



**Summary of business performance
The Third quarter of fiscal year ending
December 31, 2019**

~ The world's No. 1 Brand Across the five continents ~

HOSHIZAKI CORPORATION
(Stock code: 6465 Tokyo Stock Exchange First Section
and Nagoya Stock Exchange First Section)

November 7, 2019

HOSHIZAKI

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I . Summary of business performance
The Third quarter of fiscal year ending
December 31, 2019

HOSHIZAKI

Assumed foreign exchange rates

	FY 2018 3rd Q		FY 2018		FY 2019 3rd Q			
	Results						forecast (19.5.7)	
	Average of period	End of period	Average of period	End of period	Average of period	End of period	Average of period	End of period
US dollar	109.6	113.5	110.4	111.0	109.1	107.9	106.0	106.0
Sterling pound	148.1	148.5	147.3	140.4	138.9	132.6	147.0	147.0
Euro	130.8	132.1	130.3	127.0	122.6	118.0	125.0	125.0
Singapore dollar	81.7	83.0	81.8	81.0	79.9	78.0	82.0	82.0
Chinese yuan	16.8	16.5	16.7	16.1	15.8	15.1	16.9	16.9
Denmark krone	17.5	17.7	17.4	17.0	16.4	15.8	17.3	17.3
Taiwan dollar	3.6	3.7	3.6	3.6	3.5	3.4	3.6	3.6
Hong Kong dollar	13.9	14.5	14.0	14.1	13.9	13.7	14.1	14.1
South Korean won	0.1006	0.1023	0.1005	0.0994	0.0941	0.0899	0.1000	0.1000
Indian rupee	1.70	1.62	1.66	1.59	1.57	1.54	1.55	1.55
Brazillian real	30.5	28.3	30.3	28.6	28.1	25.9	29.0	29.0
Indonesian Rupiah	0.0078	0.0076	0.0078	0.0077	0.0077	0.0076	0.0078	0.0078
Thai Baht	3.4	3.5	3.4	3.4	3.4	3.5	3.3	3.3
Malaysia Ringgito	27.4	27.4	27.3	26.6	26.3	25.7	27.5	27.5
Viet Nam Dong	0.0048	0.0050	0.0048	0.0048	0.0047	0.0046	0.0048	0.0048
Philippine Peso	2.10	2.12	2.11	2.13	2.11	2.10	2.09	2.09



Key points in consolidated business performance

The Third quarter of fiscal year ending December 31, 2019

■ Net sales: 227,936 million yen (up 0.5% year-on-year change)

- Japan: 151,400 million yen (up 0.1% year-on-year change)
- Overseas: 76,535 million yen (up 1.3% year-on-year change)
- Overseas sales ratio: 33.6% (up 0.3% year-on-year change)

*Calculated based on reporting segments: “American States” and “Europe and Asia”

- In the Japanese market, the last-minute demand before the consumption tax rate hike in Oct 2019 and recovery from slowdown in sales activity by correspondence for misconducts survey contributed to increase in sales, despite a fall in special demand for dishwashers that we enjoyed in the previous fiscal year. Among customers, sales to those such as Food processing and sales, Agricultural and fishery Industries, Schools and kindergartens were strong although some customer such as Bar and Pub, Mercantile stores were lower than previous fiscal year.
- In the overseas market, in America, net sales decreased mainly due to stagnation of demand from large customers in the carbonated drink market. In Asia, WESTERN contributed to increase in sales due to a growth of sales.

■ Operating income: 29,366 millions yen (down 8.5% year-on-year change)

- Japan: 20,211 millions yen (down 9.5% year-on-year change, Operating income margin 13.3%)
- Overseas: 9,566 millions yen (down 6.9% year-on-year change, Operating income margin 12.5%)
- In Japan, operating income decreased because of a fall in gross margin due to a change in a product mix and increase of SGA such as survey costs for misconducts.
- Overseas, operating income decreased mainly due to increase of SGA such as survey costs for misconducts in HOSHIZAKI AMERICA.
- Operating income margin fell below that of previous fiscal year to 12.9%. (In the previous fiscal year, operating income margin 14.2%)

■ Ordinary income: 29,484 millions yen (down 10.6% year-on-year change)

- Foreign exchange losses of 1,556 million yen on deposits in foreign currencies were recorded as non-operating expense.(In the previous fiscal year, 261 million yen of foreign exchange losses were recorded.)

■ Profit attributable to owners of parent: 20,564 million yen (down 8.6% year-on-year change)



Summary of consolidated business performance

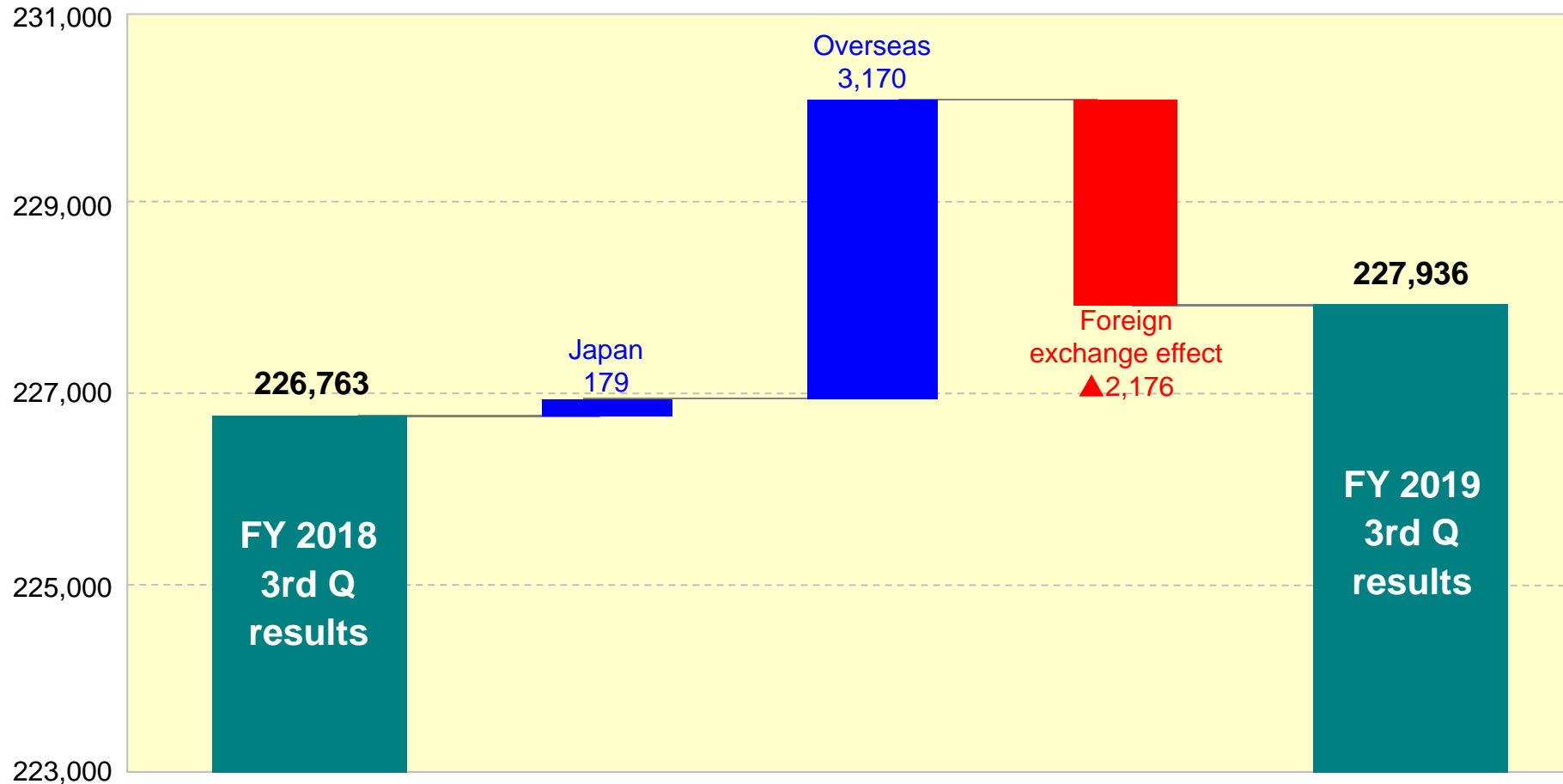
The second quarter of fiscal year ending December 31, 2019

	FY 2018 3Q results		FY 2019 3Q forecast (19.5.7)		FY 2019 3Q results					
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)	Year-on-year change		Over business forecast	
							Change (Millions of yen)	Percentage (%)	Change (Millions of yen)	Percentage (%)
Net sales	226,763	100.0	230,900	100.0	227,936	100.0	1,172	100.5	-2,963	98.7
Cost of sales	139,575	61.6	143,100	62.0	140,806	61.8	1,231	100.9	-2,293	98.4
Gross profit	87,187	38.4	87,800	38.0	87,129	38.2	-58	99.9	-670	99.2
Selling and general administrative expenses	55,094	24.3	57,900	25.1	57,762	25.3	2,667	104.8	-137	99.8
Operating income	32,092	14.2	29,900	12.9	29,366	12.9	-2,726	91.5	-533	98.2
Ordinary income	32,989	14.5	31,350	13.6	29,484	12.9	-3,505	89.4	-1,865	94.0
Profit attributable to owners of parent	22,510	9.9	21,200	9.2	20,564	9.0	-1,945	91.4	-635	97.0



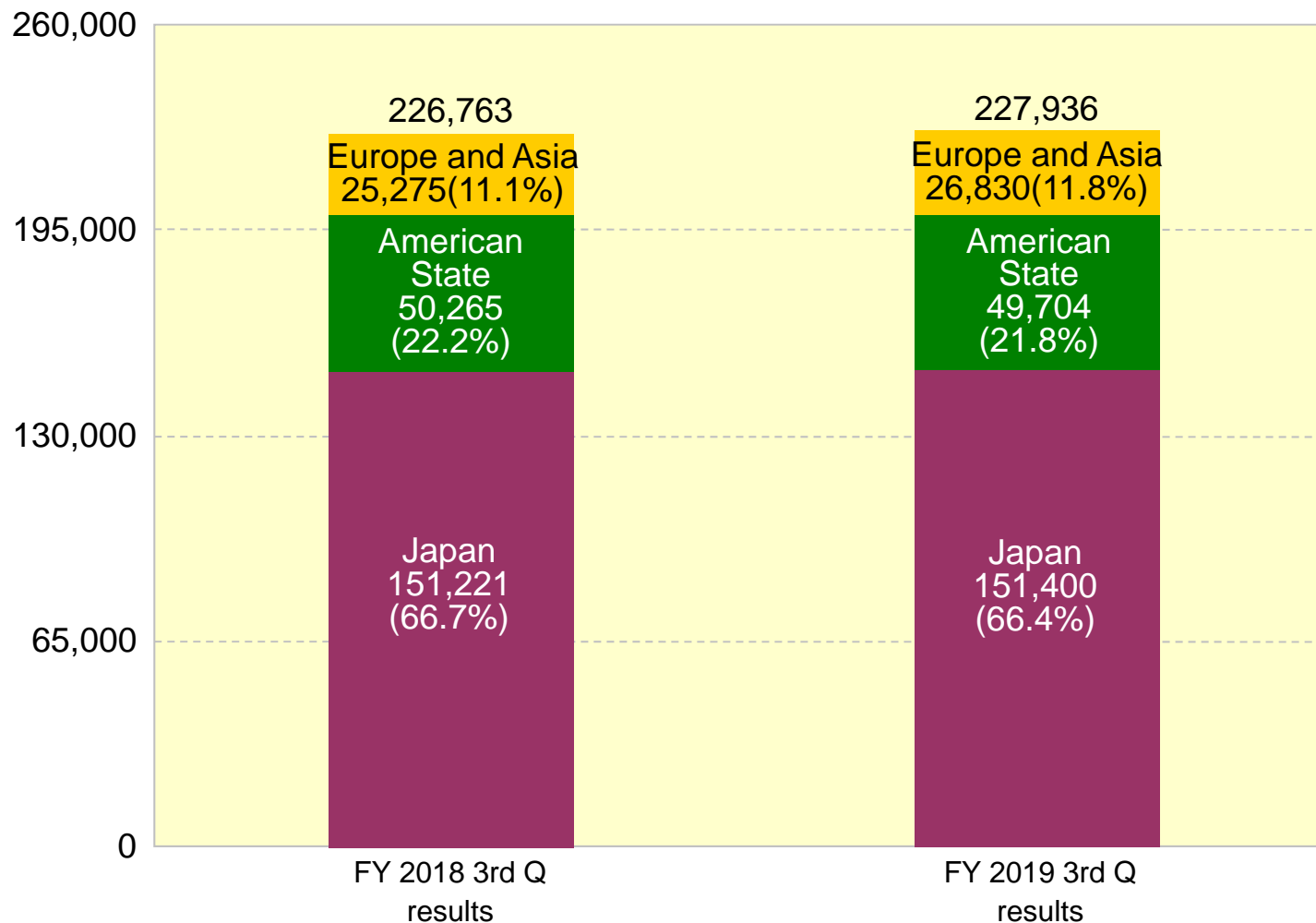
Factors for change in consolidated net sales (by Japan and overseas)

(Millions of yen)



Year-on-year comparison of net sales by reporting segments

(Millions of yen)



*Figures in parenthesis indicate component percentages.

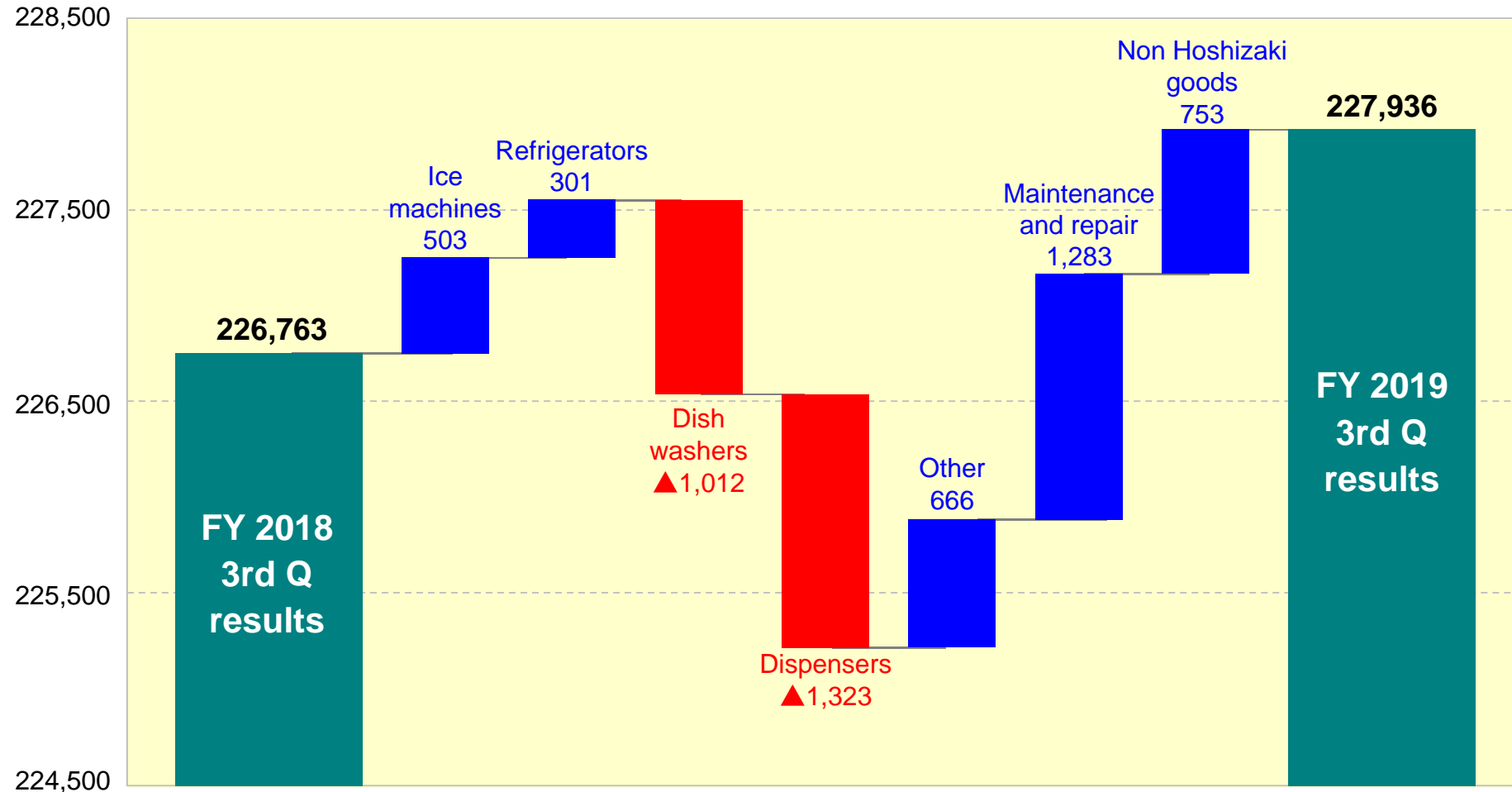
Classified according to the location of the head offices. (e.g. Lancer Europe is included in American States)

(This is a classification for internal management control, and we use the same classification for reporting segments in the quarterly report.)

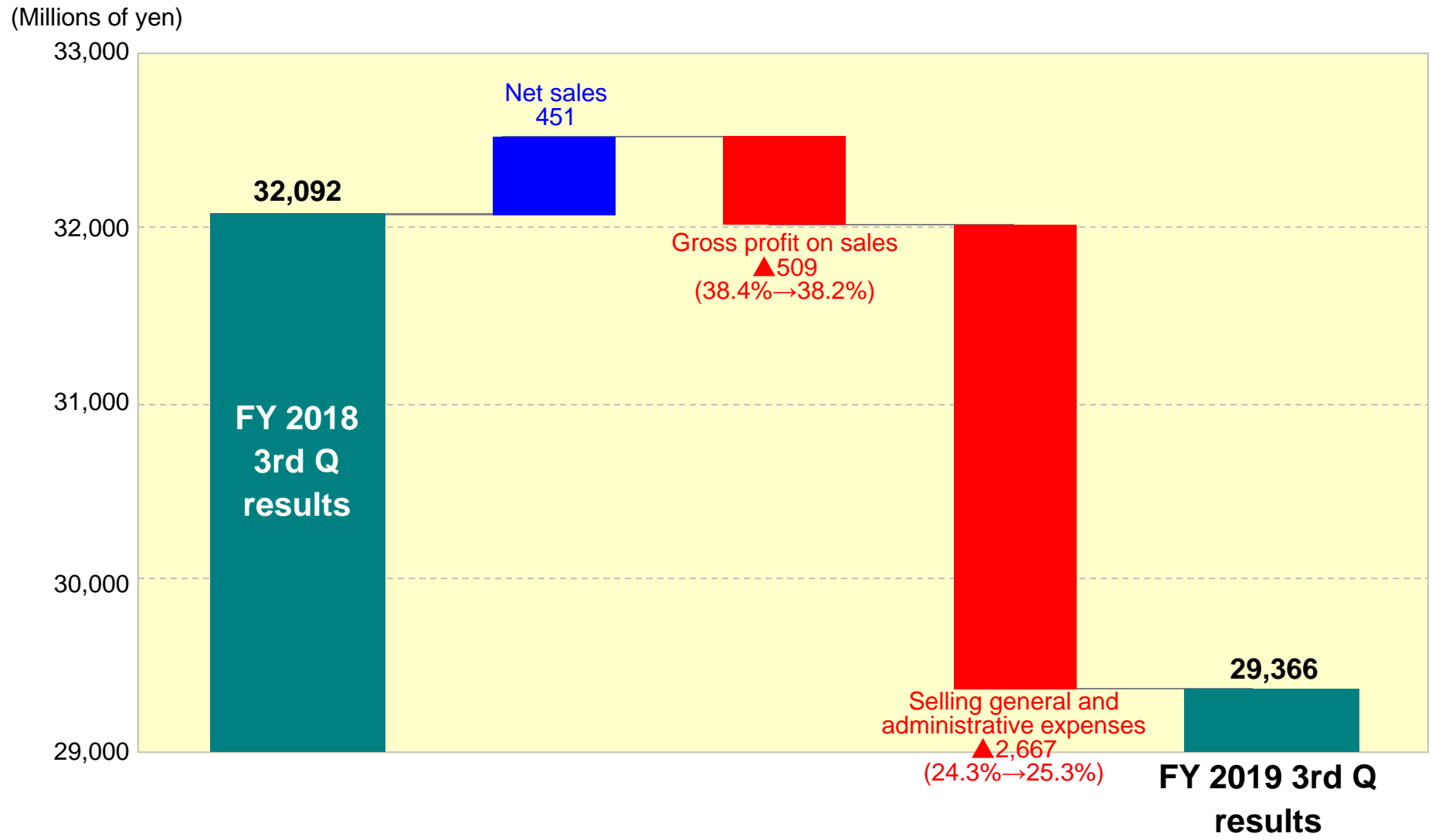


Factors for change in consolidated net sales (by product groups)

(Millions of yen)



Factors for change in consolidated operating income

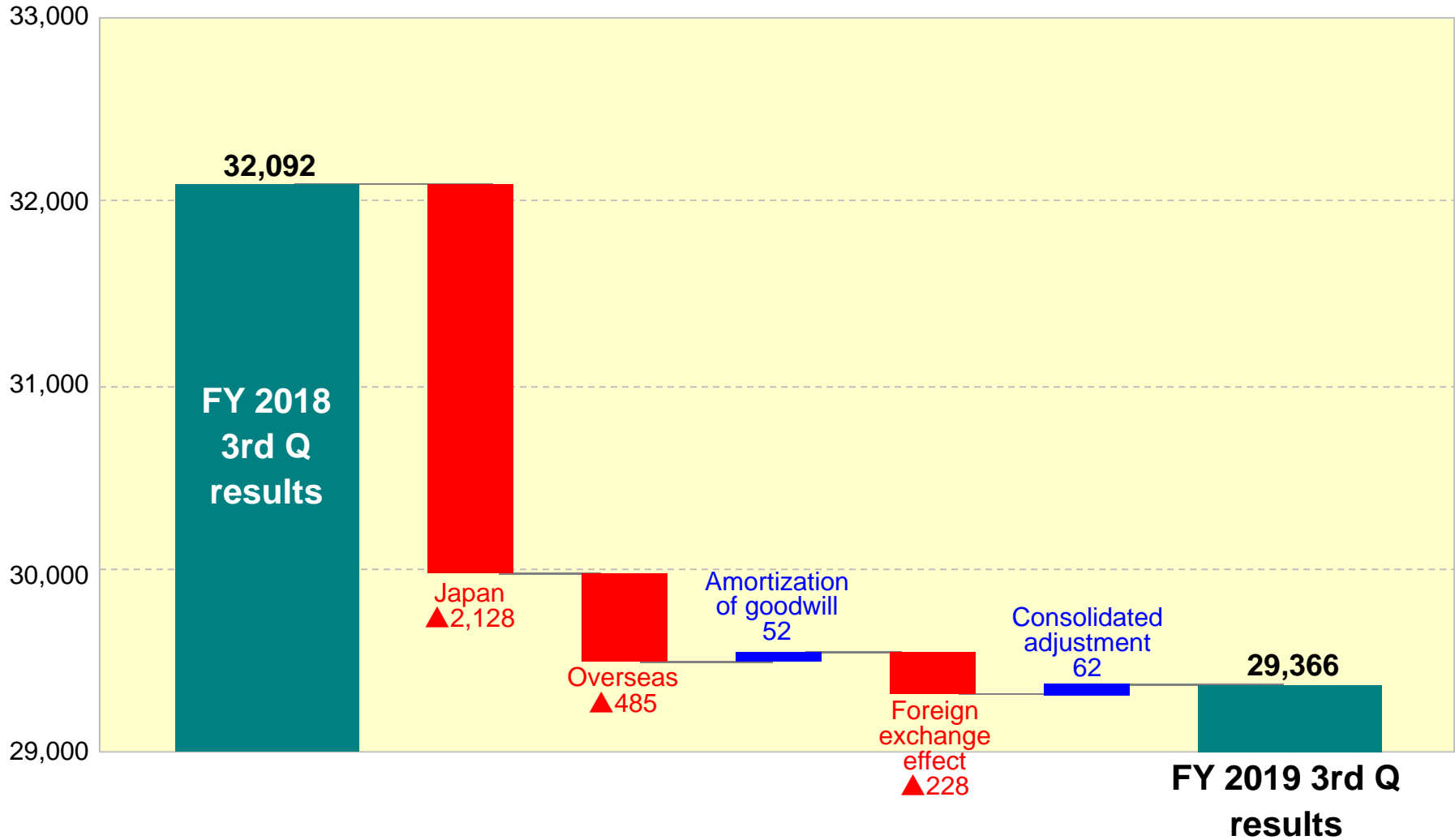


*Percentages in parenthesis indicates the ratio to net sales.

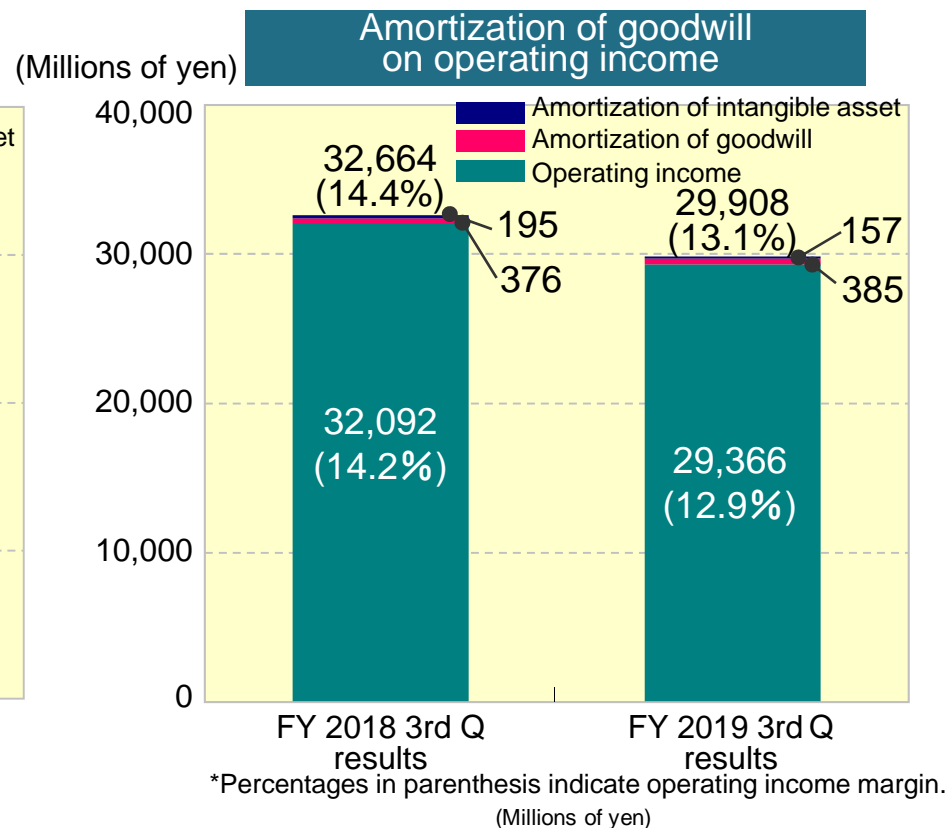
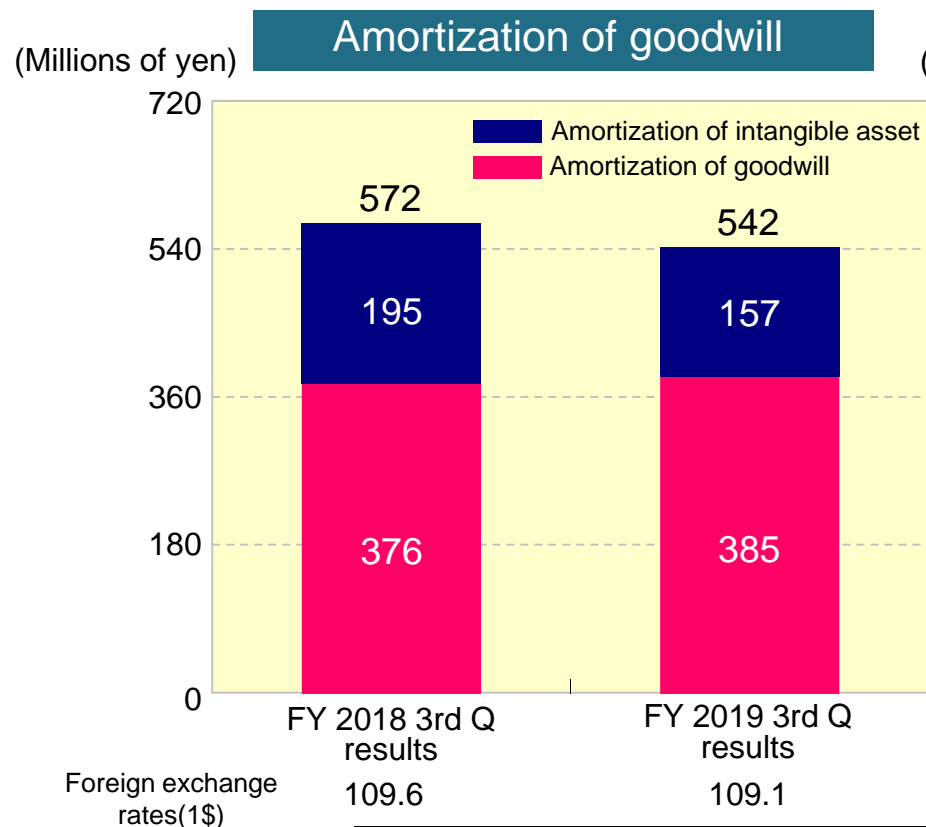


Factors for change in consolidated operating income (by Japan and overseas)

(Millions of yen)



Impact of goodwill amortization (consolidated basis)



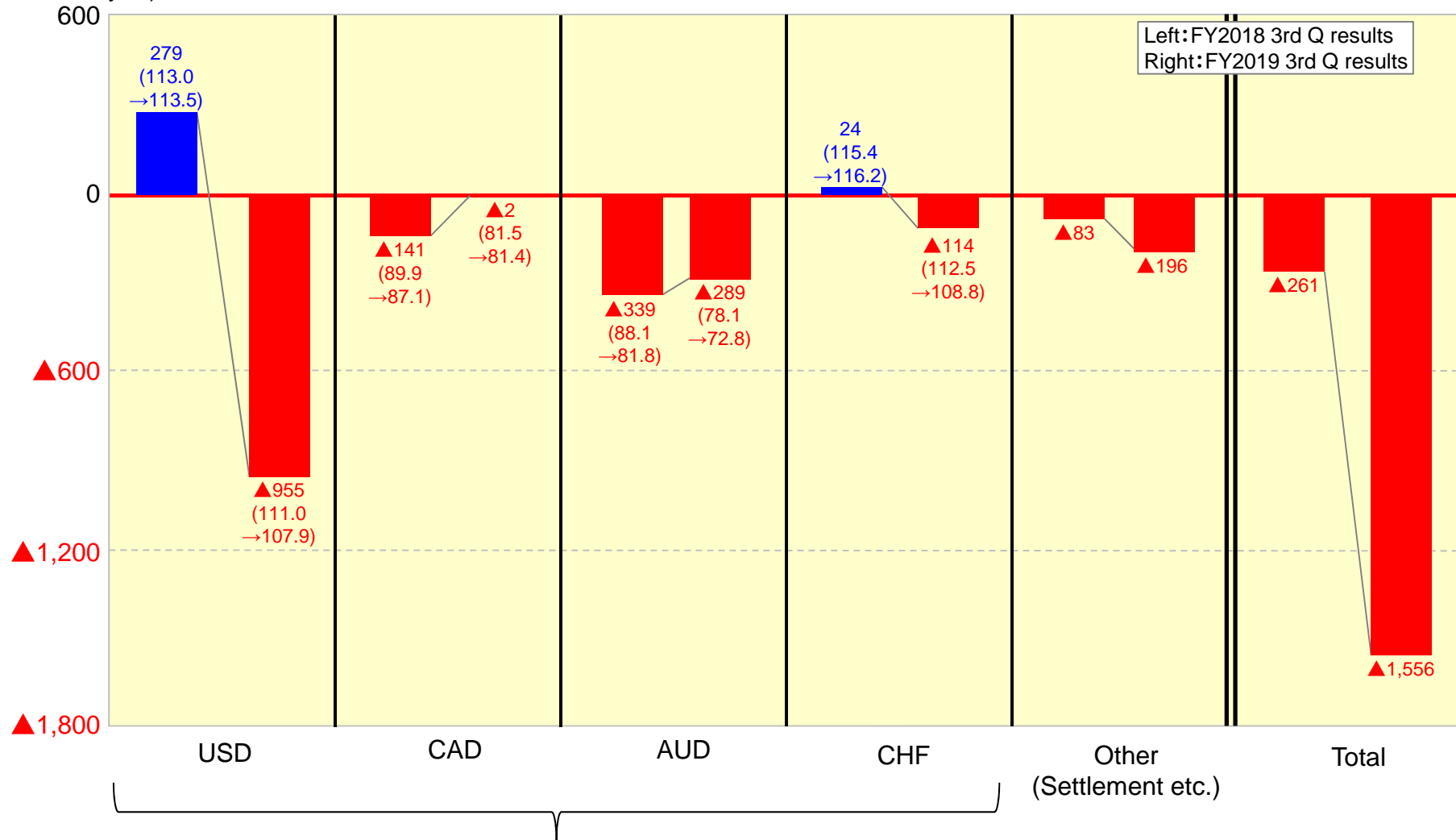
The recognition of goodwill and intangible assets	Amortization of goodwill and intangible assets imparment
• LANCER (Feb.2006 M&A : 17,451 Amortized over 10-year period)	• Macom (in 2014 : 3,186)
• GRAM (Sep.2008 M&A : 6,759 Amortized over 12-year period)	(in 2015 : 1,791)
• Western (Jan.2013 M&A : 2,198 Amortized over 10-year period)	• Iceshare (in 2016 : 237)
" (" : 2,439 One-time amortization)	• GRAM (in 2017 : 1,800)
" (" : 473 One-time amortization)	
• JACKSON (Jan.2013 M&A : 1,006 One-time amortization)	
" (" : 2,020 Amortized over 12-year period)	
• Macom (Jul.2013 M&A : 6,690 Amortized over 15-year period)	
• Iceshare (Jun.2015 M&A : 588 One-time amortization)	
" (" : 386 Amortized over 10-year period)	

※The amount of goodwill and intangible assets are calculated using the foreign exchange rates at the time of the acquisitions



Breakdown of foreign exchange gain and loss (consolidated basis)

(Millions of yen)



* Figures in parenthesis indicate the movements of foreign exchange rates from the end of the previous fiscal year to the end of the Third quarter of the current fiscal year.



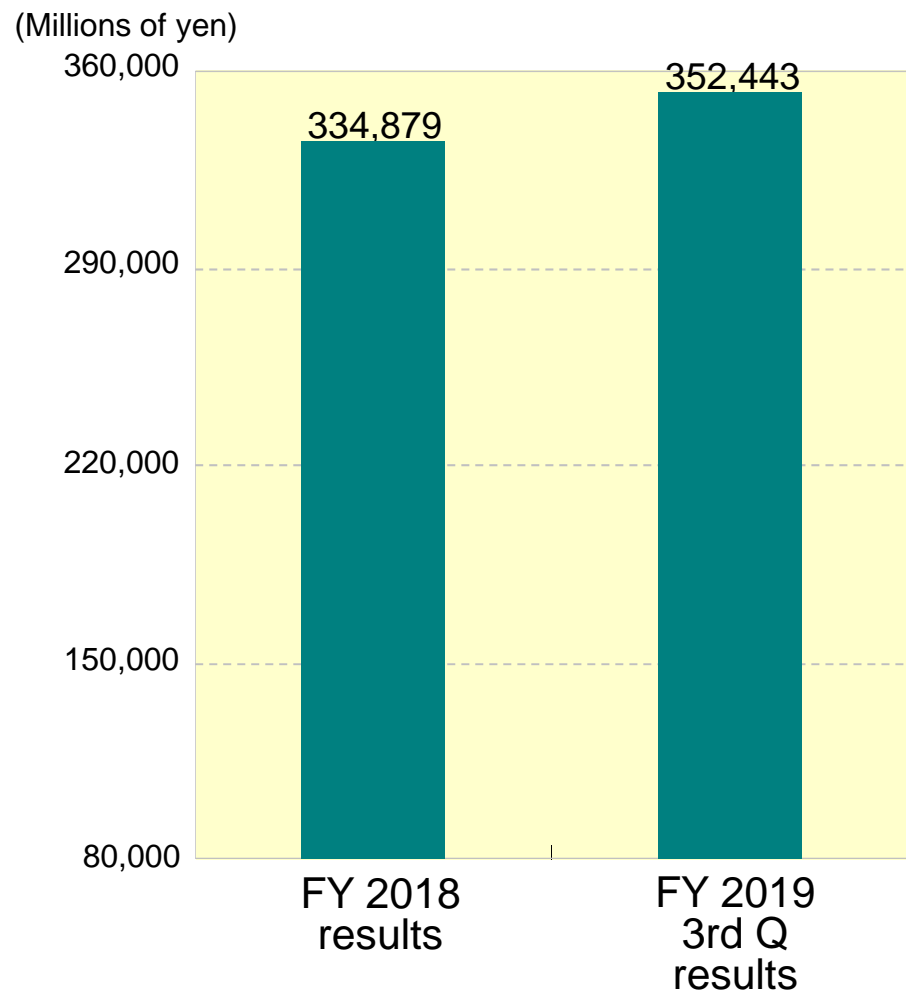
Summary of consolidated balance sheet

	FY 2018 results		FY 2019 3rdQ results		
	Amount (Millions of yen)	Component percentage (%)	Amount (Millions of yen)	Component percentage (%)	Year-on-year change (Millions of yen)
Current assets	272,560	81.4	288,522	81.9	15,961
(Cash and cash equivalents)	205,263	61.3	217,513	61.7	12,250
(Notes and accounts receivable-trade)	31,183	9.3	39,687	11.3	8,504
(Inventories)	31,910	9.5	27,530	7.8	-4,379
Non-current assets	62,318	18.6	63,920	18.1	1,602
Total assets	334,879	100.0	352,443	100.0	17,563
Current liabilities	88,243	26.4	92,814	26.3	4,570
(Notes and accounts payable-trade)	17,664	5.3	19,318	5.5	1,653
(Advances received)	26,699	8.0	25,419	7.2	-1,279
Non-current liabilities	23,124	6.9	23,963	6.8	838
Total liabilities	111,368	33.3	116,777	33.1	5,408
Total net assets	223,510	66.7	235,665	66.9	12,154
Total liabilities and net assets	334,879	100.0	352,443	100.0	17,563
Cash and deposits (including long-term time deposits)	204,263		217,513		13,250

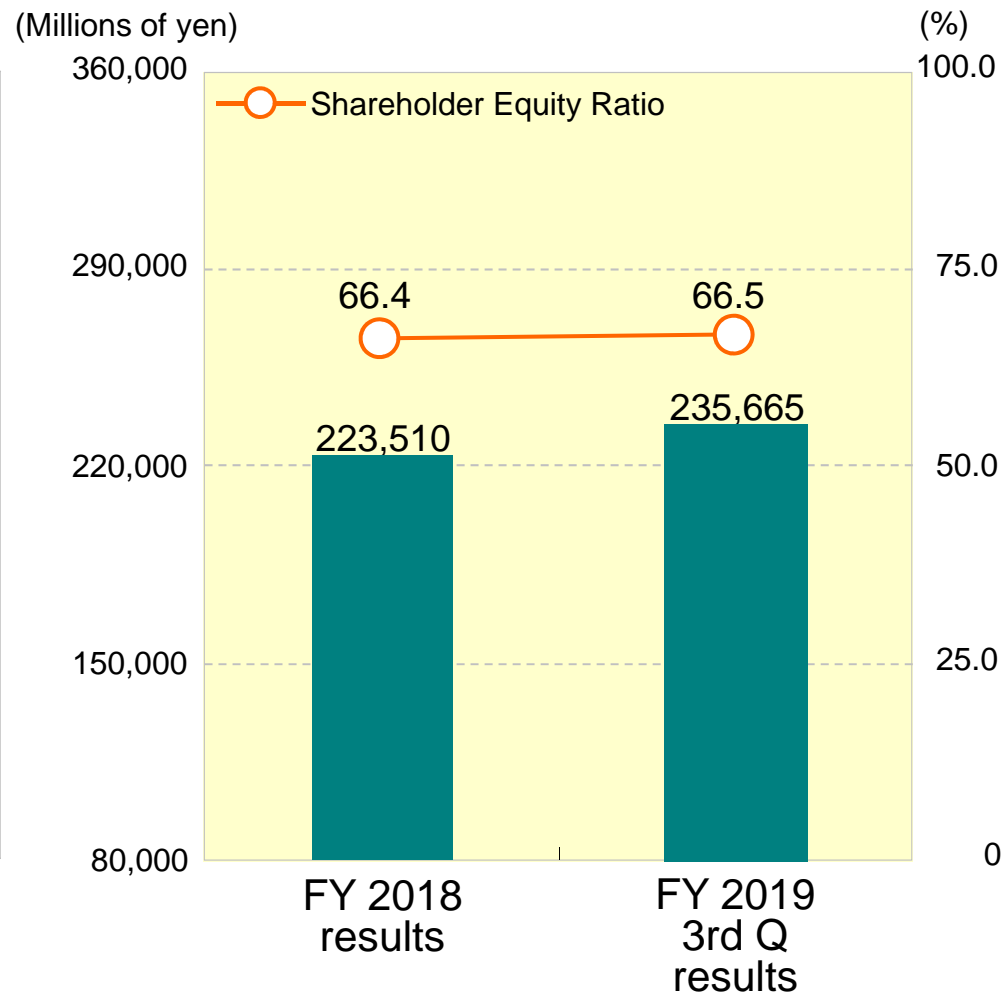


Year-on-year comparison of consolidated total assets and net assets

Total assets



Net assets

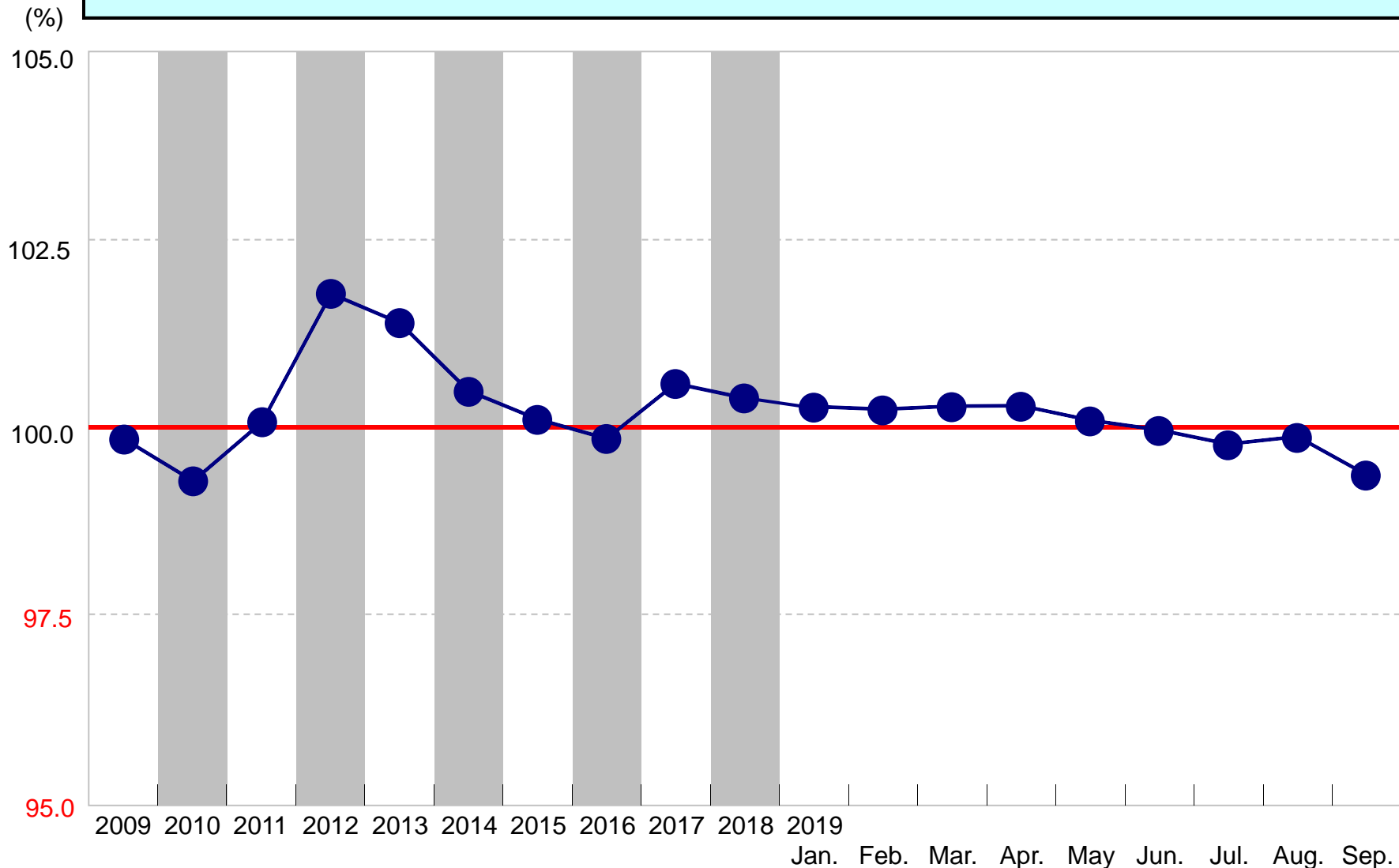




Ⅱ . Key points of business performance
The Third quarter of fiscal year ending
December 31, 2019

In Japan: Year-on-year change in the number of stores of major restaurant chains

● The total number of stores was negative on year-on-year basis since July.

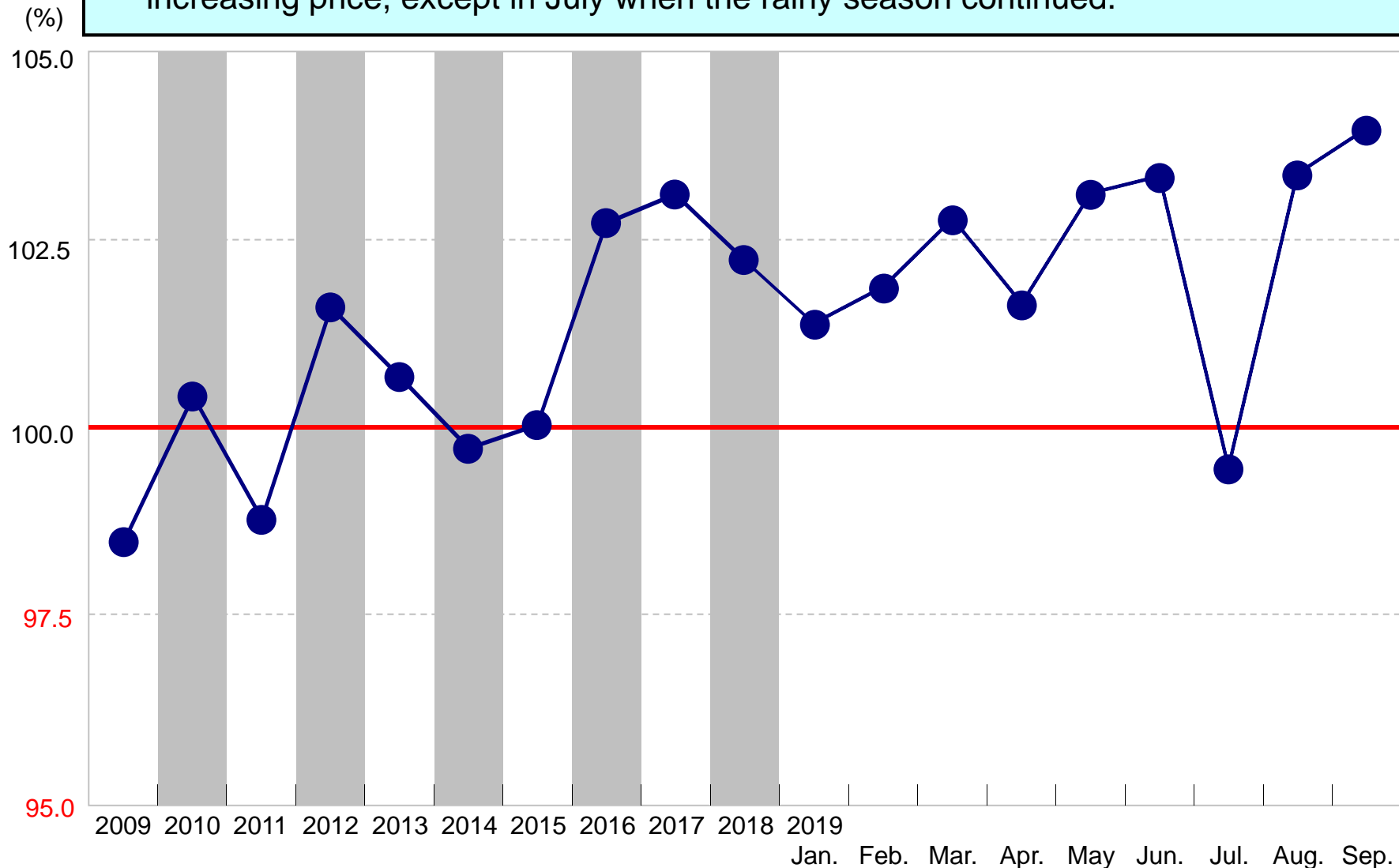


(Source: Japan Food Service Association "Trend Survey on the Food-Service Industry Annual Data")



In Japan: Year-on-year change in all store sales in major restaurant chains

- All store sales were positive because of the increase in unit price per customer by increasing price, except in July when the rainy season continued.

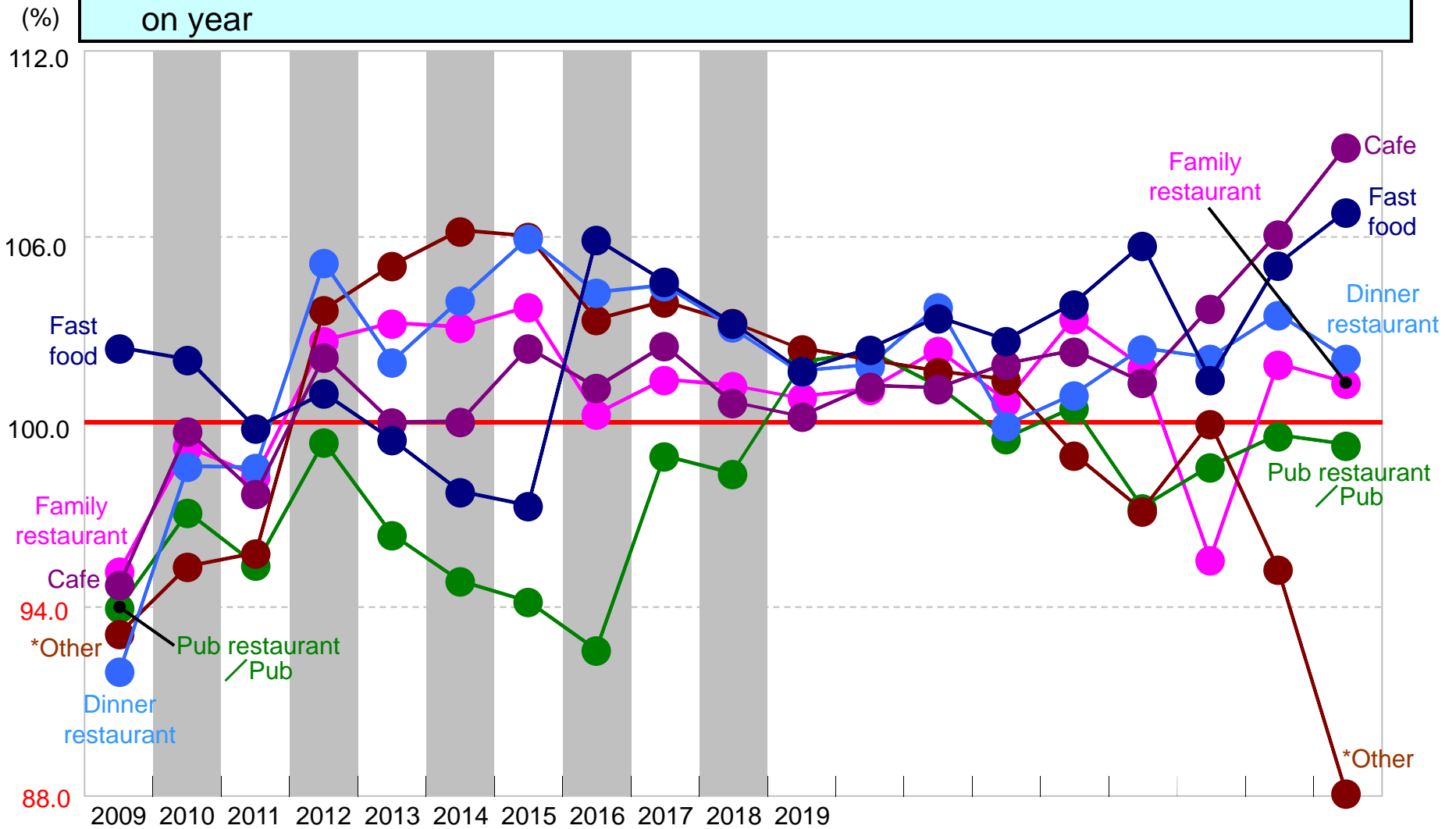


(Source: Japan Food Service Association "Trend Survey on the Food-Service Industry Annual Data")



In Japan: Year-on-year change in sales by type of business in major restaurant chains

● Most types of business, especially first food, saw sales continue to grow since the end of 2016. On the other hand, Pub restaurant/Pub and other turned negative year on year



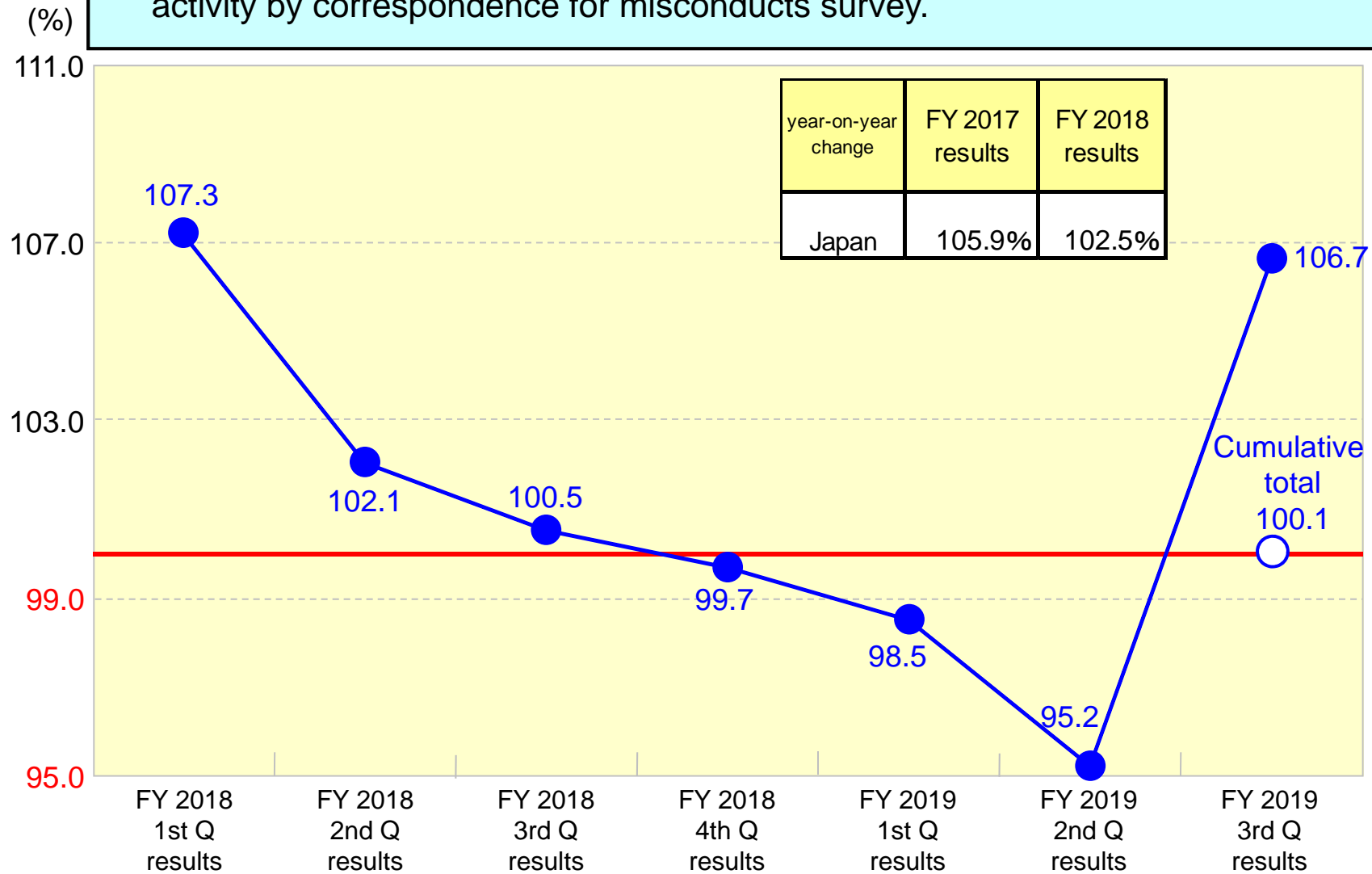
*Other: general restaurants, home-delivery pizza stores, and school lunch services, etc.

(Source: Japan Food Service Association "Trend Survey on the Food-Service Industry Annual Data")



In Japan: Year-on-year change in net sales

- Net sales in Japan changed to positive thanks to the last-minute demand before the consumption tax rate hike in Oct 2019 and recovery from slowdown in sales activity by correspondence for misconducts survey.



In Japan: New products and strategic products that are expected to contribute to earnings

Exploring new business opportunities in existing markets

Cultivating new markets



Soda Dispenser (automatic extraction)

- Eliminate labor shortages by automatic extraction
- Stabilization of beverage quality
- Will be released in 2019



Refrigerators & Freezers

- Added cold table models, whose energy saving performance is more enhanced than existing models
- Structure that allows the removal of the air filter without opening the front panel
- Released in December 2018



Blast Chiller

- Enhanced usability with a 7-inch full-color LCD
- The interior can be dried with the door shut
- Released new 20 steps type that model changed in May 2019



Dough conditioner

- Enhanced insulation with a vacuum glass door to decrease condensation (First in the industry)
- Can be operated in sync with a steam convection oven
- Added new large-scale models
- Released in August 2018



Steam convection oven

- Increased the range of product variations by adding products in 2/3 size
- Equipped with 12 new functions, such as automatic washing function and the adoption of touchscreen
- Released in Jun 2018



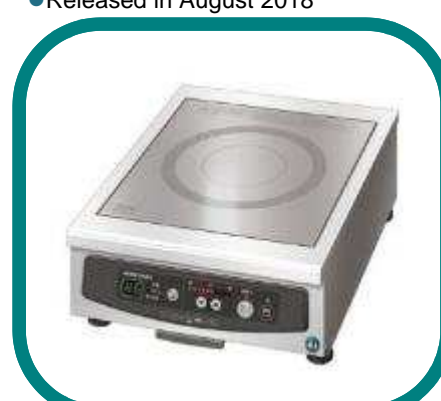
Systematized dish washer

- Automatic operation from cleaning to storage
- No button operation required during normal operation (First in the industry)
- Automatic detection of empty stages (First in the industry)
- Released in August 2019



Water Electrolyzer

- Generate slightly acidic electrolytic water within the range of food additives using dilute hydrochloric acid salt water (First in the industry)
- Released in February 2018

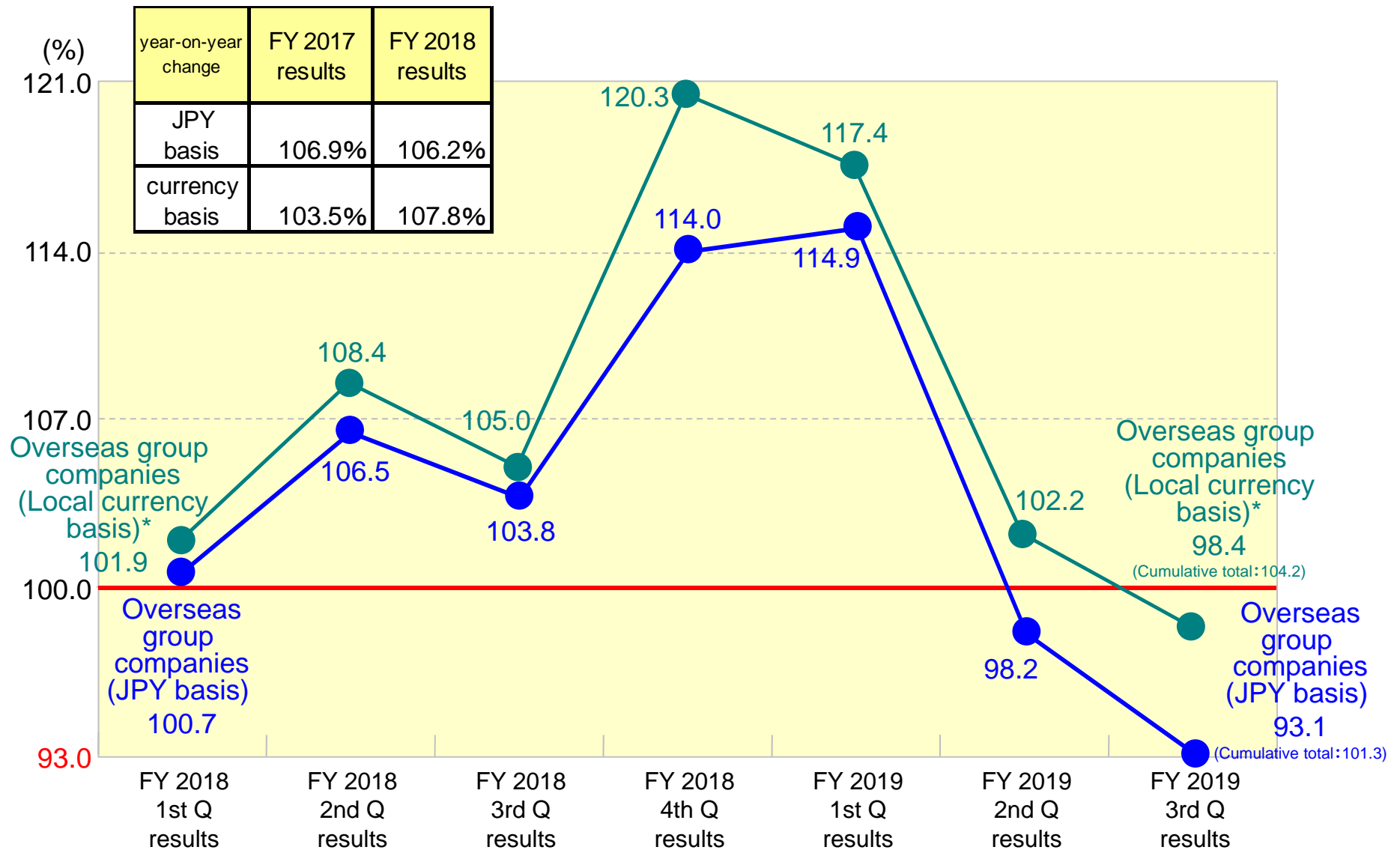


Induction cooker

- Low-noise specifications which comply with the revised Electrical Appliance and Material Safety Act.
- The design embodies improved convenience and high-grade sensibilities
- Released in December 2018



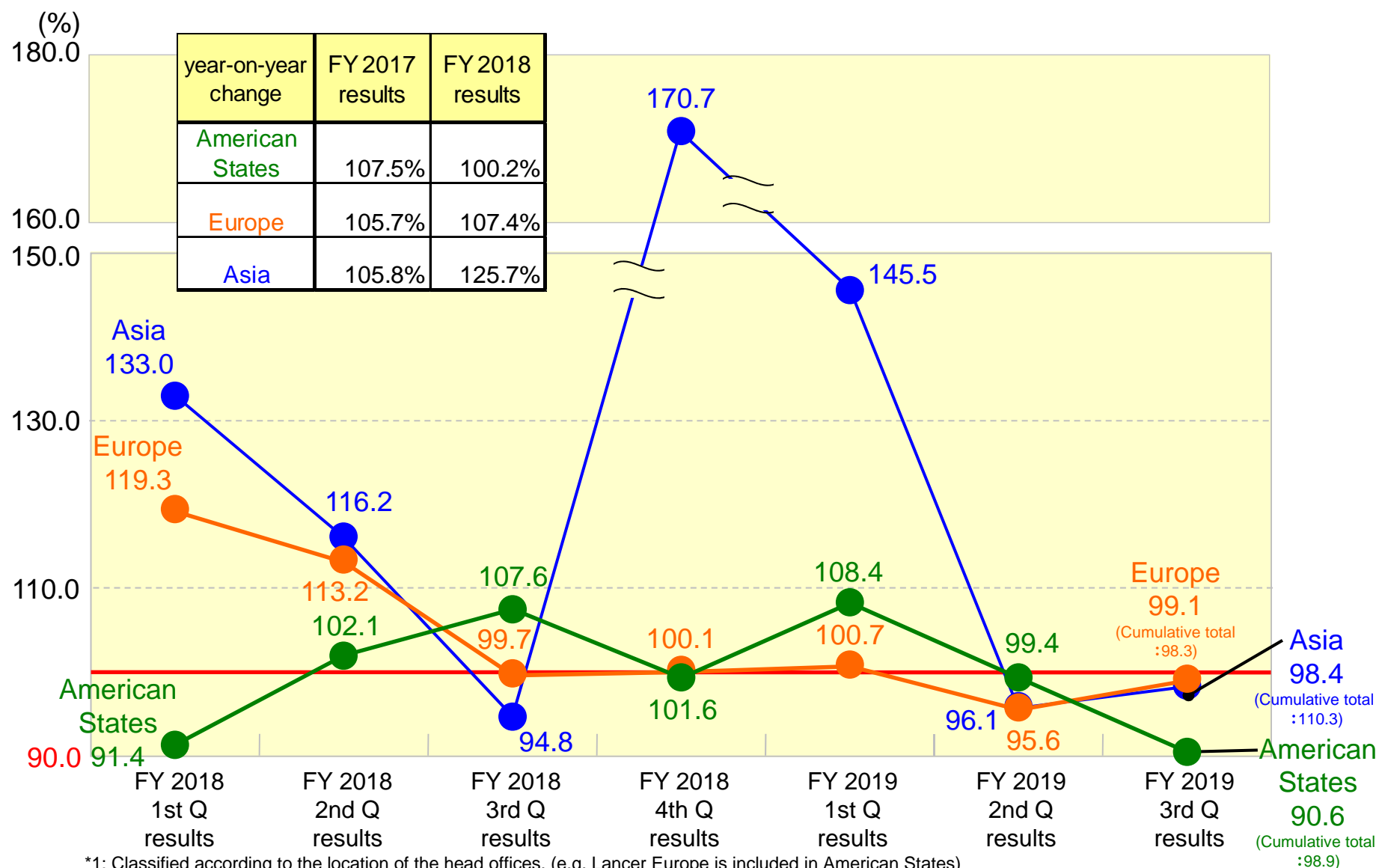
In overseas: * Year-on-year change in net sales (on Japanese yen basis and local currency basis)



*Overseas sales figures on a local currency basis are obtained by converting the overseas sales for the full period till the Third quarter of FY 2019 to yen using actual foreign exchange rates of the first quarter of FY 2017.



In overseas: *1 Year-on-year change in net sales by area *2 (on Japanese yen basis)

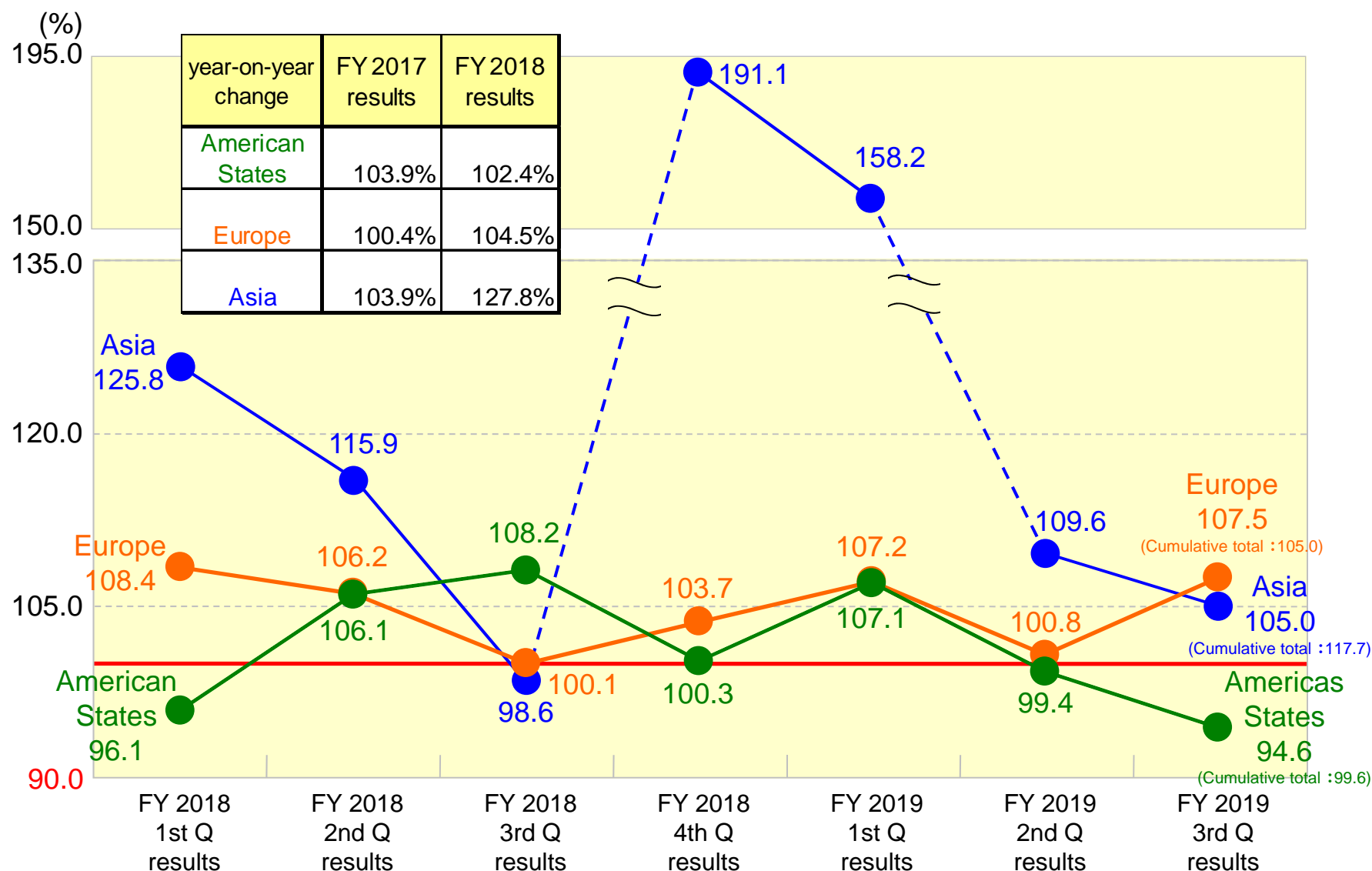


*1: Classified according to the location of the head offices. (e.g. Lancer Europe is included in American States)
(This is a classification for internal management control, and we use the same classification for reporting segments in the quarterly report.)

*2: Sales in local currencies are converted to yen based on the actual foreign exchange rates in each quarter.



In overseas: *1 Year-on-year change in net sales by area *2 (on local currency basis)



*1: Classified according to the location of the head offices. (e.g. Lancer Europe is included in American States)

(This is a classification for internal management control, and we use the same classification for reporting segments in the quarterly report.)

*2: Converting the overseas sales for the full period till the Third quarter of FY 2019 to yen using actual exchange rates in the first quarter of FY 2017.



In overseas: New products and strategic products that are expected to contribute to earnings

Americas



Ice machines

- Hoshizaki America began production of cube ice maker for the first time
- Reduced delivery time by production transfer from HOSHIZAKI Europe
- Started production in June 2019



Beverage dispenser

- Provide drink for 2 customers at the same time
- Select 266 kinds of drink on touch panel
- Released in November 2018

Europe



Ice machines

- Compliance with EU Environmental Policy
- Expanded the product lineups of the industry's lowest running cost series with good energy-saving performance
- Released a non-fluorocarbon refrigerant ice dispenser in February 2019



Refrigerators

- OEM products by a manufacturer in the Middle East
- Models for attacking the largest market
- Released in July 2017

Asia and Oceania



Refrigerators

- The model targeted for Asian markets (Silver Star)
- Enhanced cooling capability compared with existing models
- Enriched the variations for special orders.
- Released a under counter model in May 2019

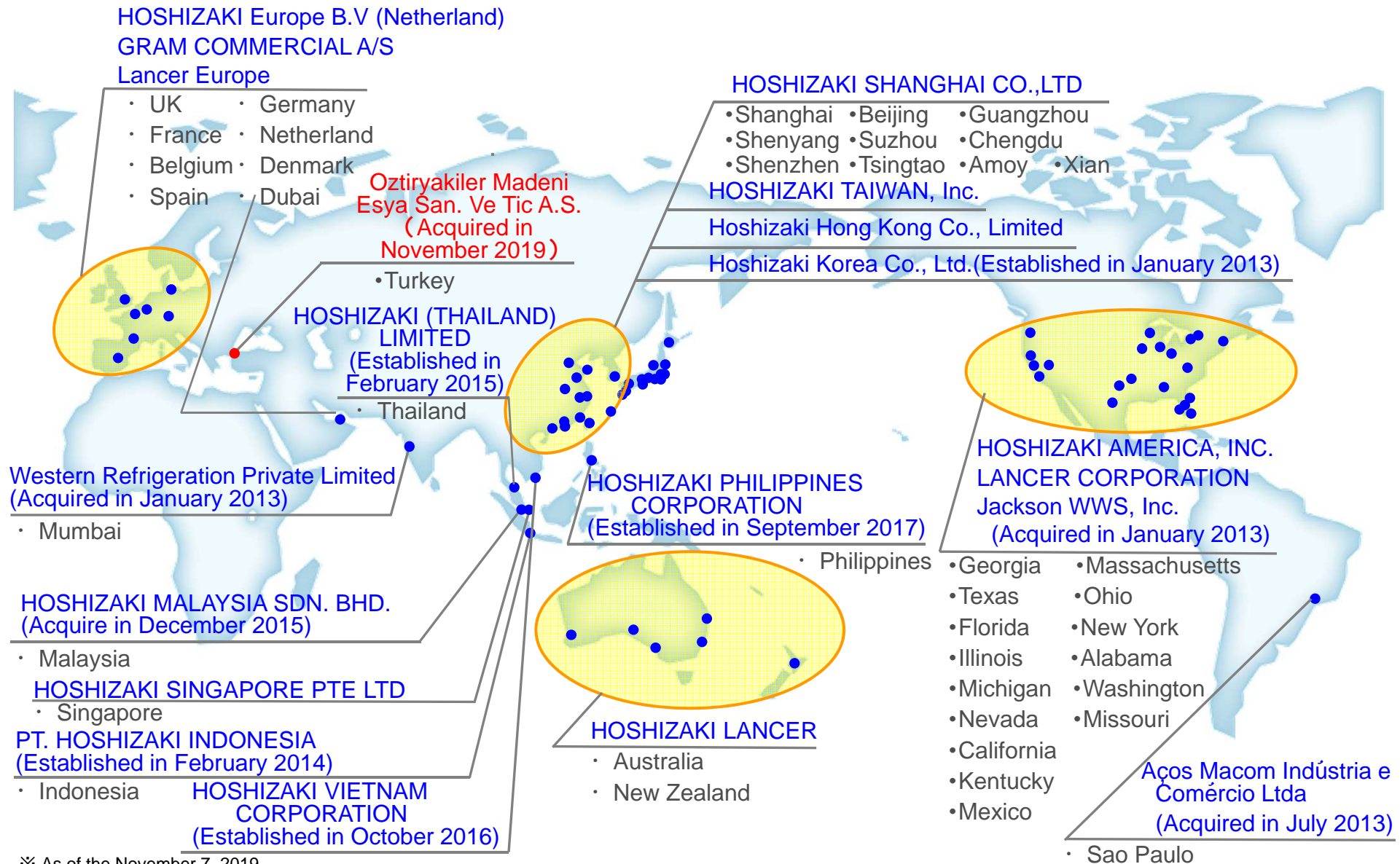


Dishwashers(Door type)

- The model targeted for Asian markets
- Achieved high spec same as HOSHIZAKI dishwashers and competitive price
- Released in May 2019



In overseas: Expanding the sales network



※ As of the November 7, 2019.





Ⅲ. Special notes of the Third quarter of fiscal year ending December 31, 2019

In overseas :About acquisition of share of “Öztiryakiler Madeni Eşya San. Ve Tic A.S.”

Acquisition of shares of “Öztiryakiler Madeni Eşya San. Ve Tic A.S.,” a Turkish food service equipment manufacturer. (November 2019)

Profile of Öztiryakiler Madeni Eşya San. Ve Tic A.S.”

- ❑ Location : Istanbul, Turkey
- ❑ Business : Development, production and sales of commercial food service equipments.
- ❑ Development, production and sales bases : Turkey



Creation of synergy effect

- ❑ Advantage as a leading manufacturer in the Turkish market.
 - Wide selection of product lines including thermal components such as steam convection ovens.
 - Having advantages in technology and quality of products.
- ❑ Cooperation with Hoshizaki groups
 - Sales expansion of Hoshizaki Products in Middle East.
 - Manufacturing refrigerators for Europe.
 - Manufacturing dish washers for Asia.



Main products of Öztiryakiler Madeni Eşya San. Ve Tic A.S.



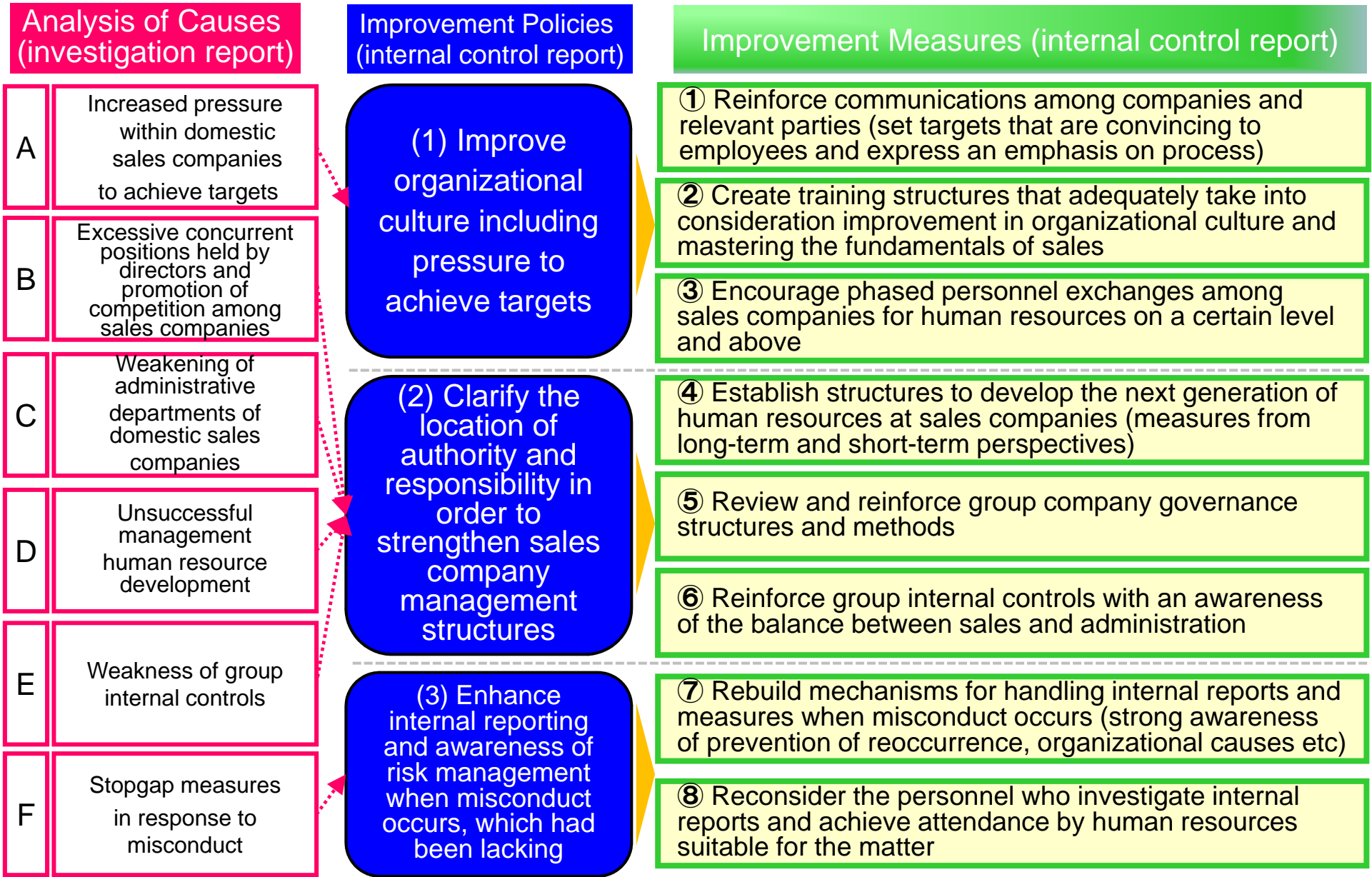
Efforts to improve corporate value

- The Board of Directors meeting convened on November 7, 2019 has made the resolutions of following measures I . II . to boost corporate value over the medium- to long-term. We will aim at further enhancement of the corporate value together with following measure III .IV . already implemented.

Measures	Outline
<p>I .Changes to Dividend Policy (Apply from the fiscal year ending December 31, 2019.)</p>	<ul style="list-style-type: none"> • Hoshizaki will make the changes to its basic policy in order to clarify its proactive stance towards profit return backed by business performance. <ul style="list-style-type: none"> ➤ In the future, we will aim for a consolidated dividend payout ratio of 35%, and will strive to maintain continuous and stable dividends between roughly 30% and 40%. ➤ We will also consider share repurchase strategically in consideration of factors such as balance with growth investment and the value of Hoshizaki shares on the stock exchange.
<p>II .Increase to the number of independent external directors to assist in strengthening the function of the Board of Directors. (To be suggested at the General Meeting of Shareholders on March 2020.)</p>	<ul style="list-style-type: none"> • Hoshizaki will increase the number to one-third or more of the number of its directors in order to strengthen the supervisory function of the Board of Directors. • We will aim at further enhancement of the corporate governance.
<p>III .Introduction of Executive Officer System (From July 1, 2019)</p>	<ul style="list-style-type: none"> • Hoshizaki introduced an Executive Officer System in an effort to gradually separate management, supervision and execution to advance towards the ideal of a Board of Directors. • We will continue to strive to further strengthen and enhance the supervisory function of the Board of Directors.
<p>IV .Disclosure in English (From the second quarter of fiscal year ending December 31, 2019)</p>	<ul style="list-style-type: none"> • Due to the increase in the ratio of non-Japanese shareholders(32% as of the end of June 2019), as a measure to further increase information disclosure, Hoshizaki has started releasing English versions of its Summary of Business Performance and the Summary of Consolidated Financial Results, and has established an English language website. • We will continue to expand the coverage of its English from the third quarter onward.



Focused Efforts to Rebuild Governance under the Leadership of the Parent Company



Launch of project to reinforce internal control

- At a meeting of the Board of Directors in late May, it was resolved to launch a project to reinforce internal control with the chairman and president as project owners and the Board of Directors as steering committee. Efforts to reinforce internal controls are proceeding with a focus on six key tasks.

Tasks		Focus of initiatives
1	Establish optimal governance practices for Group companies	<ul style="list-style-type: none"> Design an optimal governance framework for HOSHIZAKI and domestic sales companies. Strengthen governance framework for overseas Group companies, including by examining regional management functions.
2	Add internal control categories and promote the use of forward-looking IT-based management	<ul style="list-style-type: none"> Uncover misconduct and formulate countermeasures. Promote IT control as a countermeasure and commence efforts to formulate an IT infrastructure that will contribute to effective internal control.
3	Establish Group risk management function	<ul style="list-style-type: none"> Build a comprehensive risk management system. Develop a system that includes appointing experts to enhance responses to whistle-blowing.
4	Review target management and personnel systems of domestic sales companies	<ul style="list-style-type: none"> Optimize target setting and enhance internal communications to deepen mutual understanding between supervisors and subordinates. Formulate performance evaluation and promotion requirements that emphasizes management skills and establish a rotation system with the aim of providing training and preventing misconduct.
5	Optimize the management functions of the HOSHIZAKI and Group companies	<ul style="list-style-type: none"> Reinforce functions of Group Management department and Management departments in domestic sales company . Optimize the functions of HOSHIZAKI America's accounting department and ensure a grasp of the accounting capabilities of other overseas Group companies.
6	Develop an education system that contributes to the reinforcement of compliance and internal control	<ul style="list-style-type: none"> Conduct a comprehensive review of the education system, including training related to the prevention of misconduct, as well as to internal control and basic business practices. Ensure a grasp of the status and practicality of education pertaining to all six tasks.



Progress on the tasks (1/2) (as of end-Oct. 2019)

- All tasks are progressing well as of the end of October. They will be completed by the end of FY2019 except a few activities.

Task		Category	Description	Progress
1	Establish optimal governance practices for Group companies	Japan	Consider organizing stronger governance of dealers and gradually reduce excessive concurrent responsibilities of dealer CEOs in Japan	Ongoing
		Overseas	Develop networks with the management and internal control divisions of overseas subsidiaries and consider the feasibility of a regional governance function in the future	Ongoing
2	Add internal control categories and promote the use of forward-looking IT-based management	Boosting internal governance	Identify cases of misconduct, develop countermeasures against misconduct and ensure uniform internal governance processes	Ongoing
		Strengthening IT infrastructure	Identify/deliberate on IT governance-related items for misconduct countermeasures and existing governance items and renew systems in stages and strategically	Ongoing
3	Establish Group risk management function	Structured strengthening of risk management	Develop a system to determine the severity of and countermeasures for existing risks	Ongoing
		Enhancing the handling of risk information	Changes to the operation of study meetings for whistle-blowing	Ongoing



Progress on the tasks (2/2) (as of end-Oct. 2019)

Task		Category	Description	Progress
4	Review target management and personnel systems of domestic sales companies	Appropriate goal setting	Develop a process to verify the appropriateness of goals, ensure appropriate goal setting and weighting, and develop goal-setting processes	Complete
		Appropriate HR performance review system	Review evaluation index and weighting system, and establish a common feedback method	Ongoing
		Enhancement of internal communication	Redefine the purposes and frequencies of meetings and conduct training on 360-degree assessment feedback	Ongoing
		Formalizing promotion/rotation system	Develop and roll out management prerequisites and job rotation system guidelines	Ongoing
5	Optimize the management functions of the HOSHIZAKI and Group companies	Strengthening of the group management functions	Design the functions of the group administration division and develop plans for verifying the progress of, and overseeing, the internal control measures as well as various education implemented by the administration divisions of dealers in Japan	Ongoing
		Strengthening of the dealer management division in Japan	Strengthen the administration division of Japanese dealers in collaboration with the business managers meeting, etc.	Ongoing
		Prevention of unlawful accounting (overseas)	Give support to strengthen the accounting division of HOSHIZAKI AMERICA, INC.	Ongoing
6	Develop an education system that contributes to the reinforcement of compliance and internal control	Revision of education structure	Collection of education information and redevelopment of educational structure for dealers in Japan	Ongoing
		Enhanced education on misconduct prevention and internal governance	Provide effective education to raise awareness of preventing misconduct and of compliance, and conduct education for overseas management members about the basis of internal control	Complete
		Enhanced sales education for dealers in Japan	Provide education for middle-management members to enhance their supervision skills, and provide education for better vertical communication	Complete





IV. Company profile and details of business

HOSHIZAKI

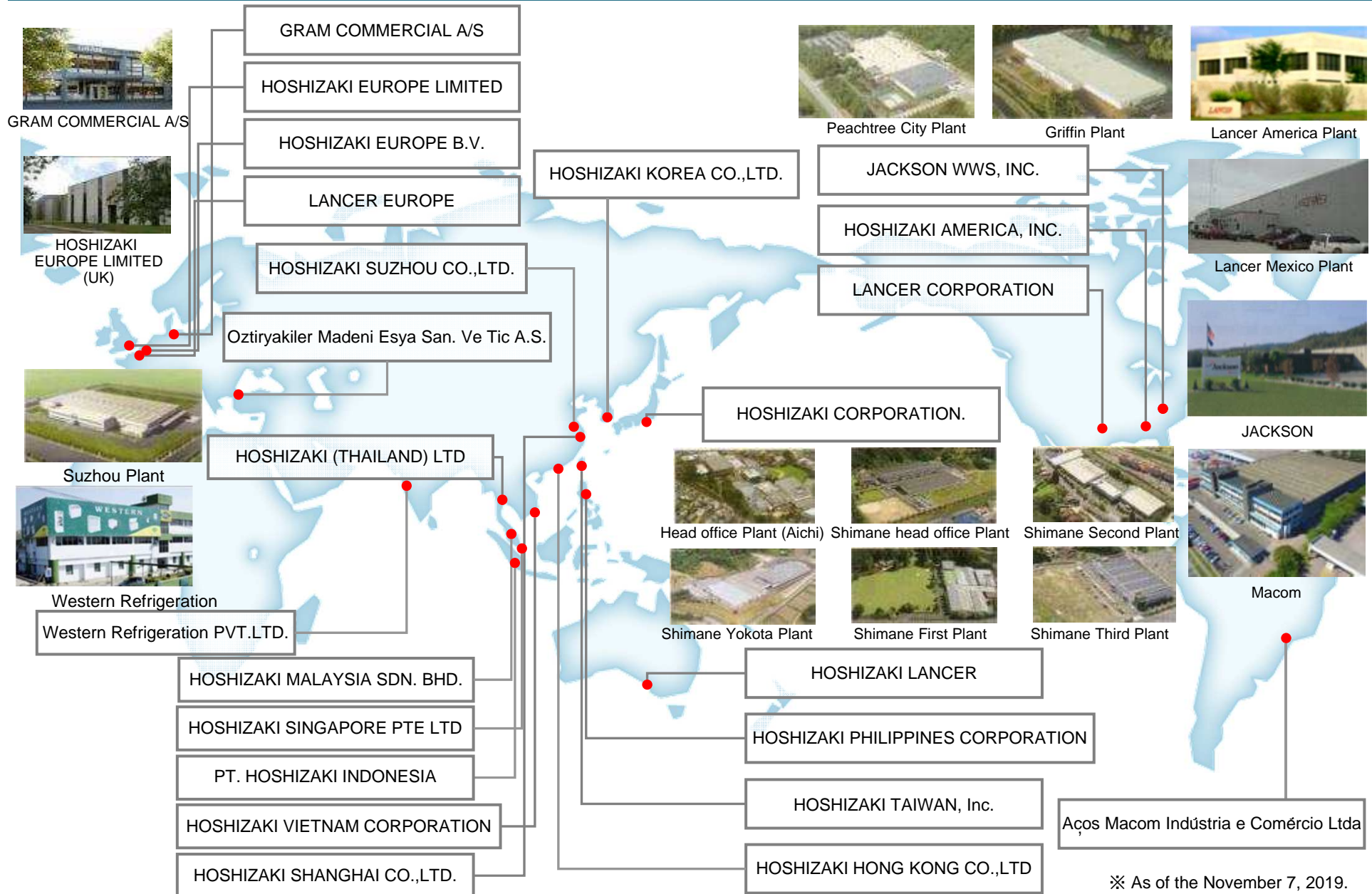
Company profile

- Company name : HOSHIZAKI CORPORATION
- Head Office : 3-16 Minamiyakata, Sakae-cho, Toyoake-shi, Aichi
- Representative : Yasuhiro Kobayashi, President, Representative Director
- Establishment : February 1947
- Business : Research and development, manufacturing and sales of commercial kitchen appliances & equipment.
- Capital stock : 8,021 million yen (fiscal year ended September 30, 2019)
- Consolidated business performance :

Net Sales	: 292,774 million yen
(fiscal year ended December 30, 2018)	Operating profit : 36,446 million yen
	Profit attributable to owners of parent : 25,717 million yen
- Number of consolidated group companies : 51 companies
(18 companies in Japan, 13 companies in American States, 20 companies in Europe and Asia)
(fiscal year ended September 30, 2019 *Including HOSHIZAKI CORPORATION)
- Number of employees : 1,178 persons (HOSHIZAKI CORPORATION)
13,051 persons (Group total) (fiscal year ended September 30, 2019)
- Number of sales bases in Japan : 437 places (fiscal year ended September 30, 2019)



Global network (production and sales bases)



※ As of the November 7, 2019.



Main product group and sales breakdown

Other



Vacuum packaging machine



Steam convection oven



Dough conditioner



Food Service cart

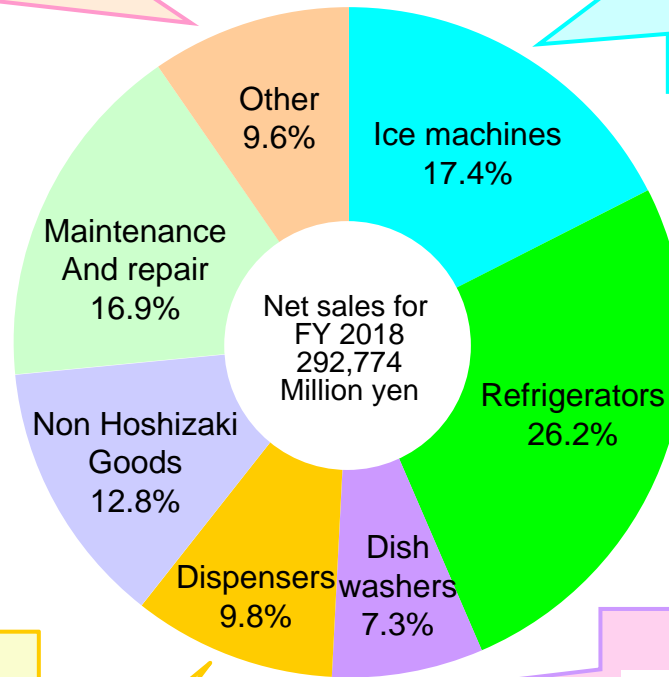
Ice machines




Cube ice machine




Ice dispenser



Refrigerators



Reach-in vertical refrigerator



Under counter refrigerator

Dispensers



Dispensers



Draft beer dispenser



Cold water dispenser

Dish washers



Dish washer

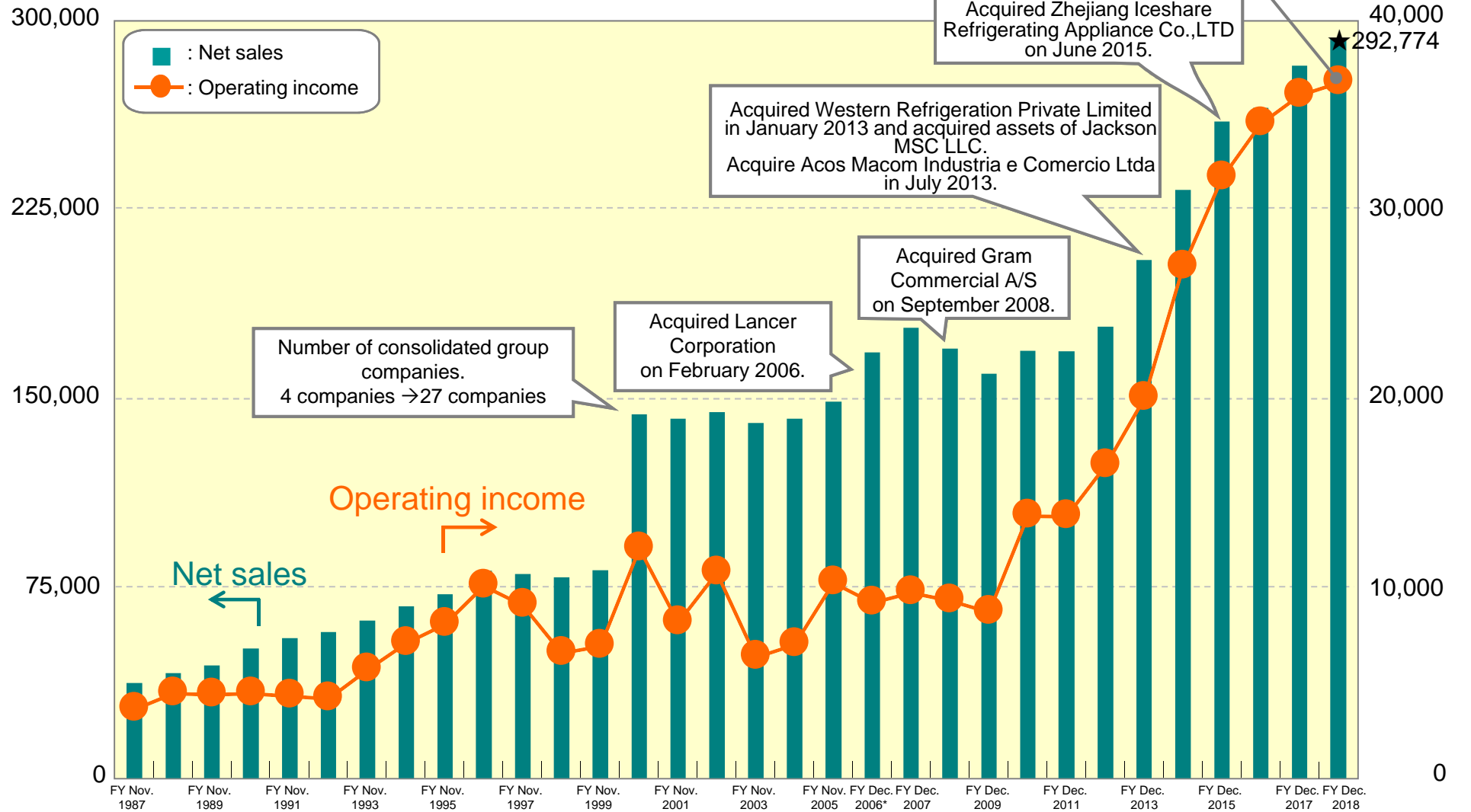


Rack conveyor dish washer



Long-term change in business performance (consolidated basis)

(Millions of yen)



★Recorded a record Net sales and operating income.

* 12-month equivalent



Notes on the appropriate use of this document

- This document includes the forward-looking statements and data concerning business performances, strategies, and business plans of HOSHIZAKI CORPORATION (“the Company”).
- The forward-looking statements and data in this document are not historical facts, but the Company’s forecast based on currently available information.
- Because potential risks and uncertain factors, such as economic trends, competition with other companies, are included in this document, please be noted that actual business performance, business development, and financial situation of the Company may differ significantly from the forecast due to various factors, such as future economic trends, competition in the industry, market demand, other economic, social, and political situations.
- This presentation is an English translation of the material initially written in Japanese, which should be considered to be the primary version.

If you have any inquiries concerning this document and our IR activities, please contact the following:

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