

Hisaka Newsletter

The 95th Fiscal Year

April 1, 2023 to March 31, 2024



Toshiya Usami
President and COO, June 2024

TOP MESSAGE

With an aim to solve social issues, we will create high-quality machines and services that save energy and save manpower.

BUSINESS REPORT

To our shareholders,

Our 95th 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 performed stably due to factors such as steady investment in equipment, despite the continuing rise in geopolitical risks as well as restrictive monetary policies in the USA and Europe. The outlook for the domestic economy remains uncertain, due to prolonged price hikes such as the price of energy.

Based on our new Mid-Term Business Plan "G-23," the Hisaka Group has carried out large investment and business infrastructure preparation aimed at expanding our business and improving productivity, including opening the Ikoma Plant as well as beginning restructuring at the Konoike Plant.

In these circumstances, orders received by the Hisaka Group were 37,999 million yen (an increase of 9.8% compared with the previous fiscal year) thanks to strong performance in the Heat Exchanger

Segment and Process Engineering Segment. Due to increased revenue in the Heat Exchanger Segment and Valve Segment, net sales were 34,180 million yen (an increase of 0.3% compared with the previous fiscal year).

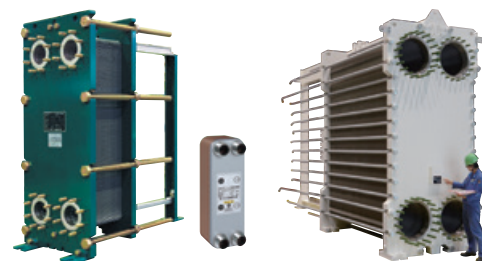
In terms of profit, the increase in sales and the effect of improved selling price led to an operating profit of 2,457 million yen (an increase of 28.5% compared with the previous fiscal year), with an ordinary profit of 2,896 million yen (an increase of 21.1% compared with the previous fiscal year). As with the previous fiscal year, due to the fact that we recorded a gain on the sale of investment securities due to a reduction of cross-held shares as extraordinary income, the net profit for the current fiscal year attributable to shareholders of the parent company was 2,420 million yen (an increase of 18.6% compared with the previous fiscal year).

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

Results by Segment

44%

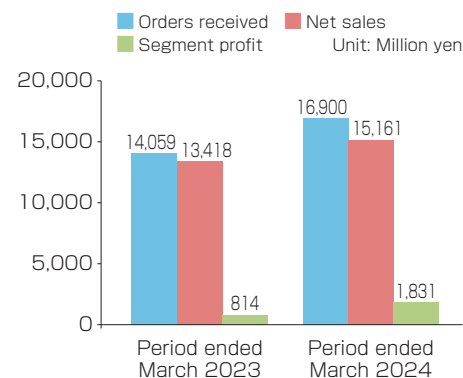
Heat Exchanger Segment



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 16,900 million yen (an increase of 20.2% compared with the previous fiscal year). In addition to strong performance for shipbuilding due to increased demand for newly built vessels, we received an order for a large, energy-related, overseas plant project.

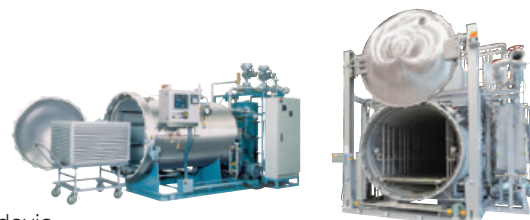
Net sales were 15,161 million yen (an increase of 13.0% compared with the previous fiscal year). We also performed strongly in sales of small and medium-size general-purpose products for heat pumps and semiconductors as well as sales related to maintenance and shipbuilding.

Despite an increase in raw material prices, segment profit was 1,831 million yen (an increase of 124.7% compared with the previous fiscal year) due to increased sales and improvements to our sales mix.



41%

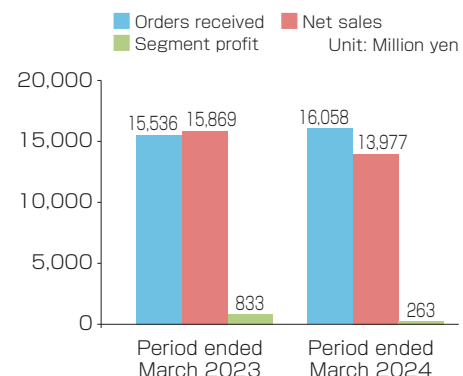
Process Engineering Segment



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.

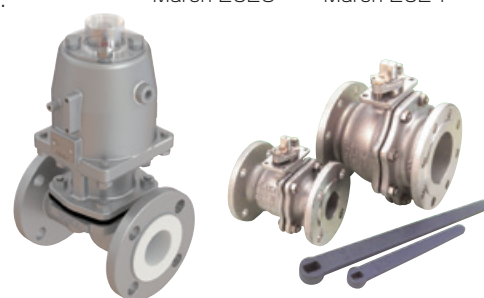
Orders received reached 16,058 million yen (an increase of 3.4% compared with the previous fiscal year). Although orders received for pharmaceutical equipment and dyeing and finishing devices were sluggish, orders for large disinfecting devices for food manufacturing equipment as well as automation equipment responding to the need to save manpower performed strongly.

Net sales were 13,977 million yen (a decrease of 11.9% compared with the previous fiscal year). For food manufacturing equipment, our fully automated continuous sterilization cooling system performed well, and there were also orders for plant projects related to drinking water. However, due to decrease in orders in the previous fiscal year, sales for pharmaceutical equipment and dyeing and finishing devices decreased. Segment profit was 263 million yen (a decrease of 68.5% compared with the previous fiscal year) due to decreasing sales and costs to open a new plant.



15%

Valve Segment

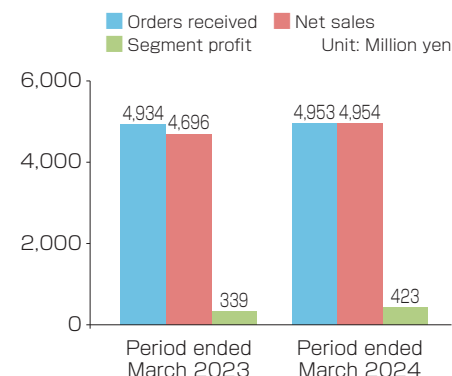


The Valve Segment manufactures and sells ball valves and the like used in the control of various fluids.

Orders received reached 4,953 million yen (an increase of 0.4% compared with the previous fiscal year). While orders for overseas projects were sluggish, orders related to secondary batteries, semiconductors, and hydrogen-related equipment performed strongly.

Net sales were 4,954 million yen (an increase of 5.5% compared with the previous fiscal year). In addition to large-lot projects for the chemical industry, orders related to secondary batteries, semiconductors, and hydrogen-related equipment performed strongly.

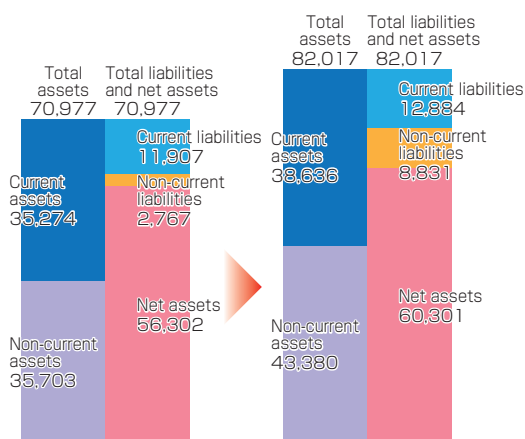
Segment profit was 423 million yen (an increase of 24.8% compared with the previous fiscal year) due to an increase in net sales.



Consolidated Financial Highlights

Summary of Consolidated Balance Sheets

Unit: Million yen

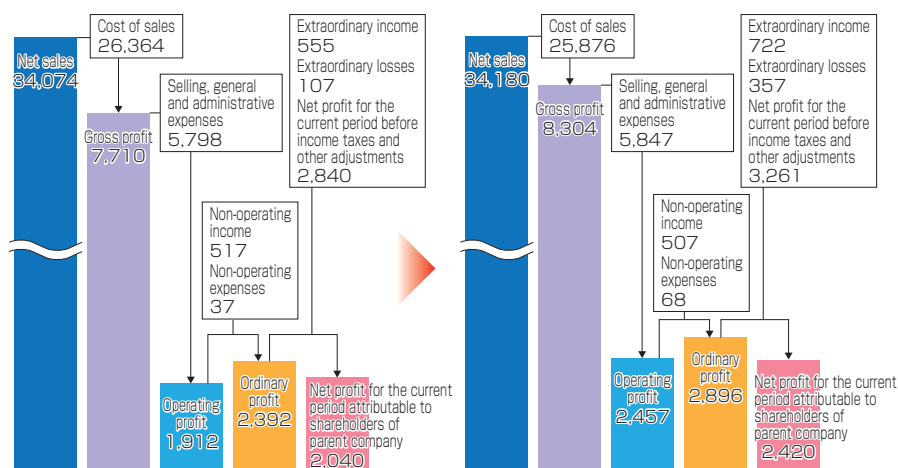


As of March 31, 2023

As of March 31, 2024

Summary of Consolidated Profit and Loss Statement

Unit: Million yen



Period ended March 2023

Period ended March 2024

Topics



Environmentally-friendly plate heat exchangers used at the Expo 2025 Osaka, Kansai, Japan

At Hisaka, we have established our own CSR-SDGs Vision, "To be a company that, through corporate management incorporating SDGs, can use our skills to solve social issues and contribute to the realization of a sustainable society," and we engage in the development of new products that can contribute to solving social issues.

Our plate heat exchangers have been selected for use in facilities for Expo 2025 Osaka, Kansai, Japan. The plate heat exchanger that was selected uses gaskets made from reclaimed rubber and low CO₂ steel, and received praise as a proposal that matches the direction of "EXPO 2025 Green Vision" put forth by Expo 2025.

Gaskets are a component of plate heat exchangers that use synthetic rubber made from crude oil as their main ingredient. However, this product uses the "e-HiCycle" gaskets which were newly developed by Hisaka. These are environmentally-friendly products that use reclaimed rubber as 60% of their main ingredients, contributing to saving resources, lowering carbon output, and reducing industrial waste. The said product has also received Eco Mark certification from the Japan Environment Association.

Furthermore, in addition to the gaskets, this product uses "NSCarbolex Neutral," a low CO₂ steel provided by Nippon Steel Corporation, further reducing the burden on the environment.

In recent years, customer demand is increasing for carbon-free materials and resource recycling. By providing products that meet these needs, we will continue to contribute to solving social issues.

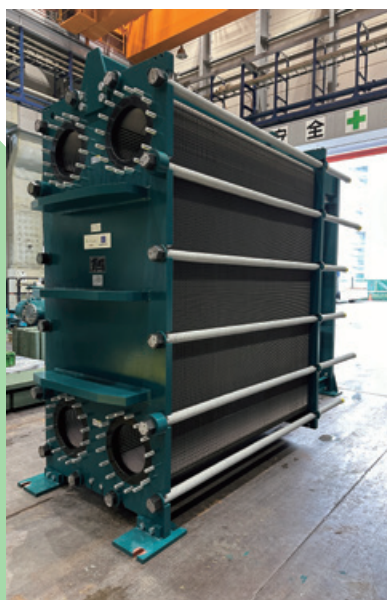


Plate heat exchanger selected for Expo 2025 Osaka, Kansai, Japan



Enhancing our plate heat exchanger maintenance business in the Middle East

In April 2024, we established "HISAKA ARABIA HEAT EXCHANGER TRADING - L.L.C - O.P.C," a sales agency primarily engaging in post-sales service of plate heat exchangers, in Abu Dhabi of the United Arab Emirates.

Since the 1980's, Hisaka has delivered many large plate heat exchangers to petrochemical plants and the like in the Middle East. In order to provide swift customer support to local customers, we established a subsidiary in Dammam on the east coast of the Kingdom of Saudi Arabia in 2012, and we also established a location in Yanbu on the west coast in 2023.

In order to meet further customer demand in the Middle East, we have established a new subsidiary in Abu Dhabi of the United Arab Emirates.



Plate heat exchanger delivered to the Middle East



Recognized as the "2024 Certified Health & Productivity Management Outstanding Organizations"

In March 2024, Hisaka was certified under the "2024 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category)" established by the Ministry of Economy, Trade and Industry.

This program recognizes corporations that implement particularly outstanding health and productivity management based on the initiatives in line with community health issues and health promotion initiatives advanced by the Nippon Kenko Kaigi. Hisaka will continue to engage in various health promotion measures in order to further promote initiatives for health and productivity management in consideration of the mental and physical health of our employees.



Consolidated Results

Unit: Million yen

Category	Fiscal year	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)	95th fiscal year (Period ended March 2024)
Orders received		31,952	28,165	34,685	34,621	37,999
Net sales		32,511	28,437	30,085	34,074	34,180
Operating profit		2,274	1,409	1,819	1,912	2,457
Ordinary profit		2,573	1,765	2,270	2,392	2,896
Net profit for the current period attributable to shareholders of parent company		2,080	1,212	2,058	2,040	2,420
Net profit for the current period per share (in yen)		73.39	43.14	73.19	72.45	85.83
Gross assets		60,566	65,200	67,302	70,977	82,017
Net assets		50,831	53,335	54,378	56,302	60,301
Net assets per share (in yen)		1,804.13	1,893.12	1,927.39	1,992.64	2,125.77
Annual dividend per share (in yen)		20	30	30	40	42
Dividend payout ratio (%)		27.3	69.5	41.0	55.2	48.9
Dividend on equity ratio (DOE) (%)		1.1	1.6	1.6	2.0	2.0

Company Profile (Current as of March 31, 2024)

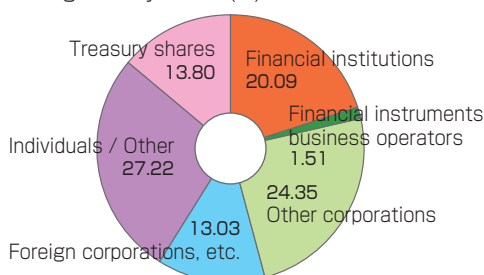
Company name: HISAKA WORKS, LTD.
Established: May 1942
Capital: 4.15 billion yen
Number of employees: Consolidated: 1,011, Non-consolidated: 692
Head office address: 2-12-7 Sonezaki, Kita-ku, Osaka City
Branch offices and plants: Tokyo Branch Office (Chuo-ku, Tokyo)
Nagoya Branch Office (Nagoya City, Aichi)
Kyushu Branch Office (Fukuoka City, Fukuoka)
Kitakyushu Branch Office (Kitakyushu City, Fukuoka)
Konoike Plant (Higashiosaka City, Osaka)
Ikoma Plant (Ikoma City, Nara Prefecture)
Ome Plant (Ome City, Tokyo)
Major subsidiaries: HISAKA PRODUCTS, 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 27, 2024)

Chairman and CEO Yoshikazu Takeshita
Director, President and Chief Operating Officer Toshiya Usami
Director, Managing Executive Officer Akihito Adachi
Director, Senior Executive Officer Hiroshi Hatano
Director (Outside) Koji Mizumoto
Director (Outside) Yuko Tsuno
Director (Outside) Emiko Ikigoshi
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, 2024)

Total number of authorized shares: 129,020,000
Total number of shares issued: 32,732,800
Number of shareholders: 8,937
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)	2,496,500	8.84%
NIPPON STEEL Stainless Steel Corporation	1,070,000	3.79%
Custody Bank of Japan, Ltd. (Trust Account)	1,010,000	3.57%
Nippon Life Insurance Company	960,770	3.40%
MUFG Bank, Ltd.	912,640	3.23%
Inaba Denki Sangyo Co., Ltd.	910,802	3.22%
STATE STREET BANK AND TRUST COMPANY 505103	735,628	2.60%
LIM JAPAN EVENT MASTER FUND	695,600	2.46%
Hisaka Works Business Partners Shareholding Association	673,286	2.38%
TAKUMA Co., Ltd.	642,000	2.27%

(Note) Treasury shares (4,515,300 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.