

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended September 30, 2024 (Based on Japanese GAAP)

November 12, 2024

Company name: HOSHIZAKI CORPORATION
 Stock exchange listing: Tokyo Stock Exchange and Nagoya Stock Exchange
 Securities code: 6465 URL: <http://www.hoshizaki.co.jp>
 Representative: Representative Director, President & CEO Yasuhiro Kobayashi
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 Scheduled date to commence dividend payments: –
 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 nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024)

(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, 2024	331,263	17.4	42,934	20.7	47,550	9.6	30,589	1.9
Nine months ended September 30, 2023	282,154	18.0	35,577	54.7	43,380	13.2	30,016	14.3

Note: Comprehensive income
 Nine months ended September 30, 2024 ¥34,110 million [(38.1)%]
 Nine months ended September 30, 2023 ¥55,141 million [(2.5)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2024	212.21	–
Nine months ended September 30, 2023	207.20	–

(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, 2024	513,834	353,932	65.7	2,359.66
As of December 31, 2023	465,361	332,937	70.6	2,267.49

Reference: Equity
 As of September 30, 2024 ¥337,404 million
 As of December 31, 2023 ¥328,497 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, 2023	–	30.00	–	65.00	95.00
Year ending December 31, 2024	–	45.00	–		
Year ending December 31, 2024 (Forecast)				50.00	95.00

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

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	430,000	15.1	48,500	11.4	54,000	7.3	34,000	3.5	236.31

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” released today (November 12, 2024).

*Notes

(1) Significant changes in the scope of consolidation during the nine months ended September 30, 2024: Yes

Newly included: Oztiryakiler Madeni Esya Sanayi ve Ticaret Anonim Sirketi, TECHNOLUX EQUIPMENT AND SUPPLY CORPORATION, and HKR EQUIPMENT CORPORATION

(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, 2024	144,890,100 shares	As of December 31, 2023	144,875,900 shares
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b. Number of treasury shares at the end of the period

As of September 30, 2024	1,901,729 shares	As of December 31, 2023	3,182 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, 2024	144,148,280 shares	Nine months ended September 30, 2023	144,866,772 shares
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* **Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: No**

* **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 HOSHIZAKI CORPORATION (the “Company”) as of September 30, 2024.

(1) Overview of operating results during the period

During the nine months ended September 30, 2024, the Japanese economy continued to demonstrate a moderate recovery with the Nikkei Stock Average recording fresh highs against a backdrop of rising prices, greater wage hikes at companies, and changes in the Bank of Japan’s monetary policy. Inbound demand has also remained at a record-high level due in part to the weak yen.

Overseas, despite the underlying strength in the United States economy and the slowing trend in inflation, except in some countries, the uncertainty in the economic outlook is increasing, mainly due to economic stagnation in Europe and China and continuing concerns over the situation in the Middle East region, while the IMF World Economic Outlook released in October maintained the view that the global economy would grow 3.2% in 2024 (flat from 3.2% in the previous outlook).

Amid such circumstances, the Group focused on expanding sales in the restaurant market and in non-restaurant markets such as accommodation facilities, retail industry and hospitals and welfare facilities in Japan. Overseas, the Group focused on product supply to meet continued demand and worked to improve profitability.

As a result of the above, the Group reported operating results for the nine months ended September 30, 2024 with net sales of ¥331,263 million (up 17.4% year-on-year), operating profit of ¥42,934 million (up 20.7% year-on-year), ordinary profit of ¥47,550 million (up 9.6% year-on-year) and profit attributable to owners of parent of ¥30,589 million (up 1.9% year-on-year) mainly due to the recording of loss on step acquisitions as extraordinary losses.

The operating results by segment are as follows:

The Group has changed reportable segments from the first quarter of the current fiscal year. The following comparisons with the same period of the previous fiscal year are based on figures for the same period of the previous fiscal year that have been reclassified into new reportable segments. For details, please refer to “Notes (Notes to segment information, etc.)”

a. Japan

In Japan, the Group expanded sales focusing on its flagship products such as refrigerators and ice machines using HFC-free natural refrigerants, and dishwashers for the restaurant market with which it deepens engagement and the non-restaurant markets in which it proactively aims to develop. In the restaurant and service industries in particular, the Group focused on responding to rising demand for capital investment amid an inbound recovery, etc., although it continued to struggle with cost increases in raw materials, labor, etc., serious labor shortage, and other difficulties. As a result, the Group generated net sales of ¥173,636 million (up 8.2% year-on-year) and segment profit of ¥25,647 million (up 22.2% year-on-year).

b. Americas

In the Americas, amid an intensifying competitive environment, we strove to expand sales of ice machines, dispensers, dishwashers, and other products, focusing on initiatives that include productivity enhancement in the manufacturing sector as well as customer development and relationship building. As a result, the Group generated net sales of ¥80,983 million (up 10.7% year-on-year) and segment profit of ¥9,110 million (up 20.8% year-on-year).

c. Europe

In Europe, we focused our efforts on mainly strengthening collaboration between Group companies and endeavored to expand sales of its flagship products, such as ice machines and refrigerators. On the other hand, as a result of the impact of the hyperinflationary economy in Türkiye on profits and other factors, the Group generated net sales of ¥39,805 million (up 92.6% year-on-year) and segment profit of ¥2,626 million (down 8.6% year-on-year).

d. Asia

As for Asia, sales of refrigerators were high mainly in India. As a result, the Group generated net sales of ¥46,218 million (up 30.4% year-on-year) and segment profit of ¥7,618 million (up 39.2% year-on-year).

(2) Overview of financial position during the period

Total assets as of September 30, 2024 increased by ¥48,473 million from December 31, 2023 to ¥513,834 million.

Current assets increased by ¥6,795 million from December 31, 2023 to ¥370,940 million. The main factors were increases in notes and accounts receivable - trade, and contract assets, merchandise and finished goods, and raw materials and supplies, despite a decrease in cash and deposits.

Non-current assets increased by ¥41,678 million from December 31, 2023 to ¥142,894 million. The main factors were increases in property, plant and equipment and goodwill.

Total liabilities as of September 30, 2024 increased by ¥27,478 million from December 31, 2023 to ¥159,902 million.

Current liabilities increased by ¥21,007 million from December 31, 2023 to ¥125,646 million. The main factors were increases in notes and accounts payable - trade, short-term borrowings and provision for bonuses.

Non-current liabilities increased by ¥6,470 million from December 31, 2023 to ¥34,256 million.

Total net assets as of September 30, 2024 increased by ¥20,995 million from December 31, 2023 to ¥353,932 million. The main factors were increases in retained earnings and non-controlling interests, despite a decrease in net assets due to purchase of treasury shares.

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

We have revised our forecast of consolidated financial results for the fiscal year ending December 31, 2024, which was announced on February 13, 2024, in light of our current business performance during the nine months ended September 30, 2024. For details, please refer to the “Notice Regarding Revision of Financial Forecast” released today (November 12, 2024).

2. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	254,530	232,125
Notes and accounts receivable - trade, and contract assets	52,026	68,350
Merchandise and finished goods	19,962	28,949
Work in process	7,324	8,336
Raw materials and supplies	24,977	27,621
Other	5,873	6,949
Allowance for doubtful accounts	(549)	(1,392)
Total current assets	364,145	370,940
Non-current assets		
Property, plant and equipment	53,034	73,969
Intangible assets		
Goodwill	9,382	22,922
Other	8,974	14,946
Total intangible assets	18,357	37,869
Investments and other assets	29,823	31,055
Total non-current assets	101,215	142,894
Total assets	465,361	513,834
Liabilities		
Current liabilities		
Notes and accounts payable - trade	30,308	34,416
Short-term borrowings	806	5,731
Income taxes payable	5,952	7,694
Provision for bonuses	3,855	10,177
Other provisions	3,273	3,293
Other	60,442	64,333
Total current liabilities	104,638	125,646
Non-current liabilities		
Retirement benefit liability	21,451	22,517
Other provisions	1,780	2,203
Other	4,554	9,535
Total non-current liabilities	27,785	34,256
Total liabilities	132,424	159,902
Net assets		
Shareholders' equity		
Share capital	8,098	8,138
Capital surplus	14,620	14,660
Retained earnings	274,766	288,980
Treasury shares	(8)	(10,008)
Total shareholders' equity	297,476	301,771
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	216	229
Foreign currency translation adjustment	32,038	36,417
Remeasurements of defined benefit plans	(1,233)	(1,013)
Total accumulated other comprehensive income	31,021	35,633
Non-controlling interests	4,439	16,528
Total net assets	332,937	353,932
Total liabilities and net assets	465,361	513,834

(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, 2023	Nine months ended September 30, 2024
Net sales	282,154	331,263
Cost of sales	178,542	204,131
Gross profit	103,611	127,131
Selling, general and administrative expenses	68,033	84,197
Operating profit	35,577	42,934
Non-operating income		
Interest income	3,403	3,730
Foreign exchange gains	5,139	1,133
Gain on net monetary position	–	595
Other	435	931
Total non-operating income	8,979	6,390
Non-operating expenses		
Interest expenses	60	1,145
Share of loss of entities accounted for using equity method	899	–
Other	217	627
Total non-operating expenses	1,177	1,773
Ordinary profit	43,380	47,550
Extraordinary income		
Gain on sale of non-current assets	19	35
Gain on sale of investment securities	34	88
Total extraordinary income	54	123
Extraordinary losses		
Loss on step acquisitions	–	2,558
Other	27	47
Total extraordinary losses	27	2,605
Profit before income taxes	43,407	45,068
Income taxes - current	15,817	16,428
Income taxes - deferred	(3,023)	(2,288)
Total income taxes	12,793	14,139
Profit	30,613	30,928
Profit attributable to non-controlling interests	597	338
Profit attributable to owners of parent	30,016	30,589

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Profit	30,613	30,928
Other comprehensive income		
Valuation difference on available-for-sale securities	141	13
Foreign currency translation adjustment	21,942	3,207
Remeasurements of defined benefit plans, net of tax	186	220
Share of other comprehensive income of entities accounted for using equity method	2,257	(258)
Total other comprehensive income	24,527	3,181
Comprehensive income	55,141	34,110
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	54,144	35,201
Comprehensive income attributable to non-controlling interests	996	(1,091)

(3)Notes to quarterly consolidated financial statements

Notes on framework for financial reporting

The quarterly consolidated financial statements are prepared in accordance with Article 4, paragraph 1 of the standard for preparation of the quarterly financial statements established by Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. and accounting principles for quarterly financial statements generally accepted in Japan (provided, however, the Company applies the practice of omitting the descriptions provided for in Article 4, paragraph 2 of the aforementioned standard for preparation of the quarterly financial statements).

Notes on premise of going concern

Not applicable

Notes on significant changes in the amount of shareholders' equity

Pursuant to a resolution of the meeting of the Board of Directors held on May 10, 2024, the Company purchased 1,898,300 treasury shares (¥9,999 million) during the nine months ended September 30, 2024. As a result of this acquisition, the value of the Company's treasury shares was ¥10,008 million as of September 30, 2024.

Notes on special accounting for preparing quarterly consolidated financial statements

Omitted due to immateriality.

Notes on changes in the scope of consolidation or scope of equity method to be applied

(1) Significant changes in the scope of consolidation

In the first quarter of the current fiscal year, Oztiryakiler Madeni Esya Sanayi ve Ticaret Anonim Sirketi, which had previously been an associate accounted for using the equity method, was included in the scope of consolidation due to the additional acquisition of shares.

In the second quarter of the current fiscal year, TECHNOLUX EQUIPMENT AND SUPPLY CORPORATION and HKR EQUIPMENT CORPORATION were included in the scope of consolidation due to the new acquisition of shares.

(2) Significant changes in the scope of equity method to be applied

In the first quarter of the current fiscal year, the Group excluded Oztiryakiler Madeni Esya Sanayi ve Ticaret Anonim Sirketi, which had previously been an associate accounted for using the equity method, from the scope of equity method to be applied as the company was included in the scope of consolidation.

Also, the Group has included Fogel Company Inc. in the scope of entity method to be applied as it newly acquired a part of shares of Fogel Company Inc.

Notes on changes in accounting policies

Not applicable

Notes on changes in accounting estimates

Not applicable

Notes to segment information, etc.

From the first quarter of the current fiscal year, the Group has separated the reportable segment “Europe / Asia” into two segments “Europe” and “Asia,” as the quantitative importance of both regions has increased.

The segment information for the nine months ended September 30, 2023 is based on figures reflecting the segment change.

I. Nine months ended September 30, 2023 (from January 1, 2023 to September 30, 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 quarterly consolidated statements of income (Note 2)
	Japan	Americas	Europe	Asia	Total		
Net sales							
Ice machines	13,525	29,030	14,497	4,785	61,838	–	61,838
Refrigerators	39,685	5,856	3,434	24,945	73,921	–	73,921
Dishwashers	10,838	7,593	–	129	18,561	–	18,561
Dispensers	4,509	18,715	60	395	23,681	–	23,681
Non Hoshizaki products	29,545	783	–	239	30,568	–	30,568
Maintenance and repairs	35,223	8,777	1,177	1,751	46,930	–	46,930
Other products	22,016	1,762	462	2,081	26,322	–	26,322
Revenue from contracts with customers	155,343	72,521	19,632	34,328	281,825	–	281,825
Other revenue	328	–	–	–	328	–	328
Sales to external customers	155,672	72,521	19,632	34,328	282,154	–	282,154
Intersegment sales or transfers	4,776	625	1,040	1,103	7,545	(7,545)	–
Total	160,448	73,146	20,672	35,432	289,699	(7,545)	282,154
Segment profit	20,990	7,538	2,874	5,474	36,878	(1,300)	35,577

- Notes
1. The reconciliation amount of negative ¥1,300 million for segment profit includes amortization of goodwill of negative ¥470 million, amortization of intangible assets, etc. of negative ¥539 million, negative ¥307 million from reconciliation of inventories, and ¥17 million from reconciliation of transactions with other segments.
 2. Segment profit has been reconciled with operating profit in the quarterly consolidated statements of income.

2. Information about impairment losses of non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses pertaining to non-current assets

Not applicable

Significant changes in the amount of goodwill

Not applicable

Significant gain on bargain purchase

Not applicable

II. Nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024)

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 quarterly consolidated statements of income (Note 2)
	Japan	Americas	Europe	Asia	Total		
Net sales							
Ice machines	15,418	31,022	16,174	4,584	67,199	–	67,199
Refrigerators	42,191	6,680	5,666	31,104	85,643	–	85,643
Dishwashers	12,769	8,536	2,288	222	23,816	–	23,816
Dispensers	4,633	23,108	33	811	28,586	–	28,586
Non Hoshizaki products	29,471	770	–	3,277	33,519	–	33,519
Maintenance and repairs	36,906	8,382	1,486	2,303	49,078	–	49,078
Other products	26,203	1,922	12,508	2,448	43,083	–	43,083
Revenue from contracts with customers	167,594	80,423	38,157	44,751	330,927	–	330,927
Other revenue	335	–	–	–	335	–	335
Sales to external customers	167,930	80,423	38,157	44,751	331,263	–	331,263
Intersegment sales or transfers	5,705	560	1,647	1,466	9,380	(9,380)	–
Total	173,636	80,983	39,805	46,218	340,644	(9,380)	331,263
Segment profit	25,647	9,110	2,626	7,618	45,002	(2,068)	42,934

Notes 1. The reconciliation amount of negative ¥2,068 million for segment profit includes amortization of goodwill of negative ¥954 million, amortization of intangible assets, etc. of negative ¥1,372 million, ¥223 million from reconciliation of inventories, and ¥34 million from reconciliation of transactions with other segments.

2. Segment profit has been reconciled with operating profit in the quarterly consolidated statements of income.

2. Information about assets for each reportable segment

In the Asia segment, HOSHIZAKI SOUTHEAST ASIA HOLDINGS PTE. LTD. acquired the shares of TECHNOLUX EQUIPMENT AND SUPPLY CORPORATION and HKR EQUIPMENT CORPORATION during the second quarter of the current fiscal year, thereby making these companies consolidated subsidiaries. Accordingly, the amount of assets for this reportable segment in the third quarter of the current fiscal year increased by ¥17,835 million from December 31, 2023.

3. Information about impairment losses of non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses pertaining to non-current assets

Not applicable

Significant changes in the amount of goodwill

In the first quarter of the current fiscal year, Oztiryakiler Madeni Esya Sanayi ve Ticaret Anonim Sirketi, which had previously been an associate accounted for using the equity method, was made a consolidated subsidiary due to the additional acquisition of shares, and provisional accounting treatment was applied to the results. The provisional accounting treatment was finalized during the second quarter of the current fiscal year. With the finalization of this provisional accounting treatment, the goodwill previously calculated as ¥10,584 million on a provisional basis has been lowered by ¥5,738 million to ¥4,846 million. In the second quarter of the current fiscal year, TECHNOLUX EQUIPMENT AND SUPPLY CORPORATION and HKR EQUIPMENT CORPORATION were made consolidated subsidiaries due to the new acquisition of shares, resulting in an increase in goodwill of ¥9,354 million.

Significant gain on bargain purchase

Not applicable

Notes on quarterly consolidated statements of cash flows

The Company has not prepared quarterly consolidated statements of cash flows for the nine months ended September 30, 2024. The amounts of depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the nine months of the current and previous fiscal years are as stated below.

	(Millions of yen)	
	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Depreciation	4,913	6,401
Amortization of goodwill	508	996

Significant subsequent events

Purchase of treasury shares

The Company resolved, at a meeting of the Board of Directors held on November 12, 2024, to purchase treasury shares pursuant to the provisions of Article 459, paragraph (1) of the Companies Act and Article 34 of the Company's Articles of Incorporation.

(1) Reason for the purchase of treasury shares

To further improve corporate value by enhancing shareholder returns and improving capital efficiency.

(2) Details of the purchase

a. Type of shares to be purchased

Common shares of the Company

b. Total number of shares to be purchased

2,500,000 shares (upper limit)

(1.7% of total number of issued shares (excluding treasury shares))

c. Total amount of the purchase price of shares

¥10,000 million (upper limit)

d. Period of purchase

From November 14, 2024 to February 28, 2025

e. Method of purchase

Market purchase on the Tokyo Stock Exchange