

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2023 (Based on Japanese GAAP)

February 13, 2024

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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 (in charge of Accounting Department)
 Scheduled date of annual general meeting of shareholders: March 27, 2024
 Scheduled date to commence dividend payments: March 6, 2024
 Scheduled date to file Securities Report: March 27, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results

(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	%
Year ended December 31, 2023	373,563	16.3	43,520	59.0	50,322	35.2	32,835	36.9
Year ended December 31, 2022	321,338	17.1	27,378	9.8	37,226	19.4	23,977	10.6

Note: Comprehensive income Year ended December 31, 2023 ¥50,642 million [16.4%]
 Year ended December 31, 2022 ¥43,506 million [55.1%]

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/ total assets	Operating profit/ net sales
	Yen	Yen	%	%	%
Year ended December 31, 2023	226.66	–	10.6	11.3	11.7
Year ended December 31, 2022	165.52	–	8.8	9.3	8.5

Reference: Share of profit (loss) of entities accounted for using equity method

Year ended December 31, 2023 ¥(1,316) million
 Year ended December 31, 2022 ¥(871) million

- Notes: 1. The Company has split its shares at a ratio of two-for-one common share with July 1, 2022 as the effective date. Earnings per share is calculated assuming that the share split was conducted at the beginning of the previous fiscal year.
 2. The Company finalized provisional accounting treatment pertaining to business combination during the current fiscal year. Accordingly, each figure for the year ended December 31, 2022 reflects the finalization of the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	465,361	332,937	70.6	2,267.49
As of December 31, 2022	423,898	292,500	68.2	1,994.67

Reference: Equity As of December 31, 2023 ¥328,497 million
 As of December 31, 2022 ¥288,949 million

- Notes: 1. The Company has split its shares at a ratio of two-for-one common share with July 1, 2022 as the effective date. Net assets per share is calculated assuming that the share split was conducted at the beginning of the previous fiscal year.
 2. The Company finalized provisional accounting treatment pertaining to business combination during the current fiscal year. Accordingly, each figure as of December 31, 2022 reflects the finalization of the provisional accounting treatment.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2023	37,698	3,286	(10,355)	227,072
Year ended December 31, 2022	5,170	1,941	(13,349)	186,669

Note: The Company finalized provisional accounting treatment pertaining to business combination during the current fiscal year. Accordingly, each figure for the year ended December 31, 2022 reflects the finalization of the provisional accounting treatment.

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2022	–	60.00	–	40.00	–	10,140	42.3	3.7
Year ended December 31, 2023	–	30.00	–	65.00	95.00	13,762	41.9	4.4
Year ending December 31, 2024 (Forecast)	–	45.00	–	50.00	95.00		41.7	

Note: 1. The Company has split its shares at a ratio of two-for-one common share with July 1, 2022 as the effective date. Second quarter-end of the year ended December 31, 2022 shows the amount before the split and fiscal year-end of the year ended December 31, 2022 shows the amount after the split. Annual dividends per share of the year ended December 31, 2022 are not displayed because they cannot be simply totaled by the implementation of stock split. Based on figures after the stock split, the annual dividends per share for the year ended December 31, 2022 were ¥70.00 per share, and the annual dividends per share for the year ended December 31, 2023 increased ¥25.00 in real terms.

2. The Company finalized provisional accounting treatment pertaining to business combination during the current fiscal year. Accordingly, each figure for the year ended December 31, 2022 reflects the finalization of the provisional accounting treatment.

3. Forecast of consolidated financial results for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(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	410,000	9.8	44,000	1.1	46,000	(8.6)	33,000	0.5	227.79

*Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
 Newly included: HOSHIZAKI SOUTHEAST ASIA HOLDINGS PTE. LTD.

(2) 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. Consolidated financial statements, (5) Notes to the consolidated financial statements, Changes in accounting policies” of the attached material.

(3) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	144,875,900 shares	As of December 31, 2022	144,864,000 shares
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b. Number of treasury shares at the end of the period

As of December 31, 2023	3,182 shares	As of December 31, 2022	3,178 shares
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c. Average number of shares during the period

Year ended December 31, 2023	144,868,144 shares	Year ended December 31, 2022	144,857,780 shares
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Note: The Company has split its shares at a ratio of two-for-one common share with July 1, 2022 as the effective date. The number of shares is shown on the assumption that the split was conducted at the beginning of the previous fiscal year.

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2023	72,866	6.8	9,987	2.5	16,992	(20.4)	12,706	(28.5)
Year ended December 31, 2022	68,249	2.4	9,746	(6.2)	21,337	23.3	17,764	40.9

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Year ended December 31, 2023	87.71		—	
Year ended December 31, 2022	122.64		—	

Note: The Company has split its shares at a ratio of two-for-one common share with July 1, 2022 as the effective date. Earnings per share is calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	240,673	147,901	61.5	1,020.91
As of December 31, 2022	236,397	145,130	61.4	1,001.86

Reference: Equity As of December 31, 2023 ¥147,901 million

As of December 31, 2022 ¥145,130 million

Note: The Company has split its shares at a ratio of two-for-one common share with July 1, 2022 as the effective date. Net assets per share is calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

* **Financial results reports are exempt from audit 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. Overview of operating results

The forward-looking matters stated herein are judgments made by the Hoshizaki Group (the “Group”) as of December 31, 2023.

(1) Overview of operating results during the fiscal year ended December 31, 2023

(Operating results during the fiscal year ended December 31, 2023)

During the fiscal year ended December 31, 2023, the Japanese economy continued to gradually recover with the tailwind provided for the restaurant and service industry with COVID-19 being reclassified as a Category V infectious disease, the weak yen and inbound demand, despite negative factors including rising prices and labor shortages. Overseas, although consumption and employment trends held firm, the outlook remained uncertain due to such factors as economic slowdown brought by continued rising prices and prolonged monetary tightening, and the impact and risk in the global economy created by the slowdown of economic growth in China.

Amid such circumstances, supply constraints due to difficulties in procuring materials and parts that had occurred in the previous year were overcome, and the Group focused on expanding sales in the restaurant market and on expanding sales and developing new customers in non-restaurant markets such as retail industry and food processing industry in Japan. The Group also pursued initiatives to create new customer value, including accelerating the use of HFC-free natural refrigerants in domestic products, and announcing the launch of a new service to manage operational and temperature data on cloud servers by adding Wi-Fi modules to equipment.

Overseas, the Group focused on product supply to meet continued solid demand, implemented product price updates as necessary in response to inflation, and worked to improve profitability. In addition, companies acquired by the Group in the previous year contributed to our business performance.

As a result of the above initiatives, the Group reported business results for the fiscal year under review with net sales of ¥373,563 million (up 16.3% year-on-year) and operating profit of ¥43,520 million (up 59.0% year-on-year).

Ordinary profit was ¥50,322 million (up 35.2% year-on-year) mainly due to the recording of interest income and foreign exchange gains, and profit attributable to owners of parent was ¥32,835 million (up 36.9% year-on-year).

Business results by segment are as follows.

a. Japan

In Japan, the Group expanded sales focusing on its flagship products such as refrigerators, ice machines, and dishwashers for the restaurant market with which it deepens engagement and the non-restaurant markets in which it proactively aims to enter. The Group quickly responded to capital investment demand in the food service industry associated with economic recovery and also placed focus with respect to both products and services on addressing various challenges encountered by its customers and providing added value in a manner that contributes to creating a safe and secure food environment. As a result, the Group generated net sales of ¥208,577 million (up 7.8% year-on-year) and segment profit of ¥23,832 million (up 23.5% year-on-year).

b. Americas

In the Americas, difficulties procuring some materials and parts experienced at the start of the year are gradually improving, and we strove to expand sales of ice machines, dispensers, and other products, focusing on initiatives that include productivity enhancements in the manufacturing sector to address solid demand as well as customer development and relationship building. As a result, the Group generated net sales of ¥97,800 million (up 22.7% year-on-year) and segment profit of ¥10,156 million (up 86.4% year-on-year).

c. Europe / Asia

In Europe, we worked to expand sales of our flagship products such as ice machines and refrigerators, and companies we acquired in the previous year contributed to our business performance. As for Asia, sales of refrigerators were high in India and other countries. As a result, the Group generated net sales of ¥75,877 million (up 32.8% year-on-year) and segment profit of ¥11,210 million (up 132.6% year-on-year).

(Outlook for the next fiscal year)

The IMF forecasts a 3.1% global economic growth rate in 2024, which falls below the 3.8% average from 2000 to 2019. The prolonged monetary tightening to combat inflation is expected to impact economic activities, and there is concern that the continued Russian invasion of Ukraine and the conflict in the Middle East may impact the global economy by causing trade to stagnate or by rekindling inflation.

In Japan, although there are concerns about the impact of the global economy stagnation, inflation, and labor shortages, the business environment in which the Company operates is expected to continue to follow a path of gradual growth in terms of service consumption and inbound demand.

Overseas, despite the increasingly challenging business environment in each region mainly due to concerns over macroeconomic impacts and intensifying price competition with competing companies, continued solid demand is expected for ice machines, refrigerators, dispensers, and other products.

As a result, for the full-year earnings forecasts, net sales are expected to be ¥410,000 million (up 9.8% year-on-year), operating profit is expected to be ¥44,000 million (up 1.1% year-on-year), ordinary profit is expected to be ¥46,000 million (down 8.6% year-on-year), and profit attributable to owners of parent is expected to be ¥33,000 million (up 0.5% year-on-year).

The assumed foreign exchange rates in our earnings forecasts are ¥140 to the U.S. dollar and ¥151 to the euro.

* The forward-looking statements, including earnings forecasts, contained in this material are based on information currently available to the Company and on certain assumptions deemed to be reasonable. The Company does not guarantee that they will be achieved. Actual business and other results may differ substantially due to various factors.

(2) Overview of financial position during the fiscal year ended December 31, 2023

a. Overview of assets, liabilities and net assets

Regarding the business combinations with Brema Group S.p.A. acquired on July 1, 2022, and with Beijing Royalkitchen Science and Technology Co., Ltd. acquired on December 22, 2022, provisional accounting treatments were applied to results as of December 31, 2022, but the provisional accounting treatment for each was finalized during the current fiscal year. As such, post-revision amounts resulting from finalization of provisional accounting treatment have been applied for comparison and analysis against the fiscal year ended December 31, 2022.

Total assets as of December 31, 2023 increased ¥41,462 million from December 31, 2022 to ¥465,361 million.

Current assets increased by ¥35,904 million from December 31, 2022 to ¥364,145 million. The main factor was an increase in cash and deposits due to greater profit.

Non-current assets increased by ¥5,557 million from December 31, 2022 to ¥101,215 million. The main factor was an increase in property, plant and equipment.

Total liabilities as of December 31, 2023 increased ¥1,025 million from December 31, 2022 to ¥132,424 million.

Current liabilities increased by ¥1,651 million from December 31, 2022 to ¥104,638 million. The main factor was an increase in income taxes payable.

Non-current liabilities decreased by ¥625 million from December 31, 2022 to ¥27,785 million.

Total net assets as of December 31, 2023 increased ¥40,436 million from December 31, 2022 to ¥332,937 million. The main factors were increases in retained earnings and foreign currency translation adjustment.

b. Overview of cash flows

Cash and cash equivalents as of December 31, 2023 increased ¥40,403 million from December 31, 2022 to ¥227,072 million. The respective cash flow positions and the factors thereof in the fiscal year ended December 31, 2023 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥37,698 million (¥5,170 million provided in the previous fiscal year). The main factors were profit before income taxes of ¥48,378 million, while income taxes paid of ¥14,229 million.

(Cash flows from investing activities)

Net cash provided by investing activities amounted to ¥3,286 million (¥1,941 million provided in the previous fiscal year). The main factors were purchase of property, plant and equipment of ¥6,132 million, while proceeds from net decrease of time deposits of ¥14,213 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥10,355 million (¥13,349 million used in the previous fiscal year). The main factor was dividends paid of ¥10,138 million.

(3) Basic policy regarding profit distribution and dividend payments for the current and next fiscal year

The Company recognizes the distribution of profits as an important management policy. The basic policy is to stably distribute profits to shareholders upon comprehensively judging the financial conditions and profit conditions, etc., of the Company and the Group, while increasing the retained earnings needed to respond to stable corporate growth for the future and changes in the business environment.

With regard to shareholder returns, we aim to achieve a total return ratio of 40% or more, and we will return profits to shareholders in accordance with profit growth while maintaining a continuous and stable dividend and will also consider the acquisition of treasury shares in an adaptive and flexible manner, taking into consideration the stock price level, investment plans, and capital efficiency.

Based on the basic policy, the Company has set its year-end dividend at ¥65 per share for the fiscal year ended December 31, 2023. In addition, in order to improve the liquidity of shares and expand the investor base, the Company conducted a stock split at a ratio of two-for-one common share with July 1, 2022 as the effective date. Combined with the interim dividend (¥30 per share), on a post-share-split basis, the annual dividend of ¥95 per share increased by ¥25 in real terms from the dividend in the previous fiscal year.

In addition, the forecast of dividends for the next fiscal year includes an interim dividend of ¥45 and a year-end dividend of ¥50 per share.

2. Basic approach to the selection of accounting standards

The Group currently has a policy to prepare the consolidated financial statements based on the generally accepted accounting standards in Japan (Japanese GAAP), giving consideration to the possibility of comparing the consolidated financial statements between terms.

With respect to the timing of application of International Financial Reporting Standards (IFRS), our policy is to respond appropriately while considering various domestic and overseas circumstances.

3. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	226,065	254,530
Notes and accounts receivable - trade, and contract assets	45,783	52,026
Merchandise and finished goods	17,806	19,962
Work in process	6,797	7,324
Raw materials and supplies	27,222	24,977
Other	5,055	5,873
Allowance for doubtful accounts	(489)	(549)
Total current assets	328,240	364,145
Non-current assets		
Property, plant and equipment		
Buildings and structures	49,578	52,512
Accumulated depreciation	(31,520)	(33,169)
Buildings and structures, net	18,057	19,343
Machinery, equipment and vehicles	38,779	41,050
Accumulated depreciation	(30,874)	(32,550)
Machinery, equipment and vehicles, net	7,904	8,500
Tools, furniture and fixtures	24,187	26,072
Accumulated depreciation	(22,151)	(23,532)
Tools, furniture and fixtures, net	2,036	2,539
Land	15,279	15,621
Leased assets	2,270	3,499
Accumulated depreciation	(884)	(1,613)
Leased assets, net	1,386	1,886
Construction in progress	4,845	5,142
Total property, plant and equipment	49,510	53,034
Intangible assets		
Goodwill	9,549	9,382
Other	8,408	8,974
Total intangible assets	17,957	18,357
Investments and other assets		
Investment securities	15,279	17,067
Deferred tax assets	10,919	10,723
Other	2,206	2,245
Allowance for doubtful accounts	(214)	(211)
Total investments and other assets	28,190	29,823
Total non-current assets	95,658	101,215
Total assets	423,898	465,361

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	32,714	30,308
Income taxes payable	4,066	5,952
Contract liabilities	36,376	35,959
Provision for product warranties	2,434	3,273
Other provisions	3,486	3,855
Other	23,908	25,289
Total current liabilities	102,987	104,638
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	226	215
Retirement benefit liability	21,560	21,451
Provision for product warranties	1,881	1,564
Other	4,742	4,554
Total non-current liabilities	28,411	27,785
Total liabilities	131,398	132,424
Net assets		
Shareholders' equity		
Share capital	8,070	8,098
Capital surplus	14,593	14,620
Retained earnings	252,140	274,766
Treasury shares	(8)	(8)
Total shareholders' equity	274,795	297,476
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65	216
Foreign currency translation adjustment	15,914	32,038
Remeasurements of defined benefit plans	(1,826)	(1,233)
Total accumulated other comprehensive income	14,153	31,021
Non-controlling interests	3,550	4,439
Total net assets	292,500	332,937
Total liabilities and net assets	423,898	465,361

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

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	321,338	373,563
Cost of sales	209,642	237,501
Gross profit	111,695	136,062
Selling, general and administrative expenses	84,317	92,541
Operating profit	27,378	43,520
Non-operating income		
Interest income	1,469	4,826
Foreign exchange gains	9,032	3,027
Other	549	640
Total non-operating income	11,051	8,494
Non-operating expenses		
Interest expenses	42	80
Share of loss of entities accounted for using equity method	871	1,316
Other	289	295
Total non-operating expenses	1,203	1,692
Ordinary profit	37,226	50,322
Extraordinary income		
Gain on sale of investment securities	54	59
Gain on sale of non-current assets	26	37
Other	0	-
Total extraordinary income	81	96
Extraordinary losses		
Business restructuring expenses	3,122	-
Impairment losses	6	1,999
Other	84	41
Total extraordinary losses	3,212	2,040
Profit before income taxes	34,095	48,378
Income taxes - current	11,161	15,720
Income taxes - deferred	(1,590)	(889)
Total income taxes	9,571	14,830
Profit	24,523	33,547
Profit attributable to non-controlling interests	546	712
Profit attributable to owners of parent	23,977	32,835

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	24,523	33,547
Other comprehensive income		
Valuation difference on available-for-sale securities	60	151
Foreign currency translation adjustment	14,157	14,402
Remeasurements of defined benefit plans, net of tax	(430)	592
Share of other comprehensive income of entities accounted for using equity method	5,194	1,949
Total other comprehensive income	18,982	17,095
Comprehensive income	43,506	50,642
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	42,883	49,703
Comprehensive income attributable to non-controlling interests	622	939

(3) Consolidated statements of changes in equity

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,052	14,574	239,958	(6)	262,579
Cumulative effects of changes in accounting policies			518		518
Restated balance	8,052	14,574	240,476	(6)	263,097
Changes during period					
Issuance of new shares	18	18			36
Dividends of surplus			(12,312)		(12,312)
Profit attributable to owners of parent			23,977		23,977
Purchase of treasury shares				(2)	(2)
Change in scope of consolidation					
Net changes in items other than shareholders' equity					
Total changes during period	18	18	11,664	(2)	11,698
Balance at end of period	8,070	14,593	252,140	(8)	274,795

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4	(3,361)	(1,395)	(4,752)	2,035	259,862
Cumulative effects of changes in accounting policies						518
Restated balance	4	(3,361)	(1,395)	(4,752)	2,035	260,380
Changes during period						
Issuance of new shares						36
Dividends of surplus						(12,312)
Profit attributable to owners of parent						23,977
Purchase of treasury shares						(2)
Change in scope of consolidation						
Net changes in items other than shareholders' equity	60	19,276	(430)	18,906	1,515	20,421
Total changes during period	60	19,276	(430)	18,906	1,515	32,120
Balance at end of period	65	15,914	(1,826)	14,153	3,550	292,500

Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,070	14,593	252,140	(8)	274,795
Changes during period					
Issuance of new shares	27	27			54
Dividends of surplus			(10,140)		(10,140)
Profit attributable to owners of parent			32,835		32,835
Purchase of treasury shares				(0)	(0)
Change in scope of consolidation			(69)		(69)
Net changes in items other than shareholders' equity					
Total changes during period	27	27	22,625	(0)	22,680
Balance at end of period	8,098	14,620	274,766	(8)	297,476

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	65	15,914	(1,826)	14,153	3,550	292,500
Changes during period						
Issuance of new shares						54
Dividends of surplus						(10,140)
Profit attributable to owners of parent						32,835
Purchase of treasury shares						(0)
Change in scope of consolidation						(69)
Net changes in items other than shareholders' equity	151	16,124	592	16,867	889	17,756
Total changes during period	151	16,124	592	16,867	889	40,436
Balance at end of period	216	32,038	(1,233)	31,021	4,439	332,937

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	34,095	48,378
Depreciation	5,928	6,874
Impairment losses	6	1,999
Amortization of goodwill	700	676
Increase (decrease) in retirement benefit liability	860	771
Increase (decrease) in provision for product warranties	473	261
Increase (decrease) in provision for bonuses	462	324
Interest and dividend income	(1,490)	(4,851)
Foreign exchange losses (gains)	(8,679)	(2,675)
Share of loss (profit) of entities accounted for using equity method	871	1,316
Business restructuring expenses	3,122	–
Decrease (increase) in trade receivables and contract assets	(5,445)	(3,821)
Decrease (increase) in inventories	(16,801)	3,133
Increase (decrease) in trade payables	3,382	(4,251)
Increase (decrease) in accounts payable - other	976	247
Increase (decrease) in accrued expenses	338	525
Increase (decrease) in advances received	(332)	(301)
Increase (decrease) in accrued consumption taxes	(116)	(315)
Increase (decrease) in contract liabilities	(629)	(416)
Other, net	(331)	784
Subtotal	17,391	48,658
Interest and dividends received	1,419	4,348
Interest paid	(45)	(70)
Payment for business restructuring expenses	–	(1,007)
Income taxes paid	(13,594)	(14,229)
Net cash provided by (used in) operating activities	5,170	37,698
Cash flows from investing activities		
Payments into time deposits	(161,785)	(67,430)
Proceeds from withdrawal of time deposits	188,833	81,643
Purchase of property, plant and equipment	(5,156)	(6,132)
Purchase of intangible assets	(444)	(916)
Purchase of investment securities	(4,925)	(3,976)
Proceeds from sale of investment securities	4,335	62
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(18,748)	–
Purchase of long-term prepaid expenses	(331)	(217)
Other, net	164	252
Net cash provided by (used in) investing activities	1,941	3,286
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	287
Dividends paid	(12,306)	(10,138)
Repayments of lease liabilities	(325)	(453)
Repayments of long-term borrowings	(690)	–
Other, net	(27)	(50)
Net cash provided by (used in) financing activities	(13,349)	(10,355)
Effect of exchange rate change on cash and cash equivalents	11,290	8,673
Net increase (decrease) in cash and cash equivalents	5,053	39,301
Cash and cash equivalents at beginning of period	181,615	186,669
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	–	1,101
Cash and cash equivalents at end of period	186,669	227,072

(5)Notes to the consolidated financial statements

Notes on premise of going concern

Not applicable

Significant matters forming the basis of preparing the consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries:

56

Names of the significant consolidated subsidiaries

HOSHIZAKI TOKYO CO., LTD., HOSHIZAKI TOKAI CO., LTD., HOSHIZAKI KEIHAN CO., LTD., HOSHIZAKI KITAKYU CO., LTD., HOSHIZAKI AMERICA, INC. and Western Refrigeration Private Limited

In the current fiscal year, HOSHIZAKI SALES CO., LTD., HOSHIZAKI SOUTHEAST ASIA HOLDINGS PTE. LTD., and HOSHIZAKI DE MEXICO, S. DE R.L. DE C.V. were newly established, and given its importance, NAOMI Co., Ltd., which was a non-consolidated subsidiary in the previous fiscal year, was newly added to the scope of consolidation. Furthermore, as Finimma S.r.l. and Imma Immobiliare S.p.A. were dissolved in an absorption-type merger in which Brema Group S.p.A. became the surviving company, they were removed from the scope of consolidation.

(2) Status of non-consolidated subsidiaries

(2) Names of non-consolidated subsidiaries

Non-consolidated subsidiaries

LANCER DO BRASIL INDUSTRIA E COMERCIO LTDA. and Haikawa Industries Private Limited

The non-consolidated subsidiaries are excluded from the scope of consolidation because their operations are relatively small, and their total assets, net sales, profit or loss (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest) and others do not have a significant impact on the consolidated financial statements.

2. Application of the equity method

(1) Number of non-consolidated subsidiaries and associates accounted for using the equity method:

1

Name of the equity-method company

Öztiryakiler Madeni ESYA Sanayi ve Ticaret Anonim Sirketi

(2) Names of non-consolidated subsidiaries not accounted for using the equity method

LANCER DO BRASIL INDUSTRIA E COMERCIO LTDA. and Haikawa Industries Private Limited

The above subsidiaries are excluded from the scope of the application of the equity method because such exclusion has an immaterial effect on the consolidated financial statements in terms of profit or loss (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest) and others, and are not material as a whole.

3. Fiscal years of consolidated subsidiaries

With the exception of one domestic subsidiary, all our consolidated subsidiaries have the same fiscal year as the Company.

Furthermore, in preparing our consolidated financial statements, for companies with differing fiscal years, we use financial statements that are current as of September 30 and make the necessary adjustments in consolidation for important transactions that occur between fiscal year-end dates.

4. Accounting policies

(1) Valuation basis and methods for significant assets

a. Securities

Held-to-maturity debt securities

Amortized cost method (using the straight-line method)

Available-for-sale securities

Securities other than shares, etc. with no market value

Market value method based on the quoted market price at the fiscal year-end date (All valuation differences are accounted for as a component of net assets with the cost of securities sold determined using the moving-average method.)

Shares, etc. with no market value

Cost method using the moving-average method

b. Inventories

(i) Valuation basis:

primarily by the cost method (The amount carried on the balance sheet is calculated by writing down the book value based on lowered profitability.)

(ii) Valuation methods

Merchandise:

primarily by the specific identification method

Finished goods and work in process:

primarily by the weighted average method

Raw materials and supplies:

primarily by the first-in, first-out (FIFO) method

(2) Depreciation methods for significant depreciable assets

a. Property, plant and equipment (except for leased assets)

Buildings (except for facilities attached to buildings)

The Company has adopted the declining balance method while its consolidated subsidiaries have adopted the straight-line method.

Others

The Company and its domestic consolidated subsidiaries have adopted the declining balance method while its overseas consolidated subsidiaries have adopted the straight-line method.

However, a portion of its consolidated subsidiaries have adopted the straight-line method for facilities attached to buildings and structures acquired on or after April 1, 2016.

Useful lives of major assets

Buildings and structures: 5 to 50 years

Machinery, equipment and vehicles: 4 to 15 years

b. Intangible assets (except for leased assets)

The straight-line method

c. Leased assets

The Company has adopted the straight-line method using the lease term as the useful life, with a residual value of zero.

(3) Reporting basis for significant allowances and provisions

a. Allowance for doubtful accounts

To prepare for bad debt losses on trade receivables, loan receivables, etc., the Company and its domestic consolidated subsidiaries have provided for allowances for doubtful accounts at uncollectible amounts estimated based either on historical bad debt loss percentage in the case of general receivables, or on individual consideration of collectability in the case of specific receivables such as doubtful receivables. Its overseas consolidated subsidiaries have provided for allowances for doubtful accounts primarily for specific receivables at estimated uncollectible amounts.

b. Provision for bonuses

To prepare for the payment of bonuses to employees, the Company and its certain consolidated subsidiaries have recorded a portion to be borne during the current fiscal year out of the total estimated amount of payment.

c. Provision for product warranties

To prepare for costs of after-sales services, the Company and its certain consolidated subsidiaries have recorded an estimated amount of service costs to be incurred in the future.

d. Provision for retirement benefits for directors (and other officers)

To prepare for the payment of retirement benefits for directors and other officers, domestic consolidated subsidiaries of the Company have recorded an amount to be paid at the end of the current fiscal year based on the internal rules.

(4) Accounting for retirement benefits

To prepare for the payment of retirement benefits to employees, the Company and its certain consolidated subsidiaries have recorded an amount deemed accrued at the end of the current fiscal year based on the projected amounts of retirement benefit liability and pension assets as of the end of the current fiscal year.

a. Attribution method for estimated retirement benefits

In the calculation of retirement benefit liability, the benefit formula basis is used to attribute the estimated amount of retirement benefits to the period up to the end of the current fiscal year.

b. Accounting for actuarial gains and losses

Actuarial gains and losses are expensed on a straight-line basis at an amount allocated proportionally over a certain period within the average remaining service years of employees (mainly 10 years) as of the time of accrual in each fiscal year from the fiscal year following the respective fiscal year of recognition.

(5) Reporting basis for significant revenue and expenses

The business activities of the Company and its consolidated subsidiaries mainly consist of the manufacture and sale of food service equipment, and the provision of maintenance services.

- Sale of products, installation work, etc.

Regarding the sale of products (excluding contract work), the provision of products and installation work are each identified as a performance obligation. For the provision of products, revenue is recognized upon delivery of the products to the customer because that is when legal ownership, physical possession, and the significant risks and rewards of ownership of the products are transferred to the customer and it is judged that the performance obligation has been satisfied. For installation work, revenue is recognized as the performance obligation is satisfied over a certain period. Regarding the measurement of the progress, the progress is reasonably measured using the input method based on the proportion of the costs actually incurred to the estimated total costs, and revenue is recognized in accordance with the measured progress.

On the other hand, regarding contract work, the construction work as a whole is identified as a single performance obligation, and revenue is recognized as the performance obligation is satisfied over a certain period based on the progress. Regarding the measurement of the progress, the progress is reasonably measured using the input method based on the proportion of the costs actually incurred to the estimated total costs, and revenue is recognized in accordance with the measured progress.

- Maintenance services

For maintenance services, the provision of services to maintain products is identified as a performance obligation. Regarding the provision of maintenance services, the services are provided over the contract period, and revenue is recognized as the Company judges that its performance obligation is satisfied over that period.

The consideration related to the sale of these products and the provision of services is primarily received within one year after recognition of the revenue and does not include a significant financing component.

(6) Basis for translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate at the fiscal year-end date, and exchange rate differences are accounted for as gains or losses. In addition, assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rate at the fiscal year-end date, and their revenues and expenses are translated into Japanese yen at the average exchange rate for the period. Exchange rate differences are included in foreign currency translation adjustment and non-controlling interests in the net assets section.

(7) Amortization method and period of goodwill

Goodwill is amortized on a straight-line basis mainly over 18 years.

(8) Scope of funds in the consolidated statement of cash flows

The scope of funds includes cash on hand, demand deposits and highly-liquid short-term investments with a maturity of three months or less at acquisition that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Changes in accounting policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the “Implementation Guidance on Accounting Standard for Fair Value Measurement”) effective from the beginning of the current fiscal year and will apply the new accounting policy established by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no effect on the consolidated financial statements.

Notes to consolidated statements of income

Details of impairment losses are as follows.

Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

The major asset for which impairment losses were recognized is as follows.

Company name	Location	Used for	Type of assets	Amount (Millions of yen)
Beijing Royalkitchen Science and Technology Co., Ltd.	Beijing, China	Business assets	Intangible assets	418
		Other	Goodwill	1,140

In the fiscal year ended December 31, 2023, the Company reduced the carrying amount of the goodwill and intangible assets of the consolidated subsidiary Beijing Royalkitchen Science and Technology Co., Ltd. to the recoverable value based on the results of a conservative review of the medium-term business plan in consideration of the slowing of economic growth in China. In addition, the Company also recognized impairment losses of ¥439 million.

Segment information, etc.

Segment information

I. Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

1. 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 consolidated financial statements (Note 2) (Note 3)
	Japan	Americas	Europe / Asia	Total		
Net sales						
Ice machines	15,338	28,417	15,934	59,689	–	59,689
Refrigerators	46,536	10,526	35,090	92,153	–	92,153
Dishwashers	12,519	8,379	82	20,980	–	20,980
Dispensers	4,392	19,033	372	23,798	–	23,798
Non Hoshizaki products	36,779	858	255	37,892	–	37,892
Maintenance and repairs	44,231	9,381	3,018	56,631	–	56,631
Other Products	26,216	2,458	1,092	29,767	–	29,767
Revenue from contracts with customers	186,014	79,054	55,845	320,913	–	320,913
Other revenue	424	–	–	424	–	424
Sales to external customers	186,439	79,054	55,845	321,338	–	321,338
Intersegment sales or transfers	6,968	649	1,312	8,930	(8,930)	–
Total	193,407	79,703	57,158	330,268	(8,930)	321,338
Segment profit	19,299	5,447	4,820	29,567	(2,189)	27,378

- Notes
1. The reconciliation amount of negative ¥2,189 million for segment profit includes amortization of goodwill of negative ¥652 million, amortization of intangible assets, etc. of negative ¥731 million, negative ¥814 million from reconciliation of inventories, and ¥9 million from reconciliation of transactions with other segments and miscellaneous items.
 2. Segment profit has been reconciled with operating profit in the consolidated financial statements.
 3. The Company finalized provisional accounting treatment pertaining to business combination during the current fiscal year. Accordingly, segment profit reflects the content of the finalized provisional accounting treatment.

II. Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

1. 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 consolidated financial statements (Note 2)
	Japan	Americas	Europe / Asia	Total		
Net sales						
Ice machines	17,040	38,051	25,361	80,454	–	80,454
Refrigerators	51,469	7,744	40,300	99,514	–	99,514
Dishwashers	13,947	10,694	194	24,836	–	24,836
Dispensers	5,797	25,485	761	32,045	–	32,045
Non Hoshizaki products	38,800	1,176	360	40,337	–	40,337
Maintenance and repairs	46,298	11,256	4,064	61,620	–	61,620
Other Products	28,217	2,482	3,615	34,314	–	34,314
Revenue from contracts with customers	201,571	96,892	74,658	373,123	–	373,123
Other revenue	439	–	–	439	–	439
Sales to external customers	202,011	96,892	74,658	373,563	–	373,563
Intersegment sales or transfers	6,566	907	1,218	8,691	(8,691)	–
Total	208,577	97,800	75,877	382,255	(8,691)	373,563
Segment profit	23,832	10,156	11,210	45,199	(1,678)	43,520

- Notes
1. The reconciliation amount of negative ¥1,678 million for segment profit includes amortization of goodwill of negative ¥624 million, amortization of intangible assets, etc. of negative ¥729 million, negative ¥348 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 consolidated financial statements.

Related information

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

1. Information by product and service

(Millions of yen)

	Ice machines	Refrigerators	Dish-washers	Dis-pensers	Non Hoshizaki products	Main-tenance and repairs	Others	Total
Sales to external customers	59,689	92,153	20,980	23,798	37,892	56,631	30,192	321,338

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Americas	Other regions	Total
186,524	72,268	62,545	321,338

Note Net sales are classified into countries or regions based on customers' location.

Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

1. Information by product and service

(Millions of yen)

	Ice machines	Refrigerators	Dish-washers	Dis-pensers	Non Hoshizaki products	Main-tenance and repairs	Others	Total
Sales to external customers	80,455	99,514	24,836	32,045	40,337	61,620	34,754	373,563

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Americas	Other regions	Total
202,073	89,143	82,346	373,563

Note Net sales are classified into countries or regions based on customers' location.

Business combination

Finalization of provisional accounting treatment pertaining to business combination

Regarding the business combination with Brema Group S.p.A., acquired on July 1, 2022, provisional accounting treatment was applied to results of the fiscal year ended December 31, 2022, but the provisional accounting treatment was finalized during the current fiscal year.

The comparative information presented in the consolidated financial statements as of December 31, 2023, reflect material revisions to amounts initially allocated to acquisition cost accompanying finalization of provisional accounting treatment.

As a result, goodwill previously calculated as ¥14,593 million on a provisional basis has been lowered by ¥6,151 million to ¥8,442 million due to finalization of accounting treatment. The decrease in goodwill is attributable to increases in inventories of ¥127 million, property, plant and equipment of ¥1,673 million, other under intangible assets of ¥6,292 million, and other under non-current liabilities of ¥1,942 million. In addition, as of December 31, 2022, property, plant and equipment increased by ¥1,610 million, other under intangible assets increased by ¥5,712 million, and other under non-current liabilities increased by ¥1,757 million, while goodwill decreased by ¥5,942 million, retained earnings decreased by ¥368 million, and foreign currency translation adjustment decreased by ¥8 million. In the consolidated statement of income for the fiscal year ended December 31, 2022, gross profit decreased by ¥123 million, operating profit decreased by ¥536 million, ordinary profit decreased by ¥536 million, and profit attributable to owners of parent decreased by ¥368 million.

Regarding the business combination with Beijing Royalkitchen Science and Technology Co., Ltd., acquired on December 22, 2022, provisional accounting treatment was applied to results of the fiscal year ended December 31, 2022, but the provisional accounting treatment was finalized during the current fiscal year.

The comparative information presented in the consolidated financial statements as of December 31, 2023, reflect material revisions to amounts initially allocated to acquisition cost accompanying finalization of provisional accounting treatment.

As a result, goodwill previously calculated as ¥1,438 million on a provisional basis has been lowered by ¥260 million to ¥1,178 million due to finalization of accounting treatment. The decrease in goodwill is attributable to increases in other under intangible assets of ¥601 million, other under non-current liabilities of ¥90 million, and non-controlling interests of ¥250 million. In addition, as of December 31, 2022, other under intangible assets increased by ¥601 million, other under non-current liabilities increased by ¥90 million, and non-controlling interests increased by ¥250 million, while goodwill decreased by ¥260 million.

Per share information

	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Net assets per share	¥1,994.67	¥2,267.49
Earnings per share	¥165.52	¥226.66

- Notes
1. The Company has split its shares at a ratio of two-for-one common share on July 1, 2022. Net assets per share and earnings per share are calculated assuming that the share split was conducted at the beginning of the previous fiscal year.
 2. Diluted earnings per share is not presented since no potential shares exist.
 3. In the current fiscal year, we finalized the provisional accounting associated with business combinations, and for the previous fiscal year, the figure for the acquisition price reflects important revisions to the initial allocated amount due to the finalization of the provisional accounting.
 4. The basis of the calculation of earnings per share is as follows:

	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Profit attributable to owners of parent (Millions of yen)	23,977	32,835
Amounts not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common shares (Millions of yen)	23,977	32,835
Average number of shares during the period (Thousands of shares)	144,858	144,868

Significant subsequent events

Not applicable

4. Other

(1) Changes in Directors

a. Change in Representative Director

Not applicable

b. Changes in other Directors

• New candidates for Director

Director who is an Audit & Supervisory Committee Member Yoshimi Horinishi

Notes 1. Yoshimi Horinishi is a candidate for outside Director.

2. Subject to approval of the 78th Annual General Meeting of Shareholders to be held on March 27, 2024.

• Directors scheduled to retire

Director who is an Audit & Supervisory Committee Member Shigeru Motomatsu

Notes 1. Shigeru Motomatsu is an outside Director.

2. His term of office will expire at the conclusion of the 78th Annual General Meeting of Shareholders to be held on March 27, 2024.

c. Scheduled date of assumption of office and retirement

March 27, 2024

(2) Other

Not applicable