

Translation

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Summary of Consolidated Financial Results for the Three Months Ended March 31, 2022 (Based on Japanese GAAP)

May 11, 2022

Company name: HOSHIZAKI CORPORATION
 Stock exchange listing: Tokyo Stock Exchange and Nagoya Stock Exchange
 Securities code: 6465 URL: <http://www.hoshizaki.co.jp>
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 Department
 Scheduled date to file Quarterly Securities Report: May 13, 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 three months ended March 31, 2022 (from January 1, 2022 to March 31, 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	%
Three months ended March 31, 2022	72,561	5.8	6,802	(11.9)	11,481	1.6	7,906	1.5
Three months ended March 31, 2021	68,556	(5.5)	7,722	(19.2)	11,297	35.4	7,790	41.5

Note: Comprehensive income Three months ended March 31, 2022 ¥14,990 million [13.8%]
 Three months ended March 31, 2021 ¥13,178 million [242.1%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended March 31, 2022	109.17		–	
Three months ended March 31, 2021	107.57		–	

Note: 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 three months ended March 31, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.

(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, 2022	385,561	267,403	68.8	3,660.60
As of December 31, 2021	378,469	259,862	68.1	3,559.85

Reference: Equity As of March 31, 2022 ¥265,123 million
 As of December 31, 2021 ¥257,826 million

Note: 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 three months ended March 31, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.

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

Notes: 1. Revision of cash dividend forecast most recently announced: No

2. The Company plans to split its shares at a ratio of two-for-one common share with July 1, 2022 as the effective date. For the fiscal year ending December 31, 2022 (forecast), the amounts before the split at the end of the second quarter and after the split at the end of the fiscal year are indicated. 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 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	290,000	5.7	26,500	6.3	27,200	(12.7)	18,900	(12.8)	130.48

Notes: 1. Revision of consolidated financial results forecast most recently announced: No

2. The Company plans to 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 three months ended March 31, 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 March 31, 2022	72,427,650 shares	As of December 31, 2021	72,427,650 shares
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b. Number of treasury shares at the end of the period

As of March 31, 2022	1,324 shares	As of December 31, 2021	1,279 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, 2022	72,426,360 shares	Three months ended March 31, 2021	72,420,395 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

As for economic circumstances during the three months ended March 31, 2022, the Japanese economy continued to face a challenging situation due to the resurgence of COVID-19 driven by the emergence of a new variant. Overseas economies continued to recover in a phased manner particularly in the U.S. On the other hand, according to the IMF world economic outlook published in April, as a result of factors such as Russia's invasion of Ukraine and the lockdown in China (city-wide lockdown) because of the spread of COVID-19, growth forecast for the global economy in 2022 was revised downward to +3.6% (from the previous forecast of +4.4%). The future is uncertain particularly.

The food service industry in Japan continued to face an unfavorable situation. In particular, restaurants continued to be subject to restrictions on sales activities based on the application of focused anti-infection measures against the spread of the new COVID-19 variant. Overseas, there continued to be firm demand due to capital investments by restaurants as economy improved mainly in the U.S. On the other hand, supply constraints continued mainly due to the difficulty in the procurement of parts and materials caused by the surge in raw material prices and supply chain disruption worldwide and the impact of manpower shortage particularly in the U.S.

Amid such circumstances, in Japan, while working to prevent the spread of COVID-19, the Group focused on expanding sales and developing new customers in the restaurant market. However, our business environment remained unfavorable mainly due to the restrictions of sales activities in response to the resurgence of COVID-19 infection cases on the sales side, and the difficulty in the procurement of electronic parts such as semiconductors and the slowdown in procurement of foaming liquid, which is a raw material for heat insulating materials used in refrigerators and the like on the supply side. Overseas, demand continued to recover as the global economy picked up, but we continued to face a challenging situation in terms of revenue as we were affected mainly by rising raw material prices and supply chain disruption worldwide.

As a result of the above, the Group reported operating results for the three months ended March 31, 2022 with net sales of ¥72,561 million (up 5.8% year-on-year). Operating profit was ¥6,802 million (down 11.9% year-on-year). In addition, owing to the recording of foreign exchange gains of ¥4,356 million from translation of foreign-currency denominated assets to Japanese yen, ordinary profit was ¥11,481 million (up 1.6% year-on-year) and profit attributable to owners of parent was ¥7,906 million (up 1.5% year-on-year).

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, and changed the accounting treatment for revenue recognition. For details on the effects on the Company's financial position and operating results, please refer to "(3) Notes to quarterly consolidated financial statements (Changes in accounting policies), (Segment information, etc.)" of "2. Quarterly consolidated financial statements" of the attached material.

Operating results by segment are as follows.

a. Japan

In Japan, the Group promoted sales expansion of flagship products such as refrigerators, ice machines, and dishwashers, in addition to supporting business conversions for customers seeking to expand into take-out and delivery businesses in response to the shift toward ready-made meals and delivered meals because of the COVID-19 pandemic. On the other hand, the global shortage of materials and parts caused increases in material cost and logistics expenses, which in turn lowered profitability, and procurement constraints. While we maintained production activities by quickly securing substitute parts and implementing design modifications necessary for the application of such parts, we faced supply constraints for some products. As a result, the Group generated net sales of ¥45,795 million (down 4.6% year-on-year) and segment profit of ¥4,722 million (down 22.5% year-on-year).

b. Americas

In the Americas, there have been supply constraints and increases in not only the price of raw materials but also worker retention costs due to procurement difficulties caused by the shortages of materials and component worldwide, which lowered profitability. However, sales were strong mainly due to demand associated with restaurants reopening. As a result, the Group generated net sales of ¥16,510 million (up 27.5% year-on-year) and segment profit of ¥1,044 million (down 10.6% year-on-year).

c. Europe / Asia

In Europe and Asia, the Group worked to expand the sales of its flagship products mainly to restaurants as

economic activities recovered, although it was affected by rising material cost in Asia. As a result, the Group generated net sales of ¥12,146 million (up 33.1% year-on-year) and segment profit of ¥1,259 million (up 82.2% year-on-year).

(2) Financial position

Total assets as of March 31, 2022 increased ¥7,091 million from December 31, 2021 to ¥385,561 million.

Current assets increased ¥6,266 million from December 31, 2021 to ¥316,911 million. The main factors were a decrease in cash and deposits due to the payment of dividends and an increase in notes and accounts receivable – trade, and contract assets.

Non-current assets increased ¥825 million from December 31, 2021 to ¥68,649 million. The main factor was an increase in property, plant and equipment.

Total liabilities as of March 31, 2022 decreased ¥450 million from December 31, 2021 to ¥118,157 million.

Current liabilities decreased ¥985 million from December 31, 2021 to ¥93,463 million. The main factor was a decrease in income taxes payable.

Non-current liabilities increased ¥535 million from December 31, 2021 to ¥24,694 million.

Net assets as of March 31, 2022 increased ¥7,541 million from December 31, 2021 to ¥267,403 million. The main factor was an increase in foreign currency translation adjustment.

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

There are currently no changes to the earnings forecasts announced on February 9, 2022.

2. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of December 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	240,723	232,635
Notes and accounts receivable - trade	31,120	–
Notes and accounts receivable - trade, and contract assets	–	41,827
Merchandise and finished goods	14,806	14,311
Work in process	4,775	5,866
Raw materials and supplies	15,974	18,860
Other	3,477	3,686
Allowance for doubtful accounts	(232)	(276)
Total current assets	310,645	316,911
Non-current assets		
Property, plant and equipment	43,174	44,314
Intangible assets	2,766	2,623
Investments and other assets	21,883	21,712
Total non-current assets	67,823	68,649
Total assets	378,469	385,561
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,070	30,016
Income taxes payable	6,502	5,065
Provision for bonuses	2,986	6,020
Other provisions	2,146	2,192
Other	56,743	50,168
Total current liabilities	94,448	93,463
Non-current liabilities		
Retirement benefit liability	19,995	20,046
Other provisions	1,511	1,778
Other	2,652	2,868
Total non-current liabilities	24,159	24,694
Total liabilities	118,607	118,157
Net assets		
Shareholders' equity		
Share capital	8,052	8,052
Capital surplus	14,574	14,574
Retained earnings	239,958	240,415
Treasury shares	(6)	(6)
Total shareholders' equity	262,579	263,036
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	11
Deferred gains or losses on hedges	–	1,189
Foreign currency translation adjustment	(3,361)	2,209
Remeasurements of defined benefit plans	(1,395)	(1,323)
Total accumulated other comprehensive income	(4,752)	2,086
Non-controlling interests	2,035	2,280
Total net assets	259,862	267,403
Total liabilities and net assets	378,469	385,561

(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, 2021	Three months ended March 31, 2022
Net sales	68,556	72,561
Cost of sales	43,032	46,505
Gross profit	25,523	26,056
Selling, general and administrative expenses	17,801	19,253
Operating profit	7,722	6,802
Non-operating income		
Interest income	94	111
Foreign exchange gains	3,355	4,356
Subsidy income	10	–
Other	167	273
Total non-operating income	3,628	4,741
Non-operating expenses		
Interest expenses	9	17
Other	43	44
Total non-operating expenses	52	62
Ordinary profit	11,297	11,481
Extraordinary income		
Gain on sale of investment securities	24	19
Other	2	4
Total extraordinary income	26	23
Extraordinary losses		
Loss on abandonment of non-current assets	12	36
Total extraordinary losses	12	36
Profit before income taxes	11,312	11,468
Income taxes - current	5,259	4,688
Income taxes - deferred	(1,826)	(1,266)
Total income taxes	3,433	3,422
Profit	7,879	8,046
Profit attributable to non-controlling interests	89	140
Profit attributable to owners of parent	7,790	7,906

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Profit	7,879	8,046
Other comprehensive income		
Valuation difference on available-for-sale securities	50	6
Deferred gains or losses on hedges	–	1,189
Foreign currency translation adjustment	5,474	6,187
Remeasurements of defined benefit plans, net of tax	84	71
Share of other comprehensive income of entities accounted for using equity method	(310)	(512)
Total other comprehensive income	5,299	6,944
Comprehensive income	13,178	14,990
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,987	14,745
Comprehensive income attributable to non-controlling interests	191	245

(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 three months ended March 31, 2022, net sales decreased by ¥1,381 million, cost of sales decreased by ¥952 million, and selling, general and administrative expenses decreased by ¥95 million. Operating profit, ordinary profit and profit before income taxes each decreased by ¥333 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 three 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 calculations, 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.

Changes in accounting estimates

Not applicable

Segment information, etc.
Segment information

I. Three months ended March 31, 2021 (from January 1, 2021 to March 31, 2021)

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	46,931	12,755	8,869	68,556	–	68,556
Intersegment sales or transfers	1,089	192	258	1,540	(1,540)	–
Total	48,021	12,948	9,127	70,096	(1,540)	68,556
Segment profit	6,095	1,167	691	7,954	(232)	7,722

- Notes 1. The reconciliation amount of negative ¥232 million for segment profit includes amortization of goodwill of negative ¥92 million, amortization of intangible assets, etc. of negative ¥6 million, negative ¥133 million from reconciliation of inventories, and ¥0 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, 2022 (from January 1, 2022 to March 31, 2022)

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	3,476	5,765	2,172	11,414	–	11,414
Refrigerators	9,665	2,144	8,689	20,499	–	20,499
Dishwashers	3,785	1,954	15	5,755	–	5,755
Dispensers	834	3,774	62	4,671	–	4,671
Non Hoshizaki products	9,436	508	33	9,978	–	9,978
Maintenance and repairs	10,433	1,673	676	12,783	–	12,783
Other Products	6,566	529	259	7,354	–	7,354
Revenue from contracts with customers	44,198	16,349	11,909	72,457	–	72,457
Other revenue	104	–	–	104	–	104
Sales to external customers	44,302	16,349	11,909	72,561	–	72,561
Intersegment sales or transfers	1,492	160	237	1,891	(1,891)	–
Total	45,795	16,510	12,146	74,452	(1,891)	72,561
Segment profit	4,722	1,044	1,259	7,025	(223)	6,802

- Notes 1. The reconciliation amount of negative ¥223 million for segment profit includes amortization of goodwill of negative ¥98 million, amortization of intangible assets, etc. of negative ¥6 million, negative ¥118 million from reconciliation of inventories, and ¥1 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 of the current fiscal year, 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 three months ended March 31, 2022 decreased by ¥1,381 million. In addition, segment profit decreased by ¥333 million in “Japan.”