

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2023 (Based on Japanese GAAP)

August 10, 2023

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
 Inquiries: Executive Officer (in charge of Accounting Ryuichiro Seki Department) TEL: +81-562-96-1112

Scheduled date to file Quarterly Securities Report: August 10, 2023
 Scheduled date to commence dividend payments: September 12, 2023
 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 six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(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	%
Six months ended June 30, 2023	183,791	22.3	22,994	73.4	28,830	19.3	19,930	20.1
Six months ended June 30, 2022	150,245	10.0	13,263	(6.5)	24,159	32.5	16,594	30.8

Note: Comprehensive income Six months ended June 30, 2023 ¥37,911 million [(8.2)%]
 Six months ended June 30, 2022 ¥41,298 million[129.3%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2023	137.58		-	
Six months ended June 30, 2022	114.56		-	

Note: 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 June 30, 2023	469,637	324,370	68.2	2,211.13
As of December 31, 2022	423,607	292,249	68.2	1,994.67

Reference: Equity As of June 30, 2023 ¥320,332 million
 As of December 31, 2022 ¥288,949 million

Note: The Company finalized provisional accounting treatment pertaining to business combination during the second quarter of the current fiscal year. Accordingly, each figure as of December 31, 2022 reflects the content of the finalized provisional accounting treatment.

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, 2022	–	60.00	–	40.00	–
Year ending December 31, 2023	–	30.00			
Year ending December 31, 2023 (Forecast)			–	40.00	70.00

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 ended December 31, 2022 shows the amount before the split and fiscal year-end of the year ended December 31, 2022 shows the amount after the split. Annual dividends per share of the year ended December 31, 2022 are not displayed because they cannot be simply totaled by the implementation of stock split. Based on figures before the stock split, the forecast of total annual dividends per share for the year ending December 31, 2023 are ¥140.00 per share, which is essentially equal to the amount for the year ended December 31, 2022.

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(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	355,000	10.5	37,000	32.5	42,000	11.2	29,000	19.1	200.19

Note: Revision of consolidated financial results forecast most recently announced: Yes

*Notes

(1) Changes in significant subsidiaries during the six months ended June 30, 2023

(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 “(4) 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 June 30, 2023	144,875,900 shares	As of December 31, 2022	144,864,000 shares
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b. Number of treasury shares at the end of the period

As of June 30, 2023	3,178 shares	As of December 31, 2022	3,178 shares
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c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2023	144,864,222 shares	Six months ended June 30, 2022	144,855,159 shares
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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 shown 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 June 30, 2023.

(1) Operating results

During the six months ended June 30, 2023, the Japanese economy gradually returned to pre-pandemic economic activity in the service industry, including dining out and travelling, which was in part attributable to the recovery of inbound demand amid a scenario where COVID-19 was categorized as a Category V infectious disease in May and where the number of international travelers to Japan in June exceeded 2 million visitors for the first time in three years and five months. Overseas, as consumption and employment trends held firm, the IMF World Economic Outlook released in July showed an increase in the economic growth rate from +2.8% to +3.0% for 2023, although there were concerns regarding risks of economic slowdown brought about by continuation of rising prices and prolonged monetary tightening.

Amid such circumstances, supply constraints due to difficulties in procuring materials and parts that had occurred last year were overcome, and the Group focused on expanding sales in the restaurant market and on expanding sales and developing new customers in non-restaurant markets such as retail industry and food processing industry in Japan. Overseas, the Group focused on product supply to meet continued solid demand and worked to improve profitability. In addition, companies acquired by the Group last year contributed to our business performance.

As a result of the above, the Group reported operating results for the six months ended June 30, 2023 with net sales of ¥183,791 million (up 22.3% year-on-year), operating profit of ¥22,994 million (up 73.4% year-on-year), ordinary profit of ¥28,830 million (up 19.3% year-on-year) and profit attributable to owners of parent of ¥19,930 million (up 20.1% year-on-year).

The operating results by segment are as follows:

a. Japan

In Japan, the Group expanded sales focusing on its flagship products such as refrigerators, ice machines, and dishwashers for the restaurant market with which it deepens engagement and the non-restaurant markets in which it proactively aims to enter. The Group quickly responded to capital investment demand in the food service industry associated with economic recovery and also placed focus with respect to both products and services on addressing various challenges encountered by its customers and providing added value in a manner that contributes to creating a safe and secure food environment. As a result, the Group generated net sales of ¥104,511 million (up 13.5% year-on-year) and segment profit of ¥13,485 million (up 68.3% year-on-year).

b. Americas

In the Americas, we strove to expand sales of ice machines, dispensers, and other products, focusing on initiatives that include productivity enhancement in the manufacturing sector to address solid demand as well as customer development and relationship building. As a result, the Group generated net sales of ¥46,658 million (up 25.7% year-on-year) and segment profit of ¥4,584 million (up 29.4% year-on-year).

c. Europe / Asia

As for Europe and Asia, in Europe, we worked to expand sales of our flagship products such as ice machines and refrigerators, and companies we acquired last year contributed to our business performance, whereas in India and other Asian countries, sales of products such as refrigerators were high. As a result, the Group generated net sales of ¥36,724 million (up 47.3% year-on-year) and segment profit of ¥5,504 million (up 150.7% year-on-year).

(2) Financial position

Regarding the business combination with Brema Group S.p.A. carried out on July 1, 2022, provisional accounting treatment was applied to results as of December 31, 2022, but the provisional accounting treatment was finalized during the second quarter of the current fiscal year. As such, post-revision amounts resulting from finalization of provisional accounting treatment have been applied for comparison and analysis against the fiscal year ended December 31, 2022.

Total assets as of June 30, 2023 increased by ¥46,030 million from December 31, 2022 to ¥469,637 million.

Current assets increased by ¥37,209 million from December 31, 2022 to ¥365,450 million. The main factors were increases in cash and deposits, notes and accounts receivable - trade, and contract assets, and merchandise and finished goods.

Non-current assets increased by ¥8,820 million from December 31, 2022 to ¥104,186 million. The main factor was an increase in property, plant and equipment.

Total liabilities as of June 30, 2023 increased by ¥13,909 million from December 31, 2022 to ¥145,266 million.

Current liabilities increased by ¥12,895 million from December 31, 2022 to ¥115,882 million. The main factors were increases in notes and accounts payable - trade and income taxes payable.

Non-current liabilities increased by ¥1,014 million from December 31, 2022 to ¥29,384 million.

Total net assets as of June 30, 2023 increased by ¥32,120 million from December 31, 2022 to ¥324,370 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, 2023, which was announced on February 10, 2023, in light of our current business performance during the six months ended June 30, 2023. For details, please refer to the “Notice Regarding Revision of Financial Forecast” released today (August 10, 2023).

2. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	226,065	248,666
Notes and accounts receivable - trade, and contract assets	45,783	54,896
Merchandise and finished goods	17,806	20,871
Work in process	6,797	7,827
Raw materials and supplies	27,222	28,017
Other	5,055	5,752
Allowance for doubtful accounts	(489)	(580)
Total current assets	328,240	365,450
Non-current assets		
Property, plant and equipment	49,510	53,071
Intangible assets		
Goodwill	9,809	10,452
Other	7,806	8,566
Total intangible assets	17,616	19,019
Investments and other assets	28,239	32,095
Total non-current assets	95,366	104,186
Total assets	423,607	469,637
Liabilities		
Current liabilities		
Notes and accounts payable - trade	32,714	35,613
Income taxes payable	4,066	9,904
Other provisions	5,921	7,498
Other	60,284	62,866
Total current liabilities	102,987	115,882
Non-current liabilities		
Retirement benefit liability	21,560	21,751
Other provisions	2,108	2,602
Other	4,701	5,030
Total non-current liabilities	28,370	29,384
Total liabilities	131,357	145,266
Net assets		
Shareholders' equity		
Share capital	8,070	8,098
Capital surplus	14,593	14,620
Retained earnings	252,140	266,276
Treasury shares	(8)	(8)
Total shareholders' equity	274,795	288,986
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65	77
Foreign currency translation adjustment	15,914	32,970
Remeasurements of defined benefit plans	(1,826)	(1,702)
Total accumulated other comprehensive income	14,153	31,345
Non-controlling interests	3,300	4,038
Total net assets	292,249	324,370
Total liabilities and net assets	423,607	469,637

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	150,245	183,791
Cost of sales	96,795	115,873
Gross profit	53,449	67,918
Selling, general and administrative expenses	40,186	44,923
Operating profit	13,263	22,994
Non-operating income		
Interest income	316	2,148
Foreign exchange gains	11,074	3,917
Other	283	322
Total non-operating income	11,674	6,388
Non-operating expenses		
Interest expenses	26	72
Share of loss of entities accounted for using equity method	653	360
Other	99	119
Total non-operating expenses	778	552
Ordinary profit	24,159	28,830
Extraordinary income		
Gain on sale of non-current assets	11	21
Gain on sale of investment securities	35	12
Total extraordinary income	46	34
Extraordinary losses		
Loss on abandonment of non-current assets	41	21
Other	–	1
Total extraordinary losses	41	22
Profit before income taxes	24,164	28,841
Income taxes - current	10,466	12,090
Income taxes - deferred	(3,171)	(3,650)
Total income taxes	7,295	8,439
Profit	16,868	20,402
Profit attributable to non-controlling interests	274	471
Profit attributable to owners of parent	16,594	19,930

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	16,868	20,402
Other comprehensive income		
Valuation difference on available-for-sale securities	28	12
Foreign currency translation adjustment	19,171	17,768
Remeasurements of defined benefit plans, net of tax	143	124
Share of other comprehensive income of entities accounted for using equity method	5,085	(395)
Total other comprehensive income	24,429	17,509
Comprehensive income	41,298	37,911
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	40,766	37,122
Comprehensive income attributable to non-controlling interests	531	788

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	24,164	28,841
Depreciation	2,448	3,102
Amortization of goodwill	227	352
Increase (decrease) in retirement benefit liability	381	374
Increase (decrease) in provision for product warranties	325	836
Increase (decrease) in provision for bonuses	667	829
Interest and dividend income	(331)	(2,165)
Foreign exchange losses (gains)	(10,483)	(3,544)
Share of loss (profit) of entities accounted for using equity method	653	360
Decrease (increase) in trade receivables and contract assets	(3,908)	(6,397)
Decrease (increase) in inventories	(8,050)	(819)
Increase (decrease) in trade payables	1,472	877
Increase (decrease) in accounts payable - other	(2,495)	(4,005)
Increase (decrease) in accrued expenses	7,191	7,954
Increase (decrease) in long-term accounts payable - other	(2)	185
Increase (decrease) in contract liabilities	(1,126)	482
Increase (decrease) in accrued consumption taxes	(302)	(302)
Other, net	(1,570)	(1,320)
Subtotal	9,259	25,641
Interest and dividends received	304	1,896
Interest paid	(28)	(70)
Payment for business restructuring expenses	–	(1,122)
Income taxes paid	(7,416)	(6,706)
Net cash provided by (used in) operating activities	2,118	19,638
Cash flows from investing activities		
Payments into time deposits	(86,860)	(57,501)
Proceeds from withdrawal of time deposits	85,369	56,777
Purchase of property, plant and equipment	(2,718)	(2,731)
Purchase of intangible assets	(176)	(543)
Purchase of investment securities	(1,780)	(1,313)
Other, net	1,756	177
Net cash provided by (used in) investing activities	(4,409)	(5,134)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	145
Repayments of lease liabilities	(141)	(233)
Dividends paid	(7,964)	(5,795)
Other, net	(25)	(50)
Net cash provided by (used in) financing activities	(8,130)	(5,932)
Effect of exchange rate change on cash and cash equivalents	16,414	10,416
Net increase (decrease) in cash and cash equivalents	5,994	18,987
Cash and cash equivalents at beginning of period	181,615	186,669
Cash and cash equivalents at end of period	187,610	205,656

(4)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 the scope of consolidation or scope of equity method to be applied

The Group has included HOSHIZAKI SALES CO., LTD., which was established through a company split (simplified incorporation-type company split), from the first quarter of the current fiscal year.

Changes in accounting policies

Accounting Standard for Fair Value Measurement, Etc.

The Company applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Implementation Guidance on Accounting Standard for Fair Value Measurement") effective from the beginning of the first quarter of the current fiscal year and will apply the new accounting policy established by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no effect on the quarterly consolidated financial statements.

Changes in accounting estimates

Not applicable

Segment information, etc.
Segment information

I. Six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)

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	7,186	13,314	4,901	25,402	–	25,402
Refrigerators	19,986	4,912	17,277	42,177	–	42,177
Dishwashers	6,489	3,989	34	10,513	–	10,513
Dispensers	2,040	8,511	157	10,709	–	10,709
Non Hoshizaki products	18,344	1,105	75	19,524	–	19,524
Maintenance and repairs	21,583	3,895	1,483	26,963	–	26,963
Other Products	13,144	1,111	488	14,744	–	14,744
Revenue from contracts with customers	88,775	36,840	24,418	150,034	–	150,034
Other revenue	210	–	–	210	–	210
Sales to external customers	88,986	36,840	24,418	150,245	–	150,245
Intersegment sales or transfers	3,071	275	517	3,864	(3,864)	–
Total	92,057	37,116	24,935	154,109	(3,864)	150,245
Segment profit	8,014	3,541	2,195	13,751	(488)	13,263

- Notes 1. The reconciliation amount of negative ¥488 million for segment profit includes amortization of goodwill of negative ¥204 million, amortization of intangible assets, etc., of negative ¥14 million, negative ¥285 million from reconciliation of inventories, and ¥15 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.

II.Six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

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

(Millions of yen)

	Reportable segment				Reconciliation (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Japan	Americas	Europe / Asia	Total		
Net sales						
Ice machines	8,435	18,038	12,397	38,871	–	38,871
Refrigerators	24,686	3,964	19,351	48,001	–	48,001
Dishwashers	7,312	5,179	78	12,569	–	12,569
Dispensers	2,930	11,866	295	15,093	–	15,093
Non Hoshizaki products	20,095	460	149	20,705	–	20,705
Maintenance and repairs	22,595	5,650	2,100	30,346	–	30,346
Other Products	15,083	1,104	1,796	17,985	–	17,985
Revenue from contracts with customers	101,138	46,264	36,170	183,572	–	183,572
Other revenue	218	–	–	218	–	218
Sales to external customers	101,357	46,264	36,170	183,791	–	183,791
Intersegment sales or transfers	3,153	394	554	4,102	(4,102)	–
Total	104,511	46,658	36,724	187,894	(4,102)	183,791
Segment profit	13,485	4,584	5,504	23,574	(580)	22,994

Notes 1. The reconciliation amount of negative ¥580 million for segment profit includes amortization of goodwill of negative ¥327 million, amortization of intangible assets, etc., of negative ¥250 million, negative ¥13 million from reconciliation of inventories, and ¥12 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.

Business combination, etc.

Finalization of provisional accounting treatment pertaining to business combination

Regarding the business combination with Brema Group S.p.A., acquired on July 1, 2022, provisional accounting treatment was applied to results of the fiscal year ended December 31, 2022, but the provisional accounting treatment was finalized during the second quarter of the current fiscal year.

The comparative information presented in the consolidated financial statements as of June 30, 2023, reflect material revisions to amounts initially allocated to acquisition cost accompanying finalization of provisional accounting treatment.

As a result, goodwill previously calculated as ¥14,593 million on a provisional basis has been lowered by ¥6,151 million to ¥8,442 million due to finalization of accounting treatment. The decrease in goodwill is attributable to increases in inventories of ¥127 million, property, plant and equipment of ¥1,673 million, other under intangible assets of ¥6,292 million, and other under non-current liabilities of ¥1,942 million. In addition, as of December 31, 2022, property, plant and equipment increased by ¥1,610 million, other under intangible assets increased by ¥5,712 million, and other under non-current liabilities increased by ¥1,757 million, while goodwill decreased by ¥5,942 million, retained earnings decreased by ¥368 million, and foreign currency translation adjustment decreased by ¥8 million.

Significant subsequent events

Establishment of a subsidiary and changes in specified subsidiaries

The Company resolved to establish a holding company in Singapore as follows at its Board of Directors' meeting held on June 14, 2023, and accordingly established the holding company on July 3, 2023. The holding company qualifies as a specified subsidiary of the Company given that the share capital amount of the holding company is equivalent to no less than 10% of the Company's share capital amount.

(1) The purpose of establishing the subsidiary

The Group establishes management structures in each of its regions overseas for the purpose of accelerating growth strategies and strengthening business platforms in such regions. The Group operates a structure consisting of six independent sales companies (Singapore, Indonesia, Thailand, Malaysia, Vietnam, Philippines) in the Southeast Asia region, which is a market promising further economic growth going forward. As such, the Group has established a holding company in Singapore to promote business expansion while moving forward with streamlining operations and reducing risk within the region.

(2) Outline of the subsidiary

a. Name	HOSHIZAKI SOUTHEAST ASIA HOLDINGS PTE LTD.]
b. Location	Singapore
c. Business description	Regional business administration that includes business planning, business management, and financial management with respect to subsidiaries within the Southeast Asia region
d. Date of incorporation	July 3, 2023
e. Share capital	US\$12 million
f. Ownership	Wholly owned by the Company