HOSHIZAKI

Integrated Report 2024

— Fiscal Year Ended December 2023 —

Introduction

This year is the third year since the Hoshizaki Group published its first integrated report in 2022. The Group positions its integrated report as an important tool for communication with its stakeholders. We have not only fed back many opinions and requests we received from our shareholders and investors in stakeholder dialogue and engagement to the management but also leveraged them to enhance our information disclosure. In this report also, we have strived to convey things clearly so as to further enhance future communications with our stakeholders.

In this post pandemic era, the food service industry, which is the Hoshizaki Group's customer, is facing numerous social issues including energy conservation, reduction of environmental burden, and labor shortage, and the roles expected of us have been also increasing. In Japan, we are rapidly shifting towards natural refrigerant-based products. Along with expediting the enhancement of the lineup of refrigerators/freezers, we have been promoting adoption of natural refrigerant in ice makers, and this has been highly popular among customers. Overseas, we are further promoting the switch to natural refrigerant-based products, which is at a more advanced stage than in Japan, and are also working on development of products that reduce greenhouse gas emissions by improving their energy-saving performance.

In 2024, the five-year management vision entered the third year, which is the halfway point. While making progress in our sincere pursuit of the numerical targets, we are also seeing issues in capital efficiency, etc. We need to grow sustainably and improve corporate values to become an "Evolving Company" that contributes to society as well as customers, which represents the Purpose of the Hoshizaki Group.

We hope that this Integrated Report 2024 will help our stakeholders, including shareholders and investors, to understand the Hoshizaki Group. Thank you for your continuing support.

July 2024

Seishi Sakamoto, Chairman

Yasuhiro Kobayashi, Representative Director, President & CEO

The Hoshizaki Group Corporate Philosophy

To grow into a truly global company with sound corporate management, we have set forth the following corporate philosophy.
It is the starting point of all business activities including the management plan and all employees of the Group will put it into practice so as to create values for society.

Purpose

It states why the Hoshizaki Group exists and how it should contribute to society.

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

Management philosophy

Promise of the Company that the management makes and the employees bring to life

Dedicated:
To realizing harmonization of business activities with the environment, and a good environment to work.
To practicing a management with transparency and discussion. To compliance with the laws, and to making the Company trusted by society and its employees.

"Good product comes from a good environment."

Hoshizaki-ism

Action guidelines for all Group employees that support the Purpose and Management philosophy

Dream
Have a dream to begin with. Results are sure to follow.
Do things differently from others.
See a 'profitable' state as the norm.

A profitable company has a culture that generates profit
Change is the only way to evolve
Staying 'as is' brings you down.

Do not use Money to make Money
We make money from what we produce and sell.

Broaden your horizons
Something that seems wasteful could help you later on.

Contents

About the cover

The penguin mark symbolizing Hoshizaki is an Adélie penguin that only lives in and around Antarctica. The sea ice cover in Antarctica is shrinking, said to be caused in part by global warming. By using a photo of Antarctica, we express our desire to promote initiatives to combat global warming and address other environmental issues as a company contributing to the earth and society.

Key points of the Hoshizaki Integrated Report 2024

We have worked to ensure that Hoshizaki Integrated Report 2024 considers the opinions and wishes of our stakeholders, which we learned through dialogue and engagement with them to enhance our information disclosure in a way that deepens understanding of the Hoshizaki Group's activities. To build a sustainable future, we will provide value to our stakeholders and work on various initiatives to realize our Long-term Vision.

Vision & Stories (p.11–30)

The message from top management talks about the significance of becoming No. 1 in the global food service equipment industry, Hoshizaki Group's value creation, and sustainability activities with efficacy, taking into account the business environment and progress of our five-year management vision. At the materiality working group roundtable, representatives with diverse backgrounds gathered to discuss current activities, results and issues, as well as future outlook.

Strategy Toward Realization of Vision (p.31–50)

Management capital that should be strengthened, along with domestic and overseas business strategies aiming for long-term growth are introduced along with messages from those in charge. Working to enhance financial capital, human capital, intellectual capital, manufactured capital, social and relationship capital, and natural capital, we will promote domestic and overseas business strategies.

Sustainability Management That Supports Strategies (p.51–80)

The association between materiality and sustainability strategy is explained in an easy-to-understand manner, with input from those in charge on a practical level and from our stakeholders. The securing of profitability and growth that puts capital costs into consideration as well as results and issues of sustainability activities, including human capital, are also presented through a roundtable of outside directors.

In Response to Main Opinions from Shareholders and Investors

- Initiatives for return on investment capital ······ p.31-34
- Link of materiality and sustainable activities to management ······ p.27-30, 51-52
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- Specific KPIs (financial, ESG) for performance-linked compensation for officers ······ p.69-75
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- Establish measures for information security risks and IT governance system ······ p.76-78

Editorial Policy

Hoshizaki Integrated Report 2024 has been compiled for the purpose of explaining the Hoshizaki Group's vision, business model and various capital held, business strategies, ESG promotion structure, etc., aimed at increasing not only economic but also social and environmental value over the medium to long term, and for use in dialogue with stakeholders. In compiling the report, we referred to the International Integrated Reporting Framework by the IFRS Foundation, the Guidance for Collaborative Value Creation 2.0 by the Japanese Ministry of Economy, Trade and Industry, Ito Review 3.0 and Ito Report on Human Capital Management 2.0, and the Task Force on Climate-related Financial Disclosures (TCFD), among others, as guides.

Scope of Reporting

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

Period: The report mainly covers fiscal 2023 (from January 1, 2023 to December 31, 2023). Notes are added to indicate whenever any different periods are referred to.

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

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

Note on Future Outlook

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

Disclaimer

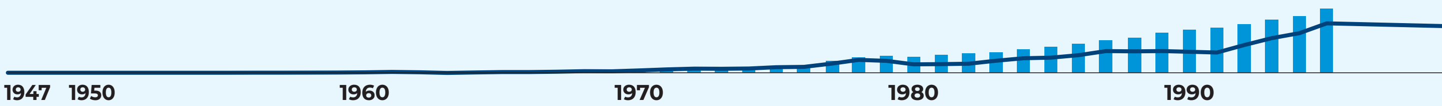
In case of doubt or difference of interpretation, the Japanese version shall prevail over the English version.

Information Structure

Financial Information	 **Integrated Report** (booklet, PDF)	• **Financial Results** • **Securities Report/ Quarterly Report** • **Fact Book** • **The Hoshizaki Group Report** • **Investor Relations (website)**
ESG Information	 **Corporate Site** (website)	• **ESG Information (website)** • **Corporate Governance Report**

The History of Growth

Hoshizaki's history begins in 1947 when founder Shigetoshi Sakamoto established HOSHIZAKI ELECTRIC CO., LTD. in Nagoya City. Since then, it has developed into a leading company in the industry with the motto, "A company cannot grow without original products," developing the first juice vending machine produced in Japan in 1957 and then going on to develop and produce ice makers, refrigerators and other innovative food service equipment. We aim to become the world's No.1 brand in food service equipment by resolving issues facing customers and society as well as through collaboration with all of our stakeholders.



Transition of products*

* Written based on the year each product was developed.

- 1947 Banto slide rule
- 1952 Vehicle horns
- **Vending machines** 1957 Juice vending machine / 1972 Hamburger vending machine → **Food service equipment**
- **Ice makers** 1964 Fully automatic ice maker / 1969 Industrial ice maker / 1977 Cubelet ice maker / 1984 Crescent ice maker
- **Refrigerators/freezers** 1972 Commercial refrigerator / 1974 Undercounter refrigerator / 1982 Walk-in refrigerator/freezer / 1983 High humidity refrigerator
- **Glass door refrigerators/freezers** 1980 Sushi case / 1981 Reach-in glass door refrigerator
- **Hygiene management equipment** 1993 Water electrolyzer
- **Freshness control equipment** 1981 Cold salt water refresher
- **Dispensers** 1970 Draft beer dispenser / 1983 Carbonated drink dispenser / 1973 Tea server / 1980 Cubelet ice dispenser / 1989 Tea dispenser
- **Cooking equipment** 1981 Electric fryer
- **Washers** 1973 Commercial dishwasher / 1988 Household dishwasher / 1990 Dishwashing system

1947-1964

Creation period

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

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

1965-1980

Domestic infrastructure development

Produced and sold the first domestically produced ice maker, enhanced product lineup

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

1981-1995

Overseas infrastructure development

Actively developed overseas sites including HOSHIZAKI AMERICA, INC.

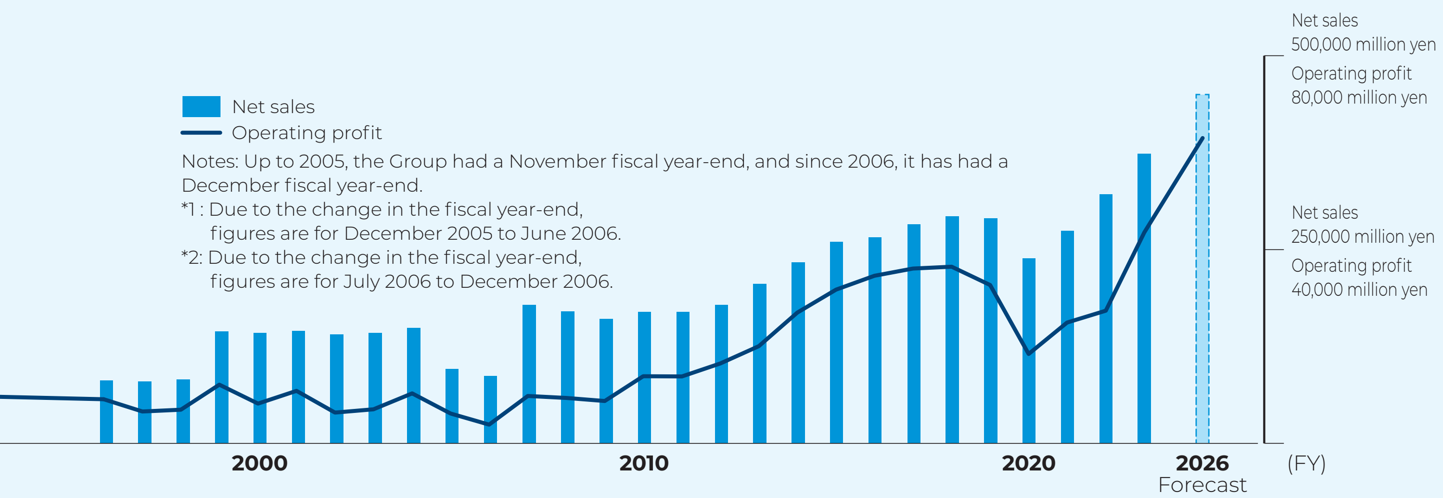
1981 Established Research & Development Center in head office location
1981 Established HOSHIZAKI AMERICA, INC.
1986 Established Shimane Head Office Factory
1986 HOSHIZAKI AMERICA established its main factory
1988 Established HOSHIZAKI OKINAWA CO., LTD. with which the system of 15 sales companies nationwide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

External environment

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

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

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



- **1994** Medical water electrolyzer **1999** Dish disinfecting cabinet **2018** Slightly acidic water electrolyzer **2021** Hypochlorous acid water vending machine/Kitchen knife & cutting board UV disinfecting cabinet
- **1990** Special shape ice maker **2000** Auger-type undercounter ice maker **2010** HFC-free ice maker **2021** Ice maker with automatic cleaning function
- **2005** Inverter-controlled reach-in refrigerator **2011** Inverter-controlled undercounter refrigerator **2014** Blast chiller & shock freezer **2022** Natural refrigerant-based*1 refrigerator
- **1993** Humidity display case **2001** Small glass door refrigerator **2013** Inverter-controlled glass door refrigerator **2018** HFC-free sushi case
- **1990** Food service cart **2004** Dual temperature food service cart **2014** Reheating food service cart **2020** Cold food trolley/Hot food trolley
- **1990** Multi-dispenser **1997** Air-cooled draft beer dispenser **2000** Automatic draft beer dispenser
- **1994** Liquid dispenser **2000** Cold drink dispenser **2001** Cube ice dispenser **2020** Thickened tea dispenser
- **1996** Vacuum packer **2005** Induction cooker **2009** Steam convection oven **2015** Gas fryer **2018** Dough conditioner
- **1997** Warewasher **2007** Rack-conveyor dishwasher **2020** Dishwasher with built-in gas booster **2021** Prejet washer

1996-2008
Conversion to a public company

Realized listing of stock and actively merged and acquired overseas companies

1999 Obtained ISO 9001 certification
2001 Obtained ISO 14001 certification
2003 Soichiro Inamori took office as Representative Director, President & COO
2005 Seishi Sakamoto took office as Representative Director, President & COO
2006 Established HOSHIZAKI SUZHOU CO., LTD.
2006 Acquired LANCER CORPORATION, a beverage dispenser manufacturer in USA
2008 Acquired GRAM COMMERCIAL A/S, a manufacturer of commercial refrigerators in Denmark
2008 Listed on the First Section of the Tokyo Stock Exchange, and the First Section of Nagoya Stock Exchange

2009-2021
Accelerated globalization and reconstruction of growth foundation

Changed company name to HOSHIZAKI and rebuilt the management foundation toward becoming No. 1 in the world.

2011 Seishi Sakamoto took office as Representative Director, Chairman & CEO, and Yukihiko Suzuki took office as Representative Director, President & COO
2013 Acquired Western Refrigeration Pvt. Ltd., a commercial glass door refrigerator manufacturer in India
2013 Acquired ACOS MACOM INDUSTRIA E COMERCIO LTDA, a commercial food service equipment manufacturer in Brazil
2013 Acquired Jackson MSC, Inc. (currently Jackson WWS, Inc.), a dishwasher manufacturer in USA
2014 Seishi Sakamoto took office as Representative Director, Chairman & CEO and President & COO
2016 Changed the company name to HOSHIZAKI CORPORATION
2017 Seishi Sakamoto took office as Representative Director, Chairman & CEO, and Yasuhiro Kobayashi took office as Representative Director, President & COO
2017 Established Hoshizaki Training Center
2018 Discovered improper transactions at our domestic sales companies

2022-
Further evolution with acceleration of M&A overseas

Implemented growth strategy for realizing the five-year management vision

five-year management vision (FY2022 to FY2026)
▶ For more details, see Pages 23 to 24

2022 Acquired Brema Group S.p.A, a manufacturer of commercial ice makers in Italy
2022 Acquired entire shares of filling machine manufacturer, NAOMI Co., Ltd.
2022 Acquired Royalkitchen, a kitchen design and installation company in China
2023 Established HOSHIZAKI SALES CO., LTD
2024 Started selling Hoshizaki Connect Wi-Fi*2
2024 Ozti in Türkiye became a consolidated subsidiary
2024 Acquired TECHNOLUX EQUIPMENT AND SUPPLY CORPORATION and HKR EQUIPMENT CORPORATION in the Philippines
2026 Final fiscal year of the five-year management vision
Sales Target: 450,000 million yen
Operating Profit Target: 63,000 million yen (before M&A goodwill amortization)

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

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

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

*1 Natural refrigerants: Substances that naturally exist and can be used as refrigerants for freezing and air conditioning. They are environmentally friendly refrigerants with no ozone depletion potential (ODP) and very low global warming potential (GWP).
*2 Hoshizaki Connect Wi-Fi: A new service to manage operational and temperature data on a cloud server by installing Wi-Fi modules on equipment such as commercial refrigerators.

Business Overview

As a general food service equipment manufacturer, the Hoshizaki Group provides products and services around the world to resolve issues facing customers and society, aiming to realize its Purpose of a more comfortable and efficient eating environment.
The Group is using its unique technologies to expand its portfolio of high-quality products, such as ice makers, commercial refrigerators, dishwashers, dispensers, cooking devices, hygiene management equipment, etc. as well as enhancing domestic sales networks and strengthening the global business operations by merging and acquiring overseas companies.

Product category | **Main products**

Ice makers

In 1964, Hoshizaki developed Japan's first fully automatic ice makers, establishing Hoshizaki's solid foundation. The products are highly capable of making ice, durable, and user-friendly, have excellent energy-saving performance, and are being developed overseas as a main product for the Group.

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

Refrigerators

In 1972, the Group started the sale of refrigerators based on the cooling technology developed in ice makers. In 2005, the Group launched the industry's first* inverter-controlled commercial refrigerator. In the Japanese market, the Group also began the sale of refrigerators using natural refrigerants*(see Page 06) in 2023 and announced a switch to such refrigerators for a full lineup by 2024, striving to provide energy-saving and eco-friendly products. *Based on internal research

- Commercial refrigerator/freezer
- Undercounter refrigerator/freezer
- Glass door refrigerator
- High humidity refrigerator
- Walk-in refrigerator/freezer, etc.

Dishwashers

Although the Group developed a dishwasher in 1973, it stopped its production due to sluggish sales. In light of the growth of the restaurant industry, needs of improvement in operational efficiency, and labor-saving, the Group resumed the production of dishwashers in 1981. The product is recognized for its high ability and speed of washing that can only come from a commercial-use machine. It also reduced environmental burdens by saving water, etc.

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

Dispensers

Hoshizaki handled tea servers using tea leaves developed in 1973, as well as cubelet ice dispensers using the ice maker technology and draft beer dispensers. The tea dispenser using powdered tea leaves (2009) and the cubelet ice dispenser (2021) won the Good Design Award.

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

Other products

We provide systems and solutions meeting customers' needs, including cooking devices such as steam convection ovens, as well as hygienic control using electrolyzed water.

- Water electrolyzer
- Sushi case
- Induction cooker
- Steam convection oven
- Blast chillers and shock freezer
- Dual-temperature food service cart
- Liquid freezers
- Ultra-low temperature freezer
- Vacuum packer
- Supplies, etc.

Maintenance/repair

In addition to product sales, the complete service system for maintenance and repair has been in place to ensure that products can be used with peace of mind. Maintenance/repair has contributed to stabilizing the revenue, accounting for approximately 17% of consolidated net sales.

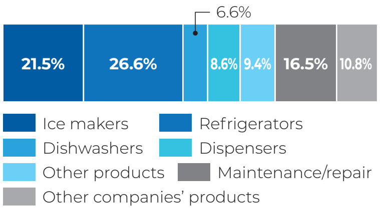
- Maintenance contract
- Periodic inspection/maintenance
- Recovery of CFCs/HCFCs/HFCs
- Repair parts supply, etc.

Other companies' products

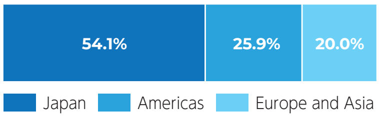
Based on the Purpose, "we present innovative proposals for a more comfortable and efficient eating environment and offer responsive, high quality services," we are selling other companies' products in response to customers' needs.

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

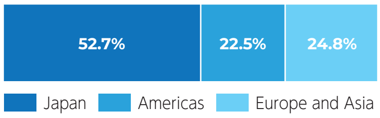
● Composition of net sales by product



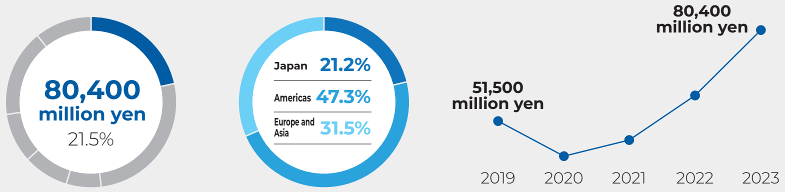
● Composition of net sales by region



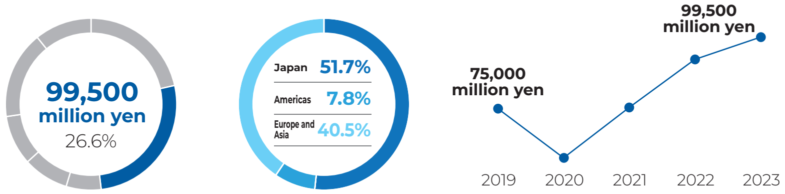
● Composition of operating profit before adjustment by region



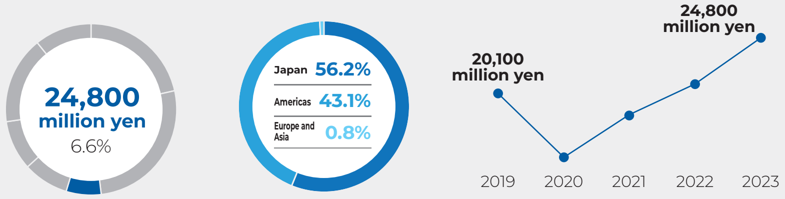
Composition of net sales | **Ratio of net sales by region** | **Changes in net sales** | **Business Overview**



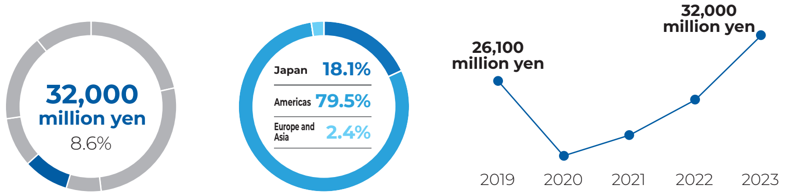
In 2023, the performance of Brema in Italy (consolidated since the second half of 2022), and HOSHIZAKI AMERICA in the Americas largely contributed to the net sales increasing by 34.8% over the previous year. The competition in the ice maker business is limited, but the Group's market share both in Japan and globally is top-class.



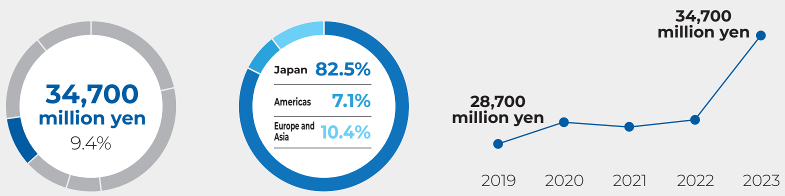
In 2023, the strong performance in Japan due to economic recovery and an increase in inbound demand and by Western in India, with the effects of market growth, contributed to the net sales increasing by 8.0% over the previous year. Hoshizaki boasts a top-class share of the domestic market, and growth overseas is also expanding. Production sites in Europe will also be optimized, and we are aiming to develop the volume zone of the market.



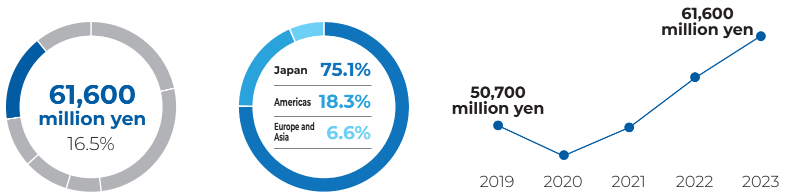
Dishwashers are being manufactured and sold in Japan and mainly by Jackson in the Americas. In 2023, an increase in the sales of dishwashers to customers, mainly major detergent manufacturers overseas, contributed to the net sales increasing by 18.4% over the previous year.



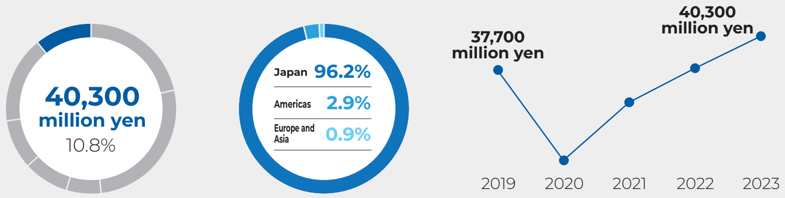
Dispensers are being manufactured and sold in Japan and mainly by Lancer in the Americas. In 2023, an increase in the sales of beverage dispensers to customers, mainly major beverage manufacturers overseas, recovery of the market in Japan, etc., contributed to the net sales increasing by 34.7% over the previous year.



In 2023, with contribution from Royalkitchen (consolidated since 2023) in developing the kitchen set business in China, the net sales increased by 15.1% over the previous year. In Japan, products contributing to labor-saving are being offered, and steam convection ovens, dual-temperature food service carts, etc., are contributing to the performance.



Net sales in 2023 rose by 8.8% over the previous year. There are roughly 430 sales offices in Japan, and we are expanding our own service business overseas, such as in Southeast Asia. In Japan, we will also place emphasis on creating new services using IoT with the provision of Hoshizaki Connect Wi-Fi*(see Page 06), a new service, and support the efficient operations of our customers.

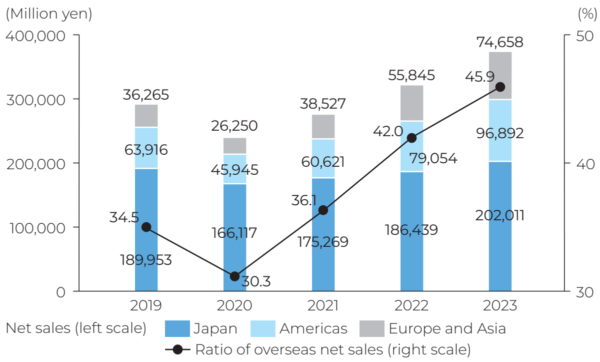


For the new construction and renovation of largescale projects down to those for individual shop owners, we make proposals and accept orders for full kitchens that include products outside of the company's manufacturing lineup.

Financial/ESG Information Highlights

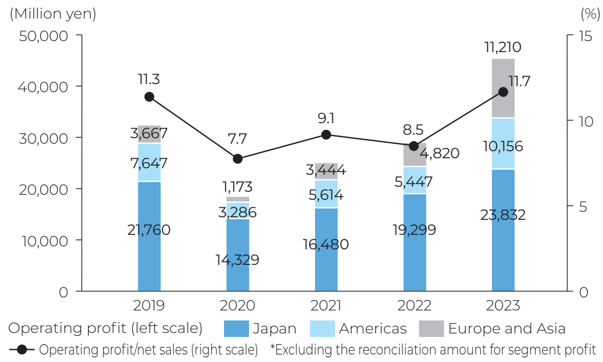
Financial Information Highlights

● Net Sales Breakdown by Region and Ratio of Overseas Net Sales



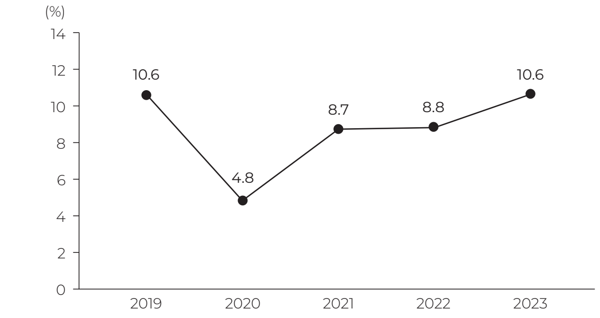
The consolidated net sales were 373,500 million yen, up by 16.3% year-on-year. The domestic net sales rose by 8.4% year-on-year to 202,000 million yen, while the overseas net sales significantly grew to 171,500 million yen, up 27.2% year-on-year (up 22.6% year-on-year in the Americas, and up 33.7% year-on-year in Europe and Asia). As a result, the ratio of overseas net sales was 45.9% (up 3.9 points year-on-year), hitting a record high.

● Operating Profit by Region and Operating Profit/Net Sales



The consolidated operating profit was 43,500 million yen, up 59.0% year-on-year, and operating profit/net sales was 11.7% (up 3.1 points year-on-year). The domestic operating profit was 23,800 million yen, up 23.5% year-on-year, and the overseas operating profit was 21,300 million yen, up 108.1% year-on-year. Accordingly, the domestic operating profit/net sales was 11.8% (up 1.4 points year-on-year), and the overseas operating profit/net sales was 12.5% (up 4.8 points year-on-year).

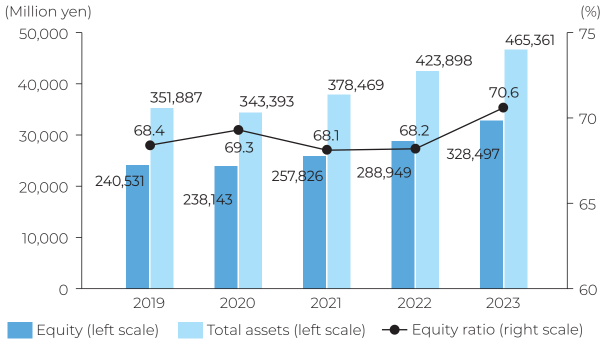
● Consolidated ROE*



* ROE: Return on Equity

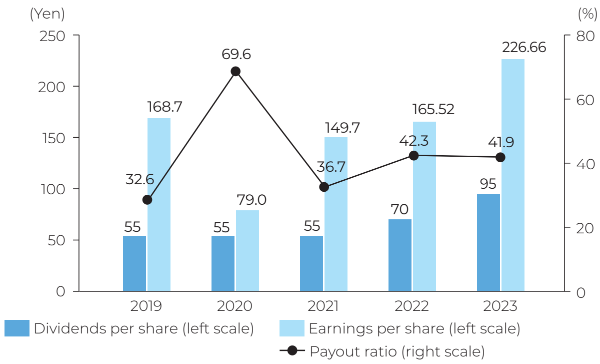
Consolidated ROE increased to 10.6% (up 1.8 points year-on-year). This is because while profit attributable to owners of parent grew by 36.9% year-on-year to 32,800 million yen due to the recovery in operating profit and other factors, the average net assets over the past two years increased by only 13.2% year-on-year to 312,700 million yen.

● Total Assets, Equity, and Equity Ratio



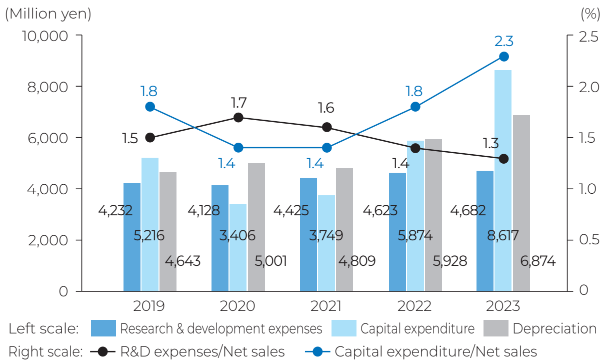
The equity ratio was 70.6% (up 2.4 points year-on-year). The total assets increased to 465,300 million yen, up by 9.8% from the end of the previous fiscal year with the increase in the working capital caused by the recovery of business results. The equity was 328,400 million yen, up by 13.7% from the end of the previous fiscal year. Cash and deposits at the end of the fiscal year reached 254,500 million yen (54.7% of total assets), increasing by 28,500 million yen from the end of the previous fiscal year.

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



Annual dividends per share were 95 yen, a 25 yen increase year-on-year, and the payout ratio was 41.9%. For the shareholder return policy, we will provide shareholder return that is proportionate to profit growth, with a target of at least 40% in total payout ratio, while trying to maintain continuous and stable dividends. We performed a two-for-one stock split of common shares on July 1, 2022, and retroactively adjusted the dividends per share and earnings per share.

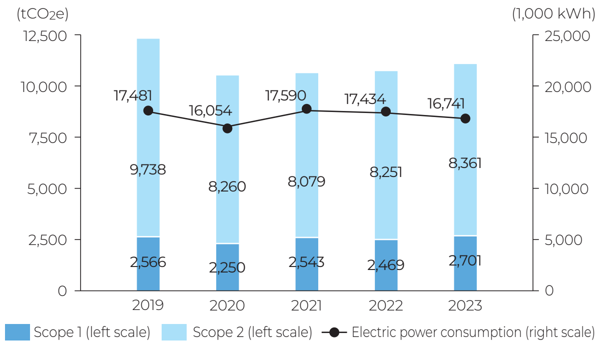
● Capital Expenditure, Depreciation, and R&D Expenses



The capital expenditure increased by 2,700 million yen year-on-year to 8,600 million yen (capital expenditure/net sales at 2.3%). Depreciation increased by 900 million yen year-on-year to 6,800 million yen. The R&D expenses remained flat at 4,600 million yen (R&D expenses/net sales at 1.3%), showing a stable growth. The major capital expenditure was the renewal of facilities at the Head Office and Shimane Factory.

ESG Information Highlights

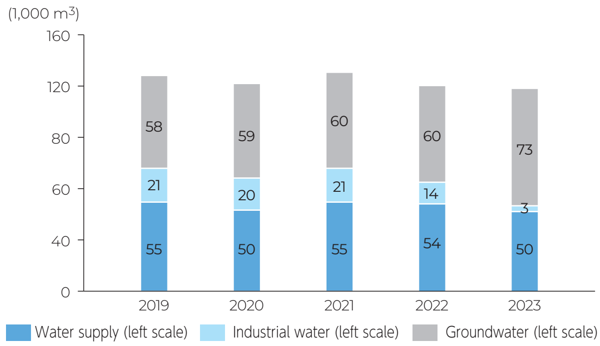
● CO_2 Emissions and Electric Power Consumption at Domestic Locations



*Hoshizaki Head Office Factory and Shimane Factory

CO_2 emissions at domestic locations (Scope 1 & 2) were 11,062 tCO_2e, up 3.2% year-on-year. The electric power consumption was 16,741,000 kWh, down by 4.0% year-on-year with the promotion of efforts, such as using devices to monitor demand and upgrading to high-efficiency equipment. However, with impact from an increase in the CO_2 emission factor of the electricity retailer, emissions rose slightly against the previous fiscal year.

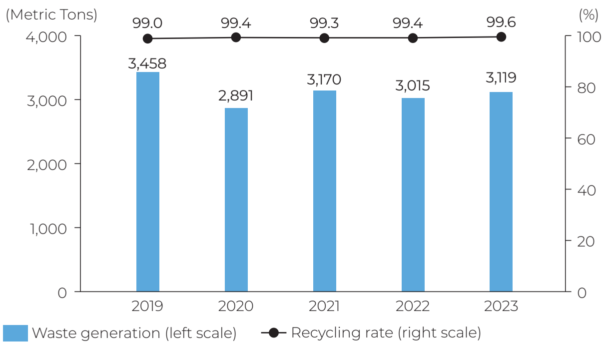
● Water Intake at Domestic Locations



*Hoshizaki Head Office Factory and Shimane Factory

The water intake at domestic locations decreased by 1.7% year-on-year to 126,000 m^3. Even as the production volume increased, we were able to lower the water intake with initiatives undertaken to improve productivity.

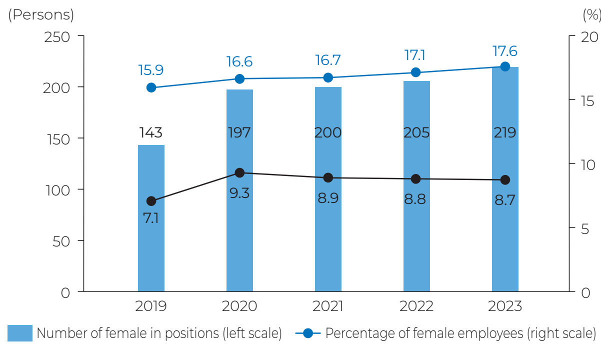
● Waste Generation and Recycling Rate at Domestic Locations



*Hoshizaki Head Office Factory and Shimane Factory

The waste generated at domestic locations increased by 3.4% year-on-year to 3,119 metric tons. Although the rate increased year-on-year due to an increase in the production volume, by promoting the separation and recycling of waste, the waste recycling rate reached 99.6%, almost reaching 100%.

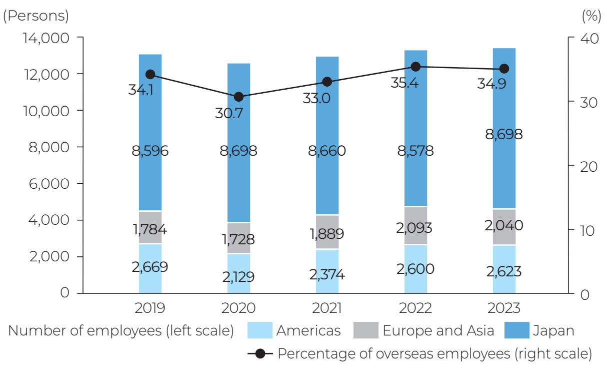
● Number and Percentage of Female in Positions, and Percentage of Female Employees



*Hoshizaki and domestic sales companies

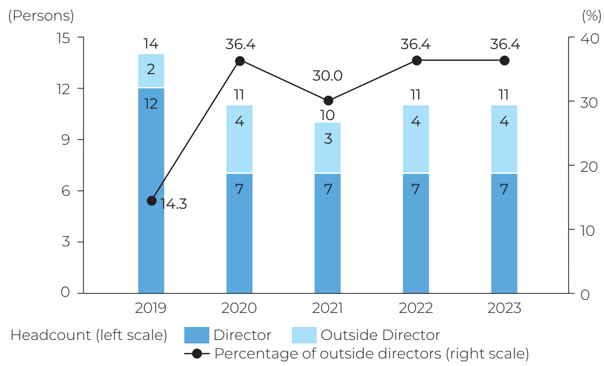
The total number of employees of HOSHIZAKI CORPORATION and domestic sales companies is 7,725. Of these, 1,359 are female employees, and the percentage of which increased by 2.1 points from 5 years ago to 17.6%. In addition, the number of female in positions at or above assistant manager level is 219, increasing by 103 from five years ago. The percentage of female in positions at or above assistant manager level also increased to 8.7%.

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



The number of employees of 57 consolidated group companies is 13,361, up 0.7% year-on-year. The numbers of employees are 2,623 for 16 companies in the Americas (up 23 year-on-year) and 2,040 for 22 companies in Europe and Asia (down 53 year-on-year).

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



There are four outside directors out of 11 directors. The percentage of outside directors is 36.4%, fulfilling the requirement of the corporate governance code stipulated by the Tokyo Stock Exchange (one-third or more).

Message from Top Management

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

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

Yasuhiro Kobayashi
Representative Director, President & CEO
HOSHIZAKI CORPORATION

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

The spread of COVID-19, starting in 2020, had a significant impact on the food service equipment industry. Barring some regions, demand recovered quickly overseas, but the recovery in Japan was relatively slow. However, COVID-19 was reclassified as a Class 5 infectious disease in May 2023 and Japan's food service industry finally came back to life, although the strength of the recovery varies depending on the sector.
For the fiscal year ended December 31, 2023 , we achieved record net sales and operating profit, as our business in Japan was buoyed by tail winds such as the recovery from the pandemic, the weaker yen, and demand from foreign visitors to Japan and the steady demand continued in various areas overseas after the pandemic ended. According to the policy on shareholder return, we paid an annual dividend of 95.0 yen per share (up 25.0 yen per share compared with 2022), meeting the target of 40% or more in total shareholder return.

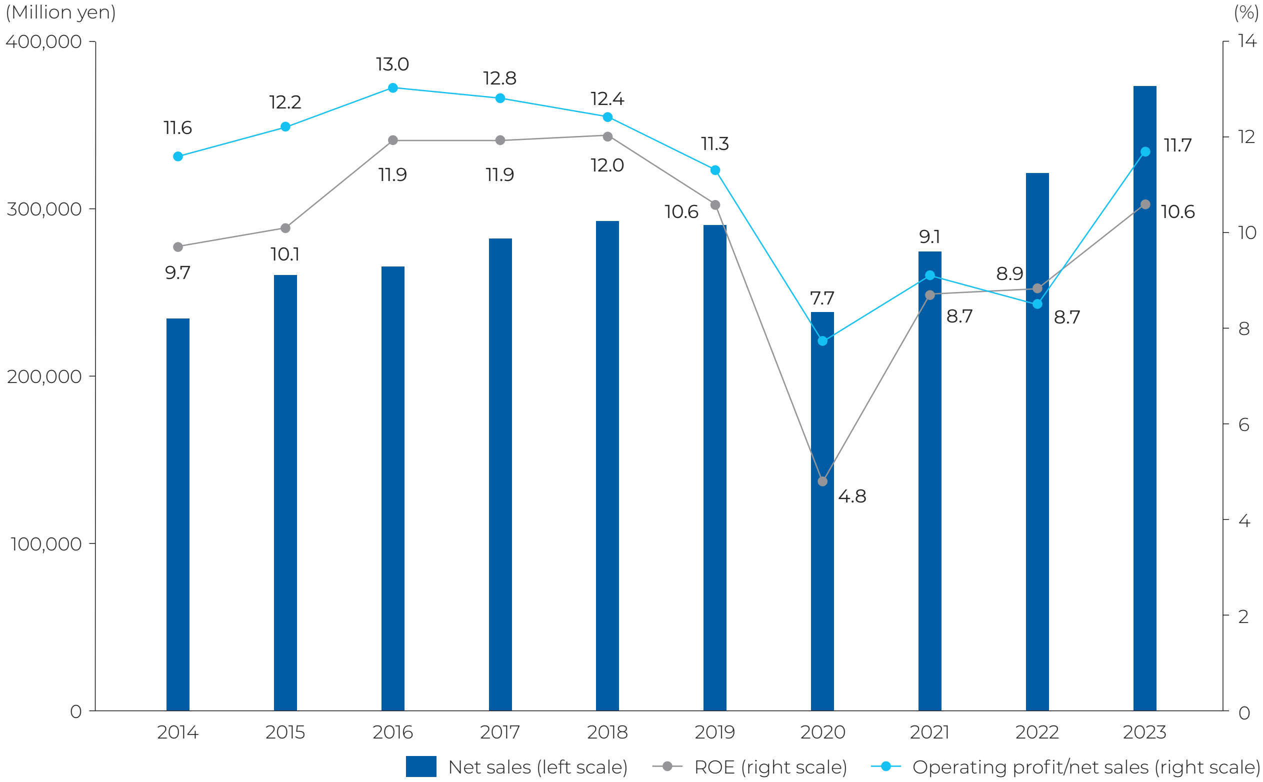
FY2023 business performance overview

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

Recognizing profitability issues, we are implementing improvement measures

As explained above, the FY2023 performance was steady overall for the second year of the five-year management vision (2022–2026), but some issues remain with respect to profitability. In FY2023, operating profit ratio and ROE were below the past records (record operating profit ratio: 13.0% in FY2016; record ROE: 12.0% in FY2018), and we aim to enhance them from now on.
Compared with the peak in FY2016, operating profit ratio decreased in Japan and Americas. In Japan, the increase in fixed costs was a negative factor. It was primarily due to a decline in profitability of manufacturing divisions caused by soaring material costs, as well as due to increases in administrative work and number of employees for strengthening internal control and compliance systems and for enhancing management of businesses in Japan and overseas. When we drafted the five-year management vision in 2021, we did not anticipate the material costs to increase to such an extent in Japan.
In Americas, besides the soaring materials costs like in Japan, rising labor costs and a temporary decline in productivity at factories due to replacement of workers because of the COVID-19 pandemic had a negative impact. Conversely, operating profit ratio in Europe and Asia excluding China was favorable as sales increase and strengthened cost management proved effective.
In FY2024, although material costs continue to increase in Japan, we do not expect them to soar suddenly like they did in 2022 and 2023. In Japan, we aim to absorb the cost increase by actively implementing cost reduction activities. We will also boldly review the products manufactured at Hoshizaki's Head Office Factory and Shimane Factory as well as group companies NESTOR and SANSEI ELECTRIC, which engage in manufacturing, to further enhance the profitability at all factories in Japan. On April 1, 2024, we revised the price of almost all products. We explained the situation of rising materials and labor costs to the customers and also that we are passing on the cost increase that cannot be absorbed through cost reduction activities to the selling prices. We are continuing with our efforts to gain their understanding.
As for administrative work, whose cost burden has been growing, Hoshizaki Sales established last year has been promoting standardization and efficiency improvement of administrative work of sales companies, through which we aim to reduce costs.

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



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

The sluggish growth in ROE*(see Page 09) was caused by a reduction in total assets turnover due to the decrease in profitability and increases in cash and deposits and inventories. Although cash and deposits increased following the steady post-pandemic recovery in business performance, total assets turnover was pushed down by factors including the delay in profitability recovery due to soaring parts, materials, and labor costs as well as the inventory build-up of parts and products during the pandemic and for addressing prolonged parts and materials shortage. Specifically, although net assets considerably grew to 332,900 million yen as of the end of 2023 (149% of the level in 2018), profit attributable to owners of parent was limited to 32,800 million yen (128% of the level in 2018), resulting in ROE of 10.6% (12.0% in 2018). With the yen depreciating in 2023 and foreign exchange gains of nonoperating income also contributing, the discrepancy in ROE excluding foreign exchange gains is even greater compared with its peak. Taking these circumstances into consideration, we announced our first acquisition of treasury shares (10,000 million yen) in May 2024 to enhance capital efficiency.

Management conscious of capital efficiency and stock price

Our stock price has been at an unsatisfactory level relative to the market average. Besides the financial results briefings every quarter, we provide opportunities for dialogue and engagement with shareholders and investors regularly. Particularly, we are having Shareholder Relations (SR) Meetings with main shareholders every year since 2019. We share all requests we received at these occasions immediately with the Board of Directors and other top management above a certain level and proactively discuss them so that we can respond to them as much as possible.
Once we put together measures to address such requests, we disclose the measures, whose implementation has been determined, in the integrated report every year. Given the Tokyo Stock Exchange's request, made in March 2023, to companies listed on the Prime Market to implement management that is conscious of capital cost and stock price, I feel there is more demand than ever in the capital market for enhancing capital efficiency.
In dialogue and engagement, many stakeholders highlighted the slump in our stock price despite strong business performance. We recognize that the main reasons for this are that our capital efficiency is lower than

the expectations of the capital market and that we are not fully utilizing the ample cash and deposits at our disposal. We are conducting the first acquisition of treasury shares to show that we do not exclude acquisition of treasury shares as a shareholder return measure.
Going forward, we would like to thoroughly discuss more strategic measures for shareholder returns, obtain the targets under the five-year management vision, and effectively utilize the cash and deposits (cash allocation) for improving capital efficiency so as to further enhance our reputation with and gain the confidence of shareholders and investors. Increasing corporate value is the responsibility of the entire management team and I am determined to lead the initiatives for improvement of corporate value by listening carefully to the opinions of the capital market.

Steady Strategy Implementation and Progress of Five-year Management Vision

The five-year management vision, which ends in FY2026, entered the third year and is at the halfway point in FY2024. We will make our utmost efforts to achieve the targets for FY2026 of 450,000 million yen in net sales (including 50,000 million yen from M&As), 63,000 million yen in operating profit (before M&A goodwill amortization), 12% or more in ROE*(see Page 09), and 40% or more in total shareholder return.

Achieving targets with offensive and defensive strategies in Japan and overseas

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

▶ For more details, see Page 43

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

▶ For more details, see Page 35

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

▶ For more details, see Page 46

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

▶ For more details, see Page 76

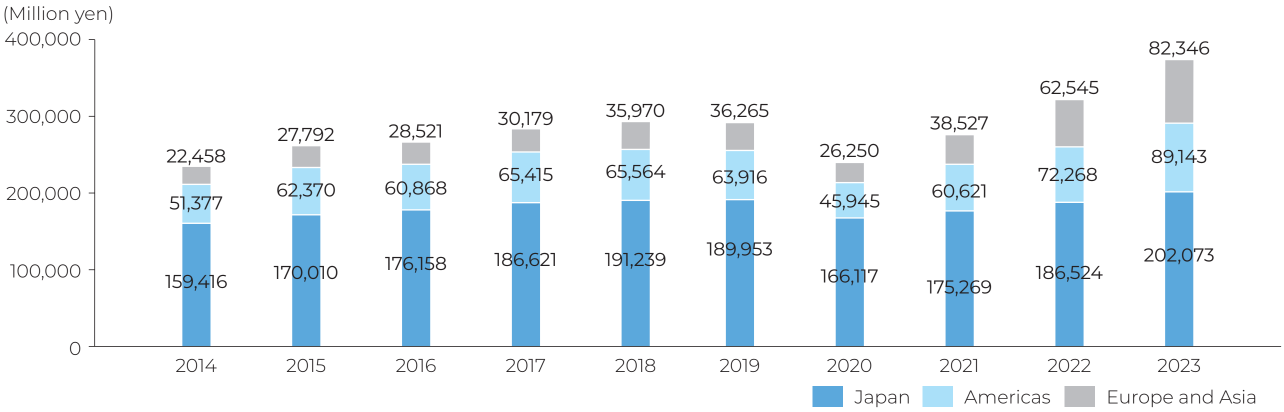
Strengthening competitiveness by focusing on the changes in post-pandemic market

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

Looking ahead, we do not see a clear path toward recovery in new opening of restaurants operating during night time to the level before the pandemic given the dwindling birthrate and aging population, declining population, and changes in behavioral patterns. We, however, can definitely expect a recovery in new opening of and capital investment in restaurants that operate during day time and lodging facilities buoyed by the increase in foreign visitors to Japan. We are also anticipating continued growth in demand for capital investment in the processing and sales sector and hospitals and welfare facilities against the background of dwindling birthrate, aging population, and increasing number of single person households.

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

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



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

We are planning on investment of 125 billion yen in M&As in the five-year management vision. Capital investment demand has recovered in the food service industry in regions around the world, and M&A projects are also increasing gradually. Recent trends show there are fewer M&As in Europe and America, where players are increasingly consolidating, whereas the number of M&As is growing in emerging countries. We have accumulated the knowhow for succeeding in acquisition of companies in emerging countries through our management (successes and failures) of acquired companies in India, Brazil, and other such emerging nations in the past. In February 2024, we added Fogel Company Inc. (hereinafter, "Fogel"), a manufacturer of commercial refrigeration equipment based in the Republic of Panama to the Hoshizaki Group. HOSHIZAKI AMERICA has deep connection with Fogel, receiving OEM* supply of medium- to low-priced refrigerators for the U.S. market over many years, and therefore, we can expect synergy effects from it early on. Hoshizaki has a 25% stake in Fogel, making it an affiliate accounted for by equity method. We plan to carry out share acquisition in stages and it is expected to become a consolidated subsidiary with us holding a 51% stake in 2027. Fogel, whose manufacturing base is in the Republic of Guatemala, boasts major beverage manufacturers (primarily U.S.-based) as its customers, and sells its products in Central America and the northern parts of South America. The company has highly productive factories and research center, and it is set to start construction of a mega factory in 2024 to prepare for further growth, and we plan to support it in the design, construction, and operation of the factory. Going forward, this would, in addition to expanding the business in Central and South America, lead to enhancing the lineup of mass market refrigerators in the Americas.

▶ For more details, see Page 50

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

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

The Hoshizaki Group aims to be the No. 1 in the world as stated in our Corporate Slogan of "Aiming to be the world's No. 1 brand connecting five continents" and in the Long-term Vision "We aim to be No. 1 globally by taking the initiative in new markets with growth prospects and in undeveloped markets to thereby further raise our market presence" disclosed in the five-year management vision.

To become No. 1 in the world, we, first of all, aim to become No. 1 in global sales in the food service equipment industry. To achieve that, we aim to be No. 1 in sales in all countries and regions. It is a very challenging goal, but we intend to keep trying. As we aim to become the No. 1 in various countries, the reliability of the sales channels (increase in number of Hoshizaki fans) will rise, and the increase in sales volume would enable enhancement of development functions and production bases (factories). This in turn would raise the cost competitiveness of our products enabling further expansion of sales. Furthermore, strengthening the bases in various countries would increase the opportunities for the local employees in those countries as well as our young and mid-tier employees to gain various management-related experiences, and we can expect a positive impact in nurturing management resources.

Hoshizaki-ism, the action guidelines for employees, are something that has been unchanged since the time of inception. Of that, we are actively promoting to management and employees both in Japan and overseas the ideas that a profitable company has a culture that generates profit and change makes progress. For us to become No.1 in the world and in various countries, we will first pursue increased sales, but no company can survive long without profit growth. The direction we ought to take is achieving both customer-oriented sales expansion and profitability improvement (in other words, gaining profits). I have been, at every opportunity, instructing executives overseas to achieve growth with profit. While this is a really difficult goal, Chairman Seishi Sakamoto often says, "You will know it immediately when you visit a profitable company. Executives and employees think of being profitable on an everyday basis and boldly try to change in order to become profitable. Becoming profitable is the culture of such companies."

I strongly recognize that my responsibility, as head of management, is to ensure steady strengthening of the functions of the mother company and bolstering the business foundation both in Japan and overseas in preparation for future changes in the environment while nurturing many profitable companies with a culture that generates profit. Toward that end, I will develop management human resources that understand Hoshizaki-ism and firmly work to build a mechanism and boost communication for promoting that understanding. We are holding management reporting meetings (in-person briefings) for executives every quarter and distributing the Management Newsletter to group employees and executives, and we will continue to give utmost priority to communication with executives and employees.

Deepening of Sustainability Initiatives Accompanied by Effectiveness

Our European subsidiary will become subject to Europe's Corporate Sustainability Reporting Directive (CSRD) in FY2025. As a listed company's responsibility, we intend to appropriately respond to external assessment bodies and comply with disclosure standards.
Hoshizaki Group, as part of its sustainability activities, identified six material issues in 2022, established the Sustainability Committee in 2023, set up working groups (WG) headed by executive officers for each material issue, and has been driving forward activities by setting KPIs. I am committed to and actively engaged in solving materiality.
We made progress in addressing materiality in 2023 also, of which expanding the scope of CO_2 emissions reduction goals globally is one of the major achievements in addressing materiality of "response to climate change." We are also promoting other initiatives such as installing solar power generation facilities at our Head Office and Shimane Factories. In the materiality of "sustainable supply chain management," we started conducting a questionnaire survey on environment and human rights targeting suppliers. As for the materiality of "increasing employees' job satisfaction," we focused on promotion of women's empowerment such as nurturing of female managers, and we are currently making good progress in terms of the number of female managers, which is one of the KPIs.
Conversely, apart from some, activities tend to be domestic-focused or are limited, and I recognize that it is our task to expand the activities globally in the future. We will continue to enhance information disclosure and at the same time aim to integrate effective initiatives, management strategy, and sustainability initiatives.

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

Regarding the materiality of "response to climate change," we aim to contribute to global environment by introducing environmentally friendly natural refrigerant*(see Page 06)-based products for the first time in Japan. Currently, natural refrigerant products in Japan are refrigerators and some ice makers, and the natural refrigerant-based refrigerators launched in May 2023 exceeded 50% share in sales of all applicable models. Although natural refrigerant products are the standard globally, in Japan, the industry had been slow in introducing such products due to safety concerns regarding natural refrigerants (flammable gas). Nonetheless, we succeeded in launching and expanding sales of such products in Japan leveraging our superior development capabilities and many years of experience in the global market (overseas, Hoshizaki was one of the first to introduce natural refrigerant-based products). Although some agents have voiced concerns regarding safety and handling of repairs, we intend to pursue introduction of the products by explaining it to them in detail. Prices are also at similar levels as conventional products and along with contributions to reducing the impact on environment; we also expect further growth of such products as eco-friendly products.

▶ For more details, see Page 54

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

▶ For more details, see Page 55

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

Regarding creation of new customer value, customers are steadily accepting natural refrigerant-based refrigerators and ice makers, which would contribute to prevention of global warming initiatives engaged in by many customers. We are also actively pursuing introduction of new products for customers in non-restaurant markets, collaboration with other companies, and labor-saving products (use of robotics, etc.) for tackling labor shortage. ▶ For more details, see Page 57

As for the materiality of "new proposals for the creation of safe and secure food environment," we will aim to make active proposals by especially focusing on strengthening service capability, the source of Hoshizaki's competitive advantage. We are starting to see some success with the launch of nurturing program for young service staff aimed at preventing turnover, review of the service menu, upgrading of the call center, and development of ICT tools for operational efficiency. The Hoshizaki Connect Wi-Fi*(see Page 06), introduced at the beginning of this year, is a system that would reliably contribute to work efficiency improvement of the services, and we will aim to expand its sales going forward. ▶ For more details, see Page 58

With regard to the materiality of "increasing of employees' job satisfaction," employee satisfaction (hereinafter, "ES") has declined at all domestic group companies in the ES survey of 2023, falling for two consecutive years. When we look at the survey results, last year we had many departmental transfers and changes in responsibilities due to the organizational restructuring of the 15 domestic sales companies, and the accompanying stress was a major factor affecting the survey results. Every year, I go through the comments section of all responses to this survey. Upon reading those comments, we can see that the dissatisfaction of the employees has eased in the 2023 survey results compared to the survey of 2022 and the various measures we started since last year are bearing fruit. These initiatives to improve ES are not limited to improvement activities at each company. With Hoshizaki Sales at the center, we have identified key activity themes for the 15 sales companies and are pursuing establishment of new systems and changes to the system. Specifically, we have already implemented strengthening of assistance for retention of young employees, work efficiency improvement for reducing workload, and introduction of a common personnel system for the 15 sales companies. Besides position-specific training for newly appointed managers, the selective training program aimed at nurturing domestic as well as foreign management personnel has taken root and is contributing to raising the level of managers. Especially, in the training for those who are in the department manager level and higher, which is based on a training program of a human resource development support company, I also take part as a lecturer and that is also helping in the communication with senior executives.

▶For more details, see Page 61

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

In terms of the effectiveness of governance, as Board of Directors meetings have limited time with roughly 15 minutes per agenda, we have set up the individual discussion meeting*(see Page 71) held once in one or two months for half a day to discuss important managerial issues to improve the effectiveness of the Board of Directors and to enhance the discussions. One of the themes that impressed me in the individual discussion meetings held in 2023 was the discussion on M&A projects. I feel that we held solid discussions on the acquisition of Fogel including the opportunities and risks involved. We also had multiple discussions on capital policy and shareholder returns. I convey all the needs of the capital market to the Board of Directors and engage in discussion while always bearing in mind how important it is to focus on the balance sheet in addition to income statement. The 10 billion yen acquisition of treasury shares was realized after repeated discussions at the individual discussion meetings regarding the targeted cash allocation and capital policy necessary to achieve the five-year management vision. Going forward, stricter questions will definitely be raised regarding the significance of holding cash and deposits. The entire management is keenly aware of the capital costs and will work stridently for maximizing capital efficiency.

▶For more details, see Page 71

We are marking the third year since we started publishing the integrated report, and although it is being carried out one step at a time, I really feel that sustainability initiatives are gradually deepening our business activities. Continuing to change and evolve is essential for management, and I will endeavor to realize the Purpose of the Hoshizaki Group and co-create values through dialogue and engagement with the stakeholders. I look forward to your continued support and cooperation.

Value Creation Process

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

Inputs

Results of FY2023

Financial capital
▶ For more details, see Page 31

Total assets
465,400 million yen

Net cash
254,500 million yen

Human capital
▶ For more details, see Page 35

Number of employees on a consolidated basis
A total of **13,361** persons

(In Japan)
Sales staff
Approximately **3,300** persons
Service staff
Approximately **2,700** persons

Intellectual capital
▶ For more details, see Page 38

Research and development expenses
4,600 million yen
Research and development bases
A total of **13** bases

Manufactured capital
▶ For more details, see Page 41

Capital expenditure
8,600 million yen

Number of production sites
A total of **27** sites

Social and relationship capital
▶ For more details, see Page 42

(In Japan)
Approximately **3** million customer bases

Suppliers supporting approximately
6,000 models

Natural capital
▶ For more details, see Page 53

Electric power consumption
16,741,000 kWh
*Hoshizaki Head Office Factory and Shimane Factory

Water intake volume
126,000 m^3
*Hoshizaki Head Office Factory and Shimane Factory

Business activities

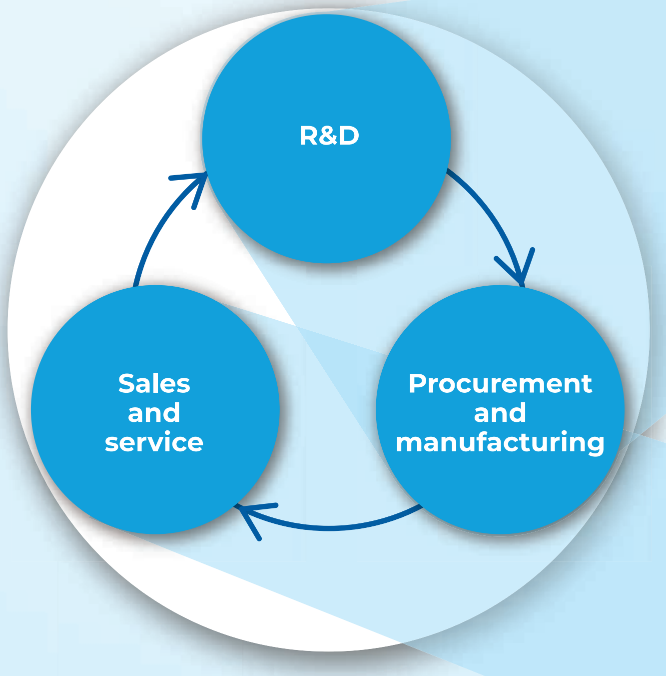
Corporate philosophy
▶ For more details, see Page 02

Five-year Management Vision
▶ For more details, see Pages 23–24

Strategy

- Promoting proactive initiatives to respond to diversifying customers' needs and solve social issues
- Establishing global business bases and stable revenue bases to enable the sustainable growth

Solutions for issues on customers' food value chain



Materiality
▶ For more details, see Pages 25 and 26

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

Outputs

- Development of original products incorporating original technology
- Responsive, high-quality services

Outcomes

Results of FY2023

Financial capital

Operating profit ratio **11.7** %

ROE*(see Page 09) **10.6** %

Total return ratio **41.9** %

Human capital

(In Japan) Female managers
A total of **219** persons

(In Japan) Employee satisfaction survey **38.2** points
(Perfect score: 55 points)

Intellectual capital

(In Japan) Total sales ratio of new products and products after model changes **47.0**%

(In Japan) Number of themes for core technology research **Seven** cases

Manufactured capital

(Global)Cumulative shipments of products with natural refrigerants
*(see Page 06)
Approximately **1,420,000** units

(Hoshizaki) Goods-in-process production lead time compared with FY2019
Reduction by **59** %

Social and relationship capital

- Credibility with customers
- Amicable supply chain

Natural capital

Environmentally friendly products CO_2 emissions
Compared with FY2022
+3.2 %
*Hoshizaki Head Office Factory and Shimane Factory

Waste recycling rate
99.6 %
*Hoshizaki Head Office Factory and Shimane Factory

Targets

Financial capital

Five-year Management Vision
(Envisioning for FY2026)

Net sales
450,000 million yen
(including M&A 50,000 million yen)

Operating profit ratio (before M&A goodwill amortization)
14 % or more

ROE
12 % or more

Total return ratio
40 % or more

Human capital

(In Japan) Female managers
A total of **300** persons (2025)

(In Japan) non-restaurant market sales
100,000 million yen (2026)

(In Japan) Service sales
52,200 million yen (2026)

Intellectual capital

Creation of new markets/applications

Manufactured capital

Optimum production system friendly to environment and employees

Social and relationship capital

(Hoshizaki)
Response rate for supplier survey on sustainability
95 % or more (2026)

(Hoshizaki)
Attendance ratio of an annual factory policy briefing
95 % or more (2026)

Natural capital

CO_2 emissions (Scopes 1 and 2)
Reduction by **30** % compared with 2023 (2030)

Value creation for stakeholders

Achieve a comfortable and efficient eating environment

Increasing employees' job satisfaction

▶For more details, see Page 61

5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH

Maximizing customer satisfaction

▶For more details, see Page 57

3 GOOD HEALTH AND WELL-BEING | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Providing safe and secure food environments

▶For more details, see Page 58

2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING

Reducing environmental impacts

▶For more details, see Page 55

7 AFFORDABLE AND CLEAN ENERGY | 13 CLIMATE ACTION

Long-term Vision

▶For more details, see Page 23

Purpose

▶For more details, see Page 02

Key points of Value Creation Process

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

Inputs

Making Best Use of Advantageous Management Capital

Financial capital	**Ample cash necessary for future growth** Accounting for 55% of total assets, growth investment for achieving the Long-term Vision (including M&A)
Human capital	**Advancing sales-service collaboration and R&D personnel in the world** New value creation and market development, development of new products and new technologies exceeding market needs
Intellectual capital	**Timely launch of new products and demand boosting with model changes** Creation of demand (including partnership with other companies), improvement of net sales ratio of new products and changed models
Manufactured capital	**In total, 27 production sites across the world and strict quality control system** Stable provision of high-quality products under the strict quality control system based on 100% inspection, production at optimal locations for "local consumption of locally produced products"
Social and relationship capital	**High brand power and customer bases and cooperation with suppliers** Intangible assets supported by high market share, cooperation with stakeholders, and social contribution activities as a member of a local community
Natural capital	**Efficient use of energy and effective use of resources** Continuing the environmental management, contributing to customers with a product lineup with low CO_2 emissions and high environmental performance

Business activities

Risks and opportunities

Social issues	Industrial changes	Internal environment
• Diversification of a sense of value, needs, and lifestyles • Declining birthrate and aging population and decrease in working population • Information-oriented society/advance in IT • Risks of environmental contamination and climate changes	• Changes in business categories of the restaurant market • Changes in customers' needs and acceleration thereof • Further progress in globalization • Prosperity of emerging markets	• Global response • Productivity improvement • Diversity • Internal control

Advantageous value chain and strategies

- **Trends in the related industry and of Hoshizaki**

  Products handled by the food service equipment industry are diverse such as cooking appliances, heating appliances, rice cookers, washing machines, refrigerators, beverage dispensers, and foodstuff dispensers. Furthermore, market needs are changing year by year, for instance, promotion of hygienic management of kitchens, systematic and advanced cooking, and improvement of kitchen environment. The Hoshizaki Group is a market leader in the domestic food service equipment industry, characterized by its direct sales system and business model in collaboration of sales and service (sales-service collaboration model). In other countries, competitors are different from domestic ones. Nevertheless, our strength is stable supply of products through the global manufacturing and sales system and high-quality products. Under these conditions, we aim to be No. 1 worldwide by strengthening priority segments through M&As.

- **Solutions for issues on customers' food value chain**

	R&D	Procurement and manufacturing	Sales and service
Solutions	Provide customers with highly value-added products by establishing a consistent R&D system from development and trial production to design and follow-up using our unique technologies.	Have established the system for stable product supply and quality control under strict quality criteria, to provide products and services in response to the expectations and trust of our customers.	Using domestic and overseas networks, respond to various customers' needs such as design, construction, and maintenance of kitchens, proposals on menu, and assistance for introduction of HACCP*.
Strengths	• Core technologies refined over many years • Technological ability to develop products meeting global environmental and energy-saving standards • Mechanism of searching market needs	• Quality meeting strict internal test criteria • Capability that can flexibly respond to minute customers' needs (in Japan) • Global system for production and development in places where there is demand (overseas)	• Nationwide direct sales system and service support system (in Japan) • Ability to make proposals in collaboration of sales and service personnel (in Japan) • Provision of service training to dealers across the world (overseas)

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

Outputs

Products created by Hoshizaki and high-quality services

- **Development of original products incorporating original technology**
  Under the motto "A company cannot grow without original products," Hoshizaki creates products that address customer needs and lead to solutions for social issues.
- **Responsive and high-quality services**
  We provide high-quality services to customers by evolving and deepening the sales-service collaboration model in Japan and standing close to our customers in advancing development overseas.

FY2023 results (in Japan)

Reducing environmental impact, labor saving
- Products using natural refrigerants*(see Page 06)
- Dishwashers

Creating products in response to demand for frozen food
- Deep freezers (ultra-low temperature freezers)
- Thawing cabinets
- Liquid freezers

New products incorporating existing technology
- Pharmaceutical refrigerators

Outcomes

Enhancing management capital and giving back to stakeholders

Using different kinds of capital advantageously and providing value over short, medium, and long terms, we will contribute to achieving related SDGs that will lead to strengthening various capitals.

Value creation

- **Short-term value creation:**
  Providing safe and secure food environments: we will provide safety and security to customers through products, maintenance, and services leveraging the Hoshizaki Group's strengths. This will help increase operating profit ratio that is financial capital and raise credibility with customers as social and relationship capital.
- **Medium-term value creation:**
  Increasing employees' job satisfaction, maximizing customer satisfaction: we will foster the vital workplace culture wherein employees share diverse values, respect each other, and work with pride. Growth potential of the non-restaurant market is high, and we will focus on using manufacturing capital, intellectual capital, and IoT and SFA[*1] (sales support system) we have cultivated thus far. This will improve human and financial capital, and we will use manufacturing capital to reduce lead time and intellectual capital to lead to the creation of new applications and markets and build amicable supply chains that will become social and relationship capital.
- **Long-term value creation:**
  Reducing environmental impacts: we will aim for 30% reduction of Scopes 1 and 2 CO_2 emission globally by 2030 (compared with 2023) and for carbon neutrality for domestic factories[*2] by 2050. By achieving reduction in CO_2 emission with utilization of financial, human, and manufacturing capital and by creating eco-friendly products through intellectual capital, we will give back to society as natural capital.

*1 SFA: Sales Force Automation, meaning a sales support system
*2 Hoshizaki Head Office Factory and Shimane Factory

Achievement of Long-term Vision

Purpose

Five-year Management Vision

To strengthen our ability to respond to environmental changes from a long-term perspective, the Hoshizaki Group has established the Long-term Vision with our Purpose as a major policy. The five-year management vision (FY2022–FY2026) is formulated that sets targets for social and environmental value and economic value, aiming to enhance corporate value toward realizing our Long-term Vision.
Organizational activities are being engaged in with the formation of new working groups aiming to resolve six material issues toward increasing social and environmental value. To increase economic value, we strive to achieve numerical targets by executing "offensive" and "defensive" strategies through profit ratio improvement domestically and sales growth overseas.

Purpose

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

Long-term Vision

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

Future strategic direction

Group overall

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

Domestic	Overseas
● Seeking growth, further strengthen development of non-restaurant markets while also continuing to explore the existing restaurant market. ● Establish a new sales model (sales-service collaboration model) to accommodate the needs of customers in the restaurant market, whose conditions are fast changing, and in non-restaurant markets, which have a diverse range of customers.	● Expand business into emerging markets with growth prospects ahead of other companies while maximizing growth in existing markets

Groupwide growth strategy

	Domestic	Overseas
Offensive	**Profit growth driven by profit ratio improvement** ・Further explore the restaurant market and develop non-restaurant markets ・Thoroughly improve profitability and productivity ・Create new value through optimizing sales-service collaboration and use of IoT ・Strengthen product development capabilities in response to market needs	**Profit growth driven by sales growth** ・Develop new markets (area, product, channel, customer, etc.) ・Active M&A ・Excellent quality, cost, and delivery (QCD)
Defensive	**Domestic and overseas** ・Strengthen ESG measures ・Strengthen internal control and compliance ・Strengthen business management (cost management) ・Develop management personnel ・Develop strategic IT ・Strengthen risk management	
Defensive	**Develop infrastructure for increasing efficiency** ・Increase administrative efficiency (promote shared services) ・Strengthen coordination with other companies	**Develop infrastructure for growth** ・Strengthen ability to execute M&A and PMI* ・Strengthen area management

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

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

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

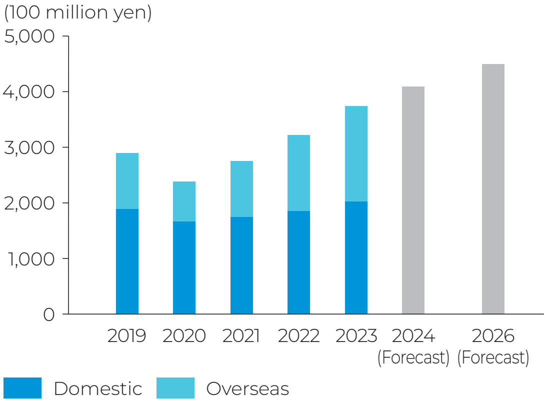
Status toward achieving the five-year management vision

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

Changes in consolidated net sales

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

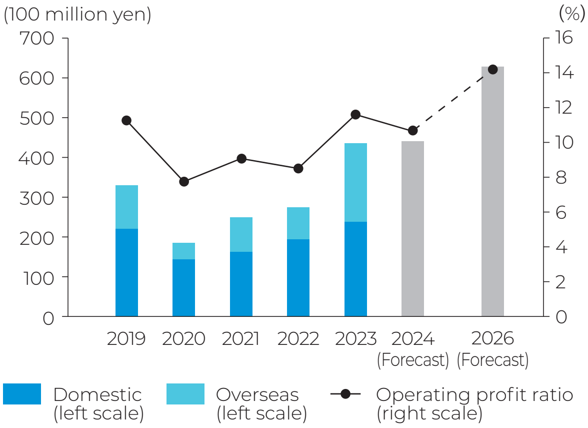
● Changes in consolidated net sales



Changes in consolidated operating profit

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

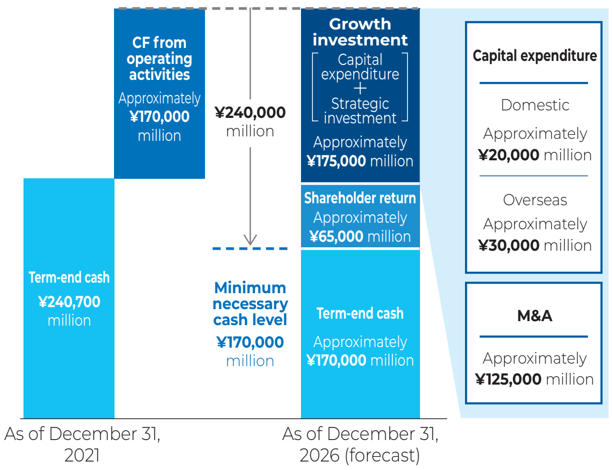
● Changes in consolidated operating profit



Capital policy: cash allocation

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

● Cash allocation over the next 5 years



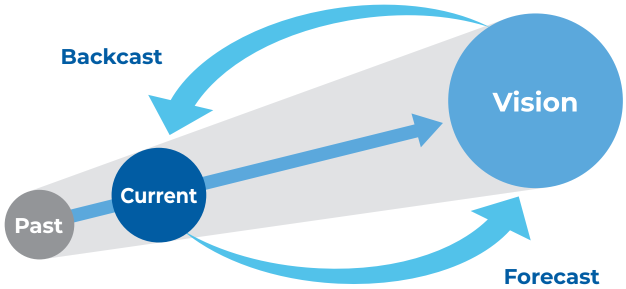
- Promote and strengthen financial strategy ▶ For more details, see Page 31

Measures to improve social and environmental value

- Identify materiality (key issues) toward achieving the Long-term Vision ▶ For more details, see Page 25
- Enhance efforts for response to climate change and initiatives for disclosures based on TCFD ▶ For more details, see Page 54
- Strengthen supply chain management ▶ For more details, see Page 59
- Strengthen initiatives for diversity promotion, promote increase in job satisfaction ▶ For more details, see Page 61
- Enhance governance system ▶ For more details, see Page 69
  - *Maintain percentage of outside directors at one-third or more
  - *Measures to improve the effectiveness of the Board of Directors
  - *Establish voluntary Nomination and Compensation Committee
  - *Strengthen global supervising function

Materiality Toward Realization of Vision

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



Process of Extracting/Identifying Materiality

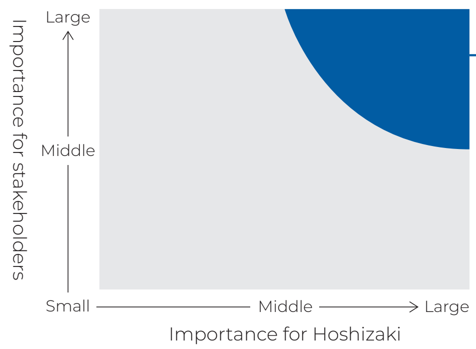
In 2022, the Company discussed and considered various social issues with diverse employees and then extracted and identified six material issues, considering opinions of Outside Directors and others.

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

Relationship between materiality and sustainability, relevant SDGs, and KPIs

Materiality	Conducive SDGs	Relevance to the vision
Response to climate change	7, 13	In response to the global climate changes, contribute to resolution of environmental issues through provision of comfortable food environment (business).
Sustainable supply chain management	8, 10, 12, 16	With a supply chain considering the environment and human rights, minimize waste emissions and promote healthy and safe working conditions.
Creation of new customer value	3, 9, 12	Manufacture products flexibly responding to changes and create service business, quickly catching up with changes in environment surrounding customers.
New proposals for the creation of secure andsafe food environment	2, 3	In response to changes in diversifying food environment, provide safe and secure products and services to help people lead a good life.
Increasing employees' job satisfaction	5, 8	Evolve toward the vital workplace culture where all employees share diverse values, respect each other, and work with pride.
Enhancement of management foundation	8, 16	Implement socially reliable management, by enhancing corporate governance and thoroughly complying with laws and regulations.

● Materiality Assessment



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

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

Materiality of the Hoshizaki Group

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

	KPI	Target/year	Results of FY2023	Related pages
	Reduce CO_2 emissions in business activities to realize a decarbonized society.	Reduce CO_2 emissions (Scopes 1 and 2) 30% by 2030 (compared with 2023).	Scopes 1 and 2 CO_2 emissions: +3.2% (compared with 2022)* *Hoshizaki Head Office Factory and Shimane Factory ▶ Please see Page 10 as well.	**Page 54**
	1. Supplier survey on sustainability, such as environmental protection (waste, etc.), human rights, and labor (safety) 2. Ongoing communication with suppliers to enhance results of the initiatives	1. Development of a questionnaire (in 2023), response ratio of major suppliers at 95% or more (in 2026) (Hoshizaki) 2. Attendance ratio of major suppliers to an annual factory policy briefing at 95% or more (in 2026) (Hoshizaki)	Attendance ratio of major suppliers to an annual factory policy briefing at 98%	**Page 59**
	Contribution to customers in various non-restaurant markets into which we aim to expand.	Non-restaurant market sales: 100,000 million yen (in 2026) (in Japan)	Non-restaurant market sales (in Japan): 89,400 million yen	**Page 57**
	Product maintenance that takes advantage of the large number of sites across Japan, provision of the safety, and security through call center support service	Service sales: 52,200 million yen (in 2026) (in Japan)	Service sales (in Japan): 46,300 million yen	**Page 58**
	Nurturing female managers and development and retention of candidates for female managers	Women in positions at or above section manager level: 50 employees, and women in positions at or above assistant manager level: 300 employees (in 2025) (in Japan)	Women in positions at or above section manager level: 28 employees Women in positions at or above assistant manager level: 219 employees	**Pages 61–64**
	1. Strengthening of compliance management foundation 2. Continuation of extensive compliance education for employees	1. No substantial compliance violation (global) 2. Provision of compliance education for all employees (global)	Compliance and Risk Management Committee meetings held (12 times) Compliance and Risk Review Committee meetings held (32 times) Establishment of a study group for regulatory trends Compliance training held for all group companies in Japan and overseas (Held 731 times, 14,679 participants)	**Pages 76–78**

Materiality Working Group Roundtable

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

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

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

Back row (from left)

Takuma Nunome
General Affairs Group,
General Affairs Section,
General Affairs Department
Hoshizaki Corporation

Takeyoshi Chiba
Section Manager,
Engineering Service Section 1,
Engineering Service Department,
Services Division
Hoshizaki Sales Co., Ltd.

Katsushi Hata
Senior Specialist,
Human Resources &
Organization Developmen Section,
Human Resources Department
Hoshizaki Corporation

Sawako Hashimoto
Legal Department
Hoshizaki Corporation

Front row (from left)

Chihiro Hashimoto
Advertising Section,
Sales Department
Hoshizaki Corporation

Yasuharu Kato
Head Office Purchasing Section,
Purchasing Department,
Head Office Factory
Hoshizaki Corporation

Moderator: To start, please introduce yourselves.

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

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

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

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

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

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

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

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

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

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

Materiality Working Group Roundtable

Nunome: In response to the global climate changes, we aim to contribute to the resolution of environmental issues by providing comfortable food environments. Hoshizaki is taking the lead and involving the entire Hoshizaki Group with the aim of reducing Scope 1 and 2 Group CO_2 emissions by 30% by 2030 (vs. 2023) and achieving carbon neutrality in 2050. It is made up of members from General Affairs Department, Production Engineering Department, Global Administration Department, and Global Manufacturing Department, among others, offering a wide range of knowledge. Meetings are held every other week, in which the results, targets, and measures are discussed.

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

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

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

Nunome: We submit the measures put together by the WG to the Sustainability Committee meeting held every quarter to enhance its effectiveness. As a Scope 2 measure, we will introduce solar power generation facilities at the Head Office Factory and Shimane Factory this year to raise the ratio of renewable energy. At the Head Office, we completed replacement with LED lighting. To address Scope 3 emission reduction, we have encouraged our suppliers and planned to manage results, targets, and measures in cooperation with overseas group companies. Regarding Category 11 (use of sold products), we are working together with the development team in search of solutions.

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

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

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

Hata: With respect to promotion of active participation of female employees, we submit a nurturing plan for women in positions at or above assistant manager level to the secretariat twice a year, conduct training for the advancement of female employees, and offer meetings with mentors to support the nurturing of women in positions at or above assistant manager level. From the aspect of improving employee engagement, we conduct ES Survey targeting Hoshizaki and group companies in Japan around September every year, and the secretariat reports the contents to each company and promotes the formulation of action plans. This year, we aim to promote the activities globally by expanding the scope of the survey to Europe.

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

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

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

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

Chiba: We established the Services Division of Hoshizaki Sales last year. We hope to see the effects of this approach going forward. The service division of a sales company is a large establishment; thus, we are working on the standardization of operations; however, it is currently difficult to provide uniform service to diverse customers. We would like to achieve in-house KPI targets by promoting the cross-organizational sharing of successful cases. Regarding the elimination of occupational accidents, the number of accidents has been steadily declining, but we are only halfway through.

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

Kato: Of the approximately 80 major suppliers, the participation rate in an annual factory policy briefing is high at 98%, and we aim to make it 100%. We will continue to enhance the contents of the meetings and will continue to work on them. The sustainability survey enabled us to raise awareness among small- and medium-sized customers, who participated in the survey for the first time. We will continue to make efforts so that suppliers will continue to be aware of the necessity of environmental actions, such as quantitative measurement of CO_2 emissions and systematic emission reduction.

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

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

Financial and Capital Strategies

Message from officer responsible for finance

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

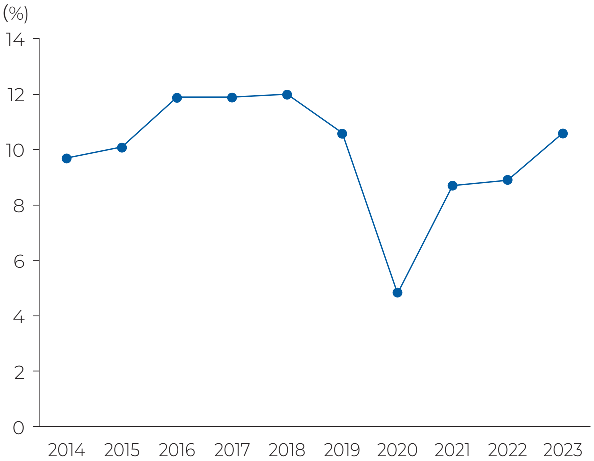
Ryuichiro Seki
Executive Officer
(in charge of accounting)

The Hoshizaki Group promotes the basic policy "financial/capital strategies focusing on capital efficiency and prioritizing growth investment" under its five-year management vision covering the period from FY2022 to FY2026. More specifically, we reserve funds needed for retaining talent, which are business drivers, and other purposes to maintain robust financial ground and then allocate funds to growth investment, including capital investment and M&As. The Company will consider increasing shareholder returns in an adaptive and flexible manner, comprehensively taking into account investment plans, capital efficiency, and other factors besides the profit level. Based on this policy, we announced our first acquisition of treasury shares worth 10,000 million yen on May 10, 2024.
The consolidated sales figure of 450,000 million yen we are targeting for FY2026 includes an M&A contribution of 50,000 million yen, and the organic compound annual growth rate (CAGR) excluding this is +8%. The operating profit is expected to be 63,000 million yen, and the CAGR excluding the effect of M&As is expected to be +18%. We aim to realize profit growth exceeding the growth of net sales and achieve ROE*(see Page 09) at 12% or higher, stably exceeding capital stock costs (6%–7%). We will invest in growth to increase operating cash flow, which will serve as the source of such investment, and we will also aim to expand the scale of our business.

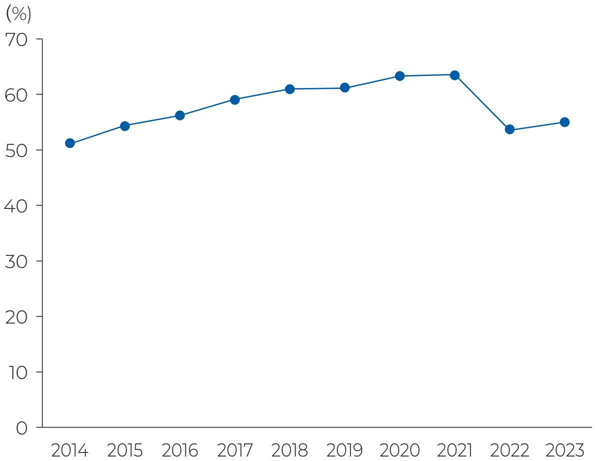
Financial/Capital Highlights for FY2023

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

● **Changes in ROE**



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



Financial Strategy:
Cash Allocation and Portfolio Strategy by Region

Progress of Cash Allocation over Past Two Years and Future Outlook

We have outlined a cash allocation plan as part of the five-year management vision. Here, we will explain the future outlook based on the progress made during 2022–2023.

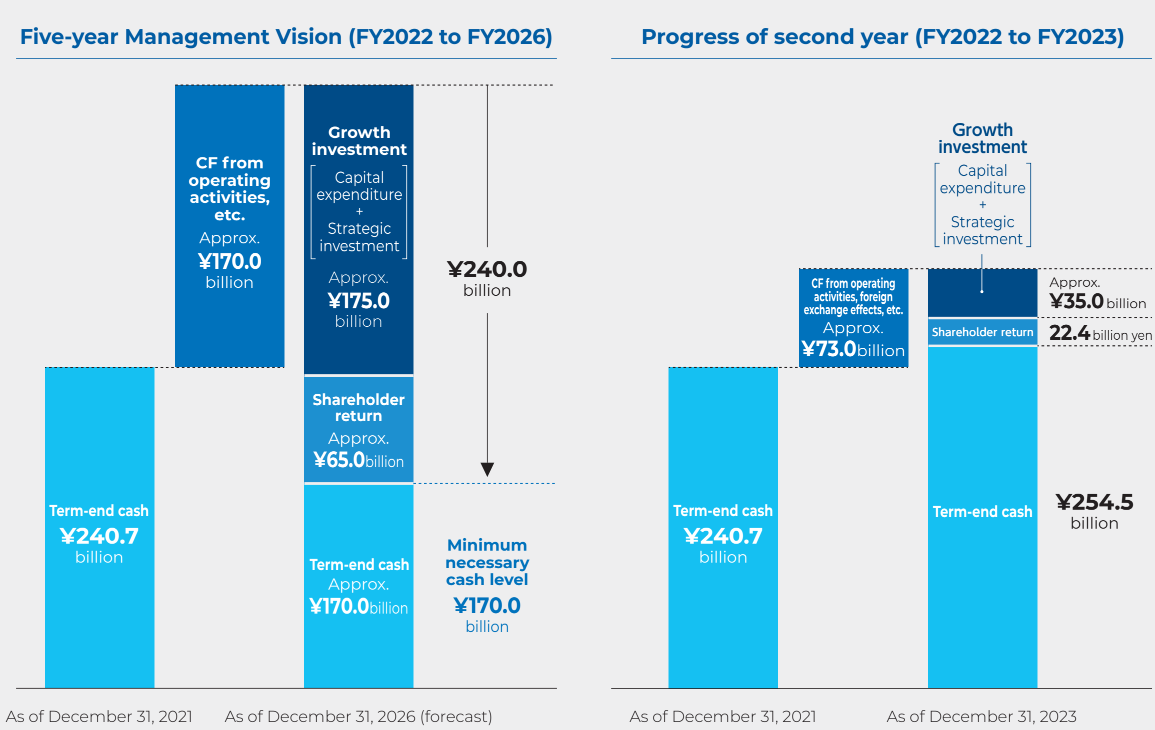
Operating cash flow, which is a cash inflow, reached a cumulative total of 42,900 million yen over the 2 years from 2022 to 2023. Moreover, our cash flow increased by approximately 30,000 million yen due to such factors as foreign exchange effects. We have long utilized the cash conversion cycle (CCC) as a key management indicator to enhance capital efficiency. In 2023, our strength in generating cash flow further increased, which results in an operating cash flow of 37,700 million yen. Another contributing factor was an inventory reduction that resulted from the normalization of production in the Americas. Additionally, due to factors such as foreign exchange effects, it is anticipated that we may exceed the target of operating cash flow, etc. of 170,000 million yen outlined in the five-year management vision.

As for cash outflows, we plan to make growth investment of approximately 175,000 million yen in total for 5 years, of which approximately 50,000 million yen will be used for capital expenditure and approximately 125,000 million yen for M&A investment. Capital expenditure totaled 14,500 million yen over the past 2 years. For FY2024, we may exceed the plans outlined in the five-year management vision as we anticipate, for example, around 15,000 million yen in capital expenditure, primarily driven by aggressive investment overseas. There was no strategic M&A investment in FY2023, resulting in a relatively small total of approximately 20,000 million yen spent on M&As over the past two years. Conversely, for FY2024, we have recorded approximately 22,000 million yen in strategic investments as of the first half through additional investment in Ozti and acquisitions of Fogel, Technolux, and HKR Equipment. We have announced a target of a total shareholder return ratio of 40% or more in the five-year management vision. For FY2023, shareholder returns amounted to 10,100 million yen, bringing the 2-year cumulative total to 22,400 million yen.

Consequently, the balance of cash and deposits at the end of FY2023 was 254,500 million yen, which accounted for 55% of total assets (vs. 53% at the end of FY2022). Of the term-end cash balance, approximately 40% is in yen, approximately 40% in U.S. dollars, and approximately 20% in other currencies. The impact of yen depreciation has contributed to increased foreign currency deposits held by overseas subsidiaries. Under the five-year management vision, the balance of cash and deposits at the end of FY2026 is expected to be approximately 170,000 million yen, which comprises cash for working capital and additional funds to be used for talent retention in emergency situations and flexible M&A deals, among others.

The Company will consider the acquisition of treasury shares in an adaptive and flexible manner, considering the stock price level, investment plans, capital efficiency, and other factors comprehensively.

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



Financial and Capital Strategies

Portfolio strategy by region

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

Growth investment:
Approach to and Results of M&A

Basic plan for growth investment

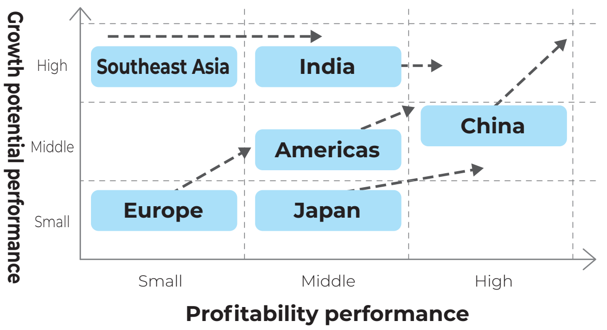
Under the five-year management vision, we envision capital expenditure of 50,000 million yen, of which approximately 20,000 million yen will be utilized in Japan and approximately 30,000 million yen used overseas.
Domestically, we will make active investment in new product development for further growth in both restaurant and non-restaurant markets, and in strengthening alliances with other companies. We will also invest mainly in new technologies geared to further service enhancement.
Internationally, we will proactively make investment to increase production capacity to expand production scale, proceed aggressively with the launch of new products, and make investment in improvements of quality, costs and delivery lead time, which will help enhance our competitive advantage. With the yen weakening and overseas investment amounts increasing, growth investment may exceed our initial expectations.

Progress and Outlook for M&A

With the aim to produce results, we have strengthened research on (1) profitable companies (operating profit ratio of 10% or higher), (2) companies with excellent executives, (3) companies with which we can expect synergies, (4) companies over a certain size (sales of several billion yen or higher), and (5) companies with a desire for more (not satisfied with the status quo), which are the five basic principles of the Hoshizaki Group's approach to M&A. Before executing investment, we discuss policy alignment,

Strategy by region

Region portfolio



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

Strategic direction by region

- **Japan**
  Maintain continuous growth and strengthen profit ratio improvement
- **Americas**
  Optimal balance between sales growth and profit ratio
- **Europe**
  Strengthen growth and profitability improvement in cooperation with acquired companies
- **China**
  Pursue high growth by leveraging brand power
- **India**
  Maintain competitive advantage and steadily expand business scale
- **Southeast Asia**
  Expand sales scale and optimize supply network

business viability and risk assessment in individual discussion meetings* (see Page 71) to ensure careful selection and quality improvement of projects. Additionally, we are strengthening our organizational capacity to systematically implement post-merger integration (PMI)* (see Page 23). Meanwhile, our policy is to continue holding acquired companies and enhance their business value. Therefore, we do not have specific withdrawal criteria. However, we are always mindful of reviewing our business portfolio, including optimizing production sites in response to changes in the business environment.
We are envisioning investment of 125,000 million yen in M&A over five years in the five-year management vision. Our strategic investment for M&A focuses on key segments by region. It is essential to carefully scrutinize individual pipelines to ensure they contribute to future growth. We will also have a substantial M&A pipeline for 2025–2026 and will strive to move closer to the goals set in the five-year management vision.

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

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

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

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

Human Capital Strategy

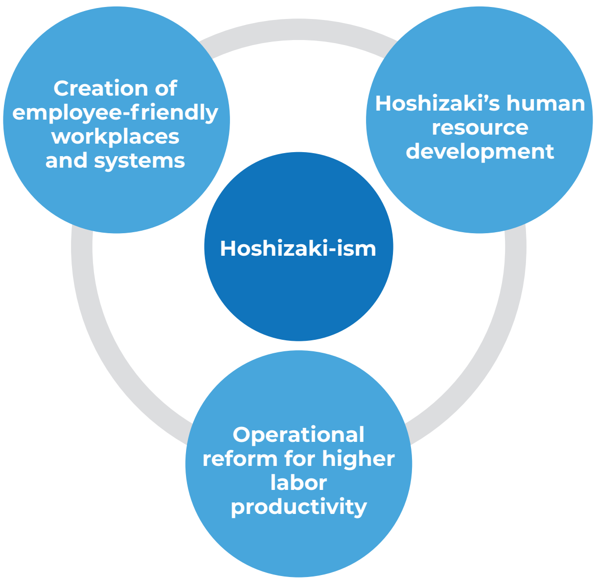
Message from officer responsible for personnel

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

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

Basic Policy on Human Capital

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



Human Capital Owned

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

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

FY2023 Results & Issues

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

Strategy for Achieving Five-year Management Vision

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

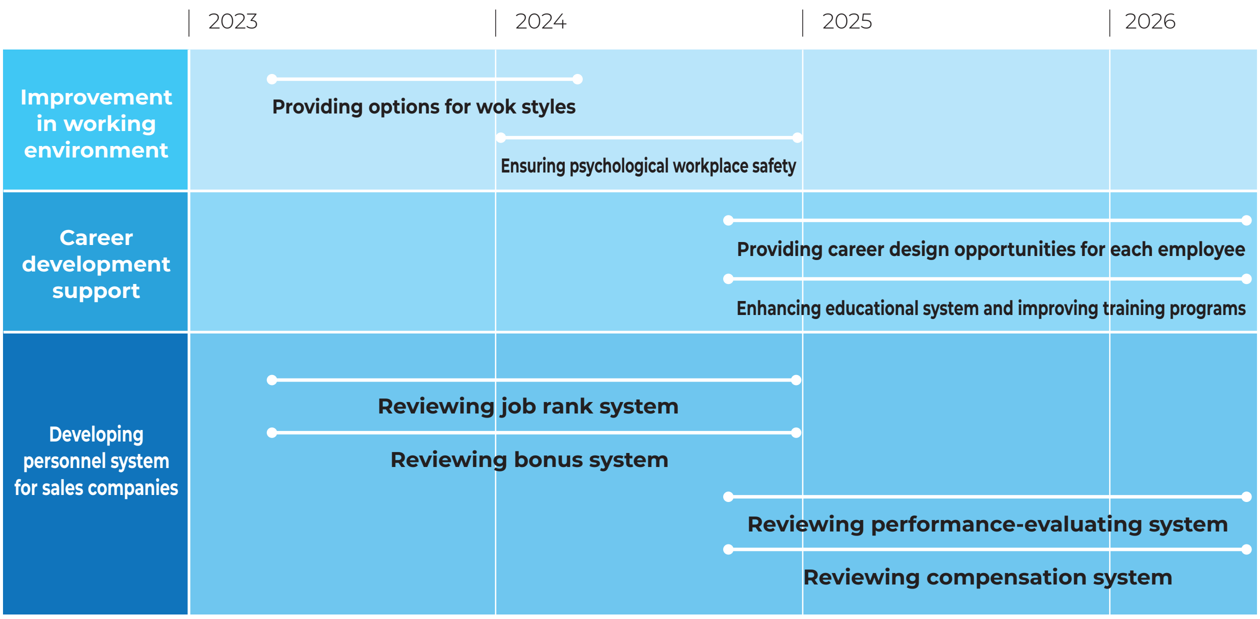
ES survey

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

Indicators and Targets

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

● Activities supporting job satisfaction improvement (domestic)



Human Capital Strategy

Financial Impact Generated by Human Capital

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

Initiatives Toward Realizing Materiality

As material issue related to human capital, we prioritize "improvement in employees' job satisfaction." At Hoshizaki, we originally operate with a flat organizational structure that allows for open and free exchange of opinions. Our policy is to evolve toward a workplace culture where all employees share diverse values, respect each other, and take pride in their work, aiming to achieve our vision. As one of the KPIs to achieve the vision, we place great importance on promoting the empowerment of women, setting the goal of having 50 female managers and 300 female employees at or above assistant manager level in Japan by 2025. In FY2022, we inaugurated the "*Kagayaki* Committee" to further develop the women's empowerment project that had been in place for the past 10 years and set up a "Diversity Promotion Center." We are advancing efforts to strengthen diversity, including promoting the active participation of women and senior employees. Furthermore, as our focus shifts toward "job satisfaction," which includes "workplace comfort" and "diversity," we are working to set new monitoring indicators to demonstrate the correlation between job satisfaction and actual phenomena such as turnover rates, and making efforts for improvements accordingly.

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

Global Use of Employee Satisfaction Survey

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

Intellectual Capital Strategy

Message from officer responsible for development and technology

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

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

Basic Policy for Development and Technology

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

● **Hoshizaki's Product Development System**

Intellectual Capital Owned

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

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

Intellectual Capital Strategy

FY2023 Results & Issues

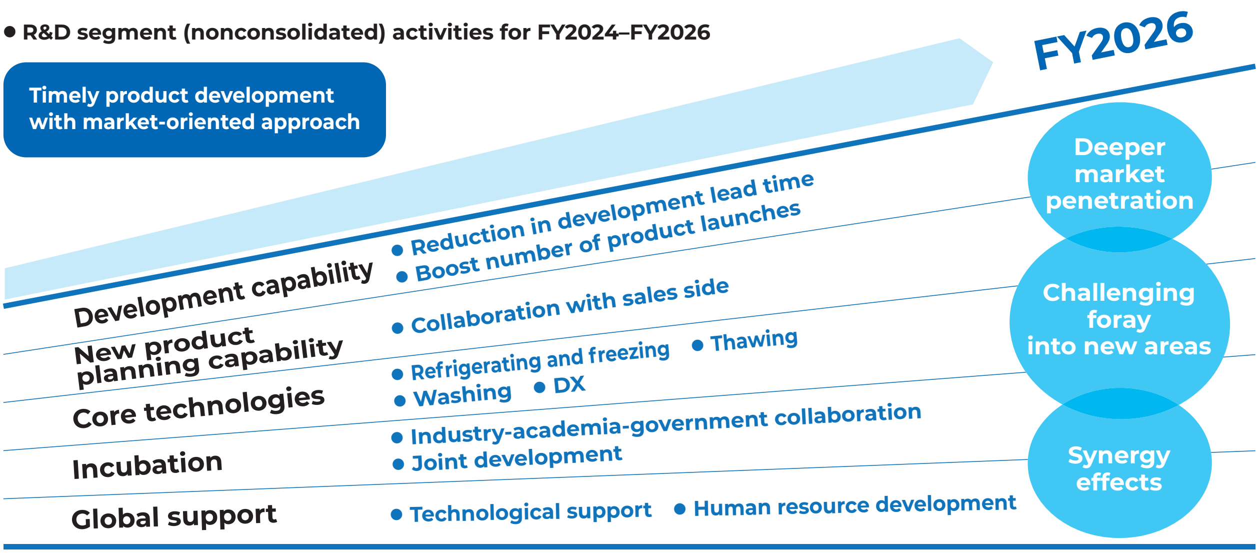
In FY2023, we operated based on our activity plan, which included: (1) adopting natural refrigerants* (see Page 06) for refrigerators and freezers, (2) shortening development lead times, (3) reducing material costs, (4) providing global technical support, (5) commercializing Hoshizaki Connect Wi-Fi*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

Strategy for Achieving Management Vision

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

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

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



KPIs for Achieving Management Vision

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

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

Financial Impact Generated by Intellectual Capital

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

Initiatives Toward Realizing Materiality

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

Examples of New Product Development Addressing Materiality

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

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

Manufactured Capital

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

Basic Policy on Manufactured Capital

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

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

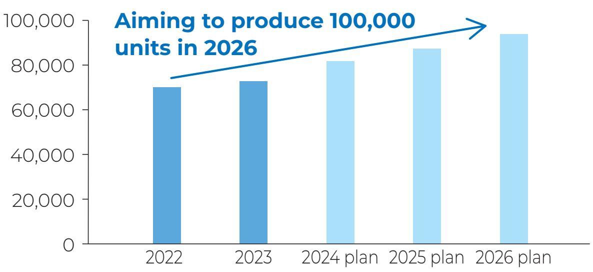
* Number of products sold with natural refrigerants (ice makers, refrigerators, sushi cases, and Visi Cooler for preserving beverage) in North America, Europe, Asia, and Africa in 2009–2023

FY2023 Results and FY2024 Forecast

Domestically, we have promoted cost reduction activities for materials and processing while taking measures to achieve an optimal production system, including the implementation of production transfers between manufacturing sites. By contrast, challenges remain in areas such as human resource development.

Although some problems existed overseas such as delays in promoting local procurement of long-lead-time components, we achieved successes such as the expansion of production lines and the preparation for further production increases at Brema and the completion of mass production preparations for refrigerators at Ozti.

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

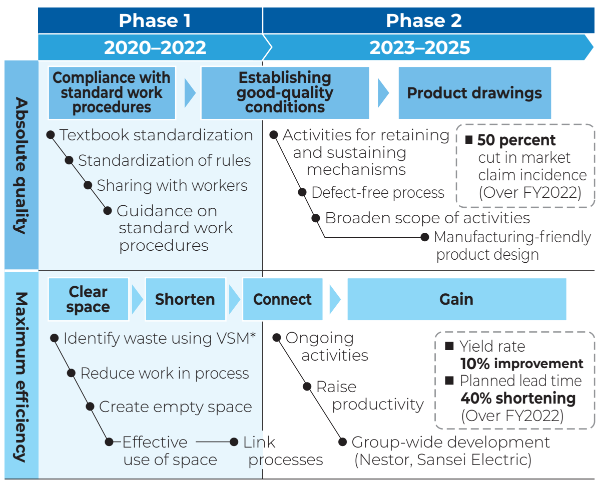


Capital expenditure in FY2023 increased by 2,700 million yen year-on-year to 8,600 million yen (broken down to 3,600 million yen in Japan, 2,700 million yen in the Americas, and 2,300 million yen in Europe and Asia). Thus, we advanced production capacity buildup, response to needs for new products, rationalization,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

Strategy for Achieving Management Vision and Addressing Materiality

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

● Roadmap for strengthening manufacturing and quality systems in Japan



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

Social and Relationship Capital

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

Basic Policy on Social and Relationship Capital

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

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

Activities for Engagement with Customers

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

Activities for Engagement with Suppliers

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

Activities for Engagement with Local Communities

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

Main External Evaluations

- HOSHIZAKI AMERICA works to expand its lineup of ice makers with low electricity consumption and high energy-saving performance and of eco-friendly commercial refrigerators with low greenhouse gas emissions. In recognition of this initiative, ENERGY STAR’s “Partner of the Year - Product Brand Owner Award” has been granted to Hoshizaki for 12 consecutive years, whereas the “Partner of the Year - Sustained Excellence Award,” the highest prize among all honored companies, has been awarded to us for 9 consecutive years.
- Ozti of Türkiye was awarded first place last year in the industrial kitchen product category at the “Metallic Stars of Export Award ,” organized by the Istanbul Ferrous and Non-Ferrous Metal Exporters’ Association. It is the 13th successive year that Ozti was given the top rank.
- Hoshizaki was given the highest “A rank” for the first time in the 2023 “antifluorocarbon rating,” an independent assessment of compliance with the “Fluorocarbon Emission Control Act,” announced by the Japan Refrigerants and Environment Conservation Organization.

ENERGY STAR AWARD 2024
PARTNER OF THE YEAR
Sustained Excellence

Domestic Business Strategy

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

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

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

Key points of domestic business

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

Numerical targets under management vision and FY2023 results

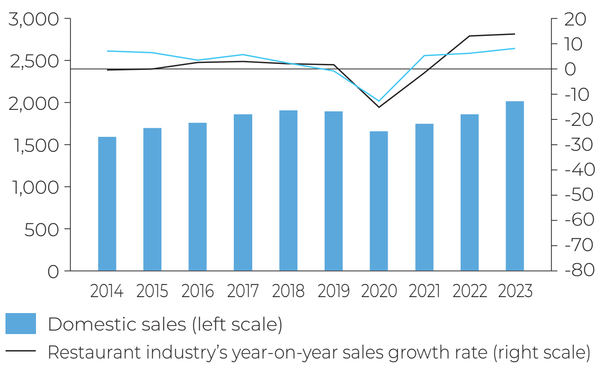
Progress: ● as planned, △ less than planned

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

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

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

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

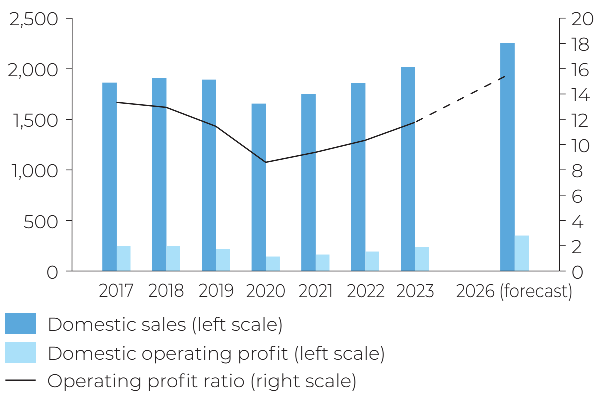


(Source: Japan Food Service Association; 2023 figure is our estimate)

Performance Trend: Figures Logged in Excess of Numerical Targets

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

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



FY2023 results and issues

Results	**• Numerical targets achieved in both restaurant and non-restaurant markets** **• Sales capabilities enhanced by organizational changes in sales companies** **• Penetration and thorough practice of common policies accelerated by Hoshizaki Sales** **• Personnel and compensation systems of sales companies reformed** **• Preparations completed for commercialization of Hoshizaki Connect Wi-Fi*** (see Page 06)
Issues	**• Further new product launches and lineup expansion in non-restaurant market** **• Strengthening collaboration with Hoshizaki Sales and generating further synergy effects** **• Enhancing sales of our own products and engaging in strategic partnerships with other companies**

SWOT analysis

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

Basic policies of management vision and FY2023 results and issues

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

Domestic Business Strategy

Domestic strategic policy for second half of management vision

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

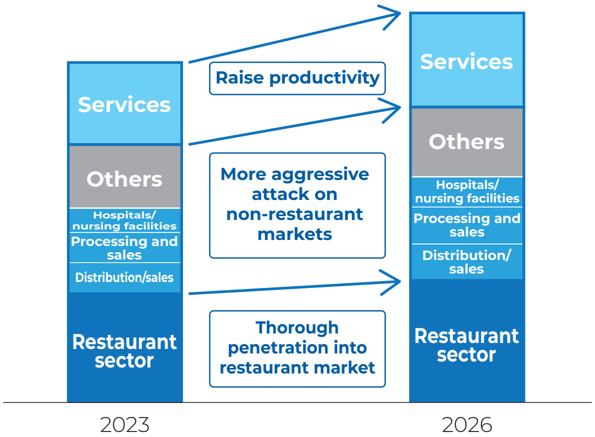
"Proactive" strategy for deep penetration into restaurant market

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

"Proactive" strategy for developing untapped non-restaurant markets

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

● **Sales growth plan**



"Defensive" strategy for achieving goals

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

Domestic business strategy toward solving materiality

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

Overseas Business Strategy

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

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

Key points of overseas business

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

Numerical targets under management vision and FY2023 results

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

Progress: ● as planned, △ less than planned

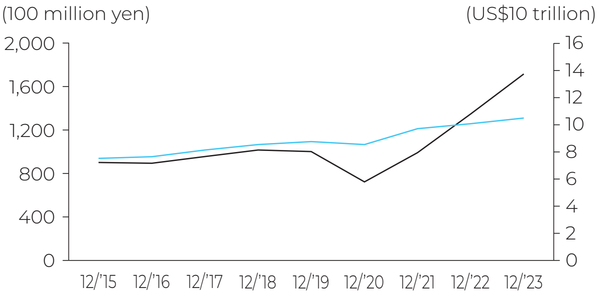
Numerical targets (FY2026)	FY2023 results	Progress
Overseas sales: ¥175.0 billion or higher* (CAGR +12% from FY2021)	Overseas sales: ¥171.5 billion (+73% from FY2021)	●
Operating profit: +21%* from FY2021	Operating profit: +136% from FY2021	●
Ratio of overseas net sales: 50%	Ratio of overseas net sales: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

* Except new M&As

Overseas Market Trends: Continued Growth Surpassing GDP

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

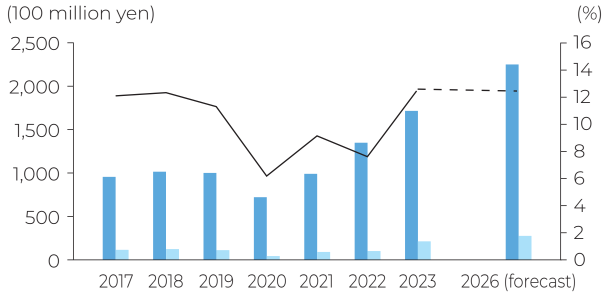
● Changes in global nominal GDP and Hoshizaki Group's overseas sales



Performance Trends: Continued Update of Record Profit

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

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



* Including new M&As

Overseas Business Strategy

FY2023 results and issues

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

SWOT analysis

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

Basic policies of management vision and FY2023 results/issues

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

Overseas strategic policy for second half of management vision

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

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

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

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

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

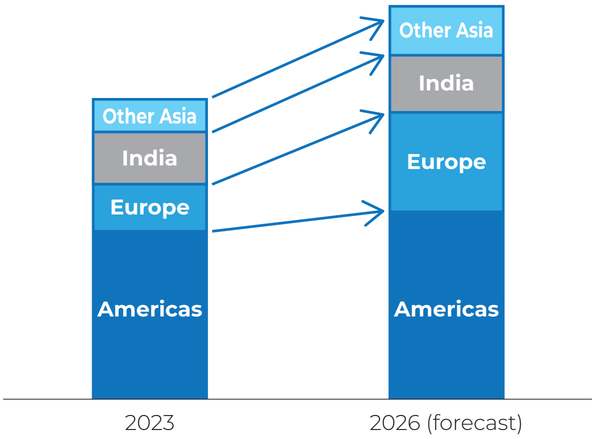
In the European market, we are enhancing brand strategies for the mid- to high-end market and reforming sales channels. Regarding the establishment of an optimal production system, we have completed product lineup expansion for Ozti refrigerators in Türkiye and the transfer of midrange compact refrigerator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

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

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

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

● Forecast of overseas sales breakdown by region



"Defensive" strategy for achieving goals

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

Overseas business strategy toward solving materiality

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

Interview with Executive Responsible for Americas

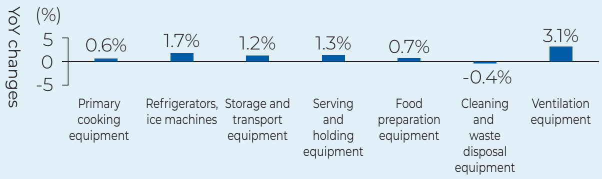
We aim for continued high growth by developing products and brand strategies based on customer needs, leveraging synergy through collaboration within the Hoshizaki Group, and working with employees who find happiness in working at Hoshizaki

Chris Karssiens
President
HOSHIZAKI USA HOLDINGS, INC.

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

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

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



Source: Estimates by HOSHIZAKI USA HOLDINGS, INC

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

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

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

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

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

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

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

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

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

M&A Policy and Track Record

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

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

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

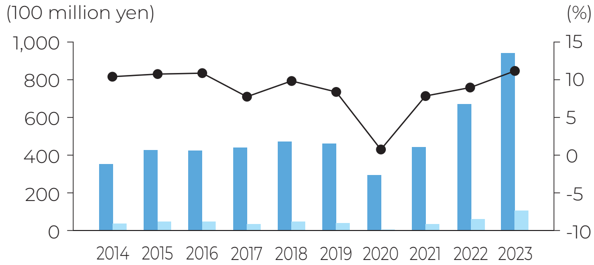
Hoshizaki Group's five M&A principles

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

Contribution of acquired companies to business performance

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

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



Simple total of acquired companies' sales (left scale)
Simple total operating profit (left scale)
Operating profit ratio (right scale)

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

● Main M&A results and expected synergies

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

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.

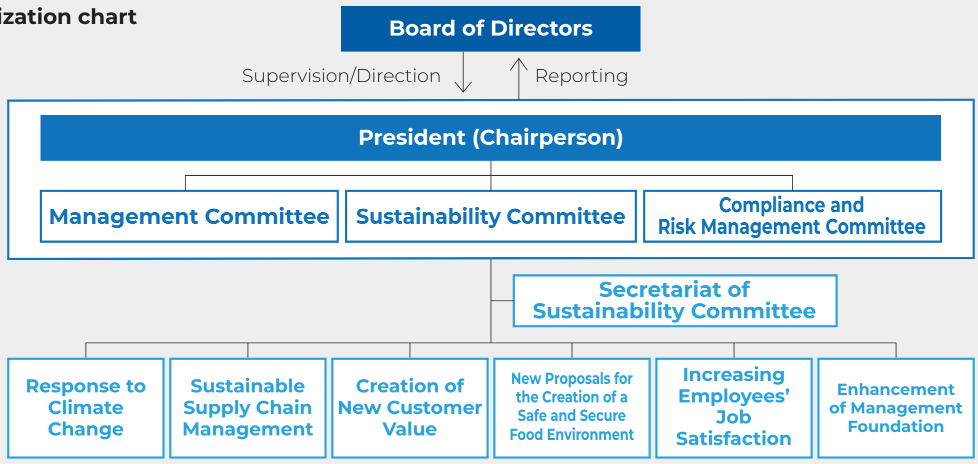
▶ As for the Hoshizaki Group's Sustainability Principle, please visit its website.
https://www.hoshizaki.co.jp/en/esg/sustainability/management.html

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.

● **Organization chart**



Person responsible for each material issue: Executive Officer; WG leader for each material issue: Department Head

● **Details of deliberation by the Sustainability Committee**

First meeting	November 2022	• Development of Sustainability Principle • Direction of sustainability Initiatives • Initiatives for materiality
Second meeting	March 2023	• Setting KPIs for materiality • Challenges for the disclosure of sustainability information • Analysis of climate change scenarios (strategy update)
Third meeting	June 2023	• 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	• Increase and enhance sustainability disclosure
		• Report on materiality WG activities
		  • 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	• Report on materiality WG activities • Execution of the supplier survey • Target to reduce CO_2 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	• Report on materiality WG activities
		  • Analysis of climate-related scenarios (update to 1.5°C scenario, etc.)
		  • Decided global target to reduce CO_2 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 contets 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 CO_2 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 Committee, 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.

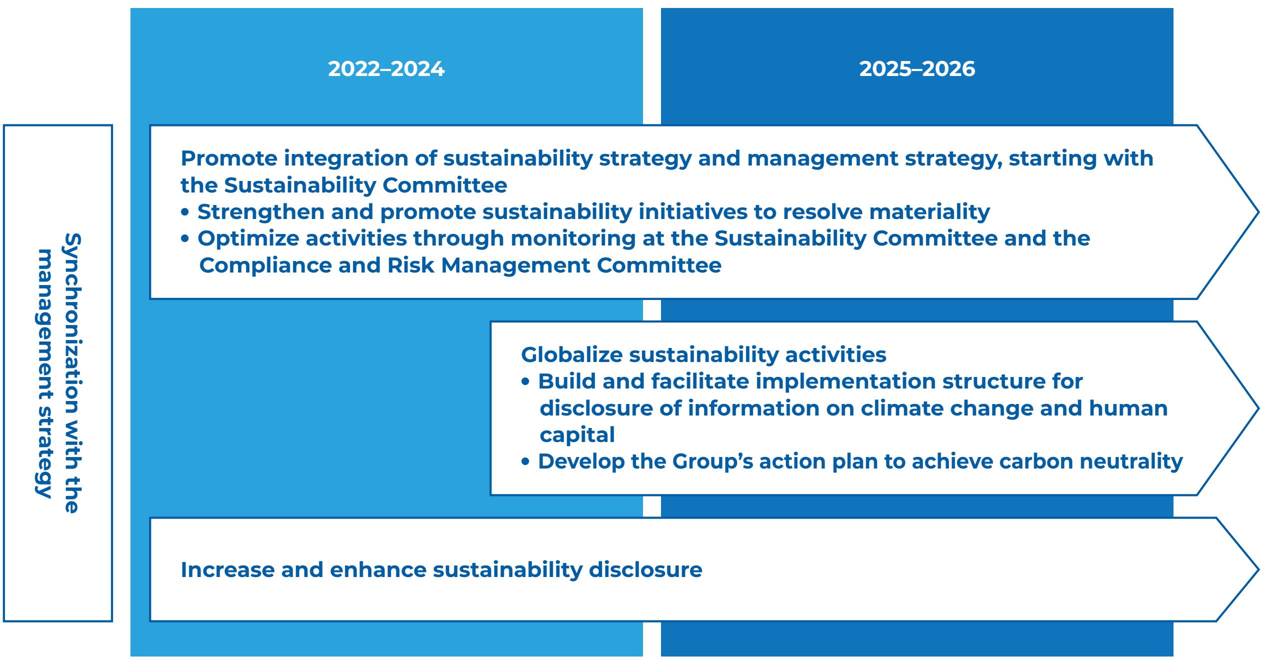
▶ For more details, see Page 25

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

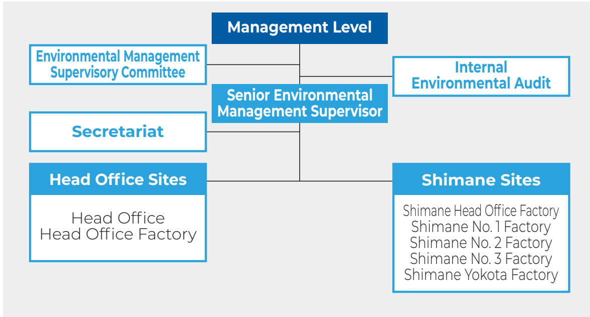
The Hoshizaki Group advocates an "Evolving Company" contributing to the society and its customers as the Purpose. Based on this, we are advancing efforts to reduce environmental impacts in cooperation with our suppliers. All departments of our domestic factories are engaged in activities that reduce 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 CO_2 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

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

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

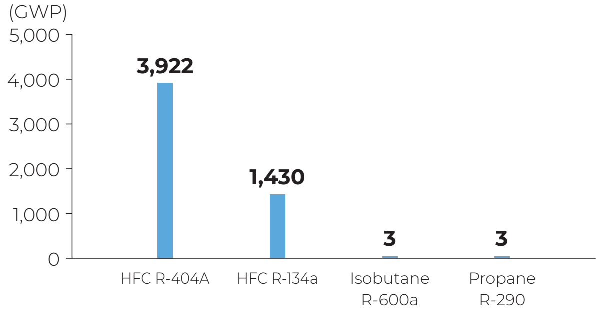
In Japan, Hoshizaki released 68 affordably priced models of commercial natural refrigerant-based refrigerators and freezers in May 2023 and is scheduled to offer a full lineup of natural refrigerant-based refrigerators and freezers by the end of 2024. After that, we will continue to replace our refrigerators 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 CO_2 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 CO_2 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

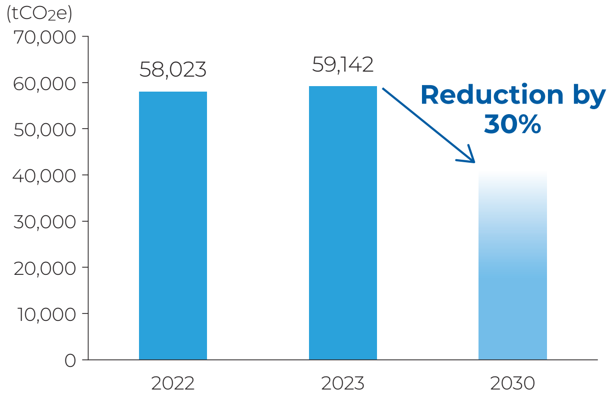
The Sustainability Committee conducts planning, formulation and management related to climate change, promoting the Company-wide measures for climate change. Specifically, the Sustainability Committee evaluates and identifies impacts (risks and opportunities) of climate change on the Company and then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

Metrics and Targets

Toward reducing CO_2 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.

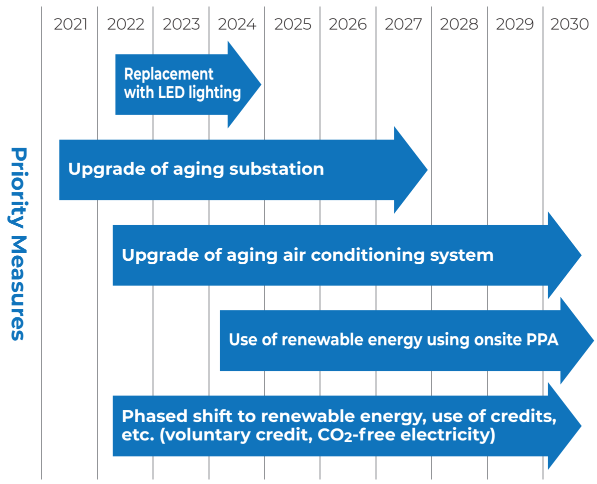
Hoshizaki Group: Interim (2030) Target to Reduce CO_2 Emission (Scopes 1 and 2)
Reduction by 30% CO_2 emission in 2030 compared with the result in 2023

● Changes in CO_2 emissions (Scopes 1 and 2) and target for 2030 (tCO_2e)



Calculations for Scope 3 CO_2 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 CO_2 anticipated at 754 tCO_2e annually.

● Financial Impact of Climate Change Risks and Opportunities, and Countermeasures

Category		Item	Relevant scenario		Period of occur-rence	Financial impact		Countermeasures	Results
			1.5℃	4℃		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	• Planned investment in R&D and product design • Installation of energy-saving facilities • Utilization of support programs such as national and municipal subsidies	• 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 • 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).
		Cost increase owing to implementation of decarbonization	✓	✓	Short, medium, and long terms	Medium	High	• 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	
	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	• 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
		Increase in procurement costs of renewable energy and alternative fuels	✓		Short term	Small	Middle	Activities to reduce electric power consumption of factories, planned investment in off-grid power facilities such as solar panels, raising the ratio of external electric power from renewable energy sources	
Physical risks	Acute	Rise in raw materials procurement costs owing to disruption of supply chain		✓	Short and medium terms	Middle	Low	• Decentralization of suppliers and development of new suppliers • Procurement from suppliers in close proximity to manufacturing sites, optimization of parts inventory for procurement risks	• 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	• 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	• 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	• 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)
	Markets	Increase in demand for refrigerators and freezers owing to temperature rise	✓		Medium to long term	Middle	Middle	• 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	• Promotion of overseas expansion (M&A) • Ratio of overseas net sales: 45.9% (+3.9 points year on year) (FY2023)
				✓	Medium to long term	Large	Middle		
		Increase in demand for proprietary products and services due to abnormal weather and other environmental changes	✓		Medium to long term	Middle	Middle	• Improved lineup and services of sanitary products • Expansion of automation, robotics, development of remotely operated products and services, labor-saving products	• 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	**KPI**	**Contribution to customers in various non-restaurant markets into which we aim to expand**
	Target value	**Non-restaurant market sales (in Japan): 100,000 million yen (in 2026)**

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	• 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	• 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

Customer's voice

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.

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: 2 ZERO HUNGER, 3 GOOD HEALTH AND WELL-BEING

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	**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**
	Target value	**Service sales: 52,200 million yen (in 2026 in Japan)**

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.

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 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.

● Common theme for the service segment

	Task item	Task summary
Performance-related tasks	Maintenance	Maintenance menu update
	Repair	Development of the maintenance menu
	Air-conditioning business	Expansion of the air-conditioning maintenance business
	Hoshizaki Connect Wi- Fi	IoT-based new value offerings and enhancement of customer engagement
	Improved efficiency in equipment diagnostics	Speeding up reporting and proposals through the systematization of equipment diagnostics

	Task item	Task summary
People/ organization-related tasks	Service personnel development	Recruitment and training of new employees, promoting active roles for senior staff
	Safety/health and technical skills	Prevention of occupational accidents and enhancement of technical skills
	Work efficiency improvement	Systematization development and promotion
	Making service call centers advanced	Further acceleration of “reception to completion” process for registered customers
	Improved efficiency in maintenance and repair services	Improved efficiency in equipment diagnostics

Customer's voice

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.

Sustainable Supply Chain Management

Materiality: Sustainable Supply Chain Management

Most relevant SDGs

8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

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	**KPI**	• **Supplier survey on sustainability, including environmental protection (waste, etc.), human rights, and labor (safety)** • **Ongoing communication with suppliers to enhance the results of initiatives**
	Target value	• **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
• Eradication of discrimination • Prohibition of forced labor and child labor • Prevention of inhumane treatment and harassment • Fair working hours and payment of wages	• Fair competition • Prohibition of abuse of a dominant bargaining position • Elimination of all relationships with antisocial forces • Protection of intellectual property • Responsible procurement	• 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	Compliance and ethics	Human rights and labor	Environmental protection	Disaster prevention and occupational health & safety
Four questions	14 questions	13 questions	Nine questions	10 questions

Supplier's comment

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.

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

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

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	**KPI**	**• Nurturing female managers and development and retention of candidates for female managers**
	Target value	**• 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)**

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**
● 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)	● Training for next-generation managers ● Global workforce development training ● Training to develop female managers	● 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**

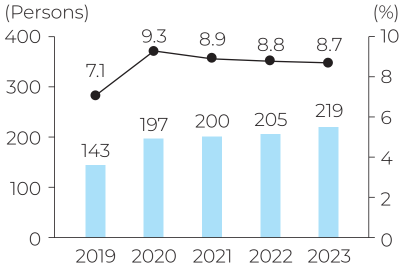
Conferences for women in positions (at or above the section manager level)	Building a network of female managers Identifying the challenges that female managers face from their own perspective
System of requested mentors	We match mentors and mentees going beyond the borders of sales companies and build 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**

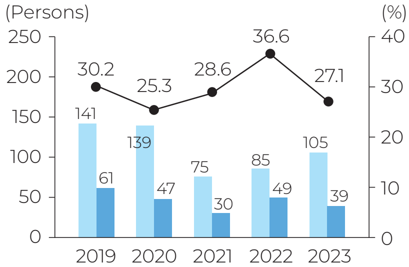
● Number and Percentage of Women in Positions at or above the Assistant Manager level (Hoshizaki and Sales Companies in Japan)



Number of women in positions at or above the assistant manager level (left scale)

Percentage of women in positions at or above the assistant manager level (right scale)

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



Male (left scale) Female (left scale)

Percentage of new graduate hires who are women (right scale)

● Percentage of Women by Position

	End of 2022		End of 2023	
Position	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)

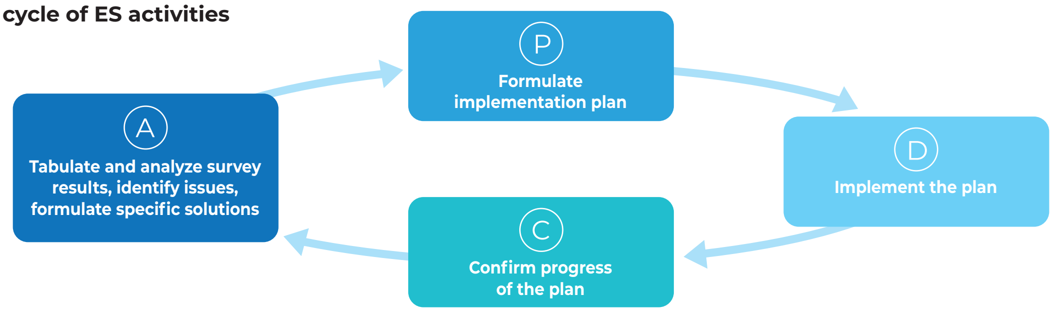
	Year	2019	2020	2021	2022	2023
Women	Number of employees who use leave	7	5	7	8	**4**
	Rate of leave use	100%	100%	100%	100%	**100%**
	Average number of leaves taken (days)	519	388	395	322	**389**
Men	Number of employees who use leave	20	14	11	16	**36**
	Rate of leave use	36%	30%	36%	50%	**63%**
	Average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

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.

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.

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*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.

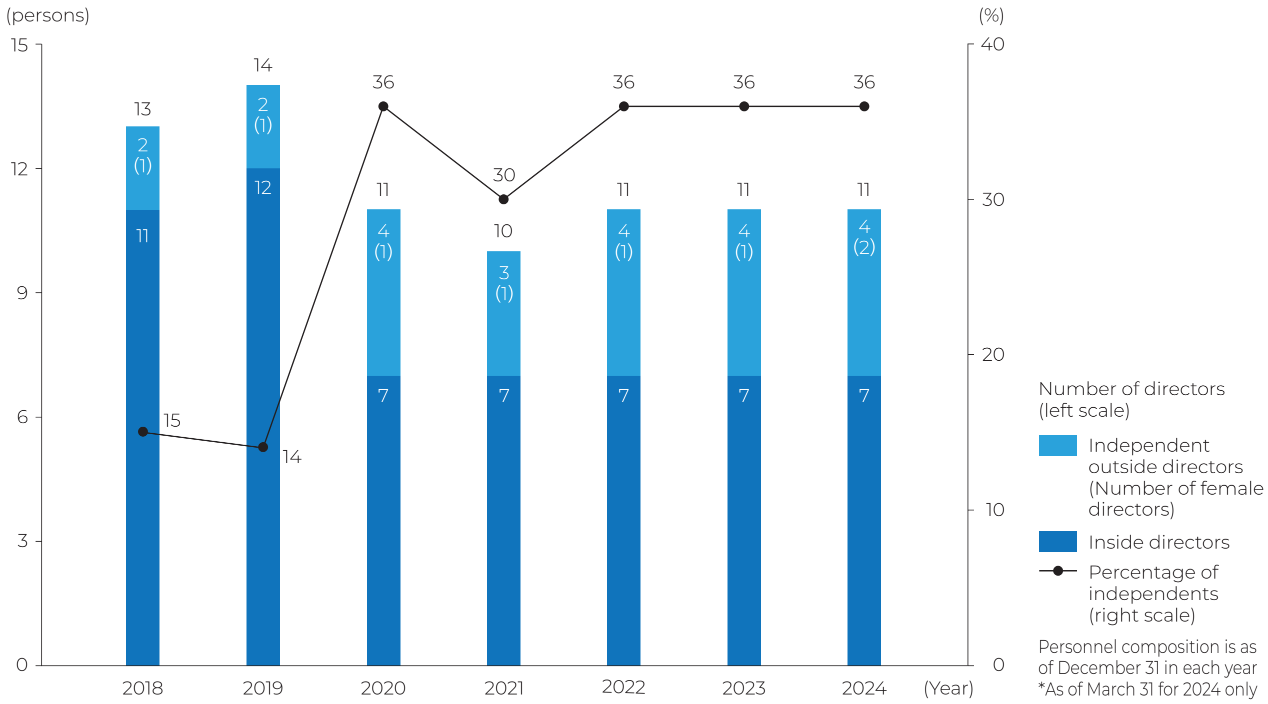
Reason for becoming a Company with an Audit and Supervisory Committee

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

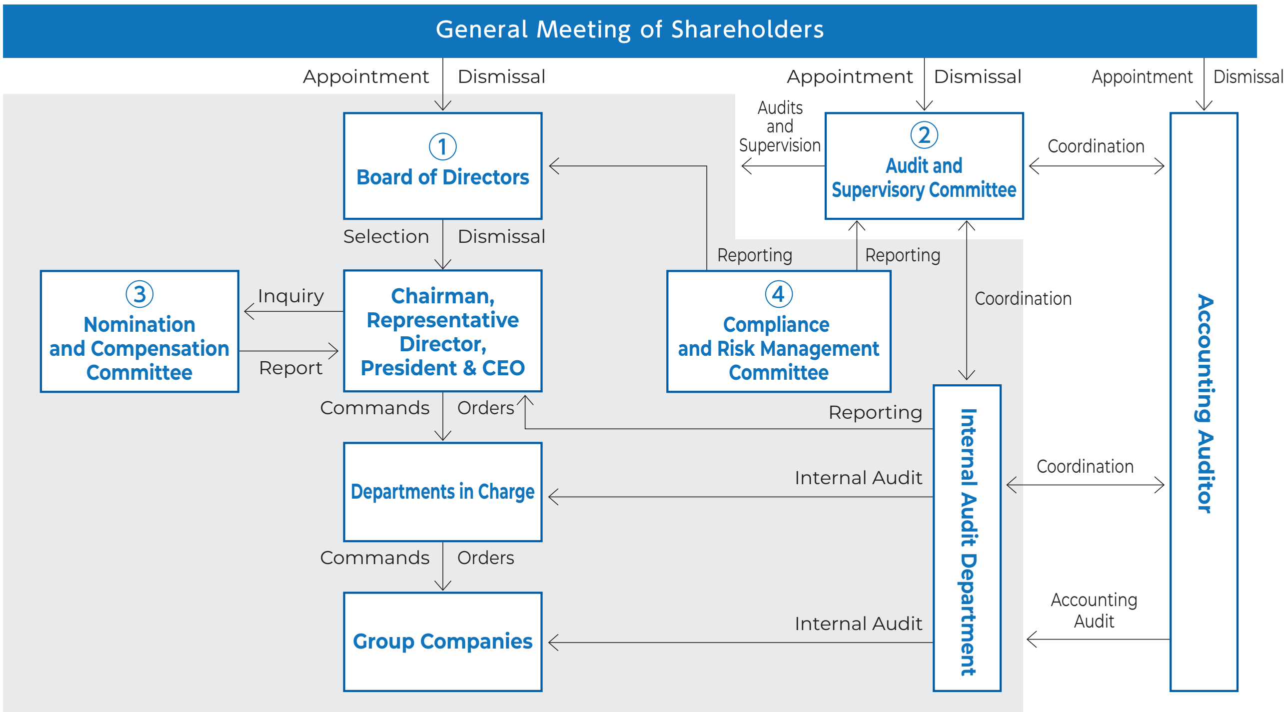
2005	Establishing the Internal Audit Department
2006	Selecting outside audit and supervisory board members , Formulating basic policies on internal control systems
2007	Establishing the Compliance and Risk Management Committee, Formulating basic policy on compliance
2016	Transitioning to a Company with 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



Personnel composition is as of December 31 in each year
*As of March 31 for 2024 only

Corporate Governance Structure



Roles and Composition of Organizations

Chairperson

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	• 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	• 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	• 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	• 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

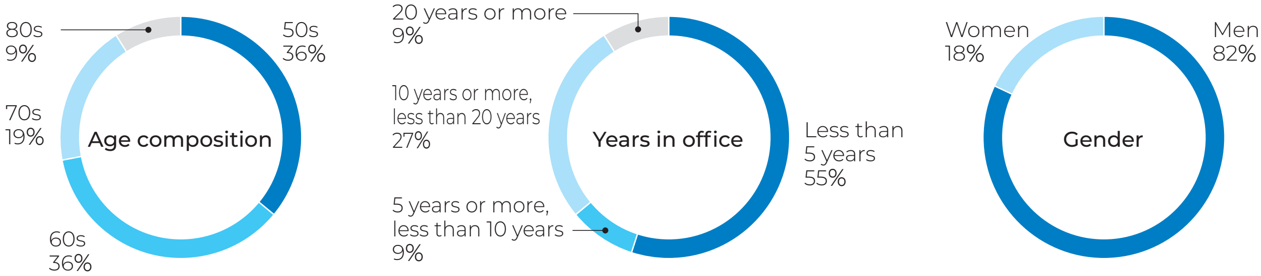
Corporate Governance

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: Corporate management (SDGs)	International business/ global knowledge	Sales/marketing/ new market development
Seishi Sakamoto	Chairman	14 / 14	February 2002*	6,000	●	●	●
Yasuhiro Kobayashi	Representative Director, President & CEO	14 / 14	March 2012	16,300	●	○	
Outside Independent **Masanao Tomozoe**	Outside Director	14 / 14	March 2020	0	●	●	●
Outside Independent **Masahiko Goto**	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			
Outside Independent **Satoe Tsuge**	Outside Director (Audit and Supervisory Committee Member)	14 / 14 (14 / 14)	March 2017	0			
Outside Independent **Yoshimi Horinishi**	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

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)

						Committee membership		
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
			○		●		○	○
●	○	●			●		○	Chair
		○	○	○			Chair	○
			○		○		○	○
	○			●	●			○
				●				○
	○							○
●	●	●	●					○
●		●				Chair		○
●		●	○			○	○	○
		●				○	○	○

●: Working experience ○: Expertise

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 (Audit and Supervisory Committee Member)	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 (Audit and Supervisory Committee Member)	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.

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	—
Targets according to scope of responsibility	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	—
Targets according to scope of responsibility	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	• 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)

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**: • **Strengthening of compliance management foundation** • **Continuation of extensive compliance education for employees** **Target value**: • **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

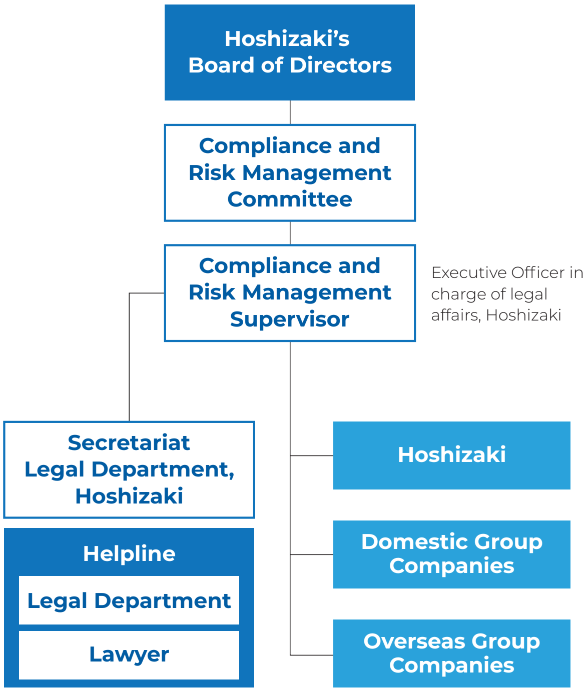
1. **Always recognize the importance of the social responsibility and public mission the corporate Group has with respect to food environments and strive to establish unwavering trust from society through sound and appropriate business operations.**
2. **Endeavor to proactively and fairly disclose accurate 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.

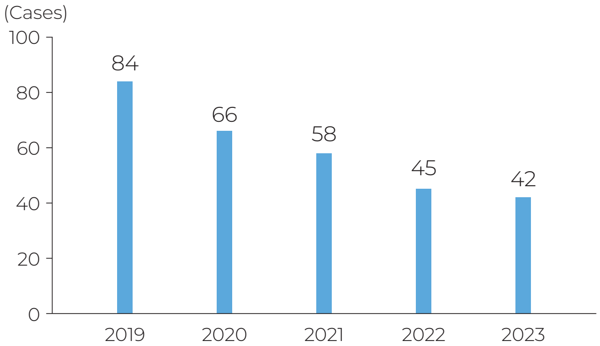


Note: Compliance and risk management and deputy managers are appointed at Hoshizaki's departments and Group companies.

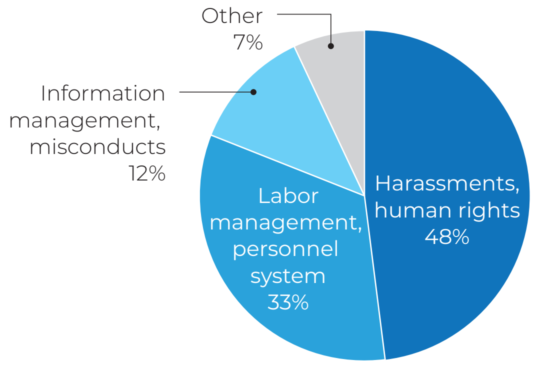
Operation of the Helpline (contact for consultation and whistle-blowing)

As part of our compliance and risk management system, we have established and operate a Helpline in accordance with the principles set forth in the Whistleblower Protection Act. The helpline handles 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)



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)

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)

Yasushi Ieta
(b. October 4, 1960)
Director

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

Shiro Nishiguchi
(b. January 6, 1957)
Director

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

Executive Officers (as of March 31, 2024)

Senior Executive Officer
Katsuhiro 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
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

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)

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 Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
Jan. 1999 Established Tsuge Certified Public Accountant Office Director (current position)
Sep. 2001 Registered as Certified Public Tax Accountant
Jun. 2007 Representative Director of La Vida Planning Co., Ltd. (current position)
Jun. 2015 Outside Director of Aisan Industry Co., Ltd. (current position)
Mar. 2017 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)
Oct. 2021 Outside Director (Member of the Audit and Supervisory Committee) of Juroku Financial Group, Inc. (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 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
Toshikazu Tanjima
In charge of Corporate Planning & Strategy Department

Financial Data in Past Decade

			2014	2015	2016
Business Performance	Net sales	(Million yen)	233,252	260,174	265,548
	Cost of sales	(Million yen)	142,161	159,319	161,918
	Gross profit	(Million yen)	91,090	100,854	103,630
	Selling, general and administrative expenses	(Million yen)	64,106	69,135	69,054
	Operating profit	(Million yen)	26,984	31,719	34,575
	Ordinary profit	(Million yen)	31,235	30,864	34,140
	Profit before income taxes	(Million yen)	26,678	29,077	33,737
	Profit attributable to owners of parent	(Million yen)	15,011	16,971	21,430
	Earnings per share*1	(Yen)	207.65	234.47	295.95
Key financial indicators	Gross profit to net sales	(%)	11.6	12.2	13.0
	Operating profit/net sales	(%)	39.1	38.8	39.0
	Net income to net sales	(%)	6.4	6.5	8.1
	Return on assets (ROA)*2	(%)	5.9	6.2	7.4
	Return on equity (ROE)	(%)	9.7	10.1	11.9
	Total assets turnover	(Times)	0.91	0.95	0.92
Revenue breakdown by region	Japan	(Million yen)	159,416	170,010	176,158
	Americas	(Million yen)	51,377	62,370	60,868
	Europe and Asia	(Million yen)	22,458	27,792	28,521
	Total	(Million yen)	233,252	260,174	265,548
	Ratio of overseas net sales	(%)	31.6	34.6	33.6
Net sales by product	Ice makers	(Million yen)	40,379	46,203	46,563
	Refrigerators	(Million yen)	59,359	66,220	68,474
	Dishwashers	(Million yen)	15,337	17,646	17,760
	Dispensers	(Million yen)	27,134	32,320	30,016
	Other companies' products	(Million yen)	27,958	30,713	31,932
	Maintenance/Repair	(Million yen)	39,757	42,874	44,865
	Other products	(Million yen)	23,326	24,194	25,935
Finacial position	Total assets	(Million yen)	256,412	273,655	289,967
	Net assets	(Million yen)	164,533	176,545	187,179
	Equity	(Million yen)	162,835	173,864	185,573
	Net cash	(Million yen)	129,334	147,854	162,641
	Equity ratio	(%)	63.5	63.5	64.0
	Net assets per share*1	(Yen)	2,250.99	2,400.96	2,562.66
Dividends	Dividends per share*1	(Yen)	50	60	70
	Total cash dividends	(Million yen)	3,616	4,344	5,069
	Payout ratio	(%)	24.1	25.6	23.7
Capital expenditure, etc.	Capital expenditure	(Million yen)	4,529	5,482	6,387
	Depreciation	(Million yen)	5,343	5,631	4,892
	Research & development expenses	(Million yen)	3,862	3,894	3,906
Cash flows	Cash flows from operating activities	(Million yen)	22,002	30,424	30,611
	Cash flows from investing activities	(Million yen)	(21,888)	(11,306)	(34,865)
	Free cash flow	(Million yen)	114	19,118	(4,254)
	Cash flows from financing activities	(Million yen)	(2,042)	(4,665)	(5,010)
	Cash and cash equivalents at end of period	(Million yen)	51,769	64,822	53,733

*1 The Company conducted a stock split at a ratio of two-for-one stock with July 1, 2022 as the effective date.
Earnings per share, net assets per share, and dividends per share are calculated based on the assumption that the stock split took place at the beginning of FY2014.
*2 ROA: Return on Assets

	2017	2018	2019	2020	2021	2022	2023
	282,215	292,774	290,136	238,314	274,419	321,338	**373,563**
	173,849	182,224	180,671	149,261	174,727	209,642	**237,501**
	108,365	110,549	109,464	89,053	99,691	111,695	**136,062**
	72,299	74,103	76,799	70,605	74,760	84,317	**92,541**
	36,065	36,446	32,664	18,447	24,931	27,378	**43,520**
	37,086	36,372	34,224	17,420	31,165	37,226	**50,322**
	35,302	36,090	34,263	17,288	31,231	34,095	**48,378**
	23,144	25,717	24,437	11,442	21,679	23,977	**32,835**
	319.62	355.14	337.45	158.00	299.35	165.52	**226.66**
	12.8	12.4	11.3	7.7	9.1	8.5	**11.7**
	38.4	37.8	37.7	37.4	36.3	34.8	**36.4**
	8.2	8.8	8.4	4.8	7.9	7.5	**8.8**
	7.3	7.7	6.9	3.3	5.7	5.7	**7.1**
	11.9	12.0	10.6	4.8	8.7	8.8	**10.6**
	0.89	0.87	0.82	0.69	0.73	0.76	**0.80**
	186,621	191,239	189,953	166,117	175,269	186,524	**202,073**
	65,415	65,564	63,916	45,945	60,621	72,268	**89,143**
	30,179	35,970	36,265	26,250	38,527	62,545	**82,346**
	282,215	292,774	290,136	238,314	274,419	321,338	**373,563**
	33.8	34.7	35.3	30.8	36.1	42.0	**45.9**
	49,578	51,007	51,528	40,491	45,725	59,689	**80,455**
	71,471	76,306	75,038	58,564	75,528	92,153	**99,514**
	23,716	21,387	20,104	14,723	18,300	20,980	**24,836**
	29,379	28,744	26,139	16,530	19,243	23,798	**32,045**
	33,512	37,620	37,799	30,986	35,321	37,892	**40,337**
	47,132	49,560	50,763	47,072	50,579	56,631	**61,620**
	27,424	28,146	28,763	29,946	29,721	30,192	**34,754**
	315,981	334,879	351,887	343,393	378,469	423,898	**465,361**
	206,900	223,510	242,038	239,711	259,862	292,500	**332,937**
	204,967	222,238	240,531	238,143	257,826	288,949	**328,497**
	186,655	204,103	214,203	216,508	239,966	224,168	**251,792**
	64.9	66.4	68.4	69.3	68.1	68.2	**70.6**
	2,830.48	3,068.86	3,321.31	3,288.35	3,559.85	1,994.67	**2,267.49**
	70	80	110	110	110	100	**95**
	5,069	5,793	7,966	7,966	7,966	10,140	**13,762**
	21.9	22.5	32.6	69.6	36.7	42.3	**41.9**
	5,827	4,246	5,216	3,405	3,749	5,874	**8,617**
	5,104	5,122	4,643	5,001	4,809	5,928	**6,874**
	4,000	4,130	4,232	4,128	4,425	4,623	**4,682**
	34,877	30,203	30,455	20,734	27,343	5,170	**37,698**
	(34,066)	16,478	29,645	(1,229)	5,238	1,941	**3,286**
	811	46,681	60,100	19,505	32,581	7,111	**40,984**
	(4,966)	(5,047)	(5,908)	(8,281)	(8,122)	(13,349)	**(10,355)**
	49,906	89,256	142,803	148,833	181,615	186,669	**227,072**

Financial Data in Past Decade

(1) Consolidated Balance Sheet

(Unit: Million yen)

	As of December 31, 2023
Assets	
Current assets	
Cash and deposits	254,530
Notes and accounts receivable - trade, and contract assets	52,026
Merchandise and finished goods	19,962
Work in process	7,324
Raw materials and supplies	24,977
Other	5,873
Allowance for doubtful accounts	(549)
Total current assets	364,145
Non-current assets	
Property, plant and equipment	
Buildings and structures	52,512
Accumulated depreciation	(33,169)
Buildings and structures, net	19,343
Machinery, equipment and vehicles	41,050
Accumulated depreciation	(32,550)
Machinery, equipment and vehicles, net	8,500
Tools, furniture and fixtures	26,072
Accumulated depreciation	(23,532)
Tools, furniture and fixtures, net	2,539
Land	15,621
Leased assets	3,499
Accumulated depreciation	(1,613)
Leased assets, net	1,886
Construction in progress	5,142
Total property, plant and equipment	53,034
Intangible assets	
Goodwill	9,382
Other	8,974
Total intangible assets	18,357
Investments and other assets	
Investment securities	17,067
Deferred tax assets	10,723
Other	2,245
Allowance for doubtful accounts	(211)
Total investments and other assets	29,823
Total non-current assets	101,215
Total assets	465,361

(Unit: Million yen)

	As of December 31, 2023
Liabilities	
Current liabilities	
Notes and accounts payable - trade	30,308
Income taxes payable	5,952
Contract liabilities	35,959
Provision for product warranties	3,273
Other provisions	3,855
Other	25,289
Total current liabilities	104,638
Non-current liabilities	
Provision for retirement benefits for directors (and other officers)	215
Retirement benefit liability	21,451
Provision for product warranties	1,564
Other	4,554
Total non-current liabilities	27,785
Total liabilities	132,424
Net assets	
Shareholders' equity	
Share capital	8,098
Capital surplus	14,620
Retained earnings	274,766
Treasury shares	(8)
Total shareholders' equity	297,476
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	216
Foreign currency translation adjustment	32,038
Remeasurements of defined benefit plans	(1,233)
Total accumulated other comprehensive income	31,021
Non-controlling interests	4,439
Total net assets	332,937
Total liabilities and net assets	465,361

(2) Consolidated Statement of Income

(Unit: Million yen)

	As of December 31, 2023
Net sales	373,563
Cost of sales	237,501
Gross profit	136,062
Selling, general and administrative expenses	92,541
Operating profit	43,520
Non-operating income	
Interest income	4,826
Foreign exchange gains	3,027
Other	640
Total non-operating income	8,494
Non-operating expenses	
Interest expenses	80
Share of loss of entities accounted for using equity method	1,316
Other	295
Total non-operating expenses	1,692
Ordinary profit	50,322
Extraordinary income	
Gain on sale of investment securities	59
Gain on sale of non-current assets	37
Other	-
Total extraordinary income	96
Extraordinary losses	
Business restructuring expenses	-
Impairment loss	1,999
Other	41
Total extraordinary losses	2,040
Profit before income taxes	48,378
Income taxes – current	15,720
Income taxes - deferred	(889)
Total income taxes	14,830
Profit	33,547
Profit attributable to non-controlling interests	712
Profit attributable to owners of parent	32,835

(3) Consolidated Statement of Comprehensive Income

(Unit: Million yen)

	As of December 31, 2023
Profit	33,547
Other comprehensive income	
Valuation difference on available-for-sale securities	151
Foreign currency translation adjustment	14,402
Remeasurements of defined benefit plans, net of tax	592
Share of other comprehensive income of entities accounted for using equity method	1,949
Total other comprehensive income	17,095
Comprehensive income	50,642
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	49,703
Comprehensive income attributable to non-controlling interests	939

(4) Consolidated Statement of Cash Flows

(Unit: Million yen)

	As of December 31, 2023
Cash flows from operating activities	
Profit before income taxes	48,378
Depreciation	6,874
Impairment loss	1,999
Amortization of goodwill	676
Increase (decrease) in retirement benefit liability	771
Increase (decrease) in provision for product warranties	261
Increase (decrease) in provision for bonuses	324
Interest and dividend income	(4,851)
Foreign exchange losses (gains)	(2,675)
Share of loss (profit) of entities accounted for using equity method	1,316
Business restructuring expenses	-
Decrease (increase) in trade receivables and contract assets	(3,821)
Decrease (increase) in inventories	3,133
Increase (decrease) in trade payables	(4,251)
Increase (decrease) in accounts payable - other	247
Increase (decrease) in accrued expenses	525
Increase (decrease) in advances received	(301)
Increase (decrease) in accrued consumption taxes	(315)
Increase (decrease) in contract liabilities	(416)
Other, net	784
Subtotal	48,658
Interest and dividends received	4,348
Interest paid	(70)
Payments for restructuring expenses	(1,007)
Income taxes paid	(14,229)
Net cash provided by (used in) operating activities	37,698
Cash flows from investing activities	
Payments into time deposits	(67,430)
Proceeds from withdrawal of time deposits	81,643)
Purchase of property, plant and equipment	(6,132)
Purchase of intangible assets	(916)
Purchase of investment securities	(4,964)
Proceeds from sale of investment securities	1,051
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–
Purchase of long-term prepaid expenses	(217)
Other, net	252
Net cash provided by (used in) investing activities	3,286
Cash flows from financing activities	
Net increase (decrease) in short-term borrowings	287
Dividends paid	(10,138)
Repayments of lease obligations	(453)
Repayments of long-term borrowings	-
Other, net	(50)
Net cash provided by (used in) financing activities	(10,355)
Effect of exchange rate change on cash and cash equivalents	8,673
Net increase (decrease) in cash and cash equivalents	39,301
Cash and cash equivalents at beginning of period	186,669
Net increase (decrease) in cash and cash equivalents resulting in changes in scope of consolidation	1,101
Cash and cash equivalents at end of period	227,072

Corporate and Stock Profiles

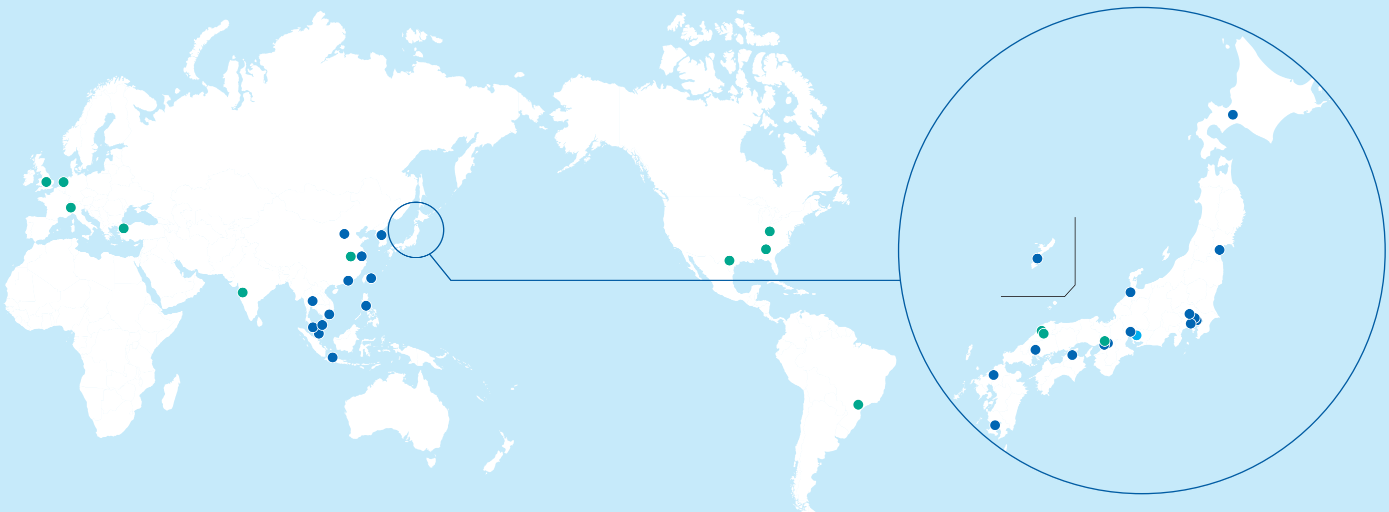
Corporate Profile (as of December 31, 2023)

Company Name:	HOSHIZAKI CORPORATION
Address:	Head Office 3-16 Sakae-cho Minamiyakata, Toyoake, Aichi, 470-1194, Japan Phone: +81-(0)562-97-2111
Date of Founding:	February 5, 1947
Exchange Listing:	The Prime Market of Tokyo Stock Exchange and the Premier Market of Nagoya Stock Exchange
Paid-in Capital:	¥8,070 million
Business Description:	Research, development, manufacture, sales and maintenance of food service equipment
Fiscal Year-end:	December 31
Number of Employees:	13,361 (consolidated) 1,156 (non-consolidated)
Number of Consolidated Subsidiaries:	19 domestic 37 overseas (56 total)
Number of Equity Method Affiliate:	1 overseas

Global Network
(as of December 31, 2023)

Japan

- HOSHIZAKI CORPORATION (the Company)
- HOSHIZAKI SALES CO., LTD.
- HOSHIZAKI HOKKAIDO CO., LTD.
- HOSHIZAKI TOHOKU CO., LTD.
- HOSHIZAKI KITAKANTO CO., LTD.
- HOSHIZAKI KANTO CO., LTD.
- HOSHIZAKI TOKYO CO., LTD.
- HOSHIZAKI SHONAN CO., LTD.
- HOSHIZAKI HOKUSHINETSU CO., LTD.
- HOSHIZAKI TOKAI CO., LTD.
- HOSHIZAKI KEIHAN CO., LTD.
- HOSHIZAKI HANSHIN CO., LTD.
- HOSHIZAKI CHUGOKU CO., LTD.
- HOSHIZAKI SHIKOKU CO., LTD.
- HOSHIZAKI KITAKYU CO., LTD.
- HOSHIZAKI NANKYU CO., LTD.
- HOSHIZAKI OKINAWA CO., LTD.
- NESTOR CORPORATION
- SANSEI ELECTRIC CO., LTD.
- NAOMI Co., Ltd.



Europe and Asia

- Hoshizaki Europe Holdings B.V.
- HOSHIZAKI EUROPE LIMITED
- Hoshizaki Europe B.V.
- Brema Group S.p.A.
- Western Refrigeration Private Limited
- HOSHIZAKI SOUTHEAST ASIA HOLDINGS PTE. LTD.
- HOSHIZAKI (THAILAND) LIMITED
- HOSHIZAKI MALAYSIA SDN.BHD.
- HOSHIZAKI SINGAPORE PTE LTD
- HOSHIZAKI VIETNAM CORPORATION
- PT. HOSHIZAKI INDONESIA
- HOSHIZAKI PHILIPPINES CORPORATION
- HOSHIZAKI HONG KONG CO., LTD.
- HOSHIZAKI (CHINA) HOLDINGS CO., LTD.
- HOSHIZAKI SHANGHAI CO., LTD.
- HOSHIZAKI SUZHOU CO., LTD.
- Beijing Royalkitchen Science and Technology Co., Ltd
- HOSHIZAKI TAIWAN, INC.
- Hoshizaki Korea Co.,Ltd.
- Oztiryakiler Madeni Esya Sanayive Ticaret Anonim Sirketi

Americas

- HOSHIZAKI USA HOLDINGS,INC.
- HOSHIZAKI AMERICA,INC.
- Jackson WWS,Inc.
- LANCER CORPORATION
- Aços Macom Indústria e Comércio Ltda.

● Companies with manufacturing functions

Stock Profile (as of December 31, 2023)

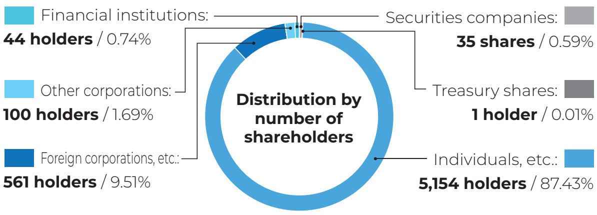
Share Status

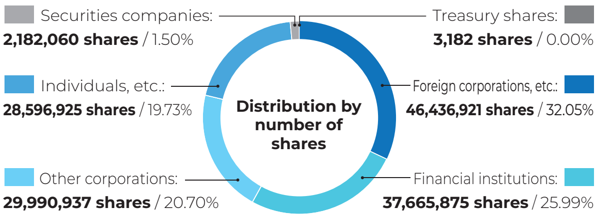
Authorized number of shares: 500,000,000 shares

Total number of issued shares: 144,875,900 shares

Number of shareholders: 5,895

Distribution of shares



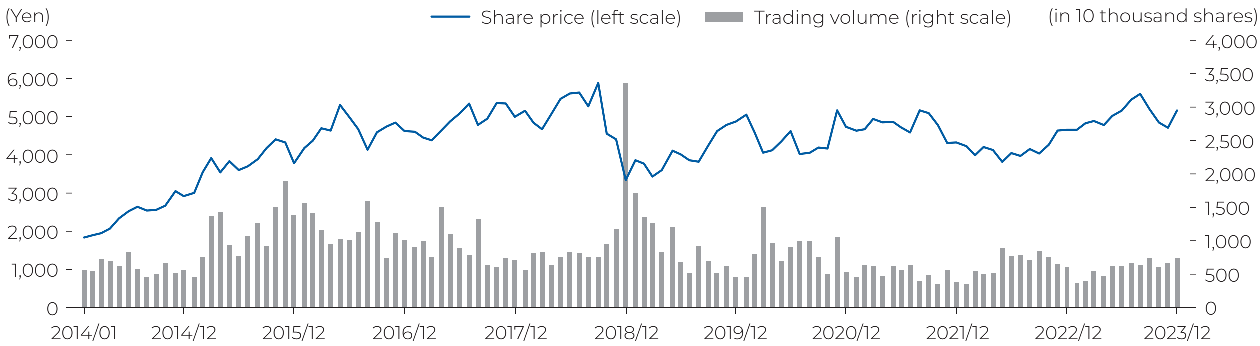


Major Shareholders

Shareholder Name	Number of Shares Held (thousand shares)	Percentage Stake (%)
The Master Trust Bank of Japan, Ltd. (trust account)	18,529	12.79
Sakamoto Donation Foundation	12,406	8.56
Hoshizaki Green Foundation	11,900	8.21
JP MORGAN CHASE BANK 380055 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	8,273	5.71
Custody Bank of Japan, Ltd. (trust account)	6,753	4.66
Hoshizaki Group Employees Stock Ownership Plan	4,768	3.29
GOVERNMENT OF NORWAY (standing proxy: Citibank N.A., Tokyo Branch)	3,603	2.48
Hoshizaki Shinsei Foundation	3,398	2.34
Miyuki Sakamoto	2,271	1.56
State Street Bank West Client Treaty 505234 (standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1,879	1.29

Note Treasury shares (3,178 shares) were excluded in the calculation of the percentage stake figures.

Historical Share Prices and Trading Volume in the Past Decade (January 2014-December 2023)



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

	Past 1 year (December 2022 to December 2023)	**Past 3 years** (December 2020 to December 2023)	**Past 5 years** (December 2018 to December 2023)	**Past 10 years** (December 2013 to December 2023)
Hoshizaki	12.9	13.6	64.4	202.5
TOPIX	28.3	41.1	78.9	127.8
Machinery Index	35.6	31.8	95.0	125.6

ESG-Related External Recognition

S&P/JPX Carbon Efficient Index

FTSE Blossom Japan Sector Relative Index

HOSHIZAKI CORPORATION

Head office: 3-16, Sakae-cho Minamiyakata, Toyoake, Aichi, 470-1194, Japan
https://www.hoshizaki.co.jp/en/

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