

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2020 (Based on Japanese GAAP)

August 7, 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>
 Representative: Representative Director, President & COO Yasuhiro Kobayashi
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 Scheduled date to file Quarterly Securities Report: August 11, 2020
 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, 2020 (from January 1, 2020 to June 30, 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	%
Six months ended June 30, 2020	121,078	(19.1)	10,543	(43.4)	10,031	(45.6)	6,484	(49.3)
Six months ended June 30, 2019	149,631	(0.2)	18,631	(13.1)	18,451	(10.4)	12,800	(8.3)

Note: Comprehensive income Six months ended June 30, 2020 ¥3,262 million [(69.9)%]
 Six months ended June 30, 2019 ¥10,843 million [(8.0)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2020	89.55		–	
Six months ended June 30, 2019	176.76		–	

(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, 2020	346,605	237,319	68.0	3,256.25
As of December 31, 2019	351,887	242,038	68.4	3,321.31

Reference: Equity As of June 30, 2020 ¥235,819 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				
Year ended December 31, 2019	–	0.00	–	110.00	110.00
Year ending December 31, 2020	–	0.00			
Year ending December 31, 2020 (Forecast)			–	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
Full year	230,000	(20.7)	15,000	(54.1)	15,300	(55.3)	10,000	(59.1)	138.08

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

Regarding revision of consolidated financial results forecast, please refer to the “Notice Regarding Revision of Financial Forecast” published today, on August 7, 2020.

*Notes

(1) Changes in significant subsidiaries during the six months ended June 30, 2020

(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: No

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, 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 June 30, 2020	1,074 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)

Six months ended June 30, 2020	72,420,613 shares	Six months ended June 30, 2019	72,418,234 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, 2020.

(1) Operating results

The Japanese economy during the six months ended June 30, 2020 saw adverse conditions as large-scale events were cancelled and people refrained from going outside for non-essential and non-urgent reasons, in addition to the temporary closure requests for various types of facilities in association with the announcement of a state of emergency that covered the entire country, in an effort to prevent the spread of the new coronavirus infections (COVID-19).

Looking at overseas, economic activity was suppressed due to the impact of the global spread of COVID-19, and the economy rapidly deteriorated.

Amid such circumstances, in Japan, while working to prevent the spread of COVID-19, the Group focused on promoting sales of flagship products and reaching new customers. However, the Group struggled to expand sales in the food service industry, etc. due to the impact of COVID-19.

In overseas markets, despite working to expand sales of flagship products, the Group was impacted by 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 six months ended June 30, 2020 with net sales of ¥121,078 million (down 19.1% year-on-year). Operating profit was ¥10,543 million (down 43.4% year-on-year). In addition, owing to the recording of foreign exchange losses of ¥1,434 million arising from the translation of foreign-currency assets held to Japanese yen, ordinary profit was ¥10,031 million (down 45.6% year-on-year) and profit attributable to owners of parent was ¥6,484 million (down 49.3% year-on-year).

Operating results by segment are as follows.

a. Japan

In Japan, despite working to expand 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 ¥88,415 million (down 12.2% year-on-year) and segment profit of ¥9,214 million (down 27.5% year-on-year) as a result of limited sales activities necessitated by the impact 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 ¥22,997 million (down 31.8% year-on-year) and segment profit of ¥1,077 million (down 76.2% 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 ¥12,497 million (down 35.9% year-on-year) and segment profit of ¥453 million (down 76.6% 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 June 30, 2020 decreased ¥5,281 million from December 31, 2019 to ¥346,605 million.

Current assets decreased ¥5,728 million from December 31, 2019 to ¥275,615 million. The main factors were decreases in notes and accounts receivable - trade and merchandise and finished goods.

Non-current assets increased ¥446 million from December 31, 2019 to ¥70,989 million. The main factor was an increase in investments and other assets.

Total liabilities as of June 30, 2020 decreased ¥563 million from December 31, 2019 to ¥109,285 million.

Current liabilities decreased ¥464 million from December 31, 2019 to ¥86,413 million. The main factor was a decrease in notes and accounts payable - trade.

Non-current liabilities decreased ¥98 million from December 31, 2019 to ¥22,871 million. The main factor was a decrease in other provisions.

Net assets as of June 30, 2020 decreased ¥4,718 million from December 31, 2019 to ¥237,319 million.

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

Although the forecast of consolidated financial results for the year ending December 31, 2020 had been undetermined because it was difficult to calculate a reasonable forecast due to the impact of the spread of new coronavirus infections, the Group has calculated the forecast of consolidated financial results based on information currently available and projections.

For details, please refer to the “Notice Regarding Revision of Financial Forecast” published today, on August 7, 2020.

2. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	215,093	212,558
Notes and accounts receivable - trade	31,708	28,569
Merchandise and finished goods	16,376	13,630
Work in process	3,495	3,573
Raw materials and supplies	10,464	10,928
Other	4,360	6,603
Allowance for doubtful accounts	(155)	(247)
Total current assets	281,343	275,615
Non-current assets		
Property, plant and equipment	44,303	43,367
Intangible assets	4,695	4,092
Investments and other assets	21,543	23,528
Total non-current assets	70,543	70,989
Total assets	351,887	346,605
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,555	12,481
Income taxes payable	3,519	5,330
Provision for bonuses	3,348	3,673
Other provisions	1,671	1,694
Other	61,783	63,233
Total current liabilities	86,878	86,413
Non-current liabilities		
Retirement benefit liability	18,826	18,970
Other provisions	1,477	1,331
Other	2,666	2,570
Total non-current liabilities	22,970	22,871
Total liabilities	109,848	109,285
Net assets		
Shareholders' equity		
Share capital	8,021	8,021
Capital surplus	14,543	14,543
Retained earnings	222,768	221,287
Treasury shares	(4)	(5)
Total shareholders' equity	245,328	243,846
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	94	11
Foreign currency translation adjustment	(3,196)	(6,494)
Remeasurements of defined benefit plans	(1,695)	(1,543)
Total accumulated other comprehensive income	(4,796)	(8,027)
Non-controlling interests	1,506	1,500
Total net assets	242,038	237,319
Total liabilities and net assets	351,887	346,605

(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, 2019	Six months ended June 30, 2020
Net sales	149,631	121,078
Cost of sales	92,642	75,472
Gross profit	56,988	45,606
Selling, general and administrative expenses	38,357	35,062
Operating profit	18,631	10,543
Non-operating income		
Interest income	998	479
Subsidy income	–	823
Other	261	400
Total non-operating income	1,259	1,703
Non-operating expenses		
Interest expenses	41	17
Foreign exchange losses	1,270	1,434
Temporary layoff expenses	–	672
Other	128	91
Total non-operating expenses	1,439	2,215
Ordinary profit	18,451	10,031
Extraordinary income		
Gain on sales of investment securities	55	44
Other	10	6
Total extraordinary income	66	51
Extraordinary losses		
Loss on abandonment of non-current assets	8	32
Loss on valuation of investment securities	–	84
Other	3	4
Total extraordinary losses	12	121
Profit before income taxes	18,505	9,960
Income taxes - current	8,882	6,049
Income taxes - deferred	(3,326)	(2,671)
Total income taxes	5,555	3,377
Profit	12,950	6,583
Profit attributable to non-controlling interests	149	98
Profit attributable to owners of parent	12,800	6,484

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Profit	12,950	6,583
Other comprehensive income		
Valuation difference on available-for-sale securities	(40)	(83)
Foreign currency translation adjustment	(2,188)	(2,227)
Remeasurements of defined benefit plans, net of tax	122	151
Share of other comprehensive income of entities accounted for using equity method	–	(1,162)
Total other comprehensive income	(2,106)	(3,320)
Comprehensive income	10,843	3,262
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,724	3,254
Comprehensive income attributable to non- controlling interests	119	7

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from operating activities		
Profit before income taxes	18,505	9,960
Depreciation	2,366	2,452
Amortization of goodwill	258	237
Increase (decrease) in retirement benefit liability	470	371
Increase (decrease) in provision for product warranties	(121)	(143)
Increase (decrease) in provision for bonuses	843	318
Interest and dividend income	(1,010)	(486)
Foreign exchange losses (gains)	1,172	984
Decrease (increase) in trade receivables	(8,167)	3,694
Decrease (increase) in inventories	2,235	2,997
Increase (decrease) in trade payables	599	(4,354)
Increase (decrease) in accounts payable - other	(2,712)	(4,102)
Increase (decrease) in accrued expenses	7,586	6,380
Increase (decrease) in advances received	(1,476)	(1,275)
Increase (decrease) in accrued consumption taxes	204	172
Other, net	193	(949)
Subtotal	20,949	16,257
Interest and dividends received	826	555
Interest paid	(49)	(17)
Income taxes paid	(5,278)	(4,212)
Net cash provided by (used in) operating activities	16,448	12,583
Cash flows from investing activities		
Payments into time deposits	(71,004)	(61,879)
Proceeds from withdrawal of time deposits	92,608	75,610
Purchase of property, plant and equipment	(2,408)	(1,865)
Purchase of intangible assets	(237)	(167)
Purchase of investment securities	(63)	(3,364)
Proceeds from redemption of investment securities	1,000	–
Proceeds from sales of investment securities	440	1,350
Purchase of long-term prepaid expenses	(44)	(213)
Other, net	177	116
Net cash provided by (used in) investing activities	20,466	9,586
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	120	154
Repayments of lease obligations	(62)	(205)
Dividends paid	(5,792)	(7,960)
Other, net	(9)	(14)
Net cash provided by (used in) financing activities	(5,744)	(8,026)
Effect of exchange rate change on cash and cash equivalents	(1,949)	(3,404)
Net increase (decrease) in cash and cash equivalents	29,220	10,739
Cash and cash equivalents at beginning of period	89,256	142,803
Cash and cash equivalents at end of period	118,477	153,542

(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

Not applicable

Changes in accounting estimates

Not applicable

Additional information

Accounting estimates associated with the spread of the new coronavirus infections (COVID-19)

Even though the impact of COVID-19 on economic activity differs by region, accounting estimates made in regard to impairment accounting for non-current assets, assessing the recoverability of deferred tax assets and so forth are calculated under the assumption that the impact of COVID-19 will continue for a certain period of time until the fiscal year ending December 31, 2021, despite it gradually coming under control from the latter half of the fiscal year ending December 31, 2020. However, as the economic impact of COVID-19 is highly uncertain, the Group's financial position and operating results may differ from current estimates due to changes in the situation going forward.

Segment information, etc.

Segment information

I. 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 statements 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 statements of income.

II. Six months ended June 30, 2020 (from January 1, 2020 to June 30, 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	86,254	22,691	12,133	121,078	–	121,078
Intersegment sales or transfers	2,161	306	364	2,832	(2,832)	–
Total	88,415	22,997	12,497	123,911	(2,832)	121,078
Segment profit	9,214	1,077	453	10,745	(201)	10,543

- Notes
1. The reconciliation amount of negative ¥201 million for segment profit includes amortization of goodwill of negative ¥204 million, amortization of intangible assets, etc. of negative ¥13 million, negative ¥2 million from reconciliation of inventories, and ¥18 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.