

Translation

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Summary of Consolidated Financial Results for the Three Months Ended March 31, 2020 (Based on Japanese GAAP)

May 11, 2020

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>
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 Scheduled date to file Quarterly Securities Report: May 15, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended March 31, 2020 (from January 1, 2020 to March 31, 2020)

(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	%
Three months ended March 31, 2020	72,568	(4.6)	9,559	(0.9)	8,345	(18.8)	5,503	(21.8)
Three months ended March 31, 2019	76,057	3.5	9,649	(11.2)	10,271	22.5	7,041	23.3

Note: Comprehensive income Three months ended March 31, 2020 ¥3,852 million [(48.2)%]
 Three months ended March 31, 2019 ¥7,437 million [171.7%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2020	76.00	–
Three months ended March 31, 2019	97.23	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	352,098	237,924	67.1	3,264.26
As of December 31, 2019	351,887	242,038	68.4	3,321.31

Reference: Equity As of March 31, 2020 ¥236,399 million
 As of December 31, 2019 ¥240,531 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, 2019	–	0.00	–	110.00	110.00
Year ending December 31, 2020	–	–	–	–	–
Year ending December 31, 2020 (Forecast)	–	0.00	–	110.00	110.00

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

3. Forecast of consolidated financial results for the year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

(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
The second quarter (cumulative)	—	—	—	—	—	—	—	—	—
Full year	—	—	—	—	—	—	—	—	—

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

*Notes

- (1) Changes in significant subsidiaries during the three months ended March 31, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (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
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
 - Changes in accounting policies due to other reasons: No
 - Changes in accounting estimates: No
 - 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 March 31, 2020	72,421,650 shares	As of December 31, 2019	72,421,650 shares
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b. Number of treasury shares at the end of the period

As of March 31, 2020	1,031 shares	As of December 31, 2019	1,031 shares
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c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2020	72,420,619 shares	Three months ended March 31, 2019	72,417,269 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

(1) Operating results

In the Japanese economy during the three months ended March 31, 2020, consumer spending was generally weak as a result of the cancellation of large-scale events and refraining from going outside for non-essential and non-urgent reasons in an effort to prevent the spread of the new coronavirus infections (COVID-19). In addition, despite capital investment being generally flat, the economy saw adverse conditions such as weak exports to Asia and Europe, weak industrial production, etc.

Looking at overseas, economic activity was suppressed due to the impact of the global spread of COVID-19, and the current economy suddenly slowed down.

Amid such circumstances, in Japan, while working to prevent the spread of COVID-19, the Group focused on expanding sales in the food service industry, etc., and reaching new customers, in addition to striving to expand sales of electrolytic water generators.

In overseas markets, despite working to expand sales of flagship products, the Group was impacted by the spread of COVID-19 and needed to limit its sales and production activities.

As a result of the above initiatives, the Group reported operating results for the three months ended March 31, 2020 with net sales of ¥72,568 million (down 4.6% year-on-year). Operating profit was ¥9,559 million (down 0.9% year-on-year).

In addition, owing to the recording of foreign exchange loss of ¥1,570 million arising from the translation of foreign-currency assets held to Japanese yen, ordinary profit was ¥8,345 million (down 18.8% year-on-year) and profit attributable to owners of parent was ¥5,503 million (down 21.8% year-on-year).

Operating results by segment are as follows.

a. Japan

In Japan, despite promoting sales of products, such as refrigerators, ice makers, dishwashers and electrolytic water generators, as well as new customer acquisition, the Group generated net sales of ¥50,616 million (down 2.5% year-on-year) and segment profit of ¥7,238 million (up 1.2% year-on-year) as a result of a decline in the desire to invest in the food service and other industries associated with the spread of activities to prevent the spread of COVID-19.

b. Americas

In the Americas, despite working to expand sales of products, such as ice makers and dispensers, the Group generated net sales of ¥14,973 million (down 9.4% year-on-year) and segment profit of ¥1,750 million (down 1.3% year-on-year) as a result of restrictions on sales and production activities and deterioration of the order environment due to the spread of COVID-19 in the U.S., etc.

c. Europe / Asia

In Europe and Asia, despite working to expand sales of flagship products, the Group generated net sales of ¥8,527 million (down 13.3% year-on-year) and segment profit of ¥693 million (down 29.9% year-on-year) as a result of restrictions on sales and production activities and deterioration of the order environment due to the spread of COVID-19 in various Asian countries such as China as well as the European region.

(2) Financial position

Total assets as of March 31, 2020 increased ¥211 million from December 31, 2019 to ¥352,098 million.

Current assets decreased ¥1,551 million from December 31, 2019 to ¥279,792 million. The main factor was a decrease in cash and deposits.

Non-current assets increased ¥1,763 million from December 31, 2019 to ¥72,306 million. The main factor was an increase in investments and other assets.

Total liabilities as of March 31, 2020 increased ¥4,325 million from December 31, 2019 to ¥114,174 million.

Current liabilities increased ¥4,568 million from December 31, 2019 to ¥91,447 million. The main factors were increases in provision for bonuses and notes and accounts payable - trade.

Non-current liabilities decreased ¥242 million from December 31, 2019 to ¥22,727 million. The main factor was a decrease in other provisions.

Net assets as of March 31, 2020 decreased ¥4,113 million from December 31, 2019 to ¥237,924 million.

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

Due to the global spread of COVID-19, our main customer, the food service industry, has been significantly affected by business closures and shortened business hours. Under these circumstances, the number of customers who decide to postpone or cancel their capital investment is increasing, and government policies in each country place significant restrictions on the business activities of our group's production and sales office.

It is expected that earnings will continue to deteriorate due to the uncertain timing of the end of the turmoil, but at the moment there are many uncertain factors that affect business performance, and it is fairly difficult to calculate rational business forecasts. Therefore, we have not yet decided on any of our 2nd Quarter and full-year consolidated earnings forecasts for the fiscal year ending December 31, 2020. We will announce it as soon as we can reasonably calculate the consolidated forecast.

2. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of December 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	215,093	207,870
Notes and accounts receivable - trade	31,708	37,887
Merchandise and finished goods	16,376	16,088
Work in process	3,495	3,441
Raw materials and supplies	10,464	10,425
Other	4,360	4,267
Allowance for doubtful accounts	(155)	(190)
Total current assets	281,343	279,792
Non-current assets		
Property, plant and equipment	44,303	43,588
Intangible assets	4,695	4,373
Investments and other assets	21,543	24,344
Total non-current assets	70,543	72,306
Total assets	351,887	352,098
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,555	20,086
Income taxes payable	3,519	3,678
Provision for bonuses	3,348	6,906
Other provisions	1,671	1,701
Other	61,783	59,073
Total current liabilities	86,878	91,447
Non-current liabilities		
Retirement benefit liability	18,826	18,854
Other provisions	1,477	1,304
Other	2,666	2,568
Total non-current liabilities	22,970	22,727
Total liabilities	109,848	114,174
Net assets		
Shareholders' equity		
Share capital	8,021	8,021
Capital surplus	14,543	14,543
Retained earnings	222,768	220,306
Treasury shares	(4)	(4)
Total shareholders' equity	245,328	242,865
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	94	(32)
Foreign currency translation adjustment	(3,196)	(4,814)
Remeasurements of defined benefit plans	(1,695)	(1,619)
Total accumulated other comprehensive income	(4,796)	(6,465)
Non-controlling interests	1,506	1,524
Total net assets	242,038	237,924
Total liabilities and net assets	351,887	352,098

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Net sales	76,057	72,568
Cost of sales	47,566	44,482
Gross profit	28,491	28,086
Selling, general and administrative expenses	18,842	18,526
Operating profit	9,649	9,559
Non-operating income		
Interest income	509	289
Other	166	131
Total non-operating income	676	420
Non-operating expenses		
Interest expenses	22	7
Foreign exchange losses	—	1,570
Other	31	56
Total non-operating expenses	53	1,634
Ordinary profit	10,271	8,345
Extraordinary income		
Gain on sales of investment securities	—	24
Other	9	0
Total extraordinary income	9	24
Extraordinary losses		
Loss on abandonment of non-current assets	0	28
Other	1	3
Total extraordinary losses	2	32
Profit before income taxes	10,278	8,338
Income taxes - current	4,516	4,106
Income taxes - deferred	(1,360)	(1,367)
Total income taxes	3,156	2,738
Profit	7,122	5,599
Profit attributable to non-controlling interests	80	95
Profit attributable to owners of parent	7,041	5,503

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Profit	7,122	5,599
Other comprehensive income		
Valuation difference on available-for-sale securities	41	(126)
Foreign currency translation adjustment	212	(1,696)
Remeasurements of defined benefit plans, net of tax	61	75
Total other comprehensive income	315	(1,746)
Comprehensive income	7,437	3,852
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,347	3,834
Comprehensive income attributable to non-controlling interests	90	17

(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

Not applicable

Changes in accounting estimates

Not applicable

Segment information, etc.

Segment information

I. Three months ended March 31, 2019 (from January 1, 2019 to March 31, 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 statements of income (Note 2)
	Japan	Americas	Europe / Asia	Total		
Net sales						
Sales to external customers	50,567	16,222	9,268	76,057	–	76,057
Intersegment sales or transfers	1,372	294	572	2,240	(2,240)	–
Total	51,940	16,517	9,840	78,298	(2,240)	76,057
Segment profit	7,153	1,772	988	9,914	(265)	9,649

- Notes 1. The reconciliation amount of negative ¥265 million for segment profit includes amortization of goodwill of negative ¥112 million, amortization of intangible assets, etc. of negative ¥7 million, negative ¥153 million from reconciliation of inventories, and ¥8 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. Three months ended March 31, 2020 (from January 1, 2020 to March 31, 2020)

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 statements of income (Note 2)
	Japan	Americas	Europe / Asia	Total		
Net sales						
Sales to external customers	49,436	14,776	8,355	72,568	–	72,568
Intersegment sales or transfers	1,180	196	172	1,548	(1,548)	–
Total	50,616	14,973	8,527	74,117	(1,548)	72,568
Segment profit	7,238	1,750	693	9,681	(121)	9,559

- Notes 1. The reconciliation amount of negative ¥121 million for segment profit includes amortization of goodwill of negative ¥105 million, amortization of intangible assets, etc. of negative ¥6 million, negative ¥17 million from reconciliation of inventories, and ¥8 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.