



Toward Achieving the Five-Year Management Vision and Further Enhanced Value

The Hoshizaki Group is pursuing optimal corporate governance and working for improved discussions at Board of Directors meetings through advice based on the objective perspectives and diverse experience held by outside directors. The four Outside Directors gathered to discuss anticipations and challenges toward achieving Hoshizaki's management vision and further enhanced valued. (Held in March 2023)



Masanao Tomozoe
Outside Director
Nomination and Compensation Committee Chair



Masahiko Goto
Outside Director
Nomination and Compensation Committee Member



Shigeru Motomatsu
Outside Director (Audit and Supervisory Committee Member)
Nomination and Compensation Committee Member



Satoe Tsuge
Outside Director (Audit and Supervisory Committee Member)
Nomination and Compensation Committee Member

For details on their profile, see Pages 81-82

Q1 What do you think your role is in enhancing corporate value?



Tomozoe: I gained experience as president of Toyota's global marketing management group company and Central Japan International Airport Company, Limited, after working in the overseas division at Toyota Motor Corporation. The duties I performed include sales, planning, and businesses. Hoshizaki is focused on the development of overseas and non-restaurant markets and has newly established a sales headquarters for the domestic business. I posit that my expertise in the domains of management and branding can prove to be valuable.

Motomatsu: I believe that the mission that has been assigned to me, as one having qualifications and experience as a lawyer, involves enhancing the effectiveness of the internal control system and the development of compliance and risk management systems. I also want to make a contribution towards strengthening human capital, with my experience in dealing with policies in assigning employees at the Personnel Affairs Bureau of the Supreme Court.

Tsuge: I strive to speak objectively from a stakeholders' perspective besides using my specialization as an accountant to oversee management. With my experience in determining management risks interns of audits and taxes and providing guidance, I always ask questions on points I notice at Audit and Supervisory Committee and Board of Directors meetings. Moreover, in my position as a female executive, I strive to contribute in promoting diversity.

Goto: I am confident in my ability to make a valuable contribution to Hoshizaki in speeding up globalization. The knowledge I have acquired as Chairman of Makita Corporation, by dealing with many issues encountered in the process of growing the company worldwide should help in the global development of Hoshizaki moving forward.

Q2 What are the functions and roles of the Nomination and Compensation Committee and the Audit and Supervisory Committee?

Tomozoe: At the Nomination and Compensation Committee, through discussions on the qualities, requirements, method of appraising performance, and so forth for the president, directors, and executive officers and sharing criteria for their selection, we can now more objectively discuss ideas proposed by the executive side. We have hired next-generation managerial candidates externally thus far, which has heightened diversity of the organization. At the same time, it has enabled us to determine the challenges in further development and utilization of human resources trained internally. We must expand human resources trained internally to become the next-generation managers so that Hoshizaki's management philosophy can be spread globally.

vision.

Motomatsu: The priority issue which the Nomination and Compensation Committee is working on is the development of successors. On the basis of past reflection of the fact that developing human resources internally at Hoshizaki was not necessarily enough it will be required from us to verify effectiveness of the various development training currently ongoing. Since human resources cannot be developed unless soil is fertile, I realize our role

Goto: I believe that one of the roles of the Nomination and Compensation Committee is to create a system for outside directors, who possess various perspectives, to select human resources as managerial leaders that will contribute to the enhancement of Hoshizaki's corporate value. Hoshizaki is actively involved in M&A, and we place importance on how best to utilize the strength of the group companies' outstanding managers for the Group's management, including from the aspect of diversity. Besides appointing foreign nationals, a management executive team with diversity involving human resources welcomed in from the outside along with individuals trained internally should be our



Roundtable of Outside Directors

as being not only appointing and dismissing managerial leaders, but also promoting change in corporate culture, which is the soil.

Tsuge: Mr. Sakamoto and Mr. Kobayashi have been sharing with us information concerning ideas for developing successors and specifics of the human resource pool. Nevertheless, since there is little connection with the successor candidate individuals, a point has not been reached where their character and abilities have been objectively evaluated. Moving forward, I hope we can have more opportunities for opinion exchange directly with the Nomination and Compensation Committee members such as by allowing them speak at Board of Directors meetings.



Tomozoe: Regarding compensation, we are discussing mainly our approach to officer performance evaluation and compensation. One of the issues for discussion is the ratio of levels for fixed compensation and for performance-linked compensation in the short- and medium- to long-terms. Currently, the ratio is 70% for fixed compensation and 30%* for performance-linked compensation, which includes stock compensation. This ratio does not need to be considered fixed, but I feel some challenges in dealing with performance indicators for single years that are susceptible to changes in the external environment and to what extent evaluation can be determined as to medium- to long-term indicators for individuals in the middle of their term in office.

* When performance evaluation of directors is mid-range for performance-linked compensation.

Goto: Although I used to believe that variable compensation based on results and performance accounting for a majority of compensation for directors was appropriate, I now believe that fixed compensation is necessary to a certain extent considering that the restaurant market can be largely affected by occurrences such as the recent pandemic. Since it is imperative for performance as of late to factor in not only economic value but also social and environmental concerns, determining how to incorporate such contribution to variable compensation is not easy. Com-

pensation levels overseas are rising with progressing inflation. To motivate people worldwide, compensation levels and systems should be satisfactorily on a global level.

Motomatsu: During the Nomination and Compensation Committee meeting, the mixture of fixed and variable compensations has been discussed, and the current ratio between them is being evaluated as appropriate. Points for which risks should be taken at the goal setting level are made clear, and as performance evaluation is being conducted very carefully, the treatment of evaluation and performance-linked compensation appears to be reasonable. Moving forward, I believe that the current compensation system should be reassessed from the perspective of whether it can continue to retain outstanding human resources.

Tsuge: I believe that there is room for consideration of the ratio for stock compensation, which is at 10% of the total, and the evaluation indicators. Non-financial targets are encompassed in the qualitative evaluation criteria, which should be explicitly considered as indicators for performance-linked compensation. Single-year evaluations are advantageous in being easier to understand, but I feel it is also important to find ways to reflect medium- to long-term perspectives in compensation.

Motomatsu: Activities of the Audit and Supervisory Committee include receiving detailed audit reports once every quarter from the internal audit division. Moreover, the Committee accompanies representatives of the Internal Audit Department to confirm status of audits and makes on-site visits with audit firms to enhance a three-way audit system. Backed by the right to exercise votes, the Audit and Supervisory Committee members have increased power to speak up at Board of Directors meetings, and I feel that the transition to a Company with an Audit and Supervisory Committee in 2016 was progress in terms of compliance and governance.

Tsuge: Cooperation with an internal full-time Audit and Supervisory Committee member is functioning very well. We, part-time Audit and Supervisory Committee members, also make trips to the Shimane Factory every year and break up the domestic sales companies among the two of us to make visits to several companies a year. I feel that reform in internal control is making big strides since improper accounting procedures were discovered. International companies have been newly included on a consolidated basis, and with COVID-19 settling down, the Audit and Supervisory Committee has resumed overseas audits as of last year, and plans to continue this year. Our policy is to continue working with the help of local partner audit firms in order to strengthen internal control audits of overseas group companies in cooperation with those responsible for finances in regional headquarters.

domestic business is solid, I feel international developments, including M&As, hold the key in achieving the management vision. To enhance sales internationally, close cooperation between sales and services is indispensable similarly as in Japan. We are currently focusing on whether or not the sales and services cooperation model, which has succeeded in Japan*(see Page 21), will function in overseas markets or whether a different approach will be required.

Tomozoe: We are monitoring from three perspectives the progress of our long-term vision. One is a regional perspective. The role of the regional headquarters is essential in the process of capturing overseas markets. Since management ability of the head office is strengthened, authority should also be handed over to each region, and global human resources must inevitably be enhanced now more than ever. Next is perspective of the products. In obtaining more non-restaurant corporate customers, enhancing product lineup including external procurement is necessary. Last is the customers' perspective. As the proportion of non-restaurant corporate customers increases, it becomes important to heighten abilities for solutions in responding to needs for digitalization and automation. By establishing a company to manage domestic sales, we anticipate an improvement in such response ability and reduced fixed costs at an early stage.

Motomatsu: The goal of the management vision is to enhance corporate value by improving social and environmental value at the same time as economic value. Hence, we are focusing on progress in resolving sustainability issues. Six material issues are set for acquiring the management vision, and I would particularly like to actively contribute in obtaining the two issues of "increasing employees' job satisfaction" and "enhancement of management foundation."



Tsuge: The process in obtaining management vision targets is being monitored with reports received at Board of Directors meetings as well as at individual discussion meetings*(see Page 19) as necessary. We are particularly focused on the effects that the establishment of the domestic sales headquarters has on improving profit ratio. One other point is whether or not accounting risks in-

herently exist, such as impairment losses, for companies that have joined the Group through M&As. Concerning human resources development and work style reform, although initiatives thus far are showing results, I feel that there are still issues. For women to play active roles, we must foster a corporate culture that accepts diversity broadly and not only in terms of gender. I can feel that change is steadily occurring, and I look forward to seeing the results.

Goto: I believe we should use overseas sites more for human resource investment. Employees at Makita Corporation are requested to prepare an essay after 3 years with the company and are promptly sent off to overseas sites. Employees who work at overseas sites acquire a broader range of experiences than only working in Japan, and they also learn to be more accepting of diversity. It should prove to be reference as one method in developing global human resources.

Tomozoe: The human resource portfolio we would like to expand at Hoshizaki is for global personnel who can conduct and manage overseas strategy, and for DX*(see Page 23) personnel. With DX, IT personnel who can support software aspects to heighten added value of products are particularly important. To develop global human resources, it is also important to receive personnel outside Japan at workplaces in Japan besides dispatching employees overseas. I believe we can have employees of overseas group companies work in Japan for a fixed period of time. In the automobile industry, the term CASE* is being frequently used. It will also be key in food service equipment, with value of services and solutions added to products becoming a decisive factor in competitiveness. This type of concept is important not only for technology development but also for production and sales. It would be good to provide more opportunities in cross-boundary learning with other industries, which include invested companies. What can be learned from classroom education is limited; therefore, learning through new, stimulating experiences will lead to the creation of innovation.

*CASE : An abbreviation for Connected, Autonomous, Shared & Services, Electric

Goto: In terms of capital allocation, committing to 40% or higher in shareholder returns as growth is anticipated is highly evaluated. To prepare for unexpected risks as we invest in emerging markets to aim for higher growth, cash to a certain extent is important. Regional companies have a close relationship with local communities as stakeholders, and restructuring, which largely harms the interests of regional communities, should not be implemented in difficult times. When considering sufficient capital necessary, maintaining a particular level of buffer in order to enhance resilience instead of only seeking efficiency is a point we must work on to acquire the understanding of shareholders and investors.

Q3 What are points of focus in monitoring progress of the five-year management vision?

Goto: What we are focused on in terms of management vision

target values are net sales and ROE*(see Page 11). Although I believe



Corporate Governance

Basic Policy

In order to ensure management with transparency and to increase efficiency, the Company has made seeking to maximize corporate profits and value from the standpoint of shareholders and other stakeholders its basic corporate governance policy and objective.

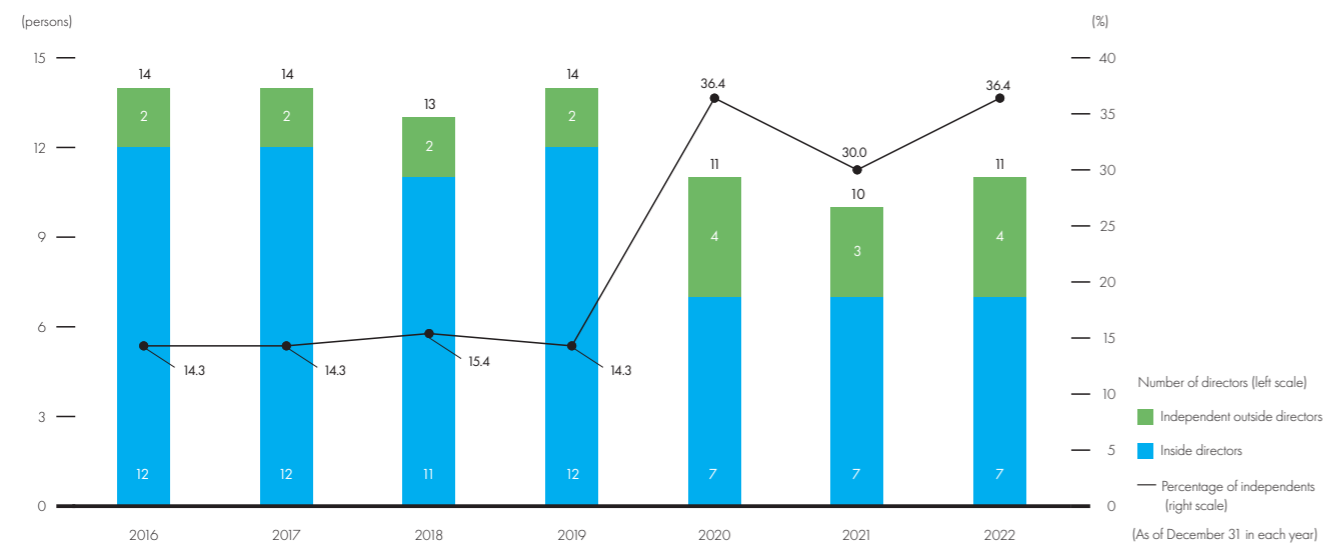
Reason for becoming a Company with an Audit and Supervisory Committee

Hoshizaki has adopted the governance structure of a Company with an Audit and Supervisory Committee in the belief that granting voting rights at the meetings of the Board of Directors to several highly independent outside directors who are Audit and Supervisory Committee Members will strengthen the supervisory function over the Board of Directors as well as further enhance the Company's corporate governance.

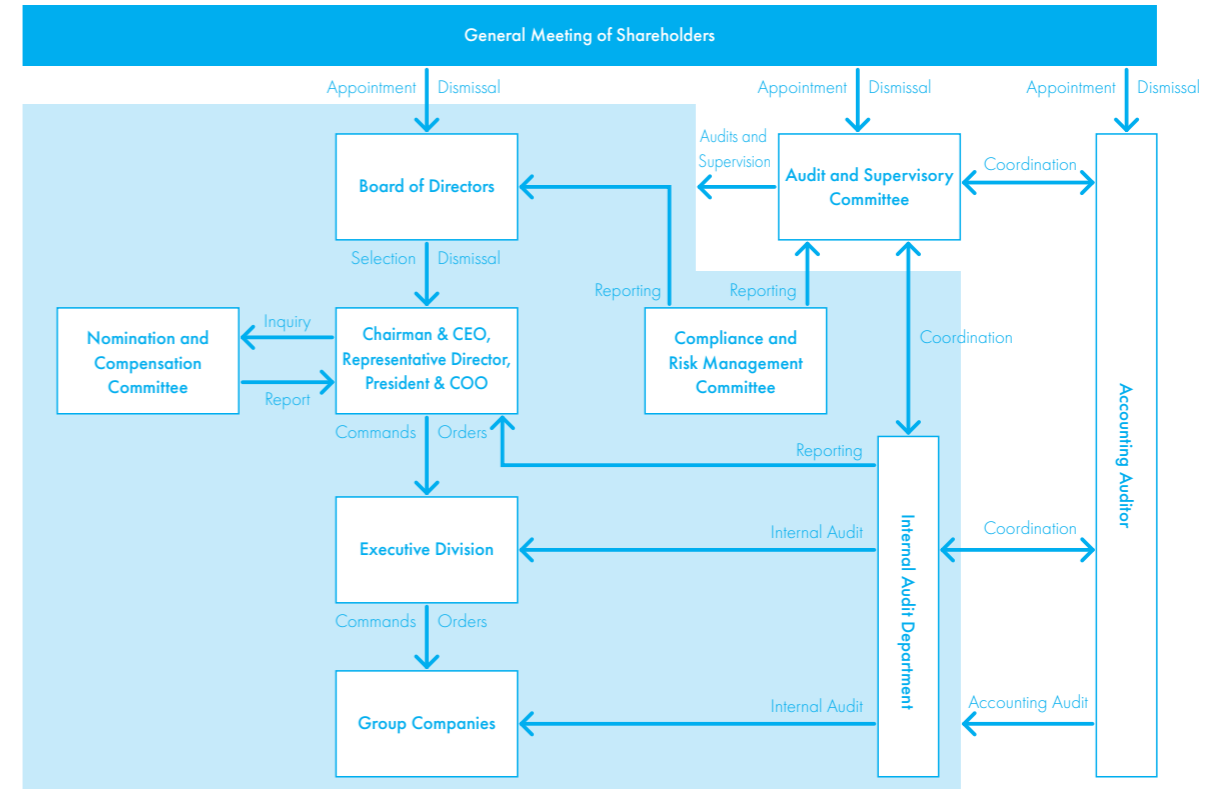
History of Strengthening Corporate Governance

2005	Establishing the Internal Audit Department
2006	Selection of outside audit and supervisory board members / formulating basic policies on internal control systems
2007	Establishing the Compliance and Risk Management Committee / formulating basic policy on compliance
2016	Transition to a Company with an Audit and Supervisory Committee / selection of outside directors who are members of the Audit and Supervisory Committee
2018	Abolishment of provision for retirement benefits for directors (and other officers) system / implementation of transfer-restricted stock compensation system
2019	Implementation of the executive officer system
2020	Appointment of outside directors who are not members of the Audit and Supervisory Committee / establishment of the Management Committee
2022	Establishment of the Nomination and Compensation Committee / establishment of the Sustainability Committee

Changes in Proportion of Independent Outside Directors in the Board of Directors



Corporate Governance Structure



Roles and Composition of Supervisory Organizations

Organization	Board of Directors	Audit and Supervisory Committee	Nomination and Compensation Committee	Compliance and Risk Management Committee
Composition	<p>Inside (7) + Outside (4) Chair: Representative Director, President & COO</p>	<p>Inside (1) + Outside (2) Chair: Inside Director</p>	<p>Inside (2) + Outside (4) Chair: Independent Outside Director</p>	<p>Inside (7) + Outside (4) Chair: Representative Director, President & COO</p>
Purpose and authority	<ul style="list-style-type: none"> Resolution on basic management policy and other matters Supervision of the execution of duties by directors Supervision of the execution of duties by executive officers 	<ul style="list-style-type: none"> Audit and monitoring of the duties of directors and executive officers Preparation of audit reports Drawing up items for resolution concerning the appointment and dismissal of accounting auditors and other matters 	<ul style="list-style-type: none"> Deliberation of matters concerning appointment and dismissal of directors and executive officers Deliberation of matters concerning selection and dismissal of Representative Director and other directors with special titles Deliberation of matters concerning individual compensation, etc. for directors, etc. Deliberation of matters concerning succession planning 	<ul style="list-style-type: none"> Maintenance and improvement of internal control systems and development of compliance systems Assessment and identification of risks concerning business execution and development of risk avoidance and mitigation measures
Percentage of outside directors	36%	67%	67%	36%
Number of meetings held in 2022	14	14	3	12
Secretariat	General Affairs Department	Audit and Supervisory Committee assistants	Human Resources Department	Legal Department

Members of the Board of Directors (as of March 31, 2023)

Name	Current position and responsibilities	Attendance (in 2022) in Board of Directors meetings (Audit and Supervisory Committee)	First appointment	Number of shares held	Primary areas of expertise and experience										Committee membership		
					Corporate management (SDGs)	International business/global knowledge	Sales/marketing/new market development	Financial strategy/accounting	IT	Compliance/risk management	Human resource development/diversity management	Global supply chain	Technologies	Audit and Supervisory Committee	Nomination and Compensation Committee	Compliance and Risk Management Committee	
Seishi Sakamoto	Chairman & CEO	14/14	February 2002	4,900	●	●	●					○		●		○	○
Yasuhiro Kobayashi	Representative Director, President & COO	14/14	March 2012	14,600	●	○		●	○	●				●		○	Chair
Masanao Tomozoe	Outside Director	14/14	March 2020	0	●	●	●				○	○	○			Chair	○
Masahiko Goto	Outside Director	10/10	March 2022	0	●	●	●				○		○			○	○
Yasushi Ieta	Director, Senior Managing Executive Officer (in charge of Domestic Business)	14/14	March 2019	5,600	○	●	○		○				●	●			○
Shiro Nishiguchi	Director, Senior Managing Executive Officer (in charge of Global Business Division)	—	March 2023	0	○	●	●						●				○
Satoru Maruyama	Director, Senior Executive Officer (in charge of Domestic Sales Department)	14/14	March 2008	13,600	○		●		○								○
Kyo Yaguchi	Director, Senior Executive Officer (in charge of Management Department)	14/14	March 2020	1,800	●	●		●	●	●	●						○
Tadashi Mizutani	Director (Audit and Supervisory Committee Member)	10/10 (10/10)	March 2022	1,500				●			●					Chair	○
Shigeru Motomatsu	Outside Director (Audit and Supervisory Committee Member)	14/14 (14/14)	March 2016	0							●					○	○
Satoe Tsuge	Outside Director (Audit and Supervisory Committee Member)	14/14 (14/14)	March 2017	0				●			●	○				○	○

●: Working experience ○: Expertise

Reasons for the Appointment of the Outside Directors and Their Anticipated Roles

Masanao Tomozoe (Nomination and Compensation Committee Chair)	He has many years of experience as a corporate manager at Toyota Motor Corporation and Central Japan International Airport Co., Ltd. With his abundant experience and extensive insight in such overall management, he is contributing to enhancing Hoshizaki's corporate governance and appropriately carrying out execution of duties as an Outside Director. As Chair of the Nomination and Compensation Committee, he will continue to contribute to further enhancing the corporate governance system by strengthening fairness, transparency, and objectivity in the appointment and dismissal of Directors and Executive Officers and for procedures related to the compensation system for Directors (excluding Audit and Supervisory Committee members) and Executive Officers, etc.
Masahiko Goto (Nomination and Compensation Committee Member)	He has many years of experience as a corporate manager at Makita Corporation and with his abundant experience and extensive insight in such overall management, he is contributing to enhancing Hoshizaki's corporate governance and appropriately carrying out execution of duties as an Outside Director. As a member of the Nomination and Compensation Committee, he will continue to contribute to further enhancing the corporate governance system by strengthening fairness, transparency, and objectivity for procedures related to the appointment and dismissal of Directors and Executive Officers and to the compensation system for Directors (excluding Audit and Supervisory Committee members), Executive Officers, etc.
Shigeru Motomatsu (Audit and Supervisory Committee Member) (Nomination and Compensation Committee Member)	He has specialized knowledge of the law as an attorney-at-law, and is contributing to enhancing Hoshizaki's corporate governance and appropriately carrying out execution of duties as an Outside Director who is an Audit and Supervisory Committee member. As a member of the Nomination and Compensation Committee, he will continue to contribute to further enhancing the corporate governance system by strengthening fairness, transparency, and objectivity for procedures related to the appointment and dismissal of Directors and Executive Officers and to the compensation system for Directors (excluding Audit and Supervisory Committee members), Executive Officers, etc.
Satoe Tsuge (Audit and Supervisory Committee Member) (Nomination and Compensation Committee Member)	She has specialized knowledge of finance and accounting as a certified public accountant and tax accountant, and is contributing to enhancing Hoshizaki's corporate governance and appropriately carrying out execution of duties as an Outside Director who is an Audit and Supervisory Committee member. As a member of the Nomination and Compensation Committee, she will continue to contribute to further enhancing the corporate governance system by strengthening fairness, transparency, and objectivity for procedures related to the appointment and dismissal of Directors and Executive Officers and to the compensation system for Directors (excluding Audit and Supervisory Committee members), Executive Officers, etc.

Functions and Roles of the Nomination and Compensation Committee

The voluntary Nomination and Compensation Committee was established in January 2022 to ensure fairness, transparency, and objectivity in procedures related to the appointment, dismissal, and evaluation of Directors, Executive Officers, etc. To enhance objectivity and independence, an Outside Director is made chair and a majority of the members consist of Outside Directors. Compensation for Directors is determined after consultation with, and reporting from, the voluntary Nomination and Compensation Committee chaired by an Independent Outside Director.

President Performance Evaluation Criteria

(1) Financial perspective	(2) Shareholder and capital market perspective	(3) Non-financial perspective
<ul style="list-style-type: none"> Consolidated net sales Consolidated operating profit Other 	<ul style="list-style-type: none"> Consolidated ROE* (see Page 11) Total shareholder return (TSR) Other 	<ul style="list-style-type: none"> Enhance employee engagement (ES enhancement) Promote women's participation (developing female managers) Strengthen internal controls, compliance, and governance Other

All Executive Officers have performance evaluation criteria set for them based on the roles and results expected of each of them in accordance with the president's performance evaluation criteria.

Successor Plan

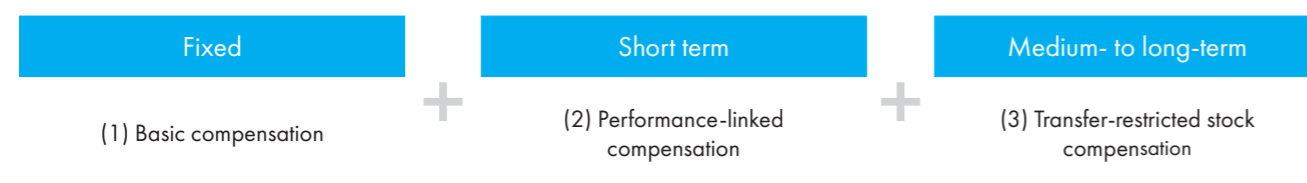
Regarding the development plan for candidates as future Presidents as well as Directors and Executive Officers, based on deliberation and advisement at the Nomination and Compensation Committee, opportunities are provided for each candidate to face challenges necessary for growth according to the issues they face, and they are evaluated and given advice as they gain experience. The Committee also deliberates on material issues including ensuring diversity in the Board of Directors so that it can continuously fulfill its function, and also supervises appointment of Executive Officers.

Basic Policy on Officer Compensation

The amounts of officer compensation are determined based on the following four principles.

- 1 The compensation should contribute to the sustainable growth of the Company and the enhancement of corporate value.
- 2 The compensation system should be transparent and fair, as well as accountable to the relevant stakeholders including shareholders and employees.
- 3 The compensation should be linked to corporate performance and aimed at company-wide optimization.
- 4 The compensation level should be appropriate to secure an excellent management team.

Breakdown of Directors' Compensation



(1) Basic compensation

The Company provides to its directors basic compensation every month in money and at a fixed amount according to their position, for their qualities and abilities required to fulfill the responsibilities as a Director.

(2) Performance-linked compensation

Performance-linked compensation, aimed to be corporate-optimal and to promote the achievement of performance targets and the sustainable improvement of corporate value, will be determined according to the degree of achievement of performance indicators set to be consistent with the medium-term management targets for (a) consolidated operating profit for the previous fiscal year, (b) financial and non-financial targets according to the scope of responsibility of Directors, and (c) other qualitative assessments, and is to be paid every month in monetary form.

Performance-linked compensation is determined based on the extent of the role by the Director in business execution, level of contribution to performance within the scope of their role, and evaluation of their qualities and abilities. The maximum and minimum linkage rates between evaluation results (nine-level scale) and compensation are 200% and 0%, respectively.

(3) Transfer-restricted stock compensation

Non-monetary compensation is determined and is to be provided at a certain timing every year as transfer-restricted stock compensation based on the position and role of Directors, with the purpose of providing incentives for sustainable corporate value improvement and sharing of shareholder value.

Ratio of Compensation

Compensation for Directors consists of the three components of basic compensation, performance-linked compensation, and transfer-restricted stock compensation, generally at the ratio of 7:2:1, for Directors whose performance is rated as being at a medium (B rating) level (on a nine-level scale) with respect to the performance-linked compensation. Directors who are Audit and Supervisory Committee members, as well as Outside Directors, are paid only basic (fixed) compensation. Individual compensation is decided by the President and Representative Director based on the rules, after deliberation by the voluntary Nomination and Compensation Committee (with a majority of the members being Outside Directors), in order to strengthen fairness, transparency, and objectivity, and to enhance corporate governance.

Total compensation amount by director type (2022 results)

Director type	Total compensation amount (Millions of yen)	Total compensation amount by category (Millions of yen)				Number of applicable officers (persons)
		Basic compensation	Variable compensation	Transfer-restricted stock compensation	Retirement benefits	
Director (excluding Audit and Supervisory Committee members) (excluding Outside Directors)	225	139	67	19	—	6
Director (Audit and Supervisory Committee members) (excluding Outside Directors)	16	16	—	—	—	2
Outside Director	29	29	—	—	—	4

Evaluation of the Overall Effectiveness of the Board of Directors

We have been working to enhance effectiveness of the Board of Directors, with strengthening the corporate governance system and enhancing its effectiveness as our most important management issues.

Evaluation of the Overall Effectiveness of the Board of Directors for FY2022

Hoshizaki has taken, throughout FY2022, measures to address various issues identified in the previous fiscal year during the process of an overall effectiveness evaluation of the Board of Directors. We also conducted a 25-question questionnaire to all 11 Directors (4 of them are Independent Outside Directors) including Directors who are Audit and Supervisory Committee members. The questionnaire covered the following six categories: (1) Effectiveness of discussion and examination of the Board of Directors, (2) Effectiveness of the supervisory function of the Board of Directors, (3) Whether the Board of Directors serves as a sound place for discussing sustainable growth of the Company, (4) Effectiveness of the environmental improvement status of the Board of Directors, (5) Effectiveness of responses to shareholders and stakeholders, and (6) Effectiveness regarding the composition of the Board of Directors. As a result of deliberation by the Board of Directors based on the results of the above, it was determined that the overall effectiveness of the Board of Directors in FY2022 had been ensured. We will address the issues identified through this effectiveness evaluation for future improvement.

Issues Identified in the Process of the Board Effectiveness Evaluation for FY2022 and Actions for Improvement

Issues identified concerning the Board of Directors in 2022		Initiatives for 2023
Issue 1	Strict adherence to distribution of materials four business days in advance	Individually urge relevant divisions to strictly adhere to deadlines
Issue 2	Optimizing deliberation time and number of agenda items	Review content of agenda items
Issue 3	Reviewing the approach to continuing deliberation on important matters that should be addressed	Urge divisions in charge in a timely manner regarding submitting important matters
Issue 4	Review implementation method of questionnaire	Consider reviewing form expression used in the questions and the target individuals

Functions and Roles of the Audit and Supervisory Committee

The Audit and Supervisory Committee meets once a month in principle and holds meetings as necessary when required. Meetings were held a total of 14 times in 2022, with deliberation of 23 resolutions and 60 items to be reported. Cooperation with Audit & Supervisory Board members of group companies in Japan is strengthened and opportunities for study are provided, with audit liaison meetings held twice a year in principle with participation by Audit & Supervisory Board members of group companies in Japan.

Audit and Supervisory Committee members (2 Outside Directors, 1 Inside Director) attend the Board of Directors meetings and the Compliance and Risk Management Committee meetings to audit and supervise the execution of duties by Directors while monitoring status of compliance and risk management for the Group overall.

Major Audit Themes and Activities in 2022

Major Audit Themes	Overview of Activities, etc.
Suitability of compliance and risk management	We attended the Compliance and Risk Management Committee held each month, learned about compliance and risk cases facing the Group and how they are being handled, asked questions, and pointed out matters as necessary. We consequently determined that the Group's internal control system, including compliance and risk management, is appropriate.
Effectiveness of the whistle-blowing system	We received summary reports of all whistle-blowing cases that were reported to the whistle-blowing contact point, with subsequent handling of the cases also reported to us, and we asked questions and pointed out matters as necessary. We consequently judged that the Company's whistle-blowing system was effectively being used and there were no particular issues regarding the handling of reported cases.
Status of efforts to promote participation by women	The Company has KPIs for increasing the number in FY2025 of women in positions at or above section manager level to 50, which is four times the number in FY2020, and the number of women in positions at or above assistant manager level to 300, which is one and a half times the number in FY2020, and we have been monitoring progress of efforts to achieving them. As a result, we have confirmed that activities during this fiscal year are being run appropriately and progress is smooth.
Status of information disclosure on non-financial matters	The Company is aiming to further enhance information disclosure of non-financial matters. In addition to enhancing information disclosed on our company website, we are working to issue our first integrated report, and we have been monitoring progress of its preparation. We have confirmed as a result that in July 2022 the issuance of an integrated report materialized and the Sustainability Committee was set up and launched to consider and discuss sustainability issues in a cross-sectional manner.

Cooperation with the Internal Audit Department

The Company has set up the Internal Audit Department as an organization directly under control of the president to audit the entire Group, comprised of nine individuals including the head. The Audit and Supervisory Committee undergoes information exchange as necessary with the Internal Audit Department and Accounting Auditors, including periodic meetings such as for annual schedules and reporting on audit results. This ensures deepening of mutual cooperation and making effort into securing and improving effectiveness of internal control.

Audit Themes	Frequency in 2022	Purpose and Overview
Report on progress of internal audits	4	Receive reporting once every quarter regarding progress of internal audits and overview of results.
Report on internal audits conducted	Each time	Full-time Audit and Supervisory Committee members attend reporting sessions related to results of internal audits and listen in on the details.
Opinion exchange with head of the Internal Audit Department	5	Conduct opinion exchange with full-time Audit and Supervisory Committee members and head of the Internal Audit Department as needed to share awareness of audit issues.
Accompany audits to group companies	3	Accompany the Internal Audit Department on their audits to group companies, and check for appropriateness of audits.
Cooperation in three-way audit system	2	Share status of progress in three-way audit system and conduct opinion exchange regarding issues recognized.

Compliance and Risk Management

The Hoshizaki Group regards compliance as one part of its management philosophy. We will not only comply with laws and regulations, but also observe social norms in line with our management philosophy, and contribute to the economic and social development of each region in which we operate by carrying out honest and fair corporate activities.

Basic Compliance Policy

The Hoshizaki Group will:

- 1 Always recognize the importance of the social responsibility and public mission the corporate Group has with respect to food environments and to strive to establish unwavering trust from society through sound and appropriate business operations.
- 2 Endeavor to proactively and fairly disclose accurate information (product and corporate information), strive for broad communication with society, and devote ourselves to transparent management that can be well-received by society.
- 3 Strictly comply with laws, regulations and rules and carry out honest and fair corporate activities that do not violate social norms.
- 4 Have a sense of duty as a good citizen with a strong sense of ethics that can be applied in the international community and will contribute to the development of the economy and society at home and abroad.
- 5 Stand firm against antisocial forces that threaten the order and safety of civil society, and never give way to them.

Compliance Promotion Structure

Compliance and Risk Management Committee

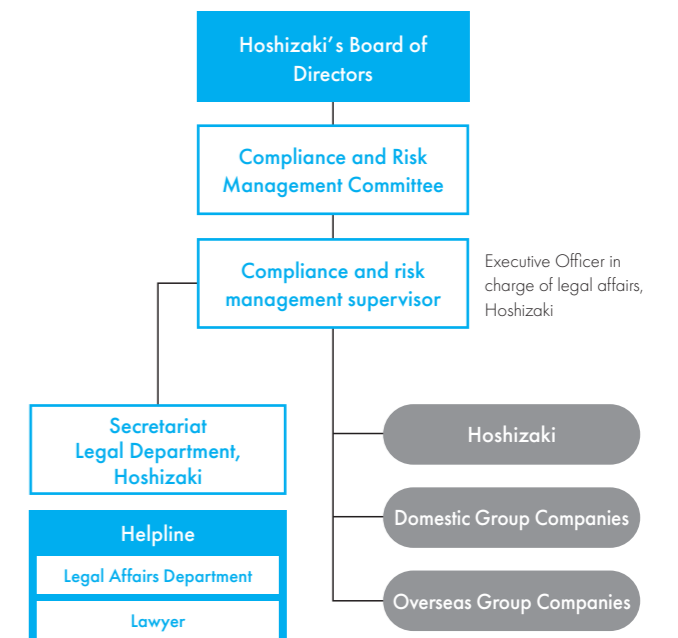
Under Hoshizaki's Board of Directors, the Compliance and Risk Management Committee has been established to manage the progress of the compliance program, chaired by the Representative Director, President & COO and consisting of Directors and relevant personnel as members.

Committee Secretariat

The secretariat plans and formulates general compliance initiatives and supervises the actual implementation by the Hoshizaki Group. Hoshizaki's Legal Department acts as the Committee secretariat and the Executive Officer, legal affairs serves as the supervisor of compliance and risk management.

Compliance and Risk Management Managers and Deputy Managers of Hoshizaki's Departments/Group Companies

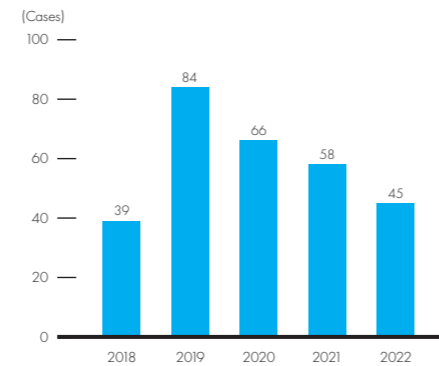
Compliance and risk management managers and deputy managers are appointed at Hoshizaki's departments and Group Companies. They work to ensure all employees are informed of the Group's compliance initiatives with the guidance and advice of the secretariat.



* Compliance and risk management managers and deputy managers are appointed at Hoshizaki's departments and Group Companies.

Operation of the Helpline (contact for consultation and whistle-blowing)

As part of our compliance and risk management system, we have established and operate a helpline in accordance with the principles set forth in the Whistleblower Protection Act. The helpline handles consultation and whistle-blowing by email, postal mail, fax, or telephone. Although we recommend that helpline users identify themselves to enable the understanding of facts, consultations and reports can also be made anonymously. Whistle-blowers may choose either the in-house contact point (the Legal Affairs Department) or a lawyer other than in-house counsel as an external contact point, depending on the content of the consultation or whistle-blowing. Each whistle-blowing case is put to deliberation by the Compliance and Risk Review Committee. The Review Committee consists of members including officers who serve as standing Committee members and heads of related departments, and also reflects the views of an advisory group established from a diversity perspective. For each case reviewed by the Compliance and Risk Review Committee, appropriate corrective measures and recurrence prevention measures including disciplinary actions are taken, and the results reported to the Compliance and Risk Management Committee and the Management Committee.



Number of Consultations and Whistle-Blowing Cases in the Past Five Years (For the Hoshizaki Group including overseas group companies)



We will Support the Sound and Sustainable Growth of the Hoshizaki Group

Executive Officer, Compliance and Risk Management Supervisor
Osamu Goto

Q What are your thoughts on your mission to enhance corporate value?

A Complying with laws and regulations is the least of obligations as both individuals and corporations. Hence, we can address the value we provide through products and services to our customers only when a corporate culture that conducts business activities daily in line with laws, regulations, and corporate rules is in place. Advocating the importance of compliance in all aspects of everyday operations is crucial in developing human resources, increasing organizational strength, and ultimately realizing “enhancement of management foundation,” which is one of the material issues. I believe we can contribute to value enhancement with risk management by predicting the emergence of risks including changes in the regulatory environment and proposing measures for such occurrence.

Q What are things that you focused on in 2022 toward developing a culture of corporate ethics and compliance?

A To develop a culture of corporate ethics and compliance-oriented culture, top management emphasizes compliance as the most material issue to maintain an unwavering stance. The management team relayed the clear stance of “compliance first” to all employees using the Management Newsletter along with Hello Penguin, an internal newsletter for domestic group companies, to communicate management updates regularly. From the bottom up, initiatives were taken to strengthen measures against non-compliance with standards and regulations, improve information security including measures for hacking and phishing, and enhance operations of the whistle-blowing system.

Q How do you perceive risks that could potentially cause a grave impact on the decisions of investors?

A We undergo risk assessment using both an original risk list (list of risks divided by categories, that is, strategy, financial, hazards, operational) and from the perspective of specially selected risks. The securities report discloses 13 factors as risks for Hoshizaki's businesses, but we recognize five factors as particularly significant being climate change, weather and disasters, product quality, legal regulations, and acquisitions.

Major Risk Categories and Countermeasures/Mitigation Measures

Risk factor categories	Countermeasures/Mitigation measures
Climate change	We will take initiatives for utilizing renewable energy, installing energy-saving equipment, and improving operations toward reducing CO ₂ emissions. Also, amidst the trend globally for stricter regulations on refrigerants including alternatives to HFCs that emit greenhouse gas (GHG), we are switching to natural refrigerant-based refrigerators and freezers with low global warming potential, to engage in activities to reduce GHG throughout entire life cycles by aiming to provide products with higher performance in protecting the environment and that contribute to energy-saving and labor-saving.
Weather and disasters	To prepare for natural and so forth, a business continuity plan (BCP) ^(see Page 58) has been formulated including for the supply chain and necessary insurance has been arranged, to keep impact on business and our financial position to a minimum should disaster strike.
Quality of products	The Quality Assurance Department is thorough and firm in quality improvement and quality control from a company-wide standpoint, and with steady support from the Global Manufacturing Department for product quality at production sites in overseas countries, we are working toward further improved quality. Should a problem arise regarding quality, the Quality Assurance Department, Legal Department, and other related departments will cooperate and create a structure that can fully respond to solving the matter, and PL Insurance (product liability insurance) is arranged as a measure to mitigate the impact on our financial position, and so forth. Moreover, to reduce risk of damage to products that can be caused during marine transport or with domestic shipping, activity for loss prevention is strengthened by employing knowledge of insurance companies.
Legal regulations	Compliance is positioned as a part of management philosophy, and a structure for absolute compliance with laws and regulations is being strengthened led by the Legal Department. Compliance training is also conducted every year for all Group employees which incorporates topics that need to be strengthened that year. When laws are revised, the main points are thoroughly communicated to relevant parties to raise awareness and understanding, and acts including violation of laws and regulations and nonconformance are meticulously weeded out with the whistle-blowing system, and so forth, to carry out the fostering of individuals and systems.
Acquisitions	In the acquisition of companies, due diligence is carried out by external experts and validity of the business plan is fully studied before the acquisition to mitigate risks. After the acquisition, efforts are made to actively optimize organizational strength with PMI ^(see Page 16) and to achieve the business plan to bring about the anticipated results.



List of Officers

Board of Directors (as of March 31, 2023)



Seishi Sakamoto
(b. February 7, 1937)
Chairman & CEO

- Mar. 1959 Joined the Company
- Feb. 1960 Vice President
- Jun. 1965 Executive Vice President
- Jul. 1988 Vice President
- Jul. 2000 Retired from Vice President
- Feb. 2002 Vice President
- Feb. 2003 Vice President and Advisor
- Jan. 2005 Representative Director and Advisor
- Feb. 2005 Representative Director, President & COO
- Mar. 2011 Representative Director, Chairman & CEO
- Jun. 2014 Jun. 2014 Representative Director, Chairman & CEO and President & COO
- Mar. 2017 Representative Director, Chairman & CEO
- Jun. 2019 Chairman & CEO (current position)



Yasuhiro Kobayashi
(b. August 2, 1966)
Representative Director,
President & COO

- Sep. 2008 Joined the Company
- Oct. 2008 Head of Corporate Planning Office
- Jan. 2010 General Manager of Accounting Department
- Mar. 2012 Director
- Mar. 2012 In charge of Accounting Department and General Affairs Department, and General Manager of Accounting Department
- Jan. 2015 In charge of Accounting Department, Personnel Department, and General Affairs Department, and General Manager of Accounting Department
- Mar. 2015 In charge of Accounting Department and Group Management Department, and General Manager of Accounting Department
- Jan. 2016 In charge of Group Management Department and IR & Corporate Planning
- Mar. 2017 Representative Director, President & COO (current position)
- Jan. 2023 Representative Director, President & COO, Hoshizaki Sales Co., Ltd. (current position)



Satoru Maruyama
(b. November 29, 1960)
Director

- Jul. 1985 Joined Chubu Hoshizaki Corporation (currently HOSHIZAKI TOKAI CO., LTD.)
- Sep. 2007 General Manager of Sales Division of the Company
- Mar. 2008 Director
- Mar. 2014 In charge of Sales Department, Head Office and Osaka Branch Office
- Mar. 2015 In charge of Sales Division (in charge of chain stores), Sales Department, Head Office and Osaka Branch Office and General Manager of Sales Division
- Mar. 2016 Managing Director
- Mar. 2016 In charge of Domestic Sales Department (current position)
- Jun. 2019 Director (current position)
- Mar. 2020 Senior Executive Officer (current position)



Kyo Yaguchi
(b. June 30, 1959)
Director

- Apr. 2019 Joined the Company
- Jul. 2019 Executive Officer
- Mar. 2020 Director (current position)
- Mar. 2020 Senior Executive Officer (current position)
- Mar. 2020 In charge of Administration (current position)



Masanao Tomozoe
(b. March 25, 1954)
Director (Outside Director)

- Jun. 2005 Managing Officer of Toyota Motor Corporation
- Apr. 2011 Senior Managing Officer of Toyota Motor Corporation, Senior Vice President of Toyota Motor North America, Inc.
- Jun. 2012 President and Representative Director of Toyota Motor Sales & Marketing Corporation
- Jun. 2015 President and CEO of Central Japan International Airport Co., Ltd.
- Jun. 2019 Outside Audit and Supervisory Board Member of Daihatsu Motor Co., Ltd. (current position)
- Jun. 2019 Outside Audit and Supervisory Board Member of Toyota Industries Corporation (current position)
- Jun. 2019 Outside Director of Norilake Co., Limited (current position)
- Mar. 2020 Outside Director of the Company (current position)



Masahiko Goto
(b. November 16, 1946)
Director (Outside Director)

- May. 1984 Director, Manager of Corporate Planning Department of Makita Corporation
- Jul. 1987 Managing Director, General Manager of Administration Headquarters
- May. 1989 President and Representative Director
- Jun. 2013 Chairman and Representative Director (current position)
- Mar. 2022 Outside Director of the Company (current position)



Tadashi Mizutani
(b. May 1, 1965)
Director, Full-time Audit and Supervisory Committee Member

- Jan. 2017 Joined the Company
- Jan. 2017 General Manager of General Affairs Department
- Mar. 2019 Director in charge of General Affairs Department and Group Management Department, and General Manager of General Affairs Department
- Mar. 2020 Executive Officer in charge of General Affairs Department and General Manager of General Affairs Department
- Feb. 2021 Executive Officer in charge of General Affairs Department
- Mar. 2022 Director (Full-time Audit and Supervisory Committee Member) (current position)



Shigeru Motomatsu
(b. June 6, 1957)
Director, Audit and Supervisory Committee Member (Outside Director)

- Apr. 1995 Joined Nagoya Bar Association (currently Aichi Bar Association)
- Apr. 2008 Established AKANE LAW OFFICE Executive Vice President
- Mar. 2016 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)



Yasushi Ieta
(b. October 4, 1960)
Director

- Apr. 2018 Joined the Company
- Sep. 2018 General Manager of Cost Planning Department
- Jan. 2019 Plant Manager of Head Office Factory
- Mar. 2019 Director (current position)
- Mar. 2019 In charge of Value Enhancement Research Institute, Head Office Factory, Cost Planning Department, and Purchase Department
- Mar. 2020 Senior Executive Officer
- Mar. 2020 In charge of Research and Development, Manufacturing
- Jan. 2023 In charge of Domestic Business (current position)
- Mar. 2023 Senior Managing Executive Officer (current position)



Shiro Nishiguchi
(b. January 6, 1957)
Director

- Apr. 2008 Executive Officer of Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation)
- Apr. 2014 Senior Vice President of Appliances Company, In charge of Planning and Overseas Business
- Apr. 2015 Corporate Advisor
- Jun. 2015 Representative Director, Deputy President of Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.
- Jun. 2022 Advisor
- Jan. 2023 Advisor of the Company
- Mar. 2023 Retired from Advisor, Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.
- Mar. 2023 Director (current position)
- Mar. 2023 Senior Managing Executive Officer (current position)
- Mar. 2023 In charge of Global Business (current position)



Satoe Tsuge
(b. March 9, 1968)
Director, Audit and Supervisory Committee Member (Outside Director)

- Apr. 1995 Registered as Certified Public Accountant
- Dec. 1998 Retired from Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
- Jan. 1999 Established Tsuge Certified Public Accountant Office Director (current position)
- Sep. 2001 Registered as Certified Public Tax Accountant
- Jun. 2007 Representative Director of La Vida Planning Co., Ltd. (current position)
- Jun. 2015 Outside Director of Aisan Industry Co., Ltd. (current position)
- Mar. 2017 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)
- Oct. 2021 Outside Director (Member of the Audit and Supervisory Committee) of Juraku Financial Group, Inc. (current position)

Executive Officers (as of March 31, 2023)

Senior Executive Officer
Katsuhiro Kurimoto
In charge of Overseas PMI Promotion

Senior Executive Officer
Shinichi Ochiai
In charge of Shimane Factory

Senior Executive Officer
Yoshio Furukawa
In charge of Quality Assurance

Executive Officer
Ryuichiro Seki
In charge of Accounting Department

Executive Officer
Teruyuki Kai
In charge of China

Executive Officer
Akira Kamiya
In charge of the Global Manufacturing Department

Executive Officer
Osamu Goto
In charge of Legal Department

Executive Officer
Seiji Terashima
In charge of Head Office Factory

Executive Officer
Yosuke Matsunaga
In charge of Europe Region

Executive Officer
Makoto Sasaki
In charge of Research and Development



Stakeholder Dialogue and Engagement

The Hoshizaki Group's business is built on the trust of its stakeholders. Through constant communication with our stakeholders, we will seek to gain their endorsement of the Hoshizaki Group's Purpose, the direction we aim to take, and our path toward value creation, and together with our stakeholders, we will strive to both contribute to solving social issues and achieve sustainable growth as a company.

Engagement with Young Employees

Loyalty to Hoshizaki created by an organization with a culture of openness

Mika Ishida, Secondment, HOSHIZAKI SINGAPORE



I joined Hoshizaki as a new graduate in 2008 and am currently seconded to HOSHIZAKI SINGAPORE. Here I am able to communicate with others as necessary in a timely manner regardless of job titles and job categories. Regarding issues arising over the course of work, guidance is provided with details of specific examples, and I am able to perform work with a sense of satisfaction. There are no interviews set on a regular basis, but we can ask to discuss work or daily life matters when needed. HOSHIZAKI SINGAPORE is an organization comprised of a select few with varying nationalities and backgrounds, and we are able to give consideration to one another and cover each other's strengths and weaknesses to produce maximum results. I feel that our consideration toward one another is carried over to our customers, leading to a sense of loyalty toward the Hoshizaki Group. Company-wide dining events held several times a year lead to strengthened ties among employees, and with a company trip scheduled for this year, we can anticipate improved employee satisfaction.

Opportunities are increasing for greater employee satisfaction and diversity

Akbar Jalilov, Accounting Department, Hoshizaki



It has been two years since I joined Hoshizaki. Recently, various activities to improve employee satisfaction and diversity are increasing. Specifically, the workplace environment is being improved to make it easier to work remotely once or twice a week and to take hourly leave. Training aimed at developing human resources to play active roles globally, such as programs to enhance logical thinking and English-language skills, is being expanded and offered. This year, I participated in the logical thinking enhancement training, which particularly led to serious increase in motivation for me. I am also able to hold dialog with the company freely through interviews held monthly with my superior. Going forward, I hope even better human relationships can be formed through company events and with active opinion exchange during communication among peers. By participating in the training and learning to the utmost, I hope to not only achieve self-growth but also contribute to enhancing Hoshizaki's corporate value.

Daily growth starts with day-to-day communication

Shota Eguchi, Purchase Department, Hoshizaki



I feel supported by my superior and colleagues in my everyday work. The work environment is one in which my ideas get accepted, giving me a sense of satisfaction. My superior maintains perspective as the person in charge, and dialogue on equal footing can occur. Communication with my superior includes an employee satisfaction (ES) interview once every three months. It is not only the interview but detailed consultations day-to-day that allow various concerns to be resolved. Communication is not only consultation originating with me but also a wide-range of advice given me, allowing me to work hard daily with peace of mind. Participating in various training programs also supports me in achieving self-growth from various angles. I am currently participating in training for overseas management, logical thinking, and English-language learning. Specific goals for the future are set and issues to focus on are clear, motivating me to participate in the training and helps in my self-improvement.

Stakeholder Engagement

	Relationship with the stakeholder	The stakeholder's main interests	Main channels of communication
<p>Customers</p>	Amid the shift taking place from a society and economy centered on goods to a society and economy centered on services and information, we aim to earn customer satisfaction by consistently providing the value that our customers desire and building more solid and longer-term relationships with our customers.	<ul style="list-style-type: none"> Provision of high-performance, high-quality products Service organization that provides reliable support Capability to propose solutions to issues Appropriate pricing Response to technological innovation 	<ul style="list-style-type: none"> Sales activities Service activities Various exhibitions Training/seminars Customer satisfaction surveys Factory tours Website
<p>Employees</p>	We work to improve employee job satisfaction by offering opportunities for individual growth and creating a vibrant workplace culture so that we can contribute to customers and society through our business and continue to evolve and grow as a company together with our employees.	<ul style="list-style-type: none"> Respecting fundamental rights at work Ensuring safe operations Caring for the natural environment Creating workplaces that foster high psychological security Ensuring equal opportunity and fair evaluation Providing opportunities for growth and self fulfillment Improving work/life balance Ensuring diversity and work style options 	<ul style="list-style-type: none"> Intranet, Internal newsletter Employee satisfaction survey Communication with supervisors/colleagues Goal management, mutual checks of progress, evaluation feedback Helpline Labor-management negotiations and discussions Training/seminars Family day (Factory tours for employee families)
<p>Suppliers</p>	Should a company become involved in environmental destruction or human rights abuses, even indirectly through its supply chain, it will lose the trust of its customers and society. We view our suppliers as partners and believe that it is essential to work to address the social issues that exist within our supply chain.	<ul style="list-style-type: none"> Offering fair, equitable, and transparent trading terms Supporting quality improvement Promoting socially and environmentally responsible procurement activities Cooperating in the event of disasters 	<ul style="list-style-type: none"> Daily procurement activities Factory policy briefings Hoshizaki's purchasing policy Quality audits
<p>Local communities</p>	All of Hoshizaki Group's offices and factories are members of their local communities. From support and assistance for educational, cultural, and sporting activities in local communities to recovery activities in the event of disaster, each of our employees engage in meaningful activities when and where they can.	<ul style="list-style-type: none"> Coexisting and co-prospering with local communities Creating employment Contributing to the development of the community Conserving the local natural environment Operating safely 	<ul style="list-style-type: none"> Participation in community groups and events Support for organizations that assist the independence of people with disabilities Employee participation in community activities Donations made by the Hoshizaki Charity Club (HCC)
<p>Shareholders and investors</p>	As providers of financial capital, shareholders and investors support the growth of the Hoshizaki Group while monitoring its management. We will build a relationship of trust with them by enhancing information disclosure and strengthening efforts to increase corporate value.	<ul style="list-style-type: none"> Enhancing corporate value Pursuing fair disclosure Implementing capital policy with attention to capital efficiency Achieving shareholder returns in excess of cost of capital Initiatives for sustainability and information disclosure Improving the effectiveness of governance 	<ul style="list-style-type: none"> General Meeting of Shareholders Financial results briefings for institutional investors Individual engagement with institutional investors Conferences organized by securities companies Briefing sessions for individual investors
<p>Future Generations</p>	Contributing to the generation that will build the future society leads also to fostering the growth of the next generation of human resources for the resolution of social issues. From a long-term perspective, we work to help preserve the natural environment, provide natural science education, and foster the development of human resources through scholarship awards.	<ul style="list-style-type: none"> Handing down a rich natural environment and stable society Passing on the joy and importance of manufacturing Providing opportunities for the growth of the next generation as future leaders of society 	<ul style="list-style-type: none"> Factory tours Participation and cooperation in Hoshizaki Green Foundation's environmental improvement activities for the protection and breeding of wild animals and plants Scholarships provided by Hoshizaki Shinsei Foundation and Sakamoto Donation Foundation