



Our Approach to Sustainability

In June 2022, Hoshizaki established the Sustainability Committee as a meeting for discussing governance, risk management, indicators and targets, and strategies, monitoring results and progress, and designing countermeasures regarding the Group's sustainability activities including social and environmental measures. The Sustainability Committee strengthens and promotes initiatives for solving the material issues listed by Hoshizaki to realize the Long-term Vision.

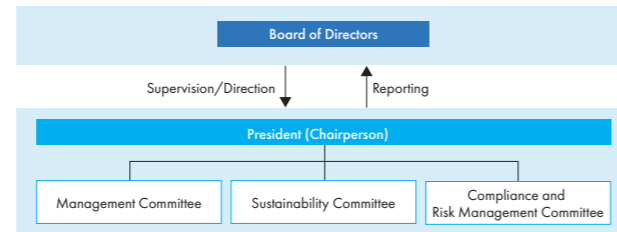
Hoshizaki Group's Sustainability Principle

We, the Hoshizaki Group, aim to realize a sustainable society and increase our corporate value through our business activities, based on our management philosophy, "to be an 'evolving company' that can contribute to our customers and society."

- We will work to create a fair and inclusive environment in which all people can thrive and will contribute to the creation of value for our customers, our people and society at large.
- As a global company, we will respect human rights and strive to mitigate environmental impact throughout our operating businesses and supply chain and contribute to the environment and future generations.
- We will aim for transparency, compliance, trust, and collaboration in our words and actions with all constituencies and stakeholders.

Governance

The Sustainability Committee is chaired by President and vice chaired by Senior Executive Officer in charge of administration. The Committee is quarterly held and has in place a system to consider and discuss material issues cross-sectionally with heads of business departments added, which depends on the theme to discuss.



Risk Management

We extract risks and opportunities in relation to each material issue, promptly monitor KPIs in place, and take measures considering the strengths and weaknesses of each relevant department and the Company, to minimize the risks and maximize the opportunities. In terms of the risk management of business activities, the monthly Compliance and Risk Management Committee covers detailed risk management and takes prompt measures.

Indicators and Targets

For promotion of sustainability activities, we have set KPIs associated with each material issue and reinforce the activities to increase the effectiveness thereof. [For more details, see Page 27](#)

Sustainability Strategy

By setting additional KPIs for each material issue, as well as implementing measures for solving issues, we will realize the management vision and Long-term Vision. As for environmental initiatives including those for climate change, we are strengthening information disclosure on the basis of TCFD and promoting the environmental management, such as suppressing waste generation, reducing environmental impacts, and development of energy saving products. We will work on awareness-raising as to Scope 3 to make sure that customers and suppliers understand the Hoshizaki Group's initiatives and endeavor to increase and improve its disclosure.

As initiatives for society, to increase employees' job satisfaction, we will enhance human capital by promoting women's active participa-

tion in the workplace and commencing the reform of the personnel and compensation system in light of results of the employee satisfaction survey. To develop a sustainable supply chain, we strive to strengthen our supply chain management by maintaining closer communication with suppliers and conducting surveys on environmental protection, human rights, and safe working conditions. As for customers, we will offer eco-friendly natural refrigerant-based refrigerators and freezers in Japan on a full scale earlier than our competitors, develop non-restaurant markets, and thus create new customer value. To provide safety and security for customers, we will also conduct service activities by taking advantage of locations across Japan.

As for the enhancement of management foundation, in 2022, we set up the Nomination and Compensation Committee and the Sustainability Committee to strengthen the system for governance promotion.

Agenda of Sustainability Committee

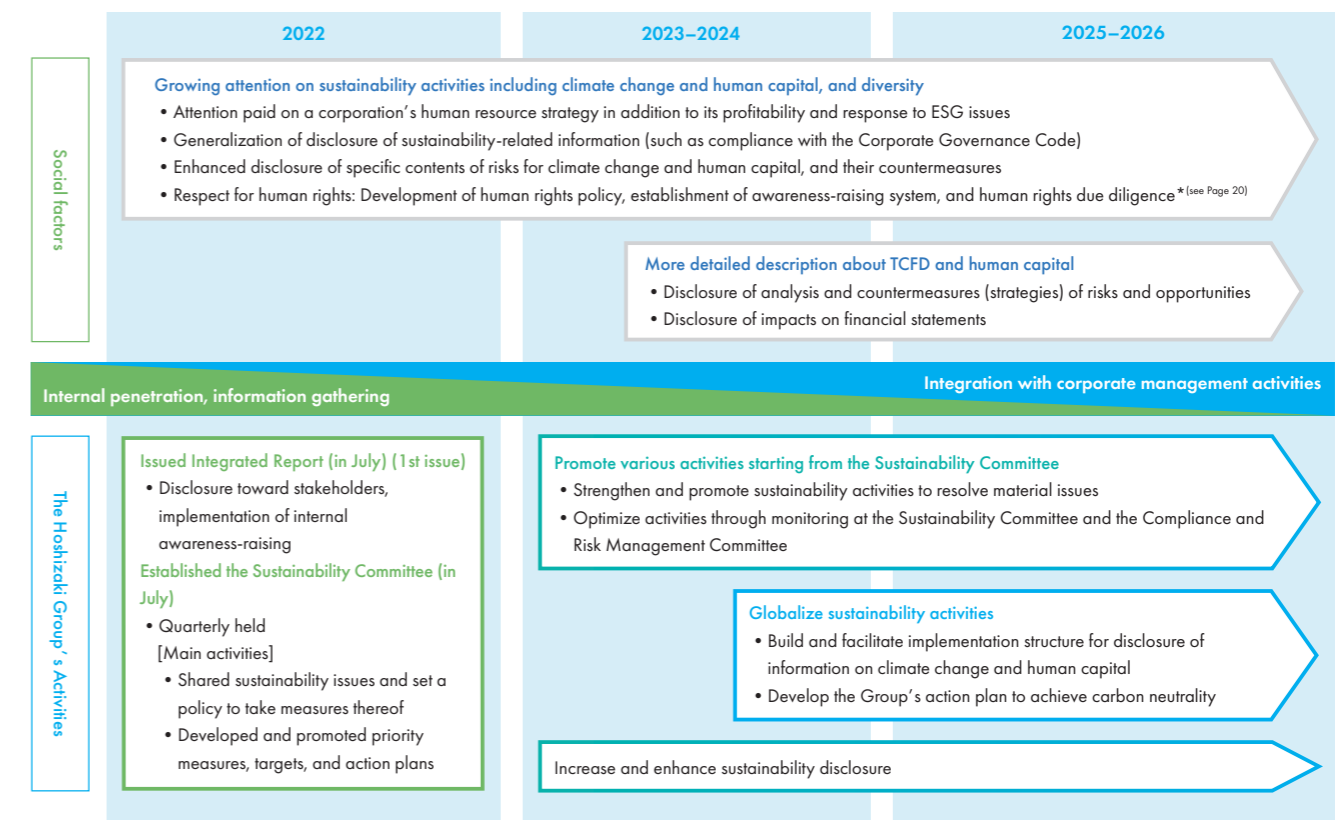
1st Meeting held on November 25, 2022	2nd Meeting held on March 23, 2023
(1) Development of sustainability principle	(1) Setting of new KPIs for materiality
(2) Direction of sustainability activities	(2) Challenges for future sustainability disclosure
(3) Initiatives for materiality	(3) Analysis of climate change scenario (strategy update)

Direction of Sustainability Activities of the Hoshizaki Group

For the direction of sustainability activities, the Hoshizaki Group will appropriately respond to different requirements for disclosure in and out of Japan and conduct sustainability activities on a global scale.

By integrating such activities with corporate management activities and raising awareness within the Group, we will increase the feasibility of Long-term Vision through sustainability management.

Roadmap of Sustainability Activities





Initiatives for the Environment

Enhancing Development and Manufacturing of Products That Help Mitigate Environmental Impacts

Hoshizaki, under its corporate philosophy, "Good product comes from a good environment," endeavors to maintain a factory environment filled with abundant greenery, regard global environmental protection as one of the priorities issues for humankind, and pursues sustainable business activities in harmony with the environment.

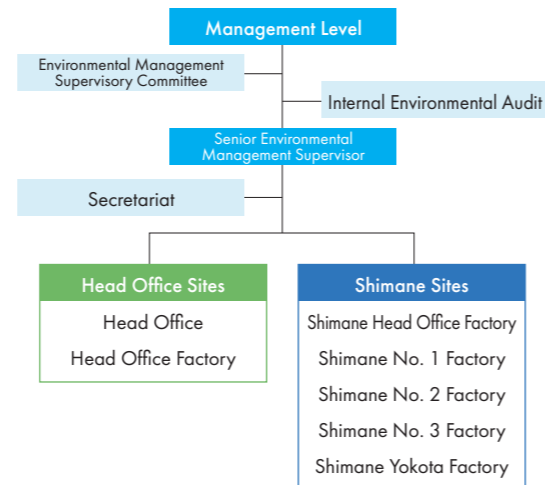
In particular, we have chosen "reduction of greenhouse gas emissions" as our important challenge, extracting and identifying "response to climate change" for materiality to set KPIs for it. To this end, we will not only reduce greenhouse gas emissions but also strengthen initiatives for development of products with higher environmental performance so as to enhance Hoshizaki's competitive advantage, and thus contribute to the creation of a sustainable society and enhance its corporate value.

Environmental Policy (ISO14001)

- As a manufacturer that develops and produces food service equipment, such as ice machines, refrigerators, dishwashers and dispensers, Hoshizaki acknowledges the impact that these business activities have on the environment. With this in mind, the Company establishes a structure to support constant improvement in its environmental management system, which extends to environmental performance, and thereby prevents pollution.
- Hoshizaki naturally strives to fulfill environment-oriented compliance obligations, but the Company also sets its own control standards and strives to raise the bar on environmental management.
- The following measures are considered priorities to effectively address environmental impact stemming from business activities undertaken by Hoshizaki.
 - Response to climate change
 - Promotion of effective use of resources
 - Decrease use of chemical substances, improve level of management
 - Promote development and design of environmentally conscious products
 - Protect natural environment
- To implement these measures, Hoshizaki will set environmental targets where technically and economically feasible, work toward these targets, and review progress on a regular basis.

Environmental Management System Promotion Organization Structure

The Environmental Management System Promotion Organization Structure of Hoshizaki encompasses all departments in all factories to promote participation in environmental improvement activities. The structure is led by Executive Officer in charge of Head Office Factory as top management; Executive Officer in charge of Shimane Plant as management; and General Manager of General Affairs Department, as Senior Environmental Management Supervisor. With regard to (1) Response to climate change, (2) Suppressing waste generation, (3) HFCs, (4) Product development, (5) Zero emissions (waste), and (6) Natural environment conservation, we set annual environmental targets based on medium-term improvement targets over a three year period, and formulate specific means and action plans in two-month increments to promote environmental improvement activities. Results of them are objectively evaluated, and we refer to them for environmental goals and action plans of next year.



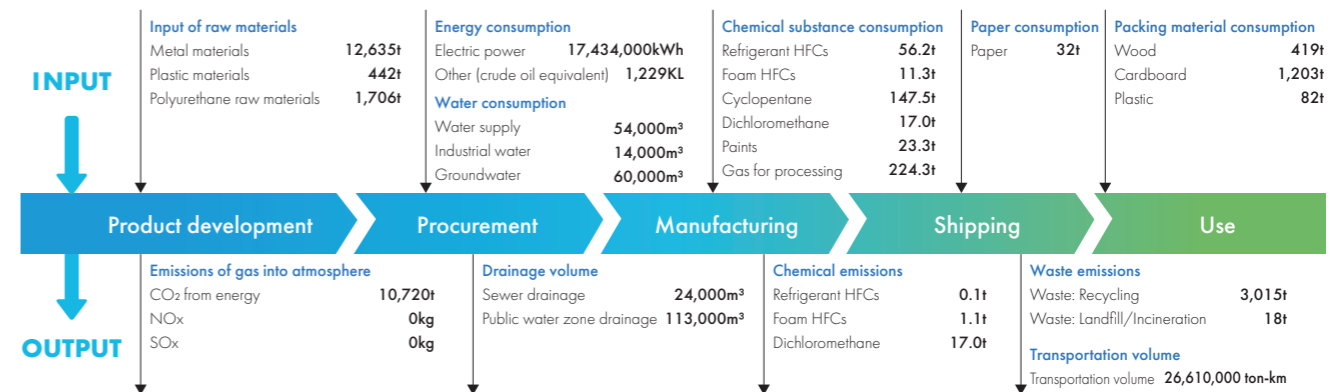
Environmental Goals and Results

	FY2022 Goals	Results	Comments	FY2023 Goals
Response to climate change	Energy consumption rate Goal values set for each site	●	Some sites were unable to achieve the target due to production line upgrading.	Energy consumption rate 1% reduction compared to FY2022 at all sites
	Loading size (loading rate) improvement Goal values set for each site	●	We successfully achieved the target by setting goal values of loading rate of product transportation trucks.	Loading size (loading rate) improvement Goal values set for each site
Suppressing waste generation	Metal work scrap yield rate Goal values set for each department	●	Some departments were unable to achieve the target caused by deteriorated yield due to the increase in disposed prototype parts as a result of model changes.	Metal work scrap yield rate Goal values set for each department and each relevant process
	Plastic material work scrap yield rate Goal values set for each department	●	We were unable to achieve the target due to the increase in disposed prototype parts as a result of model changes.	Plastic material work scrap yield rate Goal values set for each department
	Suppressing waste product generation Goal values set for each department, each relevant process, and each root cause	●	We successfully achieved the target by introducing predictive maintenance and accumulating small improvements.	Suppressing waste product generation Goal values set for each department, each relevant process, and each root cause
Refrigerant transition	Development of products using refrigerants with low global warming potential	●	We developed products using R448A with low global warming potential as refrigerant of a cooling unit for walk-in refrigerator/freezer.	Development of products using refrigerants with low global warming potential
Product development	Development of products with higher energy-saving performance	●	We redesigned the spray arm structure of our three core dishwasher models to reduce water used for rinsing by 10% compared to conventional models.	Development of products with higher energy-saving performance
Zero emissions (waste)	Achievement of zero emissions	●	We achieved a recycling rate of 99.0% or greater.	Achievement of zero emissions
Natural environment conservation	Cooperation and participation in Hoshizaki Green Foundation conservation activities	●	We cooperated with Hoshizaki Green Foundation conservation activities.	Cooperation and participation in Hoshizaki Green Foundation conservation activities

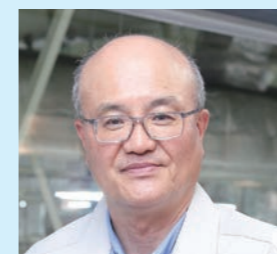
Scope: Hoshizaki Head Office Factory and Shimane Factory

Hoshizaki has been working on utilization of sustainable resources, by grasping materials flow in the business activities, improving efficiency in input resources such as raw materials and water (reduce/reuse/recycle), saving energy, and curbing generation of wastes.

Materials Flow



Scope: Hoshizaki Head Office Factory and Shimane Factory



In Pursuit of Sustainable Business Activities in Harmony with the Environment

Seiji Terashima, Executive Officer (in charge of Head Office Factory)

As the world is greatly shifting toward "net zero," we are recognizing the importance of taking responsibility for the impact our business activities have on the planet and taking measures to mitigate our environmental impact. We will continue to develop and offer eco-friendly products, and strive to be a company that contributes to the global environmental protection by reducing environmental burdens and risks in light of environmental impacts from our business activities.

Initiatives to Mitigate Environmental Impact

Recognizing the restriction of greenhouse gas emissions as our own issue, the Hoshizaki Group is working on the introduction of power-saving equipment, improved equipment operation, and improved operational efficiency, in order to reduce CO₂ emissions from sources of energy for its business activities while complying with environmental regulations of each country.

CO₂ emissions (Scope 1 & 2) of Hoshizaki in 2022 was 10,720 t-CO₂ (+0.9% year on year). This was the result of an increase in the CO₂ emission factor for electricity consumption, although increase in electricity consumption was contained despite the increased productivity. To achieve the reduction target of CO₂ emissions by 2030, we will continue to take priority measures (For more details, see Page 57).

Initiatives for Development of Products with Higher Environmental Performance

The Hoshizaki Group has made active efforts to develop eco-friendly products to expand the lineup of such products. As an example of such efforts, Hoshizaki redesigned its three core dishwasher models mainly by changing the spray arm structure to reduce water used for rinsing by 10% to 1.8 liters*¹ compared with conventional models which each use 2.0 liters. HOSHIZAKI AMERICA worked to expand the lineup of ice machines with lower electricity consumption and higher energy saving performance, and eco-friendly commercial refrigerators with lower greenhouse gas emissions. In recognition of this initiative, ENERGY STAR "Partner of the Year - Product Brand Owner Award" and "Partner of the Year - Sustained Excellence Award," the highest award of all have been granted to us for 11 consecutive years and for 8 consecutive years, respectively.

*1 Excluding some variant models for specific usage.

Compliance with Fluorocarbon Emission Control Act

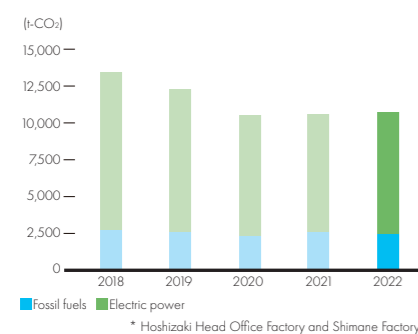
CFCs/HCFCs/HFCs used as refrigerants of refrigerators/freezers and air-conditioning equipment are known to deplete the ozone layer if vented into the atmosphere and therefore have much larger greenhouse effect than CO₂. In Japan, the Fluorocarbon Emission Control Act came into effect in April 2015, which requires operators to conduct regular/simple inspections of equipment using CFCs/HCFCs/HFCs and report on the amount of leakage.

Hoshizaki is working to prevent any leakage by identifying equipment using CFCs/HCFCs/HFCs to be monitored at factories and offices, preparing the management record, and carrying out regular/simple inspections and maintenance according to equipment capacity. It is required under the law to report on any leakage of 1,000t or more in CO₂ equivalent, and the amount of leakage at Hoshizaki in FY2022 was below that level.

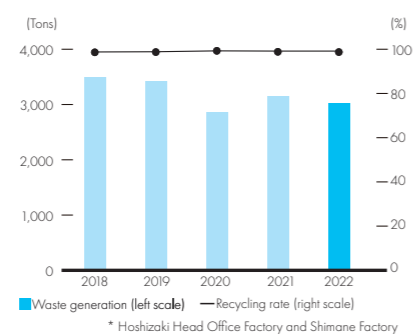
Initiatives for Suppressing Waste Generation and Conservation of Water Resources

To suppress the generation of waste, Hoshizaki is implementing the three 'R's (Reduce, Reuse, Recycle) by working to improve yield rates for metal materials and plastic materials, reduce defects during manufacturing processes, and conduct thorough inventory management. As a result, Hoshizaki achieved the recycling rate over 99.0%. As consumption of water resource is also limited, we have been making efforts for protecting such water resources by appropriately using water supply, industrial water, and groundwater.

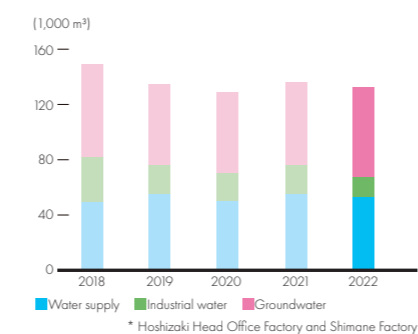
Changes in Electric Power/Fossil-Fuel CO₂ Emissions



Changes in Waste Emissions



Changes in Water Consumption



Response to climate change

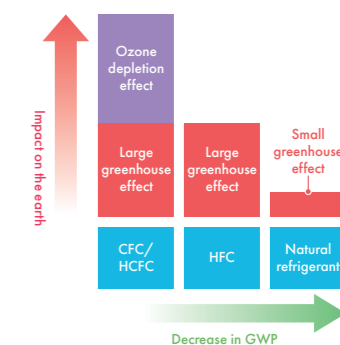
Journey toward Net-Zero Emissions

Development of CFC/HCFC/HFC Regulations

In the 1970s the mechanism of ozone layer depletion by CFCs/HCFCs was scientifically proved, and since 1987 when the Montreal Protocol was adopted, it had been required to phase out the production and consumption of products using CFCs and HCFCs as refrigerants. Consequently the use of ozone-safe alternative to HFCs has gradually increased. Later, under the Kigali Amendment to the Montreal Protocol adopted in 2016, it was also required to phase down the production and consumption of HFCs because of its contribution to global warming, and now the major challenge in response to the climate change is the transition to alternative substances with smaller greenhouse effect (HFC-free including natural refrigerants*²).

*2 Natural refrigerants: Substances that exist naturally in the environment and serve as refrigerants in freezing and air conditioning. They are eco-friendly refrigerants with no ozone depletion potential (ODP) and very low global warming potential (GWP).

Refrigerants and their impact on the earth



Hoshizaki Group's Countermeasures

As our approach to selection of refrigerants, we have developed next-generation refrigerators/freezers from the three perspectives consisting of environmental performance (GWP*³, ODP*³), safety (combustibility and toxicity), and economic performance (energy efficiency and cost). In European and US markets leading in HFCs regulations, in 2009, prior to a tightening of the regulations on the alternative to HFCs in 2015, we started supplying ice machines using natural refrigerant (propane) and have since increased products using natural refrigerants.

In 2022, at HOSHIZAKI EUROPE B.V. engaging in sales and maintenance service of food service equipment in Europe, products using HC refrigerant*⁴ accounted for 90% of the sales volume*⁵.

*3 ODP: The abbreviation of ozone depletion potential *4 Natural hydrocarbon refrigerants such as propane and isobutane *5 The total volume of ice machines, commercial refrigerators, and sushi cases

Transition of All Commercial Refrigerators/Freezers with Natural Refrigerant Models in Japan

In Japan, Hoshizaki started accepting orders for HFC-free commercial refrigerators and freezers using natural refrigerants in place of alternatives to HFCs in May and August 2022 respectively. We will continue to add to the lineup in 2023, and transition all*⁶ standard freezers and refrigerators for the Japanese market to natural refrigerants that are also HFC-free by the end of 2024.

For products using natural refrigerant, not subject to the restriction under the Fluorocarbon Emission Control Act, simple inspection of HFCs or reporting of any leakage is unnecessary, expected to lighten the burden of customers.

Developers' Voice

Release of Natural Refrigerant-based Refrigerators for Mass Sales Ahead of the Industry in Japan

In developing refrigerators released in May 2023, it was required to complete natural refrigerant-based refrigerators that satisfy the price needs of customers in an unprecedentedly-short period of time. Therefore, it was necessary to establish the company-wide project framework so that each department was able to understand and solve challenges in parallel. We had difficulties especially in assessment testing of refrigerant leakage and coming up with countermeasures. Nevertheless, we managed to introduce the structure safely used by customers by building on the knowledge and idea Hoshizaki has. Since this project helps Hoshizaki steer the direction to become the first adopter of natural refrigerants in the industry and enhance corporate value, we were grateful to put together a team to work on such a challenging task. We will continue to make the utmost efforts to offer a full lineup of natural refrigerant-based refrigerators/freezers by the end of 2024.



Response to climate change

Information Disclosure Based on TCFD Framework

As climate change has significant impacts on the society, the Hoshizaki Group has regarded them as a material social issue to address. Toward the realization of a decarbonized society, Hoshizaki will aim at a 50% reduction (compared to the result in 2014) in CO₂ emissions from business activities (Scope 1 & 2) as an interim goal for 2030. To achieve carbon neutrality in 2050, we are providing products and services which enable the reduction in environmental burdens and promoting development of environmental technologies. We expressed our agreement on TCFD Recommendations in February 2022, and will proceed with information disclosure based on TCFD framework for the purpose of good communication with shareholders, investors, and other various stakeholders.

Governance

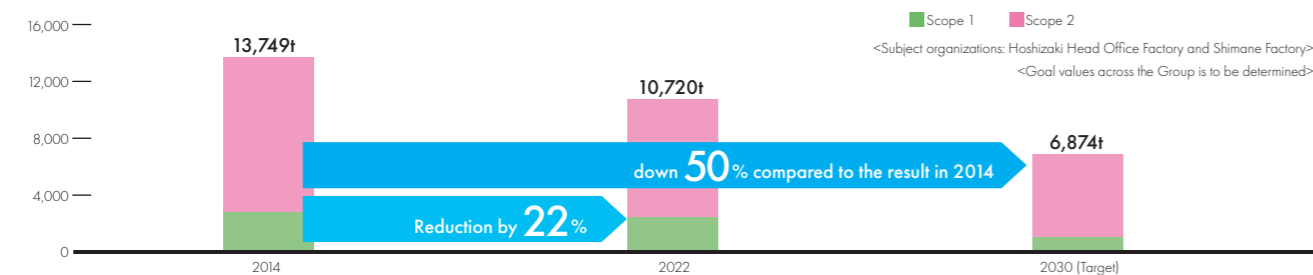
Sustainability Promotion Structure

In June 2022 Hoshizaki established the Sustainability Committee as an organization for promoting measures for social and environmental general issues including responses to climate change. The committee regularly held has in place a system to consider and discuss sustainability issues in a cross-sectional manner, with heads of business departments added depending on themes to discuss (see Page 51). The Sustainability Committee, held on a quarterly basis, is to report on the progress of each meeting, including deliberation results, to the Management Committee and the Board of Directors. Business risks related to climate change are shared with the Compliance and Risk Management Committee, the advisory committee of the Board of Directors, and reported to the Board of Directors as needed.

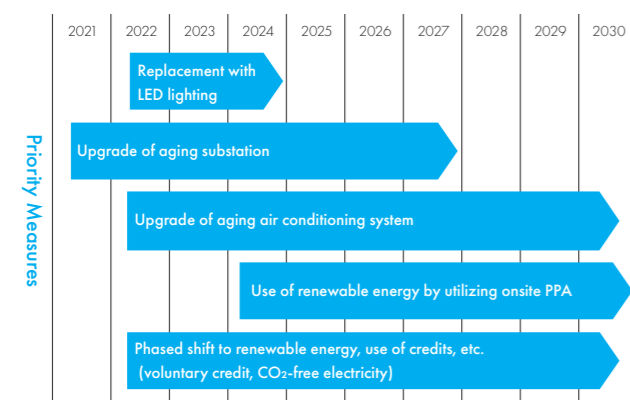
Indicators and Targets

Aiming to reduce CO₂ emission from business activities (Scope 1 & 2) to net zero in 2050, the Hoshizaki Group will promote through energy-saving activities and proactive utilization of renewable energy.

Interim (2030) to Reduce CO₂ Emission (Scope 1 & 2)



Priority Measures for Achieving Target



<Result in FY2022> CO₂ Emission (Scope 1 & 2) (t-CO₂)

	2014	2022
Hoshizaki	13,749	10,720
Sales companies in Japan	—	18,437
Manufacturing companies overseas*1	—	27,401

*1 Excluding Brema acquired in July 2022

Strategy

Scenario Analysis for Climate Change

Hoshizaki has analyzed the scenarios in 2030 and 2050, assuming 2°C and 4°C temperature zones as scenarios of future temperature rise. We evaluate the financial impact on a three-point scale for each risk and opportunity based on its impact on periodical profit and its probability.

Financial Impact of Climate Change Risks and Opportunities, and Countermeasures

Scenario	Risk/Opportunity	Impact	Probability	Countermeasures	Achievements in 2022
2°C scenario	Risks	Large	Middle	Value analysis (VA), cost saving activities (reduction of number of parts, review of materials and parts) Decentralization of suppliers, strategic product pricing revision	<ul style="list-style-type: none"> Mitigation of impact of price hikes of parts and materials prices through ongoing material cost saving activities Strategic pricing revision in Japan and overseas (in June in Japan, as needed overseas) Development of capital expenditure plan to reduce electricity consumption (in 2024 solar panels are scheduled to be installed in Head Office Factory and Shimane Factory to save electricity through planned upgrade of the facilities) Planning of and working on early release of natural refrigerant-based refrigerators priced for mass sales in Japan (To be released in 2023)
		Middle	Middle	Expand the lineup of natural refrigerant products (promotion of replacing refrigerant products, including refrigerators, ice machines, with natural refrigerant products) Activities for shorter development lead time Planned investment in R&D and product design of natural refrigerant products	
		Small	Middle	Activities to reduce electric power consumption of factories (Planned investment in off-grid power facilities, such as solar panels) Raising the ratio of external electric power from renewable energy sources	
	Opportunities	Large	Middle	Development and expansion of lineup of natural refrigerant products Non-GHG/decarbonization of products (including material procurement, manufacturing, and utilization processes)	<ul style="list-style-type: none"> Commencement of release of natural refrigerant-based refrigerators in Japan Increase of ratio of natural refrigerant products overseas Expansion of the ice machine market share through acquisition of Brema (covering not only southern Europe but also across Europe) Pilot release of Hoshizaki Connect Wi-Fi (built in approximately 2,000 units of commercial products)
Large	Low	Expansion and entry of cold chain products in areas with greater impact from temperature rise			
Middle	High	Reduction of electric power consumption of products (such as ice machines and refrigerators) and water consumption of products (such as ice machines and dishwashers) through model changes, etc.			
Small	Middle	Increase in demand for monitoring of flammable gas leak and inspection service at customers, due to use of flammable natural refrigerants			
4°C scenario	Risks	Middle	Middle	Expansion of customer channels (non-restaurant markets, focusing especially on distribution sector, processing and sales sector, basic industries, hospitals, nursing facilities)	<ul style="list-style-type: none"> Promotion of measures to increase the coverage of non-restaurant markets (collaboration with other companies, product development, organizational changes of sales companies in Japan) Establishment of design and procurement system in case of adoption of alternative products in the event of a procurement risk of parts and materials Establishment of manufacturing and sales coordination system in response to a procurement risk of parts and materials Review and securing of appropriate volume of inventory of parts and materials
		Middle	Low	Decentralization of suppliers of parts and materials, risk mitigation (multiple purchasing, backup suppliers, procurement of alternatives, etc.) Procurement risk mitigation through optimization of knock down parts rate between manufacturing sites, appropriate inventory level of parts and materials for procurement risks	
		Small	Low	Clarification of BCP at global locations (manufacturing and sales) Decentralization of suppliers of parts and materials as BCP for procurement	
	Opportunities	Large	Middle	Expansion of sales of cold chain products into countries where we have no presence yet Development of service network in proportion to expansion of sales areas	<ul style="list-style-type: none"> Expansion of overseas operations (including M&A) Increase in HACCP-qualified personnel Pilot release of Hoshizaki Connect Wi-Fi (built in approximately 2,000 units of commercial products) Start of collaboration with Connected Robotics Increase in service personnel and measures for productivity improvement
	Middle	Middle	Improved lineup and services of sanitary products Enhancement of measures for HACCP* (see Page 23)		
	Middle	Middle	Automation, robotics, development of remotely operated products and services, expansion of labor-saving products		
		Middle	Middle	Productivity improvement of service business Development of additional service options, such as remote device diagnostics based on IT	

*2 BCP: An abbreviation of business continuity plan, which refers to how to continue business in emergency situations

Risk Management

The Sustainability Committee conducts planning/formulation and management related to climate change, promoting the Company-wide measures for climate change. The Sustainability Committee evaluates, identifies, and manages impacts of climate change on the Company. The Committee is responsible for integrating the identified impacts of climate change in the Company-wide risks by sharing information with the Compliance and Risk Management Committee as needed.



Building of Trusting Relationship with Stakeholders

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 meet the expectations in changing society and take the initiative in contributing to bright and affluent future, we respect human rights, ensure fair business practice, and mitigate environmental impact throughout the value chain, and work closely with all stakeholders to realize sustainable development of society.

Creation of New Customer Value



Considering when looking at economic and social structures in developed countries, a major shift is occurring from a society and economy centered on goods to a society and economy centered on services and information. Continuing to reliably provide the value that our customers desire and building more solid and longer-term relationships with them will lead to customer satisfaction and enable the Hoshizaki Group to enjoy sustained growth. To create new customer values, we listen to customers' voices, understand their needs, and thereby offer optimal solutions and develop products and services.

Initiatives for Creation of New Customer Value

1) Contribution to Prevention of Global Warming

In Japan Hoshizaki released 68 value price models of commercial natural refrigerant-based refrigerators/freezers in May 2023, and is scheduled to offer a full lineup of natural refrigerant-based refrigerators/freezers by the end of 2024. After that we will continue to replace our refrigerators/freezers with natural refrigerant-based products.

Natural refrigerants means substances that exist naturally and serve as refrigerants for freezing and air conditioning. They are eco-friendly refrigerants with no ozone depletion potential (ODP)^{*1} and very low global warming potential (GWP)^{*1}. This will contribute to the reduction of greenhouse gas emissions throughout product life cycles and lower environmental impacts.

The Hoshizaki Group has already shipped 740,000 units of natural refrigerant products^{*2} in overseas markets. Taking advantage of such experience and knowledge, we are working to increase natural refrigerant products and enhance services in Japan to contribute to customers' efforts to reduce environmental impacts.

^{*1} We currently adopt R134a as alternative to HFCs, and isobutane and propane as natural refrigerants for our regular lineup of freezers and refrigerators. In UN Environment Program (UNEP) "OzonAction Kigali Fact Sheet 3," the global warming potential (GWP) of R134a, isobutane, and propane are 1430, 3, and 3, respectively.

^{*2} Number of products with natural refrigerants (ice making machines, refrigerators, sushi cases, and Visi Cooler (for preserving beverage) sold in North America, Europe, Asia, and Africa in 2009-2022.

Examples of Lineups of Commercial Natural Refrigerant-based Refrigerators and Freezers



Commercial natural refrigerant-based refrigerator HR-120NAT



Commercial natural refrigerant-based freezer HF-75NAT



NATURAL REFRIGERANTS mark is a symbol of products with natural refrigerant, which is run by the Hoshizaki Group across the world.

2) Total Support to Customers in Non-restaurant Markets

In Japan, we are proactively developing non-restaurant markets while further exploring the existing restaurant market. We are helping non-restaurant market customers of diverse industries and with diverse needs find solutions to their challenges, for instance, by complementing product functions and establishing new sales channels through strategic collaboration with other companies.

Examples of Business Solutions for Non-restaurant Market Customers



Agriculture: The use of a walk-in refrigerator/freezer allows for storing large volume of harvests to preserve freshness. (food waste reduction)



Food processing: The use of a water electrolyzer allows for easily sterilizing foods by simply pouring acidic electrolyzed water without diluting it just like tap water. (combination of hygiene control and work efficiency)



Hospital: The use of a serving wagon allows for distributing freshly-cooked meals. (provision of tasty and hot meals)

3) Countermeasures for Labor Shortage

In the food service industry, labor shortage is getting more and more serious because of such problems as a decreasing birthrate and aging population, and harsh working environment. To solve this issue by minimizing restaurant staff's workloads, Hoshizaki has developed an automated washing system, which combines a preliminary washer and a dishwasher. Just by placing used dishes on the rack and sliding it to the washer part, the dishes will then be automatically washed and stored to the product's storage shelf. The product frees up the staff from cumbersome dishwashing, raising their satisfaction and contributing to improvement of customer service.

Customer's Voice

Takafumi Iida, Director, GM of Merchandising Division, Saint Marc Holdings Co., Ltd.



Those who apply for a part-time position are supposed to start working as a dishwasher at first even if they wish to make breads or serve customers. Some of them decided to leave us after a short time because they cannot do what they want to do. Dishwashing is an essential process for restaurants and even if a dishwasher is in place, cumbersome operations, such as prewashing and moving of racks, still remain. Our introduction of Hoshizaki's washing system equipped with preliminary washing allowed us to free up the staff from cumbersome dishwashing-related operations. With this system, all we must do is to place dishes on the rack and slide it. Then, the rest will be automatically completed. Automated dishwashing allowed us to free up the staff and raise their satisfaction, thus helping us offer better service to customers.

New Proposals for Creation of Safe and Secure Food Environment



The Hoshizaki Group believe that its mission is to contribute to the support and protection of food cultures by providing better products and services worldwide and deliver foods in a better condition under any circumstance.

1) Excellent Support System

Approximately 2,600 service personnel based in local communities in Japan provide maintenance in a speedy manner to ensure customers can keep using our products safely and securely.

For products delivered to customers, whether those products are Hoshizaki-brand products or products made by other companies, we have compiled repair data so that service personnel can provide suggestions on trimming costs and the best time to upgrade equipment.

We will work to commercialize the system that acquires operational information and predicts failures (Hoshizaki Connect Wi-Fi) for approximately 500,000 Wi-Fi compatible products supplied by the Hoshizaki Group in Japan.



2) Assistance for Measures for HACCP^{*} (see Page 23)

HACCP, the global standard for food safety control, has become a legal requirement in a growing number of countries, spearhead by advanced nations. In Japan as well, under the Food Sanitation Act as revised in June 2018, all food business operators including restaurants have been required to introduce HACCP since June 2020. Introduction of HACCP will help customers increase productivity and contribute to solutions to social issues including food waste reduction. By posting support information mainly on the website, and developing approximately 670 HACCP-qualified employees, the Hoshizaki Group in Japan has provided assistance for customers in such fields as hygiene diagnosis and acquisition of HACCP certification, offering of risk management devices and HACCP-based kitchen design.

Sustainable Supply Chain Management



The Hoshizaki Group is working together with its suppliers around the world on responsible procurement in order to fulfill its social responsibility throughout our supply chain. We consider suppliers of raw materials and parts to be important partners, and strive to build trusting relationships through open, fair, and equitable transactions while also pursuing responsible procurement in the supply chain, including suppliers, in order to earn the trust of society as a global company.

Responsible Procurement

When commencing business with suppliers, Hoshizaki asks suppliers to acknowledge our purchasing policy and assesses them based on certain evaluation criteria. In addition, to execute procurement under consistent standards, we make use of a supplier checklist based on ISO 9001 standards to select suppliers based on assessment related to such factors as quality, stable supply, and sound management in addition to human rights, occupational health and safety, compliance, environmental protection.

Hoshizaki's Basic Policy on Procurement

Hoshizaki considers suppliers to be important partners, and strives to build trusting relationships through fair and equitable transactions. We promote responsible procurement in the supply chain in order to earn the trust of society as a global company.

Human rights and labor	Compliance	Environmental protection
<p>Eradication of discrimination Do not discriminate people on such grounds as race, religion, gender, age, disability, and nationality</p> <p>Prohibition of forced labor and child labor Prohibit forced labor and child labor</p> <p>Prevention of inhumane treatment and harassment Prevent abuse of authority, sexual harassment, corporal punishment, mental or physical coercion, verbal abuse, and so forth</p> <p>Fair working hours and payment of wages</p>	<p>Prohibition of the abuse of a dominant bargaining position Maintain appropriate relationship with stakeholders</p> <p>Fair competition Promote fair and free competition, and comply with laws and regulations</p> <p>Elimination of all relationships with antisocial forces</p> <p>Protection of intellectual property Conduct business transactions, respecting intellectual property rights</p> <p>Responsible Procurement Conduct responsible procurement not to be complicit in inhumane treatment</p>	<p>Environmental activities Endeavor to conduct environmental protection activities for conservation of the global environment</p> <p>Efficient energy use Endeavor to take energy conservation measures for reduction of greenhouse gas emissions in business activities</p> <p>Advancement of the three 'R's (Reduce, Reuse, Recycle) and proper waste management Reduce wastes by working on reduce/reuse/recycle</p> <p>Appropriate waste treatment</p> <p>Prevention of air, water, soil, and other environmental pollution</p>

Communication with Suppliers

Hoshizaki strives for more thorough understanding among suppliers of its purchasing policy by holding regular briefings with them. Even after commencing dealings, we re-evaluate our suppliers based on our supplier checklist and request corrective actions from those that do not meet our quality requirements. We conduct surveys covering not only primary suppliers but also secondary suppliers to ensure stable procurement. The same as the previous year, in 2023, we held an online policy briefing and distributed materials for the policy briefing to 137 companies besides participating companies.

Factory (Procurement) Policy Briefings and Supplier Participation (2019-2023)

Period	Supplier participation (no. of companies)	
	Head Office Factory	Shimane Factory
January and February 2019	91	38
February 2020	82	48
February 2022	34	20
February 2023	46	30

In 2021, no briefing was held due to the COVID-19 pandemic, but explanatory materials were distributed to 133 suppliers (84 by the Head Office Factory and 49 by the Shimane Factory).

Initiatives for Establishment of Resilient Supply Chain

To establish a resilient supply chain, the Hoshizaki Group has worked on risk mitigation for anticipated procurement risks, and total optimization of procurement and purchasing activities.

Anticipated Procurement Risks and Hoshizaki's Countermeasures

Anticipated procurement risks	Hoshizaki Group's countermeasures
<ul style="list-style-type: none"> Another lockdown due to prolonged impact of an infectious disease Suspension of parts supply and logistics due to prolonged conflicts Supply constraints of raw materials due to force majeure declaration*1 US-China conflict and advancement of economic blocs Operational adjustment due to electricity rationing Abnormal weather, heavy rains (floods), cold waves, heat waves 	<ul style="list-style-type: none"> Timely monitoring and management of appropriate inventory level by product Securing and concentration of inventory storages Diversification and doubling of procurement regions Strengthening of cost planning Strengthening of procurement quality control Development of a business continuity plan (BCP)^(see Page 58) in cooperation with suppliers

*1 Force majeure declaration: The application of a force majeure clause will be declared in case of any unpredictable external factor or situation that makes delivery or performance under a contract substantially impossible or extremely difficult. Force majeure events must be legally agreed on between parties in advance.

Harmony with Local Communities



Hoshizaki has been engaged in community-based social contribution activities since 1961, based on the founder's belief that the purpose of a company is to make the world a better place.

History of Hoshizaki's Social Contribution Activities



Hoshizaki Charity Club (HCC)

The Hoshizaki Charity Club collects odd amounts under 100 yen from the salaries and bonuses of members and donates them to support organizations involved in social welfare, environmental conservation, and disaster recovery. At present, more than 75% of the employees of Hoshizaki Group companies in Japan are members of the HCC.

Major recipients of HCC donations

2018	19 organizations, including regional organizations of the Special Olympics Nippon Foundation*2 (SON) in Aichi, Shimane, and five other prefectures, and municipalities affected by torrential rains
2019	25 organizations, including municipalities affected by typhoons, Okinawa Prefecture, which is working to restore and reconstruct Shurijo Castle destroyed by a fire, nature conservation groups, and five SON prefectural organizations
2020	14 organizations including Children's Cafeterias, municipalities affected by torrential rains, and SON Shimane
2021	18 organizations including nature conservation groups, support groups for people with disabilities and needy children, municipalities affected by torrential rains and earthquakes, and SON Shimane
2022	17 organizations including SON National Games secretariat (Hiroshima Games), next-generation development, support groups for people with disabilities, nature conservation groups, and SON Shimane

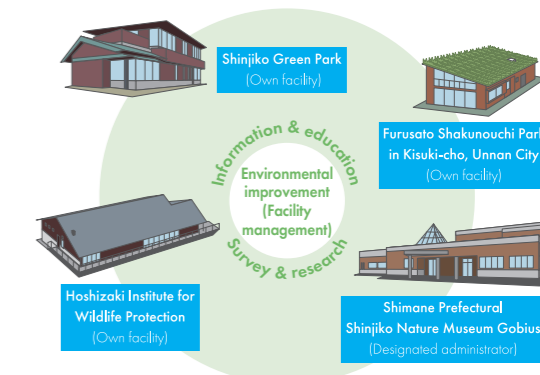
*2 Special Olympics Nippon: The Japanese arm of the international sports organization that provides a variety of sports training and competition opportunities for people with intellectual disabilities. The activities of Special Olympics Nippon are not for profit and are run by volunteers and are financed by donations.



Shimane prefectural team players participating SON Hiroshima Games, in uniforms purchased with HCC donation

Support for Natural Environmental Conservation Activities by the Hoshizaki Green Foundation

The Hoshizaki Green Foundation was established in 1990 out of the founder's desire to pass on the nature in his hometown*3. The Foundation is located on the western shore of Lake Shinji, which straddles Matsue City and Izumo City in Shimane Prefecture. It operates and manages several facilities (see the illustration at right) and conducts environmental improvement, research, dissemination and educational activities for the protection and breeding of wild animals and plants. We support the Foundation through participation and cooperation in its environmental conservation activities.



*3 Core funding provided by Hoshizaki shares bequeathed by the late founder and through Sakamoto Donation Foundation stock contributed by the current Chairman & CEO (and current Foundation chair), Seishi Sakamoto and his wife.

Human Resource Development and Improvement of Employee Job Satisfaction



To contribute to customers and society through our business, and for the company and employees to continue to evolve and grow together, it is important to improve the job satisfaction of our employees. To continue being a company where our highly motivated employees will maximize their potential, we are working across the Group to enhance employee job satisfaction by offering opportunities for individual growth and creating a vibrant workplace culture.

Creating Opportunities for Individual Employee Growth

To implement unified human resource development programs across Japan, we established the Personnel Training Department in 2010 (currently the Personnel & Organization Development Section of the Personnel Department). With an education system in place, we are training the next generation of managers and enhancing our employee education. As "Creating Opportunities for Individual Employee Growth," we have worked to provide opportunities and places where employees feel themselves growing, by proceeding with ability development through Off-JT, such as training for next-generation managers, logical thinking enhancement training, English proficiencies enhancement training, and career development to help each and every employee realize their vision in the future.

Status of Investment in Education and Training (2021-2022)

	2021	2022
Investment in education/training	69,411,000 yen	72,739,000 yen
Total number of training participants	2,726	5,543
Training hours per participant	15 hours	10 hours

Investment in education/training is the amount spent by Hoshizaki on a non-consolidated basis, which does not include amounts for trainings independently planned by sales Group companies, but includes domestic Group companies in the number of participants.

Three Education/Training Program Categories

Position-specific training To develop capabilities/skills required for specific positions <ul style="list-style-type: none"> Newly-appointed manager training 360-degree evaluation training Service training Training for new graduates/mid-career hires (Review training up to the third year after employment) 	Selective skills development training To improve specific skills and awareness <ul style="list-style-type: none"> Training for next-generation managers Global workforce development training Training to develop female managers Training to promote participation by women 	Customized training for specific needs Based on plans designed by Group companies/departments <ul style="list-style-type: none"> Unconscious bias Marketing Teaching techniques Anger management Career design Boosting motivation Communication
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Program Focus and Participants

Training for next-generation managers Hoshizaki and its domestic distributors are actively working to develop human resources who will be involved in management in the future. We select executives and executive candidates who demonstrate excellence and work on business case study and in-house issues in order to thoroughly develop their logical thinking and problem-solving skills, and in doing so strengthen their strategic conceptualization and strategic planning abilities.	Global workforce development training We revamped various trainings we had provided for enhancing language and business skills and started the new global workforce development training in 2021. We are implementing the following programs to develop abilities necessary for global workforce. <ul style="list-style-type: none"> Logical thinking enhancement training Overseas management training Language training 	Service training Service training, using mock-up kitchen environments, is intended to enhance the knowledge and skills of the employees who support the service and support systems that are the Hoshizaki Group's strengths. In addition to training in electrical and refrigeration engineering that provide basic knowledge about our products, a great deal of role-playing training is conducted using a mock-up freezing circuit to simulate customer sites.
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Participants of Major Trainings (Hoshizaki and Sales Companies in Japan)

Program focus/year	2018	2019	2020	2021	2022
Training for next-generation managers	—	45	45	39	42
Global workforce development training	19	18	16	293	243
Service training	268	347	284	282	245

Creating a Vibrant Workplace Culture

We have established the personnel system to help employees in different life stages and lifestyles work comfortably and have worked to further enliven communication within the workplace and create a corporate culture where everyone respects each other. The Hoshizaki Group will continue to endeavor to increase employees' job satisfaction by periodically conducting employee satisfaction survey (ES Survey) to confirm the actual status and identify issues.

At the Hoshizaki Group, the ES (employee satisfaction) Improvement Committee and the Kagayaki Committee (to promote women's participation) are in action toward realizing a good environment to work, practicing management with discussion, and making the Company trusted by society and its employees as declared in its management philosophy.

ES Improvement Committee

The ES Improvement Committee analyzes the results of the ES Survey that we have conducted every year for all employees of Group companies in Japan, monitors the free comments of employees to uncover issues, grasps and identifies them as management issues, and continually works on reforms for their resolution.

ES Improvement Committee	Chair: Director, Senior Executive Officer in charge of the Management Department Secretariat: Human Resources & Organization Development Section, Personnel Department
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ES Survey Response Rates and Free Comments (surveys at 18 Group companies in Japan)

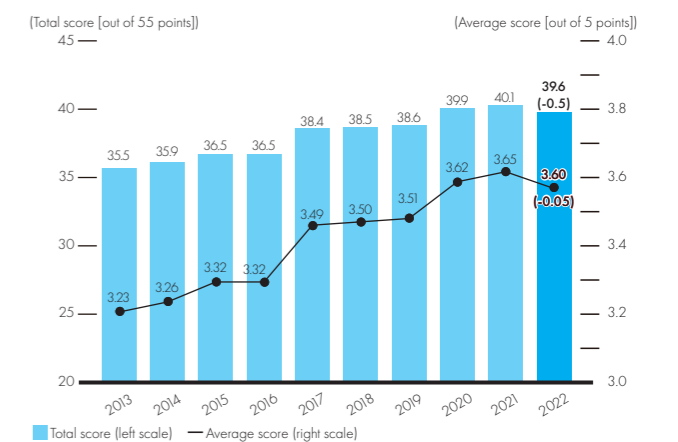
Year	2018	2019	2020	2021	2022
Survey questions	54	54	59	59	59
Employees surveyed	8,302	8,462	8,614	8,556	8,443
Respondents	8,233	8,372	8,611	8,556	8,436
Response rate	99.2%	98.9%	99.9%	100%	99.9%
Free comments	5,819	5,678	5,964	5,632	5,597

Outline of ES Survey Questions (FY2022)

The survey was conducted in the following categories and with a total of 59 questions, the same as in FY2021. The Group-wide total in FY2022 resulted in the total score of 39.6 points (out of 55 points, -0.5 points year on year) and the average score for all questions of 3.60 points (out of 5 points, -0.05 points year on year). One of the major issues is related to personnel evaluation items, and we are working to find a solution to the issue including revisions of the evaluation system and promotion requirements.

Category	Subcategory	Subtotal
A Overall company	Overall company	15
	Company reliability	
	ES initiatives	
	Effects of education	
B Organization	Organization	4
C Working environment	Working environment	11
	Paid leave, leaving time	
	Overtime work state	
D Supervisors	Supervisors	9
E Work	Your work	8
F Activity target, personnel evaluation	Activity target	11
	Personnel, evaluation	
G Total evaluation	Total evaluation	1
Total		59

Changes in ES scores



Kagayaki Committee to Promote Women's Participation

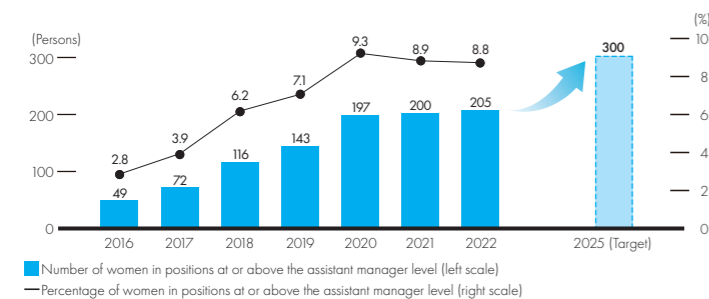
Since FY2010, Hoshizaki and its domestic distributors have been promoting the Kagayaki Project, which is based on the vision of "becoming a company where excellent staff can pleasantly work and play active roles, irrespective of gender." With a target called "LADIES10" (increase the percentage of women in positions at or above assistant manager level to 10% or more), we have provided support for women's career development while working to create a comfortable working environment.

Initiatives for Society

The Kagayaki Committee, launched in FY2021 as a successor of the Kagayaki Project, is in action. After reviewing the results and challenges of the Kagayaki Project for a decade up to FY2020, we have set new targets for promotion of women's participation by FY2025 and strive to achieve them.

Kagayaki Committee	Period of activities: FY2021 to FY2025
	Objective: Increasing diversity
	Targets: 1. Quadruple the number of women in positions at or above section manager level compared to the end of FY2020 (to 50 persons)
	2. Increase the number of women in positions at or above assistant manager level compared to the end of FY2020 by 50% (to 300 persons)
	Chair: Director, Senior Executive Officer in charge of the Management Department
	Vice-Chair: Director, Senior Executive Officer in charge of Domestic Sales Department
	Secretariat: Human Resources & Organization Development Section, Personnel Department

Number and Percentage of Women in Positions at or above the Assistant Manager Level (Hoshizaki and sales companies in Japan)



Ratio of women in positions at or above the assistant manager level by position (end of FY2022) (Hoshizaki and sales companies in Japan)

Position	Number of women	Number of men	Total	Percentage of women
Department manager level	3 (3)	148	151	2.0%
Section manager level	21 (11)	622	643	3.3%
Assistant manager level	181 (186)	1,359	1,540	11.8%
Total	205 (200)	2,129	2,334	8.8%

Number of women in parentheses at the end of FY2021

Participants in trainings and seminars related to promotion of women's participation provided in FY2022

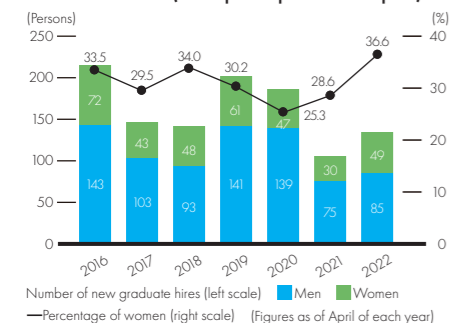
Training title	Objective	Participants (persons)
Training for supervisors having female subordinates	Enhancement of development and communication abilities of supervisors involved in development of female subordinates	561
Training for nurturing female leaders	Sharing of outcomes of practicing at workplaces what was learned in the training for moving up level of female employees	41
Training for moving up level of female employees	Understanding of leaders' qualities and roles, and behavior change	69
Lecture seminars to promote participation by women	Awareness-raising activities concerning leadership, development of subordinates	224
Sales and service exchange meetings	Awareness reform and network building as next-generation role models	51



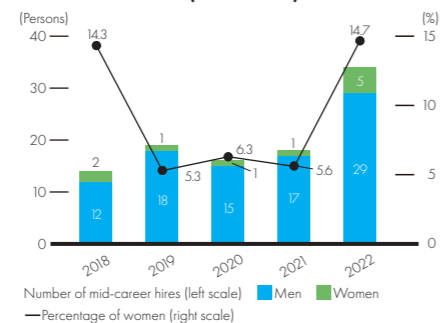
Kazuyo Tsuboi, Section manager of Diversity Promotion Center

Diversity Promotion Center was established in April 2022, aiming to establish a working environment where diverse human resources can work comfortably, create an organization climate increasing job satisfaction, and promote understanding and inclusion of diverse human resources. We improve initiatives to realize good working environment to work by providing trainings and seminars for promotion of diversity targeting Group companies in Japan. In 2023, we held the conference for women in managerial positions to reflect their own opinions in our career support programs and we are developing the mentor system for targets of female career development. By promoting diversity of age, nationality besides gender, we aim to realize a workplace where people can work cheerfully and satisfactorily and enhance corporate value through development of individual employees.

Number and Percentage of New Graduate Hires that Are Women (Group companies in Japan)



Number and Percentage of Mid-career Hires that Are Women (Hoshizaki)



Changes in the retention rate at the end of 3rd years after employment (Hoshizaki)

Year of employment	New graduate hires
2015	95%
2016	95%
2017	77%
2018	100%
2019	100%

Life Support and Occupational Health and Safety

Optimization of Working Hours

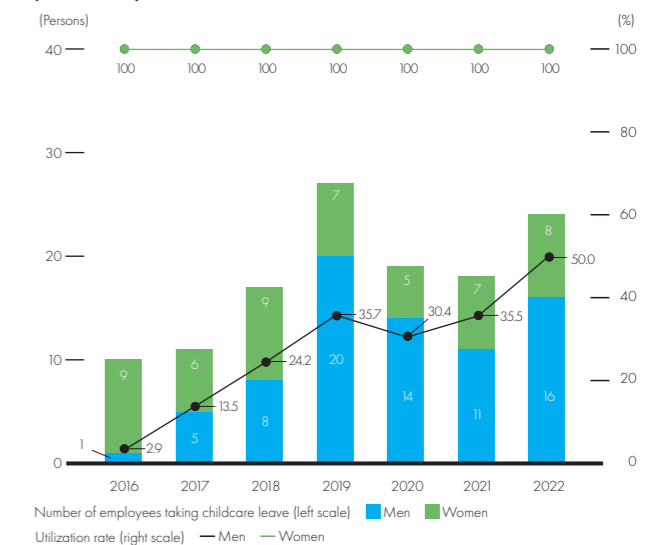
Hoshizaki aims to protect the health of its employees and create workplace environments where they can work with peace of mind, and has, as one of its initiatives, promoted the optimization of working hours. Proper management of working hours at Hoshizaki includes methods such as alerting relevant supervisors when overtime work exceeds a certain threshold. In 2022, monthly average overtime working hours were 16.6 hours per person (vs. 13.5 hours in 2021).

In addition, in order to foster an environment where it is easy to take paid leave, we use training programs and our intranet to increase awareness and understanding of our paid leave system, and encourage employees take paid leaves. In 2022, the paid leave utilization rate was 82.0% (vs. 78.9% in 2021), with each employee taking an average of 14.9 paid leave days (vs. 14.4 days in 2021).

Child Birth and Childcare Support

Hoshizaki has introduced a variety of systems as assistance measures for employees' life events and established the environment to encourage them to use such systems, thus actively supporting in achieving a good work-life balance. In order to facilitate the smooth return to work of female employees after childcare leave, employees have interviews with their department heads about their future careers prior to taking leave and before and after their return to work, and we also have introduced online courses to support childcare and skills development that they can complete from home while they are on childcare leave. We have raised awareness of male employees' parental leave and worked to encourage them to utilize the leave. In recent years, male employees' childcare leave utilization rate is on the rise at 50.0% in 2022 (vs. 38.5% in 2021), with each employee taking an average of 28.6 childcare leave days (vs. 32.3 days). We will continue to improve such systems and promote support for employees life events.

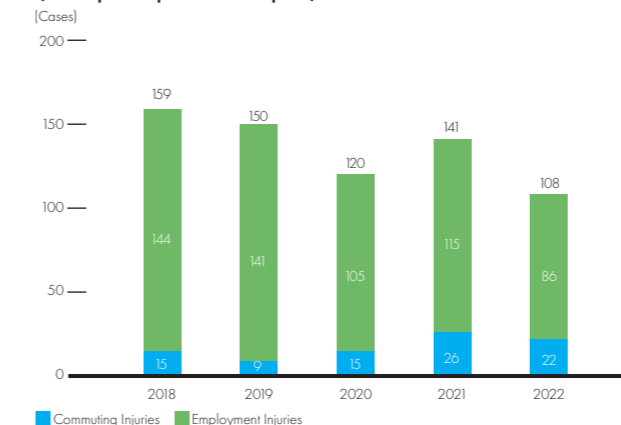
Number of employees taking childcare leave and utilization rate (Hoshizaki)



Occupational Health and Safety

The Hoshizaki Group carries out safety management in accordance with laws and regulations of each country or region and makes efforts to create safe working environment. In case of any occupational injury, we promptly share its cause and countermeasures within the Group and thereby prevent similar injuries from occurring. Manufacturing sites of Hoshizaki and Group companies in Japan are proactively conducting safety patrol, risk assessment, 5S activities to raise safety awareness.

Changes in the number of occupational injuries (Group companies in Japan)



Scene of Hoshizaki's safety patrol

