

HOSHIZAKI CORPORATION

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HOSHIZAKI CORPORATION Integrated Report 2023

Integrated Report 2023

Fiscal Year Ended
December 2022



HOSHIZAKI



On the Publication of Our Integrated Report 2023

Integrated Report 2023 Contents

Introduction

- 01 On the Publication of Our Integrated Report 2023
- 02 Integrated Report 2023 Contents
- 03 The Hoshizaki Group in 2022

Hoshizaki's Values and Vision

- 05 Values and Vision
- 07 The History of Growth
- 09 Business Overview
- 11 Financial/Non-financial Highlights
- 13 Message from Top Management

Execution Strategy to Achieve the Vision

- 21 Value Creation Process
- 23 Key Points of Value Creation Process
- 25 Materiality Toward Realization of Ideal State
- 29 Financial/Capital Strategies
- 33 Human Capital
- 35 Intellectual Capital
- 37 Manufacturing Capital
- 38 Social Capital
- 39 Numerical Targets of the Five-year Management Vision and Company-Wide Strategy
- 41 Value Creation Story of Domestic Business
- 47 Value Creation Story of Overseas Business

In Response to Main Opinions from Shareholders and Investors

- Setting KPIs for materiality p.25-28
- Explanation of capital policy and clarification over use of funds p.29-32
- Initiatives for human resource development and enhancing corporate value p.33-34, 63-65
- M&A performance and value creation story p.49-50
- Sustainability promotion by the Hoshizaki Group p.51-52
- Enhancing disclosure related to climate change and refrigerant transition p.53-58
- Developing women in managerial positions, promoting diversity p.64-65
- Changes arising from the establishment of the Nomination and Compensation Committee, enhancing disclosure of compensation for directors p.68-69, 74-76

Editorial Policy

Hoshizaki Integrated Report 2023 has been compiled for the purpose of explaining the Hoshizaki Group's vision, business model and various capital held, business strategies, ESG promotion structure, etc., aimed at increasing not only economic but also social and environmental value over the medium to long term, and for use in dialog with stakeholders. In compiling the report, we referred to the International Integrated Reporting Framework by the IFRS Foundation, the Guidance for Collaborative Value Creation 2.0 by the Japanese Ministry of Economy, Trade and Industry, Ito Review 3.0 and Ito Report on Human Capital Management 2.0, and the Task Force on Climate-related Financial Disclosures (TCFD), among others, as guides.

Scope of Reporting

Entities in scope: Hoshizaki and the group companies included in its scope of consolidation and those accounted for using the equity method
 Period: The report mainly covers fiscal 2022 (from January 1, 2022 to December 31, 2022). 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" 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 the content in this report.

Disclaimer

In case of doubt or difference of interpretation, the Japanese version shall prevail over the English version.

Initiatives for Sustainability

- 51 Initiatives for Sustainability
- 53 Initiatives for the Environment
- 56 Response to Climate Change
- 59 Initiatives for Society

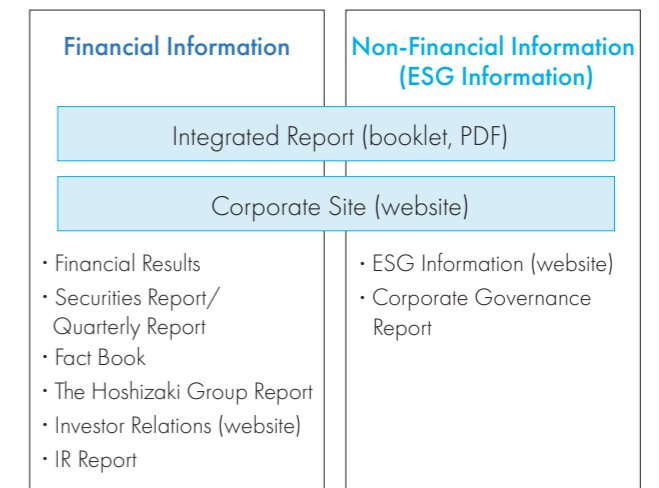
Foundation for Value Creation

- 67 Roundtable of Outside Directors
- 71 Enhancement of Management Foundation
- 81 List of Officers
- 83 Stakeholder Dialogue and Engagement

Data and Corporate Information

- 85 Finance-Related Information
- 87 Financial Data in Past Decade
- 89 Consolidated Financial Statements
- 92 Corporate and Stock Profiles

Information Structure



Introduction

The Hoshizaki Group published its first integrated report in 2022. ESG activities, which include information disclosure, is positioned as an essential management matter, and we have worked to strengthen and spread sustainability activities. We have also gained opinions from within and outside the company by engaging with stakeholders and actively incorporated them into management. This has resulted in our report being selected by the Government Pension Investment Fund (GPIF) as one of the "most-improved integrated reports." We will continue to make stronger our efforts, such as with additional KPIs set for materiality in 2023 in order to fulfill the expectations that are imposed upon us.

The food service industry, which is the Hoshizaki Group's customer, is progressing toward a clear trajectory of recuperation from the adverse economic conditions precipitated by the COVID-19 pandemic. Against such a background, in looking beyond the post-COVID era, we are strengthening business activities in order to be able to resolve issues faced by customers, such as energy conservation, reducing environmental impact, and labor shortages. Specifically, in advance of our competitors into the market, we are actively introducing refrigerators that utilize natural refrigerants. Moreover, we are aiming to create value that is differentiated with "environment" and "automation" in the food service industry as keywords, such as via capital participation in the food service robot field and introducing automated dishwashers with low water consumption. In Japan, Hoshizaki Sales Co., Ltd., has been established and the sales structure has been reorganized, together with progress in the optimization of production bases. Overseas, Italian ice machine manufacturer, Brema Group S.p.A., has been made a consolidated group company in the second half of FY2022. The most challenging phase has passed of the parts procurement problem in 2022, and through reorganization and strengthening of the production structure together with the cooperation of our business partners, we will work to speed up management to achieve our management vision of becoming No. 1 in the world. The year 2023 marks the second year of our Five-year Management Vision, and we aim to be an "Evolving Company" that contributes to society as well as customers, as we seriously engage in obtaining numerical figures.

We hope that this Integrated Report 2023 will lead to understanding of the Hoshizaki Group. Thank you for your continuing support.

July 2023

Seishi Sakamoto, Chairman & CEO

Yasuhiro Kobayashi, Representative Director, President & COO



The Hoshizaki Group in 2022

January

● Established the Nomination and Compensation Committee

We voluntarily established the Nomination and Compensation Committee chaired by an independent outside director to strengthen the fairness, transparency, and objectivity of the nomination, compensation, and so forth of directors and executive officers.

February

● Hoshizaki's 75th anniversary ● Announced fiscal 2021 financial results ● Disclosed the Five-year Management Vision

A long-term vision was set according to the Purpose, and we disclosed initiatives in responding to environmental changes from a long-term perspective in order to continuously enhance corporate value, together with financial and non-financial targets.

● Changed the basic policy on shareholder returns

The return target was changed to a total return ratio of 40% or more to further strengthen shareholder returns.



75th Anniversary Commemorative Booklet

March

● 76th General Meeting of Shareholders

April

● Joint entrance ceremony for group companies in Japan

An entrance ceremony was held jointly by the Hoshizaki Group companies in Japan. The ceremony was held with 16 companies across 17 sites connected online again the same as last year due to the COVID-19 pandemic. There were 134 new employees, including 49 women (constituting 36% of the total).



Joint entrance ceremony for group companies in Japan

May

● Announced first quarter financial results ● Completed new Ozti factory in Türkiye (Turkey)

We invested approximately one billion yen and built a fourth factory in Türkiye in order to gain a vast sales channel in markets of Europe, the Middle East, Africa, and Asia as well as meet a further growth in demand in the future.



Completion ceremony at new Ozti factory in Turkey

July

● Acquired Brema Group S.p.A. in Italy

We obtained Brema, which has strong sales channels in Southern Europe and Eastern Europe. Complementary synergy can be expected among product portfolios and business regions between the Hoshizaki Group and Brema, and our goal is to expand sales going forward in Southern Europe, Eastern Europe, and Middle Eastern countries besides existing European markets.

● Published our first Integrated Report

Hoshizaki's first Integrated Report was published. It was selected by GPIF as one of the "most-improved integrated reports."



Brema Group S.p.A. in Italy

August

● Announced second quarter financial results ● Started receipt of orders in Japan for natural refrigerant-based refrigerators

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



HFC-free refrigerator using natural refrigerant

*Excluding a portion of variant models (specialized models with different usage from standard refrigerators/freezers)

September

● Implemented stock split and started interim dividends

With the aim to enhance liquidity of shares and expand the investor base, a stock split was implemented on July 1 to bring the investment unit standard to 500,000 yen or less as recommended by the Tokyo Stock Exchange, and an interim dividend was paid in September with the end of June as the record date.

October

● Acquired entire shares of NAOMI Co., Ltd.

NAOMI, which is a leading domestic company in the small-scaled filling machine industry, became a member of the Group. We aim to strengthen development of non-restaurant markets via synergistic effects between the nationwide sales and services network of the Hoshizaki Group and the presence NAOMI has in non-restaurant markets.

● Capital and business alliance with Connected Robotics Inc.

By promoting R&D that employs sensing learning technology leveraging Connected Robotics' advanced robot control technology and deep learning and combining that with Hoshizaki's product strength and unique technological capabilities, we will respond to growing needs for automation and deployment of robots in restaurants.

● Announced the establishment of Hoshizaki Sales Co., Ltd. (Established in January 2023)

Establishment in January 2023 as an intermediate holding company for 15 domestic sales companies was announced. The company is responsible for control tower functions for sales measures, human resource development, company-wide projects, and so forth. Moreover, it will aim for reduction in costs and further enhancement of governance and internal control by consolidating common functions that include purchasing and administrative work.



Filling machine, the main product of NAOMI Co., Ltd.

November

● Announced third quarter financial results ● Start of operations at new Western factory in India

To respond to the increase in demand in markets in India as well as Europe, Asia, and Africa, a fourth factory in India was established with approximately 2.5 billion yen in investment. We will aim to provide a stable supply of products by introducing IoT technology, automating the manufacturing line, and so forth to increase production capability by 15% to 30% on a product basis.



New Western factory in India

December

● 50th anniversary of Macom in Brazil ● Acquired Royalkitchen in China

We acquired Royalkitchen, a kitchen design and installation company in China. We will aim for business development that is more rooted in the market in China through not only expansion of sales of our products to Royalkitchen's existing customers but also collaboration with the company that is highly evaluated in the Chinese market.



Signing ceremony with China's Royalkitchen



We aim to be an "Evolving Company" contributing to society as well as customers.

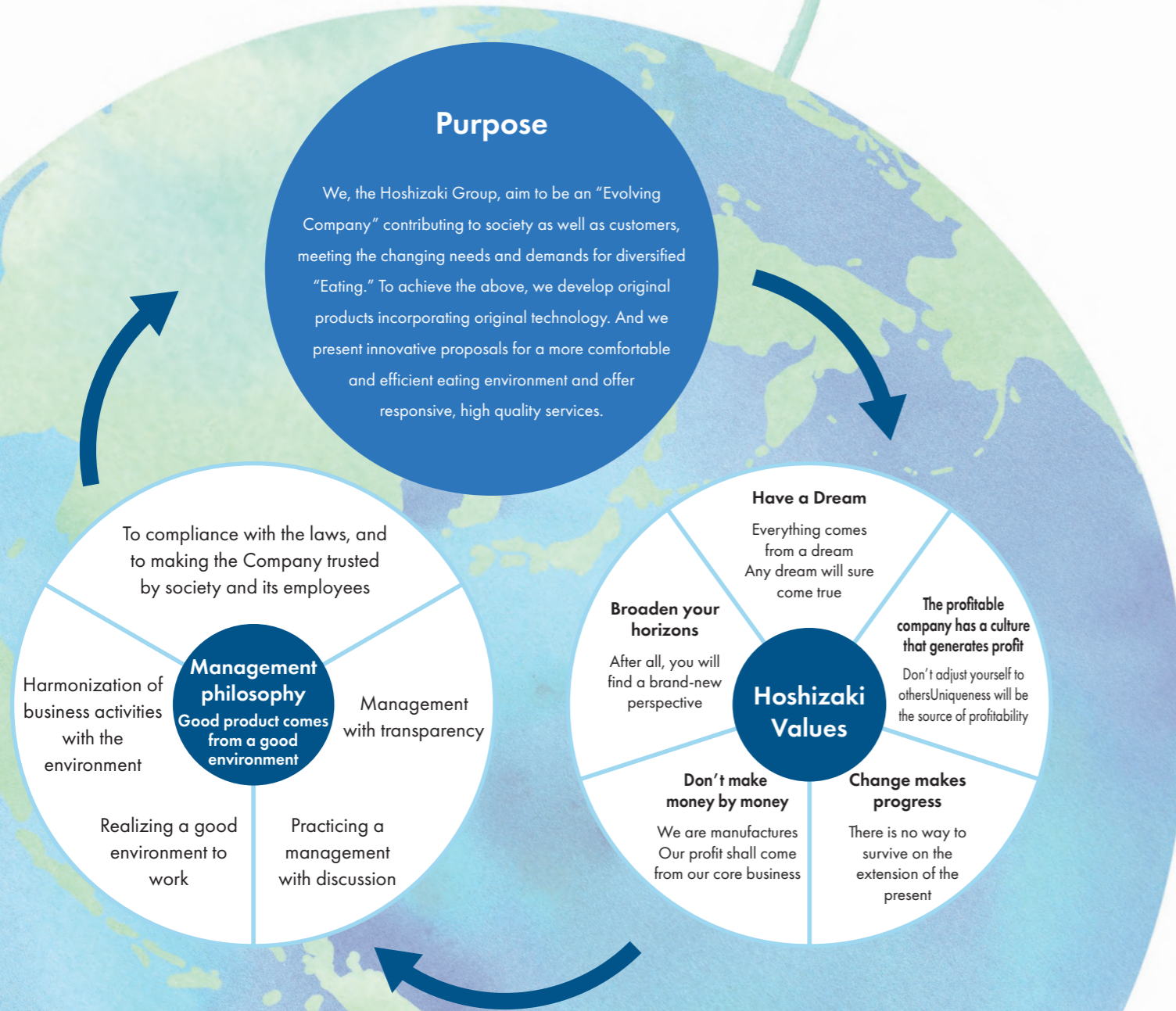
As a comprehensive food service equipment manufacturer, the Group's management philosophy is to be an "Evolving Company" contributing to society as well as customers. Under the slogan "Good product comes from a good environment," the Group strives to be a company that is trusted by its many stakeholders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



Corporate Slogan

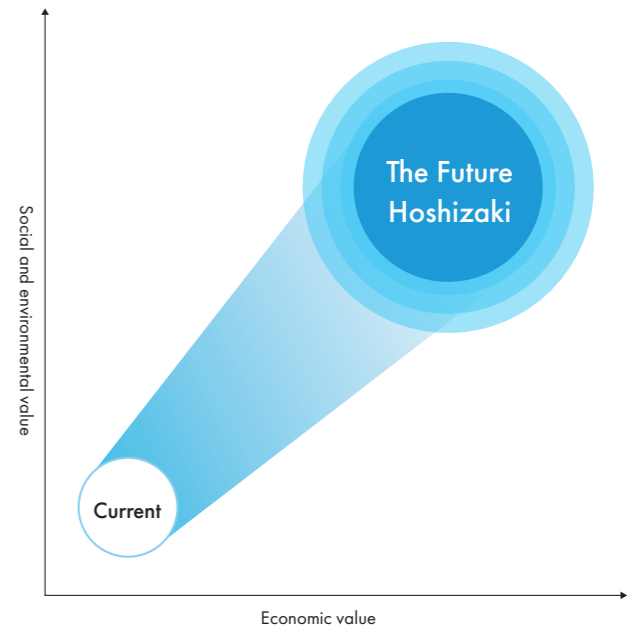
Aiming to be the world's No.1 brand connecting the five continents

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



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

- Direction of Our Strategy
• We will strengthen active initiatives to meet diversifying customer needs and resolve issues as required by society
• We will work to build a global business base and stable revenue base to make possible sustainable growth
Domestic Business
• Seeking growth, we will further strengthen development of non-restaurant markets while also continuing to explore the existing restaurant market
• We will establish a new sales model (sales-service coordination model) in order to accommodate the needs of customers in the restaurant market, whose conditions are rapidly changing, and in non-restaurant markets, which have a diverse range of customers
Overseas Business
• We will seek to expand business into emerging markets with growth prospects ahead of other companies while maximizing growth in existing markets

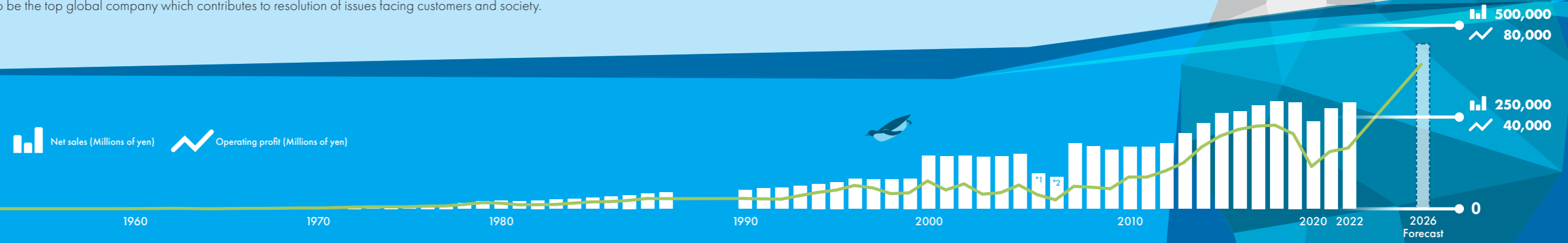




The History of Growth

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

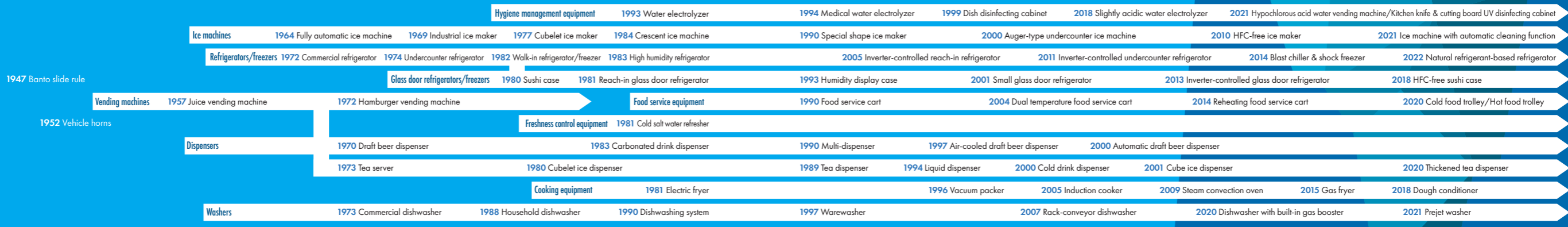
Hoshizaki announced its five-year management vision in February 2022 and is now working for business growth and producing outcome through resolving social and environmental issues. We aim to achieve net sales of 450,000 million yen and operating profit of 63,000 million yen in 2026, and to be the top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



*1 Due to the change in the fiscal year-end, figures are for December 2005 to June 2006. *2 Due to the change in the fiscal year-end, figures are for July 2006 to December 2006.

Transition of products*

* Written based on the year each product was developed.



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 of 15 sales companies nationwide was completed
- 1989 Changed company name to HOSHIZAKI ELECTRIC CO., LTD. ("Hoshizaki" from kanji notation to kana notation in Japanese)
- 1990 Established Hoshizaki Green Foundation
- 1992 Established Hoshizaki Europe B. V. in Netherlands
- 1994 Established HOSHIZAKI EUROPE LTD. in UK

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

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

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



External environment

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

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

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

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

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

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

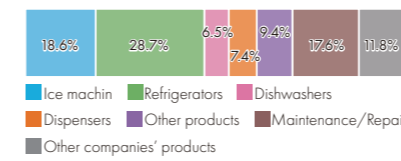


Business Overview

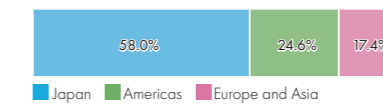
The Hoshizaki Group has been on the orbit of growth since it started the production and sale of Japan's first juice vending machines and ice machines. The Group has diversified products into commercial refrigerators/freezers, dispensers, dishwashers, cooking appliances, etc., enhanced domestic sales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

As of December 31, 2022, the total number of consolidated Group companies increased to 55, including 18 in Japan, 17 in the Americas, 20 in Europe and Asia. The total number of employees was 13,271 on a consolidated basis, and the consolidated net sales was 321,300 million yen (186,400 million yen in Japan and 134,800 million yen overseas). In this way, the Hoshizaki Group has developed into a global company.

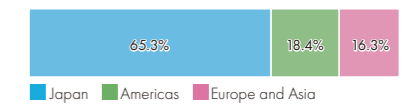
Composition of net sales by product



Composition of net sales by region



Composition of operating profit before adjustment by region

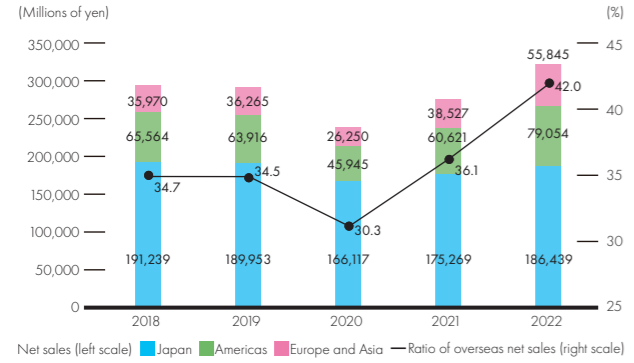


Product category	Main products	Composition of net sales	Ratio of net sales by region	Changes in net sales	Business Overview
 <p>Ice machines In 1964, Hoshizaki developed Japan's first fully automatic ice machine, which established a solid foundation of Hoshizaki. The products are highly capable of making ice, durable, user-friendly, and excellent in energy-saving performance, and are being developed overseas as a main product for the Group.</p>	 <ul style="list-style-type: none"> • Cube ice maker • Cubelet ice maker • Flake ice maker • Special shape ice makers, etc. 	 <p>59,700 million yen 18.6%</p>	 <p>Japan 25.7% Americas 47.6% Europe and Asia 26.7%</p>	 <p>2018: 51,000 million yen 2019: 51,000 million yen 2020: 45,000 million yen 2021: 51,000 million yen 2022: 59,700 million yen</p>	<p>In 2022, net sales increased 30.5% over the previous year resulting from the acquisition of Italian ice machine manufacturer, Brema. Competition in the ice machine business is limited, but the Group's market share both in Japan and globally is top class.</p>
 <p>Refrigerators In 1972, started sale of refrigerators based on the cooling technology developed in ice machines. In 2005, launched the industry's first* inverter-controlled commercial refrigerator. In the Japanese market, also began sale of refrigerator using natural refrigerants in 2023, and announced switch to such refrigerators for full lineup by 2024. Striving to provide energy-saving and eco-friendly products in this way. * Based on internal research</p>	 <ul style="list-style-type: none"> • Commercial refrigerator/freezer • Undercounter refrigerator/freezer • Glass door refrigerator • High humidity refrigerator • Walk-in refrigerator/freezer, etc. 	 <p>92,200 million yen 28.7%</p>	 <p>Japan 50.5% Americas 11.4% Europe and Asia 38.1%</p>	 <p>2018: 76,300 million yen 2019: 76,300 million yen 2020: 65,000 million yen 2021: 76,300 million yen 2022: 92,200 million yen</p>	<p>Supply constraints caused by difficulty procuring parts in Japan in the first half of the year were resolved, and net sales increased 22.0% over the previous year. Hoshizaki boasts a top-class share of the domestic market, and growth overseas is also expanding. Production sites in Europe will be optimized, and we will aim to develop the volume zone of the market.</p>
 <p>Dishwashers Although developed a dishwasher in 1973, stopped its production due to sluggish sales. In light of the growth of the restaurant industry and needs of improvement in operational efficiency and labor-saving, resumed the production of dishwashers in 1981. Recognized for high ability and speed of washing that can only come from a commercial-use machine, reduced environmental burdens by saving water, etc.</p>	 <ul style="list-style-type: none"> • Dishwasher • Rack-conveyor dishwasher • Warewasher, etc. 	 <p>21,000 million yen 6.5%</p>	 <p>Japan 59.7% Americas 39.9% Europe and Asia 0.4%</p>	 <p>2018: 21,400 million yen 2019: 21,400 million yen 2020: 15,000 million yen 2021: 21,400 million yen 2022: 21,000 million yen</p>	<p>Dishwashers are being manufactured and sold in Japan and mainly by Jackson in the Americas. Despite impact of the parts procurement problem in Japan in the first half of 2022, net sales rose 14.6% over the previous year.</p>
 <p>Dispensers Hoshizaki has handled tea server using tea leaves developed in 1973, as well as cubelet ice dispensers using ice machine technology, and draft beer dispensers. The tea dispenser using powdered tea leaves (2009) and the cubelet ice dispenser (2021) won the Good Design Award.</p>	 <ul style="list-style-type: none"> • Cubelet ice dispenser • Draft beer dispenser • Tea dispenser • Liquid dispenser • Carbonated drink dispenser, etc. 	 <p>23,800 million yen 7.4%</p>	 <p>Japan 18.5% Americas 80% Europe and Asia 1.6%</p>	 <p>2018: 28,700 million yen 2019: 23,800 million yen 2020: 15,000 million yen 2021: 23,800 million yen 2022: 23,800 million yen</p>	<p>Dispensers are being manufactured and sold in Japan and mainly by Lancer in the Americas. Net sales in 2022 rose 23.7% over the previous year. Overseas, an increase in sales of beverage dispensers to customers, mainly major beverage manufacturers, contributed in particular.</p>
 <p>Other products As a food service equipment manufacturer, we provide systems and solutions meeting customers' needs, including cooking devices such as steam convection ovens, as well as hygienic control using electrolyzed water.</p>	 <ul style="list-style-type: none"> • Water electrolyzer • Sushi case • Display case • Induction cooker • Steam convection oven • Blast chiller & shock freezer • Vacuum packer • Supplies, etc. 	 <p>30,200 million yen 9.4%</p>	 <p>Japan 88.1% Americas 8.3% Europe and Asia 3.7%</p>	 <p>2018: 28,100 million yen 2019: 28,100 million yen 2020: 28,100 million yen 2021: 30,200 million yen 2022: 30,200 million yen</p>	<p>Products contributing to energy-saving and hygiene management are being offered. With impact such as from the parts procurement problem and restrictions in visiting public facilities including hospitals and nursing facilities as infectious disease control measures in 2022, increase in net sales rose only 1.6% over the previous year.</p>
 <p>Maintenance/Repair In addition to product sales, the complete service system for maintenance and repair has been in place to ensure products can be used with peace of mind. Maintenance/repair has contributed to stabilizing revenue, accounting for approximately 18% of consolidated net sales.</p>	 <ul style="list-style-type: none"> • Maintenance contract • Periodic inspection/maintenance • Recovery of CFCs/HCFCs/HFCs • Repair parts supply, etc. 	 <p>56,600 million yen 17.6%</p>	 <p>Japan 78.1% Americas 16.6% Europe and Asia 5.3%</p>	 <p>2018: 49,600 million yen 2019: 49,600 million yen 2020: 49,600 million yen 2021: 56,600 million yen 2022: 56,600 million yen</p>	<p>Net sales in 2022 rose 12.0% over the previous year. There are roughly 440 sales offices in Japan, and we are expanding our own service business overseas such as in Southeast Asia. Going forward, we will also put emphasis in creating new services using IoT.</p>
 <p>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.</p>	 <ul style="list-style-type: none"> • Gas equipment • Kitchen sink • Kitchen work table • Kitchen shelf, etc. 	 <p>37,900 million yen 11.8%</p>	 <p>Japan 97.1% Americas 2.3% Europe and Asia 0.7%</p>	 <p>2018: 37,600 million yen 2019: 37,600 million yen 2020: 37,600 million yen 2021: 37,900 million yen 2022: 37,900 million yen</p>	<p>For new construction and renovation of large-scale projects down to those for individual shop owners, we make proposals and accept orders for full kitchens that include products outside of the Company's manufacturing lineup.</p>



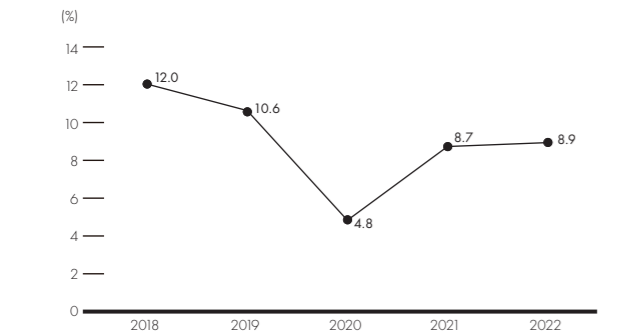
Financial Highlights

Net Sales Breakdown by Region and Ratio of Overseas Net Sales



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

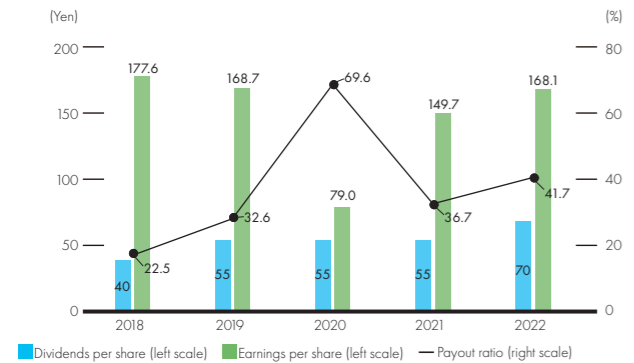
Consolidated ROE*



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

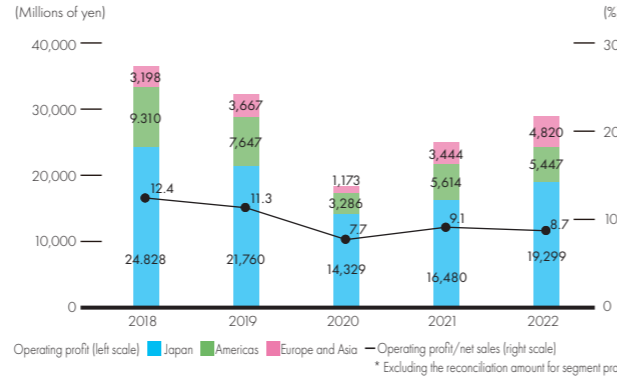
* ROE : Return on Equity

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



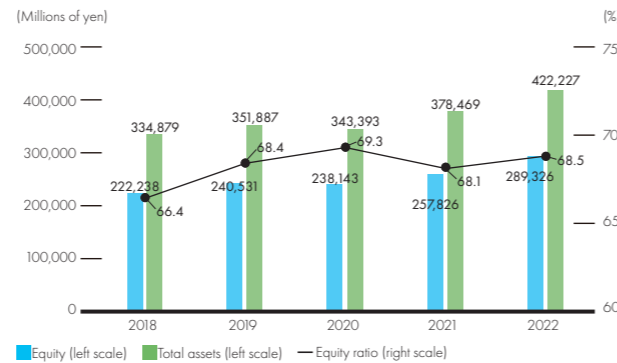
Annual dividends per share were 70 yen, a 15 yen increase year-on-year, and the payout ratio was 41.7%. The shareholder return policy has a target of at least 40% in total payout ratio, to provide shareholder return proportionate to profit growth, while trying to maintain continuous and stable dividends.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

Operating Profit by Region and Operating Profit/Net Sales



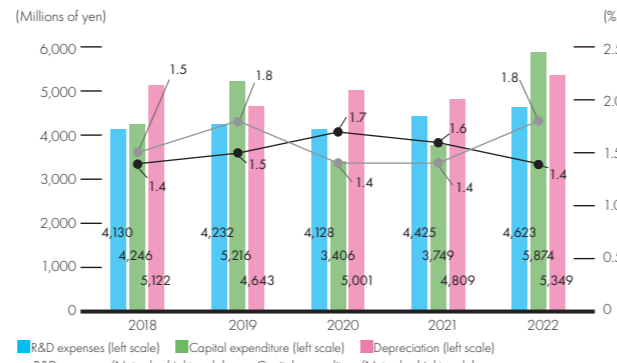
Consolidated operating profit was 27,900 million yen, up 12.0% year-on-year, and operating profit/net sales was 8.7% (down 0.4 points year-on-year). Domestic operating profit was 19,200 million yen, up 17.1% year-on-year, and overseas operating profit was 10,200 million yen, up 13.3% year-on-year. Accordingly,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

Total Assets, Equity, and Equity Ratio



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

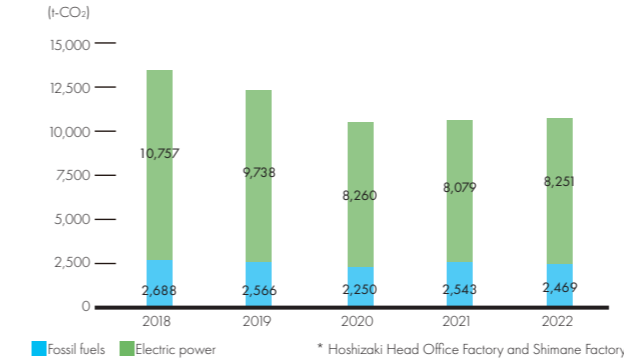
Capital Expenditure, Depreciation, and R&D Expenses



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

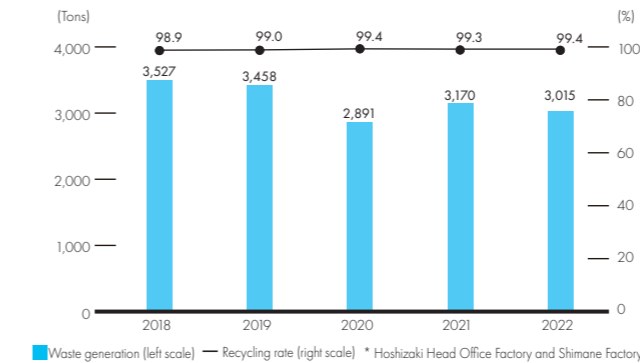
Non-financial Highlights

CO₂ Emissions at Domestic Locations



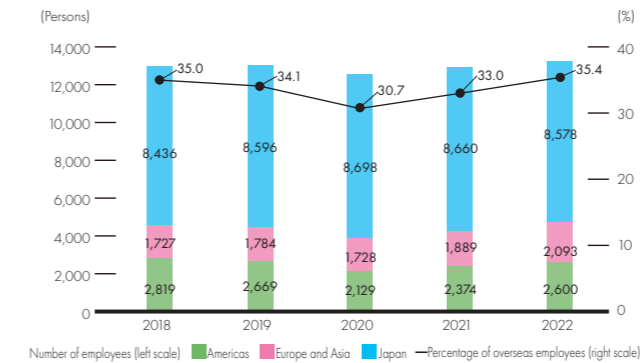
CO₂ emissions at domestic locations (Scope 1&2) were 10,720 t-CO₂, up 0.9% year-on-year. Although we are pushing ahead in replacing equipment with energy-saving types and increasing productivity, emissions rose slightly against the previous fiscal year due to impact from an increase in the CO₂ emission factor for electricity consumption.

Waste Generation and Recycling Rate at Domestic Locations



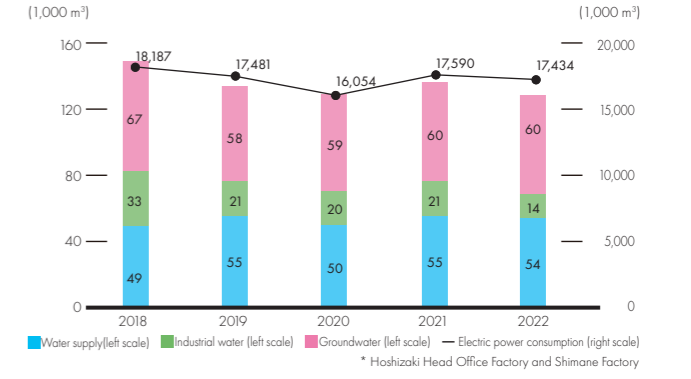
Waste generated at domestic locations decreased by 4.9% year-on-year to 3,015 tons through the promotion of activities to reduce defects during manufacturing processes. By promoting the separation and recycling of waste, the waste recycling rate was 99.4%, almost reaching 100%.

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



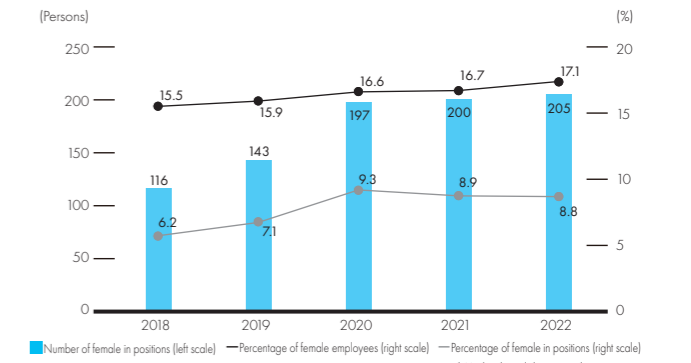
The number of employees of 55 consolidated group companies is 13,271, up 2.7% year-on-year. The numbers of employees are respectively 2,600 for 15 companies in the Americas (up 22.6% year-on-year), and 2,093 for 22 companies in Europe and Asia (up 20.4% year-on-year).

Electric Power Consumption and Water Consumption at Domestic Locations



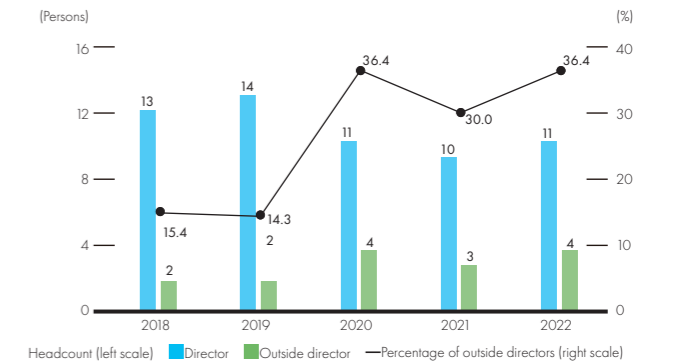
In domestic locations, the electric power consumption was 17,434,000 kWh, down 0.9% year-on-year, and the water consumption was 128,000 m³, down 5.5% year-on-year. Despite an increase in factory production volume from the previous fiscal year, reductions were achieved stemming from initiatives such as replacing equipment with energy-saving types, increasing productivity, and strengthening energy-saving activities utilizing devices to monitor demand.

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



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

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



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



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



Yasuhiro Kobayashi,
Representative Director, President & COO

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

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

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

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

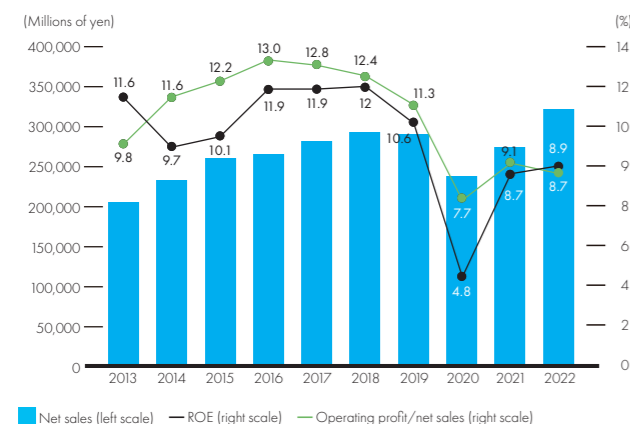
Looking back on performance by the Hoshizaki Group over the past decade shows stagnant growth in profitability such as operating profit and ROE against net sales growth since 2018. The first factor that causes sluggish profitability is the strengthening of the internal control/compliance structure that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

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

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

Message from Top Management

Hoshizaki's performance trend over the past decade



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

By region overseas, growth was significant in the Americas, which contributed to overall sales growth. Growth was particularly strong at Hoshizaki America, and Lancer, which joined in 2007,

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

Taking a bird's eye view of the medium- to long-term business environment in an increasingly uncertain macro environment, I feel the pace of change quickening. Changes on the customers' side and competitors' side are accelerating, and the business environment is getting hard to predict. As a start, it is important to keep our eyes out for information. Now, more than ever, we are thoroughly communicating our risk management to all group companies, and management is collecting risk information and undergoing delib-

Directionality by region: Reinforcing domestic infrastructure, creating synergy overseas

It is necessary to protect the foundation of the domestic business, which is the cash cow, as medium- to long-term directionality by region. To achieve growth in domestic net sales, it is necessary to go deeper into the restaurant business and also expand the non-restaurant business, increase product lineup, and strengthen cooperation with other companies to aim for cost reduction. Moreover, improving the profit ratio in Japan, where growth potential is lacking compared to overseas, is inevitable; thus, we will emphasize improving productivity and reducing costs. We are aiming for an overseas net sales ratio of 50% in 2026, and growth in each region is crucial. There are four group companies in the Americas including Hoshizaki America, and I believe growth of each company, synergy among the four companies, cooperation with other companies to increase product lineup, and M&A are all important measures. In Europe, we will aim for synergy maximization of Italy's Brema acquired in 2022, Ozti in Türkiye, and India's Western Refrigeration with existing businesses. Refrigerators in the volume zone will be manufactured by Ozti and Western Refriger-

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

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

erations. We are aiming to align our awareness of the business environment not only internally but also externally and with experts, and I feel that it must be done even more in-depth. We will aim to make the risk management system reliably stronger going forward. Particularly, risks will be thoroughly analyzed by country in cooperation with overseas group companies in terms of global cybersecurity measures and overseas countries' risk measures.

ation, and for ice machines, sales will be strengthened between Hoshizaki Europe and Brema, which are in a complementary relationship in areas and price range, and we will aim to achieve cost reduction through standardization of parts and centralized purchasing. The market scale of the restaurant industry in China is large, but there are concerns about political risks and price competition, which has intensified since the formulation of the five-year management vision. Following maturation of the restaurant industry, we can expect a change in customer needs from the cheaper the better products to high quality, greater energy-saving, and low environmental impact products with added value that are strengths of the Hoshizaki Group. We will take initiatives in strengthening cost competitiveness for China's production site, Hoshizaki Suzhou, develop suppliers for ODM*¹ and OEM*², and cultivate value-added products by enhancing in-house development capabilities. Royalkitchen, acquired in 2022, has strength in proposing full kitchens, and will create synergy with Hoshizaki Shanghai, which centers mainly around individual product sales.

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

Internationally, ability in providing services, besides product functionality and quality, will play an important role in differentiation. Only a portion of countries overseas has coordination between sales and services as in Japan. In Europe and the United States, where selling is mainly through distributors, we are working to strengthen service support capabilities, including offering service training and providing spare parts in a speedy manner. In Asia, a

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

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

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

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

service training center was established in January 2023 in Thailand, and a system was put in place to educate service staff in our own company and of our distributors. We will aim to provide even higher-quality after-sales service by improving the level of technical skills of service staff in a short period of time, using the systematic educational program that has been established in Japan.

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

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

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

[For more details, see Page 49](#)

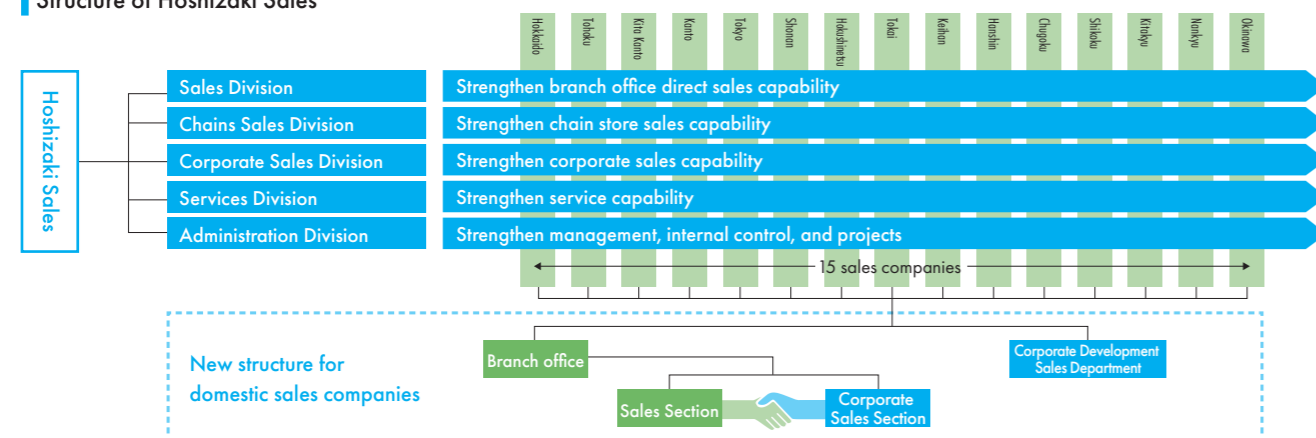
*3 PMI: Post Merger Integration refers to the integration process to maximize corporate value post-merger and acquisition.

Message from Top Management

ment this program promptly among the 15 companies in the future. Furthermore, as a measure to contribute to performance in the medium-term, consideration is currently underway to equip our products with Wi-Fi modules to use information collected through the cloud concerning operation of our products. Wi-Fi modules have been installed in 2,000 products out on the market at present for demonstration testing, and we are researching ways to exploit the information collected. Consequently, we are starting to see the possibilities in ways we can utilize the information to provide new value to customers, enhance productivity of the Group's service staff, and so forth. We will aim for medium-term commercializa-

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

Structure of Hoshizaki Sales



Initiatives for Sustainability and Utilization of Intangible Assets

Six material issues were identified in 2022 and KPIs were set for all material issues in 2023. To achieve the Long-term Vision and the five-year management vision, we will aim to achieve KPI targets and ultimately resolve the material issues. From among the material issues, "creation of new customer value" is necessary in terms of the degree of contribution to corporate value. Amidst lack of prospect in meaningful growth of the restaurant market in Japan due to factors such as the decreasing birthrate and aging population, efforts are imperative against a wide variety of industries, such as hospitals, nursing facilities, and food processing factories, to grow net sales in the non-restaurant market, which is a KPI. A direct sales structure that is rooted in the region is effective in efficiently capturing the non-restaurant market, which is diversified and also composed of several small- to medium-sized customers. Thus, 51 branch offices have been positioned by region under the 15 sales companies (direct sales organizations), under which existing sales offices and specialized organizations aiming to capture the non-restaurant market are placed. With this new structure, it has become possible for the direct sales teams to communicate with care in dealing with customers in the non-restaurant markets that exist in each of the regions. Obtaining customer information through distributors had been difficult, but with direct sales teams, who build relationships directly with the customers, it is possible to strengthen relationships with customers in the non-restaurant

market. The sales division of Hoshizaki, which is the manufacturer, is meanwhile strengthening marketing, product development functions, and so forth, and by collaborating with customers, industry experts, universities, public bodies, and so forth (open innovation), we will actively work to develop new products for the non-restaurant market besides the restaurant market. For "enhancement of management foundation," we have strengthened personnel in relevant divisions over the past ten years. Administration divisions such as the Legal Department and the Internal Audit Department are being strengthened, and internal control of sales companies in Japan are still being enhanced. The number of employees has risen in line with growth of overseas business, and we are working actively to strengthen management human resources. While enhancing regional management functions for regions overseas, we are reinforcing management and internal control in each area by assigning area heads and regional CFOs. We have established the Sustainability Committee to spread and resolve the material issues, with activities underway. Discussions were mainly about Japan in the past, but moving forward, we will consider lateral rollout overseas. As action globally will be challenging by committee members and the secretariat alone, there will be close coordination with area heads and executives overseas, and we plan to disseminate activities to all Group employees.

For more details, see Page 51

Human capital: Human resource development

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

For more details, see Page 64

To build up the human resources portfolio is an essential issue for the future. Toward resolving materiality and achieving enhanced social and environmental value as well as economic value in the medium to long term, human capital must be enhanced, that is, training and recruiting the necessary human resources. Particularly, there is a shortage of human resources that are capable of management overseas and that can take on roles for new innovation such as planning products and collaborating with other companies. We have been strengthening the recruiting of new graduates and mid-career hires in the past few years, and although outstanding executive candidates are being fostered internally, I feel there is still a lack of human resources that can go beyond the conventional norms of Hoshizaki in reaching new heights. Thus, I would like for active initiatives in executive candidate human resources being assigned outside the company to experience hardships through competing elsewhere. Specifically,

young and mid-career employees have been or are scheduled to be dispatched to acquired companies such as Ozti, Brema, Jackson, and NAOMI. They are steadily growing through struggles daily as they each work in unaccustomed environments. Engineers have also been dispatched or relocated to Connected Robotics in which we have capital participation, and we have been learning about speediness and flexibility of startups. Moving forward, we will make proactive efforts for such internal development, and if human resource shortages still remain even then, we will conduct mid-career hires and work to expand human and intellectual capitals.

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

Natural capital: Starting sales of natural refrigerant-based refrigerators

We are undertaking response to climate change as environmental and social materiality in medium- to long-term initiatives for natural capital. Moving forward, we must ensure visualization of CO₂ emission levels for Scopes 1 and 2 worldwide, as well as achieve carbon neutrality for up to Scope 3 including our supply chain. What is important here is the manufacturing of environmentally conscious products, which will lead to business expansion and value creation for Hoshizaki. In 2022, we succeeded in developing and selling a refrigerator with natural refrigerants (HFC-free) that meets domestic safety standards. Nevertheless, it did not widely spread as it required the use of special, advanced technology, which made it expensive. It was the only natural refrigerant-based refrigerator that cleared standards set by the industry associations in Japan, but sales were limited to a portion of customers. In May 2023, with the aim of reaching more customers, we started sales of natural refrigerant-based refrigerators in line with global standards instead of

exploiting the advanced technology previously mentioned unique to Japan. Development was completed in a very short amount of time, with selling prices being kept in the same level as existing products, and interest of customers, including major Japanese chain stores, is very high. We have also succeeded in significantly reducing GWP* in comparison to products thus far. The sale of

Commercial natural refrigerant-based refrigerator



* GWP: Global Warming Potential

Message from Top Management

natural refrigerant-based refrigerators in line with global standards was achieved thanks to Hoshizaki's outstanding developmental strength and years of experience in the global market. We

Governance: Memorable discussion and future evolution

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

Stakeholder Engagement Initiatives

In employee engagement, I ask for adherence to being profitable through the spread of Hoshizaki Values. It is said in Hoshizaki Values that a profitable company has a culture that generates profit. Whenever I discuss business concepts at all meetings in Japan and overseas, management meetings for group companies, executive candidate trainings, and so forth. I always ask for adherence to being profitable, and "Growth with Profit" is stated as a major policy overseas. When visiting a site and talking to employees, I always try to ask them whether something they are involved in is profitable, or why it is profitable. Recently, KPIs set within the Company are not limited to reducing necessary hours or work, and there is a greater awareness to use indicators with greater causal relationships to being profitable (increasing profit). The term "being profitable" is repeated by employees more often, and I can feel Hoshizaki Values steadily and surely spreading. For the Hoshizaki Group striving for growth in the global market, the significance of stakeholder engagement is increasingly growing. The Group is undergoing activities in line with the TCFD framework, and we are establishing the foundation for stakehold-

er involvement not only in Japan but overseas starting this year toward disclosing targets for CO₂ emissions reduction up to Scope 3 in the future. Vulnerabilities in the supply chain were exposed last year with the parts shortages. We will continue initiatives for visualization of the supply chain and to strengthen management, besides proactive efforts to reduce CO₂. While purchasing power of Hoshizaki is strong in Japan, ability overseas has been left up to each company. Moving forward, we will consider possibilities with regard to strengthening purchasing power in each area overseas as well as worldwide. Human rights due diligence^{*2} will be thoroughly followed in the process of visualization of the supply chain. [For more details, see Page 61](#)

aim to contribute to social sustainability through the reduction of greenhouse gas emissions. [For more details, see Page 56](#)

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

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

er involvement not only in Japan but overseas starting this year toward disclosing targets for CO₂ emissions reduction up to Scope 3 in the future. Vulnerabilities in the supply chain were exposed last year with the parts shortages. We will continue initiatives for visualization of the supply chain and to strengthen management, besides proactive efforts to reduce CO₂. While purchasing power of Hoshizaki is strong in Japan, ability overseas has been left up to each company. Moving forward, we will consider possibilities with regard to strengthening purchasing power in each area overseas as well as worldwide. Human rights due diligence^{*2} will be thoroughly followed in the process of visualization of the supply chain. [For more details, see Page 61](#)

As engagement with local communities, we continue donation activities each year in Japan toward contributing to the communities. Such donation activities are carried out not only by Hoshizaki alone but also by the Hoshizaki Green Foundation and Sakamoto Donation Foundation. As an example, Toyoake City in Aichi, where our Head Office is located, is made up of a large number of foreign workers. We support educational activities for children

of such workers to learn Japanese, and Hoshizaki and the Sakamoto Donation Foundation provide funds for such support. [For more details, see Page 62](#)

Dialog with shareholders and investors is conducted regularly, and we promptly share the opinions and requests received at such time with management members and then strive to reflect them in our management to the maximum extent possible. To meet the expectations of our shareholders, we continue striving to increase ROE^{*(see Page 111)} exceeding capital costs, with attention to capital efficiency. To meet expectations, we will firmly undergo

Aiming to Be the First Penguin That Continues to Change

In Hoshizaki Group management, the ideas that something has to change and that no change will merely be following past footsteps, are extremely important. Our goal is to be the first penguin. New initiatives are inevitably susceptible to failure, but I tell our employees that failure is to be learned from, and not to be regretted. These are words I myself was given by Chairman Sakamoto. The 15 sales companies transitioned to a new organization in January 2023, and Hoshizaki Kitakyu and Hoshizaki Nankyu changed organization one year earlier in advance of the other companies. The organization was new for these companies and they struggled considerably; however, I highly commend the efforts of both these companies. Owing to the challenge the two companies underwent, the remaining 13 companies were able to adopt just the successful organizational changes that the two companies experienced. By attempting the changes, even if they do not produce anticipated results at first, I believe it is important for learnings to be reflected upon and corrected and to aim for further change. We will strive to be the first penguin and continue taking on challenges in the future.

I joined Hoshizaki in 2008 when the Company became listed on the stock exchange; thus, my years of service is the same number as the years that have passed since Hoshizaki became a listed company. Hoshizaki is in its 76th year since establishment, and the Purpose of the Hoshizaki Group has become firmly deep-rooted within the Company by the founding family before it became listed. The various hardships and change creation I have experienced after the

shareholder returns, with growth investments including M&As a priority while securing working capital and safety funds to prepare for sudden changes in the business environment. Depending on the progress in executing M&As and in achieving ROE, we will consider revising shareholder return policy and targets as appropriate. We will report on the progress in executing such financial and capital policies in future Integrated Reports. [For more details, see Page 29](#)

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



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





Value Creation Process

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

Purpose **Contributing to society "Evolving Company"** [For more details, see Page 05](#)



Social issues

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

Financial capital
Ample cash necessary for future growth [For more details, see Page 29](#)

Human capital
Advance in collaboration between sales and service*1, enhancing area management, and strengthening of horizontal connection of functions of the sales companies in Japan [For more details, see Page 33](#)

Intellectual Capital
Timely launch of new products and demand boosting with model changes [For more details, see Page 35](#)

Industrial changes

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

Manufacturing Capital
28 production sites across the world, strict quality control system [For more details, see Page 37](#)

Social Capital
High brand power and customer bases, and cooperation with suppliers [For more details, see Page 38](#)

Natural capital
More efficient use of energy, effective use of resources [For more details, see Page 53](#)



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

Refrigerators, Ice machines, Dispensers, Dishwashers

Five-year management vision (Target for FY2026)

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

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

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

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



Outcomes Creation of social value

Long-term Vision

- ★ We aim to be No. 1 globally by taking the initiative in new markets with growth prospects and in undeveloped markets to thereby further raise our market presence.
- ★ We will contribute to the global future by resolving issues facing customers and society in connection with food through the provision of products and services. [For more details, see Page 06](#)

Increasing employees' job satisfaction

5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH [For more details, see Page 63](#)

Reducing environmental impacts

7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION [For more details, see Page 57](#)

Maximizing customer satisfaction

3 GOOD HEALTH AND WELL-BEING, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION [For more details, see Page 59](#)

Providing safe and secure food environments

2 ZERO HUNGER, 3 GOOD HEALTH AND WELL-BEING [For more details, see Page 60](#)

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



Key Points of Value Creation Process

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

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

Input



Making Best Use of Advantageous Management Capital

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

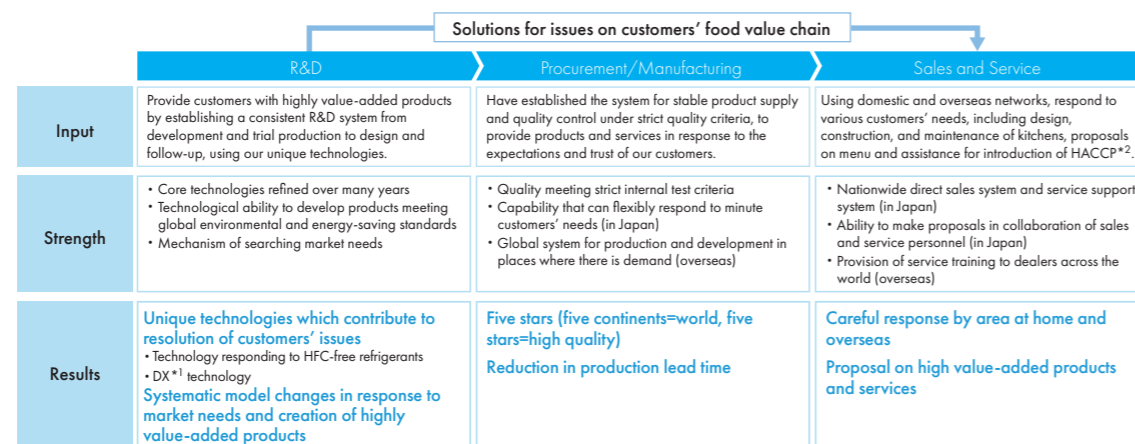
Key Input Items	
Financial capital	Net cash of approximately 226,000 million yen: Accounting for 53.5 % of total assets and being applied to growth investment for achieving the long-term ideal (including M&A)
Human capital	Approximately 3,200 sales personnel and approximately 2,600 service personnel at approximately 440 sales offices in Japan: New value creation and market cultivation by advancing sales-service collaboration* (see Page 21) Approximately 520 R&D personnel in the world: Development of new products and new technologies exceeding market needs
Intellectual Capital	Research & development expenses worth approximately 4,600 million yen, 13 R&D bases: Creation of demands with timely launch of new products and model changes (including collaboration with other companies), improvement of net sales ratio of new products and changed models
Manufacturing Capital	Capital expenditure worth approximately 5,900 million yen, 25 production sites in the world: Stable provision of high quality products under the strict quality control system based on 100% inspection, production at optimal locations for "local consumption of locally produced products"
Social Capital	Approximately 3 million customer bases, suppliers supporting approximately 6,000 models in Japan: intangible assets supported by high market share, cooperation with stakeholders, social contribution activities as a member of a local community
Natural capital	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 ₂ 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, which include cooking appliances, heating appliances, rice cookers, washing machines, refrigerators, beverage dispensers, and foodstuff dispensers. Furthermore, market needs are changing year by year, for instance, promotion of hygienic management of kitchens, systematic, advanced, and high-quality cooking and improvement of kitchen environment. In recent years, our lifestyles have changed owing to the COVID-19 pandemic. The Hoshizaki Group is a market leader in the domestic food service equipment industry, characterized by its direct sales system and business model in collaboration



*1 DX: Digital Transformation

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

of sales and service. In other countries, competitors are different from domestic ones. Nevertheless, our strength is stable supply of products through the global manufacturing and sales system, as well as high-quality products. We aim to be No. 1 worldwide by strengthening priority segments through M&As.

In the business activities, we consider Management Philosophy/Hoshizaki Values (not to be changed), corporate governance (to be revised in accordance with changes), and materiality/sustainability management (risks and opportunities). In 2023, by setting KPIs for all of the material issues, we conduct the implementation strategy with awareness of time frames. Taking advantage of the Hoshizaki Group's strength, that is, the cooperative ability of value chain through the flow from R&D to procurement/manufacturing to sales/services, we provide solutions for customers' issues on "food" and thereby create business value and social value.

Output



Economic value and shareholder return in FY2026

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

Outcomes



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

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

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

The outcome that will lead to the long-term value creation is "reducing environmental impacts." This is relevant to the material issue "response to climate change," and we have set CO₂ emission (Scope 1 and 2) of the Hoshizaki Group as KPI. We aim at a 50% reduction in 2030 (compared to 2014) and plan to achieve carbon neutrality in 2050*3. Nonetheless as it is now being required to measure CO₂ emission globally, grasp the status of Scope 3, and take further countermeasures for the climate change scenario, we think that these requirements must be addressed one by one. Regarding this, we assume the impact on natural capital, and the utilization of financial capital, manufacturing capital, and intellectual capital, in our initiatives for development of products with higher environmental performance.

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

Long-term Ideal



Aim of Hoshizaki's Value Creation Story

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



Materiality Toward Realization of Vision

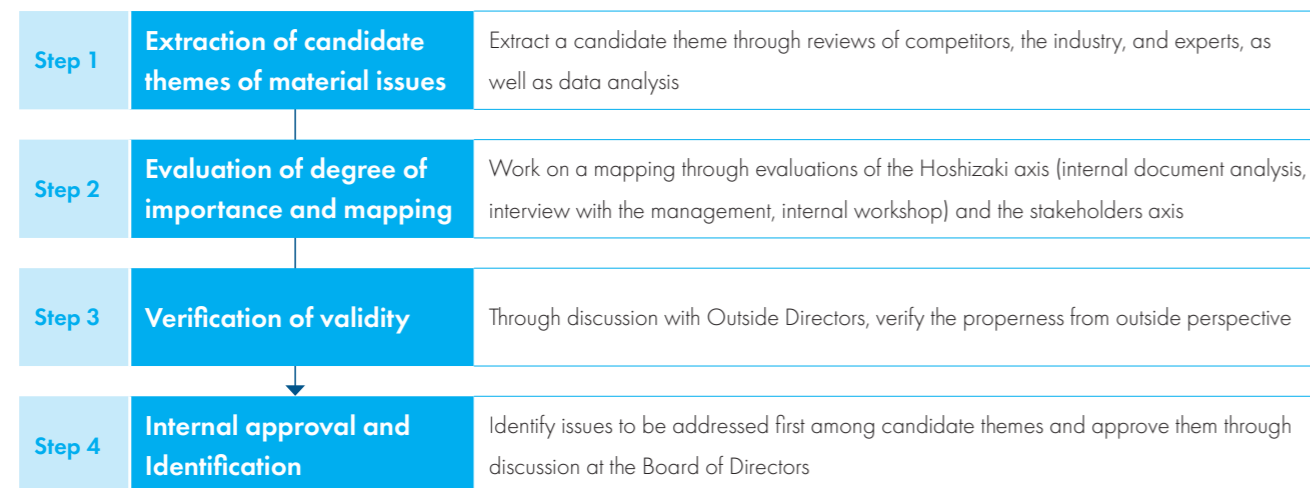
In order to realize Purpose, the Hoshizaki Group has drawn the Long-term Vision by anticipating risks and opportunities with the focus on the medium- and long-term changes in business environment in the five-year management vision. To achieve the Vision, we believe it is essential to grasp global trends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

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

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

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

Materiality Process



Relation between the Materiality Map and the Long-term Vision

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

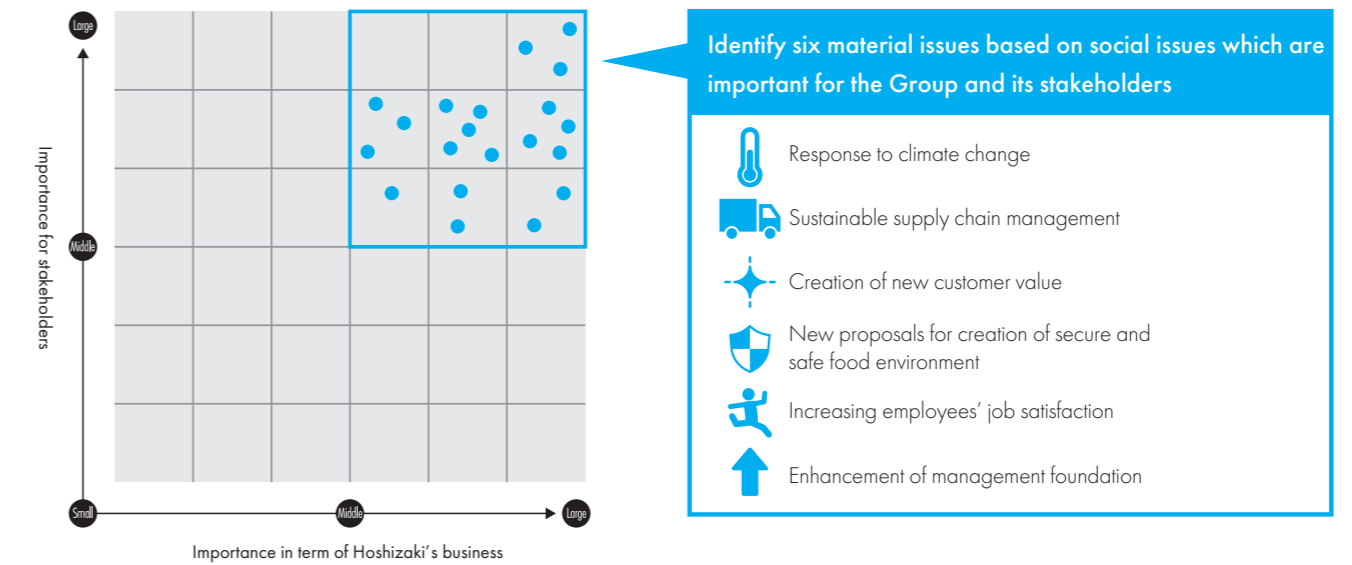
To realize the Long-term Vision, it is necessary to improve not only economic value but also social and environmental values. To enhance corporate value, it is essential to realize sustainability transformation (SX), that is, to synchronize as strategy the sustainability of Hoshizaki and social sustainability.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

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

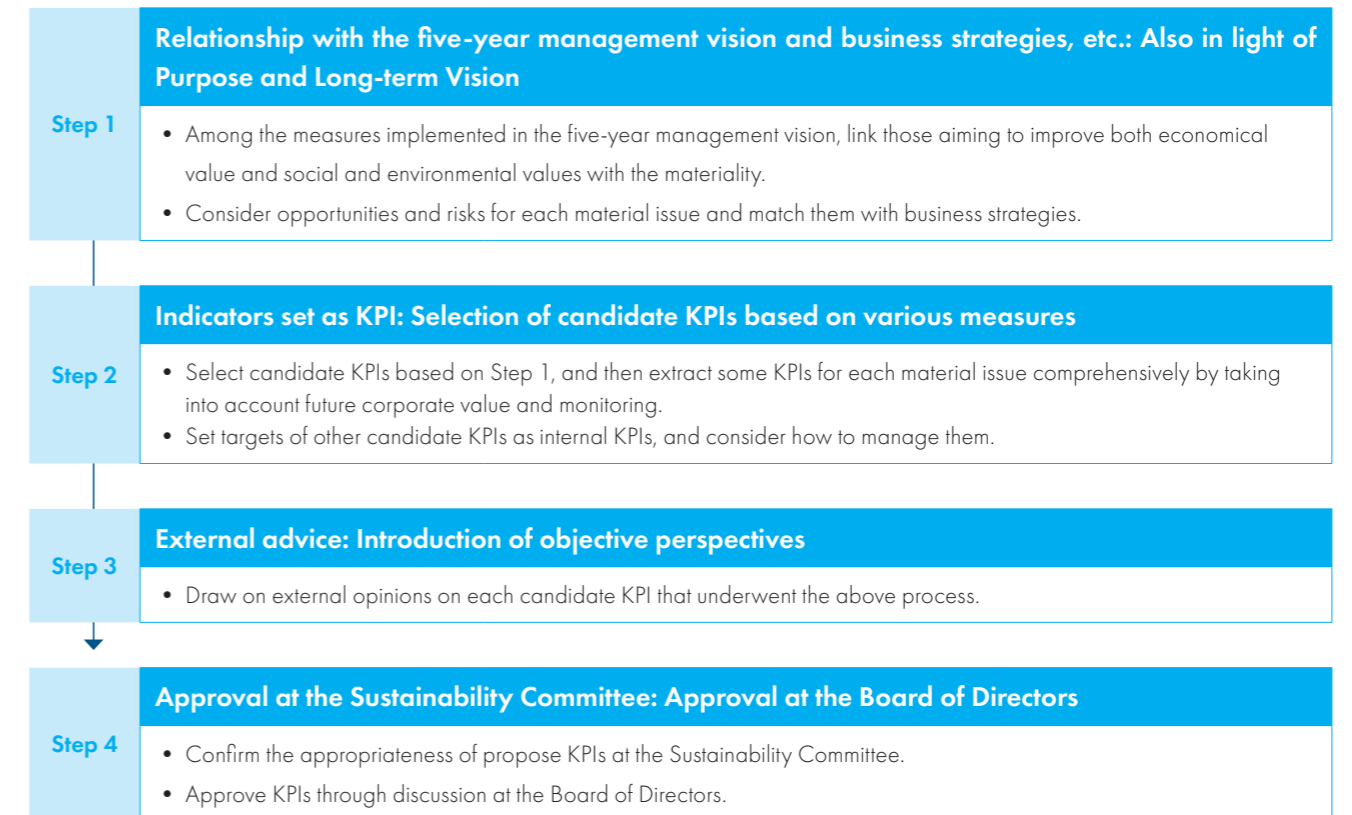
Taking the product development strategy, as an example, achievement of reductions in greenhouse gases, power consumption, and hazardous substances through initiatives, such as eco-friendly products, will directly help solve the materiality, "response to climate change," but

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

Materiality Assessment
























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



Materiality Toward Realization of Ideal

Relationship between Materiality and Sustainability, Relevant SDGs, and KPIs

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

Time Frames for Sustainability Activities and Achievement of Materiality

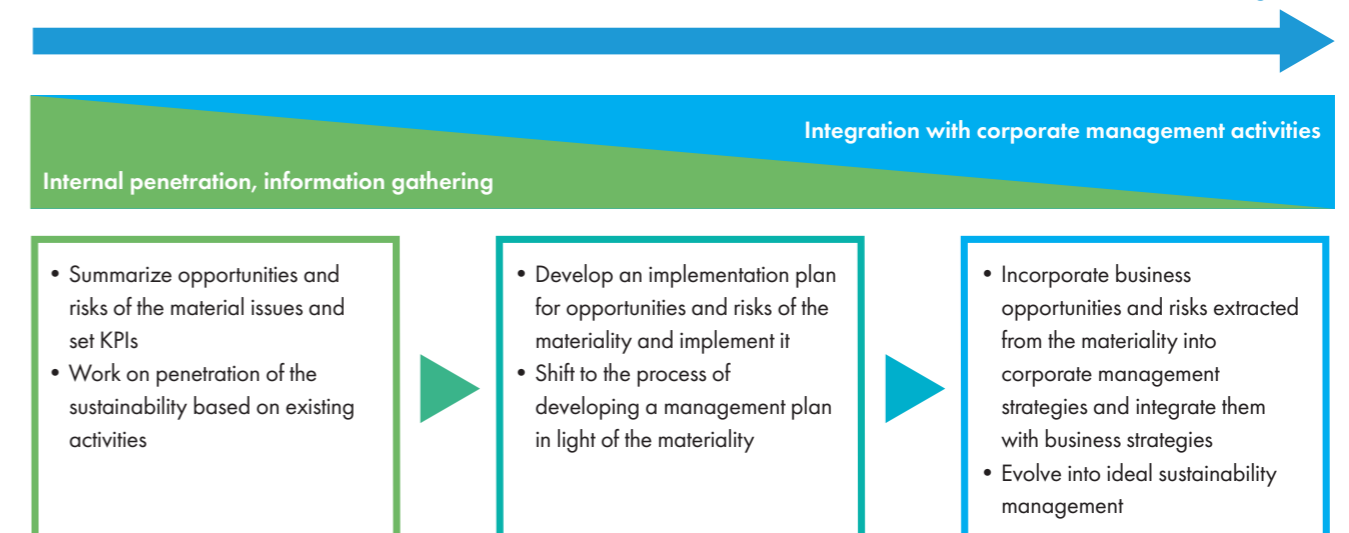
Direction of Sustainability Activities of the Hoshizaki Group

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

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

Short term

Long term





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

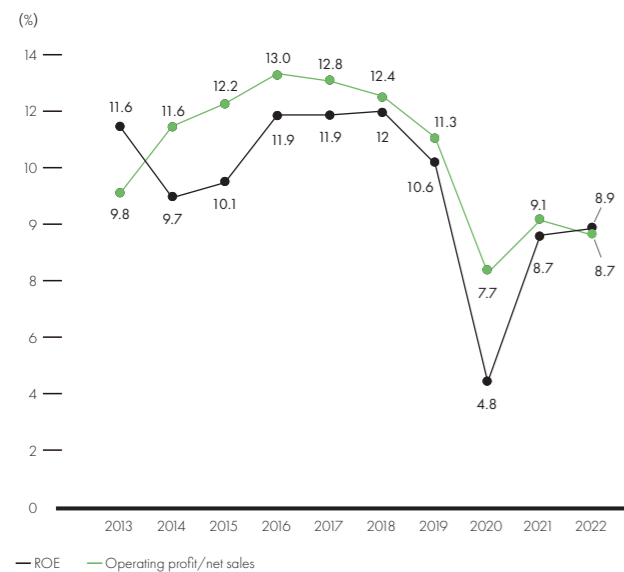
Executive Officer in charge of Accounting Department
Ryuichiro Seki

The Hoshizaki Group promotes the basic policy "financial/capital strategies focusing on capital efficiency and prioritizing growth investment" under the five-year management vision covering the period from the fiscal year ended December 31, 2022, to the fiscal year ending December 31, 2026. More specifically, we reserve funds necessary for business drivers, such as retaining talent, to maintain robust financial ground, allocate funds to growth investment, including capital investment and M&A, and then, if there is any surplus fund exceeding the necessary amount of funds, consider increasing shareholder returns. Through these initiatives, we will achieve ROE* (see Page 11) at 12% or higher for the fiscal year ending December 31, 2026, disclose more information especially non-financial information and enhance equity spread to the level above capital cost (estimated at around 6%–7%) to enhance our corporate value in the medium to long term.

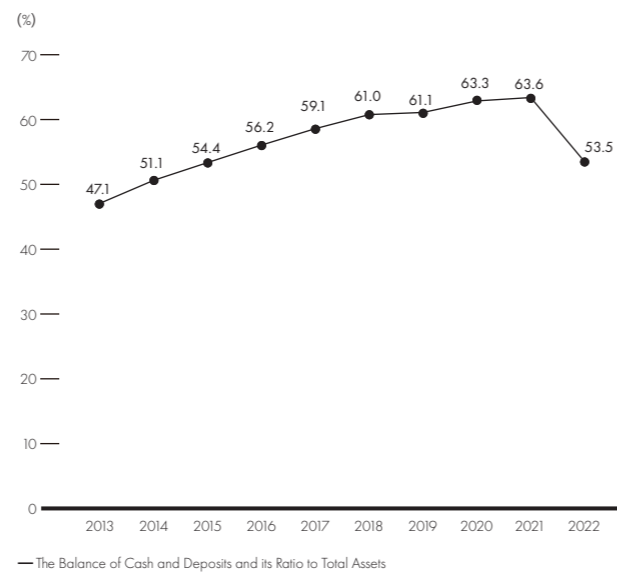
Financial/Capital Highlights for FY2022

For the fiscal year ended December 31, 2022, we posted net sales of 321,300 million yen and operating profit of 27,900 million yen, which achieved our numerical targets for the first year of the five-year management vision that was set at the beginning of the period (net sales of 290,000 million yen, operating profit of 26,500 million yen). Domestically, demand gradually recovered from the COVID-19 pandemic, whereas strong demand continued throughout the year overseas. Meanwhile, despite the soaring prices of parts and the materials and procurement constraints, we maintained profits by implementing price revisions and procuring alternative parts. We have been revising product pricing overseas as required, whereas in Japan, we increased prices by 10% for almost all products starting from June 2022, which have been penetrated in the market. As for capital efficiency, we set ROE as KPIs in the five-year management vision, we find it important to maintain capital efficiency exceeding capital costs. In FY2022, ROE was 8.9% almost flat compared to the previous year but lower capital costs mainly caused by enhancement of information disclosure widened a positive equity spread.

Changes in Operating Profit Ratio and ROE



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

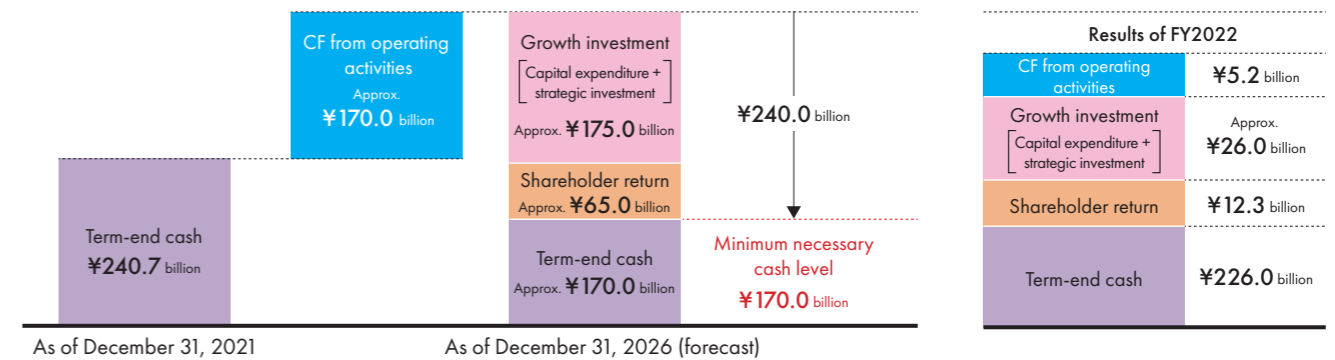


Financial Strategy: Cash Allocation and Portfolio Strategy by Area

Progress of Cash Allocation and Future Approach

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

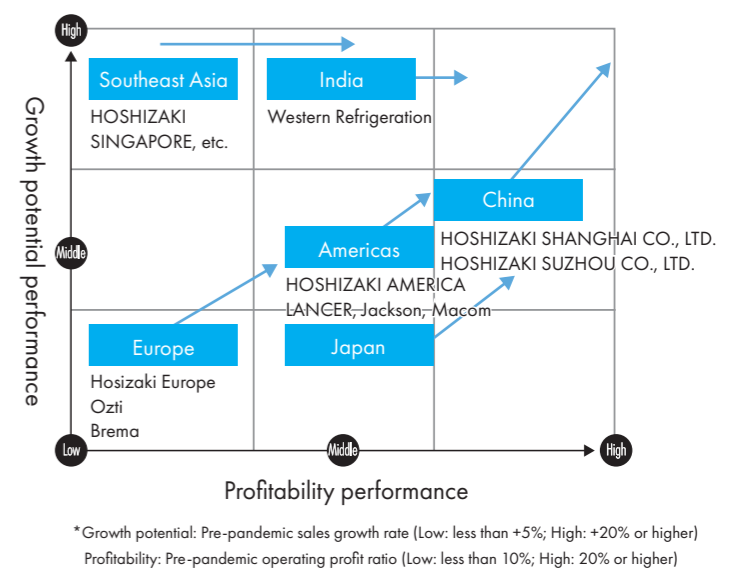
Cash allocation of five-year management vision and progress of first year



Portfolio strategy by region

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

Approach to Region Portfolio



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

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

Growth Investment: Approach to and Results of M&A

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

Basic plan for growth investment

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

Progress and Outlook of M&A

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

Priority segments and progress of M&A

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

* M&A ▲ Capital alliance

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

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

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

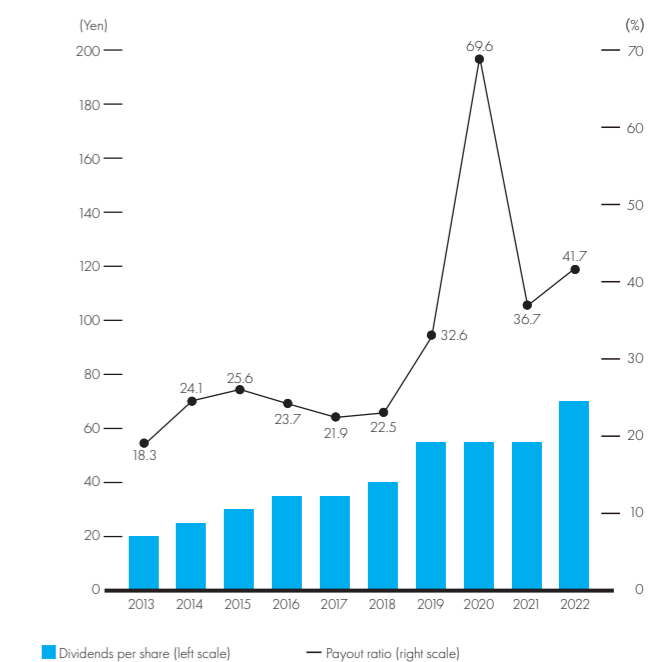
An important management goal of the Hoshizaki Group is strengthening shareholder returns so that they are unaffected by short-term performance fluctuations while also prioritizing allocations for growth investment and maintaining awareness of capital efficiency. We believe that it is also important to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

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

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

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

Dividends per Share and Payout Ratio



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

TSR Comparison (Unit: %, Incl. dividends)

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

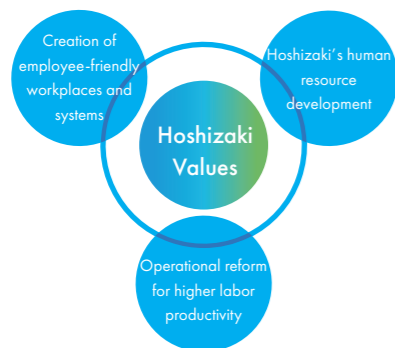


We will launch reform of our personnel system while giving priority to engagement with employees, thereby seeking employee growth and enhancement of corporate value

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

Basic Policy on Human Capital

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

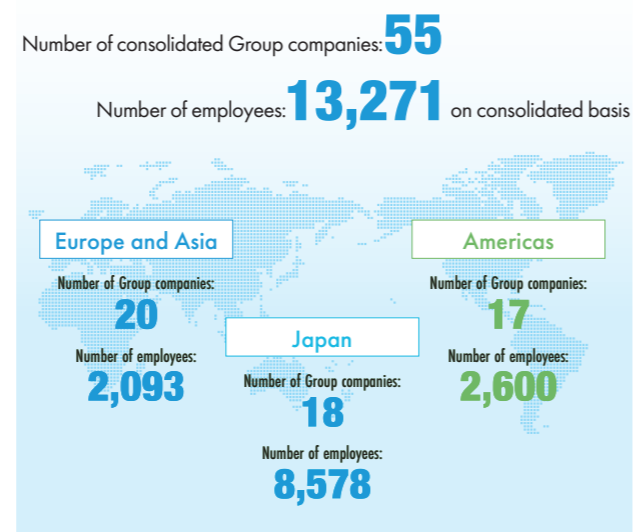


Hoshizaki Group's Human Capital

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

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

(As of December 31, 2022)



Development of Human Resource with High Ability to Address Changes

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

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

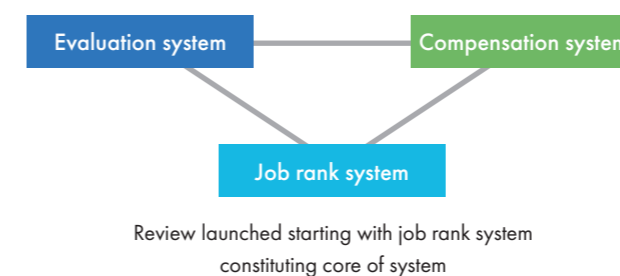
Management Vision, we are proactively supplementing employees via mid-career recruitment combined with the employment of new graduates. Second, while providing employees with opportunities for receiving education and training as necessary based on their job ranks, we are striving to enhance organizational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

Promotion of Diversity and Improvement in Job Satisfaction

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

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

Personnel system reform at domestic sales companies



Review launched starting with job rank system constituting core of system

PDCA for Improvement via Employee Satisfaction Survey

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

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

Indicators and Targets

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

Initiatives to support for development of female managers

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



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



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

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

Yasushi Ieta

Basic Policy on Intellectual Capital

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

R&D Expenses: FY2022 Results and FY2023 Forecast

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

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

Toward achieving the five-year management vision, we are striving to (1) put new products on the market in a timely manner, (2) enhance core technologies, and (3) support the strengthening of overseas technological development. In FY2022, we added a new concept, “Restructuring the Function of Developing Strategic Products,” with a view to capturing a given market comprehensively by making strategic products clear based on the idea of incorporating market needs into products.

As for the timely launch of new products, we advocate their planned model changes and market launch toward winning market share in the restaurant, non-restaurant, service, and overseas segments. Results in FY2022 include the following: Sales of prod-

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

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

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

Intellectual capital KPIs for achieving Management Vision

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

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

Note: ● Achieved, ✕ Not yet achieved



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

Executive Officer
Research & Development Center
Makoto Sasaki

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

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

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

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

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

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

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



Attractive Potential Demand for Robotic Devices in Kitchens and Food Factories

CEO & Founder, Connected Robotics Inc.
Tetsuya Sawanobori

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

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

Q Where do you have your strengths and differentiation technologies?

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

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

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

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

Q How do you see future market prospects?

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



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



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

Basic Policy on Manufacturing Capital

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

Capital Expenditure: FY2022 Results and FY2023 Forecast

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

Strategy: Execution Strategy Geared to Growth Getting into Full Swing

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

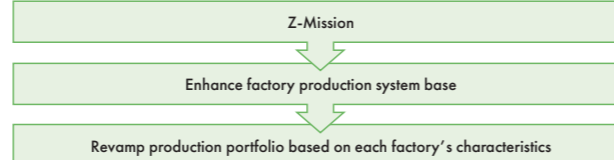
Manufacturing Capital of the Hoshizaki Group	
• 25 production sites (9 domestic sites, 16 overseas sites)	
• Capital expenditure: 5,900 million yen (result in FY2022), 12,000 million yen (forecast for FY2023)	
Output of Manufacturing capital	
• Global cumulative shipments of products with natural refrigerant: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

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

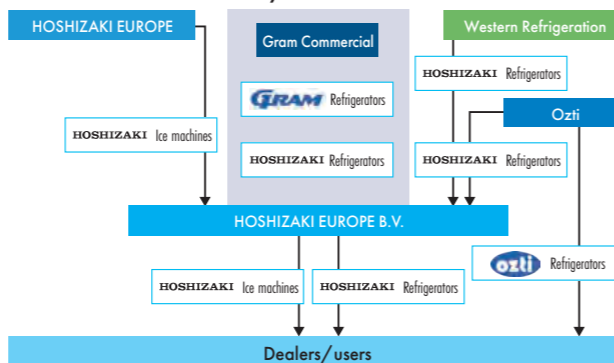
Brema. In the Americas, we will enhance the market development of a middle price range and e-commerce with ice machines from Brazil's Macom.

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

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



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



Basic Policy on Social Capital

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

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

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

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

Troubled Procurement of Various Materials Headed for Solution

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



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

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

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



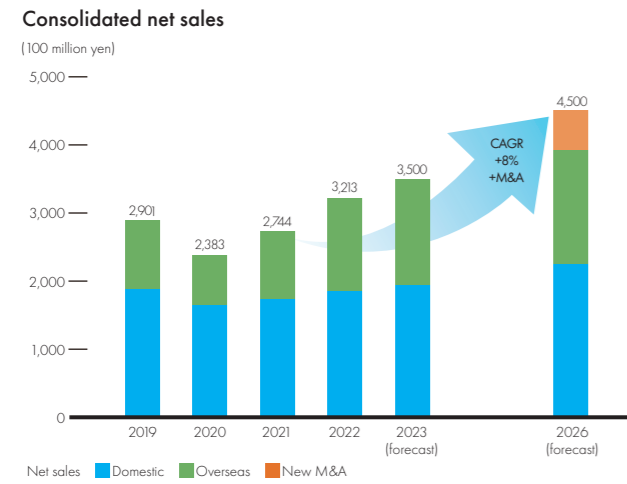
Numerical Targets of the Five-year Management Vision and Company-

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

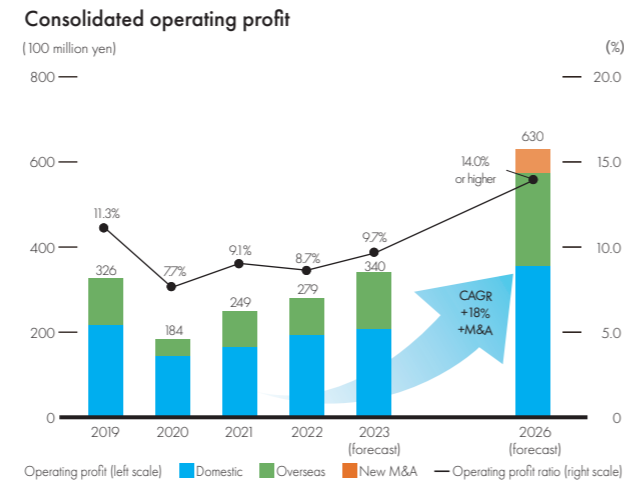
Performance Targets for FY2026

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

FY2026 Net Sales Target

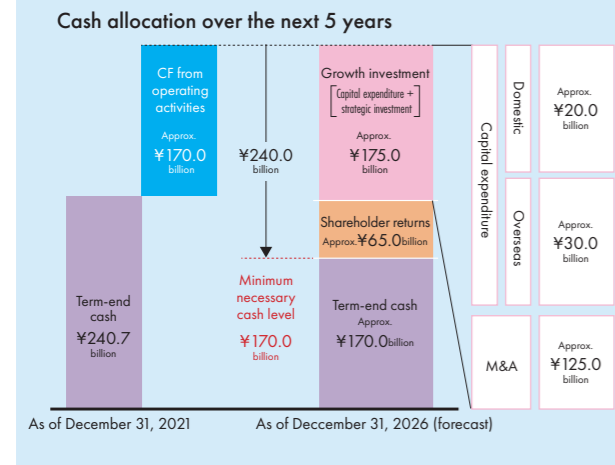


FY2026 Operating Profit Target



Cash allocation and growth investment strategy

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



Measures to Improve Social and Environmental Values

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

Wide Strategy

Progress in Five-year Management Vision and Future Issues

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

FY2022 Business Results

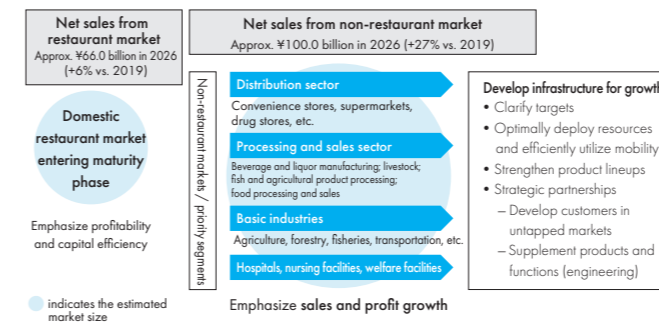
- Consolidated net sales: 321,300 million yen (+17% from FY2021)
- Consolidated operating profit: 27,900 million yen (+12% from FY2021), operating profit ratio: 8.7%
- Consolidated ROE: 8.9% (+0.2 pt from FY2021)
- Cash flows from operating activities: 5,200 million yen
- Total shareholder return: 41.7%

Groupwide Growth Strategy (Offensive/Defensive)

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

Cases for Domestic Strategy: Develop Non-restaurant Markets

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



Cases for Overseas Strategy: Strategy by Area

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

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

Progress in Growth Strategy

Domestic

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

Domestic strategy: Striving for continuing growth and profit ratio improvement

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

Use of IoT: More advanced customer response and service operations

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

Overseas

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

Overseas strategy: Aggressively pursue sales growth opportunities

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

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

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



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

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

Satoru Maruyama

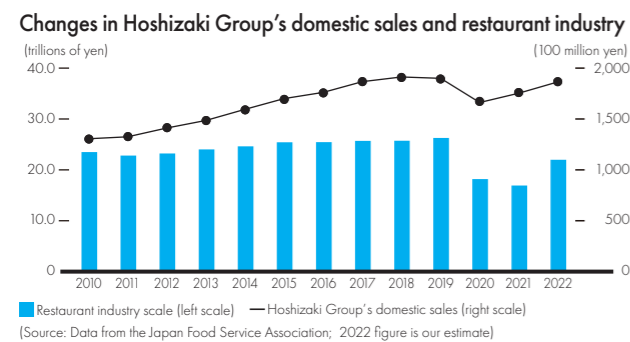
FY2022 Financial Highlights and FY2023 Forecasts

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

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

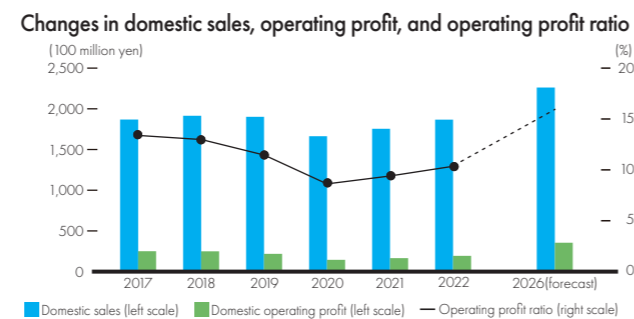
Market Trends: Clearer Signs of Recovery on Track

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



Performance Trends: High Hopes on Inbound Tourism

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



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

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

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

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

Progress: ● as planned, △ less than planned

Basic policies of management vision and FY2022 results & issues

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



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

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

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

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

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



Introduction: Career and Current Roles

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Point of focus

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

Session 2: Source of Hoshizaki Group's Brand Power

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

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

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



Value Creation Story of Domestic Business

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

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

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

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

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

Session 3: Measures to Achieve Five-year Management Vision

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

Shiro Nishiguchi

FY2022 Financial Highlights and FY2023 Forecasts

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

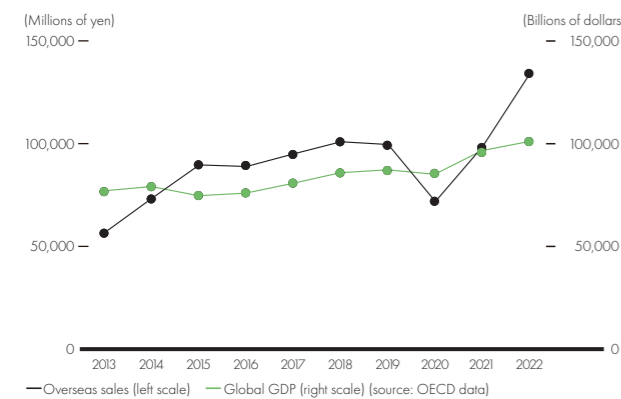
Overseas sales achieved a hefty gain in FY2022 for the second successive term, logging a 36.1% leap year on year to 134,800 million yen (with the ratio of overseas sales at 42%). Overseas operating profit rose 13.3% year on year to 10,200 million yen, reducing the operating profit ratio by 1.5 percentage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

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

Market Trends: Growth Way Over Global GDP Expansion

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

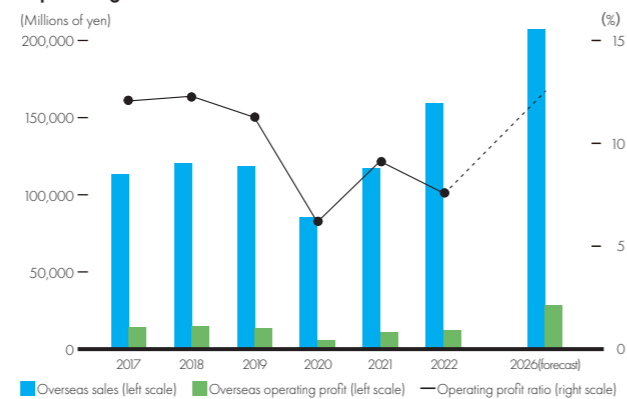
Changes in Global GDP and Overseas Sales



Performance Trends: Operating Profit Slightly Short of Plans

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

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



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

Category	Item	Measure	
Strengths	1 Strong brand power in global market	Continuity	1 Maintain brand power by offering high-quality, high-performance products and after-sales services
	2 Top share of global ice machine market (in number, FY2022)		2 Pursue further improvement through M&A and market and brand strategies
	3 Global expansion of production, sales, and after-sales services		3 Promote enhancement through M&A, cross-selling by Group companies, etc.
	4 Launch of new products meeting needs of times and regions		4 Raise product development speed by enhancing support from Hoshizaki Head Office for global development
Weaknesses	1 Profitability in Europe region	Measures needed	1 Strengthening of business reform and supervising function
	2 Product lineup in mid-price range (volume zone)		2 Market inroads through input of strategic products and launch of second brand
	3 Shortage in global human resources		3 Human resource development, including by proactive overseas assignments
Business opportunities	1 Active pursuit of opportunities in mid-price range (volume zone), which has a large market	Time axis & scale	1 Accelerate sales expansion by input of Group company products, ODM* (see Page 16)
	2 Display synergy effects of cross-selling involving acquired companies, Ozti and Brema		2 Generate effects of profitability improvement in Europe in and after 2023
	3 M&A in overseas markets		3 M&A effects in 2023: ¥50.0 billion sales gain
Threats	1 Intensified competition with competitors	Necessary measures & effects	1 Differentiation from competitors through product lineup expansion and pursuit of competitive advantage
	2 Economic security risk		2 Understand and analyze risks, develop risk scenarios
	3 Sharp increase in parts and material costs and securing parts supply		3 Appropriate price revision and establishment of supply chain

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

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

Progress: ● as planned, ● less than planned

Basic policies of management vision and FY2022 results & issues

Basic policies	FY2022 results	Issues
Aggressive forays into new markets		
• Pursue growth opportunities for different areas, products, channels, and customer segments	• Product launch in middle price range market in each area, including Europe & Americas	• Product lineup enhancement and development of new channels
Clarify area strategies		
• Execute major business model reforms in Europe and China	• Optimization of European production bases in progress as planned	• Generate further synergy effects with acquired companies
• Europe: Strengthen growth and profitability improvement in cooperation with acquired companies	• Net sales in Europe: up 41% from FY2021	• Product lineup expansion based on use of OEM* (see Page 16), ODM, and so forth
• China: Aggressively pursue growth on the strength of product lineup enhancement, using high brand power	• Stagnant due to impact of lockdowns, and so forth	• Develop new areas, customers, etc. and improve productive efficiency
• Americas: Pursue optimal balance between sales growth and profit ratio improvement for sustainable profit growth	• Net sales in Americas: up 9% from FY2021	
Strengthen QCD		
• QCD is the core of the Hoshizaki brand, and we will steadily reinforce QCD through collaboration among Japan and other areas	• High quality to be retained, parts and material procurement difficulty affecting each area	• Optimization of parts and material procurement
• Reduce costs and shorten delivery times through supply chain optimization		
Strengthen area management		
• Delegate authority to area heads and accelerate decision-making	• Introduce regional area system, delegate authority to areas	• Strengthen each area's functions
• Efficient business support from Hoshizaki's Head Office by strengthening functional axes (across all overseas areas)	• Continued support by each function of Hoshizaki's Head Office (hold overseas functional axis conference every month)	• Continual support
Strengthen organizational ability related to M&A		
• Planning to invest approx. ¥125.0 billion over the next 5 years; strengthen organizational ability ranging from project development to post-merger integration or PMI* (see Page 16)	• PMI underway for Ozti, Brema, etc.	• Strengthen PMI promotion



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

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

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

Value Creation Story of Overseas Business

Special Topic: Results and Issues of M&A

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

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

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

Hoshizaki Group's five M&A principles

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

Track Record of Main M&A

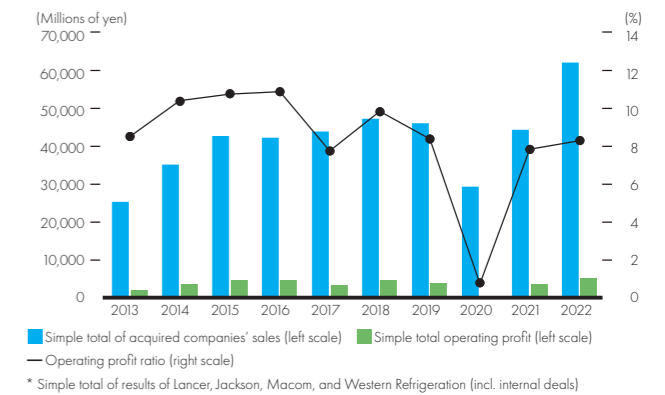
Main overseas M&A results include the acquisitions of the following companies: U.S. beverage dispenser maker Lancer, 2006; Danish business-use refrigerator producer Gram Commercial, 2008; Western Refrigeration, Indian manufacturer of glass door refrigerators for business use, 2013; U.S. dishwasher maker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

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

Contribution of Acquired Companies to Business Performance

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

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



Profile: India's Western Refrigeration



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

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

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

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

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

Harmeet Singh, Managing Director

Parmeet Singh, Executive Director

customers.

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

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

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

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



Our Approach to Sustainability

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

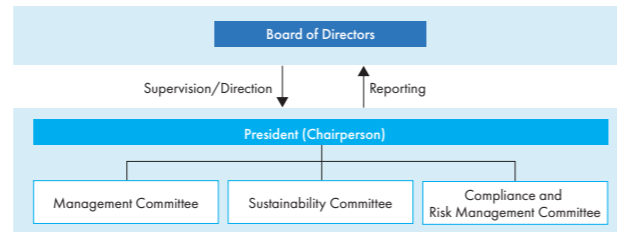
Hoshizaki Group's Sustainability Principle

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

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

Governance

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



Risk Management

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

Indicators and Targets

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

Sustainability Strategy

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

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

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

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

Agenda of Sustainability Committee

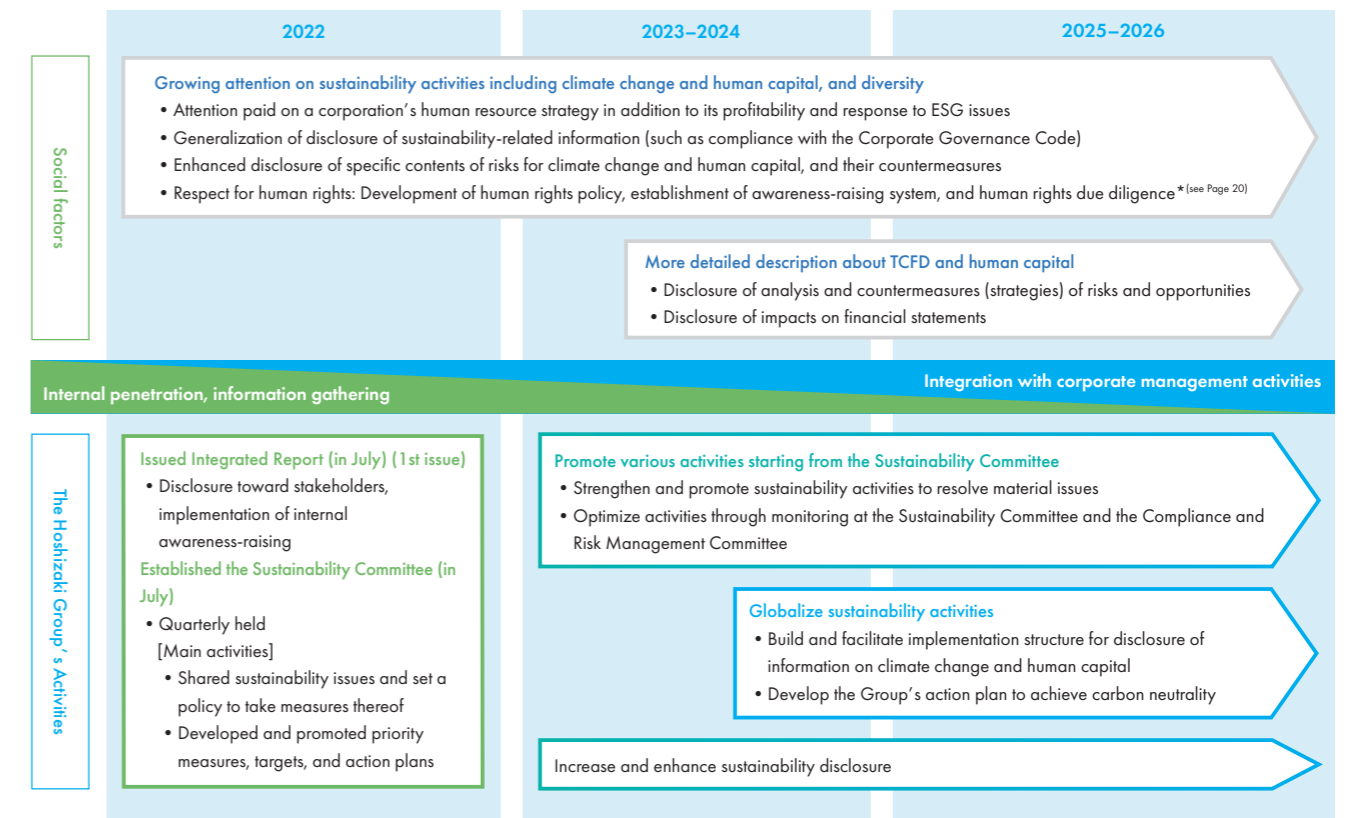
1st Meeting held on November 25, 2022	2nd Meeting held on March 23, 2023
(1) Development of sustainability principle	(1) Setting of new KPIs for materiality
(2) Direction of sustainability activities	(2) Challenges for future sustainability disclosure
(3) Initiatives for materiality	(3) Analysis of climate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

Direction of Sustainability Activities of the Hoshizaki Group

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

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

Roadmap of Sustainability Activities





Initiatives for the Environment

Enhancing Development and Manufacturing of Products That Help Mitigate Environmental Impacts

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

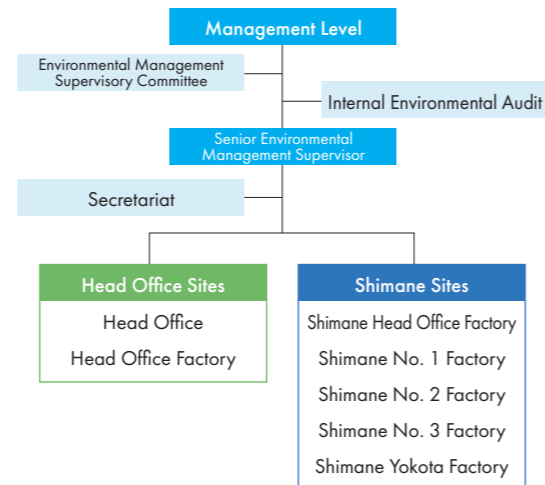
In particular, we have chosen "reduction of greenhouse gas emissions" as our important challenge, extracting and identifying "response to climate change" for materiality to set KPIs for it. To this end, we will not only reduce greenhouse gas emissions but also strengthen initiatives for development of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

Environmental Policy (ISO14001)

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

Environmental Management System Promotion Organization Structure

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



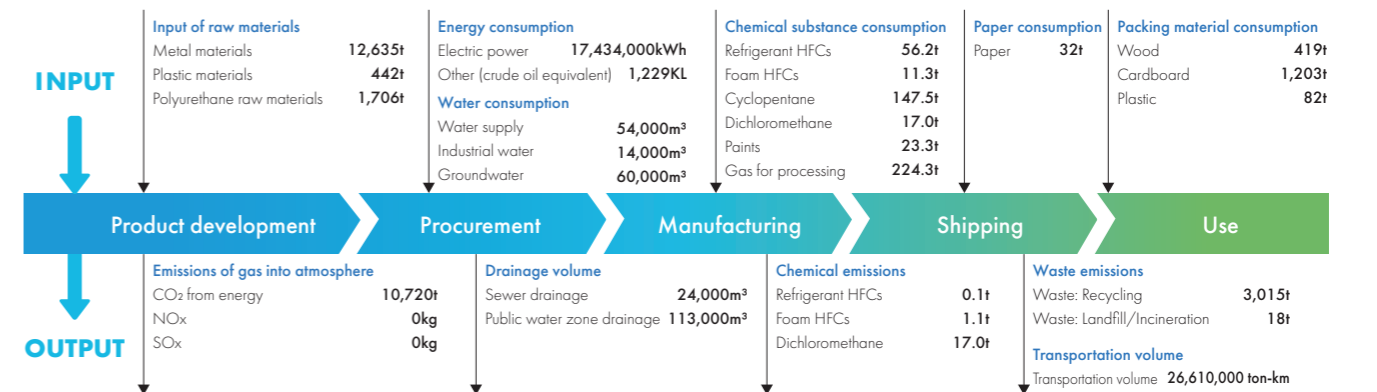
Environmental Goals and Results

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

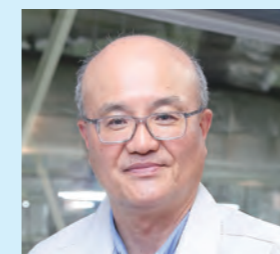
Scope: Hoshizaki Head Office Factory and Shimane Factory

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

Materials Flow



Scope: Hoshizaki Head Office Factory and Shimane Factory



In Pursuit of Sustainable Business Activities in Harmony with the Environment

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

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

Initiatives to Mitigate Environmental Impact

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

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

Initiatives for Development of Products with Higher Environmental Performance

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

*1 Excluding some variant models for specific usage.

Compliance with Fluorocarbon Emission Control Act

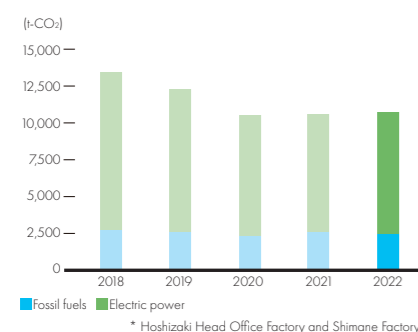
CFCs/HCFCs/HFCs used as refrigerants of refrigerators/freezers and air-conditioning equipment are known to deplete the ozone layer if vented into the atmosphere and therefore have much larger greenhouse effect than CO₂. In Japan, the Fluorocarbon Emission Control Act came into effect in April 2015, which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

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

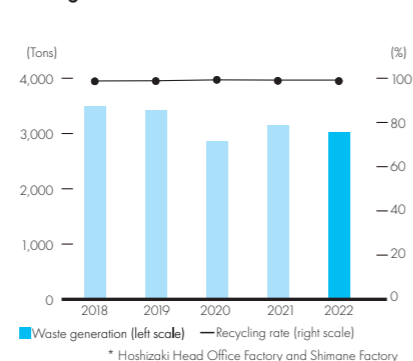
Initiatives for Suppressing Waste Generation and Conservation of Water Resources

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

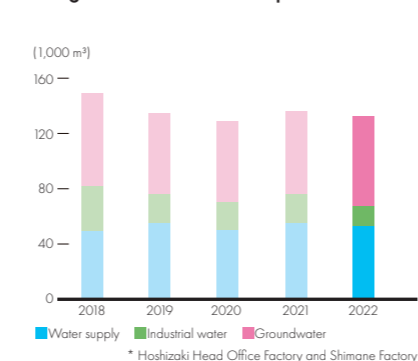
Changes in Electric Power/Fossil-Fuel CO₂ Emissions



Changes in Waste Emissions



Changes in Water Consumption



Response to climate change

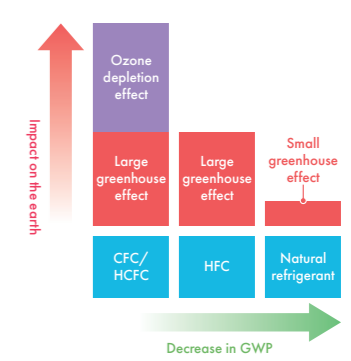
Journey toward Net-Zero Emissions

Development of CFC/HCFC/HFC Regulations

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

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

Refrigerants and their impact on the earth



Hoshizaki Group's Countermeasures

As our approach to selection of refrigerants, we have developed next-generation refrigerators/freezers from the three perspectives consisting of environmental performance (GWP*^(see Page 18), ODP*³), safety (combustibility and toxicity), and economic performance (energy efficiency and cost). In European and US markets leading in HFCs regulations, in 2009, prior to a tightening of the regulations on the alternative to HFCs in 2015, we started supplying ice machines using natural refrigerant (propane) and have since increased products using natural refrigerants.

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

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

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

In Japan, Hoshizaki started accepting orders for HFC-free commercial refrigerators and freezers using natural refrigerants in place of alternatives to HFCs in May and August 2022 respectively. We will continue to add to the lineup in 2023, and transition all*^(see page 04) standard freezers and refrigerators for the Japanese market to natural refrigerants that are also HFC-free by the end of 2024.

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

Developers' Voice: Release of Natural Refrigerant-based Refrigerators for Mass Sales Ahead of the Industry in Japan

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



Response to climate change

Information Disclosure Based on TCFD Framework

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

Governance

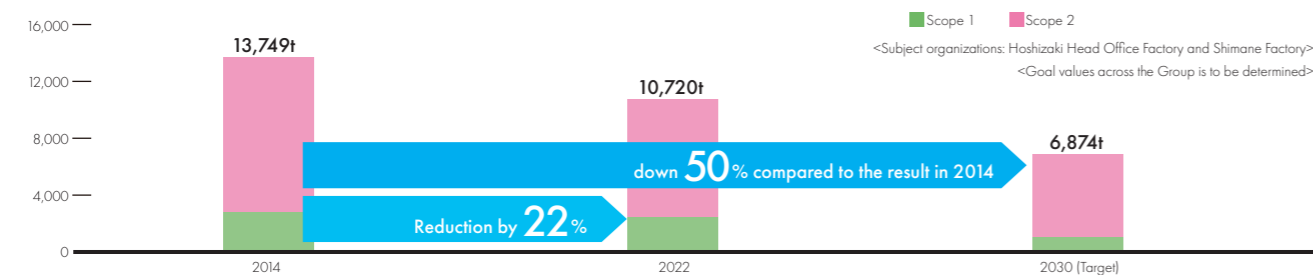
Sustainability Promotion Structure

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

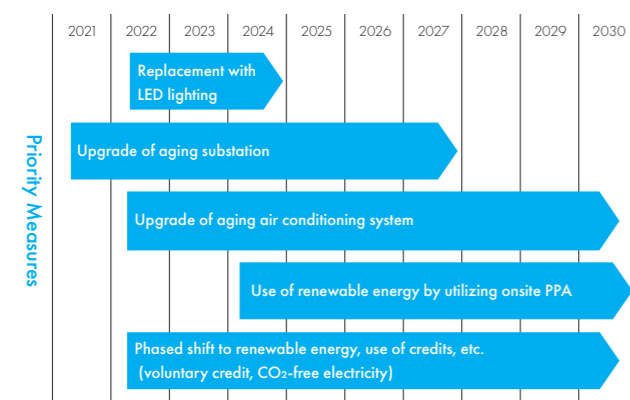
Indicators and Targets

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

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



Priority Measures for Achieving Target



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

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

*1 Excluding Brema acquired in July 2022

Strategy

Scenario Analysis for Climate Change

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

Financial Impact of Climate Change Risks and Opportunities, and Countermeasures

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

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

Risk Management

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



Building of Trusting Relationship with Stakeholders

We, the Hoshizaki Group, aim to be an "Evolving Company" contributing to society as well as customers, meeting the changing needs and demands for diversified "Eating." To meet the expectations in changing society and take the initiative in contributing to bright and affluent future, we respect human rights, ensure fair business practice, and mitigate environmental impact throughout the value chain, and work closely with all stakeholders to realize sustainable development of society.

Creation of New Customer Value



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

Initiatives for Creation of New Customer Value

1) Contribution to Prevention of Global Warming

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

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

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

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

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

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



Commercial natural refrigerant-based refrigerator HR-120NAT



Commercial natural refrigerant-based freezer HF-75NAT



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

2) Total Support to Customers in Non-restaurant Markets

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

Examples of Business Solutions for Non-restaurant Market Customers



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



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



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

3) Countermeasures for Labor Shortage

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

Customer's Voice

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



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

New Proposals for Creation of Safe and Secure Food Environment



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

1) Excellent Support System

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

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

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



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

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

Initiatives for Society

Sustainable Supply Chain Management



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

Responsible Procurement

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

Hoshizaki's Basic Policy on Procurement

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

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

Communication with Suppliers

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

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

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

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

Initiatives for Establishment of Resilient Supply Chain

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

Anticipated Procurement Risks and Hoshizaki's Countermeasures

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

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

Harmony with Local Communities



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

History of Hoshizaki's Social Contribution Activities



Hoshizaki Charity Club (HCC)

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

Major recipients of HCC donations

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

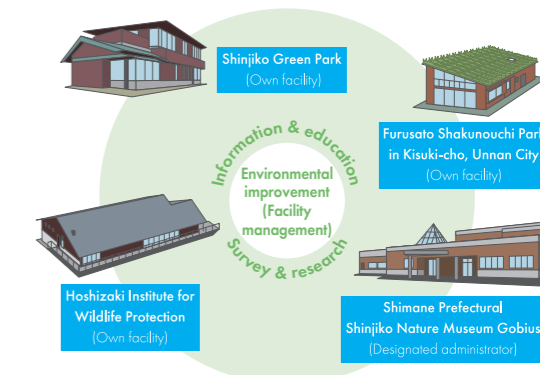
*2 Special Olympics Nippon: The Japanese arm of the international sports organization that provides a variety of sports training and competition opportunities for people with intellectual disabilities. The activities of Special Olympics Nippon are not for profit and are run by volunteers and are financed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



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

Support for Natural Environmental Conservation Activities by the Hoshizaki Green Foundation

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



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

Human Resource Development and Improvement of Employee Job Satisfaction



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

Creating Opportunities for Individual Employee Growth

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

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

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

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

Three Education/Training Program Categories

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

Program Focus and Participants

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

Participants of Major Trainings (Hoshizaki and Sales Companies in Japan)

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

Creating a Vibrant Workplace Culture

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

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

ES Improvement Committee

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

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

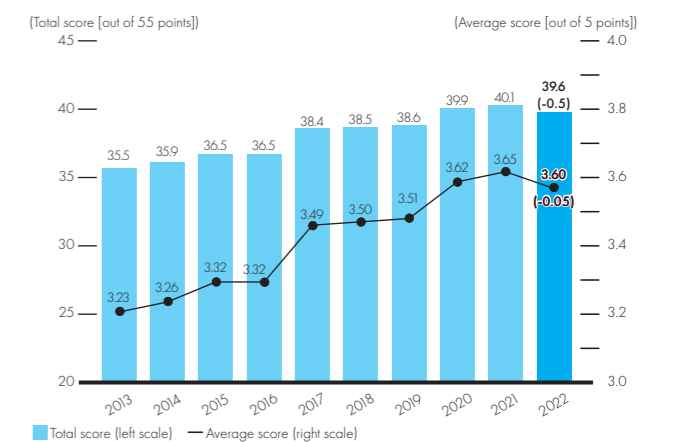
Year	2018	2019	2020	2021	2022
Survey questions	54	54	59	59	59
Employees surveyed	8,302	8,462	8,614	8,556	8,443
Respondents	8,233	8,372	8,611	8,556	8,436
Response rate	99.2%	98.9%	99.9%	100%	99.9%
Free comments	5,819	5,678	5,964	5,632	5,597

Outline of ES Survey Questions (FY2022)

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

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

Changes in ES scores



Kagayaki Committee to Promote Women's Participation

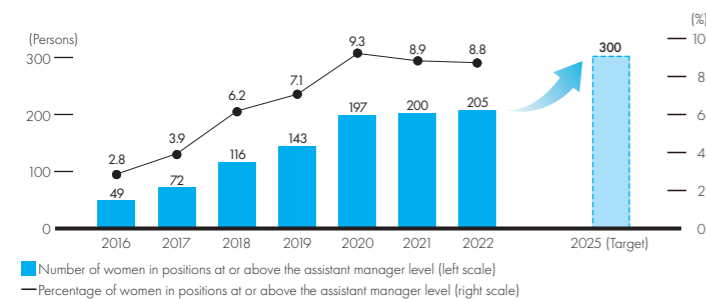
Since FY2010, Hoshizaki and its domestic distributors have been promoting the Kagayaki Project, which is based on the vision of "becoming a company where excellent staff can pleasantly work and play active roles, irrespective of gender." With a target called "LADIES10" (increase the percentage of women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

Initiatives for Society

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

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

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



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

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

Number of women in parentheses at the end of FY2021

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

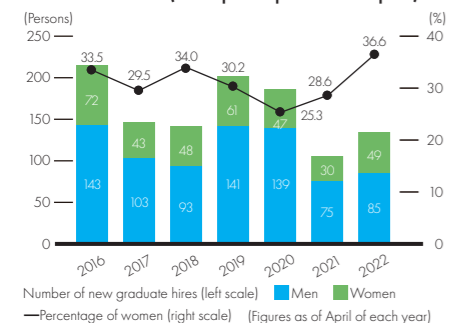
Training title	Objective	Participants (persons)
Training for supervisors having female subordinates	Enhancement of development and communication abilities of supervisors involved in development of female subordinates	561
Training for nurturing female leaders	Sharing of outcomes of practicing at workplaces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



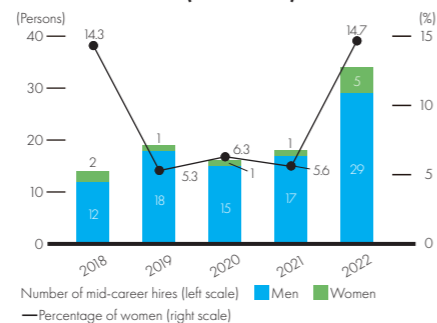
Kazuyo Tsuboi, Section manager of Diversity Promotion Center

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

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



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



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

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

Life Support and Occupational Health and Safety

Optimization of Working Hours

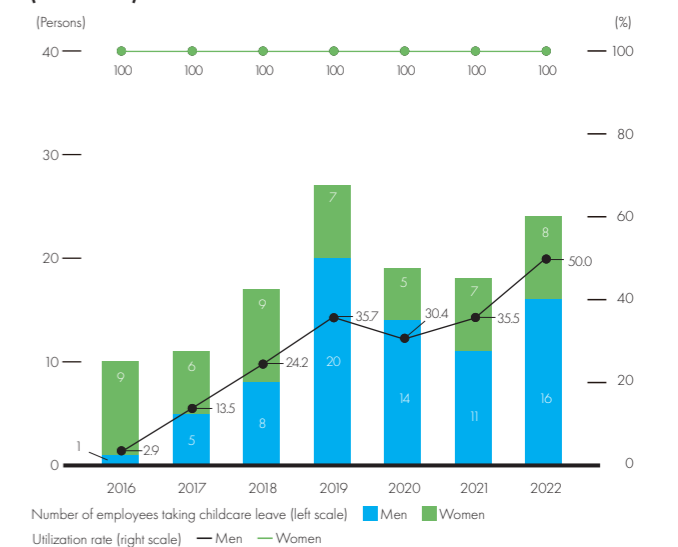
Hoshizaki aims to protect the health of its employees and create workplace environments where they can work with peace of mind, and has, as one of its initiatives, promoted the optimization of working hours. Proper management of working hours at Hoshizaki includes methods such as alerting relevant supervisors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

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

Child Birth and Childcare Support

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

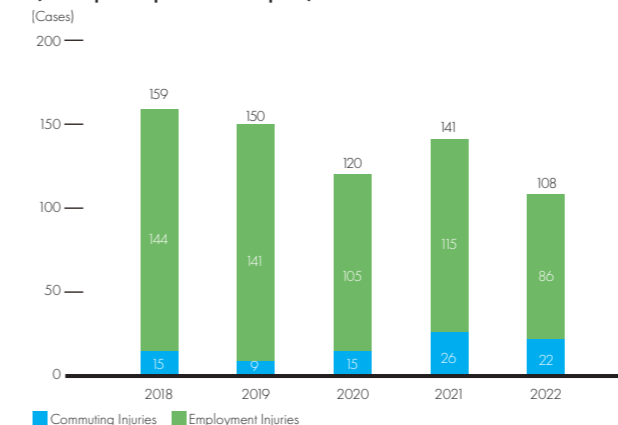
Number of employees taking childcare leave and utilization rate (Hoshizaki)



Occupational Health and Safety

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

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



Scene of Hoshizaki's safety patrol





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

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



Masanao Tomozoe
Outside Director
Nomination and Compensation Committee Chair



Masahiko Goto
Outside Director
Nomination and Compensation Committee Member



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



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

For details on their profile, see Pages 81-82

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



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

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

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

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

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

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

vision.

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

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



Roundtable of Outside Directors

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



Corporate Governance

Basic Policy

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

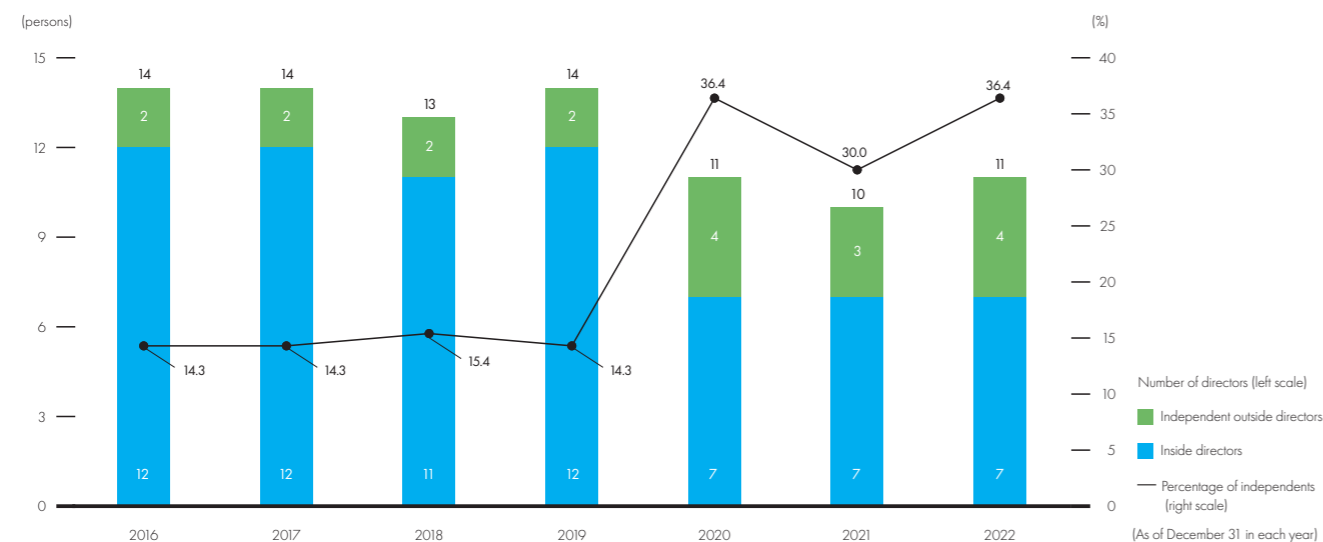
Reason for becoming a Company with an Audit and Supervisory Committee

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

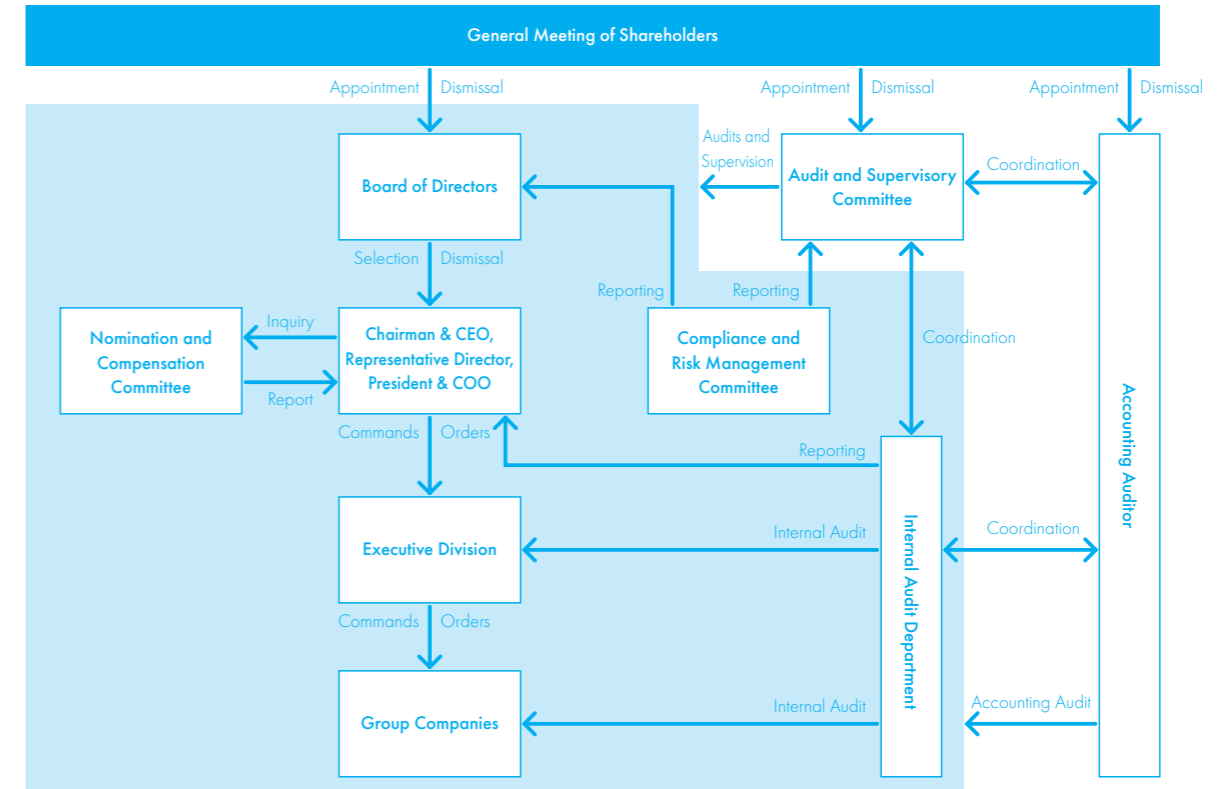
History of Strengthening Corporate Governance

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

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



Corporate Governance Structure



Roles and Composition of Supervisory Organizations

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

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

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

●: Working experience ○: Expertise

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

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

Functions and Roles of the Nomination and Compensation Committee

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

President Performance Evaluation Criteria

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

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

Successor Plan

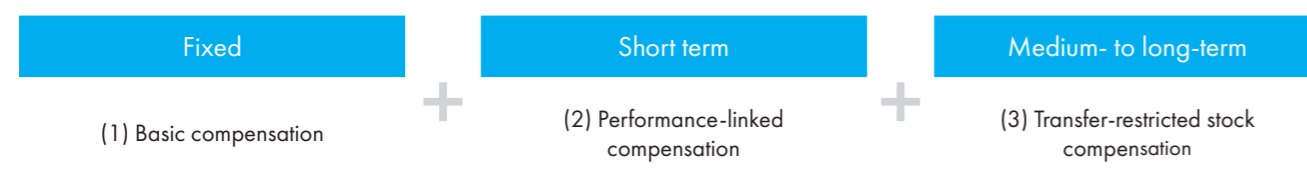
Regarding the development plan for candidates as future Presidents as well as Directors and Executive Officers, based on deliberation and advisement at the Nomination and Compensation Committee, opportunities are provided for each candidate to face challenges necessary for growth according to the issues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

Basic Policy on Officer Compensation

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

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

Breakdown of Directors' Compensation



(1) Basic compensation

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

(2) Performance-linked compensation

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

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

(3) Transfer-restricted stock compensation

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

Ratio of Compensation

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

Total compensation amount by director type (2022 results)

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

Evaluation of the Overall Effectiveness of the Board of Directors

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

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

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

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

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

Functions and Roles of the Audit and Supervisory Committee

The Audit and Supervisory Committee meets once a month in principle and holds meetings as necessary when required. Meetings were held a total of 14 times in 2022, with deliberation of 23 resolutions and 60 items to be reported. Cooperation with Audit & Supervisory Board members of group companies in Japan is strengthened and opportunities for study are provided, with audit liaison meetings held twice a year in principle with participation by Audit & Supervisory Board members of group companies in Japan. Audit and Supervisory Committee members (2 Outside Directors, 1 Inside Director) attend the Board of Directors meetings and the Compliance and Risk Management Committee meetings to audit and supervise the execution of duties by Directors while monitoring status of compliance and risk management for the Group overall.

Major Audit Themes and Activities in 2022

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

Cooperation with the Internal Audit Department

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

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

Compliance and Risk Management

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

Basic Compliance Policy

The Hoshizaki Group will:

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

Compliance Promotion Structure

Compliance and Risk Management Committee

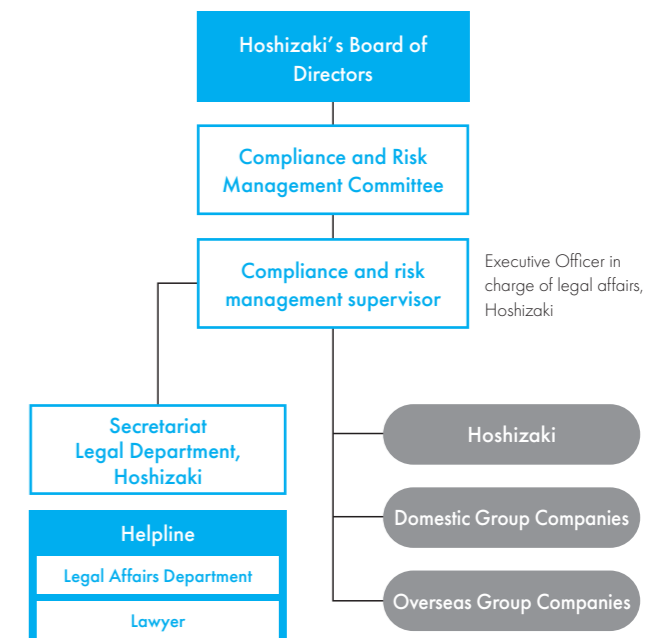
Under Hoshizaki's Board of Directors, the Compliance and Risk Management Committee has been established to manage the progress of the compliance program, chaired by the Representative Director, President & COO and consisting of Directors and relevant personnel as members.

Committee Secretariat

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

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

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

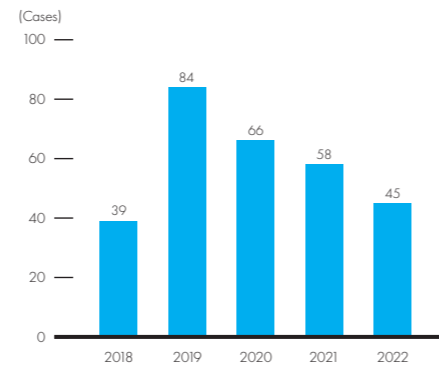


* Compliance and risk management managers and deputy managers are appointed at Hoshizaki's departments and Group Companies.

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

As part of our compliance and risk management system, we have established and operate a helpline in accordance with the principles set forth in the Whistleblower Protection Act. The helpline handles consultation and whistle-blowing by email, postal mail, fax, or telephone. Although we recommend that helpline users identify themselves to enable the understanding of facts, consultations and reports can also be made anonymously. Whistle-blowers may choose either the in-house contact point (the Legal Affairs Department) or a lawyer other than in-house counsel as an external contact point, depending on the content of the consultation or whistle-blowing.

Each whistle-blowing case is put to deliberation by the Compliance and Risk Review Committee. The Review Committee consists of members including officers who serve as standing Committee members and heads of related departments, and also reflects the views of an advisory group established from a diversity perspective. For each case reviewed by the Compliance and Risk Review Committee, appropriate corrective measures and recurrence prevention measures including disciplinary actions are taken, and the results reported to the Compliance and Risk Management Committee and the Management Committee.



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



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

Executive Officer, Compliance and Risk Management Supervisor
Osamu Goto

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

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

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

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

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

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

Major Risk Categories and Countermeasures/Mitigation Measures

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



List of Officers

Board of Directors (as of March 31, 2023)



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

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



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

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



Satoru Maruyama
(b. November 29, 1960)
Director

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



Kyo Yaguchi
(b. June 30, 1959)
Director

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



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

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



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

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



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

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



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

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



Yasushi Ieta
(b. October 4, 1960)
Director

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



Shiro Nishiguchi
(b. January 6, 1957)
Director

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



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

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

Executive Officers (as of March 31, 2023)

Senior Executive Officer
Katsuhiro Kurimoto
In charge of Overseas PMI Promotion

Senior Executive Officer
Shinichi Ochiai
In charge of Shimane Factory

Senior Executive Officer
Yoshio Furukawa
In charge of Quality Assurance

Executive Officer
Ryuichiro Seki
In charge of Accounting Department

Executive Officer
Teruyuki Kai
In charge of China

Executive Officer
Akira Kamiya
In charge of the Global Manufacturing Department

Executive Officer
Osamu Goto
In charge of Legal Department

Executive Officer
Seiji Terashima
In charge of Head Office Factory

Executive Officer
Yosuke Matsunaga
In charge of Europe Region

Executive Officer
Makoto Sasaki
In charge of Research and Development



Stakeholder Dialogue and Engagement

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

Engagement with Young Employees

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

Mika Ishida, Secondment, HOSHIZAKI SINGAPORE



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

Opportunities are increasing for greater employee satisfaction and diversity

Akbar Jalilov, Accounting Department, Hoshizaki



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







Daily growth starts with day-to-day communication

Shota Eguchi, Purchase Department, Hoshizaki



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

Stakeholder Engagement

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



Analysis of Financial and Management Status

(1) Overview of Operation and Financial Results of the Fiscal Year Ended December 31, 2022

In the fiscal year ended December 31, 2022, the domestic food service market faced a harsh environment, ranging from the re-spread of the infectious disease triggered by the emergence of new variant of COVID-19, to rising price, to fluctuating foreign exchange rates, but social and economic activities were gradually moving toward normalization.

Overseas economies recovered early. However, uncertainties still remained, such as the prolonged invasion of Ukraine by Russia, historical inflations in Europe and the U.S. and interest-rate hikes to cope with such inflations.

Under these circumstances, in Japan the Hoshizaki Group focused on sales expansion in the gradually-recovering restaurant market and sales expansion and development of new customers in the non-restaurant markets, such as the distribution sector and the processing and sales sector. In the first half of the fiscal year, there were product supply constraints caused by difficulties in procurement of parts and materials due to the global supply chain disruption and the lockdown in China, but the situation was gradually eased starting from July 2022. Meanwhile, against the continued price surges of parts and materials, we found it difficult to improve profitability with our internal efforts alone, and revised product prices in June 2022.

Overseas, product supply constraints occurred due to difficulties in procurement of parts and materials for some of our products. Also affected global surges in prices of parts and materials, and distribution costs, labor shortage and rising labor costs especially in the U.S., we implemented the revision of product pricing as needed to maintain profitability.

As a result, for the fiscal year ended December 31, 2022, net sales came to ¥321,338 million (up 17.1% year on year) and operating profit came to ¥27,915 million (up 12.0% year on year). Ordinary profit rose 21.2% year on year to ¥37,763 million as foreign exchange gains of ¥9,032 million as a result of the yen-converted valuation of foreign-currency assets was booked. Profit attributable to owners of parent came to ¥24,345 million (up 12.3% year on year).

(2) Financial Position for Fiscal Year Ended December 31, 2022

Total assets as of December 31, 2022 increased ¥43,757 million year on year to ¥422,227 million. Current assets increased ¥17,594 million year on year to ¥328,240 million. The main factor was the increase in raw materials and supplies in response to the increase in production volume.

Non-current assets increased ¥26,162 million from the end of the previous fiscal year to ¥93,986 million.

Total liabilities as of December 31, 2022 increased ¥10,992 million from a year earlier to ¥129,600 million.

Current liabilities increased ¥8,538 million from the end of the

previous fiscal year to ¥102,987 million. The main factor was the increase in notes and accounts payable - trade.

Non-current liabilities increased ¥2,453 million from the end of the previous fiscal year to ¥26,612 million.

Total net assets as of December 31, 2022 increased ¥32,765 million from a year earlier to ¥292,627 million.

Equity totaled ¥289,326 million, while equity ratio came to 68.5%.

(3) Overview of Cash Flows for Fiscal Year Ended December 31, 2022

Net cash provided by operating activities for the fiscal year ended December 31, 2022 decreased ¥22,173 million year on year to ¥5,170 million. The main factors include profit before income taxes of ¥34,632 million, and increase in trade payables of ¥3,382 million. Significant decrease factors included ¥16,925 million increase in inventories and income taxes paid of ¥13,594 million. Net cash provided by investing activities for the fiscal year ended December 31, 2022 decreased ¥3,297 million year on year to ¥1,941 million. This was attributable mainly to the posting of the acquisition cost of shares in Group companies of ¥18,748 million resulting in change in scope of consolidation, offsetting an increase in the balance associated with withdrawal from and payments into time deposits from ¥11,501 million in the previous fiscal year to ¥27,048 million. Net cash used by financial activities for the fiscal year ended December 31, 2022 decreased ¥5,227 million year on year to ¥13,349 million. The main factor

was dividends paid of ¥12,306 million.

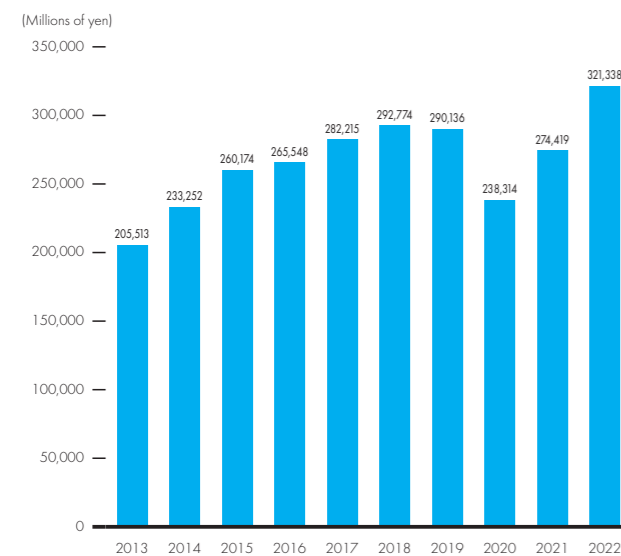
Cash and cash equivalents as of December 31, 2022 increased ¥5,053 million from a year earlier to ¥186,669 million.

(4) Shareholder Return

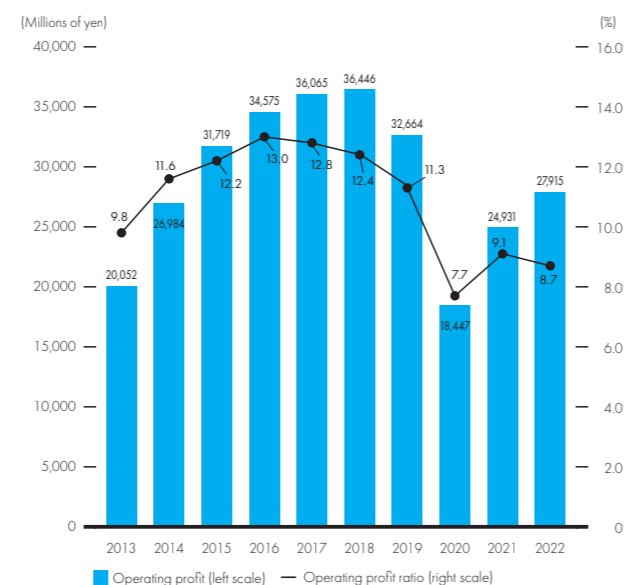
Recognizing profit distribution as an important management policy, we have set the basic policy on stable return on profits to shareholders by comprehensively considering financial positions and profitability of the Company and the Group, while accumulating internal reserves necessary to ensure stable corporate growth into the future and to respond to changes in the environment surrounding us.

For the shareholder return level, we will 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 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. As a result, when calculated on a pre-split basis and combining with interim dividends (¥60 per share), annual dividends per share were ¥140, a ¥30 effective increase year on year (vs. ¥110 per share in FY2021).

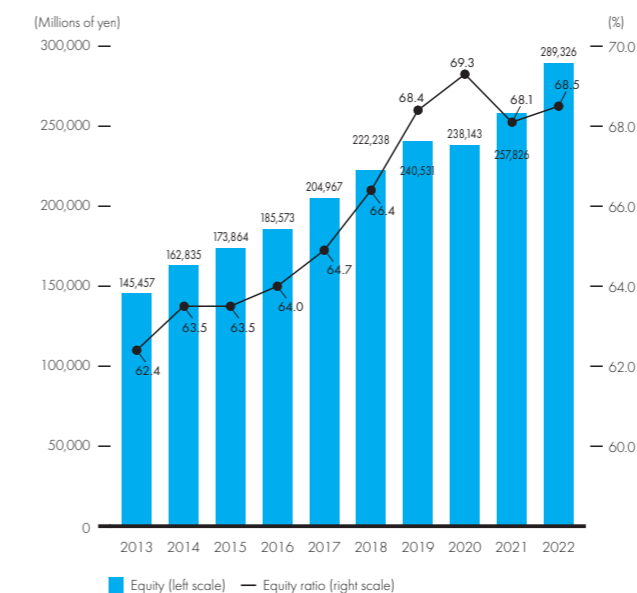
Net Sales



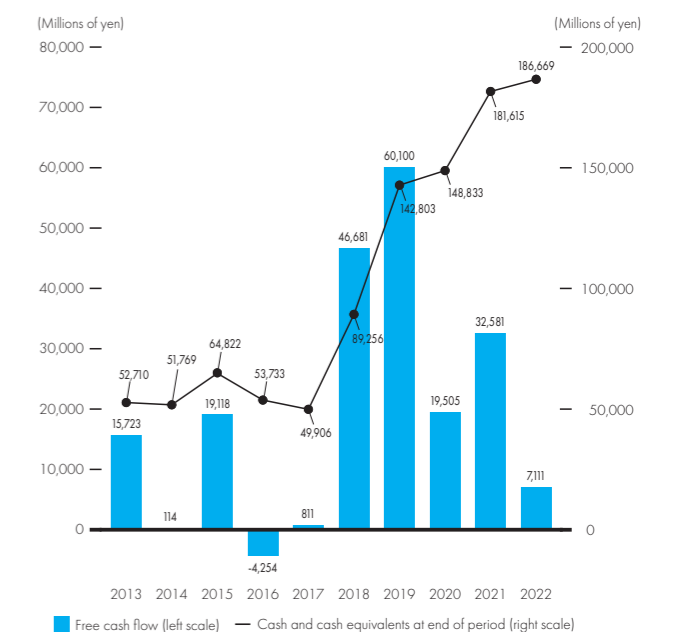
Operating Profit and Operating Profit Ratio



Equity and Equity Ratio



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





Financial Data in Past Decade

Introduction

Hoshizaki's Values and Vision

Execution Strategy to Achieve the Vision

Initiatives for Sustainability

Foundation for Value Creation

Data and Corporate Information

	Item	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Business Performance	Net sales (Million yen)	205,513	233,252	260,174	265,548	282,215	292,774	290,136	238,314	274,419	321,338
	Cost of sales (Million yen)	125,326	142,161	159,319	161,918	173,849	182,224	180,671	149,261	174,727	209,519
	Gross profit (Million yen)	80,187	91,090	100,854	103,630	108,365	110,549	109,464	89,053	99,691	111,819
	Selling, general and administrative expenses (Million yen)	60,135	64,106	69,135	69,054	72,299	74,103	76,799	70,605	74,760	83,903
	Operating profit (Million yen)	20,052	26,984	31,719	34,575	36,065	36,446	32,664	18,447	24,931	27,915
	Ordinary profit (Million yen)	26,349	31,235	30,864	34,140	37,086	36,372	34,224	17,420	31,165	37,763
	Profit before income taxes (Million yen)	26,276	26,678	29,077	33,737	35,302	36,090	34,263	17,288	31,231	34,632
	Profit attributable to owners of parent (Million yen)	15,769	15,011	16,971	21,430	23,144	25,717	24,437	11,442	21,679	24,345
	Earnings per share* (Yen)	109.19	103.83	117.24	147.98	159.81	177.57	168.73	79.00	149.68	168.06
Key financial indicators	Gross profit to net sales (%)	39.0	39.1	38.8	39.0	38.4	37.8	37.7	37.4	36.3	34.8
	Operating profit/net sales (%)	9.8	11.6	12.2	13.0	12.8	12.4	11.3	7.7	9.1	8.7
	Net income to net sales (%)	7.7	6.4	6.5	8.1	8.2	8.8	8.4	4.8	7.9	7.6
	Return on assets (ROA) (%)	12.1	12.8	11.6	12.0	12.2	11.2	10.0	5.0	8.6	9.4
	Return on equity (ROE) (%)	11.6	9.7	10.1	11.9	11.9	12.0	10.6	4.8	8.7	8.9
	Total assets turnover (Times)	0.95	0.95	0.98	0.94	0.93	0.90	0.84	0.69	0.76	0.80
Revenue breakdown by region	Japan (Million yen)	148,507	159,416	170,010	176,158	186,621	191,239	189,953	166,117	175,269	186,439
	Americas (Million yen)	40,008	51,377	62,370	60,868	65,415	65,564	63,916	45,945	60,621	79,054
	Europe and Asia (Million yen)	16,997	22,458	27,792	28,521	30,179	35,970	36,265	26,250	38,527	55,845
	Total (Million yen)	205,513	233,252	260,174	265,548	282,215	292,774	290,136	238,314	274,419	321,338
	Ratio of overseas net sales (%)	27.7	31.6	34.6	33.6	33.8	34.7	34.5	30.3	36.1	42.0
Net sales by product	Ice machines (Million yen)	36,234	40,379	46,203	46,563	49,578	51,007	51,528	40,491	45,725	59,689
	Refrigerators (Million yen)	51,666	59,359	66,220	68,474	71,471	76,306	75,038	58,564	75,528	92,153
	Dishwashers (Million yen)	13,872	15,337	17,646	17,760	23,716	21,387	20,104	14,723	18,300	20,980
	Dispensers (Million yen)	24,615	27,134	32,320	30,016	29,379	28,744	26,139	16,530	19,243	23,798
	Other products (Million yen)	18,264	23,326	24,194	25,935	27,424	28,146	28,763	29,946	29,721	30,192
	Maintenance/Repair (Million yen)	35,661	39,757	42,874	44,865	47,132	49,560	50,763	47,072	50,579	56,631
	Other companies' products (Million yen)	25,199	27,958	30,713	31,932	33,512	37,620	37,799	30,986	35,321	37,892
	Total assets (Million yen)	232,982	256,412	273,655	289,967	315,981	334,879	351,887	343,393	378,469	422,227
Financial position	Net assets (Million yen)	146,930	164,533	176,545	187,179	206,900	223,510	242,038	239,711	259,862	292,627
	Equity (Million yen)	145,457	162,835	173,864	185,573	204,967	222,238	240,531	238,143	257,826	289,326
	Net cash (Million yen)	109,002	129,334	147,854	162,641	186,655	204,103	214,203	216,508	239,966	224,168
	Equity ratio (%)	62.4	63.5	63.5	64.0	64.9	66.4	68.4	69.3	68.1	68.5
	Net assets per share* (Yen)	1,006.45	1,125.50	1,200.48	1,281.33	1,415.24	1,534.43	1,660.66	1,644.18	1,779.93	1,997.27
	Dividends per share* (Yen)	20	25	30	35	35	40	55	55	55	70
Dividends	Total cash dividends (Million yen)	2,890	3,616	4,344	5,069	5,069	5,793	7,966	7,966	7,966	10,140
	Payout ratio (%)	18.3	24.1	25.6	23.7	21.9	22.5	32.6	69.6	36.7	41.7
	Capital expenditure (Million yen)	4,141	4,529	5,482	6,387	5,827	4,246	5,216	3,405	3,749	5,874
Capital expenditure, etc.	Depreciation (Million yen)	5,232	5,343	5,631	4,892	5,104	5,122	4,643	5,001	4,809	5,349
	Research & development expenses (Million yen)	3,873	3,862	3,894	3,906	4,000	4,130	4,232	4,128	4,425	4,623
	Cash flows from operating activities (Million yen)	20,212	22,002	30,424	30,611	34,877	30,203	30,455	20,734	27,343	5,170
Cash flows	Cash flows from investing activities (Million yen)	(4,489)	(21,888)	(11,306)	(34,865)	(34,066)	16,478	29,645	(1,229)	5,238	1,941
	Free cash flow (Million yen)	15,723	114	19,118	(4,254)	811	46,681	60,100	19,505	32,581	7,111
	Cash flows from financing activities (Million yen)	(1,499)	(2,042)	(4,665)	(5,010)	(4,966)	(5,047)	(5,908)	(8,281)	(8,122)	(13,349)
	Cash and cash equivalents at end of period (Million yen)	52,710	51,769	64,822	53,733	49,906	89,256	142,803	148,833	181,615	186,669

*The Company conducted a stock split at a ratio of two-for-one stock with July 1, 2022 as the effective date. Earnings per share, net assets per share, and dividends per share are calculated based on the assumption that the stock split took place at the beginning of FY2013.



Consolidated Financial Statements

(1) Consolidated Balance Sheet

	(Unit: Million yen)		(Unit: Million yen)	
	As of December 31, 2021	As of December 31, 2022	As of December 31, 2021	As of December 31, 2022
Assets				
Current assets				
Cash and deposits	240,723	226,065		
Notes and accounts receivable - trade	31,120	—		
Notes and accounts receivable - trade, and contract assets	—	45,783		
Merchandise and finished goods	14,806	17,806		
Work in process	4,775	6,797		
Raw materials and supplies	15,974	27,222		
Other	3,477	5,055		
Allowance for doubtful accounts	(232)	(489)		
Total current assets	310,645	328,240		
Non-current assets				
Property, plant and equipment				
Buildings and structures	44,783	48,630		
Accumulated depreciation	(29,627)	(31,503)		
Buildings and structures, net	15,156	17,126		
Machinery, equipment and vehicles	34,965	38,162		
Accumulated depreciation	(28,316)	(30,846)		
Machinery, equipment and vehicles, net	6,649	7,316		
Tools, furniture and fixtures	22,547	24,113		
Accumulated depreciation	(20,757)	(22,144)		
Tools, furniture and fixtures, net	1,790	1,969		
Land	14,692	15,256		
Leased assets	1,255	2,270		
Accumulated depreciation	(502)	(884)		
Leased assets, net	753	1,386		
Construction in progress	4,132	4,845		
Total property, plant and equipment	43,174	47,900		
Intangible assets				
Goodwill	623	15,752		
Other	2,142	2,094		
Total intangible assets	2,766	17,846		
Investments and other assets				
Investment securities	10,057	15,279		
Deferred tax assets	9,927	10,968		
Other	2,105	2,206		
Allowance for doubtful accounts	(206)	(214)		
Total investments and other assets	21,883	28,239		
Total non-current assets	67,823	93,986		
Total assets	378,469	422,227		
Liabilities				
Current liabilities				
Notes and accounts payable - trade	26,070	32,714		
Income taxes payable	6,502	4,066		
Contract liabilities	—	36,376		
Provision for product warranties	2,146	2,434		
Other provisions	2,986	3,486		
Other	56,743	23,908		
Total current liabilities	94,448	102,987		
Non-current liabilities				
Provision for retirement benefits for directors (and other officers)	246	226		
Retirement benefit liability	19,995	21,560		
Provision for product warranties	1,264	1,881		
Other	2,652	2,943		
Total non-current liabilities	24,159	26,612		
Total liabilities	118,607	129,600		
Net assets				
Shareholders' equity				
Share capital	8,052	8,070		
Capital surplus	14,574	14,593		
Retained earnings	239,958	252,508		
Treasury shares	(6)	(8)		
Total shareholders' equity	262,579	275,164		
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	4	65		
Foreign currency translation adjustment	(3,361)	15,923		
Remeasurements of defined benefit plans	(1,395)	(1,826)		
Total accumulated other comprehensive income	(4,752)	14,162		
Non-controlling interests	2,035	3,300		
Total net assets	259,862	292,627		
Total liabilities and net assets	378,469	422,227		

(2) Consolidated Statement of Income and Consolidated Comprehensive Income

	(Unit: Million yen)	
	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	274,419	321,338
Cost of sales	174,727	209,519
Gross profit	99,691	111,819
Selling, general and administrative expenses	74,760	83,903
Operating profit	24,931	27,915
Non-operating income		
Interest income	394	1,469
Foreign exchange gains	5,373	9,032
Other	741	549
Total non-operating income	6,509	11,051
Non-operating expenses		
Interest expenses	42	42
Share of loss of entities accounted for using equity method	—	871
Other	232	289
Total non-operating expenses	275	1,203
Ordinary profit	31,165	37,763
Extraordinary income		
Gain on sale of investment securities	116	54
Gain on sale of non-current assets	4	26
Other	0	0
Total extraordinary income	120	81
Extraordinary losses		
Business restructuring expenses	—	3,122
Other	54	90
Total extraordinary losses	54	3,212
Profit before income taxes	31,231	34,632
Income taxes - current	10,166	11,161
Income taxes - deferred	(937)	(1,421)
Total income taxes	9,229	9,739
Profit	22,002	24,892
Profit attributable to non-controlling interests	322	546
Profit attributable to owners of parent	21,679	24,345

(3) Consolidated Statement of Comprehensive Income

	(Unit: Million yen)	
	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	22,002	24,892
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	60
Foreign currency translation adjustment	8,866	14,166
Remeasurements of defined benefit plans, net of tax	445	(430)
Share of other comprehensive income of entities accounted for using equity method	(3,253)	5,194
Total other comprehensive income	6,052	18,991
Comprehensive income	28,054	43,883
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,586	43,260
Comprehensive income attributable to non-controlling interests	467	622

(4) Consolidated Statement of Cash Flows

(Unit: Million yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	31,231	34,632
Depreciation	4,809	5,349
Amortization of goodwill	421	866
Increase (decrease) in retirement benefit liability	828	860
Increase (decrease) in provision for product warranties	333	473
Increase (decrease) in provision for bonuses	127	462
Interest and dividend income	(404)	(1,490)
Foreign exchange losses (gains)	(5,226)	(8,679)
Share of loss (profit) of entities accounted for using equity method	(141)	871
Business restructuring expenses	—	3,122
Decrease (increase) in trade receivables	(2,472)	—
Decrease (increase) in trade receivables and contract assets	—	(5,445)
Decrease (increase) in inventories	(5,157)	(16,925)
Increase (decrease) in trade payables	9,119	3,382
Increase (decrease) in accounts payable - other	(3,910)	976
Increase (decrease) in accrued expenses	781	338
Increase (decrease) in advances received	1,943	(332)
Increase (decrease) in accrued consumption taxes	(200)	(116)
Increase (decrease) in contract liabilities	—	(629)
Other, net	(683)	(324)
Subtotal	31,401	17,391
Interest and dividends received	652	1,419
Interest paid	(45)	(45)
Income taxes paid	(4,663)	(13,594)
Net cash provided by (used in) operating activities	27,343	5,170
Cash flows from investing activities		
Payments into time deposits	(108,969)	(161,785)
Proceeds from withdrawal of time deposits	120,470	188,833
Net decrease (increase) in trust beneficiary right	658	—
Purchase of property, plant and equipment	(3,225)	(5,156)
Purchase of intangible assets	(206)	(444)
Purchase of investment securities	(5,598)	(4,925)
Proceeds from sale of investment securities	1,820	4,335
Proceeds from redemption of investment securities	549	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(18,748)
Purchase of long-term prepaid expenses	(294)	(331)
Other, net	33	164
Net cash provided by (used in) investing activities	5,238	1,941
Cash flows from financing activities		
Dividends paid	(7,968)	(12,306)
Repayments of lease obligations	(215)	(325)
Repayments of long-term borrowings	—	(690)
Other, net	61	(27)
Net cash provided by (used in) financing activities	(8,122)	(13,349)
Effect of exchange rate change on cash and cash equivalents	8,323	11,290
Net increase (decrease) in cash and cash equivalents	32,782	5,053
Cash and cash equivalents at beginning of period	148,833	181,615
Cash and cash equivalents at end of period	181,615	186,669



Corporate and Stock Profiles

Introduction

Hoshizaki's Values and Vision

Execution Strategy to Achieve the Vision

Initiatives for Sustainability

Foundation for Value Creation

Data and Corporate Information

Corporate Profile (as of December 31, 2022)

Company Name:	HOSHIZAKI CORPORATION
Address:	Head Office 3-16 Sakae-cho Minamiyakata, Toyoake, Aichi, 470-1194, Japan Phone: +81-(0)562-97-2111
Date of Founding:	February 5, 1947
Exchange Listing:	The Prime Market of Tokyo Stock Exchange and the Premier Market of Nagoya Stock Exchange
Paid-in Capital:	¥8,070 million
Business Description:	Research, development, manufacture and sales of food service equipment, including ice machines, refrigerators and dishwashers
Fiscal Year-end:	December 31
Number of Employees:	13,271 (consolidated) 1,236 (non-consolidated)



Number of Consolidated Subsidiaries: 17 domestic 37 overseas (54 total)

Number of Equity Method Affiliate: 1 overseas

Global Network (as of December 31, 2022)

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	Development and manufacture of food service equipment	
SANSEI ELECTRIC CO., LTD.	Manufacture and processing of food service equipment and components	
NAOMI Co., Ltd.*	Manufacture and sales of food filling equipment and peripheral equipment	

(Note) HOSHIZAKI SALES CO.,LTD was established through a company split as of January 5, 2023.

*Non-consolidated subsidiaries to which the equity method is not applied as of December 31, 2022

Overseas Group companies

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.		
	HOSHIZAKI WESTERN D.C. INC.		
	HOSHIZAKI NORTHEASTERN D.C. INC.	Sales, and maintenance service in the respective regions in the U.S.	
	HOSHIZAKI NORTH CENTRAL D.C. INC.		
	HOSHIZAKI SOUTHEASTERN D.C. INC.		
	Jackson VWS, 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, sales 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.		Sales and maintenance service of food service equipment in Europe	
Brema Group S.p.A.		R&D, manufacture, sales, and maintenance service of commercial ice machines in Europe	
Finimma S.r.l.		Holding company of Imma Immobiliare S.p.A.	
Imma Immobiliare S.p.A.		Management company of real estate used by Brema Group S.p.A.	
Oztiyakiiler Madeni Esya Sanayi ve Ticaret Anonim Sirketi		R&D, manufacture, sales and maintenance service of food service equipment in Türkiye	
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	
Beijing Royalkitchen Science and Technology Co., Ltd		Kitchen designing and installation, and sales and maintenance service 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		

*Equity method affiliate as of December 31, 2022

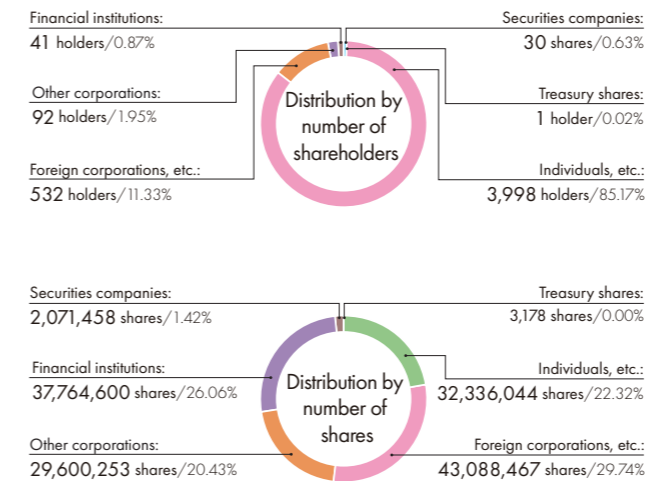
Stock Profile (as of December 31, 2022)

Share Status

Authorized number of shares: 500,000,000 shares
 Total number of issued shares: 144,864,000 shares
 Number of shareholders: 4,694

(Note) As a result of the stock split on July 1, 2022 (at a ratio of two-for-one common stock), the total authorized number of shares increased by 250,000,000 to 500,000,000; the number of issued shares increased by 72,432,000 to 144,864,000.

Distribution of shares

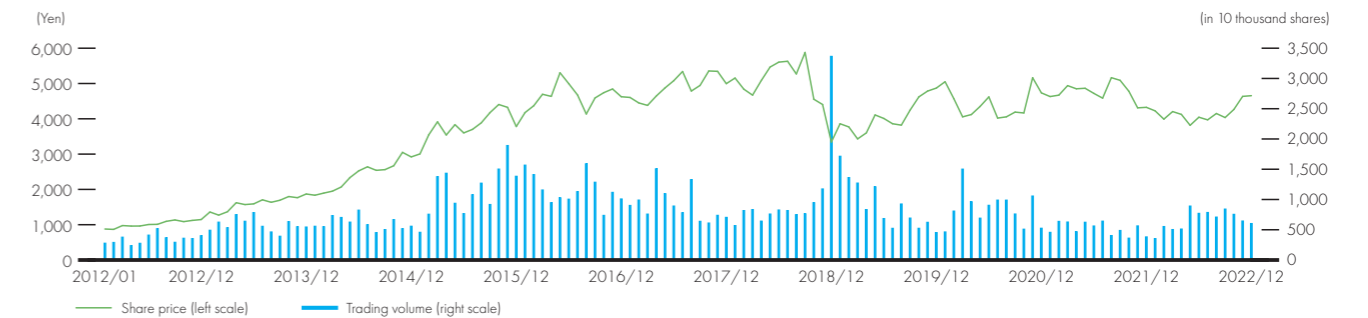


Major Shareholders

Shareholder Name	Number of Shares Held (thousand shares)	Percentage Stake (%)
The Master Trust Bank of Japan, Ltd. (trust account)	20,143	13.90
Sakamoto Donation Foundation	12,406	8.56
Hoshizaki Green Foundation	11,600	8.00
JP MORGAN CHASE BANK 380055 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	8,217	5.67
Custody Bank of Japan, Ltd. (trust account)	5,891	4.06
Hoshizaki Group Employees Stock Ownership Plan	4,930	3.40
Hoshizaki Shinsei Foundation	3,398	2.34
Miyuki Sakamoto	2,271	1.56
Junko Morii	2,142	1.47
Yumi Ito	2,142	1.47

Note 1: Treasury shares (3,178 shares) were excluded in the calculation of the percentage stake figures.
 Note 2: A stock split at a ratio of two-for-one common stock was carried out on July 1, 2022. The numbers of shares above are those after the stock split.

Historical Share Prices and Trading Volume in the Past Decade (December 2012-December 2022)



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

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

ESG-Related External Evaluation

