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

November 9, 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		
Inquiries:	Executive Officer	Tadashi Mizutani	TEL: +81-562-96-1320
Scheduled date to file Quarterly Securities Report:	November 11, 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 nine months ended September 30, 2020 (from January 1, 2020 to September 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	%
Nine months ended September 30, 2020	183,499	(19.5)	16,766	(42.9)	15,978	(45.8)	10,553	(48.7)
Nine months ended September 30, 2019	227,936	0.5	29,366	(8.5)	29,484	(10.6)	20,564	(8.6)

Note: Comprehensive income	Nine months ended September 30, 2020	¥5,781 million [(67.8)%]
	Nine months ended September 30, 2019	¥17,957 million [(17.9)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2020	145.72	—
Nine months ended September 30, 2019	283.97	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2020	344,621	239,822	69.1	3,290.07
As of December 31, 2019	351,887	242,038	68.4	3,321.31

Reference: Equity	As of September 30, 2020	¥238,268 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	—	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
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	235,000	(19.0)	16,500	(49.5)	16,000	(53.2)	11,000	(55.0)	151.89

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 November 9, 2020.

*Notes

(1) Changes in significant subsidiaries during the nine months ended September 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 September 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 September 30, 2020	1,102 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)

Nine months ended September 30, 2020	72,420,599 shares	Nine months ended September 30, 2019	72,418,959 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.

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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 September 30, 2020.

(1) Operating results

The Japanese economy during the nine months ended September 30, 2020 continued to see adverse conditions due to personal consumption decreasing as a result of the impact of the spread of the new coronavirus infections (COVID-19) on economic activity and people refraining from going outside. However, signs of movement toward recovery are emerging due to economic activity gradually restarting and the government’s emergency economic measures.

Overseas, economic activities were more affected by the implementation of city lockdowns to prevent the spread of COVID-19 than in Japan. Although there were signs of economic recovery in the U.S., Europe and China particularly in the third quarter of the fiscal year under review, the economic environment remained severe, with signs of re-emergence of COVID-19 in some regions.

Amid such circumstances, in Japan, while working to prevent the spread of COVID-19, the Group focused on expanding sales of flagship products, and reaching new customers. However, the effect of COVID-19 on the food service industry was particularly significant, and the market environment surrounding the Group continued to be challenging.

Overseas, despite our efforts to expand sales of our flagship products, the situation remained largely affected by the global spread of the COVID-19, with restrictions on sales and production activities due to lockdowns, etc.

As a result of the above initiatives, the Group reported operating results for the nine months ended September 30, 2020 with net sales of ¥183,499 million (down 19.5% year-on-year). Operating profit was ¥16,766 million (down 42.9% year-on-year), despite implementing company-wide expense reduction measures. In addition, ordinary profit was ¥15,978 million (down 45.8% year-on-year) and profit attributable to owners of parent was ¥10,553 million (down 48.7% year-on-year).

Operating results by segment are as follows.

a. Japan

In Japan, although the Group promoted sales expansion of refrigerators, ice machines, dishwashers, electrolytic water generators, and other products, cultivated new customers while providing support to customers seeking to expand into the take-out and delivery business in response to the COVID-19 crisis, and continued to reduce costs, the Group generated net sales of ¥132,353 million (down 14.8% year-on-year) and segment profit of ¥13,404 million (down 33.7% year-on-year).

b. Americas

In the Americas, the Group worked to expand sales of ice makers, dispensers and other products, while continuing to reduce costs. Additionally, although the order environment showed a recovery trend, particularly in the third quarter of the fiscal year under review, we were unable to absorb the effect of restrictions on sales and production activities due to the lockdown implemented in the U.S., and the Group generated net sales of ¥35,613 million (down 29.3% year-on-year) and segment profit of ¥2,652 million (down 60.5% year-on-year).

c. Europe / Asia

In Europe and Asia, the Group promoted sales of its main products while continuing to reduce costs. Additionally, although the order environment showed a recovery trend, particularly in the third quarter of the fiscal year under review, we were unable to absorb the effect of restrictions on sales and production activities due to the lockdowns implemented in India and Europe, and the Group generated net sales of ¥19,343 million (down 31.2% year-on-year) and segment profit of ¥933 million (down 67.4% year-on-year).

(2) Financial position

Total assets as of September 30, 2020 decreased ¥7,265 million from December 31, 2019 to ¥344,621 million.

Current assets decreased ¥4,624 million from December 31, 2019 to ¥276,719 million. The main factor was decreases in cash and deposits, and merchandise and finished goods.

Non-current assets decreased ¥2,640 million from December 31, 2019 to ¥67,902 million. The main factor was a decrease in property, plant and equipment.

Total liabilities as of September 30, 2020 decreased ¥5,049 million from December 31, 2019 to ¥104,799 million.

Current liabilities decreased ¥5,115 million from December 31, 2019 to ¥81,762 million. The main factor was a

decrease in notes and accounts payable - trade.

Non-current liabilities increased ¥66 million from December 31, 2019 to ¥23,036 million. The main factor was an increase in retirement benefit liability.

Total net assets as of September 30, 2020 decreased ¥2,215 million from December 31, 2019 to ¥239,822 million.

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

We have revised our forecast of consolidated financial results for the year ending December 31, 2020, which was released on August 7, 2020.

For details, please refer to the “Notice Regarding Revision of Financial Forecast” published today, on November 9, 2020.

2. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of December 31, 2019	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	215,093	212,552
Notes and accounts receivable - trade	31,708	31,984
Merchandise and finished goods	16,376	12,906
Work in process	3,495	3,475
Raw materials and supplies	10,464	10,131
Other	4,360	5,905
Allowance for doubtful accounts	(155)	(236)
Total current assets	281,343	276,719
Non-current assets		
Property, plant and equipment	44,303	42,837
Intangible assets	4,695	3,850
Investments and other assets	21,543	21,214
Total non-current assets	70,543	67,902
Total assets	351,887	344,621
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,555	14,238
Provision for bonuses	3,348	7,748
Other provisions	1,671	1,748
Other	65,302	58,027
Total current liabilities	86,878	81,762
Non-current liabilities		
Retirement benefit liability	18,826	19,047
Other provisions	1,477	1,353
Other	2,666	2,635
Total non-current liabilities	22,970	23,036
Total liabilities	109,848	104,799
Net assets		
Shareholders' equity		
Share capital	8,021	8,021
Capital surplus	14,543	14,543
Retained earnings	222,768	225,355
Treasury shares	(4)	(5)
Total shareholders' equity	245,328	247,914
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	94	15
Foreign currency translation adjustment	(3,196)	(8,193)
Remeasurements of defined benefit plans	(1,695)	(1,467)
Total accumulated other comprehensive income	(4,796)	(9,646)
Non-controlling interests	1,506	1,554
Total net assets	242,038	239,822
Total liabilities and net assets	351,887	344,621

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Net sales	227,936	183,499
Cost of sales	140,806	113,622
Gross profit	87,129	69,877
Selling, general and administrative expenses	57,762	53,110
Operating profit	29,366	16,766
Non-operating income		
Interest income	1,455	596
Subsidy income	—	863
Other	428	650
Total non-operating income	1,884	2,109
Non-operating expenses		
Interest expenses	8	26
Foreign exchange losses	1,556	2,040
Temporary layoff expenses	—	671
Other	201	159
Total non-operating expenses	1,767	2,897
Ordinary profit	29,484	15,978
Extraordinary income		
Gain on sales of investment securities	64	58
Other	3	2
Total extraordinary income	67	61
Extraordinary losses		
Loss on abandonment of non-current assets	13	37
Loss on valuation of investment securities	—	84
Other	11	5
Total extraordinary losses	24	128
Profit before income taxes	29,526	15,911
Income taxes - current	11,187	6,860
Income taxes - deferred	(2,463)	(1,656)
Total income taxes	8,724	5,203
Profit	20,802	10,707
Profit attributable to non-controlling interests	238	154
Profit attributable to owners of parent	20,564	10,553

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2019	Nine months ended September 30, 2020
Profit	20,802	10,707
Other comprehensive income		
Valuation difference on available-for-sale securities	(55)	(79)
Foreign currency translation adjustment	(2,973)	(2,833)
Remeasurements of defined benefit plans, net of tax	184	227
Share of other comprehensive income of entities accounted for using equity method	—	(2,241)
Total other comprehensive income	(2,844)	(4,926)
Comprehensive income	17,957	5,781
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,786	5,703
Comprehensive income attributable to non- controlling interests	171	77

(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

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 collectability 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. Nine months ended September 30, 2019 (from January 1, 2019 to September 30, 2019)

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

(Millions of yen)

	Reportable segment				Reconcili- ation (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Japan	Americas	Europe / Asia	Total		
Net sales						
Sales to external customers	151,400	49,704	26,830	227,936	–	227,936
Intersegment sales or transfers	3,967	684	1,297	5,949	(5,949)	–
Total	155,367	50,389	28,128	233,885	(5,949)	227,936
Segment profit	20,211	6,708	2,858	29,778	(411)	29,366

- Notes 1. The reconciliation amount of negative ¥411 million for segment profit includes amortization of goodwill of negative ¥335 million, amortization of intangible assets, etc. of negative ¥21 million, negative ¥102 million from reconciliation of inventories, and ¥47 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. Nine months ended September 30, 2020 (from January 1, 2020 to September 30, 2020)

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

(Millions of yen)

	Reportable segment				Reconcili- ation (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Japan	Americas	Europe / Asia	Total		
Net sales						
Sales to external customers	129,493	35,157	18,848	183,499	–	183,499
Intersegment sales or transfers	2,859	456	495	3,811	(3,811)	–
Total	132,353	35,613	19,343	187,310	(3,811)	183,499
Segment profit	13,404	2,652	933	16,990	(223)	16,766

- Notes 1. The reconciliation amount of negative ¥223 million for segment profit includes amortization of goodwill of negative ¥304 million, amortization of intangible assets, etc. of negative ¥20 million, ¥87 million from reconciliation of inventories, and ¥13 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.