

# Hisaka Newsletter

## The 93<sup>rd</sup> Fiscal Year Interim

April 1 to September 30, 2021



Welded Plate Heat Exchanger

## BUSINESS REPORT

To our shareholders,

The first half of our 93rd fiscal year has ended, and we would like to provide an overview report on this period.

Due to the widespread use of vaccines for COVID-19, the global economy saw gradual recovery during the first half of this fiscal year. In the Japanese economy, although personal consumption has remained sluggish, production activities in the manufacturing industry are back on track for recovery.

However, with soaring resource prices, tight supply and demand for materials, and concerns about the renewed spread of COVID-19, the future of the economy remains unclear.

In this economic environment, orders received by the Hisaka Group were 17,307 million yen (a 21.4% increase compared with the same period of the previous fiscal year) due to strong performance in the Heat Exchanger Segment for semiconductor use and the like, as well as receiving large-lot orders for pharmaceutical equipment and dyeing and finishing devices in the Process Engineering Segment. Due to an order backlog of large-lot projects in the Valve Segment and the like, net sales were 13,961 million yen (an increase of 0.5% compared with the same period of the previous fiscal year).

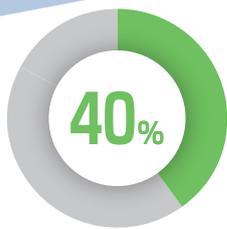
In terms of profit, factors including the worsened profitability in the Process Engineering Segment and Valve Segment led to an operating profit of 701 million yen (a decrease of 19.1% compared with the same period of the previous fiscal year), with an ordinary profit of 937 million yen (a decrease of 10.8% compared with the same period of the previous fiscal year). The net profit for the current quarter attributable to shareholders of the parent company was 689 million yen (an increase of 0.5% compared with the same period of the previous fiscal year), since we had recorded a gain on the sale of investment securities and the like as extraordinary income.

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



**Yoshikazu Takeshita**  
President and CEO,  
December 2021

# Results by Segment

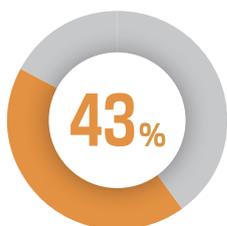
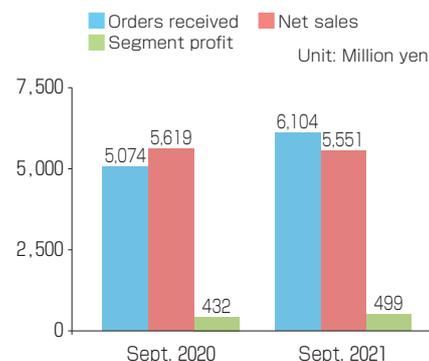


## Heat Exchanger Segment

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 increased by 20.3% from the same period of the previous fiscal year to reach 6,104 million yen, mainly due to strong performance for semiconductors, industrial machinery, and new shipbuilding projects, as well as orders for maintenance-related work for plants.

Although performance was strong for small and medium-size general-purpose products such as for semiconductors, net sales decreased by 1.2% from the same period of the previous fiscal year to 5,551 million yen, mainly due to sluggish sales of products for ships caused by the slump in orders in the previous fiscal year.

Segment profit increased 15.5% from the same period of the previous fiscal year to reach 499 million yen due to an improved sales mix.

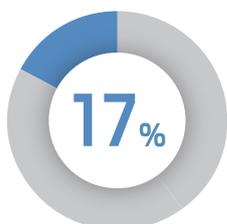


## Process Engineering Segment

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 increased by 28.1% from the same period of the previous fiscal year to reach 9,153 million yen due to large-lot project orders received for pharmaceutical equipment and dyeing and finishing devices.

While there were plant projects and large-lot projects for food manufacturing equipment, net sales decreased by 3.9% from the same period of the previous fiscal year to 6,006 million yen, mainly due to changes in delivery dates for some pharmaceutical equipment due to delays in plant construction, and sluggish sales of dyeing and finishing devices caused by the slump in orders in the previous fiscal year. Segment profit decreased by 77.4% from the same period of the previous fiscal year to 63 million yen, mainly due to the prolonged duration and increased cost of projects.



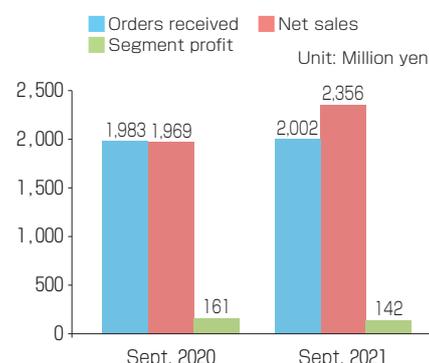
## Valve Segment

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

Orders received increased by 0.9% from the same period of the previous fiscal year to reach 2,002 million yen, mainly due to large-lot project orders received for steel as well as strong performance for secondary batteries.

Net sales increased by 19.6% from the same period of the previous fiscal year to reach 2,356 million yen, mainly due to large-lot projects for chemicals.

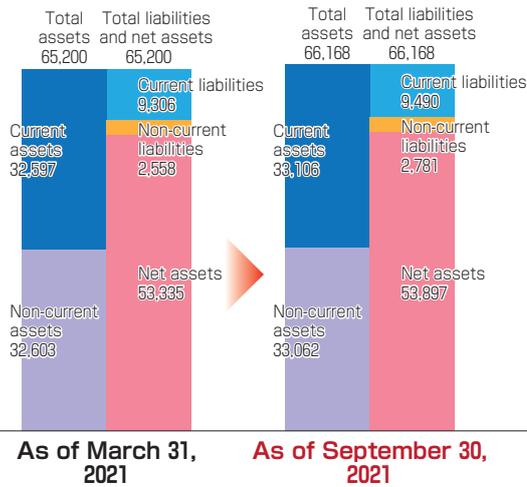
Segment income decreased by 12.0% from the same period of the previous fiscal year to 142 million yen, mainly due to a decrease in highly profitable projects.



# Consolidated Financial Highlights

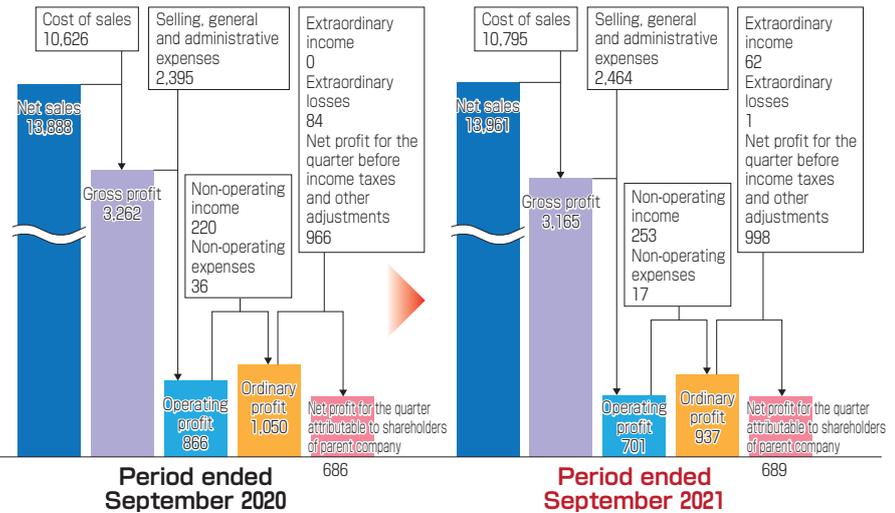
## Summary of Consolidated Balance Sheets

Unit: Million yen



## Summary of Consolidated Profit and Loss Statement

Unit: Million yen



## Topics



### Pioneering the Market with a New Heat Exchanger Lineup

#### Formed a Capital Alliance with a Heat Exchanger Manufacturer in France

In June 2021, we entered into a capital alliance to acquire a partial stake (15%) in KAPP SAS (hereinafter, "KAPP"), a French company that manufactures and sells welded plate heat exchangers. We have been collaborating with KAPP since 2017, when we signed an Agency Agreement for their welded heat exchangers. With this capital alliance, we will further strengthen our relationship with KAPP, including licensing agreements, aiming to ensure a stable supply of products and to expand sales in the Asian market.

#### Pioneering the Market with Welded Plate Heat Exchangers

Welded plate heat exchangers are heat exchangers in which the plates, which are the main components of the plate heat exchanger, are welded together. They have superior pressure resistance, heat resistance, and chemical resistance compared to the gasket-type plate heat exchangers that we mainly handle.

In the heat exchanger market, heat exchangers called shell-and-tube heat exchangers are often used for heat exchange that requires pressure resistance, heat resistance, or chemical resistance, but shell-and-tube heat exchangers pose issues in that they are larger and have less efficient heat exchange than plate heat exchangers.

However, welded plate heat exchangers are expected to replace the shell-and-tube heat exchangers that have been conventionally used due to their high heat exchange efficiency, light weight, and compact size.

By adding KAPP's welded plate heat exchangers to our lineup, we will be able to meet these demands and propose solutions that meet the needs of our customers.



Welded Plate Heat Exchanger



### Hisaka Athletes Win Prizes at the Tokyo Paralympic Games

#### Supporting Sports for People with Disabilities

Since October 2015, in order to help realize a society of coexistence through the support of sports for people with disabilities, we have been hiring persons with disabilities who are active athletes to work as valuable assets, and we provide support for their competition activities.

#### Tokyo Paralympic Games Results



Tomotaro Nakamura  
(Para Swimming)

Mixed 4 x 50m Freestyle Relay (Motor impairment)	9th place qualifier
Men's 100m Breaststroke (Motor impairment SB6)	8th place finish



Anri Sakurai  
(Wheelchair Fencing)

Women's Individual Épée (Category B)	6th place finish
Women's Individual Foil (Category B)	11th place



### Hisaka Introduced on the TV Program, "Unknown Gulliver"

#### Introduced Our Heat Exchangers and Food Sterilization Equipment

In September 2021, Hisaka was introduced in the TV Tokyo series, "Unknown Gulliver - Excellent Company File." The program is a documentary program that focuses on outstanding, world-class Japanese companies and takes a close look at their appeal. The broadcast has already finished, but you can still watch it on TV Tokyo Business On-Demand (paid service). We hope you check it out.

# Consolidated Results

Reference

Unit: Million yen

Category	Fiscal year	91st	92nd	93rd	91st	92nd	93rd
		fiscal year interim (Period ended September 2019)	fiscal year interim (Period ended September 2020)	fiscal year interim (Period ended September 2021)	fiscal year (Period ended March 2020)	fiscal year (Period ended March 2021)	fiscal year (Period ended March 2022)
Orders received		16,001	14,254	17,307	31,952	28,165	31,500
Net sales		16,222	13,888	13,961	32,511	28,437	31,000
Operating profit		1,106	866	701	2,274	1,409	1,700
Ordinary profit		1,279	1,050	937	2,573	1,765	1,900
Net profit for the quarter (current period) attributable to shareholders of parent company		1,137	686	689	2,080	1,212	1,320
Net profit for the quarter (current period) per share (in yen)		39.78	24.44	24.54	73.39	43.14	46.97
Gross assets		61,565	62,009	66,168	60,566	65,200	-
Net assets		50,760	52,159	53,897	50,831	53,335	-
Net assets per share (in yen)		1,801.67	1,851.58	1,910.58	1,804.13	1,893.12	-
Annual dividend per share (in yen)		-	-	-	20.00	30.00	30.00
Dividend payout ratio (%)		-	-	-	27.3	69.5	63.9
Dividend on equity ratio (DOE) (%)		-	-	-	1.1	1.6	1.6

## Company Profile (Current as of Thursday, September 30, 2021)

Company name: HISAKA WORKS, LTD.  
 Established: May 1942  
 Capital: 4.15 billion yen  
 Number of employees: Consolidated: 925, Non-consolidated: 646  
 Head office address: 2-12-7 Sonezaki, Kita-ku, Osaka City  
 Branch offices and plants: 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)  
 ASAH INDUSTRIAL 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)

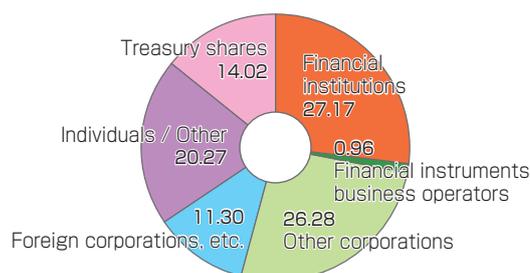
Directors:

Director, President and Chief Executive Officer	Yoshikazu Takeshita
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 September 30, 2021)

Total number of authorized shares: 129,020,000  
 Total number of shares issued: 32,732,800  
 Number of shareholders: 3,820

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)	2,990,400	10.62%
Custody Bank of Japan, Ltd. (Trust Account)	2,247,300	7.98%
NIPPON STEEL Stainless Steel Corporation	1,400,000	4.97%
Nippon Life Insurance Company	960,770	3.41%
MUFG Bank, Ltd.	912,640	3.24%
Inaba Denki Sangyo Co., Ltd.	910,802	3.23%
TAKUMA Co., Ltd.	642,000	2.28%
STATE STREET BANK AND TRUST COMPANY 505103	627,989	2.23%
Mizuho Bank, Ltd.	612,640	2.17%
Hisaka Works Business Partners Shareholding Association	595,486	2.11%

(Note) Treasury shares (4,590,567 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.