main segments have been changed to the "Other" category. Segment information on comparison with the previous fiscal year has been prepared based on segment categories reported after the change.

# Consolidated Financial Highlights

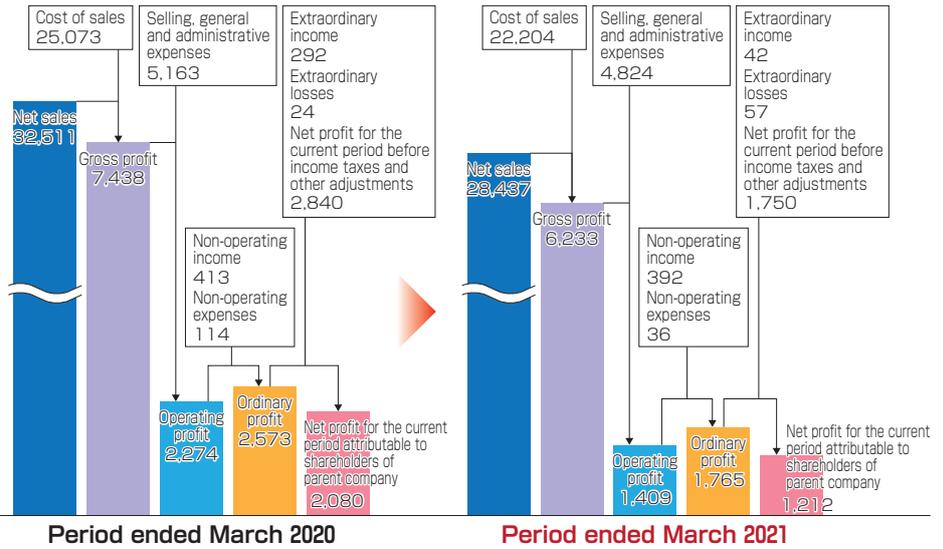
## Summary of Consolidated Balance Sheets

Unit: Million yen



## Summary of Consolidated Profit and Loss Statement

Unit: Million yen



## Topics



### Delivery of Plate Heat Exchangers to Hydrogen Production Plant

#### Delivery of Heat Exchangers for the World's Largest Hydrogen Production Equipment

In March 2020, the "Fukushima Hydrogen Energy Research Field," which aims to establish clean and low-cost hydrogen production technology, started operation in Namie town, Fukushima Prefecture. Hisaka plate heat exchangers were adopted for the hydrogen production equipment in this facility, which is some of the largest equipment of its kind in the world.

#### Heat Exchangers Indispensable for the Hydrogen Production Process

Currently, the use of hydrogen is viewed as a way to achieve a carbon-free society, and the amount of hydrogen produced in Japan is expected to increase as well.

A method of producing hydrogen by electrolyzing water with electricity that is generated from renewable energy is attracting attention. In order to produce hydrogen efficiently, it is important to control the temperature of water during electrolysis, which makes heat exchangers indispensable.

Hisaka also delivers heat exchangers for equipment that produces hydrogen from coal. We will continue to conduct research and sales activities so that our heat exchangers can be used in a variety of hydrogen production processes.



Fukushima Hydrogen Energy Research Field

Source: New Energy and Industrial Technology Development Organization (NEDO) News Release (March 7, 2020)



### Sales Launch of New Food Sterilization System for Long-life Chilled Deli Foods

#### Delicatessen Market Revitalized by Stay-at-home Demand

Due to the COVID-19 pandemic, many food manufacturers are working to strengthen their delicatessen products as a response to demand from consumers who are staying at home.

#### Expanding Long-life Chilled Delicatessen Market

With the focus on reducing food loss in recent years, there is an expanding market for "long-life chilled deli foods (LLC deli foods)," which have long expiration dates. For this LLC deli foods market, HISAKA has proposed and sold a variety of sterilizers that utilize our temperature control technology, such as optimum cooling and heat sterilization at a temperature that does not affect flavor and savoriness.

#### Planning and Development of HISAKA's Original Food Sterilization System

HISAKA is pleased to announce the launch of selling "LC PACK," a new food sterilization system that further improves the shelf life and flavor and savoriness of LLC deli foods. "LC PACK" combines high-temperature short-time sterilization treatment, which is our specialty, and our unique gas replacement method to reduce the damage to food caused by heat and suppresses oxidative deterioration. In order to enable these sterilization and gas replacement operations, HISAKA has succeeded in blocking oxygen and trapping flavor/savoriness by planning and developing a new container and adopting a special film. HISAKA will use "LC PACK" to contribute to solving environmental issues and food problems.



"RIC" sterilizer

# Consolidated Results

Unit: Million yen

Category	Fiscal year	88th fiscal year (Period ended March 2017)	89th fiscal year (Period ended March 2018)	90th fiscal year (Period ended March 2019)	91st fiscal year (Period ended March 2020)	92nd fiscal year (Period ended March 2021)
Orders received		26,594	28,914	30,669	31,952	28,165
Net sales		25,023	26,891	30,939	32,511	28,437
Operating profit		1,161	1,607	2,040	2,274	1,409
Ordinary profit		1,374	1,963	2,337	2,573	1,765
Net profit for the current period attributable to shareholders of parent company		2,191	1,927	1,596	2,080	1,212
Net profit for the current period per share (in yen)		73.42	64.56	53.48	73.39	43.14
Gross assets		55,616	60,275	63,041	60,566	65,200
Net assets		48,254	51,014	51,691	50,831	53,335
Net assets per share (in yen)		1,616.24	1,708.71	1,731.40	1,804.13	1,893.12
Annual dividend per share (in yen)		20.00	20.00	20.00	20.00	30.00
Dividend payout ratio (%)		27.2	31.0	37.4	27.3	69.5
Dividend on equity ratio (DOE) (%)		1.2	1.2	1.2	1.1	1.6

(Note) The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) have been applied since the start of the 90th fiscal year. The major management indicators for the 89th fiscal year are the indicators after applying the relevant accounting standards retroactively.

## Company Profile (Current as of Wednesday, March 31, 2021)

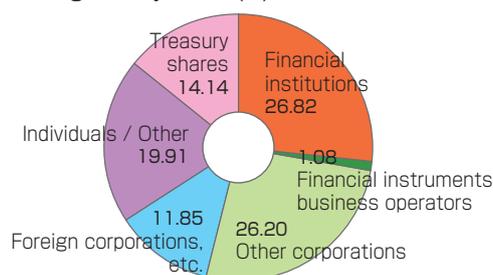
Company name:	HISAKA WORKS, LTD.
Established:	May 1942
Capital:	4.15 billion yen
Number of employees:	Consolidated: 925, Non-consolidated: 639
Head office address:	2-12-7 Sonezaki, Kita-ku, Osaka City
Branch offices and plant:	Tokyo Branch Office (Chuo-ku, Tokyo) Nagoya Branch Office (Nagoya City, Aichi) Kyushu Branch Office (Fukuoka City, Fukuoka) Kitakyushu Branch Office (Kitakyushu City, Fukuoka) Konoike Plant (Higashiosaka City, Osaka) Ome Plant (Ome City, Tokyo)
Major subsidiaries:	MICROZERO CO., LTD. (Tachikawa City, Tokyo) ASAHI INDUSTRY CO., LTD. (Ome City, Tokyo) KOMATSUGAWA CHEMICAL ENGINEERING CO., LTD. (Chiyoda-ku, Tokyo) HISAKAWORKS S.E.A. SDN. BHD. (Malaysia) HISAKA WORKS (CHINA) CO., LTD. (China)

## Directors (as of Friday, June 25, 2021)

Director, President and Chief Executive Officer	Yoshikazu Takeshita
Director, Senior Managing Executive Officer	Tetsuya Inoue
Director, Managing Executive Officer	Koji Ohta
Director, Managing Executive Officer	Tadashi Iizuka
Director, Managing Executive Officer	Toshiyuki Funakoshi
Director (Outside)	Koji Mizumoto
Director (Outside)	Yuko Tsuno
Director, Audit and Supervisory Committee Member (Full-time)	Mitsugu Nakamichi
Director (Outside), Audit and Supervisory Committee Member	Akira Nakai
Director (Outside), Audit and Supervisory Committee Member	Noriyuki Fujita

## Share Status (as of Wednesday, March 31, 2021)

Total number of authorized shares:	129,020,000
Total number of shares issued:	32,732,800
Number of shareholders:	3,453
Shareholding ratio by owner (%)	



### Major shareholders (Top 10)

Shareholder name	Number of shares held	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,051,500	7.29%
Custody Bank of Japan, Ltd. (Trust Account)	1,651,700	5.87%
NIPPON STEEL Stainless Steel Corporation	1,400,000	4.98%
Nippon Life Insurance Company	960,770	3.41%
MUFG Bank, Ltd.	912,640	3.24%
Inaba Denki Sangyo Co., Ltd.	910,802	3.24%
TAKUMA Co., Ltd.	642,000	2.28%
Mizuho Bank, Ltd.	612,640	2.17%
Hisaka Works Business Partners Shareholding Association	595,886	2.12%
STATE STREET BANK AND TRUST COMPANY 505103	593,710	2.11%

(Note) Treasury shares (4,628,687 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.