

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2022 (Based on Japanese GAAP)

August 8, 2022

Company name: HOSHIZAKI CORPORATION
 Stock exchange listing: Tokyo Stock Exchange and Nagoya Stock Exchange
 Securities code: 6465 URL: <http://www.hoshizaki.co.jp>
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Scheduled date to file Quarterly Securities Report: August 10, 2022
 Scheduled date to commence dividend payments: September 12, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2022	150,245	10.0	13,263	(6.5)	24,159	32.5	16,594	30.8
Six months ended June 30, 2021	136,643	12.9	14,189	34.6	18,229	81.7	12,683	95.6

Note: Comprehensive income Six months ended June 30, 2022 ¥41,298 million [129.3%]
 Six months ended June 30, 2021 ¥18,009 million [452.0%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2022	114.56		-	
Six months ended June 30, 2021	87.57		-	

Notes: 1. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year. Accordingly, each figure for the six months ended June 30, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.
 2. 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) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2022	422,490	293,723	68.9	2,010.07
As of December 31, 2021	378,469	259,862	68.1	1,779.92

Reference: Equity As of June 30, 2022 ¥291,180 million
 As of December 31, 2021 ¥257,826 million

Notes: 1. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year. Accordingly, each figure for the six months ended June 30, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.
 2. 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. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2021	–	0.00	–	110.00	110.00
Year ending December 31, 2022	–	60.00			
Year ending December 31, 2022 (Forecast)			–	30.00	–

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

2. 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 ending December 31, 2022 shows the amount before the split and fiscal year-end of the year ending December 31, 2022 (Forecast) shows the amount after the split. Annual dividends per share forecasts are not displayed because they cannot be simply totaled by the implementation of stock split.
Total annual dividends per share for 2022 before the stock split will be ¥120.00 per share, an increase of ¥10.00 in real terms from the year ended December 31, 2021.

3. Forecast of consolidated financial results for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	290,000	5.7	26,500	6.3	27,200	(12.7)	18,900	(12.8)	130.48

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

2. The Company has split its shares at a ratio of two-for-one common share with July 1, 2022 as the effective date. Earnings per share in the forecast of consolidated financial results for the year ending December 31, 2022 takes into account the effect of the share split.

*Notes

(1) Changes in significant subsidiaries during the six months ended June 30, 2022

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Application of special accounting for preparing quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

- a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- b. Changes in accounting policies due to other reasons: No
- c. Changes in accounting estimates: No
- d. Restatement of prior period financial statements: No

Note: For details, please refer to “(4) Notes to quarterly consolidated financial statements (Changes in accounting policies)” of “2. Quarterly consolidated financial statements” of the attached material.

(4) Number of issued shares (common shares)

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

As of June 30, 2022	144,864,000 shares	As of December 31, 2021	144,855,300 shares
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b. Number of treasury shares at the end of the period

As of June 30, 2022	2,710 shares	As of December 31, 2021	2,558 shares
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c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2022	144,855,159 shares	Six months ended June 30, 2021	144,844,198 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 presented on the assumption that the split was conducted at the beginning of the previous fiscal year.

* **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 Hoshizaki Corporation (the “Company”) as of June 30, 2022.

(1) Operating results

As for economic circumstances during the six months ended June 30, 2022, the recovery of the Japanese economy has been only incremental, despite the resurgence of COVID-19 subsiding somewhat, due to high prices and a severe depreciation of the yen. Overseas economies are recovering relatively faster than Japan, but there has been a slowdown in the recovery trend in some regions. According to the IMF economic outlook published in July, due to factors such as unprecedented inflation and corresponding interest rate hikes in the U.S. and Europe, as well as the city-wide lockdowns in China, growth forecast for the global economy in 2022 was revised downward to +3.2% (from the previous forecast of +3.6%). Considering also the resurgence of COVID-19 in Japan in July (7th wave), the outlook remains uncertain.

Amid such circumstances, in Japan, while working to prevent the spread of COVID-19, the Group focused on expanding sales and developing new customers in the gradually recovering restaurant market and non-restaurant markets such as retail industry and food processing industry. However, we faced constraints on supply to meet market demand for capital investment, due to factors such as continued difficulty in procurement of materials and parts, as well as lockdowns in China.

Overseas, sales continued to recover as the global economy picked up, but revenues were adversely affected by rising raw material and logistics prices worldwide, as well as manpower shortage and rising labor costs particularly in the U.S.

As a result of the above, the Group reported operating results for the six months ended June 30, 2022 with net sales of ¥150,245 million (up 10.0% year on year). Operating profit was ¥13,263 million (down 6.5% year on year). In addition, owing to the recording of foreign exchange gains of ¥11,074 million from translation of foreign-currency denominated assets to Japanese yen, ordinary profit was ¥24,159 million (up 32.5% year on year) and profit attributable to owners of parent was ¥16,594 million (up 30.8% year on year).

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter, and changed the accounting treatment for revenue recognition. For details on the effects on the Company’s financial position and operating results, please refer to “Changes in accounting policies” and “Segment information, etc.” in “(4) Notes to quarterly consolidated financial statements” of “2. Quarterly consolidated financial statements” of the attached material.

Operating results by segment are as follows.

a. Japan

In Japan, the Group promoted sales expansion of flagship products such as refrigerators, ice machines, and dishwashers, in addition to supporting business conversions for customers seeking to expand into take-out, delivery, and other businesses because of the COVID-19 pandemic. On the other hand, although production continued, procurement difficulties of materials and parts, mainly of insulation material and semiconductors, due to global shortages and lockdowns in China resulted in longer lead times for deliveries. Revenue was significantly affected by costs associated with procurement of substitute parts and soaring material costs. As a result, the Group generated net sales of ¥92,057 million (down 1.0% year on year) and segment profit of ¥8,014 million (down 19.7% year on year).

b. Americas

In the Americas, with the economy recovering, although we worked to expand sales of ice machines, dispensers, etc., steep rises in raw material costs, worker retention costs due to manpower shortage, and rising labor costs hindered our efforts. There was also the effect of weaker yen on foreign currency translation, and the Group generated net sales of ¥37,116 million (up 29.0% year on year) and segment profit of ¥3,541 million (up 20.0% year on year).

c. Europe / Asia

In Europe and Asia, as markets recovered from last year’s lockdowns, the Group promoted sales expansion of flagship products, mainly for the restaurant industry, although we faced supply constraints due to procurement difficulties of materials and parts in some areas. As a result, the Group generated net sales of ¥24,935 million (up 36.1% year on year) and segment profit of ¥2,195 million (up 39.1% year on year).

(2) Financial position

Total assets as of June 30, 2022 increased ¥44,020 million from December 31, 2021 to ¥422,490 million.

Current assets increased ¥33,355 million from December 31, 2021 to ¥344,001 million. The main factors were increases in cash and deposits, notes and accounts receivable - trade, and contract assets, and raw materials and supplies.

Non-current assets increased ¥10,664 million from December 31, 2021 to ¥78,488 million. The main factor was an increase in investments and other assets.

Total liabilities as of June 30, 2022 increased ¥10,159 million from December 31, 2021 to ¥128,766 million.

Current liabilities increased ¥9,008 million from December 31, 2021 to ¥103,457 million. The main factors were increases in notes and accounts payable - trade and income taxes payable.

Non-current liabilities increased ¥1,150 million from December 31, 2021 to ¥25,309 million.

Net assets as of June 30, 2022 increased ¥33,861 million from December 31, 2021 to ¥293,723 million. The main factors were increases in retained earnings and foreign currency translation adjustment.

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

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

2. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	240,723	254,485
Notes and accounts receivable - trade	31,120	–
Notes and accounts receivable - trade, and contract assets	–	41,094
Merchandise and finished goods	14,806	15,510
Work in process	4,775	6,900
Raw materials and supplies	15,974	22,438
Other	3,477	3,854
Allowance for doubtful accounts	(232)	(282)
Total current assets	310,645	344,001
Non-current assets		
Property, plant and equipment	43,174	46,445
Intangible assets	2,766	2,617
Investments and other assets	21,883	29,425
Total non-current assets	67,823	78,488
Total assets	378,469	422,490
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,070	29,241
Income taxes payable	6,502	9,413
Provision for bonuses	2,986	3,701
Other provisions	2,146	2,367
Other	56,743	58,733
Total current liabilities	94,448	103,457
Non-current liabilities		
Retirement benefit liability	19,995	20,164
Other provisions	1,511	2,094
Other	2,652	3,050
Total non-current liabilities	24,159	25,309
Total liabilities	118,607	128,766
Net assets		
Shareholders' equity		
Share capital	8,052	8,070
Capital surplus	14,574	14,593
Retained earnings	239,958	249,103
Treasury shares	(6)	(6)
Total shareholders' equity	262,579	271,760
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	33
Foreign currency translation adjustment	(3,361)	20,638
Remeasurements of defined benefit plans	(1,395)	(1,251)
Total accumulated other comprehensive income	(4,752)	19,419
Non-controlling interests	2,035	2,542
Total net assets	259,862	293,723
Total liabilities and net assets	378,469	422,490

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	136,643	150,245
Cost of sales	85,607	96,795
Gross profit	51,036	53,449
Selling, general and administrative expenses	36,846	40,186
Operating profit	14,189	13,263
Non-operating income		
Interest income	188	316
Foreign exchange gains	3,575	11,074
Other	374	283
Total non-operating income	4,138	11,674
Non-operating expenses		
Interest expenses	28	26
Share of loss of entities accounted for using equity method	–	653
Other	69	99
Total non-operating expenses	98	778
Ordinary profit	18,229	24,159
Extraordinary income		
Gain on sale of non-current assets	2	11
Gain on sale of investment securities	54	35
Total extraordinary income	57	46
Extraordinary losses		
Loss on abandonment of non-current assets	17	41
Other	0	–
Total extraordinary losses	18	41
Profit before income taxes	18,268	24,164
Income taxes - current	9,000	10,466
Income taxes - deferred	(3,566)	(3,171)
Total income taxes	5,434	7,295
Profit	12,834	16,868
Profit attributable to non-controlling interests	150	274
Profit attributable to owners of parent	12,683	16,594

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Profit	12,834	16,868
Other comprehensive income		
Valuation difference on available-for-sale securities	8	28
Foreign currency translation adjustment	5,568	19,171
Remeasurements of defined benefit plans, net of tax	169	143
Share of other comprehensive income of entities accounted for using equity method	(571)	5,085
Total other comprehensive income	5,175	24,429
Comprehensive income	18,009	41,298
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,771	40,766
Comprehensive income attributable to non-controlling interests	237	531

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	18,268	24,164
Depreciation	2,442	2,448
Amortization of goodwill	208	227
Increase (decrease) in retirement benefit liability	349	381
Increase (decrease) in provision for product warranties	257	325
Increase (decrease) in provision for bonuses	910	667
Interest and dividend income	(193)	(331)
Foreign exchange losses (gains)	(3,343)	(10,483)
Share of loss (profit) of entities accounted for using equity method	(92)	653
Decrease (increase) in trade receivables	(6,838)	–
Decrease (increase) in trade receivables and contract assets	–	(3,908)
Decrease (increase) in inventories	842	(8,050)
Increase (decrease) in trade payables	7,935	1,472
Increase (decrease) in accounts payable - other	(7,548)	(2,495)
Increase (decrease) in accrued expenses	7,644	7,191
Increase (decrease) in advances received	(924)	(166)
Increase (decrease) in contract liabilities	–	(1,126)
Increase (decrease) in accrued consumption taxes	77	(302)
Other, net	(188)	(1,406)
Subtotal	19,806	9,259
Interest and dividends received	501	304
Interest paid	(31)	(28)
Income taxes paid	(1,894)	(7,416)
Net cash provided by (used in) operating activities	18,382	2,118
Cash flows from investing activities		
Payments into time deposits	(72,701)	(86,860)
Proceeds from withdrawal of time deposits	70,432	85,369
Net decrease (increase) in trust beneficiary right	658	–
Purchase of property, plant and equipment	(1,541)	(2,718)
Purchase of intangible assets	(15)	(176)
Purchase of investment securities	(1,137)	(1,780)
Proceeds from sale of investment securities	968	2,001
Purchase of long-term prepaid expenses	(120)	(200)
Other, net	39	(44)
Net cash provided by (used in) investing activities	(3,416)	(4,409)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	444	–
Repayments of lease obligations	(216)	(141)
Dividends paid	(7,959)	(7,964)
Other, net	61	(25)
Net cash provided by (used in) financing activities	(7,670)	(8,130)
Effect of exchange rate change on cash and cash equivalents	4,504	16,414
Net increase (decrease) in cash and cash equivalents	11,799	5,994
Cash and cash equivalents at beginning of period	148,833	181,615
Cash and cash equivalents at end of period	160,632	187,610

(4)Notes to quarterly consolidated financial statements

Notes on premise of going concern

Not applicable

Notes on significant changes in the amount of shareholders' equity

Not applicable

Application of special accounting for preparing quarterly consolidated financial statements

Omitted due to immateriality.

Changes in accounting policies

Application of Accounting Standard for Revenue Recognition, Etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year. Under this accounting standard and relevant ASBJ regulations, the Company has recognized revenue at the time of transfer of control of promised goods or services to the customer at the price expected to be received in exchange for those goods or services. The main changes resulting from the above are as follows.

- Sales transactions involving inspection upon receipt by the customer

Previously revenue from sales transactions involving contracts with customers specifying product delivery, or installation work for those products, etc., were previously recognized on a one-lump-sum basis when the customer completed the inspection upon receipt. However, the method for those sales transactions with contracts deemed to require goods or services with regard to the delivery of the product or installation work for the product, etc. to be recognized as separate performance obligations, has changed to a method of recognizing revenue when the respective performance obligation has been fulfilled. Moreover, the method for those sales transactions involving contracts deemed to require revenue recognition to be based on a single performance obligation for the construction work as a whole has changed to a method of recognizing revenue based on the progress over the time corresponding to the fulfillment of the performance obligation.

- Consideration payable to customers

Consideration payable to the customer was previously accounted for as selling, general and administrative expenses, but the accounting method has been changed to one that deducts them from the transaction price, except in cases where consideration is payable upon exchange of distinct goods or services received from the customer.

Pursuant to the transitional provisions of the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of the retrospective application assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or subtracted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy is applied from such opening balance.

Furthermore, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of the first quarter of the current fiscal year were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the first quarter of the current fiscal year.

As a result of this change, for the six months ended June 30, 2022, net sales decreased by ¥1,380 million, cost of sales decreased by ¥856 million, and selling, general and administrative expenses decreased by ¥192 million. Operating profit, ordinary profit and profit before income taxes each decreased by ¥330 million. In addition, the opening balance of retained earnings increased by ¥518 million.

As a result of the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "notes and accounts receivable – trade," which was presented in the "current assets" in the consolidated balance sheet for the previous fiscal year, is presented as part of "notes and accounts receivable – trade, and contract assets" from the first quarter of the current fiscal year. Furthermore, in "cash flows from operating activities" in the consolidated statements of cash flows, "decrease (increase) in trade receivables" presented in the first six months of the previous fiscal year has been included in "decrease (increase) in trade receivables and contract assets" from the first six months of the current fiscal year, and part of "increase (decrease) in advances received" presented under "cash flows from operating activities" in the first six months of the previous fiscal year has been included in "increase (decrease) in contract liabilities" from the second quarter of the current fiscal year. In accordance with the transitional provisions of paragraph 89-2 of the

Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new presentation method. Furthermore, the information on disaggregation of revenue from contracts with customers during the first six months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

Accounting Standard for Fair Value Measurement, Etc.

The Company applied the Accounting Standard for Fair Value Measurement, etc. (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations effective from the beginning of the first quarter of the current fiscal year, and will apply the new accounting policy set forth by the accounting standard for fair value calculations, etc. prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement, etc. and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect on the quarterly consolidated financial statements.

Additional information

Accounting for a hyperinflationary environment

From the second quarter of the current fiscal year, due to the cumulative inflation over three years of around 100% or more in Turkey, the Company has applied equity method accounting making adjustments in accordance with “IAS 29 Financial Reporting in Hyperinflationary Economies” in the quarterly financial statements of an affiliate in that country. In addition, the quarterly financial statements of the said affiliate were converted using the foreign exchange rate of the quarterly accounts closing date, and the consolidated quarterly financial statements of the Group reflect those figures. Furthermore, no revisions have been made to the comparative information for the second quarter of the current fiscal year.

Changes in accounting estimates

Not applicable

Segment information, etc.
Segment information

I. Six months ended June 30, 2021 (from January 1, 2021 to June 30, 2021)

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

(Millions of yen)

	Reportable segment				Reconciliation (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Japan	Americas	Europe / Asia	Total		
Net sales						
Sales to external customers	90,262	28,478	17,902	136,643	–	136,643
Intersegment sales or transfers	2,696	300	416	3,413	(3,413)	–
Total	92,958	28,779	18,318	140,057	(3,413)	136,643
Segment profit	9,980	2,951	1,578	14,511	(321)	14,189

- Notes
1. The reconciliation amount of negative ¥321 million for segment profit includes amortization of goodwill of negative ¥187 million, amortization of intangible assets, etc. of negative ¥13 million, negative ¥127 million from reconciliation of inventories, and ¥6 million from reconciliation of transactions with other segments and miscellaneous items.
 2. Segment profit has been reconciled with operating profit in the quarterly consolidated statements of income.

II. Six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)

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

(Millions of yen)

	Reportable segment				Reconciliation (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Japan	Americas	Europe / Asia	Total		
Net sales						
Ice machines	7,186	13,314	4,901	25,402	–	25,402
Refrigerators	19,986	4,912	17,277	42,177	–	42,177
Dishwashers	6,489	3,989	34	10,513	–	10,513
Dispensers	2,040	8,511	157	10,709	–	10,709
Non Hoshizaki products	18,344	1,105	75	19,524	–	19,524
Maintenance and repairs	21,583	3,895	1,483	26,963	–	26,963
Other Products	13,144	1,111	488	14,744	–	14,744
Revenue from contracts with customers	88,775	36,840	24,418	150,034	–	150,034
Other revenue	210	–	–	210	–	210
Sales to external customers	88,986	36,840	24,418	150,245	–	150,245
Intersegment sales or transfers	3,071	275	517	3,864	(3,864)	–
Total	92,057	37,116	24,935	154,109	(3,864)	150,245
Segment profit	8,014	3,541	2,195	13,751	(488)	13,263

- Notes
1. The reconciliation amount of negative ¥488 million for segment profit includes amortization of goodwill of negative ¥204 million, amortization of intangible assets, etc. of negative ¥14 million, negative ¥285 million from reconciliation of inventories, and ¥15 million from reconciliation of transactions with other segments and miscellaneous items.
 2. Segment profit has been reconciled with operating profit in the quarterly consolidated statements of income.
 3. As described in “Changes in accounting policies,” the Company has applied the Accounting Standard for Revenue Recognition and relevant ASBJ regulations effective from the beginning of the first quarter, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of reportable segments for which this change is applicable. As a result, compared with the figures obtained by the previous method, net sales in “Japan” for the six months ended June 30, 2022 decreased by ¥1,380 million. In addition, segment profit decreased by ¥330 million in “Japan.”

Significant subsequent events

(Business combination through acquisition of shares and equity)

Based on a resolution of the Board of Directors on January 18, 2022, the Company accquired all shares of Brema Group S.p.A., an Italian manufacturer of commercial ice machines, and the entire equity stake of Finimma S.r.l, making them subsidiaries (sub-subsidiary of the Company) through its consolidated subsidiary Hoshizaki Europe Holding B.V. on July 1, 2022.

(1) Outline of business combination

a. Name and business description of the acquired company

- | | |
|----------------------------|---|
| i. Name of the acquiree: | Brema Group S.p.A. |
| Business description: | Manufacturing and sales of commercial ice machines |
| ii. Name of the acquiree: | Finimma S.r.l. |
| Business description: | Holding Company (wholly-owning parent company of Imma Immobiliare S.p.A.) |
| iii. Name of the acquiree: | Imma Immobiliare S.p.A. |
| Business description: | Commercial real estate management company of Brema Group S.p.A. |

b. Primary reasons for the business combination

Brema Group S.p.A. is an Italy based manufacturer and sales company of commercial ice machines. It has strong name recognition also outside Italy, particularly in the countries of Southern and Eastern Europe and the countries of the Middle East, and it actively supplies its products to other food service equipment manufacturers. In this business combination, Brema Group S.p.A. will become a second-tier subsidiary of the Company. Using that company's production bases and sales network, the Company plans to expand its sales share of commercial ice machines in Europe and the Middle East.

c. Date of the business combination

July 1, 2022

d. Legal form of the business combination

- i. Brema Group S.p.A.: Through acquisition of its shares
- ii. Finimma S.r.l.: Through equity acquisition
- iii. Imma Immobiliare S.p.A.: Through equity acquisition

e. Name of company after the business combination

- i. Brema Group S.p.A.
- ii. Finimma S.r.l.
- iii. Imma Immobiliare S.p.A.

f. Percentage of voting rights acquired

100% (Of which, 100% is indirect ownership)

g. Primary basis for determining the acquired companies

Basis for determining the acquired companies shall be by acquisition by the Company's subsidiary of shares and equity using cash as the consideration.

(2) Acquisition cost of acquiree and components thereof by consideration type

Due to the Company's obligation of confidentiality under the share transfer agreement, the information on this matter is not disclosed.

(3) Amount of goodwill, reason for recognition, amortization method and amortization period

This information has not been determined at this time.

(4) Amount and breakdown of assets acquired and liabilities assumed as of the date of the business combination

This information has not been determined at this time.

(Company acquisition through acquisition of shares)

A resolution was made at the Board of Directors of the Company on July 15, 2022 to acquire part of the shares of Beijing Royalkitchen Science and Technology Co., Ltd, (hereafter referred to as "Royalkitchen") a Chinese commercial kitchen

design and construction company, making it a subsidiary (sub-subsidiary of the Company) through its consolidated subsidiary Hoshizaki China Holdings Co., Ltd., and a share transfer agreement was entered into on the same day.

(1) Purpose of acquiring the shares and equity

Royalkitchen, based in Beijing, China, is a commercial kitchen design and construction company with its strength in design and construction of kitchens for luxury hotels, canteens of large-sized offices and factories, and enjoys a good reputation in the market. In addition to its existing customer base, Royalkitchen has expanded its business to target chain restaurants, supermarkets, and convenience stores, and its prospects for increased earnings is promising.

Until now, the Company has focused on the sales of its commercial ice machines and refrigerators through dealer sales channels in the market in China. By acquiring Royalkitchen, the Company will expand its business to the new area of commercial kitchen design and construction.

(2) Name of the other parties to the acquisition of shares and equity

- a. Beijing Simage Technology Development Co., Ltd.
- b. Zhang Yixin

(3) Name, business description and capital size of acquiree

Name of acquiree: Beijing Royalkitchen Science and Technology Co., Ltd

Business description: Design and construction of commercial kitchen

Paid-in capital: 20 million RMB (approx. ¥400 million)

(4) Timing of acquisition of shares and equity

Mid-November, 2022 (scheduled)

(5) Acquisition price and ownership ratio after acquisition

Acquisition price: 112.2 million RMB (¥2,244 million)

Ownership ratio after acquisition: 100% (Of which, 100% is indirect ownership)

(6) Method of procurement of payment funds and payment

Own funds

(Stock split and partial amendment to the Articles of Incorporation due to stock split)

Based on a resolution of the Board of Directors on February 9, 2022, the Company conducted a stock split and partially amended the Articles of Incorporation due to the stock split with an effective date of July 1, 2022.

(1) Purpose of the stock split

The purpose is to increase the liquidity of the stocks and to expand the investor base by reducing the investment unit of shares through the stock split.

(2) Outline of the stock split

a. Method of the stock split

One share of common stock held by shareholders entered or recorded in the last shareholder registry as of Thursday, June 30, 2022 was split into two shares.

b. Number of shares to be increased as a result of the stock split

Total number of shares issued prior to the stock split	72,432,000 shares
Number of increasing shares by the stock split	72,432,000 shares
Total number of issued shares after the stock split	144,864,000 shares
Total number of authorized shares to be issued after the stock split	500,000,000 shares

c. Stock split schedule

Public notice of the record date	Tuesday, June 14, 2022
Record date	Thursday, June 30, 2022
Effective date	Friday, July 1, 2022

d. Impact on per-share information

Impacts on per-share information are stated in applicable sections.

(3) Partial amendments to the Articles of Incorporation

a. Reasons for amendments

In line with the stock split, the total number of authorized shares as stipulated in Article 6 of the Company's Articles of Incorporation was amended as of Friday, July 1, 2022 in accordance with the provisions of Article 184, paragraph (2) of the Companies Act.

b. Description of amendments

Amendments are described below.

(Amendments are underlined.)

Before the amendment	After the amendment
(Total Number of Shares Authorized to Be Issued)	(Total Number of Shares Authorized to Be Issued)
Article 6 The total number of shares authorized to be issued by the Company shall be <u>250,000,000.</u>	Article 6 The total number of shares authorized to be issued by the Company shall be <u>500,000,000.</u>

c. Schedule of the amendments to the Articles of Incorporation

Date of resolution by the Board of Directors

Wednesday, February 9, 2022

Effective date

Friday, July 1, 2022