

Hisaka Newsletter

The 95th Fiscal Year Interim

April 1 to September 30, 2023



Ikoma Plant (Ikoma City, Nara Prefecture)

BUSINESS REPORT

To our shareholders,

The first half of our 95th fiscal year has ended, and we would like to provide an overview report on this period.

The global economy slowed moderately in the first half of the fiscal year due to rising geopolitical risks in Eastern Europe and the Middle East, prolonged inflation in Europe and the U.S., and continued monetary tightening. In addition, the outlook for the domestic economy remains uncertain due to prolonged price hikes and other factors, although the domestic economy is firming up as personal spending and inbound spending are recovering, mainly due to the lowering of COVID-19 infection to Class 5.

In this economic environment, orders received by the Hisaka Group were 20,107 million yen (an increase of 19.9% compared with the same period of the previous fiscal year) thanks to strong performance in the Heat Exchanger Segment and Process Engineering Segment.

Due to strong performance in the Heat Exchanger Segment and Valve Segment, net sales were 16,520 million yen (an increase of 6.2% compared with the same period of the previous fiscal year).

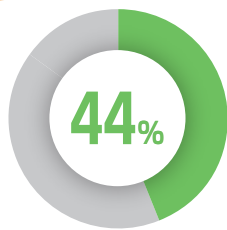
In terms of profit, factors including the worsened profit margins in the Heat Exchanger Segment and Process Engineering Segment, such as soaring raw material prices and provisions for unprofitable projects, led to an operating profit of 851 million yen (a decrease of 16.7% compared with the same period of the previous fiscal year), with an ordinary profit of 1,146 million yen (a decrease of 16.7% 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 814 million yen (a decrease of 9.2% compared with the same period of 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,
December 2023

Results by Segment



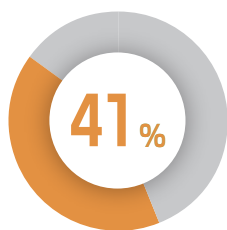
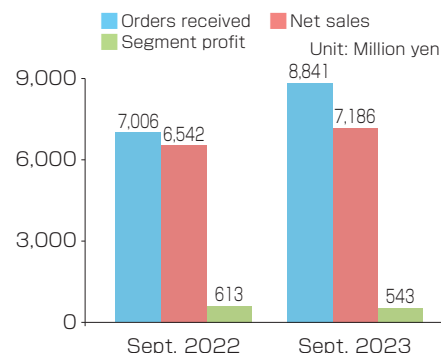
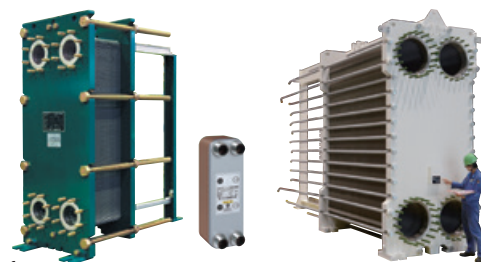
Heat Exchanger Segment

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 8,841 million yen (an increase of 26.2% compared with the same period of the previous fiscal year). Orders received increased due to strong performance for small and medium-size general-purpose products for electric power and air conditioners, and shipbuilding due to increased demand for newly built vessels, as well as an order for a large energy-related plant project.

Net sales were 7,186 million yen (an increase of 9.8% compared with the same period of the previous fiscal year). Revenue increased due to strong performance for small and medium-size general-purpose products for semiconductors and electric power, as well as maintenance due to an abundant order backlog.

Segment profit was 543 million yen (a decrease of 11.3% compared with the same period of the previous fiscal year), mainly due to provisions for unprofitable projects caused by soaring raw material prices.



Process Engineering Segment

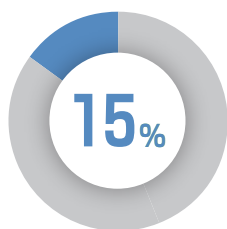
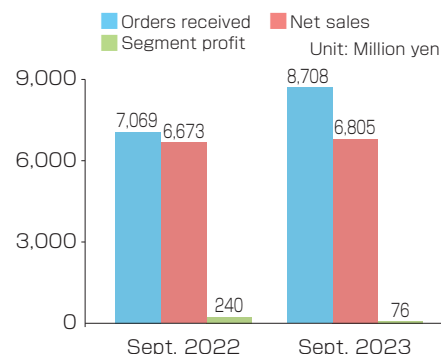
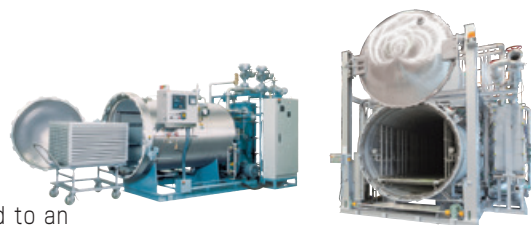
The Process Engineering Segment manufactures and sells cooking disinfecting devices used for retort pouch foods and the like, plus sterilizing and culturing devices for pharmaceuticals, and dyeing and finishing devices for fiber products.

Orders received reached 8,708 million yen (an increase of 23.2% compared with the same period of the previous fiscal year). Although orders received for dyeing and finishing devices were sluggish due to a reactionary decline in overseas large-lot project orders received compared with the same period of the previous fiscal year and a decline in renewed domestic demand, orders for large-lot projects such as disinfecting devices for food manufacturing equipment, orders for plant projects related to drinking water, and orders for plant projects for culturing devices for

pharmaceutical equipment contributed to an overall increase in orders received.

Net sales were 6,805 million yen (an increase of 2.0% compared with the same period of the previous fiscal year). In addition to a decrease in orders received in the previous fiscal year, delivery dates were pushed back for projects due to some customers delaying capital investments for food manufacturing equipment and difficulties in procuring parts, but revenue increased for pharmaceutical equipment due to large-lot project orders received in the previous fiscal year for culturing devices.

Segment profit was 76 million yen (a decrease of 68.3% compared with the same period of the previous fiscal year) due to soaring raw material prices.



Valve Segment

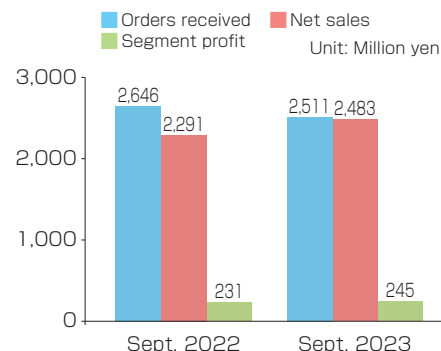
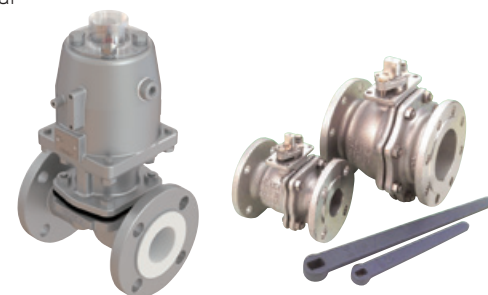
The Valve Segment manufactures and sells ball valves and the like used in the control of various fluids.

Orders received reached 2,511 million yen (a decrease of 5.1% compared with the same period of the previous fiscal year). Although orders for secondary batteries and semiconductor-related fields were strong, the decrease in orders received was mainly due to a reactionary decline in orders for overseas large-lot projects compared with the same period of the previous fiscal year and sluggish orders for products with short delivery times compared with the same period of the

previous fiscal year, when inquiries were strong.

Net sales were 2,483 million yen (an increase of 8.4% compared with the same period of the previous fiscal year). Revenue increased due to strong orders for secondary batteries and semiconductor-related fields, as well as the delivery of large-lot projects for the chemical industry.

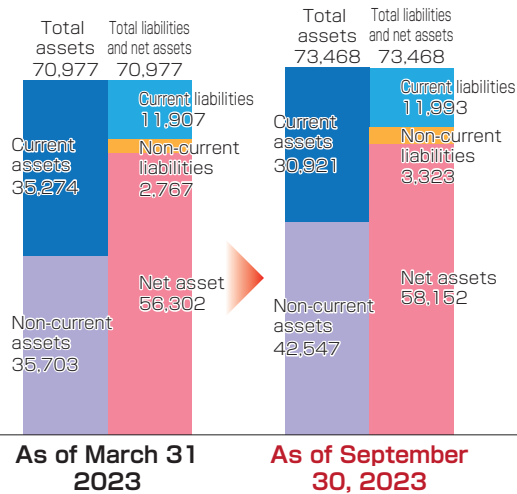
Segment profit increased to 245 million yen (an increase of 5.8% compared with the same period of the previous fiscal year) due to an increase in net sales.



Consolidated Financial Highlights

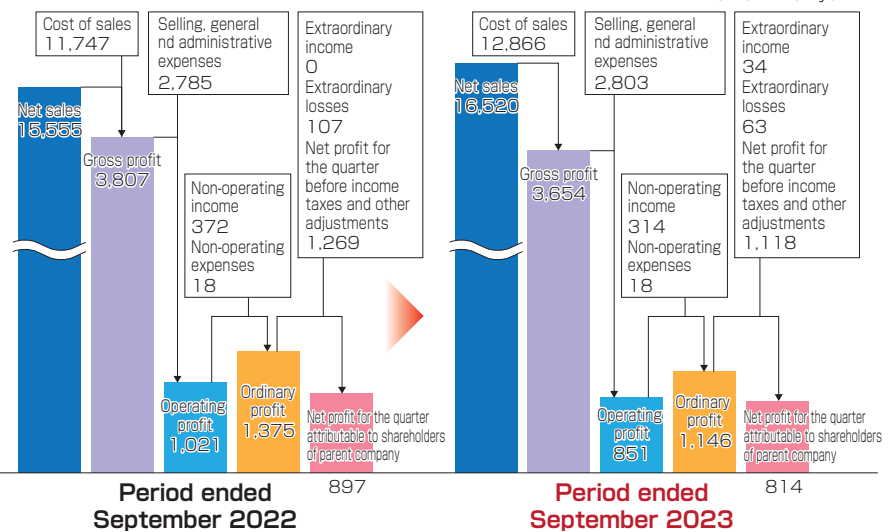
Summary of Consolidated Balance Sheets

Units: Million yen



Summary of Consolidated Profit and Loss Statement

Unit: Million yen



Topics



Efforts to improve PBR by increasing corporate value

HISAKA is promoting the following initiatives to improve PBR.

1. Growth strategy and investments

Through our core technologies, Hisaka will contribute to social concerns such as environmental issues, food loss, and pandemics to achieve sustainable growth and increase corporate value.

In addition, we will strive to improve profit margins through the implementation of a variety of measures, the business expansion to overseas, and the expansion of sales through new business and product development, while aggressively investing in R&D, reinforcing production systems, and expanding business areas. Under the current Mid-Term Business Plan (fiscal year ending March 2024 to fiscal year ending March 2026), we aim to establish a group production system which achieves sales of at least 50 billion yen and an ROE of 6% or more by the fiscal year ending March 2030 through large investments such as the opening of the Ikoma Plant and reconstruction of the Konoike Plant. Thereafter, we will promote the achievement of an ROE of 8% or more.

2. Reduction of strategic shareholdings

Under the previous Mid-Term Business Plan (fiscal year ending March 2021 to fiscal year ending March 2023), Hisaka reduced its strategic shareholdings in 9 stocks (1.88 billion yen). Under the current Mid-Term Business Plan, we will reduce our strategic shareholdings to less than 20% of consolidated net assets, and will consider the appropriateness of holding such shares thereafter. Funds obtained from this reduction in cross-held shares will be used for growth investment, return to shareholders, and other purposes.

3. Improving return to shareholders

From this fiscal year, we raised our dividend on equity ratio (DOE) from 1.5% or more to 2.0% or more. Setting this ratio as a minimum ratio, Hisaka will pay a performance-linked dividend with a target dividend payout ratio of 30% or more. The acquisition of treasury stock will be conducted in consideration of the free cash flow situation and other factors.

4. IR initiatives

Hisaka posts IR information such as presentation materials for financial results briefing on our website, and we will continue to promote the English translation of these materials for overseas investors. We will further increase opportunities for dialogue with investors and use the opinions and requests obtained as feedback for management.

For individual investors, we will consider expanding our website and holding briefing sessions. We will also continue our special benefit program for shareholders to encourage long-term shareholding.

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* For more information, please see the press release from November 14, 2023. (This notice is only available in Japanese.)



Opening of the new Ikoma Plant: Enhancing the Group's production system

1. Purpose of opening the Ikoma Plant

The Ikoma Plant will be the base for the Process Engineering Segment, which manufactures and sells food manufacturing equipment, pharmaceutical equipment, and dyeing and finishing devices.

In response to recent years' social concerns such as "reducing food loss," "providing a stable supply of pharmaceutical products," and "saving energy and manpower at manufacturing sites," the demand for production facilities and engineering for food manufacturing equipment and pharmaceutical equipment is expected to increase.

In order to respond quickly to such demand and promote our medium- to long-term growth strategy, we will open this plant on January 1, 2024.

2. Features of the Ikoma Plant

The introduction of the latest production facilities in this spacious one-story plant will help to expand production volume and improve productivity. There is also a showroom focused on the Process Engineering Segment, a cafeteria with a great view, and a recreation room for maintaining health and wellness, all of which are designed to enhance customer and employee satisfaction.



Ikoma Plant (Ikoma City, Nara Prefecture)

Site area: Approx. 52,000m², Building area: Approx. 14,000m², Gross floor area: Approx. 24,000m²

Consolidated Results

Category	Fiscal year	Reference					Units: Million yen
		93rd fiscal year interim (Period ended September 2021)	94th fiscal year interim (Period ended September 2022)	95th fiscal year interim (Period ended September 2023)	93rd fiscal year (Period ended March 2022)	94th fiscal year (Period ended March 2023)	95th fiscal year forecast (Period ended March 2024)
Orders received		17,307	16,771	20,107	34,685	34,621	38,000
Net sales		13,961	15,555	16,520	30,085	34,074	33,000
Operating profit		701	1,021	851	1,819	1,912	1,600
Ordinary profit		937	1,375	1,146	2,270	2,392	2,000
Net profit for the quarter (current period) attributable to shareholders of parent company		689	897	814	2,058	2,040	1,300
Net profit for the quarter (current period) per share (in yen)		24.54	31.87	28.90	73.19	72.45	46.07
Gross assets		66,168	68,632	73,468	67,302	70,977	—
Net assets		53,897	55,112	58,152	54,378	56,302	—
Net assets per share (in yen)		1,910.58	1,950.97	2,051.41	1,927.39	1,992.64	—
Annual dividend per share (in yen)		—	—	—	30	40	40
Dividend payout ratio (%)		—	—	—	41.0	55.2	86.8
Dividend on equity ratio (DOE) (%)		—	—	—	1.6	2.0	2.0

Company Profile (Current as of September 30, 2023)

Company name: HISAKA WORKS, LTD.
 Established: May 1942
 Capital: 4.15 billion yen
 Number of employees: Consolidated: 1,013, Non-consolidated: 689
 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)
 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)
 * On October 1, 2023, MICROZERO CO., LTD. and ASAHI INDUSTRY CO., LTD. merged to form HISAKA PRODUCTS, LTD. (Ome City, Tokyo).

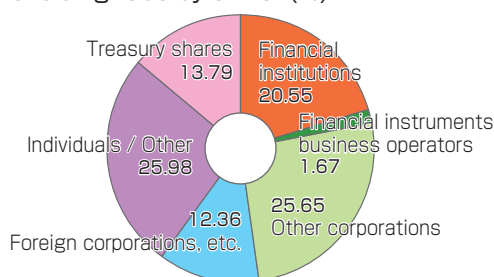
Directors (Current as of September 30, 2023)

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 September 30, 2023)

Total number of authorized shares: 129,020,000
 Total number of shares issued: 32,732,800
 Number of shareholders: 7,527

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)	2,446,600	8.67%
NIPPON STEEL Stainless Steel Corporation	1,400,000	4.96%
Custody Bank of Japan, Ltd. (Trust Account)	1,161,700	4.11%
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	665,578	2.35%
Hisaka Works Business Partners Shareholding Association	654,186	2.31%
TAKUMA Co., Ltd.	642,000	2.27%
LIM JAPAN EVENT MASTER FUND	632,000	2.23%

(Note) Treasury shares (4,515,246 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.