

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2019 (Based on Japanese GAAP)

August 7, 2019

Company name: HOSHIZAKI CORPORATION
 Stock exchange listing: First Section of the Tokyo Stock Exchange and Nagoya Stock Exchange
 Securities code: 6465 URL: <http://www.hoshizaki.co.jp>
 Representative: Representative Director, President & COO Yasuhiro Kobayashi
 Inquiries: Director Tadashi Mizutani TEL: +81-562-96-1320
 Scheduled date to file Quarterly Securities Report: August 9, 2019
 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 six months ended June 30, 2019 (from January 1, 2019 to June 30, 2019)

(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, 2019	149,631	(0.2)	18,631	(13.1)	18,451	(10.4)	12,800	(8.3)
Six months ended June 30, 2018	149,985	4.4	21,447	6.2	20,591	2.6	13,964	6.0

Note: Comprehensive income Six months ended June 30, 2019 ¥10,843 million [(8.0)%]
 Six months ended June 30, 2018 ¥11,790 million [(8.8)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2019	176.76	–
Six months ended June 30, 2018	192.84	–

(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, 2019	350,180	228,551	64.9	3,137.15
As of December 31, 2018	334,879	223,510	66.4	3,068.86

Reference: Equity As of June 30, 2019 ¥227,194 million
 As of December 31, 2018 ¥222,238 million

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, 2018	–	0.00	–	80.00	80.00
Year ending December 31, 2019	–	0.00			
Year ending December 31, 2019 (Forecast)			–	80.00	80.00

Note: Revision of cash dividend forecast most recently announced: No

3. Forecast of consolidated financial results for the year ending December 31, 2019 (from January 1, 2019 to December 31, 2019)

(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	296,600	1.3	34,500	(5.3)	36,400	0.1	24,800	(3.6)	342.46

Note: Revision of consolidated financial results forecast most recently announced: No

*Notes

(1) Changes in significant subsidiaries during the six months ended June 30, 2019

(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

(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, 2019	72,421,650 shares	As of December 31, 2018	72,418,250 shares
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b. Number of treasury shares at the end of the period

As of June 30, 2019	1,002 shares	As of December 31, 2018	981 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, 2019	72,418,234 shares	Six months ended June 30, 2018	72,415,184 shares
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* **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 the Hoshizaki Group (the "Group") as of June 30, 2019.

Furthermore, the Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending December 31, 2019. Accordingly, the standard, etc. have been applied retrospectively to figures for the previous fiscal year in order to facilitate comparison and analysis of financial positions for the current and previous fiscal years.

(1) Operating results

The Japanese economy during the six months ended June 30, 2019 was on a mild recovery path despite weakness in some sectors with improved employment and personal income as well as increased capital investment, driven by the implementation of economic and monetary policies and other factors. In addition, consumer spending continued rallying and consumer prices grew at a moderate rate.

Looking at overseas, the U.S. economy remained strong while in Europe the economy slowly turned around despite weakness in some sectors. Meanwhile, the economies of China and other emerging countries in Asia gradually slowed down. Moreover, with respect to exchange rates, the trend of moderate yen appreciation continued.

Amid such circumstances, the Group continued to actively work on expanding sales in the food service and other industries and made ongoing efforts to reach new customers.

In overseas markets, the Group strove to increase sales of flagship products to its key customers, the food service and other industries, especially in the U.S.

Furthermore, in addition to efforts to reduce costs, the Group consistently worked hard to secure profits by streamlining business operations and improving productivity using information technology.

As a result of the above initiatives, the Group reported operating results for the six months ended June 30, 2019 with net sales of ¥149,631 million (down 0.2% year-on-year). Operating profit was ¥18,631 million (down 13.1% year-on-year), reflecting an increase in selling, general and administrative expenses due to the recording of investigation expenses, etc. concerning the finding of inappropriate transactions at a consolidated subsidiary in the previous fiscal year. In addition, ordinary profit was ¥18,451 million (down 10.4% year-on-year) and profit attributable to owners of parent was ¥12,800 million (down 8.3% year-on-year).

Operating results by segment are as follows.

a. Japan

In Japan, despite actively promoting sales of products, such as refrigerators, ice makers and dishwashers, as well as new customer acquisition, the Group generated net sales of ¥100,688 million (down 3.1% year-on-year) and the segment profit of ¥12,707 million (down 16.4% year-on-year).

b. Americas

In Americas, although the Group generated net sales of ¥33,733 million (up 3.9% year-on-year) as a result of actively promoting sales of products, such as ice makers and refrigerators, the segment profit was ¥4,519 million (down 13.6% year-on-year).

c. Europe / Asia

In Europe and Asia, as a result of actively promoting sales of flagship products, the Group generated net sales of ¥19,490 million (up 8.6% year-on-year) and the segment profit of ¥1,938 million (up 29.5% year-on-year).

(2) Financial position

Total assets as of June 30, 2019 increased ¥15,301 million from December 31, 2018 to ¥350,180 million.

Current assets increased ¥12,123 million from December 31, 2018 to ¥284,684 million. The main factors were increases in notes and accounts receivable - trade and cash and deposits.

Non-current assets increased ¥3,178 million from December 31, 2018 to ¥65,496 million. The main factors were increases in investments and other assets and property, plant and equipment.

Total liabilities as of June 30, 2019 increased ¥10,261 million from December 31, 2018 to ¥121,629 million.

Current liabilities increased ¥9,535 million from December 31, 2018 to ¥97,778 million. The main factors were increases in income taxes payable and notes and accounts payable - trade.

Non-current liabilities increased ¥726 million from December 31, 2018 to ¥23,850 million. The main factor was an increase in net defined benefit liability.

Net assets as of June 30, 2019 increased ¥5,040 million from December 31, 2018 to ¥228,551 million.

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

There are no revisions to the consolidated earnings forecasts for year ending December 31, 2019 that was announced on May 7, 2019.

2. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of December 31, 2018	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	204,263	210,357
Notes and accounts receivable - trade	31,183	39,861
Merchandise and finished goods	17,941	15,660
Work in process	3,820	3,544
Raw materials and supplies	10,148	11,056
Other	5,354	4,362
Allowance for doubtful accounts	(151)	(157)
Total current assets	272,560	284,684
Non-current assets		
Property, plant and equipment	43,962	44,770
Intangible assets	5,489	4,995
Investments and other assets	12,866	15,730
Total non-current assets	62,318	65,496
Total assets	334,879	350,180
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,664	18,564
Income taxes payable	3,760	7,209
Provision for bonuses	3,434	4,285
Other provision	1,641	1,629
Other	61,743	66,089
Total current liabilities	88,243	97,778
Non-current liabilities		
Net defined benefit liability	19,118	19,402
Other provision	1,454	1,382
Other	2,551	3,065
Total non-current liabilities	23,124	23,850
Total liabilities	111,368	121,629
Net assets		
Shareholders' equity		
Capital stock	8,008	8,021
Capital surplus	14,530	14,543
Retained earnings	204,123	211,131
Treasury shares	(4)	(4)
Total shareholders' equity	226,659	233,691
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	139	98
Foreign currency translation adjustment	(2,052)	(4,211)
Remeasurements of defined benefit plans	(2,507)	(2,384)
Total accumulated other comprehensive income	(4,420)	(6,497)
Non-controlling interests	1,272	1,356
Total net assets	223,510	228,551
Total liabilities and net assets	334,879	350,180

(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, 2018	Six months ended June 30, 2019
Net sales	149,985	149,631
Cost of sales	92,368	92,642
Gross profit	57,616	56,988
Selling, general and administrative expenses	36,169	38,357
Operating profit	21,447	18,631
Non-operating income		
Interest income	627	998
Other	263	261
Total non-operating income	891	1,259
Non-operating expenses		
Interest expenses	34	41
Foreign exchange losses	1,640	1,270
Other	72	128
Total non-operating expenses	1,747	1,439
Ordinary profit	20,591	18,451
Extraordinary income		
Gain on sales of investment securities	–	55
Other	8	10
Total extraordinary income	8	66
Extraordinary losses		
Loss on sales of non-current assets	3	3
Loss on abandonment of non-current assets	9	8
Loss on sales of investments in capital of subsidiaries and associates	248	–
Total extraordinary losses	261	12
Profit before income taxes	20,338	18,505
Income taxes - current	9,741	8,882
Income taxes - deferred	(3,469)	(3,326)
Total income taxes	6,272	5,555
Profit	14,065	12,950
Profit attributable to non-controlling interests	101	149
Profit attributable to owners of parent	13,964	12,800

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Profit	14,065	12,950
Other comprehensive income		
Valuation difference on available-for-sale securities	(88)	(40)
Foreign currency translation adjustment	(2,279)	(2,188)
Remeasurements of defined benefit plans, net of tax	92	122
Total other comprehensive income	(2,275)	(2,106)
Comprehensive income	11,790	10,843
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,784	10,724
Comprehensive income attributable to non-controlling interests	6	119

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Cash flows from operating activities		
Profit before income taxes	20,338	18,505
Depreciation	2,470	2,366
Amortization of goodwill	254	258
Increase (decrease) in net defined benefit liability	361	470
Increase (decrease) in provision for product warranties	101	(121)
Increase (decrease) in provision for bonuses	934	843
Interest and dividend income	(638)	(1,010)
Foreign exchange losses (gains)	1,507	1,172
Loss (gain) on sales of investments in capital of subsidiaries and affiliates	248	–
Decrease (increase) in notes and accounts receivable - trade	(11,623)	(8,167)
Decrease (increase) in inventories	(119)	2,235
Increase (decrease) in notes and accounts payable - trade	3,001	599
Increase (decrease) in accounts payable - other	(784)	(2,712)
Increase (decrease) in accrued expenses	7,663	7,586
Increase (decrease) in advances received	(388)	(1,476)
Increase (decrease) in accrued consumption taxes	47	204
Other, net	604	193
Subtotal	23,978	20,949
Interest and dividend income received	521	826
Interest expenses paid	(26)	(49)
Income taxes paid	(6,787)	(5,278)
Net cash provided by (used in) operating activities	17,687	16,448
Cash flows from investing activities		
Payments into time deposits	(66,252)	(71,004)
Proceeds from withdrawal of time deposits	103,049	92,608
Purchase of property, plant and equipment	(2,369)	(2,408)
Purchase of intangible assets	(124)	(237)
Proceeds from sales of investment securities	–	440
Proceeds from redemption of investment securities	527	1,000
Net decrease (increase) in trust beneficiary right	(86)	152
Other, net	(1,189)	(82)
Net cash provided by (used in) investing activities	33,554	20,466
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	122	120
Cash dividends paid	(5,068)	(5,792)
Other, net	(13)	(72)
Net cash provided by (used in) financing activities	(4,959)	(5,744)
Effect of exchange rate change on cash and cash equivalents	(596)	(1,949)
Net increase (decrease) in cash and cash equivalents	45,685	29,220
Cash and cash equivalents at beginning of period	49,906	89,256
Cash and cash equivalents at end of period	95,592	118,477

(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 accounting policies

Application of IFRS 16 *Leases*

Overseas consolidated subsidiaries (excluding subsidiaries in the United States that adopt US GAAP) have applied IFRS 16 *Leases* from the beginning of the first quarter of the fiscal year. According to this new standard, a lessee, in principle, recognized all leases as assets and liabilities on the balance sheet.

The effect of this application on the consolidated financial statements for the second quarter of the fiscal year is insignificant.

Changes in accounting estimates

Not applicable

Additional information

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances
The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending December 31, 2019. Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Non-current liabilities."

Segment information, etc.

Segment information

I. Six months ended June 30, 2018 (from January 1, 2018 to June 30, 2018)

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

(Millions of yen)

	Reportable segment				Reconciliation (Note 1)	Amount recorded in the quarterly consolidated statement of income (Note 2)
	Japan	Americas	Europe / Asia	Total		
Net sales						
Sales to external customers	101,075	32,026	16,882	149,985	–	149,985
Intersegment sales or transfers	2,860	445	1,062	4,368	(4,368)	–
Total	103,936	32,472	17,945	154,354	(4,368)	149,985
Segment profit	15,204	5,230	1,497	21,933	(486)	21,447

- Notes
1. The reconciliation amount of negative ¥486 million for segment profit includes amortization of goodwill of negative ¥220 million, amortization of intangible assets, etc. of negative ¥72 million, negative ¥198 million from reconciliation of inventories, and ¥4 million from reconciliation of transactions with other segments and miscellaneous items.
 2. Segment profit has been reconciled with operating profit in the quarterly consolidated statement of income.

II. Six months ended June 30, 2019 (from January 1, 2019 to June 30, 2019)

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

(Millions of yen)

	Reportable segment				Reconciliation (Note 1)	Amount recorded in the quarterly consolidated statement of income (Note 2)
	Japan	Americas	Europe / Asia	Total		
Net sales						
Sales to external customers	97,899	33,181	18,550	149,631	–	149,631
Intersegment sales or transfers	2,789	552	940	4,281	(4,281)	–
Total	100,688	33,733	19,490	153,913	(4,281)	149,631
Segment profit	12,707	4,519	1,938	19,165	(534)	18,631

- Notes
1. The reconciliation amount of negative ¥534 million for segment profit includes amortization of goodwill of negative ¥225 million, amortization of intangible assets, etc. of negative ¥14 million, negative ¥318 million from reconciliation of inventories, and ¥23 million from reconciliation of transactions with other segments and miscellaneous items.
 2. Segment profit has been reconciled with operating profit in the quarterly consolidated statement of income.