

# HOSHIZAKI CORPORATION

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<https://www.hoshizaki.co.jp/>

HOSHIZAKI CORPORATION Integrated Report 2022

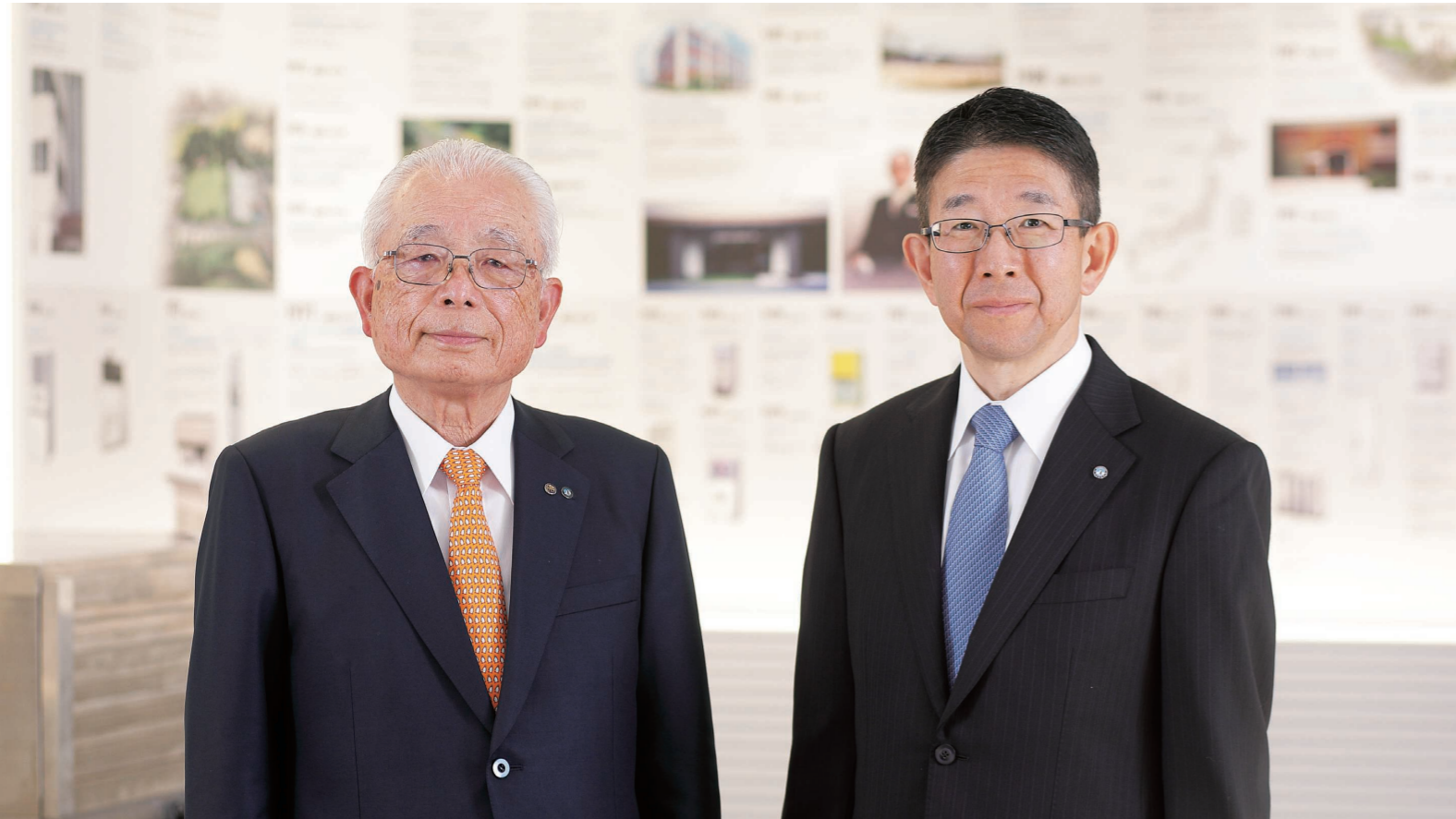
## Integrated Report 2022

Fiscal Year Ended  
December 2021



# HOSHIZAKI

## On the Publication of Our Integrated Report 2022



### Introduction

Based on a management philosophy of “Good product comes from a good environment,” the Hoshizaki Group strives to be a company that engages with all its stakeholders by ensuring the transparency of management, maintaining harmony between business activities and the environment, creating good work environments, and connecting with local communities.

Recently, environment (E), social (S), and governance (G) initiatives have gained increasing importance, and, globally, corporations are being expected to play a greater role in solving social issues, which includes contributing to the UN’s Sustainable Development Goals (SDGs). Against this backdrop, the Hoshizaki Group positions ESG activities, including information disclosure, as an important management matter and has been listening earnestly to the voices of its stakeholders and engaging in ESG activities to meet their expectations.

In the food-service industry, which is the Group’s customer, energy savings, low environmental impact, and long service life are major challenges, and through the pursuit of energy-saving technologies, which are our strength, a shift to CFC-free products, and other initiatives we are working to develop and popularize products that help mitigate climate change. We promote the creation of a comfortable, safe working environment that emphasizes diversity, in order to build quality assurance, and service and support systems that meet the expectations and trust of our customers, and to enable each of our employees to demonstrate their capabilities to the fullest, and play active roles in their work with motivation and fulfillment. In addition, in order to build a stronger management foundation, which is needed for the sustainable growth of the Group, we work continuously to build a highly effective corporate governance system and strengthen our compliance and internal controls.

In order to fulfill our responsibilities to future generations and build a better future, the Group will unite the strengths of all our employees to contribute to solving social issues through our business with the aim of achieving sustainable growth based on our Mission Statement (Purpose). It is our hope that this Integrated Report will provide stakeholders with a better understanding of our efforts to not only raise the economic value of the Hoshizaki Group but also increase its value to society and the environment. Thank you for your continuing support.

July 2022

**Seishi Sakamoto**, Chairman & CEO

**Yasuhiro Kobayashi**, Representative Director, President & COO

## Integrated Report 2022 INDEX

### Introduction

- 01 On the Publication of Our Integrated Report 2022
- 02 INDEX

### Vision and Foundation for Value Creation

- 03 Management Philosophy and Mission Statement
- 04 Value of Hoshizaki Brand
- 05 The History of Growth
- 07 General Business Situation
- 09 Financial/Non-financial Highlights
- 11 Interview with Leaders

### Strategies for Value Creation

- 19 Value Creation Process
- 21 Key Points of Hoshizaki’s Value Creation Process
- 23 Five-year Management Vision
- 27 Value Creation Story of Domestic Business
- 29 Value Creation Story of Overseas Business
- 31 Financial/Capital Strategies
- 35 Human Capital
- 36 Intellectual Capital
- 37 Manufacturing Capital
- 38 Social Capital

### Sustainability Promotion and Value Creation

- 39 Materiality Toward Realization of Ideal State
- 41 Initiatives for the Environment
- 44 Response to Climate Change (TCFD)
- 47 Sustainability of the Hoshizaki Group
- 51 Human Resource Development and Job Satisfaction Improvement
- 55 Roundtable discussion by Young Employees

### Corporate Governance

- 57 Corporate Governance
- 63 Compliance and Risk Management
- 65 Messages from Outside Directors
- 67 Stakeholder Engagement
- 69 List of Officers

### Financial and Corporate Data

- 71 Key Financial Data in Past Decade
- 73 Analysis of Financial and Management Status
- 75 Consolidated Financial Statements
- 78 Corporate and Stock Information

#### Editorial Policy

Hoshizaki Integrated Report 2022 has been compiled for the purpose of explaining to stakeholders the business model, strategies and resource allocation aimed at increasing not only economic but also social and environmental value over the medium to long term so that it can be used in dialogue. We aimed to design this Integrated Report in a way that makes it easy to understand our Five-year Management Vision introduced in 2022 and wide-ranging initiatives for value creation, along with our Mission Statement and ideal state. It also explains the Hoshizaki Group’s environment, social, and governance initiatives as well as priority issues.

In compiling the report, we referred to the International Integrated Reporting Framework by the Value Reporting Foundation, the Guidance for Collaborative Value Creation by the Japanese Ministry of Economy, Trade and Industry, and the Task Force on Climate-related Financial Disclosures, among others, as guides.

#### Scope of Reporting, etc.

**Entities in scope:** HOSHIZAKI CORPORATION and the group companies included in its scope of consolidation and those accounted for using the equity method

**Period:** The report mainly covers fiscal 2021 (from January 1, 2021 to December 31, 2021). (Notes are added to indicate whenever any different periods are referred to.)

**Target readers:** All stakeholders who have relationship with the Hoshizaki Group.

**Corporate name:** In this report, “HOSHIZAKI CORPORATION,” “Hoshizaki,” and “the Company” refer to HOSHIZAKI CORPORATION on an unconsolidated basis, while “Hoshizaki Group” and “the Group” refer collectively to HOSHIZAKI CORPORATION and its Group companies.

#### Note on Future Outlook

Of the contents included in this integrated report, those that are not historical facts are based on the Company’s outlook and plans for the future. Please be reminded that these forecasts include risks and uncertainties regarding the future, and there is possibility that actual achievements and business performance may differ from what are written in this report.



## Management Philosophy and Mission Statement

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

Our long-term ideal is to become No. 1 globally by taking the initiative in new markets that will grow going forward and in undeveloped markets in order to thereby further raise our market presence. In addition, we will contribute to the global future by resolving issues facing customers and society in connection with food through the provision of products and services.

### Mission Statement (Purpose)

We aim to be an “Evolving Company” contributing to society as well as customers

To compliance with the laws, and to making the Company trusted by society and its employees

### Management philosophy

Good product comes from a good environment

To practicing a management with transparency and discussion

To realizing harmonization of business activities with the environment, and a good environment to work.

### Broaden your horizons

After all, you will find a brand-new perspective

### Have a Dream

Everything comes from a dream  
Any dream will surely come true

### The profitable corporation has a culture that generates profit

Don't adjust yourself to others  
Uniqueness will be the source of profitability

### Hoshizaki-ism

### Don't make money by money.

We are manufacturers  
Our profit shall come from our core business.

### Change makes progress

There is no way to survive on the extension of the present

## Value of Hoshizaki Brand

### Corporate Slogan



Aiming to be the

world's

No. 1

brand connecting the five continents

### Meanings of the Five-star Penguin

Five stars in the penguin logo represent “five continents, i.e., the world” and “five stars, i.e., high quality,” and express strong belief of the Hoshizaki Group that continues to provide high-quality products to the food service markets in the world.

With this penguin logo shining on the breast of each of us, we pledge to always think of what is the best for customers and act in such a way as a member of the Hoshizaki Group.

To make the Hoshizaki Group and each of us always the best for customers in the world, we will continue to take on a “Challenge to the Extremity.”

### Five Stars Which Represent Five Continents Added to the Penguin Logo in 2016

In 1964 when Tokyo Olympic Games were held, the Hoshizaki Group succeeded in the development of the first domestically produced fully automatic ice machine which drove its growth afterward. In 1966, Shigetoshi Sakamoto, a founder of Hoshizaki, drafted the penguin logo to raise a profile of the ice machine. Letters of ICE CUBER meaning an ice machine were engraved on the logo. Afterwards, designs of the penguin logo have been repeatedly changed six times to the present. The letters of ICE CUBER were changed to CUBE STAR in 1974, and CUBE STAR disappeared and was changed to the five stars representing five continents in the world in 2016. In addition to the aim of Hoshizaki which started with the ice machine to become the world's top food service equipment manufacturer, the founder's passion to stick to providing high quality products have been contained in the five-star penguin logo.



1966



1974

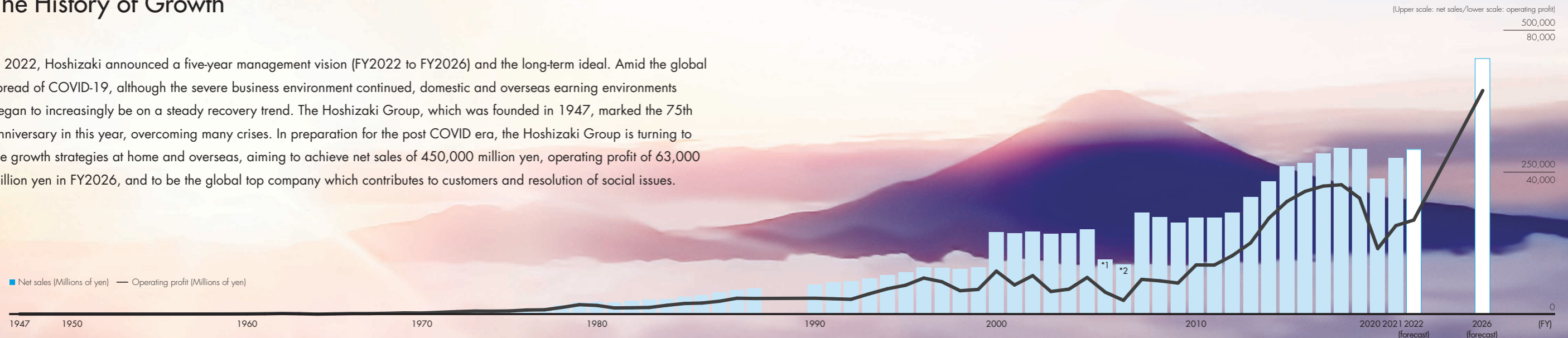


2016



# The History of Growth

In 2022, Hoshizaki announced a five-year management vision (FY2022 to FY2026) and the long-term ideal. Amid the global spread of COVID-19, although the severe business environment continued, domestic and overseas earning environments began to increasingly be on a steady recovery trend. The Hoshizaki Group, which was founded in 1947, marked the 75th anniversary in this year, overcoming many crises. In preparation for the post COVID era, the Hoshizaki Group is turning to the growth strategies at home and overseas, aiming to achieve net sales of 450,000 million yen, operating profit of 63,000 million yen in FY2026, and to be the global top company which contributes to customers and resolution of social issues.



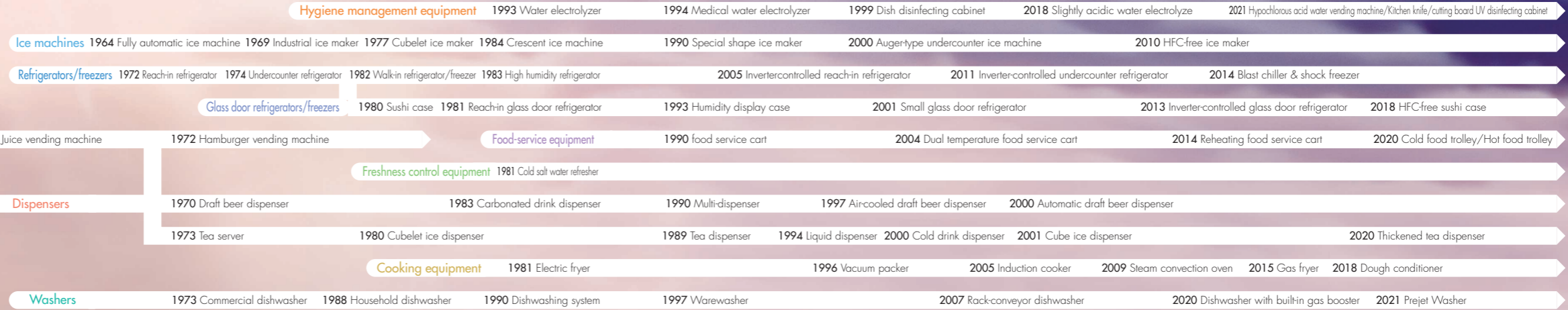
Notes: Up to 2005, the Group had a November fiscal year-end, and since 2006, it has had a December fiscal year-end. \*1. Due to the change in the fiscal year-end, figures are for December 2005 to June 2006. \*2. Due to the change in the fiscal year-end, figures are for July 2006 to December 2006.

Transition of products  
(※)

1947 Banto slide rule

1952 Vehicle horns

(※) Written based on the year each product was developed.



1947-1964

Creation period

1965-1980

Domestic infrastructure development

1981-1995

Overseas infrastructure development

1996-2008

Conversion to a public company

2009-2021

Accelerated globalization and reconstruction of growth foundation

2022-

Further evolution in the wake of the 75th anniversary

History of Hoshizaki

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

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

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

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

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

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

Merged and acquired overseas companies, and realized listing of stock

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

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

- 2011 Seishi Sakamoto took office as Representative Director, Chairman & CEO, and Yukihiko Suzuki took office as Representative Director, President & COO
- 2013 Acquired Western Refrigeration Pvt. Ltd., a commercial glass door refrigerator manufacturer in India
- 2013 Acquired AÇOS MACOM INDÚSTRIA E COMÉRCIO LTDA, a commercial food service equipment manufacturer in Brazil
- 2014 Seishi Sakamoto took office as Representative Director, Chairman & CEO and President & COO
- 2016 Changed the company name to HOSHIZAKI CORPORATION
- 2017 Seishi Sakamoto took office as Representative Director, Chairman & CEO, and Yasuhiro Kobayashi took office as Representative Director, President & COO
- 2017 Established Hoshizaki Training Center
- 2018 A scandal at a sales company found

Realization of the five-year management vision and the long-term ideal

- 2022 The 75th anniversary
- 2026 Five-year management vision Targeted net sales: 450,000 million yen Operating profit: 63,000 million yen

Five-year management vision (FY2022 to FY2026)  
For more details, see Page 23 to 26



External environment

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

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

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

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

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

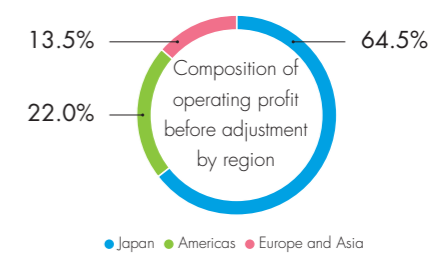
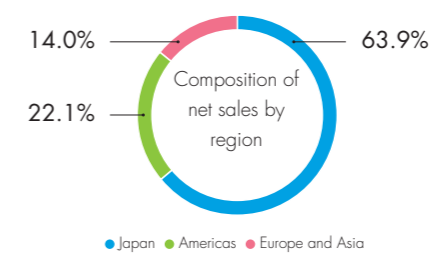
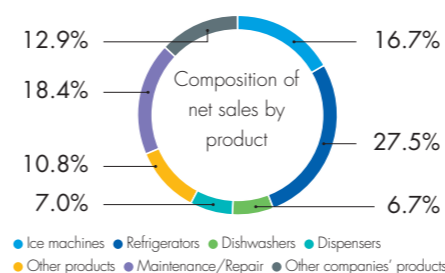
- 2023 Expecting a recovery in inbound tourism
- 2024 Renewal of the Bank of Japan notes
- 2025 The Osaka Expo
- 2026 The Asian Games (Nagoya)



## Business Overview

The Hoshizaki Group has been on the orbit of growth since it started the production and sale of Japan's first juice vending machines and ice machines. The Group has diversified products into commercial refrigerators & freezers, dispensers, dishwashers, cooking appliances, etc., enhanced domestic sales networks, and strengthened the global business operations by merging and acquiring overseas companies.

As of December 31, 2021, the total number of consolidated Group companies increased to 51, including 18 in Japan, 15 in the Americas, 18 in Europe and Asia. The total number of employees was 12,923 on a consolidated basis, and the consolidated net sales was 274,400 million yen (175,200 million yen in Japan and 99,100 million yen overseas). Like this, the Hoshizaki Group has developed into a global company.



Product category | Main products | Composition of net sales | Domestic market share | Ratio of overseas net sales

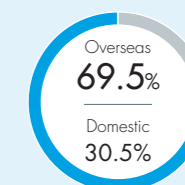
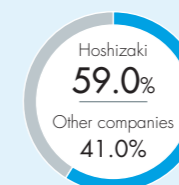
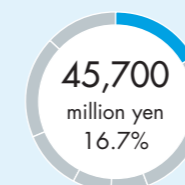


### Ice machines

In 1964, Hoshizaki developed Japan's first fully automatic ice machine, which established a solid foundation of Hoshizaki. Hoshizaki is estimated to account for the largest share in the world (59% in Japan). The products are highly capable of making ice, durable, user-friendly, and excellent in energy-saving performance.



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

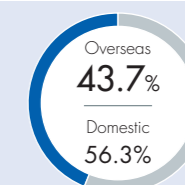
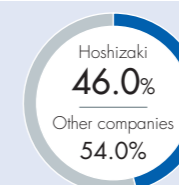
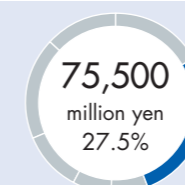


### Refrigerators

In 1972, started sale of refrigerators based on the cooling technology developed in ice machines. In 2005, launched the industry's first inverter-driven commercial refrigerator. In 2022, started receiving orders of refrigerators using natural refrigerants. Like this, striving to provide energy-saving and eco-friendly products. Hoshizaki accounts for the largest share, 46%, in the domestic market.



- Reach-in refrigerator, refrigerator/freezer
- Undercounter refrigerator, refrigerator/freezer
- Small glass door refrigerator
- High humidity refrigerator
- Walk-in refrigerator/freezer, etc.

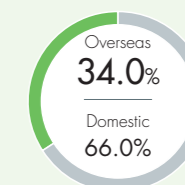
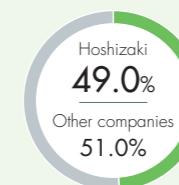
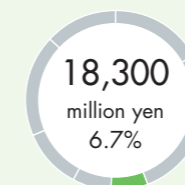


### Dishwashers

Although developed a dishwasher in 1973, stopped its production due to sluggish sales. In light of the growth of the restaurant industry, needs of improvement in operational efficiency and labor-saving, resumed the production of dishwashers in 1981. Recognized for high ability of washing and the reduced environmental burdens by saving water, our dishwashers account for the largest share, 49%, in the domestic market.



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

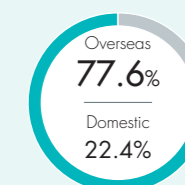
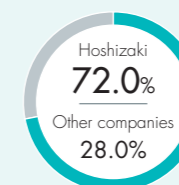
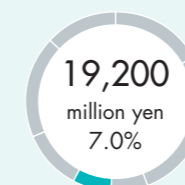


### Dispensers

Beginning with the tea server using tea leaves developed in 1973, Hoshizaki has handled cubelet ice dispensers using ice machine technology, and draft beer dispensers (domestic share of 72%). The tea dispenser using powdered tea leaves (2009) and the cubelet ice dispenser (2021) won the Good Design Award.



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

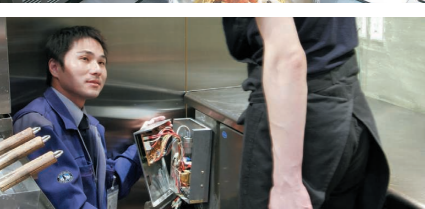
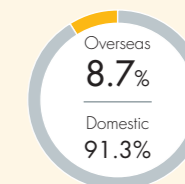
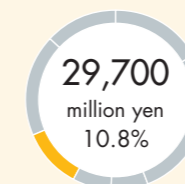


### Other products

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



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

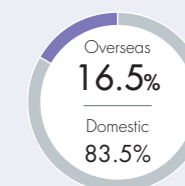
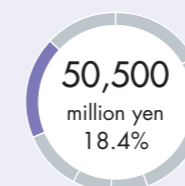


### Maintenance/Repair

In addition to product sales, the complete service system for maintenance and repair has been in place. Going forward, will put emphasis on creation of new services using IoT. Maintenance/repair has contributed to stabilizing revenue, accounting for approximately 18% of consolidated net sales.



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

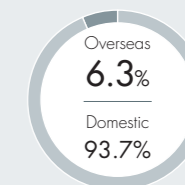
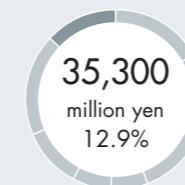


### Other companies' products

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



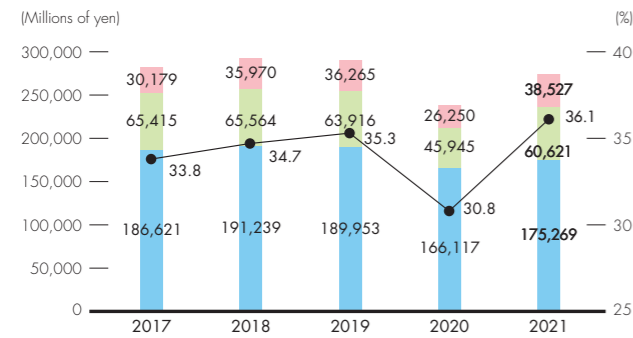
- Gas equipment
- Kitchen sink
- Kitchen work table
- Kitchen shelf, etc.



# Financial/Non-financial Highlights

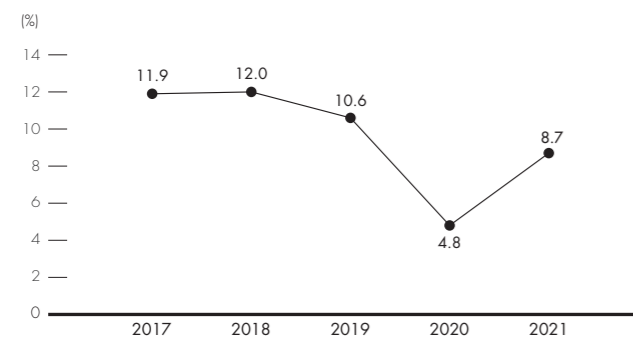
## Financial Highlights

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



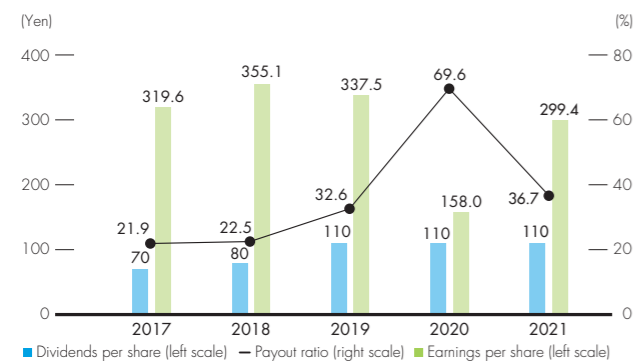
Consolidated net sales were 274,400 million yen, up 15.2% year-on-year. Domestic net sales were 175,200 million yen, up 5.5% year-on-year. Overseas net sales significantly grew to 99,100 million yen, up 37.3% year-on-year (up 31.9% year-on-year in the Americas, and up 46.8% year-on-year in Europe and Asia). As a result, the ratio of overseas net sales was 36.1% (up 5.8 points year-on-year), hitting a record high.

### Consolidated ROE



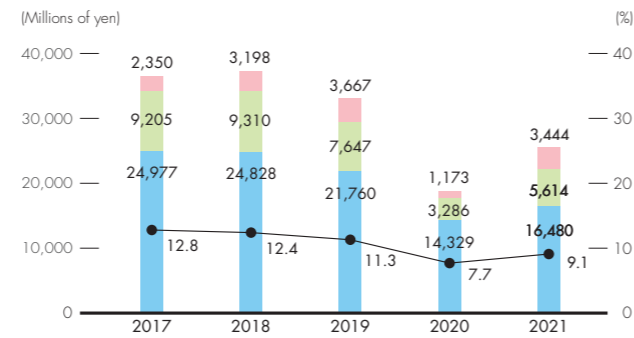
Consolidated ROE increased to 8.7% (up 3.9 points year-on-year). This is because, in addition to the recovery in operating profit, while foreign exchange gains of 5,400 million yen was posted on non-operating income, and profit attributable to owners of parent grew by 89.5% year-on-year to 21,600 million yen, average net assets over the past two years increased by only 3.7% year-on-year to 249,800 million yen.

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



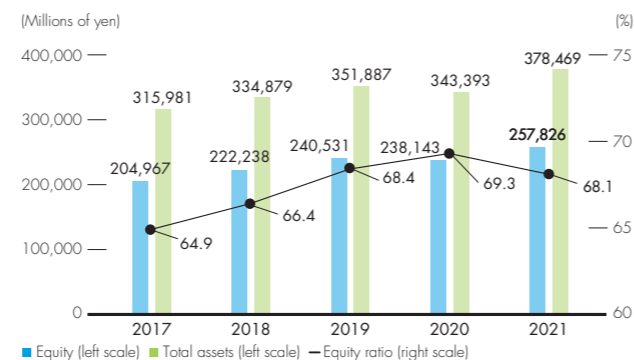
Annual dividends per share were 110 yen, the same amount as one for the end of the previous fiscal year. Payout ratio was 36.7%, fulfilling the promised payout ratio from 30 to 40%. The main factor is that, even with a significant decrease in profit due to the COVID-19 pandemic in the previous fiscal year, dividend was kept at 110 yen, while payout ratio was lower than 69.6% in the previous fiscal year.

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



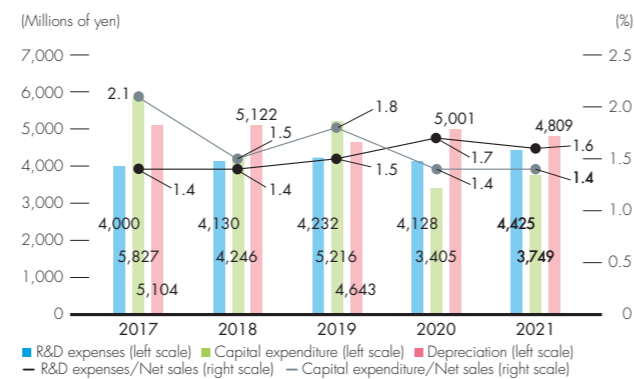
Consolidated operating profit was 24,900 million yen, up 35.1% year-on-year, and operating profit/net sales improved to 9.1% (up 1.4 points year-on-year). Domestic operating profit was 16,400 million yen, up 15.0% year-on-year, and overseas operating profit was 9,000 million yen, up 103.1% year-on-year. Accordingly, domestic operating profit/net sales was 9.4% (up 0.8 points year-on-year), and overseas operating profit/net sales was 9.1% (up 3.0 points year-on-year).

### Total Assets, Equity, and Equity Ratio



Equity ratio was 68.1% (down 1.2 points year-on-year). While total assets increased to 378,500 million yen, up 10.2% from the end of the previous fiscal year with the increase in working capital caused by the recovery of business results, equity was 257,800 million yen, up just 8.3% from the end of the previous fiscal year. Cash and deposits at the end of the fiscal year reached 240,700 million yen (63.6% of total assets), increasing by 23,500 million yen from the end of the previous fiscal year.

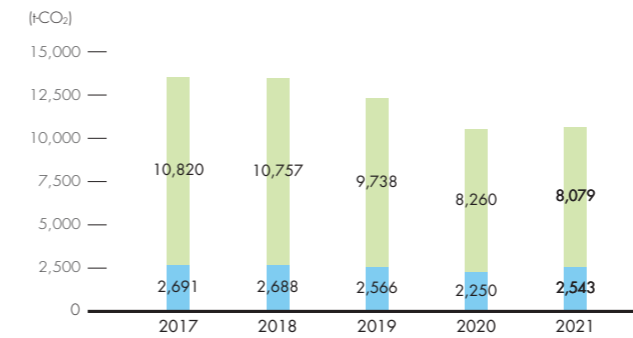
### Capital Expenditure, Depreciation, and R&D Expenses



Capital expenditure increased by 300 million yen year-on-year to 3,700 million yen (capital expenditure/net sales at 1.4%), depreciation decreased by 200 million yen year-on-year to 4,800 million yen, and R&D expenses increased by 300 million yen year-on-year to 4,400 million yen (R&D expenses/net sales at 1.6%), showing a stable growth. Major capital expenditure was renewal of facilities at the Head Office and Shimane Factory. 488 people have been engaged in R&D mainly in Japan and U.S.

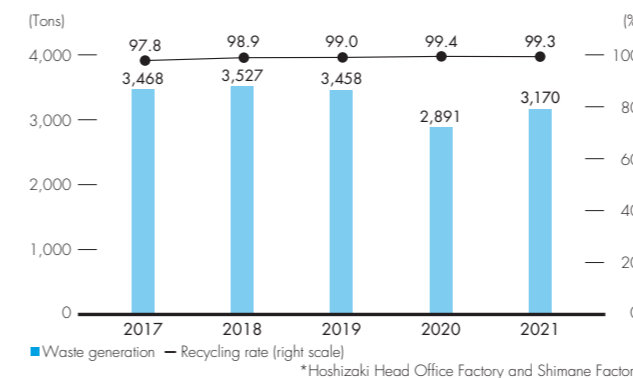
## Non-financial Highlights

### CO<sub>2</sub> Emissions at Domestic Locations



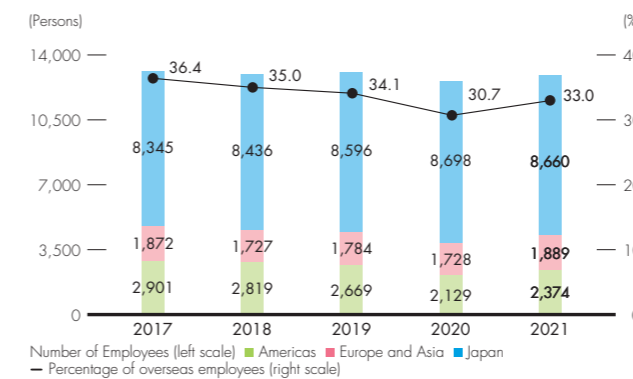
CO<sub>2</sub> emissions at domestic locations (Scope 1, 2) were 10,622 tCO<sub>2</sub>, up 112 tCO<sub>2</sub> year-on-year. Although we have pushed ahead with replacement with energy-saving equipment, emissions increased mainly at domestic production locations, especially the Head Office Factory and Shimane Factory, in conjunction with the recovery of business performance from the COVID-19 pandemic.

### Waste Generation and Recycling Rate at Domestic Locations



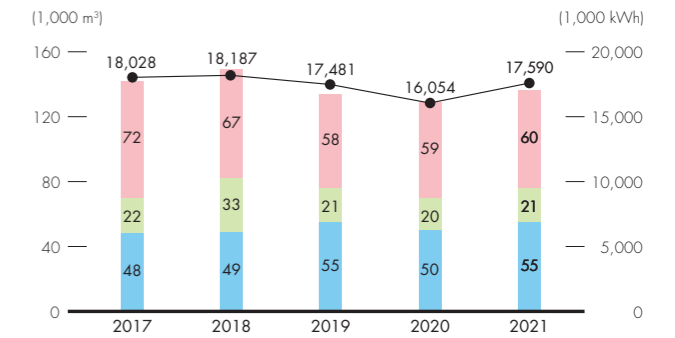
Waste generated at domestic locations increased by 9.7% year-on-year to 3,170 tons. As production activities returned to normal, the waste generation turned upward compared to the level of the previous fiscal year. However, the waste recycling rate was 99.3%, almost reaching 100%.

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



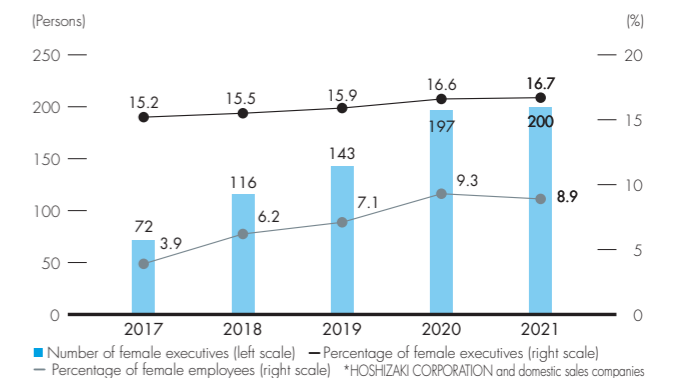
The number of employees of 51 consolidated Group companies is 12,923, up 2.9% year-on-year. The numbers of employees are respectively 2,374 of 15 companies in the Americas (up 245 year-on-year), and 1,889 of 18 companies in Europe and Asia (up 161 year-on-year).

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



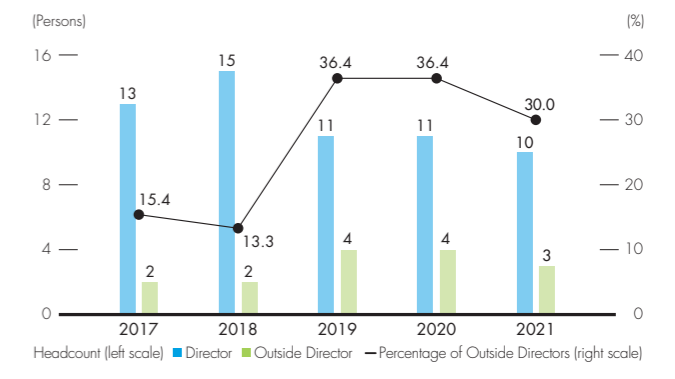
In domestic locations, the electric power consumption was 17,590,000 kWh, up 9.6% year-on-year, and the water consumption was 136,000 m<sup>3</sup>, up 5.4% year-on-year. The main factor is the increased equipment operation rates at each production site with the recovery of business performance.

### Number and Percentage of Female Executives, and Percentage of Female Employees



Total number of employees of HOSHIZAKI CORPORATION and 15 sales companies is 7,752. Of them, 1,291 are female employees, percentage of which increased by 1.5 points to 16.7% from five years ago. In addition, the number of female executives is 200, increasing by 128 from five years ago. The percentage of female executives also increased to 8.9%.

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

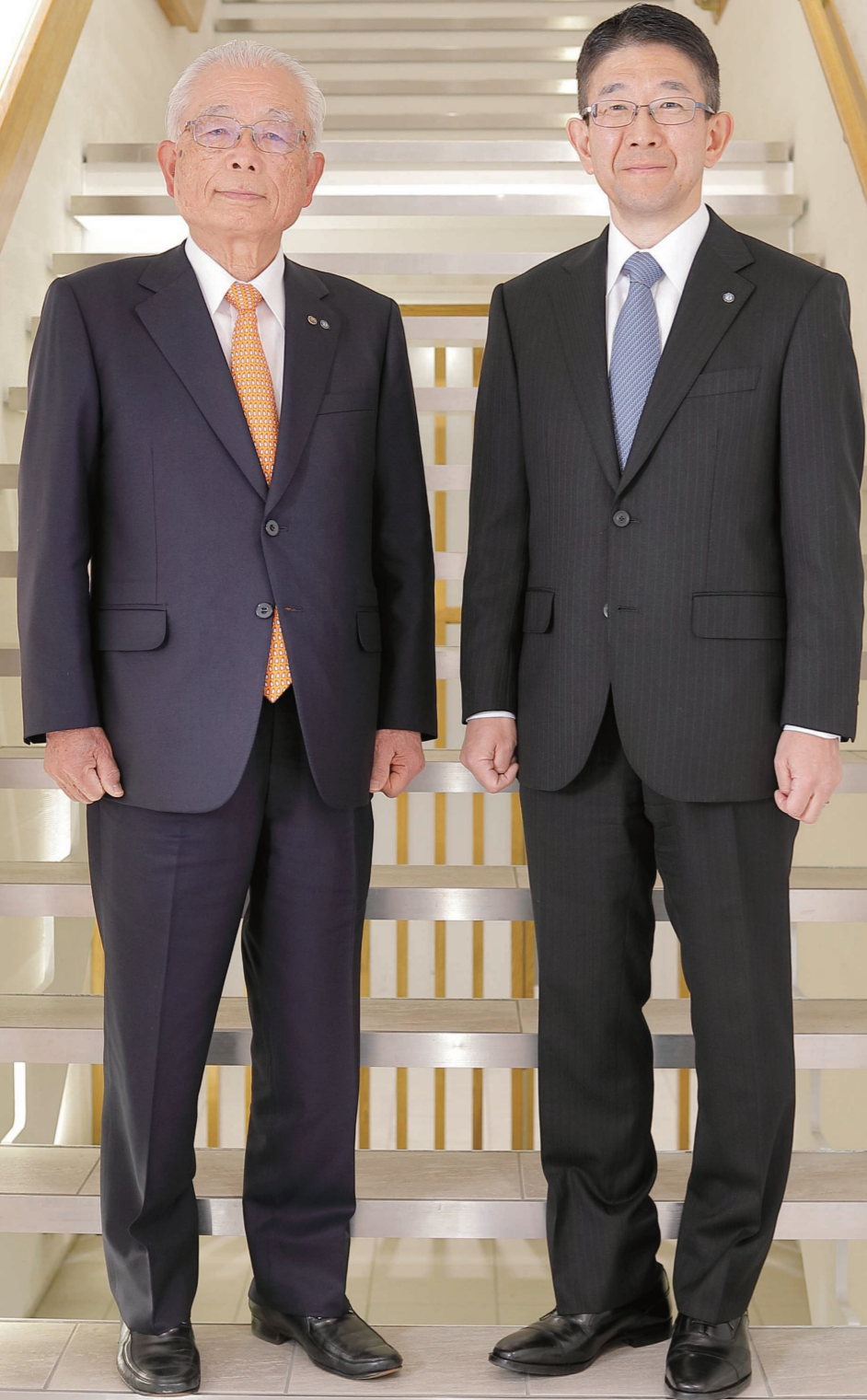


With 10 Directors and three Outside Directors, the percentage of Outside Directors temporarily decreased to 30%. In FY2022, however, as the number of Outside Directors increased by one to four whereas there are 11 Directors, the percentage returned to 36.4%, fulfilling the requirement of revised CGC (one third or more).

\*Unless otherwise noted, situations as of the end of FY2021 (from January 1, 2021 to December 31, 2021) were stated.



## Interview With Leaders



Seishi Sakamoto,  
Chairman & CEO

Yasuhiro Kobayashi,  
Representative Director, President & COO

## Committed to Management in Which Responsiveness to Change is Visible to Stakeholders

The Hoshizaki Group has formulated a five-year management vision to fully embody the ideal stated in its Mission Statement (Purpose) and is working to further raise corporate value and achieve sustainable growth by striving to solve social issues through the growth of its business.

We spoke with President Kobayashi and Chairman Sakamoto, a member of the company's founding family, about the strategies of its five-year management vision while also discussing the company's business model and management capital, materialities, and stakeholder engagement.

### Connection Between Business Model and Purpose

**Q** Firstly, tell us about Hoshizaki Group's business model. Please include details on the company's strengths and characteristics, differences from competitors, and how the business model has changed over time.

— **Kobayashi:** The Group has different business models for Japan and overseas. Regarding the characteristics of our Japanese business and the biggest difference with competitors, we have a direct sales system with 15 sales companies and 434 sales offices in Japan and develop business in close contact with customers on this basis. Moreover, the strengths of Hoshizaki Group lie in sales through close collaboration between sales and service staff. When sales reps wearing suits walk into a kitchen, customers tend to put up their guard, but when service personnel wearing work clothes make visits to inspect equipment and the like, the kitchen is open and available to them. While there, they listen to customer concerns, collect information on the equipment, look for signs of malfunction, and find out the appropriate timing for replacements from the point of view of the customer. They relay this information to sales reps, which allows us to quickly and accurately develop solutions to the customer's issues. Over 70% of domestic product sales stem from information relayed through this sales-service collaboration. [For more details, see Pages 47 and 78](#)

— **Sakamoto:** In Japan, our business model is direct sales; this ratio is around 75%. The Hoshizaki Group in Japan is alone in

this, even internationally. We directly provide after-sales service for customers for the products we sell nationwide, including those sold through distributors, and if complaints arise, we respond that same day. Previously, our competitors included all the light electric appliance manufacturers that had entered the market, but they were unable to respond to complaints on the same day they occurred, so over the years they all pulled out of the market, with the exception of one company. Direct sales and after-sales service are distinctive to the Hoshizaki Group.

Regarding equipment types, we started with ice machines and then draft beer dispensers. These were initially developed and sold by Toshiba Machine (now Shibaura Machine Co., Ltd.), but production was contracted to the Hoshizaki Group, and we were asked to help with sales as well. Eventually, the draft beer dispenser business was transferred to us. We steadily expanded the range of equipment we handled, getting involved in refrigerators, for example, a necessity in the restaurant industry. This led to the improvement of management efficiency, allowing us to build a nationwide direct sales network. [For more details, see Pages 5 and 7](#)

**Q** How does the Group's overseas business model differ from the one in Japan? Compared to Japan, what are the competitive advantages of the Hoshizaki Group overseas?

— **Kobayashi:** Overseas, the majority is wholesale sales through distributors. We only do direct sales and sales-service collaboration in a limited area, Taiwan, Hong Kong, and parts of China. The view of Hoshizaki Group products overseas is that while the price may be high, the quality is high as well and they don't break easily. For sales as well, we do our best in each area to be as close to the customer as possible. In the U.S., there are competitors that ship directly from their factories, but the Hoshizaki Group has dealers in five locations in North America in which we own a stake, and these dealers ship products to distributors. In Europe, we have branch offices in each country, and these branches ship products to distributors. Overseas, partly because of the size of the countries, it would be inefficient for us to deal directly with every

end customer. However, the Hoshizaki Group is responsible for providing service training to distributors and maintaining supplies of repair parts close to our products' markets. In addition, overseas, products are generally produced in the regions where they are consumed, so if a distributor can be established and a market created, we will build a factory there. Through such efficient sales channels, we are able to exhibit strength in short delivery times and after-sales maintenance compared to our competitors.

— **Sakamoto:** Overseas, Hoshizaki brand products have a strong reputation for being high quality. We began doing business in the U.S. from early on, but at the time ice machines were said to be the machine that broke down the most. Ice machines make ice once every 30 minutes or so in an ice compartment that cools



## Interview With Leaders



water from a temperature of around 20°C down to around -25°C. This is why they tend to malfunction so easily. But, Hoshizaki brand ice machines do not break down easily. Compared to competitors, the price is not cheap, but the fact that our machines seldom go out of order came to be recognized, and many restaurant chains started using them, which propelled Hoshizaki brand ice machine sales to the top spot in the U.S. as well. With refrigerators, there are good products made by other companies, too, but our ice machines acquired such a strong reputation with customers overseas that in Europe they were called the “Cadillac of ice machines,” and the Hoshizaki name came to be widely known.

[For more details, see Page 4](#)

### How is the Hoshizaki Group’s business model connected to its Mission Statement (Purpose)? Could you give us some specific examples?

— **Kobayashi:** The Purpose of the Hoshizaki Group is as stated in our management philosophy, which is: “We aim to be an ‘Evolving Company’ contributing to society as well as customers.” We define “Evolving Company” as a company that moves forward by responding to change. With the business environment changing, it is important that we continue to respond to the changes. Our management philosophy also emphasizes that we will take on the ultimate challenges. No matter how challenging the business environment may be to us, the Hoshizaki Group has been able to adapt to its changing conditions by repeatedly taking on challenges based on our business model (of direct sales and sales-service collaboration), which is the strength of Hoshizaki.

[For more details, see Page 3](#)

In maintenance services, we were the first in the industry to introduce leasing with maintenance included, and we provide service in line with the diverse needs of our customers. In addition, our sales personnel have developed multiple customer cards to

strategically organize information collected on daily customer visits. Based on this information, sales reps and their supervisors discuss how to effectively convey the benefits to customers, and this is tried out on the next visit. Then, the information obtained is fed back into the process. Through this cycle of formulating and testing hypotheses, we have accumulated know-how on each customer. Initially, this was all done on paper, but we have since updated to a more scientific, quantitative approach to sales that uses tablet devices and sales force automation (SFA), a type of sales support system. Our sales-service collaboration approach has also evolved, and customers have given us high grades for it, saying that Hoshizaki really stays abreast of their needs. When the Great East Japan Earthquake occurred, we sent nationwide service staff to the Tohoku region and provided repair services for a great many products free of charge. Staying close to customers and contributing is Hoshizaki’s business model and our Purpose.

### There is the sense that evolving and responding to change is difficult for Japanese companies, but I think our sales-service collaboration approach has been very effective in enhancing our responsiveness and ability to evolve. Chairman Sakamoto, what are your thoughts on this?

— **Sakamoto:** We will always strive to be No. 1. When we began in the U.S., we started completely from scratch, but we approached the business with the intention of being the best. When you think about strategy starting with the intention of being No. 1, a different world comes into view. Compared to setting a performance target of a 10% or 20% increase the next year, when you shoot to be No. 1 in five or ten years, you have to have a different strategy. Because of this, it’s no good to be No. 2. You have to focus on being No. 1.

[For more details, see Page 4](#)

Producing products where they are consumed is also important. With the exception of some products supplied from Japan, we make our ice machines in the U.S., in China, in Europe. The situation is changing somewhat because of the recent depreciation of the yen and other developments, but Japan is a high-cost country compared to much of the world, and supplying from Japan would reduce our competitiveness. Going forward, we will continue working to optimize supply methods upon comprehensively

considering many factors, including demand trends in each region, unused production capacity at each plant, the status of parts procurement, trends in manufacturing and distribution costs, and currency exchange rates. At the same time, refrigerators can be produced anywhere as long as they function to refrigerate. Refrigerators are big but light and their price is not high, so we try our best to locate production sites where there is demand. When your production sites are close to your customers, it not only bolsters your cost competitiveness it also allows you to immediately respond to any problems that may arise, so being able to adapt to change in this way is a strength of Hoshizaki. Depending on demand trends going forward, we will consider further establishing new manufacturing sites near demand centers.

[For more details, see Pages 37 and 79](#)

## Five-Year Management Vision with Awareness of Capital Markets

### What sorts of changes are anticipated in the new five-year management vision? In formulating the vision, what assumptions were made about business conditions, and what are its evaluation metrics and specific initiatives?

— **Kobayashi:** We first defined two long-term ideals. The first is the aim to be No. 1 globally by taking the initiative in new markets with growth prospects and in undeveloped markets to thereby further raise our market presence. The second is that we will contribute to the global future by resolving issues facing customers and society in connection with food through the provision of products and services. The ideals are consistent with Hoshizaki Group’s Purpose, and we created the five-year management vision by backcasting from them.

[For more details, see Pages 21 and 23](#)

After clarifying these long-term ideals, the five-year management vision emphasizes the importance of raising social and environmental value together with economic value. Regarding not only profit ratio on the income statement but capital efficiency on the balance sheet as well, we will set capital costs as expected by shareholders and investors and work consciously so that ROE exceeds them. Fourteen years have passed since Hoshizaki publicly listed its stock in December 2008, and I think we have been able to firmly integrate the management philosophy required by capital markets into this five-year management vision.

[For more details, see Page 31](#)

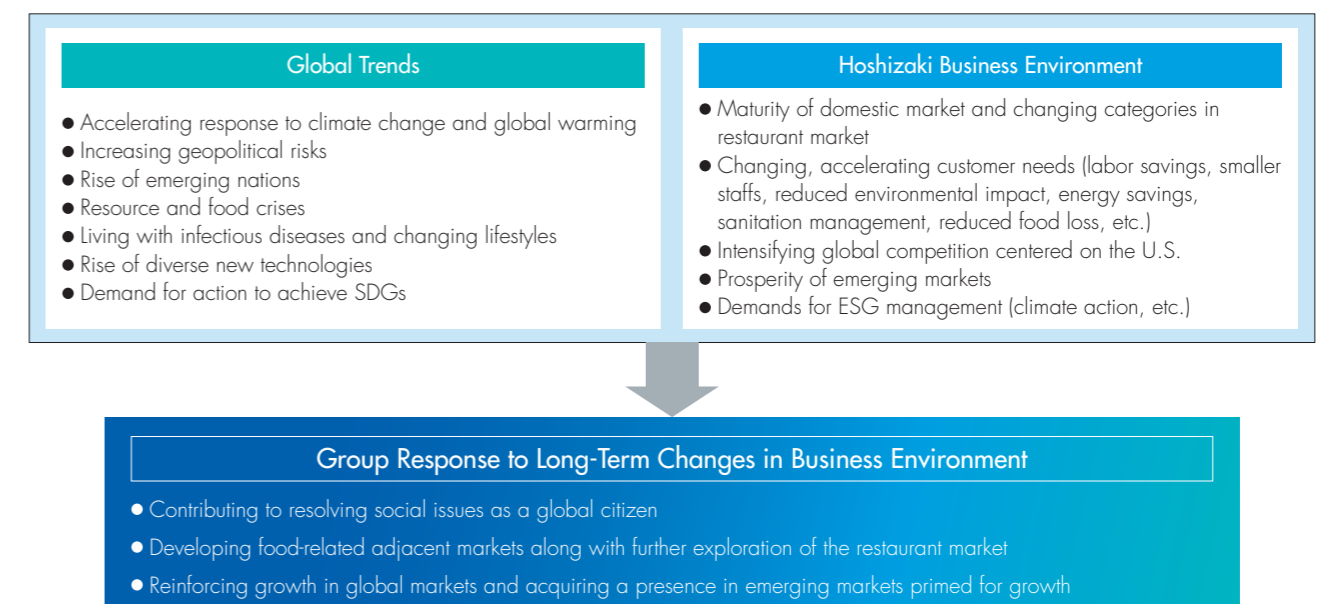
We have very different strategies for raising economic value between our domestic and overseas businesses. In past management visions, we depended greatly on growth in the restaurant market, particularly domestically. However, the next five years begins with the current situation, which is marked by a major decrease in the number of eating and drinking establishments due



to COVID-19, so along with further exploring the restaurant market, we plan to develop new markets outside the restaurant industry. In addition, in Japan, which is a mature market, we will aim to shift from sales growth to profit growth, with more emphasis on the profit ratio. Overseas, on the other hand, there are still major opportunities for market growth, so we will focus on profit growth by way of sales growth. In Japan, we will develop new products with added value, implement strategic price increases, proactively withdraw from unprofitable and low profit businesses, and cut costs even more rigorously than before. Overseas, we will actively work to develop new markets, by expanding areas (countries), product lineups, customer segments, sales channels, and more.

### Business Environment Surrounding the Group

With the world undergoing a major transition, the Hoshizaki Group needs to adapt to long-term changes in the business environment





## Interview With Leaders

Upfront investment for this goes without saying, and along with investing to strengthen sales and service systems and augment production capacity (with both new plants and expansions), we also plan to actively invest in M&A.

[For more details, see Pages 27 and 29](#)

Regarding social and environmental value, we are issuing this Integrated Report for the first time and have specified a number of material issues (materialities). Going forward, we will set effective KPI and work to raise the level of activities directed at increasing value in these areas.

[For more details, see Page 39](#)

To fully instill the management vision throughout the Group, we first held briefings for managers at Hoshizaki and also directly made presentations to executives at domestic Group companies and at the management level for Group companies overseas. In addition, the vision is being promoted to employees at Hoshizaki, domestic Group companies, and overseas Group companies using video. We will make sure all employees of the Group gain a firm grasp of the background and contents of our management vision and work to achieve the long-term ideal we have laid out.

[For more details, see Page 24](#)

— **Sakamoto:** When I was president, we thought first about making money; we were concentrated on that. Now, partly due to COVID-19, the restaurant industry is no longer growing, and when making growth investment, including M&A, it has become

necessary to be more aware of capital markets. It feels like the times have changed. Currently, one-third of the Group's sales is overseas and two-thirds domestic, but in five years we plan to make this a 50:50 split. In order to accomplish this, it will be necessary to strengthen M&A and business alliances, and this will be my focus.

To achieve consolidated net sales of 450,000 million yen, an operating profit ratio of 14% or higher, and consolidated ROE of 12% or higher by 2026 will require several tens of billions of yen in sales to be created through M&A, but this assumes we only acquire profitable companies. When making acquisitions, we plan to always engage with companies with the idea of creating partnerships and not necessarily with the intention of putting them under Hoshizaki's umbrella. We will take the stance of, "Are you interested in joining with us?" We put particular emphasis on determining whether we will be able to build a sympathetic relationship with the target company's employees. This stance has proved effective, as the companies we've acquired are lively and motivated, so a good, positive cycle is now in place. Previously, with M&A, we wanted to acquire a 100% stake, but considering the intentions of existing shareholders, business risks, and other factors, owning 100% of a company's shares is not an absolute requirement.

[For more details, see Pages 25 and 26](#)

and service staff whose jobs entail using company vehicles on a daily basis (downstream). At the same time, Hoshizaki's refrigerators mainly use alternatives to CFCs as their refrigerant, but development is now complete for some models on a refrigerator with a natural refrigerant that clears the strictest industry standard in Japan, and we will soon launch it on the market. The energy-saving performance of our products is one of Hoshizaki's competitive advantages both in Japan and overseas. Going forward, after the natural refrigerant refrigerator, we will develop a variety of new products and through their supply steadily work to reduce the environmental impact of our products in order to thereby further raise our competitiveness and, at the same time, contribute to resolving social issues related to the environment.

[For more details, see Pages 41 and 44](#)

— **Sakamoto:** Going forward, overseas business will grow more than domestic business, so if we can appropriately place good human resources there, I think it will be easier to get to No. 1. We have been working to acquire exceptional talent through trial and error. In Japan, since Kobayashi has been president, efforts have been made to improve our human capital. At the same time, overseas, which is growing, we will work to enhance human capital, and it will be important to develop human resources capable of leading growth on a continuing basis. If we don't make money, we won't be able to contribute to society, which we are focused on, and a positive management cycle won't emerge.

**Q** With regard to the diversity of human capital, what achievements has the Group made? The percentage of women in executive positions at Hoshizaki has been rising over these past several years.

— **Kobayashi:** Regarding diversity, creating opportunities for women in particular to play a more active role is important, but Hoshizaki had lagged behind somewhat in this area. In the past, it is a fact that in the food service equipment industry, and in our direct sales department in particular, there was an atmosphere that made it difficult for female sales and service personnel to fully take part. It is also a fact that working on the frontlines of equipment service tended to be avoided on the part of women, too, and women's participation lagged behind here as well. However, over the past decade, we have worked steadily to promote women's active participation, and there has been gradual improvement. Specifically, we took steps to create a comfortable work environment, and we established job areas geared toward women. Along with creating a comfortable work environment for women, we established new job areas that included direct sales, distributor sales, repair and inspection work, and also consulting office and design work, which resulted in an increase in the number of women. Having more diversity at the workplace has

provided various benefits. At manufacturers, more women have come to actively work on the frontlines, and women are beginning to be assigned to overseas offices as well. I firmly believe that this increase in diversity will steadily make a positive contribution to the Hoshizaki Group's future growth and achievement of our management vision.

[For more details, see Pages 52 and 53](#)

Regarding overseas personnel, we rely on mid-career hires for top-level management. In order to grow quickly overseas, I don't think there are currently enough executive candidates among employees hired fresh out of college and trained within the Group. As a medium-term measure to address this, three years ago we started an HR management program to train candidates for global management and further strengthen HR development. In addition, when making mid-career hires overseas, we try to hire those who are still in their 30s and 40s, and we will further enhance working conditions to encourage them to work at Hoshizaki over the long term.

[For more details, see Page 51](#)

## Relationship Between Strategy and Management Capital Needed to Achieve Management Vision

**Q** The next question is about the management capital that will be necessary to achieve the management vision. What is the relationship between management capital considered important and the business model and strategy of the Hoshizaki Group going forward?

— **Kobayashi:** Looking ahead, for the Hoshizaki Group, human capital will be most important. In Japan, the business environment is changing greatly, and we are approaching non-restaurant markets from a conventional strategy based on the restaurant market, but the diversity of customers is increasing. We steadily expanded our business domain, expanding product lineups from mainstay ice machines and refrigerators to products related to cooking, such as steam convection ovens, while also enhancing our menu of services from single product sales to the design and proposal of full kitchens, and, as a result, we have more opportunities to contribute the solutions customers need and resolve the issues they face. The shift from selling one ice machine or one refrigerator to proposing a full kitchen calls for highly qualified personnel, because to receive an order requires thinking together with the customer on how to resolve their issues. Our business domain is broadening overseas as well, so along with the traditional ability to manage companies launched by the Hoshizaki Group, there is a need for management ability related to post-merger integration (PMI), which involves integrating companies that are acquired into the Group in a short period of time. Compared to Japan, human capital will be increasingly important overseas for the medium term, so we plan to strengthen this area.

[For more details, see Page 35](#)

From the conventional freezing and refrigeration technologies of ice machines and refrigerators, there is now a need for IT software technologies such as IoT, and other technologies for analyzing various data and raising productivity, but the Hoshizaki Group is weak in this area. In order to strengthen intellectual capital, we are



considering the option of partnering with other companies, universities, and research institutions. Connectivity, in which our products will be connected in a broader network in the near future, is currently a society-wide trend, and it will be important to analyze and utilize the enormous amount of data and information that will be transmitted by products for subsequent business endeavors.

[For more details, see Pages 27 and 36](#)

Regarding natural capital, we are not a sector that uses a large amount of energy. Along with energy consumed in manufacturing and development processes, one challenge we have is how to reduce carbon dioxide emissions across the value chain, which includes manufacturing processes for raw materials that we procure (upstream) and sales and service execution processes of the sales

## Approach to Risk and Solutions to Materialities

**Q** Based on what has been discussed thus far, what is the Group's approach to risk? And, among the materialities (material issues) the company has defined, what needs to be focused on in particular?

— **Kobayashi:** Natural disasters caused by climate change are risks, but to actively realize growth overseas toward achievement of our management vision, we have specified "sustainable supply chain management" and "enhancement of the management foundation" as our top two priorities and will firmly work to resolve the issues involved. With regard to sustainable supply chain management, complex, wide-ranging part and product procurement and supply networks need to be managed centering on the Hoshizaki Group's 25 plants around the world. We will work to build supply chains that take measures for the environment and human rights by monitoring every link in our global chains to ensure that waste is minimized, and safe and healthy working conditions are maintained.

[For more details, see Pages 38 and 49](#)

For enhancement of the management foundation, we will strengthen corporate governance, rigorously maintain compliance, and reinforce internal controls for our 52 Group companies as of December 31, 2021 (including Hoshizaki Corp. and equity-method affiliates), as well as for new Group companies that will be added in the future through M&A. This will be built with mechanisms for satisfying these important requirements constantly, not temporarily, and in doing this we will maintain management practices that earn the trust of society.

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

## Interview With Leaders

**Q** How have discussions by the Board of Directors changed, and how have they been evaluated? Also, please discuss the relationship between the Directors' skill matrix and the company's long-term ideal.

— **Kobayashi:** Debate and discussion by the board was enlivened with the return of Sakamoto in 2005, but it has also been further enriched by the participation of Outside Directors. Outside Director Masanao Tomozoe, who worked at Toyota Motor, understands the best practice of managing domestic and overseas operations based on his experience at a large corporation, and we expect him to provide forthright advice on the type of company the Hoshizaki Group should strive to be in the future. Masahiko Goto, who was added to the board recently, is the representative director at Makita, over 80% of whose sales come from overseas, and he is expected to provide detailed advice on overseas operations overall as well as on knowhow for business development and risk management in the emerging countries the Hoshizaki Group is seeking to enter going forward. This is one of the benefits of diversity, I think, but by having various viewpoints on the board, discussions have deepened considerably. Thanks to advice from our Outside Directors, on many points we

have realized that the previous conventional wisdom at Hoshizaki was not actually the conventional wisdom in the field of management. The traditional role of an outside director is to supervise execution, but they also make a major contribution to deepening and enlivening discussion and debate by the Board of Directors. [For more details, see Page 65](#)

The skill matrix of Directors was created after discussing and identifying the skills needed for us to realize our long-term ideal and achieve the management vision. Global supply chains, human resource development and diversity management, compliance and risk management: these are essential skills for resolving our materialities. I believe the skills needed are adequately covered in our current management system, but it will be necessary to revise the skill matrix as appropriate while considering changing conditions going forward and, at the same time, to effectively utilize it for needed reinforcements to our management system. [For more details, see Page 59](#)

## Stakeholder Engagement Initiatives

**Q** Stakeholders are shareholders, employees, and local communities as well. Chairman Sakamoto, what are your thoughts on stakeholder relations?



— **Sakamoto:** As a member of the founding family, I am the largest shareholder, and my children and grandchildren are well provided for in their lives, so around 20% of issued shares owned by the founding family is managed by a foundation. As a result, I hardly hold any shares personally, but this year through the foundation, around 460 million yen (mainly dividends) is being used for charitable causes. Hoshizaki is also focused on social contributions, and the founding family, as a stakeholder, will continue its involvement in this as well. [For more details, see Page 50](#)

**Q** Finally, could you express your commitment to stakeholder engagement initiatives and raising corporate value?

— **Kobayashi:** Hoshizaki was founded in February 1947, and for many years, until it publicly listed its shares in December 2008, the founding family looked after its management. The share price

This is a somewhat different point of view, but we have a policy of "Don't make money by money," an approach we call "Hoshizaki-ism." When the economy is good, money accumulates, and when it does, you think of ways to increase it, but our founder put great emphasis on the fact that "we are manufacturers, and our profit shall come from our core business." Incidentally, there is almost no possibility of the founding family participating in Hoshizaki's management in the future. There is not a single relative of the founding family in a managerial or executive position at Hoshizaki. [For more details, see Page 3](#)

Regarding management, Kobayashi became president at age 50, and the retirement age for presidents at Hoshizaki is age 65, so he is able to concentrate on management for a long period of time. One of the negative aspects of Japanese companies is that most top executives have only a short tenure; I think this makes them think that not a single failure can be tolerated. But I told Kobayashi to not fear failure and to resolutely do what he thinks is right because the company itself is not going to fail. Kobayashi is now 55 years old, but I believe from a long-term standpoint a successor will need to be trained. I have left the company's performance up to Kobayashi, but we both take time to discuss our future strategy for one hour each week.

when it went public was 705 yen, and this was after the start of the 2008 global financial crisis, but even after that the company achieved steady growth centering on the restaurant market, and

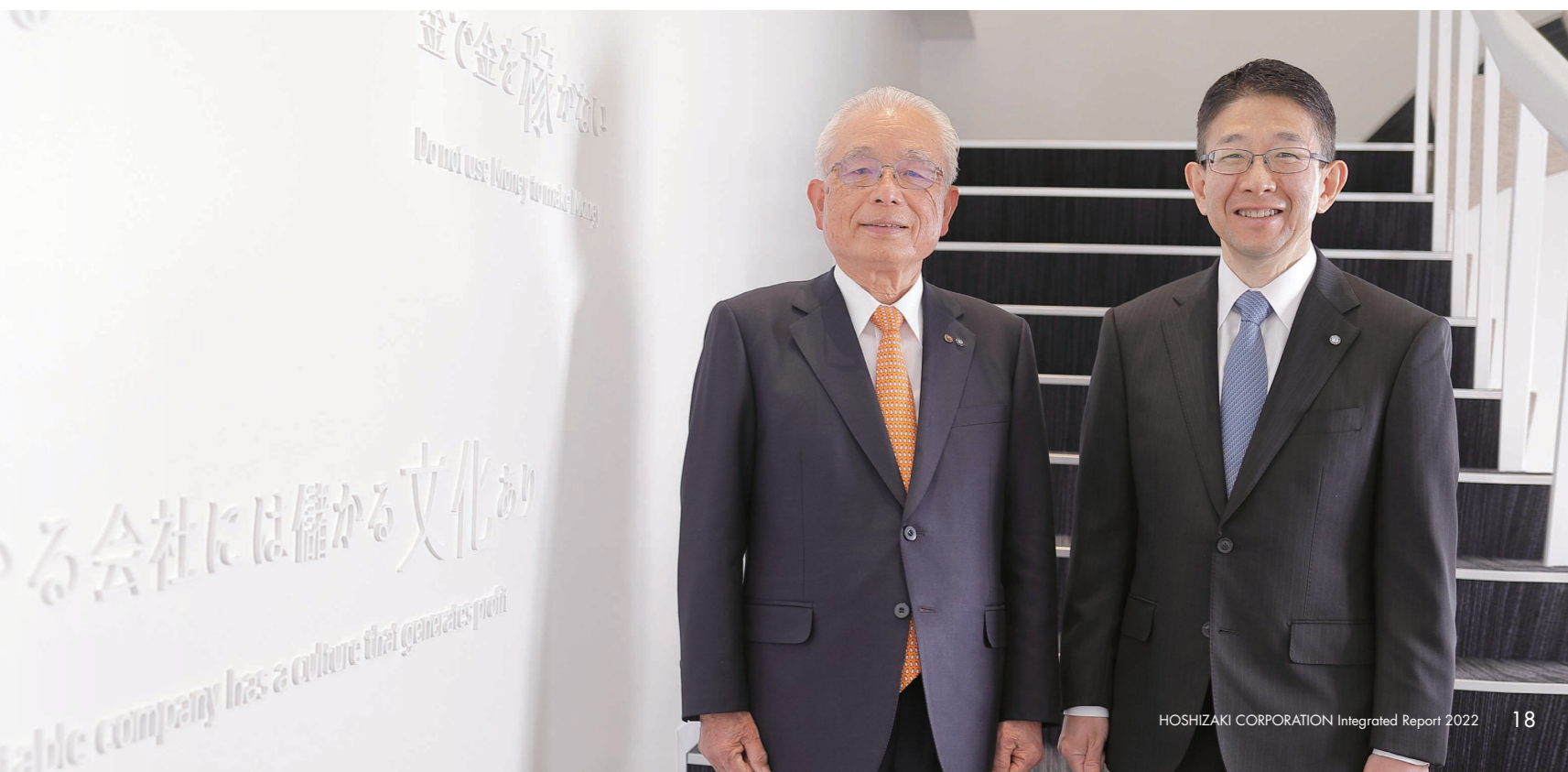
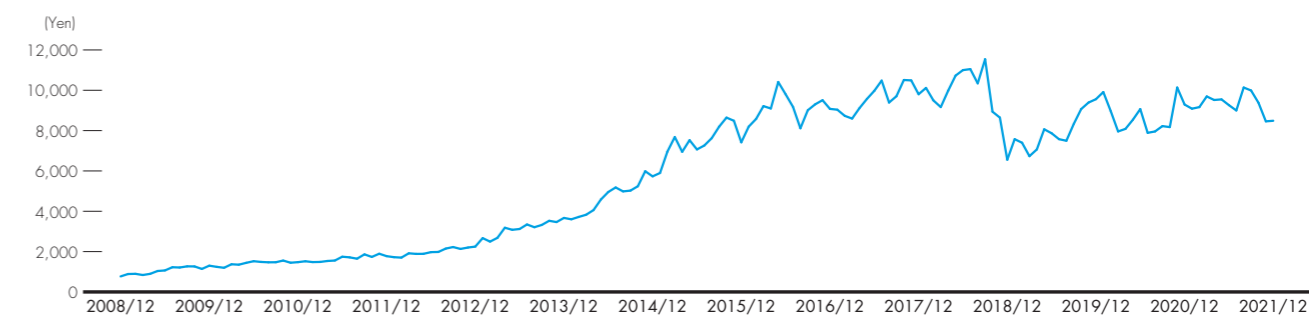
Sakamoto's rigorous adherence to the profit ratio paid dividends as well, as corporate value steadily increased. At the time, focusing on our daily business was generating positive results, so it was not necessary to be conscious of ROE and the operating profit ratio. However, in 2018 and 2019, improper transactions were discovered at our domestic distributors, the trust of capital markets was damaged severely, and our share price also dropped significantly. After listing, we intended to strengthen the internal controls required of a listed company, but we neglected the fact that outdated practices had remained unchanged in some Group companies. The stock price fell and this led to changes in the makeup of shareholders. It has become necessary to communicate and conduct management with a strong awareness of shareholders, something the company had not had experience doing.

More recently, due to the impact of COVID-19, the domestic food services market was severely affected. From the time our stock was listed, we had had a long period for improvements, but we acknowledge that our period for making reforms began in 2018. When we began to reorient management toward a higher awareness of stakeholders, capital markets began to increasingly request non-financial information on ESG, the SDGs, and the like,

so it has become necessary to maintain an awareness of new management issues, specifically, social and environmental issues. We recognize that it is now time for the Hoshizaki Group to shift to a form of management that is cognizant of collaboration with a broad range of stakeholders, and we intend to sincerely engage in this process.

Since announcing our five-year management vision, the recent business environment has seen rising raw material prices and supply shortages; we are now facing a headwind in trying to improve our profit ratio. However, responding to change is stated in our Purpose, and we will constantly call on executives and employees to do just that. We will strongly convey to employees that there are no issues that can be resolved by maintaining the status quo and that we have no future unless we change greatly. With respect to our shareholders and other stakeholders, we will manage the company so that when seen from the outside it will be apparent that Hoshizaki is changing, that even in a difficult environment, we are successfully adapting to change, and on this basis, we will work to raise shareholder value. Please expect the best from the Hoshizaki Group going forward. [For more details, see Page 67](#)

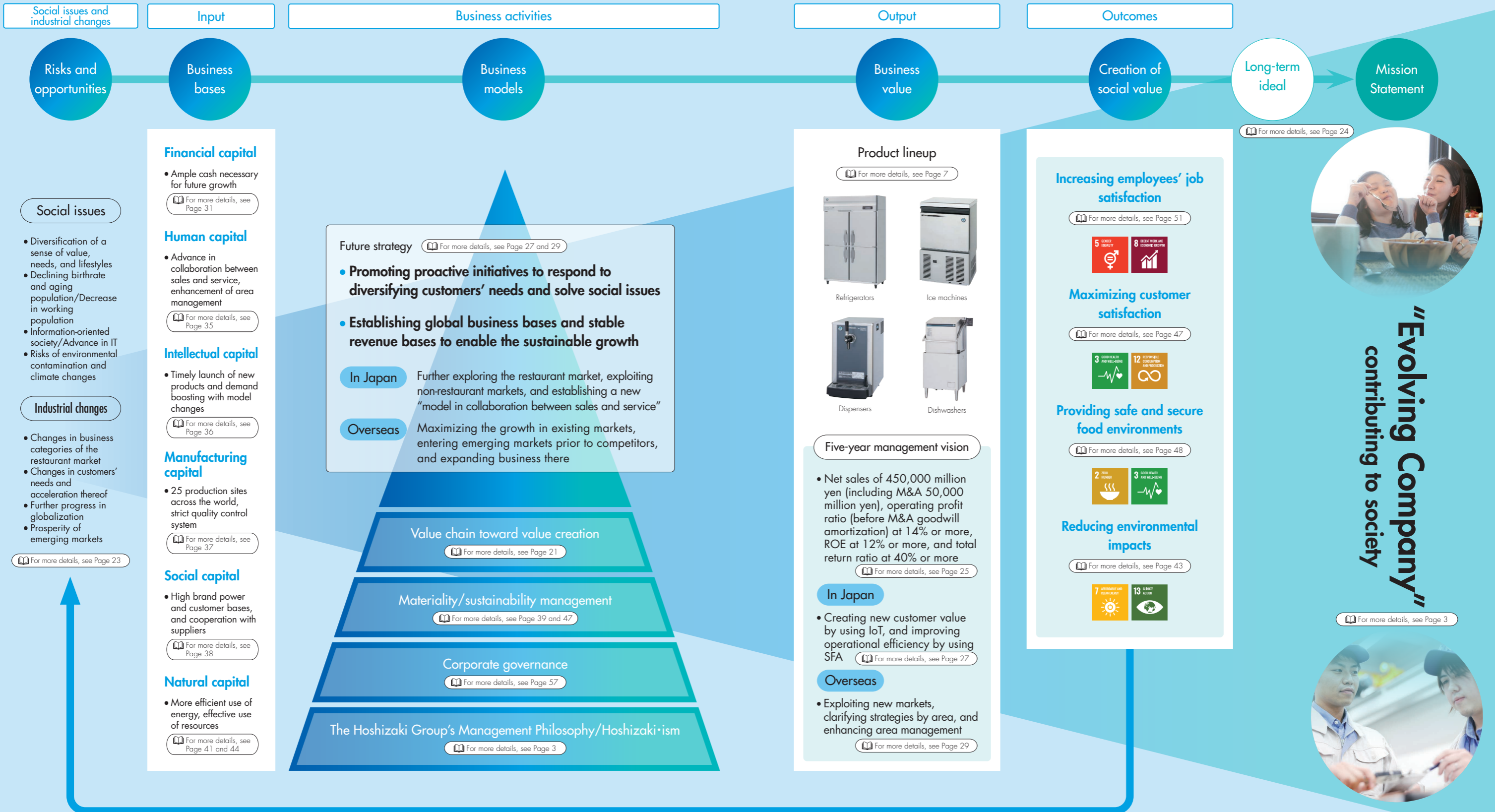
## Hoshizaki's Stock Price Since Listing (December 2008 to December 2021)





# Value Creation Process

The Hoshizaki Group, which marked the 75th anniversary in 2022, has its unique business bases and models which have been developed through engagement with customers and responses to changes in needs of foods. Even in the social environment where the speed of changes is accelerating, the Group is aiming to continue to be a company capable of contributing to a society, by evolving constantly while looking back to its Mission Statement.



## Key Points of Value Creation Process

Amid the advent of a major turning point for the world, the business environment surrounding the Hoshizaki Group has been changing every second. As a global trend, such changes are complicated and diverse, including the acceleration of climate changes and the global warming, the increase in geopolitical risks such as the invasion of Ukraine by Russia, risks of occurrence of the resource crisis and the food crisis, coexistence with COVID-19 and other infectious diseases and changes in lifestyles, the rise of various new technologies such as AI and metaverse, and requests for code of conduct toward achievement of SDGs. While the future business environment is uncertain as stated above, the Hoshizaki Group has established the five-year management vision to achieve the steady growth, drawing the long-term ideal under Mission Statement (Purpose) for backcasting. In the management vision, we will further promote the sustainability management by solving materialities (important issues) which were identified and set, and aim to improve corporate value of the "Future Hoshizaki" by working together with stakeholders on the value creation process to realize the long-term ideal.

### Input

#### Making Best Use of Advantageous Management Capital

Amid the changes in social issues and business environments, we will aim to realize the value creation process by making best use of management capital (input).

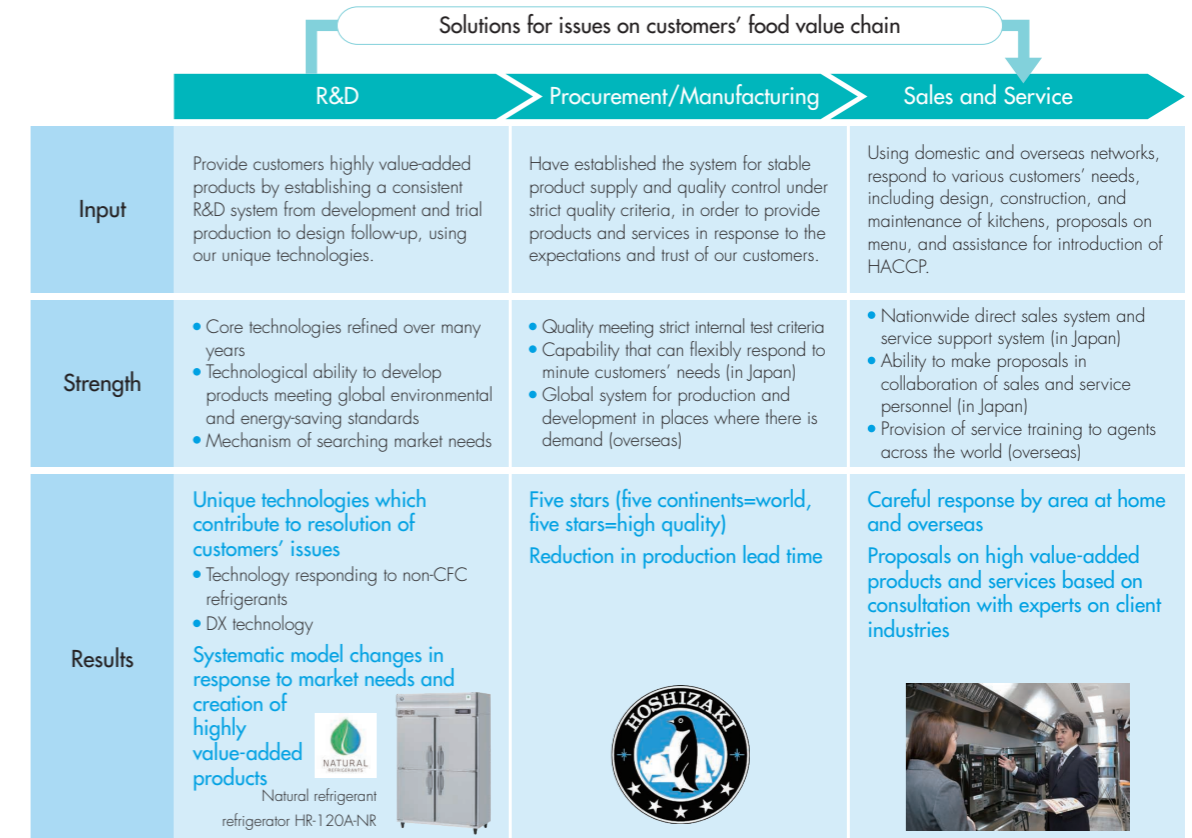
Input	
<b>Financial capital</b>	Net cash of approximately 240,000 million yen: Growth investment for achieving the long-term ideal (including M&A)
<b>Human capital</b>	488 R&D personnel in the world: Promotion of development of new products and new technologies exceeding market needs Approximately 3,100 sales personnel and approximately 2,700 service personnel of sales companies at 15 locations in Japan: New value creation and market cultivation by optimizing sales-service collaboration
<b>Intellectual capital</b>	13 R&D bases: Creation of demands with timely launch of new products and model change, improvement of net sales ratio of new products and changed models
<b>Manufacturing capital</b>	25 production sites in the world: Stable provision of high quality products under the strict quality control system based on 100% inspection
<b>Social capital</b>	Customer bases with approximately 3 million cases supported by high market share, suppliers supporting approximately 6,000 models in Japan: Cooperation with stakeholders, continuing social contribution activities as a member of a local community
<b>Natural capital</b>	Improvement of energy efficiency and restriction of waste emissions and water consumption: Continuing the environmental management, and contributing to customers with a product lineup with lower CO <sub>2</sub> emissions and higher environmental performance

### Business activities

#### Advantageous Value Chain and Strategies

Products handled by the food service equipment industry to which the Hoshizaki Group belongs are diverse, including cooking appliances, heating appliances, rice cookers, washing machines, refrigerators, beverage dispensers, and foodstuff dispensers. In addition, market needs are changing year by year, for example, promotion of hygienic management of kitchens, systematic, advanced, and high quality cooking, and improvement of kitchen environment. In recent years, due to impacts of the COVID-19 pandemic, the needs have been more drastically changing, and new needs have also emerged. Hoshizaki has the largest share in the domestic food service equipment industry, characterized by its direct sales system and business model in collaboration of sales and service. In other countries, competitors are different from domestic ones. However, our strength is stable supply of products through the global manufacturing and sales system, as well as high quality products.

In the business activities, strategies for achieving the five-year management vision are important, which were established in light of domestic and overseas business environments and competitive environment, taking into account Management Philosophy/Hoshizaki-ism (not to be changed), corporate governance (to be revised in accordance with changes), and materiality/sustainability management (risks and opportunities). The cooperative ability of value chain from R&D to procurement/manufacturing, and sales/services is Hoshizaki's strength, leading to solutions for customers' issues on "food."



### Output

#### Economic Value Imaged for FY2026 and Business Value to Aim at

Output derived from business activities includes net sales of 450,000 million yen (including M&A 50,000 million yen), operating profit ratio of 14% or more, and ROE of 12% or more in the fiscal year ending December 31, 2026 as economic value imaged in the five-year management vision.

As measures for returning profits to shareholders, the total return ratio shall be 40% or more, in consideration of cash allocation based on future cash flows from operating activities.

Toward the realization of them, we will push ahead with strategies to increase profitability respectively in the domestic business and the overseas business.

### Outcomes

#### Social Value Created to Be the Best Partner of Customers

We will aim to realize outcomes as social value through the realization of business value.

As the best partner, we will contribute to customers, providing high quality and unique products and services to maximize customer satisfaction. In addition, the improvement of customer value leads to a reduction in food loss and provision of safe and secure food environment.

We will contribute to mitigation of climate change risks and the future of the earth by developing products with higher environmental performance through energy saving and switching to non-CFC/natural refrigerants. The Hoshizaki Group will further reduce CO<sub>2</sub> not only in Scope 1 and 2 but also in Scope 3 including its supply chain in the long term.

In order to achieve those outcomes, it is most important to expand human capital. We will increase employees' job satisfaction, fostering vital corporate culture in which the employees share diverse values, respect each other, and work with pride.

#### Realize the long-term ideal and Mission Statement (Purpose) through the value creation process

After the outcomes, the long-term ideal of the Hoshizaki Group comes next.

"Aiming at the No. 1 in the world by leading in new promising markets and untapped markets and enhancing a sense of presence," and "Contributing to the future of the earth by solving customer's and social issues related to food through provision of products and services," we believe aiming at these will lead to the "Evolving Company" capable of contributing to a society as stated in our Mission Statement.



## Five-year management vision (FY2022 to FY2026)

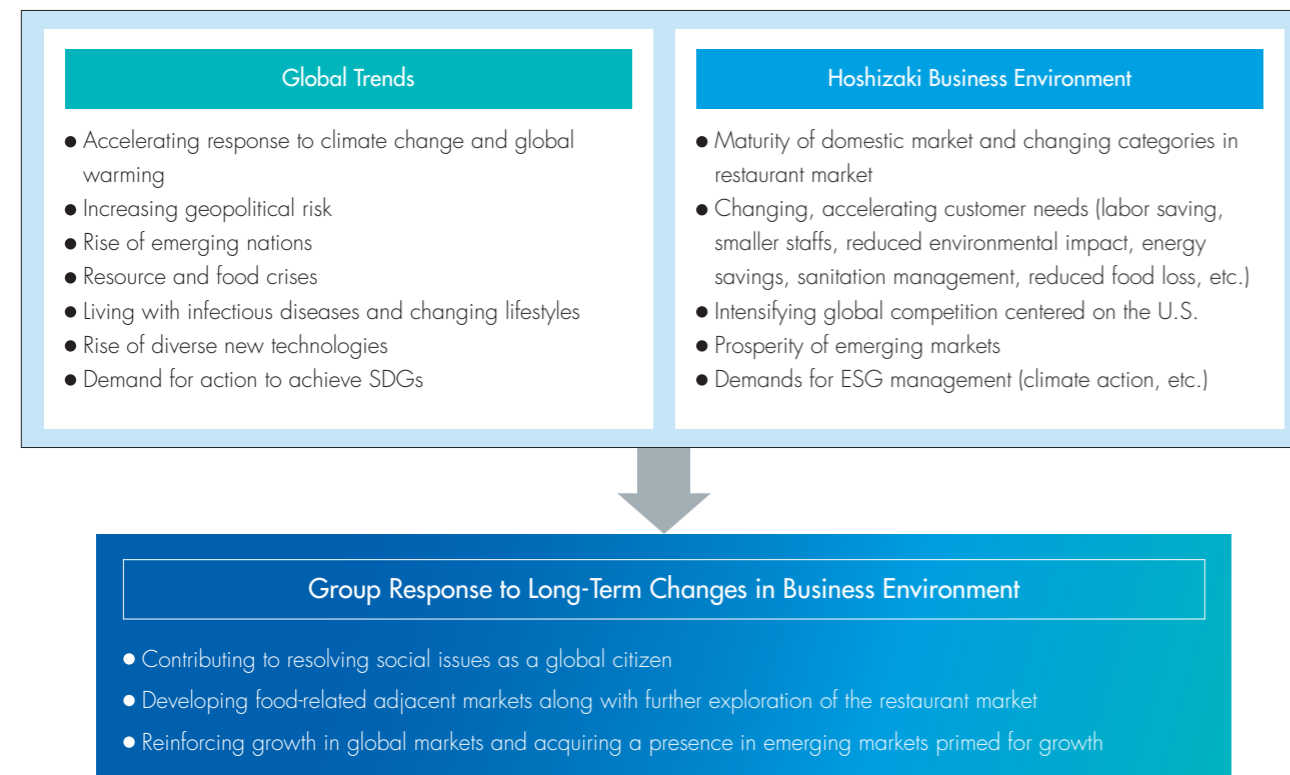
### Medium/Long-Term Industry Environment and Social Issue Assumptions

The global COVID-19 pandemic that began in 2019 together with the accelerating response to climate change and global warming are rapidly changing structural trends at the global level. At the same time, the business environment surrounding the Hoshizaki Group, which targets restaurant and non-restaurant markets domestically and overseas, is also changing greatly. This specifically includes 1) a change in format from eat-in to delivery, 2) an increase in labor-saving and staff-saving demand against a backdrop of workforce shortages, 3) increased needs related to energy savings and reducing environmental impact amid rising environmental awareness worldwide, 4) improved responsiveness to sterilization and hygiene management regulations as represented by HACCP (an internationally recognized approach to hygiene management), and 5) maintaining food ingredient freshness and reducing food loss.

Against this backdrop, in 2022, the Hoshizaki Group announced a five-year management vision (FY2022 to FY2026) and long-term ideal. Going forward, in order to strengthen responsiveness to changes in the business environment from a long-term standpoint, we intend to (1) contribute to resolutions to social issues as a global citizen, (2) develop food-related markets adjacent to the restaurant market ("non-restaurant markets") along with further exploring the restaurant market, and (3) reinforce growth in global markets and establish a presence in emerging markets with growth prospects.

### Business Environment Surrounding the Group

With the world undergoing a major transition, the Hoshizaki Group needs to adapt to long-term changes in the business environment

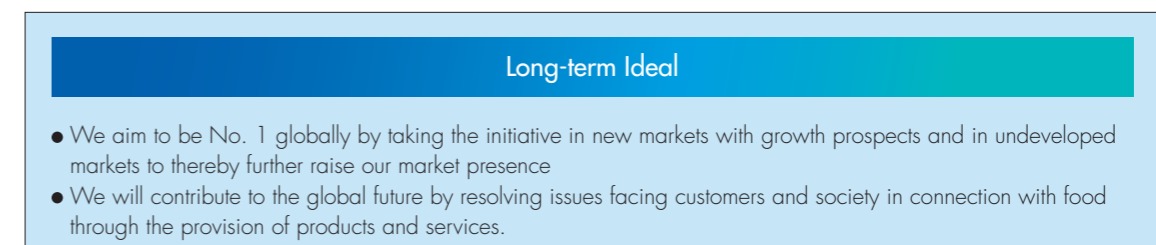


### Long-term Ideal Aspired to by the Hoshizaki Group

The Hoshizaki Group serves customers in the restaurant, food products, and service industries throughout the world, industries essential to people's lives. With the business environment changing substantially due to the global spread of COVID-19, we will stay rooted in our Mission Statement and not be overly swayed by changes in the times or conditions, push forward to realizing our long-term ideal, and work to become the No. 1 food service equipment manufacturer in the world. We will promote a growth strategy both in Japan and overseas while at the same time meeting the needs of customers and resolving social issues to contribute to the global future.

#### Long-term Ideal

With the Mission Statement as its overarching policy, Hoshizaki Group will work to realize its ideal while closely monitoring changes in the business environment over the medium to long term



#### Future Strategic Direction

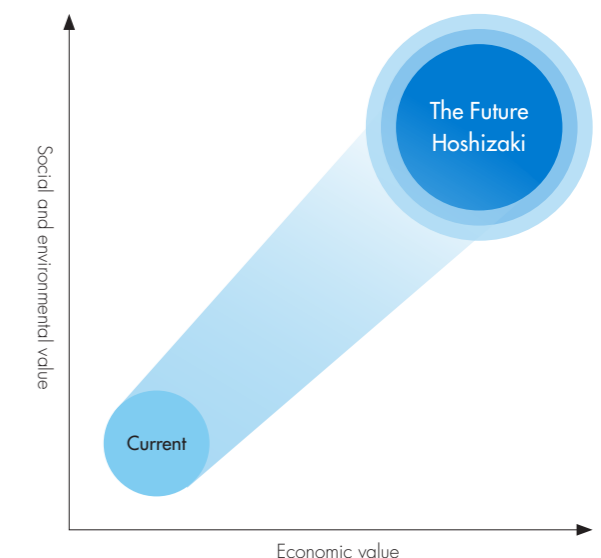
- We will strengthen active initiatives to meet diversifying customer needs and resolve issues as required by society
- We will work to build a global business base and stable revenue base to make possible sustainable growth

#### Direction of Domestic Strategy

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

#### Direction of Overseas Strategy

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



## Five-year management vision (FY2022 to FY2026)

## Numerical Targets of the Five-Year Management Vision

In our five-year management vision, which begins in FY2022, we have set targets for both social and environmental value and economic value. We will work to raise corporate value in a way suitable to the future Hoshizaki by raising social (S) and environmental (E) value through strengthening ESG measures and also raising economic value through concrete, appropriate business strategies, both offensive and defensive, in domestic and overseas markets.

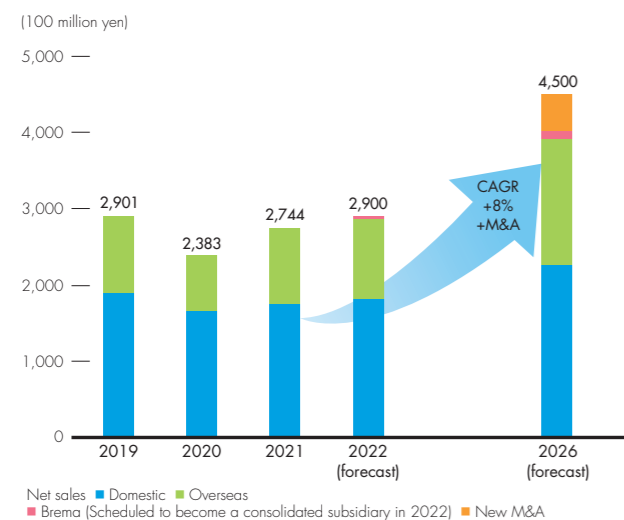
## FY2026 Performance Targets

- Consolidated net sales in the final fiscal year of 450,000 million yen, including M&A effects of 50,000 million yen
- Consolidated operating profit ratio before M&A goodwill amortization of 14% or higher, with operating profit of 63,000 million yen or higher
- Consolidated ROE of 12% or higher
- 5-year cumulative cash flow from operating activities of approximately 170,000 million yen (5-year estimate)
- Total return ratio of 40% or more (dividend payout ratio of 30-40% previously)

## 2026 Sales Target

The Group will work to achieve net sales of 450,000 million yen (including M&A effects of 50,000 million yen) in FY2026 by promoting a growth strategy going forward.

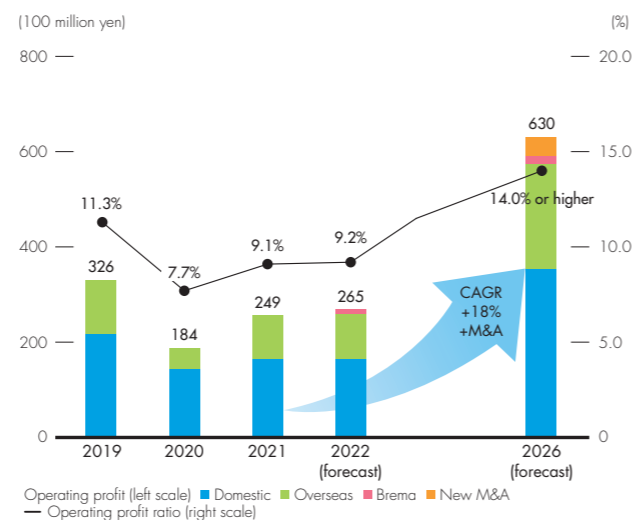
## Consolidated net sales



## 2026 Operating Profit Target

The Group will work to achieve operating profit of 63,000 million yen (before M&A goodwill amortization) in FY2026 by promoting a growth strategy going forward.

## Consolidated operating profit



## Replacement Demand Expected to Emerge with the Launch of Environmentally Friendly Products

The Hoshizaki Group began manufacturing and selling a commercial ice machine that uses a natural refrigerant (propane) in 2009, the first of its kind in the world. In Europe, where environmental awareness is high, environmentally friendly products account for around 80% of ice machine sales. In the Americas and Asia as well, we are further strengthening sales of new products that use natural refrigerants. In Japan as well, in May 2022, we launched sales of a commercial refrigerator that uses natural refrigerants (propane, R290), the first such domestic product to exceed the industry's safety standard. Going forward, as environmental awareness increases, regulations on the production of CFCs are expected to tighten. We have around 3 million customers in Japan that own our refrigerators, and demand for their replacement is expected to emerge.

## Strategy of Growth Through Business Portfolio Reform, DX, and M&amp;A

The Hoshizaki Group created its long-term ideal and five-year management vision to directly address changes in the global business environment prompted by the COVID-19 pandemic, and to realize it, we will work to resolve social issues domestically and overseas and execute the following growth strategy to achieve sustainable growth.

## Domestic Strategy

## Profit ratio improvement to drive profit growth

In Japan, along with further exploring the restaurant market, we will actively develop four sizable non-restaurant markets and work to create new value through use of IoT and raise productivity and administrative efficiency through process visualization. As a result, we are projecting annual growth of 5% in domestic sales and 17% in operating profit to FY2026.

## Overseas Strategy

## Sales growth to drive profit growth

In overseas markets, we will pursue growth opportunities for different areas, products, channels, and customer segments. We will also seek to maximize synergies with acquired companies while working to transfer authority to area heads and accelerate decision-making. As a result, we are targeting 12% annual growth in overseas sales and 21% annual growth in overseas operating profit to FY2026.

## DX Strategy

## Create new value through use of IoT

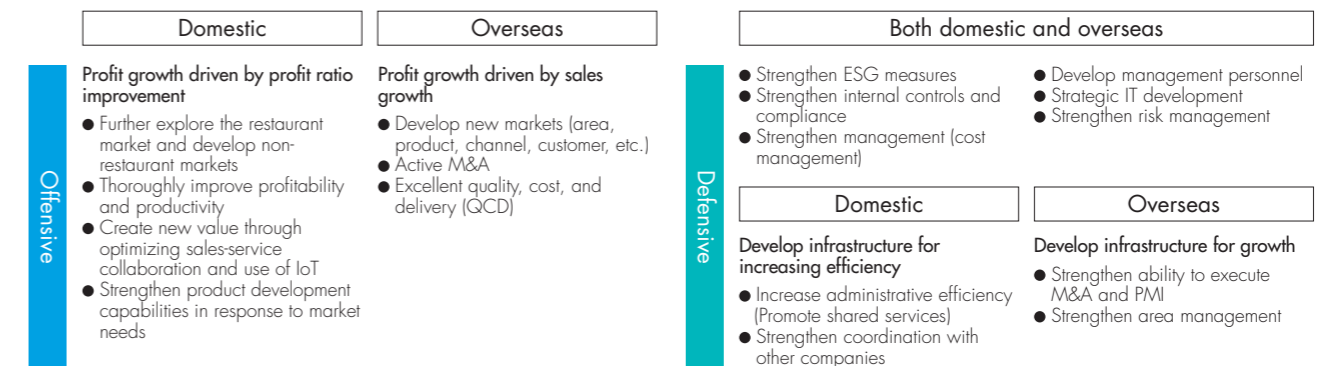
We will seek to create new customer value by linking Hoshizaki with customers through a cloud-based Wi-Fi system to provide remote service for malfunctions and preventive maintenance and also manage and analyze various types of data. In addition, by utilizing IoT and building optimal IT systems, we will work to raise the productivity of various processes at the Group.

## M&amp;A Strategy

**Preparing Strategic Expenditures of Approx. ¥125,000 Million**  
Hoshizaki has so far acquired eight companies. Under our five-year management vision, we have allocated around 125,000 million yen to M&A funds and will consider acquiring companies in emerging markets and high added-value brands in the European and American markets. Through M&A, we are aiming to generate around 50,000 million yen in net sales and around 7,000 million yen in operating profit by FY2026.

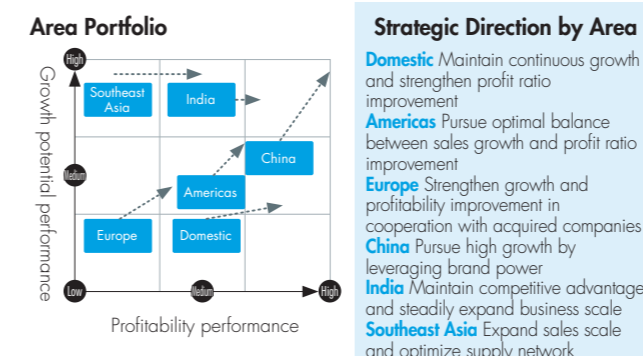
## Summary of Groupwide Growth Strategy

Toward groupwide profit growth, we will focus on raising the profit ratio in Japan and growing sales overseas.



## Groupwide Growth Strategy: Strategy by Area

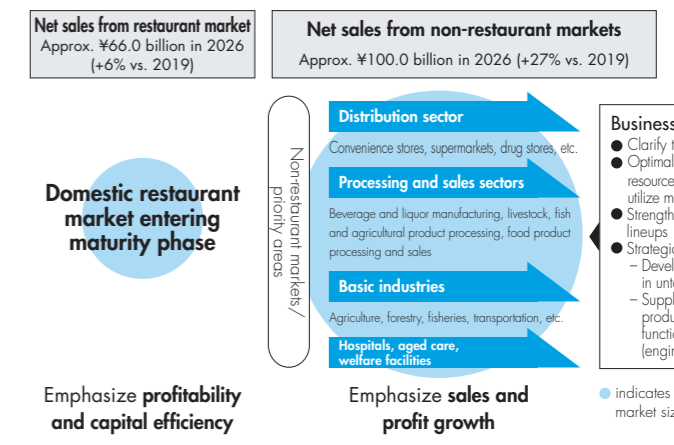
Closely examine the potential for growth and profitability improvement in each area and appropriately commit management resources



\*Growth potential: Pre-pandemic sales growth rate (Low: less than +5%; High: +20% or higher)  
Profitability: Pre-pandemic operating profit ratio (Low: less than 10%; High: 20% or higher)

## Domestic Segment: Develop Non-Restaurant Markets

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





## Value Creation Story of Domestic Business



### We will strive for continuing growth and profit ratio improvement.

Director, Senior Executive Officer in charge of Domestic Sales Department  
**Satoru Maruyama**

#### FY2021 Financial Highlights and FY2022 Forecasts

- Domestic sales increased for the first time in three terms largely on sales of commercial refrigerators
- Domestic operating profit increased for the first time in four terms, and the operating profit ratio was 9.4%
- Sharp increase in raw material prices and supply shortages continued

Domestic sales increased for the first time in three terms, rising 5.5% year on year to 175,200 million yen. In the restaurant market, COVID-19 continued to have an effect, especially on dinner-oriented restaurants, but with eatery restrictions loosened during daytime, the recovery strengthened at lunch-oriented restaurants, and, as a result, sales increased. In non-restaurant markets, sales increased to stores, processing and sales sectors, and the agricultural and fisheries industries. Domestic operating profit increased for the first time in four terms, rising 15.0% year on year to 16,400 million yen (operating profit ratio of 9.4%, up 0.8 percentage points year on year). Though profit was impacted by surging raw material prices and parts shortages, this was absorbed by the increase in sales. For domestic sales in FY2022, we are forecasting an increase of 2.8% to 180,200 million yen. Although quasi-state of emergency measures will continue to have an impact, we will further explore opportunities in the restaurant market and also further develop non-restaurant markets.

#### Outlook for domestic food service equipment market: Need to accelerate strategic development of non-restaurant markets

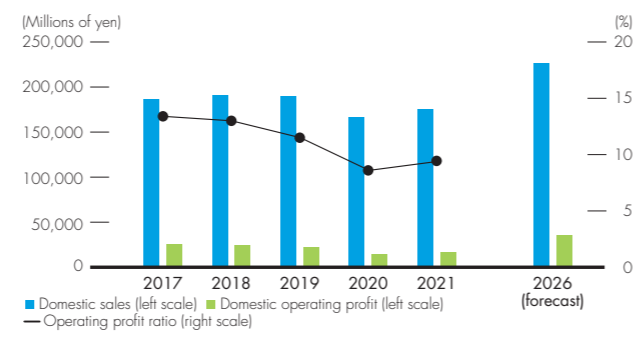
According to information released by the Japan Foodservice Association, the restaurant industry market in Japan is gradually recovering, led by restaurants and lodging facilities. It had expanded for eight consecutive years, from 2011 to 2019, and reached 26 trillion yen, 90% of its all-time peak in 1997. However, since 2020, the market has been significantly affected by the COVID-19 pandemic. The domestic kitchen appliance market was impacted nearly identically, and even if pent-up demand materializes after the pandemic, over the long term, there are concerns that the market will mature as the population declines. The rate of food prepared away from home is peaking out

around 43% (the ratio of the restaurant market in the broad sense to nationwide food and beverage expenditure). Against this backdrop, Hoshizaki will work to capture replacement demand by launching environmentally friendly products on the restaurant market and will focus on improving profitability and capital efficiency by acquiring market share. Domestically, sales in non-restaurant markets, which are thought to be three times the size of the restaurant market, accounted for around 60% of the company's net sales in FY2021, increasing five percentage points over the past five years. We intend to continue actively working to capture demand while focusing on sales growth and profitability.

#### Changes in Domestic Sales and Restaurant Industry Scale



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



#### Domestic Business SWOT Analysis

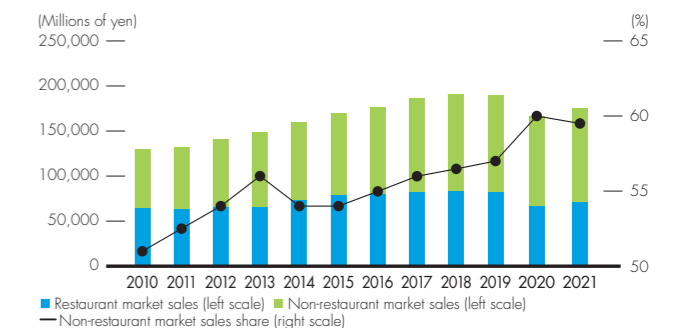
Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Robust direct sales system with 434 sales offices</li> <li>• Product and system proposal ability that surpasses other companies</li> <li>• Service and maintenance system that satisfies customers</li> </ul>	<ul style="list-style-type: none"> <li>• Mobility from separate manufacturing and sales</li> <li>• Customer sales approach dependent on individual ability</li> <li>• Insufficient product lineup for non-restaurant markets</li> </ul>
<ul style="list-style-type: none"> <li>• High growth potential of non-restaurant markets</li> <li>• Enormous replacement demand driven by environmental regulations, such as CFC Emission Control Act</li> <li>• Improvement in business efficiency and productivity from business model reforms</li> </ul>	<ul style="list-style-type: none"> <li>• Prolongation of COVID-19 impact</li> <li>• Intensified competition in non-restaurant markets</li> <li>• Structural contraction of domestic market from population decline</li> </ul>
Opportunities	Threats

#### Five-Year Management Vision FY2026 Targets

- Domestic sales: ¥225.0 billion or higher (CAGR +5% from FY2021)
- Restaurant market sales +6% from FY2019
- Non-restaurant market sales +27% from FY2019

In the domestic business, along with continuing to generate sales, we will focus on improving the profit ratio more than sales and have defined four basic domestic policies for achieving the five-year management vision and creating customer value.

#### Trends in Domestic Restaurant and Non-Restaurant Sales and Non-Restaurant Sales Shares

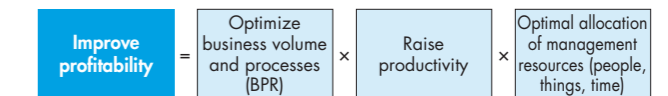


#### 1 Further explore the restaurant market and develop non-restaurant markets

- Strengthen strategy for capturing share in four non-restaurant markets (distribution sector, processing and sales sectors, basic industries, and hospitals, aged care, and welfare facilities)
  - ⇒ Business strategy: Clarify target, optimally deploy resources and efficiently utilize mobility, and strengthen product lineup
- Strategic partnerships (develop customers in untapped markets, supplement product and functions)

#### 2 Thoroughly improve profitability and productivity

- Strategically raise prices
- Reduce cost ratio, work to improve productivity
- Additional structural reforms to improve the SG&A ratio
  - ⇒ Business strategy: Work to resolve priority issues of each function through manufacturing-sales coordination from development to sales



#### 3 Create new value through optimizing sales-service collaboration and use of IoT

- Optimally allocate direct sales, corporate sales, and service resources and strengthen customer response
- Improve profitability by conducting structural reforms through reorganization and thoroughly reviewing administrative costs
- Utilize IT to enhance skills of sales and service personnel and rebuild approach to personnel training
- More advanced customer response and service operations through use of IT
  - ⇒ Business strategy: We will build a cloud-based Wi-Fi system and carry out call center reforms, and, along with creating customer value, through management and utilization of various types of data we will strive to improve the productivity of the Group's business processes.

#### 4 Strengthen product development capabilities in response to market needs

- Shorten lead times for proprietary product development and strengthen strategic coordination with other companies
- Recommit to changing the basic approach of product development from what is makeable to what is sellable

#### Points of focus

#### Business Opportunities and Issues in Non-Restaurant Markets

In non-restaurant markets, we are targeting 1) the distribution sector, which includes convenience stores, supermarkets, and drug stores, 2) various facilities in processing and sales sectors, including beverage and liquor manufacturing, livestock, fishery, and agricultural products, and food product processing, 3) refrigerated warehouses and storage facilities in basic industries like agriculture, fisheries, and transportation, and 4) kitchens at hospitals, aged care, and welfare facilities, etc. Non-restaurant markets are estimated to be three times larger than the restaurant market, but they require solution proposal capability and engineering capability. Non-restaurant market projects involve more outside products that need to be purchased, and this remains an issue, but we will strengthen our product lineup and produce more products in-house that are currently purchased (we have already succeeded in in-house manufacturing of storage facilities with UV sterilization and deck ovens) while also increasing the options available for maintenance and repair contracts, and through this we expect to generate high sales growth and ensure adequate profitability.

## Value Creation Story of Overseas Business



### We will promote business strategies for each area and work for sustainable profit growth

Director, Senior Executive Officer in charge of Global Business Division  
Katsuhiko Kurimoto

#### FY2021 Financial Highlights and FY2022 Forecasts

- Overseas sales in each region increased for the first time in two terms
- Operating profit increased for the first time in two terms, and the operating profit ratio was 9.1%
- Sharp increases in raw material prices, etc. were absorbed by the increase in sales

Overseas sales increased for the first time in two terms, rising by 37.3% year on year to 99,100 million yen. The ratio of overseas sales was a record-high at 36.1%, up 5.8 points year on year. In the Americas, sales increased 31.9% to 60,600 million yen (sales share of 61%), and in Europe and Asia, sales increased 46.8% to 38,500 million yen (sales share of 39%), so there was significant growth. By product, sales of ice machines and refrigerators increased by large margins. Overseas operating profit increased for the first time in two terms, rising 103.1% year on year to 9,000 million yen (operating profit ratio of 9.1%, up 3.0 percentage points year on year). Operating profit was impacted by increases in various costs, but this was more than offset by the increase in sales.

Overseas sales in FY2022 are projected to increase by 10.7% compared to FY2021 to 109,800 million yen (including newly acquired Brema), as markets recover in each country, though parts supply constraints and other risk factors will continue.

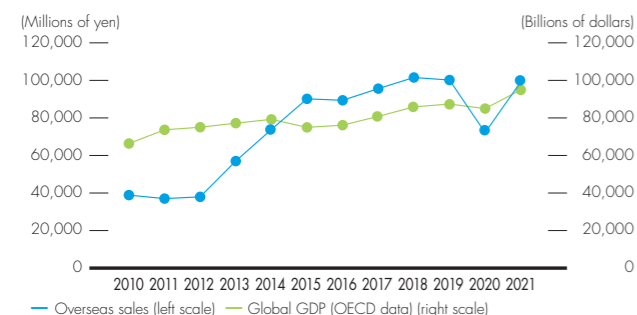
#### Outlook for overseas food service equipment market: Great potential for growth

In overseas markets, high growth is expected to continue against a backdrop of population increases and ongoing urbanization in emerging countries, higher rates of food prepared away from home in developed countries, and other factors. Along with this, automation and labor-saving demand is increasing due to labor shortages, hygiene management is being strengthened including automatic cleaning and antibacterial features, and demand is increasing for environmentally friendly products without CFCs, and against this backdrop, growth is expected to exceed global GDP growth. By area, growth is high in emerging countries such as India, China, and the countries of Southeast Asia. In the

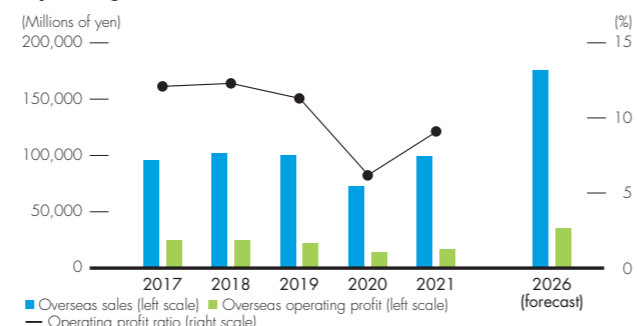
Americas, stable growth is projected, but in the European market, personnel costs are high and countries have differing standards, so issues remain with respect to growth rates and profitability. Hoshizaki has conducted M&A to acquire eight overseas manufacturers\* thus far, and over the next five years, we are aiming to invest around 125,000 million yen in M&A and generate sales of around 50,000 million yen as we seek to secure high growth, including increased market share.

\*Acquired LANCER of the U.S. in 2006; Gram of Denmark in 2008; Western of India, Jackson of the U.S., and Macom of Brazil, in 2013; Zhejiang Iceshare Refrigerating Appliance of China in 2015; and Brema of Italy in 2022. Made Ozti of Turkey an equity-method affiliate in 2019.

#### Changes in Global GDP and Overseas Sales



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



#### Overseas Business SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Strong brand power in major countries of Europe, the Americas, and Asia</li> <li>Top share of the global ice machine market (in 2022 by company estimates)</li> <li>Global manufacturing and sales system</li> </ul>	<ul style="list-style-type: none"> <li>Profitability in Europe region</li> <li>Product lineup in mid-price range (volume zone)</li> </ul>
<ul style="list-style-type: none"> <li>Active pursuit of opportunities in mid-price range (volume zone), which has a large market</li> <li>Cross-selling synergy strategy with acquisitions Ozti and Brema</li> <li>M&amp;A in overseas markets</li> <li>Strengthen maintenance and repair operations in Asia</li> </ul>	<ul style="list-style-type: none"> <li>Intensified competition amid industry reorganization involving North American competitors</li> <li>Economic security risk</li> <li>Sharp increase in parts prices, logistics turmoil, labor shortages</li> </ul>
Opportunities	Threats

#### Five-Year Management Vision Targets and Basic Policies

##### FY2026 Targets (Excluding M&A and Adjustment Items)

- Overseas sales: ¥175.0 billion or higher (CAGR +12% from FY2021)
- M&A effects: sales of around ¥50.0 billion

In the overseas business, we will strongly pursue sales growth opportunities and have defined four basic policies for achieving the five-year management vision and creating customer value.

#### 1 Clarify area strategies

##### <Europe strategy: Sales CAGR of +26% (vs. FY2021)>

##### Sustainable growth by generating synergies with acquired companies and improved profitability by strengthening regional management functions

- Strategy to be No. 1 in ice machines in Europe through synergies with Brema, an ice machine maker recently acquired: the Hoshizaki Group provides high priced products in the U.K., France, Germany, and Northern Europe, but Brema has high name recognition in Southern and Eastern Europe, and the Middle and Near East in the mid-price range, and complementary synergies are possible both geographically and in terms of products.
- Strengthen commercial refrigerator business: Along with the launch of environmentally friendly and energy-saving products, we will also work to strengthen the mid-price range (volume zone) market by augmenting production capacity through Ozti of Turkey, scheduled to be consolidated in the second half of FY2023, establishing a new production plant (production commenced in May 2022).

##### <China strategy: Sales CAGR of +26% (vs. FY2021)>

##### Accelerate growth in line with market potential and work to sell 100,000 ice machines and commercial refrigerators

- Strengthen functions of mainstay high price zone products and pursue mid-price volume zone market: In the high price zone, we will pursue sales through compliance with energy-saving regulations (conversion to natural refrigerants), sanitation functions (automatic cleaning, antibacterial features), and IoT functions, and in the mid-price range, we will strengthen market development by enhancing product lineups, reinforcing customization options, and pursuing a supply strategy.
- Start full kitchen business: We will start a full kitchen business for Japanese and local companies
- M&A and new market development: We will strengthen identification of potential M&A acquisitions and alliance partners, lobbying activities toward government and industry bodies, and our response to e-commerce demand.

##### <Americas strategy: Sales CAGR of +8% (vs. FY2021)>

##### Pursue optimal balance of sales and profit ratio improvement for sustainable profit growth

- Generate synergies through collaboration on functional axes by the four Americas companies and implement measures to reinforce product lineups.
- Escape dependency on major customers through business diversification: We will develop new sales channels for refrigerators and freezers, acquire new customers for dispensers, and strengthen the Hoshizaki brand for dishwashers.
- Expand South American business: Pursue South American market centering on Macom and execute a strategy to be No. 1 in Brazil in ice machines.
- Expand refrigerator and freezer business through M&A: With the environment marked by industry reorganization and intensifying competition, we will plan and carry out strategic M&A to enhance our presence.

#### 2 Strengthen QCD

- High quality is the core of the Hoshizaki brand, and we will steadily reinforce quality through collaboration between Japan and other areas.
- Reduce costs and shorten delivery times through supply chain optimization

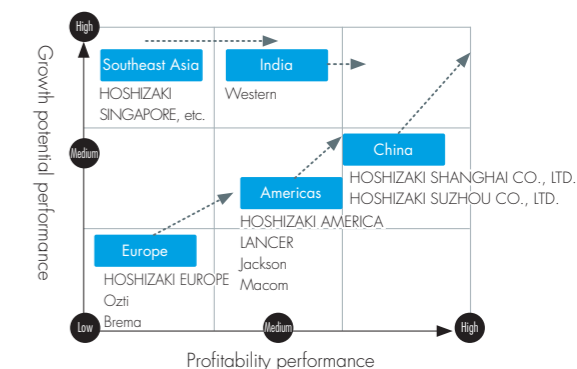
#### 3 Strengthen area management

- Delegate authority to area heads and accelerate decision-making
- Efficient business support from Hoshizaki's head office by strengthening functional axes (across all overseas areas)

#### 4 Strengthen organizational ability related to M&A

- Plan to invest approx. ¥125.0 billion over the next five years; strengthen organizational ability from project development to PMI

#### Area Portfolio



\*Growth potential: Pre-pandemic sales growth rate (Low: less than +5%; High: +20% or higher)  
Profitability: Pre-pandemic operating profit ratio (Low: less than 10%; High: 20% or higher)



## Financial/Capital Strategies



### Aiming for ROE of 12% or higher in FY2026 after increasing growth investment and shareholder returns

Executive Officer in charge of Accounting Department  
Ryuichiro Seki

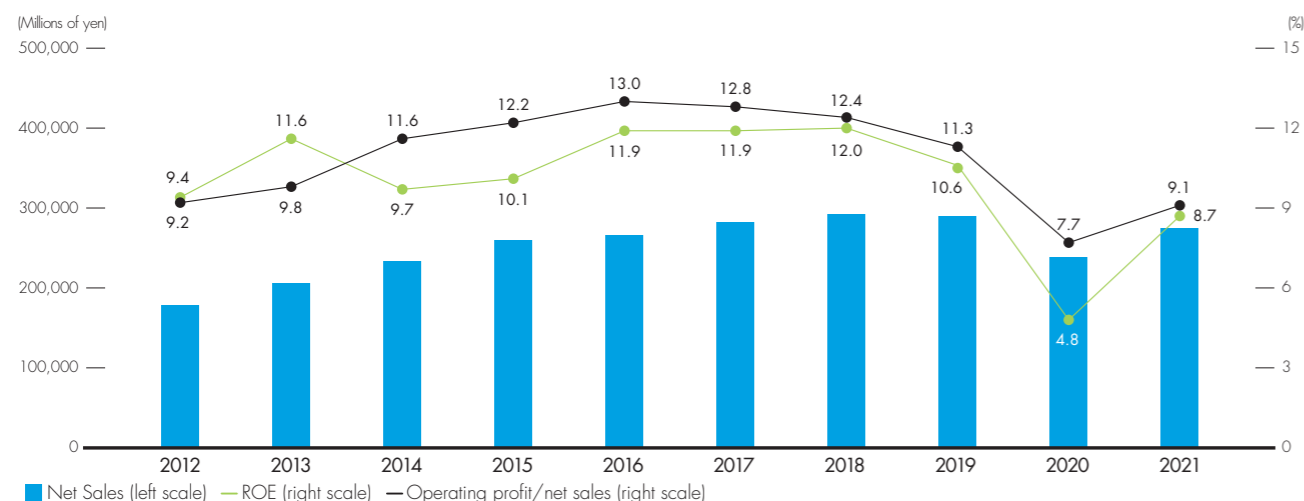
The Hoshizaki Group has stable revenue and financial bases, and partly for this reason we had not presented clear financial and capital strategies to capital markets. However, reviewing our financial situation over the past several years, the margin of decline in operating profit had been substantial since 2019, partly due to the impact of COVID-19, but M&A and other investment for growth also ended at a low level, so coupled with the increase in net assets, there has been a conspicuous decline in ROE, which expresses capital efficiency.

Based on these circumstances, in our five-year management vision covering FY2022 to FY2026, we put emphasis on capital efficiency while also prioritizing growth investment. We will allocate funds necessary to retain talent, which is a business driver, and funds for growth investment, including capital investment and M&A, and if the amount of necessary funds is exceeded, we will consider increasing shareholder returns. Through these initiatives, we are aiming to achieve ROE of 12% or higher in FY2026, the final fiscal year of our five-year management vision.

By increasing the financial spread (ROE minus capital costs\*) and also working to increase social and economic value, focusing on materialities, we believe it will lead to higher corporate value over the medium to long term.

\*Estimated capital costs at around 6-7%

#### Trends in Net Sales, Operating Profit/Net Sales, and ROE



#### 10-Year Financial Analysis Highlights [For more details, see Page 71](#)

The following presents an analysis of the Hoshizaki Group's financial position over the past ten years (FY2012 to FY2021). Regarding consolidated performance to FY2018, revenue and profit both continually increased thanks to a firm domestic restaurant business and proactive expansion of the overseas

business, and we set record highs in sales of 292,700 million yen and in operating profit of 36,400 million yen (with an operating profit ratio of 12.4%). However, since FY2016, there has been slowing in the growth rate, and SG&A expenses have been increasing. Looking at the growth rate in sales, sales

declined in FY2019 for the first time in ten years, due in part to the impact of improper transactions at our domestic distributors. In FY2020, on the impact of the spread of COVID-19, the restaurant industry, our main customer, clearly stagnated, and sales declined substantially, by 17.9% from the previous year.

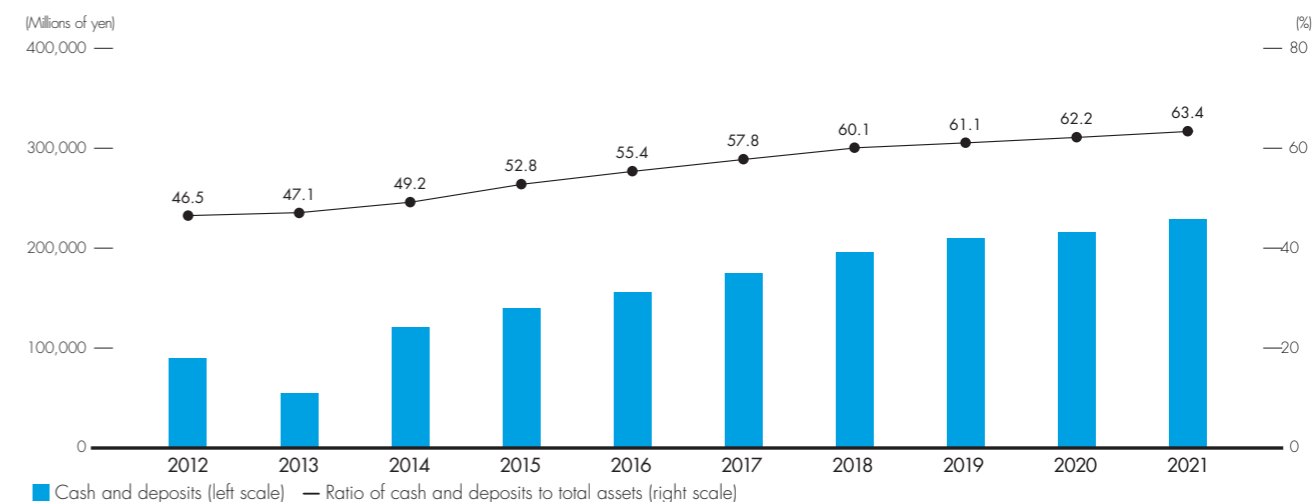
#### Balance sheet and capital efficiency

With the Group's growth, total assets increased from 201,700 million yen at the end of FY2012 to 378,400 million yen at the end of FY2021, and net assets increased from 126,300 million yen at the end of FY2012 to 259,800 million yen at the end of FY2021, so there was over twofold growth. Also, over these past several years, the amount of funds committed to M&A projects, capital investment, and the like was not at all high, so

the balance of cash and deposits at the end of FY2021 increased to 240,700 million yen (from 103,800 million yen at the end of FY2012). As a result, the ratio of cash and deposits to total assets is 63.4%.

The efficiency of capital received from shareholders has declined markedly since FY2019, so improving this is an issue for our financial and capital policy. ROE improved from 9.4% in FY2012 to 12.0% in FY2018, but with the increase in net assets and the rapid decrease in profit, in FY2020 ROE was 4.8%, a decline of 7.2 percentage points in two years. ROE in FY2021 improved to 8.7%, but foreign exchange gains, an item in non-operating income, is included, so this is not a satisfactory level.

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



#### Financial Strategy: Cash Allocation and Portfolio Strategy by Area Over the Next Five Years

##### Approach to cash allocation and capital policy

Cash allocation envisions total cash flows from operating activities over the next five years of around 170,000 million yen, and combined with the balance of cash and deposits at the end of FY2021 of 240,700 million yen, fund allocation comes to over 410,000 million yen. We are planning to allocate around 175,000 million yen for growth investment which is of highest priority, and of this, approximately 50,000 million yen will be capital investments and around 125,000 million yen will go to M&A. Shareholder returns are around 65,000 million yen (whereas 34,800 million yen in the past five years), and we are projecting a balance of cash and deposits at the end of FY2026 of around 170,000 million yen. Growth investment was at a low level over the past several years because there were no large M&A projects. To achieve our sales projection for FY2026 of 450,000 million yen, increasing growth investment will be essential.

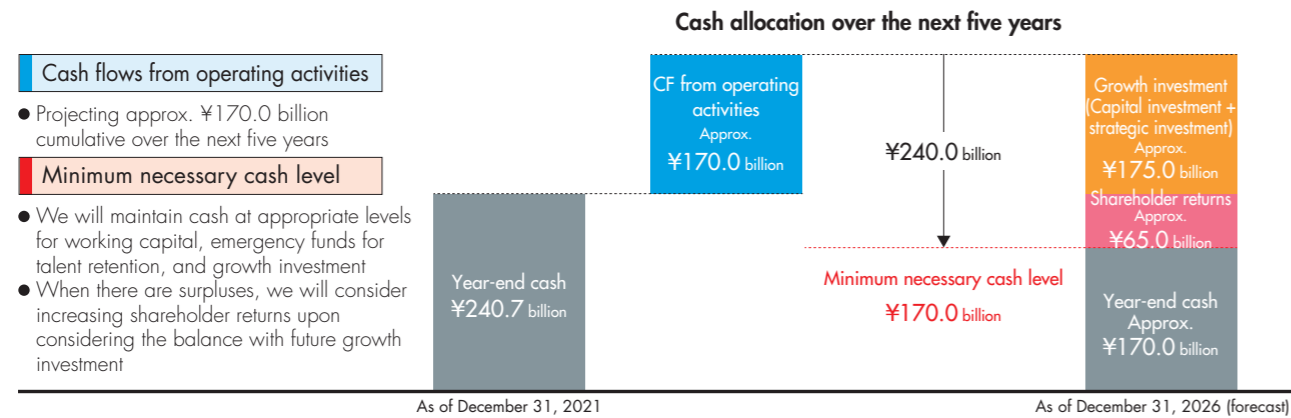
To get ROE to 12% or higher in FY2026, we will need to fully integrate ROE-oriented management throughout the company. Overseas subsidiaries introduced the cash conversion cycle (CCC) in 2021 and it quickly generated results. Putting more emphasis than before on cash flow creation, if we are able to raise ROE to a level that continually exceeds capital costs, it will further raise corporate value.

The assumed capital costs of 6-7%, which is the hurdle rate, are calculated based on the average of the past five years excluding the period of performance decline caused by the COVID-19 pandemic. To raise awareness of capital costs companywide and ensure ROE continually exceeds them, it will naturally be necessary for us to improve the profitability of our main business, but we will also need to be more conscious of capital policy than in the past.

## Financial/Capital Strategies

### Cash allocation over the next five years

We will make active growth investments while maintaining the minimum cash levels necessary to allocate for talent retention, a business driver, and not miss opportunities for M&A and other growth investment and thereby work to achieve our ROE target.



### Portfolio strategy by area

In our portfolio strategy for each area, we will closely examine improvement potential in Japan and five areas overseas and work to invest management resources appropriately based on this. In our mainstay domestic market, growth potential itself is low, but we will work to improve profitability by raising productivities while working to expand in non-restaurant markets. In the Americas, we will optimize the balance between growth and profitability improvement. In Europe, we acquired Ozti, a

Turkish kitchen appliance manufacturer, and Brema, a maker of commercial ice machines based in Italy, and with these companies added to the Group, we believe this is the area with the most room for improvement in the growth rate and profitability. In China, we are projecting high growth by expanding the price range, centering on refrigerators, and, in India, we will work to both expand the scale of the business and improve profitability while maintaining the Hoshizaki Group's competitive advantage.

## Growth Investment: Growth Investment Details and Approach to M&A

The consolidated sales figure of 450,000 million yen we are envisioning for FY2026 includes an M&A contribution of 50,000 million yen, and the organic compound annual growth rate (CAGR) excluding this is +8%. Regarding operating profit of 63,000 million yen as well, its CAGR excluding M&A is +18%, so we will work for both sales growth and profitability improvement.

### Basic plan for growth investment

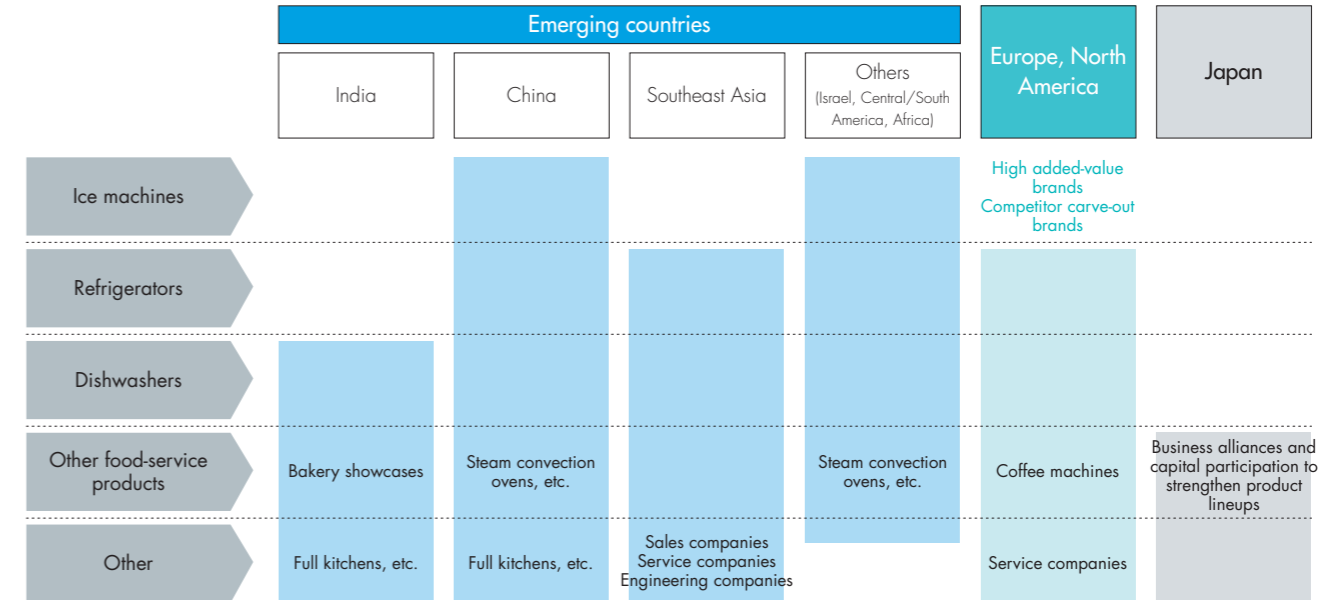
Over the next five years, we are envisioning capital expenditure of 50,000 million yen, of which around 20,000 million yen will be in Japan and around 30,000 million yen overseas. Domestically, we will make active investment in new product development and in strengthening alliances with other companies for further growth in non-restaurant markets and also mainly invest in new technologies geared to further service evolution. Overseas, the plan is primarily to invest in capacity increases to expand production scale and to actively launch new products on the market. We also will work to improve quality, cost, and delivery time, which are connected with our competitive advantage.

### Basic plan for M&A

We are envisioning investing 125,000 million yen in M&A over five years. We plan to strengthen research on 1) profitable companies (operating profit ratio of 10% or higher), 2) companies with excellent executives, 3) companies with which we can expect synergies, 4) companies over a certain size (sales of several billion yen or higher), and 5) companies with a desire for more (not satisfied with the status quo), which are the five basic principles of Hoshizaki Group's approach to M&A. Further, we will not only develop M&A projects but also reinforce our post-merger integration (PMI) ability at the organization level. The main regions for M&A going forward will be emerging countries overseas. For example, in India, the company Western, which develops, manufactures, and sells refrigerators and other appliances was made a subsidiary, and similar to this, we view projects in China as promising, a country with a large market for food service equipment. In these emerging countries, the Hoshizaki Group has a relatively strong presence, and we think we will be able to demonstrate competitive advantages compared to other competing companies. In Europe, North America, and Japan, we will consider business alliances and capital participation aimed at strengthening high added-value brands and product lines where synergies can be expected.

### Priority segments for M&A

In Europe and North America, we will seek to strengthen acquisitions in emerging markets while reinforcing research on high added-value brands.



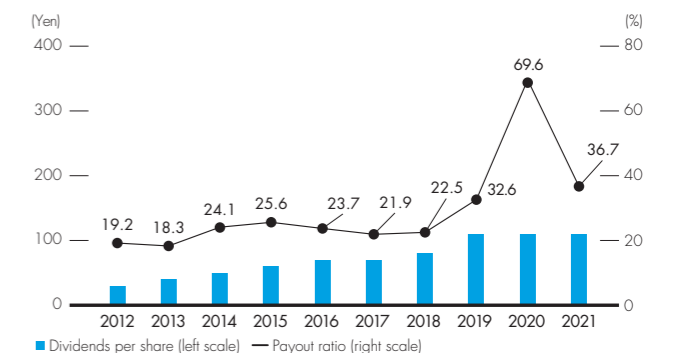
## Capital Strategy: Policy on Shareholder Returns

An important management goal of the Hoshizaki Group is strengthening shareholder returns so that they are unaffected by short-term performance fluctuations while also prioritizing allocations for growth investment and maintaining awareness of capital efficiency.

### New target of a total return ratio of 40% or more

The total return ratio was adopted as a new KPI for shareholder returns in FY2022, and we are targeting a ratio of 40% or higher (payout ratio of 30-40% previously). Regarding acquisition of treasury shares, we will consider and execute the acquisition of treasury stock in an adaptive and flexible manner, after comprehensively considering the stock price level, investment plans, and capital efficiency. In FY2022, we are planning to pay an interim dividend of ¥60 per share (after taking into account the 1:2 stock split on July 1, 2022) and a year-end dividend of ¥30 for an anticipated payout ratio for the year of 46%. In the area of information disclosure, we will enhance non-financial information and utilize engagement through dialogue with stakeholders, beginning with shareholders, to raise management quality and lower capital costs. For shareholders, growth through business activities goes without saying, but we also intend to raise total shareholder return (TSR) by

### Dividends per Share and Payout Ratio



appropriately forming the stock price by maintaining a stable dividend, enhancing information disclosure including ESG and other non-financial information, and working to improve capital efficiency, by including acquisition of treasury shares as an option.

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

	Past 10 years (December 2011 to December 2021)	Past 5 years (December 2016 to December 2021)	Past 3 years (December 2018 to December 2021)	Past 1 year (December 2020 to December 2021)
Hoshizaki	418.8	-1.3	34.4	-7.5
TOPIX	239.8	46.9	43.0	12.7
Machinery Index	260.3	55.3	60.1	8.2



## Human Capital



### With the action guideline stipulated in Hoshizaki·ism, we will realize employees' growth and continuous improvement of corporate value

Director, Senior Executive Officer (in charge of Administration)  
Kyo Yaguchi

#### Basic Policy on Human Capital

In the Hoshizaki Group, each employee is aware of "Hoshizaki·ism" specified as an action guideline. We are striving to improve work environment so that all employees can maximize their individual abilities and be motivated and fulfilled in their work, and to enhance human resource development systems. In 2021, a new global human resource development program was established with the aim of becoming the world's top food service equipment maker. In addition to diversity activities including the promotion of women's participation in society, respect for human rights is stipulated in the "Hoshizaki Compliance Handbook." As a global company operating business in over 60 countries worldwide, we are aiming to improve our corporate value through the growth of employees.



#### Human Capital of the Hoshizaki Group

As of December 31, 2021, the number of employees of 51 consolidated Group companies was 12,923. The breakdown is as follows: 8,660 in Japan (a total 18 companies including HOSHIZAKI CORPORATION and Group companies); 2,374 in the Americas (15 Group companies); and 1,889 in Europe and Asia (18 Group companies).

#### Origin of Strengths

In "Development/Manufacturing," we have been powerfully promoting development of new products and new technologies exceeding market needs, with 488 R&D personnel worldwide (240 in Japan). In "Sales/Service," there are approximately 3,100 sales personnel and approximately 2,700 service personnel at 15 domestic sales companies. By leveraging various information collected by a call center and database of service staff with IoT and DX, we are aiming at higher value-added services. Also, in order to exploit and enhance non-restaurant markets, we will strive to improve engineering abilities to respond to diverse

#### Human capital

- Number of employees: 12,923 on a consolidated basis
- Number of domestic sales and service personnel (sales: approximately 3,100, service: approximately 2,700)
- Next-generation leaders

#### Output

- Improvement of customer satisfaction
- Increase in sales per person
- Diversity in human resource

#### Outcomes

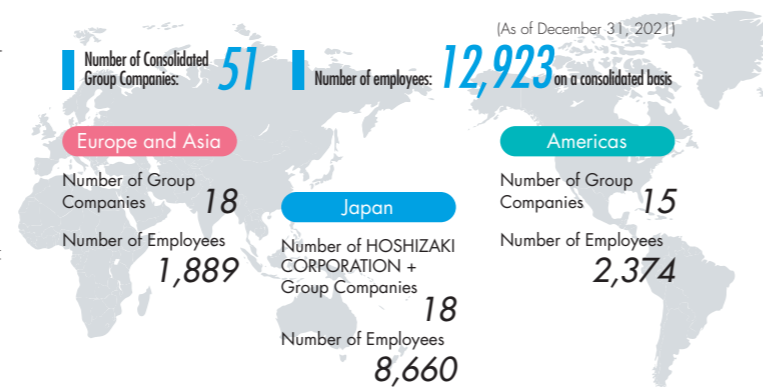
- Employee satisfaction (ES) survey at 40.1 points (out of 55)
- Rate of female employees at 16.7% (rate of female executives at 8.9%)
- Average service years of 18.8 years

customers' needs. The Hoshizaki Group has trained around 600 HACCP-related qualified personnel, and provides customers with hygiene analyses, support for the acquisition of HACCP certification, and support for kitchen design.

#### Development and Strengthening of Professional Human Resources Toward the Realization of the Management Vision

Toward the realization of the management vision and the long-term ideal, "Increasing employees' job satisfaction" is set as one of the important issues (materialities). Hoshizaki is aiming to evolve to have a vital and satisfactory work climate where all employees share diverse values, feel job satisfaction, respect each other, and work with pride. Also, in order to become the world's top maker, we will strive to foster future management executives (management and specialist personnel) of overseas Group companies, by clarifying requirements for global human resources, visualizing such personnel, and actively assigning employees overseas. In addition, we will enhance our organizational abilities which enable early embodiment of more active M&A and PMI after acquisition.

For details of management skill matrix, please see Page 59



## Intellectual Capital



### Development of new products and new technologies will be accelerated to achieve the five-year management vision

Director, Senior Executive Officer (in charge of Research and Development, Manufacturing)  
Yasushi Ieta

#### Basic policy on Intellectual Capital

Under the corporate motto "A company cannot grow without original products," Hoshizaki's Research & Development Center and NESTOR CORPORATION, a subsidiary, are in charge of product development in Japan. HOSHIZAKI AMERICA and LANCER CORPORATION (U.S.) in the Americas, and Hoshizaki Europe B.V. and WESTERN REFRIGERATION PVT. LTD. (India) in Europe and Asia are in charge of the research and development. The Hoshizaki Group has a consistent research and development system from market information gathering to element technology development, trial production, design, and production follow-up. As a company with development ability, our basic policy is to take on a challenge of research and development of new technologies and new products exceeding customers' various needs.

#### Intellectual Capital of the Hoshizaki Group

The Hoshizaki Group has R&D sites in three domestic locations and 10 overseas locations. In FY2021, R&D expenses amounted to 4,400 million yen (3,000 million yen in Japan, 1,000 million yen in the Americas, and 400 million yen in Europe and Asia). We have 488 R&D personnel in the world, as well as a dozen of new product themes (only in Japan) every year.

#### Origin of Strengths

Against a backdrop of responses to climate changes and environmental regulations and increasing needs for energy saving, we have been pushing ahead with enhancement of a lineup of products supporting non-CFC natural refrigerants. 80% or more of units sold in Europe (20% or more in the entire Group) have become products using natural refrigerants (HC). Aiming to establish breakthrough technologies, we add new technologies such as DX and AI to our core technologies (freezing/cooling/heat pump technologies, heating/temperature and humidity control, and washing/hygiene/freshness-keeping technologies), and proactively use open innovations in industry-academia-government collaboration. With a quantitative goal (consolidated gross margin ratio) set for each development theme, we carry out the development, taking into account profitability from the stage of design development.

#### Focusing on Development of New Products and New Technologies that Would Bring in Business Expansion

In order to achieve the five-year management vision, the final

#### Intellectual capital

- 13 R&D sites (3 domestic sites, 10 overseas sites)
- Amount invested in R&D: 4,400 million yen (result in FY2021)
- Number of themes for core technology research: 12 (in Japan)
- Dedicated organizations in terms of both a product development axis and a function axis
- Consistent R&D system from product planning through production

#### Output

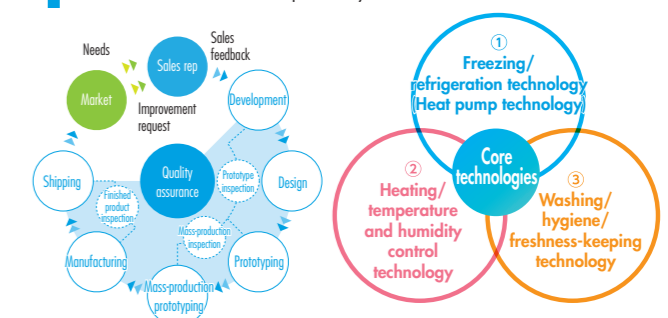
- Resolution of customers' issues
- Contribution to energy conservation and resource saving
- Changes of design to use alternative members
- Evaluation of switch to in-house production
- Value creation with differentiated products
- Realization of stable supply with flexible design

#### Outcomes

- Product lineup including approximately 6,000 models
- Number of themes for launch of new products: 12
- Sales ratio of eco-friendly products: 20% or more
- Total sales ratio of new products and products after model changes: 45%

year of which is FY2026, the strategic themes have been set as follows: 1) creation of demands with timely launch of new products and model changes; 2) enhancement of Hoshizaki's unique core technologies; and 3) support for enhancing technological development functions overseas. We will enhance the creation of demands by launching new products meeting market needs, such as environment, security, hygiene, energy saving, labor saving, and reduction of food loss, as well as model changes (shortening a cycle of model change). In FY2021, total sales ratio of new products and products after model changes reached 45%. We enhance overseas technological development functions while further reducing development lead time, by simplifying development process and strengthening collaboration between departments in order to improve our ability to develop products that can respond to local customers' needs.

#### Hoshizaki's Product Development System



## Manufacturing Capital



### Basic Policy on Manufacturing Capital

The Hoshizaki Group's main production sites are Head Office Factory (Toyoake City) and Shimane Factory in Japan; HOSHIZAKI AMERICA and LANCER CORPORATION (U.S.) in North, Central and South America; HOSHIZAKI EUROPE in Europe; and HOSHIZAKI SUZHOU CO., LTD. in China, with which a global production structure which enables cross-regional supply has been established. Hoshizaki has processing technologies for ice making/refrigeration mechanism of ice machines, as well as its own unique processing technologies. The Company has also introduced systematic production equipment that enables the limited production of diversified products including approximately 6,000 models in Japan, as well as the strict quality inspection process based on 100% inspection. In the manufacturing capital in charge of part of "Development/Manufacturing," one of Hoshizaki's pillars, the basic policy is to supply high quality products meeting all customers' needs in a stable manner, under the founder's belief "Good product comes from a good environment."

### Manufacturing Capital of the Hoshizaki Group

With nine production sites in Japan and 16 sites overseas, the global production system has been established. A number of products are purchased from partner companies. In FY2021, while consolidated production was 136,900 million yen, capital expenditure of 3,700 million yen was implemented. In FY2022, capital expenditure of 9,700 million yen is scheduled, including approximately 1,700 million yen for construction of new factory of WESTERN REFRIGERATION PVT. LTD. in India; approximately 1,700 million yen for IT investment; and investment of approximately 1,200 million yen in HOSHIZAKI AMERICA to enhance its ability. We have planned capital expenditure of approximately 10,000 million yen per year on average over the next five years (approximately 20,000 million yen in total in Japan, and approximately 30,000 million yen in total overseas).

### Origin of Strengths

With the increases in global environmental awareness represented by recent carbon neutrality, as well as needs for energy saving, we have been expanding a lineup of eco-friendly products such as non-CFC ice machines and refrigerators using natural refrigerants, and enhancing sales promotion for such products. Use of eco-friendly substitute materials tends to cause design changes and an increase in costs. Also, in recent years, shortages of ICs, various resin products, and other members are severer. Under such circumstances, we will make efforts for improvement of economic value, restriction of production burdens, and resolution of social issues, by establishing a production system aiming at the introduction of design for easy production, design changes to use alternative materials integrating design, production, and quality assurance, and shorter delivery period in response to customers' needs.

**Under the strict quality criteria with 100% inspection, we have established a stable supply system of original products taking into account resolution of social issues and economic performance.**

#### Manufacturing capital

- 25 production sites (9 domestic sites, 16 overseas sites)
- Capital expenditure: 3,700 million yen (result in FY2021)
- Capital expenditure: 9,700 million yen (forecast for FY2022)

#### Output

- Production amount: 136,900 million yen
- Number of eco-friendly products sold: approximately 190,000 units (composition ratio at 29%)

#### Outcomes

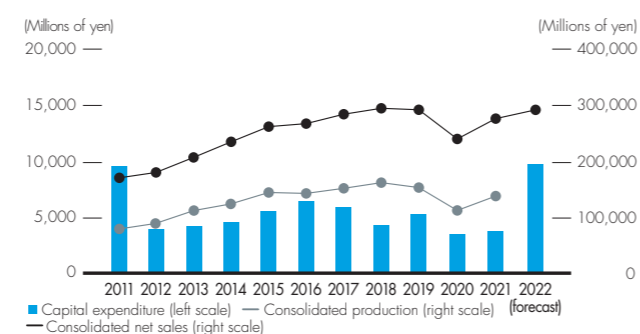
- Realization of limited production of diversified products
- Improvement of work environment
- Eco-friendly production and product lineup
- Waste recycling rate: 99.3%

### Acceleration of Improvement in Productivity Across the World

As a major production site in Europe and Asia, we have HOSHIZAKI SUZHOU CO., LTD. in China. Going forward, we will enhance cooperation with Ozii in Turkey and Western in India which we acquired, and work to optimize production sites and strengthen a supply chain, aiming at cultivation of a mid-price range. In accordance with the five-year management vision, we will horizontally connect functions of respective production sites in the Americas, and Europe and Asia so as to accelerate the improvement of productivity worldwide by improving QCD (Quality, Cost, and Delivery) and joint purchase of various components.



### Capital expenditure, consolidated net sales, and consolidated production



## Social Capital



**As a member of global citizens, we strive to establish trust relationships with customers, suppliers, and local communities.**

### Basic Policy on Social Capital

The Hoshizaki Group was able to mark the 75th anniversary of its foundation, supported by the trust relationships with customers in the food-service industry to which we provide products and services, suppliers playing major roles in the supply chain, and people in local communities. We will aim to be an "Evolving Company" which can contribute to not only customers but also society, meeting the changing needs and demands for diversified "Eating." Toward the achievement of the long-term ideal, the Hoshizaki Group intends to make efforts for realizing a sustainable society and improving its corporate value as a member of global citizens.

### Social Capital of the Hoshizaki Group

We have had robust domestic customer bases with approximately 3 million cases supported by high market share, the cooperative relationship with suppliers who support the limited production of diversified products including approximately 6,000 models in Japan and capture of non-restaurant markets, as well as the trust relationship as a member of local communities.

### Origin of Strengths

Hoshizaki's history is also the history of social contribution activities. Hoshizaki, founded by Shigetoshi Sakamoto in 1947, established "Hoshizaki Scholarship Program" in 1961 out of gratitude for supporters in his hometown. In 1990, the Company established Hoshizaki Green Foundation, and started social contribution activities in full swing. Founding Sakamoto Donation Foundation Corporation (SDF) in 2011, and Hoshizaki Shinsei Foundation in 2018, the Company has conducted social contribution activities. In and after 1991, as human and financial assistances mainly by employees, local contribution activities have been conducted to support communities which have deep relationship with Hoshizaki.

### Communication Methods

Customers	Suppliers	Local Communities
<ul style="list-style-type: none"> <li>• Daily sales activities (ongoing)</li> <li>• Suggestions for comfortable and efficient food environments (ongoing)</li> <li>• Monitoring surveys (ongoing)</li> <li>• Test kitchen seminars (ongoing)</li> <li>• Dialogue during repair visits (as needed)</li> <li>• Customer satisfaction surveys (ongoing)</li> <li>• Various exhibitions (ongoing), Website (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Daily procurement activities (ongoing)</li> <li>• Factory policy information meetings (as needed)</li> <li>• Quality audits (ongoing)</li> <li>• Supplier check list</li> </ul>	<ul style="list-style-type: none"> <li>• Factory tours (ongoing)</li> <li>• Participation in community groups and events (ongoing)</li> <li>• Employee participation in community activities (ongoing)</li> <li>• Donations and customer support in the event of major disasters (as needed)</li> </ul>

#### Social capital

- Robust customer base through the direct sales system and sales activities by offering proposals for resolution of customers' issues
- Strong cooperative relationships with sales companies, agents, and suppliers
- Continuous social contribution activities

#### Output

- Coexistence with local communities
- Realization of an amicable supply chain
- Harmony with natural environment
- Credibility with customers

#### Outcomes

- Realization of stable production
- Eco-friendly corporate structure
- Maintenance of high product quality

### Continuous Contribution to Society

With regard to the relationship with customers, we make efforts for winning their trust, providing high quality products and services, building systems for quality assurance and service/support, and conducting customer satisfaction survey as needed. After the Great East Japan Earthquake, we dispatched our service personnel from all over Japan to disaster-affected areas to provide services free of charge. Like this, Hoshizaki is committed to customers' disaster recovery and reconstruction assistance activities.

Setting "sustainable supply chain management" as one of important issues (materialities), the Hoshizaki Group is aiming at creation of healthy and safe work environment as minimizing wastes, in addition to procurement activities taking into account the environment and human rights. We are fulfilling social responsibilities in procurement activities, as enhancing cooperation with each partner.

In relation to the engagement with local communities, we assist employees' participation in local activities and events, acceptance of facility tours for the purpose of supporting social studies learning of elementary, junior high, and high school students, and self-support activities for people with disabilities, in cooperation with each Group company.



## Materialities Toward Realization of Ideal

In order to realize Mission Statement (Purpose), the Hoshizaki Group has drawn the long-term ideal as paying attention to the medium- and long-term changes in business environment, in the five-year management vision. To achieve the ideal, we believe it is essential to grasp global trends (social issues), identify materialities (important issues) with the conception starting from the future based on management capital, and solve them.

Now, the Hoshizaki Group discussed and considered various social issues with diverse employees, and extracted and designated six materialities, in light of opinions of Outside Directors from outside perspective. Then, taking into account relations with SDGs relevant to them, the Board of Directors evaluated and approved the materialities.

With KPIs (Key Performance Indicators) for the materialities set, all employees of the Hoshizaki Group share the ideal to aim at (outcomes), which would lead to the value creation. For "Response to climate change" and "Increasing employees' job satisfaction," KPIs were set. The scope is going to be expanded to other materialities gradually. In light of the mid- and long-term changes in business environment and engagement with stakeholders, we will keep brushing up the materialities.

### Process of Extracting/Identifying Materialities

<b>Step 1</b>	<b>Extraction of candidate themes of material issues</b>	Extract a candidate theme through reviews of competitors, the industry, and experts, as well as data analysis
<b>Step 2</b>	<b>Evaluation of degree of importance and mapping</b>	Mapping evaluation through evaluations of the Hoshizaki axis (internal document analysis, management hearing, internal workshop) and the stakeholders axis
<b>Step 3</b>	<b>Verification of validity</b>	Through discussion with Outside Directors, verify the properness from outside perspective
<b>Step 4</b>	<b>Internal approval and designation</b>	At Board of Directors meeting, discuss whether to address the material issue to realize the ideal on a priority basis, and then approve and designate it

### Six Materialities, Conducive SDGs, and KPIs

Materiality	Relevance to the ideal	Conducive SDGs	KPI	Related pages
Response to Climate Change	<ul style="list-style-type: none"> <li>In response to the global climate changes, contribute to resolution of environmental issues through provision of comfortable food environment (business)</li> </ul>	 	<ul style="list-style-type: none"> <li>In FY2030, reducing CO<sub>2</sub> emissions from business activities (Scope 1 &amp; 2)* by 50% compared to the level in FY2014 (Result in FY2021: down 22.7%) *Scope: Hoshizaki Head Office Factory and Shimane Factory</li> </ul>	<a href="#">For more details, see Page 41</a>
Sustainable Supply Chain Management	<ul style="list-style-type: none"> <li>With a supply chain taking into account the environment and human rights, minimize waste emissions, and promote healthy and safe working conditions</li> </ul>	   	—	<a href="#">For more details, see Page 49</a>
Creation of New Customer Value	<ul style="list-style-type: none"> <li>Manufacture products flexibly responding to changes and create service business, quickly catching up with changes in environment surrounding customers.</li> </ul>	  	—	<a href="#">For more details, see Page 27</a>
New Proposal for Creation of Secure and Safe Food Environment	<ul style="list-style-type: none"> <li>In response to changes in diversifying food environment, provide safe and secure products and services to help people lead a good life</li> </ul>	 	—	<a href="#">For more details, see Page 47</a>
Increasing Employees' Job Satisfaction	<ul style="list-style-type: none"> <li>Evolve toward the vital workplace culture so that all employees can share diverse values, respect each other, and work with pride.</li> </ul>	 	<ul style="list-style-type: none"> <li>In FY2025, increasing the number of women in positions at or above section manager level by four times (50) of the number in FY2020, and the number of women in positions at or above assistant manager level by one and a half times (300) of the number in FY2020</li> </ul>	<a href="#">For more details, see Page 51</a>
Enhancement of Management Foundation	<ul style="list-style-type: none"> <li>Implement socially reliable management, by enhancing corporate governance and thoroughly complying with laws and regulations.</li> </ul>	 	—	<a href="#">For more details, see Page 57 and 63</a>

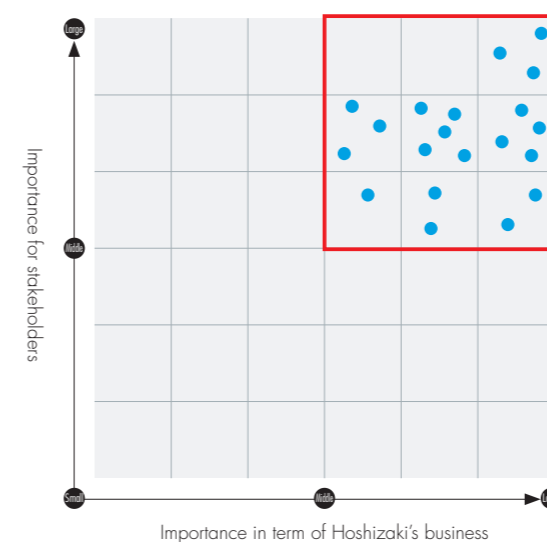
### Relation between the Materiality Map and the Long-term Ideal

Materialities of the Hoshizaki Group are characterized by social issues accounting for a majority of all issues. The business environment surrounding the Hoshizaki Group is at a significant transition stage around the world. If we are late in taking measures for future social issues which are premise of the materialities, it may be difficult to improve our corporate value.

To achieve "Future Hoshizaki," it is necessary to aim to improve not only economic value but social and environmental values. Sharing diverse values and building vital workplace culture would lead to increasing employees' job satisfaction and also the mid- and long-term improvement of corporate value. In addition to business activities more conscious of responding to climate changes, development of products that contribute to a reduction in CO<sub>2</sub> emissions and customer's carbon neutrality is also important.

In relation to the setting of KPIs, as stated in Top Interview, a rise in the ratio of female executives would lead to an increase in diversity, which is considered as positive contribution to future growth of the Hoshizaki Group and achievement of the management vision. Also, we will proactively work on CO<sub>2</sub> emissions from business activities (Scope 1 & 2), and further provide customers products and services which enable the reduction in environmental impacts.

### Materiality Analysis



#### Identify six materialities based on social issues which are important for the Group and its stakeholders

- Response to climate change
- Sustainable supply chain management
- Creation of new customer value
- New proposal for creation of secure and safe food environment
- Increasing employees' job satisfaction
- Enhancement of management foundation

# Initiatives for the Environment

## The Initiatives to Be Enhanced Toward Use of Sustainable Resources

With the “long-term ideal” set in the five-year management vision, the Hoshizaki Group is striving to improve social/environmental value together with economic value, aiming to improve its corporate value toward the “Future Hoshizaki.” In response to the global climate change issue, we will contribute to resolution of the environmental issues through provision of comfortable food environment, extracting and selecting “response to climate change” as a materiality (important issue) toward the realization of sustainable society.

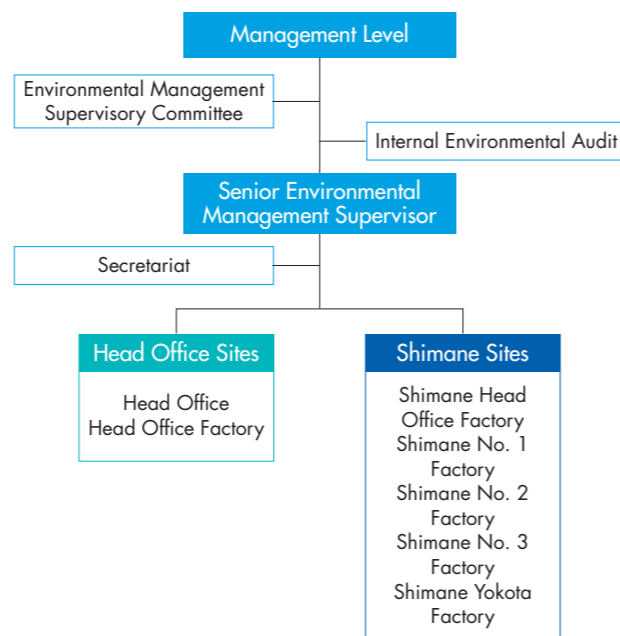
Hoshizaki will promote the business growth and environmental improvement activities, setting the environmental goals under the environmental policy of ISO14001 and the Environmental Management System Promotion Organization Structure. In relation to the climate change issue toward the realization of decarbonized society, we expressed our approval for TCFD in February 2022, and will disclose information in accordance with its framework.

### 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 established a structure to support constant improvement in its environmental management system, which extends to environmental performance, and thereby prevent 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.
  - Reduce energy consumption rate
  - Conserve resources, control generation of waste
  - Reduce impact on environment from transport operations
  - 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 (ISO14001)

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 Kyo Yaguchi, Director, Senior Executive Officer (in charge of Administration) as top management; Shinichi Ochiai, Senior Executive Officer (in charge of Shimane Plant and Plant Manager of Shimane Plant) as management; and Arimitsu Onomura, General Manager of General Affairs Department, as Senior Environmental Management Supervisor. With regard to 1) Energy Conservation, 2) Suppressing Waste Generation, 3) Transport Load Reductions, 4) CFCs, 5) Product Development, 6) Zero-Emissions, and 7) 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

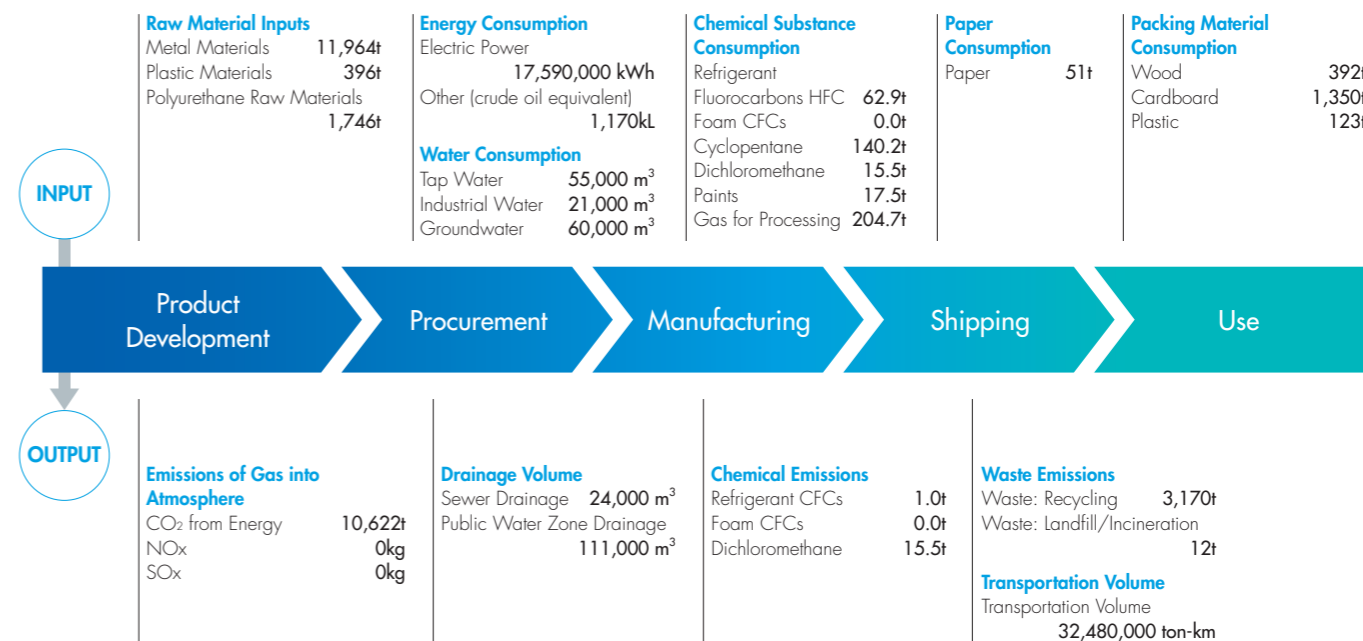
◎: Realized, ▲: Partly Unrealized, ×: Unrealized

	FY2021 Goals	Results	Comments	FY2022 Goals
Energy Conservation	Energy Consumption Rate 2.8% Reduction Compared to FY2013	×	Due to the impact of the spread of COVID-19, we were unable to achieve our goals as a result of a decrease in figures for revenue and added value.	Energy Consumption Rate 1% Reduction Compared to FY2021
Suppressing Waste Generation	Metal Work Scrap Yield Rate Goal Values Set According to Each Department, and Incidence Process	◎	We successfully achieved the target through each department's effort on their own initiatives, in addition to production improvement activities.	Metal Work Scrap Yield Rate Goal Values Set According to Each Department, and Incidence Process
	Plastic Material Work Scrap Yield Rate Goal Values Set by Each Department	×	By product group, we were unable to achieve goals as net sales of products with high yield rates remained on a downward trend.	Plastic Material Work Scrap Yield Rate Goal Values Set by Each Department
	Defective Product Incidence Control Goal Values Set According to Each Department, Incidence Process, and Incidence Cause	◎	We successfully achieved the target by introducing predictive maintenance and accumulating small improvements.	Defective Product Incidence Control Goal Values Set According to Each Department, Incidence Process, and Incidence Cause
Transport Load Reductions	Loading Size (Loading Rate) Improvement Goal Values Set for Each Site	△	At some sites, shipment volumes decreased, so the loading volume per vehicle for transportation also decreased, and we were not able to achieve our goals.	Loading Size (Loading Rate) Improvement Goal Values Set for Each Site
CFCs	Research Aimed at Changing to Low-GWP[*] Refrigerants	◎	Implementation complete.	Research Aimed at Changing to Low-GWP[*] Refrigerants
Product Development	Further Energy Saving in Refrigerators	◎	We were able to achieve further energy savings by changing the control of the built-in fan motor, adopting a highly energy-saving refrigerant compressor, and reviewing the amount of refrigerants.	Set Goals Including Model Changes to Some Products
Zero Emissions	Achievement of Zero Emissions (Recycling Rate of 99.0% or More at Each Site)	◎	Both the Head Office site and the Shimane site were able to achieve a recycling rate of 99.0% or greater.	Achievement of Zero Emissions (Recycling Rate of 99.0% or More at Each Site)
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

\*Low global warming potential (GWP). The GWP is a number that shows how much warming potential a greenhouse gas has relative to carbon dioxide. Applies to 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), saving energy, and curbing generation of wastes. Going forward, we will push ahead with internal initiatives so that the Hoshizaki Group can disclose and formulate environmental data and goals.

### Materials Flow



Applies to Hoshizaki Head Office Factory and Shimane Factory.



Initiatives for the Environment

Initiatives to Reduce 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 CO<sub>2</sub> emissions from sources of energy for its business activities while complying with environmental regulations of each country. For customers, we have proactively developed and sold environmentally friendly products, by improving energy-saving performance, and not using CFCs. In FY2021, despite the above initiatives, Hoshizaki's CO<sub>2</sub> emissions (Scope 1 & 2) was 10,622 t-CO<sub>2</sub> (up 1% from FY2020), due to the increased production volume. However, the energy consumption rate for net sales was down 4.2%, decreasing at an accelerated pace. Globally, two Hoshizaki Group factories in Europe are using renewable energy, promoting initiatives for reducing environmental impacts.

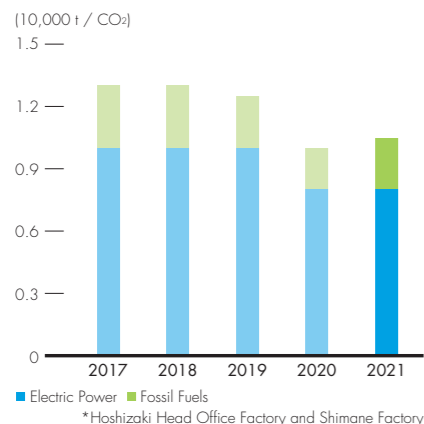
Initiatives for Development of Products with Higher Environmental Performance

The Hoshizaki Group has been proactively developing products with higher environmental performance, working on reductions of greenhouse gas emissions, power consumption, and hazardous substances contained in products, as well as use of non-CFC refrigerants and foaming agent. In Japan, some food service equipment has been designated as specific equipment under Top Runner Program Standards which requires manufacturers to develop products exceeding the highest level of energy efficiency achieved by products currently brought to market. Hoshizaki has realized energy-saving performance exceeding these standards and marketing ahead of the target fiscal year. In the Americas, HOSHIZAKI AMERICA has received the "Partner of the Year – Product Brand Owner" for ten consecutive years, recognized for an expansion of the lineup of the environment-conscious commercial refrigerator "Steelheart" series that suppresses greenhouse gas emissions and the energy-saving ice machine "KMEge X" series that suppresses power consumption, as well as its proactive environmental conservation activities for the local community. In addition, the Company has received the highest award "Partner of the Year – Sustained Excellence" for seven consecutive years, having been selected from companies that have won the "Partner of the Year – Product Brand Owner" for multiple years in a row. In Europe, we are expanding the lineup of non-CFC products that use the natural refrigerant propane (R290), in response to F-Gas Regulations and rising demand for non-CFC. In 2021, we launched the Sushi Showcase using natural refrigerant (propane).

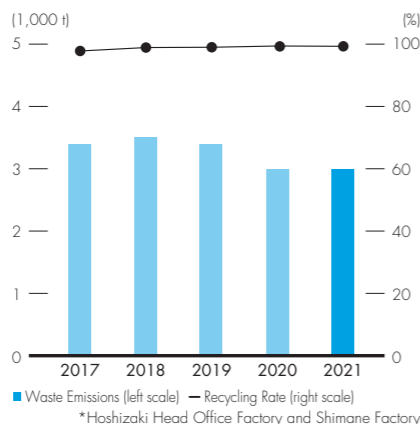
Initiatives for Suppressing Waste Generation and Protecting Water Resources

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, the Head Office Factory and Shimane Factory 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 tap water, industrial water, and groundwater.

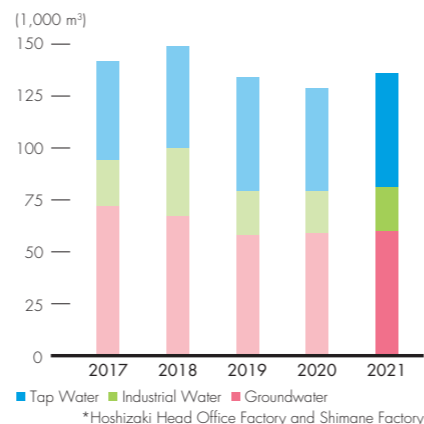
Changes in Electric Power/ Fossil-Fuel CO<sub>2</sub> Emissions



Changes in Waste Emissions



Changes in Water Consumption



Response to Climate Change



Information Disclosure Based on TCFD Framework



As climate changes have 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 at which the Paris Agreement is aiming, Hoshizaki will aim at a 50% reduction (compared to the result in 2014) in CO<sub>2</sub> emissions from business activities (Scope 1 & 2) as an interim goal for 2030. Furthermore, 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. Expressing our agreement on TCFD Recommendations in February 2022, we have been proceeding with information disclosure based on TCFD framework for the purpose of good communication with shareholders, investors, and other various stakeholders.

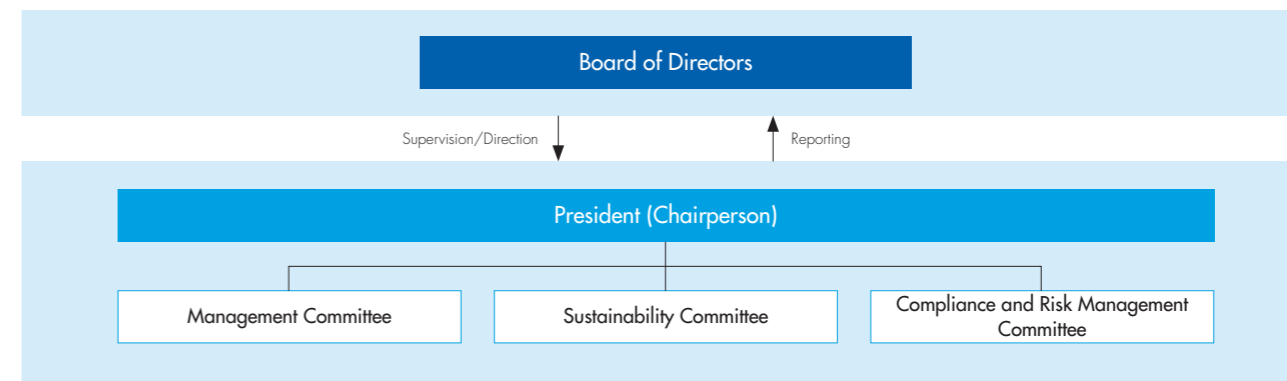
Progress of Initiatives for Four Items Recommended by TCFD (as of June 30, 2022)

Hoshizaki's Initiatives	
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Manage the climate change issue at management level with the Sustainability Committee established and chaired by Representative Director, President &amp; COO</li> <li>• Deliberate to determine investments related to decarbonization</li> <li>• Promote priority measures and action plans formulated by the Sustainability Committee across the Company, and report the progress to the Board of Directors</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>• Develop the five-year management vision which clarifies measures for social issues including responses to the decarbonization</li> <li>• Identify risks and opportunities through the scenario analysis in consideration of 2°C and 4°C Scenarios</li> <li>• Analyze impacts of the risks and the opportunities on business and finance</li> </ul>
<b>Risk management</b>	<ul style="list-style-type: none"> <li>• Manage risks with material impacts on business results as a priority management risk with the Sustainability Committee established</li> <li>• Determine appropriate measures from a viewpoint of the Company-wide risk management, sharing risk information with the Compliance and Risk Management Committee</li> </ul>
<b>Indicators and targets</b>	<ul style="list-style-type: none"> <li>• Verify CO<sub>2</sub> emissions of HOSHIZAKI CORPORATION (Scope 1 &amp; 2)</li> <li>• Set interim targets for 2030 and establish action plans</li> <li>&lt;Result in 2021&gt; • CO<sub>2</sub> emission (Scope 1 &amp; 2): 10,622 t-CO<sub>2</sub></li> <li>&lt;Target for 2030&gt; • CO<sub>2</sub> emission (Scope 1 &amp; 2): 6,874 t-CO<sub>2</sub> (down 50% compared to the result in 2014)</li> <li>&lt;Target for 2050&gt; • Aim at net zero CO<sub>2</sub> emission from business activities (Scope 1 &amp; 2)</li> </ul>

Governance

Sustainability Promotion System

Hoshizaki established the Sustainability Committee as an organization for promoting measures for social and environmental general issues including responses to climate changes. The Committee has in place a system to consider and discuss sustainability issues in a cross-sectional manner, with managers of business departments added depending on themes to discuss.



The Sustainability Committee is quarterly held. Business risks related to climate changes are shared with the Compliance and Risk Management Committee and reported to the Board of Directors as needed.

## Response to Climate Change

## Strategy

## Scenario Analysis for Climate Changes

Hoshizaki has implemented the scenario analysis toward 2030 and 2050, assuming 2°C and 4°C temperature zones as scenarios of future temperature rise.

## References/Scenarios

- World Bank "State and Trends of Carbon Pricing 2021"
- IEA "World Energy Outlook 2020," STEPS (current policy scenario), SDS (Sustainable Development Scenario)
- IPCC AR5, RCP2.6 (2°C Scenario), RCP8.5 (4°C Scenario)

## Risks and Opportunities Related to Climate Changes in 2°C/4°C Scenarios

Evaluation of financial impacts of risks and opportunities related to climate changes based on the scenario analysis is as follows.

	Risk	Financial impact	Opportunity	Financial impact
2°C Scenario (On the assumption of the advance in low-carbon society)	A rise in raw materials procurement costs	Large	Expansion in demand for replacement with natural refrigerants and carbon-free products	Large
	Increase in burdens of R&D costs and capital investment due to response to stricter regulations on refrigerants and further decarbonization of products	Middle	Increase in demand for food refrigeration and edible and commercial ice due to temperature rise	Middle
	Increase in procurement costs of renewable energy and alternative fuels	Small	Increase in demand for energy-saving products	Middle
			Increase in demand for monitoring of flammable gas leak and inspection service at customers, due to use of flammable natural refrigerants	Small
4°C Scenario (On the assumption that low-carbon society is not promoted)	Shrinking of the restaurant market due to fierce heat and the spread of infectious diseases	Middle	Increase in demand for food refrigeration and edible and commercial ice due to temperature rise	Large
	Rise in raw materials procurement costs due to disruption of supply chain	Small	Increase in demand for sanitary products	Middle
	Increase in costs for BCP measures	Small	Increase in demand for automatic kitchen, remote operation/support due to deterioration of kitchen environment caused by fierce heat, and labor shortage	Middle
			Increase in demand for product maintenance due to disasters and other factors	Middle

The degree of financial impacts is graded on three levels, Large, Middle, and Small, according to possibility of risks and opportunities surfacing, as well as impacts on revenue during a period.

## Response to Stricter Regulations on Refrigerants and Development of Products Free from Greenhouse Gas

Regulations on refrigerants and foaming agents which emit greenhouse gas (GHG) are being tightened. In Europe, the sale of commercial refrigerator-freezers using HCFC refrigerants (GWP over 150) was banned in 2022, and, at the same time, total volume control for HCFC was introduced. We expect demand for non-CFC products to increase also in Japan.

In 2009, the Hoshizaki Group commenced the manufacture and sale of the world's first commercial ice machines that use propane (R290), a natural refrigerant, early responding to tightened regulations in Europe. We will further promote technological development, and expand a lineup of products free from greenhouse gas.

## Hoshizaki's Lineup of Refrigerants/Foaming Agents (as of December 2021)

Type	Name	Ozone layer	Global Warming Potential (GWP)	Regulation	Refrigerants (Domestic)	Refrigerants (Overseas)	Foaming agent (Domestic)	Foaming agent (Overseas)
CFCs	CFC	Destructive	High	Total ban				
CFCs	HCFC	Not so destructive	High	Ban in principle				
Alternative to CFCs	HFC	No impact	High	Regulated overseas	○	○	○	○
Non-CFC	HFO	No impact	Very low				○	○
Non-CFC	Cyclopentane	No impact	Very low				○	○
Non-CFC	Natural refrigerant (HC)	No impact	Very low		○	○		

Natural refrigerants are considered not to affect the environment if vented to atmosphere. This is because a substance which exist in nature is used as refrigerant as is, ozone depletion potential is zero, and GWP is extremely low. Meanwhile, among natural refrigerants, a type of refrigerant called HC is flammable with possibility of burning and explosion due to leak of refrigerants. Therefore, it is required to ensure safety.

HC refrigerant used by Hoshizaki: isobutane (R600a), propane (R290)

## Risk Management

The Sustainability Committee conducts planning/formulation and management related to climate changes, promoting the Company-wide measures for climate changes.

The Sustainability Committee evaluates, discriminates, and manages impacts of climate changes on the Company. The Committee is responsible for integrating the identified impacts of climate changes in the Company-wide risks by sharing information with the Compliance and Risk Management Committee as needed.

The Sustainability Committee deliberates and evaluates impacts of climate changes and their countermeasures. The Committee sets a policy to take measures for minimizing sustainability risks including climate changes, formulates priority measures and targets, and develops action plans.

The Compliance and Risk Management Committee is periodically held, evaluates contents of reports and recommendations, and determines appropriate measures from a viewpoint of the Company-wide risk management.

The Board of Directors receives reports on situation and measures for risk management related to climate changes from the Sustainability Committee and the Compliance and Risk Management Committee, and supervises them.

## Indicators and Targets

Setting the target of reducing CO<sub>2</sub> emission from business activities (Scope 1 & 2) to net zero by 2050, the Hoshizaki Group is promoting thorough energy-saving activities and proactive utilization of renewable energy.

Changes in CO<sub>2</sub> Emissions (2013 to 2021, t-CO<sub>2</sub>)

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Scope 1	2,819	2,855	2,776	2,644	2,691	2,688	2,566	2,250	2,543
Scope 2	9,702	10,894	10,693	10,584	10,820	10,757	9,738	8,260	8,079
Scope 1 & 2	12,521	13,749	13,469	13,228	13,511	13,445	12,304	10,510	10,622

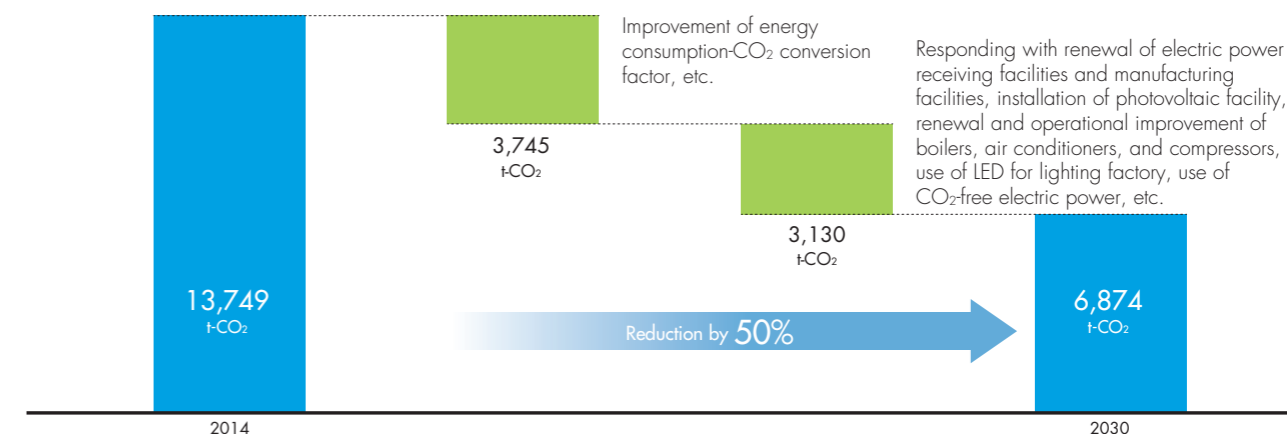
Interim (2030) target to reduce  
CO<sub>2</sub> emission (Scope 1 & 2)

CO<sub>2</sub> emission  
in 2030

**6,874 t-CO<sub>2</sub>** (down 50% compared to the result in 2014)

<Verified organizations: HOSHIZAKI CORPORATION, Head Office Factory, and Shimane Factory>

## Road Map Toward Achievement of Targets





# Hoshizaki Group's Approach to Sustainability

## Working Hand-in-Hand with Stakeholders to Build a Prosperous Society

We, 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 changing public expectations and take the lead in contributing to a bright and prosperous future, we will create an environment where a diverse range of people can thrive and succeed, in order to drive innovation. We are also committed to working with all stakeholders to achieve society's sustainable development by ensuring respect for human rights and fair business practices throughout our value chain.

### Pursuit of Customer Satisfaction



In developed countries, a major shift is taking place 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. In the pursuit of customer satisfaction, it is essential to put ourselves in our customers' shoes and listen to each of them. The Hoshizaki Group supports diverse customer needs, from kitchen design, construction, and maintenance to menu ideas and support for Hazard Analysis Critical Control Point (HACCP) certification, through an employee base of about 5,850 people across a domestic network comprising 15 distributors and 434 sales offices. Domestic operations are complemented by an overseas network of 34 companies that underpins support for major Japanese restaurant chains opening locations abroad.

### Basic Policy on Sales Activities

#### Principle of Customer First

Sales representatives do more than just sell products. They act as advisors and always take a customer's perspective in presenting products and services. With this in mind, dialogue becomes absolutely essential in daily sales activities, and sales representatives lend a ready ear to any and all comments.

#### Comprehensive Solutions for Comfortable Environments

Sales representatives offer comprehensive solutions to achieve a comfortable environment, from store layout to menu structure, with plans matched to customer requirements.

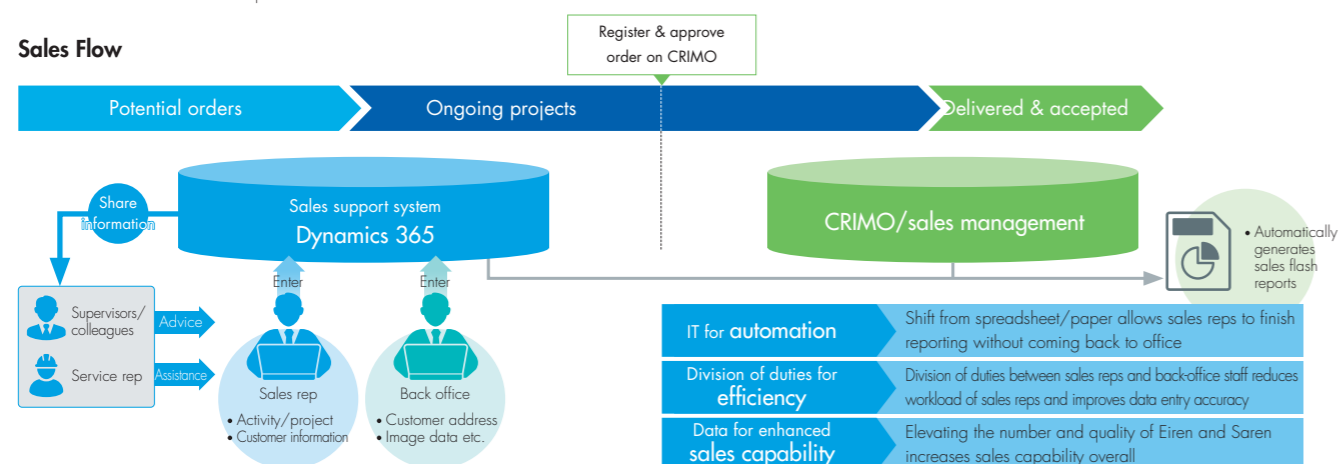
### Sales Structure

A strong network of 15 distributors operating 434 sales offices nationwide enables distributors and their sales offices to engage in proposal-style sales geared to regional needs and respond quickly to customer-specific maintenance requests. A major feature of the Hoshizaki Group is its business model—a structure that hinges on collaboration between Hoshizaki, which is responsible for product development and manufacturing, and its distributors, which are responsible for sales and after-sales services, and thereby integrate manufacturing and sales activities. At distributors, sales and service staff work in pairs to ensure that products and services that better match customer needs are provided.

#### Unified Customer Data Management with the Dynamics 365 System

The sales support system Dynamics 365 was introduced in December 2020 as a unified information platform for sales activities in the Hoshizaki Group. Linked with CRIMO, the sales management system that has been in operation for some time, it allows us to centrally manage information on sales activities, including that concerning potential customers, thereby enhancing prompt response and close interaction with customers (Eiren and Saren\*).

\*Eiren: To use customer information obtained through service, maintenance, and inspection as input for subsequent sales activities  
\*Saren: To use sales information as input for service activities



### Service and Support System

Approximately 2,700 service representatives in Japan provide maintenance for all products delivered to customer kitchens, whether those products are Hoshizaki-brand products or products made by other companies, and repair data is compiled so that service representatives can provide suggestions on trimming costs and the best time to upgrade equipment. In addition, through regular visits according to maintenance contracts that many of our customers enter, service representatives take a photo of the condition of equipment used in customer kitchens and turn that into a reference list that guides advice on equipment use in order to prevent damage to the equipment and support systematic upgrades.

Customer feedback received during visits by service representatives is fed back to our sales and product development teams, and reflected in future product proposals and development. We have also set up a call center as an access point to equipment maintenance and repair for specific customers, to create a service system for round-the-clock inquiry 365 days a year and same-day responses.

### Kitchen Design and Construction

We have approximately 150 designers in Japan who plan out more than 18,000 kitchen projects each year. We propose kitchen plans of high added value combining our products with the products of other companies to create high-value-added kitchens and then present the designs using 3D imaging so that customers can intuitively see how their kitchens will look and operate. The success of this approach is substantiated by complete installation of some 5,300 kitchens, on an annual basis, for a range of customers, including foreign-owned five-star hotels, hospitals with more than 1,000 beds, company cafeterias, and foreign restaurant chains entering the Japanese market. Hoshizaki's presence extends beyond kitchens, with involvement in the design and installation of large facilities that support the cold chain, including processing rooms in food processing plants, cleanrooms and refrigerators in food warehouses, and refrigerators at fruit and vegetable markets.

### Extensive Customer Support

We are actively supporting our customers in improving productivity, reducing food loss, and adopting HACCP (a global standard for food safety management). More than 600 employees of ours with HACCP-related qualifications provide customers with hygiene analyses, support for acquiring HACCP certification, and support for HACCP-based kitchen design. In addition to supplying various equipment for hygiene management, we offer one-stop support for customers implementing HACCP from the aspects of both equipment and expertise.

More than 120 food advisors nationwide as well as corporate chefs with experience working in luxury hotels run food seminars at approximately 60 test kitchens in Japan. They also help develop recipes and support hygiene control. The test kitchens also generate meal solutions that address social issues, such as the aging population and inherent challenges with eating as people get older. This includes dishes for people who have difficulty swallowing, soft-textured foods, and foods with the consistency of jelly. We share these examples with distributors across Japan and roll them out laterally, responding to our customers' issues in each region.

### Participating in Exhibitions

In 2021, the Hoshizaki Group participated in four general exhibitions seeking expanded opportunities for contact with new customers, where it showcased its food technologies and presented new proposals on services, while taking all possible measures to prevent infection.

#### Participation in Exhibitions (2021)

Event name	Target sectors	Period	Venue	Hoshizaki's exhibit concept	Visitors to Hoshizaki's booth
HCJ 2021 Japan Food Service Equipment Show	Restaurant, hotel, food service, and hospital sectors	February 2021	Tokyo Big Sight	Let us be a "solutions partner" rather than an "equipment seller"	2,040
FOOMA JAPAN 2021	Food machinery users	June 2021	Aichi Sky Expo	Bringing the new value of the ability to work alongside customers to the food manufacturing and processing industry	1,218
FOODTech Japan 2021	Food manufacturing and restaurant sectors	October 2021	Makuhari Messe	Technological capabilities & ability to working alongside customers	1,934
The World Food And Beverage Great Expo 2021 in KANSAI	Food retail including home meal replacement and restaurant sectors	October 2021	INTEX OSAKA	Hygienic equipment needed under the COVID-19 pandemic	728

## Hoshizaki Group's Approach to Sustainability

### Partnership with Suppliers



The Hoshizaki Group is working together with its suppliers around the world on responsible procurement in order to fulfill its social obligations 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, companies under the Hoshizaki Group umbrella ask suppliers to acknowledge the Group's purchasing policy and assess suppliers based on certain evaluation criteria. In addition, to execute procurement under consistent standards, we make use of a supplier checklist based on ISO rules to select suppliers based on assessment related to such factors as quality, stable supply, and sound management.

#### <Hoshizaki's purchasing policy>

The Hoshizaki Group 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
<ul style="list-style-type: none"> <li>● Eradication of discrimination</li> <li>● Prohibition of forced labor and child labor</li> <li>● Prevention of inhumane treatment and harassment</li> <li>● Fair working hours and payment of wages</li> </ul>	<ul style="list-style-type: none"> <li>● Prohibition of the abuse of a dominant bargaining position</li> <li>● Fair competition</li> <li>● Elimination of all relationships with antisocial forces</li> <li>● Protection of intellectual property</li> <li>● Responsible procurement</li> </ul>	<ul style="list-style-type: none"> <li>● Environmental activities</li> <li>● Efficient energy use</li> <li>● Advancement of the three 'R's (Reduce, Reuse, Recycle) and proper waste management</li> <li>● Prevention of air, water, soil, and other environmental pollution</li> </ul>

### Communication with Suppliers

The Hoshizaki Group strives for more thorough understanding among suppliers of its purchasing policy by holding regular briefings with them on factory policies. Even after commencing dealings, we periodically 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 on required factors covering not only primary suppliers but also secondary suppliers to ensure stable procurement.

Our overseas group companies, such as HOSHIZAKI AMERICA, audit their suppliers on sight, in principle, on a periodic basis. In addition to quality policy and process management, the audit items include code of conduct, occupational health and safety, and environmental protection, and we are working with our suppliers to pursue sustainable procurement.

#### Factory Policy Briefings and Supplier Participation (2019-2022)

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

- 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).  
- In 2022, an online briefing was conducted for the same reason, and explanatory materials were distributed to 125 suppliers (80 by the Head Office Factory and 45 by the Shimane Factory).

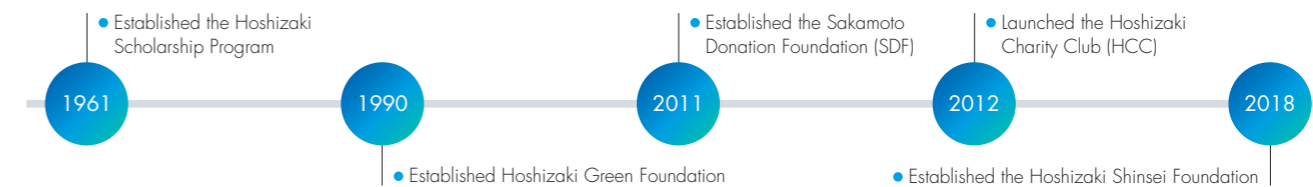
### Harmony with Local Communities



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.

#### Hoshizaki's Social Contribution Activities

##### 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, about 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\* (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

\*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 are not for profit and are run by volunteers and are financed by donations.

### Harmony with Local Communities

#### Support for 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\*. 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, and educational activities for the protection and breeding of wild animals and plants.

\*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.

We support the Foundation through participation and cooperation in its environmental conservation activities.



#### Support for Self-Reliance Support Activities for People with Disabilities

We support NPOs and private organizations that support the independence of people with disabilities in local communities. For example, Hoshizaki's Head Office Factory has accepted visits by Mugino Hana, a continuing-work support office for people with disabilities located in Toyoake City, to sell handmade bread, as well as a food truck from Toyoake City's Social Welfare Council. We offer ongoing cooperation to assist the social participation of people with disabilities.

#### Factory Tours and Workplace Experience Opportunities

Hoshizaki runs factory tours and workplace experience opportunities for local schools. In 2021, we accepted students from five schools for on-site and online tours. We hope to play a part in the growth of future generations by enabling students to see the processes involved in making our products and also observe our employees in action through these opportunities, so that they can get a feel for the importance of goods and the effort involved in work itself.



## Human Resource Development and Improvement of Employee Job Satisfaction



Most relevant SDGs

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

### Creating Opportunities for Individual Growth

To implement unified human resource development programs across the Group, 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. Our education and training programs are developed to meet the specific requirements of the manufacturing and sales functions, and are classified into three major categories: position-specific training, selective skills development training, and customized training for specific needs.

#### Human Resource Development



#### Three Education/Training Program Categories

Position-specific training To develop capabilities/skills required for specific positions	Selective skills development training To improve specific skills and awareness	Customized training for specific needs Based on plans designed by Group companies/departments
<ul style="list-style-type: none"> <li>● New manager training</li> <li>● Training for 360-degree evaluations</li> <li>● New/mid-career hire training (individualized training for 2nd and 3rd years of employment)</li> </ul>	<ul style="list-style-type: none"> <li>● Training for next-generation managers</li> <li>● Global workforce development program</li> <li>● Training to develop female executives</li> <li>● Training to promote participation by women</li> </ul>	<ul style="list-style-type: none"> <li>● Unconscious bias</li> <li>● Marketing</li> <li>● Teaching techniques</li> <li>● Anger management</li> <li>● Career design</li> <li>● Boosting motivation</li> <li>● Communication</li> </ul>

#### Program Focus

##### 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 cases 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 program

The Hoshizaki Group is strengthening its training of staff who can work overseas in order to respond to the accelerating pace of globalization. The program aimed at capacity building consist mainly of logical thinking training, international management training, and support for voluntary English-language learning.

##### Service training (for new and mid-career hires)

Service training is intended to improve 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 mock-up kitchen environments to simulate customer sites.

## Creating a Vibrant Workplace Culture

### Employee Satisfaction (ES) Survey

The Hoshizaki Group conducts annual employee satisfaction surveys (ES survey) 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. The ES Improvement Committee analyzes the results of the survey, monitors the free comments of employees to

uncover issues, grasps and identifies them as management issues, and continually works on reforms for their resolution. The response rate for the 2021 survey was 100% (8,566 respondents), with 5,632 free comments received. These efforts have led to the steady improvement of ES scores.

#### ES Improvement Committee

Chair: Kyo Yaguchi, Director, Senior Executive Officer in charge of the Management Department  
 Secretariat: Human Resources & Organization Development Section, Personnel Department

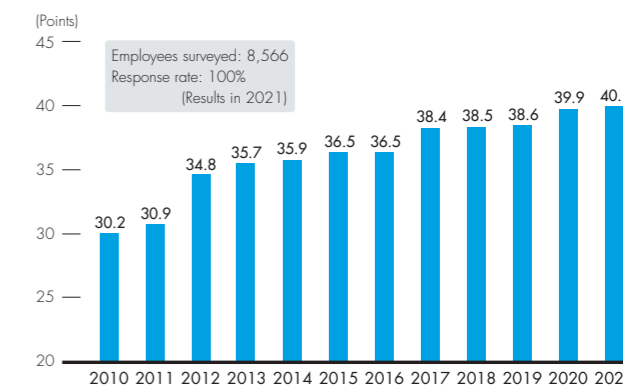
#### ES Survey Response Rates and Free Comments (surveys at 18 Group companies in Japan)

Year	2017	2018	2019	2020	2021
Survey questions	54	54	54	59	59
Employees surveyed	8,190	8,302	8,462	8,614	8,566
Respondents	7,949	8,233	8,372	8,611	8,566
Response rate	97.1%	99.2%	98.9%	99.9%	100%
Free comments	5,923	5,819	5,678	5,964	5,632

#### Major ES survey topics

- About the company overall (the company's stance/psychological security in working)
- About organizations (organizations/roles of employees/satisfaction with the respondent's own roles)
- About workplace environment (workplace climate/level of cooperation/realities about childcare leaves and quitting time/compliance with rules)
- About supervisors (suitability of roles as supervisor/relationship with subordinates)
- About work (whether the respondent's abilities can be demonstrated in the position/satisfaction with work)
- Activity goals and evaluation (evaluation against activity goals/HR evaluation/evaluation on transfer and promotion)

#### ES Survey Results (full score: 55 points)



### Launch of the 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 easily work and play active roles, irrespective of gender." With a target called "LADIES10," the aim is to increase the percentage of women in the positions at or above the assistant manager level to 10% or more. Through the project, we have provided support for women's career development while working to create a comfortable working environment. In 2021, these activities were passed on to the Kagayaki Committee. Reviewing the achievements of the 10-year Kagayaki Project and the challenges that remain, the Committee has set new targets to be achieved by 2025 for increasing women's participation.

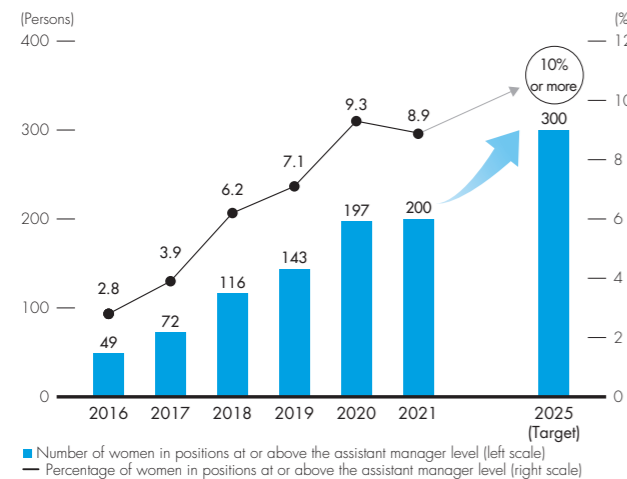
2010-2020	The 1st stage: Kagayaki Project	2021-2025	The 2nd stage: Kagayaki Committee
	<b>Objective</b> Changing awareness about women's participation, improving workplace environments, and other activities for general improvement <b>Target</b> LADIES10: (10% or more of positions at or above the assistant manager level held by women), and 30% of new graduate hires are women		<b>Objective</b> Increasing diversity <ul style="list-style-type: none"> <li>● Quadruple the number of women in managerial positions (at the section manager level or above) compared to FY2020 (to 50)</li> <li>● Increase the number of women in positions at the assistant manager level or above compared to FY2020 by 50% (to 300)</li> </ul>

## Human Resource Development and Improvement of Employee Job Satisfaction

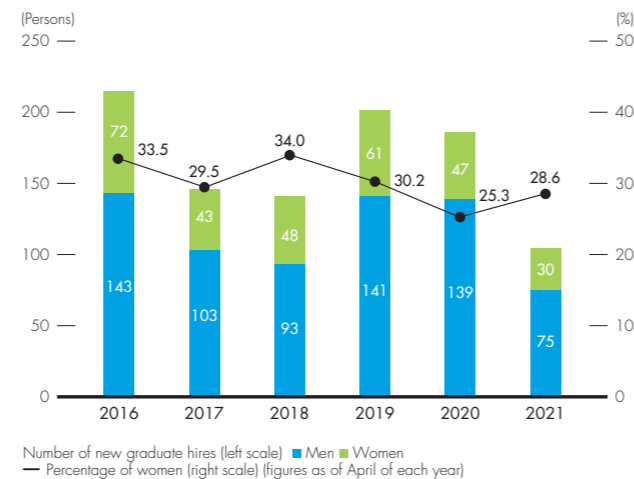
Kagayaki  
Committee

Chair: Kyo Yaguchi, Director, Senior Executive Officer in charge of the Management Department  
 Vice-Chair: Satoru Maruyama, 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



## Number and Percentage of New Graduate Hires that Are Women



## Percentage of Women by Position

Position	Number of women	Number of men	Total	Percentage of women
Department manager level	3	135	138	2.2%
Section manager level	11	576	587	1.9%
Assistant manager level	186	1,333	1,519	12.2%
<b>Total</b>	<b>200</b>	<b>2,044</b>	<b>2,244</b>	<b>8.9%</b>

(As of end of FY2021)

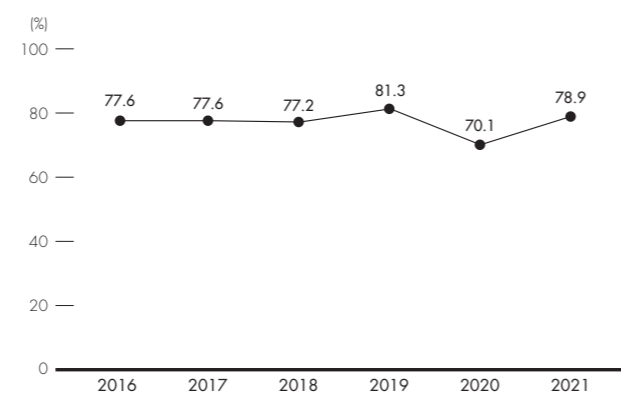
## Promoting Work-Life Balance

## 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 one of its initiatives is 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. As a result, the average number of overtime hours worked per month in 2021 was 13.5 hours per person.

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 2021, the paid leave utilization rate was 78.9%, with each employee taking an average of 14.4 paid leave days.

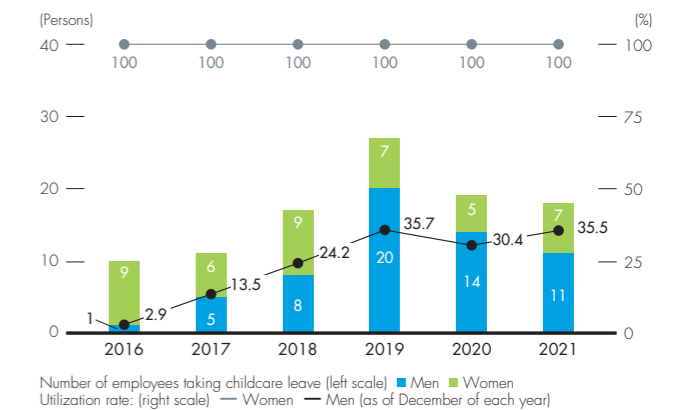
## Paid Leave Utilization Rate



## Support for Childcare and Nursing Care

In addition to having introduced various systems for childcare and nursing care, Hoshizaki actively supports the balance between family and work by providing workplaces in which it is easy for staff to avail themselves of these systems. 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. In recent years, an increasing number of male employees have been taking childcare leave, and those who did so in FY2021 took an average of 32.3 days. We will continue to improve these systems and support our employees' work-life balance.

## Number and Percentage of Employees Taking Childcare Leave



## Overview of the nursing care support system

## Caregiver leave

Employees who need to care for a family member who is in need of nursing care are allowed to take leave. As a rule, the length of family care leave is limited to a total of 93 days per family member, which may be split into any number of times.

## Time off for caregivers

Employees who give nursing care or other necessary care to a family member in need of nursing care are entitled to five days off per year as time off for caregivers for each family member in such need.

## Shorter working hours for caregivers

Employees who need to care for a family member in need of nursing care for two weeks or more may shorten their working hours (to work a minimum of 4 hours/day) for three years from the first day of the shortened working hours.

## Certification of Excellent Companies Based on the Law

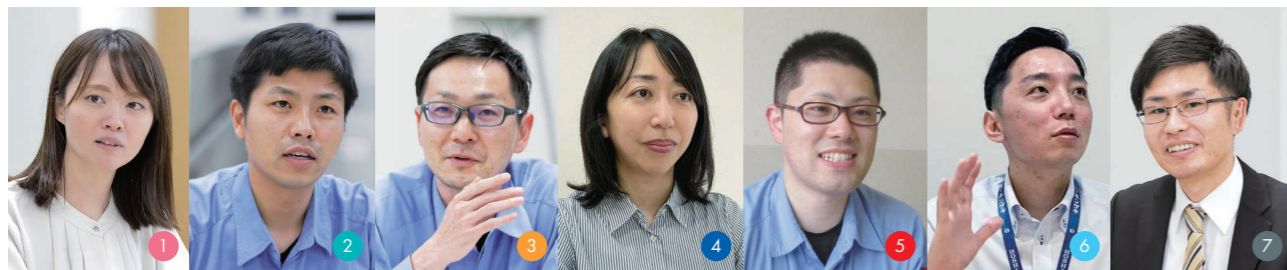
The Hoshizaki Group aims for accreditation as a company supporting childcare (with a "Platinum Kurumin" or "Kurumin" mark) under the Act on Advancement of Measures to Support Raising Next-Generation Children, as well as a company promoting women's participation (with the "Eruboshi" certification) under the Act on the Promotion of Female Participation and Career Advancement in the Workplace for all companies within the Group.

## Companies with a "Platinum Kurumin," "Kurumin," or "Eruboshi" certification) (as of December 31, 2021)





## Roundtable of Young Employees



### Participants

- 1 Yuu Tomie, Information System Department  
 2 Shunsuke Tanino, Production Engineering Department, Head Office Factory  
 3 Keita Ono, Engineering Department 3, Research&Development Center  
 4 Noriko Miyachi, Development Department, Research&Development Center  
 5 Jun Kamoto, Shimane Quality Assurance Department  
 6 Ryugo Higashi, HOSHIZAKI SINGAPORE PTE LTD.  
 7 Daichi Kubota, Personnel Department (moderator)
- \*Three of the participants joined the discussion online due to the COVID-19 pandemic.

The Hoshizaki Group believes that the key to sustainability and sustainable growth is for every employee to gain fulfillment from his or her work. Seven young employees, the next-generation leaders of Hoshizaki, gathered to discuss how they can balance work and family life and increase job satisfaction.

Date March 16, 2022 Place Hoshizaki Training Center

**Kubota** I joined Hoshizaki in April 2021 as a mid-career hire, and I am engaged mainly in overseas personnel affairs in the Personnel Department. Thank you for participating today. To start, please introduce yourselves.

**Tomie** I joined the company in 2008 and I am engaged in developing internal systems in the Information System Department. I have taken childcare leave twice, and I now work shortened hours.

**Tanino** Since I joined the company in 2012, I have been engaged in the planning and development of production facilities in the Production Engineering Department. My responsibilities as an assistant manager also include supporting the team and managing progress.

**Ono** I joined the company in 2014 after working for an automotive parts manufacturer. I decided to change jobs because I wanted to put products I designed on the market. This year, a product I have been involved in the development of as project leader went into mass production, so I am happy that I achieved one of my goals.

**Miyachi** I have been engaged in electronic circuit design and software development in the Development Department since 2012. I am currently on pre-maternity leave, but after returning to work, I would like to expand the breadth of my work and grow as an employee.

**Kamoto** At the Shimane Quality Assurance Department, after being engaged in the inspection of finished products, I am currently involved in customer service. We give manufacturing and design departments feedback based on customer comments to help improve the quality and performance of our products. As a junior high school student, I participated in a work experience event at the Shimane Factory. This made me feel a connection with Hoshizaki, which was a factor that led me to join the company in 2011.

**Higashi** Since I was a student, I had wanted to go overseas, so I joined Hoshizaki in 2016, which was growing in overseas markets. After engaging in operations to support overseas group companies in the Global Business Division, I now work at the subsidiary in Singapore, and I am engaged in sales to Japanese food and beverage companies.

**Kubota** How good is Hoshizaki as a place to work, for example, in balancing work and family life? Could you tell us how you feel?

**Miyachi** In the Development Department, a relatively high percentage of employees are women, so the level of understanding toward people taking maternity and childcare leave is high.

**Tomie** I have taken childcare leave twice, and I found the support program very helpful while on leave. I was able to talk regularly with my supervisor during my absence. We discussed my responsibilities and work arrangement before I returned to work, so everything went smoothly when I actually returned.

**Tanino** In recent years, more and more men are taking childcare leave, too, as you may know. In my case, when I reported to my boss that my wife was going to have a baby, I was encouraged to take childcare leave. So, I handed over my duties in advance, and I was able to focus on childcare with my wife for a month. It was much more difficult than I had imagined to take care of a baby, and it was an invaluable experience for me.

**Kamoto** When my second child was born three years ago, the general attitude toward men taking childcare leave was not as supportive as it is today, perhaps because not a few families in Shimane have grandparents living with them who can help with childcare, so I never thought about taking leave. However, over the past year or two, more and more male employees are taking childcare leave in Shimane as well, so I believe it will be more common in the future.

**Ono** My supervisor also suggested that I could take childcare leave, but I had to give it up because it coincided with the busiest period of a project I was involved in. Today, everyone has a better understanding of the need and you can make prior arrangements, so the number of cases of men taking childcare leave is increasing in the Design Department as well.

**Tomie** The number of men taking childcare leave is on the increase, but they tend to take only short-term leaves. It would be nice if we could split the total length of leave of a few months to half a year and take it in separate periods. I understand that you may worry over troubling your colleagues or feel anxious about being away from work, but being away from your workplace for some time can also increase your motivation for work.

**Tanino** Certainly, I am afraid that leaving my workplace for a long periods may inconvenience the people working with me. Maybe the lack of precedent for men taking long childcare leave is also a psychological barrier.

**Miyachi** My guess is that, in the case of couples both working for Hoshizaki, the husband in particular may find it difficult to take long childcare leave, fearing that, if both of them take long childcare leave, colleagues may think that they are slacking off. About returning to work, I have nothing in particular to worry about as I can talk with my supervisor about my responsibilities and work arrangements beforehand, but since this is my second child, I do expect a lot of time constraints for a certain period after getting back to work.

**Tomie** It seems a bit unbalanced that women take the full term of leave and men take only short-term leaves. It would be nice if couples also have the option of men taking longer leaves and women returning to work earlier.

**Kubota** As for the use of childcare leave by male employees, we have only taken the first step, i.e. creating an atmosphere that encourages men to take childcare leave. In promoting work-life balance for both men and women, we believe that further awareness-raising is needed to take the next step forward.

**Higashi** Hoshizaki currently allows remote work as part of its measures to prevent infection, but I think perhaps we will need to establish the practice as a work arrangement option in the post-COVID-19 world. HOSHIZAKI SINGAPORE currently has about 20 employees, but on some days only a few people are present at the office because the company encourages remote work. Adopting a hybrid work model can also increase the company's advantage in recruiting.

**Ono** In design work, it is rather difficult to work remotely at present, because that would reduce productivity in certain aspects. In the future, when ICT tools of higher performance are available and machines can be operated remotely, I expect we will have broader possibilities for the use of remote work.

**Kubota** The productivity of remote work varies depending on the type of job and the individual, but it would be necessary to build a system that allows people to work more easily in terms of work-life balance. Next, I would like to ask you about your job satisfaction at Hoshizaki.

**Higashi** Hoshizaki now operates worldwide. As our field expands, we have greater opportunities for growth as well. The language and logical thinking training courses offered by Hoshizaki as part of its Global human resources development program were also helpful. I would also like to mention that even though I was able to review my own progress from the change in my scores between the tests I took before and after the courses, no individualized feedback was provided upon completion. So I am not sure if the courses really helped increase motivation for all participants.

**Tomie** The training courses are great in content, but the objectives of each course are not clearly given, and no evaluations are provided after completion, either. So I feel there may be ways to make the opportunities more meaningful. With goal setting and appropriate evaluation and advice, participants would be able to recognize how they have changed before and after the training.

**Tanino** To help increase participants' motivation, on top of appropriate goal setting and fair evaluation, it is essential to accurately communicate the details of the evaluation. My supervisor made clear what was expected of me, what I was able to do, and what I could not do. I always try to do the same for my subordinates. Although Hoshizaki has a culture of delegating work to the younger members, issues remain in terms

of ensuring the appropriateness of evaluation. With the recent revision of the personnel system, performance evaluations can more readily be reflected in employee treatment, which I feel is a step forward.

**Ono** As a new assistant manager, I have realized how difficult it is to motivate my team. Because of my experience in my previous job, I can state that Hoshizaki is a company that allows you to take on challenges. Here, employees can tell their superiors and colleagues what they want to do, and trial and error is allowed in order to achieve it. I believe such a culture is essential in improving employee motivation.

**Tomie** Since supervisors also have the experience of taking on challenges, I find there is an atmosphere that encourages everyone to speak up, including raising objections. If I speak up about the challenges I want to take on as my next step toward achieving my future career intentions and improving the skills required, I can be assured that my boss will take my plan seriously. You can say that Hoshizaki has a culture of trust and taking on challenges.

**Kamoto** In Quality Assurance, we sometimes receive harsh words from customers, but our motivation is stimulated by the sense of unity that grows when all team members work as one to solve problems, as well as by encouragement from the supervisor. I would say the feeling of trust in the workplace is an important part of job satisfaction.

**Tomie** I believe that the practice of addressing people by their name with the honorific suffix san, rather than by their job titles, as is common in Japan, also helps foster an atmosphere of openness.

**Miyachi** When I took part in the project to promote women's participation, it was very stimulating for me to interact with the highly proactive female sales reps from distributors. To increase the number of female managers, it is important to continuously raise awareness and increase the number of females hired. On the other hand, it is also important to be fair in promotions and advancement without regard to gender.

**Kubota** Finally, is Hoshizaki currently the company of choice for talented people? What challenges does it face? Please give us your views.

**Higashi** In the recruitment of new graduates, I believe we have been chosen by the best and brightest applicants. The strength of our global brand and the personalities of the staff and executives who are involved in recruiting are the deciding factors. When students feel they want to work with someone they meet in the job hunting process, that means a lot to them.

**Tomie** I agree. At Hoshizaki, we have many warm-hearted people of attractive personalities, so I think it would be good if we could better communicate these positive features externally. As for challenges, I think it is also important to show that we offer work style options, as people have come to value flexible work arrangements, such as flexitime and remote work. As work styles will continue to diversify in the future, I feel it will be necessary to address such needs in order to attract and retain human resources.

**Kubota** Thank you for your valuable input. We will continue working to develop a human resources system under which every employee feels happy about working for Hoshizaki, by creating and maintaining a comfortable working environment and increasing employee job satisfaction.

# Corporate Governance

## Basic Philosophy

In order to ensure management transparency and efficiency, Hoshizaki (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.

## Corporate Governance System

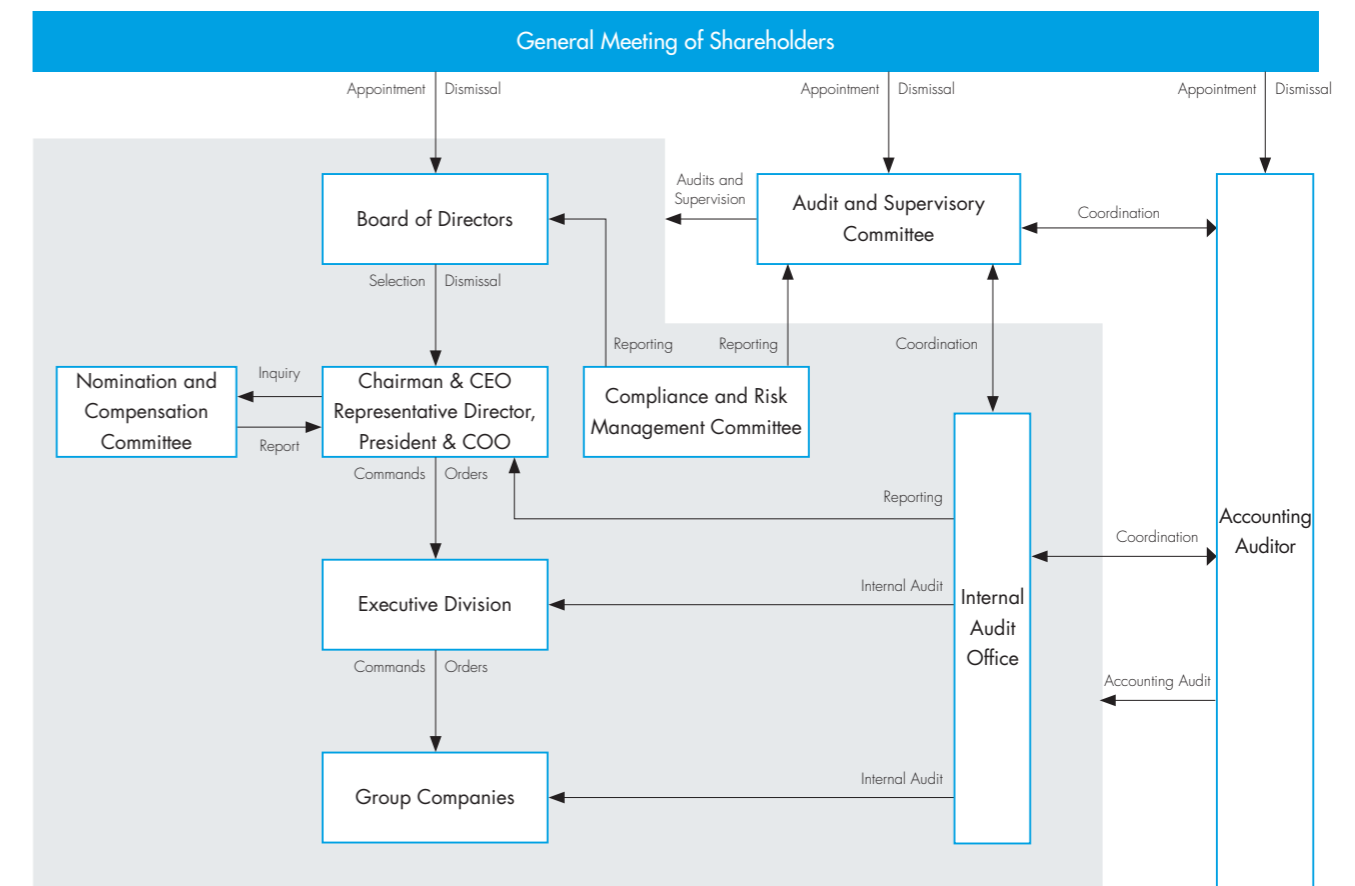
### Overview of the Corporate Governance System

- 1 The Company has adopted the governance structure of a Company with an Audit and Supervisory Committee and has set the proportion of outside directors on its Board of Directors at one-third or more.
- 2 The Board of Directors meets regularly every month as a management-related decision-making body to formulate management policy and strategy for the entire Group and supervise the execution of its business, and consists of eight directors who are not members of the Audit and Supervisory Committee (including two outside directors) and three directors who are members of the Audit and Supervisory Committee (including two outside directors). In addition, one standing Full-time Audit and Supervisory Committee member is selected by resolution of the Audit and Supervisory Committee.
- 3 Two outside directors with management experience at listed companies are appointed as outside directors who are not members of the Audit and Supervisory Committee, and one lawyer and one certified public accountant are appointed as outside directors who are members of the Audit and Supervisory Committee.
- 4 We are seeking to further strengthen corporate governance by using the executive officer system introduced in July 2019 to strengthen the supervisory function of the Board of Directors through a progressive separation of management and supervision from business execution.
- 5 The Audit and Supervisory Committee supervises and audits the execution of duties by directors (excluding directors who are Audit and Supervisory Committee members) fairly through the active exchange of opinions between directors with sufficient internal knowledge and outside directors with extensive experience and knowledge from outside the company.
- 6 Hoshizaki has established a Compliance and Risk Management Committee comprising directors and other relevant personnel to promote risk management to the Group and more sharing of information, as well as to make decisions regarding quick responses to risks and measures to avoid and mitigate their manifestation.
- 7 We voluntarily established the Nomination and Compensation Committee in January 2022 with the purposes of strengthening the fairness, transparency, and objectivity of procedures related to the nomination and compensation of directors and executive officers, and further enhancing the corporate governance system. The Chairman of the Committee is an independent outside director, and the Committee members include the President & COO, Chairman & CEO, and all other independent outside directors, with the majority being independent outside directors.

### Reason for Selecting the Corporate Governance Structure

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 & Supervisory Committee Members will strengthen the supervisory function over the Board of Directors as well as further enhance its corporate governance.

### Corporate Governance Structure





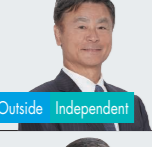
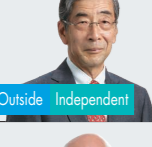





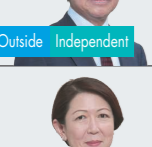
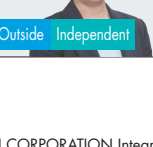
## Roles and Composition of Organizations

Organization	Board of Directors	Audit and Supervisory Committee	Nomination and Compensation Committee	Compliance and Risk Management Committee
Composition	<p>Chair Inside (7) + outside (4) Chair: Representative Director, President &amp; COO</p>	<p>Chair Inside (1) + outside (2) Chair: Inside director</p>	<p>Chair Inside (2) + outside (4) Chair: Independent outside director</p>	<p>Chair Inside (7) + outside (4) Chair: Representative Director, President &amp; COO</p>
Purpose and authority	<ul style="list-style-type: none"> <li>Resolution on basic management policy and other matters</li> <li>Supervision of the execution of duties by executive officers</li> </ul>	<ul style="list-style-type: none"> <li>Audit of the duties of directors and executive officers</li> <li>Preparation of audit reports</li> <li>Drawing up items for resolution concerning the appointment and dismissal of accounting auditors and other matters</li> </ul>	<ul style="list-style-type: none"> <li>Appointment and dismissal of directors and executive officers</li> <li>Selection and dismissal of Representative Director, President &amp; COO and other directors with special titles</li> <li>Decision on basic policy on compensation of directors, etc. and other matters</li> <li>Decision on individual compensation paid to directors, etc.</li> <li>Decision on succession planning</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance and improvement of internal control systems and development of compliance systems</li> <li>Assessment and identification of risks concerning business execution and development of risk avoidance and mitigation measures</li> </ul>
Percentage of outside directors	36%	67%	67%	36%
Number of meetings held in 2021	15	18	— (Established in January 2022)	12
Secretariat	General Affairs Department	Audit and Supervisory Committee assistants	Personnel Department	Legal Affairs Department



## Corporate Governance

## Members of the Board of Directors (as of March 31, 2022)

	Name	Current position and responsibilities	Attendance in 2021 Board of Directors meetings (Audit & 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	Audit and Supervisory Committee	Nomination and Compensation Committee	Compliance and Risk Management Committee
	Seishi Sakamoto	Chairman & CEO	15/15	February 2002	1,900	●	●	●				○		○	○	
	Yasuhiro Kobayashi	Representative Director, President & COO	15/15	March 2012	6,400	●	○		●	○	●			○	Chair	
 Outside Independent	Masanao Tomozoe	Outside director	15/15	March 2020	0	●	●	●			○	○	○	Chair	○	
 Outside Independent	Masahiko Goto	Outside director	—	March 2022	0	●	●	●				○		○	○	
	Satoru Maruyama	Director, Senior Executive Officer (in charge of Domestic Sales Department)	15/15	March 2008	6,500	○		●		○					○	
	Katsuhiko Kurimoto	Director, Senior Executive Officer (In charge of Global Business Division)	15/15	March 2019	800	○	●	●					●		○	
	Yasushi Ieta	Director, Senior Executive Officer (in charge of Development and Technology Department, Manufacturing Department)	15/15	March 2019	2,100	○	●			○			●		○	
	Kyo Yaguchi	Director, Senior Executive Officer (In charge of Management Department)	15/15	March 2020	500	●	●		●	●	●	●			○	
	Tadashi Mizutani	Director (Full-time Audit and Supervisory Committee member)	— (—)	March 2022	700				●		●			Chair	○	
 Outside Independent	Shigeru Motomatsu	Outside director (Audit and Supervisory Committee member)	15/15 (18/18)	March 2016	0						●			○	○	
 Outside Independent	Satoe Tsuge	Outside director (Audit and Supervisory Committee member)	15/15 (18/18)	March 2017	0				●		●	○		○	○	

●: Working experience ○: Expertise

## Corporate Governance

## Matters Concerning Directors' Compensation

## Establishment of a Voluntary Nomination and Compensation Committee

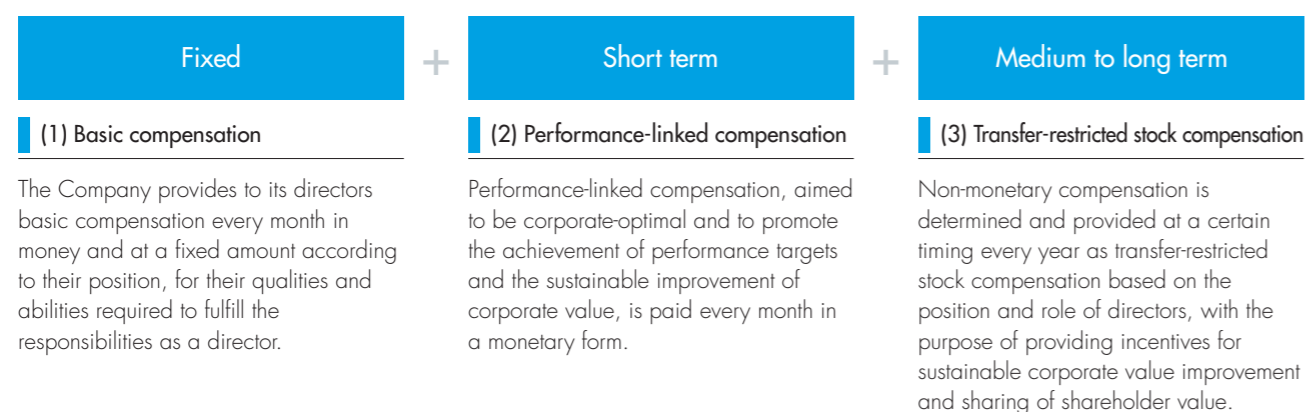
At the Board of Directors meeting in January 2022, Hoshizaki resolved to reform the compensation system for directors (excluding directors who are Audit and Supervisory Committee members); the director compensation in FY2022 onward will be determined after consultation with, and reporting from, the voluntary "Nomination and Compensation Committee" chaired by an independent outside director.

## Basic Policy on Director/Officer Compensation

The amounts of director 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



## 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 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 (including outside directors), in order to strengthen fairness, transparency, and objectivity, and to enhance corporate governance.

## Director Performance Evaluation Criteria

Performance is evaluated based on the following performance indicators: (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. They are set to be consistent with the medium-term management targets. The maximum and minimum linkage rates between evaluation results (nine-level scale) and performance-linked compensation are 200% and 0%, respectively.

## Efforts to Increase the Effectiveness of the Board of Directors

Hoshizaki has been working to strengthen its corporate governance system and enhance the system's effectiveness as its most important management issues. We evaluate the effectiveness of the Board of Directors once a year to measure the degree of attainment of the establishment and operation of the governance system.

## Board Effectiveness Evaluation for FY2020

To evaluate the effectiveness of the Board of Directors in FY2020, we conducted a 25-item survey of questionnaire to all 11 directors (including four independent outside directors) including directors who are also Audit and Supervisory Committee members. The questionnaire covered the following six categories: (1) Effectiveness of discussion and examination, (2) Effectiveness of the supervisory function, (3) Effectiveness of leadership, (4) Effectiveness in improving the corporate environment, (5) Effectiveness of responses to shareholders and stakeholders, and (6) Effectiveness regarding its composition. Deliberations by the Board of Directors based on the results of the above found that the effectiveness of the Board of Directors in FY2020 had been ensured. We have been addressing the issues identified in the evaluation process since FY2021.

## Issues Identified in the Process of the Board Effectiveness Evaluation for FY2020 and Actions for Improvement

	Issues identified concerning the Board of Directors in FY2020	Actions taken since FY2021
Issue 1	● Increasing opportunities to deliberate on medium- to long-term strategies and management vision	● Formulating and disclosing medium-term management visions
Issue 2	● Increasing opportunities to deliberate on sustainability	● Enhancing information disclosure on ESG and other non-financial matters ● Conducting studies toward the publication of Integrated Report ● Strengthening oversight on climate change issues and endorsing the TCFD
Issue 3	● Strengthening diversity-related efforts	● Establishing the Kagayaki Committee and strengthening measures to train female managers
Issue 4	● Accelerating governance reform	● Establishing the Nomination and Compensation Committee

## Board Effectiveness Evaluation for FY2021

To evaluate the effectiveness of the Board of Directors in FY2021, we conducted a 25-item survey of questionnaire to all 10 directors (including three independent outside directors) including directors who are also 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 status of corporate environment improvement by the Board of Directors, (5) Effectiveness of responses to shareholders and stakeholders, and (6) Effectiveness regarding the composition of the Board of Directors. Deliberations by the Board of Directors based on the results of the above found that the effectiveness of the Board of Directors in FY2021 had been ensured. Meanwhile, we have identified issues for which more can be done, and are working to make improvements in order to further increase effectiveness.

## Issues Identified in the Process of the Board Effectiveness Evaluation for FY2021 and Actions for Improvement

	Issues identified concerning the Board of Directors in FY2021	Actions taken since FY2022
Issue 1	● Reconsidering materials distributed to directors in advance of meetings	● Enhancing materials distributed in advance of meetings
Issue 2	● Optimizing deliberation time and number of agenda items	● Reducing the number of proposals on the agenda and reviewing the criteria for inclusion in the agenda
Issue 3	● Reviewing the approach to continuing deliberation on important matters	● Selecting key issues for continued deliberation and specifying the period of deliberation



# Compliance and Risk Management

The Hoshizaki Group regards compliance as one of its core values. 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 and regulations 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 System

### Compliance and Risk Management Committee

Under the Board of Directors of HOSHIZAKI CORPORATION, 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 all directors, including four outside directors (two of whom are Audit and Supervisory Committee members).

### Committee Secretariat

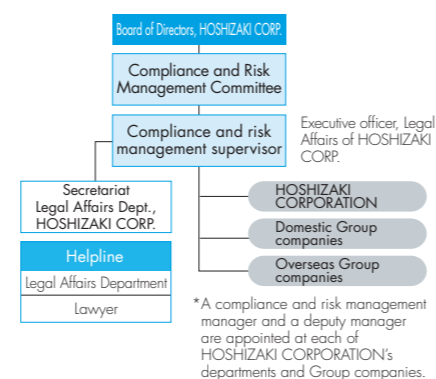
The secretariat plans and formulates general compliance initiatives and takes the lead in the actual implementation by the Hoshizaki Group. HOSHIZAKI CORPORATION's Legal Affairs Department acts as the Committee secretariat and the Executive Officer, legal affairs serves as the head of the secretariat.

### Compliance and Risk Management Managers and Deputy Managers of Departments/Group Companies

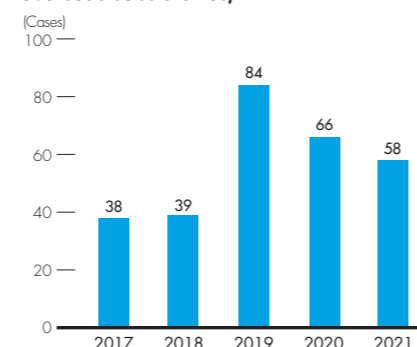
Each of HOSHIZAKI CORPORATION's departments and Group companies has a compliance and risk management manager and deputy manager, who work to ensure all employees are informed of the Group's compliance initiatives with the guidance and advice of the secretariat.

### Operation of the Helpline (contact for advice-seekers and whistle-blowers)

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 accepts consultation and whistle-blowing by email, postal mail, fax, or telephone. While we recommend helpline users to identify themselves to enable the proper understanding of facts, consultations and reports can also be made anonymously. If an employee prefers anonymity, we encourage communication via email using a non-identifiable address so that the employee can receive feedback. Whistle-blowers may choose either an in-house contact point (the Legal Affairs Department), or a lawyer other than in-house counsel as an external contact point. Each whistle-blowing case is put to deliberation by the Compliance and Risk Review Committee. The Review Committee consists of members including two 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 subsidiaries)



## We will Contribute to the Sustainable and Sound Growth of the Hoshizaki Group

Osamu Goto

Executive Officer, Legal Affairs  
General Manager of Legal Department

For the sound and sustainable growth of the Hoshizaki Group, each and every employee must not only comply with laws and regulations but also observe the rules of the broader society, and carry out honest and fair corporate activities. To firmly establish this mindset as our corporate culture, we are working to build systems and develop human resources. In building systems, we aim to make each legally-compliant daily business process a standardized operation. Applying this idea also to developing human resources, we provide various training programs. These include training for employees to continue performing legally-compliant standard operations, enhanced compliance training programs for Group company managers to ensure that they can recognize whether a revised standard procedure still complies with laws, and compliance quizzes for all employees (one question appears every morning when starting up a PC). In addition, through the whistle-blowing system and other means, we identify each abnormal value that indicates deviation from the standard procedures and take corrective action. We take the same approach in the process of integrating a new company into the Hoshizaki Group. For example, for Öztiryakiler, a Turkish kitchen equipment manufacturer that will become our consolidated subsidiary in 2023, we are working to ensure full awareness of Hoshizaki's management philosophy and basic policies while respecting local laws and customs. The role of the Legal Affairs Department is to develop a system and train employees so that they can act in compliance with laws without any special effort on their part and instantly recognize risks (abnormal values). This, after all, will lay the foundation for sustainable value creation. As the Hoshizaki Group takes on new challenges, we will always keep in mind the role we must play to increase the Group's corporate value and will contribute to its sound and sustainable growth.

## Risk Management System

The Hoshizaki Group has established a risk list that broadly classifies risks into strategic risks, financial risks, hazard risks, and operational risks, and the executive officers in charge of respective areas manage these risks according to their responsibilities. Each executive officer and Group company selects from the risk list those risks that are relevant to their department or company and conduct risk mapping by assessing the impact (compliance, business continuity, reputation, financial loss, likelihood) and their organization's vulnerability (preparedness against the risk, including the existence of a response organization and countermeasures). For risks classified as "high" or "very high," the executive officer in charge formulates and implements countermeasures on a priority basis. These processes and the results are reviewed by the Board of Directors or the Compliance and Risk Management Committee, and the committee secretariat monitors the risks based on these reviews.

### Major Risk Factor Categories and Countermeasures/Mitigation Measures

Risk factor categories	Countermeasures/Mitigation measures
Major disasters and BCP	<ul style="list-style-type: none"> <li>Formulating a "System for Invoking BCP During Emergencies" based on the government designation as an "Area under Intensified Measures against Earthquake Disaster"</li> <li>Ensuring the safety of employees and their families and developing systems for cooperation with local communities</li> </ul>
Information security	<ul style="list-style-type: none"> <li>Ensuring information security management based on the Information Management Regulations</li> <li>Introducing a 24/7 cyber incident monitoring system and implementing information security training for all employees</li> <li>Applying the same level of security management and measures to overseas Group companies as in Japan</li> </ul>
Corruption prevention	<ul style="list-style-type: none"> <li>Adhering to the "Employee Code of Conduct for the Prevention of Bribery" and provision of employee training</li> </ul>
Human rights due diligence	<ul style="list-style-type: none"> <li>Re-enforcing respect for human rights in the supply chain, and incorporating the principle in contracts</li> <li>Preparing systems to comply with the human rights due diligence legislation that is being introduced in the EU and other European countries</li> </ul>
Infringement of intellectual property rights	<ul style="list-style-type: none"> <li>Conducting preliminary investigations by the design and intellectual property departments to prevent infringement of the intellectual property rights of other companies</li> <li>Providing support by the legal Affairs Department concerning joint development agreements, licensing agreements, anti-counterfeiting measures, etc.</li> </ul>

## Message from the Outside Directors

### Q&A with Outside Directors

To ensure management transparency and efficiency and work for sustainable growth and to maximize corporate value, we are having Outside Directors with a wealth of experience and insight participate in management. We posed the following three questions to the three Outside Directors on Hoshizaki's basic approach to corporate governance.



**Masanao Tomozoe**  
Outside Director

**A1.** The mission of an Outside Director I think is to provide information from an outside perspective to facilitate objective decision-making. People involved in business execution are hard at work addressing a variety of issues every day. Are these efforts helping to sustainably raise corporate value as expected by stakeholders? Are the risks associated with each action adequately considered and are control measures in place? Are there any issues with the structures, systems, personnel, and culture, etc. of the organization for ensuring sustainable growth? I strive to give my opinions from this sort of perspective.

**A2.** The Hoshizaki Group is implementing reforms on four axes. The first is area strategy. Taking a global view, there are still regions where Hoshizaki products can make a contribution, and this will further improve business performance. M&A is one of the important pillars of the company's strategy, so it needs to reinforce human resources capable of maximizing synergies with acquired companies. Next is product strategy, and the company is evolving its format from individual product sales to provide full support for restaurant services.



**Shigeru Motomatsu**  
Outside Director (Audit and  
Supervisory Committee Member)

**A1.** As an Outside Director and Audit and Supervisory Committee Member with a license to practice law, I recognize my role as monitoring and supervising the effectiveness of internal control systems and the duty of care of Directors, and also providing advice related to this. In addition, regardless of specialty, I try to fulfill my responsibility of monitoring the Board of Directors' decision-making processes and appropriately exercise my right to state an opinion as ascribed to Audit and Supervisory Board Members.

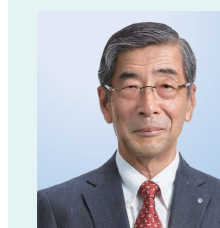
**A2.** A culture of sales supremacy was found to be an indirect cause of the improper transactions that came to light in 2018. Various reforms have been implemented in order to prevent the problem from happening again. The company has strengthened its management systems, including having the manager responsible for sales subsidiaries be affiliated with Hoshizaki's head office, and with regard to overseas business development, it has assigned regional supervisors, reworked its compliance training, and increased the effectiveness of the Compliance and Risk Management Committee, among other measures.



**Satoe Tsuge**  
Outside Director (Audit and  
Supervisory Committee Member)

**A1.** The duty of an Outside Director is to supervise management on behalf of shareholders from the perspective of the sustainable growth of the Hoshizaki Group and improving medium- to long-term corporate value. From the standpoint of a certified public accountant, I provide appropriate advice on risks related to finance and accounting. I also have the perspective of the company's first female Director, so I try to state my opinions from a standpoint that emphasizes diversity as well.

**A2.** Overseas development is accelerating, so various initiatives are being conducted to strengthen global governance. A regional headquarters system was introduced for four global regions, and authority was delegated to regional CFOs, cutting across the functional axes of technology, manufacturing, and the like. I'll be closely watching its progress and effectiveness going forward. Regarding governance reforms, a discretionary Nomination and Compensation Committee has been established, and a majority of its members are Outside Directors. I see this as having raised the transparency of decision-making processes.



**Masahiko Goto**  
Outside Director

#### Message from the New Outside Director

At Makita Corporation, I was in charge of management with the goals of realizing a sustainable society and establishing a firm position in the industry as a global supplier of power tools. I very much value the approach of aggressive and sincere management. In a certain sense, aggressive and sincere may seem to be contradictory, but the idea is that I always be aggressive in developing markets, whether in a tailwind or a headwind, and, within the company, that we always be sincere and straightforward.

The Hoshizaki Group boasts the No. 1 domestic share in food service equipment like ice machines and refrigerators, and while leading the domestic industry it is also accelerating global expansion in

**Q1** What do you see as the mission of an Outside Director?

**Q2** What reforms do you think are needed for the Hoshizaki Group's growth?

**Q3** What are the achievements and challenges for Hoshizaki to establish sustainability governance?

The third is initiatives to further strengthen the business model through digitalizing products and services via DX. Finally, Hoshizaki is focused on customer strategy and developing non-restaurant markets. In particular, further strengthening the business model via DX is a highly important reform for further growth.

**A3.** Giving back to society is a part of Hoshizaki's DNA, and this strong commitment has been passed down since the original founders while being strengthened along the way. At the same time, with global business development accelerating, there is a sense that the company needs to orient itself toward global-standard sustainability. While maintaining the benefits of the company's cohesiveness when it was not the size it is today, it will be important for Hoshizaki to further solidify sustainability governance as a global corporation. I hope that I can be of help in the company introducing a regional headquarters system on the four axes of the Americas, Europe, China, and Southeast Asia and establishing sustainability governance at the global level in a way that befits Hoshizaki while fully integrating its management philosophy throughout the organization.

I think the company needs to continue initiatives aimed at strengthening governance. I think the company should further deepen discussions on increasing the percentage of Outside Directors on its board, incorporating greater diversity into its management, and training plans for the CEO's successor.

**A3.** As a result of its ESG initiatives, the company has had many successes, including developing non-CFC products that help reduce environmental impact, promoting women's active participation at the workplace, increasing employee satisfaction, and contributing to local communities and future generations through the Hoshizaki Green Foundation. Such initiatives need to be further strengthened. In particular, it will be important to ensure diversity, including gender diversity, at the workplace and to increase employee and job satisfaction. Employee satisfaction and customer satisfaction are interrelated, and both directly link to corporate value. In order to raise employee satisfaction, on the Board of Directors as well we need to discuss in detail how to develop an open workplace environment that makes it easy for employees to speak up and how to perform personnel evaluations that are linked to achievement of the management philosophy.

I think that promoting diversity serves to build a corporate culture that generates new ideas, so it needs to be promoted resolutely, and this includes new initiatives for the active participation of women.

**A3.** Sustainability initiatives are an important issue directly related to a company's survival. At individual discussion meetings that include Outside Directors, there were much deeper discussions on the medium-term management plan and five-year management vision, which is a significant achievement. Going forward, it will be important to have regular reporting on the initiatives at board meetings and to further deepen discussions. Initiatives for the SDGs, to address climate change, including through non-CFC products, and for investment in human capital are extremely important. Going forward, disclosure of information on these initiatives and other non-financial information goes without saying, and I expect the company to reinforce internal systems for these initiatives and to proactively conduct various activities.

North America, Europe and Asia. In the process of growing as a global corporation, Makita faced and addressed many issues, and I intend to share my thoughts based on the experience and knowledge I have accumulated through this. At Hoshizaki, which contributes to food culture, and at Makita, which contributes to living and housing, the business domains are different, but at both companies, quick and precise maintenance services are important for earning the trust of customers. By continuing to take on challenges and not settle for the status quo, both Makita and Hoshizaki have the goal of being strong companies, and I think there are many commonalities in their drive to be No. 1 in the world. I plan to contribute to the sustainable creation of corporate value by the Hoshizaki Group.



# Stakeholder Engagement

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 Hoshizaki Group's raison d'être, 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.



## Cooperation with Stakeholders and Primary Channels of Communication

	Relationship with the stakeholder	The stakeholder's main interests	Primary channels of communication
Customers	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"> <li>Provision of high performance, high quality products</li> <li>Service organization that provides reliable support</li> <li>Capability to propose solutions to issues</li> <li>Appropriate pricing</li> <li>Response to technological innovation</li> </ul>	<ul style="list-style-type: none"> <li>Sales activities</li> <li>Service activities</li> <li>Various exhibitions</li> <li>Training/seminars</li> <li>Customer satisfaction surveys</li> <li>Factory tours</li> <li>Website</li> </ul>
Employees	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"> <li>Respecting fundamental rights at work</li> <li>Ensuring safe operations</li> <li>Caring for the natural environment</li> <li>Creating workplaces that foster high psychological security</li> <li>Ensuring equal opportunity and fair evaluation</li> <li>Providing opportunities for growth and self fulfillment</li> <li>Improving work-life balance</li> <li>Ensuring diversity and work style options</li> </ul>	<ul style="list-style-type: none"> <li>Intranet, company magazine</li> <li>Employee satisfaction survey</li> <li>Communication with supervisors/colleagues</li> <li>Goal management, mutual checks of progress, evaluation feedback</li> <li>Helpline</li> <li>Labor-management negotiations and discussions</li> <li>Training/seminars</li> <li>Family days</li> <li>(Online factory tours for employee families)</li> </ul>
Suppliers	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 solve the social issues that exist within our supply chain.	<ul style="list-style-type: none"> <li>Offering fair, equitable, and transparent trading terms</li> <li>Supporting quality improvement</li> <li>Promoting socially and environmentally responsible procurement activities</li> <li>Cooperating in the event of disasters</li> </ul>	<ul style="list-style-type: none"> <li>Daily procurement activities</li> <li>Factory policy briefings</li> <li>Hoshizaki's purchasing policy</li> <li>Quality audits</li> </ul>
Local communities	All of Hoshizaki Group's offices and plants are members of their local communities. From support and assistance for educational, cultural, and sporting activities in local communities to recovery support 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"> <li>Coexisting and co-prospering with local communities</li> <li>Creating employment</li> <li>Contributing to the development of the community</li> <li>Conserving the local natural environment</li> <li>Operating safely</li> </ul>	<ul style="list-style-type: none"> <li>Participation in community groups and events</li> <li>Support for organizations that assist the independence of people with disabilities</li> <li>Employee participation in community activities</li> <li>Donations by the Hoshizaki Charity Club</li> </ul>
Shareholders and investors	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"> <li>Enhancing corporate value</li> <li>Pursuing fair disclosure</li> <li>Implementing capital policy with attention to capital efficiency</li> <li>Achieving shareholder returns in excess of cost of capital</li> <li>Addressing the SDGs/ESG factors and disclosing information</li> <li>Improving the effectiveness of governance</li> </ul>	<ul style="list-style-type: none"> <li>General meeting of shareholders (1,437 participants*)</li> <li>*Including participation via voting forms, the internet, etc.</li> <li>Financial results briefings for institutional investors (4 briefings)</li> <li>Individual engagement with institutional investors (178 investors)</li> <li>Conferences organized by securities companies (3 times)</li> <li>Briefing session for individual investors (once)</li> <li>IR/ESG information website</li> </ul>
Future generations	Contributing to the generation that will build the future society leads also to the resolution of social issues by fostering the growth of the next generation of human resources. 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"> <li>Handing down a rich natural environment and stable society</li> <li>Passing on the joy and importance of manufacturing</li> <li>Providing opportunities for the growth of the next generation as future leaders of society</li> </ul>	<ul style="list-style-type: none"> <li>Factory tours (5 schools)</li> <li>Participation and cooperation in Hoshizaki Green Foundation's environmental improvement activities for the protection and breeding of wild animals and plants</li> <li>Scholarships provided by Hoshizaki Shinsei Foundation and Sakamoto Donation Foundation (SDF)</li> </ul>

Figures are results in 2021

# List of Officers

## Board of Directors (as of March 31, 2022)



Mar. 1959 Joined the Company  
Feb. 1960 Vice President  
June 1965 Executive Vice President  
July 1988 Vice President  
July 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  
June 2014 Representative Director, Chairman & CEO and President & COO  
Mar. 2017 Representative Director, Chairman & CEO  
June 2019 Chairman & CEO (current position)

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



Sept. 2008 Joined the Company  
Oct. 2008 Head of Corporate Planning Office  
Jan. 2010 General Manager of Accounting Department  
Mar. 2012 Vice President  
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)

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



Apr. 2018 Joined the Company  
Sept. 2018 General Manager of Cost Planning Department  
Jan. 2019 Plant Manager of Head Office Plant  
Mar. 2019 Vice President (current position)  
Mar. 2019 In charge of Value Enhancement Research Institute, Head Office Plant, Cost Planning Department and Purchase Department  
Mar. 2020 Senior Executive Officer (current position)  
Mar. 2020 In charge of Research and Development, Manufacturing (current position)

**Yasushi Ieta**  
(b. October 4, 1960)  
Director



Apr. 2019 Joined the Company  
July 2019 Executive Officer  
Mar. 2020 Vice President (current position)  
Mar. 2020 Senior Executive Officer (current position)  
Mar. 2020 In charge of Administration (current position)

**Kyo Yaguchi**  
(b. June 30, 1959)  
Director



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

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



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

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



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)

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



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

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



July 1985 Joined Chubu Hoshizaki Corporation (currently HOSHIZAKI TOKAI CO., LTD.)  
Sept. 2007 General Manager of Sales Division of the Company  
Mar. 2008 Vice President  
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 Senior Vice President  
Mar. 2016 In charge of Domestic Sales Department (current position)  
June 2019 Vice President (current position)  
Mar. 2020 Senior Executive Officer (current position)

**Satoru Maruyama**  
(b. November 29, 1960)  
Director



Apr. 2017 Joined the Company  
Jan. 2018 General Manager of Global Business Division  
Mar. 2019 Vice President (current position)  
Mar. 2019 In charge of Global Business Division (current position)  
Mar. 2020 Senior Executive Officer (current position)

**Katsuhiro Kurimoto**  
(b. May 5, 1964)  
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 of Tsuge Certified Public Accountant Office (current position)  
Sept. 2001 Registered as Certified Public Tax Accountant  
June 2007 Representative Director of La Vida Planning Co., Ltd. (current position)  
June 2015 Outside Director of Aisan Industry Co., Ltd. (current position)  
Mar. 2017 Outside Director (Audit & Supervisory Committee Member) of the Company (current position)  
Oct. 2021 Outside Director (Member of the Audit & Supervisory Committee) of Juroku Financial Group, Inc. (current position)

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

## Executive Officers (as of March 31, 2022)

### Shinichi Ochiai

Senior Executive Officer,  
Shimane Plant  
Shimane Plant Manager

### Yoshio Furukawa

Senior Executive Officer,  
Quality Assurance

### Osamu Goto

Executive Officer,  
Legal Affairs  
General Manager of Legal Department

### Wataru Fujjoka

Executive Officer,  
HOSHIZAKI TOKYO CO., LTD. and  
HOSHIZAKI SHONAN CO., LTD.

### Takashi Akita

Executive Officer,  
HOSHIZAKI TOKAI CO., LTD. and  
HOSHIZAKI HANSHIN CO., LTD.

### Norio Oba

Executive Officer,  
HOSHIZAKI HOKUSHINETSU CO., LTD. and  
HOSHIZAKI CHUGOKU CO., LTD.

### Seiji Terashima

Executive Officer,  
Main Plant  
Main Plant Manager

### Yosuke Matsunaga

Executive Officer,  
Europe Region

### Ryuichiro Seki

Executive Officer,  
Accounting Department

### Mikihiro Hara

Executive Officer,  
HOSHIZAKI KITAKYU CO., LTD. and  
HOSHIZAKI NANKYU CO., LTD.



## Key Financial Data in Past Decade

		(Million yen)									
Item		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Business Performance</b>	Net sales	178,863	205,513	233,252	260,174	265,548	282,215	292,774	290,136	238,314	274,419
	Cost of sales	109,541	125,326	142,161	159,319	161,918	173,849	182,224	180,671	149,261	174,727
	Gross profit	69,321	80,187	91,090	100,854	103,630	108,365	110,549	109,464	89,053	99,691
	Selling, general and administrative expenses	52,838	60,135	64,106	69,135	69,054	72,299	74,103	76,799	70,605	74,760
	Operating profit	16,483	20,052	26,984	31,719	34,575	36,065	36,446	32,664	18,447	24,931
	Ordinary profit	19,768	26,349	31,235	30,864	34,140	37,086	36,372	34,224	17,420	31,165
	Profit before income taxes	19,675	26,276	26,678	29,077	33,737	35,302	36,090	34,263	17,288	31,231
	Profit attributable to owners of parent	11,276	15,769	15,011	16,971	21,430	23,144	25,717	24,437	11,442	21,679
	Earnings per share (yen)	156.33	218.37	207.65	234.47	295.95	319.62	355.14	337.45	158.00	299.35
<b>Key financial indicators</b>	Gross profit to net sales	38.8%	39.0%	39.1%	38.8%	39.0%	38.4%	37.8%	37.7%	37.4%	36.3%
	Operating profit/net sales	9.2%	9.8%	11.6%	12.2%	13.0%	12.8%	12.4%	11.3%	7.7%	9.1%
	Net income to net sales	6.3%	7.7%	6.4%	6.5%	8.1%	8.2%	8.8%	8.4%	4.8%	7.9%
	ROA	5.6%	6.8%	5.9%	6.2%	7.4%	7.3%	7.7%	6.9%	3.3%	5.7%
	ROE	9.4%	11.6%	9.7%	10.1%	11.9%	11.9%	12.0%	10.6%	4.8%	8.7%
	Total assets turnover (times)	0.89	0.88	0.91	0.95	0.92	0.89	0.87	0.82	0.69	0.73
<b>Revenue breakdown by region</b>	Japan	140,909	148,507	159,416	170,010	176,158	186,621	191,239	189,953	166,117	175,269
	Americas	28,760	40,008	51,377	62,370	60,868	65,415	65,564	63,916	45,945	60,621
	Europe and Asia	9,192	16,997	22,458	27,792	28,521	30,179	35,970	36,265	26,250	38,527
	Total	178,863	205,513	233,252	260,174	265,548	282,215	292,774	290,136	238,314	274,419
	Ratio of overseas net sales	21.3%	27.7%	31.6%	34.6%	33.6%	33.8%	34.7%	35.3%	30.8%	36.1%
<b>Net sales by product</b>	Ice machines	29,744	36,234	40,379	46,203	46,563	49,578	51,007	51,528	40,491	45,725
	Refrigerators	42,711	51,666	59,359	66,220	68,474	71,471	76,306	75,038	58,564	75,528
	Dishwashers	10,269	13,872	15,337	17,646	17,760	23,716	21,387	20,104	14,723	18,300
	Dispensers	21,783	24,615	27,134	32,320	30,016	29,379	28,744	26,139	16,530	19,243
	Other companies' products	24,932	25,199	27,958	30,713	31,932	33,512	37,620	37,799	30,986	35,321
	Maintenance /Repair	32,977	35,661	39,757	42,874	44,865	47,132	49,560	50,763	47,072	50,579
	Other products	16,444	18,264	23,326	24,194	25,935	27,424	28,146	28,763	29,946	29,721
<b>Financial position</b>	Total assets	201,787	232,982	256,412	273,655	289,967	315,981	334,879	351,887	343,393	378,469
	Net assets	126,389	146,930	164,533	176,545	187,179	206,900	223,510	242,038	239,711	259,862
	Equity	126,244	145,457	162,835	173,864	185,573	204,967	222,238	240,531	238,143	257,826
	Net cash	98,421	109,002	129,334	147,854	162,641	186,655	204,103	214,203	216,508	239,966
	Equity ratio	62.6%	62.4%	63.5%	63.5%	64.0%	64.9%	66.4%	68.4%	69.3%	68.1%
	Net assets per share (yen)	1,749.06	2,012.90	2,250.99	2,400.96	2,562.66	2,830.48	3,068.86	3,321.31	3,288.35	3,559.85
<b>Dividends</b>	Dividends per share (yen)	30	40	50	60	70	70	80	110	110	110
	Total cash dividends	2,165	2,890	3,616	4,344	5,069	5,069	5,793	7,966	7,966	7,966
	Payout ratio	19.2%	18.3%	24.1%	25.6%	23.7%	21.9%	22.5%	32.6%	69.6%	36.7%
<b>Capital expenditure, etc.</b>	Capital expenditure	3,877	4,141	4,529	5,482	6,387	5,827	4,246	5,216	3,405	3,749
	Depreciation	4,407	5,232	5,343	5,631	4,892	5,104	5,122	4,643	5,001	4,809
	Research & development expenses	3,547	3,873	3,862	3,894	3,906	4,000	4,130	4,232	4,128	4,425
<b>Cash flows</b>	Cash flows from operating activities	16,568	20,212	22,002	30,424	30,611	34,877	30,203	30,455	20,734	27,343
	Cash flows from investing activities	(13,498)	(4,489)	(21,888)	(11,306)	(34,865)	(34,066)	16,478	29,645	(1,229)	5,238
	Free cash flow	3,070	15,723	114	19,118	(4,254)	811	46,681	60,100	19,505	32,581
	Cash flows from financing activities	(2,092)	(1,499)	(2,042)	(4,665)	(5,010)	(4,966)	(5,047)	(5,908)	(8,281)	(8,122)
	Cash and cash equivalents at end of period	36,498	52,710	51,769	64,822	53,733	49,906	89,256	142,803	148,833	181,615

## Analysis of Financial and Management Status

### Overview of Operation and Financial Results of the Fiscal Year Ended December 31, 2021

In the fiscal year ended December 31, 2021, the recovery of the food service market in Japan was limited due to restricted business activity under the state of emergency issued in response to the spread of new coronavirus infection. By contrast, in overseas markets, capital spending demand of restaurants remained strong as economic activity recovered, led by Asia and the United States.

In such an environment, in Japan, the Group worked to expand sale of mainstay ice machines and refrigerators as well as cooking and sanitation appliances that can capture changing market and customer needs as consumers shifted to purchasing prepared foods to eat at home and ordering food delivery amid the pandemic. We also put effort into developing markets outside the restaurant market. Overseas, a tough business environment remained in terms of product supply and revenues, affected by spike in material costs, supply chain disruptions and shortage of workers. Still, sales of mainstay products remained solid as demand from restaurants increased, driven by recovery in economic activities led by Asia and the United States.

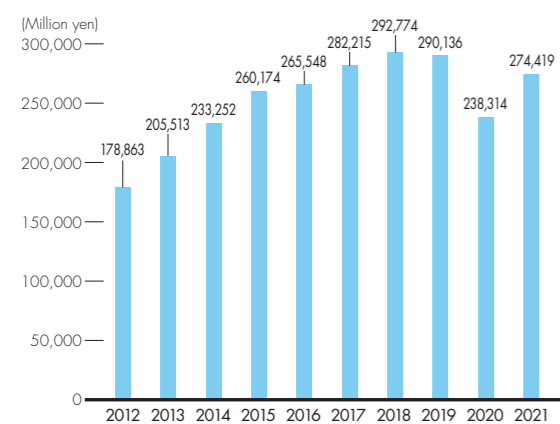
As a result, for the fiscal year ended December 31, 2021, net sales came to ¥274,419 million (up 15.2% year on year) and operating profit came to ¥24,931 million (up 35.1% year on year; 9.1% operating profit ratio). Ordinary profit rose 78.9% year on year to

¥31,165 million as foreign exchange gains of ¥5,373 million was booked under non-operating income. Profit attributable to owners of parent came to ¥21,679 million (up 89.5% year on year).

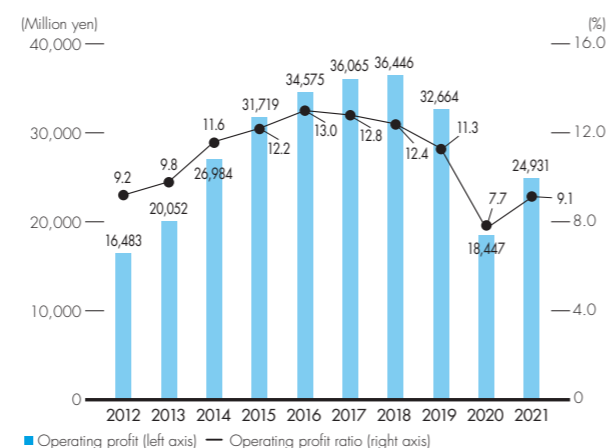
### Financial Position for Fiscal Year Ended December 31, 2021

Total assets as of December 31, 2021 increased ¥35,075 million year on year to ¥378,469 million. Current assets increased ¥33,404 million year on year to ¥310,645 million. The main factors were an increase in cash and deposits due to greater profit and an increase in raw materials and supplies to respond to increased production. Non-current assets increased ¥1,670 million from the end of the previous fiscal year to ¥67,823 million. Total liabilities as of December 31, 2021 increased ¥14,925 million from a year earlier to ¥118,607 million. Current liabilities increased ¥14,183 million from the end of the previous fiscal year to ¥94,448 million. The main factors were an increase in notes and accounts payable - trade due to an increase in purchases and an increase in income taxes payable due to greater profit. Non-current liabilities increased ¥742 million from the end of the previous fiscal year to ¥24,159 million. Total net assets as of December 31, 2021 increased ¥20,150 million from a year earlier to ¥259,862 million. Equity totaled ¥257,826 million, while equity ratio came to 68.1%.

#### Net Sales



#### Operating Profit and Operating Profit Ratio



### Overview of Cash Flows for Fiscal Year Ended December 31, 2021

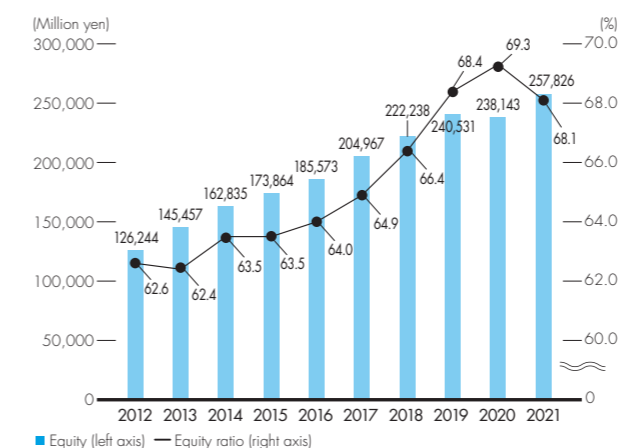
Net cash provided by operating activities for the fiscal year ended December 31, 2021 increased ¥6,609 million year on year to ¥27,343 million. The main factors include profit before income taxes of ¥31,231 million, increase in trade payables of ¥9,119 million, and increase in advances received of ¥1,943 million. Significant decrease factors included ¥5,226 million in foreign exchange gains and a ¥5,157 million increase in inventories.

Net cash provided by investing activities came to ¥5,238 million, turning positive from the ¥1,229 million used in the previous fiscal year. Purchase of property, plant and equipment remained flat from a year earlier level at ¥3,225 million. This was attributable mainly to an increase in the balance associated with withdrawal from and payments into time deposits from ¥3,715 million in the previous fiscal year to ¥11,501 million. Net cash used in financing activities amounted to ¥8,122 million (¥8,281 million used in the previous fiscal year). The main factor was dividends paid of ¥7,968 million. Cash and cash equivalents as of December 31, 2021 increased ¥32,782 million from a year earlier to ¥181,615 million.

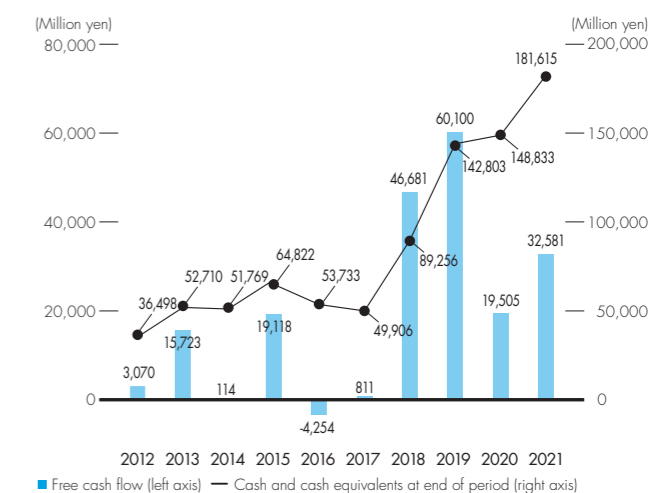
### Shareholder Return Policy Changed

The Company previously had the policy of maintaining continuous, stable payout, targeting a consolidated dividend payout ratio basically between 30% and 40%. For the shareholder return level going forward, however, we aim to provide shareholder return proportionate to profit growth, with a target of at least 40% in total payout ratio, while trying to maintain continuous and stable dividends. The Company will also consider the acquisition of treasury stock in an adaptive and flexible manner, taking into consideration the stock price level, investment plans, and capital efficiency comprehensively. Furthermore, we carried out a two-for-one stock split of common shares on the effective date of July 1, 2022, aiming to improve liquidity of shares and expand the investor base. Based on this basic policy, the Company plans to pay an interim dividend of ¥60 and year-end dividend of ¥30 per share (after the stock split) for the fiscal year ending December 31, 2022. These payouts translate to ¥120 per share (46% payout ratio) in the total annual payouts on the before-the-split basis, representing a substantive year on year increase of 10 yen.

#### Equity and Equity Ratio



#### Free Cash Flow and the Balance of Cash and Cash Equivalents at End of Period





# Consolidated Financial Statements

## Consolidated Balance Sheet

	(Million yen)		(Million yen)	
	As of December 31, 2020	As of December 31, 2021	As of December 31, 2020	As of December 31, 2021
<b>Assets</b>			<b>Liabilities</b>	
Current assets			Current liabilities	
Cash and deposits	217,212	240,723	Notes and accounts payable - trade	16,052
Notes and accounts receivable - trade	27,122	31,120	Income taxes payable	1,632
Merchandise and finished goods	14,549	14,806	Advances received	26,070
Work in process	3,642	4,775	Provision for product warranties	1,823
Raw materials and supplies	10,214	15,974	Other provisions	2,849
Other	4,707	3,477	Other	31,836
Allowance for doubtful accounts	(207)	(232)	Total current liabilities	80,265
Total current assets	277,241	310,645	Non-current liabilities	
Non-current assets			Provision for retirement benefits for directors (and other officers)	238
Property, plant and equipment			Retirement benefit liability	19,835
Buildings and structures	43,580	44,783	Provision for product warranties	994
Accumulated depreciation	(28,284)	(29,627)	Other	2,348
Buildings and structures, net	15,295	15,156	Total non-current liabilities	23,416
Machinery, equipment and vehicles	33,717	34,965	Total liabilities	103,681
Accumulated depreciation	(26,624)	(28,316)	<b>Net assets</b>	
Machinery, equipment and vehicles, net	7,092	6,649	Shareholders' equity	
Tools, furniture and fixtures	22,121	22,547	Share capital	8,021
Accumulated depreciation	(20,215)	(20,757)	Capital surplus	14,543
Tools, furniture and fixtures, net	1,906	1,790	Retained earnings	226,244
Land	14,489	14,692	Treasury shares	(5)
Leased assets	1,107	1,255	Total shareholders' equity	248,803
Accumulated depreciation	(420)	(502)	Accumulated other comprehensive income	
Leased assets, net	687	753	Valuation difference on available- for-sale securities	11
Construction in progress	2,874	4,132	Foreign currency translation adjustment	(8,829)
Total property, plant and equipment	42,345	43,174	Remeasurements of defined benefit plans	(1,841)
Intangible assets	3,510	2,766	Total accumulated other comprehensive income	(10,659)
Investments and other assets			Non-controlling interests	1,568
Investment securities	9,311	10,057	Total net assets	239,711
Deferred tax assets	9,112	9,927	Total liabilities and net assets	343,393
Other	2,075	2,105		
Allowance for doubtful accounts	(203)	(206)		
Total investments and other assets	20,296	21,883		
Total non-current assets	66,152	67,823		
Total assets	343,393	378,469		

## Consolidated Statement of Income

	(Million yen)	
	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Net Sales	238,314	274,419
Cost of sales	149,261	174,727
Gross profit	89,053	99,691
Selling, general and administrative expenses	70,605	74,760
Operating profit	18,447	24,931
Non-operating income		
Interest income	719	394
Foreign exchange gains	—	5,373
Other	1,484	741
Total non-operating income	2,204	6,509
Non-operating expenses		
Interest expenses	34	42
Donations	82	73
Foreign exchange losses	2,307	—
Temporary layoff expenses	671	—
Other	135	158
Total non-operating expenses	3,232	275
Ordinary profit	17,420	31,165
Extraordinary income		
Gain on sale of investment securities	77	116
Other	5	4
Total extraordinary income	83	120
Extraordinary losses		
Loss on abandonment of non-current assets	40	51
Loss on valuation of investment securities	125	—
Other	49	3
Total extraordinary losses	215	54
Profit before income taxes	17,288	31,231
Income taxes - current	5,144	10,166
Income taxes - deferred	519	(937)
Total income taxes	5,663	9,229
Profit	11,624	22,002
Profit attributable to non-controlling interests	181	322
Profit attributable to owners of parent	11,442	21,679

## Consolidated Statement of Comprehensive Income

	(Million yen)	
	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Profit	11,624	22,002
Other comprehensive income		
Valuation difference on available-for-sale securities	(83)	(6)
Foreign currency translation adjustment	(3,740)	8,866
Remeasurements of defined benefit plans, net of tax	(146)	445
Share of other comprehensive income of entities accounted for using equity method	(1,983)	(3,253)
Total other comprehensive income	(5,952)	6,052
Comprehensive income	5,671	28,054
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,579	27,586
Comprehensive income attributable to non-controlling interests	91	467

## Consolidated Financial Statements

## Consolidated Statement of Cash Flows

	(Million yen)	
	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	17,288	31,231
Depreciation	5,001	4,809
Amortization of goodwill	469	421
Increase (decrease) in retirement benefit liability	791	828
Increase (decrease) in provision for product warranties	(225)	333
Increase (decrease) in provision for bonuses	(513)	127
Interest and dividend income	(730)	(404)
Foreign exchange losses (gains)	1,890	(5,226)
Share of loss (profit) of entities accounted for using equity method	(69)	(141)
Loss (gain) on sale of investment securities	(77)	(116)
Loss (gain) on valuation of investment securities	125	—
Decrease (increase) in trade receivables	5,384	(2,472)
Decrease (increase) in inventories	3,034	(5,157)
Increase (decrease) in trade payables	(892)	9,119
Increase (decrease) in accounts payable - other	(2,941)	(3,910)
Increase (decrease) in accrued expenses	(437)	781
Increase (decrease) in advances received	(758)	1,943
Increase (decrease) in accrued consumption taxes	113	(200)
Increase (decrease) in long-term accounts payable - other	161	(230)
Other, net	211	(336)
Subtotal	27,824	31,401
Interest and dividends received	901	652
Interest paid	(37)	(45)
Income taxes paid	(7,953)	(4,663)
Net cash provided by (used in) operating activities	20,734	27,343
Cash flows from investing activities		
Payments into time deposits	(141,661)	(108,969)
Proceeds from withdrawal of time deposits	145,376	120,470
Net decrease (increase) in trust beneficiary right	288	658
Purchase of property, plant and equipment	(3,212)	(3,225)
Purchase of intangible assets	(199)	(206)
Purchase of investment securities	(4,683)	(5,598)
Proceeds from sale of investment securities	1,449	1,820
Proceeds from redemption of investment securities	1,711	549
Purchase of long-term prepaid expenses	(404)	(294)
Other, net	106	33
Net cash provided by (used in) investing activities	(1,229)	5,238
Cash flows from financing activities		
Dividends paid	(7,961)	(7,968)
Repayments of lease obligations	(281)	(215)
Other, net	(37)	61
Net cash provided by (used in) financing activities	(8,281)	(8,122)
Effect of exchange rate change on cash and cash equivalents	(5,193)	8,323
Net increase (decrease) in cash and cash equivalents	6,029	32,782
Cash and cash equivalents at beginning of period	142,803	148,833
Cash and cash equivalents at end of period	148,833	181,615

## Corporate and Stock Information

## Corporate Profile (as of December 31, 2021)

<b>Company Name:</b>	HOSHIZAKI CORPORATION
<b>Address:</b>	Head Office 3-16, Sakae-cho Minamiyakata, Toyoake, Aichi, 470-1194, Japan Phone: 0562-97-2111
<b>Date of Founding:</b>	February 5, 1947
<b>Exchange Listing:</b>	December 10, 2008: First Section of Tokyo Stock Exchange and First Section of Nagoya Stock Exchange
<b>Paid-in Capital</b>	¥8,052 million
<b>Business Description</b>	Research, development, manufacture and sales of food service equipment, including ice machines, refrigerators and dishwashers



<b>Fiscal Year-end:</b>	December 31
<b>Number of Employees:</b>	12,923 (consolidated) 1,209 (non-consolidated)
<b>Number of Consolidated Subsidiaries:</b>	17 domestic 33 overseas (50 total)
<b>Number of Equity Method Affiliate:</b>	1 overseas

## Global Network (as of December 31, 2021)

## Group Companies in Japan

Region	Company	Role in the Group
Japan	HOSHIZAKI CORPORATION (the Company)	Development, manufacture and sales of food service equipment
	HOSHIZAKI HOKKAIDO CO., LTD.	
	HOSHIZAKI TOHOKU CO., LTD.	
	HOSHIZAKI KITAKANTO CO., LTD.	
	HOSHIZAKI KANTO CO., LTD.	
	HOSHIZAKI TOKYO CO., LTD.	
	HOSHIZAKI SHONAN CO., LTD.	
	HOSHIZAKI HOKUSHINETSU CO., LTD.	
	HOSHIZAKI TOKAI CO., LTD.	Sales and maintenance of food service equipment
	HOSHIZAKI KEIHAN CO., LTD.	
	HOSHIZAKI HANSHIN CO., LTD.	
	HOSHIZAKI CHUGOKU CO., LTD.	
	HOSHIZAKI SHIKOKU CO., LTD.	
	HOSHIZAKI KITAKYU CO., LTD.	
	HOSHIZAKI NANKYU CO., LTD.	
HOSHIZAKI OKINAWA CO., LTD.		
NESTOR CORPORATION	R&D, manufacture, sales and maintenance service of food service equipment	
SANSEI ELECTRIC CO., LTD.	Manufacture and processing of food service equipment and components	



## Corporate and Stock Information

## Overseas Group Companies

Region	Company	Role in the Group
Americas	HOSHIZAKI USA HOLDINGS, INC.	Holding company in the U.S.
	HOSHIZAKI AMERICA, INC.	R&D, manufacture, sales and maintenance service of food service equipment
	HOSHIZAKI SOUTH CENTRAL D.C. INC.	Sales, and maintenance service in the respective regions in the U.S.
	HOSHIZAKI WESTERN D.C. INC.	
	HOSHIZAKI NORTHEASTERN D.C. INC.	
	HOSHIZAKI NORTHCENTRAL D.C. INC.	
	HOSHIZAKI SOUTHEASTERN D.C. INC.	
	Jackson VVWS, Inc.	R&D, manufacture, sales, and maintenance service of dishwashers in the U.S.
	LANCER CORPORATION	R&D, manufacture, sales, and maintenance service of beverage dispensers, etc. in the U.S.
	LANCER DE MEXICO, SOCIEDAD ANONIMA DE CAPITAL VARIABLE	Sales and maintenance service of beverage dispensers, etc. in Mexico
	INDUSTRIAS LANCERMEX, SOCIEDAD ANONIMA DE CAPITAL VARIABLE	Manufacture of beverage dispensers, etc. in Mexico
	Servicios Lancermex S.A. De C.V.	Staffing service for LANCER DE MEXICO, SOCIEDAD ANONIMA DE CAPITAL VARIABLE
	HOSHIZAKI LANCER PTY LTD	R&D, manufacture, sale and maintenance service of beverage dispensers, etc. in Australia
	HOSHIZAKI LANCER LIMITED	Sales and maintenance service of beverage dispensers, etc. in New Zealand
	Lancer Europe	Sales, maintenance service of beverage dispensers, etc. in Europe
	Lancer Shanghai Co., Ltd.	Sales and maintenance service of beverage dispensers, etc. in China
	Aços Macom Indústria e Comércio Ltda.	R&D, manufacture, sales and maintenance service of food service equipment in Brazil
Europe and Asia	Hoshizaki Europe Holdings B.V.	Holding company in Europe
	HOSHIZAKI EUROPE LIMITED	R&D, manufacture and sales of food service equipment in Europe
	Hoshizaki Europe B.V.	R&D, manufacture, sales and maintenance service of food service equipment in Europe
	Oztiyaykiler Madeni Esya Sanayi ve Ticaret Anonim Sirketi	R&D, manufacture, sales and maintenance service of food service equipment in Turkey
	Western Refrigeration Private Limited	R&D, manufacture and sales of refrigerators, etc. in India
	HOSHIZAKI (THAILAND) LIMITED	Sales and maintenance service of food service equipment in Thailand
	HOSHIZAKI MALAYSIA SDN. BHD.	Sales and maintenance service of food service equipment in Malaysia
	HOSHIZAKI SINGAPORE PTE LTD	Sales, and maintenance service of food service equipment in Singapore
	HOSHIZAKI VIETNAM CORPORATION	Sales and maintenance service of food service equipment in Vietnam
	PT. HOSHIZAKI INDONESIA	Sales and maintenance service of food service equipment in Indonesia
	HOSHIZAKI PHILIPPINES CORPORATION	Sales and maintenance service of food service equipment in the Philippines
	HOSHIZAKI HONG KONG CO., LTD.	Sales and maintenance service of food service equipment in Hong Kong
	HOSHIZAKI (CHINA) HOLDINGS CO., LTD.	Holding company in China
	HOSHIZAKI SHANGHAI CO., LTD.	Sales and maintenance service of food service equipment in China
	HOSHIZAKI SUZHOU CO., LTD.	Manufacture and sales of food service equipment in China
	HOSHIZAKI TAIWAN, INC.	Sales and maintenance service of food service equipment in Taiwan
	Hoshizaki Korea Co., Ltd.	Sales and maintenance service of food service equipment in South Korea

Note: In addition to the above, we have Lancer Do Brasil Industria E Comercio Ltda. and Haikawa Industries Private Limited, non-consolidated subsidiaries to which the equity method is not applied, but neither is currently active.

## Stock Information (as of December 31, 2021)

## Share Status

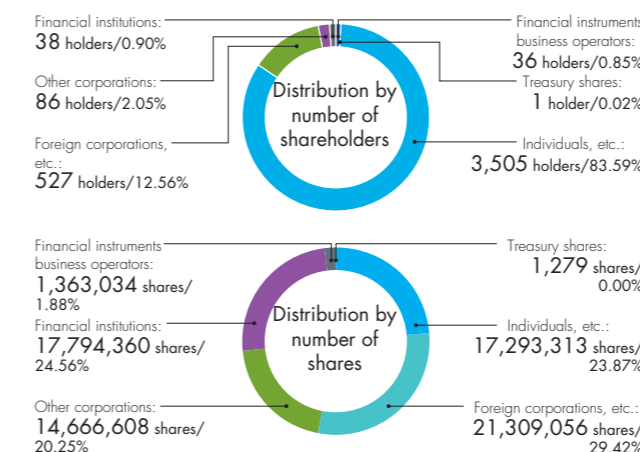
Authorized number of shares: 250,000,000 shares

Total number of issued shares: 72,427,650 shares

Number of shareholders: 4,193

Note: The Company issued 4,350 new shares on May 11, 2022, as transfer-restricted stock compensation, and according to a resolution by the Company's Board of Directors at a meeting held on February 9, 2022, it conducted a stock split at a ratio of two-for-one common stock with July 1, 2022, as the effective date. As a result, the total authorized number of shares came to 500,000,000, and the number of issued shares came to 144,864,000.

## Distribution of shares

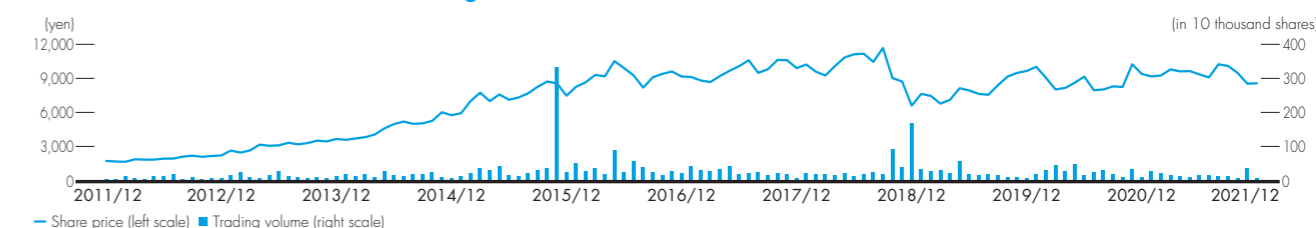


## Major Shareholders

Shareholder Name	Number of Shares Held (thousand shares)	Percentage Stake (%)
The Master Trust Bank of Japan, Ltd. (trust account)	9,015	12.44
Sakamoto Donation Foundation	6,203	8.56
Hoshizaki Green Foundation	5,800	8.00
JP MORGAN CHASE BANK 380055 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	3,136	4.33
Hoshizaki Group Employees Stock Ownership Plan	2,437	3.36
Custody Bank of Japan, Ltd. (trust account)	2,360	3.25
Hoshizaki Shinsei Foundation	1,583	2.18
J.P. MORGAN BANK LUXEMBOURG S.A. 381572 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1,266	1.74
Miyuki Sakamoto	1,135	1.56
JP MORGAN CHASE BANK, N.A. 385635 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1,093	1.51

Note: Treasury shares (1,279 shares) were excluded in the calculation of the percentage stake figures.

## Historical Share Prices and Trading Volume in the Past Decade (December 2011-December 2021)



## Share Price Performance Comparison (TSR/unit: %, including dividends)

	Past decade (December 2011-December 2021)	Past 5 years (December 2016-December 2021)	Past 3 years (December 2018-December 2021)	Past 1 year (December 2020-December 2021)
Hoshizaki	418.8	-1.3	34.4	-7.5
TOPIX	239.8	46.9	43.0	12.7
Machinery Index	260.3	55.3	60.1	8.2

## ESG-Related External Evaluation



2021 CONSTITUENT MSCI ジャパン ESGセレクト・リーダーズ指数

Notes: The inclusion of Hoshizaki Corporation in the MSCI index, or the use of MSCI's logo, trademark, service mark or index name is not intended as support, promotion or sales promotion for Hoshizaki Corporation. The MSCI indices are exclusive property of MSCI. The names and logos of MSCI and MSCI indices are trademarks or service marks of MSCI or its affiliates.