

Hisaka Newsletter

The 94th Fiscal Year

April 1, 2022 to March 31, 2023



TOP MESSAGE

Our new Mid-Term Business Plan is underway. We will aim to further expand our business and solve social issues.

Yoshikazu Takeshita
President and CEO, June 2023

BUSINESS REPORT

To our shareholders,

Our 94th fiscal year has ended, and we would like to provide an overview report on this period.

During the current consolidated fiscal year, the global economy seems to have decelerated further, due to factors such as steep rises in energy and raw material costs caused by geopolitical tension. While the Japanese economy is seeing a trend toward gradual improvement, the future remains unclear due to increasing cost of living caused by surging prices of resources and depreciation of the yen.

In this environment, orders received by the Hisaka Group were 34,621 million yen (a decrease of 0.2% compared with the previous fiscal year). While the Heat Exchanger Segment and Valve Segment performed strongly, the Process Engineering Segment saw customers reviewing or delaying capital investment. Net sales were 34,074 million yen (an increase of 13.3% compared with previous fiscal year), with an increase in revenue across all business segments due

to factors such as the extensive backlog of orders received.

In terms of profit, factors including the improved profitability due to increased sales in the Process Engineering Segment led to an operating profit of 1,912 million yen (an increase of 5.1% compared with the previous fiscal year), with an ordinary profit of 2,392 million yen (an increase of 5.4% compared with the previous fiscal year). Although we recorded a gain on the sale of investment securities due to a reduction of cross-held shares as extraordinary income as in the previous fiscal year, the net profit for the current fiscal year attributable to shareholders of the parent company was 2,040 million yen (a decrease of 0.9% compared with the previous fiscal year) due to an increase in other extraordinary losses, tax expenses, and the like. We would like to ask all of our valued shareholders for their continued cooperation and support.

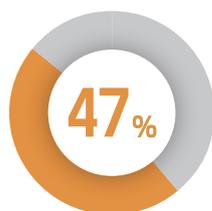
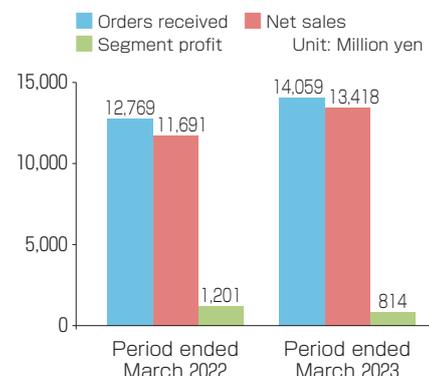


Heat Exchanger Segment

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 14,059 million yen (an increase of 10.1% compared with the previous fiscal year). This increase is due to factors such as an increase in demand for maintenance-related work both in Japan and overseas as well as strong performance of small and medium-size general-purpose products used in the semiconductor manufacturing process, air conditioning, water heaters, and more.

Net sales were 13,418 million yen (an increase of 14.8% compared with the previous fiscal year). Like orders received, revenue increased due to strong performance of small and medium-size general-purpose products and maintenance projects, as well as an increase in products for ships which have been on a trend toward recovery in orders since last fiscal year. Segment profit was 814 million yen (a decrease of 32.2% compared with the previous fiscal year) due to factors including the recording of a reserve for product warranties and bad debt as well as costs to install a new core system.



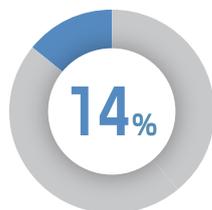
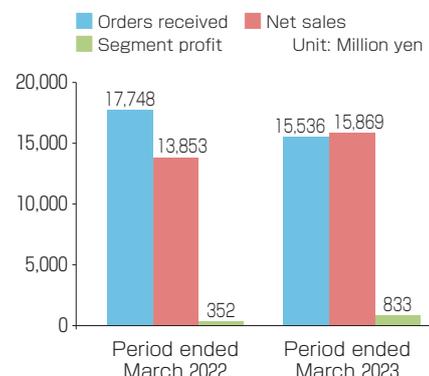
Process Engineering Segment

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 15,536 million yen (a decrease of 12.5% compared with the previous fiscal year). In addition to some customers reviewing or delaying capital investment for food manufacturing equipment due to steep rises in raw material and construction material costs, there was also a reactionary decline in pharmaceutical equipment and dyeing and finishing devices due to large-lot orders received the previous fiscal year, causing this decrease.

Net sales were 15,869 million yen (an increase of 14.5% compared with the previous fiscal year). In addition to an increase, primarily overseas, for dyeing and finishing devices, large-lot projects in pharmaceutical equipment for sterilizing and culturing devices and other factors led to an increase in revenue.

Segment profit increased to 833 million yen (an increase of 136.3% compared with the previous fiscal year) due to an increase in net sales.

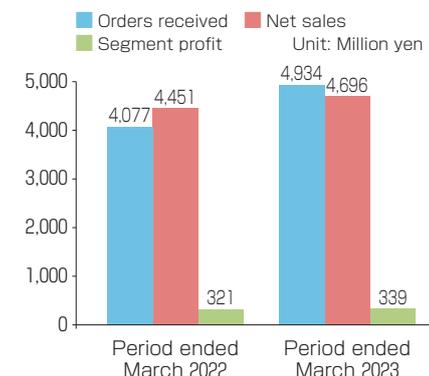


Valve Segment

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

Orders received reached 4,934 million yen (an increase of 21.0% compared with the previous fiscal year). This increase was caused by factors such as orders received for overseas large-lot projects for chemicals as well as strong performance in inquiries caused by more active movements to acquire materials.

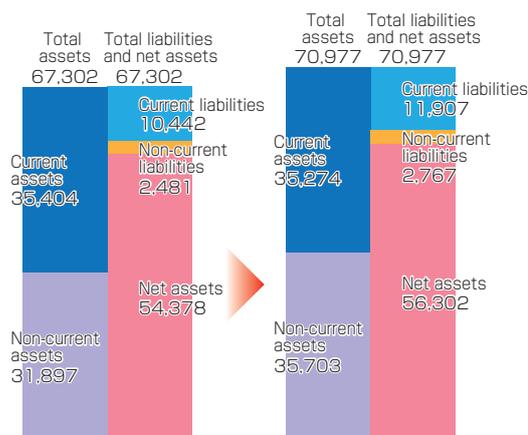
Net sales were 4,696 million yen (an increase of 5.5% compared with the previous fiscal year). This increase was caused by factors such as our delivery of overseas large-lot projects as well as a steady flow of orders received for products with short delivery times. Segment profit increased to 339 million yen (an increase of 5.6% compared with the previous fiscal year) due to an increase in net sales.



Consolidated Financial Highlights

Summary of Consolidated Balance Sheets

Unit: Million yen

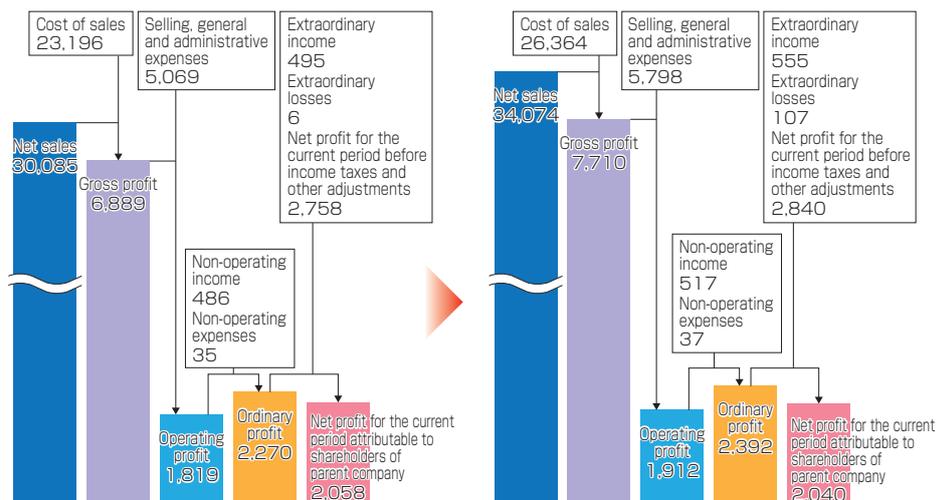


As of March 31, 2022

As of March 31, 2023

Summary of Consolidated Profit and Loss Statement

Unit: Million yen



Period ended March 2022

Period ended March 2023

Topics

G-23

Our new Mid-Term Business Plan "G-23" is underway. We aim not only to expand our business by opening and restructuring plants, but also to contribute to solutions for social problems.

1. Reflecting on Our Previous Mid-Term Business Plan "G-20" (fiscal year ending March 2021 to fiscal year ending March 2023)

"G-20" began with the start of the COVID-19 pandemic. Facing this difficult business environment, over these three years, we not only worked to restore our financial results, which had suffered a significant decline, but we also moved forward with groundwork preparation aimed at expanding our business, such as preparing to open a new plant and deciding to integrate our group companies.

2. Outline of Our New Mid-Term Business Plan "G-23" (fiscal year ending March 2024 to fiscal year ending March 2026)

① Vision and Slogan

Vision Challenge ourselves to expand business and become a dynamic group of employees

Slogan Toward the realization of a sustainable society, let's move forward with hopeful technology

② Large Investments (Opening of New Plant and Restructuring of an Existing Plant)

The "Ikoma Plant", which has been undergoing construction, will start operation in October 2023. As the new plant for the Process Engineering Segment, it will serve in the relocation from the existing plant (Konoike Plant) as well as in improving production capability.

Accordingly, we will start restructuring the Konoike Plant in order to improve the production system for the Heat Exchanger Segment and Valve Segment.

③ Efforts for Solving Social Issues

[Heat Exchanger Segment]

We will provide heat solutions aimed at CO₂ recovery, hydrogen manufacturing, biomass electricity generation, and the like in order to contribute to the achievement of a carbon neutral society.

[Process Engineering Segment]

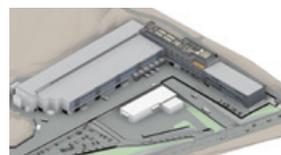
We will enhance our core technology and engineering capability as we work to reduce the burden on the environment by saving energy, saving manpower, and the like.

[Valve Segment]

Working to contribute to solutions for social issues, we will engage in three markets in particular (secondary batteries, industrial gas, and environmental applications and water treatment) as priority markets.

④ Return to Shareholders

In order to expand our allocation of profits to our shareholders, we raised our dividend on equity ratio (DOE) from 1.5% or more to 2.0% or more. As a result, dividends for the fiscal year ended March 2024 will be 40 yen annually (tentatively).



Ikoma Plant (Conceptual Drawing)



Konoike Plant

Unit: Million yen

	Final fiscal year of G-17 Period ended March 2020 (Results)	Final fiscal year of G-20 Period ended March 2023 (Results) A	Final fiscal year of G-23 Period ended March 2026 (Targets) B	Ratio of change (B-A)/A
Orders received	31,952	34,621	41,000	18.4%
Net sales	32,511	34,074	40,000	17.4%
Operating profit	2,274	1,912	3,600	88.3%
Operating profit ratio	7.0%	5.6%	9.0%	+ 3.4pt
Ordinary profit	2,573	2,392	3,800	58.9%
Net profit for the current period attributable to shareholders of parent company	2,080	2,040	2,600	27.5%
ROE	4.1%	3.7%	4.5%	+ 0.8pt

For details about the Mid-Term Business Plan, please see the "Notice Regarding the Outline of the New Mid-Term Business Plan "G-23" listed on our website. (This notice is only available in Japanese.)

Consolidated Results

Unit: Million yen

Category	Fiscal year	90th fiscal year (Period ended March 2019)	91st fiscal year (Period ended March 2020)	92nd fiscal year (Period ended March 2021)	93rd fiscal year (Period ended March 2022)	94th fiscal year (Period ended March 2023)
Orders received		30,669	31,952	28,165	34,685	34,621
Net sales		30,939	32,511	28,437	30,085	34,074
Operating profit		2,040	2,274	1,409	1,819	1,912
Ordinary profit		2,337	2,573	1,765	2,270	2,392
Net profit for the current period attributable to shareholders of parent company		1,596	2,080	1,212	2,058	2,040
Net profit for the current period per share (in yen)		53.48	73.39	43.14	73.19	72.45
Gross assets		63,041	60,566	65,200	67,302	70,977
Net assets		51,691	50,831	53,335	54,378	56,302
Net assets per share (in yen)		1,731.40	1,804.13	1,893.12	1,927.39	1,992.64
Annual dividend per share (in yen)		20	20	30	30	40
Dividend payout ratio (%)		37.4	27.3	69.5	41.0	55.2
Dividend on equity ratio (DOE) (%)		1.2	1.1	1.6	1.6	2.0

Company Profile (Current as of March 31, 2023)

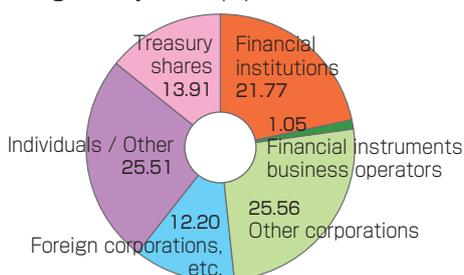
Company name:	HISAKA WORKS, LTD.
Established:	May 1942
Capital:	4.15 billion yen
Number of employees:	Consolidated: 940, Non-consolidated: 670
Head office address:	2-12-7 Sonezaki, Kita-ku, Osaka City
Branch offices and plant:	Tokyo Branch Office (Chuo-ku, Tokyo) Nagoya Branch Office (Nagoya City, Aichi) 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 (Current as of June 29, 2023)

Director, President and Chief Executive Officer	Yoshikazu Takeshita
Director, Managing Executive Officer	Koji Ohta
Director, Managing Executive Officer	Toshiya Usami
Director, Managing Executive Officer	Toshiyuki Funakoshi
Director, Managing Executive Officer	Akihito Adachi
Director (Outside)	Koji Mizumoto
Director (Outside)	Yuko Tsuno
Director, Audit and Supervisory Committee Member (Full-time)	Naoto Hattori
Director, Audit and Supervisory Committee Member (Outside)	Akira Nakai
Director, Audit and Supervisory Committee Member (Outside)	Noriyuki Fujita

Share Status (Current as of March 31, 2023)

Total number of authorized shares:	129,020,000
Total number of shares issued:	32,732,800
Number of shareholders:	7,805
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)	2,306,300	8.18%
Custody Bank of Japan, Ltd. (Trust Account)	1,722,700	6.11%
NIPPON STEEL Stainless Steel Corporation	1,400,000	4.96%
Nippon Life Insurance Company	960,770	3.40%
MUFG Bank, Ltd.	912,640	3.23%
Inaba Denki Sangyo Co., Ltd.	910,802	3.23%
Hisaka Works Business Partners Shareholding Association	676,586	2.40%
TAKUMA Co., Ltd.	642,000	2.27%
STATE STREET BANK AND TRUST COMPANY 505103	624,238	2.21%
Hisaka Works Employees' Shareholding Association	575,316	2.04%

(Note) Treasury shares (4,551,198 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	Tokyo Stock Exchange Prime Market
Public notice method	Electronic notices Public notice URL: https://www.hisaka.co.jp/ 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.