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Q&A Session at the Medium-Term Strategy Presentation

[The following is an overview of the questions and answers from the Medium-Term Strategy Briefing held on April 17, 2026.]

[Questioner1]: What initiatives will be undertaken to improve the profit margins of Hoshizaki America and Hoshizaki Europe?

[A]: At Hoshizaki America, the Company has been steadily expanding its market share in its core ice making machine business. By leveraging the strong customer base established through this business, Hoshizaki America will continue to drive both sales growth and profitability improvement in a disciplined and sustainable manner. In addition, through the creation of synergies with newly acquired group companies, the Company will also work to enhance cost competitiveness in the refrigerator business. At Hoshizaki Europe, market share in the core ice making machine segment has been steadily increasing, supported by the new products introduced from last year. In the refrigerator business, progress is being made not only in expanding the product lineup but also in improving cost competitiveness. As a result, profitability improvements are proceeding steadily and in line with our plan.

[Questioner1]: Hoshizaki America has been expanding its market share; however, given that some competitors are pursuing a direct sales model, is there still sufficient room for further market share growth going forward?

[A]: There remains a lot of room for further market share expansion, and the Company is implementing initiatives to support this growth, including continued enhancement of product competitiveness.

[Questioner1]: What is the background behind setting a ROIC target of 14% under the plan through fiscal year 2029?

[A]: We recognize that ROIC may be perceived as having declined compared with past levels. This is largely attributable to our growth strategy, under which the proportion of overseas businesses—where ROIC is relatively lower than that of the domestic business—has increased. Over the next three years, we will particularly place emphasis on improving capital efficiency in our overseas operations, primarily in the Americas and Europe. At the same time, we will continue efforts to enhance capital efficiency in the domestic business. Through these initiatives, we aim to achieve a company-wide ROIC of 14%. Looking ahead, while taking historical ROIC levels into consideration, we intend to gradually raise our ROIC targets in a phased manner over the longer term.

[Questioner1] : Is it correct to understand that the three-year period through fiscal year 2029 is positioned as a phase for building the foundation to achieve a higher ROIC level going forward?

[A] : In our overseas businesses, there remain regions where business environment uncertainties and structural challenges persist, and we believe there are many operations with significant room for improvement. For example, in Turkey, we are currently in the process of implementing structural reforms aiming at stabilizing the earnings structure and strengthening operational sustainability. By steadily executing these reforms across overseas regions, we aim to translate these efforts into overall improvements in performance and profitability on a consolidated basis.

[Questioner2] : Could you explain the rationale behind the financial targets and cash allocation policy set for fiscal year 2029?

[A] : The financial targets have been set based on the assumption that business structure reforms will be implemented across each region. Our aim is not merely to achieve these targets, but to pursue the creation of additional value even beyond them. With regard to cash allocation, we will prioritize strategic investments that contribute to improving profitability and capital efficiency. As a result, the cash balance may fall below the targeted level, if deemed necessary.

[Questioner2] : The operating profit margin target of 15% for Asia appears to be a fairly conservative goal. Is there potential for upside beyond this level?

[A] : In India, we are already achieving a significant high level of profitability and recognize that there is potential for upside. Taking into account risks arising from market conditions and the competitive environment, we have set an operating profit margin target of 15% or higher as the minimum level to be achieved across Asia as a whole.

[Questioner2] : Is there potential for upside beyond the consolidated adjusted operating profit margin target of 15%?

[A] : The adjusted operating profit margin target of 15% incorporates a certain level of buffer, but is premised on the steady execution of various reforms.

[Questioner2] : Could you share your thoughts on the Company's approach to and strategic direction for future M&A activities?

[A] : As we move forward with a management approach that places greater emphasis on capital efficiency and profitability, our top priority is to ensure the successful PMI of existing group companies. In particular, in the Americas, the PMI of Structural Concepts, which we acquired last year, is a critical focus area. We will first assess the progress of this integration before making any subsequent investment decisions.

When considering future M&A opportunities, we will adopt a disciplined approach, evaluating their impact on capital efficiency and profitability. With respect to cash not deployed for strategic investments, we consider share repurchases one possible option. We will determine the scale and allocation of such actions based on the progress and substance of potential M&A opportunities.

[Questioner3]: What is the background behind setting the year-end cash target at a level of JPY 150 billion or below?

[A]: As of fiscal year 2029, we estimate that the required level of working capital will be JPY 110 billion, equivalent to about two months of monthly sales. Cash holdings in excess of this level will be reviewed for potential deployment.

Looking ahead, our priority will be to improve profitability and capital efficiency through the PMI of existing acquired companies. In the subsequent growth phase, we intend to pursue more proactive strategic investments. While maintaining financial soundness, we will also consider flexible funding options, including the use of debt, as part of our capital strategy.

[Questioner3]: Compared with the other regions, Europe appears to face a more challenging outlook, given its relatively lower revenue growth rate and an adjusted operating profit margin of 13%.

[A]: The relatively slower growth of the European business compared with the other regions is attributed to structural factors, namely the maturity of the market itself. Based on these market characteristics, we have tailored a strategy.

We will address the respective challenges faced by Brema, Öztiryakiler, and Hoshizaki Europe, with the aim of halting the decline in profitability seen in recent years and restoring margin levels. Given that sales growth in Europe has been more moderate than in the other regions, the SG&A ratio has remained relatively high. Accordingly, we will pursue cost structure reforms and work toward building a leaner and more resilient business structure.

[Questioner4]: How do you see the factors contributing to the relatively low ROIC in the United States?

[A]: In the domestic business, we operate under a direct sales model, which enables a short lead time from order receipt to delivery and results in a highly streamlined inventory structure. In addition, credit risk is relatively lower compared with overseas markets. These factors contribute to a higher invested capital turnover. As a result, there is a significant gap in invested capital turnover between the domestic and overseas businesses.

Taking these structural differences into account, we will continue to focus not only on improving profit margins but also on enhancing invested capital turnover in our overseas operations.

In the Americas, more than 90% of sales are generated through a dealer-based business model, which is one of the factors weighing on invested capital turnover. We also intend to address this issue by reviewing and refining our business operations, with the aim of improving capital efficiency going forward.

[Questioner4]: Is it management's view that withdrawal from certain businesses would be considered if profitability improvements fail to materialize?

[A]: We have previously exited the refrigerator business in China. Going forward, for businesses where improvements in profitability and capital efficiency are not expected, we will actively consider exit options as part of our decision-making process.

[Questioner4]: It was indicated that the consideration of debt-financed M&A would generally be after 2029; however, if an opportunity similar to SCC arises, would the Company move forward with such an acquisition ahead of schedule?

[A]: In the Americas, our top priority through fiscal year 2029 is to build a business structure that can steadily improve both profit margins and capital efficiency, and we will focus our efforts on establishing this foundation.

Once we reach a stage where tangible progress from these initiatives becomes visible, if during the latter half of the next three-year medium-term plan a potential investment opportunity materializes that significantly exceeds the current strategic investment framework of JPY 65 billion, we will consider making an investment decision that may include the use of debt, while carefully taking into account the prevailing business environment and our financial position at that time.

[Questioner4]: What were the key factors and considerations that led to the formulation of the next medium-term strategy, and what is the overall strategic direction behind it?

[A]: We fully recognize the challenging assessment that the Company is currently receiving from the capital markets. We believe that improving this evaluation requires a clear focus on enhancing profitability and capital efficiency, as well as updating our capital policy—key directions that are clearly articulated in the medium-term strategy.