Translation

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Summary of Consolidated Financial Results for the Nine Months Ended September 30, 2022 (Based on Japanese GAAP)

November 9, 2022

Company name: HOSHIZAKI CORPORATION
Stock exchange listing: Tokyo Stock Exchange and Nagoya Stock Exchange
Securities code: 6465 URL: http://www.hoshizaki.co.jp
Representative: Representative Director, President & COO Yasuhiro Kobayashi
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Scheduled date to file Quarterly Securities Report: November 14, 2022
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2022	239,037	14.9	23,293	10.6	38,605	52.1	26,462	49.6
Nine months ended September 30, 2021	208,005	13.4	21,051	25.6	25,388	58.9	17,694	67.7

Note: Comprehensive income Nine months ended September 30, 2022 ¥56,781 million[139.0%]
Nine months ended September 30, 2021 ¥23,761 million[311.0%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2022	182.68	–
Nine months ended September 30, 2021	122.16	–

Notes: 1. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year. Accordingly, each figure for the nine months ended September 30, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.
2. The Company has split its shares at a ratio of two-for-one common share with July 1, 2022 as the effective date. Earnings per share is calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2022	440,916	304,858	68.5	2,085.81
As of December 31, 2021	378,469	259,862	68.1	1,779.92

Reference: Equity As of September 30, 2022 ¥302,151 million
As of December 31, 2021 ¥257,826 million

Notes: 1. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year. Accordingly, each figure for the nine months ended September 30, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.
2. The Company has split its shares at a ratio of two-for-one common share with July 1, 2022 as the effective date. Net assets per share is calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2021	–	0.00	–	110.00	110.00
Year ending December 31, 2022	–	60.00	–		
Year ending December 31, 2022 (Forecast)				30.00	–

Notes: 1. Revision of cash dividend forecast most recently announced: No
2. The Company has split its shares at a ratio of two-for-one common share with July 1, 2022 as the effective date. Second quarter-end of the year ending December 31, 2022 shows the amount before the split and fiscal year-end of the year ending December 31, 2022 (forecast) shows the amount after the split. Annual dividends per share forecasts are not displayed because they cannot be simply totaled by the implementation of stock split.
Total annual dividends per share for 2022 before the stock split will be ¥120.00 per share, an increase of ¥10.00 in real terms from the year ended December 31, 2021.

3. Forecast of consolidated financial results for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	314,000	14.4	26,500	6.3	38,000	21.9	26,400	21.8	182.25

Notes: 1. Revision of consolidated financial results forecast most recently announced: Yes
Regarding revision of consolidated financial results forecast, please refer to the “Notice Regarding Revision of Financial Forecast” released today (November 9, 2022).
2. The Company has split its shares at a ratio of two-for-one common share with July 1, 2022 as the effective date. Earnings per share in the forecast of consolidated financial results for the year ending December 31, 2022 takes into account the effect of the share split.

*Notes

(1) Changes in significant subsidiaries during the nine months ended September 30, 2022 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Application of special accounting for preparing quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
b. Changes in accounting policies due to other reasons: No
c. Changes in accounting estimates: No
d. Restatement of prior period financial statements: No

Note: For details, please refer to “(3) Notes to quarterly consolidated financial statements (Changes in accounting policies)” of “2. Quarterly consolidated financial statements” of the attached material.

(4) Number of issued shares (common shares)
a. Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2022	144,864,000 shares	As of December 31, 2021	144,855,300 shares

b. Number of treasury shares at the end of the period

As of September 30, 2022	3,148 shares	As of December 31, 2021	2,558 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended September 30, 2022	144,856,867 shares	Nine months ended September 30, 2021	144,846,762 shares

Note: The Company has split its shares at a ratio of two-for-one common share with July 1, 2022 as the effective date. The number of shares is presented on the assumption that the split was conducted at the beginning of the previous fiscal year.

* **Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.**

* **Proper use of earnings forecasts, and other special matters**
The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors.

Attached Materials
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1. Qualitative information on the quarterly financial results

The forward-looking matters stated herein are judgments made by HOSHIZAKI CORPORATION (the “Company”) as of September 30, 2022.

(1) Operating results

During the nine months ended September 30, 2022, the Japanese economy showed signs of normalization of economic and social activities towards the lifestyle of living with COVID-19, although the impact of the resurgence of its infection still persists. On the other hand, the economic outlook remains uncertain due to geopolitical risks such as those arising from the situation in Ukraine, rising prices of raw materials, and the continued sharp depreciation of the yen.

The IMF World Economic Outlook released in October revised the economic growth rate forecast for 2023 downward from +2.9% to +2.7%, due to historic inflation and corresponding monetary tightening in various countries, lockdown measures by the Chinese government, prolonged Russian invasion of Ukraine, and persisting COVID-19 pandemic, which raises concerns of a global economic slowdown.

Amid such circumstances, in Japan, the Group focused on expanding sales in the gradually recovering restaurant market and on expanding sales and developing new customers in non-restaurant markets such as retail industry and food processing industry. Although we faced constraints in supplying products in the first half of the year due to difficulties in procuring materials and parts mainly as a result of supply chain disruptions worldwide and lockdowns in China, those constraints have gradually eased from July onward. However, since prices of materials and parts have continued to rise, we determined in June that it would be difficult to improve profitability through only our efforts, and therefore, conducted a product price revision.

Overseas, sales continued to recover as the global economy picked up. However, amid the impact of the rising prices for materials, parts and logistics worldwide, as well as manpower shortages, rising labor costs, etc. particularly in the U.S., we implemented product price revisions as needed and worked to maintain profitability. On a Japanese-yen basis, the weakening of the yen had a positive impact on the financial results for the current fiscal year.

As a result of the above, the Group reported operating results for the nine months ended September 30, 2022 with net sales of ¥239,037 million (up 14.9% year-on-year). Operating profit was ¥23,293 million (up 10.6% year-on-year). In addition, owing to the recording of foreign exchange gains of ¥15,136 million from translation of foreign-currency assets to Japanese yen, ordinary profit was ¥38,605 million (up 52.1% year-on-year) and profit attributable to owners of parent was ¥26,462 million (up 49.6% year-on-year).

Operating results by segment are as follows.

a. Japan

In Japan, the Group strived to expand sales of flagship products such as refrigerators, ice machines, and dishwashers. In the first half of the year, delivery times were prolonged and we faced constraints in supplying products due to difficulties in procuring materials and parts, but this gradually eased from July onward. Prices of our products were revised in June amid the cost of procuring alternative parts in response to difficulties in procuring materials and parts and surging prices of materials and parts having a significant impact on profits. As a result, the Group generated net sales of ¥146,354 million (up 4.3% year-on-year) and segment profit of ¥15,884 million (up 7.1% year-on-year).

b. Americas

In the Americas, efforts were made to expand sales of ice machines, refrigerators, dishwashers, dispensers, and other products, but in comparison with strong demand, we faced constraints in supplying products due to difficulties in procuring materials and parts. There was also an impact of surging prices of materials and parts, worker retention costs due to manpower shortages, and rising labor costs. On the other hand, there was also the effect of weaker yen on foreign currency translation, and the Group generated net sales of ¥59,020 million (up 31.5% year-on-year) and segment profit of ¥5,252 million (up 26.3% year-on-year).

c. Europe / Asia

In Europe and Asia, the Group strived to expand sales of our flagship products mainly for the restaurant industry, but profitability deteriorated due to changes in the product mix caused by difficulties in procuring materials and parts and supply constraints for ice machines in Europe since April. On the other hand, sales of refrigerators in India were strong and there was also the effect of the weaker yen on foreign currency translation. As a result, the Group generated net sales of ¥39,834 million (up 43.3% year-on-year) and segment profit of ¥3,282 million (up 35.6% year-on-year).

(2) Financial position

Total assets as of September 30, 2022 increased ¥62,446 million from December 31, 2021 to ¥440,916 million.

Current assets increased ¥37,372 million from December 31, 2021 to ¥348,018 million. The main factors were increases in notes and accounts receivable - trade, and contract assets, and raw materials and supplies.

Non-current assets increased ¥25,073 million from December 31, 2021 to ¥92,897 million. The main factor was an increase in goodwill.

Total liabilities as of September 30, 2022 increased ¥17,450 million from December 31, 2021 to ¥136,058 million.

Current liabilities increased ¥15,140 million from December 31, 2021 to ¥109,589 million. The main factor was an increase in notes and accounts payable - trade.

Non-current liabilities increased ¥2,309 million from December 31, 2021 to ¥26,468 million.

Total net assets as of September 30, 2022 increased ¥44,996 million from December 31, 2021 to ¥304,858 million. The main factors were increases in retained earnings and foreign currency translation adjustment.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

We have revised our forecast of consolidated financial results for the fiscal year ending December 31, 2022, which was announced on February 9, 2022, in light of our current business performance during the third quarter ended September 30, 2022. For details, please refer to the “Notice Regarding Revision of Financial Forecast” released today (November 9, 2022).

2. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	240,723	240,745
Notes and accounts receivable - trade	31,120	–
Notes and accounts receivable - trade, and contract assets	–	47,212
Merchandise and finished goods	14,806	18,776
Work in process	4,775	7,341
Raw materials and supplies	15,974	27,706
Other	3,477	6,552
Allowance for doubtful accounts	(232)	(316)
Total current assets	310,645	348,018
Non-current assets		
Property, plant and equipment	43,174	48,955
Intangible assets	2,766	17,080
Goodwill	623	14,774
Other	2,142	2,306
Investments and other assets	21,883	26,861
Total non-current assets	67,823	92,897
Total assets	378,469	440,916
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,070	34,463
Income taxes payable	6,502	9,029
Provision for bonuses	2,986	8,155
Other provisions	2,146	2,505
Other	56,743	55,436
Total current liabilities	94,448	109,589
Non-current liabilities		
Retirement benefit liability	19,995	20,376
Other provisions	1,511	2,291
Other	2,652	3,800
Total non-current liabilities	24,159	26,468
Total liabilities	118,607	136,058
Net assets		
Shareholders’ equity		
Share capital	8,052	8,070
Capital surplus	14,574	14,593
Retained earnings	239,958	254,626
Treasury shares	(6)	(8)
Total shareholders’ equity	262,579	277,281
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	28
Foreign currency translation adjustment	(3,361)	26,021
Remeasurements of defined benefit plans	(1,395)	(1,179)
Total accumulated other comprehensive income	(4,752)	24,870
Non-controlling interests	2,035	2,706
Total net assets	259,862	304,858
Total liabilities and net assets	378,469	440,916

(2)Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Net sales	208,005	239,037
Cost of sales	130,937	153,547
Gross profit	77,068	85,490
Selling, general and administrative expenses	56,016	62,196
Operating profit	21,051	23,293
Non-operating income		
Interest income	286	789
Foreign exchange gains	3,739	15,136
Other	492	420
Total non-operating income	4,518	16,346
Non-operating expenses		
Interest expenses	25	34
Share of loss of entities accounted for using equity method	–	804
Other	156	194
Total non-operating expenses	182	1,034
Ordinary profit	25,388	38,605
Extraordinary income		
Gain on sale of non-current assets	2	17
Gain on sale of investment securities	77	53
Total extraordinary income	80	70
Extraordinary losses		
Loss on abandonment of non-current assets	31	44
Business restructuring expenses	–	87
Other	1	1
Total extraordinary losses	33	132
Profit before income taxes	25,435	38,543
Income taxes - current	10,194	14,266
Income taxes - deferred	(2,673)	(2,579)
Total income taxes	7,521	11,686
Profit	17,913	26,856
Profit attributable to non-controlling interests	219	393
Profit attributable to owners of parent	17,694	26,462

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Profit	17,913	26,856
Other comprehensive income		
Valuation difference on available-for-sale securities	42	23
Foreign currency translation adjustment	6,276	24,280
Remeasurements of defined benefit plans, net of tax	254	215
Share of other comprehensive income of entities accounted for using equity method	(725)	5,405
Total other comprehensive income	5,847	29,925
Comprehensive income	23,761	56,781
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	23,449	56,085
Comprehensive income attributable to non-controlling interests	312	696

(3)Notes to quarterly consolidated financial statements

Notes on premise of going concern

Not applicable

Notes on significant changes in the amount of shareholders' equity

Not applicable

Application of special accounting for preparing quarterly consolidated financial statements

Omitted due to immateriality.

Changes in accounting policies

Application of Accounting Standard for Revenue Recognition, Etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year. Under this accounting standard and relevant ASBJ regulations, the Company has recognized revenue at the time of transfer of control of promised goods or services to the customer at the price expected to be received in exchange for those goods or services. The main changes resulting from the above are as follows.

- Sales transactions involving inspection upon receipt by the customer

Previously revenue from sales transactions involving contracts with customers specifying product delivery, or installation work for those products, etc., were previously recognized on a one-lump-sum basis when the customer completed the inspection upon receipt. However, the method for those sales transactions with contracts deemed to require goods or services with regard to the delivery of the product or installation work for the product, etc. to be recognized as separate performance obligations, has changed to a method of recognizing revenue when the respective performance obligation has been fulfilled. Moreover, the method for those sales transactions involving contracts deemed to require revenue recognition to be based on a single performance obligation for the construction work as a whole has changed to a method of recognizing revenue based on the progress over the time corresponding to the fulfillment of the performance obligation.

- Consideration payable to customers

Consideration payable to the customer was previously accounted for as selling, general and administrative expenses, but the accounting method has been changed to one that deducts them from the transaction price, except in cases where consideration is payable upon exchange of distinct goods or services received from the customer.

Pursuant to the transitional provisions of the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of the retrospective application assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or subtracted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy is applied from such opening balance.

Furthermore, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of the first quarter of the current fiscal year were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the first quarter of the current fiscal year.

As a result of this change, for the nine months ended September 30, 2022, net sales decreased by ¥1,118 million, cost of sales decreased by ¥694 million, and selling, general and administrative expenses decreased by ¥271 million. Operating profit, ordinary profit and profit before income taxes each decreased by ¥152 million. In addition, the opening balance of retained earnings increased by ¥518 million.

As a result of the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "notes and accounts receivable – trade," which was presented in the "current assets" in the consolidated balance sheet for the previous fiscal year, is presented as part of "notes and accounts receivable – trade, and contract assets" from the first quarter of the current fiscal year. In accordance with the transitional provisions of paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new presentation method. Furthermore, the information on disaggregation of revenue from contracts with customers during the first nine months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

Accounting Standard for Fair Value Measurement, Etc.

The Company applied the Accounting Standard for Fair Value Measurement, etc. (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations effective from the beginning of the first quarter of the current fiscal year, and will apply the new accounting policy set forth by the accounting standard for fair value measurement, etc. prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement, etc. and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect on the quarterly consolidated financial statements.

Additional information

Accounting practices under hyperinflationary economies

Effective from the second quarter of the current fiscal year, due to the three-year cumulative inflation rate in Turkey exceeding 100%, the quarterly financial statements of the Company's affiliated company in Turkey have been adjusted in accordance with IAS 29, "Financial Reporting in a Hyperinflationary Economies," and the Company has applied the equity method of accounting for the affiliated company.

In addition, the quarterly financial statements of the said affiliate were converted using the foreign exchange rate of the quarterly accounts closing date, and the consolidated quarterly financial statements of the Group reflect those figures.

Furthermore, no revisions have been made to the comparative information for the third quarter of the current fiscal year.

Changes in accounting estimates

Not applicable

Segment information, etc.

Segment information

I. Nine months ended September 30, 2021 (from January 1, 2021 to September 30, 2021)

1. Information related to net sales, and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment				Reconcili-ation (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Japan	Americas	Europe / Asia	Total		
Net sales						
Sales to external customers	136,353	44,476	27,175	208,005	–	208,005
Intersegment sales or transfers	3,976	399	631	5,007	(5,007)	–
Total	140,329	44,876	27,807	213,012	(5,007)	208,005
Segment profit	14,837	4,157	2,420	21,415	(364)	21,051

Notes 1. The reconciliation amount of negative ¥364 million for segment profit includes amortization of goodwill of negative ¥280 million, amortization of intangible assets, etc. of negative ¥20 million, negative ¥72 million from reconciliation of inventories, and ¥9 million from reconciliation of transactions with other segments.

2. Segment profit has been reconciled with operating profit in the quarterly consolidated statements of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses on non-current assets

Not applicable

Significant changes in amount of goodwill

Not applicable

Significant gains on negative goodwill

Not applicable

II. Nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)

1. Information related to net sales, and profit or loss and revenue breakdown for each reportable segment

(Millions of yen)

	Reportable segment				Reconcili-ation (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Japan	Americas	Europe / Asia	Total		
Net sales						
Ice machines	11,943	21,144	9,932	43,020	–	43,020
Refrigerators	35,034	7,741	25,533	68,309	–	68,309
Dishwashers	9,774	6,174	55	16,005	–	16,005
Dispensers	3,311	13,823	250	17,384	–	17,384
Non Hoshizaki products	27,405	1,812	142	29,361	–	29,361
Maintenance and repairs	33,468	6,100	2,273	41,842	–	41,842
Other Products	20,210	1,769	817	22,797	–	22,797
Revenue from contracts with customers	141,148	58,566	39,005	238,720	–	238,720
Other revenue	317	–	–	317	–	317
Sales to external customers	141,465	58,566	39,005	239,037	–	239,037
Intersegment sales or transfers	4,889	453	829	6,172	(6,172)	–
Total	146,354	59,020	39,834	245,209	(6,172)	239,037
Segment profit	15,884	5,252	3,282	24,418	(1,125)	23,293

Notes 1. The reconciliation amount of negative ¥1,125 million for segment profit includes amortization of goodwill of negative ¥484 million, amortization of intangible assets, etc. of negative ¥21 million, negative ¥624 million from reconciliation of inventories, and ¥5 million from reconciliation of transactions with other segments and miscellaneous items.

2. Segment profit has been reconciled with operating profit in the quarterly consolidated statements of income.

3. As described in “Changes in accounting policies,” the Company has applied the Accounting Standard for Revenue Recognition and relevant ASBJ regulations effective from the beginning of the first quarter, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of reportable segments for which this change is applicable. As a result, compared with the figures obtained by the previous method, net sales in “Japan” for the nine months

ended September 30, 2022 decreased by ¥1,118 million. In addition, segment profit decreased by ¥152 million in “Japan.”

2. Information related to impairment losses on non-current assets or goodwill, etc for each reportable segment

Significant impairment losses on non-current assets
Not applicable

Significant changes in amount of goodwill
In the third quarter of the current fiscal year, the Company acquired all shares of Brema Group S.p.A. and the entire equity stake of Finimma S.r.l., resulting in goodwill of ¥14,593 million arising.

Significant gains on negative goodwill
Not applicable

Business combination

(1) Outline of business combination

a. Name and business description of the acquired company

i.	Name of the acquiree:	Brema Group S.p.A.
	Business description:	Manufacturing and sales of commercial ice machines
ii.	Name of the acquiree:	Finimma S.r.l.
	Business description:	Holding Company (wholly-owning parent company of Imma Immobiliare S.p.A.)
iii.	Name of the acquiree:	Imma Immobiliare S.p.A.
	Business description:	Commercial real estate management company of Brema Group S.p.A.

b. Primary reasons for the business combination

Brema Group S.p.A. is an Italy based manufacturer and sales company of commercial ice machines. It has strong name recognition also outside Italy, particularly in the countries of Southern and Eastern Europe and the countries of the Middle East, and it actively supplies its products to other food service equipment manufacturers. In this business combination, Brema Group S.p.A. will become a second-tier subsidiary of the Company. Using that company's production bases and sales network, the Company plans to expand its sales share of commercial ice machines in Europe and the Middle East.

c. Date of the business combination

July 1, 2022

d. Legal form of the business combination

i. Brema Group S.p.A.: Through acquisition of its shares
ii. Finimma S.r.l.: Through equity acquisition
iii. Imma Immobiliare S.p.A.: Through equity acquisition

e. Name of company after the business combination

i. Brema Group S.p.A.
ii. Finimma S.r.l.
iii. Imma Immobiliare S.p.A.

f. Percentage of voting rights acquired

100% (Of which, 100% is indirect ownership)

g. Primary basis for determining the acquired companies

Basis for determining the acquired companies shall be by acquisition by the Company's subsidiary of shares and equity using cash as the consideration.

(2) The period in which the acquiree's results were recorded in the consolidated statements of income (cumulative) for the nine months ended September 30, 2022

From July 1, 2022 to September 30, 2022

(3) Acquisition cost of acquiree and components thereof by consideration type

Due to the Company's obligation of confidentiality under the share transfer agreement, the information on this matter is not disclosed.

(4) Amount of goodwill, reason for recognition, amortization method and amortization period

a. Amount of goodwill

¥14,593 million

The amount of goodwill was calculated on a provisional basis because the allocation of acquisition cost was not completed as of September 30, 2022.

b. Reason for recognition

Since the cost of acquisition exceeded the net amount of assets acquired and liabilities assumed, the excess amount was recorded as goodwill.

c. Amortization method and amortization period

Straight-line basis over 18 years

Significant subsequent events

Company split

At the Board of Directors' meeting of the Company held on October 14, 2022, it was resolved to establish an interim holding company, HOSHIZAKI SALES CO., LTD., in a company split.

1. The purpose of establishing the interim holding company in the company split

Since 1988, when the Company's sales force came to have the current structure of 15 sales companies, such 15 companies have independently operated their sales businesses under the umbrella of HOSHIZAKI CORPORATION, a manufacturer responsible for product development and production. While the 15 companies have achieved growth by strengthening the collaboration between production and sales while valuing independence and self-reliance, and by competing with each other, they have not fully utilized their combined customer base, business scale, and human resources.

Since the spread of COVID-19, the business environment in the domestic food service industry, especially in the restaurant market, has drastically changed, and the outlook for the future environment is becoming even more uncertain due to raw material shortages and soaring purchase prices. Under these circumstances, the Group has been working to further penetrate into the restaurant market and to develop new markets in the non-restaurant markets in order to realize future growth. However, the individual efforts of each of the 15 sales companies are coming to their limits before being able to penetrate into new markets where the Company has yet to establish its business bases and to achieve the management targets set forth in the five-year management vision (FY2022 to FY2026). It is essential to respect each company's individuality and the characteristics of their markets, ensure rapid horizontal dissemination of important policies and best practices, strengthen business management (PDCA management), and strengthen various functions that can contribute to profitability through integrating individual functions of the companies (utilization of combined management resources of 15 companies, i.e. approaching major customers, purchasing, administrative and indirect operations, training and education, IT development and utilization, etc.).

In order to realize these goals, the Company has decided to establish an interim holding company, HOSHIZAKI SALES CO., LTD., which will play an important cross-functional role and serve as a command post for the 15 sales companies, also providing centralized functions for operations common to all 15 companies.

2. Summary of the company split

(1) Schedule for the incorporation-type company split

October 14, 2022	Approval by the Board of Directors of the plan for the incorporation-type company split
January 5, 2023 (planned)	Effective date of the company split

(Note) This incorporation-type company split will be conducted without obtaining approval at the Company's General Meeting of Shareholders, because it satisfies the requirements for a simplified company split under Article 805 of the Companies Act of Japan.

(2) Method of the incorporation-type company split

This is an incorporation-type company split (simplified incorporation-type company split) in which the Company will be the splitting company and the newly established company will be the succeeding company, and the newly established company will be a wholly-owned subsidiary of the Company.

(3) Share allotment involved in the incorporation-type company split

The newly established company will issue 20,000 common shares in this incorporation-type company split, the entirety of which will be allocated to the Company.

(4) Treatment of share options and bonds with share options in the incorporation-type company split

Not applicable

(5) Increase or decrease in the paid-in capital of the Company due to the incorporation-type company split

There will be no increase or decrease in the paid-in capital of the Company due to the incorporation-type company split

(6) Rights and obligations succeeded by the newly established company

The newly established company will, in accordance with the incorporation-type company split plan, succeed the assets and liabilities, as well as the relevant rights and obligations related to the business administration operations of Hoshizaki Hokkaido Co., Ltd. and 14 other sales companies owned by the Company on the effective date of the incorporation-type company split. The employment contracts, related rights and obligations pertaining to employees transferred from the Company to the newly established company shall be assumed by the newly established company, and the treatment of the employment contract, related rights and obligations pertaining to employees seconded by the Company to the newly established company shall be determined by the splitting company and the newly established company upon mutual consultation. The transfer of liabilities shall be undertaken based on the concomitant assumption method.

(7) Prospects about the payment of liabilities

The Company believes that all liabilities undertaken by the newly established company will be paid as they become due and payable on or after the effective date of the incorporation-type company split.

3. Outline of the parties involved in the incorporation-type company split

	Splitting company	Newly established company
a. Name	HOSHIZAKI CORPORATION	HOSHIZAKI SALES CO., LTD.
b. Location	3-16 Sakae-cho Minamiyakata, Toyoake, Aichi	1-1-1, Nishishinagawa, Shinagawa-ku, Tokyo
c. Representative	Yasuhiro Kobayashi, Representative Director, President & COO	Yasuhiro Kobayashi, Representative Director, President & COO
d. Business description	Research and development, manufacture and sales of various food service equipment including ice machines, refrigerators and dishwashers	Management of sales companies of the Group
e. Paid-in capital	¥8,070 million	¥100 million
f. Date of incorporation	February 5, 1947	January 5, 2023 (planned)
g. Number of issued shares	144,864,000 shares	20,000 shares
h. Fiscal year-end	December 31	December 31
i. Consolidated financial position and consolidated operating results in the most recent fiscal year		
Fiscal year	Fiscal year ended December 31, 2021	–
Net assets	¥259,862 million	–
Total assets	¥378,469 million	–
Net assets per share	¥1,779.92	–
Net sales	¥274,419 million	–
Operating profit	¥24,931 million	–
Ordinary profit	¥31,165 million	–
Profit attributable to owners of parent	¥21,679 million	–
Earnings per share	¥149.67	–

(Note) The Company has split its shares at a ratio of two-for-one common share on July 1, 2022. Net assets and earnings per share is calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

4. Outline of the business to be split off

(1) Description of the business to be split off

The Company will split off its business administration operations, which primarily consist of the reinforcement of sales functions, formulation of management strategy of the sales companies, and involvement in and support of the management of the sales companies.

(2) Operating results of the business being split off

The business is not engaged in profit-generating operations.

(3) Items and amounts of assets and liabilities to be split off

Assets		Liabilities	
Items	Net book value (millions of yen)	Items	Net book value (millions of yen)
Current assets	2,359	Current liabilities	232
Non-current assets	4,569	Non-current liabilities	–
Total assets	6,928	Total liabilities	232

(Note) The amounts of assets and liabilities to be succeeded are estimated based on the status as of October 14, 2022. The actual amount of assets and liabilities to be succeeded may vary from the above.

5. Status after the incorporation-type company split

None of the Company's trade name, location of head office, title and name of the representative, businesses, paid-in capital and fiscal year-end will be affected by the incorporation-type company split.