

Message from Top Management

Aim to be world's No.1 in food service equipment industry

We will offer products and services with values for customers and society as we respond to the changes in the business environment and meet the expectations of stakeholders.

Yasuhiro Kobayashi

Representative Director, President & CEO
HOSHIZAKI CORPORATION



Respond to Changes in Business Environment and Promote Initiatives to Improve Profitability and Capital Efficiency

The spread of COVID-19, starting in 2020, had a significant impact on the food service equipment industry. Barring some regions, demand recovered quickly overseas, but the recovery in Japan was relatively slow. However, COVID-19 was reclassified as a Class 5 infectious disease in May 2023 and Japan's food service industry finally came back to life, although the strength of the recovery varies depending on the sector. For the fiscal year ended December 31, 2023,

we achieved record net sales and operating profit, as our business in Japan was buoyed by tail winds such as the recovery from the pandemic, the weaker yen, and demand from foreign visitors to Japan and the steady demand continued in various areas overseas after the pandemic ended. According to the policy on shareholder return, we paid an annual dividend of 95.0 yen per share (up 25.0 yen per share compared with 2022), meeting the target of 40% or more in total shareholder return.

FY2023 business performance overview

- **Net sales: 373,500 million yen**
- **Operating profit: 43,500 million yen**
- **Operating profit ratio: 11.7%**
- **Profit attributable to owners of parent: 32,800 million yen**
- **ROE* (see Page 09): 10.6%**

Recognizing profitability issues, we are implementing improvement measures

As explained above, the FY2023 performance was steady overall for the second year of the five-year management vision (2022–2026), but some issues remain with respect to profitability. In FY2023, operating profit ratio and ROE were below the past records (record operating profit ratio: 13.0% in FY2016; record ROE: 12.0% in FY2018), and we aim to enhance them from now on.

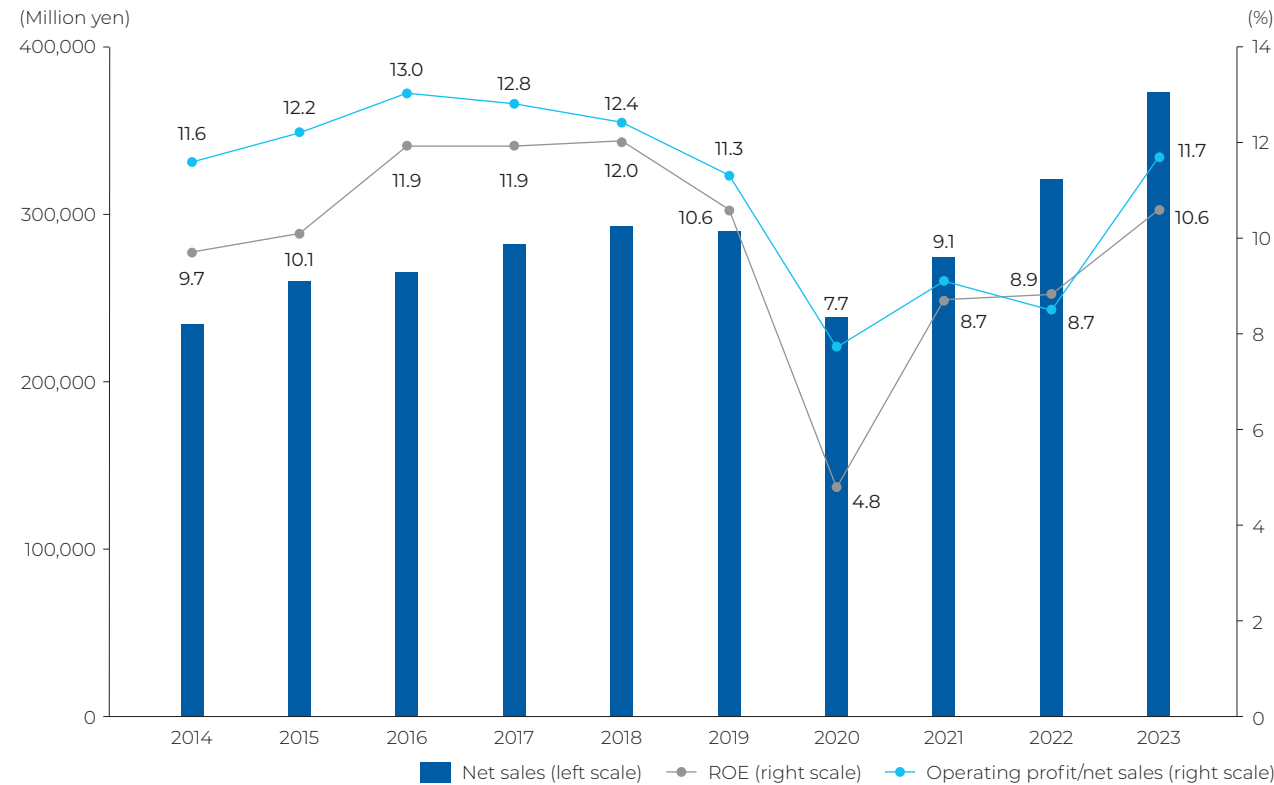
Compared with the peak in FY2016, operating profit ratio decreased in Japan and Americas. In Japan, the increase in fixed costs was a negative factor. It was primarily due to a decline in profitability of manufacturing divisions caused by soaring material costs, as well as due to increases in administrative work and number of employees for strengthening internal control and compliance systems and for enhancing management of businesses in Japan and overseas. When we drafted the five-year management vision in 2021, we did not anticipate the material costs to increase to such an extent in Japan.

In Americas, besides the soaring materials costs like in Japan, rising labor costs and a temporary decline in productivity at factories due to replacement of workers because of the COVID-19 pandemic had a negative

impact. Conversely, operating profit ratio in Europe and Asia excluding China was favorable as sales increase and strengthened cost management proved effective. In FY2024, although material costs continue to increase in Japan, we do not expect them to soar suddenly like they did in 2022 and 2023. In Japan, we aim to absorb the cost increase by actively implementing cost reduction activities. We will also boldly review the products manufactured at Hoshizaki's Head Office Factory and Shimane Factory as well as group companies NESTOR and SANSEI ELECTRIC, which engage in manufacturing, to further enhance the profitability at all factories in Japan. On April 1, 2024, we revised the price of almost all products. We explained the situation of rising materials and labor costs to the customers and also that we are passing on the cost increase that cannot be absorbed through cost reduction activities to the selling prices. We are continuing with our efforts to gain their understanding. As for administrative work, whose cost burden has been growing, Hoshizaki Sales established last year has been promoting standardization and efficiency improvement of administrative work of sales companies, through which we aim to reduce costs.

Message from Top Management

● Trends in net sales, operating profit ratio, and ROE (from FY2014 to FY2023)



Decrease in capital efficiency caused by increases in cash and deposits and net assets

The sluggish growth in ROE*(see Page 09) was caused by a reduction in total assets turnover due to the decrease in profitability and increases in cash and deposits and inventories. Although cash and deposits increased following the steady post-pandemic recovery in business performance, total assets turnover was pushed down by factors including the delay in profitability recovery due to soaring parts, materials, and labor costs as well as the inventory build-up of parts and products during the pandemic and for addressing prolonged parts and materials shortage. Specifically, although net assets

considerably grew to 332,900 million yen as of the end of 2023 (149% of the level in 2018), profit attributable to owners of parent was limited to 32,800 million yen (128% of the level in 2018), resulting in ROE of 10.6% (12.0% in 2018). With the yen depreciating in 2023 and foreign exchange gains of nonoperating income also contributing, the discrepancy in ROE excluding foreign exchange gains is even greater compared with its peak. Taking these circumstances into consideration, we announced our first acquisition of treasury shares (10,000 million yen) in May 2024 to enhance capital efficiency.

Management conscious of capital efficiency and stock price

Our stock price has been at an unsatisfactory level relative to the market average. Besides the financial results briefings every quarter, we provide opportunities for dialogue and engagement with shareholders and investors regularly. Particularly, we are having Shareholder Relations (SR) Meetings with main shareholders every year since 2019. We share all requests we received at these occasions immediately with the Board of Directors and other top management above a certain level and proactively discuss them so that we can respond to them as much as possible. Once we put together measures to address such

requests, we disclose the measures, whose implementation has been determined, in the integrated report every year. Given the Tokyo Stock Exchange's request, made in March 2023, to companies listed on the Prime Market to implement management that is conscious of capital cost and stock price, I feel there is more demand than ever in the capital market for enhancing capital efficiency. In dialogue and engagement, many stakeholders highlighted the slump in our stock price despite strong business performance. We recognize that the main reasons for this are that our capital efficiency is lower than

the expectations of the capital market and that we are not fully utilizing the ample cash and deposits at our disposal. We are conducting the first acquisition of treasury shares to show that we do not exclude acquisition of treasury shares as a shareholder return measure. Going forward, we would like to thoroughly discuss more strategic measures for shareholder returns, obtain the targets under the five-year management vision,

and effectively utilize the cash and deposits (cash allocation) for improving capital efficiency so as to further enhance our reputation with and gain the confidence of shareholders and investors. Increasing corporate value is the responsibility of the entire management team and I am determined to lead the initiatives for improvement of corporate value by listening carefully to the opinions of the capital market.

Steady Strategy Implementation and Progress of Five-year Management Vision

The five-year management vision, which ends in FY2026, entered the third year and is at the halfway point in FY2024. We will make our utmost efforts to achieve the targets for FY2026 of 450,000 million yen in

net sales (including 50,000 million yen from M&As), 63,000 million yen in operating profit (before M&A goodwill amortization), 12% or more in ROE*(see Page 09), and 40% or more in total shareholder return.

Achieving targets with offensive and defensive strategies in Japan and overseas

The strategies and measures stated in the five-year management vision have been making steady progress in general.

The offensive strategies in Japan are further exploration of the restaurant market and development of non-restaurant markets, and we are starting to see positive results with Hoshizaki Sales established in 2023. The five highly specialized divisions (Sales Division, Corporate Sales Division, Chains Sales Division, Services Division, and Administration Division) provide cross-sectional support for the 15 sales companies, the 51 branches under them, and the business divisions of various companies, which made the performances and activities of sales divisions across Japan visible. The visualization of facts made it easier to identify management issues and enabled us to respond swiftly, which is a major achievement. Consequently, policies common for the 15 sales companies are being propagated and thoroughly implemented a lot faster than before, and we are steadily increasing sales in restaurant and non-restaurant markets.

▶ For more details, see Page 43

In human resource development, which is a defensive strategy, we have been strengthening development of mechanisms for nurturing overseas managerial personnel, service personnel, and female managers. We have been steadily enhancing internal control in Japan, and we plan to focus on standardization and improvement of administrative work efficiency at the 15 sales companies and Hoshizaki from now on. Improving efficiency of overseas administrative work is an issue for Hoshizaki's administrative work. Overseas administrative work is growing, as the number of overseas group companies has increased and the ratio of overseas net sales has risen. It is close to reaching the limit of what Hoshizaki can shoulder on its own. We must identify and choose necessary

functions and retain only those with priority in Japan while transferring the rest in stages to the regional headquarters outside Japan to be described later.

▶ For more details, see Page 35

The offensive strategy for overseas is expanding the growth of each region and business. We strengthened the product and customer portfolios of the ice maker business, which has the utmost priority, as we added Brema in Europe. The productivity of HOSHIZAKI AMERICA in the United States also is being improved. In India, where the growth in the food service industry buoyed by the increasing population is serving as a tailwind, the highly competitive refrigerator business of Western is maintaining its strong growth. The future key issue is the expansion of the refrigerator business in Americas, Europe, and China. The acceleration of growth has been delayed because of the price competition with rival companies and an insufficient product lineup, but we are steadily taking measures against them. We will strengthen product appeal in respective areas and grow them into the second pillar following ice makers.

▶ For more details, see Page 46

Regarding strengthening of governance, a defensive strategy, we are making progress in enhancing and expanding regional headquarters functions. Specifically, we established a regional headquarters in the Southeast Asia region last year, whereas the existing regional headquarters in the Americas, Europe, and China have started functioning steadily. The Board of Directors of the regional headquarters supervises business execution by each regional head and management of each company, whereas the regional CFOs work together with Hoshizaki Head Office to support the regional heads. This has been bearing fruits including enhanced business administration, strengthened internal control, early settlement of accounts, and IT development.

▶ For more details, see Page 76

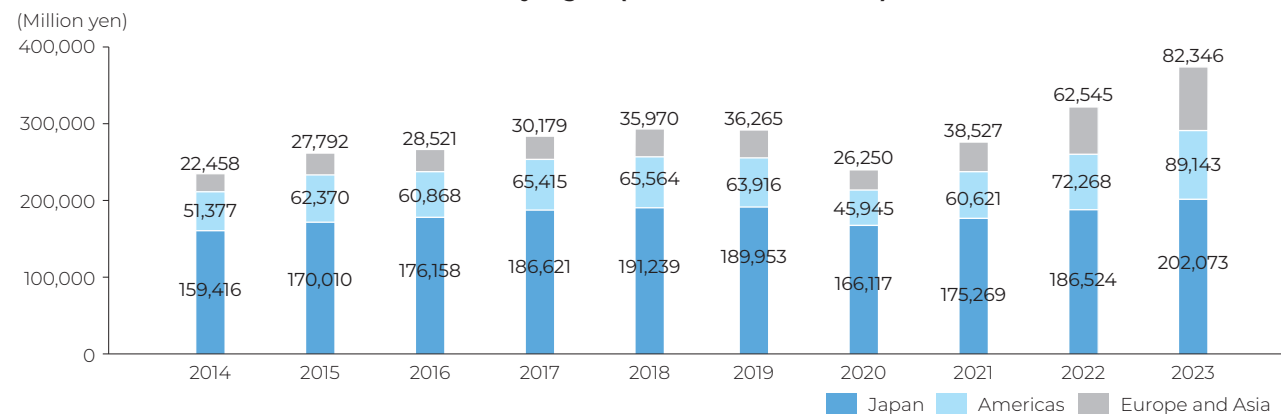
Message from Top Management

Strengthening competitiveness by focusing on the changes in post-pandemic market

In the food service industry in Japan, we have been witnessing major changes in demand for capital investment primarily in the restaurant market compared with the time we formulated the five-year management vision. Although the delay in the recovery of capital investment related to restaurants operating during night time and alcoholic consumption (loss of drinking opportunities) was along anticipated lines, the recovery in new openings (number of new restaurants) has been delayed more than expected due to soaring food ingredient prices and labor shortage. Manpower shortage has become a serious issue across industries including non-restaurant markets, and there is increasing demand for capital investment in automation and labor saving. To capture this demand, we are emphasizing not only on sales expansion of existing products that contribute to labor saving such as reheating food service carts and cabinets and steam convection ovens but also on development of dishwashers aimed at more significant labor saving through utilization of robots in collaboration with Connected Robotics (capital alliance partner). Reducing food waste has become a major social issue besides manpower shortage, and rapid freezing and thawing products for food ingredients have been gaining increasing attention as a solution. Besides blast chiller, an existing product for rapid freezing, the Group started selling deep freezers (ultra-low temperature freezers) in July last year, and liquid freezers in December. Among the products for thawing, besides existing warm-air products, we are in the final stages of development of a new thawing cabinet that combines microwave thawing and vacuum chilling. In an in-house experiment carried out to thaw seafood such as tuna, fried food, and rice balls, the new thawing cabinet showed considerable superiority over thawing at room temperature, and we plan to mass-produce and sell the product in the future. Looking ahead, we do not see a clear path toward recovery in new opening of restaurants operating during night time to the level before the pandemic given the dwindling birthrate and aging population, declining population, and changes in behavioral patterns. We, however, can definitely expect a recovery in new opening of and capital investment in restaurants that operate during day time and lodging facilities buoyed by the increase in foreign visitors to Japan. We are also

anticipating continued growth in demand for capital investment in the processing and sales sector and hospitals and welfare facilities against the background of dwindling birthrate, aging population, and increasing number of single person households. Overseas, inflation has slowed down and the recovery in capital investment demand has become clear on the back of relatively favorable macroeconomic environment. To begin with, there are many markets where the restaurant industry has high growth potential, and barring a few countries and regions, they are expected to continue growing. Nonetheless, there is intense competition in all areas, and it is especially fierce in the Chinese market. In China, price competition with local manufacturers is intensifying amid stagnant capital investment demand in the food service industry due to the recent real estate recession. Going forward, we will be required to strengthen our cost competitiveness through bold cost reduction, acquisition of a local manufacturer through M&A, and other such measures. Furthermore, the pace of change in the market environment overseas is becoming faster every passing year, and the competitive environment is increasingly severe, boosting the importance of planning and development of products reflecting the needs of customers (agents and end users). We will continue to promote maximum cost reduction without compromising on quality while aiming to strengthen the functions of product planning and production management (supervision and management of manufacture, sales, logistics, and inventory). We are also feeling the necessity of pricing that reflects the market requirements given the anticipated price war. Products for overseas markets have conventionally been developed based on Japanese specifications and they tended to have high costs. Currently, while maintaining the standards expected of Hoshizaki Brand, we are attempting to realize significant cost reduction by reviewing performance and quality required in each market and actively promoting local procurement of parts and materials in an initiative led by involved divisions of Hoshizaki. The group companies with manufacturing functions have been working on sharing of parts procurement information, and we will introduce centralized purchasing starting with some parts that are ready.

● Trend in Hoshizaki's net sales breakdown by region (from FY2014 to FY2023)



Leveraging our M&A experience in M&As for next stage of growth

We are planning on investment of 125 billion yen in M&As in the five-year management vision. Capital investment demand has recovered in the food service industry in regions around the world, and M&A projects are also increasing gradually. Recent trends show there are fewer M&As in Europe and America, where players are increasingly consolidating, whereas the number of M&As is growing in emerging countries. We have accumulated the knowhow for succeeding in acquisition of companies in emerging countries through our management (successes and failures) of acquired companies in India, Brazil, and other such emerging nations in the past. In February 2024, we added Fogel Company Inc. (hereinafter, "Fogel"), a manufacturer of commercial refrigeration equipment based in the Republic of Panama to the Hoshizaki Group. HOSHIZAKI AMERICA has deep connection with Fogel, receiving OEM* supply of medium- to low-priced refrigerators for the U.S. market over many years, and therefore, we can expect synergy effects

from it early on. Hoshizaki has a 25% stake in Fogel, making it an affiliate accounted for by equity method. We plan to carry out share acquisition in stages and it is expected to become a consolidated subsidiary with us holding a 51% stake in 2027. Fogel, whose manufacturing base is in the Republic of Guatemala, boasts major beverage manufacturers (primarily U.S.-based) as its customers, and sells its products in Central America and the northern parts of South America. The company has highly productive factories and research center, and it is set to start construction of a mega factory in 2024 to prepare for further growth, and we plan to support it in the design, construction, and operation of the factory. Going forward, this would, in addition to expanding the business in Central and South America, lead to enhancing the lineup of mass market refrigerators in the Americas.

▶ For more details, see Page 50

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

Aim to Be the No.1 Company with a Customer-oriented Culture that Generates Profit

The Hoshizaki Group aims to be the No. 1 in the world as stated in our Corporate Slogan of "Aiming to be the world's No. 1 brand connecting five continents" and in the 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" disclosed in the five-year management vision. To become No. 1 in the world, we, first of all, aim to become No. 1 in global sales in the food service equipment industry. To achieve that, we aim to be No. 1 in sales in all countries and regions. It is a very challenging goal, but we intend to keep trying. As we aim to become the No. 1 in various countries, the reliability of the sales channels (increase in number of Hoshizaki fans) will rise, and the increase in sales volume would enable enhancement of development functions and production bases (factories). This in turn would raise the cost competitiveness of our products enabling further expansion of sales. Furthermore, strengthening the bases in various countries would increase the opportunities for the local employees in those countries as well as our young and mid-tier employees to gain various management-related experiences, and we can expect a positive impact in nurturing management resources. Hoshizaki-ism, the action guidelines for employees, are something that has been unchanged since the time of inception. Of that, we are actively promoting to management and employees both in Japan and overseas the ideas that a profitable company has a culture that generates profit and change makes progress. For us to become No.1 in the world and in various countries, we will first pursue increased sales, but no company can survive long without profit growth. The direction we ought to

take is achieving both customer-oriented sales expansion and profitability improvement (in other words, gaining profits). I have been, at every opportunity, instructing executives overseas to achieve growth with profit. While this is a really difficult goal, Chairman Seishi Sakamoto often says, "You will know it immediately when you visit a profitable company. Executives and employees think of being profitable on an everyday basis and boldly try to change in order to become profitable. Becoming profitable is the culture of such companies." I strongly recognize that my responsibility, as head of management, is to ensure steady strengthening of the functions of the mother company and bolstering the business foundation both in Japan and overseas in preparation for future changes in the environment while nurturing many profitable companies with a culture that generates profit. Toward that end, I will develop management human resources that understand Hoshizaki-ism and firmly work to build a mechanism and boost communication for promoting that understanding. We are holding management reporting meetings (in-person briefings) for executives every quarter and distributing the Management Newsletter to group employees and executives, and we will continue to give utmost priority to communication with executives and employees.



Message from Top Management

Deepening of Sustainability Initiatives Accompanied by Effectiveness

Our European subsidiary will become subject to Europe's Corporate Sustainability Reporting Directive (CSRD) in FY2025. As a listed company's responsibility, we intend to appropriately respond to external assessment bodies and comply with disclosure standards. Hoshizaki Group, as part of its sustainability activities, identified six material issues in 2022, established the Sustainability Committee in 2023, set up working groups (WG) headed by executive officers for each material issue, and has been driving forward activities by setting KPIs. I am committed to and actively engaged in solving materiality. We made progress in addressing materiality in 2023 also, of which expanding the scope of CO₂ emissions reduction goals globally is one of the major achievements in addressing materiality of "response to climate change." We are also promoting other initiatives such as installing solar

power generation facilities at our Head Office and Shimane Factories. In the materiality of "sustainable supply chain management," we started conducting a questionnaire survey on environment and human rights targeting suppliers. As for the materiality of "increasing employees' job satisfaction," we focused on promotion of women's empowerment such as nurturing of female managers, and we are currently making good progress in terms of the number of female managers, which is one of the KPIs. Conversely, apart from some, activities tend to be domestic-focused or are limited, and I recognize that it is our task to expand the activities globally in the future. We will continue to enhance information disclosure and at the same time aim to integrate effective initiatives, management strategy, and sustainability initiatives.

E (Environment): Create new values by mitigating environmental impact through business activities

Regarding the materiality of "response to climate change," we aim to contribute to global environment by introducing environmentally friendly natural refrigerant*(see Page 06)-based products for the first time in Japan. Currently, natural refrigerant products in Japan are refrigerators and some ice makers, and the natural refrigerant-based refrigerators launched in May 2023 exceeded 50% share in sales of all applicable models. Although natural refrigerant products are the standard globally, in Japan, the industry had been slow in introducing such products due to safety concerns regarding natural refrigerants (flammable gas). Nonetheless, we succeeded in launching and expanding sales of such products in Japan leveraging our superior development capabilities and many years of experience in the global market (overseas, Hoshizaki was one of the first to introduce natural

refrigerant-based products). Although some agents have voiced concerns regarding safety and handling of repairs, we intend to pursue introduction of the products by explaining it to them in detail. Prices are also at similar levels as conventional products and along with contributions to reducing the impact on environment; we also expect further growth of such products as eco-friendly products.

▶ For more details, see Page 54

Furthermore, we are proceeding with information disclosure based on TCFD framework, and in 2023, we reconsidered the risks and opportunities and revised the 2°C or lower scenario from 2°C to 1.5°C. We are currently calculating Scope 3 emissions both in Japan and overseas and plan to disclose reduction targets for global emissions by 2026.

▶ For more details, see Page 55

S (Social): Reflect on the deterioration in ES survey score for two consecutive years and leverage it in management

Regarding creation of new customer value, customers are steadily accepting natural refrigerant-based refrigerators and ice makers, which would contribute to prevention of global warming initiatives engaged in by many customers. We are also actively pursuing introduction of new products for customers in non-restaurant markets, collaboration with other companies, and labor-saving products (use of robotics, etc.) for tackling labor shortage. ▶ For more details, see Page 57 As for the materiality of "new proposals for the creation of safe and secure food environment," we will aim to make active proposals by especially focusing on strengthening service capability, the source of Hoshizaki's competitive advantage. We are starting to see some success with the launch of nurturing program for young service staff aimed at

preventing turnover, review of the service menu, upgrading of the call center, and development of ICT tools for operational efficiency. The Hoshizaki Connect Wi-Fi*(see Page 06), introduced at the beginning of this year, is a system that would reliably contribute to work efficiency improvement of the services, and we will aim to expand its sales going forward. ▶ For more details, see Page 58

With regard to the materiality of "increasing of employees' job satisfaction," employee satisfaction (hereinafter, "ES") has declined at all domestic group companies in the ES survey of 2023, falling for two consecutive years. When we look at the survey results, last year we had many departmental transfers and changes in responsibilities due to the organizational restructuring of the 15 domestic sales companies, and the

accompanying stress was a major factor affecting the survey results. Every year, I go through the comments section of all responses to this survey. Upon reading those comments, we can see that the dissatisfaction of the employees has eased in the 2023 survey results compared to the survey of 2022 and the various measures we started since last year are bearing fruit. These initiatives to improve ES are not limited to improvement activities at each company. With Hoshizaki Sales at the center, we have identified key activity themes for the 15 sales companies and are pursuing establishment of new systems and changes to the system. Specifically, we have already implemented strengthening of assistance for

retention of young employees, work efficiency improvement for reducing workload, and introduction of a common personnel system for the 15 sales companies. Besides position-specific training for newly appointed managers, the selective training program aimed at nurturing domestic as well as foreign management personnel has taken root and is contributing to raising the level of managers. Especially, in the training for those who are in the department manager level and higher, which is based on a training program of a human resource development support company, I also take part as a lecturer and that is also helping in the communication with senior executives. ▶ For more details, see Page 61

G (Governance): Enhance the discussions to improve the effectiveness of the Board of Directors

In terms of the effectiveness of governance, as Board of Directors meetings have limited time with roughly 15 minutes per agenda, we have set up the individual discussion meeting*(see Page 71) held once in one or two months for half a day to discuss important managerial issues to improve the effectiveness of the Board of Directors and to enhance the discussions. One of the themes that impressed me in the individual discussion meetings held in 2023 was the discussion on M&A projects. I feel that we held solid discussions on the acquisition of Fogel including the opportunities and risks involved. We also had multiple discussions on capital policy and shareholder returns. I convey all the needs of the capital

market to the Board of Directors and engage in discussion while always bearing in mind how important it is to focus on the balance sheet in addition to income statement. The 10 billion yen acquisition of treasury shares was realized after repeated discussions at the individual discussion meetings regarding the targeted cash allocation and capital policy necessary to achieve the five-year management vision. Going forward, stricter questions will definitely be raised regarding the significance of holding cash and deposits. The entire management is keenly aware of the capital costs and will work stridently for maximizing capital efficiency. ▶ For more details, see Page 71

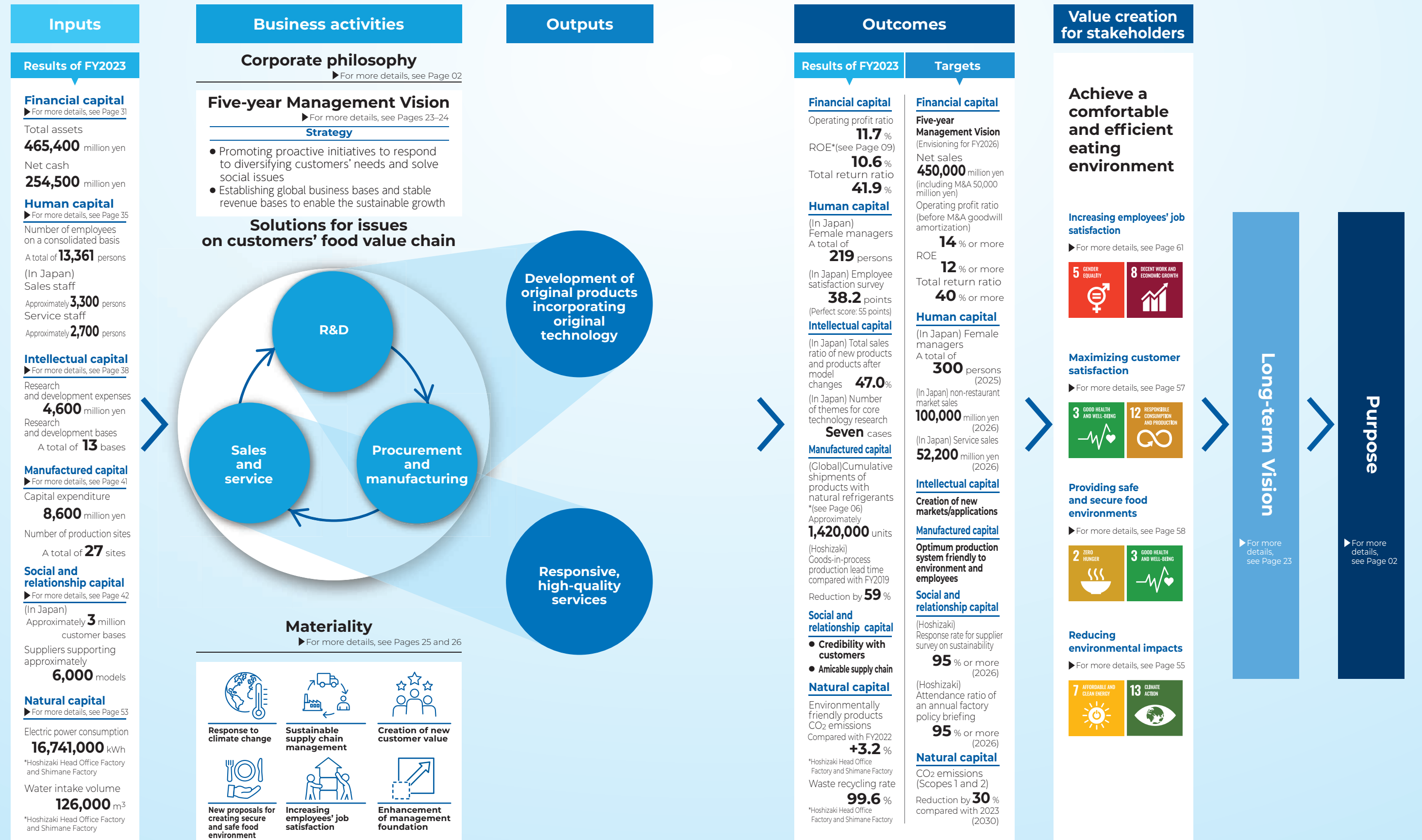
We are marking the third year since we started publishing the integrated report, and although it is being carried out one step at a time, I really feel that sustainability initiatives are gradually deepening our business activities. Continuing to change and evolve is

essential for management, and I will endeavor to realize the Purpose of the Hoshizaki Group and co-create values through dialogue and engagement with the stakeholders. I look forward to your continued support and cooperation.



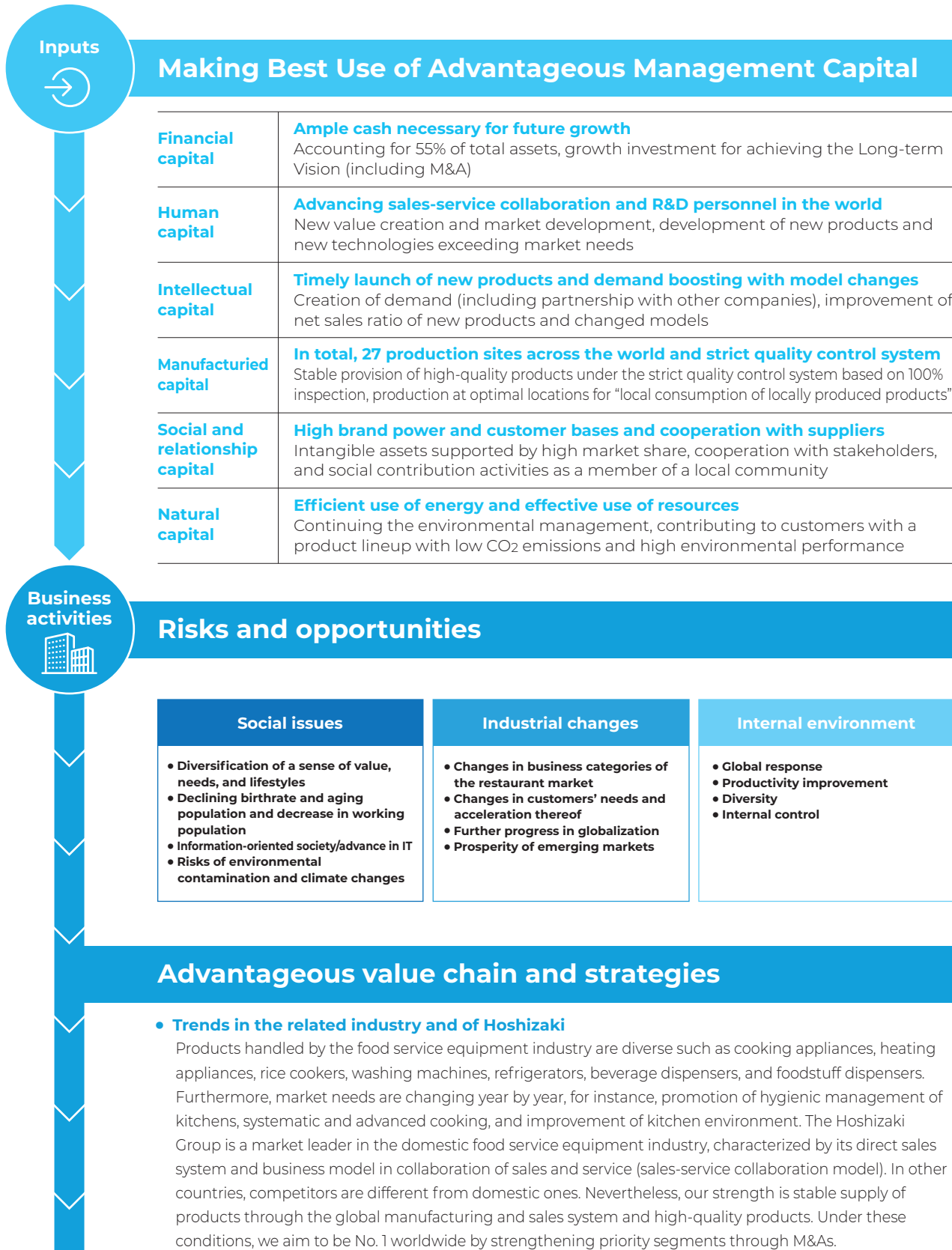
Value Creation Process

Through its business activities, Hoshizaki Group will create value for its stakeholders and realize its Long-term Vision set forth in the five-year management vision and its Purpose outlined in the corporate philosophy. Key points of the value creation process are explained on the following page.



Key points of Value Creation Process

To realize the Long-term Vision based on the Hoshizaki Group's Purpose amidst an uncertain future business environment, we need to identify risks and opportunities considering social issues and the business environment while leveraging management resources for conducting business activities mainly surrounding strategy for the five-year management vision to create not only economic value but also social value. To do so, we must resolve materiality and consider various initiatives accordingly.



Five-year Management Vision

To strengthen our ability to respond to environmental changes from a long-term perspective, the Hoshizaki Group has established the Long-term Vision with our Purpose as a major policy. The five-year management vision (FY2022–FY2026) is formulated that sets targets for social and environmental value and economic value, aiming to enhance corporate value toward realizing our Long-term Vision.

Organizational activities are being engaged in with the formation of new working groups aiming to resolve six material issues toward increasing social and environmental value. To increase economic value, we strive to achieve numerical targets by executing “offensive” and “defensive” strategies through profit ratio improvement domestically and sales growth overseas.

Purpose

We aim to be an **“Evolving Company”** contributing to society and customers

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.

Future strategic direction

Group overall

- Strengthen active initiatives to meet diversifying customer needs and resolve issues as required by society.
- Establish global business bases and stable revenue bases to enable sustainable growth.

Domestic

- Seeking growth, further strengthen development of non-restaurant markets while also continuing to explore the existing restaurant market.
- Establish a new sales model (sales-service collaboration model) to accommodate the needs of customers in the restaurant market, whose conditions are fast changing, and in non-restaurant markets, which have a diverse range of customers.

Overseas

- Expand business into emerging markets with growth prospects ahead of other companies while maximizing growth in existing markets

Groupwide growth strategy

	Domestic	Overseas
Offensive	Profit growth driven by profit ratio improvement <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 and use of IoT • Strengthen product development capabilities in response to market needs 	Profit growth driven by sales growth <ul style="list-style-type: none"> • Develop new markets (area, product, channel, customer, etc.) • Active M&A • Excellent quality, cost, and delivery (QCD)
	Domestic and overseas <ul style="list-style-type: none"> • Strengthen ESG measures • Strengthen internal control and compliance • Strengthen business management (cost management) • Develop management personnel • Develop strategic IT • Strengthen risk management 	
Defensive	Develop infrastructure for increasing efficiency <ul style="list-style-type: none"> • Increase administrative efficiency (promote shared services) • Strengthen coordination with other companies 	Develop infrastructure for growth <ul style="list-style-type: none"> • Strengthen ability to execute M&A and PMI* • Strengthen area management

*PMI: Postmerger integration refers to the integration process to maximize corporate value postmerger and acquisition

Performance Targets for FY2026 (Assumed exchange rates: 1 dollar ≅ 110 yen, 1 euro ≅ 130 yen)

- Consolidated net sales: 450,000 million yen (including M&A 50,000 million yen)
- Consolidated operating profit ratio: 14% or higher (before M&A goodwill amortization)
- Consolidated ROE *(see Page 09) : 12% or higher
- Total shareholder return: 40% or more

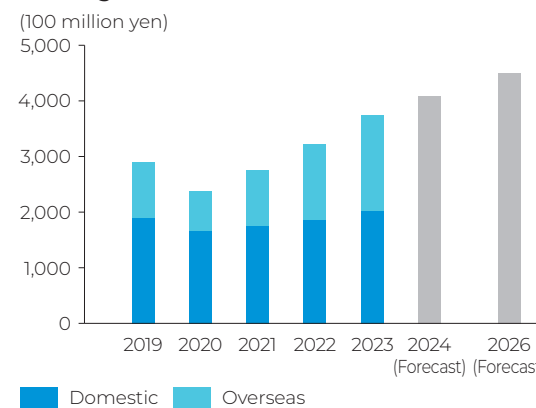
Status toward achieving the five-year management vision

FY2023, the second year of the five-year management vision, saw the reclassification in Japan of COVID-19 to a Class 5 infectious disease and economic activity slowly heading toward recovery. As economic growth overseas, mainly in Europe and North America, became strong, consolidated net sales and consolidated operating profit remained favorable against the management vision. ROE as a target of capital efficiency also stood at above 10%, and total shareholder return also exceeded 40%.

Changes in consolidated net sales

Net sales results for FY2022–2023 and net sales forecast for FY2024 can be favorable against numerical targets in the management vision, with growth strategy being implemented domestically and overseas (including M&As) and a progressing weakening of the yen.

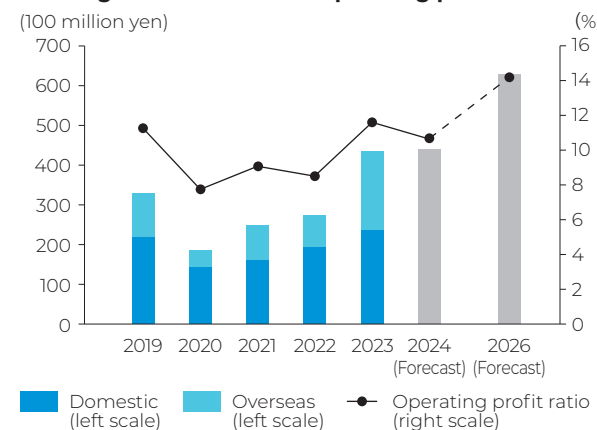
• Changes in consolidated net sales



Changes in consolidated operating profit

Operating profit results for FY2022–2023 and operating profit and operating profit ratio forecast for FY2024 can be favorable against numerical targets in the management vision, with the effects of increased sales in addition to efforts for improved profitability across regions, synergy effects of company acquisitions, product price revisions, etc.

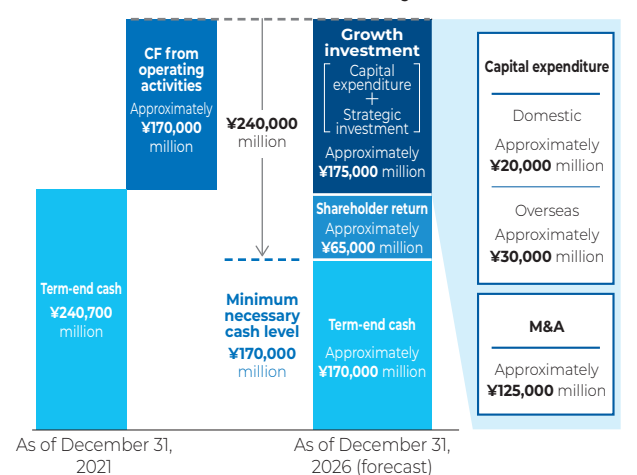
• Changes in consolidated operating profit



Capital policy: cash allocation

- Five-year cumulative cash flow from operating activities till FY2026: approximately 170,000 million yen
- Cumulative growth investment till FY2026: approximately 175,000 million yen (domestic capital spending: approximately 20,000 million yen; overseas capital spending: approximately 30,000 million yen; M&A: approximately 125,000 million yen)

• Cash allocation over the next 5 years



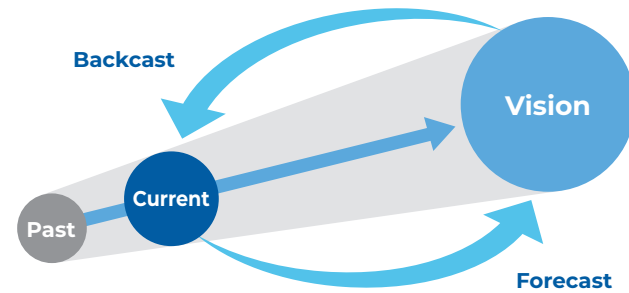
- Promote and strengthen financial strategy [▶ For more details, see Page 31](#)

Measures to improve social and environmental value

- Identify materiality (key issues) toward achieving the Long-term Vision [▶ For more details, see Page 25](#)
- Enhance efforts for response to climate change and initiatives for disclosures based on TCFD [▶ For more details, see Page 54](#)
- Strengthen supply chain management [▶ For more details, see Page 59](#)
- Strengthen initiatives for diversity promotion, promote increase in job satisfaction [▶ For more details, see Page 61](#)
- Enhance governance system
 - *Maintain percentage of outside directors at one-third or more
 - *Measures to improve the effectiveness of the Board of Directors
 - *Establish voluntary Nomination and Compensation Committee
 - *Strengthen global supervising function

Materiality Toward Realization of Vision

The Hoshizaki Group has identified materiality toward achieving its Long-term Vision based on its Purpose and is undergoing various initiatives to resolve those issues. The five-year management vision backcasts from our Long-term Vision, and we aim not only to set targets for economic value and enhance them but also to improve social and environmental value.



Process of Extracting/Identifying Materiality

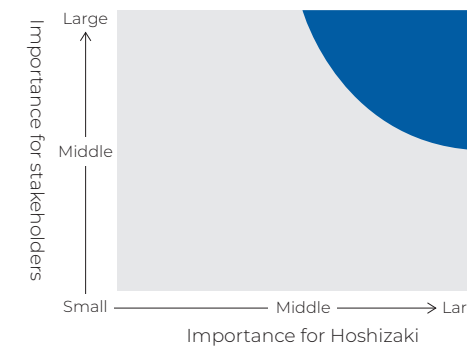
In 2022, the Company discussed and considered various social issues with diverse employees and then extracted and identified six material issues, considering opinions of Outside Directors and others.

Step 1	Extraction of themes for sustainability issues	Extract a candidate theme through reviews of competitors, ESG ratings agencies, economic trends, the industry, and experts as well as data analysis
Step 2	Evaluation of degree of importance and mapping	Work on a mapping through evaluations of the Hoshizaki axis (analysis of internal documents, interview with the management, internal workshop) and the stakeholders axis
Step 3	Verification of validity	Through discussion with Outside Directors, verify the properness from outside perspective.
Step 4	Identification, approval	Identify issues to be addressed first among candidate themes and approve them through discussion at the Board of Directors.

Relationship between materiality and sustainability, relevant SDGs, and KPIs

Materiality	Conductive SDGs	Relevance to the vision	KPI	Target/year	Results of FY2023	Related pages
Response to climate change		In response to the global climate changes, contribute to resolution of environmental issues through provision of comfortable food environment (business).	Reduce CO2 emissions in business activities to realize a decarbonized society.	Reduce CO2 emissions (Scopes 1 and 2) 30% by 2030 (compared with 2023).	Scopes 1 and 2 CO2 emissions: +3.2% (compared with 2022)* *Hoshizaki Head Office Factory and Shimane Factory ▶ Please see Page 10 as well.	Page 54
Sustainable supply chain management		With a supply chain considering the environment and human rights, minimize waste emissions and promote healthy and safe working conditions.	1. Supplier survey on sustainability, such as 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 an annual factory policy briefing at 95% or more (in 2026) (Hoshizaki)	Attendance ratio of major suppliers to an annual factory policy briefing at 98%	Page 59
Creation of new customer value		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)	Non-restaurant market sales (in Japan): 89,400 million yen	Page 57
New proposals for the creation of secure and safe food environment		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)	Service sales (in Japan): 46,300 million yen	Page 58
Increasing employees' job satisfaction		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)	Women in positions at or above section manager level: 28 employees Women in positions at or above assistant manager level: 219 employees	Pages 61-64
Enhancement of management foundation		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 substantial compliance violation (global) 2. Provision of compliance education for all employees (global)	Compliance and Risk Management Committee meetings held (12 times) Compliance and Risk Review Committee meetings held (32 times) Establishment of a study group for regulatory trends Compliance training held for all group companies in Japan and overseas (Held 731 times, 14,679 participants)	Pages 76-78

Materiality Assessment



Identify six material issues based on social issues that are important for the Group and its stakeholders.

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

Materiality of the Hoshizaki Group

With the Group's six material issues, we are contributing to achieving 10 of the 17 goals that make up the Sustainable Development Goals (SDGs). In 2023, working groups (WGs) were established for each material issue to increase effectiveness in view of requests gained through dialogue and engagement with shareholders and investors. Progress by the WGs are reported at Sustainability Committee meetings and discussions held. KPIs, such as targets and dates for achievement, were set for all material issues based on relevance with the Long-term Vision in 2023 after discussions were held by the Sustainability Committee to definitively carry out sustainability strategy. By evaluating and monitoring progress each year, we are working for dissemination internally and integration with business strategies. Revision of materiality will be examined as required, considering changes to the environment within and outside the company.

The Hoshizaki Group will aim for value creation for its stakeholders through sustainability transformation (SX).

Materiality Working Group Roundtable

Hoshizaki formed working groups (WGs) to promote initiatives related to materiality. We aim to achieve the five-year management vision and Long-term Vision through improvement of social and environmental values by working to solve issues and spreading awareness at workplaces.

Hoshizaki established WGs to work on each of six material issues. Members representing these WGs, having diverse backgrounds, gathered to discuss the operations and contents of their activities as well as measures for spreading awareness in workplaces, achievements, and challenges.

Held on May 10, 2024, at the conference room of Hoshizaki Head Office
The departments and titles of the participants are as of the time the roundtable was held.



- | | | | | |
|---|--|---|---|---|
| <p>Back row
(from left)</p> | <p>Takuma Nunome
General Affairs Group,
General Affairs Section,
General Affairs Department
Hoshizaki Corporation</p> | <p>Takeyoshi Chiba
Section Manager,
Engineering Service Section 1,
Engineering Service Department,
Services Division
Hoshizaki Sales Co., Ltd.</p> | <p>Katsushi Hata
Senior Specialist,
Human Resources &
Organization Development Section,
Human Resources Department
Hoshizaki Corporation</p> | <p>Sawako Hashimoto
Legal Department
Hoshizaki Corporation</p> |
| <p>Front row
(from left)</p> | <p>Chihiro Hashimoto
Advertising Section,
Sales Department
Hoshizaki Corporation</p> | <p>Yasuharu Kato
Head Office Purchasing Section,
Purchasing Department,
Head Office Factory
Hoshizaki Corporation</p> | | |

Moderator: To start, please introduce yourselves.

Chiba: Last year, I was dispatched from Hoshizaki Shonan to Hoshizaki Sales, established to horizontally connect the functions of 15 sales companies. I visit branch offices and engage in operations to improve sales and service quality. I joined the team for New Proposals for the Creation of a Safe and Secure Food Environment in January this year.

Sawako (S.) Hashimoto: I joined the company in 2022 as a new graduate. I am engaged in work related to confirming the contents of various contracts in addition to risk management and compliance-related operations. I am a member of the materiality team for Enhancement of Management Foundation, as my own job is closely related to the enhancement of the management foundation.



Nunome: I also joined the company in 2022 as a new graduate. I am primarily involved in operations related to the stock and general meeting of shareholders. I was selected as a member of the WG for Response to Climate Change because the General Affairs Department is the main driving force behind activities aimed at achieving carbon neutrality.

Hata: I joined a sales company (Hoshizaki Tohoku) as a new graduate and got transferred to Hoshizaki for my experience in employee training. I was selected to be a member of the Increasing Employees' Job Satisfaction activities because I am in charge of the secretariat for group employee education and activities to improve employee satisfaction (ES).

Kato: I joined Hoshizaki in 2021 as a mid-career hire. I currently belong to the Purchasing Department of Head Office Factory and work at Shimane Factory, leveraging my procurement experience gained at an auto parts manufacturer in purchasing and ordering. I joined the WG for Sustainable Supply Chain Management in April this year.

Chihiro (C.) Hashimoto: I became a regular employee in March this year from a temporary position. I am engaged in sales support operations leveraging my experiences in sales at an automobile dealership and in production at an advertising agency. All members of the Sales Department are working on Creation of New Customer Value in their day-to-day operations.

Moderator: Please tell us what the goals for each materiality WG and the activities undertaken to achieve those goals.

C. Hashimoto: We are working on customers' requirements and grasping and solving issues they face while adapting to the changes in the market environment, ultimately to maximize customer value toward achievement of the five-year management vision. The ratio of customers in the non-restaurant industry has already reached approximately 60% in Japan, and we would like to contribute to solving the issue of diverse customers. We aim to create new customer value by offering pioneering products and services that will be developed by leveraging the potential and existing customer needs gathered in sales promotion activities, as we work closely with the development and manufacturing divisions.

Kato: We aim to promote a sound and safe working environment with minimum waste through the development of a supply chain that considers the natural environment and human rights. Approximately 20 employees of Purchasing Department based at Shimane and Head Office Factories are engaged in this. In February every year, we hold a factory policy briefing, in which we convey production plans and procurement policies of each of the factories to approximately 140 main suppliers. This year, we conducted a sustainability survey (50 questions under five categories) with approximately 80 major suppliers. We plan to convey the survey results to our suppliers to deepen their recognition of their companies.



Hata: We are implementing activities aimed at evolving into a workplace that accepts diverse ideas and values of all employees and where they can work comfortably and feel a sense of satisfaction. To realize this goal, we established the *Kagayaki* (shining) Committee consisting primarily of Hoshizaki directors, executive officers, and members of the Human Resources Department and are working toward active participation of female employees in cooperation with the heads of sales companies in Japan. We are also working on improving employee engagement together with Hoshizaki's ES Improvement Committee and employees in charge of ES at group companies. We conducted the ES Survey at three companies in the Americas for the first time last year in addition to an annual survey in Japan.

Materiality Working Group Roundtable

Nunome: In response to the global climate changes, we aim to contribute to the resolution of environmental issues by providing comfortable food environments. Hoshizaki is taking the lead and involving the entire Hoshizaki Group with the aim of reducing Scope 1 and 2 Group CO₂ emissions by 30% by 2030 (vs. 2023) and achieving carbon neutrality in 2050. It is made up of members from General Affairs Department, Production Engineering Department, Global Administration Department, and Global Manufacturing Department, among others, offering a wide range of knowledge. Meetings are held every other week, in which the results, targets, and measures are discussed.

S. Hashimoto: We aim to implement socially reliable management by enhancing corporate governance and thoroughly complying with laws and regulations. Through trainings and other means, we communicate to all employees the idea of compliance and why we must comply with rules and regulations. The Compliance and Risk Management Committee, in which all directors are members, meets every month and strives to grasp the various risks, conducts discussions by including outside directors, and develops a framework for implementing measures.

Chiba: Our activities are aimed at, in response to changes in the diversifying food environment, providing safe and secure products and services to help people enjoy a good life. Our operations are linked to materiality, and its incorporation into our daily operations is making progress. The WG has four to five members of the Services Division, who regularly share the details with those responsible for technical expertise at the 15 sales companies. Our three key themes are customer satisfaction improvement activities, upgrade of repair and service quality, and elimination of occupational accidents.



Moderator: Please explain, in concrete terms, the measures for solving materiality and the mechanism for instilling them in workplaces.

Nunome: We submit the measures put together by the WG to the Sustainability Committee meeting held every quarter to enhance its effectiveness. As a Scope 2 measure, we will introduce solar power generation facilities at the Head Office Factory and Shimane Factory this year to raise the ratio of renewable energy. At the Head Office, we completed replacement with LED lighting. To address Scope 3 emission reduction, we have encouraged our suppliers and planned to

manage results, targets, and measures in cooperation with overseas group companies. Regarding Category 11 (use of sold products), we are working together with the development team in search of solutions.



Kato: The sustainability survey request consists of five categories: sustainability in general, environmental protection, human rights and labor practices, compliance, and disaster prevention and safety. This was the first time that we conducted a survey that confounded some suppliers, but we held individual discussions to deepen their understanding. We believe materiality-related initiatives will be promoted and instilled at workplaces through sustainable supply chain management with suppliers.

C. Hashimoto: In January 2024, we began offering Hoshizaki Connect Wi-Fi*(see Page 06). It is easy to introduce and enables remote recording of HACCP*(see Page 22) temperature management documents and grasp the operation status of the equipment in real time, leading to solutions to customer issues such as labor shortage and efficiency management. In 2022, we began selling natural refrigerant*(see Page 06)-based commercial refrigerators and launched ice makers in our effort to enhance the lineup of products that reduce environmental impact. As part of the measures for the non-restaurant market, we participate in three major exhibitions a year. We position them as an opportunity not only to raise our profile but also to introduce the new values that Hoshizaki offers.

Chiba: The operations of the Services Division has been contributing to activities to resolve material issues. In particular, in upgrade of repair and service quality, which is one of the three themes, we have been driving forward the standardization of measuring instruments at 15 sales companies while promoting the standardization of how instruments and reference values are used among the approximately 2,700 service staff members. We are standardizing and upgrading service quality through communications with the sales companies.

Hata: With respect to promotion of active participation of female employees, we submit a nurturing plan for women in positions at or above assistant manager level to the secretariat twice a year, conduct training for the advancement of female employees, and offer meetings with mentors to support the nurturing of women in positions at or above assistant manager level. From the aspect of improving employee engagement, we conduct ES Survey

targeting Hoshizaki and group companies in Japan around September every year, and the secretariat reports the contents to each company and promotes the formulation of action plans. This year, we aim to promote the activities globally by expanding the scope of the survey to Europe.



S. Hashimoto: We conduct training on fraud prevention and compliance at least once a year for group companies in Japan using examples of past fraud. For employees to have a sense of ownership, the Legal Department conducts training for managers, who in turn conduct training for their subordinates. This year, we will introduce online learning so that employees have opportunities to verify and revisit what they have learned without limiting it to one training session per year. Local supervisors conduct training at overseas group companies, and we have prepared and distributed Compliance Handbook in 15 languages with the aim of spreading compliance.

Moderator: Please tell us actual achievements and issues you had and new findings.

S. Hashimoto: In 2018, Hoshizaki discovered serious improper transactions at sales companies. Following this, we established the Legal Department, and its various measures help foster compliance awareness. Given its nature, the number of measures taken for spreading compliance is never sufficient, and we still feel that there are many issues. We want to further boost compliance awareness among all members of the Hoshizaki Group through online learning platforms, legal portals, and other such new initiatives.

Hata: Although we are making progress in promoting active participation by female employees and nurturing of candidates for female managers, we see cases in which, even though they are willing to pursue their careers, they give up because of child rearing, nursing care of family members, or similar reasons. Enhancement of flexible work styles addressing life events and other changes is an issue for future discussion. The ES Survey score decreased for the second year in a row. Given this opportunity, sales companies in Japan have embarked on reforming their personnel systems, and we have high hopes for improvement in the future. We would like to make them into companies that work closely with their employees by reflecting on their work styles and necessary support in their measures.

Chiba: We established the Services Division of Hoshizaki Sales last year. We hope to see the effects of this approach going forward. The service division of a sales

company is a large establishment; thus, we are working on the standardization of operations; however, it is currently difficult to provide uniform service to diverse customers. We would like to achieve in-house KPI targets by promoting the cross-organizational sharing of successful cases. Regarding the elimination of occupational accidents, the number of accidents has been steadily declining, but we are only halfway through.

C. Hashimoto: Hoshizaki Connect Wi-Fi*(see Page 06) I described earlier is a new business that enhances the existing maintenance services and offers new values by promoting DX*(see Page 22). Many customers have adopted natural refrigerant*(see Page 06)-based refrigerators as they agree with our initiatives for reducing environmental impacts. We will continue to work toward increasing the number of products that we develop by taking measures such as shortening the development lead time.



Kato: Of the approximately 80 major suppliers, the participation rate in an annual factory policy briefing is high at 98%, and we aim to make it 100%. We will continue to enhance the contents of the meetings and will continue to work on them. The sustainability survey enabled us to raise awareness among small- and medium-sized customers, who participated in the survey for the first time. We will continue to make efforts so that suppliers will continue to be aware of the necessity of environmental actions, such as quantitative measurement of CO₂ emissions and systematic emission reduction.

Nunome: We plan to continuously enhance and disclose our actions regarding Scope 1 to 3 emissions. We will look to SBT validation in the future. Responding to climate change is a social issue that should be addressed globally. We do not have sufficient human resources for promoting activities across the entire Hoshizaki Group; therefore, we must consider how to coordinate them. We also have a sense of crisis regarding the need to accelerate the pace of our initiatives. As a company that seeks to become No. 1 in the world, we would also like to contribute toward enhancing corporate value from the perspective of environmental actions.

Moderator: From your activities and passion, we learned that Hoshizaki is an evolving company that earnestly aims to realize its Long-term Vision and the management vision. Thank you very much.