Financial and Capital Strategies

Message from officer responsible for finance

We aim to realize our five-year management vision by striving to reduce capital costs as well as promoting capital efficiency-conscious management.

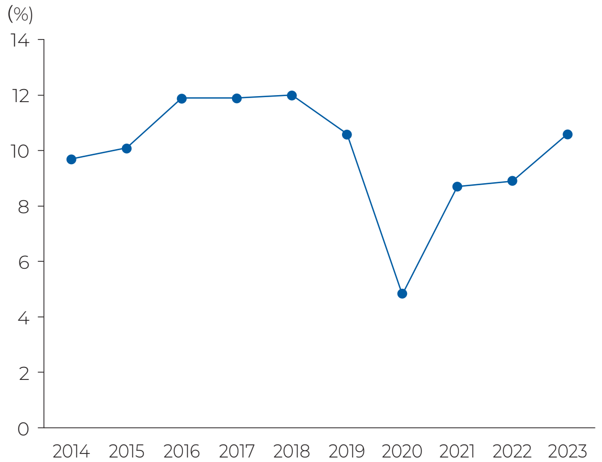
Ryuichiro Seki
Executive Officer
(in charge of accounting)

The Hoshizaki Group promotes the basic policy "financial/capital strategies focusing on capital efficiency and prioritizing growth investment" under its five-year management vision covering the period from FY2022 to FY2026. More specifically, we reserve funds needed for retaining talent, which are business drivers, and other purposes to maintain robust financial ground and then allocate funds to growth investment, including capital investment and M&As. The Company will consider increasing shareholder returns in an adaptive and flexible manner, comprehensively taking into account investment plans, capital efficiency, and other factors besides the profit level. Based on this policy, we announced our first acquisition of treasury shares worth 10,000 million yen on May 10, 2024.
The consolidated sales figure of 450,000 million yen we are targeting 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&As is expected to be +18%. We aim to realize profit growth exceeding the growth of net sales and achieve ROE*(see Page 09) at 12% or higher, stably exceeding capital stock costs (6%–7%). We will invest in growth to increase operating cash flow, which will serve as the source of such investment, and we will also aim to expand the scale of our business.

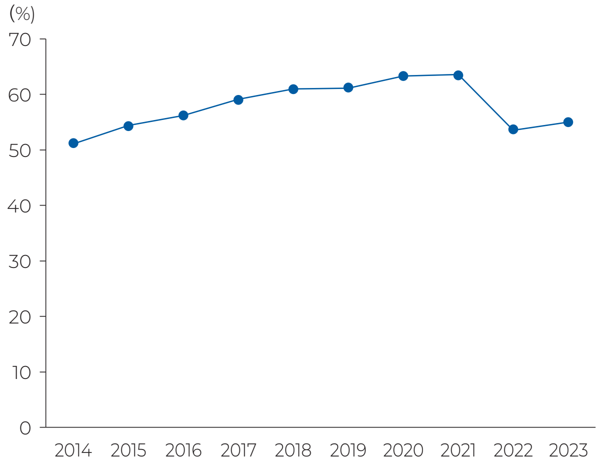
Financial/Capital Highlights for FY2023

For the fiscal year ended December 31, 2023, net sales reached 373,500 million yen (up 16% year-on-year), operating profit totaled 43,500 million yen (up 59% year-on-year), and profit attributable to owners of parent was 32,800 million yen (up 37% year-on-year). This indicates that the progress of our five-year management vision is on track. Domestically, the supply constraints caused by material shortages in FY2022 have been resolved. We have achieved success in deepening our penetration in the restaurant market, expanding sales in non-restaurant markets such as lodging facilities and the food processing and sales sector, and acquiring new customers. Overseas, we have continued to revise product prices and worked to maintain and improve profitability besides continued steady demand. Moreover, the performance of Brema, the acquired Italian company, contributed to our business performance.
In the five-year management vision, we have set ROE as one of the KPIs of capital efficiency, we are striving to achieve ROE exceeding shareholders' equity costs. In FY2023, ROE improved to 10.6% and, with capital costs remaining between 6% and 7%, we were able to expand the positive equity spread.

● **Changes in ROE**



● **The Balance of Cash and Deposit and its Ratio to Total Assets**

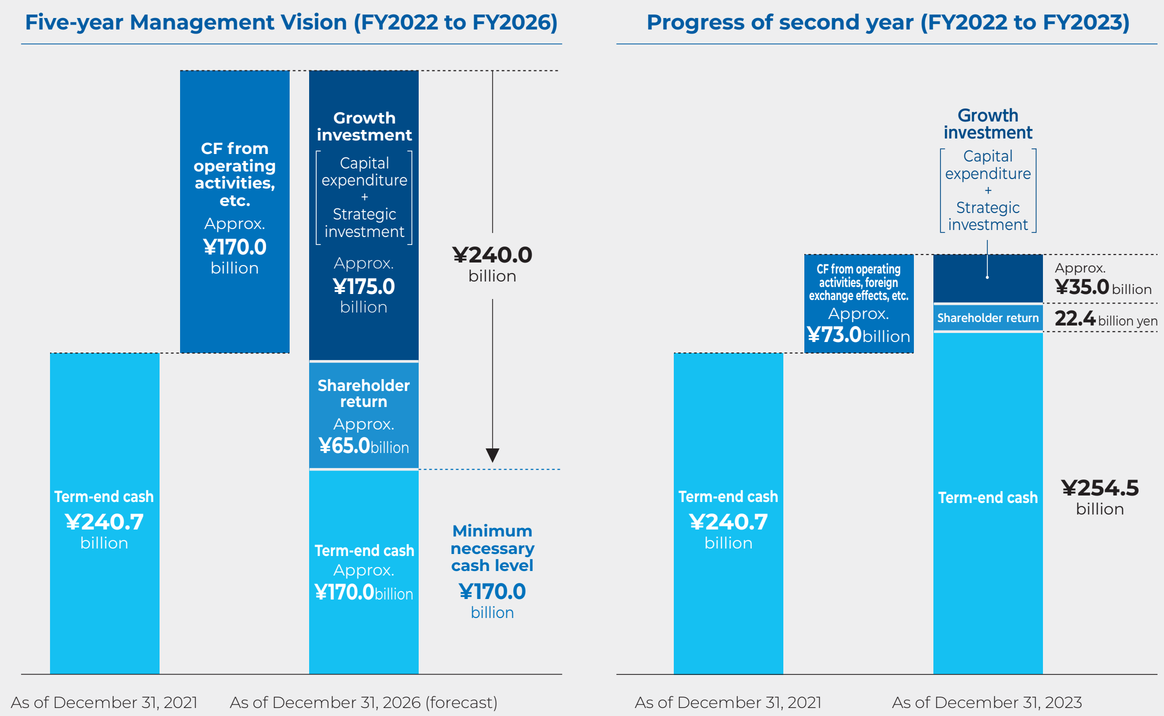


Financial Strategy:
Cash Allocation and Portfolio Strategy by Region

Progress of Cash Allocation over Past Two Years and Future Outlook

We have outlined a cash allocation plan as part of the five-year management vision. Here, we will explain the future outlook based on the progress made during 2022–2023.
Operating cash flow, which is a cash inflow, reached a cumulative total of 42,900 million yen over the 2 years from 2022 to 2023. Moreover, our cash flow increased by approximately 30,000 million yen due to such factors as foreign exchange effects. We have long utilized the cash conversion cycle (CCC) as a key management indicator to enhance capital efficiency. In 2023, our strength in generating cash flow further increased, which results in an operating cash flow of 37,700 million yen. Another contributing factor was an inventory reduction that resulted from the normalization of production in the Americas. Additionally, due to factors such as foreign exchange effects, it is anticipated that we may exceed the target of operating cash flow, etc. of 170,000 million yen outlined in the five-year management vision.
As for cash outflows, we plan to make growth investment of approximately 175,000 million yen in total for 5 years, of which approximately 50,000 million yen will be used for capital expenditure and approximately 125,000 million yen for M&A investment. Capital expenditure totaled 14,500 million yen over the past 2 years. For FY2024, we may exceed the plans outlined in the five-year management vision as we anticipate, for example, around 15,000 million yen in capital expenditure, primarily driven by aggressive investment overseas. There was no strategic M&A investment in FY2023, resulting in a relatively small total of approximately 20,000 million yen spent on M&As over the past two years. Conversely, for FY2024, we have recorded approximately 22,000 million yen in strategic investments as of the first half through additional investment in Ozti and acquisitions of Fogel, Technolux, and HKR Equipment. We have announced a target of a total shareholder return ratio of 40% or more in the five-year management vision. For FY2023, shareholder returns amounted to 10,100 million yen, bringing the 2-year cumulative total to 22,400 million yen.
Consequently, the balance of cash and deposits at the end of FY2023 was 254,500 million yen, which accounted for 55% of total assets (vs. 53% at the end of FY2022). Of the term-end cash balance, approximately 40% is in yen, approximately 40% in U.S. dollars, and approximately 20% in other currencies. The impact of yen depreciation has contributed to increased foreign currency deposits held by overseas subsidiaries. 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 talent retention in emergency situations and flexible M&A deals, among others. The Company will consider the acquisition of treasury shares in an adaptive and flexible manner, considering the stock price level, investment plans, capital efficiency, and other factors comprehensively.

● **Cash allocation of Five-year Management Vision and progress of second year**



Financial and Capital Strategies

Portfolio strategy by region

As for our business portfolio strategy for each region, we will closely examine improvement potential for growth and profitability in Japan and abroad and, based on this, invest management resources appropriately.
Domestically, growth has been driven by our key initiatives, such as expanding into the non-restaurant market, besides the recovery of the food service industry. In January 2023, Hoshizaki established HOSHIZAKI SALES, an intermediate holding company, to integrate the cross-functional capabilities of its domestic sales companies, which are a strength of the Hoshizaki Group's direct sales system. They are steadily advancing measures to achieve the goals set in the five-year management vision.
In the Americas, Lancer, with its strong customer base, continues to perform well, and HOSHIZAKI AMERICA's profit improvement is also notable.
In Europe, Brema is performing as expected following its acquisition, and revenue growth is anticipated due to the optimization of refrigerator production sites. Continued growth is expected in the future. Additionally, we expect contributions from Ozti, which will be newly added to Hoshizaki's consolidated earnings report starting from FY2024.
In summary, we judge that the Americas and Europe are generally on track with our plan. In China, conversely, Royalkitchen has recognized an impairment loss due to the recent slowdown in market growth. However, we expect recovery in performance by advancing synergies with our company's business. In India, Western is performing well due to favorable grocery and retail markets, strong sales to major beverage manufacturers, and better-than-expected progress in acquiring new customers, developing new products, and producing effects of the alliance with Hoshizaki.
In enhancing the promotion of our portfolio strategy by region, we establish effective global governance provided by Hoshizaki Head Office in cooperation with regional CFOs while delegating authority to regional heads for rapid decision-making. Although we anticipate increased business volatility due to rising global uncertainties, including geopolitical risks, we will enhance our risk management through the Compliance and Risk Management Committee and other channels. This will allow us to respond to environmental changes and seize business opportunities.

Growth investment:
Approach to and Results of M&A

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 make active investment in new product development for further growth in both restaurant and non-restaurant markets, and in strengthening alliances with other companies. We will also invest mainly in new technologies geared to further service enhancement.
Internationally, we will proactively make investment to increase production capacity to expand production scale, proceed aggressively with the launch of new products, and make investment in improvements of quality, costs and delivery lead time, which will help enhance our competitive advantage. With the yen weakening and overseas investment amounts increasing, growth investment may exceed our initial expectations.

Progress and Outlook for M&A

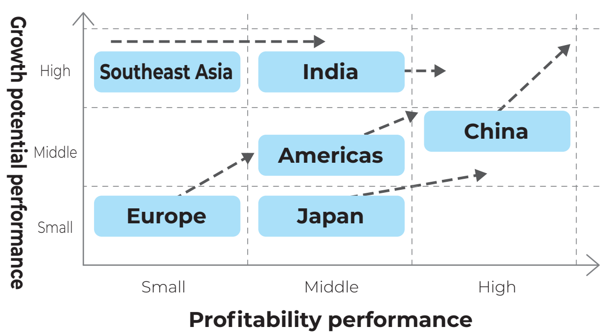
With the aim to produce results, we have strengthened research on (1) profitable companies (operating profit ratio of 10% or higher), (2) companies with excellent executives, (3) companies with which we can expect synergies, (4) companies over a certain size (sales of several billion yen or higher), and (5) companies with a desire for more (not satisfied with the status quo), which are the five basic principles of the Hoshizaki Group's approach to M&A.
Before executing investment, we discuss policy alignment, business viability and risk assessment in individual discussion meetings* (see Page 71) to ensure careful selection and quality improvement of projects. Additionally, we are strengthening our organizational capacity to systematically implement post-merger integration (PMI)* (see Page 23). Meanwhile, our policy is to continue holding acquired companies and enhance their business value. Therefore, we do not have specific withdrawal criteria. However, we are always mindful of reviewing our business portfolio, including optimizing production sites in response to changes in the business environment.
We are envisioning investment of 125,000 million yen in M&A over five years in the five-year management vision. Our strategic investment for M&A focuses on key segments by region. It is essential to carefully scrutinize individual pipelines to ensure they contribute to future growth. We will also have a substantial M&A pipeline for 2025–2026 and will strive to move closer to the goals set in the five-year management vision.

Management conscious of capital costs and stock prices:
About information disclosure, total shareholder return (TSR)

The Hoshizaki Group has set a target of achieving ROE* (see Page 09) of 12% or more in FY2026. To achieve this target, it is essential for each group company and project to focus on increasing sales, operating profit and operating profit margins. We have a system in place where domestic sales companies and overseas group companies report and manage monthly performance in a timely manner. This system allows regions and the Head Office to identify issues and risks and promptly implement improvements through the PDCA cycle. As a result, we believe that increasing the accuracy of performance forecasts has led to a reduction in capital costs.
Moreover, we believe that in order to reduce capital costs, it is important to strengthen various risk management practices, group governance, and the management foundation. At the same time, we believe it crucial to gain the understanding of our corporate value on the part of shareholders and investors through dialogue and engagement with them while enhancing information disclosure, including sustainability information.
Simultaneously, we plan to advance our improvement initiatives by instilling an awareness of capital efficiency enhancement within the group.
Specifically, to link the ROE targets of all group companies with actions to improve capital efficiency in each region and company, we will proceed with the introduction of return on invested capital (ROIC) as an internal management indicator. We will measure, analyze, and evaluate ROIC on a company-by-company basis and implement improvement initiatives from the bottom up.
The invested capital, which is the denominator of ROIC, will be defined as working capital plus noncurrent assets (including goodwill). We will set targets for each region and aim to improve capital efficiency by extending existing activities such as improving the CCC and operating profit ratio.
We will strive to enhance long-term TSR* (see Page 86) by reducing capital costs and improving capital efficiency. TSR on Hoshizaki stock for FY2023 (over the past year) was 12.9%, which was below 28.3% of TOPIX and 35.6% of the Machinery Index.

Strategy by region

Region portfolio



*Growth potential: Prepandemic sales growth rate (Small: less than +5%; High: +20% or higher)
Profitability: Prepandemic operating profit ratio (Small: less than 10%; High: 20% or higher)

Strategic direction by region

- **Japan**
  Maintain continuous growth and strengthen profit ratio improvement
- **Americas**
  Optimal balance between sales growth and profit ratio
- **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

● Response toward achieving management conscious of capital costs and stock prices

	Requests from TSE	Our response
Analysis of current status	Accurately understanding our own capital costs and capital profitability	Understanding capital costs, ROE, and region/company ROIC
	Analyzing and evaluating these details and market assessment at Board of Directors meetings	Analyzing and evaluating current status of capital costs and capital profitability, considering market assessment, at Board of Directors meetings and on other occasions
Plan formulation and disclosure	Board of Directors to review and formulate policies, targets, planning periods, and specific initiatives for improvement	Formulate capital profitability targets along with cash flow allocation in five-year management vision
	Disclose this information clearly to shareholders and investors, along with current assessment	Disclose details and progress to shareholders and investors through integrated reports and other means of communication
Implementation of initiatives	Promoting management conscious of capital costs and stock prices	Promote ROIC management with focus on capital efficiency at regional level besides company-wide initiatives for reducing capital costs and improving capital efficiency
	Actively engage in dialogue with investors, based on disclosure	Conduct dialogue and engagement with investors through financial results briefings, IR/SR meetings

Human Capital Strategy

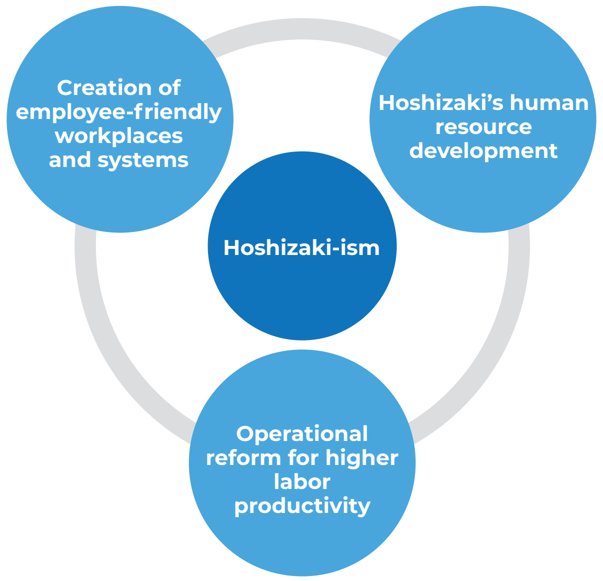
Message from officer responsible for personnel

By enhancing employee satisfaction through reforms in the personnel system and other measures, we will create an organization where all employees can maximize their abilities and embody the "Hoshizaki-ism," thereby enhancing corporate value.

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

Basic Policy on Human Capital

In the Hoshizaki Group, each employee is encouraged to embody the "Hoshizaki-ism," our action guidelines, starting with "Have a Dream." We aim to achieve our Purpose of being an "evolving company" that contributes to society by being aware of and acting on these values. To attain this, we are strengthening initiatives to improve "workplace comfort," enhance work–life balance, and promote diversity activities, including the empowerment of women. Besides the global workforce development program designed to make Hoshizaki the world's No. 1 food service equipment manufacturer, we aim to develop professional human resources with a view to realizing our management vision and the Long-term Vision. We are seeking to achieve these by enabling all employees to maximize their individual abilities via activities that respect human rights as well as reforms to the personnel system, including compensation, and other efforts to enhance job satisfaction.



Human Capital Owned

At the end of FY2023 (December 31, 2023), the number of employees of 57 consolidated Group companies was 13,361, showing a year-on-year increase of 90. The total comprised 8,698 in Japan (Hoshizaki and 20 Group companies), up 120; 2,623 in the Americas (18 Group companies), up 23; and 2,040 in Europe and Asia (19 Group companies), down 53. At Hoshizaki Corporation alone, the average length of service is 17.8 years, the average age 44.5 years, and the average annual salary 7.51 million yen, up 4.8% from the previous year. The proportion of female employees among the 7,725 employees of Hoshizaki and its domestic sales companies has increased by 2.1 percentage points from five years before to 17.6%. The ratio of women among new graduates is 26.9%. The number of women in positions at or above assistant manager level was 219, up 95 from five years before, which accounts for 8.7% of all employees in such managerial posts.

Hoshizaki Group's Human Capital	● Number of employees: 13,361 on consolidated basis (Dec. 31, 2023) ● Number of domestic sales and service personnel (sales: approximately 3,300, service: approximately 2,700 on Dec. 31, 2023) ● Number of R&D personnel: Approximately 550 (consolidated) ● Ratio of female employees: 17.6% (total of Hoshizaki Corporation and its domestic sales companies) ● Average annual income at Hoshizaki for FY2023: 7.51 million yen ● Investment in personnel education: 83.463 million yen, training hours per person: 10 hours (Hoshizaki)
Outcomes of Human Capital	● Employee satisfaction (ES) survey: 38.2 points (perfect score: 55 points) ● Average service years: 17.8 years (Hoshizaki) ● Creating new value and generating revenue through products and services ● High customer satisfaction & reliability ● Hoshizaki Brand ● Diversity in human resources

FY2023 Results & Issues

In FY2023, we initiated the development of an educational system for all domestic employees, reviewed the outdated personnel system, and undertook a sweeping overhaul of safety and health activities. In particular, prompted by improper transactions by our domestic sales companies in 2018, we have prioritized the enhancement of internal control. Nevertheless, this has resulted in a prolonged period of high workload at the on-site level. Therefore, we have worked to reduce the workload, while maintaining the strengthened internal control system, by revising redundant tasks and approval systems, with emphasis on efficiency. Regarding the personnel system at each of our domestic sales companies, we are advancing reforms to establish a system where job performance is reflected in treatment, with clear rules and standards. We have been working for several years now on activities to improve diversity, particularly focusing on the active participation of women, and we are seeing steady progress. Conversely, challenges remain in areas such as formulating a human resource strategy from a global perspective, including the recruitment of foreign employees, and quantifying the financial impact through such a strategy.

Strategy for Achieving Five-year Management Vision

To achieve the five-year management vision, we prioritize the development and retention of professional talent who embody the "Hoshizaki-ism" as well as enhancing productivity by improving job satisfaction for all employees. Regarding talent development and retention, first, we aim to secure a stable workforce by maintaining a consistent number of new graduate hires each year, with a focus on the ratio of female employees. We also supplement our workforce through mid-career hiring. In terms of capacity development, we are enhancing various training programs. To improve job satisfaction, conversely, we aim to enhance employees' voluntary "willingness to contribute" by developing environments that support employees' individual career design and provide opportunities for each of them. Additionally, by steadily advancing reforms to ensure that job performance is fairly evaluated, we aim to link improvements in productivity through enhanced job satisfaction to the achievement of our management vision.

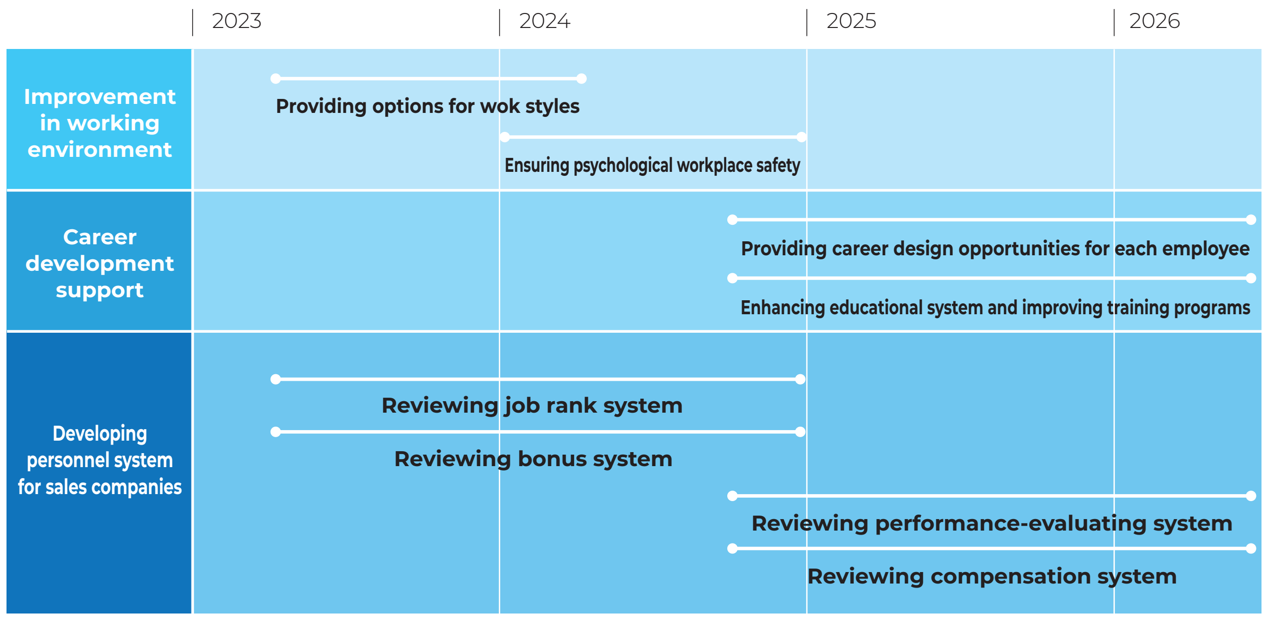
ES survey

Within the Hoshizaki Group's domestic segment, we conduct an anonymous ES survey once a year. We analyze the results, create action plans, and implement them, using them in ES improvement activities designed to enhance employees' workplace comfort and job satisfaction. In recent years especially, we have placed significant emphasis on qualitative free-form comments. We address concerns and issues raised by the frontline, strengthening our responses accordingly. Moreover, we conducted an ES survey in the Americas in FY2023 as a trial for expansion beyond Japan. Moving forward, we aim for global expansion in alignment with the growth of our overseas business, and are committed to improving employee work comfort and job satisfaction throughout the entire Hoshizaki Group.

Indicators and Targets

As key performance indicators (KPIs) for human capital, we have set goals to increase the number of female managers at Hoshizaki, Hoshizaki Sales, and domestic sales companies to 50 by FY2025 (four times the level of FY2020). Additionally, we aim to have 300 women in positions at or above assistant manager level by FY2025 (1.5 times the level of FY2020). We have achieved the target figures set for FY2023 in pursuit of these goals.

● Activities supporting job satisfaction improvement (domestic)



Human Capital Strategy

Financial Impact Generated by Human Capital

We are actively debating within the Company whether personnel expenses should be viewed merely as costs or as investments aimed at expanding sales (generating returns). It is possible to improve short-term profitability by reducing personnel expenses, but this is not the correct choice from a sustainability perspective. In the case of Hoshizaki, we have 15 sales companies in Japan, and our revenue structure is heavily burdened by sales management expenses, particularly personnel costs at these sales companies. To achieve both growth and profitability, controlling sales management expenses within a planned staffing strategy is a major theme. This requires optimal placement of personnel (the right person for the right job) and maximizing effectiveness (productivity per employee). Therefore, we aim to reduce SG&A expenses by visualizing human resources, centralizing indirect management tasks through shared services, and pursuing IT-driven efficiency improvements, among other measures. Additionally, at Hoshizaki Sales, which was established in FY2023 as a cross-functional entity for sales companies, we are striving to maximize sales per employee and productivity per employee by, for example, consolidating into a single channel ways of sharing sales expertise from top-class employees nationwide, success stories among all employees, and other things.

Initiatives Toward Realizing Materiality

As material issue related to human capital, we prioritize "improvement in employees' job satisfaction." At Hoshizaki, we originally operate with a flat organizational structure that allows for open and free exchange of opinions. Our policy is to evolve toward a workplace culture where all employees share diverse values, respect each other, and take pride in their work, aiming to achieve our vision. As one of the KPIs to achieve the vision, we place great importance on promoting the empowerment of women, setting the goal of having 50 female managers and 300 female employees at or above assistant manager level in Japan by 2025. In FY2022, 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." We are advancing efforts to strengthen diversity, including promoting the active participation of women and senior employees. Furthermore, as our focus shifts toward "job satisfaction," which includes "workplace comfort" and "diversity," we are working to set new monitoring indicators to demonstrate the correlation between job satisfaction and actual phenomena such as turnover rates, and making efforts for improvements accordingly.

Material issues	FY2023 results	Contribution items
Sustainable supply chain management	Strengthening human rights and emphasizing labor safety	Business continuity
Creation of new customer value	Enhancing measures to improve motivation of development, production and sales personnel	Sales, profitability, and reliability
Increasing employees' job satisfaction	Strengthening promotion of women's empowerment based on KPIs, and promoting human resource strategy through use of ES surveys	Employees' workplace comfort and job satisfaction
Enhancement of management foundation	Enhancing employee education with emphasis on compliance	Governance

Global Use of Employee Satisfaction Survey

From the perspective of "workplace comfort" and "diversity," we have implemented initiatives such as promoting women's empowerment, work–life balance and parental leave for both men and women. Additionally, we have monitored the effectiveness of these initiatives through ES surveys. The ES survey consists of questions that monitor "workplace comfort" and "job satisfaction" across various dimensions, including the overall company, organization, working environment, supervisors, jobs, activity goals, and personnel evaluations. Conducted in Japan for over 10 years, the ES survey included questions rooted in local labor practices, making it challenging to expand it globally in its original form. Therefore, we revised the questions to make them globally applicable and conducted an ES survey in the Americas as a trial in FY2023, achieving certain results. In the future, we plan to expand the survey to our overseas Group companies, aiming to strengthen our human capital foundation as a global enterprise.

Intellectual Capital Strategy

Message from officer responsible for development and technology

We aim to expand sales and improve profitability, by leveraging our overwhelming product development power based on differentiated and unique technologies, contributing to the achievement of our management vision and the resolution of materiality

Yasushi Ieta
Director, Senior Managing Executive Officer
(in charge of domestic business)

Basic Policy for Development and Technology

Since its founding, the Hoshizaki Group has operated under the motto "A company cannot grow without original products," focusing on the creation of differentiated original products based on unique technologies. We have a consistent research and development system, which starts with gathering information on global market needs, customer and societal challenges, extending through element development, trial production, design, and production follow up. From a market-oriented perspective, while emphasizing profitability in our research and development efforts, our basic policy is to take on the challenge of developing new technologies and products that exceed the diverse demands of our customers. Besides data-driven product development, we have focused on developing environmentally friendly products in recent years, strengthening activities conscious of contribution to sustainability.

● **Hoshizaki's Product Development System**

Intellectual Capital Owned

The Hoshizaki Group has 13 R&D sites, comprising four domestic and nine overseas locations. The number of employees engaged in R&D has expanded to approximately 550, an increase of approximately 200 employees over the past five years. R&D expenses in FY2023 increased by 1% over the previous year to 4,600 million yen (3,000 million yen in Japan, 1,300 million yen in the Americas, and 300 million yen in Europe and Asia). Their ratio to sales is 1.3%. In Japan, we have developed and commercialized refrigerators and freezers using natural refrigerants* (see Page 06), added new basic models, and also commercialized ice makers that utilize natural refrigerants. In the Americas, we are not only updating product models to comply with each country's CFCs/HCFCs/HFCs regulations but also enhancing our development capabilities to meet stricter energy-saving restrictions. Alongside Europe, where fluorinated gas (F-gas) regulations are being implemented ahead of the rest of the world, we have also strengthened our lineup of environmentally friendly products in Asia. R&D investment in FY2024 is expected to increase by 11% from the previous year, reaching 5,200 million yen.

Intellectual Capital of the Hoshizaki Group	● 13 R&D sites (four domestic, nine overseas sites) ● Amount invested in R&D: 4,600 million yen (results in FY2023), 5,200 million yen (planned in FY2024) ● Dedicated organizations in terms of both a product development axis and a function axis (Number of R&D personnel: Approximately 550) ● Consistent R&D system from product planning through production ● Global design platform expansion
Outputs and Outcomes of Intellectual Capital	● Product lineup including approximately 6,000 models ● Number of themes for launch of new products: 19 (in Japan) ● Natural refrigerant adoption rate for domestic products: 15% (target for FY2024: 73%) ● Total sales ratio of new products and remodeled products: 47% ● Creation of new markets/applications exceeding customer needs ● Contribution to addressing customer issues including energy saving, resource conservation, and labor saving ● Creation of new added value by introducing differentiated products to market

Intellectual Capital Strategy

FY2023 Results & Issues

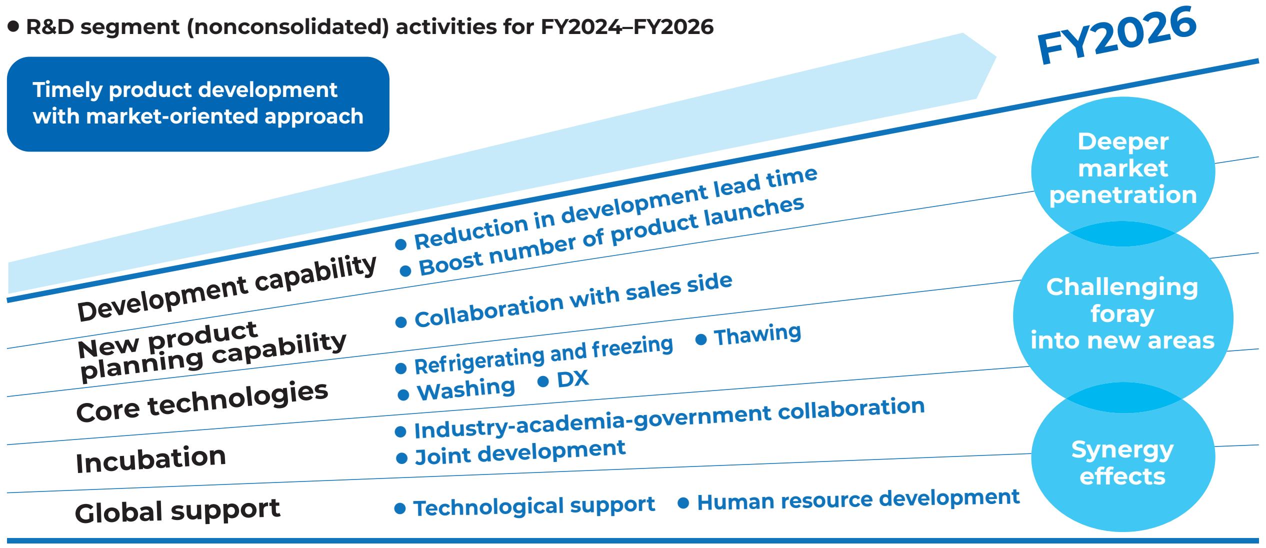
In FY2023, we operated based on our activity plan, which included: (1) adopting natural refrigerants* (see Page 06) for refrigerators and freezers, (2) shortening development lead times, (3) reducing material costs, (4) providing global technical support, (5) commercializing Hoshizaki Connect Wi-Fi* (see Page 06), and (6) incubation. As a major achievement, we strongly advanced the adoption of natural refrigerants by concentrating development personnel on the design and development of refrigerators. This resulted in the successful strengthening of the product lineup and earlier production schedules, with the full lineup expected to be completed ahead of the initial plan. In terms of development lead times, we shortened the development period from the traditional 20 to 10 months by utilizing 3D modeling, which allowed us to double the number of developed models. Additionally, we are advancing the speed and optimization of global development through joint product development and technical support with our overseas Group companies. Nevertheless, challenges remain in developing themes and specific product commercialization aimed at penetrating the non-restaurant market.

Strategy for Achieving Management Vision

The management vision lists the following goals in this connection: (1) Putting new products on the market in a timely manner, (2) enhancing core technologies, and (3) supporting the strengthening of overseas technological development. In pursuit of the achievement of numerical targets, we are revising our strategies to (1) launching products in a timely manner and contributing to sales growth (adoption of natural refrigerants, development of new product themes, and evolution of core technologies), (2) reducing costs for profit improvement (significant cost reduction), and (3) maintaining our dominant No. 1 position in ice makers and supporting sales growth of refrigerators (support based on region-specific product strategies). Our policy is to lead global growth through product development.

For the adoption of natural refrigerants in products (refrigerators and ice makers for commercial use), Europe has already reached 100%, and the Americas have achieved 50% (with a target of 100% by 2026). In Japan, as a top company's mission, we plan to increase the natural refrigerant adoption rate from 15% in 2023 to 73% by the end of 2024. We aim to stimulate replacement demand and increase market share by advancing the replacement of products with environmentally friendly and highly energy-efficient natural refrigerant-based models. Although developing new product themes focused on a market-oriented approach, we aim to create new markets through innovative products. With the evolution of core technologies focused on the freezing (storage) and thawing areas as well as on the cleaning area (labor-saving and automation), we will seek to expand sales through timely product launches. Cost reduction for profit improvement will be strengthened through activities focused on reducing material costs by revising design and other processes. Furthermore, our strategy is to accelerate joint product development on a global scale, focusing on specific regions and applications.

● R&D segment (nonconsolidated) activities for FY2024–FY2026



KPIs for Achieving Management Vision

The R&D segment sets KPIs linked to the numerical targets of the management vision, contributing to sales expansion and profitability improvement. We worked to understand the intellectual capital and unique technologies possessed by our overseas Group companies while promoting the standardization of design and development platforms in 2023 in a bid to optimize development globally and enhancing development speed. Besides the existing four KPIs, we will add a new KPI: "Number of joint development projects with overseas groups: Target of five or more in 2026." This aims to strengthen collaborative research with overseas Group companies.

KPI item	FY2023		FY2026
	Target	Results	Target
Number of themes for launch of new products	13	19	**20 or more**
Total sales ratio of new products and products after model changes	44%	48.1%	**48.5% or more**
Number of themes for core technology research	7 cases	7 cases	**10 or more cases**
Number of joint research projects with overseas groups	—	—	**5 or more cases**

Financial Impact Generated by Intellectual Capital

At Hoshizaki's R&D segment, we focus on profitability while working toward the realization of the five-year management vision by enhancing functionality and energy efficiency through the creation of new products and model changes. In FY2023, the sales ratio of new products and remodeled products launched within the last three years in the domestic market reached 47.0%, surpassing the target by approximately four percentage points. Besides launching new products, we contribute to sales growth and reduction of material procurement costs by incorporating new functions and redesigning existing products. Owing to design changes, Hoshizaki has achieved a cumulative material cost reduction of approximately 900 million yen over the past 2 years. In terms of profitability, we develop products with specified target profit margins and set region-specific profit targets overseas. This accelerates our activities to achieve the numerical targets outlined in our management vision.

Initiatives Toward Realizing Materiality

The Hoshizaki Group has identified six material issues, and each working group is engaged in activities aimed at resolving these issues. The development and technology segment is strengthening its activities to achieve numerical targets while also promoting product development, bearing in mind the enhancement of social and environmental value. Particularly, we are focusing on "response to climate change," "sustainable supply chain management," and "creation of new customer value." We ensure that everyone in the development department understands the contents and importance of materiality, fostering awareness to link materiality with daily duties of work. In terms of "response to climate change," we are advancing product development focused on the adoption of environmentally friendly natural refrigerants* (see Page 06) and the enhancement of energy-saving functions and performance. Regarding "sustainable supply chain management," we are leveraging our experience of facing material shortages during the COVID-19 pandemic to strengthen initiatives focused on reducing raw material usage, standardizing parts and materials, and incorporating recycling and waste reuse.

Examples of New Product Development Addressing Materiality

We are focusing our most effort on the "creation of new customer value" in particular because it is an area where we can leverage the strengths and experiences of the development and technology segment to the fullest. In recent years, we have been focusing on the freezing and thawing of food using our proprietary control technology. Freezing food is relatively straightforward, but thawing it while maintaining its quality and flavor is difficult and involves many challenging issues to address. Nonetheless, we believe that improving freezing and thawing technologies can also contribute to logistics enhancements. If we can achieve frozen transport of foods that are currently transported at room temperature due to the issue of quality with thawing, it would lead to a reduction in transportation frequency. As thawing technology advances, it will become possible to thaw only the amount of food needed for sale and return it to room temperature. This would enable convenience stores and restaurants to operate even in remote areas and contribute to the reduction of food waste. We are also making progress toward the mass production of a product with high-quality thawing technology. Since this is a novel product that has not been available in the market before, we anticipate that it will not only address the relevant materiality but also contribute to future market expansion and profitability.

Material issues	FY2023 results	Contribution items
Response to climate change	Development of products using natural refrigerants & energy-efficient products.	Sales, brand power
Sustainable supply chain management	Reduction and standardization of raw materials, waste reduction, etc.	Profitability, business continuity
Creation of new customer value	Creating new markets through development of new products, developing products capable of solving challenging issues	Sales, profitability, social value
Increasing employees' job satisfaction	Standardization of work duties, award system enhancement	Boosting employee motivation
Enhancement of management foundation	Strengthening compliance, eradicating quality and complaint issues	Reliability, brand power

Manufactured Capital

We aim to establish a production system that is mindful of the environment and meets customer needs while achieving absolute quality, optimizing production systems in Japan and abroad, and enhancing production capacity.

Basic Policy on Manufactured Capital

During the product development and design stages, we set stringent quality standards and conduct acceptance inspections of externally sourced materials and 100% inspections of finished products, ensuring the supply of high-quality products that uphold the Hoshizaki Brand. Leveraging our unique technologies for processing ice making and refrigeration mechanisms, we have achieved limited production of diversified products in approximately 6,000 different models for the domestic market. With our superior technologies and production facilities, we are committed to achieving absolute quality. Simultaneously, we are restructuring our production systems in Japan while enhancing production capacity in Europe and India. Under the founder's belief "Good products come from a good environment," we make it a basic policy to supply high-quality products meeting all customers' needs in a stable manner.

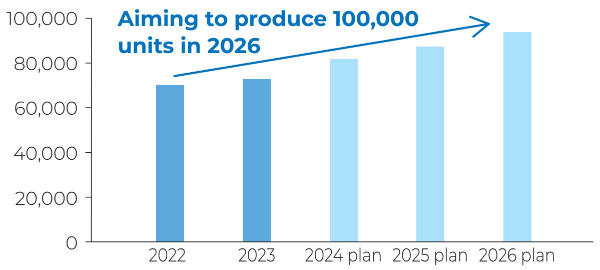
Hoshizaki Group's Manufactured Capital	● A total of 27 production sites (9 domestic sites, 18 overseas sites, including equity method affiliate Fogel) ● Capital expenditure: 8,600 million yen (results in FY2023), 15,200 million yen (planned in FY2024)
Outputs and Outcomes of Manufactured Capital	● Actual output: 216,500 million yen (FY2023), up 17% year-on-year ● Global cumulative shipments of products with natural refrigerants*(see Page 06): Approximately 1,420,000 units* ● Goods-in-process production lead time reduced 59% from FY2019 (coverage: Hoshizaki) ● Realization of limited production of diversified products ● Optimum production system friendly to environment and employees

* Number of products sold with natural refrigerants (ice makers, refrigerators, sushi cases, and Visi Cooler for preserving beverage) in North America, Europe, Asia, and Africa in 2009–2023

FY2023 Results and FY2024 Forecast

Domestically, we have promoted cost reduction activities for materials and processing while taking measures to achieve an optimal production system, including the implementation of production transfers between manufacturing sites. By contrast, challenges remain in areas such as human resource development.
Although some problems existed overseas such as delays in promoting local procurement of long-lead-time components, we achieved successes such as the expansion of production lines and the preparation for further production increases at Brema and the completion of mass production preparations for refrigerators at Ozti.

● **Planned production volume of ice makers at Brema (Italy)**

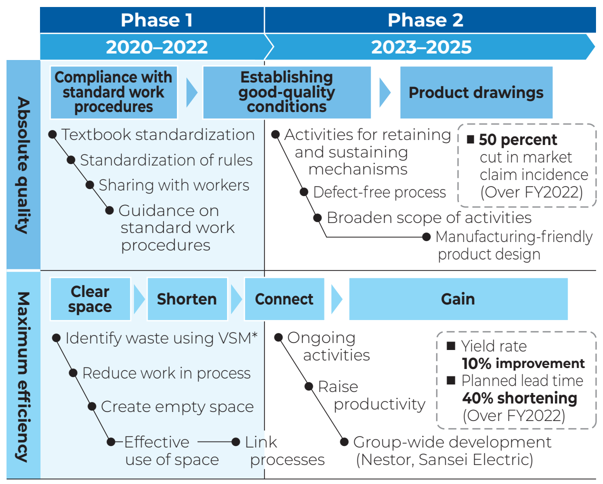


Capital expenditure in FY2023 increased by 2,700 million yen year-on-year to 8,600 million yen (broken down to 3,600 million yen in Japan, 2,700 million yen in the Americas, and 2,300 million yen in Europe and Asia). Thus, we advanced production capacity buildup, response to needs for new products, rationalization, and environmental improvements. We plan to invest 15,200 million yen in plants and equipment in FY2024. Depreciation reached 6,800 million yen in FY2023 and is projected to total 8,800 million yen in FY2024.

Strategy for Achieving Management Vision and Addressing Materiality

As key elements of the strategy, we are focusing on thorough cost reduction in collaboration with the development segment, building a production system to further enhance productivity, pursuing optimized production across all domestic group companies, and supporting overseas operations through manufacturing technology and quality improvement activities. Specifically, we are advancing the review of product specifications and optimizing material procurement at home and abroad. Moreover, we are strengthening activities aimed at reducing quality complaints and improving profitability. For progress management, we have established five key performance indicators (KPIs) on a nonconsolidated basis, such as overall productivity and product inventory to ensure highly effective activities. We are also creating a matrix of sales growth rates and profit margins by product category at our domestic production sites and working to build an optimal production system. Furthermore, the manufacturing segment is working to enhance outcomes for one of our material issues, "sustainable supply chain management," through continuous dialogue, including sustainability assessments with our suppliers. Hoshizaki aims to raise and standardize the entire Group's production level overseas by providing support tailored to the needs and capabilities of each grouped factory. In the Americas, we will enhance the product appeal and lineup of ice makers and refrigerators, whereas in Europe, we will promote strategies across different price ranges by improving the production system.

● **Roadmap for strengthening manufacturing and quality systems in Japan**



* VSM (value stream mapping): representation of the flow of materials and information in the manufacturing process

Social and Relationship Capital

We aim to achieve a sustainable society and further enhance corporate value by striving to build trust with our customers, suppliers, and local communities.

Basic Policy on Social and Relationship Capital

The Hoshizaki Group advocates "an 'Evolving Company' contributing to society as well as customers" as its Purpose. To achieve this, we are committed to building trust through continuous and constructive dialogue with our global customers in the food service industry who use our products and services, our suppliers who support the production of high-quality products and their stable supply and local communities around our production sites and sales offices, and the broader general public. Toward the achievement of our Long-term Vision, the Hoshizaki Group, as a member of global citizens, will enhance efforts to realize a sustainable society and improve its corporate value.

Social and Relationship Capital of Hoshizaki Group	● Solid customer base resting on trust ● Strong collaborative ties with 15 domestic sales companies and suppliers ● Sustained community contribution activities
Outputs and Outcomes of Social and Relationship Capital	● Credibility with customers ● Realization of stable production ● High marks from external institutions ● Maintenance of high-quality products and services ● Amicable supply chain ● Corporate structure with eco-friendliness and respect for human rights ● Coexistence with local communities ● Resilient organizational management ● Harmony with natural environment

Activities for Engagement with Customers

Hoshizaki (domestic) leverages its strength in proposal-based sales closely aligned with customer needs and in a business model that integrates sales and services, enabling the provision of rapid and careful services. We not only provide products and services to our customers but also actively seek their feedback. As part of this effort, we conducted a customer satisfaction (CS) survey following maintenance inspections, reaching approximately 30,000 customers between May and November 2023. In the CS survey, approximately 80% of responses that customers selected for each question showed high ratings.

Activities for Engagement with Suppliers

As a global company's responsibility, the Hoshizaki Group considers its suppliers around the world as partners, conducting procurement with a focus on openness, fairness, and equity while also emphasizing respect for human rights and environmental considerations. Hoshizaki regularly conducts factory policy briefings and surveys with key suppliers. In 2024, we will conduct sustainability surveys with domestic suppliers to achieve our materiality of "sustainable supply chain management."

Activities for Engagement with Local Communities

Hoshizaki engages in activities aimed at interactions with local communities and regional development such as hosting factory tours for schools and organizations, organizing a "Hoshizaki Family Day" for employees' families, donating support funds, assisting individuals with disabilities for their independence, and participating in volunteer activities. Our domestic sales companies dispatch staff to provide customers affected by natural disasters with volunteer assistance for their recovery efforts. Founder Shigetoshi Sakamoto not only worked on the development of the business but also established various foundations and provided a range of support, bearing in mind the belief that "the purpose of a company is to make the world a better place." Activities that contribute to the natural environment, which the founder launched, have been handed down to each and every employee, allowing activities for environmental and social contributions to be conducted continually.

Main External Evaluations

● HOSHIZAKI AMERICA works to expand its lineup of ice makers with low electricity consumption and high energy-saving performance and of eco-friendly commercial refrigerators with low greenhouse gas emissions. In recognition of this initiative, ENERGY STAR's "Partner of the Year - Product Brand Owner Award" has been granted to Hoshizaki for 12 consecutive years, whereas the "Partner of the Year - Sustained Excellence Award," the highest prize among all honored companies, has been awarded to us for 9 consecutive years.

ENERGY STAR AWARD 2024
PARTNER OF THE YEAR
Sustained Excellence

● Ozti of Türkiye was awarded first place last year in the industrial kitchen product category at the "Metallic Stars of Export Award ," organized by the Istanbul Ferrous and Non-Ferrous Metal Exporters' Association. It is the 13th successive year that Ozti was given the top rank.

● Hoshizaki was given the highest "A rank" for the first time in the 2023 "antifluorocarbon rating," an independent assessment of compliance with the "Fluorocarbon Emission Control Act," announced by the Japan Refrigerants and Environment Conservation Organization.

Domestic Business Strategy

Yasushi Ieta
Director, Senior Managing Executive Officer
(in charge of domestic business)

Satoru Maruyama
Director, Senior Executive Officer
(in charge of domestic sales)

We aim to achieve profit growth accompanied by improved profitability through thorough productivity and cost management while realizing an overwhelming No. 1 market share by thorough penetration into restaurant market and actively expanding into non-restaurant markets.

Key points of domestic business

- **FY2023 domestic performance logs sharp gains in both sales and profit, numerical targets achieved**
- **Ended with record-high sales, surpassing pre-pandemic levels**
- **Enhancement and greater efficiency achieved in sales and service capabilities through cross-functional unit Hoshizaki Sales**
- **Sales growth attained in both restaurant and non-restaurant segments**
- **FY2024 domestic performance expected to continue trend of better profit on greater sales**
- **Expect to accelerate sales of products with natural refrigerants*** (see Page 06) **to resolve materiality**

Numerical targets under management vision and FY2023 results

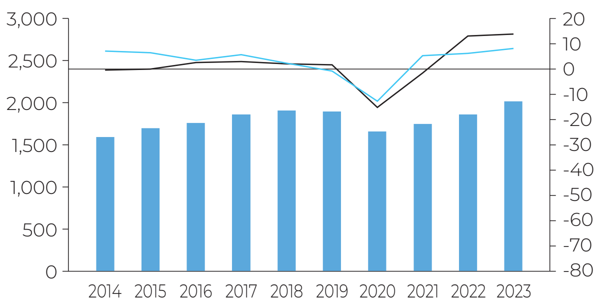
Progress: ● as planned, △ less than planned

Numerical targets (FY2026)	FY2023 results	Progress
Domestic sales: ¥225.0 billion or higher (CAGR +5% from FY2021)	Domestic sales: ¥202.0 billion (+8% from FY2022)	●
Restaurant market sales: +6% from FY2019	Restaurant market sales: +2% from FY2019 and +8% from FY2022	●
Non-restaurant market sales: +27% from FY2019	Non-restaurant market sales: +10% from FY2019 and +9% from FY2022	●
Operating profit: CAGR +17% from FY2021	Operating profit: +24% from FY2022	●

Market Trends: Demand Recovery Trend Continues in Post-pandemic Period

The Japan Food Service Association revealed that the domestic restaurant market in FY2023 showed stronger recovery trends as COVID-19-related activity restrictions were eased and eventually lifted. Sales in the restaurant industry grew 13.3% year-on-year in FY2022, followed by a 14.1% increase in FY2023, marking 2 consecutive years of double-digit growth. Sales in FY2023 rose 7.7% compared with FY2019, exceeding pre-pandemic levels. However, the number of restaurants decreased 6.2% and 6.3% from pre-COVID-19 levels in FY2022 and FY2023, respectively. It was down 7.6% in FY2023 compared with FY2019, falling below pre-pandemic levels. The sales growth has been driven by greater average customer spending.

● Changes in restaurant industry sales growth and Hoshizaki Group's domestic sales

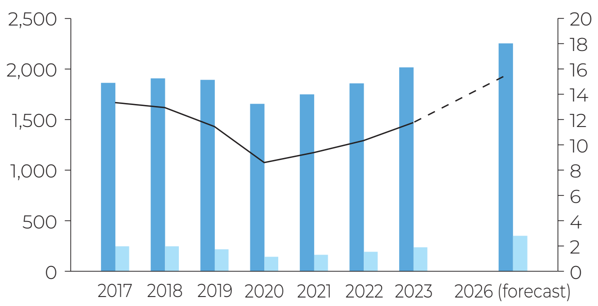


Domestic sales (left scale)
Restaurant industry's year-on-year sales growth rate (right scale)
Year-on-year domestic sales growth rate (right scale)
(Source: Japan Food Service Association; 2023 figure is our estimate)

Performance Trend: Figures Logged in Excess of Numerical Targets

Domestic sales in FY2023 reached a new record high for the first time in five fiscal years, surpassing the pre-pandemic FY2019 sales by 6%. Operating profit increased 23.5% year-on-year to 23,800 million yen (meaning an operating profit margin of 11.8%), securing the third-highest profit level on record and surpassing the FY2019 level by 10%. Both net sales and operating profit smoothly progressed toward their numerical targets set in the management vision. The operating profit margin rose to 11.8%, showing a year-on-year increase of 1.4 percentage points, despite rising material and labor costs, which were offset by the effects of increased sales. We are also planning for higher profit on greater sales in FY2024.

● Changes in domestic sales, operating profit, and operating profit ratio



Domestic sales (left scale)
Domestic operating profit (left scale)
Operating profit ratio (right scale)

FY2023 results and issues

Results	
	• Numerical targets achieved in both restaurant and non-restaurant markets • Sales capabilities enhanced by organizational changes in sales companies • Penetration and thorough practice of common policies accelerated by Hoshizaki Sales • Personnel and compensation systems of sales companies reformed • Preparations completed for commercialization of Hoshizaki Connect Wi-Fi* (see Page 06)

Issues	
	• Further new product launches and lineup expansion in non-restaurant market • Strengthening collaboration with Hoshizaki Sales and generating further synergy effects • Enhancing sales of our own products and engaging in strategic partnerships with other companies

SWOT analysis

Strengths	1. Overwhelming direct sales capability with some 430 sales offices across Japan 2. Products/systems/solution-proposing power eclipsing competitors 3. Service and maintenance system with highly satisfactory to customers	**Continuity**	1. Maintaining and further strengthening direct sales capability through sales-service collaboration model 2. Promoting delivery of new customer value through products with natural refrigerants* (see Page 06), etc. 3. Creating new services through Hoshizaki Connect Wi-Fi
Weaknesses (issues)	1. Displaying agility through organizational collaboration between manufacturing and sales 2. Standardizing skills of sales staff and sharing information 3. Product lineup for non-restaurant markets	**Measures needed**	1. Strengthening collaboration through organizational restructuring and persistence to results 2. Enhancing human resource development and improved information sharing through Hoshizaki Sales 3. Strengthening in-house development capabilities via manufacturing-sales collaboration and enhancing product lineup in partnership with other companies
Business opportunities	1. High growth potential of non-restaurant markets 2. Actualizing potential demand for switching to eco-friendly products 3. Needs for improving operational efficiency and productivity 4. Expanding into new markets such as pharmaceutical industry	**Time axis and scale**	1. "Proactive" strategy for developing untapped markets 2. Gradually standardizing products with natural refrigerants (refrigerators and ice makers) 3. Offering solutions through products that contribute to reducing manpower and saving labor 4. Developing potential markets from long-term perspective
Threats	1. Intensified competition in non-restaurant markets 2. Structural contraction of domestic restaurant market from population decline	**Necessary measures and effects**	1. Successful cases of organizational sales in partnership with other companies growing, being accumulated 2. Further expanding into non-restaurant markets and introducing new products to meet labor-saving needs

Basic policies of management vision and FY2023 results and issues

Basic policies	FY2023 results	Issues
Further explore the restaurant market and develop non-restaurant markets • Strengthen exploration of four non-restaurant markets: distribution sector, processing and sales sectors, basic industries, and hospitals, nursing facilities, and welfare facilities	• Results achieved in marketing efforts for both restaurant and non-restaurant markets on sales expansion and acquisition of new customers • Strengthen efficient sales to corporate customers and execute strategic partnerships with other companies	• Nationwide horizontal expansion of successful cases • Further customer acquisition through organizational sales efforts
Thoroughly improve profitability and productivity • Implement strategic price revision • Reduce cost ratio and work to improve productivity. • Additional structural reforms to improve SG&A ratio	• Product price adjustments executed in 2022 and 2024 to absorb increases in material/parts costs, among others • Centralized purchasing through Hoshizaki Sales and reforms in personnel and compensation systems • Fully implementing shared use of call centers, etc.	• Improving productivity through thorough use of SFA and strengthened talent development efforts • Standardizing and streamlining indirect group operations
Create new value by optimizing sales-service collaboration and use of IoT • Optimally allocate direct sales, corporate sales, and service resources and strengthen customer response • More advanced customer response and service operations through use of IoT	• Direct sales capabilities enhanced through regionally focused sales efforts • Hoshizaki Connect Wi-Fi project launched	• Expanding services of Hoshizaki Connect Wi-Fi, enhancing customer value, and advancing service sophistication
Strengthen product development capabilities in response to changes in market needs • Shorten lead times for proprietary product development and strengthen strategic partnerships with other companies	• Net sales of our own products increased by 0.8 percentage points year-on-year, reaching 68.9% • Development lead times shortened and new product launches accelerated	• Introducing additional new products for non-restaurant markets • Actualizing R&D results through partnerships

Domestic Business Strategy

Domestic strategic policy for second half of management vision

We believe that the likelihood of achieving the sales targets outlined in our management vision is high by implementing initiatives that emphasize "Hoshizaki's uniqueness," such as approaching customers that have not yet adopted products with natural refrigerants* (see Page 06) and expanding into the non-restaurant segment. We see potential for further profitability improvements through optimal talent allocation and operational efficiency enhancements at our sales companies, which employ approximately 6,000 people, and through product price adjustments and an increased ratio of our own products, among other things.

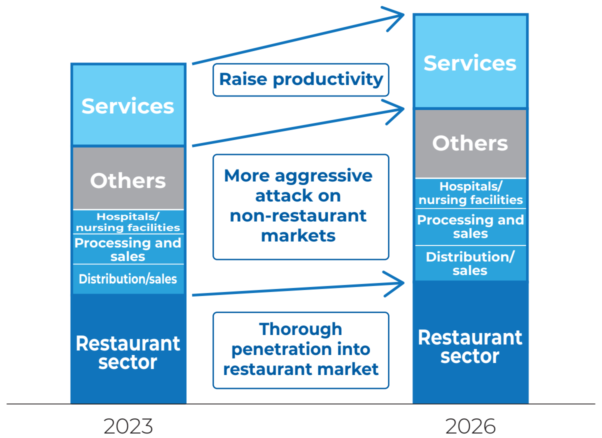
"Proactive" strategy for deep penetration into restaurant market

Our company produced approximately 30,000 natural refrigerant-compatible products in FY2023, and we plan to produce approximately 150,000 units in FY2024. There are approximately 1.5 to 2 million refrigeration units (commercial refrigerators and ice makers) operating domestically. Therefore, we anticipate that the potential demand equivalent to around 10 years of annual sales will materialize in the future. We will deepen our penetration into the restaurant market by expanding our product lineup, which is ahead of our competitors, and by accelerating the exploitation of some 2,300 small local chain stores nationwide that we have not yet approached. We will also seek to secure an overwhelming No. 1 market share by promoting manpower-reducing and labor-saving proposals.
Hoshizaki Connect Wi-Fi* (see Page 06) came into commercial operation in January 2024. We anticipate such effects as customer retention, the development of new products leveraging cloud-based data, and the creation of new business opportunities, such as subscription proposals for dishwashing detergents based on the operating status of equipment.

"Proactive" strategy for developing untapped non-restaurant markets

In the hospital and elderly care facility market, we will strengthen our efforts to penetrate approximately 210,000 locations, where competitor products are prevalent, by introducing new products and enhancing organizational sales activities. In the distribution and food-related markets, in addition to penetrating the approximately 1.09 million locations currently served by competitor products, we aim to capture new demand for unit-type prefabricated refrigerators, an area that is one of our strengths, in response to the anticipated shortage of refrigerated and frozen storage facilities due to the logistics challenges of 2024. We will also work to improve profitability by increasing sales ratio of proprietary products through the introduction of new products. In November 2023, we launched a medical-grade refrigerated cabinet (2–14℃) for the life science and biotechnology R&D fields for the first time, taking on the challenge of entering a new market.

● **Sales growth plan**



"Defensive" strategy for achieving goals

We are undertaking reforms to the personnel and compensation systems at our domestic sales companies, aiming to strengthen talent recruitment and development and enhance job satisfaction. In addition, we will strengthen our management foundation by evolving our call centers, improving productivity and efficiency through a sales support system (dynamics) that enables sales activities to be managed via smartphones, and standardizing and sharing back-office duties, etc.

Domestic business strategy toward solving materiality

In the areas of "Creation of New Customer Value" and "New Proposals for the Creation of a Safe and Secure Food Environment," we have established KPIs to enhance effectiveness. In the area of "Response to Climate Change," we aim to increase the sales ratio of products with natural refrigerants (commercial refrigerators and ice makers) from approximately 15% of domestic sales in FY2023 to approximately 73% by the end of FY2024, thus enhancing both environmental contributions and economic value.

Overseas Business Strategy

By integrating functional axes across different regions and accelerating the growth strategy for our overseas regional system, we aim to achieve sustained sales growth accompanied by profitability.

Shiro Nishiguchi
Director, Senior Managing Executive Officer
(In charge of overseas business)

Key points of overseas business

- **FY2023 overseas performance logs sharp gains in both sales and profit, numerical targets achieved**
- **PMI*** (see Page 23) **of acquired companies promoted, optimal production system established in Europe**
- **Overseas regional system enhanced (regional headquarters set up in Southeast Asia)**
- **Promoting global cross-functional structure**
- **Considering setting KPIs to solve materiality**

Numerical targets under management vision and FY2023 results

Overseas net sales	Double-digit sales growth year-on-year achieved in each region, meeting numerical targets
Operating profit	Profit growth with improved profit margins secured, numerical targets achieved
Ratio of overseas net sales	Up 3.9 percentage points year-on-year to 45.9%

Progress: ● as planned, △ less than planned

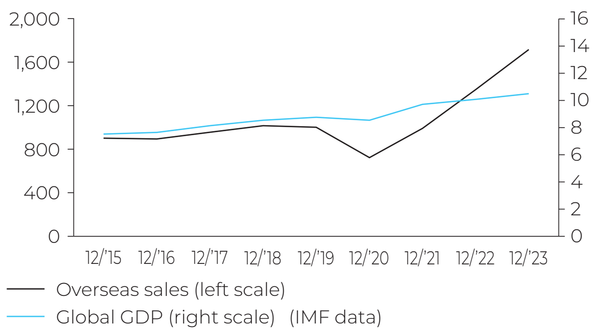
Numerical targets (FY2026)	FY2023 results	Progress
Overseas sales: ¥175.0 billion or higher* (CAGR +12% from FY2021)	Overseas sales: ¥171.5 billion (+73% from FY2021)	●
Operating profit: +21%* from FY2021	Operating profit: +136% from FY2021	●
Ratio of overseas net sales: 50%	Ratio of overseas net sales: 45.9%	●

* Except new M&As

Overseas Market Trends: Continued Growth Surpassing GDP

Global nominal GDP reached approximately US$105 trillion in FY2023, representing a 4.1% increase from the previous year (meaning a real growth rate of +3.2%). On the other hand, the Hoshizaki Group's overseas sales in FY2023 amounted to 171,500 million yen, a 27.2% rise from the previous year, significantly surpassing the GDP growth rate. Amid continued strong demand in markets such as the United States and India, we focused on product supply while the integration of Brema in Italy and Royalkitchen in China and the yen's depreciation also contributed to the sales increase. Looking at overseas subsidiaries' sales figures in local currencies, we secured double-digit sales growth from the previous year as a whole even though some companies saw their sales decrease.

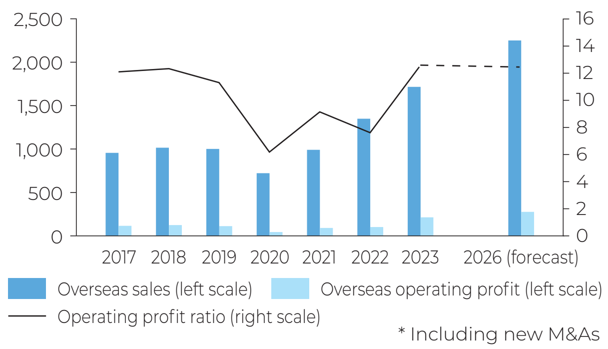
● **Changes in global nominal GDP and Hoshizaki Group's overseas sales**



Performance Trends: Continued Update of Record Profit

Overseas sales in FY2023 rewrote a record annual high for the second consecutive year, following FY2022. Sales were approximately 71% higher than the pre-COVID-19 FY2019 level and have smoothly progressed toward the numerical targets set in the management vision.
Operating profit surged 108.1% year-on-year to 21,300 million yen (meaning an operating profit margin of 12.5%), securing the highest profit level on record and representing approximately 1.9 times the FY2019 level. However, the operating profit margin was affected by such factors as rising parts/material costs, increased labor expenses, and various costs associated with M&A activities.

● **Changes in overseas sales, operating profit, and operating profit ratio**



* Including new M&As

Overseas Business Strategy

FY2023 results and issues

Results	• **Double-digit year-on-year sales gains achieved across all regions** • **Both net sales and operating profit hit numerical targets.** • **Strengthening overseas regional system**
Issues	• **Global slowdown in growth of commercial refrigerators** • **Recovery in Chinese market and strengthening of management at Macom in Brazil** • **Strengthening of PMI* (see Page 23) activities at acquired companies** • **Promotion of new M&As** • **Intensified price rivalry with competitors**

SWOT analysis

Strengths	1. Strong brand power in global market 2. Top-class share of global ice maker market (in number, FY2023) 3. Global expansion of production, sales, and after-sales services 4. Market launch of new products tailored to applications, regions, and customer needs	**Continuity**	1. Enhancing brand strength by launching high-performance, high-quality, and differentiated products not offered by competitors 2. Further rise in market share through M&As, regional strategies, and tiered product development 3. Enhancing organizational structure through M&As and establishing strategic supply bases with overseas group companies 4. Accelerating joint development with overseas group companies and evolution of core technologies from regions
Weaknesses (issues)	1. Speed and profitability of expanding sales of commercial refrigerators 2. Product lineup in mid-price range (volume zone) 3. Shortage in global human resources	**Measures needed**	1. Maximizing synergy effects with consolidated companies and advancing global cost reduction activities 2. Formulating strategies for each region to address market needs through new product launches, sales channel development, and expansion of second brand 3. Enhancing human resource development and career recruitment and improving employee exchanges
Business opportunities	1. Mid-price range (volume zone), which has a large market 2. M&As focused on overseas markets 3. Maximizing synergy effects with consolidated companies	**Time axis and scale**	1. Improving expansion speed through brand and sales channel strategies 2. M&A effects: ¥50 billion sales gain (FY2026) 3. Improving profitability through expanded cross-selling
Threats	1. Intensified competition with competitors (cost advantages and functional enhancements of competing products) 2. Economic security risk 3. Rising parts/material costs and their procurement risks	**Measures needed**	1. Development and proactive launch of differentiated products 2. Early risk identification and prompt countermeasures 3. Appropriate price adjustments, design changes, search for new material suppliers, and securing logistics

Basic policies of management vision and FY2023 results/issues

Basic policies	FY2023 results	Issues
Aggressive forays into new markets • Pursue growth opportunities for different areas, products, channels, and customer segments.	• Double-digit year-on-year sales gains achieved across all regions • New products targeted at mid-price market launched proactively	Accelerating enhancement of mid-price product lineup Market expansion leveraging acquired companies
Clarify area strategies • Execute major business model reforms in Europe and China. • Europe: Strengthen growth and profitability improvement in cooperation with acquired companies. • China: Aggressively pursue growth on the strength of product lineup enhancement, using high brand power. • Americas: Pursue optimal balance between sales growth and profit ratio improvement for sustainable profit growth.	• Optimal production system established in Europe • Sales in Europe up 20% year-on-year (constituting 12% of total sales) • Sales in China up 16% year-on-year (constituting 6% of total sales) • Sales in Americas up 15% year-on-year (constituting 45% of total sales)	Europe: Maximizing use of optimal production system and market expansion as unified region China: Strengthening ability to respond to future market changes Americas: Product lineup tailored to customer needs, maximizing synergies between group companies, enhancing sales channels
Strengthen QCD • QCD is the core of the Hoshizaki brand, and we will steadily reinforce QCD through collaboration among Japan and other areas. • Reduce costs and shorten delivery times through supply chain optimization.	• European production transfer set to be completed without hitch • Supply chain supporting cross-selling established	Establishing production increase system Stabilizing supply
Strengthen area management • Delegate authority to area heads and accelerate decision-making. • Efficient business support from Hoshizaki's Head Office by strengthening functional axes (across all overseas areas)	• Regional headquarters set up in Southeast Asia • Cross-functional strategy promoted for each overseas region	Risk management at newly acquired companies Appropriate authority delegation to regions and development of management human resource
Strengthen organizational ability related to M&A • Plan to invest approximately ¥125 billion over the next 5 years; strengthen organizational ability from project development to PMI.	• M&A deals steadily acquired and PMI advanced in line with M&A policy	Further promote M&As and strengthen PMI.

Overseas strategic policy for second half of management vision

The key to growth in overseas business is product strength, and management based on orientation to products tailored to regional characteristics is essential. In addition to maximizing PMI* (see Page 23) and synergy effects for overseas group companies, we are committed to steadily implementing growth strategy for each region. By integrating functions across each region, we aim to promote optimal global coordination and achieve the numerical targets of our management vision.

Strive in each region for greater sales and better profitability across all regions and all product categories as group's growth engine

1. Refrigerators	Revitalize sales in Europe and the United States and boost sales by enhancing development, manufacture and sales structures in growth markets
2. Ice makers	Aim to create demand for ice makers in future growth markets such as Southeast Asia besides being market leader in all regions
3. M&A	Actively pursue new M&A opportunities to develop new markets and further increase sales in existing markets
4. ESG management	Formally initiate specific promotion of ESG management abroad

"Aggressive" strategy for each region toward latter half of management vision

The Americas market is expected to continue facing the issue of channel inventory of commercial refrigerators until around mid-2024. However, we will promote direct sales to dealers and expand e-commerce, among other efforts, and strengthen our approach to the mid- to high-end refrigerator market by introducing new models and launching new brands. Macom in Brazil is advancing improvement in profitability ahead of schedule by revising its management structure and optimizing inventory levels.

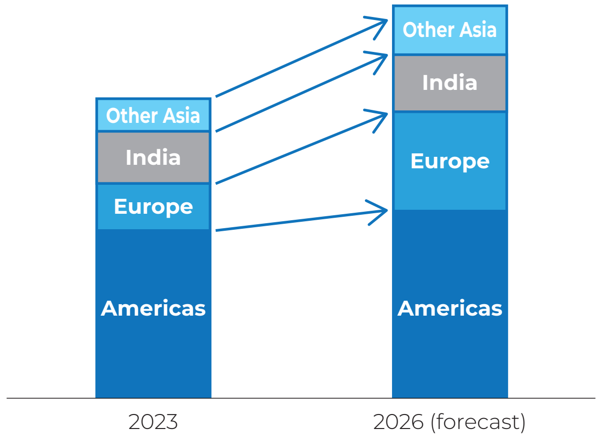
In the European market, we are enhancing brand strategies for the mid- to high-end market and reforming sales channels. Regarding the establishment of an optimal production system, we have completed product lineup expansion for Ozti refrigerators in Türkiye and the transfer of midrange compact refrigerator production to Western in India. We aim to improve production efficiency and maximize the effects of increased production.

In the Southeast Asian market, we are strengthening business oversight through the regional headquarters established in Singapore in July 2023. We will focus on further enhancing the product strength of our overwhelming ice maker business, expanding our product lineup, and improving response to custom orders, with the aim of achieving top market share in refrigerators in each country.

In the Indian market, we will strive to achieve sustained high growth not only by complying with new energy efficiency standards but also by strengthening our product lineup and expanding into new categories such as medical refrigeration equipment.

In China, where the market environment remains uncertain, we will accelerate our marketing strategy, focused on products with high energy efficiency, and model changes. We will also strengthen efforts to reduce distribution costs through integrated operations in development, manufacturing, and sales, cut costs through design changes, and review procurement sources, with the aim of increasing both sales and profit.

• Forecast of overseas sales breakdown by region



"Defensive" strategy for achieving goals

Continued M&A activities are expected in the future. We will seek to strengthen PMI* (see Page 23), such as internal control, and to realize not only good profitability but also synergy effects as soon as possible. In M&A activities in emerging markets with high growth potential, it becomes crucial to manage overall risk management, including country-specific risks. In the future, we will place greater emphasis on "defensive" strategies ever than before.

Overseas business strategy toward solving materiality

Since there are differences in regulations and initiatives across various countries and regions, we aim to focus on enhancing economic value while contributing to social and environmental value, taking regional characteristics into account. Currently, the KPIs for achieving our targets are primarily focused on domestic operations. However, since there are also notable achievements abroad, such as in the empowerment of women, we are starting to consider setting target values and other aspects as part of our review.

Interview with Executive Responsible for Americas

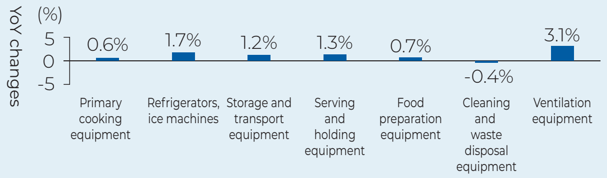
We aim for continued high growth by developing products and brand strategies based on customer needs, leveraging synergy through collaboration within the Hoshizaki Group, and working with employees who find happiness in working at Hoshizaki

Chris Karssiens
President
HOSHIZAKI USA HOLDINGS, INC.

Q: Please talk about the recent trends in the food service equipment market in the Americas.

A: The food service equipment market has recovered to pre-COVID levels. However, like the U.S. economy, the growth rate of this market is generally slowing. Pricing pressures are growing due to such factors as elevated consumer prices in 2021 through 2023 (up 20% over pre-COVID levels), the influx of low-cost refrigeration equipment from Chinese brands, and excess inventory currently in the sales channel. A look at market trends by product type for the October-December quarter of 2023 shows that the overall performance is generally firm but that dishwashers have turned negative.

● YoY changes in US food service equipment sales by product type in October-December quarter of 2023



Source: Estimates by HOSHIZAKI USA HOLDINGS, INC

Q: Please tell us the driving force behind obtaining market share and maintaining high growth in the Americas.

A: We use analytics based on voice of customer (VOC) surveys and a team of engineers focused on applying the latest technology to our products based on our customers' current and future needs. We also place significant importance on a customer-centric approach. To enhance the recognition of the Hoshizaki Brand, we have developed the new "Hoshizaki Alliance" branding strategy for use at trade shows and in advertisements which includes all Americas Regions companies including Hoshizaki America, Lancer, Jackson, Macom and Fogel. The soon-to-be-announced brand "Valiance" is geared toward customers who prefer minimal upgrade options at lower cost but with guaranteed Hoshizaki quality designed in. Moreover, we have achieved world-class operations by continuously improving such aspects as delivery times, quality and cost. We are also striving to improve the working environment, with a motivated, happy workforce that feels appreciated and drives productivity. We are successfully working collaboratively with affiliated companies to leverage both regional and global synergy opportunities and best practices across all functions, operations and market segments.

Q: How will you maximize synergy effects with companies newly joining the group?

A: First, we implement a multi-brand sales strategy, focused on sustainable mutual benefits to gain share across all product platforms and strengthen end-user relations. We standardize market research, analyze and share data on customers and other factors, and further advance mutual deployment in areas such as product development and IoT application. In addition, we aim to maximize synergy effects by building partnerships with suppliers focused on cost reduction and standardization, strengthening collaboration on ESG management, and enhancing internal control, cybersecurity, etc.

Q: How do you plan to approach your distribution strategy in the United States?

A: By shifting to sales through our own distribution centers, we aim to shorten the distance to our customers and develop demand for product replacements. In addition, we will advance toward a pull-based sales system by increasing the frequency and quality of interaction with all customer types and introducing training processes aimed at enhancing sales and technical service support.

Q: How do you view the future demand outlook for the US market?

A: The global food service equipment market in 2023 is estimated to be around 36.0 billion dollars. It is projected to grow at a compound annual growth rate (CAGR) of 7.1% from 2024 to 2030. The U.S. market specifically is forecast to exhibit a CAGR of 4.3% by 2034. The key driving forces are energy efficiency; space-saving and footprint optimization; adoption of low-GWP* refrigerants; advanced diagnostic functions using IoT, etc.; improved sanitation; unmanned and labor-saving technologies in store operations; and use of multifunctional equipment.

* GWP (global warming potential) is a coefficient associated with global warming.

M&A Policy and Track Record

In the five-year management vision with 2026 as the final year, we anticipate a contribution of 50,000 million yen to sales through M&As, aiming to achieve the target sales of 450,000 million yen. We will aim to strengthen acquisitions in emerging markets while reinforcing research on high added-value brands overseas. In Japan, we will advance acquisitions and strengthen business partnerships to enhance our product lineups. Besides executing M&As in accordance with our five M&A principles, we will steadily implement PMI* (see Page 23) **to maximize synergy effects and ensure their effective contribution to our business performance.**

Aiming to build optimal portfolio in line with Hoshizaki's five M&A principles

At the Hoshizaki Group, we select candidate companies that meet the criteria outlined in the five M&A principles and conduct due diligence. We proceed with scaling down M&As or withdrawing from them if unexpected changes in the market environment occur or if it is determined that creating anticipated synergy effects is challenging. In 2018, we sold our stake in Zhejiang Aixue Refrigeration Electric Appliance Co. in China, and in 2022, we closed the Gram factory in Denmark (owned by Gram Commercial A/S acquired in 2008). Moving forward, we will aim to enhance profitability by optimizing our production network and regional and product portfolios while expanding scale through M&As.

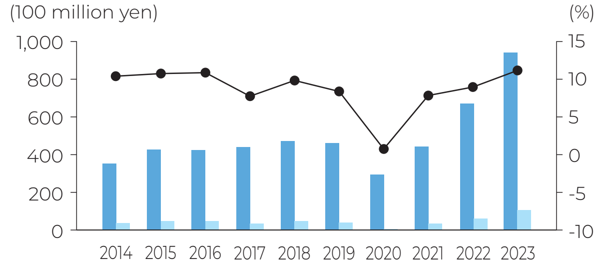
Hoshizaki Group's five M&A principles

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 certain size (sales of several billions of yen or higher)
5 Companies with desire for more (not satisfied with status quo)

Contribution of acquired companies to business performance

The combined business results (simple total, including internal deals) of six subsidiaries – Lancer, Jackson, Macom, Western, Brema, and Royalkitchen – in FY2023 came to 94,100 million yen in net sales, 10,500 million yen in operating profit, and 11.2% in the operating profit ratio. In FY2023, Brema (Italy) and Royalkitchen (China), which became part of the consolidated group in the second half of 2022, contributed to increased net sales and operating profit. In FY2024, Ozti (Türkiye), Naomi (Japan), and Technolux and HKR Equipment (Philippines) will be newly included in the consolidated group, whereas Fogel (Panama/Guatemala) will become an equity-method subsidiary.

● Changes in performance of six acquired companies (simple total, including internal deals)



Simple total of results of Lancer, Jackson, Macom, Western, Brema, and Royalkitchen (including internal deals)

● Main M&A results and expected synergies

	Acquisition timing	Main products and services	Synergy effects
Lancer (USA)	February 2006	Beverage dispensers	● Market share expansion through synergy effects based on overseas production and sales bases
Western (India)	January 2013	Glass door refrigerators Glass door freezers	● Manufacture and sales in India of Hoshizaki Group products, including commercial refrigerators ● Enhancement of Western product development, productivity, and quality with support from Hoshizaki
Jackson (USA)	January 2013	Dishwashers	● 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 (Brazil)	July 2013	Refrigerators, thermal equipment (complete kitchen set)	● Manufacture and sales in Brazil of Hoshizaki Group products, including ice makers ● Enhancement of Macom's product development, productivity, and quality with support from Hoshizaki
Ozti (Türkiye)	December 2019 (made equity method affiliate) March 2024 (turned into consolidated subsidiary)	Thermal equipment Dishwashers Refrigerators	● Expanding Hoshizaki's market share by leveraging Ozti's sales channels in Middle East, Europe, and Africa ● Expanding Hoshizaki Group's product lineup through Ozti's development and manufacture of refrigerators for Europe, dishwashers for Asia, etc. ● Creating synergies such as enhancement of Ozti's product development, productivity, and quality with support from Hoshizaki
Brema (Italy)	July 2022	Ice makers	● Market share expansion in Europe and the Middle East of commercial ice makers based on local production and sales bases
Naomi (Japan)	October 2022	Filling machines	● Market expansion for filling machines by leveraging Naomi's product strength and consulting sales capabilities along with our sales and service network ● Strengthening Naomi's business functions in development, manufacturing, sales, service, and management with support from Hoshizaki
Royalkitchen (China)	December 2022	Design and construction of complete kitchen set	● Expansion of sales channels to luxury hotels, major companies' cafeterias, chain restaurants, supermarkets, etc. ● Acquisition of expertise in kitchen set business and its enhancement
Fogel (Panama/Guatemala)	February 2024 (made equity method affiliate)	Refrigerators	● Expanding product lineup in volume zone of US refrigerator business ● Expanding business in Latin American region by leveraging Fogel's sales and service network for major beverage manufacturers
Technolux, HKR Equipment (both Philippines)	May 2024	Importer, distributor	● Market expansion for Hoshizaki products by leveraging both companies' extensive delivery records to hotels and restaurant chains ● Enhancing added value through sharing of Hoshizaki's after-sales service expertise and strengthening service infrastructure in the Philippines