# Values and Vision

## Purpose

We aim to be an

“Evolving Company”

contributing to society as well as customers.

As a comprehensive food service equipment manufacturer, the Group's management philosophy is to be an “Evolving Company” contributing to society as well as customers. Under the slogan “Good product comes from a good environment,” the Group strives to be a company that is trusted by its many stakeholders through ensuring management with transparency, realizing harmonization of business activities with the environment, and creating a good environment to work.
We also established “Hoshizaki Values” in 2022 as a sense of value for Hoshizaki Group employees to embrace toward achieving the Purpose. “Hoshizaki Values” has been interpreted in easy-to-understand terms and shared among the Hoshizaki Group employees.

### Purpose

We, the Hoshizaki Group, aim to be an “Evolving Company” contributing to society as well as customers, meeting the changing needs and demands for diversified “Eating.” To achieve the above, we develop original products incorporating original technology. And we present innovative proposals for a more comfortable and efficient eating environment and offer responsive, high quality services.

### Management philosophy

Good product comes from a good environment

- To compliance with the laws, and to making the Company trusted by society and its employees
- Management with transparency
- Practicing a management with discussion
- Realizing a good environment to work
- Harmonization of business activities with the environment

### Hoshizaki Values

**Have a Dream**
Everything comes from a dream Any dream will sure come true

**The profitable company has a culture that generates profit**
Don't adjust yourself to othersUniqueness will be the source of profitability

**Change makes progress**
There is no way to survive on the extension of the present

**Don't make money by money**
We are manufactures Our profit shall come from our core business

**Broaden your horizons**
After all, you will find a brand-new perspective

## Corporate Slogan

Aiming to be the world's **No.1** brand connecting the five continents

The Hoshizaki Group aims to be the world's No. 1 food service equipment manufacturer. That is to say, aiming to be No. 1 in each of the countries and regions. To do so, we aim to be the genuine world's No. 1 by taking the initiative in growth markets including emerging countries to thereby further raise our market presence.
In addition, 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.
To realize the “Long-term Vision” below, we will enhance sustainable corporate value by implementing a growth strategy both in Japan and overseas, produce outcome, and improve social and environmental value together with economic value.

## Long-term Vision

- 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

### Direction of Our Strategy

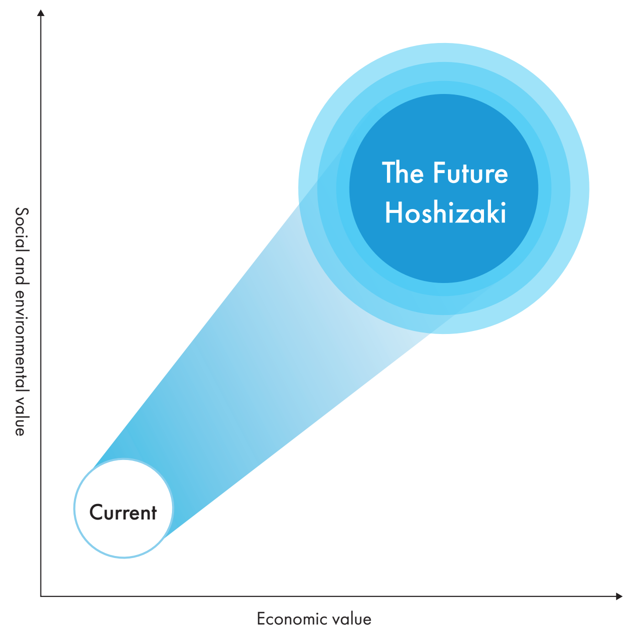
- We will strengthen active initiatives to meet diversifying customer needs and resolve issues as required by society
- We will work to build a global business base and stable revenue base to make possible sustainable growth

### Domestic Business

- Seeking growth, we will further strengthen development of non-restaurant markets while also continuing to explore the existing restaurant market
- We will establish a new sales model (sales-service coordination model) in order to accommodate the needs of customers in the restaurant market, whose conditions are rapidly changing, and in non-restaurant markets, which have a diverse range of customers

### Overseas Business

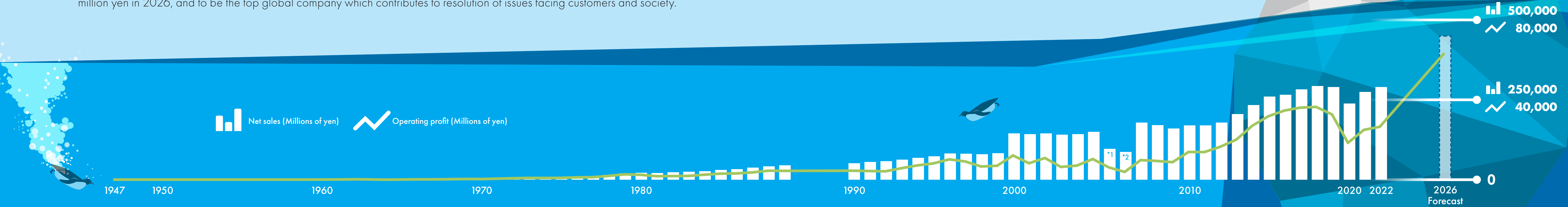
- We will seek to expand business into emerging markets with growth prospects ahead of other companies while maximizing growth in existing markets



# The History of Growth

Hoshizaki's history began in Nagoya City in 1947, shortly after the end of World War II. Since then, it has developed into a leading company in the food service equipment industry that includes ice machines and refrigerators, by developing innovative products with the motto, "A company cannot grow without original products." With currently over 30 bases in Japan and overseas, Hoshizaki is a global brand beloved in over 60 countries around the world.

Hoshizaki announced its five-year management vision in February 2022 and is now working for business growth and producing outcome through resolving social and environmental issues. We aim to achieve net sales of 450,000 million yen and operating profit of 63,000 million yen in 2026, and to be the top global company which contributes to resolution of issues facing customers and society.




Notes: Up to 2005, the Group had a November fiscal year-end, and since 2006, it has had a December fiscal year-end.
*1 Due to the change in the fiscal year-end, figures are for December 2005 to June 2006. *2 Due to the change in the fiscal year-end, figures are for July 2006 to December 2006.

## Transition of products*

* Written based on the year each product was developed.

1947 Banto slide rule

1952 Vehicle horns

**Hygiene management equipment**: 1993 Water electrolyzer; 1994 Medical water electrolyzer; 1999 Dish disinfecting cabinet; 2018 Slightly acidic water electrolyzer; 2021 Hypochlorous acid water vending machine/Kitchen knife & cutting board UV disinfecting cabinet

**Ice machines**: 1964 Fully automatic ice machine; 1969 Industrial ice maker; 1977 Cubelet ice maker; 1984 Crescent ice machine; 1990 Special shape ice maker; 2000 Auger-type undercounter ice machine; 2010 HFC-free ice maker; 2021 Ice machine with automatic cleaning function

**Refrigerators/freezers**: 1972 Commercial refrigerator; 1974 Undercounter refrigerator; 1982 Walk-in refrigerator/freezer; 1983 High humidity refrigerator; 2005 Inverter-controlled reach-in refrigerator; 2011 Inverter-controlled undercounter refrigerator; 2014 Blast chiller & shock freezer; 2022 Natural refrigerant-based refrigerator

**Glass door refrigerators/freezers**: 1980 Sushi case; 1981 Reach-in glass door refrigerator; 1993 Humidity display case; 2001 Small glass door refrigerator; 2013 Inverter-controlled glass door refrigerator; 2018 HFC-free sushi case

**Vending machines**: 1957 Juice vending machine; 1972 Hamburger vending machine

**Food service equipment**: 1990 Food service cart; 2004 Dual temperature food service cart; 2014 Reheating food service cart; 2020 Cold food trolley/Hot food trolley

**Freshness control equipment**: 1981 Cold salt water refresher

**Dispensers**: 1970 Draft beer dispenser; 1983 Carbonated drink dispenser; 1990 Multi-dispenser; 1997 Air-cooled draft beer dispenser; 2000 Automatic draft beer dispenser
1973 Tea server; 1980 Cubelet ice dispenser; 1989 Tea dispenser; 1994 Liquid dispenser; 2000 Cold drink dispenser; 2001 Cube ice dispenser; 2020 Thickened tea dispenser

**Cooking equipment**: 1981 Electric fryer; 1996 Vacuum packer; 2005 Induction cooker; 2009 Steam convection oven; 2015 Gas fryer; 2018 Dough conditioner

**Washers**: 1973 Commercial dishwasher; 1988 Household dishwasher; 1990 Dishwashing system; 1997 Warewasher; 2007 Rack-conveyor dishwasher; 2020 Dishwasher with built-in gas booster; 2021 Prejet washer

## History of Hoshizaki

### 1947-1964 Creation period

**Shigetoshi Sakamoto, a founder, established HOSHIZAKI ELECTRIC CO., LTD. in 1947**

- **1956** Opened Toyoake Factory at the location of the current head office
- **1957** Developed the first domestically produced juice vending machine
- **1964** In danger of bankruptcy due to the economic downturn caused by Kennedy shock

### 1965-1980 Domestic infrastructure development

**Produced and sold the first domestically produced ice machine. Established the direct sales system, dividing the nation into four divisions**

- **1965** Started selling the first domestically produced fully automatic ice machine
- **1966** Established HOSHIZAKI TOKYO CO., LTD.
- **1968** Established Sakamoto Shoji Co., Ltd. (merged to HOSHIZAKI ELECTRIC CO., LTD. in December 2005)
- **1969** Established HOSHIZAKI TOKAI CO., LTD., HOSHIZAKI KEIHAN CO., LTD., and HOSHIZAKI KITAKYU CO., LTD.
- **1970** Established Shimane Factory
- **1970** Started selling draft beer dispensers
- **1972** Started selling commercial refrigerators
- **1973** Developed a commercial dishwasher (entered the market in full swing eight years later)
- **1974** Established Shimane No. 2 Factory

### 1981-1995 Overseas infrastructure development

**Opened domestic and overseas production sites, and further proactively enhanced overseas locations**

- **1981** Established Research & Development Center in head office location
- **1981** Established HOSHIZAKI AMERICA, INC.
- **1986** Established Shimane Head Office Factory
- **1986** HOSHIZAKI AMERICA established its main factory
- **1988** Established HOSHIZAKI OKINAWA CO., LTD. with which the system of 15 sales companies nationwide was completed
- **1989** Changed company name to HOSHIZAKI ELECTRIC CO., LTD. ("Hoshizaki" from kanji notation to kana notation in Japanese)
- **1990** Established Hoshizaki Green Foundation
- **1992** Established Hoshizaki Europe B. V. in Netherlands
- **1994** Established HOSHIZAKI EUROPE LTD. in UK

### 1996-2008 Conversion to a public company

**Merged and acquired overseas companies, and realized listing of stock**

- **1999** Obtained ISO9001 certification
- **2001** Obtained ISO14001 certification
- **2003** Soichiro Inamori took office as Representative Director, President & COO
- **2005** Seishi Sakamoto took office as Representative Director, President & COO
- **2006** Established HOSHIZAKI SUZHOU CO., LTD.
- **2006** Acquired LANCER CORPORATION, a beverage dispenser manufacturer in USA
- **2008** Acquired GRAM COMMERCIAL A/S, a manufacturer of commercial refrigerators in Denmark
- **2008** Listed on the First Section of the Tokyo Stock Exchange, and the First Section of Nagoya Stock Exchange

### 2009-2021 Accelerated globalization and reconstruction of growth foundation

**Changed company name from HOSHIZAKI ELECTRIC CO., LTD. to HOSHIZAKI CORPORATION to be active in the world**

- **2011** Seishi Sakamoto took office as Representative Director, Chairman & CEO, and Yukihiko Suzuki took office as Representative Director, President & COO
- **2013** Acquired Western Refrigeration Pvt. Ltd., a commercial glass door refrigerator manufacturer in India
- **2013** Acquired ACOS MACOM INDUSTRIA E COMERCIO LTDA, a commercial food service equipment manufacturer in Brazil
- **2013** Acquired Jackson, a dishwasher manufacturer in USA
- **2014** Seishi Sakamoto took office as Representative Director, Chairman & CEO and President & COO
- **2016** Changed the company name to HOSHIZAKI CORPORATION
- **2017** Seishi Sakamoto took office as Representative Director, Chairman & CEO, and Yasuhiro Kobayashi took office as Representative Director, President & COO
- **2017** Established Hoshizaki Training Center
- **2018** Discovered improper transactions at our domestic sales companies

### 2022- Further evolution in the wake of the 75th anniversary

**Realization of the five-year management vision and the Long-term Ideal**

Five-year management vision (FY2022 to FY2026)

For more details, see Pages 39 to 40

- **2022** The 75th anniversary
- **2022** Acquired Brema, a manufacturer of commercial ice machines in Italy
- **2022** Acquired entire shares of filling machine manufacturer, NAOMI
- **2022** Acquired Royalkitchen, a kitchen design and installation company in China
- **2023** Established Hoshizaki Sales
- **2026** Final fiscal year of the five-year management vision
  Sales Target: 450,000 million yen
  Operating Profit Target: 63,000 million yen


## External environment

- **1954** The spread of television set, washing machine, and refrigerator
- **1960** The income-doubling plan announced
- **1964** Tokyo Olympic and Paralympic Games

- **1967** The Osaka Expo
- **1970** Family restaurants emerged
- **1965-1970** Izanagi boom

- **1987** The bubble economy in full swing
- **1989** From Showa to Heisei era
- **1991** Burst of the bubble economy
- **1980s-1990s** Prosperity of the restaurant industry

- **1998** Olympic and Paralympic Winter Games Nagano 1998
- **2008** Lehman shock
- **2000s** In the restaurant industry, prices lowered and opening of overseas restaurants accelerated

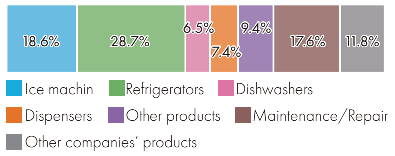
- **2019** From Heisei to Reiwa era
- **2020** The global COVID-19 pandemic
- **2021** Olympic and Paralympic Games Tokyo 2020

- **2022** Russo-Ukraine conflict
- **2023** Expecting a recovery in inbound tourism
- **2024** Renewal of the Bank of Japan notes
- **2025** Expo 2025 Osaka, Kansai, Japan

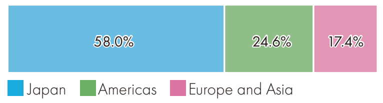
# Business Overview

The Hoshizaki Group has been on the orbit of growth since it started the production and sale of Japan's first juice vending machines and ice machines. The Group has diversified products into commercial refrigerators/freezers, dispensers, dishwashers, cooking appliances, etc., enhanced domestic sales networks, and strengthened the global business operations by merging and acquiring overseas companies.
As of December 31, 2022, the total number of consolidated Group companies increased to 55, including 18 in Japan, 17 in the Americas, 20 in Europe and Asia. The total number of employees was 13,271 on a consolidated basis, and the consolidated net sales was 321,300 million yen (186,400 million yen in Japan and 134,800 million yen overseas). In this way, the Hoshizaki Group has developed into a global company.

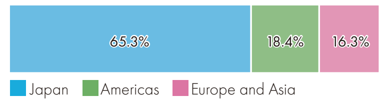
Composition of net sales by product




Composition of net sales by region




Composition of operating profit before adjustment by region

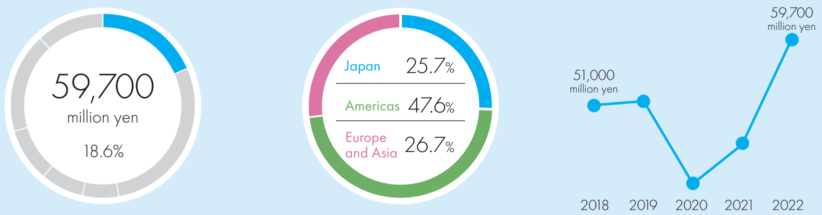



Product category | Main products | Composition of net sales | Ratio of net sales by region | Changes in net sales | Business Overview

## Ice machines

In 1964, Hoshizaki developed Japan's first fully automatic ice machine, which established a solid foundation of Hoshizaki. The products are highly capable of making ice, durable, user-friendly, and excellent in energy-saving performance, and are being developed overseas as a main product for the Group.

- Cube ice maker
- Cubelet ice maker
- Flake ice maker
- Special shape ice makers, etc.

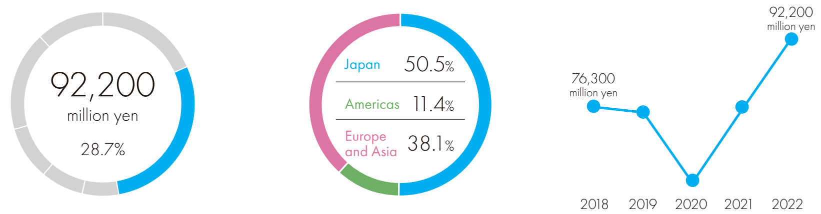



In 2022, net sales increased 30.5% over the previous year resulting from the acquisition of Italian ice machine manufacturer, Brema. Competition in the ice machine business is limited, but the Group's market share both in Japan and globally is top class.

## Refrigerators

In 1972, started sale of refrigerators based on the cooling technology developed in ice machines. In 2005, launched the industry's first* inverter-controlled commercial refrigerator. In the Japanese market, also began sale of refrigerator using natural refrigerants in 2023, and announced switch to such refrigerators for full lineup by 2024. Striving to provide energy-saving and eco-friendly products in this way. * Based on internal research

- Commercial refrigerator/freezer
- Undercounter refrigerator/freezer
- Glass door refrigerator
- High humidity refrigerator
- Walk-in refrigerator/freezer, etc.

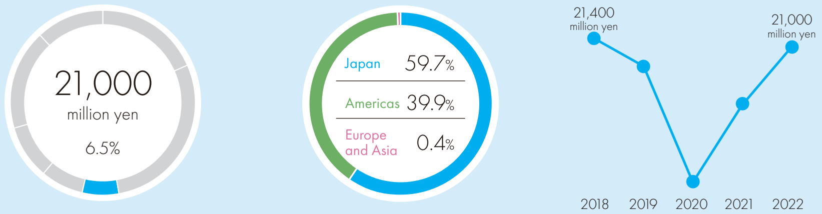



Supply constraints caused by difficulty procuring parts in Japan in the first half of the year were resolved, and net sales increased 22.0% over the previous year. Hoshizaki boasts a top-class share of the domestic market, and growth overseas is also expanding. Production sites in Europe will be optimized, and we will aim to develop the volume zone of the market.

## Dishwashers

Although developed a dishwasher in 1973, stopped its production due to sluggish sales. In light of the growth of the restaurant industry and needs of improvement in operational efficiency and labor-saving, resumed the production of dishwashers in 1981. Recognized for high ability and speed of washing that can only come from a commercial-use machine, reduced environmental burdens by saving water, etc.

- Dishwasher
- Rack-conveyor dishwasher
- Warewasher, etc.

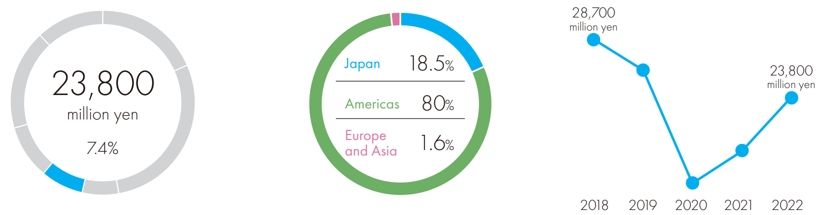



Dishwashers are being manufactured and sold in Japan and mainly by Jackson in the Americas. Despite impact of the parts procurement problem in Japan in the first half of 2022, net sales rose 14.6% over the previous year.

## Dispensers

Hoshizaki has handled tea server using tea leaves developed in 1973, as well as cubelet ice dispensers using ice machine technology, and draft beer dispensers. The tea dispenser using powdered tea leaves (2009) and the cubelet ice dispenser (2021) won the Good Design Award.

- Cubelet ice dispenser
- Draft beer dispenser
- Tea dispenser
- Liquid dispenser
- Carbonated drink dispenser, etc.

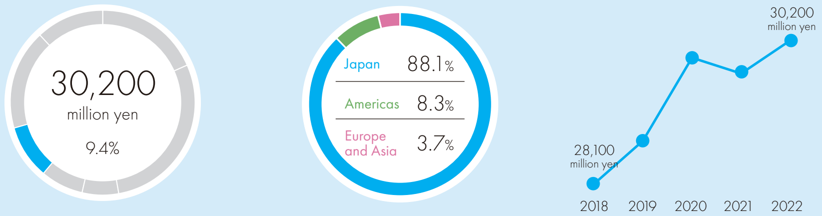



Dispensers are being manufactured and sold in Japan and mainly by Lancer in the Americas. Net sales in 2022 rose 23.7% over the previous year. Overseas, an increase in sales of beverage dispensers to customers, mainly major beverage manufacturers, contributed in particular.

## Other products

As a food service equipment manufacturer, we provide systems and solutions meeting customers' needs, including cooking devices such as steam convection ovens, as well as hygienic control using electrolyzed water.

- Water electrolyzer
- Sushi case
- Display case
- Induction cooker
- Steam convection oven
- Blast chiller & shock freezer
- Vacuum packer
- Supplies, etc.

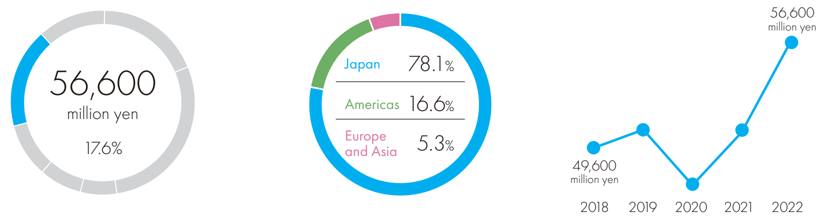



Products contributing to energy-saving and hygiene management are being offered. With impact such as from the parts procurement problem and restrictions in visiting public facilities including hospitals and nursing facilities as infectious disease control measures in 2022, increase in net sales rose only 1.6% over the previous year.

## Maintenance/Repair

In addition to product sales, the complete service system for maintenance and repair has been in place to ensure products can be used with peace of mind. Maintenance/repair has contributed to stabilizing revenue, accounting for approximately 18% of consolidated net sales.

- Maintenance contract
- Periodic inspection/maintenance
- Recovery of CFCs/HCFCs/HFCs
- Repair parts supply, etc.

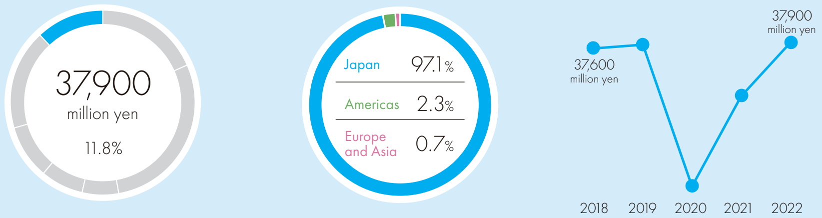



Net sales in 2022 rose 12.0% over the previous year. There are roughly 440 sales offices in Japan, and we are expanding our own service business overseas such as in Southeast Asia. Going forward, we will also put emphasis in creating new services using IoT.

## Other companies' products

Based on our corporate philosophy, "we present innovative proposals for a more comfortable and efficient kitchen environment and offer responsive, high quality services," we are selling other companies' products in response to customers' needs.

- Gas equipment
- Kitchen sink
- Kitchen work table
- Kitchen shelf, etc.

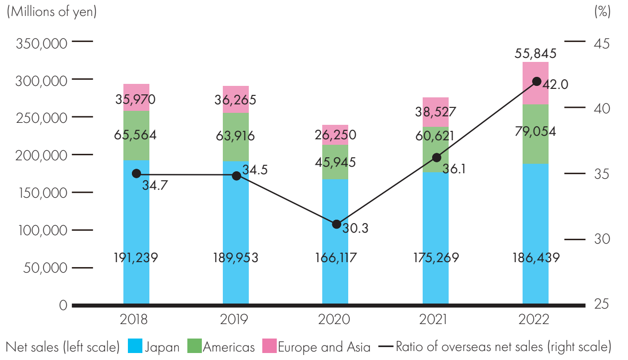



For new construction and renovation of large-scale projects down to those for individual shop owners, we make proposals and accept orders for full kitchens that include products outside of the Company's manufacturing lineup.

# Financial/Non-financial Highlights

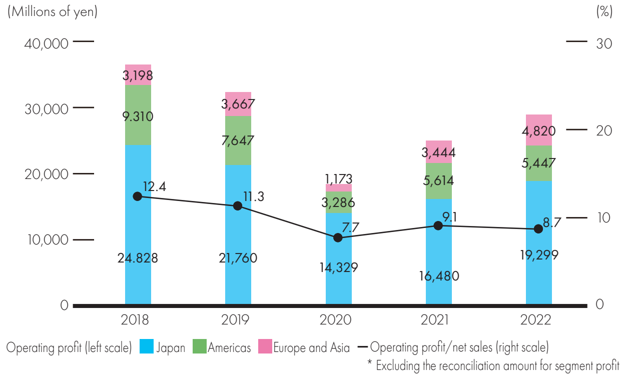
## Financial Highlights

### Net Sales Breakdown by Region and Ratio of Overseas Net Sales



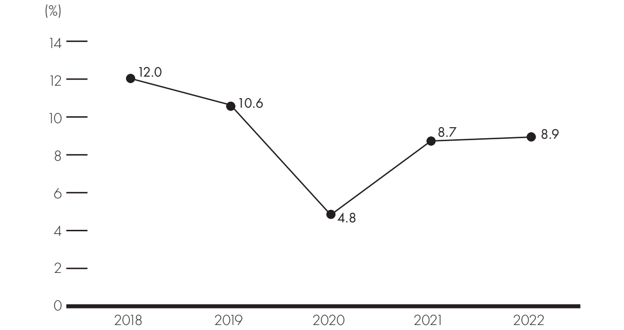

Consolidated net sales were 321,300 million yen, up 17.1% year-on-year. Domestic net sales rose 6.4% year-on-year to 186,400 million yen, while overseas net sales significantly grew to 134,800 million yen, up 36.1% year-on-year (up 30.4% year-on-year in the Americas, and up 45.0% year-on-year in Europe and Asia). As a result, the ratio of overseas net sales was 42.0% (up 5.8 points year-on-year), hitting a record high.

### Operating Profit by Region and Operating Profit/Net Sales




Consolidated operating profit was 27,900 million yen, up 12.0% year-on-year, and operating profit/net sales was 8.7% (down 0.4 points year-on-year). Domestic operating profit was 19,200 million yen, up 17.1% year-on-year, and overseas operating profit was 10,200 million yen, up 13.3% year-on-year. Accordingly, domestic operating profit/net sales was 10.3% (up 0.9 points year-on-year), and overseas operating profit/net sales was 7.6% (down 1.5 points year-on-year).

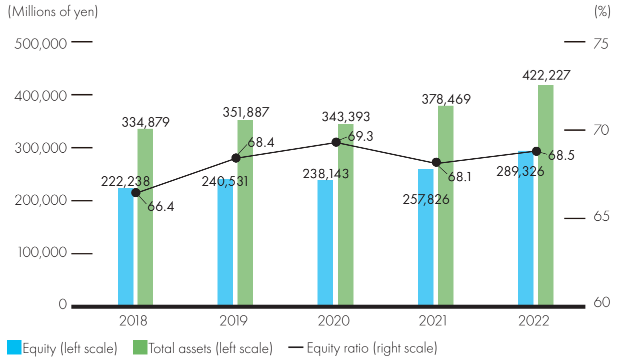
### Consolidated ROE*




Consolidated ROE increased to 8.9% (up 0.2 points year-on-year). This is because, while profit attributable to owners of parent grew by 12.3% year-on-year to 24,300 million yen due to the recovery in operating profit and other factors, average net assets over the past two years increased by only 9.5% year-on-year to 276,200 million yen.

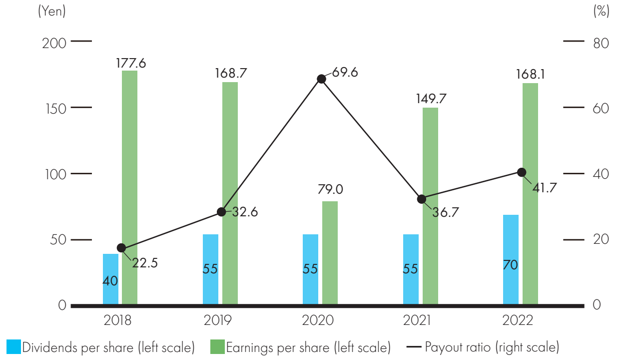
* ROE: Return on Equity

### Total Assets, Equity, and Equity Ratio



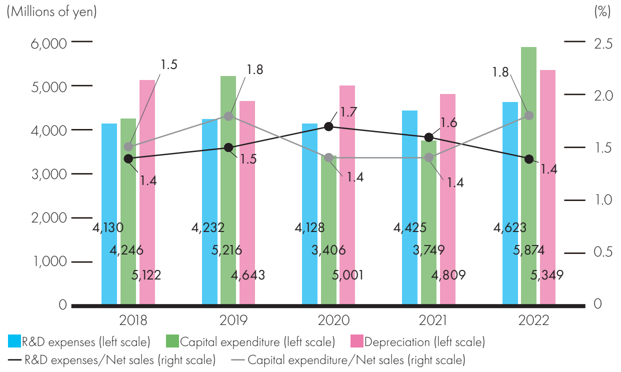

Equity ratio was 68.5% (up 0.4 points year-on-year). Total assets increased to 422,200 million yen, up 11.5% from the end of the previous fiscal year with the increase in working capital caused by the recovery of business results, and equity was 289,300 million yen, up 12.2% from the end of the previous fiscal year. Cash and deposits at the end of the fiscal year reached 226,000 million yen (53.5% of total assets), decreasing by 14,700 million yen from the end of the previous fiscal year.

### Annual Dividends per Share, Payout Ratio, and Earnings per Share




Annual dividends per share were 70 yen, a 15 yen increase year-on-year, and the payout ratio was 41.7%. The shareholder return policy has a target of at least 40% in total payout ratio, to provide shareholder return proportionate to profit growth, while trying to maintain continuous and stable dividends. We carried out a two-for-one stock split of common shares on July 1, 2022, and retroactively adjusted the dividends per share and earnings per share.

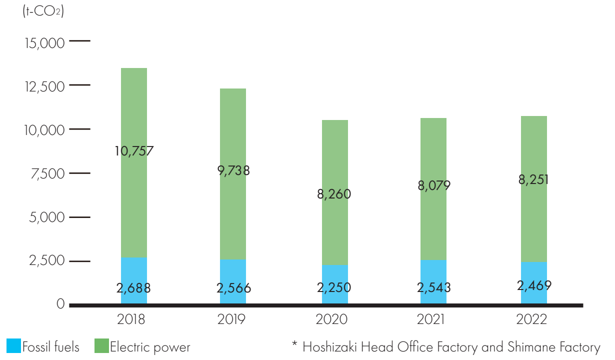
### Capital Expenditure, Depreciation, and R&D Expenses




Capital expenditure increased by 2,100 million yen year-on-year to 5,800 million yen (capital expenditure/net sales at 1.4%), depreciation increased by 500 million yen year-on-year to 5,300 million yen, and R&D expenses increased by 200 million yen year-on-year to 4,600 million yen (R&D expenses/net sales at 1.8%), showing a stable growth. Major capital expenditure was renewal of facilities at the Head Office and Shimane Factory.

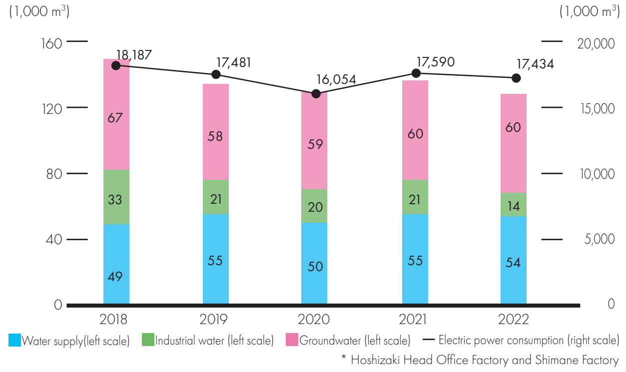
## Non-financial Highlights

### $CO_2$ Emissions at Domestic Locations



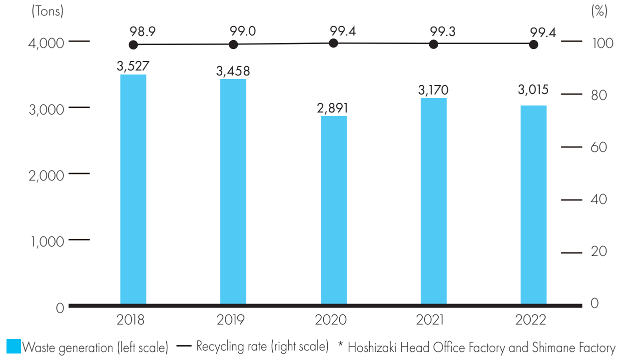

$CO_2$ emissions at domestic locations (Scope 1&2) were 10,720 t-$CO_2$, up 0.9% year-on-year. Although we are pushing ahead in replacing equipment with energy-saving types and increasing productivity, emissions rose slightly against the previous fiscal year due to impact from an increase in the $CO_2$ emission factor for electricity consumption.

### Electric Power Consumption and Water Consumption at Domestic Locations



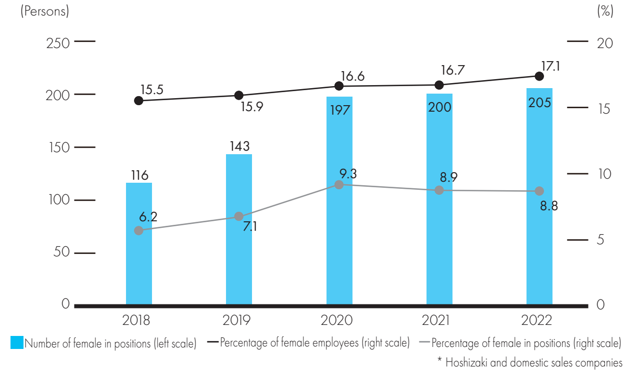

In domestic locations, the electric power consumption was 17,434,000 kWh, down 0.9% year-on-year, and the water consumption was 128,000 m$^3$, down 5.5% year-on-year. Despite an increase in factory production volume from the previous fiscal year, reductions were achieved stemming from initiatives such as replacing equipment with energy-saving types, increasing productivity, and strengthening energy-saving activities utilizing devices to monitor demand.

### Waste Generation and Recycling Rate at Domestic Locations



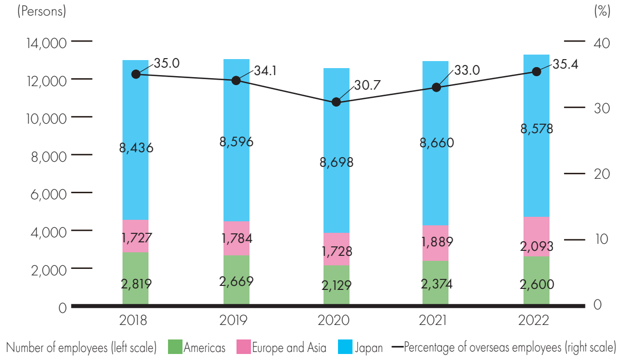

Waste generated at domestic locations decreased by 4.9% year-on-year to 3,015 tons through the promotion of activities to reduce defects during manufacturing processes. By promoting the separation and recycling of waste, the waste recycling rate was 99.4%, almost reaching 100%.

### Number and Percentage of Female in positions, and Percentage of Female Employees



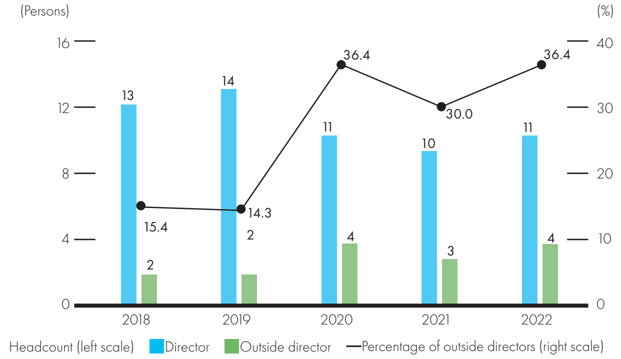

Total number of employees of Hoshizaki and 15 domestic sales companies is 7,560. Of them, 1,290 are female employees, percentage of which increased by 1.6 points to 17.1% from 2018. In addition, the number of female in positions at or above assistant manager level is 205, an increase by 89 from 2018. The percentage also increased by 2.6 points to 8.8%.

### Number of Employees of Consolidated Companies, Number of Employees by Region, and Percentage of Overseas Employees




The number of employees of 55 consolidated group companies is 13,271, up 2.7% year-on-year. The numbers of employees are respectively 2,600 for 15 companies in the Americas (up 226 year-on-year), and 2,093 for 22 companies in Europe and Asia (up 204 year-on-year).

### Numbers of Directors and Outside Directors, and Percentage of Outside Directors




The number of outside directors increased by one from the previous fiscal year, to make four outside directors out of 11 directors. As a result, the percentage of outside directors became 36.4%, which is in line with the principle of the revised Corporate Governance Code (one-third or more).

# Message from Top Management

## To Be the First Penguin That Continues to Change While Striving for Evolution

Yasuhiro Kobayashi,
Representative Director, President & COO

As head of management for the Hoshizaki Group, my most vital role is to achieve enhanced corporate value that aligns with the expectations of stakeholders (customers, employees, business partners, local communities, shareholders/investors, and future generations). To that end, an increase in not only economic value but also social and environmental value must be obtained. The Hoshizaki Group is currently undergoing company-wide efforts to achieve the five-year management vision that will reach its final year in 2026. We will aim for economic value in the fiscal year ending December 2026 at net sales of 450,000 million yen (including M&A 50,000 million yen), operating profit of 63,000 million yen (before M&A goodwill amortization), and ROE*(see Page 11) at 12% or more. For social and environmental value, we will strengthen human capital and natural capital, resolve the six material issues, and aim for a win–win situation with the growth of both society and the Hoshizaki Group.

I believe that being an "Evolving Company" that contributes to society, which represents the Purpose of the Hoshizaki Group, is most important in obtaining high targets beyond what was achievable in the past concerning economic value as well as social and environmental value. It is also said in "Hoshizaki Values," which is the Hoshizaki Group's values, that change is the only way to evolve. In day-to-day management decisions, I personally ensure that I am aware not to simply follow past footsteps and that we are achieving change as the Hoshizaki Group. I also encourage executives and employees to ask themselves if they are merely repeating what was done in the past and whether they are being conscientious of change.

The logo of the Hoshizaki Group is a penguin (Adélie penguin); however, it represents not just any penguin, but the first penguin (the courageous penguin that is the first to make a dive from land into the unknown sea where enemies lie), which is what we aspire to be. "Staying 'as is' brings you down, and it is most important at Hoshizaki to take on the challenge yourself toward new change" are concepts I have gained through advice from Mr. Sakamoto, who is a descendant of the founding family. Recognizing that the term "evolution" represents a level above "change," I constantly bear in mind "continuing to change while striving for evolution."

## Awareness of the Medium- to Long-term Business Environment and the Hoshizaki Group's Strategy

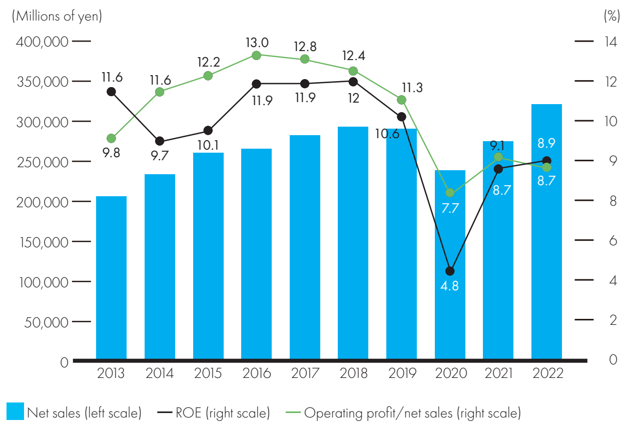
Looking back on performance by the Hoshizaki Group over the past decade shows stagnant growth in profitability such as operating profit and ROE against net sales growth since 2018. The first factor that causes sluggish profitability is the strengthening of the internal control/compliance structure that was implemented to prevent recurrence of improper transactions that became evident in 2018–2019 among a portion of sales companies. Domestic fixed costs rose as a result of increases in back-office duties and personnel for strengthening the management system to resolve inadequacies in internal control.

The second reason for sluggish profitability is the spread of COVID-19 globally. The structure for direct sales (sales and service personnel), which accounts for approximately 75% of domestic net sales, is the Group's strength, while it caused a large drop in profitability due to substantial decrease in net sales caused by the pandemic together with fixed costs becoming a heavy burden. We have covered domestic loss in demand with overseas demand in the past, but it was not possible this time with global demand simultaneously dropping due to the COVID-19 pandemic. Performance was on a recovery trend in the fiscal year ended December 2022 with improvements in the external environment, but Japan and China have not yet reached pre-pandemic levels for net sales.

By region, the domestic gross margin ratio has slightly improved over the past decade, but gross margin ratios in regions overseas have decreased due to intensifying competition.

Meanwhile, net sales have grown organically in each area when the effects of COVID-19 are excluded. Companies that joined the Group through M&As such as India's Western Refrigeration, which was acquired in 2013, are also contributing to sales. We have expanded our product lineup for a balanced expansion from the restaurant market into the non-restaurant market in Japan. The net sales structure ratio for the non-restaurant market, which was roughly 40% in the past, rose to approximately 60%, and the sales method that centered around individual product sales managed to shift to full kitchen properties. As we improved our designing capabilities and ability to propose kitchen equipment overall, we were able to gain more large-scale kitchen projects, such as from local governments, hospitals, company cafeterias, and hotels. We have predicted the restaurant market facing stagnant growth due in part to the decreasing birthrate and aging population for over 10 years, and we have been successful in enhancing our organizational strength to develop the non-restaurant market. We have added heating equipment, steam convection ovens, to

### Hoshizaki's performance trend over the past decade




the lineup and our products being added to many kitchens has been a positive factor as well.

By region overseas, growth was significant in the Americas, which contributed to overall sales growth. Growth was particularly strong at Hoshizaki America, and Lancer, which joined in 2007, also contributed to increased sales. India's Western Refrigeration largely contributed to growth in Asia, and establishing sites in Southeast Asian countries where there had only been one, in Singapore, produced results. With M&As, careful consideration made on the basis of the five basic principles of Hoshizaki's approach to M&A, which are the criteria in scrutinizing prospective M&As, also led to results. The five principles are as follows: (1) it is a profitable business; (2) outstanding executives will remain after acquisition; (3) synergy with the Hoshizaki Group can be anticipated; (4) net sales is above a certain level; and (5) quality is valued and the company is ambitious.

Ability to generate cash flow (CF) grew steadily, but financial leverage decreased with an increase in cash and deposits, which affected the stagnant growth in ROE*(see Page 11). Shareholder returns rose gradually for payout ratio and dividend amount up to the fiscal year ended December 2022. Improvements to capital efficiency are set forth in the five-year management vision currently being implemented, and we would like to make certain that they are accomplished.

## Awareness of the upcoming business environment and the Hoshizaki Group's response

Taking a bird's eye view of the medium- to long-term business environment in an increasingly uncertain macro environment, I feel the pace of change quickening. Changes on the customers' side and competitors' side are accelerating, and the business environment is getting hard to predict. As a start, it is important to keep our eyes out for information. Now, more than ever, we are thoroughly communicating our risk management to all group companies, and management is collecting risk information and undergoing deliberations. We are aiming to align our awareness of the business environment not only internally but also externally and with experts, and I feel that it must be done even more in-depth. We will aim to make the risk management system reliably stronger going forward. Particularly, risks will be thoroughly analyzed by country in cooperation with overseas group companies in terms of global cybersecurity measures and overseas countries' risk measures.

## Directionality by region: Reinforcing domestic infrastructure, creating synergy overseas

It is necessary to protect the foundation of the domestic business, which is the cash cow, as medium- to long-term directionality by region. To achieve growth in domestic net sales, it is necessary to go deeper into the restaurant business and also expand the non-restaurant business, increase product lineup, and strengthen cooperation with other companies to aim for cost reduction. Moreover, improving the profit ratio in Japan, where growth potential is lacking compared to overseas, is inevitable; thus, we will emphasize improving productivity and reducing costs. We are aiming for an overseas net sales ratio of 50% in 2026, and growth in each region is crucial. There are four group companies in the Americas including Hoshizaki America, and I believe growth of each company, synergy among the four companies, cooperation with other companies to increase product lineup, and M&A are all important measures. In Europe, we will aim for synergy maximization of Italy's Brema acquired in 2022, Ozti in Türkiye, and India's Western Refrigeration with existing businesses. Refrigerators in the volume zone will be manufactured by Ozti and Western Refrigeration, and for ice machines, sales will be strengthened between Hoshizaki Europe and Brema, which are in a complementary relationship in areas and price range, and we will aim to achieve cost reduction through standardization of parts and centralized purchasing. The market scale of the restaurant industry in China is large, but there are concerns about political risks and price competition, which has intensified since the formulation of the five-year management vision. Following maturation of the restaurant industry, we can expect a change in customer needs from the cheaper the better products to high quality, greater energy-saving, and low environmental impact products with added value that are strengths of the Hoshizaki Group. We will take initiatives in strengthening cost competitiveness for China's production site, Hoshizaki Suzhou, develop suppliers for ODM*1 and OEM*2, and cultivate value-added products by enhancing in-house development capabilities. Royalkitchen, acquired in 2022, has strength in proposing full kitchens, and will create synergy with Hoshizaki Shanghai, which centers mainly around individual product sales.

We will also secure a new production site in Southeast Asia, the only region that currently does not have one, and aim to elevate cost competitiveness.

Internationally, ability in providing services, besides product functionality and quality, will play an important role in differentiation. Only a portion of countries overseas has coordination between sales and services as in Japan. In Europe and the United States, where selling is mainly through distributors, we are working to strengthen service support capabilities, including offering service training and providing spare parts in a speedy manner. In Asia, a service training center was established in January 2023 in Thailand, and a system was put in place to educate service staff in our own company and of our distributors. We will aim to provide even higher-quality after-sales service by improving the level of technical skills of service staff in a short period of time, using the systematic educational program that has been established in Japan.

*1 ODM: Original Design Manufacturing refers to development, design, and manufacturing of products for another company's brand.

*2 OEM: Original Equipment Manufacturing refers to manufacturing of products for another company's brand.

## Direction for future M&As: New development of undeveloped markets and manufacturing

PMI*3 of companies, which joined the Group through acquisition are doing well, and the know-how being accumulated within the company is a strength. Many of the past M&As were for companies having integrated manufacturing and sales (=companies with brands). Through PMI, beginning with manufacturing support and going on to support for quality improvement, productivity improvement, new product development ability enhancement, and so forth, we have been able to earn the trust of acquired companies. Products manufactured by several acquired companies have had their quality enhanced to the point where the penguin mark (a seal of high quality) has been granted them, and their knowledge is being accumulated by the Group. Last year, new factories were established for India's Western Refrigeration and Türkiye's Ozti to meet increase in demand, and in both instances, Hoshizaki provided full support. Italy's Brema will also require greater manufacturing capabilities going forward, and we will support them as well. For future M&As, companies with integrated manufacturing and sales (=companies with brands) will mainly be considered, whereas challenges in acquiring sales channels with a strong competitive edge in the relevant regions will also be pursued.

In selecting prospective companies for future acquisitions, we will focus on, besides it being a profitable business (thus far) as stated in the first basic principle for M&As, the business being able to continue being profitable in the future. Specifically, we will concentrate on companies that have a unique business model that no other can imitate or that commands a barrier preventing entry and possesses high trust or strong brands through continuous provision of added value to customers. In terms of policy by region regarding M&As, we are looking into candidates in Europe and the United States, but we are also willing to search for prospective companies in emerging countries. Owing to acquisitions undeterred by risks facing emerging countries such as India, Türkiye, and Brazil in the past, Hoshizaki has been able to secure business sites in promising markets for the future ahead of competitors in Europe and the United States. Such basic policy will lead to "taking the initiative in new markets with growth prospects and in undeveloped markets," which is the Hoshizaki Group's Long-term Vision.

For more details, see Page 49

*3 PMI: Post Merger Integration refers to the integration process to maximize corporate value post-merger and acquisition.

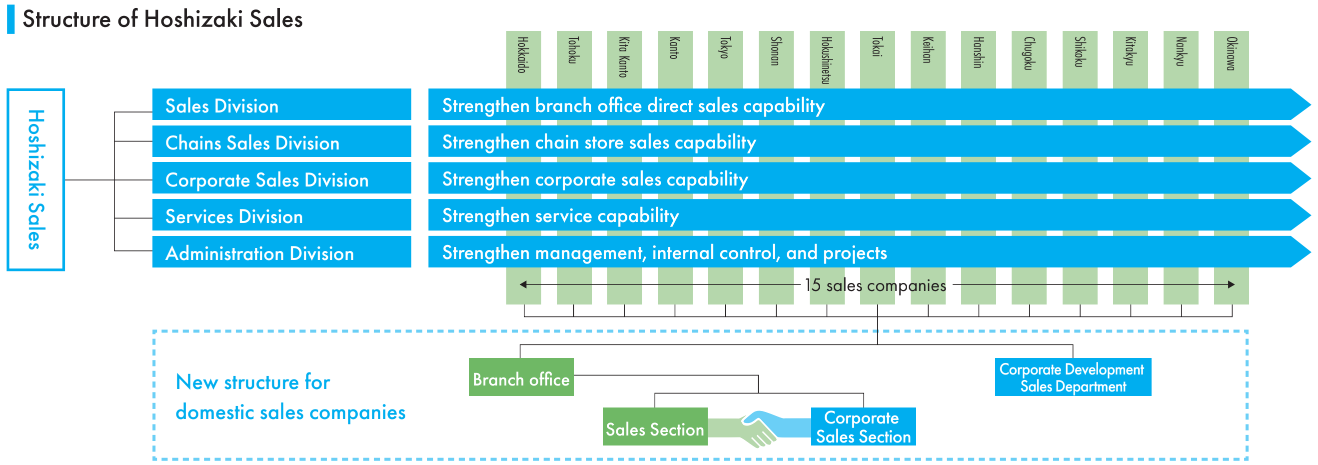
## Background on the establishment of Hoshizaki Sales: Effects to expect in the future

Hoshizaki Sales was established in January 2023 to maximize profit growth in Japan and to strengthen horizontally connected functions of the 15 sales companies. Although in the past autonomy of the sales companies was valued and growth was achieved through competition among the companies, it cannot be said that the customer base, business scale, and human resources of the 15 sales companies combined were being fully leveraged. The situation was fine in the days when growth through friendly competition among the 15 companies alone sufficed, but with a stagnant domestic market and intensifying competition, the conventional framework must be changed. For instance, there was a case of a sales company losing a bid for an order, and upon scrutiny, it was discovered that a competitor much smaller in scale was procuring common parts at lower cost than we were. In this way, the inefficiency caused by companies each conducting business individually that was preventing us from gaining the advantages of our group scale, started becoming evident.

Through establishment of Hoshizaki Sales, contribution to business performance in the short term can be anticipated by consolidating common functions of the 15 companies, such as sharing respective success cases, centralized purchasing, integration of call centers, gathering design and estimation knowledge, and developing experts. In the medium term, we are aiming for back-office duties that each of the 15 companies carry out to be shared among them, with such an arrangement currently being implemented on a trial basis among four companies. Human resource education in the past was conducted individually among companies, but a program is now being developed that is common for all 15 companies. For instance, we are currently developing an educational program in which top sales personnel in Japan act as instructors to raise the level of sales employees in their third or fourth year, which is when many face challenges in growth. We plan to implement this program promptly among the 15 companies in the future. Furthermore, as a measure to contribute to performance in the medium-term, consideration is currently underway to equip our products with Wi-Fi modules to use information collected through the cloud concerning operation of our products. Wi-Fi modules have been installed in 2,000 products out on the market at present for demonstration testing, and we are researching ways to exploit the information collected. Consequently, we are starting to see the possibilities in ways we can utilize the information to provide new value to customers, enhance productivity of the Group's service staff, and so forth. We will aim for medium-term commercialization through coordination between Hoshizaki Sales, which holds the core service functions, and the manufacturer (Hoshizaki).

We have also started collaborating with companies we have no capital interest in. In the past, collaborations occurred between an individual sales company and an outside company, but with Hoshizaki Sales now representing all 15 companies in negotiations, we are starting to see positive results of collaborating in areas such as centralized purchasing. Hoshizaki Sales will take on a main role moving forward in other areas that are common to the 15 companies including IT deployment, as well as design and estimate creation.

### Structure of Hoshizaki Sales




## Initiatives for Sustainability and Utilization of Intangible Assets

Six material issues were identified in 2022 and KPIs were set for all material issues in 2023. To achieve the Long-term Vision and the five-year management vision, we will aim to achieve KPI targets and ultimately resolve the material issues. From among the material issues, "creation of new customer value" is necessary in terms of the degree of contribution to corporate value. Amidst lack of prospect in meaningful growth of the restaurant market in Japan due to factors such as the decreasing birthrate and aging population, efforts are imperative against a wide variety of industries, such as hospitals, nursing facilities, and food processing factories, to grow net sales in the non-restaurant market, which is a KPI.

A direct sales structure that is rooted in the region is effective in efficiently capturing the non-restaurant market, which is diversified and also composed of several small- to medium-sized customers. Thus, 51 branch offices have been positioned by region under the 15 sales companies (direct sales organizations), under which existing sales offices and specialized organizations aiming to capture the non-restaurant market are placed. With this new structure, it has become possible for the direct sales teams to communicate with care in dealing with customers in the non-restaurant markets that exist in each of the regions. Obtaining customer information through distributors had been difficult, but with direct sales teams, who build relationships directly with the customers, it is possible to strengthen relationships with customers in the non-restaurant market. The sales division of Hoshizaki, which is the manufacturer, is meanwhile strengthening marketing, product development functions, and so forth, and by collaborating with customers, industry experts, universities, public bodies, and so forth (open innovation), we will actively work to develop new products for the non-restaurant market besides the restaurant market. For more details, see Page 59

For "enhancement of management foundation," we have strengthened personnel in relevant divisions over the past ten years. Administration divisions such as the Legal Department and the Internal Audit Department are being strengthened, and internal control of sales companies in Japan are still being enhanced. The number of employees has risen in line with growth of overseas business, and we are working actively to strengthen management human resources. While enhancing regional management functions for regions overseas, we are reinforcing management and internal control in each area by assigning area heads and regional CFOs.

We have established the Sustainability Committee to spread and resolve the material issues, with activities underway. Discussions were mainly about Japan in the past, but moving forward, we will consider lateral rollout overseas. As action globally will be challenging by committee members and the secretariat alone, there will be close coordination with area heads and executives overseas, and we plan to disseminate activities to all Group employees.

For more details, see Page 51

### Human capital: Human resource development

Proactive efforts to improve the score of the employee satisfaction survey (hereafter, "ES survey") being carried out yearly since 2011 in Japan has led to successfully achieving greater work satisfaction and a more comfortable working environment for employees. Response to the ES survey is submitted by 99.9% of Group employees in Japan, and we are considering gradually implementing the survey to overseas Group companies from 2023. Activities to improve ES were promoted by each company separately in the past, but as there is a limit to what can be achieved individually, Hoshizaki Sales is taking the lead starting this year in making changes to systems and creating mechanisms across Japan. As an example, efforts are underway to review various systems for which requests were frequent on the ES survey, including personnel, evaluation, and salary for domestic sales companies.

For more details, see Page 64

To build up the human resources portfolio is an essential issue for the future. Toward resolving materiality and achieving enhanced social and environmental value as well as economic value in the medium to long term, human capital must be enhanced, that is, training and recruiting the necessary human resources. Particularly, there is a shortage of human resources that are capable of management overseas and that can take on roles for new innovation such as planning products and collaborating with other companies. We have been strengthening the recruiting of new graduates and mid-career hires in the past few years, and although outstanding executive candidates are being fostered internally, I feel there is still a lack of human resources that can go beyond the conventional norms of Hoshizaki in reaching new heights. Thus, I would like for active initiatives in executive candidate human resources being assigned outside the company to experience hardships through competing elsewhere. Specifically, young and mid-career employees have been or are scheduled to be dispatched to acquired companies such as Ozti, Brema, Jackson, and NAOMI. They are steadily growing through struggles daily as they each work in unaccustomed environments. Engineers have also been dispatched or relocated to Connected Robotics in which we have capital participation, and we have been learning about speediness and flexibility of startups. Moving forward, we will make proactive efforts for such internal development, and if human resource shortages still remain even then, we will conduct mid-career hires and work to expand human and intellectual capitals. For more details, see Page 33

We are aware of the wide information gap between the managerial level and other employees as an issue. The Management Newsletter was launched to address this problem, by widely spreading information from the management team to the rest of the employees. I and other directors across the Company are delivering messages on quarterly. We communicate what is transpiring on the front lines, challenges we face, what the management team is focusing on, expectations for our employees, and our appreciation for activities and results. Management reporting meetings have also begun for section managers and above at Hoshizaki and Hoshizaki Sales starting this year. Once every three months, I and all officers discuss about quarterly results and material issues. Moreover, we select several dozen executive candidates at Hoshizaki and domestic sales companies each year and continue training to develop next generation managers, mainly through enhancing logical thinking skills. This program includes time for me to spend with participants to discuss resolving management issues that face each of the companies and departments, which proves to be a valuable opportunity for me to relay my ideas.

### Natural capital: Starting sales of natural refrigerant-based refrigerators

We are undertaking response to climate change as environmental and social materiality in medium- to long-term initiatives for natural capital. Moving forward, we must ensure visualization of $CO_2$ emission levels for Scopes 1 and 2 worldwide, as well as achieve carbon neutrality for up to Scope 3 including our supply chain. What is important here is the manufacturing of environmentally conscious products, which will lead to business expansion and value creation for Hoshizaki.

In 2022, we succeeded in developing and selling a refrigerator with natural refrigerants (HFC-free) that meets domestic safety standards. Nevertheless, it did not widely spread as it required the use of special, advanced technology, which made it expensive. It was the only natural refrigerant-based refrigerator that cleared standards set by the industry associations in Japan, but sales were limited to a portion of customers. In May 2023, with the aim of reaching more customers, we started sales of natural refrigerant-based refrigerators in line with global standards instead of exploiting the advanced technology previously mentioned unique to Japan. Development was completed in a very short amount of time, with selling prices being kept in the same level as existing products, and interest of customers, including major Japanese chain stores, is very high. We have also succeeded in significantly reducing GWP* in comparison to products thus far. The sale of

Commercial natural refrigerant-based refrigerator

NATURAL REFRIGERANTS

* GWP: Global Warming Potential

natural refrigerant-based refrigerators in line with global standards was achieved thanks to Hoshizaki's outstanding developmental strength and years of experience in the global market. We aim to contribute to social sustainability through the reduction of greenhouse gas emissions. For more details, see Page 56

### Governance: Memorable discussion and future evolution

Since time is limited at Board of Directors meetings, with roughly 15 minutes per agenda, a meeting body, called the individual discussion meeting*[1], has been set up, once a month for half a day, in which important managerial issues are discussed. A theme at the individual discussion meetings I found memorable in 2022 was concerning structural reform of the refrigerator business in Europe. The Gram factory in Denmark was liquidated and the production site for refrigerators was relocated to Türkiye and India. The rationale and method in proceeding for such a decision were discussed for an extremely lengthy period at the individual discussion meeting. Discussions started with the issue of treatment for employees at the site to be closed and went on to a diverse range of issues such as the supply chain, sales routes, and potential change in brand value when the products changed from being made in Europe to Türkiye and India. Another agenda at the Board of Directors meeting in which lengthy discussions were required was the acquisition of Brema in Italy. Discussions were conducted over the course of eleven Board of Directors meetings in total between 2017 and June 2022. Although Hoshizaki's stake in Ozti in Türkiye will increase gradually, the plan for Brema from the start was to be a 100% acquisition; thus, a myriad of topics including synergy, alignment with the five basic principles for M&As, acquisition price, and the business plan as its basis were discussed in depth.

Concerning the evolution of governance going forward, the supervisory function of the Board of Directors regarding business execution by Hoshizaki will be strengthened, as well as the supervisory function of the Hoshizaki Head Office and each of the areas overseas. From this March, the Director in charge of overseas operations is Shiro Nishiguchi, who has vast experience with overseas management, and the strengthening of the supervisory function by the Head Office can be anticipated. For each of the areas, functions of the regional headquarters will be gradually strengthened. The Board of Directors for the regional headquarters will supervise each area head and execution by management of each company. At the same time, the regional CFOs will support the area head and oversee internal control, early settlement of accounts, IT development, improvement in employee satisfaction, and so forth. The regional CFOs have been able to recruit human resources knowledgeable in accounting and internal control, and I believe the management foundation is steadily being developed. By strengthening communication between regional CFOs and the head office administration divisions, it has also become easier to promptly become aware of the situation and risks in each area. For more details, see Page 67

*1 Individual discussion meeting: a meeting body separate from the Board of Directors to deliberate important management issues

## Stakeholder Engagement Initiatives

In employee engagement, I ask for adherence to being profitable through the spread of Hoshizaki Values. It is said in Hoshizaki Values that a profitable company has a culture that generates profit. Whenever I discuss business concepts at all meetings in Japan and overseas, management meetings for group companies, executive candidate trainings, and so forth. I always ask for adherence to being profitable, and "Growth with Profit" is stated as a major policy overseas. When visiting a site and talking to employees, I always try to ask them whether something they are involved in is profitable, or why it is profitable. Recently, KPIs set within the Company are not limited to reducing necessary hours or work, and there is a greater awareness to use indicators with greater causal relationships to being profitable (increasing profit). The term "being profitable" is repeated by employees more often, and I can feel Hoshizaki Values steadily and surely spreading.
For the Hoshizaki Group striving for growth in the global market, the significance of stakeholder engagement is increasingly growing. The Group is undergoing activities in line with the TCFD framework, and we are establishing the foundation for stakeholder involvement not only in Japan but overseas starting this year toward disclosing targets for $CO_2$ emissions reduction up to Scope 3 in the future. Vulnerabilities in the supply chain were exposed last year with the parts shortages. We will continue initiatives for visualization of the supply chain and to strengthen management, besides proactive efforts to reduce $CO_2$. While purchasing power of Hoshizaki is strong in Japan, ability overseas has been left up to each company. Moving forward, we will consider possibilities with regard to strengthening purchasing power in each area overseas as well as worldwide. Human rights due diligence*[2] will be thoroughly followed in the process of visualization of the supply chain. For more details, see Page 61
As engagement with local communities, we continue donation activities each year in Japan toward contributing to the communities. Such donation activities are carried out not only by Hoshizaki alone but also by the Hoshizaki Green Foundation and Sakamoto Donation Foundation. As an example, Toyoake City in Aichi, where our Head Office is located, is made up of a large number of foreign workers. We support educational activities for children of such workers to learn Japanese, and Hoshizaki and the Sakamoto Donation Foundation provide funds for such support. For more details, see Page 62
Dialog with shareholders and investors is conducted regularly, and we promptly share the opinions and requests received at such time with management members and then strive to reflect them in our management to the maximum extent possible. To meet the expectations of our shareholders, we continue striving to increase ROE*(see Page 11) exceeding capital costs, with attention to capital efficiency. To meet expectations, we will firmly undergo shareholder returns, with growth investments including M&As a priority while securing working capital and safety funds to prepare for sudden changes in the business environment. Depending on the progress in executing M&As and in achieving ROE, we will consider revising shareholder return policy and targets as appropriate. We will report on the progress in executing such financial and capital policies in future Integrated Reports. For more details, see Page 29

*2 Human rights due diligence: Identifying, preventing, managing, and mitigating risks of human rights violations

## Aiming to Be the First Penguin That Continues to Change

In Hoshizaki Group management, the ideas that something has to change and that no change will merely be following past footsteps, are extremely important. Our goal is to be the first penguin. New initiatives are inevitably susceptible to failure, but I tell our employees that failure is to be learned from, and not to be regretted. These are words I myself was given by Chairman Sakamoto. The 15 sales companies transitioned to a new organization in January 2023, and Hoshizaki Kitakyu and Hoshizaki Nankyu changed organization one year earlier in advance of the other companies. The organization was new for these companies and they struggled considerably; however, I highly commend the efforts of both these companies. Owing to the challenge the two companies underwent, the remaining 13 companies were able to adopt just the successful organizational changes that the two companies experienced. By attempting the changes, even if they do not produce anticipated results at first, I believe it is important for learnings to be reflected upon and corrected and to aim for further change. We will strive to be the first penguin and continue taking on challenges in the future.
I joined Hoshizaki in 2008 when the Company became listed on the stock exchange; thus, my years of service is the same number as the years that have passed since Hoshizaki became a listed company. Hoshizaki is in its 76th year since establishment, and the Purpose of the Hoshizaki Group has become firmly deep-rooted within the Company by the founding family before it became listed. The various hardships and change creation I have experienced after the

Company became listed, together with Chairman Sakamoto who is a descendant of the founding family, have become great assets to me as a management executive. We will continue to do our best in obtaining the Purpose of the Hoshizaki Group and enhancing its corporate value (social and environmental value as well as economic value) .
To all of our stakeholders, we will continue to firmly engage in information disclosure and dialogue to gain endorsement of the Hoshizaki Group's medium- to long-term business activities and challenges for change. We appreciate your continued support and cooperation.