




# Value Creation Process

The Hoshizaki Group has its unique business operations across the globe which have been developed by close communication with customers and responses to changes in the food service industry. Even in a more rapidly changing society and environment, we will continue to advance in order to enhance economic value and social and environmental values to realize our Long-term Vision. Through this, we will aim to be an "Evolving Company" contributing to society, which represents the Purpose of the Hoshizaki Group. The Value Creation Process of the Hoshizaki Group aims to synchronize social sustainability and Hoshizaki's sustainability and work to realize the process in light of time frames and quantitative aspects of outcomes.



Purpose

## Contributing to society "Evolving Company"

[For more details, see Page 05](#)



- Social issues
- Diversification of a sense of value, needs, and lifestyles
  - Declining birthrate and aging population, and decrease in working population
  - Information-oriented society/ Advance in IT
  - Risks of environmental contamination and climate changes

- Industrial changes
- Changes in business categories of the restaurant market
  - Changes in customers' needs and acceleration thereof
  - Further progress in globalization
  - Prosperity of emerging markets

- Financial capital**  
Ample cash necessary for future growth  
[For more details, see Page 29](#)
- Human capital**  
Advance in collaboration between sales and service\*1, enhancing area management, and strengthening of horizontal connection of functions of the sales companies in Japan  
[For more details, see Page 33](#)
- Intellectual Capital**  
Timely launch of new products and demand boosting with model changes  
[For more details, see Page 35](#)
- Manufacturing Capital**  
28 production sites across the world, strict quality control system  
[For more details, see Page 37](#)
- Social Capital**  
High brand power and customer bases, and cooperation with suppliers  
[For more details, see Page 38](#)
- Natural capital**  
More efficient use of energy, effective use of resources  
[For more details, see Page 53](#)



**Product lineup** [For more details, see Page 09](#)

  
Refrigerators

  
Ice machines

  
Dispensers

  
Dishwashers

Five-year management vision (Target for FY2026)

Net sales of 450,000 million yen (including M&A 50,000 million yen in 2023), operating profit ratio (before M&A goodwill amortization) at 14% or more, ROE\* (see Page 11) at 12% or more, and total return ratio at 40% or more  
[For more details, see Page 39](#)

**In Japan** Creating new customer value by using IoT, and improving operational efficiency by using SFA\*2  
[For more details, see Page 41](#)

**Overseas** Exploiting new markets, clarifying strategies by area, and enhancing area management  
[For more details, see Page 47](#)

\*2 SFA: Sales Force Automation, meaning a sales support system





Outcomes  
**Creation of social value**



Long-term Vision

Providing safe and secure food environments

  
2 ZERO HUNGER

  
3 GOOD HEALTH AND WELL-BEING

[For more details, see Page 60](#)

Increasing employees' job satisfaction

  
5 GENDER EQUALITY

  
8 DECENT WORK AND ECONOMIC GROWTH

[For more details, see Page 63](#)

Reducing environmental impacts

  
7 AFFORDABLE AND CLEAN ENERGY

  
13 CLIMATE ACTION

[For more details, see Page 57](#)

Maximizing customer satisfaction

  
3 GOOD HEALTH AND WELL-BEING

  
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

[For more details, see Page 59](#)

- ★ We aim to be No. 1 globally by taking the initiative in new markets with growth prospects and in undeveloped markets to thereby further raise our market presence.
- ★ We will contribute to the global future by resolving issues facing customers and society in connection with food through the provision of products and services.

[For more details, see Page 06](#)

\*1 Collaboration between sales and service: System that uses customer information obtained through service, maintenance, and inspection as input for subsequent sales activities, and utilizes sales information as input for subsequent service activities



# Key Points of Value Creation Process

Amid the advent of a major turning point for the world, the business environment surrounding the Hoshizaki Group has been changing every second. In 2023, despite that the impact of COVID-19 seems to have subsided, changes in lifestyles remain in place, and there are global needs for efforts for the environment and climate change. Geopolitical risks that include the conflict between Russia and Ukraine continue to exist, and social problems such as poverty and food crisis remain.

To grow steadily while the future business environment is uncertain, the Hoshizaki Group must achieve the five-year management vision developed backwards from its long-term ideal under Purpose. To this end, in our Value Creation Process, we link materiality in business activities with the Long-term Vision by dividing the materiality into social sustainability and the Hoshizaki's Sustainability, and then aim to synchronize them. Moreover, we strive to achieve outcomes with awareness of short-, medium-, and long-term time frames. We have set KPIs for all of the material issues, and work to achieve them across the employees in 2023.

of sales and service. In other countries, competitors are different from domestic ones. Nevertheless, our strength is stable supply of products through the global manufacturing and sales system, as well as high-quality products. We aim to be No. 1 worldwide by strengthening priority segments through M&As. In the business activities, we consider Management Philosophy/Hoshizaki Values (not to be changed), corporate governance (to be revised in accordance with changes), and materiality/sustainability management (risks and opportunities). In 2023, by setting KPIs for all of the material issues, we conduct the implementation strategy with awareness of time frames. Taking advantage of the Hoshizaki Group's strength, that is, the cooperative ability of value chain through the flow from R&D to procurement/manufacturing to sales/services, we provide solutions for customers' issues on "food" and thereby create business value and social value.

Input



## Making Best Use of Advantageous Management Capital

By extracting risks and opportunities in view of social issues and business environment, we will make maximum use of management resources (Input), our strength, into business activities.

Key Input Items	
Financial capital	<b>Net cash of approximately 226,000 million yen:</b> Accounting for 53.5 % of total assets and being applied to growth investment for achieving the long-term ideal (including M&A)
Human capital	<b>Approximately 3,200 sales personnel and approximately 2,600 service personnel at approximately 440 sales offices in Japan:</b> New value creation and market cultivation by advancing sales-service collaboration* (see Page 21) <b>Approximately 520 R&amp;D personnel in the world:</b> Development of new products and new technologies exceeding market needs
Intellectual Capital	<b>Research &amp; development expenses worth approximately 4,600 million yen, 13 R&amp;D bases:</b> Creation of demands with timely launch of new products and model changes (including collaboration with other companies), improvement of net sales ratio of new products and changed models
Manufacturing Capital	<b>Capital expenditure worth approximately 5,900 million yen, 25 production sites in the world:</b> Stable provision of high quality products under the strict quality control system based on 100% inspection, production at optimal locations for "local consumption of locally produced products"
Social Capital	<b>Approximately 3 million customer bases, suppliers supporting approximately 6,000 models in Japan:</b> intangible assets supported by high market share, cooperation with stakeholders, social contribution activities as a member of a local community
Natural capital	<b>Improvement of energy efficiency and restriction of waste emissions and water consumption:</b> Continuing the environmental management, and contributing to customers with a product lineup with lower CO <sub>2</sub> emissions and higher environmental performance

Output



## Economic value and shareholder return in FY2026

Output derived from business activities, which is the economic value estimated in the five-year management vision, includes net sales of 450,000 million yen (including M&A 50,000 million yen), operating profit ratio of 14% or more, and ROE\*(see Page 11) of 12% or higher for the fiscal year ending December 31, 2026. We will keep capital costs at a low level (estimated at around 6%–7%), expand equity spread by raising ROE, and maintain the total return ratio at 40% or higher, considering cash allocation based on future cash flows (CF) from operating activities. Toward the realization of them, we will push ahead with various strategies and risk management to enhance profitability in the domestic business and the overseas business.

Outcomes



## Value Creation and Management Capital Necessary to Be the Best Partner of Customers

The outcome that helps us create value through business activities in a relatively short term is "providing safe and secure food environments." In this respect, we set service sales (in Japan) as KPI for the material issue "new proposal for creation of secure and safe food environment" and aim to achieve the target of 52,200 million yen in 2026. By offering product maintenance built on Hoshizaki's strength at approximately 440 sales offices across Japan and providing the safety and security to customers through call center support service, we will increase operating profit ratio and CF from operating activities that are financial capital and raise brand value that is social capital.

The outcomes that will create value from output in a medium to long term are "increasing employees' job satisfaction" and "maximizing customer satisfaction." To fulfill "increasing employees' job satisfaction," it is indispensable to foster the vital workplace culture in which employees share diverse values, respect each other and work with pride. The materiality KPI for this is the number of women in positions at or above assistant manager level. Additionally, we find it essential to increase human capital necessary for achieving the Long-term Vision. "Maximizing customer satisfaction" is relevant to the material issue "creation of new customer value," and we set non-restaurant market sales (in Japan) as KPI for this. To achieve non-restaurant market sales of 100,000 million yen in 2026, not only financial capital such as profit but also utilization of intellectual capital such as IoT and SFA\*(see Page 22) and cooperation with suppliers that is social capital are also important.

The outcome that will lead to the long-term value creation is "reducing environmental impacts." This is relevant to the material issue "response to climate change," and we have set CO<sub>2</sub> emission (Scope 1 and 2) of the Hoshizaki Group as KPI. We aim at a 50% reduction in 2030 (compared to 2014) and plan to achieve carbon neutrality in 2050\*3. Nonetheless as it is now being required to measure CO<sub>2</sub> emission globally, grasp the status of Scope 3, and take further countermeasures for the climate change scenario, we think that these requirements must be addressed one by one. Regarding this, we assume the impact on natural capital, and the utilization of financial capital, manufacturing capital, and intellectual capital, in our initiatives for development of products with higher environmental performance.

\*3 Scopes of numerical targets: Hoshizaki Head Office Factory and Shimane Factory. The targets of the entire group is to be determined.

Long-term Ideal



## Aim of Hoshizaki's Value Creation Story

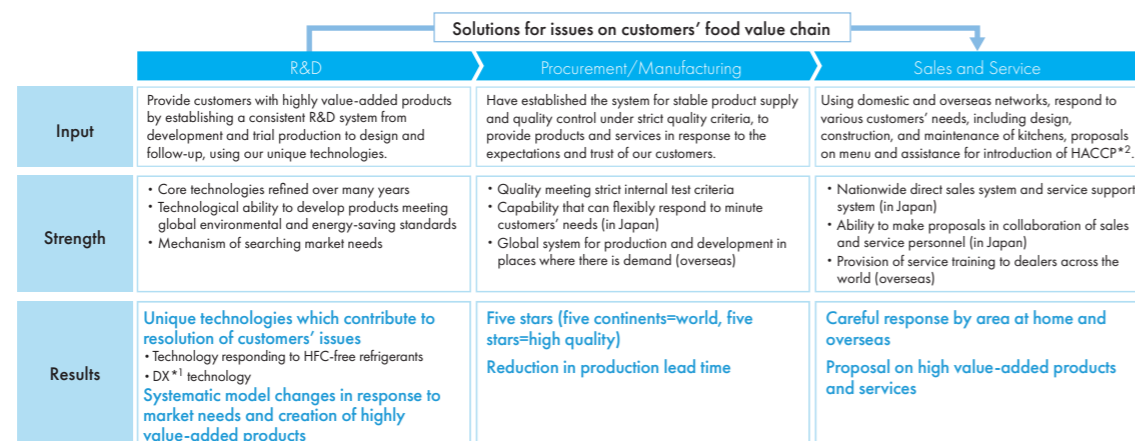
To become "Evolving Company" that contributes to society, which represents the Purpose of the Hoshizaki Group, we believe that outcomes that will lead to the Long-term Vision that the Group envisions must be achieved. To realize the Long-term Vision, it is necessary to synchronize the Hoshizaki Group's approach to sustainability, "Be No. 1 globally by taking the initiative in new markets with growth prospects and in undeveloped markets to thereby further raise our market presence," and social sustainability, "Contribute to the future of the earth by resolving issues facing customers and society in connection with food through the provision of products and services."

Business activities



## Advantageous Value Chain and Strategies

Products handled by the food service equipment industry to which the Hoshizaki Group belongs are diverse, which include cooking appliances, heating appliances, rice cookers, washing machines, refrigerators, beverage dispensers, and foodstuff dispensers. Furthermore, market needs are changing year by year, for instance, promotion of hygienic management of kitchens, systematic, advanced, and high-quality cooking and improvement of kitchen environment. In recent years, our lifestyles have changed owing to the COVID-19 pandemic. The Hoshizaki Group is a market leader in the domestic food service equipment industry, characterized by its direct sales system and business model in collaboration



\*1 DX: Digital Transformation

\*2 HACCP: The hygiene control method based on Hazard Analysis and Critical Control Point



# Materiality Toward Realization of Vision

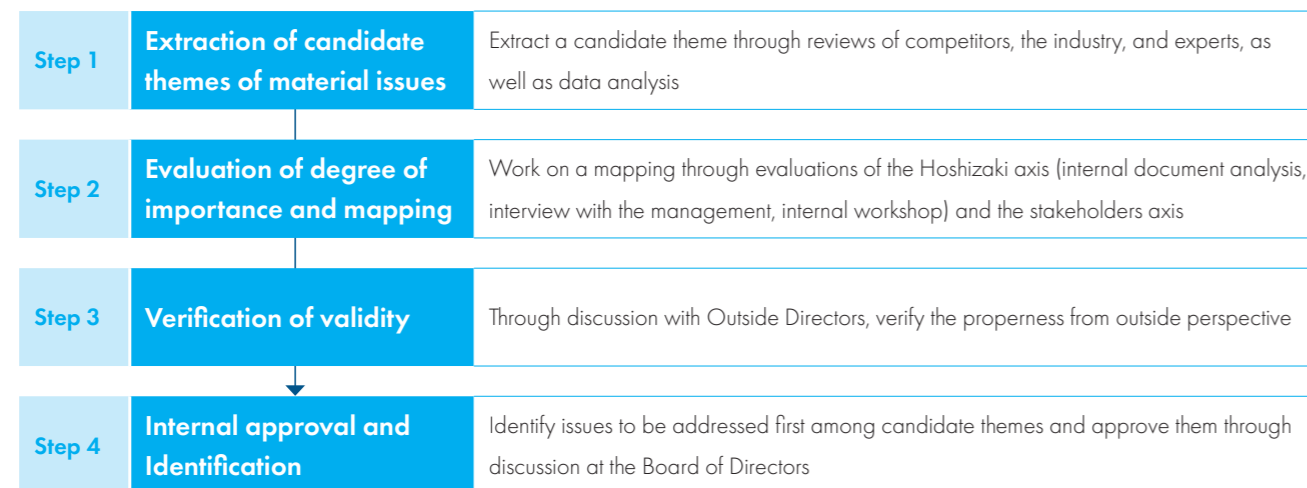
In order to realize Purpose, the Hoshizaki Group has drawn the Long-term Vision by anticipating risks and opportunities with the focus on the medium- and long-term changes in business environment in the five-year management vision. To achieve the Vision, we believe it is essential to grasp global trends (social issues), identify materiality (important issues) with the conception starting from the future based on management capital, and solve them.

In 2022, the Hoshizaki Group discussed and considered various social issues with diverse employees, and extracted and identified six material issues, in light of opinions of Outside Directors from outside perspective. In conjunction with SDGs they contribute to, we evaluated and approved them at the Board of Directors, and set key performance indicators (KPIs) for the material issues "response to climate change" and "increasing employees' job satisfaction."

In 2023, to further visualize the achievement of the materiality, in view of the engagement with investors and shareholders, we evaluated and approved KPIs for the remaining material issues at the Board of Directors based on the discussion at the Sustainability Committee.

By setting KPIs for the material issues toward the Vision to aim at (outcome), we will have them shared and implemented by all employees of the Hoshizaki Group, and thereby drive the medium- and long-term value creation. Going forward, in light of medium and long term changes in business environment and engagement with stakeholders, we will brush up the materiality.

## Materiality Process



## Relation between the Materiality Map and the Long-term Vision

Materiality of the Hoshizaki Group are characterized by a majority of them relating to society. Looking at the business environment surrounding the Hoshizaki Group, major global issues over the past few years, such as the COVID-19 pandemic, the soaring resource prices, and the supply chain disruption, are about to be put under control, while we see a major global turning point with geopolitical risks, including the conflict between Russia and Ukraine, and the formations of economic blocs over relations between China and the United States. If we are late in addressing social issues which are the assumption for our solution to the material issues and take wrong direction, it would be difficult to enhance corporate value.

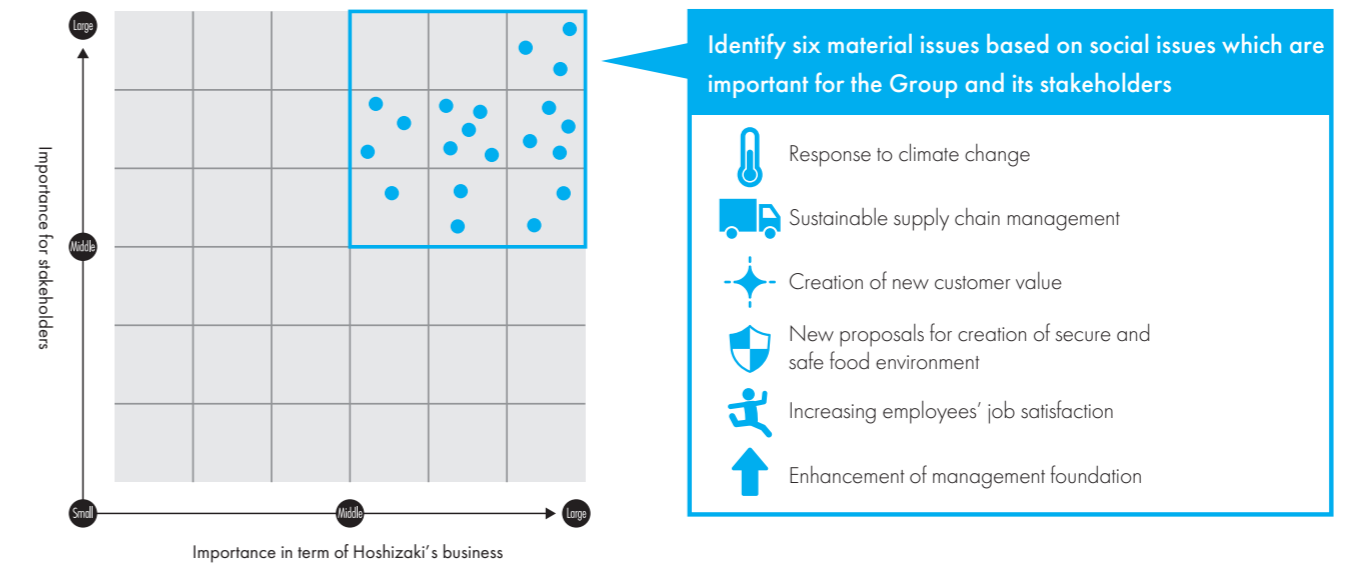
To realize the Long-term Vision, it is necessary to improve not only economic value but also social and environmental values. To enhance corporate value, it is essential to realize sustainability transformation (SX), that is, to synchronize as strategy the sustainability of Hoshizaki and social sustainability. In particular, we believe that sharing diverse values and creating the vital workplace culture will not only help improve employees' job satisfaction and but will be also an indispensable factor in utilizing the human capital.

Our SX in the material issues takes a strategy to synchronize "creation of new customer value," "new proposal for creation of secure and safe food environment," "increasing employees' job satisfaction," and "enhancement of management foundation," which are associated with Hoshizaki's sustainability, and "response to climate change" and "sustainable supply chain management," which are associated with social sustainability. It is necessary to visualize the process by setting KPI for each of the material topics and systematically implement them within the Group.

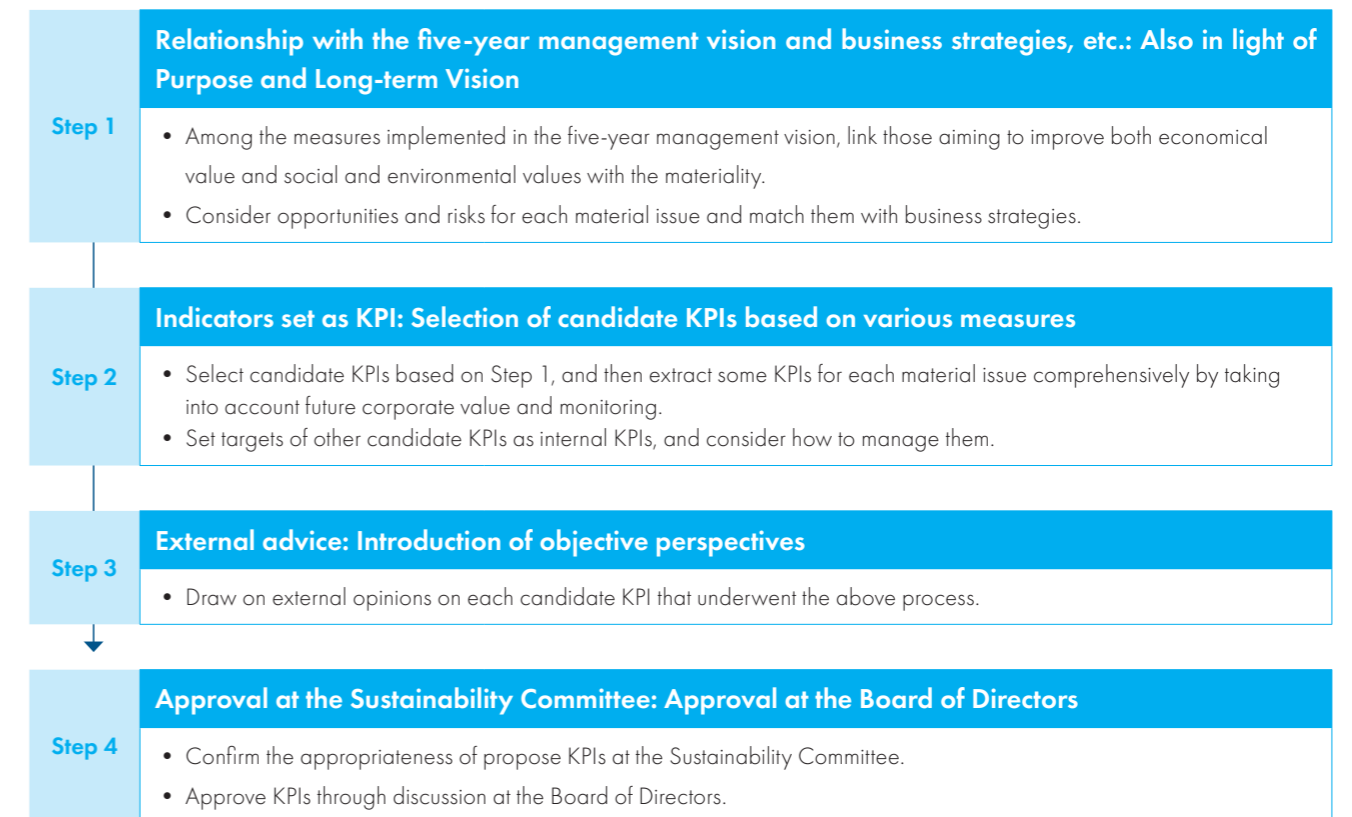
Taking the product development strategy, as an example, achievement of reductions in greenhouse gases, power consumption, and hazardous substances through initiatives, such as eco-friendly products, will directly help solve the materiality, "response to climate change," but

also help solve other material issues, such as "creation of new customer value" and "increasing employees' job satisfaction." Through such initiatives, we aim to "contribute to the future of the earth by resolving issues facing customers and society in connection with food through the provision of products and services" which is one of the Long-term Vision.

## Materiality Assessment
























## Approach to Setting KPIs for Material Issues, Selection Process, and Decision and Approval



Materiality Toward Realization of Ideal

Relationship between Materiality and Sustainability, Relevant SDGs, and KPIs

	Material issues	Relevance to the Vision	Relevant SDGs	KPI	Target/Year
Social sustainability	 <p><b>Response to climate change</b>  <a href="#">For more details, see Page 56</a></p>	In response to the global climate changes, contribute to resolution of environmental issues through provision of comfortable food environment (business)	 	Reduce CO <sub>2</sub> emissions in business activities to realize a decarbonized society	Target for 2030 to reduce CO <sub>2</sub> emission (Scope 1 & 2*) by 50% compared to the result in 2014 *Hoshizaki Head Office Factory and Shimane Factory
	 <p><b>Sustainable supply chain management</b>  <a href="#">For more details, see Page 61</a></p>	With a supply chain taking into account the environment and human rights, minimize waste emissions, and promote healthy and safe working conditions	   	(1) Supplier survey on sustainability including environmental protection (waste, etc.), human rights, and labor (safety) (2) Ongoing communication with suppliers to enhance results of the initiatives	(1) Development of a questionnaire (in 2023), response ratio of major suppliers at 95% or more (in 2026) (Hoshizaki) (2) Attendance ratio of major suppliers to factory policy briefings at 95% or more (in 2026) (Hoshizaki)
Hoshizaki's sustainability	 <p><b>Creation of new customer value</b>  <a href="#">For more details, see Page 59</a></p>	Manufacture products flexibly responding to changes and create service business, quickly catching up with changes in environment surrounding customers	  	Contribution to customers in various non-restaurant markets into which we aim to expand	Non-restaurant market sales: 100,000 million yen (in 2026) (in Japan)
	 <p><b>New proposals for creation of secure and safe food environment</b>  <a href="#">For more details, see Page 60</a></p>	In response to changes in diversifying food environment, provide safe and secure products and services to help people lead a good life	 	Product maintenance that takes advantage of the large number of sites across Japan, provision of the safety and security through call center support service	Service sales: 52,200 million yen (in 2026) (in Japan)
	 <p><b>Increasing employees' job satisfaction</b>  <a href="#">For more details, see Page 63</a></p>	Evolve toward the vital workplace culture where all employees share diverse values, respect each other, and work with pride	 	Nurturing female managers and development and retention of candidates for female managers	Women in positions at or above section manager level: 50 employees, and women in positions at or above assistant manager level: 300 employees (in 2025) (in Japan)
	 <p><b>Enhancement of management foundation</b>  <a href="#">For more details, see Page 71</a></p>	Implement socially reliable management, by enhancing corporate governance and thoroughly complying with laws and regulations	 	(1) Strengthening of compliance management foundation (2) Continuation of extensive compliance education for employees	(1) No significant compliance violation (global) (2) Provision of compliance education for all employees (global)

Time Frames for Sustainability Activities and Achievement of Materiality

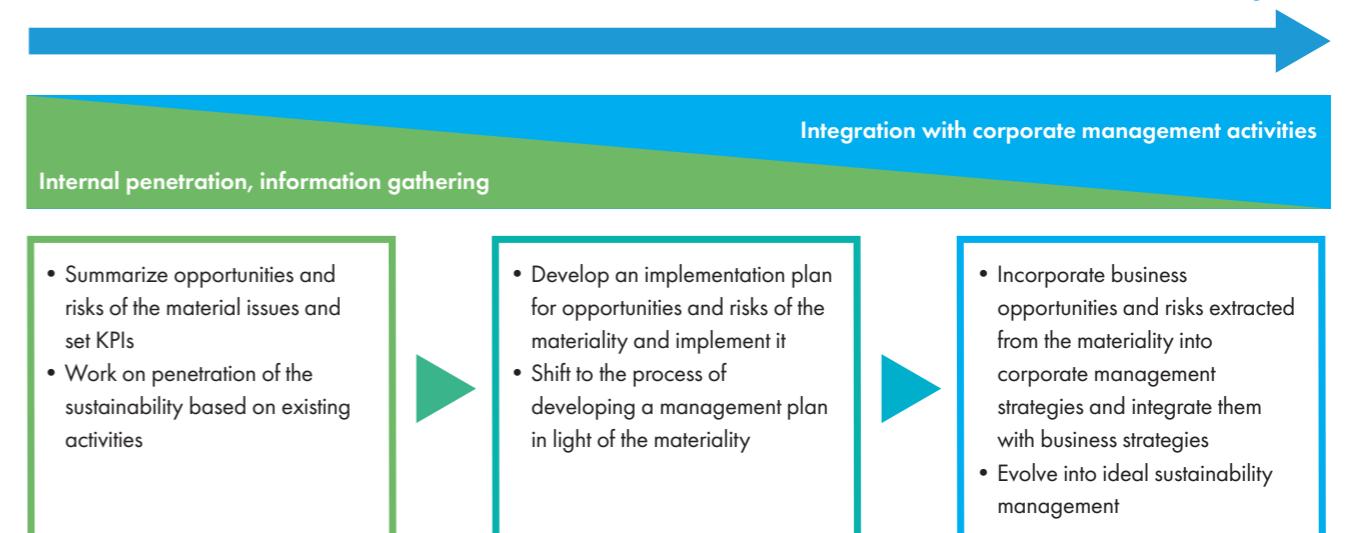
Direction of Sustainability Activities of the Hoshizaki Group

Looking at what we should be toward the sustainability management, aim for gradual evolution of activities centering on the materiality extracted as priorities to achieve the Purpose

The Hoshizaki Group has summarized opportunities and risks and set KPIs for all the material issues to date, and will carry out activities aware of time frames going forward. In the short term, we will work on their internal penetration and information gathering and make employees know and understand the sustainability based on existing activities (such as the five-year management vision, the Long-term Vision). In addition, we will involve every locations not only in Japan but also overseas in these activities. In the medium term, we will achieve many of the KPIs by 2025 or 2026, and to this end, develop a business management plan focusing on non-financial materiality and raise the effectiveness of business strategies. In the long term, we will integrate business strategy and the sustainability management and accelerate a series of activities to enhance corporate value.

Short term

Long term







### Aiming to achieve the five-year management vision by expanding both growth investment and shareholder returns and improving capital efficiency

Executive Officer in charge of Accounting Department  
**Ryuichiro Seki**

The Hoshizaki Group promotes the basic policy "financial/capital strategies focusing on capital efficiency and prioritizing growth investment" under the five-year management vision covering the period from the fiscal year ended December 31, 2022, to the fiscal year ending December 31, 2026. More specifically, we reserve funds necessary for business drivers, such as retaining talent, to maintain robust financial ground, allocate funds to growth investment, including capital investment and M&A, and then, if there is any surplus fund exceeding the necessary amount of funds, consider increasing shareholder returns.

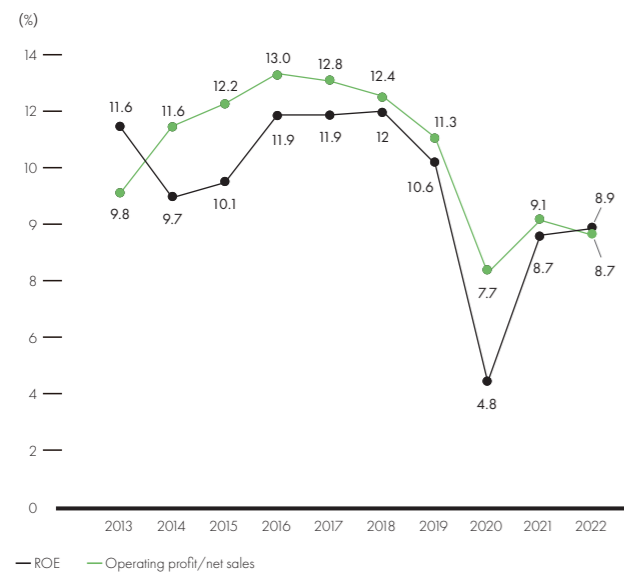
Through these initiatives, we will achieve ROE\* (see Page 11) at 12% or higher for the fiscal year ending December 31, 2026, disclose more information especially non-financial information and enhance equity spread to the level above capital cost (estimated at around 6%–7%) to enhance our corporate value in the medium to long term.

### Financial/Capital Highlights for FY2022

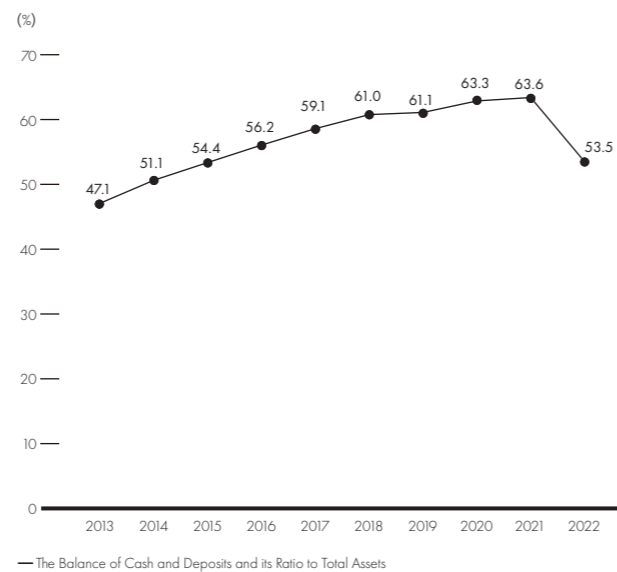
For the fiscal year ended December 31, 2022, we posted net sales of 321,300 million yen and operating profit of 27,900 million yen, which achieved our numerical targets for the first year of the five-year management vision that was set at the beginning of the period (net sales of 290,000 million yen, operating profit of 26,500 million yen). Domestically, demand gradually recovered from the COVID-19 pandemic, whereas strong demand continued throughout the year overseas. Meanwhile, despite the soaring prices of parts and the materials and procurement constraints, we maintained profits by implementing price revisions and procuring alternative parts. We have been revising product pricing overseas as required, whereas in Japan, we increased prices by 10% for almost all products starting from June 2022, which have been penetrated in the market.

As for capital efficiency, we set ROE as KPIs in the five-year management vision, we find it important to maintain capital efficiency exceeding capital costs. In FY2022, ROE was 8.9% almost flat compared to the previous year but lower capital costs mainly caused by enhancement of information disclosure widened a positive equity spread.

#### Changes in Operating Profit Ratio and ROE



#### The Balance of Cash and Deposits and its Ratio to Total Assets

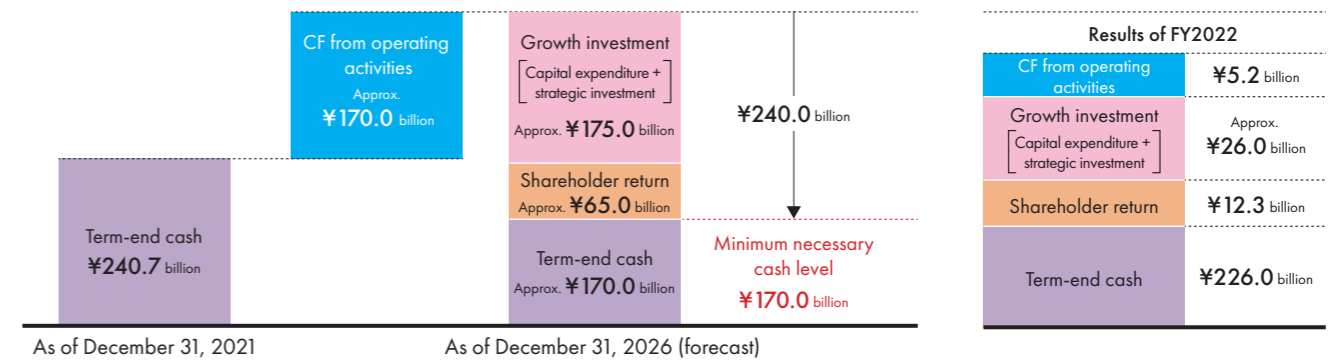


### Financial Strategy: Cash Allocation and Portfolio Strategy by Area

#### Progress of Cash Allocation and Future Approach

Let me explain the progress of cash allocation of the five-year management vision. The total cash inflows from operating activities is estimated to be approximately 170,000 million yen for the five years and was 5,200 million yen for the first year. This is mainly because of the increased working capital partly caused by inventory buildup in preparation for sales growth and supply chain disruption. We plan to improve CF from operating activities in this fiscal year by continuously monitoring cash conversion cycle (CCC) and expanding our core business. As for cash outflows, we plan to make growth investment of approximately 175,000 million yen for total for five years, of which approximately 50,000 million yen will be used for capital expenditure and approximately 125,000 million yen will be used for M&A. In the first year, capital expenditure was approximately 5,900 million yen and investment such as M&A was approximately 20,000 million yen, which were almost on par with the plan. In this fiscal year, capital expenditure is expected to be more than 10,000 million yen including investment to expand sales at manufacturing sites and to improve production capacity in Japan and overseas and IT investments, which include items carried over from last year, whereas M&A is expected to be in line with the first year including additional investment in Ozti. Shareholder returns are planned to be totaled as approximately 65,000 million yen for five years and were 12,300 million yen for the first year. Consequently, the balance of cash and deposits at the end of FY2022 was 226,000 million yen, which accounted for 53.5 % of total assets (vs. 63.6% at the end of FY2021) partly due to the increase in total assets caused by increased working capital. Under the five-year management vision, the balance of cash and deposits at the end of FY2026 is expected to be approximately 170,000 million yen, which comprises cash for working capital and additional funds to be used for retention of talent in emergency situations and flexible M&A.

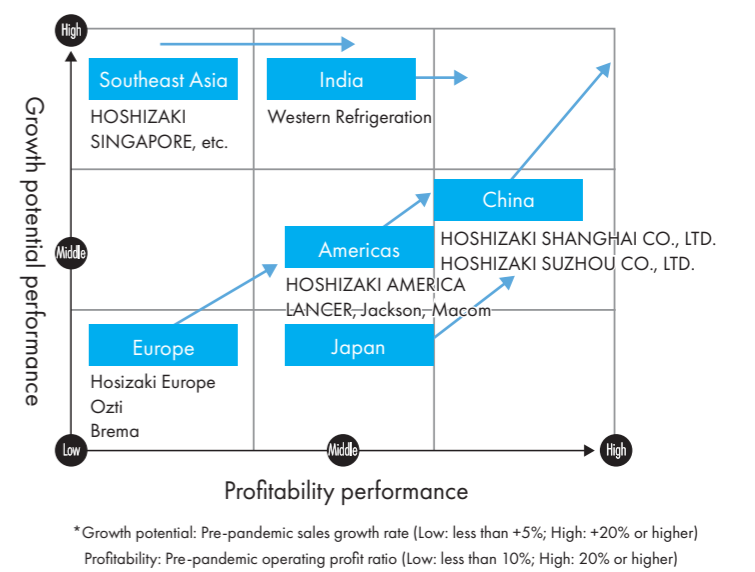
#### Cash allocation of five-year management vision and progress of first year



#### Portfolio strategy by region

As our business portfolio strategy for each area, we will closely examine improvement potential for growth and profitability in Japan and five overseas regions and, based on this, invest management resources appropriately. In our mainstay domestic market, we will improve profitability by raising the overall productivity while working to expand in non-restaurant markets. More specifically, in January 2023, we established Hoshizaki Sales, an intermediate holding company that horizontally connects functions of the sales companies (direct sales system) in Japan, which are Hoshizaki's strength, so as to accelerate the improvement of productivity. In the Americas, the balance between growth and profitability improvement should be optimized. In the first year of the five-year management vision, the profitability deteriorated due to a delay in production caused by difficulties of procuring parts and materials, but in the second year, we will improve profitability by improving production efficiency. In Europe, besides Ozti, a food

#### Approach to Region Portfolio



service equipment manufacturer in Türkiye, Brema, an Italian commercial ice machine manufacturer joined the Hoshizaki Group. This is the region that has the highest improvement potential in growth and profitability. In China, we anticipate to expand our market share by employing ODM/OEM\*<sup>(see Page 16)</sup> of refrigerators and other products, broadening the price range to the volume zone, and to seek for a synergy effect with the full kitchen business of Royalkitchen that we obtained in the previous fiscal year. In India, which is the market with great growth potential, we will maintain the Hoshizaki Group's competitive advantage centering around the Western Refrigeration, expand business scale, and further improve profitability by exploiting advantage as a production base. In line with these initiatives, we will implement saving and optimization of product costs at production sites.

In enhancing the promotion of our portfolio strategy by region, we delegate authority to regional heads for rapid decision-making and establish effective global governance provided by Hoshizaki Head Office in corporation with regional CFOs. Against a backdrop of increasing business volatility owing to heightened uncertainties worldwide, risk management should be given more attention than ever before and incorporated into initiatives for business opportunities in light of changes in the environment.

## Growth Investment: Approach to and Results of M&A

The consolidated sales figure of 450,000 million yen we are envisioning for FY2026 includes an M&A contribution of 50,000 million yen, and the organic compound annual growth rate (CAGR) excluding this is +8%. The operating profit is expected to be 63,000 million yen, and the CAGR excluding the effect of M&A is expected to be +18%. We aim to realize profit growth exceeding growth of net sales and achieve ROE\*<sup>(see Page 11)</sup> at 12% or higher, stably exceeding capital costs. Growth investment should be established to generate CF from operating activities, which will in turn be future funds while expanding business scale through M&As.

### Basic plan for growth investment

Under the five-year management vision, we envision capital expenditure of 50,000 million yen, of which approximately 20,000 million yen will be utilized in Japan and approximately 30,000 million yen used overseas. Domestically, we will primarily make active investment in new product development and in strengthening alliances with other companies to capture demands in non-restaurant markets and also invest in new technologies to further strengthen services. Internationally, we will proactively make investment to increase production capacity to expand production scale, proceed with capital expenditure to launch new products, and make investment in improvements of quality, costs, and delivery lead time, which will help enhance our competitive advantage. Additionally, both in Japan and overseas, we plan on making IT investment that contributes to profitability improvement.

### Progress and Outlook of M&A

With the aim to produce results, we have strengthened research on (1) profitable companies (operating profit ratio of 10% or higher), (2) companies with excellent executives, (3) companies with which we can expect synergies, (4) companies over a certain size (sales of several billion yen or higher), and (5) companies with a desire for more (not satisfied with the status quo), which are the five basic principles of Hoshizaki Group's approach to M&A. Besides exploring M&A cases and conducting business evaluation, we are also strengthening the system that enables us to systematically practicing post-investment PMI\*<sup>(see Page 16)</sup>. We have a policy to continuously hold M&A companies

### Priority segments and progress of M&A

	Emerging countries				Europe, North America	Japan
	India	China	Southeast Asia	Other emerging countries [Israel, Latin America, Africa]		
Ice machines					Added-value brands General carve-out brands	
Refrigerators						
Dishwashers						
Other food-service products	Bakery showcases	Steam convection ovens, etc.		Steam convection ovens, etc.	Coffee machines	Business alliances and capital participation to strengthen product lineups
Other	Full kitchens, etc.	Full kitchens, etc.	Sales companies Service companies Engineering companies		Service companies	
Results		* Royalkitchen (Kitchen design and installation)			* Brema (Ice machines)	* NAOMI (Filling machine) ▲ Connected Robotics

\* M&A    ▲ Capital alliance

and enhance business value with no specific standards for withdrawal, but as we closed the Denmark factory of HOSHIZAKI EUROPE B.V. (former GRAM) and transferred its production to Western Refrigeration in India and Ozti in Türkiye in the previous fiscal year, we will continue to review our business portfolio to optimize production sites and response to changes in the business environment.

We estimate that our M&A investment for the five years will be 125,000 million yen in total, and in the first year we invested a total of approximately 20,000 million yen in Europe, China, and Japan. We will continue to make active M&A investment, together with expansion of sales and manufacturing functions and pipeline extension, especially in emerging countries.

## Capital Strategy: Policy on Shareholder Returns, Information Disclosure, and TSR

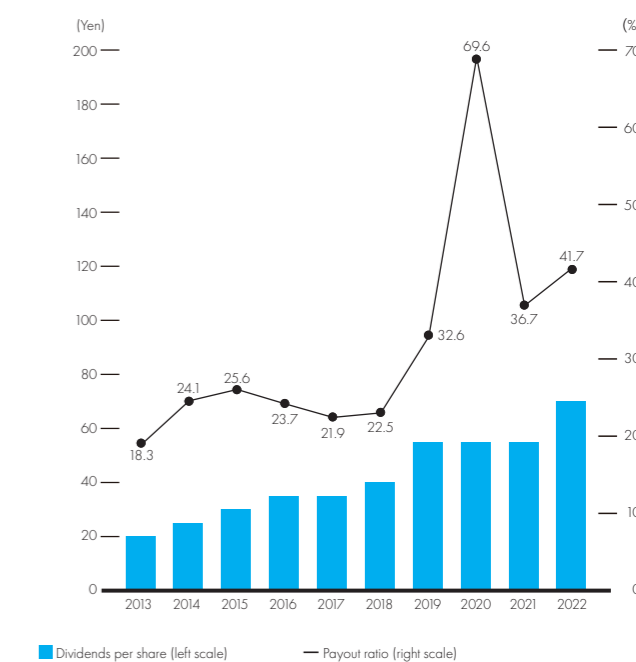
An important management goal of the Hoshizaki Group is strengthening shareholder returns so that they are unaffected by short-term performance fluctuations while also prioritizing allocations for growth investment and maintaining awareness of capital efficiency. We believe that it is also important to enhance information disclosure including sustainability, lower capital costs through dialog and engagement with our stakeholders including shareholders and investors and thereby jointly create corporate value in the future.

### Policy on shareholder return: Total return ratio at 40% or higher as KPI

Since FY2022 we have chosen the total return ratio at 40% or higher as KPI for shareholder return, instead of the previous KPI, dividend payout ratio at 30% to 40%. The dividend per share for the fiscal year ended December 2022 was 70 yen, an actual increase of 15 yen per share from the fiscal year ended December 2021 after considering a 1:2 stock split on July 1, 2022, and the dividend payout ratio was 41.7%. The dividend per share is expected to be 70 yen and the dividend payout ratio to be 43.5% for the fiscal year ending December 2023. We will consider and execute the acquisition of treasury shares in an adaptive and flexible manner, after comprehensively considering including the progress of cash allocation, capital efficiency including the stock price level and investment plans.

To contribute to our shareholders, we will strive to increase capital efficiency not only through growth of businesses but also maintaining of stable dividends (including acquisition of treasury shares) and enhancement of information disclosure such as ESG (lowering of future capital costs) and improve total shareholder return (TSR) through dialog and engagement. TSR of the Hoshizaki stock for the fiscal year ended December 31, 2022 (over the past year) was 9.2% which was above -2.5% of TOPIX and -10.2% of Machinery Index.

### Dividends per Share and Payout Ratio



\* Dividend taking account into the stock split in July 1, 2022

### TSR Comparison (Unit: %, Incl. dividends)

	Past 10 years (December 2012 to December 2022)	Past 5 years (December 2017 to December 2022)	Past 3 years (December 2019 to December 2022)	Past 1 year (December 2021 to December 2022)
Hoshizaki	343.0	-1.3	-0.7	9.2
TOPIX	174.2	17.2	18.1	-2.5
Machinery Index	161.8	3.5	14.7	-10.2



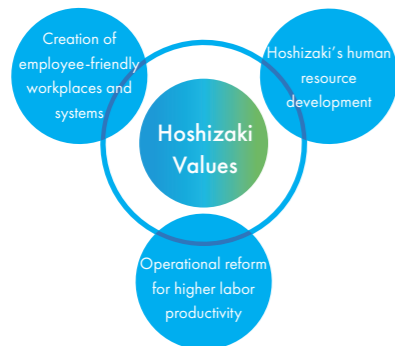
## We will launch reform of our personnel system while giving priority to engagement with employees, thereby seeking employee growth and enhancement of corporate value

Director, Senior Executive Officer (in charge of Administration)

Kyo Yaguchi

### Basic Policy on Human Capital

In the Hoshizaki Group, each employee is aware of "Hoshizaki Values" specified as an action guideline. We are firming up efforts to improve the work environment in which all employees can maximize their individual abilities and be motivated and fulfilled in their work, enhance our human resource development system, and realize a balance between work and life. We aim to improve corporate value through employee growth as a true global company by promoting diversity-ensuring activities, including women's empowerment, and respecting the human rights of each and every employee besides implementing the global workforce development program toward achieving the world's No. 1 position.

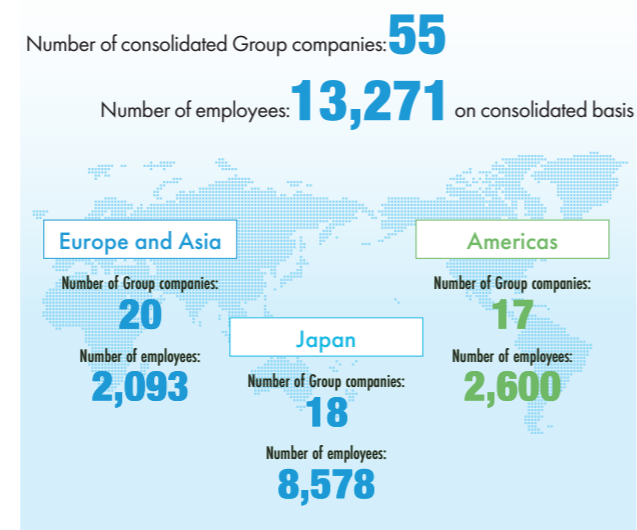


### Hoshizaki Group's Human Capital

The consolidated number of employees at the end of December 2022 stood at 13,271 (of 55 consolidated companies), up 348 from a year before. It comprised 8,578 in Japan (Hoshizaki + 18 Group companies), 2,600 in the Americas (17 Group companies), and 2,093 in Europe and Asia (20 Group companies). Of the 7,560 employees at Hoshizaki and domestic sales companies, female employees accounted for 17.1%, up 1.9 percentage points from five years before. The number of women in positions at or above assistant manager level was 205, up 133 from five years before, accounting for 8.8% of all employees in such managerial posts. Behind the advancement of women is the promotion of diversity-ensuring activities.

Hoshizaki Group's Human Capital	
• Number of employees: 13,271 (Dec. 31, 2022) on consolidated basis	
• Number of domestic sales and service personnel (sales: approximately 3,200, service: approximately 2,600)	
• Number of R&D personnel: Approximately 520 (consolidated)	
• Rate of female employees: 17.1% (total of Hoshizaki and its domestic sales companies)	
• Investment in personnel education: 73 million yen, training hours per person: 10 hours	
Output of Human Capital	
• Employee satisfaction (ES) survey: 39.6 points (perfect score: 55 points)	
• Average service years: 18.0 years (Hoshizaki)	
Outcome of Human Capital	
• Ability to create new value & revenue	
• High customer satisfaction & reliability	
• Diversity in human resource	

(As of December 31, 2022)



### Development of Human Resource with High Ability to Address Changes

The Hoshizaki Group is striving to develop professional human resource that can embody "Hoshizaki Values" in an effort to realize its Management Vision and Long-term Vision.

In terms of employment, in the first place, we are seeking to secure human resources in a stable manner based on the regular hiring of new graduates and, as for talented staff necessary to achieve the

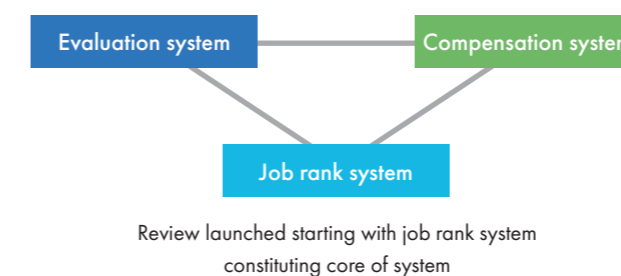
Management Vision, we are proactively supplementing employees via mid-career recruitment combined with the employment of new graduates. Second, while providing employees with opportunities for receiving education and training as necessary based on their job ranks, we are striving to enhance organizational capacity development by expanding and reviewing the contents of education and training as well as the educational system itself. The Hoshizaki Group's personnel excel in leadership and execution capabilities in response to command, as shown by strong domestic sales and service coordination. The ability to proactively adapt to different unforeseen changes that occur in Japan and overseas is greatly desired in the modern day. One of our primary goals, in our view, is to develop talent capable of leading change within already-existing companies as "the first penguin."

### Promotion of Diversity and Improvement in Job Satisfaction

We are enhancing diversity-promoting activities in parallel with human resource development. We are focusing our efforts on the promotion of women's empowerment in Japan particularly as a top priority. In 2022, we inaugurated the "Kagayaki Committee" to further develop the women's empowerment project that had been in place for the past 10 years and set up a "Diversity Promotion Center" within Hoshizaki as a formal organization. Coupled with a change in our implementation system, 2022 marked a year when we conveyed an even stronger message for promoting diversity.

Furthermore, we are continuously striving to enhance our work environment so that each and every employee can positively engage in work while feeling satisfied with own job. In addition to efforts to make working hours appropriate in consideration of the work-life balance, we are enhancing and reviewing different aspects of our personnel system, including the introduction of a remote work scheme, support for balancing childcare/nursing care and work, and establishment of a system allowing employees working away from home to spend much time with their families. Presently, we are working to reform the personnel system of domestic sales companies with a view of introducing a new personnel system under which employees can feel fair and satisfied with their work and which at the same time will result in enhanced governance.

### Personnel system reform at domestic sales companies



### PDCA for Improvement via Employee Satisfaction Survey

We draw up and implement an action plan by examining the results of an anonymous employee satisfaction survey carried out

once a year. Using such a PDCA cycle, we lead it to enhancing employee satisfaction, job satisfaction, and the personnel system. We used to focus our analysis of the results of an employee satisfaction survey on numerical data. In 2022, however, we focused more on qualitative aspects, that is, each and every free comment, thus understanding on-site problems that cannot be measured by numerical data and enhancing measures addressing them. In the future, we are scheduled to expand the employee satisfaction survey to international group companies.

### Indicators and Targets

As KPIs for human capital, we have the following targets in place for 2025: "(1) Increase the number of women in positions at or above section manager level to 50, or four times the level of 2020, and (2) boost the number of women in positions at or above assistant manager level to 300, or 1.5 times the level of 2020." As for KPIs in terms of return on economic value creation by human capital investment, we have in place such targets as net sales per person at domestic sales companies. However, it is a future task to set KPIs on a group-wide basis toward achieving numerical targets envisioned in our Management Vision.

### Initiatives to support for development of female managers

Continuously implemented activities
<b>Support for capacity development of female employees</b> <ul style="list-style-type: none"> <li>• Training for nurturing female leaders</li> <li>• Training for moving up level of female employees</li> <li>• Program for individual development</li> </ul>
<b>Support for empowerment</b> <ul style="list-style-type: none"> <li>• Training for supervisors having female subordinates</li> <li>• Understanding problems in promoting empowerment and confirming current status through interviews with responsible persons</li> </ul>
<b>Lecture meetings aimed to promote diversity and reform corporate climate</b>



Initiatives added from 2023
<b>(1) Meeting of female managers</b> <ul style="list-style-type: none"> <li>• Building the network of female managers</li> <li>• Determine problems in fostering female managers from the perspective of persons concerned, and bring them up to relevant workplaces</li> </ul>
<b>(2) System of requested mentors</b> <p>Meet requests from female employees having worries, anxieties, or problems and mentally support them by introducing role models or mentors and providing opportunities for face-to-face consultation</p>
<b>(3) Sharing good examples of fostering women and having them serve long</b> <p>Share good examples within the Group of female managers and of fields in which women's empowerment is rare, thus employing such examples in resolving in-company problems and nurturing female managers serving for a long time</p>





### Championing the themes of “environment” and “automation,” we will seek to achieve the five-year management vision by putting on the market products overwhelming those of other companies

Director, Senior Managing Executive Officer  
(in charge of Domestic Business)

Yasushi Ieta

#### Basic Policy on Intellectual Capital

As a company with development ability, under the corporate motto of “A company cannot grow without original products,” the Hoshizaki Group has a consistent research and development system from information gathering to element technology development, trial production, design, and production follow-up. Our fundamental policy is to embrace the challenge of creating new technologies and new products exceeding customers’ various needs. In recent years, we have strengthened industry-academia-government collaboration for development, including a business alliance with Connected Robotics Inc., besides R&D based on DX\* (see Page 23), AI, and various other new technologies.

#### R&D Expenses: FY2022 Results and FY2023 Forecast

The Hoshizaki Group has R&D sites in three domestic locations and 10 overseas locations, employing approximately 520 R&D personnel worldwide. R&D expenses in FY2022 increased to 5% over the previous year to 4,600 million yen (ratio to sales 1.4%, that is, 3,000 million yen in Japan, 1,200 million yen in the Americas, and 400 million yen in Europe and Asia). Using natural refrigerants in place of alternatives to HFCs for the first time in Japan, we have commercialized a series of refrigerators and freezers. We will transition all\*(see page 04) standard freezers and refrigerators for the Japanese market to natural refrigerants that are also HFC-free by the end of 2024. Outside Japan, Hoshizaki America won the Kitchen Innovations Awards® for 2022 hosted by the National Restaurant Association of the United States, becoming the first Japanese-affiliated company to receive the honor. R&D expenses in FY2023 are projected to total 5,000 million yen.

#### Strategy: New Measure “Restructuring Function of Developing Strategic Products” Added

Toward achieving the five-year management vision, we are striving to (1) put new products on the market in a timely manner, (2) enhance core technologies, and (3) support the strengthening of overseas technological development. In FY2022, we added a new concept, “Restructuring the Function of Developing Strategic Products,” with a view to capturing a given market comprehensively by making strategic products clear based on the idea of incorporating market needs into products. As for the timely launch of new products, we advocate their planned model changes and market launch toward winning market share in the restaurant, non-restaurant, service, and overseas segments. Results in FY2022 include the following: Sales of prod-

Intellectual Capital of the Hoshizaki Group	
• 13 R&D sites (3 domestic sites, 10 overseas sites)	
• Amount invested in R&D: 4,600 million yen (result in FY2022), 5,000 million yen (forecast for FY2023)	
• Number of themes for launch of new products: 22 (in Japan)	
• Dedicated organizations in terms of both product development axis and function axis	
• Consistent R&D system from product planning through production	
Output of Intellectual Capital	
• Product lineup including approximately 6,000 models	
• Number of themes for launch of new products: 22	
• Sales ratio of eco-friendly products: 20% or more	
• Total sales ratio of new products and products after model changes: 45%	
Outcome of Intellectual Capital	
• Resolution of customers’ issues	
• New market creation exceeding customers’ needs	
• Contribution to energy conservation, resource saving, and labor saving	
• Creation of new customer value by launch of differentiated products	

ucts after model changes accounted for 41% of the total, roughly as planned, whereas the number of themes for the launch of new products, at 22, exceeded its initial plan, as did the number of themes for core technology research and the fostering of globally active human resources.

Regarding the enhancement of core technologies, we have strengthened industry-leading technology for refrigerants (such as natural refrigerants), promoted the cloud management and use of operating data, entered into a business alliance with Connected Robotics Inc., and reinforced freezing/defrosting technology useful to reduce food waste. In line with the strengthening of support for overseas technological development, we have provided Group companies abroad with development support, promoted exchanges of expertise on joint development, leveled up the nurturing of globally active human resources, and enhanced product development capabilities.

#### Intellectual capital KPIs for achieving Management Vision

- Increase themes for development of core technologies while seeking to boost the number of themes for launching new products and improve sales ratio
- Enhance capacity to cope with growth markets abroad through enhanced development of global human resources

	FY2022	
	Results	Progress vis-a-vis plan
Number of themes for launch of new products	22 cases	●
Total sales ratio of new products and products after model changes	45%	●
Number of themes for core technology research	6 cases	●
Global human resources (change from 2021)	+23%	●

Note: ● Achieved, ✕ Not yet achieved



### Customer Value Creation Strategy Based on “Hoshizaki Connect Wi-Fi”

Executive Officer  
Research & Development Center  
Makoto Sasaki

**Q** What is “Hoshizaki Connect Wi-Fi” and what advantage does it have?

**A** It is an IoT device that can be attached to refrigerator and other products. It can collect various data through a cloud-based system. We have developed a very inexpensive and easy-to-install Wi-Fi module, which can hold down the initial cost of its introduction. Also, we have been able to keep down running costs by using Wi-Fi. As it is possible to obtain information not only on the temperature and error data but also on operational data of equipment, we can prevent breakdowns as well as remotely monitoring and controlling. Because it can be connected to products of other companies, it becomes possible to control the temperature of a whole store, thus providing careful maintenance service.

**Q** Please tell us advantages on the part of customers and Hoshizaki.

**A** As for customers, it becomes possible for them to control

temperatures inside a refrigerator in a manner compatible with HACCP\* (see Page 23), for one thing. Other advantages include the ability to detect a device malfunction on a real time basis, which permits notification of such trouble to the user and thus prevent a breakdown in advance. On the part of Hoshizaki, it enables the company to assume a faulty place through remote diagnosis and remotely cope with an error. Moreover, we can reduce working hours during a visit to customers by replacing part of inspection work with remote operations, thus helping to prevent breakdowns by detecting clogged filters or packing deterioration. During a demonstration test, in fact, there was a case in which we were able to convey a malfunction to a customer before the customer noticed it, receiving appreciation. Besides making service operations effective, we can acquire customers and feed back information to our product development side.

**Q** How do you identify prospective customers and see future potential of the device and service?

**A** It can be fixed to some 500,000 refrigerators supplied by the Hoshizaki Group across Japan. Our initial targets are major customers and chain stores operating many outlets, where needs for package device management are strong. There is a great potential as well among customers in remote areas and at cooking facilities supplying massive meals and requiring adequate temperature control, such as hospitals, nursing facilities, and nursery schools facing serious labor shortage. We will seek to launch the service as a new business within FY2023.



### Attractive Potential Demand for Robotic Devices in Kitchens and Food Factories

CEO & Founder, Connected Robotics Inc.  
Tetsuya Sawanobori

**Q** What do you hope to achieve with the alliance with Hoshizaki?

**A** We have worked together with Hoshizaki in developing an automated dishwasher equipped with robotic technology. We are considering creating an automation market in the kitchen segment together while taking advantage of each other’s specialty areas in the future as well.

**Q** Where do you have your strengths and differentiation technologies?

**A** Our unique AI and sensing expertise that make it pos-

sible to control robots and speedily handle food not constant in shape are the differentiation technologies. We have developed automation systems for the restaurant industry, as represented by the “soba robot” that can be added to existing kitchen equipment of customers.

**Q** Will you tell us a specific track record of supply?

**A** The cumulative number of our automation systems supplied so far is 77. We are developing prototypes of new automated dishwashers which have been jointly developed with Hoshizaki. They include a conveyor belt type and a door type (for bowls and plates). We expect to continue building a win-win relationship with Hoshizaki in the future as well.

**Q** How do you see future market prospects?

**A** We expect the potential robot market in the restaurant industry to be 400,000 million yen and that in the food factory sector to be 400,000 million yen as well. It is difficult to clearly say when these will be realized, but an era when automated and labor-saving equipment will be indispensable in both the restaurant market and the non-restaurant markets is likely to come.





**With a production system having a high level of resilience in place, our execution strategy gets underway toward growth under strict product standards**



**We engage with our customers, suppliers, and local communities in a constructive manner and strive to build continuous trust relationship with them**

### Basic Policy on Manufacturing Capital

The Hoshizaki Group has in place a global production system meeting the needs of customers around the world, pushing ahead with investment for increased output and with reconstruction of an optimum production system in Japan and Europe with a view to achieving our Management Vision. Based on its unique processing technologies for ice making/refrigeration mechanism of ice machines, Hoshizaki has introduced systematic production equipment that enables the limited production of diversified products, including approximately 6,000 models in Japan, as well as the strict quality inspection process based on 100% inspection. In the manufacturing capital that assumes part of "Development/Manufacturing," one of Hoshizaki's pillars, the basic policy is to supply high quality products meeting all customers' needs in a stable manner under the founder's belief "Good products come from a good environment."

### Capital Expenditure: FY2022 Results and FY2023 Forecast

Capital expenditure in FY2022 totaled 5,900 million yen (ratio to sales 1.8%; broken down to 1,700 million yen in Japan, 1,500 million yen in the Americas, and 2,700 million yen in Europe and Asia). Besides a new plant set up by India's Western Refrigeration, we made investment for capacity buildup in Japan and abroad. We plan to invest 12,000 million yen on plants and equipment to enhance their ability in FY2023. Depreciation reached 5,300 million yen in FY2022 and is projected to total 5,500 million yen in FY2023.

### Strategy: Execution Strategy Geared to Growth Getting into Full Swing

At domestic production bases, Nestor is constructing a new plant in Shimane Prefecture toward realizing the five-year management vision as part of efforts to restructure our production portfolio featuring characteristics of each factory, including production transfers. Meanwhile, we launched a new renovation drive dubbed "Z-Mission" in 2020 aiming to realize absolute quality and maximum efficiency. The campaign designed to reduce production lead time 50%, halve inventory, and cut quality claims 70% has become well-established. Conversely, the Group's overseas manufacturing companies are making progress in securing supply capacity by 2026, and implementing cross-selling and optimized manufacturing strategies leveraging the strength of each manufacturing site. In Europe, we have launched a drive to get a slice of the pie in the kitchen equipment market of a middle price range by offering commercial refrigerators made by Türkiye Ozti and India's Western Refrigeration, and ice machines produced by Italy's

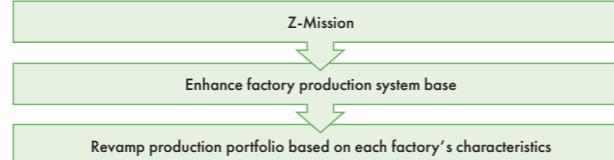
Manufacturing Capital of the Hoshizaki Group	
• 25 production sites (9 domestic sites, 16 overseas sites)	
• Capital expenditure: 5,900 million yen (result in FY2022), 12,000 million yen (forecast for FY2023)	
Output of Manufacturing capital	
• Global cumulative shipments of products with natural refrigerant: approximately 740,000 units*	
• Goods-in-process production lead time reduced 59% from FY2019 (coverage: Hoshizaki)	
Outcome of Manufacturing capital	
• Realization of limited production of diversified products	
• Optimum production system friendly to environment and employees	

\* Number of products with natural refrigerant (ice machines, refrigerators, sushi cases, and Cooler for preserving beverage) in North America, Europe, Asia, and Africa in 2009-2022

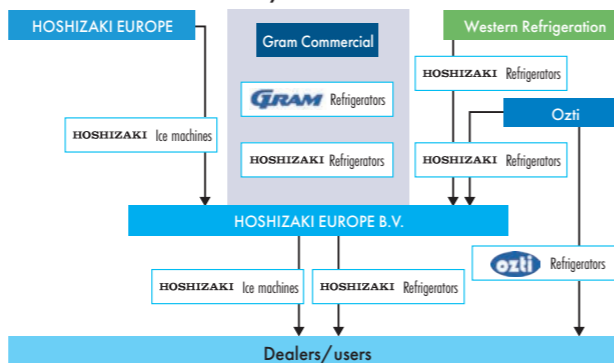
Brema. In the Americas, we will enhance the market development of a middle price range and e-commerce with ice machines from Brazil's Macom.

### Revamp of domestic production system based on each factory's characteristics

Hoshizaki		Nestor, Sansei Electric
Head Office Factory	Shimane Factory	
Dedicated to new products	Dedicated to mass-produced items	Manufacturing technology support by Hoshizaki



### Promote optimization of production sites in Europe by closing Gram Commercial's factory



### Basic Policy on Social Capital

The Hoshizaki Group engages with customers of the global food service industry, to whom we provide products and services, with suppliers with whom we build sustainable supply chains, and with members of local communities constructively and strives to build continuous trust relationship with them. We aim to be an "evolving company," which can contribute to not only customers but also society by flexibly responding to changes in the business environment and in diversified needs. Toward the achievement of our Long-term Vision, the Hoshizaki Group intends to make efforts for realizing a sustainable society and improving its corporate value as a member of global citizens.

### Starting Point of Our Activities for Environment, Society, and Natural Environment

Founder Shigetoshi Sakamoto inaugurated the Hoshizaki Scholarship Program in 1961, bearing in mind the belief that the purpose of a company is to make the world a better place. In 1990, he established the Hoshizaki Green Foundation with a view to preserving and breeding wild animals and plants. In 2011, he set up the Sakamoto Donation Foundation, making it the first mechanism in Japan that enables continuous donations to foundations and scholarships. In 2018, he inaugurated the Hoshizaki Shinsei Foundation, providing a greater scope of students with support. Activities that contribute to natural environment, which the founder was quick to launch, have been handed down to each and every employee, which allowed activities for environmental and social contributions to be conducted continually.

Social Capital of Hoshizaki Group	
• Solid customer base resting on strong trust	
• Strong collaborative ties with sales companies and suppliers	
• Continuous social contribution activities	
Output of Social Capital	
• Coexistence with local communities	
• Realization of an amicable supply chain	
• Credibility with customers	
• Harmony with natural environment	
Outcome of Social Capital	
• Realization of co-prosperity and stable production	
• Maintenance of high product quality	
• Corporate structure with eco-friendliness and respect for human rights	
• Resilient organizational management	

### Troubled Procurement of Various Materials Headed for Solution

In the first half of FY2022, we faced difficulty in procuring bubble solutions and various other materials in Japan, confronting supply bottlenecks for many products. In the second half, HOSHIZAKI AMERICA faced the issue of supply shortage for various parts and materials, witnessing declines in equipment operation rates. However, the parts procurement issue has already been resolved, and we are pushing ahead with replacement of substitute parts with regular components. As for parts and materials whose replacement with substitutes is difficult, we have secured multiple supply sources while keeping greater inventory than usual and have strengthened our procurement policy by paying more attention to sovereign risk. From now on, we will improve product remodeling and design changes aimed at reducing material costs.



### We have overcome the worst-ever parts procurement problem in close cooperation with Hoshizaki

Satoshi Kawaguchi, Deputy General Manager, Sales Department, KATATA ELECTRIC CO., LTD.

Katata Electric supplies printed circuit board modules manufactured at its factory in Kunshan, China, for commercial refrigerators, ice machines, and other products Hoshizaki produces in Japan. In April 2022, Shanghai was placed under lockdown to battle the COVID-19 pandemic, bringing our supply to Hoshizaki to a halt and greatly inconveniencing Hoshizaki. Under the circumstances, we held careful discussions online more than twice a week to negotiate for the ordering of parts and delivery time in search of solutions. We are continuing dialog currently as well. It became challenging temporarily to procure integrated circuits (ICs) from Asia and some items bought from Japan, including microcomputers, but we coped with the situation in a flexible manner by changing channels of commercial distribution, switching to substitute items, and taking other measures in collaboration with Hoshizaki's Production Control Department and Research & Development Center. Taking advantage of the latest experience, we are considering undertaking inventory management together in a manner allowing leeway, thus striving for growth for both companies.



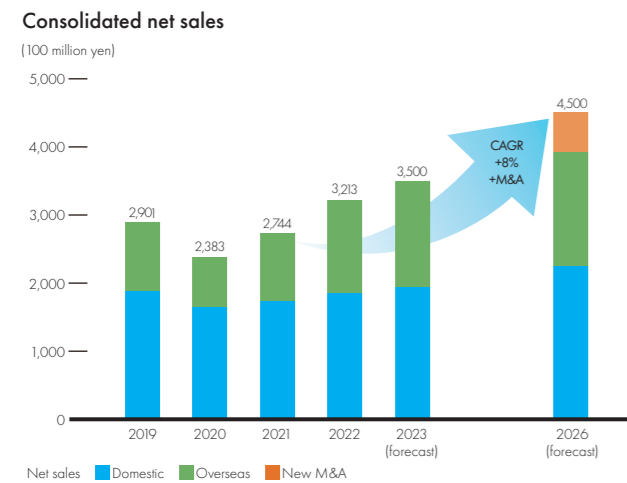
# Numerical Targets of the Five-year Management Vision and Company-

The five-year management vision (FY2022 to FY2026) sets targets for social and environmental value and economic value respectively, enhancing corporate value toward realizing our "Long-term Vision." We strive to achieve numerical targets and realize our Long-term Vision by executing both "offensive" and "defensive" strategies in domestic and overseas markets as well as by improving social and environmental values through enhancement of ESG management and other measures.

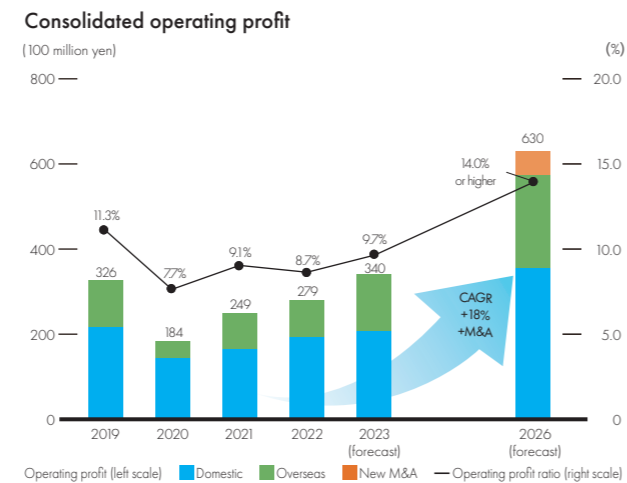
**Performance Targets for FY2026**

- Consolidated net sales: 450,000 million yen, including M&A effects of 50,000 million yen
- Consolidated operating profit ratio: 14% or higher (before M&A goodwill amortization)
- Consolidated ROE\* (see Page 11): 12% or higher
- Five-year cumulative cash flow from operating activities: Approximately 170,000 million yen
- Total shareholder return: 40% or more

## FY2026 Net Sales Target

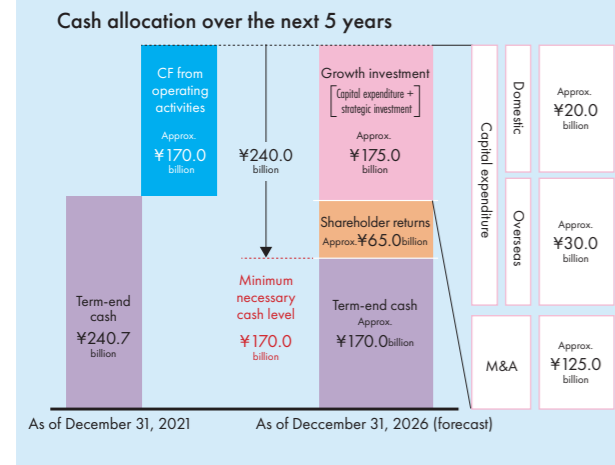


## FY2026 Operating Profit Target



## Cash allocation and growth investment strategy

- Cumulative growth investment till FY2026: Approximately 175 billion yen (domestic capital spending: Approximately 20 billion yen, overseas capital spending: Approximately 30 billion yen, M&A: Approximately 125 billion yen) · Shareholder returns: Approximately 65 billion yen
- Minimum necessary cash level as of December 31, 2026: Approximately 170 billion yen (cash level calculated on trial basis by factoring human resource retention, etc.)



## Measures to Improve Social and Environmental Values

- Identify important issues (materialities) and set KPIs toward realizing Vision
- Enhance efforts for response to climate change and endorsing the TCFD
- Strengthen activities for diversity promotion
- Activities to improve employee satisfaction
- Enhance governance system

# Wide Strategy

## Progress in Five-year Management Vision and Future Issues

In FY2022, the first year of the five-year management vision, we were able to secure greater sales increases than planned both in Japan and overseas as we went through the process of economic activities being normalized after stagnancy caused by the COVID-19 pandemic. Operating profit ended up exceeding its numerical target under the management vision thanks to the effects of increased sales and product price hikes, among other factors, after facing parts procurement difficulty and higher material costs, greater labor expenses, etc.

**FY2022 Business Results**

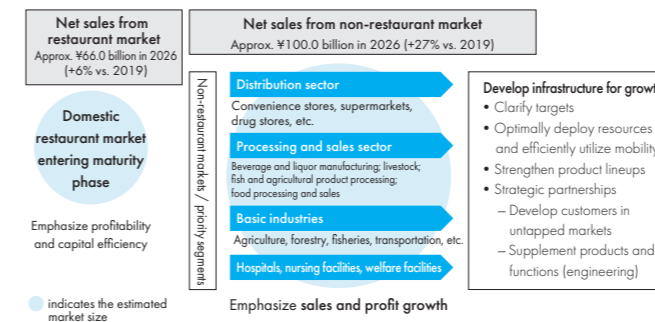
- Consolidated net sales: 321,300 million yen (+17% from FY2021)
- Consolidated operating profit: 27,900 million yen (+12% from FY2021), operating profit ratio: 8.7%
- Consolidated ROE: 8.9% (+0.2 pt from FY2021)
- Cash flows from operating activities: 5,200 million yen
- Total shareholder return: 41.7%

## Groupwide Growth Strategy (Offensive/Defensive)

Offensive	Domestic	Overseas	Defensive
<p><b>Domestic</b> Profit growth driven by profit ratio improvement</p> <ul style="list-style-type: none"> <li>● Further explore the restaurant market and develop non-restaurant markets</li> <li>● Thoroughly improve profitability and productivity</li> <li>● Create new value through optimizing sales-service collaboration* (see Page 21) and use of IoT</li> <li>● Strengthen product development capabilities in response to market needs</li> </ul>	<p><b>Overseas</b> Profit growth driven by sales growth</p> <ul style="list-style-type: none"> <li>● Develop new markets (area, product, channel, customer, etc.)</li> <li>● Active M&amp;A</li> <li>● Excellent quality, cost, and delivery (QCD)</li> </ul>	<p><b>Both domestic and overseas</b></p> <ul style="list-style-type: none"> <li>● Strengthen ESG measures</li> <li>● Strengthen internal control and compliance</li> <li>● Strengthen management (cost management)</li> <li>● Develop management personnel</li> <li>● Strategic IT development</li> <li>● Strengthen risk management</li> </ul>	<p><b>Domestic</b> Develop infrastructure for increasing efficiency</p> <ul style="list-style-type: none"> <li>● Increase administrative efficiency (promote shared services)</li> <li>● Strengthen coordination with other companies</li> </ul> <p><b>Overseas</b> Develop infrastructure for growth</p> <ul style="list-style-type: none"> <li>● Strengthen ability to execute M&amp;A and PMI* (see Page 14)</li> <li>● Strengthen area management</li> </ul>

## Cases for Domestic Strategy: Develop Non-restaurant Markets

We will strategically develop demand in four priority segments of non-restaurant markets.



## Cases for Overseas Strategy: Strategy by Area

Closely examine the potential in each area and appropriately commit management resources

Area	Strategic direction by area
Americas	Pursue optimal balance between sales growth and profit ratio improvement
Europe	Strengthen growth and profitability improvement in cooperation with acquired companies
China	Pursue high growth by leveraging brand power
India	Maintain competitive advantage and steadily expand business scale
Southeast Asia	Expand sales scale and optimize supply network

## Progress in Growth Strategy

### Domestic

Besides recovery in restaurant market demand, we have witnessed steady progress in our foray into the non-restaurant market.

### Domestic strategy: Striving for continuing growth and profit ratio improvement

Along with further exploration of the restaurant market, we will actively develop four segments of the non-restaurant markets and, at the same time, work to create new value through the use of IoT and raise productivity and administrative efficiency through work process visualization. In FY2022, non-restaurant market sales showed a hefty increase along with a rise in restaurant market sales. Operating profit also ended up with greater results than expected.

### Use of IoT: More advanced customer response and service operations

We will seek to create new customer value by linking Hoshizaki with customers through a Hoshizaki Connect Wi-Fi system to provide remote service for malfunctions and preventive maintenance as well as managing and analyzing various types of data. At present, about 2,000 Hoshizaki Connect Wi-Fi devices are in operation on a demonstration test basis across Japan to verify how we can make efficient use of the system.

### Overseas

While sales grew steadily, temporary parts procurement difficulty in the US adversely affected profitability.

### Overseas strategy: Aggressively pursue sales growth opportunities

We have a policy in place to pursue growth opportunities for different areas, products, channels, and customer segments. We will also seek to maximize synergies with acquired companies while working to transfer authority to area heads and accelerate decision-making. Overseas net sales in FY2022 logged a hefty year on year gain of 36% but operating profit was less planned even though it showed a rise.

### M&A: Strategic M&A funds of approximately 125.0 billion yen set aside

Under the five-year management vision, approximately 125.0 billion yen is set aside for M&A to explore acquisitions in the emerging, European, and American markets, seeking to achieve approximately 50.0 billion yen in sales and around 7.0 billion yen in operating profit through M&A. In FY2022, we executed approximately 20.0 billion yen worth of M&A, featuring the acquisition of Italy's Brema.





**We will strive for sustained growth and profit ratio improvement by strengthening direct sales through reorganization and by expanding sales of eco-friendly products**

Director, Senior Executive Officer  
(in charge of Domestic Sales Department)

Satoru Maruyama

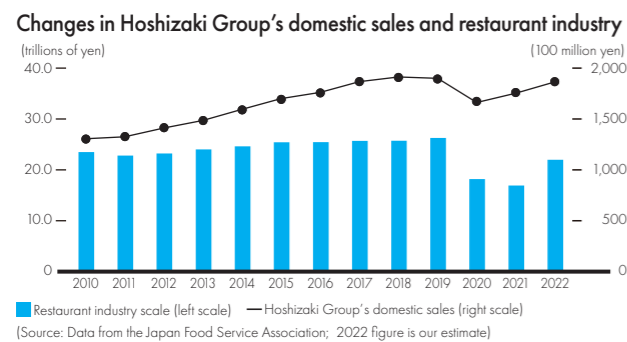
## FY2022 Financial Highlights and FY2023 Forecasts

- Domestic sales increased for the second straight term led by those to restaurants.
- The issue of difficulty in procuring parts and materials had adverse effects in the first half, but it disappeared gradually in and after July.
- Domestic operating profit showed a double-digit year on year increase for the second consecutive term, strengthening the operating profit ratio to 10.4%.
- Net sales in FY2023 are forecast to reach 195.2 billion yen, exceeding the level prior to the COVID-19 pandemic.

Domestic sales increased 6.4% year on year to 186,400 million yen, marking a rise for the second successive term. In the restaurant market, sales to shops operating from morning to evening tended to recover as they did in the previous term, whereas sales to shops opening in the evening showed a stronger recovery trend although such stores continued to decrease in number. In the non-restaurant market, we saw variations according to industries, and, in the first half, our business was affected by supply bottlenecks involving various parts and materials, but a recovery trend gained ground in and after July 2022, primarily in the processing and sales segment and lodging facilities, among other sectors. Operating profit increased 17% year on year to 19,200 million yen, enhancing the operating profit ratio by 0.9 percentage points to 10.4%. Cost increases caused by higher material prices, adoption of substitute parts, and other factors were more than offset by sales gains, product price markups, and so forth, resulting in a double-digit profit rise for the second term running. Domestic net sales in FY2023 are forecast to grow 5% year on year to 195,200 million yen, exceeding the pre-pandemic level, whereas operating profit is projected to keep an uptrend.

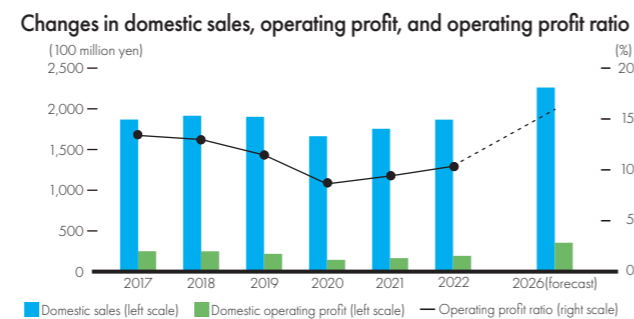
### Market Trends: Clearer Signs of Recovery on Track

The domestic restaurant market bottomed out in 2021 but remained below the pre-pandemic level in 2022, according to data announced by the Japan Food Service Association. The "rates of food prepared away from home" (the proportion of the eating-out market in its broad sense to nationwide spending on food and eating) dropped from 43% before the COVID-19 pandemic to 36% in 2021. The domestic market is deemed to recover its pre-pandemic level in 2023 as demand from foreign visitors to Japan, mainly from Europe and North America, is anticipated to expand along with an increase in travelers from Asia, chiefly China, besides normalization of economic activities.



### Performance Trends: High Hopes on Inbound Tourism

We attained higher operating profit on greater sales in the domestic business in FY2022 for the second term in a row, enhancing the operating profit ratio to the 10% level. We thus made steady progress toward numerical targets under the management vision. As for FY2023, we expect demand from foreign travelers to Japan to continue increasing and also anticipate acquisition of supply contracts from operators of lodging facilities and other customers associated with EXPO 2025 Osaka, Kansai, Japan, besides the post-pandemic normalization of economic activities. As the pending issue of difficulty in parts and material procurement is headed for resolution, we expect favorable effects from it together with the impact of product price hikes taking effect.



## SWOT Analysis: Expecting effects of Hoshizaki Sales and reorganization in and after 2023

Strengths	Weaknesses	Business opportunities	Threats
<ol style="list-style-type: none"> <li>Overwhelming direct sales structure with some 440 sales offices across Japan</li> <li>Products/systems/solution-proposing power eclipsing competitors</li> <li>Service and maintenance system with highly satisfactory to customers</li> </ol>	<ol style="list-style-type: none"> <li>Mobility from separate manufacturing and sales</li> <li>Leveling of sales staff skills and buildup of whole level remain to be achieved</li> <li>Insufficient product lineup for non-restaurant markets</li> </ol>	<ol style="list-style-type: none"> <li>High growth potential of non-restaurant markets</li> <li>Huge demand for replacement due to response to stricter regulations on refrigerants</li> <li>Improvement in business efficiency and productivity from business model reforms</li> </ol>	<ol style="list-style-type: none"> <li>Intensified competition in non-restaurant markets</li> <li>Structural contraction of domestic market from population decline</li> </ol>
<b>Continuity</b> <ol style="list-style-type: none"> <li>Possible to maintain in future</li> <li>Adopt more enhancement measures by introducing products that use natural refrigerants</li> <li>Hoshizaki Connect WiFi and other effective services available</li> </ol>	<b>Measures needed</b> <ol style="list-style-type: none"> <li>Enforce reorganization and cooperation with sales companies</li> <li>Establish Hoshizaki Sales for greater organizational efficiency and promotion of human resource development</li> <li>Strengthen cooperation with other companies and in-house R&amp;D</li> </ol>	<b>Time axis &amp; scale</b> <ol style="list-style-type: none"> <li>Possibility of non-restaurant market size being several times that of restaurant market</li> <li>Enjoy benefits of overwhelming product launch earlier than competitors</li> <li>Improve profitability in own efforts toward achieving numerical targets under medium-term management plan</li> </ol>	<b>Necessary measures &amp; effects</b> <ol style="list-style-type: none"> <li>Success cases grow by organizational sales efforts in partnership with other companies</li> <li>Demand stemming from needs for manpower reduction and labor-saving expands in long term</li> </ol>

## Numerical targets under management vision and FY2022 results: Steady progress seen in business performance

Numerical targets (FY2026)	FY2022 results	Progress
Domestic sales: ¥225.0 billion or higher (CAGR +5% from FY2021)	Domestic sales: ¥186.4 billion (+6% from FY2021)	●
Restaurant market sales: +6% from FY2019	Restaurant market sales: -12% from FY2019, +8% from FY2021	●
Non-restaurant market sales: +27% from FY2019	Non-restaurant market sales: +1% from FY2019, +4% from FY2021	●
Operating profit: CAGR +17% from FY2021	Operating profit: +17% from FY2021	●

Progress: ● as planned, △ less than planned

## Basic policies of management vision and FY2022 results & issues

Basic policies	FY2022 results	Issues
Domestic sales: ¥225.0 billion or higher (CAGR +5% from FY2021)		
<ul style="list-style-type: none"> <li>Strengthen strategy for capturing share in four non-restaurant market areas (distribution sector, processing and sales sectors, basic industries, and hospitals, nursing facilities, and welfare facilities)</li> </ul>	<ul style="list-style-type: none"> <li>Focusing marketing efforts for both restaurant and non-restaurant markets on sales expansion and acquisition of new customers</li> <li>Strengthen sales to corporate customers and execute strategic partnerships with other companies</li> </ul>	Horizontal application of success cases
Thoroughly improve profitability and productivity		
<ul style="list-style-type: none"> <li>Implement strategic price revision</li> <li>Reduce cost ratio, work to improve productivity</li> <li>Additional structural reforms to improve SG&amp;A ratio</li> </ul>	<ul style="list-style-type: none"> <li>Implement product price revision to absorb higher costs of parts, materials, and distribution</li> <li>Launch pilot operation of shared back-office duties</li> <li>Call center revamp project kicked off</li> </ul>	Centralized purchasing and human resource development
Creation of new value through optimizing sales-service cooperation * (see Page 21) and use of IoT		
<ul style="list-style-type: none"> <li>Optimally allocate direct sales, corporate sales, and service resources and strengthen customer response</li> <li>More advanced customer response and service operations through use of IT</li> </ul>	<ul style="list-style-type: none"> <li>Trial operation of human resource development plan launched</li> <li>Demonstration test of Hoshizaki Connect WiFi launched</li> </ul>	Actualize effects of early operation
Strengthen product development capabilities in response to market needs		
<ul style="list-style-type: none"> <li>Shorten lead times for proprietary product development and strengthen strategic coordination with other companies</li> </ul>	<ul style="list-style-type: none"> <li>Succeed in shortening lead times for development by reconsidering process of product commercialization</li> <li>Expand alliances with other companies and develop markets on segment-by-segment basis</li> </ul>	Improve sales ratio of proprietary products



**We will strive to improve productivity in the service sector and profitability and ratio of contracts won in sales to corporate customers**

Yasushi Ieta, Director, Senior Managing Executive Officer (in charge of Domestic Business)

I am in charge of the Services Division and the Corporate Sales Division, which is responsible for major deals involving hotels, commercial facilities, and so forth, at Hoshizaki Sales as well as Hoshizaki's development and manufacturing sectors. By changing the service sector's previous structure, where each of the 15 sales companies operated independently, and setting up a unified service system integrating the sales arms, we will work to enhance our sales-service cooperation and, through the introduction of DX tools such as the Hoshizaki Connect Wi-Fi tool \* (see Page 23), we will seek sweeping improvement in our organizational management. As the Corporate Sales Division covers major deals and thus can acquire information on product needs early, it is possible to engage in sales activities in which comprehensive proposals are made through closer partnership between the development and manufacturing sectors, for which I am responsible concurrently. Through this, we will strive for better profitability and a greater ratio of contracts won.



## Round-table Meeting: Toward Advance of Sales-Service Cooperation\* (see Page 21)

The impact of the COVID-19 pandemic in recent years has subsided, and vitality is beginning to return to the domestic restaurant industry. We asked the four senior executive officers of Hoshizaki Sales, established in January 2023, who concurrently head the regional sales companies in the Tokyo, Tokai, Hokushinetsu, and Kyushu districts, about key points regarding (1) changes in the domestic food service equipment market before and after COVID-19, (2) the source of the Hoshizaki Group's brand power, (3) the effectiveness of various measures envisioned in the five-year management vision, and (4) future prospects.



### Introduction: Career and Current Roles

**Wataru Fujioka** I assume the head of Hoshizaki Sales' Chain Store Division, which is in charge of winning contracts with chain stores, as well as representative director of Hoshizaki Tokyo. After working at Hoshizaki Tokyo for 29 years since entering the company, I spent about two years at Hoshizaki Shonan and returned to Hoshizaki Tokyo in December 2019.

**Wataru Fujioka**  
Hoshizaki Sales  
Senior Executive Officer & head of Chain Store Division  
Representative Director, Hoshizaki Tokyo

**Takashi Akita** I concurrently assume the head of Hoshizaki Sales' Sales Division that oversees 51 branch offices across Japan and representative director of Hoshizaki Tokai. I was employed at Hoshizaki Shikoku and have since worked in Hoshizaki Kitakyu, Hanshin, Keihan, and Tokai.

**Takashi Akita**  
Hoshizaki Sales  
Senior Executive Officer & head of Sales Division  
Representative Director, Hoshizaki Tokai

**Norio Oba** It is 45 years since I entered the company. I was once responsible for technical expertise at Hoshizaki Tokai and Hanshin where I worked for my first 26 years with the company. Currently, I represent Hoshizaki Hokushinetsu and am responsible for Hoshizaki Sales' Services Division, striving to improve the service power of the sales companies across Japan.

**Norio Oba**  
Hoshizaki Sales  
Senior Executive Officer & head of Services Division  
Representative Director, Hoshizaki Hokushinetsu

**Mikihiro Hara** I represent Hoshizaki Kitakyu and Nankyu. It was in 2020 that I entered the Hoshizaki Group. Before then, I had worked for approximately 30 years at a beverage manufacturer affiliated with a major foreign company, heading regional bottling subsidiaries and group companies.

**Mikihiro Hara**  
Senior Executive Officer, Hoshizaki Sales  
Representative Director, Hoshizaki Kitakyu  
Representative Director, Hoshizaki Nankyu

## Session 1: Changes in Domestic Food Service Equipment Market Before and After COVID-19

**Q** Have you witnessed new needs or changes in needs in the domestic food service equipment market in a period immediately before and after the pandemic?

**Hara** As the pandemic has subsided, the domestic market is faced with such issues as how to address soaring costs of electricity and gas, and food waste as well as a serious manpower shortage. In response to the labor shortage, inquiries are growing about dishwashers and steam convection ovens that can handle multiple cooking tasks in one unit. At small restaurants focusing on counter seating, we are required to propose compact equipment, including a combination of small steam convection ovens. Moreover, instant freezing and vacuum packing of food, as well as adapting to takeout service and e-commerce sales, have become customary practices.

**Oba** In the service business, there have been increasing opportunities in recent years to support products from other companies, expanding the scope of business deals. Meanwhile, in terms of response to HACCP\* (see Page 23) requirements, it is obligatory to oversee temperatures inside refrigerators. In the future, we will work to commercialize equipment management services taking advantage of our Wi-Fi connecting system. Currently, we have equipped some 2,000 units of our equipment in operation in the Tokai and Chugoku regions with Wi-Fi modules in demonstration tests, enabling us to undertake temperature control and real-time response to malfunctions. Furthermore, we will consider introducing a preventive maintenance function unique to Hoshizaki. The non-restaurant markets are witnessing an increase in cases where trust is gained through inspection and repair of various facilities, such as air conditioning and working environments, in places like food factories. This, in turn, leads to sales of refrigerators, walk-in refrigerators/freezers, and other items.

**Fujioka** Conventionally, restaurant chains have made their kitchens more compact and broadened seating areas. However, little progress is made in kitchen automation when the kitchen is made more compact. As a result, new demand has emerged to expand kitchens and incorporate automation equipment in response to the labor shortage. There is a growing trend mainly among restaurant industry to introduce products using costlier natural refrigerants, which entail higher initial investment costs, as a means to stress reduction in the environmental impact and transform corporate culture and sense of value. Recently, there has been a noticeable trend of restaurant industry that previously withdrew from the Japanese market making a comeback and reestablishing their presence in Japan.

**Akita** The market is showing an increasingly strong recovery trend in the Tokai region as well, but the labor shortage is becoming serious not only in the restaurant market but also in the non-restaurant markets. Proposals to resolve labor shortage are likely to be the key to domestic market growth in the future. Meanwhile, moves are growing to use a business restructuring subsidy program totaling 1 trillion yen launched in 2021 by the Ministry of Economy, Trade and Industry. There are moves afoot to process and freeze food for online sales in the short term but, in the medium term, it is likely to lead to an increase in demand for food service equipment. With the downgrading of COVID-19 to "Class 5" category, the previously stagnant hospital and nursing facility segment has started to show movement.

### Point of focus

Needs are growing for "eco-friendly products" and "labor saving and staff-saving" amid the increasing awareness of environmental consciousness and response to the SDGs, coupled with labor shortages and rising energy costs.

## Session 2: Source of Hoshizaki Group's Brand Power

**Q** Please explain how the sales-service cooperation model has contributed to the Hoshizaki Group's solid domestic business infrastructure, including reference to the source of such strength.

**Akita** The source of the Hoshizaki Group's domestic strength lies in its locally focused sales-service system linking about 440 sales offices across Japan. By engaging in customer-oriented activities, we not only gain a high level of trust from our clients but also swiftly capture new customer needs and incorporate them into our product development. Besides providing detailed service proposals after sales to customers, we offer the products to contribute to resolution of customers' issues by understanding the issues faced by on-site staff and, through cooperation between sales and service teams, we propose equipment replacement,

including trade-ins. All of these efforts lead to providing customers with significant added value.



## Value Creation Story of Domestic Business

**Fujioka** Our sales and service teams hold daily morning meetings to report on their respective activities and share information and data, including product glitches. This practice of sharing and utilizing customer-related insights is the Hoshizaki Group's biggest strength. For corporate clients, our service team conducts diagnostics, including assessment of wear and tear over time. This allows them to include repair and replacement costs in their annual budgets. Moreover, our sales team can engage in budget discussions with customers to share their needs and requirements. Our sales and service representatives are responsible for the same region, which enable seamless information sharing between them. This smooth coordination allows for swift and tailored proposals to customers, which contributed to the establishment of a strong trust-based relationship.

**Oba** Sales offices are found in places from where staff can visit a customer within one hour, in principle, after receiving contact. At each base, every service representative rigorously ensures, through repair and inspection opportunities, that the sales and service teams consistently provide the same proposals. The trust in our service supports our sales efforts and, in turn, our sales team brings back valuable information such as maintenance contracts, contributing to the expansion of service revenue. This sales-service cooperation <sup>\*[see Page 21]</sup> is our greatest advantage that competitors

cannot easily replicate. Through proposals from sales staff before the breakdown of equipment caused by wear and tear over time, we can provide customers with high added value. In recent years, customers request one-stop package maintenance service of equipment at their whole stores. By providing maintenance and repair services for products of other companies as well, Hoshizaki eventually gain trust and increase business deals.

**Hara** The Hoshizaki Group's source of strength lies in the quantity and quality of its sales-service cooperation. The accumulation of our experience, knowledge, and technology backed by over 75 years of history since establishment is our intangible value that competitors cannot easily catch up with. Our 15 sales companies have established deep roots in their respective regions covered, demonstrating overwhelming strength. Hoshizaki Sales now has in place the Chain Store Division, Corporate Sales Division and other relevant sections, making it possible to build strong relations with the head offices of customers operating across Japan. As a result, the 15 sales companies can strengthen their relationships with various regional branches of customers operating nationwide, whereas both divisions of Hoshizaki Sales can enhance their ties with the headquarters of customers, creating a synergistic effect. This will lead to further strengthening and differentiation of the sales structure.

**Point of focus** Our strongest weapons: Close sales-service cooperation (information exchanges and visits to customers), ability to propose resolution of issues faced by customers, and a network of about 440 sales offices permitting a visit to any customer within an hour in principle.

### Session 3: Measures to Achieve Five-year Management Vision

**Q** Given the five-year management vision currently underway, will you tell us specific initiatives and their effectiveness regarding the domestic business strategy?

**Akita** The five-year Management Vision lists exploitation of the non-restaurant markets as one of its strategies. This exploitation requires expertness and mobility. By approaching customers through collaboration between corporate sales and locally focused branch office operations, we can increase the ratio of direct sales and prevent business opportunities from being missed, thus initiating improvement in gross profit. We gather information on several hundred cases every month through branch sales and, when large-scale new construction or replacement projects emerge from within such data, corporate sales representatives equipped with expertise in major projects can back them up, allowing for mutually complementary relationship with branch sales staff.

**Fujioka** We intend to strive for cost reductions for the purpose of improving profitability by switching from conventional case-by-case response to organizational response such as centralized purchasing and joint distribution in cooperation with sheet metal manufacturers, transport companies and other parties concerned. We would like to use products that use natural refrigerants based

on Hoshizaki's proprietary technology in making differentiated proposals to customers for sales expansion. Furthermore, we will push ahead aggressively with proposals for new value added featuring automated products such as dishwashers. Traditional restaurant chains have made it a basic policy to operate many stores to reduce initial costs. Against the background of serious labor shortages, nevertheless, chain store operators are beginning to shift the focus of their investing posture to automation investment.

**Oba** As for services, we make it an established practice to receive appropriate charges reflecting cost increases in principle. We revised prices on repair parts in 2016 and 2022. We increased travel and repair service fees in 2018, and marked up maintenance service fees for some models in 2020. In 2023, we have been charging customers for miscellaneous on-site expenses incurred for repair arrangements, parts procurement, tool management, and other related costs since April. Appropriate revisions in service fees are being accepted by customers in a steady manner, aren't they?

**Hara** By disseminating expertise held by top-performing sales representatives quickly to the nationwide sales teams, and taking other means of cross-functional communication between Hoshizaki Sales and its sales companies across Japan, we can expect to significantly enhance customer interactions, negotiation speed, and quality. As for greater efficiency of sales duties, meanwhile, it has become possible to electronically accumulate customer information and track records of sales activities through the sales

support system (Dynamics) that was introduced two years ago. As the log of accumulated customer information and sales activities can be shared by each entire team, it has led to an increased sales contract ratio and improved sales productivity not only for individual sales reps but also for the team as a whole. Furthermore, by unifying various back-office and administrative work under Hoshizaki Sales, I think that it will lead to more efficient business duties and greater profit.

**Point of focus** Further profit growth and profit ratio improvement can be anticipated in the domestic business through the execution of measures listed in the five-year management vision, coupled with the organizational restructuring of domestic sales companies and establishment of Hoshizaki Sales.

### Session 4: Outlook for Domestic Food Service Equipment Market and Domestic Business

**Q** Finally, please brief us on future prospects of the domestic food service equipment market and the Hoshizaki Group's domestic business, including challenging issues they face.

**Oba** Our service system should be strengthened to ensure domestic business growth. It is important to secure human resources and educate them to improve sustainability as well. As some employees have failed to keep up with our sophisticated service work, we are aiming to make it more efficient and reviewing their work environments through detailed analysis, including target setting aimed at boosting worker motivation and clarification of shared duties. We will also work to build a more efficient and optimum service system using DX<sup>\*[see Page 23]</sup> technology, but we eventually depend on manpower for repair work. Elevating the quality of human resources is indeed the key challenge for future growth in the domestic business.

we are keeping a close watch on the expansion of demand from foreign travelers to Japan. In order to ensure continuous growth of such inbound demand, we are required to adopt a strategy of region-to-region differentiation. As for the restaurant market, it can be expanded in population-growing areas centering on the Tokyo metropolitan region. In the context of diversifying the primary industry by combining it with the secondary and tertiary industries to develop a "sixth (primary + secondary + tertiary) industry" (a concept which also applies to key industries and processing), the non-restaurant markets present a business opportunity for cold chain equipment utilizing freezing technology.

**Fujioka** By setting up Hoshizaki Sales, it has become possible to undertake sales and servicing, previously conducted by 15 sales companies individually, on a Group-wide uniform manner, enabling efficient and speedy organizational customer response. In Japan, the birthrate downtrend and population aging will continue in the future as well, but these developments are expected to result in the expansion of "qualitative investment" such as for environmental response and labor-saving investment. Meanwhile, we expect domestic customers foraging into overseas markets to increase. We expect to make good proposals regarding business deals abroad as well by partnering with the Global Business Division on the strength of high reliability and rich results in Japan.

**Hara** Seen from a long-term perspective, I feel the domestic market has room for growth. The number of visitors from abroad is recovering to levels before the COVID-19 pandemic. We can pin high hopes on demand from inbound travelers as a tourism-oriented country once again. I think there are sufficient opportunities for sales growth in the domestic market as delicious food and hospitality are worthwhile at Japanese restaurants and lodging facilities. In terms of foodstuff exports, on the other hand, Japanese ingredients have yet to rise in name recognition abroad. Therefore, we can expect sales to expand in key industries and processing/marketing segment. In both the restaurant and non-restaurant markets, we see significant potential demand for our products for automation and labor saving in capital investment as a response to labor shortages. We believe our value creation proposals toward this direction would result in revenue generation accompanied by profitability, indicating substantial potential for profit margin improvement.

**Akita** With the transition of COVID-19 to the same "Class 5" as seasonal influenza, the restaurant market is gaining momentum in its recovery trend. From a medium- to long-term perspective,

**Point of focus** The domestic food service equipment market has significant room for long-term growth with "environment" and "automation" as key drivers, offering great potential for profit growth as well.





# Value Creation Story of Overseas Business



**With the issue of difficulty in parts and material procurement bottoming out, we will strive to accelerate business strategies for each area and realize "Growth with Profit"**

Director, Senior Managing Executive Officer  
(In charge of Global Business Division)

Shiro Nishiguchi

## FY2022 Financial Highlights and FY2023 Forecasts

- Coupled with the favorable effect of the yen's depreciation, overseas sales achieved a significant increase for the second straight term.
- Overseas operating profit rose 13% year on year to 10,200 million yen, with the operating profit ratio ending up in 7.6%.
- Due to such factors as profit recovery at HOSHIZAKI AMERICA and M&A effects, we expect double-digit gains in both profit and sales in FY2023.

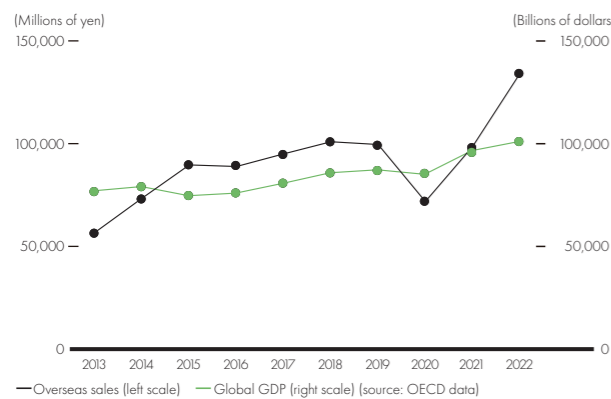
Overseas sales achieved a hefty gain in FY2022 for the second successive term, logging a 36.1% leap year on year to 134,800 million yen (with the ratio of overseas sales at 42%). Overseas operating profit rose 13.3% year on year to 10,200 million yen, reducing the operating profit ratio by 1.5 percentage points to 7.6%. Compared with the domestic market, the overseas market experienced an early recovery in the economy. Consequently, favorable demand conditions persisted in all areas except for China. Nevertheless, global challenges, including parts/material sourcing difficulties leading to product supply shortages, soaring parts/material prices, and rising labor and logistics costs, adversely affected the operating profit ratio.

In FY2023, net sales are expected to rise 14.8% year on year to 154,800 million yen and operating profit is projected to show a double-digit gain thanks to contribution to business performance by Italy's Brema, which was turned into a consolidated subsidiary in the third quarter, coupled with the favorable effects of continued growth in each area and improved profitability in Europe and North America.

## Market Trends: Growth Way Over Global GDP Expansion

Overseas sales in FY2022 soared 36.1% year on year, far faster than the global GDP growth rate of 4.6%, as many Group companies achieved significant sales gains, including HOSHIZAKI AMERICA and HOSHIZAKI EUROPE as well as Western Refrigeration in India and Jackson in the United States. However, HOSHIZAKI SHANGHAI was forced to remain stagnant, affected largely by the Chinese city's lockdowns induced by the COVID-19 pandemic.

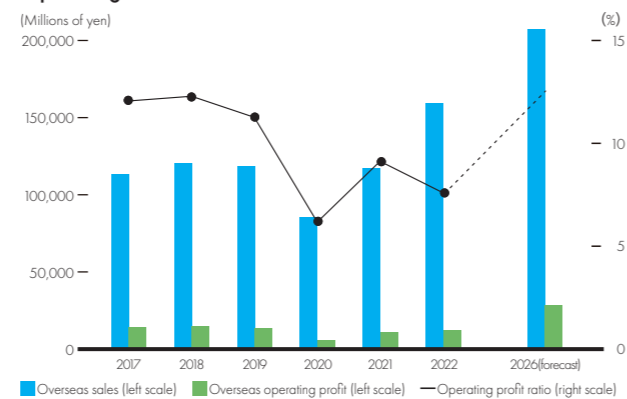
### Changes in Global GDP and Overseas Sales



## Performance Trends: Operating Profit Slightly Short of Plans

Overseas sales in FY2022 stayed approximately 35% above the pre-pandemic level of FY2019 and exceeded their numerical target under the management vision. However, operating profit failed to reach its numerical target under the management vision, although it recorded a 13.3% rise year on year, due to the impact of some problems such as product supply shortages stemming from parts/material procurement difficulty and higher labor costs at HOSHIZAKI AMERICA. We will strive to attain increased profit on greater sales in FY2023 through further growth in each area.

### Changes in Overseas Sales, Overseas Operating Profit, and Operating Profit Ratio



## SWOT Analysis: Risk response measures enhanced and growth strategy accelerated in and after 2023

<b>Strengths</b>	<ol style="list-style-type: none"> <li>1 Strong brand power in global market</li> <li>2 Top share of global ice machine market (in number, FY2022)</li> <li>3 Global expansion of production, sales, and after-sales services</li> <li>4 Launch of new products meeting needs of times and regions</li> </ol>	<b>Continuity</b>	<ol style="list-style-type: none"> <li>1 Maintain brand power by offering high-quality, high-performance products and after-sales services</li> <li>2 Pursue further improvement through M&amp;A and market and brand strategies</li> <li>3 Promote enhancement through M&amp;A, cross-selling by Group companies, etc.</li> <li>4 Raise product development speed by enhancing support from Hoshizaki Head Office for global development</li> </ol>
<b>Weaknesses</b>	<ol style="list-style-type: none"> <li>1 Profitability in Europe region</li> <li>2 Product lineup in mid-price range (volume zone)</li> <li>3 Shortage in global human resources</li> </ol>	<b>Measures needed</b>	<ol style="list-style-type: none"> <li>1 Strengthening of business reform and supervising function</li> <li>2 Market inroads through input of strategic products and launch of second brand</li> <li>3 Human resource development, including by proactive overseas assignments</li> </ol>
<b>Business opportunities</b>	<ol style="list-style-type: none"> <li>1 Active pursuit of opportunities in mid-price range (volume zone), which has a large market</li> <li>2 Display synergy effects of cross-selling involving acquired companies, Ozti and Brema</li> <li>3 M&amp;A in overseas markets</li> </ol>	<b>Time axis &amp; scale</b>	<ol style="list-style-type: none"> <li>1 Accelerate sales expansion by input of Group company products, ODM* (see Page 16)</li> <li>2 Generate effects of profitability improvement in Europe in and after 2023</li> <li>3 M&amp;A effects in 2023: ¥50.0 billion sales gain</li> </ol>
<b>Threats</b>	<ol style="list-style-type: none"> <li>1 Intensified competition with competitors</li> <li>2 Economic security risk</li> <li>3 Sharp increase in parts and material costs and securing parts supply</li> </ol>	<b>Necessary measures &amp; effects</b>	<ol style="list-style-type: none"> <li>1 Differentiation from competitors through product lineup expansion and pursuit of competitive advantage</li> <li>2 Understand and analyze risks, develop risk scenarios</li> <li>3 Appropriate price revision and establishment of supply chain</li> </ol>

## Numerical targets under management vision and FY2022 results: Operating profit hit by temporary parts and material shortages in the US

Numerical targets (FY2026)	FY2022 results	Progress
Overseas sales: ¥175.0 billion or higher (CAGR +12% from FY2021)	Overseas sales: ¥134.8 billion (+36% from FY2021)	●
Operating profit: +21% from FY2021	Operating profit: +13% (from FY2021)	●
Ratio of overseas net sales: 50%	Ratio of overseas net sales: 42% (+5.8 pt from FY2021)	●

Progress: ● as planned, ● less than planned

## Basic policies of management vision and FY2022 results & issues

Basic policies	FY2022 results	Issues
<b>Aggressive forays into new markets</b>		
<ul style="list-style-type: none"> <li>Pursue growth opportunities for different areas, products, channels, and customer segments</li> </ul>	<ul style="list-style-type: none"> <li>Product launch in middle price range market in each area, including Europe &amp; Americas</li> </ul>	<ul style="list-style-type: none"> <li>Product lineup enhancement and development of new channels</li> </ul>
<b>Clarify area strategies</b>		
<ul style="list-style-type: none"> <li>Execute major business model reforms in Europe and China</li> <li>Europe: Strengthen growth and profitability improvement in cooperation with acquired companies</li> <li>China: Aggressively pursue growth on the strength of product lineup enhancement, using high brand power</li> <li>Americas: Pursue optimal balance between sales growth and profit ratio improvement for sustainable profit growth</li> </ul>	<ul style="list-style-type: none"> <li>Optimization of European production bases in progress as planned</li> <li>Net sales in Europe: up 41% from FY2021</li> <li>Stagnant due to impact of lockdowns, and so forth</li> <li>Net sales in Americas: up 9% from FY2021</li> </ul>	<ul style="list-style-type: none"> <li>Generate further synergy effects with acquired companies</li> <li>Product lineup expansion based on use of OEM* (see Page 16), ODM, and so forth</li> <li>Develop new areas, customers, etc. and improve productive efficiency</li> </ul>
<b>Strengthen QCD</b>		
<ul style="list-style-type: none"> <li>QCD is the core of the Hoshizaki brand, and we will steadily reinforce QCD through collaboration among Japan and other areas</li> <li>Reduce costs and shorten delivery times through supply chain optimization</li> </ul>	<ul style="list-style-type: none"> <li>High quality to be retained, parts and material procurement difficulty affecting each area</li> </ul>	<ul style="list-style-type: none"> <li>Optimization of parts and material procurement</li> </ul>
<b>Strengthen area management</b>		
<ul style="list-style-type: none"> <li>Delegate authority to area heads and accelerate decision-making</li> <li>Efficient business support from Hoshizaki's Head Office by strengthening functional axes (across all overseas areas)</li> </ul>	<ul style="list-style-type: none"> <li>Introduce regional area system, delegate authority to areas</li> <li>Continued support by each function of Hoshizaki's Head Office (hold overseas functional axis conference every month)</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen each area's functions</li> <li>Continual support</li> </ul>
<b>Strengthen organizational ability related to M&amp;A</b>		
<ul style="list-style-type: none"> <li>Planning to invest approx. ¥125.0 billion over the next 5 years; strengthen organizational ability ranging from project development to post-merger integration or PMI* (see Page 16)</li> </ul>	<ul style="list-style-type: none"> <li>PMI underway for Ozti, Brema, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen PMI promotion</li> </ul>



## With PMI of acquired companies underway steadily, expectations are mounting for profitability improvement in Europe

Katsuhiko Kurimoto, Senior Executive Officer (in charge of Overseas PMI Promotion)

We are striving to realize a double-digit operating profit ratio as to profitability in the European region, which was a pending issue, in the wake of the acquisitions of Italy's Brema and Türkiye's Ozti and progress in their PMI coupled with the establishment of an optimal production system through the closure of the factory of Gram Commercial in Denmark and other measures. Brema possesses a high-profit structure through the economies of scale achieved through the manufacture of products in the middle-priced range. The acquisition of Brema has made Hoshizaki one of Europe's top-rate ice machine manufacturers and, moreover, we can expect synergy effects from a regional combination of high-end products offered by HOSHIZAKI EUROPE as well as from joint purchasing by the two companies. Meanwhile, we have turned Ozti into a new production base of commercial refrigerators, seeking to win a slice of the pie in the mid-price range that is volume zone. We will improve internal control at both Brema and Ozti based on J-SOX, a Japanese version of the U.S. SOX law aimed at more reliable and accurate corporate disclosures. And, at the same time, we will work to realize the management vision by visualizing and maximizing the synergy effects of the two companies.



## Special Topic: Results and Issues of M&A

The Hoshizaki Group aims to strengthen M&A as one of its strategies geared toward realizing the following mission in the Long-term Ideal "to become No. 1 globally by taking the initiative in new markets that will grow going forward and in undeveloped markets in order to thereby further raise our presence." In Europe and North America, we will seek to strengthen acquisitions in emerging markets while reinforcing research on high added-value brands.

### We will strive to ensure steady contribution to business performance through corporate acquisitions based on our five M&A principles.

We will push ahead with acquisitions based on area strategies in place according to regions in line with the five M&A principles. We will work to maximize synergy effects through PMI\*(see Page 16) in terms of sales channels, cross-selling, production, joint purchasing, and so forth and promote enhancement of internal control, thus seeking to ensure steady contribution to business performance. Meanwhile, we concluded that it would be difficult to generate assumed synergy effects and took necessary actions in the following two cases due to changes in the market environment and other factors: We sold our equity interest in Zhejiang Iceshare Refrigerating Appliance Co. in China in 2018 and shut down a Gram factory (operated by Gram Commercial A/S, now defunct) in Denmark in 2022. As described above, we will continue reviewing our business portfolio in response to changes in the business environment in the future, including by optimizing production sites.

#### Hoshizaki Group's five M&A principles

- 1 Profitable companies (operating profit ratio of 10% or higher)
- 2 Companies with excellent executives
- 3 Companies with which we can expect synergies
- 4 Companies over a certain size (sales of several billions of yen or higher)
- 5 Companies with a desire for more (not satisfied with the status quo)

### Track Record of Main M&A

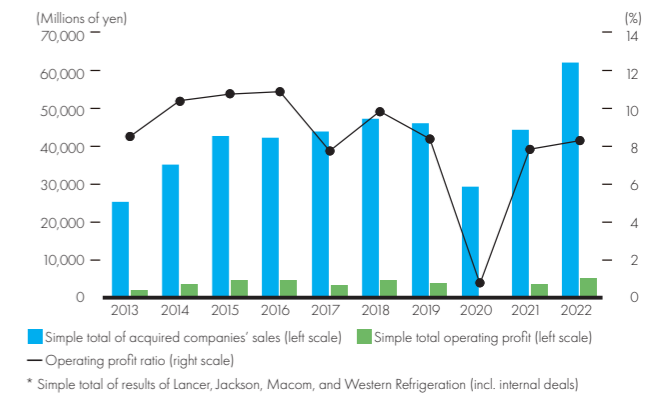
Main overseas M&A results include the acquisitions of the following companies: U.S. beverage dispenser maker Lancer, 2006; Danish business-use refrigerator producer Gram Commercial, 2008; Western Refrigeration, Indian manufacturer of glass door refrigerators for business use, 2013; U.S. dishwasher maker Jackson, 2013; and MACOM, Brazilian manufacturer of food service equipment for business use, 2013. In other deals, we purchased Zhejiang Iceshare Refrigerating Appliance Co., a Chinese producer of business-use refrigerators, in 2015, and rendered Turkish food service equipment maker Ozti into an affiliated company in 2019. In 2022, we obtained Italy's Brema, engaged in the development and manufacture of ice machines for commercial use, and purchased Beijing Royalkitchen Science and Technology Co., Ltd., a Chinese design and construction firm for commercial kitchens.

	Month/year of M&A	Main products	Synergy effect
Lancer	February 2006	Beverage dispensers	<ul style="list-style-type: none"> <li>Market share expansion through synergy effects based on overseas production and sales bases</li> </ul>
Western Refrigeration	January 2013	Glass door refrigerators Glass door freezers	<ul style="list-style-type: none"> <li>Manufacture and sales in India of Hoshizaki Group products, including commercial refrigerators</li> <li>Enhancement of Western Refrigeration's product development, productivity and quality with support from Hoshizaki</li> </ul>
Jackson	January 2013	Dishwashers	<ul style="list-style-type: none"> <li>Use of Hoshizaki Group's global sales channels, mutual introduction of customers</li> <li>Joint product development with Hoshizaki Group</li> <li>Enhancement of Jackson's product development, productivity and quality with support from Hoshizaki</li> </ul>
Macom	July 2013	Refrigerators, thermal equipment (complete kitchen set)	<ul style="list-style-type: none"> <li>Manufacture and sales in Brazil of Hoshizaki Group products, including ice machines</li> <li>Enhancement of Macom's product development, productivity and quality with support from Hoshizaki</li> </ul>
Ozti	December 2019 (equity acquisition)	Thermal equipment Dishwashers Refrigerators	<ul style="list-style-type: none"> <li>Expansion of Middle East sales of Hoshizaki Group products</li> <li>Manufacture of Europe-bound refrigerators (at low cost) and Asia-bound dishwashers</li> <li>Enhancement of Ozti's product development, productivity and quality with support from Hoshizaki</li> </ul>
Brema	July 2022	Ice machines	<ul style="list-style-type: none"> <li>Market share expansion in Europe and Mideast Asia of commercial ice machines based on local production and sales bases</li> </ul>
Royalkitchen	December 2022	Design and construction of complete kitchen set	<ul style="list-style-type: none"> <li>Expansion of sales channels to luxury hotels, chain restaurants, supermarkets, etc.</li> <li>Acquisition and enhancement of expertise in kitchen set business</li> </ul>

## Contribution of Acquired Companies to Business Performance

The combined business results (simple total, including internal deals) of Lancer, Jackson, Macom, and Western Refrigeration in FY2022 came to 62,100 million yen in net sales, 5,100 million yen in operating profit, and 8.3% in the operating profit ratio. Net sales and operating profit rewrote all-time highs, but recovery was delayed in the operating profit ratio due to rises in parts and material costs in the United States, among other factors. In FY2023, Italy's Brema is expected to contribute to Group earnings while profitability improvement is anticipated in the United States. These and other contributing factors from the acquired companies are expected to further improve Group business performance.

### Changes in performance of four acquired companies (simple total, incl. internal deals)



### Profile: India's Western Refrigeration



**Q** Please brief us on India's food service equipment market in recent years.

**A** In India, following the spread of COVID-19, the quick-service restaurant (QSR) industry has experienced faster growth than traditional restaurants as priorities in consumer behavior shifted toward quality, hygiene, and convenience. The accelerated growth of QSRs in the major chain restaurant segment, which is our principal customers, has had favorable effects on our business. Furthermore, the accelerated opening of new bakeries is one of the significant changes, and this shift has led to substantial growth in the bakery showcase business over the past three years.

**Q** What is the driving force of your business performance that supports the market share trends and high growth in India?

**A** We have been able to improve market shares for all products in the past several years. This is because we have been able to continue meeting customer demand in this period of hardships in the supply chain by focusing on local production. Furthermore, alongside the production of high-quality products, the relentless pursuit of innovation through strong teamwork under the guidance of exceptional leadership has contributed to differentiation from competitors, expansion of market share in products supplied to existing customers, and acquisition of new

### Leveraged by high growth in the Indian market, we will strive to secure continued growth and high profitability.

Harmeet Singh, Managing Director

Parmeet Singh, Executive Director

customers.

**Q** You are going to launch exports to Europe. Please identify synergy effects with the Hoshizaki Group.

**A** In the past several years, we have commercialized refrigerators for the European market in close collaboration with Hoshizaki's engineering and manufacturing teams in Japan. This will be our first challenge in the highly demanding European market, but with support from the Hoshizaki teams in both Japan and Europe, we have progressed relatively smoothly. We have exceeded customer expectations in terms of product energy efficiency and received high praise.

**Q** How do you envision the future of the Indian market and your business performance?

**A** In recent years, India's population has grown, becoming the world's most populous country. With the world's largest population of young people, India will become a growth engine for the global economy in the coming decades, presenting the Hoshizaki Group with clear business opportunities. While enhancing our production capability, we aim to leverage the growth of the Indian market as a leader in the commercial refrigerator industry and achieve Hoshizaki's philosophy of "Growth with Profit," ensuring sustained growth.