

Sustainability Management

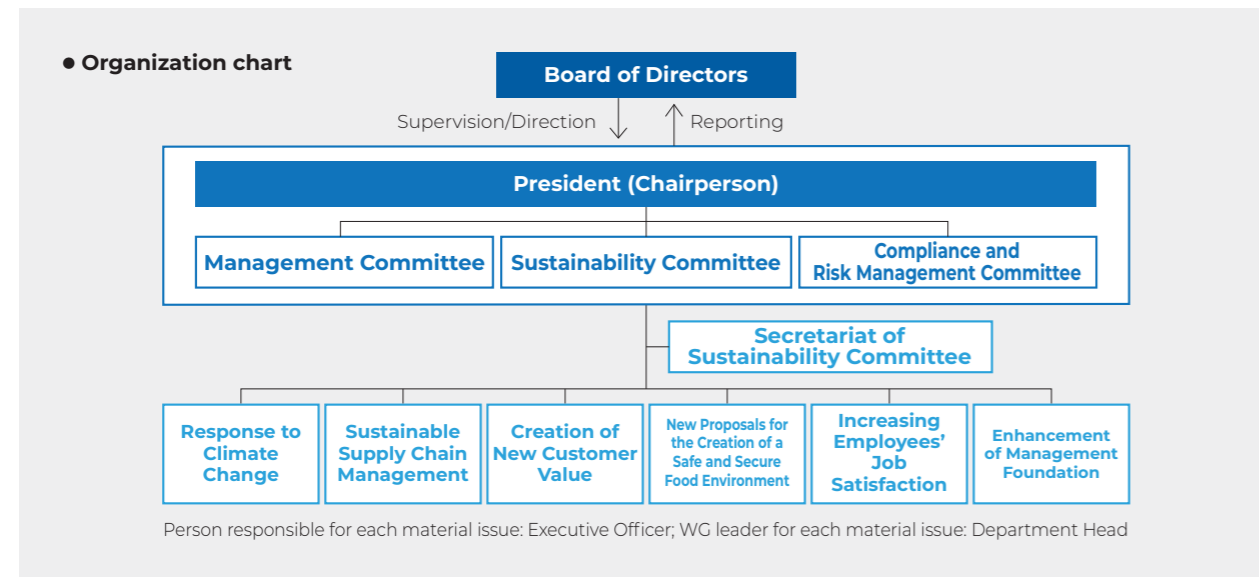
In June 2022, Hoshizaki established the Sustainability Committee as a meeting for discussing governance, strategies, risk management, metrics and targets for monitoring results and progress and designing countermeasures regarding the group's sustainability initiatives, including social and environmental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

▶ As for the Hoshizaki Group's Sustainability Principle, please visit its website. <https://www.hoshizaki.co.jp/en/esg/sustainability/management.html>

Governance

Hoshizaki established the Sustainability Committee in June 2022, which is chaired by the Representative Director, President & CEO and vice chaired by the Senior Executive Officer in charge of the administration. The Sustainability Committee, which worked on a quarterly basis, regularly reports on the progress of each meeting, including deliberation results, to the Board of Directors (once in every quarter in principle). The business risks related to sustainability are shared

with the Compliance and Risk Management Committee and reported to the Board of Directors as needed. Under the Sustainability Committee, working groups (WGs) have been established for each material issue to promote solutions to these material issues. Each WG is headed by an Executive Officer in principle, and the details of their initiatives and the status of progress are reported to the Sustainability Committee, as needed.



Details of deliberation by the Sustainability Committee

Meeting	Date	Key Points
First meeting	November 2022	<ul style="list-style-type: none"> Development of Sustainability Principle Direction of sustainability Initiatives Initiatives for materiality
Second meeting	March 2023	<ul style="list-style-type: none"> Setting KPIs for materiality Challenges for the disclosure of sustainability information Analysis of climate change scenarios (strategy update)
Third meeting	June 2023	<ul style="list-style-type: none"> Future Sustainability Promotion System, establishment of materiality WGs, and appointment of person responsible for each WG (Executive Officer) Disclosure contents of Integrated Report 2023
Fourth meeting	September 2023	<ul style="list-style-type: none"> Increase and enhance sustainability disclosure Report on materiality WG activities <ul style="list-style-type: none"> Installation of solar power generation facilities at Hoshizaki Corporation Status of development of female managers and other issues Review of Integrated Report 2023
Fifth meeting	January 2024	<ul style="list-style-type: none"> Report on materiality WG activities <ul style="list-style-type: none"> Execution of the supplier survey Target to reduce CO₂ emissions (Scope 1 & 2), etc. Progress report on compliance with Europe's CSRD Disclosure of sustainability information in the securities report
Sixth meeting	March 2024	<ul style="list-style-type: none"> Report on materiality WG activities <ul style="list-style-type: none"> Analysis of climate-related scenarios (update to 1.5°C scenario, etc.) Decided global target to reduce CO₂ emissions (Scope 1 & 2) Customer satisfaction survey conducted for recipients of maintenance and inspection services Status of sustainability initiatives at overseas group companies Progress report on compliance with Europe's CSRD Disclosure contents of Integrated Report 2024

Sustainability Strategy

The Hoshizaki Group discussed and examined various social issues, identifying six material issues. We will realize our management vision and Long-term Vision by setting targets and KPIs for each material issue, as well as implementing measures for solving issues.

▶ For more details, see Page 25

As for the environmental initiatives focused on climate change, we are promoting environmental management aimed at reducing environmental impacts across the entire group through the reduction of CO₂ emissions, the suppression of waste generation, and the development of energy-saving products that are environmentally friendly.

▶ For more details, see Page 53

As part of our societal initiatives, we are working to enrich our human capital while promoting active workplace participation of women with a view of increasing employee satisfaction. To develop a sustainable supply chain, we are striving to strengthen our supply chain management by maintaining closer communication with suppliers and conducting surveys on environmental preservation, response to human rights, safe working conditions, and other issues.

▶ For more details, see Page 59, Page 61

For customers, in Japan, we are working in full swing for the sale of environmentally friendly natural refrigerant *(see Page 06) refrigerators and freezers, which are ahead of competing products of other companies, and aiming to create new customer value through active expansion in the non-restaurant market. At the same time, leveraging our nationwide sales offices, we are making new proposals for creating a secure and safe environment.

▶ For more details, see Page 58

To enhance our management foundation, we are strengthening our governance promotion framework through activities of the Compliance and Risk Management, Nomination and Compensation Committee, and Sustainability Committee.

▶ For more details, see Page 76

To integrate efforts for addressing the identified six material issues and achieving our management vision, in principle, the materiality WGs each led by an Executive Officer have set goals and indicators, and are actively promoting activities. ▶ For more details, see Page 27

Risk Management

In consideration of the risks and opportunities related to each materiality, we will timely monitor the KPIs in place and take measures considering the strengths and weaknesses of relevant department and the Company to minimize the risks and maximize the opportunities. In terms of the risk management associated with business activities, the Compliance and Risk Management Committee seeks to ensure risk management and take prompt measures at its monthly meeting.

Metrics and Targets

As for metrics and indicators related to the promotion of sustainability initiatives, we are evaluating the progress of our activities and enhancing their effectiveness by setting goals and target values aimed at solving the six material issues. ▶ For more details, see Page 25

Development of Future Sustainability Initiatives

Toward the final year of our management vision in 2026, we will focus on the following activities to synchronize with our management strategy:

- Response to the growing requirements for the disclosure of sustainability information
- Enhancement of partnerships with overseas group companies and development of joint activities
- Synchronization between six material issues and the management strategy

Development of Future Sustainability Initiatives



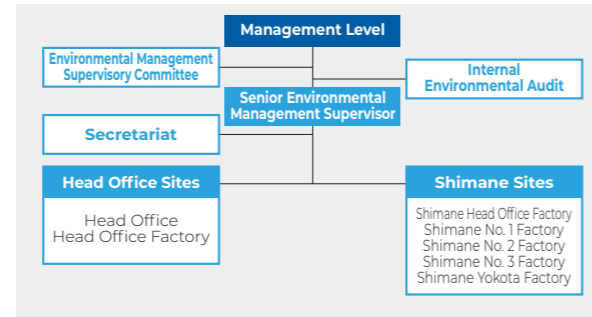
Initiatives for the Environment

The Hoshizaki Group advocates an “Evolving Company” contributing to the society and its customers as the Purpose. Based on this, we are advancing efforts to reduce environmental impacts in cooperation with our suppliers. All departments of our domestic factories are engaged in activities that reduce environmental impacts. Additionally, we formulated the “Hoshizaki Eco Plan,” which includes the development of environmentally friendly products, the promotion of recycling, and the recovery of CFCs/HCFCs/HFCs.

- ▶ Please see Hoshizaki’s website as for the Hoshizaki Environmental Policy. <https://www.hoshizaki.co.jp/en/esg/environment/>
- ▶ Please see Hoshizaki’s website as for details of the Hoshizaki Eco Plan. <https://www.hoshizaki.co.jp/en/esg/environment/management.html>

Environmental Management System Promotion Organization Structure (Hoshizaki)

We have in place a structure where all departments of our domestic factories participate in activities to reduce environmental impacts, with the Executive Officer in charge of the Head Office Factory, the Executive Officer in charge of the Shimane Factory as management, and the General Manager of the General Affairs Department acting as the Senior Environmental Management Supervisor. For the priority items set by the system, each department plans specific tasks, regularly evaluates their implementation status, and adds new tasks, as necessary.



● Environmental Priority Goals and Results

	FY2023 Goals	Results	Comments	FY2024 Goals
Response to climate change	Energy consumption rate 1% reduction compared to FY2022 at all sites	●	Goal achieved	Energy consumption rate 1% reduction compared to FY2023 at all sites
	Loading size (loading rate) improvement Goal values set for each site	●	Goal achieved	Loading size (loading rate) improvement Goal values set for each site
Development and design of environmentally friendly products	Development of products using refrigerants with low global warming potential	●	We have worked on adopting natural refrigerants*(see Page 06) for upright refrigerators and freezers as well as undercounter refrigerators. We have adopted refrigerant R448A for large ice makers (TM series) and refrigerant R134a for showcases. We have worked on adopting refrigerant R448A for prefabricated units.	Development of products using refrigerants with low global warming potential
	Improvement in product energy efficiency	●	We have worked on enhancing the energy efficiency of dishwashers.	Improvement in product energy efficiency
Promotion of effective use of resources	Rate of yield on metal materials Goal values set for each department and each relevant process	●	Due to factors, such as defects arising from the casing process and the composition of production models, some departments have failed to achieve their goals.	Rate of yield on metal materials Goal values set for each department and each relevant process
	Internal failure costs of plastic materials Goal values set for each department	●	We have achieved the target value for the annual cumulative amount.	Internal failure costs of plastic materials Goal values set for each department
	Suppressing waste product generation Goal values set for each department, each relevant process, and each root cause	●	We have worked on reducing the assembly defect rates, internal failure costs, and market return units, thereby achieving all targets.	Suppressing waste product generation Goal values set for each department, each relevant process, and each root cause
	Zero emissions	●	We continue to maintain zero emissions with a recycling rate of 99.6%.	Zero emissions
Compliance with efforts for legal obligations	“Reorganization of energy management standards” under Act on Rationalizing Energy Use	●	Reorganization implemented	—
	Compliance with Act for Promotion of Recycling of Plastic Materials Decision made on how to address requirements	●	We have decided to draft a preliminary plan for the direction of our efforts and report it at a meeting of the Environmental Management Supervisory Committee in January 2024.	Compliance with Act for Promotion of Recycling of Plastic Materials Announcement of the direction of efforts
Conservation of the natural environment	Cooperation and participation in Hoshizaki Green Foundation conservation activities	●	We cooperated with Hoshizaki Green Foundation in its conservation activities.	Execution of activities for the conservation of the natural environment

Scope: Hoshizaki Head Office Factory and Shimane Factory

Materials Flow

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

- ▶ Please see Hoshizaki’s website as for details of the materials flow. https://www.hoshizaki.co.jp/en/esg/environment/material_flow.html

Compliance with the Fluorocarbon Emission Control Act

In Japan, the Fluorocarbon Emission Control Act came into

effect in April 2015, requiring operators to conduct regular and simple inspections of equipment using CFCs/HCFCs/HFCs and report on the amount of leakage.

Hoshizaki is working to prevent any leakage by identifying equipment using CFCs/HCFCs/HFCs to be monitored at factories and offices, preparing the management record, and performing regular and simple inspections and maintenance according to equipment capacity. It is required under the law to report any leakage of 1,000 metric tons or more in CO₂ equivalent. The amount of leakage at Hoshizaki in FY2023 was below that level.

Response to Climate Change

Materiality: Response to Climate Change



Most relevant SDGs

Relevance to the Vision	In response to the global climate change, contribute to the resolution of environmental issues through the provision of a comfortable food environment (business)
Target	KPI Reduce the CO ₂ emissions in business activities to realize a decarbonized society Target value Reduce CO ₂ emissions (Scope 1 & 2) by 30% compared to FY2023

Reduction of greenhouse gas (GHG) emissions through the use of HFC-free refrigerants

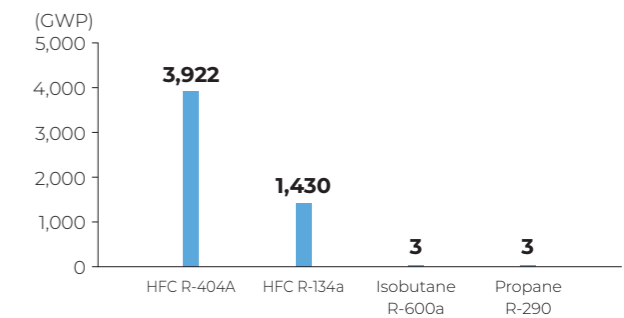
In Japan, Hoshizaki released 68 affordably priced models of commercial natural refrigerant-based refrigerators and freezers in May 2023 and is scheduled to offer a full lineup of natural refrigerant-based refrigerators and freezers by the end of 2024. After that, we will continue to replace our refrigerators and freezers with natural refrigerant-based products. This will lead to GHG emission reductions throughout product life cycles and greatly contribute to lowering environmental impacts.

Effects of natural refrigerant products on mitigating global warming

Amid progress in the transition from high-impact HFCs to HFC-free refrigerants, natural refrigerants are being widely used overseas. As a global supplier of refrigeration equipment, Hoshizaki is committed to reducing environmental impacts.

The company is specifically promoting the introduction of natural refrigerant products, such as isobutane and propane, not only in markets abroad, but also in Japan. These natural refrigerants, which are widely used overseas, reduce the GWP*(see Page 49) by 99% compared with HFCs.

● Comparison of GWPs *(see Page 57)



Business Opportunities in Addressing Climate Change

Makoto Sasaki
Executive Officer
(In charge of research and development)

Q: How do you plan to create and seize business opportunities in addressing climate change?

A: As customer demand for reducing electricity and water consumption continues to grow more according to transition plan, we will further enhance the energy efficiency of ice makers, refrigerators, freezers, and dishwashers. To address the issue of HFC gas leaks, we are promoting the use of natural refrigerants with an extremely low GWP in refrigerators, freezers and ice machines. Our plan is to increase the adoption rate of natural refrigerants from 15% at the end of last year to 73% by the end of 2024.

Q: What are the factors promoting the replacement of traditional HFC refrigerators and freezers with those using natural refrigerants?

A: We can highlight three advantages of replacement. First, products using natural refrigerants do not use HFCs, eliminating the need for inspections and reporting as required by the Fluorocarbon Emission Control Act. This leads to improved work efficiency for customers.

Second, natural refrigerants have a GWP of 3, which means their environmental impacts are extremely low. This leads to the resolution of social issues, such as ESG and SDGs initiatives. Third, as the global production of HFCs is expected to decrease, it will become increasingly difficult to repair systems that use these refrigerants due to their limited availability. By using products with natural refrigerants, customers can ensure long-term, safe, and reliable usage.

Q: Amid anticipated changes in the business environments of customers due to climate change, please tell us what Hoshizaki is focusing on in addressing challenges through its technological advancements.

A: Hoshizaki will thoroughly delve into its core technologies of freezing, preservation, thawing, and cleaning, capturing changes in customer needs to drive new product development. For instance, in the freezing and thawing processes, there is an increasing demand for various freezing and thawing solutions tailored to specific types of food ingredients. We aim to enhance preservation with the ultra-low temperature technology, reduce quality degradation with the high-humidity cooling technology, and minimize flavor and texture loss through the advanced thawing technology. We believe that climate change will accelerate and amplify changes in customer needs worldwide. Hoshizaki contributes to solving challenges on the part of customers and in the food environment through its technological advancements.

Information Disclosure Based on TCFD Framework

As climate change has considerable impacts on the society, the Hoshizaki Group has regarded them as a key social issue to address. The group expressed its agreement on TCFD Recommendations in February 2022 and is proceeding with information disclosure based on the TCFD framework. In addition to revising our scenario analysis in 2023, we broadened the target for CO₂ emissions from business activities (Scopes 1 and 2) and from nonconsolidated to the Group*.

Reduction targets were also changed as being for the Group*, with an interim goal for 2030 set at 30% reduction in CO₂ emissions (Scopes 1 and 2) compared with the result in 2023. We will continue as the group to promote initiatives to realize a decarbonized society.

*Excluding overseas sales companies

Governance

The Hoshizaki Group has established the Sustainability Committee as an organization for promoting initiatives for materiality including responses to climate change, with the Representative Director, President, and CEO as Chair. The climate change working group (WG) is conducting activities under this committee to promote measures against climate change. Progress in results of activities by the WG is reviewed regularly by the Sustainability Committee. ▶ For more details, see Page 51

Strategy

Scenario Analysis for Climate Change

The “2°C or lower scenario” was revised in 2023 from 2°C to 1.5°C, as a target in line with social needs. We evaluate the financial impact on a three-point scale for each risk and opportunity based on its impact on periodical profit and its probability.

*See the following page for details on the scenario analysis.

Scenarios for reference

- World Bank “State and Trends of Carbon Pricing 2021”
- IEA World Energy Outlook (WEO) 2021
- IPCC AR5, RCP2.6 (Under 2°C Scenario), RCP8.5 (4°C Scenario)

Risk Management

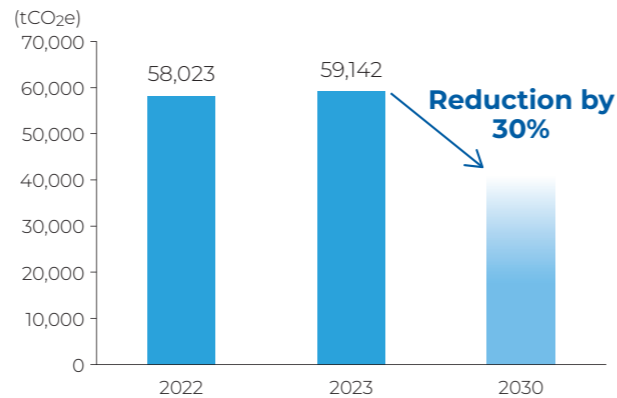
The Sustainability Committee conducts planning, formulation and management related to climate change, promoting the Company-wide measures for climate change. Specifically, the Sustainability Committee evaluates and identifies impacts (risks and opportunities) of climate change on the Company and then proposes and conducts countermeasures.

Metrics and Targets

Toward reducing CO₂ emissions from business activities (Scopes 1 and 2) to net zero in 2050, the Hoshizaki Group will promote thorough energy-saving activities and proactive utilization of renewable energy. The Hoshizaki Group has set as an interim goal for 2030 (including overseas), a target aiming for 30% reduction compared with 2023.

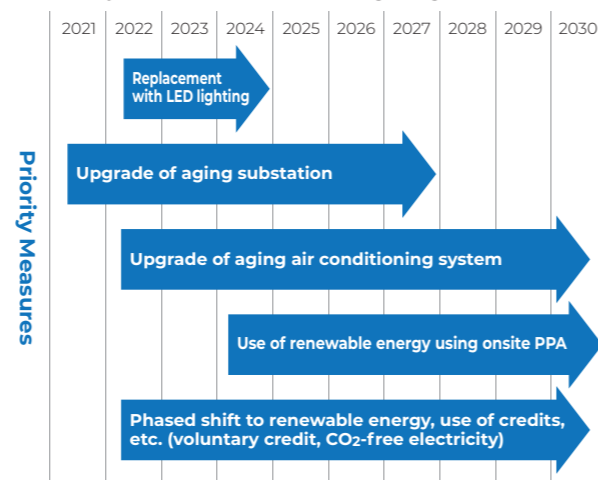
Hoshizaki Group: Interim (2030) Target to Reduce CO₂ Emission (Scopes 1 and 2)
Reduction by 30% CO₂ emission in 2030 compared with the result in 2023

Changes in CO₂ emissions (Scopes 1 and 2) and target for 2030 (tCO₂e)



Calculations for Scope 3 CO₂ emission are being made for Japan and overseas, and we plan to disclose reduction targets for global emissions by 2026. Gaining SBT validation is being put under consideration regarding targets.

Priority Measures for Achieving Target



Renewable energy power generation facilities are being established, with solar panels being installed in the Head Office Factory and Shimane Factory (installation scheduled to be completed by end of 2024). Volume of power generated is expected to be 1,540,000 kWh annually, with reduction in CO₂ anticipated at 754 tCO₂e annually.

Financial Impact of Climate Change Risks and Opportunities, and Countermeasures

Category	Item	Relevant scenario		Period of occurrence	Financial impact		Countermeasures	Results	
		1.5°C	4°C		Amount	Probability			
Transition risks	Policy and legal	Increase in burdens of R&D costs and capital investment owing to response to strict regulations on refrigerants and further promotion of decarbonization of products	✓		Short term	Small	Middle	<ul style="list-style-type: none"> Planned investment in R&D and product design Installation of energy-saving facilities Utilization of support programs such as national and municipal subsidies 	<ul style="list-style-type: none"> Installation of solar power generation facilities in the Head Office Factory and Shimane Factory (operations to begin after 2024) Completion of replacement with LED lighting in Head Office
		Cost increase owing to implementation of decarbonization	✓	✓	Short, medium, and long terms	Medium	High	<ul style="list-style-type: none"> Increasing procurement of renewable energy to reduce Scope 2 emissions Emissions for supply chains for the Company's business (Scope 3 emissions) will be calculated going forward and measures considered for them 	<ul style="list-style-type: none"> Preparations for calculating Scope 3 emissions Switch to natural refrigerants* (see Page 06) completed for 68 refrigerator and freezer models in Japan. Switch to natural refrigerants by the end of 2024 for all refrigerators, freezers, and ice makers (14 models).
	Market	A rise in raw materials procurement costs	✓		Short and medium terms	Large	Middle	Value analysis (VA), cost-saving activities (reduction of number of parts, change in design, review of materials and parts), decentralization of suppliers, strategic pricing revision	<ul style="list-style-type: none"> Non-restaurant market sales: approximately 87,500 million yen (in 2023 in Japan) Preparation of questionnaire for suppliers Secure appropriate parts inventory, optimize global supply chain
Physical risks	Acute	Rise in raw materials procurement costs owing to disruption of supply chain		✓	Short and medium terms	Middle	Low	<ul style="list-style-type: none"> Decentralization of suppliers and development of new suppliers Procurement from suppliers in close proximity to manufacturing sites, optimization of parts inventory for procurement risks 	<ul style="list-style-type: none"> Undergo cost saving and price revision. Installation of solar power generation facilities in the Toyoake Head Office Factory and Shimane Factory (operations to begin after 2024)
		Cost increase to strengthen measures for natural disasters		✓	Medium term	Small	Middle	<ul style="list-style-type: none"> Clarification of BCP* at global locations (manufacturing and sales) Enhancement of cooperation with suppliers for stable procurement in times of emergency 	
	Chronic	Shrinking of the restaurant market owing to fierce heat and the spread of infectious diseases		✓	Medium term	Medium	Middle	Expansion of customer channels (non-restaurant markets, focusing especially on distribution sector, processing and sales sector, basic industries, hospitals, nursing facilities)	
Opportunities	Products and services	Increase in demand for products and services that help with energy saving and reducing GHG for customers	✓		Short, medium, and long terms	Large	High	<ul style="list-style-type: none"> Expansion of lineup for products using natural refrigerants Reduction of electric power consumption of products and water consumption of products that use water, such as ice makers and dishwashers Increase in qualified inflammable gas handlers, arrangement of repair tools and equipment, service development 	<ul style="list-style-type: none"> Switch to natural refrigerants completed for 68 refrigerator and freezer models in Japan. Switch to natural refrigerants by the end of 2024 for all refrigerators, freezers, and ice makers (14 models). Launch of energy-saving products Introduction of Hoshizaki Connect Wi-Fi*(see Page 06), a service to manage operational and temperature data on a cloud server (SaaS)
		Increase in demand for refrigerators and freezers owing to temperature rise	✓		Medium to long term	Middle	Middle	<ul style="list-style-type: none"> Expansion and entry of cold chain products in areas with greater impact from temperature rise Expansion of sales of cold chain products into countries where we have no presence yet and development of service network in proportion to expansion of sales areas 	<ul style="list-style-type: none"> Promotion of overseas expansion (M&A) Ratio of overseas net sales: 45.9% (+3.9 points year on year) (FY2023)
	Markets	Increase in demand for proprietary products and services due to abnormal weather and other environmental changes	✓		Medium to long term	Middle	Middle	<ul style="list-style-type: none"> Improved lineup and services of sanitary products Expansion of automation, robotics, development of remotely operated products and services, labor-saving products 	<ul style="list-style-type: none"> Introduction of Hoshizaki Connect Wi-Fi, a service to manage operational and temperature data on a cloud server (SaaS) Collaboration with Connected Robotics

*BCP (business continuity plan) refers to how to continue business in emergency situations.

Creation of New Customer Value

Materiality: Creation of New Customer Value

Most relevant SDGs



Relevance to the Vision	Manufacture products flexibly responding to changes and create service business, quickly catching up with changes in the environment surrounding customers
Target	<p>KPI Contribution to customers in various non-restaurant markets into which we aim to expand</p> <p>Target value Non-restaurant market sales (in Japan): 100,000 million yen (in 2026)</p>

The Hoshizaki Group will listen to customers' voices and understand their needs to create new customer value while flexibly responding to market changes to develop optimum solutions, products, and services. We will realize sustainable growth by improving customer satisfaction and building long-term customer trust.

Offering Value to Customers in Non-restaurant Markets

In Japan, we are proactively developing non-restaurant markets while further exploring the existing restaurant market. We help non-restaurant market customers of

diverse industries and with diverse needs to find solutions to their challenges, for instance, by complementing product functions and establishing new sales channels through strategic collaboration with other companies.

● Main products and solutions for solving issues faced by non-restaurant markets

Key products	Value creation perspective	Main non-restaurant markets targeted
Walk-in cabinet panels and walk-in refrigerators	Adopted new refrigerant R448A (GWP*(see Page 49) 1390) for walk-in refrigerators and realized a 64% reduction in GWP compared with existing HFCs.	Food processing and distribution industries
Dual-temperature food service carts, reheating food service carts, blast chillers and shock freezers, and steam convection ovens	<ul style="list-style-type: none"> Flat trays, which are expected to become mainstream in the future, and existing divided trays can be freely stored in food service carts, lowering hurdles for transferring trays. Reheating food service carts were installed with humidifying functions to realize efficient heating by reducing the drying of reheated food. Amid rapidly increasing use of frozen food given the 2024 problem of the logistics industry, blast chillers have made quick freezing possible under wind as cold as -40°C, leading to work efficiency and improved hygiene. Steam convection ovens significantly reduce the cooking burden at hospitals and elderly facilities, which face chronic labor shortages, as a button is simply pushed once you input dish choices. 	Hospitals and elderly facilities
Liquid freezers	They rapidly freeze food ingredients using liquid ethanol at -35°C, which prevents the expansion of ice crystals; thus, curbing the destruction of food cells and maintaining the freshness of the food.	Food processing and sales industries
Pharmaceutical refrigerators	They accurately control the temperature range required for storing medicine using natural refrigerant isobutane R600a (GWP3), reducing GWP by 99% compared with conventional storage using HFCs.	Pharmaceutical companies and biotechnology research institutes
Water electrolyzer	<ul style="list-style-type: none"> They dispense acidic electrolyzed water without dilution, thereby improving hygiene management and work efficiency. They reduce the amount of water and detergent required for washing. 	Elderly facilities, agricultural produce processing industry
Industrial ice makers	They use the new refrigerant R448 (GWP1390), which reduces GWP by 64% compared with existing HFCs.	Agricultural and marine produce processing industry
Refrigerators and freezers using natural refrigerants*(see Page 06)	They use natural refrigerants such as isobutane R600a and propane R290 (GWP3), reducing GWP by 99% compared with existing HFCs.	Both restaurant and non-restaurant markets

Source of GWP: OzonAction Kigali Fact Sheet 3 by UN Environment Programme (UNEP) published in 2017



We are using Hoshizaki's natural refrigerant-based ice makers in our HFC countermeasures.

Tsukasa Suzuki Research Support Group, Research Support Department, Chugai Pharmaceutical Co., Ltd.

The Chugai Pharmaceutical Group has been pursuing initiatives based on concrete action plans, including verification of alternative technologies and natural refrigerant design for constructing new buildings and updating facilities to achieve 100% HFC reduction in 2030. We have been using several Hoshizaki products for ice machines, and the deciding factor for introducing them was that the company also offered natural refrigerant specifications for custom-made items. Hoshizaki also has an extensive postdelivery maintenance service, which was another reason for selecting it, and we felt that we could use the products confidently after delivery. Natural refrigerant-based ice makers are something new, so we would like the company to gather knowledge on the use of these machines over time through regular inspections to provide maintenance service and strive to ensure their stable operation. We hope that the company will propose the adoption of natural refrigerants also for HFC-based refrigerators and freezers currently used in kitchens.

Customer's voice

New Proposals for the Creation of a Safe and Secure Food Environment

Materiality: New proposals for the Creation of a Safe and Secure Food Environment

Most relevant SDGs



Relevance to the Vision	Provide safe and secure products and services in response to diversifying changes in the food environment, creating manufacturing and service businesses that adapt flexibly to these changes
Target	<p>KPI Product maintenance that takes advantage of the large number of sites across Japan, provision of the safety and security through call center support service</p> <p>Target value Service sales: 52,200 million yen (in 2026 in Japan)</p>

Excellent Support System

The Hoshizaki Group believes that its mission is to contribute to the support and protection of food culture by providing better products and services worldwide and deliver foods in a better condition under any circumstance. In Japan, approximately 2,600 service staff members based in local communities provide maintenance in a speedy manner to ensure that customers can keep using our products safely and securely. When conducting repairs and inspections, we not only restore the specific malfunctioning parts, but also propose preventive maintenance, such as replacing consumable parts and cleaning condensers. Additionally, we perform safety checks to prevent problems like electrical leakage and usage accidents, ensuring that customers can use Hoshizaki products safely and securely.

and inspection services completed. The evaluation targets include (1) customer service, (2) inspection details, and (3) maintenance contract contents. Additionally, we request open-ended feedback on a free description basis for any comments or suggestions. In the CS survey conducted in 2023, approximately 80% of the responses that customers selected for each question indicated high ratings. We fully follow up on all freely described comments that include requests and suggestions, striving to improve the quality of our maintenance services.

Promotion of business reforms by the Services Division of Hoshizaki Sales, an integrated sales company

As a common theme for the service segment across the 15 sales companies nationwide, we have established five performance-related tasks and four people/organization-related tasks. The technical managers of the 15 domestic sales companies and the Services Division of Hoshizaki Sales are working together on these initiatives. In all tasks, we consider them from the customer's perspective and strive to provide high-quality services by pursuing customer needs.

Customer Satisfaction (CS) Survey Conducted for Recipients of Maintenance and Inspection services

Every month, we send and collect CS survey slips from approximately 4,400 customers who have had maintenance

● Common theme for the service segment

	Task item	Task summary		Task item	Task summary
Performance-related tasks	Maintenance	Maintenance menu update	People/organization-related tasks	Service personnel development	Recruitment and training of new employees, promoting active roles for senior staff
	Repair	Development of the maintenance menu		Safety/health and technical skills	Prevention of occupational accidents and enhancement of technical skills
	Air-conditioning business	Expansion of the air-conditioning maintenance business		Work efficiency improvement	Systematization development and promotion
	Hoshizaki Connect Wi-Fi	IoT-based new value offerings and enhancement of customer engagement		Making service call centers advanced	Further acceleration of "reception to completion" process for registered customers
	Improved efficiency in equipment diagnostics	Speeding up reporting and proposals through the systematization of equipment diagnostics		Improved efficiency in maintenance and repair services	Improved efficiency in equipment diagnostics



Speedy and meticulous maintenance services enable smooth store operations

Masayo Miyoshi Executive Managing Director, Gion Tsujiri

For us, kitchen equipment is indispensable not only for storing ingredients, but also for ensuring safe and secure products for our customers. At Hoshizaki, its maintenance services, including maintenance contracts, help keep equipment in optimal condition, leading to smooth store operations and effective product management. We greatly appreciate that Hoshizaki has business offices conveniently located near all our stores, ensuring prompt assistance in case of any equipment glitch. This provides us with great reassurance. Moreover, we need to use equipment from various manufacturers to develop and offer a wide range of products with diverse variations. We appreciate that Hoshizaki can handle everything from proposing solutions to procurement and maintenance, even for equipment from other manufacturers. This support contributes to speeding up our product development process.

Customer's voice

Sustainable Supply Chain Management

Materiality: Sustainable Supply Chain Management



Most relevant SDGs

Relevance to the Vision	With a supply chain considering the environment and human rights, minimize waste emissions, and promote healthy and safe working conditions
Target	<p>KPI</p> <ul style="list-style-type: none"> Supplier survey on sustainability, including environmental protection (waste, etc.), human rights, and labor (safety) Ongoing communication with suppliers to enhance the results of initiatives <p>Target value</p> <ul style="list-style-type: none"> Attendance ratio of major suppliers to an annual factory policy briefing at 95% (in 2026) Sustainability survey response rate at 95% (in 2026)

Hoshizaki Group considers the suppliers to be important partners and is striving to build trusting relationships through fair and equitable transactions while also pursuing responsible procurement in the supply chain, including suppliers, to earn the trust of the society as a global company.

● Hoshizaki's Basic Policy on Procurement

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

▶ Please see Hoshizaki's website as for details on its Basic Policy on Procurement. <https://www.hoshizaki.co.jp/en/esg/social/supply-chain/supply-procurement.html>

Sustainability Survey conducted

We have been communicating our policies at factory briefings to minimize waste emissions and promote healthy and safe working conditions through a supply chain that considers the environment and human rights. In addition, at a factory policy briefing in February 2024, we requested cooperation for our "sustainability survey". This survey is designed with consideration of the global

norms related to supply chains. Starting in June 2024, we will communicate the results of the survey-based evaluation to our suppliers to enhance their understanding of our position. In the following fiscal year and thereafter, we will continue to conduct this survey regularly, establishing and embedding a PDCA cycle for responsible procurement to build a sustainable supply chain.

● Sustainability survey: five survey categories (a total of 50 questions)

Sustainability in general Four questions	Compliance and ethics 14 questions	Human rights and labor 13 questions	Environmental protection Nine questions	Disaster prevention and occupational health & safety 10 questions
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Together with Hoshizaki, we will overcome the logistics challenges of 2024

Toshimitsu Toyoba Executive Officer, Togo Sangyo Co., Ltd.

Our company supplies Hoshizaki with parts, primarily electrical components, for commercial refrigerators and dishwashers produced domestically.

Due to concerns about the logistics challenges of 2024, we have been discussing logistics improvements with Hoshizaki since the year before last. As a result, we have successfully transitioned from using our own delivery routes to Hoshizaki's shared delivery system. Correspondingly, the efficiency of transportation to Hoshizaki and its nearby suppliers has significantly improved, leading to various benefits, such as logistics risk reductions and cost increase restrictions.

For further improvements, we are exploring the relocation of our import hub for overseas procurement items closer to Hoshizaki's vicinity. This initiative aims to shorten transportation distances and times, potentially achieving further efficiency gains. In addition, by switching to shared delivery services, we can eliminate cardboard boxes and potentially transition to reusable containers, which aligns with our environmental conservation efforts. We are currently evaluating this approach. We aim to deepen our collaboration with Hoshizaki and strive for further improvements and growth, addressing various issues, including logistics challenges and beyond.

Supplier's comment

Respect for Human Rights

The Hoshizaki Group, as a globally operating company, recognizes respect for human rights as one of the critical elements in its business activities. It has established principles regarding respect for fundamental human rights and is committed to creating a workplace environment with high psychological safety. Within the Hoshizaki Group's code of conduct, we thoroughly make sure to respect the human rights of each employee. Through compliance training for all employees, we disseminate our fundamental policy of human rights respect widely among them, seeking to foster a corporate culture of (1) prohibition of discrimination, (2) prohibition of harassment, and (3) mutual respect. The importance of respecting human rights and addressing related risks is emphasized and communicated through the Management Newsletter distributed regularly to management teams across the Hoshizaki Group, including those abroad. In efforts to promote human rights respect within its supply chain, Hoshizaki has added items regarding the eradication of discrimination and the prohibition of forced labor and child labor to the supplier check list since 2014. In 2024, Hoshizaki conducted a sustainability survey to assess its suppliers' awareness and efforts concerning respect for human rights and improvement in labor conditions.

● Hoshizaki's initiatives for human rights

Year	Details
2007	Launch of the whistle-blowing system and commencement of helpline operation
2007	Launch of harassment prevention training (as part of compliance training)
2010	Establishment of a counseling desk for mental health
2014	Launch of a supplier check list that refers to human rights protection and working conditions
2022	Launch of training for supervisors having female subordinates
2023	Understanding of unconscious bias promoted at lecture seminars to promote participation by women
2024	Execution of a sustainability survey on human rights and improvement in labor conditions for suppliers

● No. of training sessions on human rights and that of participants (2023)

Details of training	No. of sessions	No. of participants
Harassment prevention training (as part of compliance training)	731	Attended by all group company employees
Understanding of unconscious bias (lecture seminars to promote participation by women)	1	455
Training for supervisors having female subordinates	47	680

Harassment prevention training conducted globally, including overseas, while other training programs conducted domestically within the group

Operation of the Complaint Settlement Mechanism

A helpline (consultation and reporting desk) (see Page 78) is in place for the group employees, including those overseas. Besides, in the Americas and Europe, helplines using region-specific common platforms have also been in operation since around 2020. About half of the consultations and whistle-blowing cases involve issues related to harassment and other human rights concerns. These are reviewed by the Compliance and Risk Review

Committee, as is the case with other reports, and appropriate corrective actions and measures to prevent recurrence are implemented. We keep from making our reporting hotline known to all stakeholders, such as customers, local residents, and suppliers. However, any matters reported via phone or other means are treated as risk information, reviewed similarly, and corrective actions and preventive measures are taken before reporting to the Compliance and Risk Management Committee.

Future policy on human rights

With human rights education and the complaint settlement mechanism as the foundation for respecting human rights, we will strengthen our framework for identifying, assessing, preventing, and mitigating human rights risks in our relationships with all stakeholders. As key initiatives from 2024 onwards, we will implement the two following measures:

1. Establishment and global implementation of the Hoshizaki Supplier Code of Conduct
2. Expansion of content related to human rights respect in the Hoshizaki Compliance Handbook

Increasing Employees' Job Satisfaction

Materiality: Increasing Employees' Job Satisfaction



Most relevant SDGs

Relevance to the Vision	Evolve toward the vital workplace culture in which all employees share diverse values, respect each other, and work with pride
Target	<p>KPI</p> <ul style="list-style-type: none"> • Nurturing female managers and development and retention of candidates for female managers • Women in positions at or above the section manager level: 50 employees, and women in positions at or above the assistant manager level: 300 employees (in 2025 in Japan) <p>Target value</p>

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

Creating Opportunities for Individual Employee Growth

To create opportunities for individual employee growth, we have worked to provide opportunities and places where employees feel themselves growing by proceeding with ability development through Off-JT,

such as training for next-generation managers, logical thinking enhancement training, English proficiency enhancement training, and career development to help each and every employee realize their vision in the future.

● Status of Investment in Education and Training (2021–2023)

	2021	2022	2023
Investment in education or training (1,000 yen)	69,411	72,739	83,468
Total number of training participants (persons)	2,726	5,543	6,600
Training hours per participant	15	10	10

Investment in education or training is the amount spent by Hoshizaki on a nonconsolidated basis, which does not include the amount of training independently planned by sales companies in Japan but includes domestic Group companies in terms of the number of participants.

● Three Education or Training Program Categories

Position-specific training To develop capabilities or skills required for specific positions	Selective skills development training To improve specific skills and awareness	Customized training for specific needs Based on plans designed by Group companies and departments
<ul style="list-style-type: none"> ● Training for employees newly appointed to managerial positions ● 360° evaluation training ● Service training (review training up to the 3rd year after employment) ● Service training (employees in general) ● Sales training (review training up to the 5th year after employment) ● Sales training (employees in general) ● Training for new graduate and mid-career hires (review training up to the 3rd year after employment) 	<ul style="list-style-type: none"> ● Training for next-generation managers ● Global workforce development training ● Training to develop female managers 	<ul style="list-style-type: none"> ● Unconscious bias ● Marketing ● Teaching techniques ● Anger management ● Career design ● Boosting motivation ● Communication ● Business skills

Of the Three Education or Training Program Categories, we recently strengthened selective skill development training to foster next-generation leaders. We support employees' autonomous career options by offering motivated employees opportunities to develop their abilities through programs such as training for

next-generation managers at Hoshizaki and sales companies around the country, global workforce development training for those aiming to have smooth communication and to play active roles at overseas divisions or at group companies outside Japan, and training to develop female managers.

● Selective skills development training

Training for next-generation managers	We select executives and executive candidates for Hoshizaki and sales companies in Japan who demonstrate excellence and work on business case study and in-house issues to thoroughly develop their logical thinking and problem-solving skills and, in doing so, strengthen their strategic conceptualization and strategic planning abilities.
Global workforce development training	We are conducting various programs including logical thinking enhancement, overseas management, and language training to improve the abilities required of a global workforce.
Training to develop female managers ● Training for moving up level of female employees ● Training for nurturing female leaders	For those who aim for a position equivalent to assistant manager, we offer training for career advancement aimed at building a network where employees support each other's growth through awareness of anticipated roles and deepening self-understanding. To those who aim for an even higher position equivalent to a section manager or above, we offer training for nurturing female leaders so that they can acquire the skills necessary for managers and build relationships where female managers support each other.

● Number of participants in the selective skills development training (persons)

Program focus/year	2019	2020	2021	2022	2023
Training for next-generation managers	45	45	39	42	49
Global workforce development training	18	16	293	243	265
Training for moving up level of female employees	—	—	—	69	169
Training for nurturing female leaders	—	—	—	41	35

Promotion of Women's Empowerment and Organizational and Cultural Reform

Since FY2010, Hoshizaki and its domestic sales companies have been promoting the *Kagayaki* Project, which is based on the vision of "becoming a company where excellent staff can pleasantly work and play active roles, irrespective of gender." With a target called "Ladies10," in which we aim to increase the percentage of women in positions at or above the assistant manager level to ≥10%, we have provided support for women's career development while working to create a comfortable working environment. After taking over the *Kagayaki* Project in 2021, we newly established the *Kagayaki* Committee, which consists primarily of Hoshizaki directors, executive officers, and

members of the Human Resources Department. In cooperation with the heads of sales companies in Japan, we are examining the successes and challenges of the project and aim to achieve the goal of 50 women in positions at or above the section manager level and 300 women in positions at or above the assistant manager level in 2025. To enhance the human resource pipeline of women in managerial positions, it is necessary to provide support to self-motivated career-minded employees and offer options for flexible working styles in addition to skill improvement. We have embarked on reducing workload by reviewing and streamlining operations and are working on nurturing an organizational culture that motivates not only female employees but also all employees to contribute.

● Initiatives for nurturing and retaining women in managerial positions

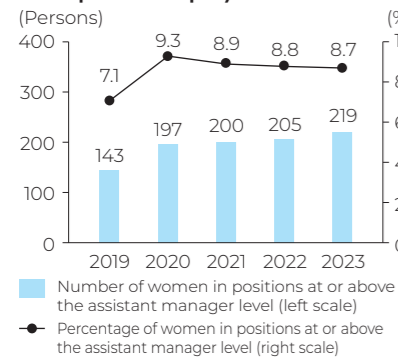
Conferences for women in positions (at or above the section manager level)	Building a network of female managers Identifying the challenges that female managers face from their own perspective
System of requested mentors	We match mentors and mentees going beyond the borders of sales companies and build relationships that offer emotional support through advice based on empathy and real-life experiences during consultations on problems and challenges.
Sales and service exchange meetings (meetings to share good examples of nurturing and retention of female employees)	With superiors (mostly men) also participating in the exchange meetings of female sales and service employees expected to play the main roles in the next generation, the participants make new discoveries in nurturing subordinates and reflect on the problems faced by individual companies by learning about successful efforts within the group.

Increasing Employees' Job Satisfaction

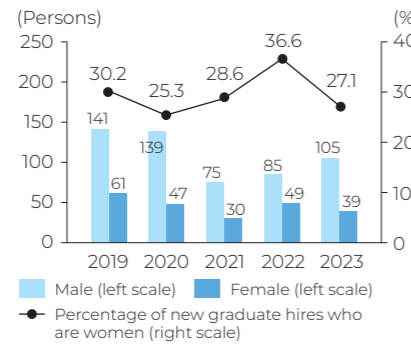
● Participants in training sessions and seminars related to the promotion of women's participation provided in 2023

Training title	Objective	Participants (persons)
Training for supervisors with female subordinates	Enhancement of the development and communication abilities of supervisors involved in the development of female subordinates	900
Lecture seminars to promote participation by women	Foster a culture where female employees can play active roles by understanding unconscious bias	455
Sales and service exchange meetings	Along with gaining awareness of a work style conscious of work-life balance, dispel worries about life events and build relationships with seniors (role models) that make it easier to consult with them	88
Training for moving up level of female employees	Build a network in which employees support each other's growth through awareness of anticipated roles and deepening self-understanding	169
Training for nurturing female leaders	Acquire the skills necessary as managers and build relationships in which female managers support each other	35

● Number and Percentage of Women in Positions at or above the Assistant Manager Level (Hoshizaki and Sales Companies in Japan)



● Number and Percentage of New Graduate Hires Who Are Women (Hoshizaki and Sales Companies in Japan)



● Percentage of Women by Position

Position	End of 2022		End of 2023	
	Head count	Ratio	Head count	Ratio
Department manager level	3	2.0%	3	1.9%
Section manager level	21	3.3%	25	3.9%
Assistant manager level	181	11.8%	191	11.2%
Total	205	8.8%	219	8.7%



Chiharu Bono HOSHIZAKI TOKAI CO., LTD.

I am into my 14th year with Hoshizaki Tokai after joining as sales staff in charge of nurseries and hospitals. I took childcare leave for 2 years after giving birth and then returned to work. I am currently working at the Chikusa Showa Sales Office with shortened work hours. I also work hard within these limited hours. My colleagues chip in when I need to drop off or pick up my child or when there is a sudden illness, and I am extremely grateful at being able to balance both child-rearing and work. Returning to work is important from an economic perspective, but I am also happy to feel growth through work. I would like to contribute to the creation of a better work environment by sharing my experience so that juniors in sales and service can take childcare and maternity leaves with ease of mind.

Child Birth and Childcare Support

Hoshizaki introduced various systems as assistance measures for employees' life events and established an environment to encourage them to use such systems, thus actively supporting in the achievement of a good work-life balance. To facilitate the smooth return to work of female employees after childcare leave, employees undergo interviews with their department heads about

their future careers before taking leave and before and after their return to work. We have introduced online courses to support childcare and skill development that they can complete from home while they are on childcare leave. We have raised awareness of male employees' parental leave and worked to encourage them to use parental leave. We will continue to improve such systems and promote support for employee life events.

● Status of childcare leave use by gender (Hoshizaki)

	Year	2019	2020	2021	2022	2023
		Women				
Number of employees who use leave		7	5	7	8	4
Rate of leave use		100%	100%	100%	100%	100%
Average number of leaves taken (days)		519	388	395	322	389
Men						
Number of employees who use leave		20	14	11	16	36
Rate of leave use		36%	30%	36%	50%	63%
Average number of leaves taken (days)		14	28	32	29	32

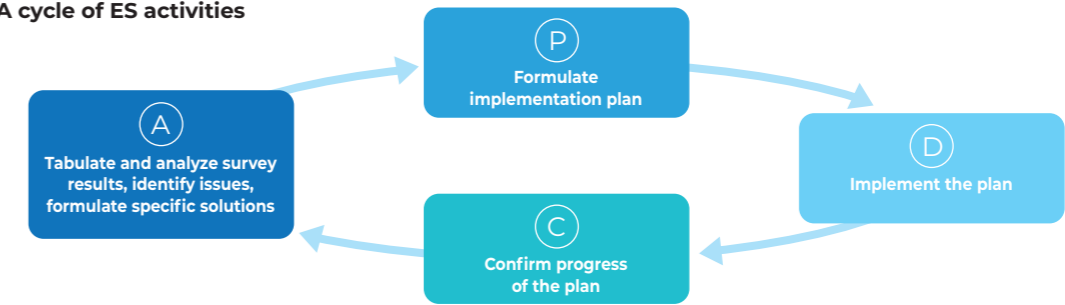
Note: The average number of leaves (days) taken by women was calculated on the basis of the average number of leaves taken by employees who returned to work in the concerned year.

Increasing Employees' Satisfaction and Job Satisfaction

We have established a personnel system to help employees in different life stages and lifestyles work comfortably and have worked to further enhance communication within the workplace and create a corporate culture in which everyone respects each

other. We analyze the results of the employee satisfaction (ES) Survey that we conduct annually for all employees of Group companies in Japan, identify issues from the free comments of employees, grasp and specify them as management issues, and continually work on reforms for their resolution.

● PDCA cycle of ES activities



● ES Survey Response Rates and Free Comments (surveys at 19 Group companies in Japan)

Year	2019	2020	2021	2022	2023
Survey questions	54	59	59	59	59
Employees surveyed	8,462	8,614	8,556	8,443	8,451
Response rate	98.9%	99.9%	100%	99.9%	98.9%
Free comments	5,678	5,964	5,632	5,597	3,491*

*We changed the free comment column format in 2023 (from a comment section for each item to one combined comment section).

● Trend in ES scores

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total score (perfect score: 55 points)	35.9	36.5	36.5	38.4	38.5	38.6	39.9	40.1	39.6	38.2
Average	3.26	3.32	3.32	3.49	3.50	3.51	3.62	3.65	3.60	3.48

The Group-wide total in Japan resulted in the total score of 38.2 points (-1.4 points year on year) and the average score of 3.48 points (-0.12 points year on year) in 2023. The survey identified issues in the personnel evaluation items, primarily in domestic sales companies, and we are working to establish a new personnel system, including revisions to the evaluation

and payment systems and promotion requirements. We also conducted the survey at some overseas group companies in 2023 by changing the questions to suit a global setting. In the future, we will conduct the ES Survey globally, identify issues, and implement activities aimed at improving job satisfaction.



We are promoting the development of a rewarding workplace where diverse human resources actively participate.

Yasuko Shimizu General Manager, Human Resources Department, Hoshizaki Corporation

To give shape to Hoshizaki-ism, which start with "Have a Dream," we are enhancing our human resource development programs and developing an environment where diverse employees can actively participate so that each and every employee can demonstrate their ability to the fullest and feel motivated and rewarded. As the leader of the WG of materiality "Increasing Employees' Job Satisfaction," I will implement personnel measures to solve various human capital-related issues and improve job satisfaction.

Hoshizaki sets forth the nurturing of female managers and the development and retention of candidates for female managers as the target and benchmark of materiality. Deep-rooted fairness and acceptance are preconditions for promoting diversity in human resources. It is also important to have flexible work style options for women to enable them to fully demonstrate their abilities in light of their various life events. Creating a woman-friendly workplace is directly linked to a workplace comfortable not just for females but for all employees.

In 2023, we conducted a trial ES Survey at overseas group companies. Three group companies in North America participated in the survey, which turned out to be a major step for Human Resources Department toward establishing global ties and implementing joint initiatives. We will continue to dedicate ourselves to the development of an environment that will improve employee job satisfaction through such initiatives.

Roundtable of Outside Directors

Toward Achieving the Five-year Management Vision and Future Growth

Ensuring profitability and growth potential by considering capital costs and working on sustainability issues, including human capital, is indispensable for the Hoshizaki Group to enhance its corporate value and achieve sustainable growth in the medium to long term. The four Outside Directors discussed the achievements and expectations of Hoshizaki's initiatives. (Held in May 2024)



Masahiko Goto

Outside Director
Nomination and Compensation
Committee Member

Yoshimi Horinishi

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

Satoe Tsuge

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

Masanao Tomozoe

Outside Director
Nomination and Compensation
Committee Chair

► For more details on their profile, see Pages 79 and 80.

Management Conscious of Profitability, Growth Potential

What are the points of focus in monitoring the achievement of the five-year management vision^{*1} (see Page 68)?

Goto: Hoshizaki's management philosophy is to be an "Evolving Company," and accordingly, it prioritizes growth and has been proactively conducting M&A transactions. The Board of Directors discusses growth strategy with priority while considering major changes in the external environment, such as deflation to inflation, yen appreciation to depreciation, and low to high interest rates. Fortunately, there are many companies worldwide that Hoshizaki can consider for M&A transactions. It has no doubt about its strategy to grow by developing untapped regions and fields in Japan and abroad, and I believe it is making smooth progress in its management vision.

Tsuge: The overseas business has been growing steadily, but I feel that, with the increase in the number of M&A transactions, it will be a challenge for the company to further enhance its function of managing the acquired companies. Management also attaches importance to this and has been increasing human resources; however, it is not easy to acquire an outstanding global workforce. We must nurture in-house human resources urgently to continue with M&A in the future. Promoting diversity in Japan, I think, is also only halfway through. The Board of Directors has been actively discussing and receiving reports on DE&I^{*2} (see Page 68), but the issue has not necessarily taken root at all group companies in Japan. I hope that we can develop an environment in which employees in workplaces can autonomously act by understanding that securing diversity is not a purpose but a method for improving corporate value.



Tomozoe: I believe that Hoshizaki is blessed with ample business opportunities. The company is developing a detailed growth strategy using the four aspects of time, region, user, and product; therefore, even if the restaurant market in Japan matures, there is significant room for growth by developing the non-restaurant market and capturing the growth markets overseas. It skillfully leverages the regional brands it added through M&A transactions and boosts synergies in respective markets by focusing on high-quality standards and

product development ability. To make planned active investments in acquisitions successful, it is necessary to further enhance management foundation through measures such as reinforcing the human capital of the administrative division and system development.



Horinishi: I am keeping an eye on the progress in operating profit ratio and ROE^{*}(see Page 09), which are the financial targets of the five-year management vision. The company must achieve the profit ratio target to achieve ROE that steadily exceeds capital costs. We can expect significant success in the implementation of the growth strategy, including M&A activities, as the company has been cautiously and steadily proceeding with it. This is my first fiscal year as an Outside Director, and I want to closely monitor progress in realizing the management vision.

How have the discussions at the Board of Directors meetings been regarding the achievement of business returns that sustainably outperform capital costs and reallocation of capital?

Tomozoe: President Kobayashi is sufficiently aware of capital costs and efficiency, and he has always considered appropriate measures based on various indicators and has actively led discussions at the Board of Directors meetings to fulfill the promise of shareholder returns. I have heard that shareholders have asked how the company plans to use its considerable cash. I feel that this company rewards investments from a long-term perspective because the management team clearly understands the balance between growth investments and shareholder returns.

Tsuge: Discussions at the Board of Directors on achieving the ROE targets have been very active. Simultaneously, I feel that management should also convey the concept of return on invested capital to the employees in workplaces. In Japan, Hoshizaki is focusing on Z-Mission activities^{*3} (see Page 68), which are aimed at realizing both quality and productivity, so it would be desirable if it can analyze these activities from the perspective of whether the company has been able to recover returns with respect to the invested capital of a business division. It is also planning initiatives to improve capital efficiency (such as applying an ROIC indicator to various areas), and I hope to see progress in the future.

Roundtable of Outside Directors

Goto: The Board of Directors and individual discussion meetings*(see Page 71) have been actively discussing capital costs and shareholder returns. Hoshizaki sees great growth opportunities, and in my view, the company should actively allocate funds to growth investments instead of focusing on achieving the target of at least 40% of the total payout ratio. There are many companies that have poor growth potential, and for that reason, they should return capital to shareholders, but this is not the case with Hoshizaki. It would be a good idea to ask the shareholders and investors to be patient for a while until the growth investment bears fruit.

Horinishi: Mr. Kobayashi has been sharing the content of the discussions with shareholders and investors with us in a timely and detailed manner, and I feel that Hoshizaki is very sensitive to the intentions of capital markets. The announcement of the acquisition of treasury shares as part of shareholder returns also provides proof of the transaction. In addition to M&As and shareholder returns, it is necessary to actively invest in human resources. For example, it is an effective measure to introduce a stock compensation system for employees using treasury shares. Generous capital allocation to human resources will boost employee job satisfaction while promoting the acquisition of external human resources.

Management Conscious of Sustainability

How do you rate Hoshizaki's sustainability-related initiatives including the activities of the Sustainability Committee?

Tsuge: I highly appreciate the fact that the Sustainability Committee's initiatives are now in full swing. Going forward, I want to confirm progress made by the materiality working groups. It may be necessary to change the values the entire group had until now if it is to establish within the Group the promotion of active participation by female employees, which is a pillar of human resource-related materiality, and I look forward to stronger leadership by the Hoshizaki head office in this endeavor.

Tomozoe: The company has established a framework for solving materiality, and its goals and indicators for progress management have become clear. It has now entered a stage in which the company steadily implements it and firmly follows up on it. I would like Hoshizaki to raise the effectiveness of its sustainability-related activities at its workplaces by having its management team and managers repeatedly communicate with employees about why these activities are necessary for the Company and what kind of actions are required. Spreading similar actions overseas will raise

sustainability at the Hoshizaki Group by a notch.

Goto: Hoshizaki's business model incorporates the concept of sustainability in its foundation. It has approximately 430 after-sales service bases in Japan, and it prolongs the lives of its products and limits waste to the minimum by providing meticulous maintenance services. It commercialized refrigerators and ice makers using natural refrigerants*(see Page 06) ahead of other manufacturers in Japan because CFCs/HCFCs/HFCs affect global warming. I hope that Hoshizaki will continue to attach importance to the concept of sustainability, which has been established within the company, and strive to share it with the companies it has acquired abroad.



Fulfilling the Functions of Outside Directors

What internal control system-related risks, issues, and countermeasures are you paying attention to?

Tsuge: The company has been firmly implementing initiatives to improve internal control after the improper transaction problems that occurred from 2018 to 2019 in Japan. Conversely, the number of companies newly joining the Group has been increasing, and the companies face the issue of a yet to be fully developed group-wide internal control

system. It has been taking measures such as conducting visiting audits of overseas group companies by a full-time Audit and Supervisory Committee member and outsourcing part of internal audits to local auditing firms; however, it is necessary to have a system in which internal control and audit functions can also be implemented by region or in a cross-sectional manner. The structure is being gradually built through steps such as the appointment of regional CFOs at regional headquarters, so the foundation is being laid.

Horinishi: The Compliance and Risk Management Committee has reported on risks in detail and has shared the information with Outside Directors. Conversely, I feel that it is necessary to increase the accuracy of reporting on global risks in some regions because the level of preciseness of reports varies by region.



What are the discussions at the Nomination and Compensation Committee meetings, and what are your opinions regarding the qualities and requirements of the President, Directors, and Executive Officers; the mechanism for selecting appropriate leaders; and the next-generation management nurturing program?

Tomozoe: The Nomination and Compensation Committee discussed the experience required of individual management candidates and their assignments. In the future, succession preparation can be further enhanced by stipulating the requirements and quality requirements of important positions in business divisions. The Hoshizaki Group must have outstanding management human resources who joined through M&As inside and outside Japan, so it must add them to the human resource pool for the next-generation management layer by making their human resources visible. In the long term, the company will need to work on the appointment of successors to top management at overseas group companies, and it is expected to accelerate strengthening region-based governance through regional headquarters.

Goto: The company has established an objective evaluation system for next-generation leaders, probably partly because there are many mid-career hires among top management. The company requires its employees to have more experience in global operations to enhance the human resource pool of management layer candidates in the future. I would like to see a company that focuses on nurturing by sending many employees overseas by considering their initiative and potential so that Hoshizaki's corporate culture can take root worldwide.

What are the discussions at the Nomination and Compensation Committee meetings regarding the concept of officer compensation, as well as the consistency between sustainable growth and officer compensation, and what is your opinion on this issue?

Tomozoe: The company has decided to raise the ratio of stock compensation for the president from 10% to 20% to improve consistency with management conscious of share price. We will continue to deepen our discussions regarding how performance-linked compensation for officers should be, as we believe we must review the concept and mechanism so as to properly reflect the efforts of the management team in their compensation.

Horinishi: The number of units granted in stock compensation is fixed, and the ratio of performance-linked compensation is 20% of the overall compensation. This gives me the impression that the compensation system is conservative. On average, the ratio of performance-linked compensation for Executive Officers at Japan's top 100 companies exceeds 50% when stock compensation is included. I feel that offering a little more incentive would be more appropriate as a compensation system for Hoshizaki, which achieves high growth. A competitive compensation package is also indispensable for acquiring high-level external human resources.

Tsuge: The company set out performance indicators for its officers in detail, and it includes not only financial indicators but also ESG indicators linked to materiality. It has a mechanism in which the higher the achievement rate of performance evaluation against the goal, the higher the ratio of performance-linked compensation; thus, in many cases, it accounts for ≥20% of the total compensation. We will continue to discuss the best compensation system for Hoshizaki so as to increase consistency with corporate value improvement.

Goto: Personally, I feel that the main part of officer compensation should be performance-linked. Companies are increasingly being called upon to incorporate ESG indicators into variable compensation. If the ratio of variable compensation is increased on the basis ESG and sustainability evaluations, it would lower the ratio of performance-linked compensation based on financial results. Therefore, it is important to continue discussing performance-linked evaluation indicators and compensation ratios. It is also important to discuss increasing total compensation for officers and employees given the growing gap in compensation with competitors overseas.

*1 Five-year Management Vision: A management vision through 2026, formulated in 2022

*2 DE&I: diversity, equity, and inclusion

*3 Z-Mission activities: Quality improvement activities are promoted along with supply chain

Corporate Governance

Basic Policy

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

Reason for becoming a Company with an Audit and Supervisory Committee

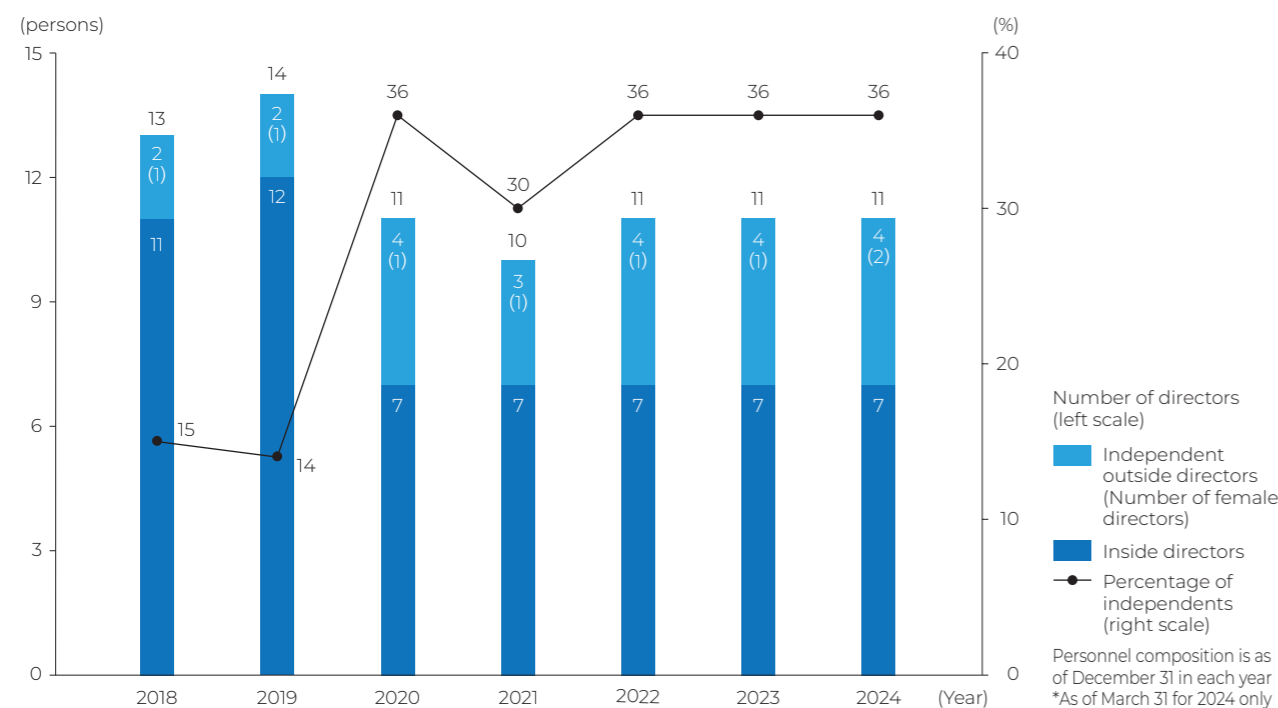
Hoshizaki has adopted the governance structure of a Company with an Audit and Supervisory Committee in the belief that granting voting rights at the meetings of

the Board of Directors to several highly independent outside Directors who are Audit and Supervisory Committee members will strengthen the supervisory function over the Board of Directors and enhance its corporate governance further.

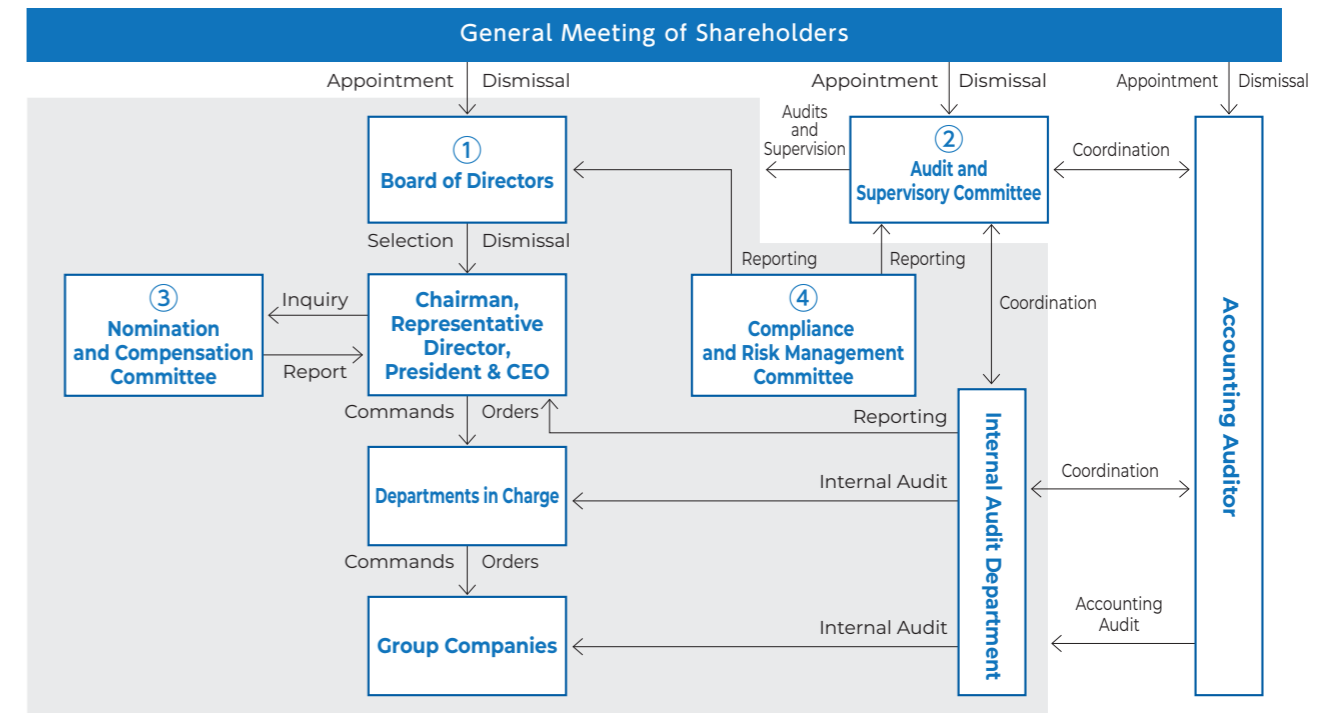
History of Strengthening Corporate Governance

2005	Establishing the Internal Audit Department
2006	Selecting outside audit and supervisory board members, Formulating basic policies on internal control systems
2007	Establishing the Compliance and Risk Management Committee, Formulating basic policy on compliance
2016	Transitioning to a Company with an Audit and Supervisory Committee
2018	Abolishing the provision for retirement benefits for directors (and other officers) system, Implementation of transfer-restricted stock compensation system
2019	Implementing the executive officer system
2020	Appointing outside directors who are not members of the Audit and Supervisory Committee (outside directors at one-third or more). Establishment of the Management Committee
2021	Establishing the individual discussion meeting*(see Page 71)
2022	Establishing the Nomination and Compensation Committee, Establishment of the Sustainability Committee

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



Corporate Governance Structure



Roles and Composition of Organizations

Organization	① Board of Directors	② Audit and Supervisory Committee	③ Nomination and Compensation Committee	④ Compliance and Risk Management Committee
Composition	 Inside (7) + Outside (4) Chair: Representative Director, President & CEO	 Inside (1) + Outside (2) Chair: Inside Director	 Inside (2) + Outside (4) Chair: Independent Outside Director	 Inside (7) + Outside (4) Chair: Representative Director, President & CEO
Purpose and authority	<ul style="list-style-type: none"> Resolution on basic management policy and other matters Supervision of the execution of duties by directors Supervision of the execution of duties by executive officers 	<ul style="list-style-type: none"> Monitoring and supervising of the duties of directors and executive officers Preparing audit reports Drawing up items for resolution concerning the appointment and dismissal of accounting auditors and other matters 	<ul style="list-style-type: none"> Deliberating matters concerning appointment and dismissal of directors and executive officers Deliberating matters concerning selection and dismissal of Representative Director and other directors with special titles Deliberating matters concerning individual compensation, etc. for directors (excluding outside directors, and directors who are Audit and Supervisory Committee members) Deliberating matters concerning succession planning 	<ul style="list-style-type: none"> Maintaining and improving internal control systems and development of compliance systems Assessing and identifying risks concerning business execution and development of risk avoidance and mitigation measures
Percentage of outside directors	36%	67%	67%	36%
Number of meetings held in 2023	14	14	6	12
Secretariat	General Affairs Department	Audit and Supervisory Committee assistants	Human Resources Department	Legal Department

Corporate Governance

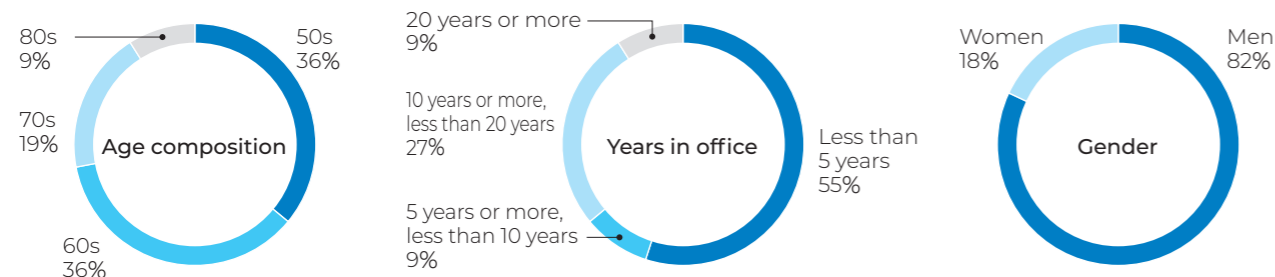
Members of the Board of Directors (as of March 31, 2024)

Name	Current position and responsibilities	Attendance (in 2023) in Board of Directors meetings (Audit and Supervisory Committee)	First appointment	Number of shares held	Primary areas of expertise and experience							Committee membership				
					Corporate management (SDGs)	International business/global knowledge	Sales/marketing/new market development	Financial strategy/accounting	IT	Compliance/risk management	Human resource development/diversity management	Global supply chain	Technologies	Audit and Supervisory Committee	Nomination and Compensation Committee	Compliance and Risk Management Committee
Seishi Sakamoto	Chairman	14 / 14	February 2002*	6,000	●	●	●				○		●		○	○
Yasuhiro Kobayashi	Representative Director, President & CEO	14 / 14	March 2012	16,300	●	○		●	○	●			●		○	Chair
Masanao Tomozoe <small>Outside Independent</small>	Outside Director	14 / 14	March 2020	0	●	●	●			○	○	○			Chair	○
Masahiko Goto <small>Outside Independent</small>	Outside Director	14 / 14	March 2022	0	●	●	●				○		○		○	○
Yasushi Ieta	Director, Senior Managing Executive Officer (in charge of domestic business)	14 / 14	March 2019	7,200	○	●	○		○				●	●		○
Shiro Nishiguchi	Director, Senior Managing Executive Officer (in charge of overseas business)	10 / 10	March 2023	1,000	○	●	●						●			○
Satoru Maruyama	Director, Senior Executive Officer (in charge of domestic sales)	14 / 14	March 2008	14,200	○		●		○							○
Kyo Yaguchi	Director, Senior Executive Officer (in charge of administration)	14 / 14	March 2020	1,800	●	●		●	●	●	●					○
Tadashi Mizutani	Director (Full-time Audit and Supervisory Committee Member)	14 / 14 (14 / 14)	March 2022**	1,600				●		●					Chair	○
Satoe Tsuge <small>Outside Independent</small>	Outside Director (Audit and Supervisory Committee Member)	14 / 14 (14 / 14)	March 2017	0				●		●	○				○	○
Yoshimi Horinishi <small>Outside Independent</small>	Outside Director (Audit and Supervisory Committee Member)	— (—)	March 2024	0						●					○	○

*Appointed in 1960, has history of resigning in 2000 **Appointed in 2019, has history of resigning in 2020

●: Working experience ○: Expertise

Diversity in the Board of Directors



Main Agenda Items of the Board of Directors (2023)

- Matters for resolution under the Companies Act and other laws (determining proposals for the General Meeting of Shareholders, etc.)
- Execution status of internal control and risk management
- Medium-term management strategy
- Medium-term management targets and progress status of group and operating companies
- Review of the officer compensation system based on reporting by the Nomination and Compensation Committee
- Overseas M&A and other large-scale investment projects
- Sustainability-related items

Individual Discussion Meetings

For efficient operations and an improved decision-making process for the Board of Directors, individual discussion meetings are held as necessary to explain in detail and discuss management issues that are particularly important, mainly proposals to be put

forth to the Board of Directors. Attendees of the individual discussion meetings are, in principle, the same as those of Board of Directors meetings, with Outside Directors included for more open discussions. Deliberations take place for one hour or even more for each agenda. (Number of meetings held in 2023: 7)

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

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

Corporate Governance

Functions and Roles of the Nomination and Compensation Committee

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

Main Agenda Items of the Nomination and Compensation Committee (held 6 times in 2023)

- FY2023 Structure of Directors, Audit and Supervisory Board members, Executive Officers
- New officer candidates for FY2024
- Changes in scope of responsibility for officers
- Revision of Nomination and Compensation Committee regulations
- Compensation structure and verification of levels for Directors and Executive Officers
- FY2022 performance evaluation and results confirmation for officers
- FY2023 performance evaluation and target setting for officers
- FY2023 officer compensation and stock compensation provision

Breakdown of Directors' Compensation

1. Basic compensation

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

2. Variable compensation

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

3. Transfer- restricted stock compensation

Non-monetary compensation is determined and provided at a certain timing annually as transfer-restricted stock compensation based on the position and role of Directors to provide incentives

for sustainable corporate value improvement and sharing of shareholder value.

Ratio of Compensation

Compensation for Directors consists of the three components of basic compensation, variable compensation, and transfer-restricted stock compensation, generally at the ratio of 6:2:2 for the Representative Director, President & CEO, and for other Directors (excluding Outside Directors, and Directors who are Audit and Supervisory Committee members), generally at 7:2:1 (when performance is rated as being at a medium level with respect to the performance-linked compensation). Outside Directors and Directors who are Audit and Supervisory Committee members are paid only basic (fixed) compensation. Individual compensation is decided by the President and Representative Director based on the rules, after deliberation by the voluntary Nomination and Compensation Committee (with two-thirds of the members being Outside Directors) of which she or he chairs, in order to strengthen fairness, transparency, and objectivity, and to enhance corporate governance.

Performance Evaluation Indicators and Compensation Structure for Directors and Executive Officers

Basic compensation (fixed compensation) Transfer-restricted stock compensation (RS) Variable compensation (performance-linked compensation)

● Representative Director, President & CEO

Non-performance-linked		Performance-linked
60%	20%	20%

Evaluation indicator		Weight
Common to all officers	Consolidated operating profit amount	—
Financial	Consolidated net sales	45%
	Consolidated ROE* (see Page 09)	
Share price / corporate value	Total shareholder return (TSR)	20%
Strategy / measures	KPIs for strategy and measures of each business (rate of achievement, progress, etc.)	20%
ESG	Response to climate change, developing female managers, employee satisfaction, Board effectiveness evaluation, etc.	15%

● Other Directors (excluding Outside Directors and Audit and Supervisory Committee members) / Executive Officers

Non-performance-linked		Performance-linked
70%	10%	20%

Evaluation indicator		Weight
Common to all officers	Consolidated operating profit amount	—
Financial	KPIs for financial items according to scope of responsibility (net sales / gross profit / SG&A / operating profit, etc.)	40% } 70%
	KPIs according to scope of responsibility (number of products sold / sales ratio of proprietary products / productivity / quality, etc.)	
Strategy / measures	KPIs for strategy and measures of each business division (rate of achievement, progress, etc.)	15% } 30%
ESG	Response to climate change, developing female managers, employee satisfaction, occupational health and safety, turnover, compliance, strengthening internal control, etc.	15% } 30%

*Indicators and weights above may vary according to the scope of responsibility of officers, etc.

Total compensation amount by officer type

Officer type	Total compensation amount (Millions of yen)	Breakdown of compensation by category (Millions of yen)			Number of applicable officers (persons)
		Basic compensation	Variable compensation	Transfer- restricted stock compensation	
Director (excluding Audit and Supervisory Committee members) (excluding Outside Directors)	244	154	66	24	7
Director (Audit and Supervisory Committee members) (excluding Outside Directors)	17	17	—	—	1
Outside Director	32	32	—	—	4

Successor Plan

Regarding the development plan for candidates as future Presidents as well as Directors and Executive Officers, based on deliberation and advisement at the Nomination and Compensation Committee, opportunities are provided for each candidate to face

challenges necessary for growth according to the issues they face, and they are evaluated and given advice as they gain experience. The Committee also deliberates on material issues including ensuring diversity in the Board of Directors so that it can continuously fulfill its function, and also supervises appointment of Executive Officers.

Efforts to increase the overall effectiveness of the Board of Directors

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

Evaluation of the Overall Effectiveness of the Board of Directors for FY2023

To evaluate the overall effectiveness of the Board of Directors for FY2023, we conducted a questionnaire to all 11 Directors (4 of them are Independent Outside Directors) including Directors who are Audit and Supervisory Committee members. The questionnaire covered the following six categories: (1) Effectiveness of discussion and examination of the Board of Directors, (2) Effectiveness of the supervisory function of the Board of Directors, (3) Whether the Board of Directors serves as

a sound place for discussing sustainable growth of the Company, (4) Effectiveness of the environmental improvement status of the Board of Directors, (5) Effectiveness of responses to shareholders and stakeholders, and (6) Effectiveness regarding the composition of the Board of Directors. As a result of deliberation by the Board of Directors based on the results of the above, it was determined that the overall effectiveness of the Board of Directors in FY2023 had been ensured. We will address the issues identified through this effectiveness evaluation for future improvement.

Main Issues Identified in the Process of the Board Overall Effectiveness Evaluation for FY2023 and Actions for Improvement

	Issues identified concerning the Board of Directors in FY2023	Initiatives for FY2024
Issue 1	Shortage of deliberation time (continued)	Promote discussions in advance at individual discussion meetings for proposals to be put forth
Issue 2	<ul style="list-style-type: none"> Enhance group governance Strengthen company-wide risk management 	Provide explanation and reporting on results of governance and compliance activities and deliberate on future activities
Issue 3	Diversity promotion	Supervise activities to promote diversity including those to promote women's participation (continued)

Corporate Governance

Functions and Roles of the Audit and Supervisory Committee

The Audit and Supervisory Committee meets once a month in principle and holds meetings as necessary when required. Meetings were held a total of 14 times in 2023, with deliberation of 15 resolutions and 73 items reported. Cooperation with Audit and Supervisory Board members of group companies in Japan is strengthened and opportunities for study are provided, with audit liaison meetings held twice a year in principle with participation by Audit and Supervisory Board members of group companies in Japan. Audit and Supervisory Committee members (2 Outside Directors, 1 Inside Director) attend the Board of Directors meetings and the Compliance and Risk Management Committee meetings to monitor and supervise the execution of duties by Directors while monitoring status of compliance and risk management for the Group overall.

Major Audit Themes in FY2023

Audit Themes	Scope of Audit
Suitability of compliance and risk management	All internal control systems including compliance and risk management
Effectiveness of the whistle-blowing system	Operation of the whistle-blowing system and status of response to consultation cases
Status of sustainability management	Status of initiatives for sustainability management including activities of the Sustainability Committee
Status of ESG information disclosure	Enhancement of ESG information disclosure including managing progress of KPIs for materiality

Cooperation with the Internal Audit Department

The Company has set up the Internal Audit Department as an organization directly under control of the president to audit the entire Group, comprised of eight individuals as dedicated staff including the head. The Audit and Supervisory Committee undergoes information

exchange as necessary with the Internal Audit Department and Accounting Auditors, including periodic meetings such as for annual schedules and reporting on audit results. This ensures deepening of mutual cooperation and making effort into securing and improving effectiveness of internal control.

Audit Themes	Frequency in 2023	Purpose and Overview
Report on progress of internal audits	4	Receive reporting once every quarter regarding progress of internal audits and overview of results.
Report on internal audits conducted	Each time	Full-time Audit and Supervisory Committee members attend reporting sessions related to results of internal audits and listen in on the details.
Opinion exchange with head of the Internal Audit Department	7	Conduct opinion exchange with full-time Audit and Supervisory Committee members and head of the Internal Audit Department as needed to align awareness of audit issues.
Accompany audits to group companies	2	Accompany the Internal Audit Department on their audits to group companies, and check for appropriateness of audits.
Cooperation in three-way audit system	2	Share status of progress in three-way audit system, etc. and conduct opinion exchange regarding issues recognized.

Materiality: Enhancement of Management Foundation

Most relevant SDGs



Relevance to the Vision	Implement socially reliable management by enhancing corporate governance and thoroughly complying with laws and regulations
Target	
KPI	<ul style="list-style-type: none"> • Strengthening of compliance management foundation • Continuation of extensive compliance education for employees
Target value	<ul style="list-style-type: none"> • No significant compliance violation (global) • Provision of compliance education for all employees (global)

Message from the Executive Officer, Compliance and Risk Management Supervisor

Improving Corporate Value through Enhancing Management Foundations



Osamu Goto
Executive Officer
(in charge of legal affairs)

Q. What are the roles of the Compliance and Risk Management Committee?

A. In 2023, the Compliance and Risk Management Committee met once a month, meeting a total of 12 times. Its responsibilities include maintaining and improving the internal control system, developing a compliance system, evaluating and identifying risks related to business execution, avoiding risks, and formulating measures to mitigate risks. The Compliance and Risk Review Committee (32 meetings in 2023), which I host, studies each of all risk reports and whistle-blowing cases reported by group companies inside and outside Japan, analyzes the causes, and discusses preventive measures, including whether or not to conduct a detailed investigation by a group company. The cases under investigation are reported to the Compliance and Risk Management Committee, which includes all Directors, and the committee initiates necessary actions by incorporating the insights of Outside Directors. The primary information on risk reports and whistle-blowing cases is also shared with the full-time Audit and Supervisory Committee member and independent auditor in real time, and Audit and Supervisory Committee members and others can contribute comments on the investigation process.

Q. How do you conduct compliance training to enhance the management foundation?

A. The event is held once a year at all group companies in Japan and abroad. This covers all employees of the group companies, and if they are unavailable on the day of training, they are required to take it on a later date. Training for sales companies in Japan in 2023 was held in a cascaded manner, wherein members of Hoshizaki's Legal Department and Administration Division of Hoshizaki Sales visited sales companies in the country for over two weeks and conducted primary training targeting managers, who in turn conducted secondary training for employees. The members of Hoshizaki's Legal Department also visited manufacturing companies in Japan and conducted similar trainings. We review the training content annually by incorporating issues that surfaced at group companies in the previous year and cases at other companies that should be avoided. For example, it was revealed that there was an increase in the number of cases in which instructions, which are necessary from a business perspective, were taken as harassment because of the harsh tone. Therefore, we included anger management as part of the training to improve effectiveness.

Corporate Governance

Q. What are the activities of the Regulatory Trend Study Group for ensuring compliance, and what are the important issues that were identified?

A. We have established the study group by including the Sales Division in charge of sales and service at sales companies throughout Japan, the Chains Sales Division, Corporate Sales Division, Services Division, and Administration Division of Hoshizaki Sales, as well as Hoshizaki's Legal Department. There, we learn about the latest trends in the implementation and revision of laws, regulations, and notifications and the purpose of revisions, and disseminate the information throughout the Group to ensure compliance. The revisions of laws, regulations, and notifications in 2023 and 2024 that affect the business activities of the Group in Japan include (1) the revision of the chemical substance management system, (2) the mandatory use of helmets, (3) mandatory special training for operating tailgate lifters, (4) the revision of the Water Pollution Prevention Act, (5) the revision of the Food Sanitation Act, and (6) the revision of the Guidelines for Compliance with the Construction Industry Law. After notifying us, we periodically confirm the compliance status of the domestic group companies.

Q. How are you strengthening the governance of overseas group companies?

A. Since 2023, we have been strengthening the functions of the regional headquarters in the Americas, Europe, China, and Southeast Asia to enhance the effectiveness of governance and internal control at overseas group companies. We appoint management supervisors for each area of the regional headquarters. These supervisors monitor the group companies under each headquarters and take remedial actions for any operational or internal control-related issues identified during the process. Additionally, we ensure quick decision-making regarding areas under the regional headquarters jurisdiction by delegating authority from Hoshizaki to them. In addition to this management from the regional aspect, we conduct management from the functional

aspect, and each department complements the management function of the regional headquarters led by Hoshizaki's Global Administration Department, which supervises internal controls at overseas companies. As a result, we are strengthening governance at overseas group companies by introducing a matrix-type management method with regional and functional aspects.

Q. What measures are currently in place to secure IT governance and information security?

A. Regarding security measures, we developed and disseminated shared regulations, instructions, and IT guidelines of IT governance and information security and managed the security of the entire group by ensuring compliance. In 2022, we put together the computer security incident countermeasures and implemented hardware and software measures based on the analysis of the current status and measures considering medium- to long-term issues. We are also strengthening internal controls related to IT governance and information security in preparation for the revised J-SOX standards, which are expected to become effective from 2025.

Q. What other risk factors could significantly affect investors' decisions?

A. We implement risk assessment based on risk mapping using an original risk list (list of risks divided by categories, that is, strategy, financial, hazards, and operational) and risks selected on the basis of a special risk selection list. The securities report discloses 13 factors as risks for Hoshizaki's businesses, but we recognize three factors as particularly significant: PMI*(see Page 23)-related risks of newly acquired companies, sustainability-related risks (environmental impact that can be caused by the Group's products, response to regulations, and securing and strengthening human capital), and risks in supply chain management.

▶ See the securities report for risks to the business. <https://www.hoshizaki.co.jp/en/ir/library/results.html>

Basic Compliance Policy

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

Compliance Promotion Structure

Compliance and Risk Management Committee

Under Hoshizaki's Board of Directors, the Compliance and Risk Management Committee has been established to manage the progress of the compliance program. It is chaired by the Representative Director, President, and CEO, and it consists of all Directors and relevant personnel as members.

Committee Secretariat

The secretariat plans and develops general compliance-related initiatives and supervises implementation by the Hoshizaki Group. Hoshizaki's Legal Department acts as the Committee Secretariat, and the Executive Officer in charge of legal affairs serves as compliance and risk management supervisor.

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

Each of Hoshizaki's departments and Group companies appoints a compliance and risk management manager and deputy manager, who works to ensure that all employees are informed of the Group's compliance initiatives with guidance and advice from the secretariat.



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

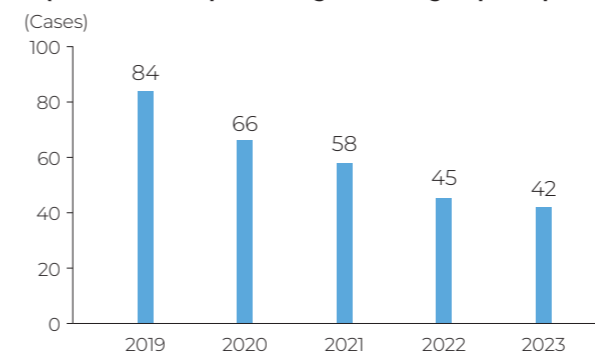
As part of our compliance and risk management system, we have established and operate a Helpline in accordance with the principles set forth in the Whistleblower Protection Act. The helpline handles consultations and whistle-blowing via email, postal mail, fax, or telephone. Although we recommend that helpline users identify themselves when reporting to enable a more accurate understanding of facts, consultations and reports can also be made anonymously.

Whistle-blowers may choose either an in-house contact point (the Legal Department) or a lawyer other than the in-house counsel as

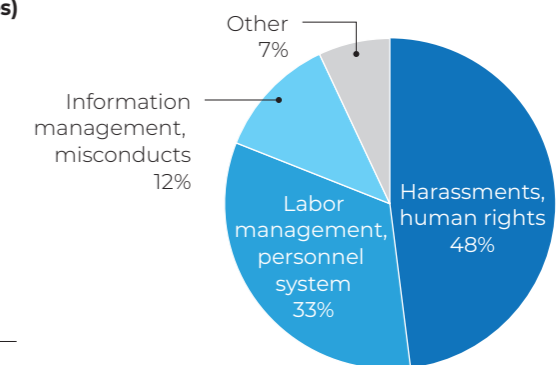
an external contact point, depending on the content of the consultation or whistle-blowing.

Each whistle-blowing case will be deliberated on by the Compliance and Risk Review Committee. The Compliance and Risk Review Committee consists of two full-time officers and heads of involved divisions. Appropriate corrective and recurrence prevention measures, including disciplinary actions, are taken for each case, and the results are reported to the Compliance and Risk Management Committee and the Management Committee. The number of whistle-blowing complaints to the Helpline has been declining every year, but this does not mean that the company has implemented a policy to reduce whistle-blowing cases.

Number of Consultations and Whistle-Blowing Cases in the Past 5 Years (Hoshizaki Group including overseas group companies)



Breakdown of Consultations and Whistle-Blowing Cases by Content Type (2023)



Corporate Governance

Introduction of Officers

Board of Directors (as of March 31, 2024)



Seishi Sakamoto
(b. February 7, 1937)
Chairman

Mar. 1959 Joined the Company
Feb. 1960 Director
Jun. 1965 Executive Director
Jul. 1988 Director
Jul. 2000 Retired from Director
Feb. 2002 Director
Feb. 2003 Director and Advisor
Jan. 2005 Representative Director and Advisor
Feb. 2005 Representative Director, President & COO
Mar. 2011 Representative Director, Chairman & CEO
Jun. 2014 Jun. 2014 Representative Director, Chairman & CEO and President & COO
Mar. 2017 Representative Director, Chairman & CEO
Jun. 2019 Chairman & CEO
Mar. 2024 Chairman (current position)



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

Sep. 2008 Joined the Company
Oct. 2008 Head of Corporate Planning Office
Jan. 2010 General Manager of Accounting Department
Mar. 2012 Director
Mar. 2012 In charge of Accounting Department and General Affairs Department, and General Manager of Accounting Department
Jan. 2015 In charge of Accounting Department, Human Resources Department, and General Affairs Department, and General Manager of Accounting Department
Mar. 2015 In charge of Accounting Department and Group Management Department, and General Manager of Accounting Department
Jan. 2016 In charge of Group Management Department and IR & Corporate Planning
Mar. 2017 Representative Director, President & COO
Jan. 2023 Representative Director, HOSHIZAKI SALES CO., LTD. (current position)
Mar. 2024 Representative Director, President & CEO (current position)



Satoru Maruyama
(b. November 29, 1960)
Director

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



Kyo Yaguchi
(b. June 30, 1959)
Director

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



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

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



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

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



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

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



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

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



Yasushi Ieta
(b. October 4, 1960)
Director

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



Shiro Nishiguchi
(b. January 6, 1957)
Director

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



Yoshimi Horinishi
(b. January 31, 1968)
Director, Audit and Supervisory Committee Member (Outside Director)

Apr. 2000 Registered as an attorney-at-law
Apr. 2000 Joined Nagoya Bar Association
Dec. 2004 Joined Asahikawa Bar Association
Apr. 2007 Re-admitted to Aichi Bar Association (formerly Nagoya Bar Association)
Nov. 2009 Established Horinishi Law Office (current position)
Apr. 2014 Member of Nagoya City Architectural Dispute Mediation Committee
Oct. 2014 Civil Mediator of Nagoya Summary Court
Jun. 2016 Outside Director (Audit Committee Member) of Menicon Co., Ltd. (current position)
Jun. 2020 Outside Director (Chairperson of the Compensation Committee) (current position)
Mar. 2024 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)

Executive Officers (as of March 31, 2024)

Senior Executive Officer
Katsuhiko Kurimoto
In charge of overseas PMI

Senior Executive Officer
Shinichi Ochiai
In charge of Shimane Factory

Executive Officer
Osamu Goto
In charge of legal affairs

Executive Officer
Teruyuki Kai
In charge of China

Executive Officer
Akira Kamiya
In charge of the Global Manufacturing Department

Executive Officer
Makoto Sasaki
In charge of research and development

Executive Officer
Seiji Terashima
In charge of Head Office Factory

Executive Officer
Yosuke Matsunaga
In charge of Europe region

Executive Officer
Ryuichiro Seki
In charge of accounting

Executive Officer
Toshikazu Tanjima
In charge of Corporate Planning & Strategy Department