
Annual Securities Report

(Report pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

The 40th Fiscal Year
(April 1, 2021 to March 31, 2022)

Zensho Holdings Co., Ltd.

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[Company name]	Kabushiki Kaisha Zensho Holdings
[Company name in English]	Zensho Holdings Co., Ltd.
[Title and name of representative]	Kentaro Ogawa, Chairman of the Board, President and CEO
[Address of head office]	18-1, Konan 2-chome, Minato-ku, Tokyo, Japan
[Telephone number]	+81-3-6833-1600
[Name of contact person]	Kiyohiko Niwa, Executive Officer, Senior General Manager of Group Finance and Accounting Division
[Nearest place of contact]	18-1, Konan 2-chome, Minato-ku, Tokyo, Japan
[Telephone number]	+81-3-6833-1600
[Name of contact person]	Kiyohiko Niwa, Executive Officer, Senior General Manager of Group Finance and Accounting Division
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

PART I: COMPANY INFORMATION

I. OVERVIEW OF COMPANY

1. Summary of Business Results

(1) Business results of group

(Millions of yen, unless otherwise stated)

Term	36th	37th	38th	39th	40th
Fiscal year ended	March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	579,108	607,679	630,435	595,048	658,503
Ordinary profit	17,656	18,211	19,903	12,215	23,117
Profit attributable to owners of parent	8,001	9,924	11,978	2,259	13,869
Comprehensive income	6,938	9,739	8,594	5,324	22,080
Net assets	82,204	87,083	86,793	85,430	104,486
Total assets	295,316	377,779	365,853	396,023	427,172
Net assets per share (yen)	461.76	496.34	563.30	560.87	679.19
Basic earnings per share (yen)	54.18	67.93	80.31	14.82	91.17
Diluted earnings per share (yen)	—	—	—	—	—
Shareholders' Equity ratio (%)	22.9	19.1	23.7	21.5	24.2
Return on equity (%)	11.8	14.2	15.1	2.6	14.7
Price-earnings ratio (times)	44.7	37.7	25.7	191.1	31.4
Cash flows from operating activities	37,162	33,129	33,575	29,686	45,430
Cash flows from investing activities	(24,663)	(52,143)	(35,188)	(23,519)	(31,550)
Cash flows from financing activities	(9,073)	50,300	(25,753)	1,753	(11,986)
Ending balance of cash and cash equivalents	26,142	57,240	28,928	37,643	42,414
Number of employees [average number of part-time employees] (persons)	10,877 [50,837]	12,521 [52,682]	14,402 [50,148]	16,253 [51,125]	15,929 [51,118]

Notes: 1. Diluted earnings per share are not stated, as there are no potential shares with dilutive effects.
2. The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the 40th term. Figures for the summary of business results for the 40th term are presented after applying these accounting standards, etc.

(2) Business results of reporting company

(Millions of yen, unless otherwise stated)

Term	36th	37th	38th	39th	40th
Fiscal year ended	March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	249,115	254,448	254,937	238,248	216,433
Ordinary profit	9,177	7,222	10,276	4,699	5,571
Profit	3,268	6,297	7,159	2,622	5,415
Share capital	23,470	23,470	26,996	26,996	26,996
Total number of shares issued and outstanding (shares)	149,640,445	149,640,445	154,862,825	154,862,825	154,862,825
Net assets	53,677	55,342	79,891	75,884	78,095
Total assets	285,062	342,687	350,250	360,602	373,293
Net assets per share (yen)	367.22	380.65	519.58	498.83	513.38
Dividends per share (yen) [Interim dividend per share]	18.00 [9.00]	18.00 [9.00]	20.00 [10.00]	20.00 [10.00]	22.00 [11.00]
Basic earnings per share (yen)	22.13	43.11	48.00	17.20	35.60
Diluted earnings per share (yen)	—	—	—	—	—
Shareholders' Equity ratio (%)	18.8	16.1	22.8	21.0	20.9
Return on equity (%)	5.9	11.6	10.6	3.4	7.0
Price-earnings ratio (times)	109.5	59.5	42.9	164.6	80.4
Payout ratio (%)	81.3	41.8	41.7	116.3	61.8
Number of employees [average number of part-time employees] (persons)	550 [160]	622 [158]	600 [129]	627 [146]	655 [144]
Total shareholder return (%) [Benchmark: TOPIX Net Total Return Index]	130.8 [115.9]	139.4 [110.0]	113.5 [99.6]	155.9 [141.5]	158.7 [144.3]
Highest share price (yen)	2,465	2,934	2,608	3,125	3,005
Lowest share price (yen)	1,765	2,023	1,677	1,731	2,556

- Notes:
1. Diluted earnings per share are not stated, as there are no potential shares with dilutive effects.
 2. The highest and lowest share prices are those of the First Section of the Tokyo Stock Exchange.
 3. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the 40th term. Figures for the summary of business results for the 40th term are presented after applying these accounting standards, etc.

2. History

Date	Event
June 1982	Zensho Holdings Co., Ltd. was established, and located its head office annexed to Yokohama factory in Tsurumi-ku, Yokohama in Kanagawa Prefecture, Japan.
July 1982	Opened its first lunchbox shop (Namamugi shop) in Tsurumi-ku, Yokohama, Kanagawa Prefecture, Japan.
November 1982	Opened its first “inside a building” Sukiya (Gyudon) restaurant (Namamugi Ekimae restaurant) in Tsurumi-ku, Yokohama, Kanagawa Prefecture, Japan.
August 1986	Relocated the head office to Kanagawa-ku, Yokohama, Kanagawa Prefecture. Relocated Yokohama factory to Midori-ku (currently Tsuzuki-ku), Yokohama, Kanagawa Prefecture, Japan.
April 1987	Relocated the head office to Kanagawa-ku (Tsuruya-cho), Yokohama, Kanagawa Prefecture, Japan.
July 1987	Opened its first freestanding type restaurant (Mito restaurant) in Mito, Ibaraki Prefecture, Japan.
January 1989	Relocated the head office to Nishi-ku, Yokohama, Kanagawa Prefecture, Japan.
March 1991	Established a training center in Hodogaya-ku, Yokohama, Kanagawa Prefecture, Japan.
August 1997	Shares listed on the Japan Securities Dealers Association over-the counter market.
September 1999	Shares listed on the Second Section of the Tokyo Stock Exchange. Conducted a public stock offering of 4.8 billion yen.
July 2000	Acquired Coco’s Japan Co., Ltd.
October 2000	Established Techno Support Co., Ltd. (currently Techno Construction Co., Ltd.) to streamline furnishing and maintenance.
November 2000	Established Global Foods Co., Ltd. (currently Zensho Tradings Co., Ltd.) to streamline raw material procurement.
May 2001	Acquired Gyuan Co., Ltd.
July 2001	Relocated the head office to Minato-ku, Tokyo, Japan.
September 2001	Share listed on the First Section of the Tokyo Stock Exchange.
June 2002	Established Global Table Supply Co., Ltd. for efficient procurement of consumables, equipment, etc.
October 2002	Established Hamazushi Co., Ltd., to operate kaiten-sushi restaurant business.
December 2002	Coco’s Japan Co., Ltd. acquired Big Boy Japan, Inc.
February 2004	Consolidated the headquarter functions and relocated the head office to the current place (18-1, Konan 2-chome, Minato-ku, Tokyo, Japan).
January 2005	Coco’s Japan Co., Ltd. established Coco’s Shanghai Co., Ltd. (currently Zensho Restaurant (Shanghai) Co., Ltd.).
March 2005	Acquired Nakau Co., Ltd.
September 2005	Established Food Safety Pursuing Unit (currently Group Food Safety Pursuing Division) to enhance the approach to food safety.
April 2006	UD Foods Co., Ltd. (currently Sanbishi Co., Ltd.), which is a subsidiary of the Company, acquired soy sauce manufacturing business from Sanbishi Co., Ltd.
May 2006	Acquired Big Boy Japan, Inc. and Coco’s Restaurant (Shanghai) Co., Ltd. (currently Zensho Restaurant (Shanghai) Co., Ltd.) to streamline group governance and increase efficiency. Established Central Analysis Center to further enhance the food safety initiatives.
June 2006	Established Global Pizza System Co., Ltd. (currently Tolona Japan Co., Ltd.) Conducted a public offering of 14.1 billion yen as fund for M&A of food businesses.
August 2006	Established Global Fresh Supply Co., Ltd. to streamline logistics.
February 2007	Acquired United Veggies Co., Ltd., which sells fruits and vegetables, to expand the business domain.
March 2007	Acquired Sunday’s Sun Inc. (currently Jolly-Pasta Co., Ltd.) Launched fair trade initiatives in Democratic Republic of Timor-Leste.
July 2007	Opened Sukiya (Gyudon) restaurant in Okinawa Prefecture (880th Sukiya restaurant) and established the presence in all prefectures in Japan.
August 2007	Acquired Inter-Vision Consortium Inc. (currently Human Logic Laboratory Co., Ltd.) to strengthen personnel strategy.
January 2008	Established Zenshoen Co., Ltd. to produce and sell agricultural and livestock products.
June 2008	Established Global IT Service Co., Ltd. to improve business efficiency through information technologies.
August 2008	Established ZENSHO DO BRASIL COMERCIO DE ALIMENTOS LTDA.
October 2008	Acquired Hanaya Yohei Co., Ltd.
March 2010	Converted Nakau Co., Ltd. into a wholly owned subsidiary by the share exchange.
December 2010	Established Zensho Best Crew Co., Ltd. to streamline the recruiting operation.
February 2011	Established ZENSHO (THAILAND) CO., LTD.
May 2011	Established Zensho Spin-Off Preparation Co., Ltd. (currently Sukiya Co., Ltd.).

October 2011	Shifted to a holding company structure to initiate global business development and changed the corporate name to Zensho Holdings Co., Ltd.
December 2011	Established ZENSHO FOOD DE MEXICO S.A. DE C.V.
March 2012	Established GFF CO., LTD. to expand manufacturing function.
April 2012	Established ZENSHO FOODS MALAYSIA SDN. BHD.
October 2012	Established Zensho Business Service Co., Ltd. to promote employment of the physically-challenged and to support their self-reliance.
November 2012	Established Zensho Clean Energy Co., Ltd. to conduct power generation business using natural energy sources and to supply and sell the electricity.
April 2013	Acquire Maruya Co., Ltd. (currently JOY MART CO., LTD.) to expand retail business.
May 2013	Established Zensho Taiwan Co., Ltd.
October 2013	Established PT. ZENSHO INDONESIA.
November 2013	Acquired Pocino Foods Company, a US company, to expand business and manufacturing function.
December 2013	Acquired Maruei Co., Ltd. (currently JOY MART CO., LTD.).
January 2014	Maruya Co., Ltd. (currently JOY MART CO., LTD.) acquired retail business from Yamaguchi Honten Co., Ltd.
March 2014	Established Nihon Retail Holdings, Co., Ltd. to further enhance the efficiency of retail business.
June 2014	Established Kaigo Service Kagayaki Co., Ltd. (currently Kagayaki Co., Ltd.) to expand business domain.
August 2014	Converted Maruya Co., Ltd. (currently JOY MART CO., LTD.) into a wholly owned subsidiary by the share exchange through Nihon Retail Holdings, Co., Ltd.
October 2014	Conducted a public offering of 26.7 billion yen as fund for opening and refurbishment of stores.
January 2015	Zensho Co., Ltd. (currently Sukiya Co., Ltd.) split off Kita-Nihon Sukiya Co., Ltd., Kanto Sukiya Co., Ltd., Tokyo Sukiya Co., Ltd., Chubu Sukiya Co., Ltd., Kansai Sukiya Co., Ltd., Chu-Shikoku Sukiya Co., Ltd, and Kyushu Sukiya Co., Ltd. as successor companies, to establish a local community-based store management structure.
February 2015	Nihon Retail Holdings, Co., Ltd. acquired Owariya Co., Ltd. (currently JOY MART CO., LTD.).
April 2015	A Dining Co., Ltd. succeeded by absorption-type split all the businesses other than Sukiya (Yakiniku business, Japanese noodle business, ramen business, and café business) to enable Zensho Co. Ltd. (currently Sukiya Co., Ltd.) concentrate, strengthen and further develop the Sukiya business.
May 2015	Zensho Co., Ltd. changed its corporate name to Sukiya Honbu Co., Ltd. (currently Sukiya Co., Ltd.).
June 2015	Established Zensho USA Corporation which oversees the US operation.
July 2015	Established Zensho Factory Holdings Co., Ltd. to strengthen production department.
January 2016	Established ZENSHO CooCa Co., Ltd. with the aim of introduction of original e-money.
February 2016	Established Kagayaki Nursery Facilities Co., Ltd. to operate in-house nursery facilities.
March 2016	Acquired Mizushita Farm Co., Ltd. to enhance livestock business.
April 2016	TAG-1 Co., Ltd. acquired by absorption-type split yakiniku business from A Dining Co., Ltd.
May 2016	A Dining Co., Ltd. transferred café business to Zensho Café Co., Ltd.
June 2016	TR Factory Co., Ltd. succeeded by absorption-type split manufacturing business of frozen pizza, etc. from Tolona Japan Co., Ltd. to streamline the operation through separation of the sales and manufacturing functions.
July 2016	Established ZENSHO VIETNAM CO., LTD.
August 2016	ZENSHO ICHIBAN MALAYSIA SDN. BHD. took over ramen business and Korean cuisine business.
September 2016	Established Katsuan Co., Ltd.
October 2016	Established Japan Dining Holdings Co., Ltd. (currently QSR holdings Co., Ltd.) to further strengthen the fast food service business.
November 2016	Kyubeiya Co., Ltd. and Setoudon Co., Ltd. succeeded by absorption-type split Udon business from A Dining Co., Ltd.
December 2016	Acquired Royalhouse Ishioka Co., Ltd. and Senior Support Co., Ltd., which operate nursing care services businesses.
January 2017	Established Zensho China Holdings Co., Ltd., which oversees the China operation.
February 2017	Established Zensho Insurance Service Co., Ltd. to operate non-life insurance agency services.
March 2017	Part of the Sukiya business transferred from Tokyo Sukiya Co., Ltd. to Kanagawa Sukiya Co., Ltd. in an absorption-type split.
April 2017	Established OIIVENOOKA, Co., Ltd., an authentic Italian restaurant.
May 2017	Established Nihon Kaigo Holdings Co., Ltd. to further enhance the nursing care business.
June 2017	Part of the Sukiya business transferred from Chubu Sukiya Co., Ltd. to Chukyo Sukiya Co., Ltd. in an absorption-type split.
July 2017	Nihon Kaigo Holdings Co., Ltd. acquired NYEREG Co., Ltd.

December 2017	Atack Co., Ltd. (currently JOY MART CO., LTD.) succeeded by absorption-type split part of Sukiya business from Yamadaya Atack Co., Ltd.
May 2018	Established ZENSHO JAPANESE RESTAURANT COMPANY PTE. LTD.
August 2018	Established ZENSHO (PHILIPPINES), INC.
October 2018	Established ZENSHO HONG KONG CO., LTD.
November 2018	Acquired Advanced Fresh Concepts Corp. Nihon Kaigo Holdings Co., Ltd. acquired IMedicare Co., Ltd.
January 2019	Established Nihon Restaurant Holdings Co., Ltd. to further enhance the restaurant business.
February 2019	Established ZENSHO SOUTH EAST ASIA HOLDINGS PTE. LTD., which oversees the operations in Southeast Asia region. Established ZENSHO HOLDINGS MALAYSIA SDN. BHD., which oversees the operations in Malaysia.
March 2019	Established ZENSHO FOOD INDIA PTE. LTD.
May 2019	ZENSHO HOLDINGS MALAYSIA SDN. BHD. acquired TCRS Restaurants Sdn. Bhd.
June 2019	Established JinZai Co., Ltd. aiming to realize a society where people can co-exist with various international human resources.
August 2019	Converted Jolly-Pasta Co., Ltd. into a wholly owned subsidiary by the share exchange.
September 2019	Nihon Restaurant Holdings Co., Ltd. succeeded by absorption-type split management and administration of the operating companies which conduct Coco's and Jolly-Pasta businesses.
February 2020	Converted Coco's Japan Co., Ltd. into a wholly owned subsidiary by the share exchange through Nihon Restaurant Holdings Co., Ltd.
March 2020	Sukiya Honbu Co., Ltd., as the surviving company, merged with nine regional Sukiya companies, which were the dissolving companies, to streamline Sukiya management. Sukiya Honbu Co., Ltd. changed its corporate name to Sukiya Co., Ltd.
April 2020	Established Zensho Store Support Co., Ltd., aiming to enhance employment of the physically-challenged and to support their self-reliance.
March 2021	Maruya Co., Ltd., as a surviving company, merged with four other companies (Maruei Co., Ltd., Owariya Co., Ltd., Fresh Corporation, and Atack Co., Ltd.) which were the dissolving companies, to further strengthen the management of retail business. Maruya Co., Ltd. changed its corporate name to JOY MART CO., LTD.
September 2021	Established Zensho Fast Holdings Co., Ltd. to further enhance Japanese specialty restaurant business.
November 2021	Zensho Fast Holdings Co., Ltd., as a surviving company, merged with Sukiya Co., Ltd. and Nakau Co., Ltd. by absorption-type split.

3. Description of Business

The Group consists of 131 companies, Zensho Holdings Co., Ltd. and 130 subsidiaries, and carries out a broad range of business activities in the food business.

The Company falls under the category of specified listed companies, etc., and among the standards for determining insignificance of important facts with respect to insider trading regulations, numerical standards defined in comparison with the scale of the listed company will be judged based on the consolidated figures.

(1) Restaurant business (share of the Group sales: 87.9%)

(i) Gyudon category (share of the Group sales: 35.3%)

Sukiya Co., Ltd. and its overseas subsidiaries such as Zensho Restaurant (Shanghai) Co., Ltd. run directly-operated outlets of Sukiya, a Gyudon chain, striving to provide a broad range of customers, including families, with an abundant choice of value-priced products and satisfying service.

Nakau Co., Ltd. operates both directly-operated and franchised outlets of Nakau, rice bowl dishes and Kyoto-style udon noodle chain that provide customers with high-quality food.

(ii) Restaurant category (share of the Group sales: 13.6%)

Coco's Japan Co., Ltd. offers both directly-operated and franchised outlets of Coco's, a standard restaurant and other restaurants across Japan.

Big Boy Japan Inc. directly operates hamburger steak and steak restaurants. It operates BigBoy etc. in Kanto, Kansai and Tohoku regions, and Victoria Station restaurants in Hokkaido region.

Jolly-Pasta Co., Ltd. directly operates Jolly Pasta, pasta specialty restaurant chain, primarily in Kanto and Kansai regions.

TAG-1 Co., Ltd. directly operates Jukusei Yakiniku Ichiban, Takarajima, Gyuan, and other restaurants primarily in Kanto and Kansai regions.

Hanaya Yohei Co., Ltd. directly operates Hanaya Yohei, Japanese-cuisine restaurants, etc. in Kanto region.

(iii) Fast food service category (share of the Group sales: 22.9%)

Hamazushi Co., Ltd. directly operates Hamazushi, 100-yen sushi restaurants chain stores (kaiten-sushi restaurants), across Japan.

A Dining Co., Ltd. directly operates the ramen restaurant Denmaru, etc. mainly in Kanto and Kansai regions.

Kyubeiya Co., Ltd. directly operates Kyubeiya restaurants, which offer udon noodle, Tempura, and Shabushabu, in Kanto region.

Katsuan Co., Ltd. directly operates Katsuan, Tonkatsu specialty restaurants mainly in Kanto and Chubu regions.

Setoudon Co., Ltd. directly operates Setoudon, self-service Sanuki udon specialty restaurants and others in Kanto region.

Zensho Café Co., Ltd. directly operates Moriba Coffee, a café chain which offers fair trade coffee, primarily in Kanto region.

TCRS Restaurants Sdn. Bhd. directly operates The Chicken Rice Shop, chicken rice specialty chain stores, in Malaysia.

ZENSHO JAPANESE RESTAURANT COMPANY PTE. LTD. directly operates ICHIKOKUDO, ramen specialty chain stores in Singapore.

(iv) Other (share of Group sales: 16.1%)

Advanced Fresh Concepts Corp. operates take-out sushi stores in the U.S., Canada, and Australia.

The main businesses of Tolona Japan Co., Ltd. are the sales of frozen foods for home use, etc.

The main businesses of Sanbishi Co., Ltd. are the production and sale of soy sauce and other seasonings.

The main businesses of Techno Construction Co., Ltd. are the construction of store facilities and maintenance.

The main businesses of Zensho Tradings Co., Ltd. are the procurement and sale of food materials.

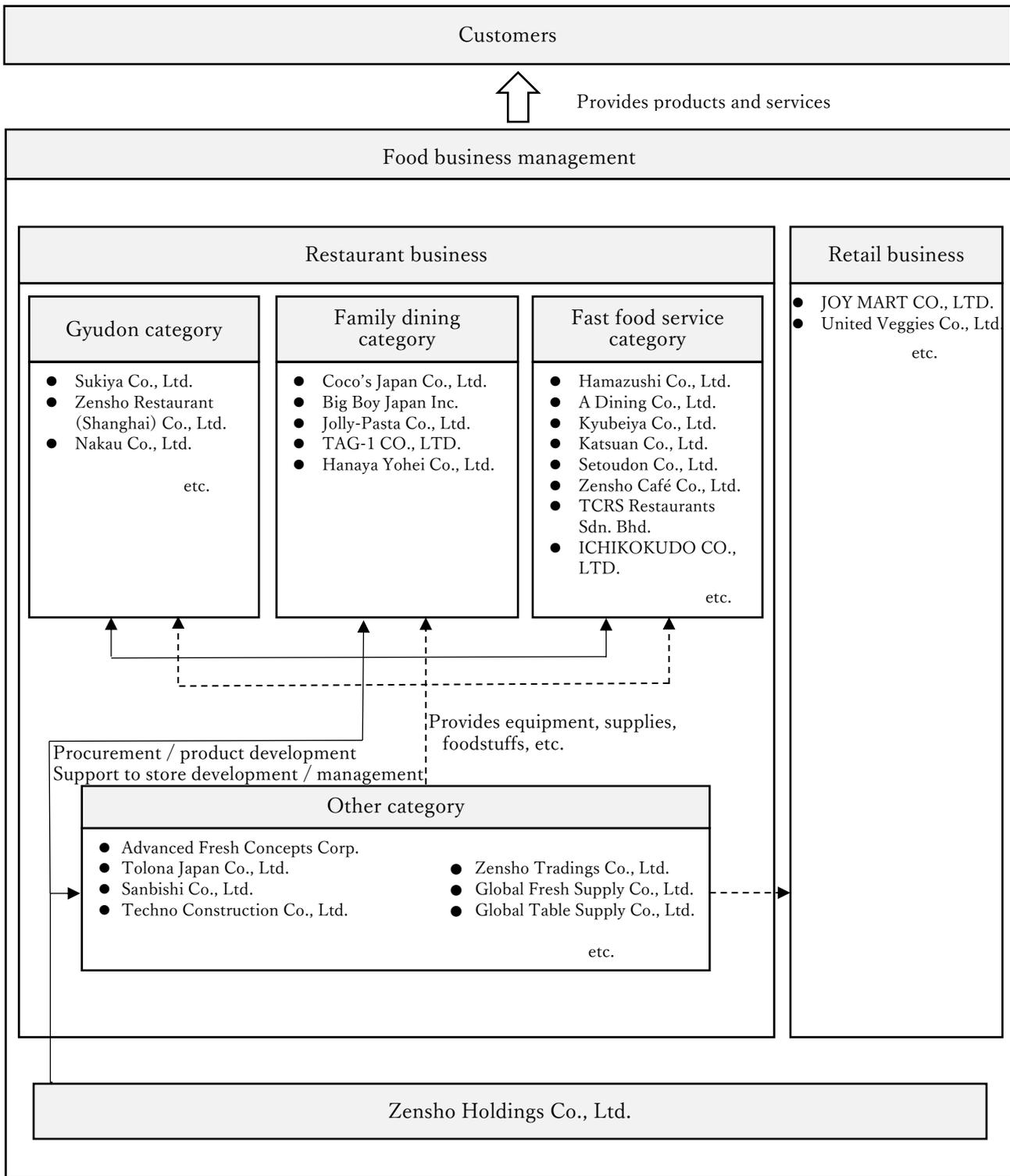
The main business of Global Fresh Supply Co., Ltd. is the nationwide distribution of food materials.

The main business of Global Table Supply Co., Ltd. is the sale of equipment and uniforms.

(2) Retail business (share of the Group sales: 12.1%)

JOY MART CO., LTD. operates supermarkets, and United Veggies Co., Ltd. is mainly engaged in sales of fruits and vegetables.

The following chart illustrates the business structure of the Group.



4. Subsidiaries and Associates

Name	Location	Share capital /investments (Millions of yen)	Main business	Ratio of voting rights holding/held (%)	Details of relationship
Consolidated subsidiaries					
Zensho Fast Holdings Co., Ltd.	Minato-ku, Tokyo	10	Management of food service business	(holding) 100.00 (22.48)	Business transaction Financial support etc.
Sukiya Co., Ltd. (Notes 1, 2, and 3)	Minato-ku, Tokyo	10	Management of Gyudon chain, Sukiya	(holding) 100.00 (100.00)	Business transaction Financial support etc.
Nakau Co., Ltd. (Note 2)	Minato-ku, Tokyo	10	Management of rice bowl dishes and Kyoto-style udon noodle chain, Nakau	(holding) 100.00 (100.00)	Business transaction Financial support etc.
Katsuan Co., Ltd. (Note 2)	Minato-ku, Tokyo	10	Management of Tonkatsu specialty restaurants chain, Katsuan	(holding) 100.00 (100.00)	Business transaction Financial support etc.
Zensho Café Co., Ltd. (Note 2)	Minato-ku, Tokyo	10	Management of Moriba Coffee, a café chain which offers fair-trade coffee, etc.	(holding) 100.00 (100.00)	Business transaction Financial support etc.
Nihon Restaurant Holdings Co., Ltd.	Minato-ku, Tokyo	10	Management of restaurant business	(holding) 100.00	Business transaction Financial support etc.
Coco's Japan Co., Ltd. (Note 2)	Minato-ku, Tokyo	10	Management of standard restaurant chain, Coco's, etc.	(holding) 100.00 (100.00)	Business transaction Financial support etc.
Big Boy Japan Inc. (Note 2)	Minato-ku, Tokyo	10	Management of hamburger steak and steak restaurant chain, Big Boy, etc.	(holding) 100.00 (100.00)	Business Transaction
Jolly-Pasta Co., Ltd. (Note 2)	Minato-ku, Tokyo	10	Management of pasta specialty restaurant chain, Jolly-Pasta, etc.	(holding) 100.00 (100.00)	Business transaction Financial support etc.
Hanaya Yohei Co., Ltd. (Note 2)	Minato-ku, Tokyo	100	Management of Japanese cuisine restaurant chain, Hanaya Yohei, etc.	(holding) 100.00 (100.00)	Business transaction Financial support etc.
TAG-1 CO., LTD. (Note 2)	Minato-ku, Tokyo	10	Management of barbeque restaurants including Takarajima and Jukusei Yakiniku Ichiban	(holding) 100.00 (100.00)	Business transaction Financial support etc.
QSR Holdings Co., Ltd.	Minato-ku, Tokyo	10	Management of fast food service businesses	(holding) 100.00	Business transaction Financial support etc.
Hamazushi Co., Ltd. (Notes 1 and 4)	Minato-ku, Tokyo	10	Management of 100-yen sushi restaurant chain	(holding) 100.00	Business transaction Financial support etc.
A Dining Co., Ltd. (Note 2)	Minato-ku, Tokyo	10	Management of ramen specialty restaurants, Denmaru, etc.	(holding) 100.00 (100.00)	Business transaction Financial support etc.
Kyubeiya Co., Ltd. (Note 2)	Minato-ku, Tokyo	10	Management of udon noodle, Tempura, and Shabushabu restaurant chain, etc.	(holding) 100.00 (100.00)	Business transaction Financial support etc.
Setoudon Co., Ltd. (Note 2)	Minato-ku, Tokyo	10	Management of Sanuki-udon noodle specialty self-service restaurant chain, Setoudon, etc.	(holding) 100.00 (100.00)	Business transaction Financial support etc.
Nihon Retail Holdings, Co., Ltd.	Minato-ku, Tokyo	85	Management of retail business	(holding) 100.00	Interlocking directorship Business transaction Financial support etc.
JOY MART CO., LTD. (Notes 2 and 5)	Kasukabe, Saitama	10	Management of supermarket chain, Joy Foods, etc.	(holding) 100.00 (100.00)	Business transaction Financial support etc.
Nihon SS Co., Ltd. (Note 2)	Minato-ku, Tokyo	10	Sales of foods, etc.	(holding) 100.00 (100.00)	Interlocking directorship Business transaction Financial support etc.

Name	Location	Share capital /investments (Millions of yen)	Main business	Ratio of voting rights holding/held (%)	Details of relationship
United Veggies Co., Ltd. (Note 2)	Minato-ku, Tokyo	74	Sales of fruits, vegetable, etc.	(holding) 83.98 (83.98)	Interlocking directorship Business transaction etc.
Zensho Factory Holdings Co., Ltd.	Minato-ku, Tokyo	60	Management of manufacturing companies	(holding) 100.00	Interlocking directorship Business transaction Financial support etc.
GFF CO., LTD. (Notes 1 and 2)	Minato-ku, Tokyo	10	Production of foods	(holding) 100.00 (100.00)	Interlocking directorship Business transaction Financial support etc.
TR Factory Co., Ltd. (Note 2)	Minato-ku, Tokyo	10	Production of foods	(holding) 100.00 (100.00)	Interlocking directorship Business transaction etc.
Sanbishi Co., Ltd. (Note 2)	Toyokawa, Aichi	13	Brewing of soy sauce, etc.	(holding) 100.00 (100.00)	Interlocking directorship Business transaction Financial support etc.
Zensho Tradings Co., Ltd. (Note 1)	Minato-ku, Tokyo	80	Intermediary and sales of foodstuffs	(holding) 100.00	Business transaction Financial support etc.
Tolona Japan Co., Ltd.	Minato-ku, Tokyo	10	Sales of frozen foods for home use, etc.	(holding) 100.00	Business transaction Financial support etc.
Global Fresh Supply Co., Ltd.	Minato-ku, Tokyo	70	Provision of logistics service	(holding) 100.00	Interlocking directorship Business transaction etc.
Global Table Supply Co., Ltd.	Minato-ku, Tokyo	30	Sales of supplies, equipment, etc.	(holding) 100.00	Interlocking directorship Business transaction Financial support etc.
Techno Construction Co., Ltd.	Minato-ku, Tokyo	30	Design, construction and supervision of stores	(holding) 100.00	Business transaction
ZENSHO CooCa Co., Ltd.	Minato-ku, Tokyo	375	Trading of financial products	(holding) 100.00	Interlocking directorship Business transaction etc.
Nihon Kaigo Holdings Co., Ltd.	Minato-ku, Tokyo	10	Management of nursing care business	(holding) 100.00	Interlocking directorship Business transaction etc.
Kagayaki Co., Ltd. (Note 2)	Sapporo, Hokkaido	3	Nursing care business	(holding) 100.00 (100.00)	Business transaction Financial support etc.
Zensho USA Corporation (Note 1)	California, USA	10 thousands of USD	Management of US operation	(holding) 100.00	Interlocking directorship Business transaction etc.
Advanced Fresh Concepts Corp. (Notes 1 and 2)	California, USA	100 thousands of USD	Management of take-out sushi stores (directly-managed and franchise)	(holding) 100.00 (100.00)	Interlocking directorship
Pocino Foods Company (Note 1 and 2)	California, USA	28,904 thousands of USD	Processing and sales of meat products	(holding) 100.00 (100.00)	—
ZENSHO DO BRASIL COMERCIO DE ALIMENTOS LTDA. (Notes 1 and 2)	San Paulo, Brazil	170,374 thousands of BRL	Management of Gyudon chain, Sukiya	(holding) 100.00 (100.00)	—
Zensho China Holdings Co., Ltd. (Note 1)	Shanghai, China	650,049 thousands of CNH	Management of China operation	(holding) 100.00	Interlocking directorship Business transaction etc.
Zensho Restaurant (Shanghai) Co., Ltd. (Notes 1 and 2)	Shanghai, China	257,861 thousands of CNH	Management of Gyudon chain, Sukiya	(holding) 100.00 (100.00)	—
Zensho Taiwan Co., Ltd.	Taipei, Taiwan	552,400 thousands of CNH	Management of Gyudon chain, Sukiya	(holding) 100.00	Business transaction Financial support etc.
ZENSHO SOUTH EAST ASIA HOLDINGS PTE. LTD. (Note 1)	Singapore	137,824 thousands of SGD	Management of ASEAN operation	(holding) 100.00	Interlocking directorship

Name	Location	Share capital /investments (Millions of yen)	Main business	Ratio of voting rights holding/held (%)	Details of relationship
ZENSHO JAPANESE RESTAURANT COMPANY PTE. LTD. (Note 2)	Singapore	8,760 thousands of SGD	Management of ramen specialty restaurants, ICHIKOKUDO	(holding) 100.00 (100.00)	Interlocking directorship
ZENSHO HOLDINGS MALAYSIA SDN. BHD. (Notes 1 and 2)	Kuala Lumpur, Malaysia	300,965 thousands of MYR	Management of Malaysia operation	(holding) 100.00 (100.00)	—
TCRS Restaurants Sdn. Bhd. (Note 2)	Kuala Lumpur, Malaysia	17,180 thousands of MYR	Management of chicken rice specialty restaurants, etc.	(holding) 100.00 (100.00)	—
74 other companies					
Associates accounted for by the equity method					
MARUI Wasabi, Inc. (Note 2)	California, USA	2,383 thousands of USD	Production of powdered Wasabi	(holding) 50.00 (50.00)	Interlocking directorship

- Note:
- Specified subsidiaries.
 - The figure in parentheses in the “Ratio of voting rights holding/held” column shows the indirect ownership ratio included in the total.
 - Net sales (excluding internal sales to other consolidated companies of the Group) of Sukiya Co., Ltd. is greater than 10% of consolidated net sales.
Primary profit (loss) information, etc.
 - Net sales: 172,266 million yen
 - Ordinary profit: 15,100 million yen
 - Profit: 12,544 million yen
 - Net assets: 14,155 million yen
 - Total assets: 57,312 million yen
 - Net sales (excluding internal sales to other consolidated companies of the Group) of Hamazushi Co., Ltd. is greater than 10% of consolidated net sales.
Primary profit (loss) information, etc.
 - Net sales: 130,042 million yen
 - Ordinary profit: 6,981 million yen
 - Profit: 5,338 million yen
 - Net assets: 17,667 million yen
 - Total assets: 55,403 million yen
 - Net sales (excluding internal sales to other consolidated companies of the Group) of JOYMART CO., LTD. is greater than 10% of consolidated net sales.
Primary profit (loss) information, etc.
 - Net sales: 74,176 million yen
 - Ordinary profit: (80) million yen
 - Profit: (509) million yen
 - Net assets: 9,713 million yen
 - Total assets: 29,149 million yen

5. Employees

(1) Consolidated basis

(As of March 31, 2022)

Reporting segment	Number of employees (Persons)	
Restaurant business	15,151	(48,632)
Retail business	778	(2,486)
Total	15,929	(51,118)

- Notes 1. The number of employees represents the number of active employees.
2. The number in parentheses refers to part-time employees (calculated based on 176hours per person per month), which is not included in the number of employees.

(2) Non-consolidated basis

(As of March 31, 2022)

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
655(144)	38.6	7.9	6,259

- Notes 1. The number of employees include seconded personnel from other companies to the Company (28 employees) but does not include seconded personnel from the Company to other companies (862 employees).
2. The number in parentheses refers to part-time employees (calculated based on 176hours per person per month) as of March 2022, which is not included in the number of employees.
3. Average annual salary includes bonuses and other non-standard payments.
4. Segment information is omitted as the restaurant business is the only reporting segment of the Company.

(3) Labor unions

The Group has ZEAN, which is a member union of Zensho, and other unions for each operating companies in restaurant business, retail business, and nursing care service business. All the unions are members of Zensho Group Workers Union (ZWF). As of March 31, 2022, the number of ZEAN members is 46,608, and the number of ZWF members is 105,922. The relationships between the Company, subsidiaries, associates and these labor unions are quite cooperative and stable.

II. BUSINESS OVERVIEW

1. Management Policy, Business Environment and Issues to Be Addressed, etc.

Forward-looking statements in this document are based on the judgment of the Group at the end of the current fiscal year.

(1) Management Policy

Based on the basic philosophy of “eradicating hunger and poverty from the world,” the Group develops a wide range of food businesses and is expanding globally with the mission of “providing safe and delicious food at affordable prices to people throughout the world.” To provide safe and delicious products and quality services to its customers, it strives to develop a mass-merchandising system (MMD) to plan and design all processes ranging from menu development through procurement of food materials, production and processing, logistics, and sales, and to implement integrated control of these processes.

By leveraging the MMD, the Group will develop stores that can be easily used by a wider range of customers at any time, further expand the business and improve efficiency, and strive to increase shareholder value.

(2) Business Environment

Despite of the continuous effects of COVID-19 and global supply constraints, some signs of recovery were seen towards the end of 2021. However, the Japanese economy is becoming more uncertain due to the rapid spread of Omicron variant and deteriorating situation in Ukraine.

The business structure of the Group is illustrated in “I. OVERVIEW OF COMPANY, 3. Description of business”.

While global market size of the restaurant industry is approximately 300 trillion yen annually and is growing at a pace of about 10%, Japanese market size is approximately 25 trillion yen annually and is expected to shrink due to the declining population.

With regard to the labor force, it is becoming difficult to secure human resources as the domestic aging society progresses, and raw material procurement is also hit by a sharp price hike due to global inflationary pressure and supply constraints. The business environment in general remains very harsh.

(3) Business and financial issues that should be addressed with priority

In implementing the management policy and the medium-term business plan stated in (1) and (4), the business and financial issues that should be addressed with priority are as follows:

(Business and financial issues that should be addressed with highest priority)

(i) Progress on MMD

To allow its customers to enjoy safe, delicious products with peace of mind and to ensure safety from the raw materials stage through the MMD, the Group has sought to improve business performance, expand its lines of business, and pursue group synergies. By further strengthening these efforts, the Group will continue to pursue food safety, improve product quality, and improve costs.

(ii) Food safety

The Group regards “assuring food safety on behalf of our customers” as the most important issue it faces. Under supervision of the Group Food Safety Certification Department, responsible for food safety group-wide, each group company thoroughly manages hygiene at restaurants, factories and vendors. The Group will further enhance the safety of foodstuffs and raw materials by conducting analysis and inspection of hazards (health-inhibiting factors) at the Central Analysis Center and the Microbial Laboratory, and by strengthening traceability of food materials.

The Group will pursue food safety by thoroughly implementing its own safety standards that meet the global standards for food safety (CODEX standards), and by implementing food safety education for all employees.

(iii) Brand progress

The Group will enhance its own brands by pursuing quality, quick service, and cleanliness (QQSC) in all its businesses, as well as building spaces in which customers can enjoy their food in comfort by developing stores built on universal design concepts, introducing products that meet various needs of customers, etc.

(iv) Initiatives for sustainability

Since its founding, committed to the basic philosophy of “eradicating hunger and poverty from the world”, the Group has been aiming to realize a sustainable world through a stable supply of safe and delicious foods. Based on the basic philosophy, the Group has started fair trade of coffee and tea since 2007, and currently, the Group is engaged in social development support activities such as school construction, support for women, and scholarships for children using funds from fair trade, in 18 countries in Asia and Africa. Beside this, the Group is engaged in activities such as conservation of eel, utilization of food residues, and installation of solar panels in stores and factories. The Group will work toward the realization of a sustainable world through both business activities and these activities.

(v) Growth by opening new restaurants and through M&A activities

The Group will enhance the profitability of each business and open new restaurants both in Japan and worldwide aggressively. The Group will also aim to further strengthen the MMD through M&A activities in order to provide safe and high-quality foodstuffs and respond to growing diversification of food.

(vi) Recruiting and development of human resources

The Group regards personnel as human resources that create value, not as mere costs. Based on this idea, the Group recognizes recruiting and development of human resources as important issues to be addressed. The Group will hire capable personnel who can share the Group’s vision, and enhance employee development to support sustainable growth of the Group.

Additionally, the Group will institute various initiatives to enhance diverse working styles including promotion of women’s drive, strengthen recruiting of mid-career personnel, and employ and develop talented global personnel.

(vii) Improvement of working environment

In order to improve the working environment, the Group has implemented various measures such as introduction of working hour management system, provision of further compliance education to managers, establishment of a consultation desk and provision of in-house training to prevent harassment, and enhanced opportunities for dialogue with employees. The Group will continue to streamline works by promoting DX (Digital transformation), enhance communication, review evaluation system, salary system, and welfare benefits and further make efforts to enable long-term stable employment by realizing working environments where each employee can improve their abilities and feel rewarding and growing.

(viii) System Development which contributes to improvement of customers’ convenience and prompt management decision

The Group is developing systems to improve convenience of customers. On the other hand, the Group is also developing a management system through which information on sales, inventory, etc. could be gathered. As the Group expands its sales points both in Japan and overseas, the Group will further enhance efficiency in collecting and integrating information, and develop systems and structures which contribute to prompt management decision.

(ix) Intensive actions to DX (Digital transformation)

Currently, in the rapid progress of digitalization, which is called the Fourth Industrial Revolution, not only in routine work but also in non-routine work, labor-saving is advancing as a result of introduction of innovations such as Artificial Intelligence (AI), IoT, RPA, cloud computing, self-ordering/cashing systems and data application at stores. The Group will actively promote digital transformation in each business process in restaurants, factories, logistics, and headquarters to increase efficiencies and automation of operations.

(x) Actions to secure stable procurement of foodstuffs

The Group procures foodstuffs used in the stores from Japan and overseas. In order to deal with the risk of price increases due to dispute at the place of origin, climate change and exchange rate fluctuations, the Group is taking measures such as diversification of suppliers.

(xi) Actions to deal with COVID-19

In order to deal with the global spread of COVID-19 and perform the Group’s mission as the social platform of foods, the Group set up an emergency task force and makes efforts to continue the store operations and to maintain safety and health of employees and customers. The Group also actively develops products that suit customers’ new lifestyles and strengthens the sales systems.

As to the spread of COVID-19, although the future is still unpredictable, the Group will deal with it in a flexible and appropriate manner.

(4) Objective management indicators, etc. for judging the achievement status of management goals

The Group formulates medium-term business plans, and as Key Performance Indicators (KPI), sets targets for net sales, operating profit, ordinary profit, profit, operating profit to net sales ratio, ordinary profit to net sales ratio, profit to net sales ratio, and ROE.

As the target for the current medium-term business plans, the Group set the net sales of 937.6 billion yen, operating profit of 56.8 billion yen (operating profit to net sales ratio of 6.1%), ordinary profit of 55.5 billion yen (ordinary profit to net sales ratio of 5.9%), profit attributable to owners of parent of 35.5 billion yen (profit to net sales ratio of 3.8%), and ROE of 10.0% in the fiscal year ending March 31, 2025.

(The figures of the medium-term business plans are stated in “3. Management Analysis on the Company’s Financial Condition, Results of Operations and Cash Flow Conditions, (2) Views and issues analyzed/discussed with regard to the status of results of operations, etc. from the management’s perspective, (ii) Status of target achievement for the objective management indicators, etc. for judging the achievement status of management goals “)

The reason for focusing on the above KPI is to enable evaluations of progress and feasibility of the medium-term management policy, which refers a) profitability improvement of existing businesses, b) business expansion by new store openings both in Japan and overseas, and c) development of personnel and improvement of working environment.

The KPI figures are reasonably decided based on the information available at the time of submission of this annual security report and the achievement of such figures is not guaranteed in any way.

2. Business Risks, etc.

The following are principal risks the Group faces that may have a significant impact on management decisions. Recognizing the possibility of these risks, the Company will seek to avoid them while preparing to respond appropriately in the event that they do occur. This information includes forward-looking statements that reflect judgments made as of the end of the current fiscal year.

(1) Control of safety of food products

The Company and the Group pursue thorough sanitation control by setting up the Group Food Safety Assurance Department, appointing a director in charge, and setting up a food safety and quality control department in each Group company, so that safe and delicious products could be offered to its customers.

In light of cases where a hygiene problem such as food poisoning arises, the Group has established a mechanism through which such information will be conveyed to the headquarters within one hour to minimize the damage if it's an emergency related to "food safety". However, the loss of corporate image may adversely affect the business results and financial position of the Company and the Group.

(2) Natural disasters and pandemics

The Company and the Group have created a BCP plan and a BCP manual in preparation for a large-scale earthquake, flood caused by climate change, etc., typhoon, or other natural disasters, as well as a pandemic caused by COVID-19 or other infection that occurs in regions that include locations of its restaurants, stores and factories. In the event of a disaster, etc., necessary measures are quickly considered and implemented under the direction of the Emergency Response Headquarters. However, since it is difficult to avoid all risks, the damage may cause a scale down of its business activities and it may adversely affect business performance and financial condition of the Company and the Group.

(3) Dependence on leased restaurant properties

The Company and the Group lease the land and buildings for its offices and most of its restaurants. While leases can be renewed with the agreement of the lessor, the lessor may terminate the lease agreement for his or her own reasons. It is also possible that a restaurant may be forced into unplanned closure due to the early termination of a lease contract for the lessor's own reasons. A specialized department in charge of communication with the lessors conducts negotiation for contract extension and, in some cases, reduce early termination risks by purchasing the land and buildings. Although such early termination of a lease contract for the lessor's own reasons was exceedingly rare event in the past, in case such event occurs more often than expected, these events may harm the business performance and financial position of the Company and the Group.

(4) Store establishment strategies and restaurant operation

When opening a store, The Company and the Group predict its sales based on the population, traffic volume, and the situations of competitors' stores in the trading area of each candidate site, and examines conditions including rent. To reduce the risk of having unprofitable stores, the evaluation and selection of a site is handled by a specialized department. Although currently the number of candidate site is not decreasing, if the number of sites that satisfy the conditions for opening stores decreases and store establishment plans are revised, or the location environment changes, this may affect the business performance and financial position of the Company and the Group.

(5) Country risks in overseas expansion

Business expansion into overseas market including China, US, and South-east Asia, is a part of the Company and the Group's business strategy, and the Company's overseas subsidiaries are engaged in direct operation of stores, development of franchises, management of manufacturing, processing and sales of foods, etc. The Company and the Group make efforts to collect information relating to country risks including war, political situation, economy, unpredictable changes in laws and regulations, natural disasters, business practices, etc., and establishes systems through which the Company and the Group can respond to such events when it occurs. However, such events may affect the business performance and financial position of the Company and the Group.

(6) Securing of human resources

It is important for the Company and the Group to secure human resources, in order to keep operating stores that can satisfy customers. The Company and the Group concentrate on securing personnel by maintaining a comfortable working environment for employees. Specifically, the Company and the Group enhance initiatives such as listed below. However, in future, if sufficient personnel cannot be secured due to deterioration in the balance between labor supply and demand or other reasons, this may affect the business performance and financial position of the Company and the Group.

- (i) To operate stores in open and free atmosphere, Sukiya and the labor union jointly organize "Crew Meeting" nationwide, where crews conduct mutual discussions, and the Company and the Group seek to realize proposals provided from the meetings. For example, "Kagayaki nursery school" was

opened in Tsukuba city, Ibaraki prefecture, taking opinions shared in a “Crew Meeting”. This initiative is now expanded to other businesses and continuously conducted.

- (ii) Following The Act on Promotion of Women’s Participation and Advancement in the Workplace stipulated in August of 2015, the Company and the Group have launched “Positive Action Project” and introducing nursery schools in business sites as well as reviewing systems and programs so that female employees can achieve their full potential.

(7) Security of personal information

The Company and the Group have a lot of personal information related to customers, employees, and shareholders at each store and in headquarters. In order to oversee the protection and management of personal information, the Company has established the Personal Information Protection Management Committee, formulate specific rules regarding the handling of personal information of the Group, and promote understanding and penetration of the rules within the Group. Furthermore, the Company and the Group place a person responsible for the protection of personal information who oversees handling of personal information at each department of each company and clarify the responsibility for handling personal information related to the business of its own department, inform employees of each department of specific rules regarding the handling of personal information, and provide guidance and education regarding handling of personal information. As stated above, the Company and the Group strictly control information and strives to prevent leakage of personal information. However, if such personal information is leaked to outside parties, the image and social credibility of the Group will be lost, and this may affect the business performance and financial position of the Company and the Group.

(8) Dependence on information systems

The Company and the Group rely on information systems for its main operations such as store operation, purchasing of food ingredients, and delivery. The Company’s IT Technology Headquarters is working to reduce risks by implementing appropriate preventive measures against malicious attacks such as computer viruses and cyber attacks. The risk has not been manifested in the past. However, if various failures occur in the information system due to these attacks, etc., efficient operation may be hindered or important data may be lost, and it may affect the business performance and financial position of the Company and the Group.

(9) Procurement of food materials and fluctuation in prices

Since the food ingredients used by the Company and the Group are diverse, the Company’s Product Headquarters and Agri & Livestock Headquarters are conducting risk hedging activities such as developing raw material production areas and diversified procurement. When procurement instability or soaring prices of raw materials occurs due to geopolitical risks, changes in economic activities, outbreaks of epidemics symbolized by BSE, bird flu, and pig cholera, natural disasters such as floods and typhoons caused by climate changes and other reasons, and fluctuations in exchange rates, it may affect the business performance and financial position of the Company and the Group.

(10) Laws and regulations

In addition to the generally applicable laws and regulations such as the Companies Act and the Corporation Tax Act, the Company and the Group are also subject to various legal regulations and systems governing restaurant management, including the Food Sanitation Act, the Labor Standards Act, and environment-related laws and regulations. the Company and the Group are trying to reduce risks by accurately collecting necessary information by joining various industry groups. However, if these legal regulations are strengthened, new costs will be required to comply with such regulations and it may harm the business performance and financial position of the Company and the Group.

(11) M&A

Through now, the Company and the Group have endeavored to grow its lines of business through mergers and acquisitions (M&A) in addition to opening new restaurants. While in an M&A, the Company’s dedicated sections and outside experts carefully research the target companies from multifaceted points of view through the due-diligence process, it may not be possible to achieve the profits and effects as originally planned. It is also possible that contingent liabilities or unrecognized liabilities could arise after an M&A. The Company is working to reduce risks by evaluating and making recommendations for each project at its Investment Advisory Board, however, in such cases as stated above, it may harm the business performance and financial position of the Company and the Group.

12) Rising interest rates

Until now, the Company and the Group have raised some of the funds used for capital investments in restaurants and other facilities and in M&A activities by borrowing from financial institutions. This is intended to make the most of the historically low interest rates of recent years. While the Company and the Group do hedge against rising interest rates by concluding interest rate swap contracts to fix interest rates, increased cost burden in the long-term rising interest rate phase may harm the business performance and financial position of the Company and the Group.

(13) Asset-impairment accounting

The Company and the Group own tangible fixed assets relating to stores as well as goodwill acquired through corporate acquisitions and intangible fixed assets with indefinite useful lives. In cases like expected cash flow cannot be generated, where recovery of such assets cannot be expected due to the decline in profitability, an impairment loss is required to be recorded, and it may harm the business performance and financial position of the Company and the Group.

(14) Reputation risk

The Company and the Group will promptly take appropriate measures in the event of inappropriate acts such as violation of legal compliance. However, if malicious rumors against the Group are generated or disseminated by media reports or posted on the internet, whether it is based on accurate facts or not, the Group's social credibility will be damaged and this may harm the business performance and financial position of the Company and the Group.

(15) Litigations

The Company and the Group may be subject to various legal proceedings by lawsuits and regulatory agencies regarding the conduct of the business. To date, no proceedings have been filed that have a significant impact on the Group's business performance, but if a proceeding that has a significant impact on business performance or a proceeding that has large social impact occurs and a judgement that is disadvantageous to the Group is made, it may harm the business performance and financial position of the Company and the Group.

(16) Compliance

The Company and the Group aim to be a corporate group with transparency and sincerity, and are continuously working to thoroughly enhance and establish the compliance awareness. In this effort, the Company and the Group have established "Group Risk Management Rules" and "Group Compliance Rules", recognized various risks of the Group comprehensively and appropriately, selected risks to be managed, determined the department in charge, and worked to develop and enhance the risk and compliance management systems. Furthermore, in order to manage various risks within the Group comprehensively based on the rules, the Group set up the Comprehensive Risk Management and Compliance Committee to check the implementation status of risk countermeasures in the department in charge, and takes prompt and proper measures. However, in the event of compliance issues such as legal violations by individual Directors and employees, it may harm the business performance and financial position of the Company and the Group.

3. Management's Analysis on the Company's Financial Condition, Results of Operations and Cash Flow Conditions

(1) Summary of operating results, etc.

Overview of the financial position, performance of business, and cashflow (hereinafter, the "Performance of business, etc.") of the Group (the Company and consolidated subsidiaries) for current fiscal year were as follows.

(i) Details of consolidated financial position and financial results

In the current fiscal year (from April 1, 2021 to March 31, 2022), despite of the continuous effects of COVID-19 and global supply constraints, some signs of recovery were seen towards the end of 2021. However, the Japanese economy is becoming more uncertain due to the rapid spread of Omicron variant and deteriorating situation in Ukraine.

Under these circumstances, the same-store sales in the Gyudon category including Sukiya, the Family Dining category including Coco's and Jolly-Pasta, and the Fast Food Service category including Hamazushi were 106.4%, 102.8%, and 106.0% year-on-year, respectively.

At the end of the current fiscal year, the number of stores was 10,078 (including 4,515 franchised stores).

Consequently, the business performance in the current fiscal year showed sales of 658,503 million yen (up 10.7% year-on-year), operating profit of 9,232 million yen (down 23.6% year-on-year), ordinary profit of 23,117 million yen (up 89.2% year-on-year), and profit attributable to owners of parent of 13,869 million yen (up 513.8% year-on-year).

The "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. has been applied since the beginning of the current fiscal year. Detailed information is stated in "V. FINANCIAL INFORMATION, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes on Consolidated Financial Statements, (Changes in Accounting Policies)".

An overview of conditions by business segment is provided below.

(a) Restaurant business

Sales of the Restaurant business in the current fiscal year were 578,928 million yen (up 14.0% year-on-year), and the operating profit was 9,326 million yen (down 11.8% year-on-year) due to the protracted effect of the spread of COVID-19.

With the end of the fifth COVID-19 wave, sales recovery was seen in each business category toward the end of 2021. However, business environment has turned harsh again due to the factors such as another issuance of the priority preventative measures in January 2022 and global price hike in energy and raw materials.

The performance of the restaurant business for each major category is as follows.

(Gyudon category)

Sales in the Gyudon category in the current fiscal year totaled 232,516 million yen (up 7.5% year-on-year).

Sukiya, a Gyudon chain operated by Sukiya Co., Ltd., launched new products such as "Gyudon w/ Green Onion, Salty Garlic Sauce & Lemon" (regular size: 500 yen) and "Beef Stock & Pork Curry Rice w/ Chicken Leg" (regular size: 680 yen), and revised the price of Gyudon, its main products (regular size: 400 yen, etc.), on December 23, 2021 in consideration of the global inflation trend.

Nakau, rice bowl dishes and Kyoto-style udon noodle chain, operated by Nakau Co., Ltd., sought to improve its business performance by undertaking effective sales promotions while enhancing product competitiveness through introduction of new and seasonal products, improvement of existing products, and expansion of take-out product line up.

The number of restaurants in the Gyudon category at the end of the current fiscal year was 3,078 (including 8 franchised restaurants), as a result of 85 restaurant openings and 71 closures.

(Family Dining category)

Sales in the Family Dining category in the current fiscal year were 89,705 million yen (down 4.8% year-on-year).

Coco's, the standard restaurant chain operated by Coco's Japan Co., Ltd., has made efforts to improve its business performance by enriching the menu, introducing dainty campaign dishes, improving the standard of service across the chain, and further expansion of take-out product line-up.

Big Boy, the chain of hamburger steak and steak restaurants and other chain operated by Big Boy Japan, Inc., sought to improve its business performance by various ways, such as brushing up the

main products, enriching salad bar and soup bar, which are highly supported by customers, and enhancing the take-out products.

Jolly-Pasta, the pasta specialty restaurant chain, operated by Jolly-Pasta Co., Ltd., seeks to provide further deliciousness and fun to customers by expanding the line-up of the menu, introducing new dishes using safe seasonal ingredients as a “pasta specialty restaurant that pursues deliciousness and fun.”

Barbeque restaurants including Takarajima, Jukusei Yakiniku Ichiban, and Gyu-An, operated by TAG-1 Co., Ltd., have been working to brush up the business concept of the brands, while making efforts to provide high quality products with carefully selected beef and seasonal ingredients, and to improve the quality of service-levels at restaurants.

Hanaya Yohei, the Japanese cuisine restaurant chain operated by Hanaya Yohei Co., Ltd., has been working to improve customer satisfaction by various ways, including development of attractive Japanese style products using seasonal ingredients, improvement of service levels at restaurants, and improvement of labor productivity.

The number of restaurants in the Family Dining category at the end of the current fiscal year was 1,224 (including 79 franchised restaurants), as a result of 36 restaurant openings and 76 closures.

(Fast Food Service category)

Sales in the Fast Food Service category in the current fiscal year were 150,673 million yen (up 8.7% year-on-year).

Hamazushi, 100-yen sushi chain stores operated by Hamazushi Co., Ltd., sought to expand its businesses by increasing the number of restaurants, while working on various issues such as introducing special menu using seasonal ingredients, improving quality of products, enhancing service level, conducting promotions at stores, and expanding take out products line up.

The Chicken Rice Shop, chicken rice specialty chain stores operated by TCRS Restaurants Sdn. Bhd., obtained a halal certificate and developed shops throughout Malaysia, which are supported by families regardless of age and gender.

The number of restaurants in the Fast Food Service category at the end of the current fiscal year was 969 (including 1 franchised restaurant), as a result of 37 restaurant openings and 25 closures.

(Other category)

Sales in the Other category in the current fiscal year were 106,032 million yen (up 80.9% year-on-year).

Main businesses in this category include Advanced Fresh Concepts Corp., which operates take-out sushi stores in the U.S., Canada, and Australia; Tolona Japan Co., Ltd., which sells frozen foods for home use, etc.; Global Fresh Supply Co., Ltd., a company which handles logistics functions for the Zensho Group; and Global Table Supply Co., Ltd., which procures equipment, uniforms, etc.

The number of stores in the Other category at the end of the current fiscal year was 4,677 (including 4,427 franchised stores), as a result of 274 store openings and 130 closures.

(b) Retail Business

Sales in the Retail business in the current fiscal year were 79,575 million yen (down 9.0% year-on-year), and the operating loss was 93 million yen (profit of 1,516 million yen in the previous year).

The retail business includes the supermarket business operated by JOY MART CO., LTD. and fruit and vegetables stores operated by United Veggies Co., Ltd.

The number of stores in the Retail business category at the end of the current fiscal year stood at 130 as a result of 2 store openings and 1 closure.

Total assets amounted to 427,172 million yen at the end of the current fiscal year, an increase of 31,149 million yen compared with the previous fiscal year. This increase was mainly due to increases in cash and deposits, merchandise and finished goods, and property, plant and equipment.

Liabilities amounted to 322,686 million yen at the end of the current fiscal year, an increase of 12,094 million yen compared with the previous fiscal year. This increase was mainly due to increases in interest-bearing liabilities and income taxes payable.

Net Assets came at 104,486 million yen at the end of the current fiscal year, an increase of 19,055 million yen compared with the previous fiscal year. This increase was mainly due to increases in retained earnings and foreign currency translation adjustment.

(ii) Cash flow conditions

Current fiscal year	Amount (Millions of yen)
Beginning balance of cash and cash equivalents	37,643
Cash flows from operating activities	45,430
Cash flows from investing activities	(31,550)
Cash flows from financing activities	(11,986)
Ending balance of cash and cash equivalents	42,414
(reference) Free cash flow	13,880

At the end of the current fiscal year, cash and cash equivalents (hereinafter referred to as “net cash”) amounted to 42,414 million yen, up 4,770 million yen from the beginning of the current fiscal year, mainly due to an increase in profit.

Cash flows from operating activities resulted in an increase in net cash of 45,430 million yen. This was mainly due to an increase in profit.

Cash flows from investing activities resulted in a decrease in net cash of 31,550 million yen. This was mainly due to acquisition of property, plant and equipment in association with store openings.

Cash flows from financing activities resulted in a decrease in net cash of 11,986 million yen. This was mainly due to repayment of interest-bearing liabilities.

Note) Free cash flow is calculated using the following formula.

Free cash flow = Cash flows from operating activities + Cash flow from investing activities

(iii) Production, orders received and sales

(a) Production

Production during the current fiscal year are as follows

	Current fiscal year (From April 1, 2021 to March 31, 2022)	
	Production amount (Millions of yen)	Year-on-year comparison (%)
Restaurant business	83,118	116.6

(b) Orders received

Not applicable.

(c) Sales

Sales by segment during the current fiscal year are as follows.

	Current fiscal year (From April 1, 2021 to March 31, 2022)	
	Amount (Millions of yen)	Year-on-year comparison (%)
Restaurant business	578,928	114.0
Retail business	79,575	91.0
	658,503	110.7

(2) Views and issues analyzed/discussed with regard to the status of results of operations, etc. from the management's perspective

Views and issues analyzed/discussed with regard to the status of results of operations, etc. of the Group from the management's perspective are as follows.

Following description contains forward-looking statements which the Group judged at the end of current fiscal year.

(i) Views and issues analyzed/discussed with regard to the status of results of operations, etc. in the current fiscal year

In the restaurant industry, with the end of the fifth COVID-19 wave, sales recovery was seen in each business category toward the end of 2021. However, business environment has turned harsh again due to the factors such as another issuance of the priority preventative measures in January 2022 and global price hike in energy and raw materials.

Under these circumstances, the business performance in the current fiscal year showed sales of 658,503 million yen (up 10.7% year-on-year), operating profit of 9,232 million yen (down 23.6% year-on-year), ordinary profit of 23,117 million yen (up 89.2% year-on-year), profit attributable to owners of parent of 13,869 million yen (up 513.8% year-on-year), and ROE of 14.7%.

Sales of the Restaurant business in the current fiscal year were 578,928 million yen (up 14.0% year-on-year), and the operating profit was 9,326 million yen (down 11.8% year-on-year). Sales of the Retail business in the current fiscal year were 79,575 million yen (down 9.0% year-on-year), and the operating loss was 93 million yen (profit of 1,516 million yen in the previous fiscal year).

Total assets amounted to 427,172 million yen at the end of the current fiscal year, an increase of 31,149 million yen compared with the previous fiscal year. This increase was mainly due to increases in cash and deposits, merchandise and finished goods, and property, plant and equipment.

Liabilities amounted to 322,686 million yen at the end of the current fiscal year, an increase of 12,094 million yen compared with the previous fiscal year. This increase was mainly due to increases in interest-bearing liabilities and income taxes payable.

Net assets came at 104,486 million yen at the end of the current fiscal year, an increase of 19,055 million yen compared with the previous fiscal year. This increase was mainly due to increases in retained earnings and foreign currency translation adjustment.

Factors with important effects on the Group business performance are stated in "II. BUSINESS OVERVIEW, 2. Business risks, etc."

As for the future outlook, it is expected that the economic environment will continue to be uncertain due to risk factors such as re-spread of COVID-19 infection, political instability caused by protracted situation in Ukraine, and global rising prices.

Under these circumstances, the Company will take necessary measures to respond the changing situation, based on our basic policy to provide our customers safe and tasty food whenever possible as a "food infrastructure".

Going forward, the Company will strive to grow further, aiming to be the world No. 1 enterprise in the food industry, taking advantage of our mass-merchandising system (MMD), which is a business model that enables integrated design and management of the process from food procurement to manufacturing, distribution, and store sales.

- (ii) Status of target achievement for the objective management indicators, etc. for judging the achievement status of management goals

A medium-term business plan for three years including the fiscal year ending March 2023 is formulated as follows.

(Figures rounded down to the nearest hundred million yen)

	Fiscal year ended Mar.31, 2022	Fiscal year ending Mar. 31, 2023		Fiscal year ending Mar. 31, 2024		Fiscal year ending Mar. 31, 2025	
	Actual	Plan	YoY	Plan	YoY	Plan	YoY
Net Sales (Growth rate)	6,585	7,455	+870 (+13.2%)	8,268	+812 (+10.9%)	9,376	+1,107 (+13.4%)
Operating profit (% of sales, growth rate)	92 (1.4%)	250 (3.4%)	+157 (+170.8%)	380 (4.6%)	+130 (+52.2%)	568 (6.1%)	+187 (+49.3%)
Ordinary profit (% of sales, growth rate)	231 (3.5%)	246 (3.3%)	+15 (+6.7%)	367 (4.4%)	+120 (+49.0%)	555 (5.9%)	+188 (+51.2%)
Profit attributable to owners of parent (% of sales, growth rate)	138 (2.1%)	140 (1.9%)	+1 (+1.1%)	227 (2.8%)	+87 (+62.2%)	355 (3.8%)	+127 (+56.1%)

In addition to the above, the Group is planning stable achievement of 10% ROE as a medium-term objective.

- (iii) Analysis and discussion of Cash Flow Status, Capital Financing and Liquidity

Regarding capital financing and liquidity of the Group, cash flows from operating activities resulted in an increase in net cash of 45,430 million yen mainly due to an increase in profit, cash flows from investing activities resulted in a decrease in net cash of 31,550 million yen mainly due to acquisition of property, plant and equipment in association with store openings, and cash flow from financing activities resulted in a decrease in net cash of 11,986 million yen mainly due to repayment of interest-bearing liabilities.

As a result of the above, at the end of the current fiscal year, cash and cash equivalents amounted to 42,414 million yen, up 4,770 million yen from the end of the previous fiscal year.

The Group will use its own funds to cover immediate capital investment, shareholder returns, and other matters. However, investments such as M&A, which could become a new source of revenue and contribute to improving corporate value, are continuously considered and funding through borrowings from financial institutions is also considered.

The Company's shelf registration obtains credit rating of "BBB+" from Japan Credit Rating Agency, Ltd. (JCR).

As to the funds on hand, the Group has secured a sufficient level of funds, while strengthening the relationships with multiple financial institutions and established a system that enables stable fund procurement. Furthermore, the Group is working to improve fund efficiency by introducing CMS (Cash Management Service) at the Company and its domestic consolidated subsidiaries and concentrating surplus funds of each group company to the Company to conduct central management of fund.

(iv) Important accounting estimates and assumptions used in such estimates

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"). In preparing these consolidated financial statements, we use estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses; however, figures based on these estimates and assumptions may differ from actual results.

The significant accounting estimates and assumptions used in the preparation of the consolidated financial statements are as below.

(a) Realizability of deferred tax assets

Realizability of deferred tax assets is determined by whether they have the effect of reducing future tax burdens. The determination is based on whether it satisfies one of the following sufficiency requirements, which are, sufficiency of taxable income before addition or subtraction of temporary differences, etc., from the viewpoint of profitability, sufficiency of taxable income before addition or subtraction of temporary differences, etc., from the view point of tax planning, and sufficiency of taxable temporary differences. For non-collectible portion, the Company recognizes the valuation allowance and reduce it from the carrying amount of deferred tax assets.

When determining the sufficiency of taxable income before addition or subtraction of temporary differences, etc. from the viewpoint of profitability, the Company estimates the fiscal year in which temporary differences, etc. are expected to be eliminated and the taxable income in the carry-forward/carry-over period. Taxable income is estimated based on the figures used in the mid-term business plan with some adjustments to make them consistent with information on external factors such as the business environment and internal information used by the Group (achievement status of mid-term business plans in the past, budget, etc.). In Japan, as described in "V. FINANCIAL INFORMATION 1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, (Significant matters that form the basis for preparation of consolidated financial statements), (11) Other significant matters in preparation of financial statements", the Company and certain consolidated subsidiaries apply the consolidated taxation system, and the portion related to corporate tax is estimated by the consolidated tax filing group as a whole.

In case the estimation and the assumption need to be revised due to uncertain future fluctuations in economic conditions, etc., the realizability of deferred tax assets will fluctuate from the following fiscal year and onward, thus additional recognition or reversal of valuation allowance may be required, and it may result in a significant impact to the consolidated financial statements for that period.

It is assumed that the impact of the spread of COVID-19 will temporarily lower the profit level, but in the medium to long term, there will be no impact.

(b) Impairment of property, plant and equipment, intangible assets, etc.

The Group classifies its property, plant and equipment, intangible fixed assets, and others including store assets, into the smallest unit that generates generally independent cash flows, such as stores. For asset groups that show continuous negative cash flows from operating activities in managerial accounting, the Company determines that there are signs of impairment, and makes decisions whether to recognize an impairment loss and record the impairment loss accordingly. In determining the recognition of an impairment loss, the total amount of undiscounted future cash flows of the asset group is compared with the book value, using the average remaining useful life of the major assets as the estimated period of undiscounted future cash flows.

The amount of impairment losses on assets that are determined to be subject to an impairment loss are calculated by subtracting the recoverable amount from the book value, and the value in use is generally used as the recoverable amount. The value in use is the present value of future cash flows expected to arise from continued use of the asset group and disposal after use, and the discount rate used to calculate the present value is an interest rate of pre-tax value that reflects the time value of money.

For trademark rights whose useful life cannot be determined, an impairment test is conducted once a year by the end of the fiscal year, regardless of whether there is any sign of impairment. The impairment test is carried out by comparing the book value of the trademark right with the recoverable amount, and if the recoverable amount is lower than the book value, the book value is reduced to the recoverable amount and an impairment loss is recognized. The value in use (present value of future cash flows) is used as the recoverable amount.

In determining the recording of an impairment loss, certain assumptions are set, such as average remaining useful life of major assets, future cash flows based on operating profit-and-loss items such as sales, material costs and labor costs in the future business plans, discount rates and other indicators (growth rate, etc.). These assumptions are determined based on the best estimates and judgments of the management. However, they may be affected by changes in future business plans and economic conditions, and if they need to be reviewed, it may have a significant impact on the amount of impairment losses in the consolidated financial statements of the following fiscal year and thereafter.

It is assumed that the impact of the spread of COVID-19 will temporarily lower the profit level, but in the medium to long term, there will be no impact.

As described in “V. FINANCIAL INFORMATION, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, (Matters related to consolidated statements of income), *5. Impairment losses”, the Group recorded an impairment loss on its directly-managed restaurants, etc. (4,849 million yen) in the current fiscal year.

(c) Impairment of goodwill

The Group classifies its assets in larger units by adding goodwill to multiple asset groups relate to the business to which goodwill belongs. For businesses whose operating profit/loss (after considering goodwill amortization) continues to be negative, the Company determines that there are signs of impairment in goodwill, and makes decisions whether to recognize an impairment loss and record the impairment loss accordingly.

In determining the recognition of an impairment loss, the total amount of undiscounted future cash flows of the business to which goodwill belongs is compared with the book value of the asset group including goodwill, using the useful life of the goodwill as the estimated period of undiscounted future cash flows.

The amount of impairment losses on the goodwill that are determined to be subject to an impairment loss are calculated by subtracting the recoverable value from the book value, and the value in use is used as the recoverable amount. The value in use is the present value of future cash flows of the business to which goodwill belongs, and the discount rate used to calculate the present value is an interest rate of pre-tax value that reflects the time value of money.

In determining the recording of an impairment loss, certain assumptions are set, such as remaining useful life of goodwill, future cash flows based on operating profit-and-loss items such as sales, material costs and labor costs in the future business plans, discount rates and other indicators (growth rate, etc.). These assumptions are determined based on the best estimates and judgments of the management. However, they may be affected by changes in future business plans and economic conditions, and if they need to be reviewed, it may have a significant impact on the amount of impairment losses in the consolidated financial statements of the following fiscal year and thereafter.

It is assumed that the impact of the spread of COVID-19 will temporarily lower the profit level, but in the medium to long term, there will be no impact.

As described in “V. FINANCIAL INFORMATION, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, (Matters related to consolidated statements of income), *5. Impairment losses”, the Group recorded an impairment loss on goodwill (696 million yen) in the current fiscal year.

4. Material Contracts

Not applicable.

5. Research and Development

Not applicable.

III. STATUS OF EQUIPMENT

1. Overview of Capital Investments, etc.

The Group made capital investments of 41,157 million yen to accommodate the diverse needs of customers.

The major breakdown consists of 9,980 million yen in Gyudon category, 3,961 million yen in family dining category, 14,217 million yen in fast food service category, and 10,742 million yen in Other category.

The above capital investments include investments related to the acquisition of property, plant and equipment and intangible assets, as well as payment of guarantee deposits.

Assets are stated by category, as they are not allocated to each business segment.

2. Principal Facilities

The main facilities of the Group are listed in the tables below.

(1) Zensho Holdings Co., Ltd.

(As of March 31, 2022)

Site name (location)	Segment/ category	Facility type	Book value (Millions of yen)					Number of employees (Persons)	
			Buildings and structures	Machinery, equipment and vehicles	Land (Thousand m ²)	Leased assets	Other		Total
Head office (Minato-ku, Tokyo)	Restaurant business Other category	Head-office, etc.	5,132	52	7,944 (79,126)	7,772	616	21,517	742
Factories (6 sites)	Restaurant business Other category	Production facility	2,864	383	788 (42,610)	406	19	4,462	57

- Note
1. The amounts are the carrying amount and do not include construction in progress.
 2. In addition to the above, real estate lease contracts are concluded for lands and buildings. The annual lease expense is 789 million yen.
 3. In addition to the above, lease contracts are concluded for production facilities. The annual lease expense is 248 million yen.
 4. Numbers of employees are inclusive of part-time employees (calculated based on 176 hours per person per month).

(2) Domestic subsidiaries

(As of March 31, 2022)

Company name	Site name (location)	Segment /category	Facility type	Book value (Millions of yen)						Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (Thousand m ²)	Leased assets	Other	Total	
Sukiya Co., Ltd.	Restaurants, etc. (1,946 restaurants)	Restaurant business Gyudon category	Restaurant facilities, etc.	16,465	0	— (—)	1,447	2,402	20,315	16,730
Nakau Co., Ltd.	Restaurants, etc. (463 restaurants)	Restaurant business Gyudon category	Restaurant facilities, etc.	4,149	—	— (—)	1,946	538	6,634	3,043
Coco's Japan Co., Ltd.	Restaurants, etc. (525 restaurants)	Restaurant business Family dining category	Restaurant facilities, etc.	6,091	1,304	836 (9,059)	21	658	8,912	5,025
Big Boy Japan Inc.	Restaurants, etc. (214 restaurants)	Restaurant business Family dining category	Restaurant facilities, etc.	1,976	—	325 (2,177)	82	457	2,841	1,539
Jolly-Pasta Co., Ltd.	Restaurants, etc. (302 restaurants)	Restaurant business Family dining category	Restaurant facilities, etc.	2,607	0	2,466 (22,955)	1,060	163	6,299	2,183
TAG-1 Co., Ltd.	Restaurants, etc. (99 restaurants)	Restaurant business Family dining category	Restaurant facilities, etc.	3,001	2	— (—)	64	891	3,959	1,215
Hamazushi Co., Ltd.	Restaurants, etc. (555 restaurants)	Restaurant business Fast food service category	Restaurant facilities, etc.	14,544	0	— (—)	5,297	11,198	31,039	15,626
GFF Co., Ltd.	Factory (17 factories)	Restaurant business Other category	Production facilities etc.	2,813	2,429	235 (13,787)	2	129	5,610	1,510
TR Factory Co., Ltd.	Factory (2 factories)	Restaurant business Other category	Production facilities etc.	463	586	450 (21,169)	—	22	1,522	190
Sanbishi Co., Ltd.	Factory (2 factories)	Restaurant business Other category	Production facilities etc.	517	357	564 (31,171)	—	11	1,451	102
JOY MART CO., LTD.	Stores, etc. (101 stores)	Retail business	Store facilities, etc.	7,259	45	6,508 (118,801)	47	1,608	15,469	2,290

- Note
1. The amounts are the carrying amount and do not include construction in progress.
 2. The amounts include land rented to parties other than consolidated companies of 2,319 million yen (31,594 m²) and buildings and structures rented to parties other than consolidated companies of 423 million yen.
 3. In addition to the above, real estate lease contracts are concluded for lands and buildings. The annual lease expense is 43,153 million yen.
 4. In addition to the above, lease contracts are concluded for restaurant facilities, etc. The annual lease expense is 1,629 million yen.
 5. Numbers of employees are inclusive of part-time employees (calculated based on 176 hours per person per month).

(3) Overseas subsidiaries

(As of March 31, 2022)

Company name	Site name (location)	Segment /category	Facility type	Book value (Millions of yen)						Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (Thousand m ²)	Leased assets	Other	Total	
Zensho Restaurant (Shanghai) Co., Ltd. etc.	China/ Restaurants, etc. (471 restaurants)	Restaurant business Gyudon category	Restaurant facilities, etc.	4,063	0	— (—)	7,954	1,246	13,265	4,031
Zensho Taiwan Co., Ltd.	Taiwan/ Restaurants, etc. (65 restaurants)	Restaurant business Gyudon category	Restaurant facilities, etc.	2,144	29	— (—)	—	535	2,709	736
TCRS Restaurants Sdn Bhd etc.	Malaysia/ Restaurants, etc. (158 restaurants)	Restaurant business Fast food service category	Restaurant facilities, etc.	1,089	0	— (—)	1,050	587	2,727	1,728
Advanced Fresh Concepts Corp. etc.	U.S. etc./ Restaurants, etc. (4,534 restaurants)	Restaurant business Other category	Restaurant facilities, etc.	1,655	125	1,811 (17,277)	7	291	3,891	540

- Note
1. The amounts are the carrying amount and do not include construction in progress.
 2. In addition to the above, real estate lease contracts are concluded for lands and buildings. The annual lease expense is 38,459 million yen.
 3. In addition to the above, lease contracts are concluded for production facilities. The annual lease expense is 546 million yen.
 4. Numbers of employees are inclusive of part-time employees (calculated based on 176 hours per person per month).

3. Plans for New Additions or Disposals, etc. of Facilities

Basically, the capital investment plans of the Group are individually formulated by each consolidated subsidiaries, and the Company mainly makes adjustments to those plans.

Major plans for facilities as of the end of the fiscal year are as follows.

(1) Major plans for new additions and refurbishment of facilities

Company name	Site name (location)	Segment /category	Facility type	Planned investment amount		Sources of funding	Scheduled commencement / completion		Increased capacity after completion
				Total amount (Millions of yen)	Amount paid (Millions of yen)		Commencement	Completion	
Sukiya Co., Ltd.	Restaurants	Restaurant business Gyudon category	Restaurant facilities, etc.	9,063	—	Own fund and borrowings	April, 2022	March 2023	41 restaurants
Nakau Co., Ltd.	Restaurants	Restaurant business Gyudon category	Restaurant facilities, etc.	2,051	—	Own fund and borrowings	April, 2022	March 2023	1 restaurant
Zensho Restaurant (Shanghai) Co., Ltd.	Restaurants	Restaurant business Gyudon category	Restaurant facilities, etc.	3,416	—	Own fund and borrowings	April, 2022	March 2023	84 restaurants
Coco's Japan Co., Ltd.	Restaurants	Restaurant business Family dining category	Restaurant facilities, etc.	2,737	—	Own fund and borrowings	April, 2022	March 2023	—
Jolly-Pasta Co., Ltd.	Restaurants	Restaurant business Family dining category	Restaurant facilities, etc.	1,851	—	Own fund and borrowings	April, 2022	March 2023	20 restaurants
Hamazushi Co., Ltd.	Restaurants	Restaurant business Fast food service category	Restaurant facilities, etc.	9,237	—	Own fund and borrowings	April, 2022	March 2023	17 restaurants
JOY MART CO., LTD.	Stores	Retail business	Store facilities, etc.	2,517	—	Own fund and borrowings	April, 2022	March 2023	—

(2) Plans for restaurant and store openings

Plans for restaurant and store openings at the end of the current fiscal year were as follows.

Name of segment / category	Total
Restaurant business, Gyudon category	175restaurants
Restaurant business, Family dining category	48restaurants
Restaurant business, Fast food service category	57restaurants
Restaurant business, Other category	312stores
Retail business	1store
Total	593restaurants and stores

IV. INFORMATION ON THE COMPANY

1. Information on the Company's Share, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	432,000,000
Total	432,000,000

(ii) Total number of shares issued and outstanding

Class of shares	Number of issued shares as of March 31, 2022 (shares)	Number of issued shares as of the date of submission (June 27, 2022) (shares)	Name of stock exchange on which the company is listed or name of certified financial instruments dealers association with which the Company is registered	Description
Common stock	154,862,825	154,862,825	First Section of Tokyo Stock Exchange (as of the end of the current fiscal year) Prime market (as of the submission date of this security report)	Standard type of shares issued by the Company without limitations on the shareholders' rights. The number of shares per unit is 100.
Total	154,862,825	154,862,825	—	—

(2) Subscription rights to shares, etc.

(i) Details of stock option plans Not applicable.

(ii) Details of rights plans Not applicable.

(iii) Other stock acquisition rights, etc. Not applicable.

(3) Exercise of bonds, etc., with subscription rights to shares with an amended exercise price Not applicable.

(4) Changes in shares issued and outstanding and in capital

Date	Changes in the total number of shares issued and outstanding (Shares)	Total number of shares issued and outstanding (Shares)	Changes in paid-in capital (Millions of yen)	Balance of paid-in capital (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
August 1, 2019 (Note 1)	2,349,958	151,990,403	—	23,470	—	23,392
February 20, 2020 (Note 2)	2,872,422	154,862,825	3,525	26,996	3,525	26,918

Notes 1.Effective as of August 1, 2019, the Company conducted a share exchange, in which the Company became the wholly-owning parent company of Jolly-Pasta Co., Ltd. As a result, total number of shares issued and outstanding increased by 2,349,958 and became 151,990,403.

2.Effective as of February 20, 2020, the Company conducted a share exchange, in which Nihon Restaurant Holdings Co., Ltd., a wholly owned subsidiary of the Company, became the wholly-owning parent company

of Coco's Japan Co., Ltd. As a result, total number of shares issued and outstanding increased by 2,872, 422 and became 154,862,825.

(5) Status by shareholder category

(As of March 31, 2022)

Category	Status of shares (1 unit = 100 shares)								Shares less than one unit (Shares)
	National and local governments	Financial institutions	Japanese financial instruments business operators	Other corporations	Foreign shareholders		Individuals and other	Total	
					Other than individuals	Individuals			
Number of shareholders	–	24	21	732	192	127	145,415	146,511	–
Number of shares held (units)	–	161,538	17,599	561,861	82,874	641	715,315	1,539,828	880,025
Shareholding ratio (%)	–	10.5	1.1	36.5	5.4	0.0	46.5	100.0	–

Notes 1. "Individuals and other" and "Shares less than one unit" include 27,407 units and 12 shares of treasury share, respectively.

2. "Other corporations" and "Shares less than one unit" include 30 units and 6 shares held under the name of Japan Securities Depository Center, Incorporated, respectively.

(6) Major shareholders

(As of March 31, 2022)

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (excluding treasury share) (%)
Nihon Create LLC	1087-1, Hirato-cho, Totsuka-ku, Yokohama city, Kanagawa, Japan	52,307	34.39
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsuchou, Minato-ku, Tokyo, Japan	9,491	6.24
Kentaro Ogawa	Totsuka-ku, Yokohama city, Kanagawa, Japan	3,170	2.08
Kazumasa Ogawa	Totsuka-ku, Yokohama city, Kanagawa, Japan	3,160	2.08
Yohei Ogawa	Totsuka-ku, Yokohama city, Kanagawa, Japan	3,160	2.08
Zensho Group Employee Shareholding Association	2-18-1, Konan, Minato-ku, Tokyo, Japan	2,880	1.89
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	1,420	0.93
JP Morgan Chase Bank 385781 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (Shinagawa Intercity A, 2-15-1, Konan, Minato-ku, Tokyo, Japan)	1,203	0.79
State Street Bank West Client-Treaty 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	1776 Heritage Drive, North Quincy, MA 02171 U.S.A. (Shinagawa Intercity A, 2-15-1, Konan, Minato-ku, Tokyo, Japan)	1,134	0.75
Shinji Shimizu	Chiyoda-ku, Tokyo, Japan	1,027	0.68
Total		78,957	51.90

Note 1. Nihon Create LLC is a company whose voting rights are 100% held by Mr. Kentaro Ogawa, Chairman of the Board, President and CEO of the Company, and his second-degree relatives.

2. Number of shares held by Yohei Ogawa includes shares held by Sumitomo Mitsui Trust Bank, Limited under an administration trust contract concluded on February 20, 2022. (3,150,000 shares as of March 31, 2022)

3. All shares held by The Master Trust Bank of Japan, Ltd. and Custody Bank of Japan, Ltd. are held through trusts.

4. In addition to the above, the Company holds 2,740,000 shares of treasury share.

(7) Voting rights

(i) Issued shares

(As of March 31, 2022)

Category	Number of shares (Shares)	Number of voting rights (Units)	Description
Non-voting shares	–	–	–
Share with restricted voting rights (treasury share, etc.)	–	–	–
Share with restricted voting rights (others)	–	–	–
Shares with full voting rights (treasury share, etc.)	(treasury share) Common shares 2,740,700	–	This is the standard of the Company's shares, whose holders have unlimited rights. The number of shares constituting one unit is 100 shares.
Shares with full voting rights (others)	Common shares 151,242,100	1,512,421	Same as above
shares less than one unit	Common shares 880,025	–	Same as above
Total number of issued shares	154,862,825	–	–
Voting rights of all shareholders	–	1,512,421	–

Note "Shares with full voting rights (others)" includes 3,000 shares (30 voting rights) registered in the name of Japan Securities Depository Center, Incorporated.

(ii) Treasury shares, etc.

(As of March 31, 2022)

Shareholder name	Shareholder address	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total number of shares held (Shares)	Number of shares held to total number of shares issued and outstanding (%)
(Treasury shares) Zensho Holdings, Co., Ltd.	2-18-1 Konan, Minato-ku, Tokyo	2,740,700	–	2,740,700	1.77
Total	–	2,740,700	–	2,740,700	1.77

(8) Detail of Director/Employee Ownership Plan

(i) Overview of performance-linked stock compensation system for Directors, etc.

The Company introduced a performance-linked compensation system (hereinafter, the “System”) based on a resolution at the 40th Ordinary General Meeting of Shareholders held on June 24, 2022 (hereinafter, the “Shareholders’ Meeting”). The Company intends to raise awareness among Directors to contribute to improving the Company’s business performance and increasing its corporate value over the medium to long term by clarifying the link between the compensation for Directors (excluding Outside Directors and members of Audit & Supervisory Committee, hereinafter, the term indicates the same unless otherwise specified) and Executive Officers (hereinafter collectively refer to Directors and Executive Officers as “the Directors, etc.”) and the Company’s business performance and stock value by sharing with shareholders not only the benefits of an increase in stock price but also the risk of a decline in stock price.

The System is a performance-linked stock compensation system under which the Company’s shares will be acquired through a trust (the trust to be established under the Plan is hereinafter referred to as the “Trust”) with cash contributed by the Company as the source of funds, and the Company’s shares and cash equivalent to the amount obtained by converting the Company’s shares at fair value (hereinafter collectively referred to as the “Company’s Shares, etc.”) will be paid to Directors, etc., in accordance with the Executive Stock Benefit Regulations established by the Company. In principle, the time when Directors, etc., receive the Company’s Shares, etc., will be after their retirement from office.

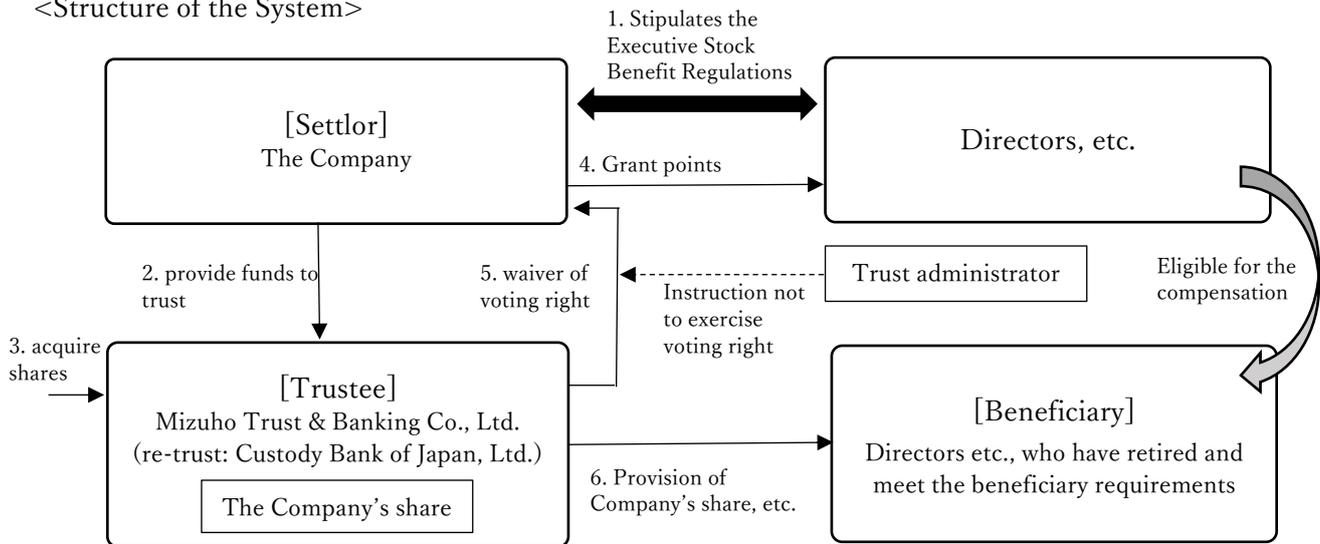
(ii) Number of shares to be paid to Directors

For the three years period from fiscal year ending March 2023 to fiscal year ending March 2025 (and for each of the three fiscal years starting after that), upper limit of total number of shares to be allocated to Directors and Executive Officers will be 225,000 shares and 67,500 shares, respectively. The same upper limits will be applied for every three years period starting after the end of March 2025.

(iii) Scope of beneficiary and other eligible persons

Directors (excluding Outside Directors and members of the Audit & Supervisory Committee) and Executive Officers who has retired and satisfied the requirements set out in the Executive Stock Benefit Regulations.

<Structure of the System>



1. The Company stipulates the Executive Stock Benefit Regulations within the scope of the approval of the Shareholders' Meeting.
2. The Company provides funds to trust within the scope of the approval of the Shareholders' Meeting as stated in 1. above.
3. The Trust acquires the Company's share through stock exchange or through disposal of treasury shares of the Company, using the fund provided by the Company as stated in 2. above.
4. The Company grants points to Directors, etc. based on the Executive Stock Benefit Regulations.
5. The Trust does not exercise the voting rights of the shares held under the trust account following the instruction of an independent trust administrator.
6. Depending on the number of points granted, the Trust allocates a number of shares to Directors, etc. who have retired and meet the beneficiary requirements set out in the Executive Stock Benefit Regulations (hereinafter, the "Beneficiary"). If Directors, etc. satisfy the requirements stipulated in the Executive Stock Benefit Regulations, certain portion of the points will be rewarded by an amount of money which is equivalent to the fair value of the Company's shares.

2. Acquisitions of Treasury Shares

Type of shares, etc.

Acquisitions of common stock according to Article 155, Paragraph 7.

(1) Acquisitions by a resolution of the General Meeting of Shareholders

Not applicable.

(2) Acquisitions by a resolution of the Board of Directors

Not applicable.

(3) Acquisitions not based on a resolution of the General Meeting of Shareholders or the Board of Directors

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the current fiscal year	4,836	13,380,495
Treasury shares acquired during the period	704	2,081,143

Note: Treasury shares acquired during the period does not include shares constituting less than one unit of shares purchased during the period from June 1, 2022 to the filing date of this Annual Securities Report.

(4) Disposals or holdings of acquired treasury shares

Category	During current fiscal year		During the period	
	Number of shares (Shares)	Total disposal amount (Yen)	Number of shares (Shares)	Total disposal amount (Yen)
Acquired treasury shares that were offered to subscribers for subscription	—	—	—	—
Acquired treasury shares retired	—	—	—	—
Acquired treasury shares that were transferred due to merger, share exchange, issue of shares, or corporate split	—	—	—	—
Other (Request for sale of shares less than one unit of shares)	951	2,594,050	128	381,399
Number of treasury shares held	2,740,712	—	2,741,288	—

Notes: 1. Treasury shares disposed during the period does not include shares constituting less than one unit of shares purchased during the period from June 1, 2022 to the filing date of this Annual Securities Report.

2. The number of treasury shares held during the period does not include shares less than one unit purchased or sold from June 1, 2022 to the filing date of this Annual Securities Report.

3. Dividend Policy

The Group believes that providing stable returns to shareholders is one of the most important issues in corporate management. The Company's dividend policy is to distribute stable profits in accordance with business performance, while actively expanding its business and enhancing internal reserves.

In principle, the Company intends to pay dividends twice a year: interim and fiscal year-end. The distribution of interim dividends and year-end dividends are to be resolved at the Board of Directors and the General Meeting of Shareholders, respectively.

In accordance with the above policy, the annual dividend for this consolidated fiscal year is estimated to be 22 yen per share: an interim dividend of 11 yen per share and a year-end dividend of 11 yen per share.

The Company will allocate its internal reserves effectively to the capital expenditures, mainly for the new store openings and refurbishment of existing stores.

The Company stipulates in the Articles of Incorporation that it can pay an interim dividend, with September 30 each year as the record date, through a resolution of the Board of Directors.

Dividends for the current fiscal year are as follows:

Resolution	Total cash dividends paid (Millions of yen)	Cash dividends per share (Yen)
The Board of Directors on November 12, 2021	1,673	11
The General Meeting of Shareholders on June 24, 2022	1,673	11

4. Corporate Governance, etc.

(1) Overview of corporate governance

(i) Basic views on corporate governance

1) Basic views on corporate governance

The Company's mission is "to provide safe and delicious food at affordable prices to people throughout the world." In order to achieve the mission, the Company places itself in the customer's position, and assume full responsibility to ensure food safety and quality. It plans and designs all processes relating to food, and organize and operate its unparalleled MMD system (mass merchandising system) on a global scale. All the members who share this mission will establish and maintain an efficient and well-coordinated organization.

2) Status of design of internal control and the risk management system

i) Structure to ensure the Directors and employees perform their duties in accordance with the laws and regulations, and the Articles of the Incorporation

- a. The Group has formulated the Zensho Group Charter and requires all the Directors and employees to conduct their duties in accordance with the laws and regulations, the Articles of the Incorporation, and internal rules.
- b. Each responsible Director and Executive Officer analyzes the compliance risks in the business department in which he / she is in charge and implements countermeasures.
- c. The Comprehensive Risk Management and Compliance Committee oversees the Group's compliance efforts across the board and reports the results of deliberations to the Board of Directors and the Audit & Supervisory Committee, and establishes "Zensho Group Hotline" for employees to provide information on group compliance issues.
- d. The Internal Audit Department continuously conducts audits in order to grasp the operation status of all business activities and ensure the legality and soundness of those activities.

ii) Rules and other frameworks for managing risk of loss

- a. To establish and reinforce the risk management system, the Group has formulated the Group Risk Management Rules, identifies the full range of risks in the Group appropriately, selects risks to manage, and establishes departments for the risk management. The Group is fully aware that unexpected risks may occur, and in the event a new and significant risk occurs, the Board of Directors or Chairman of the Board will designate the responsible department without delay to take rapid and appropriate countermeasures.
- b. To manage the various risks in the Group comprehensively according to the internal rules, the Group has established Comprehensive Risk Management and Compliance Committee to ensure the efficiency by checking the responsible department's implementation status of risk countermeasures.
- c. For risks that may have an impact on "food safety and reliability", "compliance", and "information security", and other selected risks, each responsible department establishes the countermeasures. In case such a risk does occur, responsible department will take rapid and appropriate actions and report the result to Comprehensive Risk Management and Compliance Committee, while in case it will have a significant impact on management, the Board of Directors shall be informed in a timely manner and the necessary instructions shall be given.

iii) Framework concerning storage and control of information related to executions of duties of Directors

- a. Information related to executions of duties of Directors shall be stored and controlled properly according to the Rules of the Board of Directors and the Document Control Rules.
- b. Directors shall confirm that the storage and control of the information, as well as the management framework, are properly operated.

iv) Systems to ensure the efficient execution of business by Directors

- a. The Company establishes annual business plan and medium-term business plan to clarify the objectives to be achieved by the Company, while promoting thorough daily, monthly, and quarterly performance review, clarifying the progress toward the target, to enable quick decision and judgement.
- b. The Company aims to speed up the decision-making by simplifying the decision-making process. Regarding matters to be approved by the Chairman of the Board which may have a significant impact on the Group's management, responsible Director and Executive Officer

shall discuss and make decisions, which shall be reported to the Board of Directors in a timely manner.

- v) Systems to ensure proper business operations within the Group comprising the Company and its subsidiaries
 - a. Zensho Group Charter is stipulated as a code of conduct for all the Directors and employees to behave in compliance with laws and regulations, and the Articles of Incorporation.
 - b. As a holding company, the Company establishes systems to ensure proper business operations with the view of the entire Group, while managing each group company in light of respective situation, in accordance with Group Company Management Regulations. The Company's Group Company Management Department acts as a section in charge, and the Group Companies shall report the situation to the department regularly and as needed.
 - c. The Company shall assign and dispatch a Director or employees to a subsidiary, to grasp the status of the execution of business and confirm the effectiveness of such business operations.
 - d. The Company's Internal Audit Department shall audit each Group Company regularly and as needed, and reports the status to the Chairman of the Board in a timely manner.
- vi) Systems to ensure reliability of financial reporting
 - a. Recognizing that maintaining the reliability of the financial reporting is essential to maintain and enhance the reliability of the Group's activities, the Company emphasizes the importance of internal control activities in financial reporting throughout the Group.
 - b. The Company issues Evaluation Plan of the Internal Control regarding Financial Reporting annually, and develops internal control systems for consolidated financial reporting in cooperation with the entire group companies.
 - c. Regarding the status of design and operation of internal control for financial reporting, the department in charge of evaluation of the internal control shall verify the appropriateness of the execution of internal control in order to ensure the reliability of the entire Group financial reporting.
- vii) Matters related to Directors and employees assisting the Audit & Supervisory Committee in its duties (herein after, the "Assistants"), independence of the Assistants from Directors, and the effectiveness of instructions issued to the Assistants
 - a. In light of ensuring the effectiveness of audits by the Audit & Supervisory Committee, the Company shall assign necessary persons as Assistants and enhance the system.
 - b. Assistants shall conduct their duties with instructions from Audit & Supervisory Committee, from the perspective of securing independence.
 - c. Personnel change, evaluation, and disciplinary action of Assistants are subject to a prior approval of Audit & Supervisory Committee.
- viii) Systems for reporting to the Audit & Supervisory Committee by Directors (excluding Directors who are Members of Audit & Supervisory Committee) and employees, and other systems related to reports to Audit & Supervisory Committee
 - a. Directors (excluding Members of Audit & Supervisory Committee) shall report to Audit & Supervisory Committee matters which have significant impact on the Company and the Group, status of conduct of internal audits, status of reporting through Zensho Group Hotline, etc. in a timely manner.
 - b. When Directors or employees of the Company and Group companies recognize anything that could cause remarkable impact on the Company and the Group, he or she can report directly to Audit & Supervisory Committee, and the report shall be taken care of in accordance with Group Internal Notification Rules. The Company ensures no disadvantageous treatment to the informant will arise from the act of such reporting.
 - c. Audit & Supervisory Committee shall enhance information sharing and efficiency through mutual disclosure of audit plans and results with Internal Audit Department.
- ix) Other systems to ensure the audits by Audit & Supervisory Committee are conducted effectively
 - a. Chairman of the Board shall hold regular meetings with Audit & Supervisory Committee and exchange opinions on issues to be addressed, status of the environment for audits by the Audit & Supervisory Committee, and other important auditing issues.
 - b. In case Audit & Supervisory Committee appoints legal counsel and other advisors such as accountants necessary in the execution of their duties independently, expenses incurred

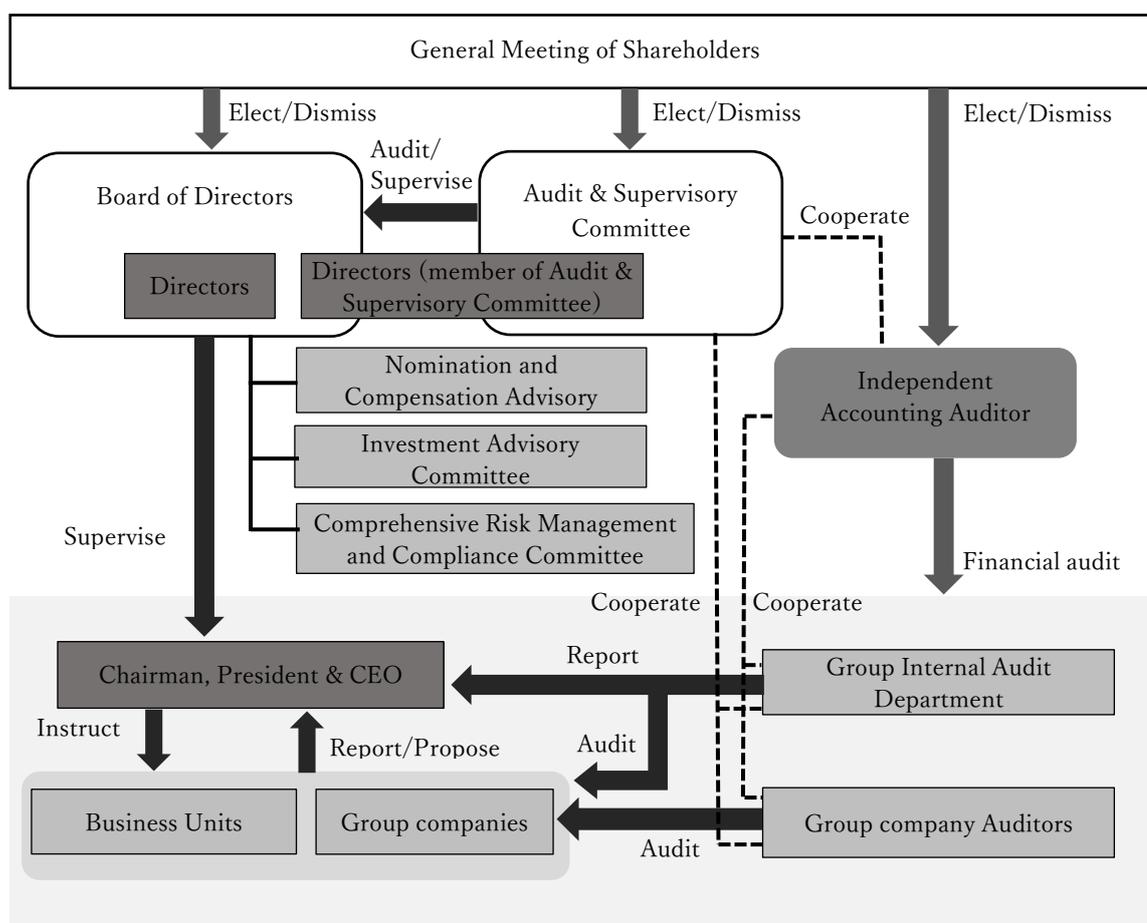
shall be claimed to the Company.

- c. Audit & Supervisory Committee shall request reporting from Directors (excluding Members of Audit & Supervisory Committee) and employees when it is deemed necessary, attend important meetings, and inspect necessary documents.

(ii) Overview of current corporate governance system and reasons for adoption

The Company adopts a company with Audit & Supervisory Committee system in order to enhance supervisory function of the Board of Directors and reinforce the corporate governance systems, as well as further accelerate decision-making and business execution.

The structure is shown as below.



(a) Board of Directors

As of June 27, 2022, the Board of Directors consists of 14 persons, i.e., 10 Directors (excluding members of Audit & Supervisory Committee) and 4 Directors who are members of Audit & Supervisory Committee, of which 7 are Outside Directors. Names of the members are listed in “(2) Board of Directors and members of Audit & Supervisory Committee, (i) Board of Directors and members of Audit & Supervisory Committee”. The chairman is Kentaro Ogawa, Chairman of the Board, President & CEO of the Company. The Board of Directors, in principle, meets once a month and deliberates and makes decisions on issues stipulated by law and in the Articles of Incorporation of the Company and Board of Directors Rules, as well as monitors and supervises status of the execution of business by Directors.

(b) Audit & Supervisory Committee

As of June 27, 2022, the Company’s Audit & Supervisory Committee consists of 4 members (of which 3 are Outside Directors). Names of the members are listed in “(2) Board of Directors and members of Audit & Supervisory Committee, (i) Board of Directors and Members of Audit & Supervisory Committee”. The chairman is Hideo Watanabe, who is an Outside Director (full-time Member of Audit & Supervisory Committee) of the Company.

Being an independent committee from Board of Directors, Audit & Supervisory Committee conducts audits on matters including the performance of duties by each Director and status of

establishment and operation of internal control systems from the viewpoint of legal compliance and appropriateness. Audit & Supervisory Committee monitors decision-making process of the Board of Directors and the performance of duties by each Director by attending Board of Directors meetings and other important meetings, and inspecting important documents such as approval documents.

(c) Accounting Auditor

The Company enters into an auditing agreement with PricewaterhouseCoopers Arata LLC as an independent Accounting Auditor who conducts the accounting audits. Certified public accountants who carried out the audits are Mr. Shigeru Takahama and Mr. Kentaro Shimizu, who belong to PricewaterhouseCoopers Arata LLC. The auditing team includes 4 certified public accountants, 8 who have passed the certified public accountant examination, and 11 others.

(d) Nomination and Compensation Advisory Committee

The Company established Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors to promote transparency and objectivity in decision-making process of nomination of candidates for Directors and member of Audit & Supervisory Committee, and compensation setting. As of June 27, 2022, Nomination and Compensation Advisory Committee consists of 3 persons, Yohei Ogawa, Managing Director (Chairman), Takaharu Ando, Outside Director, and Yukio Miyajima, Outside Director and member of Audit & Supervisory Committee.

(e) Investment Advisory Committee

The Company established Investment Advisory Committee as an advisory body to the Board of Directors to deliberate on issues related to M&A, capital increase, incorporating a company, etc. As of June 27, 2022, Investment Advisory Committee consists of 8 persons including Koichi Takei, Director (Chairman), Kazumasa Ogawa, Director and Deputy President, Yohei Ogawa, Managing Director, and Executive Officers in charge of administration department.

(f) Comprehensive Risk Management and Compliance Committee

The Company established Comprehensive Risk Management and Compliance Committee as an advisory body to the Board of Directors to manage risks and compliance initiatives of the Company and the Group on a cross-company basis. Comprehensive Risk Management and Compliance Committee, in principle, meets quarterly to review and monitor the status of risk management and compliance initiatives of the Company and the Group, and to provide guidance for improvement. The status is regularly reported to the Board of Directors and Audit & Supervisory Committee. As of June 27, 2022, Comprehensive Risk Management and Compliance Committee consists of 8 persons including Shinya Nonoshita, Managing Director (Chairman), Makoto Hirano, Director, Executive Officer in charge of related departments, etc.

(iii) Other matters related to corporate governance

1) Outline of contents of limited liability agreement

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act of Japan, the Company has entered into agreements with Outside Directors (excluding full-time Directors) that limit their liability for damages caused by their negligence of duty under Article 423, Paragraph 1 of the same.

These agreements specify the maximum liability amounts as the higher of a predetermined amount of 10 million yen or the amount stipulated by laws and regulations for Outside Directors (excluding members of Audit & Supervisory Committee), and the higher of a predetermined amount of 5 million yen or the amount stipulated by laws and regulations for Outside Directors who are members of Audit & Supervisory Committee.

2) Outline of contents of D&O (Directors and Officers) insurance

The Company has entered into a directors and officers liability insurance agreement, which is stipulated in Article 430, Paragraph 3-1 of the Company Act of Japan, with an insurance company as Directors (excluding members of Audit & Supervisory Committee), members of Audit & Supervisory Committee, as well as Executive Officers, Directors, Auditors, and Executive Officers of the subsidiaries (herein after, the "Directors, etc.") insured.

Under the agreement, any damages as a result of execution of duties or any damages as a result

of claims for such execution of duties shall be compensated to Directors, etc. as insured. However, certain damages, for example, any damage that arises from the intentional violation of laws and regulations, are exempt from such insurance policy.

The insurance premiums are fully paid by the Company.

3) Number of Directors

The Company has stipulated in its Articles of Incorporation that there shall be no more than 15 Directors (excluding members of Audit & Supervisory Committee) and no more than five members of Audit & Supervisory Committee.

4) Requirement for a resolution to elect Directors

The Company has stipulated in its Articles of Incorporation that a resolution for the election of Directors shall be adopted by a majority vote of shareholders present holding not less than one-third of the shares with voting rights held by shareholders entitled to exercise their voting rights, and that the resolution shall not be via a cumulative vote.

5) General Meeting of Shareholders resolutions that can be delegated to the Board of Directors

(a) Acquisition of treasury shares

In accordance with the provisions of Article 165, Paragraph 2 of the Companies Act of Japan, the Company stipulates in its Articles of Incorporation that it may, by a resolution of the Board of Directors, acquire treasury shares through market transactions to enable a flexible execution of management measures such as capital policy in light of changes in economic situation.

(b) Interim dividends

In accordance with the provisions of Article 454, Paragraph 5 of the Companies Act of Japan, the Company stipulates in its Articles of Incorporation that it may, by a resolution of the Board of Directors, pay interim dividends to shareholders or as of the record date of September 30 of each year to enable a flexible return of profits to shareholders.

(c) Indemnification of Directors

In accordance with the provisions of Article 426, Paragraph 1 of the Companies Act of Japan, the Company stipulates in its Articles of Incorporation that it may, exempt Directors (including former Directors) from their liabilities to the extent permitted by law. The purpose of this provision is to develop an environment where Directors can fully demonstrate their abilities and accomplish their expected roles at the execution of their duties.

6) Requirement for a special resolution at the general meeting of shareholders

The Company stipulates in its Articles of Incorporation that a special resolution at General Meeting of Shareholders, provided for in Article 309, Paragraph 2 of the Companies Act of Japan, shall be adopted by a two-third or more vote of shareholders present holding not less than one-third of the shares with voting rights held by shareholders entitled to exercise their voting rights. The purpose of relaxing the quorum for special resolutions at the General Meeting of Shareholders is to ensure that the meeting proceeds smoothly.

(2) Board of Directors and Members of Audit & Supervisory Committee

(i) Board of Directors and Members of Audit & Supervisory Committee

13 men and 1 woman (Ratio of female officers: 7.1%)

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Chairman of the Board, President & CEO	Kentaro Ogawa	Jul. 29, 1948	Jun. 1982	Established the Company President of the Company	Note 2	3,170
			Dec. 1988	Established Nihon Create Co., Ltd (currently Nihon Create LLC) Representative partner of Nihon Create LLC (current)		
			Sep. 2000	Chairman of Coco's Japan Co., Ltd.		
			Jun. 2007	Chairman of Sunday's Sun Co., Ltd. (currently Jolly-Pasta Co., Ltd.)		
			Jun. 2009	Chairman, President & CEO of the Company (current)		
			Oct. 2011	President of Zensho Co., Ltd. (currently Sukiya Co., Ltd.)		
			Dec. 2012	Chairman of Maruya Co., Ltd. (currently JOY MART CO., LTD.)		
			Dec. 2013	President of Nihon Retail Holdings, Co., Ltd.		
			Apr. 2014	Chairman of Zensho Co., Ltd. (currently Sukiya Co., Ltd.)		
			Nov. 2014	Chairman of Sukiya Honbu Co., Ltd. (currently Sukiya Co., Ltd.)		
Jan. 2017	Chairman of Kokumin Seikatsu Sangyo					
May 2019	Shohisha Dantai Rengo (current)					
Jun. 2021	President of Nihon Restaurant Holdings Co., Ltd. President of Global MD Holdings Co., Ltd. (current)					

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Deputy President,	Kazumasa Ogawa	Apr. 17, 1977	Apr. 2001	Joined Nissho Electronics Corporation	Note 2	3,160
			Jun. 2003	Managing Partner of Nihon Create Co., Ltd. (currently Nihon Create LLC) (current)		
			May 2006	Joined the Company / Manager of Affiliated Company Dept.		
			Jun. 2007	Manager of Overseas Business Dept.		
			Jun. 2008	General Manager of the Group Corporate Planning Dept. (in charge of overseas business)		
			Jun. 2009	Director of the Company		
			Nov. 2011	Director of Zensho Co., Ltd. (currently Sukiya Co., Ltd.)		
			Jan. 2013	Director and General Manager of Global Business Development Dept.		
			Feb. 2014	Director, General Manager of Global Business Development Dept., and officer in charge of Group MD headquarter		
			Jun. 2014	Managing Director, General Manager of Global Business Development Dept. and officer in charge of Group MD headquarter		
			Jan. 2015	Managing Director, General Manager of Global Business Development Dept., and General Manager of Group BB Dept.		
			Mar. 2016	Managing Director and General Manager of Global Business Development Dept.		
			Jul. 2018	Managing Director and General Manager of Group Merchandise Dept.		
			May 2019	President of Nihon Dining Holdings, Co., Ltd. Managing Director		
			Oct. 2019	President of Sukiya Honbu Co., Ltd. (currently Sukiya Co., Ltd.) Managing Director and CDO (Chief Design Officer)		
			Dec. 2019	Managing Director, CDO, and officer in charge of global HR		
			Mar. 2020	Managing Director, CDO, and officer in charge of global HR and Group CC		
Apr. 2020	Managing Director, CDO, and officer in charge of global HR, Group CC, and Global Sushi Business Dept.					
Jun. 2020	Deputy President, CDO, and officer in charge of global HR, Group CC, Global Sushi Business Dept., and Group Design Dept.					
Apr. 2021	Deputy President (current)					
	President of Nihon Retail Holdings, Co., Ltd. (current)					
	President of Nihon SS Co., Ltd.					
	President of JOY MART CO., LTD. (current)					

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Managing Director, General Manager of Global Business Development Dept., Corporate Strategy Dept., and Group Design Dept.	Yohei Ogawa	Aug. 30, 1979	Apr. 2004 Jun. 2016 Nov. 2016 Jun. 2017 Sep. 2017 Nov. 2018 May 2019 Apr. 2020 Sep. 2020 Oct. 2020 Apr. 2021 Jun. 2021	Joined Ministry of Finance Joined the Company General Manager of Corporate Strategy Dept., Executive Officer, and General Manager of Group Corporate Strategy Dept. Executive Officer, General Manager of Group Corporate Strategy Dept., and officer in charge of Fair Trade Div. Director, General Manager of Group Corporate Strategy Dept., and officer in charge of Fair Trade Div. Director, General Manager of Group Corporate Strategy Dept., and officer in charge of Office of Chairman and Fair Trade Div. Director, General Manager of Group Corporate Strategy Dept., and officer in charge of Office of Chairman and Fair Trade Div. Chairman of Advanced Fresh Concepts Corp. (current) Director, General Manager of Group Corporate Strategy Dept., and officer in charge of Fair Trade Div. Director Director in charge of global business, General Manager of Global Sushi Business Development Dept. Director, General Manager of Corporate Strategy Dept. Director, General Manager of Global Business Development Dept., Corporate Strategy Dept., and Group Design Dept. Managing Director, General Manager of Global Business Development Dept., Corporate Strategy Dept., and Group Design Dept. (current)	Note 2	3,160
Managing Director, General Manager of Group IT Dept.	Shinya Nonoshita	May 2, 1954	Apr. 1979 Jan. 2005 Apr. 2007 Nov. 2018 Jun. 2019 Jun. 2021 Jun. 2022	Joined IBM Japan, Ltd. General Manager of System Products System i Business Dept. Joined the Company Executive Officer, General Manager of Group IT Dept. Executive Officer, General Manager of Group IT Technology Dept. Director, General Manager of Group IT Technology Dept. Director, General Manager of Group IT Dept. Managing Director, General Manager of Group IT Dept. (current)	Note2	17

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director, General Manager of SM Strategy Dept.	Koichi Takei	Oct. 19, 1943	Apr. 1967	Joined Sumitomo Metal Industries, Ltd. (currently Nippon Steel Corporation) (hereinafter, "SMI")	Note 2	7
			Oct. 1992	General Manager of International Planning Dept. of SMI		
			Jun. 1998	Director and General Manager of SMI		
			Jun. 1999	Managing Executive Officer of SMI		
			Jun. 2001	Representative President of Ogura Kosan Co.		
			Jun. 2005	Representative Chairman of Ogura Kosan Co.		
			Feb. 2008	Joined the Company Executive Officer, General Manager of Group Planning Dept.		
			Feb. 2009	Managing Executive Officer, General Manager of Group Planning Dept.		
			Jun. 2013	Managing Director, General Manager of Group Planning Dept.		
			Mar. 2015	President of United Veggies Co., Ltd. Managing Director, Officer in charge of Group Planning Dept.		
			Jun. 2015	Senior Managing Executive Director, Officer in charge of Group Planning Dept.		
			Aug. 2017	Senior Managing Director, officer in charge of SM Strategy Dept. and Public Relations Dept.		
			Feb. 2019	Chairman of United Veggies Co., Ltd. (current)		
			Jun. 2021	Director, General Manager of SM Strategy Dept. (current)		
Director, General Manager of Food Safety Control Dept.	Makoto Hirano	Dec. 2, 1958	Apr. 1982	Joined Netsle Japan Ltd.	Note 2	18
			Apr. 2001	Representative President of Nestle Purina PetCare Ltd.		
			Apr. 2004	Joined the Company		
			Jun. 2004	Director		
			Nov. 2005	Director, General Manager of Group Food Safety Pursuing Dept.		
			May 2006	Auditor of Coco's Japan Co., Ltd.		
			Oct. 2006	Director, Officer in charge of Group Food Safety Pursuing Dept.		
			Oct. 2010	Director, General Manager of Group CC Dept.		
			Sep. 2012	Director, General Manager of Group CC Dept., Group Food Safety Pursuing Dept., and Fair Trade Dept.		
			Jul. 2013	Director, General Manager of Group Food Safety Pursuing Dept., and Fair Trade Dept. President of GFF Co., Ltd.		
			Apr. 2014	Director, officer in charge of Group Food Safety Pursuing Dept., and Fair Trade Dept.		
			Jul. 2015	Director, officer in charge of Fair Trade Dept.		
			Nov. 2016	Director		
			Apr. 2018	Director		
			Feb. 2019	President of Zensho Factory Holdings Co., Ltd. Director, General Manager of Group Food Safety Control Dept. (current)		

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director	Toshitaka Hagiwara	Jun. 15, 1940	Dec. 1969 Jun. 1990 Jun. 1995 Jun. 1997 Jun. 1999 Jun. 2003 Nov. 2004 Jun. 2007 Jun. 2009 Jun. 2010 Jun. 2010 Jun. 2011 Jun. 2013 Jun. 2013 Jun. 2014 Jun. 2015	Joined Komatsu Ltd. Director of Komatsu Ltd. Managing Director of Komatsu Ltd. Senior Managing Director of Komatsu Ltd. Representative Deputy President of Komatsu Ltd. Representative Chairman of Komatsu Ltd. President of Financial Accounting Standards Foundation Special Advisor and Counselor of Komatsu Ltd. Outside Director of Yamato Holdings Co., Ltd. Director of the Company (current) Independent Director of NSK Ltd. Special Advisor of Komatsu Ltd. Counselor of Komatsu Ltd. (current) Outside Audit & Supervisory Board Member of Hino Motors, Ltd. External & Independent Director of Takamatsu Construction Group Co., Ltd. (current) Outside Director of Hino Motors, Ltd.	Note 2	3
Director	Chiaki Ito	Oct. 10, 1947	Apr. 1970 Apr. 2001 Jun. 2002 Apr. 2003 Jun. 2004 Jun. 2006 Jun 2008 Apr. 2010 Jun. 2013 Jun. 2015	Joined Fujitsu Limited (hereinafter, "Fujitsu") General Manager of Personal Business Department of Fujitsu Executive Officer, General Manager of Personal Business Department of Fujitsu Managing Executive Officer, General Manager of Platform Business Planning Dept. of Fujitsu Senior Managing Director in charge of Product Dept. of Fujitsu Representative Deputy President of Fujitsu Representative Deputy Chairman of the Board of Fujitsu Representative Chairman of Fujitsu Research Institute Outside Director of Hitachi Zosen Corporation Director of the Company (current) Outside Director of OBIC BUSINESS CONSULTANTS CO., LTD. (current)	Note 2	—
Director	Takaharu Ando	Aug. 31, 1949	Apr. 1972 Aug. 1999 Aug. 2004 Jun. 2009 Oct. 2011 May 2013 Jun. 2016 Jun. 2017 Jun. 2018 May 2020	Joined National Police Agency Director of Public Security Bureau of the Metropolitan Police Dept. Director General of National Police Agency Commissioner General of National Police Agency Retired from National Police Agency Outside Director of Nitori Holdings Co., Ltd. External Director of AMUSE INC. (current) Director of the Company (current) External Director of TOBU RAILWAY CO., LTD. (current) Outside Director of Nitori Holdings Co., Ltd. (member of Audit & Supervisory Committee)	Note2	—

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director	Yoshiko Hayama	Oct. 7, 1959	Apr. 1983 Sep. 1984 Oct. 1990 Mar. 1994 Jan. 2007 Jan. 2015 Jun. 2015 May 2016 Aug. 2016 Jun. 2017 May 2018 Jun. 2020	Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.) Joined Surugadai Gakuen Educational Corporation Joined Tohmatsu LLC (currently Deloitte Touche Tohmatsu LLC) Registered as a Certified Public Accountant Joined Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC) Representative, Yoshiko Hayama Certified Public Accountant Office (current) Outside Auditor of Coco's Japan Co., Ltd. External Director of SUGI Holdings Co., Ltd. (current) Fellow Member of The Japanese Institute of Certified Public Accountants (current) Outside Director of Coco's Japan Co., Ltd. Outside Auditor of Adastria Co., Ltd. (current) Director of the Company (current)	Note 2	—
Director Full-time member of Audit & Supervisory Committee	Hideo Watanabe	Sep. 30, 1949	Apr. 1974 May 1993 Apr. 1999 Jun. 2000 May 2004 Apr. 2007 Oct. 2008 Jun. 2012 Jun. 2019	Joined Daiwa Securities Co., Ltd. (currently Daiwa Securities Group Inc.) Managing Director of Corporate Dept. Number 3 of Daiwa Securities Co., Ltd. Managing Director of Corporate Planning Dept. of Daiwa Securities SB Capital Markets Co., Ltd. (currently Daiwa Securities, Co., Ltd., hereinafter, "DSSBCM") Senior Managing Director of DSSBCM Executive Managing Director of DSSBCM, Representative Director and CEO of Daiwa Securities SMBC Principal Investments Co. Ltd. Senior Executive Managing Director of DSSBCM, President of Daiwa Securities SMBC Principal Investments Co. Ltd. Deputy President of Daiwa Institute Research Holdings Ltd., President of Daiwa Institute Research Co., Ltd., Deputy President of Daiwa Institute of Research Business Innovation Co., Ltd. Full-time Auditor of the Company Director (Full-time member of Audit & Supervisory Committee) (current)	Note 3	—
Director Full-time member of Audit & Supervisory Committee	Takashi Manaki	Aug. 3, 1954	Apr. 1977 Oct. 1995 Apr. 2000 Oct. 2002 Jun. 2005 Jun. 2009 Nov. 2010 Mar. 2014 Jun 2016 Mar. 2020 Nov. 2020 Jun. 2021	Joined Nichimen Co., Ltd. (currently Sojitz Corporation) Director of Nichimen Foods Corporation Director of Nichimen Foods Corporation General Manager of Products Dept. of Nakau Co., Ltd. Director, General Manager of Products Dept. of Nakau Co. President of Nakau Co., Ltd. President of Zensho do Brasil Comercio de Alimentos Ltda. President of Hanaya Yohei Co., Ltd. Auditor of Hamazushi Co., Ltd. Auditor of Nihon Restaurant Holdings Co., Ltd. Director of Nihon Restaurant Holdings Co., Ltd. Director (Full-time member of Audit & Supervisory Committee) (current)	Note 3	10

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership (Thousands of shares)
Director member of Audit & Supervisory Committee	Koji Takeuchi	Sep. 3, 1944	Sep. 1967 Apr. 1970 Apr. 1972 Feb. 1986 Jun. 1986 Apr. 1997 Apr. 2000 Apr. 2004 Jun. 2006 Jun. 2015 Jun. 2019	Passed the national bar examination Registered for Tokyo Bar Association Joined Matsuo Tsubasa Law Offices (currently Matsuo Sogo Law Offices) Established Kawai Takeuchi Law Office (currently Sakura Kyodo Law Offices) (current) Passed the New York bar exam Admitted in New York Bar association Lecturer at Gakushuin University Lecturer at Hitotsubashi University School of International Corporate Strategy Visiting Professor at Graduate School of Finance, Accounting and Law, Waseda University Auditor of the Company Outside Auditor of Unicafe Inc. Director (member of Audit & Supervisory Committee) (current)	Note 3	7
Director member of Audit & Supervisory Committee	Yukio Miyajima	Apr. 20, 1953	Apr. 1978 Apr. 2004 Apr. 2005 Jul. 2013 Jul. 2014 Jun. 2015 Jun 2016 Dec. 2017 Jun. 2019	Joined Nichimen Co., Ltd. (currently Sojitz Corporation) Managing Executive Officer of Nichimen Co., Ltd. President of Sojitz Insurance Agency Corporation Auditor of Taichi Holdings Limited Director, General Manager of Administration Dept. of Taichi Holdings Limited Advisor of Taichi Holdings Limited Auditor of the Company Outside Director of Sanyo Trading Co., Ltd. (current) Director (member of Audit & Supervisory Committee) (current)	Note 3	—
Total						9,554

Note 1 Directors Toshitaka Hagiwara, Chiaki Ito, Takaharu Ando, Yoshiko Hayama, Hideo Watanabe, Koji Takeuchi, and Yukio Miyajima are Outside Directors.

2 The term of office shall be one year beginning the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2022.

3 The term of office shall be two years beginning the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2021.

4 Kazumasa Ogawa, Deputy President, and Yohei Ogawa, Managing Director, are the sons of Kentaro Ogawa, Chairman of the Board, President & CEO.

(ii) Outside Directors

The Company has seven Outside Directors.

Outside Directors Toshitaka Hagiwara and Chiaki Ito have rich experience and broad insights gained through their experience in corporate management. They have been elected as outside directors due to the Company's expectations that they can contribute to the Company in reinforcing its management system by giving advices on all aspects of the management.

Outside Director Takaharu Ando has rich experience and broad insights through his playing important roles including Commissioner General of National Police Agency. Despite his lack of direct involvement in corporate management except for as an outside director, he has been elected as an outside director in the hope that he would provide appropriate supervision and advices to the Company's management from all aspects.

Outside Director Yoshiko Hayama has abundant knowledge and experience gained as a certified public accountant, an outside director, and an outside auditor in listed companies. Despite her lack of direct involvement in corporate management except for as an outside director and an outside auditor, she has provided advices to the management of Coco's Japan Co., Ltd. as an outside director and an outside auditor for about five years. She has been elected as an outside director in the hope that she could provide supervision and advices to the Company with higher level of expertise and broader point of view.

Koji Takeuchi has been elected as an outside director who is a member of the Audit & Supervisory Committee, because he has strong expertise as an attorney.

Hideo Watanabe has been elected as an outside director who is a member of the Audit & Supervisory Committee because he has accumulated significant experience and extensive knowledge through his career as management of corporations.

Yukio Miyajima has been elected as an outside director who is a member of the Audit & Supervisory Committee because he has many years of experience as a management executive and possesses broad knowledge from experience working in various fields including business control.

The Company has registered seven Outside Directors as independent Outside Directors in the Tokyo Stock Exchange.

The Company established "Criteria on the independence of Outside Directors(*)" in "Basic Policy of Corporate Governance", and elects Outside Directors from those who have rich knowledge and experiences in wide range of areas in order to enable a supervision from objective and neutral standpoint and to secure the soundness of management. To suit the purpose of the election, placing emphasis on independency, the Company does not elect any outside directors who cannot secure the independence practically.

There are no conflicts of interest between the Company and any of the above Outside Directors. The status of the shares held by each Outside Directors are stated in "Board of Directors and members of Audit & Supervisory Committee".

In cases where an Outside Director is a director or an employee of other companies, etc., there are no conflicts of interest between the Company and the relevant companies, etc., including personal relationship, capital relationship, and business relationship.

* a. The Company shall follow the criteria for determining independence stipulated by TSE.

b. Independent Outside Directors shall be honest in character, highly insightful, and shall have a wide range of knowledge and experience, as well as an established track record in specific fields, so that the Board of Directors could incorporate diverse perspectives.

c. Independent Outside Directors shall fully understand the Group's corporate philosophy.

(iii) Coordination between supervision or audits by Outside Directors and internal audits, audits by Audit & Supervisory Committee, and accounting audits, and relationship with internal control departments

Outside Directors who are not members of Audit & Supervisory Committee make important decisions at the Board of Directors as well as supervise the Directors' performance of their duties, and exchange information and opinions regularly with Audit & Supervisory Committee.

Audit & Supervisory Committee monitors the independence and appropriateness of accounting auditor's audits. Receiving audit and quarterly review plans as well as the results of those audits, Audit & Supervisory Committee work closely with accounting auditors by exchanging opinions and information, etc. To improve effectiveness and efficiency of audits, Internal Audit Department and Internal Control Department work in close cooperation, in such ways as exchanging information and opinions regularly and when necessary. Internal Audit Department shares information on internal control over financial reporting, such as status of development, evaluation, and the result of internal audits, to enhance the mutual collaboration.

(3) Audit

(i) Status of audits by Audit & Supervisory Committee

Audit & Supervisory Committee of the Company consists of two full-time members of Audit & Supervisory Committee (of which one is an Outside Director) and two part-time members of Audit & Supervisory Committee who are Outside Directors. Audit & Supervisory Committee conducts operations audits through reports of Directors and the Board of Directors' performance of their duties, hearings, and other ways. The Company selects members of Audit & Supervisory Committee based on the abundance of knowledge in the field of laws and regulations or accounting, or rich experience of corporate management. Currently, members of Audit & Supervisory Committee are selected due to the following reasons.

Mr. Takeuchi, a member of Audit & Supervisory Committee (Outside Director) has high level of knowledge as a partner attorney of Sakura Kyodo Law Offices. Mr. Miyajima, a member of Audit & Supervisory Committee (Outside Director) has a long history of involvement in finance and accounting field. Mr. Watanabe, a full-time member of Audit & Supervisory Committee (Outside Director), and Mr. Manaki, a full-time member of Audit & Supervisory Committee have abundant experience in corporate management.

To support the execution of duties of Audit & Supervisory Committee, the Company established Audit & Supervisory Committee Department and one staff has been assigned. Transfers, evaluation, etc. shall be carried out with the consent of the Audit & Supervisory Committee to secure effectiveness of the instructions of Audit & Supervisory Committee.

As part of the measures to reinforce the Company's governance and compliance, the Company established "Zensho Group Hotline Audit & Supervisory Committee counter" as an internal reporting system independent from business execution departments, through which Directors and employees of the Group can report to Audit & Supervisory Committee directly.

Under the system, Audit & Supervisory Committee audits legality and appropriateness of the Director's execution of business according to the audit policy established by the Audit & Supervisory Committee and the action plan to provide an audit report.

(ii) Status of Activity by Audit & Supervisory Committee

Attendance for members of Audit & Supervisory Committee is detailed below.

Position	Name	Audit & Supervisory Committee Meeting Attendance
Full-time member of Audit & Supervisory Committee (Outside Director)	Hideo Watanabe	Attended all 23 meetings
Full-time member of Audit & Supervisory Committee (Note 1)	Takayuki Manaki	Attended all 18 meetings
Member of Audit & Supervisory Committee (Outside Director)	Koji Takeuchi	Attended all 23 meetings
Member of Audit & Supervisory Committee (Outside Director)	Yukio Miyajima	Attended all 23 meetings
Full-time member of Audit & Supervisory Committee (Note 2)	Yutaka Honda	Attended all 5 meetings

Note: 1. Takayuki Manaki, a full-time member of Audit & Supervisory Committee, took office at the Ordinary General Meeting of Shareholders held on June 25, 2021. The number of meetings attended is counted from after his appointment.

2. Yutaka Honda retired following the end of his tenure of office at the conclusion of the Ordinary General Meeting of Shareholders on June 25, 2021.

Primary issues to be examined by the Audit & Supervisory Committee include the audit policies, audit plans, status of development and operation of internal control systems, evaluation of effectiveness of such systems, appointment and discharge of the Directors (excluding members of Audit & Supervisory Committee), evaluation of compensation, etc., and appropriateness of audit measures taken by accounting auditors and audit results.

Audit & Supervisory Committee met all the Directors including President at least once a year, received audit reports from internal audit department regularly, and with the reports from accounting auditors and other information, investigated the status of Directors' performance of their duties, as well as the status of development and operation of internal control systems.

Audit & Supervisory Committee promoted communication with accounting department and accounting auditors at beginning and end of the reporting term as well as at the time of quarterly

review, to discuss about important audit matters and other issues. As to the audits by accounting auditors, Audit & Supervisory Committee evaluated the accounting auditors and examined the appropriateness of reappointment according to “Standard for Evaluation and Selection of Accounting Auditor”.

Full-time members of Audit & Supervisory Committee deepened operational audit, focusing on information gathering through attendance at important internal meetings, inspection of important documents including approval documents, and reports from each department in charge. Furthermore, Audit & Supervisory Committee endeavored to grasp the status of governance, compliance, etc. of subsidiaries in the Group by exchanging opinions with directors of subsidiaries and department in charge when necessary and working closely with auditors of subsidiary, and investigated the operational status of internal control in the Group.

(iii) Status of Internal Audit

Internal audits are conducted by the Group Internal Audit Department (9 members including manager of the department). Group Internal Audit Department conducts operational audits and internal control audits of all the Group companies (domestic and overseas), taken into consideration of each business profile and size. Result of audits and progress in improvement are reported to Representative Director in a timely manner. Furthermore, to enhance mutual collaboration, Group Internal Audit Department submit reports to Audit & Supervisory Committee, and strives to reinforce the development and operation of internal control by collaborating with accounting auditor as well.

(iv) Status of Audits by Accounting Auditor

(a) Name of the Accounting Auditor
PricewaterhouseCoopers Aarata LLC

(b) Consecutive auditing period
11 years from the fiscal year ended March 31, 2012
(For 9 years from fiscal year ended March 31, 1996 to fiscal year ended March 31, 2004, the Company has selected an audit firm that is the same network firm as PricewaterhouseCoopers.)

(c) Certified public accountants who conducted accounting audits

Designated Engagement Partner	Certified public accountant	Shigeru Takahama (engaged for 3 consecutive years in auditing)
Designated Engagement Partner	Certified public accountant	Kentaro Shimizu (engaged for 3 consecutive years in auditing)

(d) Composition of assistants engaged in accounting audits
The assistants engaged in the accounting audits of the Company comprised of 4 certified public accountants and 19 others.

(e) Policy and reasons for the selection of the accounting audit firm
Audit & Supervisory Committee has established the “criteria for evaluation and selection of the audit firm” and selects an audit firm in light of the criteria. Decision was made after comprehensively taking into consideration such issues as whether the accounting firm has certain business size and world-wide network that enable an efficient audit for the Company’s wide range of businesses, whether it has adequate systems for the review, whether time, period, and specific auditing guidelines, and audit fees are reasonable, and its past activities. In addition, the Company confirmed its independence according to “Guideline for Auditors Independence” issued by the Japanese Institution of Certified Public Accountants, and verified and ensured that it has necessary expertise.

The current accounting auditor is a network firm of PricewaterhouseCoopers, which operates world-wide and has abundant human resources with expertise in overseas accounting and audits. The Company determined that the current audit firm is adequate since the Company is expanding its overseas business.

In the event that Audit & Supervisory Committee determines that the execution of duties by the accounting auditor is disrupted, or it’s necessary, Audit & Supervisory Committee will determine the content of a proposal to the general meeting of shareholders that the accounting auditor be discharged or not be reappointed.

Furthermore, in the event that the circumstances set forth in any of the items of Article 340, Paragraph 1 of the Companies Act apply to the accounting auditor, the Audit & Supervisory Committee will discharge the accounting auditor with a unanimous resolution of the Audit &

Supervisory Committee members. In such case, a Member of Audit & Supervisory Committee designated by the Audit & Supervisory Committee shall report the dismissal of the accounting auditor and the reason for it at the first General Meeting of Shareholders convened after the dismissal.

(f) Evaluation of the auditing firm by the Audit & Supervisory Committee

The Audit & Supervisory Committee has established the “criteria for evaluation and selection of the audit firm”. Audit & Supervisory Committee evaluated the auditing firm in accordance with the standard and confirmed that the accounting audits by the auditing firm are continuously performed properly.

In addition, Audit & Supervisory Committee resolved the reappointment of the audit firm, and the evaluation provided is performed comprehensively in accordance with the “Practical guidelines for corporate auditors, etc. regarding the evaluation of accounting auditors and the formulation of selection criteria” released by the Japan Audit & Supervisory Board Members Association.

(v) Audit fees, etc.

(a) Audit fees paid to Certified Public Accountants, etc.

	Previous fiscal year		Current fiscal year	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
Zensho Holdings Co., Ltd.	85	–	89	2
Consolidated subsidiaries	36	–	37	–
Total	122	–	126	2

Non-audit services rendered for the Company during the current fiscal year were preparation of comfort letters relating to bond issuance.

(b) Audit fees paid to the same network (PricewaterhouseCoopers) that Certified Public Accountants, etc. belong to (excluding (a) above)

	Previous fiscal year		Current fiscal year	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
Zensho Holdings Co., Ltd.	–	16	–	–
Consolidated subsidiaries	31	19	34	31
Total	31	35	34	31

Non-audit services rendered for the Company during the previous fiscal year were mainly advisory services relating to tax and legal matters on reorganization of overseas subsidiaries.

Non-audit services rendered for consolidated subsidiaries during the previous fiscal year and the current fiscal year were mainly advisory services relating to internal control assessment of overseas subsidiaries and tax related services.

(c) Other material fees for audit services

In the previous fiscal year and the current fiscal year, there were no important audit fees paid by certain subsidiaries of the Company to Certified Public Accountants, etc. who belong to audit firms not in the same network as the Certified Public Accountants, etc. the Company uses.

(d) Policy for determining audit fees

Audit fees are determined with the consent of Audit & Supervisory Committee, in light of the factors including the audit plan, detail of estimated audit fees, performance of previous year, etc.

(e) Reasons for the Audit & Supervisory Committee’s approval on audit fees to the Accounting Auditors

Based on the “Practical Guidelines for Cooperation with Accounting Auditor,” released by the Japan Audit & Supervisory Board Members Association, and having obtained necessary materials, reports from Directors, related departments, and the Accounting Auditor, the Audit & Advisory Committee conducts confirmation of the auditing plans and the status of execution of duties of the Accounting Auditor, as well as the grounds for calculation of estimated audit fees and other matters. After such examination is carried out, Audit & Supervisory Committee, gives consent to the audit fees for the Accounting Auditor, etc. in accordance with Article 399, Paragraph 1 of the Companies Act of Japan.

(4) Compensation, etc.

(i) The amounts of compensation, etc. for Directors and matters regarding policy for the method of determining such amounts

1) Basic policy and the level of compensation

The level of compensation for Directors shall be set to provide the Directors with an incentive to increase the corporate value not only for short-term but also for medium to long-term. The compensation shall also be set at an adequate level to secure diverse and highly competent personnel, based on comparisons with companies in the same industry and companies of the same size.

2) Specific policy

(a) Breakdown of compensation

Compensation for Directors (excluding Outside Directors and members of Audit & Supervisory Committee) consists of a fixed amount monthly basic compensation and an annual performance-linked compensation. Compensation for Outside Directors and members of Audit & Supervisory Committee is only a fixed amount monthly basic compensation.

(b) Upper limit of total compensation

Total amount of compensation for Directors shall be decided within the limit approved by General Meeting of Shareholders. Resolutions of Board of Directors and General Meeting of Shareholders shall be obtained to change the limit. At the 37th Ordinary General Meeting of Shareholders held on June 21, 2019, upper limits of annual compensation for Directors (excluding members of Audit & Supervisory Committee) and members of Audit & Supervisory Committee were set at 600 million yen (60 million of which is for Outside Directors, and salary for employees are not included) and 120 million yen, respectively.

(c) Decision of compensation for Directors

i) Decision of fixed compensation

- a) Amount of fixed compensation (monthly basic compensation) for each Director (excluding members of Audit & Supervisory Committee) is decided by President based on a fixed amount basic compensation table for Directors (by each position) within the upper limit of total compensation, in consideration of responsibilities and evaluation of each Director.
- b) The fixed amount basic compensation table for Directors (by each position) is decided by President each year, after examined by Nomination and Compensation Advisory Committee.
- c) Amount of fixed-amount monthly basic compensation for each member of Audit & Supervisory Committee is decided by discussions among the Audit & Supervisory Committee within the upper limit of total compensation, in consideration of whether full-time or part-time, status of assigned duties, and other matters.

ii) Decision of performance-linked compensation

- a) Amount of performance-linked compensation for each Director (excluding Outside Directors and members of Audit & Supervisory Committee) is decided by President based on a performance-linked compensation table for Directors (by each position) and performance of the Company, within the upper limit of total compensation, in consideration of responsibilities and evaluation of each Director. The performance of the Company is measured using its consolidated ordinary profit to net sales ratio. The performance-linked compensation table for Directors (by each position) provides absolute amounts using percentages in increments of 1% when the consolidated ordinary profit to net sales ratio is at 2.0% or more, and in increments of 2% when the consolidated ordinary profit to net sales ratio is at 10.0% or more.
- b) The performance-linked compensation table for Directors (by each position) is decided by President each year, after examined by Nomination and Compensation Advisory Committee.
- c) The performance-linked compensation shall be paid once a month, in the month following the month in which Ordinary General Meeting of Shareholders is held.

- Information on Nomination and Compensation Advisory Committee is stated in “(1) Overview of corporate governance, (ii) Overview of current corporate governance system and reasons for adoption, (d) Nomination and Compensation Advisory Committee.”

iii) Proportion of fixed compensation and performance-linked compensation

	Consolidated ordinary profit to net sales ratio	Performance-linked compensation (Index) <Average of eligible Directors>
	Basic compensation (Annual amount) 100 <Index>	Less than 2%
5%		25
10%		85
15%		130
20%		350

3) Matters regarding delegation for deciding specifics of compensation for individual Directors

Specifics of compensation for individual Directors are decided by Kentaro Ogawa, Chairman, President & CEO of the Company, based on the authority delegated by the resolution of the Board of Directors. The authority delegation was resolved for the decision on specific amounts of fixed-amount compensation and performance-linked compensation of individual Director (excluding members of Audit & Supervisory Committee). The reason for the delegation is that Chairman, President & CEO is the most suitable position to evaluate each Director's assigned duties and responsibilities in light of the performance of entire Group.

The Company sets objective level of the compensation which is determined based on advices from the Nomination and Compensation Advisory Committee.

To ensure that Chairman, President & CEO makes an appropriate decision for the individual Director's compensation, the Board of Directors stipulates objective compensation level. Since compensation for individual Director is decided through such process, Board of Directors believes that the decision is in line with the decision policy.

4) Activities of Board of Directors, etc., in the process of deciding the amount of compensation, etc. for Directors in the current fiscal year

At the meeting of Board of Directors held on June 25, 2021, President was given the power to decide at his sole discretion allocation of basic monthly compensation and performance-linked compensation for Directors.

At the meeting of Audit & Supervisory Committee held on June 25, 2021, compensation for Directors who are members of Audit & Supervisory Committee was decided by mutual consultation among members of Audit & Supervisory Committee.

5) Calculation method for performance-linked stock compensation

Apart from the total compensation for Directors stated in "2) Specific policy, (b) Upper limit of total compensation" above, at the 40th Ordinary General Meeting of Shareholders held on June 24, 2022 (hereinafter, the "Shareholders' Meeting"), implementation of performance-linked stock compensation system for Directors (excluding Outside Directors and members of Audit & Supervisory Committee, hereinafter the term indicates the same unless otherwise specified) and Executive Officers (hereinafter collectively refer to Directors and Executive Officers as "the Directors, etc.") from the fiscal year ending March 31, 2023 was approved.

Total number of shares to be allocated to Directors as stock compensation shall be decided within the upper limit approved at the General Meeting of Shareholders. At the 40th Ordinary General Meeting of Shareholders held on June 24, 2022, the upper limit of shares to be allocated to Directors for the three fiscal years from fiscal year ending March 31, 2023 to fiscal year ending March 31, 2025 (and for every three years starting after the expiry of the period) was set at 225,000 shares. (The upper limit is for the entire 3 fiscal years)

Under the performance-linked stock compensation system, according to the Executive Stock Benefit Regulations, etc., the Company grants performance points to each Directors, etc. based on the position, achievement level of predetermined performance indicators based on a medium-term business plan, and others. The points are accumulated and according to the cumulative number of performance points, certain number of shares of the Company is paid after his or her retirement. (Certain portion is paid by money equal to the number of shares multiplied by the fair market price of the Company's share.)

Detail of the system is as follows.

- a) Eligible persons for the performance points (hereinafter, the “Expected Recipients”) Directors (excluding Outside Directors and members of Audit & Supervisory Committee) and Executive Officers
- b) Contents of the compensation paid as performance-linked stock compensation Shares of the Company and an amount of money equal to a number of shares of the Company multiplied by the fair market price of the Company’s share (hereinafter, collectively the “Company’s Share, etc.”)
- c) Calculation method for performance-linked stock compensation
 - i) Method to determine the performance points to be granted
 1. Timing of granting points
The Company grants points to the Expected Recipients as of the date of the first Ordinary General Meeting of Shareholders convened after the end of a term for medium-term business plan that covers three fiscal years from April 1, 2022 to March 31, 2025 (hereinafter, “First MBP Period”) and every three fiscal years after the expiry of the First MBP Period (hereinafter, the “MBP Period”) as a compensation for the performance of duties during the responding period. In addition, when Directors, etc. retires during the period of executions of duties, certain performance points calculated by the method as set forth below will be paid as a compensation for the execution of duties during the term in office in the MBP Period.
 2. Performance indicators linked to compensation
Under the system, sum of the consolidated ordinary profits for each fiscal year in the MBP Period is set as a performance indicator. Performance points are calculated based on the achievement level of total planned consolidated ordinary profit for the fiscal years under the MBP Period using the responding performance-link index.
Note: 1. Consolidated ordinary profit is the amount shown on the annual securities report.
2. Consolidated ordinary profit for each fiscal year is the amount which are released to public at the time of formulation regardless of any revisions.
Total amount of consolidated ordinary profit for the First MBP period is 116.8 billion yen.
 3. Performance points to be granted
 - a) The number of points to be granted to Directors, among Directors, etc., is calculated using the following formula.

(Formula)
Points determined by position for the MBP Period (Table 1)
x performance-link index (Table 2)
 - b) Points determined by position referred to as above is a sum of points calculated based on the number of the months for the term of office for each position (hereinafter, “Service Period”).
 - c) As to the above a), in case of retiring during MBP Period, the performance-link index will be set as below. In such a case, achievement level will be determined using the total amount of consolidated ordinary profit for the Service Period. (In case the Service Period ends during the fiscal year included in the MBP Period, performance index will be adjusted responding to the number of months of the Service Period, and the planned ordinary profit for the fiscal year will also be adjusted responding to the number of months of the Service Period.)
 - In case achievement level for the Service Period is 100% or more: 0.3
 - In case achievement level for the Service Period is less than 100%: 0.0
 - d) In calculation of the points stated above, figures are not rounded during the calculation process. In case the number of points calculated has a fractional figure of less than 1 point, the said portion shall be discarded.

Table 1 Points determined by position

Position	Points determined by position
President	60,000
Deputy President	36,000
Senior Managing Director	24,000
Managing Director	18,000
Director (Excluding those with the above titles)	6,000

Table 2 Performance-link index

Achievement level of total consolidated ordinary profit amount for each fiscal year indicated in the First Mid-term Business Plan	Performance-link index
150% or more	1.5
120% or more, less than 150%	1.3
110% or more, less than 120%	1.1
100% or more, less than 110%	1.0
Less than 100%	0.0

ii) Share of the Company, etc. to be paid

Expected recipients obtains the right to receive the compensation when requirements stipulated in the Executive Stock Benefit Regulations, etc. which was established by the resolution of the Board of Directors, are satisfied on or before the retiring date. However, in cases such as the Expected Recipient's dismissal is resolved at the Board of Directors or at the General Shareholders' Meeting, the Expected Recipient retired as a result of certain illegal acts during the tenure, and the Expected Recipient's inappropriate acts, etc. during the tenure has caused a damage to the Company, he or she cannot obtain the right to receive the compensation.

The payment to the Expected Recipient who obtained the right to receive such payment is listed in each case as below.

A) When Directors, etc. retires due to the expiry of the term

The Company pays the shares stated in a) below, and money stated in b) below.

a) Shares

Calculated points using the following formula will be the number of shares to be paid.

(Formula)

Number of shares = accumulated number of points at the date of retirement (hereinafter, "Acquired Points") x 70% (shares constituting less than one unit will be discarded)

b) Money

Calculated amount using the following formula will be paid.

(Formula)

Amount to be paid = (Acquired Points – number of shares calculated in a) above) x Market price of the Company's share as of the date of retirement

- B) When Directors, etc. retires due to the reasons other than expiry of the term
The Company pays the shares stated in a) below and money stated in b) below.
- a) Shares
Calculated points using the following formula will be the number of shares to be paid.

(Formula)

Number of shares = Acquired Points – Number of points constituting less than one unit

- b) Money
Calculated amount using the following formula will be paid.

(Formula)

Amount to be paid = Number of discarded points in a) above x Market price of the Company's share as of the date of retirement

- C) When Directors, etc. dies
The bereaved family of the Expected Recipients obtains the right to receive the compensation amount as survivors' benefits on the date of the death, provided that requirements stipulated in the Share Distribution Rules for Directors, etc. which was established by the resolution of the Board of Directors, are satisfied.

(Formula)

Amount of survivors' benefits = Acquired Points x Market value of the Company's share

- D) Upper limits of shares to be paid during the MBP Period by each position)
Upper limits of shares to be paid to Directors during the MBP Period by each position is as below.

Table 3 Upper limits of shares to be paid during the MBP Period by position (Upper limit for the entire three fiscal years)

Position	Upper limits
President	90,000
Deputy President	54,000
Senior Managing Director	36,000
Managing Director	27,000
Director (Excluding those with the above titles)	9,000

- E) Proportion of compensation by type
The ratio of performance-linked stock compensation to total compensation varies depending on business performance and stock price, however, it is generally as follows.

Monetary compensation

(fixed compensation/performance-linked compensation) 75%

Performance-linked stock compensation 25%

- F) Delegations regarding the determination of individual compensation for Directors
Matters related to the performance-linked stock compensation are not subject to any delegations.

(ii) Total amounts of compensation by category of Directors, category of compensation and number of eligible Directors

Category of Directors	Total amounts of compensation (Millions of yen)	Total amounts by category of compensation (Millions of yen)		Number of eligible Directors
		Fixed compensation	Performance-linked compensation (Monetary compensation)	
Directors (excluding Outside Directors and members of Audit & Supervisory Committee)	390	377	12	8
Members of Audit & Supervisory Committee (excluding Outside Directors)	12	12	–	2
Outside Directors	68	68	–	7

Note: As of the end of current fiscal year, there are 11 Directors (excluding members of Audit & Supervisory Committee), out of which 4 are Outside Directors, and 4 members of Audit & Supervisory Committee (out of which 3 are Outside Directors).

(iii) Total amounts of compensation on a consolidated basis by Director, etc.

Name	Category of Directors	Category of Company	Total amounts by category of compensation (Millions of yen)		Total amount of compensation (Millions of yen)
			Fixed compensation	Performance-linked compensation (Monetary compensation)	
Kentaro Ogawa	Chairman of the Board, President & CEO	The Company	186	5	191

Note: Only individual whose total compensation, etc. on a consolidated basis exceeded 100 million yen is stated.

(5) Share holdings

(i) Classification standards and approach to investment securities

The Company classifies investment securities into those for pure investment purposes and those for purposes other than pure investment (strategic-holding securities). Pure investment securities are the securities held for the purpose of generating income through changes in stock prices or dividends.

(ii) Investment securities held for purposes other than pure investment

(a) Shareholding policy, method of verification of the rationale for shareholdings, and details of verification by the Board of Directors, etc. of the appropriateness of shareholdings in individual issues

As of the end of the current fiscal year, the Company has no investment securities held for the purposes other than pure investment.

(b) Number of issues and total balance sheet amount

Not applicable.

(c) Information on the number of shares and balance sheet amounts, etc. of specified investment securities and deemed holdings of investment securities by issue

Not applicable.

(iii) Investment securities held for the purpose of pure investment

	Current fiscal year		Previous fiscal year	
	Number of issues	Total balance sheet amount (Millions of yen)	Number of issues	Total balance sheet amount (Millions of yen)
Unlisted shares	0	—	3	1
Other shares	0	—	0	—

	Current fiscal year		
	Total amount of dividend received (Millions of yen)	Total amount of gain or loss on sale of shares (Millions of yen)	Total amount of valuation gain or loss (Millions of yen)
Unlisted shares	—	—	—
Other shares	—	0	—

V. FINANCIAL INFORMATION

1. Preparation method of the consolidated financial statements and the non-consolidated financial statements

- (1) The consolidated financial statements of the Company have been prepared in accordance with the “Ordinance on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976, hereinafter the “Ordinance on Consolidated Financial Statements”).
- (2) The non-consolidated financial statements of the Company have been prepared in accordance with the “Regulation on the Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59, 1963, hereinafter the “Regulation on Financial Statements”). The Company also falls under “special company submitting financial statements” and the non-consolidated financial statements have been prepared in accordance with Article 127 of the Regulation on Financial Statements.

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and exchange Act of Japan, the consolidated financial statements for the fiscal year from April 1, 2021 to March 31, 2022 and the non-consolidated financial statements for the fiscal year from April 1, 2021 to March 31, 2022 were audited by PricewaterhouseCoopers Aarata LLC.

3. Particular efforts to secure the appropriateness of the consolidated financial statements, etc.

The Company carries out special measures for ensuring the appropriateness of consolidated financial statements, etc. Specifically, the Company became a member of the Financial Accounting Standards Foundation to develop systems through which the Company grasp the contents of Accounting Standards and related regulations appropriately or accurately respond to changes in the standards and related regulations.

1. Consolidated Financial Statements, Etc.
(1) Consolidated Financial Statements
(i) Consolidated Balance sheets

(Million yen)

	Previous fiscal year (As of March 31, 2021)		Current fiscal year (As of March 31, 2022)	
Assets				
Current assets				
Cash and deposits		37,643		42,414
Notes and accounts receivable - trade		22,401		—
Accounts receivable - trade		—	*1	24,460
Merchandise and finished goods		16,841		27,528
Work in process		813		998
Raw materials and supplies		7,810		10,340
Other		23,629		26,865
Allowance for doubtful accounts		(112)		(168)
Total current assets		109,026		132,439
Non-current assets				
Property, plant and equipment				
Buildings and structures	*2	204,127	*2	211,709
Accumulated depreciation		(120,920)		(126,051)
Buildings and structures, net		83,207		85,658
Machinery, equipment and vehicles		15,512		16,078
Accumulated depreciation		(9,161)		(9,686)
Machinery, equipment and vehicles, net		6,351		6,392
Tools, furniture and fixtures		72,966		78,432
Accumulated depreciation		(51,470)		(55,331)
Tools, furniture and fixtures, net		21,496		23,100
Land	*2	21,199	*2	22,852
Leased assets		45,670		52,321
Accumulated depreciation		(15,641)		(22,235)
Leased assets, net		30,028		30,086
Construction in progress		715		573
Total property, plant and equipment		162,997		168,663
Intangible assets				
Trademark right		38,812		45,569
Goodwill		15,186		13,106
Other		4,244		4,209
Total intangible assets		58,242		62,885
Investments and other assets				
Investment securities	*3	2,668	*3	1,883
Guarantee deposits	*4	33,259	*4	32,880
Long-term loans receivable		80		76
Long-term prepaid rent		17,107		15,625
Deferred tax assets		8,054		7,932
Other		4,546		4,738
Allowance for doubtful accounts		(14)		(14)
Total investments and other assets		65,701		63,121
Total non-current assets		286,941		294,671
Deferred assets				
Share issuance cost		19		8
Bond issuance cost		36		53
Total deferred assets		55		62
Total assets		396,023		427,172

(Million yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,678	26,986
Short-term borrowings	1,149	459
Current portion of bonds payable	20,600	5,000
Current portion of long-term borrowings	*2 35,735	*2 24,380
Lease liabilities	8,439	9,264
Income taxes payable	1,111	8,785
Contract liabilities	—	643
Provision for bonuses	2,224	2,951
Other	35,607	31,277
Total current liabilities	129,545	109,749
Non-current liabilities		
Bonds payable	5,000	15,000
Long-term borrowings	*2 132,641	*2 151,659
Lease liabilities	24,804	24,294
Retirement benefit liability	707	707
Asset retirement obligations	3,456	4,286
Deferred tax liabilities	10,919	12,505
Other	3,517	4,483
Total non-current liabilities	181,046	212,937
Total liabilities	310,592	322,686
Net assets		
Shareholders' equity		
Share capital	26,996	26,996
Capital surplus	24,818	24,823
Retained earnings	41,230	51,080
Treasury shares	(5,827)	(5,839)
Total shareholders' equity	87,216	97,060
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(69)	(72)
Deferred gains or losses on hedges	431	684
Remeasurements of defined benefit plans	(11)	18
Foreign currency translation adjustment	(2,244)	5,629
Total accumulated other comprehensive income	(1,893)	6,259
Non-controlling interests	107	1,165
Total net assets	85,430	104,486
Total liabilities and net assets	396,023	427,172

(ii) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Million yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)		Current fiscal year (From April 1, 2021 to March 31, 2022)	
Net sales		595,048	*1	658,503
Cost of sales		254,469		310,879
Gross profit		340,578		347,624
Selling, general and administrative expenses	*3	328,490	*3	338,391
Operating profit		12,088		9,232
Non-operating income				
Interest income		380		519
Dividend income		5		5
Share of profit of entities accounted for using equity method		7		5
Foreign exchange gains		208		908
Subsidy income		1,923		15,053
Other		871		1,224
Total non-operating income		3,396		17,717
Non-operating expenses				
Interest expenses		2,225		2,677
Other		1,043		1,154
Total non-operating expenses		3,269		3,832
Ordinary profit		12,215		23,117
Extraordinary income				
Insurance claim income		421		14
Compensation income		27		424
Subsidy for cooperation income	*6	7,604	*6	24,593
Other		44		345
Total extraordinary income		8,098		25,377
Extraordinary losses				
Loss on retirement of non-current assets	*4	3,182	*4	3,139
Impairment losses	*5	2,260	*5	5,545
Loss on COVID-19 infection control measures	*7	7,864	*7	11,141
Other	*2	1,569	*2	2,387
Total extraordinary losses		14,876		22,215
Net profit before income taxes		5,437		26,280
Income taxes - current		2,833		12,371
Income taxes - deferred		427		15
Total income taxes		3,261		12,387
Profit		2,175		13,893
Profit (loss) attributable to non-controlling interests		(83)		23
Profit attributable to owners of parent		2,259		13,869

(Consolidated Statements of Comprehensive Income)

(Million yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net profit	2,175	13,893
Other comprehensive income		
Valuation difference on available-for-sale securities	10	(3)
Deferred gains or losses on hedges	497	253
Remeasurements of defined benefit plans	23	29
Foreign currency translation adjustment	2,614	7,879
Share of other comprehensive income of entities accounted for using equity method	2	28
Total other comprehensive income	*1 3,148	*1 8,187
Comprehensive income	5,324	22,080
(Breakdown)		
Comprehensive income attributable to owners of parent	5,395	22,022
Comprehensive income attributable to non-controlling interests	(71)	58

(iii) Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (From April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury share	Total shareholders' equity
Beginning balance	26,996	24,817	42,090	(2,260)	91,643
Changes during period					
Dividends of surplus			(3,061)		(3,061)
Profit attributable to owners of parent			2,259		2,259
Purchase of treasury shares				(3,571)	(3,571)
Disposal of treasury shares		0		3	4
Change in scope of consolidation			(58)		(58)
Net changes in items other than shareholders' equity					
Total changes during period	–	0	(859)	(3,567)	(4,426)
Ending balance	26,996	24,818	41,230	(5,827)	87,216

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurement of defined benefit plans	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Beginning balance	(79)	(66)	(35)	(4,849)	(5,030)	179	86,793
Changes during period							
Dividends of surplus							(3,061)
Profit attributable to owners of parent							2,259
Purchase of treasury shares							(3,571)
Disposal of treasury shares							4
Change in scope of consolidation							(58)
Net changes in items other than shareholders' equity	10	497	23	2,605	3,136	(72)	3,064
Total changes during period	10	497	23	2,605	3,136	(72)	(1,362)
Ending balance	(69)	431	(11)	(2,244)	(1,893)	107	85,430

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury share	Total shareholders' equity
Beginning balance	26,996	24,818	41,230	(5,827)	87,216
Changes during period					
Dividends of surplus			(3,194)		(3,194)
Profit attributable to owners of parent			13,869		13,869
Purchase of treasury shares				(13)	(13)
Disposal of treasury shares		0		2	2
Change in scope of consolidation			(825)		(825)
Purchase of shares of consolidated subsidiaries		5			5
Net changes in items other than shareholders' equity					
Total changes during period	—	5	9,849	(11)	9,844
Ending balance	26,996	24,823	51,080	(5,839)	97,060

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurement of defined benefit plans	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Beginning balance	(69)	431	(11)	(2,244)	(1,893)	107	85,430
Changes during period							
Dividends of surplus							(3,194)
Profit attributable to owners of parent							13,869
Purchase of treasury shares							(13)
Disposal of treasury shares							2
Change in scope of consolidation							(825)
Purchase of shares of consolidated subsidiaries							5
Net changes in items other than shareholders' equity	(3)	253	29	7,873	8,153	1,058	9,211
Total changes during period	(3)	253	29	7,873	8,153	1,058	19,055
Ending balance	(72)	684	18	5,629	6,259	1,165	104,486

(iv) Consolidated Statements of Cash Flows

(Million yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	5,437	26,280
Depreciation	24,775	28,337
Impairment losses	2,260	5,545
Amortization of goodwill	1,723	1,546
Increase (decrease) in provision for bonuses	(56)	706
Interest and dividends income	(385)	(525)
Interest expenses	2,225	2,677
Loss on retirement of property, plant and equipment	2,284	2,577
Decrease (increase) in trade receivables	(8,205)	(706)
Decrease (increase) in inventories	2,546	(12,723)
Increase (decrease) in trade payables	4,095	1,163
Subsidy for cooperation income	(7,604)	(24,593)
Increase (decrease) in accrued consumption taxes	4,603	(6,236)
Decrease (increase) in other current assets	1,732	(4,898)
Decrease (increase) in other non-current assets	661	2,591
Increase (decrease) in other current liabilities	(49)	(27)
Increase (decrease) in other non-current liabilities	(259)	1,107
Other, net	58	(508)
Subtotal	35,843	22,315
Interest and dividends received	137	301
Interest paid	(2,200)	(2,653)
Income taxes paid	(4,874)	(4,780)
Subsidy for cooperation received	779	30,247
Net cash provided by (used in) operating activities	29,686	45,430
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,286)	(27,513)
Proceeds from sales of property, plant and equipment	42	855
Purchase of intangible assets	(1,135)	(1,263)
Purchase of long-term prepaid expenses	(339)	(387)
Purchase of long-term investment securities	(403)	(1,092)
Loan advances	(150)	(1,129)
Payments of leasehold and guarantee deposits	(1,170)	(1,021)
Proceeds from refund of leasehold and guarantee deposits	1,352	1,488
Purchase of long-term prepaid rents	(1,158)	(1,089)
Other, net	(270)	(395)
Net cash provided by (used in) investing activities	(23,519)	(31,550)

(Million yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(244)	(922)
Proceeds from long-term borrowings	41,453	43,264
Repayments of long-term borrowings	(25,367)	(36,250)
Repayments of lease liabilities	(5,863)	(9,603)
Purchase of treasury shares	(3,571)	(13)
Proceeds from sale of treasury shares	4	2
Proceeds from issuance of bonds	–	14,945
Redemption of bonds	(1,600)	(20,600)
Proceeds from share issuance to non-controlling shareholders	–	385
Dividends paid	(3,056)	(3,193)
Dividends paid to non-controlling interests	(1)	(0)
Net cash provided by (used in) financing activities	1,753	(11,986)
Effect of exchange rate change on cash and cash equivalents	746	2,415
Net increase (decrease) in cash and cash equivalents	8,666	4,308
Beginning balance of cash and cash equivalents	28,928	37,643
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	49	461
Ending balance of cash and cash equivalents	37,643	42,414

Notes on Consolidated Financial Statements

(Significant matters that form the basis for preparation of consolidated financial statements)

1. Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries: 117

Names of major consolidated subsidiaries:

This information is omitted since it is provided in "I. OVERVIEW OF COMPANY, 4. Subsidiaries and Associates."

7 companies including Worldfood To Go, S.L., which were non-consolidated subsidiary until the previous fiscal year, are included in the scope of consolidation due to its increased materiality.

Zensho Fast Holdings Co., Ltd. was established in the current fiscal year, and included in the scope of consolidation.

(2) Names, etc. of major non-consolidated subsidiaries:

Major non-consolidated subsidiaries:

12 companies including ZENSHO FOOD INDIA PRIVATE LIMITED

Reasons for exclusion from the scope of consolidation:

All of the non-consolidated subsidiaries are small in size, and their total assets, sales, profit (an amount prorated to ownership), and retained earnings (an amount prorated to ownership) has no significant impact on the Company's consolidated financial statements.

2. Matters related to the application of the equity method

(1) Number of affiliates accounted for by the equity method: 1

Name of the affiliate: MARUI Wasabi, Inc.

(2) In light of profit (an amount prorated to ownership), retained earnings (an amount prorated to ownership), etc., the Company does not apply the equity method to 12 non-consolidated subsidiaries including ZENSHO FOOD INDIA PRIVATE LIMITED, whose respective figures have no significant impact on the consolidated financial statements and immaterial in the aggregate.

3. Matters related to the accounting periods of consolidated subsidiaries

The fiscal year-end for consolidated subsidiaries is the same as that of the Company.

4. Matters related to accounting policies

(1) Basis and method for valuation of important assets

(i) Securities

Available-for-sale securities

- Securities other than shares with no market prices, etc.

Mark-to-market method

(Valuation difference is booked directly as net assets, and the cost of securities sold is calculated using the moving average method.)

- Shares with no market prices, etc.

Cost method using the moving average method

As for investments in limited liability investment partnerships, the Company books the net value of proportional holdings based on the most recent available financial report of the partnership according to the financial settlement date stipulated in the partnership agreement.

(ii) Derivatives

Mark-to-market method

- (iii) Inventories
 - Merchandise: Principally determined by the last purchase price method.
(The inventories stated in the balance sheet have been written down to book values based on decline in profitability.)
 - Finished goods/Raw materials/Work in progress: Principally determined by the first-in first-out method.
(The inventories stated in the balance sheet have been reduced in accordance with the decline in profitability.)
 - Supplies: Principally determined by the last purchase price method.
(The inventories stated in the balance sheet have been written down to book values based on decline in profitability)
- (2) Method of depreciation and amortization of significant assets
 - (i) Property, plant and equipment (excluding leased assets)
Principally depreciated using the straight-line method. Useful lives and residual values are estimated by a method equivalent to the provisions of the Japanese income tax law.
 - (ii) Intangible assets (excluding leased assets)
Depreciated using the straight-line method. Software for internal use is amortized using the straight-line method over the estimated internal useful life of the asset (5 years). Trademark right whose useful life cannot be determined are not amortized.
 - (iii) Leased assets
For finance leases that do not involve transfer of ownership, leased assets are depreciated using the straight-line method over the lease terms with zero or the guaranteed residual values.
Among the finance leases that do not involve transfer of ownership, for those commenced prior to March 31, 2008, an accounting method applied to ordinary lease transactions have been applied.
Certain overseas consolidated subsidiaries apply International Financial Reporting Standard 16, "Leases". In those cases, principally all the lease transactions as lessee are recorded as assets and liabilities, and depreciate those assets using straight-line method.
- (3) Deferred assets
 - Stock issuance cost: Amortized over 3 years period using the straight-line method.
 - Bond issuance cost: Amortized using the straight-line method over the period up to the redemption.
- (4) Standards for major allowance and provision
 - (i) Allowance for doubtful accounts
In provision for possible losses on receivables caused by bad debts, an estimated uncollectible amount is reported based on their historical losses as to ordinary receivables, and in consideration of their collectability as to an estimated amount of potential bad debt or other certain receivables.
 - (ii) Provision for bonuses
To prepare for the payment of bonuses to employees, a provision for bonus is recorded based on the estimated amount of bonus payments.
- (5) Accounting treatment of retirement benefits
 - The Company and certain consolidated subsidiaries provide defined contribution pension plan.
 - Certain consolidated subsidiaries provide defined benefit pension plan using the conventional principle method or the simplified method.
 - When calculating the retirement benefit, a straight-line method is applied to allocate the expected retirement benefit to the corresponding period.
 - In the consolidated subsidiaries which applies the conventional principle method, actuarial gains and losses are expensed using a straight-line method from the following fiscal year over a period within the average remaining service period of employees (4 years) at the time of occurrence of such event.

(6) Recognition standard for significant revenue and expenses

The Group mainly provides services by operating restaurants, sells groceries by operating supermarkets, grants FC rights and provides supports for store management etc. to FC members, and leases real estate.

Revenue from provision of services mainly comes from the provision of food based on orders from customers at restaurants such as Gyudon restaurants, family dining restaurants, fast food stores. Since the performance obligation is satisfied when the customer takes the food and payment is done, revenue is recorded at such time.

Revenue from the sale of groceries comes from the sale of groceries in supermarkets, the sale of foodstuffs to FC members, etc., the wholesale of processed foods, and others. Since the performance obligation is satisfied when the goods are delivered to the customer, revenue is recorded at such time.

Revenue related to granting FC rights and provision of support for store management, etc. to FC members (FC membership fees and royalty income) are recognized according to the actual situation of the transaction. FC membership fees are recorded as contract liabilities when the FC contract is concluded, and recognized as revenue for a certain period of time according to the satisfaction of performance obligations. Royalty income is measured based on the sales of the contractor, etc., and revenue is recognized considering when it is generated.

Revenue from real estate leasing is recorded as a contract liability based on the real estate lease contract and is recognized as revenue over a certain period of time according to the satisfaction of performance obligations.

Revenue is measured by deducting discounts from the consideration promised in the contract with customers, and no material financial factors are included in the contracts as the payment term applied in the major transactions of the Group usually has due within a short period of time.

(7) Standard for translation of significant foreign-currency denominated assets or liabilities into Japanese yen

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates at the consolidated balance sheet date and the exchange differences are presented as gains or losses.

Assets and liabilities of consolidated overseas subsidiaries are translated into Japanese yen at the spot exchange rates at the consolidated balance sheet date, and the earnings and expenses are translated into Japanese yen at the average market rate during the fiscal year, with the exchange differences included in foreign currency translation adjustment in the equity.

(8) Accounting standards for important hedging transactions

(i) Hedge accounting

Deferral hedge accounting is adopted.

Appropriation accounting is applied to the derivative transactions that meet the requirements for the appropriation accounting, and special accounting is applied to the interest-rate swap agreements that meet the requirements for special accounting.

(ii) Hedging instruments and hedged items

(Hedging instruments)	(Hedged items)
Forward exchange contracts	payables denominated in foreign currencies
Forward exchange contracts	receivables denominated in foreign currencies
Interest rate swap agreements	interest of loans

(iii) Hedging policy

The Company hedges the exchange-rate fluctuation risks and interest-rate fluctuation risks on loan obligations, monetary assets and liabilities in foreign currencies, etc.

(iv) Method for evaluating hedging effectiveness

Hedge transactions are deployed in accordance with the risk management policies. Complete correlation is confirmed between hedging instruments and hedged items as to the risks resulting from exchange rates and interest rate fluctuations.

(9) Goodwill amortization and amortization periods

Goodwill and negative goodwill incurred before April 1, 2010 are amortized using the straight-line method over a period within 20 years.

(10) Cash and cash equivalents in the consolidated statements of cash flows

The Group considers cash on hand, readily available deposits, and highly liquid short-term investments with maturities of 3 months or less when purchased that are exposed to an insignificant risk of changes in value to be cash and cash equivalents.

(11) Other significant matters in preparation of financial statements

(i) Adoption of consolidated taxation system

The Company and certain consolidated subsidiaries have adopted consolidated taxation system

(ii) Application of tax effect accounting in relation to transition from consolidated taxation system to group tax sharing system

For transition to the group tax sharing system established by the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020) and items for which revisions to the non-consolidated taxation system were made in line with the transition to the group tax sharing system, the stipulations of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) have not been applied in accordance with Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020), and the amount of deferred tax assets and deferred tax liabilities of the Company and certain domestic consolidated subsidiaries are presented based on the provisions of the tax laws prior to the revision.

From the beginning of the fiscal year ending March 31, 2024, “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021), which stipulates accounting treatment and disclosure of corporate tax, local corporate tax, and tax effect accounting under the group tax sharing system, will be applied.

(Significant accounting estimates)

1. Tests for impairment loss recognition related to store assets in the Restaurant business

The Group has recorded store assets of 78,123 million yen (property, plant and equipment: 77,952 million yen, intangible assets: 95 million yen, investment and other assets: 75 million yen) related to the restaurant business on its consolidated balance sheet as of March 31, 2021. The Group has recorded store assets of 80,645 million yen (property, plant and equipment: 80,547 million yen, intangible assets: 14 million yen, investment and other assets: 82 million yen) related to the restaurant business on its consolidated balance sheet as of March 31, 2022.

The Group classifies the store assets mainly on a store-by-store basis, and determines that there are signs of impairment in store assets when the stores’ cash flow from operating activities used in management accounting continue to be negative. The Group determines whether or not to recognize an impairment loss, and records an impairment loss accordingly.

In determining the recognition of an impairment loss, the total amount of undiscounted future cash flows of the store is compared with the book value of the store assets, and the estimated period of undiscounted future cash flows is the average remaining useful life of the major assets. No growth rate is set for cash flows that exceed the period of the mid-term business plan.

Among the stores that show signs of impairment, the number and book value of major restaurants and stores that were determined not necessary to recognize impairment losses are as follows.

Company name	Previous fiscal year		Current fiscal year	
	Number of stores	Book value (Million yen)	Number of stores	Book value (Million yen)
Sukiya Co., Ltd.	13	107	10	21
Nakau Co., Ltd.	–	–	24	263
Coco’s Japan Co., Ltd.	–	–	8	162
Big Boy Japan Inc.	–	–	16	155
Hanaya Yohei Co., Ltd.	–	–	19	203

2. Tests for impairment loss recognition related to goodwill

The Group has recorded goodwill of 15,186 million yen and 13,106 million yen on its consolidated balance sheets as of March 31, 2021 and as of March 31, 2022, respectively.

The Group classifies its assets in larger units by adding goodwill to multiple asset groups relate to the business to which goodwill belongs, and for businesses whose operating profit/loss (after considering goodwill amortization) continues to be negative, the Company determine that there are signs of impairment in goodwill, and makes decisions whether to recognize an impairment loss and follows the decision.

In determining the recognition of an impairment loss, the total amount of undiscounted future cash flows of the business to which goodwill belongs is compared with the book value of the asset group including goodwill, and the estimated period of undiscounted future cash flows is the average remaining

useful life of goodwill. No growth rate is set for cash flows that exceed the period of mid-term business plan.

Among the goodwill that show signs of impairment, the number of businesses whose goodwill was judged to be unnecessary to recognize the impairment loss in the previous fiscal year was one (nursing care business of Royalhouse Ishioka Co., Ltd.), and its book value was 731 million yen. For the current fiscal year, the number of businesses whose goodwill was judged to be unnecessary to recognize the impairment loss was two (Restaurant business of Coco's Japan Co., Ltd. and Restaurant business of Nakau Co., Ltd.), and their book value were 194 million yen and 784 million yen, respectively.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

(1) Contents and reasons of the changes in accounting policies

The "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of the current fiscal year. In accordance with this accounting standard, the Company recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. Regarding meal tickets, etc. which customers use to pay for the goods or services, the amount paid with such tickets, etc. was previously recorded as "Selling, General and Administrative Expenses". However, the Company has shifted to the method by which it recognizes revenue at the net amount after deducting such amount from the transaction amount. Regarding real estate rental revenue, the Company has shifted to the method by which it recognizes revenue at the gross or net amount of consideration, considering the Company's role (principal or agent) in providing the goods or services.

The Accounting Standard for Revenue Recognition has been applied since the beginning of the fiscal year pursuant to the transitional treatment stipulated in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition. However, the new accounting policy was not retrospectively applied to contracts whose almost entire revenue was recognized during the periods prior to the beginning of the fiscal year according to the previous treatment, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition.

For the contracts modified prior to the beginning of the current fiscal year, the accounting processing was carried out based on the contractual terms after all contract modifications were reflected, by applying the method set forth in item (1) of the supplementary provisions of Paragraph 86 of the Accounting Standard for Revenue Recognition.

Following the new presentation method, "Notes", which were included in "Notes and accounts receivable – trade" under current assets has been presented in "Other" under current assets from the consolidated balance sheet as of the end of the current fiscal year. Also, "Advances received", "Unearned revenue" and other items, which were included in "Other" under current liabilities has been presented in "Contract liabilities" under current liabilities of the consolidated balance sheet as of the end of the current fiscal year. However, figures for the previous fiscal year have not been reclassified using the new presentation method, in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition.

(2) Impacts on major items in consolidated financial statements

Compared with the previous accounting method, "Other" under "Current liabilities" decreased by 643 million yen and "Contract liabilities" under "Current liabilities" increased by the same amount. The impact of the change of presentation method for "Notes" was immaterial.

For the consolidated income statement for the current fiscal year, net sales increased by 15,471 million yen, the cost of sales increased by 28,842 million yen, and selling, general, and administrative expenses decreased by 13,371 million yen, while operating profit, ordinary profit, and profit before income taxes have no impact. In addition, there is no expected cumulative impact on the current fiscal year results had the new accounting standard been applied retrospectively from before the beginning of the current fiscal year.

There is no impact on per share information.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes related to "Revenue Recognition" for the previous fiscal year is not stated.

(Accounting standards not yet adopted, etc.)

Not applicable.

(Changes in presentation)

(Application of Accounting Standard for Fair Value Measurement and Implementation Guidance on Accounting Standard for Fair Value Measurement)

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019.), etc. have been applied since the beginning of the fiscal year. In accordance with the transitional treatment prescribed in Paragraph 19 of the “Accounting Standard for Fair Value Measurement” and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. in the future, and provided notes on matters related to fair value of the financial instruments by level of fair value etc. in the notes to “(Matters related to financial instruments)”. However, in accordance with the transitional treatment stipulated in Paragraph 7-4 of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), notes related to the previous fiscal year is not stated.

(Matters related to consolidated Statements of Income)

“Rental income” (130 million yen in the previous fiscal year) under “Non-operating income”, presented independently in the previous fiscal year, is included in “Other” under “Non-operating income” in the current fiscal year due to the decrease of financial significance.

“Rental expenses” (64 million yen in the previous fiscal year) under “Non-operating expenses”, presented independently in the previous fiscal year, is included in “Other” under “Non-operating expenses” in the current fiscal year due to the decrease of financial significance.

“Amortization of long-term prepaid expenses” (474 million yen in the previous fiscal year) under “Non-operating expenses”, presented independently in the previous fiscal year, is included in “Other” under “Non-operating expenses” in the current fiscal year due to the decrease of financial significance.

(Matters related to consolidated Cash Flows)

“Amortization of negative goodwill” ((2) million yen in the previous fiscal year), “Increase (decrease) in allowance for doubtful accounts” ((20) million yen in the previous fiscal year), “Increase (decrease) in retirement benefit liability” ((23) million yen in the previous fiscal year), “Foreign exchange losses (gains)” (94 million yen in the previous fiscal year), “Share of loss (profit) of entities accounted for using equity method” ((7) million yen in the previous fiscal year), “Loss (gain) on sale of property, plant and equipment” (13 million yen in the previous fiscal year), “Other extraordinary loss (income)” (123 million yen in the previous fiscal year), and “Other non-operating expenses (income)” ((166) million yen in the previous fiscal year) under “Cash flows from operating activities”, presented independently in the previous fiscal year, are included in “Other” under “Cash flows from operating activities” in the current fiscal year due to the decrease of financial significance.

“Payment of key money” ((50) million yen in the previous fiscal year) under “Cash flows from investing activities”, presented independently in the previous fiscal year, is included in “Other” under “Cash flows from investing activities” in the current fiscal year due to the decrease of financial significance.

(Matters related to consolidated Balance Sheets)

*1. Among the accounts receivable - trade, the amount of receivables from contracts with customers is as follows.

	Current fiscal year (As of March 31, 2022)
Accounts receivable - trade	¥24,460 million

*2. Collateral assets and mortgaged liabilities

Collateral assets are as follows.

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Buildings and structures	¥360 million	¥199 million
Land	¥1,127 million	¥1,126 million
Total	¥1,487 million	¥1,325 million

Mortgaged liabilities are as follows.

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Long-term borrowings (including current portion of long-term borrowings)	¥419 million	¥ 318million

*3. Investments in non-consolidated subsidiaries and affiliates are as follows.

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Investment securities (stocks) (Investment amount in jointly controlled entities)	¥2,446 million (¥266 million)	¥1,674 million (¥300 million)

*4. The assets deposited pursuant to the Act on Financial Settlements are as follows.

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Guarantee deposits	¥114 million	¥114 million

5. Current account overdraft agreement and commitment line agreement

Previous fiscal year (As of March 31, 2021)

The Company has executed an overdraft agreement with 13 correspondent banks, for the purpose of efficient procurement of operating capital.

Unused credit balance related to the agreements at the previous fiscal year is as follows.

Total loan limits	¥23,107 million
Amount executed as loans	—
Difference	¥23,107 million

Current fiscal year (As of March 31, 2022)

The Company has executed an overdraft agreement with 13 correspondent banks, for the purpose of efficient procurement of operating capital.

Unused credit balance related to the agreements at the current fiscal year is as follows.

Total loan limits	¥23,223 million
Amount executed as loans	—

Difference	¥23,223
	million

(Matters related to consolidated statements of income)

*1. Revenue from contracts with customers

The Company does not present revenue from contracts with customers and other revenue separately. The amount of revenue from contracts with customers is presented in “(1) Consolidated Financial Statements, Notes on Consolidated Financial Statements, (Matters related to revenue recognition)”.

*2. The amount of write-down based on a decline in recoverable value of inventories are as follows.

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Extraordinary loss other (New infectious diseases related loss)	¥318 million	—

*3. Major components of selling, general and administrative expenses are as follows.

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Payroll and allowances	¥30,007 million	¥32,656 million
Other salaries	¥104,910 million	¥108,167 million
Provision for bonuses	¥2,792 million	¥4,372 million
Retirement benefit expenses	¥443 million	¥543 million
Rent expenses on land and buildings	¥49,751 million	¥49,075 million

*4. Losses on sale and retirement of non-current assets are as follows.

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Buildings and structures	¥1,599 million	¥1,498 million
Machinery, equipment and vehicles	¥341 million	¥117 million
Other	¥357 million	¥405 million
Removal cost	¥882 million	¥1,119 million
Total	¥3,182 million	¥3,139 million

*5. Impairment losses

The Group recognized impairment loss on the following asset groups.

Previous fiscal year (From April 1, 2020 to March 31, 2021)

Use	Type of assets	Location	Impairment loss amount
Directly-managed stores, etc.	Buildings, etc.	Japan (Tokyo, etc.)	¥1,155 million
		Overseas (Shanghai, etc.)	¥508 million
Other	Goodwill	Japan	¥437 million
		Overseas (Malaysia)	¥158 million
Total			¥2,260 million

The Group has classified its assets primarily by store. Rental properties are classified according to each individual asset, and Headquarter offices, factories, and training facilities are classified as assets for common use. Of the above asset groups, for those whose operating profit/loss is deteriorating, the Company marked down the book value of assets to the recoverable amount, and recorded an impairment loss of 1,663 million yen (920 million yen for buildings, 218 million yen for land, and 525 million yen for other assets).

Value in use is used as the recoverable amount, but those are valued as zero since the future cash flows cannot be expected.

For certain goodwill, the book value was reduced to the recoverable amount and the impairment loss of 596 million yen was recorded due to the increasing uncertainty of profit planned in the mid-term business plans during the previous fiscal year. Relevant assets are mainly Zensho Ichiban Malaysia Sdn Bhd (158 million yen) and Kagayaki Co., Ltd. (143 million yen). Value in use is used as the recoverable amount, but those are valued as zero since the estimated future cash flows are highly uncertain.

Current fiscal year (From April 1, 2021 to March 31, 2022)

Use	Type of assets	Location	Impairment loss amount
Directly-managed stores, etc.	Buildings, etc.	Japan (Tokyo, etc.)	¥1,844 million
		Overseas (Shanghai, etc.)	¥429 million
Production facilities, etc.	Buildings, etc.	Japan (Hokkaido, etc.)	¥2,575 million
Other	Goodwill	Japan	¥696 million
Total			¥5,545 million

The Group has classified its assets primarily by directly-managed store and rental property. Assets used by multiple departments, i.e., headquarter offices, production facilities, and training facilities are classified as assets for common use. Of the above asset groups, for those whose operating profit/loss is deteriorating or whose fair value decreased significantly, the Company marked down the book value of assets to the recoverable amount, and recorded an impairment loss of 4,849 million yen (3,294 million yen for buildings, 409 million yen for land, and 1,146 million yen for other assets).

Higher of the value in use and the fair value less costs to sell is used as the recoverable amount. The fair value less costs to sell is primarily measured based on reasonably adjusted valuation amount for real estate tax purposes. The value in use is valued as zero since the future cash flows cannot be expected.

For certain goodwill (nursing care business of Royalhouse Ishioka Co., Ltd.), the book value was reduced to the recoverable amount and the impairment loss of 696 million yen was recorded due to the increasing uncertainty of profit planned in the mid-term business plans during the current fiscal year. Value in use is used as the recoverable amount, and it is calculated by discounting the future cash flows by 4.6%.

*6. Subsidy for cooperation income

Previous fiscal year (From April 1, 2020 to March 31, 2021) and Current fiscal year (From April 1, 2021 to March 31, 2022)

In response to the declaration of state of emergency and requests from the government and municipalities to refrain from operating the business due to the COVID-19, the Group conducted shortening of operating hours.

Subsidy received by responding to such requests are recorded as subsidy for cooperation income under extraordinary income.

*7. Loss incurred from COVID-19 infection control measures

Previous fiscal year (From April 1, 2020 to March 31, 2021) and Current fiscal year (From April 1, 2021 to March 31, 2022)

In response to the declaration of state of emergency and a request from the government and municipalities to refrain from operating the business due to the COVID-19, the Group conducted shortening of operating hours and temporary closures of restaurants.

Expenses such as personnel expenses, depreciation, and rent expenses (excluding headquarter expenses), incurred during these periods are recorded as loss on COVID-19 infection control measures under extraordinary losses.

(Matters related to consolidated statements of comprehensive income)

*1. Amount for reclassification adjustment pertaining to other comprehensive income and tax effect

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities:		
Gain (Loss) in the current period	¥14 million	¥(5) million
Reclassification adjustment	—	¥0 million
Before tax effect adjustment	¥14 million	¥(5) million
Tax effect	¥(4) million	¥1 million
Valuation difference on available-for-sale securities	¥10 million	¥(3) million
Deferred gains or losses on hedges:		
Gain (Loss) in the current period	¥668 million	¥1,048 million
Reclassification adjustment	¥92 million	¥(663) million
Before tax effect adjustment	¥760 million	¥384 million
Tax effect	¥(262) million	¥(131) million
Deferred gains or losses on hedges	¥497 million	¥253 million
Remeasurements of defined benefit plans:		
Gain (Loss) in the current period	¥15 million	¥28 million
Reclassification adjustment	¥14 million	¥16 million
Before tax effect adjustment	¥30 million	¥45 million
Tax effect	¥(6) million	¥(15) million
Remeasurements of defined benefit plans	¥23 million	¥29 million
Foreign currency translation adjustment:		
Gain (Loss) in the current period	¥2,614 million	¥7,879 million
Reclassification adjustment	—	—
Before tax effect adjustment	¥2,614 million	¥7,879 million
Tax effect	—	—
Foreign currency translation adjustment	¥2,614 million	¥7,879 million
Share of other comprehensive income of entities accounted for using equity method:		
Gain (Loss) in the current period	¥2 million	¥28 million
Total other comprehensive income	¥3,148 million	¥8,187 million

(Matters related to consolidated statements of changes in shareholders' equity)

Previous fiscal year (From April 1, 2020 to March 31, 2021)

1. Class and number of shares issued and outstanding and treasury shares

(Thousands of shares)

	Number of shares at the beginning of the fiscal year	Increase in shares during the fiscal year	Decrease in shares during the fiscal year	Number of shares at the end of the fiscal year
Shares issued and outstanding:				
Common stock	154,862	—	—	154,862
Total	154,862	—	—	154,862
Treasury shares				
Common stock	1,102	1,635	1	2,736
Total	1,102	1,635	1	2,736

Notes: 1. The increase of 1,635 thousand shares in treasury common stock represents an increase of 1,618 thousand shares authorized by the Board of Directors and an increase of 17 thousand shares as a result of the purchase of odd-lot shares.

2. The decrease of 1 thousand shares in treasury common stock represents a decrease of 1 thousand shares as a result of the sale of odd-lot shares.

2. Matters related to stock acquisition rights and treasury share acquisition rights

Not applicable.

3. Matters related to dividends

(1) Dividends paid

Resolution	Class of share	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2020	Common stock	¥1,537 million	10.0	March 31, 2020	June 29, 2020
Board of Directors' Meeting held on November 13, 2020	Common stock	¥1,523 million	10.0	September 30, 2020	December 8, 2020

(2) Dividends with a record date during the fiscal year ended March 31, 2021, but with an effective date subsequent to the fiscal year ended March 31, 2021, are as follows.

Resolution	Class of share	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2021	Common stock	¥1,521 million	10.0	March 31, 2021	June 28, 2021

Current fiscal year (From April 1, 2021 to March 31, 2022)

1. Class and number of shares issued and outstanding and treasury shares

(Thousands of shares)

	Number of shares at the beginning of the fiscal year	Increase in shares during the fiscal year	Decrease in shares during the fiscal year	Number of shares at the end of the fiscal year
Shares issued and outstanding:				
Common stock	154,862	—	—	154,862
Total	154,862	—	—	154,862
Treasury shares				
Common stock	2,736	4	0	2,740
Total	2,736	4	0	2,740

Notes: 1. The increase of 4 thousand shares in treasury common stock represents an increase of 4 thousand shares as a result of the purchase of odd-lot shares.

2. The decrease of 0 thousand shares in treasury common stock represents a decrease of 0 thousand shares as a result of the sale of odd-lot shares.

2. Matters related to stock acquisition rights and treasury share acquisition rights

Not applicable.

3. Matters related to dividends

(1) Dividends paid

Resolution	Class of share	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2021	Common stock	¥1,521 million	10.0	March 31, 2021	June 28, 2021
Board of Directors' Meeting held on November 12, 2021	Common stock	¥1,673 million	11.0	September 30, 2021	December 7, 2021

(2) Dividends with a record date during the current fiscal year, but with an effective date subsequent to the current fiscal year, are as follows.

Resolution	Class of share	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2022	Common stock	¥1,673 million	11.0	March 31, 2022	June 27, 2022

(Matters related to consolidated statements of cash flows)

*1. Reconciliations between ending balance of cash and cash equivalents and amounts stated in the consolidated balance sheets are as follows.

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash and deposits	¥37,643 million	¥42,414 million
Cash and cash equivalents	¥37,643 million	¥42,414 million

2. Details of significant non-monetary transactions

The amount of assets and liabilities for finance lease transactions

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Amount of assets and liabilities for finance lease transactions	¥7,038 million	¥9,954 million

(Matters related to lease transactions)

1. Finance lease transactions (as a lessee)

Finance lease transactions that do not transfer ownership

(1) Details of leased assets

Property, plant and equipment

Mainly sales equipment (including buildings and structures, and tools, furniture and fixtures) used in food business

(2) Depreciation and amortization of the lease assets

Depreciation and amortization of the lease assets is as described in “4. Matters related to accounting policies, (2) Method of depreciation and amortization of significant assets”.

Among the finance leases that do not involve transfer of ownership, for those commenced prior to March 31, 2008, an accounting method applied to ordinary lease transactions have been applied.

The detail is as follows.

(i) Acquisition cost equivalents, accumulated depreciation equivalents, accumulated impairment losses and year-end balance equivalents of the leased property

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)			
	Acquisition cost equivalents	Accumulated depreciation equivalents	Accumulated impairment losses	year-end balance equivalents
Buildings and structures	1,596	1,210	—	386
Tools, furniture and fixtures	9	6	—	2
Total	1,606	1,216	—	389

(Millions of yen)

	Current fiscal year (As of March 31, 2022)			
	Acquisition cost equivalents	Accumulated depreciation equivalents	Accumulated impairment losses	year-end balance equivalents
Buildings and structures	1,499	1,197	—	301
Tools, furniture and fixtures	9	7	—	1
Total	1,508	1,205	—	303

(ii) Future lease payment equivalents at the end of the fiscal year, etc.

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Future lease payment equivalents at the end of the fiscal year		
Within one year	96	92
Over one year	435	334
Total	532	427
Accumulated impairment of leased assets	—	—

(iii) Lease payments, reversal from accumulated impairment of leased assets, depreciation equivalents, Interest expense equivalents, and impairment losses

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Lease payments	134	128
Reversal from accumulated impairment of leased assets	—	—
Depreciation equivalents	83	79
Interest expense equivalents	39	32
Impairment losses	—	—

(iv) Calculation of depreciation equivalents

Depreciation equivalents are calculated using the straight-line method over the useful lives of the respective leased assets with zero residual value.

(v) Calculation of Interest expense equivalents

The difference between total lease expenses and the acquisition cost equivalent of leased assets is considered as the interest portion and the allocation of this interest is calculated by the interest method.

2. Operating lease transactions

Future lease payments under non-cancelable operating leases

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Future lease payments		
Within one year	1,042	428
Over one year	1,204	5
Total	2,246	433

(Matters related to financial instruments)

1. Status of financial instruments

(1) Policy on financial instruments

The Group procures necessary funds (mainly by bank loans and bond issuance) in light of the capital investment plan. The Group invests temporary surplus funds mainly in financial instruments with high liquidity, and procures short-term working capital with bank loans. Derivatives are used to avoid the risks described below, and the Group makes it a policy not to do speculative transactions.

(2) Description of financial instruments and related risks

Accounts receivable, which are the Group's operating receivables, are exposed to the credit risk of the business partners. Some of the receivables are exposed to the fluctuation risk of foreign exchange rates and the Group hedges the risk using forward exchange contracts.

Investment securities are mainly stocks of companies with which the Group has a business relationship, and listed stocks are exposed to the market price fluctuation risks.

Guarantee deposits are exposed to the credit risk of the counterparties such as the owner of the store property.

Prepaid rent and long-term prepaid rent are construction assistance funds, which are collected by offsetting the rent paid, and those are exposed to the credit risk of the owner of the store property.

Most of the accounts payable, which are operating liabilities, are due within one month. Some of the payables are exposed to the fluctuation risk of foreign exchange rates and the Group hedges the risk using forward exchange contracts.

Corporate bonds and borrowings are mainly for the purpose of procurement of funds related to capital investment. Repayment due dates for these liabilities are not longer than 34 years from the settlement dates. Some of the liabilities are exposed to interest rate fluctuation risk, and are hedged by interest swap transactions.

Lease liabilities related to finance lease transactions are for the purpose of procurement of funds related to capital investments, and are based on fixed interest rates.

Derivative transactions involve forward exchange contract transactions for the purpose of hedging the exchange rate fluctuation risks related to operating receivables and payables denominated in foreign currencies, and interest rate swap transactions for the purpose of hedging interest rate fluctuations risks related to interest payments of borrowings. Information on hedging instruments and hedged items, hedging policy, and method for evaluating hedging effectiveness, etc. relating to hedge accounting is stated in "(Significant matters that form the basis for preparation of consolidated financial statements), 4. Matters related to accounting policies, (8) Accounting standards for important hedging transactions".

(3) Risk management system

(a) Credit risk management (Risks related to breach of contract of business partners)

The Company manages the due dates and balances of accounts receivable for each business partner.

For guarantee deposits and construction assistance funds, the Company regularly monitor the situation of the business partner and aims to reduce the risk by grasping the deterioration of the financial situation at an early stage.

Regarding derivative transactions, the Company recognize that there is almost no credit risk because the Company limit its trading partners to financial institutions with high ratings.

(b) Market risk management (fluctuation risks of foreign exchange rates and interest rates, etc.)

For the foreign currency-denominated operating liabilities and receivables, the Company grasps foreign exchange fluctuation risks by currency and month, and hedges the risks by basically using forward exchange contracts.

The Company uses interest rate swap transactions to reduce the risk of fluctuations in interest payments related to borrowings.

Regarding the execution and management of derivative transactions, the department in charge obtains the approval of the authorized personnel in accordance with the management rules that stipulate transaction authority and limits, etc. Monthly transaction results are reported to the Director in charge.

With regard to investment securities, the Company regularly checks the market price and the financial status of issuers, etc., and continuously review the holding status in consideration of the relationship with the business partners.

(c) Liquidity risk related to financing (Risk of being unable to make payments on the due date)

The Company manages liquidity risk by preparing cash flow plans on a timely basis and

maintaining liquidity on hand, etc.

(4) Supplemental explanation on the fair value of financial instruments, etc.

The fair value of financial instruments includes the value reasonably calculated for those without market price, in addition to the value based on the market price. As several variable factors are incorporated in calculating the fair value, the resulting amount may vary depending on the different preconditions employed. The contract amounts, etc., regarding derivative transactions in “Notes on Consolidated Financial Statements, (Matters related to derivative transactions) “, are not necessarily indicative of the market risk related to derivative transactions.

2. Fair value of financial instruments, etc.

Book values in consolidated balance sheets, fair values and the difference of these are presented as follows.

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Consolidated balance sheet amounts	Fair value	Difference
(1) Accounts receivable - trade	—	—	—
(2) Investment securities (*2)	59	59	—
(3) Guarantee Deposits	—	—	—
(4) Prepaid rent and long-term prepaid rent	18,586	19,374	788
Total assets	78,691	79,479	788
(1) Accounts payable – trade	24,678	24,678	—
(2) Short-term borrowings	1,149	1,149	—
(3) Bonds payable (including current portion)	25,600	25,663	63
(4) Long-term borrowings (including current portion)	168,376	169,633	1,256
(5) Lease liabilities (including current portion)	33,243	33,622	378
Total liabilities	253,048	254,747	1,698
Derivative transactions (*3)	660	660	—

*1 Notes on cash and deposits are omitted because deposits are settled within a short period of time and its fair value is almost equal to the book value.

*2 Consolidated balance sheet amounts for the financial instruments whose fair value is deemed extremely difficult to measure.

(Millions of yen)

	Previous fiscal year
Unlisted shares	2,614

These are not included in “Investment securities” because it is deemed extremely difficult to measure the fair value.

*3 Net receivables and payables, which were derived from derivative transactions are presented in net amounts.

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Consolidated balance sheet amounts	Fair value	Difference
(1) Accounts receivable - trade	24,460	24,460	—
(2) Investment securities (*2)	43	43	—
(3) Guarantee Deposits	32,880	32,340	(540)
(4) Prepaid rent and long-term prepaid rent	17,526	17,723	197
Total assets	74,910	74,567	(342)
(1) Accounts payable – trade	26,986	26,986	—
(2) Short-term borrowings	459	459	—
(3) Bonds payable (including current portion)	20,000	20,016	16
(4) Long-term borrowings (including current portion)	176,039	175,664	(375)
(5) Lease liabilities (including current portion)	33,559	33,657	97
Total liabilities	257,045	256,784	(261)
Derivative transactions (*3)	1,043	1,043	—

*1 Notes on cash and deposits are omitted because deposits are settled within a short period of time and its fair value is almost equal to the book value.

*2 Shares, etc. which has no market value (consolidated balance sheet amount: 1,840 million yen) are not included in “Investment securities”.

*3 Net receivables and payables, which were derived from derivative transactions are presented in net amounts.

Note1. Redemption schedule for monetary receivables with maturity dates after the consolidated closing date

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	37,643	—	—	—
Notes and accounts receivable - trade	22,401	—	—	—
Prepaid rent and long-term prepaid rent	1,478	6,960	6,204	3,943
Total	61,523	6,960	6,204	3,943

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	42,414	—	—	—
Accounts receivable - trade	24,460	—	—	—
Guarantee deposits	3,923	12,872	6,938	9,145
Prepaid rent and long-term prepaid rent	1,901	6,516	5,378	3,730
Total	72,700	19,389	12,317	12,875

Note2. Repayment schedule for bonds and long-term borrowings after the consolidated closing date
 Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	20,600	5,000	—	—	—	—
Long-term borrowings	35,735	23,808	14,172	7,066	16,000	71,595
Lease liabilities	8,439	7,339	5,570	2,494	1,374	8,024
Total	64,774	36,147	19,742	9,560	17,375	79,619

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	5,000	—	10,000	—	5,000	—
Long-term borrowings	24,380	14,920	17,667	18,296	9,555	91,219
Lease liabilities	9,264	5,968	4,493	3,367	2,055	8,409
Total	38,644	20,888	32,161	21,664	16,610	99,628

3. Matters related to breakdown of financial instruments by fair value level, etc.

The fair value of financial instruments is classified into the following three levels according to the observability and importance of the input used in the measurement of the fair value.

Level 1: Fair value measured by quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value measured by inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.

Level 3: Fair value measured by important unobservable inputs for the asset or liability.

In case multiple inputs that have a significant impact on fair value calculations are used, the fair value is classified into the lowest priority level of the levels of these inputs belongs.

(1) Financial instruments presented at fair value in the consolidated balance sheets

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Fair values			
	Level 1	Level 2	Level 3	Total
(1) Investment securities				
Available for sale securities				
Shares	43	—	—	43
(2) Derivative transactions				
Related to currencies	—	1,042	—	1,042
Related to interest rates	—	1	—	1
Total Assets	43	1,043	—	1,086
Not applicable	—	—	—	—
Total Liabilities	—	—	—	—

(2) Financial instruments other than those presented at fair value in the consolidated balance sheets

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Fair values			
	Level 1	Level 2	Level 3	Total
(1) Accounts receivable - trade	—	24,460	—	24,460
(2) Guarantee deposits	—	32,340	—	32,340
(3) Prepaid rent and long-term prepaid rent	—	17,723	—	17,723
Total Assets	—	74,524	—	74,524
(1) Accounts payable - trade	—	26,986	—	26,986
(2) Short-term borrowings	—	459	—	459
(3) Bonds payable	—	20,016	—	20,016
(4) Long-term borrowings	—	175,664	—	175,664
(5) Lease liabilities	—	33,657	—	33,657
Total Liabilities	—	256,784	—	256,784

Note: Calculation method of the fair value and matters relating to inputs used in the calculation

Assets

(1) Accounts receivable - trade

As these assets are settled within a short period of time and the fair value is almost equal to the book value, the fair value of these assets is based on the book value and is classified in Level 2 fair value.

(2) Investment securities

The calculation of the fair value of listed shares is based on the market prices. Since the listed shares are traded at active stock exchange, the fair value is classified in Level 1 fair value. For

matters regarding securities by purpose of holding, refer to “Notes on Consolidated Financial Statements, (Matters related to securities)”.

(3) Guarantee deposits

The fair value of these assets is calculated based on the present value of the total amount of principal and interest (including interest-free) discounted by the yield of government bonds closest to the end of the fiscal year and is classified in Level 2 fair value.

(4) Prepaid rent and long-term prepaid rent

The fair value of these assets is calculated based on the present value of the future cash flow discounted by the yield of government bonds closest to the end of the fiscal year and is classified in Level 2 fair value.

Liabilities

(1) Notes and accounts payable - trade and (2) Short-term borrowings

As these liabilities are settled within a short period of time and the fair value is almost equal to the book value, the fair value of these liabilities is based on the book value and is classified in Level 2 fair value.

(3) Bonds and (4) Long-term borrowings

The fair value is calculated by discounting the total amount of principal and interest with the interest rate which is assumed reasonably to be applied in a similar new bond issuance or borrowing and is classified in Level 2 fair value.

(5) Lease liabilities

The fair value is calculated by discounting the total amount of principal and interest with the interest rate which is assumed reasonably to be applied in similar new lease transactions and is classified in Level 2 fair value.

Derivative transactions

The fair value of interest rate swaps and forward exchange contract is based on the price, etc. provided by correspondent financial institutions, and is classified in Level 2 fair value. The fair value of interest rate swaps under special accounting treatment is included in that of long-term borrowings designated as the hedged item, because those interest rate swaps are treated together with long-term borrowings that are subject to hedging.

(Matters related to securities)

1. Available-for-sale securities

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Type	Book value	Acquisition cost	Difference
Securities whose book value exceeding acquisition cost	Shares	23	19	4
Securities whose book value not exceeding acquisition cost	Shares	30	53	(22)
Total		53	72	(18)

Note: Unlisted shares (consolidated balance sheet amount: 168 million yen) are not included in the table above as it is extremely difficult to determine the fair value since their market price is not available.

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Type	Book value	Acquisition cost	Difference
Securities whose book value exceeding acquisition cost	Shares	–	–	–
Securities whose book value not exceeding acquisition cost	Shares	43	65	(22)
Total		43	65	(22)

Note: Shares that do not have market price, etc. (consolidated balance sheet amount: 166 million yen) are not included in the table above.

2. Available-for-sale securities sold

Previous fiscal year (From April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

Type	Proceeds from sales	Total gain on sales	Total loss on sales
Shares	6	–	(0)

3. Securities for which impairment losses are recorded

Previous fiscal year (From April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (From April 1, 2021 to March 31, 2022)

Impairment loss on securities in the amount of 260 million yen (shares of subsidiaries and associates: 260 million yen) was recorded.

(Derivative transactions)

1. Derivative transactions for which hedge accounting is not adopted

Previous fiscal year (From April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (From April 1, 2021 to March 31, 2022)

Not applicable.

2. Derivative transactions for which hedge accounting is adopted

(1) Currency related

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Contract amounts	Contract amounts due after one year	Fair value
Principle method	Forward foreign exchange contracts				
	Buy:				
	U.S. dollar	Accounts payable -trade	29,399	—	670
	Chinese yuan	Accounts payable -trade	190	—	2
	Euro	Accounts payable -trade	527	—	10
	Thai baht	Accounts payable -trade	839	—	0
	Sell:				
U.S. dollar	Accounts receivable -trade	442	—	(11)	
Euro	Accounts receivable -trade	40	—	(0)	
	Total		31,440	—	671

Current fiscal year (As of March 31, 2022)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Contract amounts	Contract amounts due after one year	Fair value
Principle method	Forward foreign exchange contracts				
	Buy:				
	U.S. dollar	Accounts payable -trade	94,345	—	1,018
	Chinese yuan	Accounts payable -trade	160	—	11
	Euro	Accounts payable -trade	576	—	24
	Thai baht	Accounts payable -trade	1,702	—	1
	Sell:				
U.S. dollar	Accounts receivable -trade	614	—	(13)	
Euro	Accounts receivable -trade	0	—	(0)	
	Total		97,400	—	1,042

(2) Interest rate related

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Contract amounts	Contract amounts due after one year	Fair value
Principle method	Interest rate swap transaction Pay/fixed and receive/floating	Long-term borrowings	1,623	1,335	(10)

Current fiscal year (As of March 31, 2022)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Contract amounts	Contract amounts due after one year	Fair value
Principle method	Interest rate swap transaction Pay/fixed and receive/floating	Long-term borrowings	717	445	1

(Retirement benefits)

1. Outline of retirement benefit plans

The Company had employed a qualified retirement pension plan and a lump-sum retirement allowance plan as defined retirement benefit systems, until both plans were terminated in March 2007. The retirement allowance corresponding to the working period until the termination will be paid at the time of future retirement based on the old regulations.

Certain consolidated subsidiaries employ defined benefit pension plan and lump-sum retirement allowance plan as defined benefit systems.

The Company and certain consolidated subsidiaries employ defined contribution pension plans.

2. Defined retirement benefit plans

(1) Adjustment of balance of retirement benefit obligation at the beginning and the end of the fiscal year (excluding plans which are applied the simplified method)

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Retirement benefit obligation at the beginning of fiscal year	(628)	(644)
Service cost	(37)	(40)
Interest expense	(4)	—
Actuarial gains and losses incurred during the period	(6)	25
Payment of retirement benefits	32	17
Other	0	—
Retirement benefit obligation at the end of fiscal year	(644)	(642)

(2) Adjustment of balance of pension assets at the beginning and the end of the fiscal year (excluding plans which are applied the simplified method)

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Retirement benefit obligation at the beginning of fiscal year	286	317
Expected return on plan assets	4	4
Actuarial gains and losses during the fiscal year	22	3
Employer contribution	24	22
Payment of retirement benefits	(20)	(10)
Retirement benefit obligation at the end of fiscal year	317	336

(3) Adjustment of balance of retirement benefit liability which are applied the simplified method at the beginning and the end of the fiscal year

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Retirement benefit liability at the beginning of fiscal year	(371)	(379)
Retirement benefit expenses	(34)	(41)
Payment of retirement benefits	26	20
Retirement benefit liability at the end of fiscal year	(379)	(401)

(4) Adjustment of balance of retirement benefit obligation and pension assets at the end of the fiscal year and liability and assets for retirement benefit posted on the consolidated balance sheet

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Retirement benefit obligation for funded plans	(644)	(642)
Pension assets	317	336
	(327)	(305)
Retirement benefit obligation for unfunded plans	(379)	(401)
Net obligation and assets posted on consolidated balance sheet	(707)	(707)
Liabilities for retirement benefit	(707)	(707)
Net liabilities and assets posted on consolidated balance sheet	(707)	(707)

Note: Including plans which are applied the simplified method.

(5) Retirement benefit expenses and detailed breakdown

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Service cost	37	40
Interest expense	4	–
Expected return on plan assets	(4)	(4)
Amortization of actuarial gains and losses for the fiscal year	14	16
Liabilities for retirement benefit calculated using the simplified method	34	41
Retirement benefit expenses related to defined contribution pension plan	86	94

(6) Adjustments related to retirement benefits

A breakdown of items (prior to tax effect deduction) posted as adjustments related to retirement benefits is as follows.

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Actuarial gains and losses	30	45
Total	30	45

(7) Cumulative adjustments related to retirement benefits

A breakdown of items (prior to tax effect deduction) posted as cumulative adjustments related to retirement benefits is as follows.

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Unrecognized actuarial gains and losses	(5)	40
Total	(5)	40

(8) Items related to pension assets

The main categories by percentage of total pension assets are as follows.

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Regular accounts of life insurance	27%	26%
Securities	37%	40%
Bonds	17%	16%
Other	19%	18%
Total	100%	100%

(9) Method for setting long-term expected rate of return

In order to determine the long-term expected rate of return on pension assets, the current and projected allocation of pension assets and the current and future long-term rates of return for the diverse assets that comprise the pool of pension assets are considered.

(10) Basic items for actuarial calculation

Basics for principal actuarial calculation (presented as weighted average rates)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Discount rate	0.0%	0.7%
Long-term expected rate of return on plan assets	1.5%	1.5%

3. Defined contribution plan

The defined contribution of the Company and certain consolidated subsidiaries was 376 million yen for the previous fiscal year, and 347 million yen for the current fiscal year.

(Tax effect accounting)

1. Major components of deferred tax assets and deferred tax liabilities are as follows.

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Deferred tax assets:		
Provision for bonuses	696	952
Retirement benefit liability	320	307
Accrued enterprise tax	254	782
Other non-deductible expenses/provisions	222	279
Excess over depreciation limit	1,974	2,765
Impairment loss	129	257
Asset retirement obligations	1,070	1,345
Operating loss carryforwards (Note 2)	11,308	11,709
Deferred losses on hedges	1	-
Goodwill	418	29
Other	2,127	3,164
Subtotal	18,524	21,595
Valuation allowance for operating loss carryforwards (Note 2)	(7,641)	(9,088)
Valuation allowance for the sum of deductible temporary difference, etc.	(1,284)	(2,456)
Total Valuation allowance (Note 1)	(8,925)	(11,545)
Total deferred tax assets	9,598	10,050
Deferred tax liabilities		
Trademark right	(10,056)	(11,730)
Expenses corresponding to asset retirement obligations	(350)	(385)
Valuation difference on non-current assets	(701)	(723)
Valuation difference on securities	(0)	-
Deferred gains on hedges	-	(360)
Other	(1,354)	(1,423)
Total deferred tax liabilities	(12,463)	(14,624)
Deferred tax liabilities, net	(2,865)	(4,573)

Note: 1. Valuation allowance increased by 2,619 million yen. This increase is mainly resulted from the additional recognition of the valuation allowance for operating loss carryforwards of overseas consolidated subsidiaries, etc. (1,447 million yen) and for excess over depreciation limit and impairment loss of domestic subsidiaries, etc. (1,171 million yen).
2. Breakdown of operating loss carryforwards and deferred tax assets by carry-over period is as follows.

Previous fiscal year (As of March 31, 2021)

(Millions of yen)

	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
operating loss carryforwards (a)	240	421	956	2,316	844	6,528	11,308
Valuation allowance	(219)	(322)	(597)	(953)	(493)	(5,053)	(7,641)
Deferred tax assets	20	99	358	1,362	351	1,475	(b) 3,667

(a) The operating loss carryforward is the amount multiplied by the effective statutory tax rate.

(b) For the operating loss carryforward of 11,308 million yen (the amount multiplied by the statutory effective tax rate), the deferred tax assets of 3,667 million yen are recorded. The Company does not recognize full valuation allowance because the Company believe that the operating loss carryforward, for which the deferred tax assets are recorded, can be recovered based on the prospect of future taxable income.

Current fiscal year (As of March 31, 2022)

(Millions of yen)

	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
operating loss carryforwards (a)	433	451	1,382	602	1,008	7,831	11,709
Valuation allowance	(399)	(360)	(993)	(519)	(615)	(6,199)	(9,088)
Deferred tax assets	34	90	388	82	393	1,631	(b) 2,620

(a) The operating loss carryforward is the amount multiplied by the effective statutory effective tax rate.

(b) For the operating loss carryforward of 11,709 million yen (the amount multiplied by the statutory effective tax rate), the deferred tax assets of 2,620 million yen are recorded. The Company does not recognize full valuation allowance because the Company believe that the operating loss carryforward, for which the deferred tax assets are recorded, can be recovered based on the prospect of future taxable income.

2. The reconciliations between the statutory effective tax rate and the actual effective tax rate when there is a major difference between the two is as follows.

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Expenses not deductible permanently such as entertainment expenses	4.1%	1.1%
Corporate inhabitant tax on per capita basis	4.3%	0.8%
Amortization of goodwill	12.0%	2.5%
Expired operating loss carryforward	6.3%	0.6%
Effect of reorganization	(5.3)%	0.5%
Changes in valuation allowance	19.1%	7.0%
Difference in tax rates of consolidated subsidiaries	(2.2)%	3.6%
Difference in corporate tax, inhabitant tax, and enterprise tax due to retained losses, etc.	(5.8)%	–
Other	(3.0)%	0.4%
Rate of corporate tax, etc. after application of tax effect accounting	60.1%	47.1%

(Business combination, etc.)

Not applicable.

(Asset retirement obligations)

1. Asset retirement obligations recognized in the consolidated balance sheets

(1) Overview of asset retirement obligations

The Group's asset retirement obligations mainly consist of the cost of restoring the store sites to their original condition under the real estate lease contracts of stores, etc.

(2) Method of calculation of asset retirement obligations

The Group calculated its asset retirement obligations by assuming the lease period as the period of real estate lease contracts (mainly 15 to 20 years from the acquisition) and applying principally discount rates of 0.2% to 2.3%.

(3) Changes in the total amount of asset retirement obligations

In the current fiscal year, it has become obvious that the necessary asset retirement expenses exceed the amount estimated at the time of acquisition. Accordingly, the increased amount due to the change in the estimate is discounted by 0.7%, and 582 million yen is added to the balance of asset retirement obligations before the change.

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Beginning balance	3,336	3,456
Increase due to newly consolidated subsidiaries	19	—
Increase due to acquisition of property, plant and equipment	157	247
Adjustments due to passage of time	67	62
Decrease due to fulfillment of obligation	(157)	(74)
Increase due to changes in estimates	—	582
Other increase (decrease)	33	12
Ending balance	3,456	4,286

(Matters related to revenue recognition)

1. Breakdown of revenue from contracts with customers

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reporting segment						Total
	Restaurant business					Retail business	
	Gyudon category	Family dining category	Fast food service category	Other category	Total		
Goods and services transferred at one time	232,493	89,611	150,673	57,826	530,605	78,421	609,026
Goods and services transferred over a period of time	22	94	—	48,205	48,323	1,153	49,476
Revenue from contracts with customers	232,516	89,705	150,673	106,032	578,928	79,575	658,503
Other revenue	—	—	—	—	—	—	—
Sales to external customers	232,516	89,705	150,673	106,032	578,928	79,575	658,503

2. Basic information for understanding revenue from contracts with customers

This information is presented in “(Significant matters that form the basis for preparation of consolidated financial statements), 4. Matters related to accounting policies, (6) Recognition standard for significant revenue and expenses”.

3. Relation between satisfaction of performance obligations under a contract with customers and cash flows arising from the contract, and information on amount of revenue and receiving timing expected to be recognized from the contract with customers, which is existing as at the end of current fiscal year, in or after the following fiscal year.

(1) Balance of contract liabilities, etc.

(Millions of yen)

	Current fiscal year (As of March 31, 2022)
Revenue from contracts with customers (beginning balance)	22,400
Revenue from contracts with customers (ending balance)	24,460
Contract liabilities (beginning balance)	523
Contract liabilities (ending balance)	643

Contract liabilities are primarily related to advances received and unearned revenue from customers and applied as the revenue is recognized, thus the balance decreases accordingly.

Of the revenue recognized in the current fiscal year, the amount recognized from the contract liability balance as of the beginning of the fiscal year is 1,763 million yen.

In the current fiscal year, there is no revenue from satisfied or partially satisfied performance obligations in the past period recognized due to changes in transaction prices, etc.

(2) Transaction price allocated to remaining performance obligation

In the Group, there are no major transactions with individual contract terms exceeding one year.

In determining the consideration from contracts with the customers, no significant element of consideration was identified other than the transaction price.

Transaction price allocated to remaining performance obligation and period in which the revenue is expected to be recognized is as follows.

(Millions of yen)

	Current fiscal year (As of March 31, 2022)
Within one year	643

(Segment information, etc.)

<Segment information>

1. Overview of reporting segments

The Group defines its reportable segments as a component of the Group for which separate financial information is available and whose operating results are regularly evaluated by the Board of Directors to make decisions about how resources are to be allocated among the Group and assess their performance.

The Group operates food businesses in various fields and categorizes “Restaurant business” and “Retail business” as main reporting segments to design and determine group strategies.

The businesses included in the reporting segments are as follows:

Restaurant business: restaurant management, etc.

Retail business: supermarket management

2. Methods for calculating segmental sales, profits or losses, assets and other items

The accounting method for the reporting segments is generally the same as in “(Significant matters that form the basis for preparation of consolidated financial statements)”. The profit in each segment is based on operating profit.

The Company does not allocate assets and liabilities in reporting segments.

(Application of Accounting Standard for Revenue Recognition, etc.)

As stated in “(Changes in Accounting Policies)”, Accounting Standard for Revenue Recognition, etc. have been applied from the beginning of the current fiscal year and accounting method for the revenue recognition has been changed. Calculation method for profit or loss of each segment has been changed accordingly.

Due to the change, compared with the previous method, net sales of Restaurant business increased by 18,361 million yen, and net sales of Retail business decreased by 2,890 million yen. There is no impact on segment profits.

3. Information on net sales, profits or losses by reporting segment

Previous fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	507,628	87,419	595,048	—	595,048
Intersegment Sales or Transfers	2,823	25	2,849	(2,849)	—
Total	510,451	87,445	597,897	(2,849)	595,048
Segment Profit	10,571	1,516	12,087	0	12,088
Other Items					
Depreciation	23,739	1,085	24,825	(50)	24,775
Amortization of goodwill	1,192	531	1,723	—	1,723

(Note) 1. Adjustment amounts are mainly elimination of intersegment transactions.

2. The total amount of segment profit is adjusted with the operating profit in the consolidated statements of income.

3. Unamortized balance of goodwill is 15,186 million yen.

4. Intersegment sales or transfers amounts are calculated based on prevailing market prices.

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	578,928	79,575	658,503	–	658,503
Intersegment Sales or Transfers	2,755	176	2,932	(2,932)	–
Total	581,684	79,752	661,436	(2,932)	658,503
Segment Profit	9,326	(93)	9,233	(0)	9,232
Other Items					
Depreciation	27,164	1,239	28,404	(67)	28,337
Amortization of goodwill	1,100	445	1,546	–	1,546

(Note) 1. Adjustment amounts are mainly elimination of intersegment transactions.

2. The total amount of segment profit is adjusted with the operating profit in the consolidated statements of income.

3. Unamortized balance of goodwill is 13,106 million yen.

4. Intersegment sales or transfers amounts are calculated based on prevailing market prices.

<Related information>

Previous fiscal year (From April 1, 2020 to March 31, 2021)

1. Information by product and service

This information is omitted since the same information is provided in “Segment information.”

2. Information by geographic region

(1) Sales

(Millions of yen)

Japan	Americas	China	ASEAN	Other	Total
530,140	28,281	19,368	10,363	6,894	595,048

(2) Plant, property, and equipment

(Millions of yen)

Japan	Americas	China	ASEAN	Other	Total
134,951	5,028	14,402	5,845	2,768	162,997

(3) Information by major customer

This information is omitted since there are no outside customers who accounted for 10% or more of total sales in the consolidated statements of income.

Current fiscal year (From April 1, 2021 to March 31, 2022)

1. Information by product and service

This information is omitted since the same information is provided in “Segment information.”

2. Information by geographic region

(1) Sales

(Millions of yen)

Japan	Americas	China	ASEAN	Other	Total
538,131	73,214	21,815	12,211	13,130	658,503

(2) Plant, property, and equipment

(Millions of yen)

Japan	Americas	China	ASEAN	Other	Total
139,026	6,212	13,858	6,293	3,272	168,663

(3) Information by major customer

This information is omitted since there are no outside customers who accounted for 10% or more of total sales in the consolidated statements of income.

<Impairment loss on non-current assets by reportable segment>

Previous fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment		Total
	Restaurant business	Retail business	
Impairment loss	2,260	–	2,260

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment		Total
	Restaurant business	Retail business	
Impairment loss	5,458	87	5,545

<Amortization of goodwill and unamortized balance by reportable segment>

Previous fiscal year (From April 1, 2020 to March 31, 2021)

This information is omitted since the same information is provided in “Segment information.”

Current fiscal year (From April 1, 2021 to March 31, 2022)

This information is omitted since the same information is provided in “Segment information.”

<Gain on negative goodwill by reportable segment>

Previous fiscal year (From April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (From April 1, 2021 to March 31, 2022)

Not applicable.

(Related party information)

1. Transactions with related parties

(1) Transaction between the Company and related parties

Not applicable.

(2) Transactions between the Company's consolidated subsidiaries and related parties

Previous fiscal year (From April 1, 2020 to March 31, 2021)

Not applicable.

Current fiscal year (From April 1, 2021 to March 31, 2022)

Type	Name of company	Location	Capital (Millions of yen)	Business	Voting rights (held) (%)	Relation-ship	Trans-action	Amount (Millions of yen)	Account	Balance (Millions of yen)
Company (including its subsidiaries) in which a majority of the voting rights are owned by directors and their close relatives	Nihon Create LLC (Note 1)	Yokohama Kanagawa Pref.	10	Asset management	(held) Direct 34.38	—	Subscrip-tion of shares	380	—	—

Note: 1. Nihon Create LLC is a company whose voting right is 100 % owned by Kentaro Ogawa, Chairman, President & CEO of the Company, and his second-degree relatives.

2. Nihon Create LLC subscribed shares of Global MD Holdings Co., Ltd., a consolidated subsidiary of the Company. Subscription price was reasonably determined based on a calculation by a third-party institution.

2. Notes on parent company or important associates

Not applicable.

(Per share information)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Net assets per share	560.87 yen	679.19 yen
Basic earnings per share	14.82 yen	91.17 yen

Note: 1. Diluted earnings per share are not stated, as there are no potential shares with dilutive effects.
2. Basic earnings per share is calculated on the following basis:

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (April 1, 2021 to March 31, 2022)
Net profit attributable to owners of parent (Millions of yen)	2,259	13,869
Amount not attributable to ordinary shareholders (Millions of yen)	—	—
Net profit attributable to owners of parent relating to common stocks (Millions of yen)	2,259	13,869
Average number of shares during the period (shares)	152,514,861	152,124,031

(Material Subsequent events)

Implementation of performance-linked stock compensation system (BBT)

Implementation of “Board Benefit Trust (BBT)”, a performance-linked stock compensation system (hereinafter, the “System”), was resolved at the Company’s Board of Directors Meeting held on May 13, 2022. Subsequently, the matter was submitted to the 40th Ordinary General Meeting of Shareholders held on June 24, 2022 (hereinafter, the “Shareholders’ Meeting”) and was approved.

Detail of the System is stated in “IV. INFORMATION ON THE COMPANY, 1. Information on the Company’s share, etc., (8) Detail of Director/Employee Ownership Plan”, and the specific calculation method of the System is stated in “IV. INFORMATION ON THE COMPANY, 4. Corporate Governance, etc., (4) Compensation, etc.”.

1. Background and purpose of the implementation

The Company determined to implement the System with an intention to raise awareness among Directors to contribute to improving the Company’s business performance and increasing its corporate value over the medium to long term by clarifying the link between the compensation for Directors (excluding outside Directors and members of Audit & Supervisory Committee, hereinafter, the term indicates the same unless otherwise specified) and Executive Officers (hereinafter collectively refer to Directors and Executive Officers as “the Directors, etc.”) and stock value by sharing with shareholders not only the benefits of an increase in stock price but also the risk of a decline in stock price.

2. Overview of the System

(1) Overview of the System

The System is a performance-linked stock compensation system under which the Company’s shares will be acquired through a trust (the trust to be established under the Plan is hereinafter referred to as the “Trust”) with cash contributed by the Company as the source of funds, and the Company’s shares and cash equivalent to the amount obtained by converting the Company’s shares at fair value (hereinafter collectively referred to as the “Company’s Shares, etc.”) will be paid to Directors, etc., in accordance with the Executive Stock Benefit Regulations established by the Company. In principle, the time when Directors, etc., receive the Company’s Shares, etc., will be after their retirement from office.

(2) Scope of individuals eligible for the System

Directors (excluding Outside Directors and members of Audit & Supervisory Committee) and Executive Officers.

(3) Trust period

This information is stated in “Overview of the Trust, (ix) Trust period”. (The System will be terminated by the delisting of the Company’s shares, the abolition of the Executive Stock Benefit Regulations, etc.)

(4) Monetary value of trust

The System will be implemented for the three years period from fiscal year ending March 2023 to fiscal year ending March 2025 (hereinafter, “the First Three Years”, the First Three Years and for each of the three fiscal years period starting after that are collectively referred to as the “Period”) and the Company provides the following funds to the Trust as funds for the acquisition of the Company's shares.

At the establishment of the Trust, the Company provides funds deemed necessary for the First Three Years. Since the upper limit of the points granted to the Directors based on the System for each Period (three fiscal years) is 225,000 points as stated in the following (vi), funds deemed reasonably necessary for the acquisition of the 225,000 shares and a number of shares responding to the number of points granted to Executive Officers are provided to the Trust at the establishment, based on the consideration of the closing price of ordinary transactions of common shares of the Company at the Tokyo Stock Exchange on the immediately preceding trading day, up to 2,000 million yen.

In addition, after the end of the First Three Years until the System is terminated, for each Period, in principle, the Company reasonably estimates the number of shares necessary for the payment to the Directors, etc. based on the System and provides additional necessary funds to acquire the shares. In this case, however, if any shares of the Company (excluding the shares responding to the points granted to the Directors, etc. for the preceding Period and not yet allocated) or money remains within the Trust (hereinafter, collectively referred to as the “Remaining Shares etc.”), the Remaining Shares etc. will be used for the payment for the future Period under the System, and the additional provision of funds by the Company will be made taken into consideration of the Remaining Shares etc.

Note: The fund the Company actually provides will be the total of the share acquisition fund and estimated necessary cost including trust fee, etc. Within the Period including the First Three Years, the Company may provide funds in multiple installments within each Period including the First Three Years, until the accumulated fund provided by the Company during the responding Period reach the upper limit amount as stated above. When the Company decides the additional provision of fund, it will be announced in a timely manner

(5) Acquisition method and the number of shares of the Company

The trust acquires the Company’s share through stock exchange or through disposal of treasury shares of the Company, using the fund provided by the Company as stated in (4) above. Since the upper limit of the points granted to the Directors in one Period (three fiscal years) is 225,000 points, the upper limit of shares to be acquired by the Trust for the purpose of allocation to the Directors for the responding period is 225,000 shares. The detail of the acquisition by the Trust will be announced in a timely manner.

(6) Upper limit of the Shares, etc. allocated to the Directors

According to the Executive Stock Benefit Regulations, the Company grants performance points to each Directors, etc. for each Period. Among the performance points, the total points granted for the Directors is limited to 225,000 shares per Period (three fiscal years). This is determined by comprehensively considering the current level of Directors compensation, trend of number of Directors, etc., and prospect for the future, and the Company recognizes it reasonable.

When the Shares, etc. as described in the following (7) is paid, the performance points granted to Directors, etc. will be converted into the same number of the Company’s common shares using the conversion rate of 1share to 1 point. (However, in case the Company conducts a share split, an issuance of shares by gratis allotment or a share-consolidation, the upper limit of the number of points and the points granted or the conversion rate will be reasonably adjusted.)

For reference, the ratio of 225,000 shares, equivalent to the upper limit of points granted per one Period (three fiscal years), to be granted to Directors to the number of shares issued and outstanding (as of March 31, 2022, excluding treasury shares) is approximately 0.15%.

Standard of the number of points of the Directors, etc. at the time of payment as described in (7) below is basically the number of points granted to the Director, etc. until the time of retirement (hereinafter, the “Points”).

(7) Standard of the number of points of the Directors, etc. at the time of payment

When the Directors, etc. retired and satisfied the requirements set out in the Executive Stock Benefit Regulations, the shares of the Company responding to the Points as stated in (6) above will be basically

allocated from the Trust after their retirement from office by finishing prescribed beneficiary confirmation procedures. In case certain requirements set out in the Executive Stock Benefit Regulations are satisfied, a certain portion will be paid by money, instead of shares, equivalent to the fair value of the Company's shares. In order to make a monetary payment, the Trust may sell the Company's shares.

However, in cases such as a dismissal is resolved at the Board of Directors or at the General Shareholders' Meeting, retired as a result of certain illegal acts during the tenure, and the inappropriate acts, etc. during the tenure has caused a damage to the Company, the Directors, etc. who was granted performance points cannot obtain the right to receive the compensation.

The amount of compensation etc. that the Directors, etc. receive is basically the total number of points granted to the Directors, etc. multiplied by the book value per share of the Trust (However, in case the Company conducts a share split, an issuance of shares by gratis allotment or a share-consolidation, the book value per share will be reasonably adjusted according to the ratio, etc.). When exceptionally payment by money is deemed appropriate according to the Executive Stock Benefit Regulations such amount of money will be additionally paid.

(8) Voting right

The voting rights relating the Company's shares in the Trust shall not be exercised based on the instructions of the trust administrator. By setting up this arrangement, the Company intends to ensure the neutrality relating to the exercise of voting rights of the Company's shares under the Trust account.

(9) Treatment of dividends

Dividends related to the Company's shares in the Trust account will be received by the Trust and will be used for the acquisition of the Company's shares, trust fees of the trustee, etc. When the Trust is terminated, dividends remaining in the Trust account will be apportioned to the Directors, etc. who are in office at the time, according to the number of points held by each individual, based on the provisions of the Executive Stock Benefit Regulations.

(10) Treatment at termination

The Trust will be terminated in the event of delisting of the Company's shares or the abolition of the Executive Stock Benefit Regulations. Of the residual assets of the Trust at the time of termination, all of the Company's shares will be acquired free of charge by the Company and will be canceled by a resolution of the Board of Directors. Of the residual assets of the Trust at the time of termination, the balance of money, after payments to the Directors, etc. in accordance with (9) above are made, will be paid to the Company.

< Overview of the Trust >

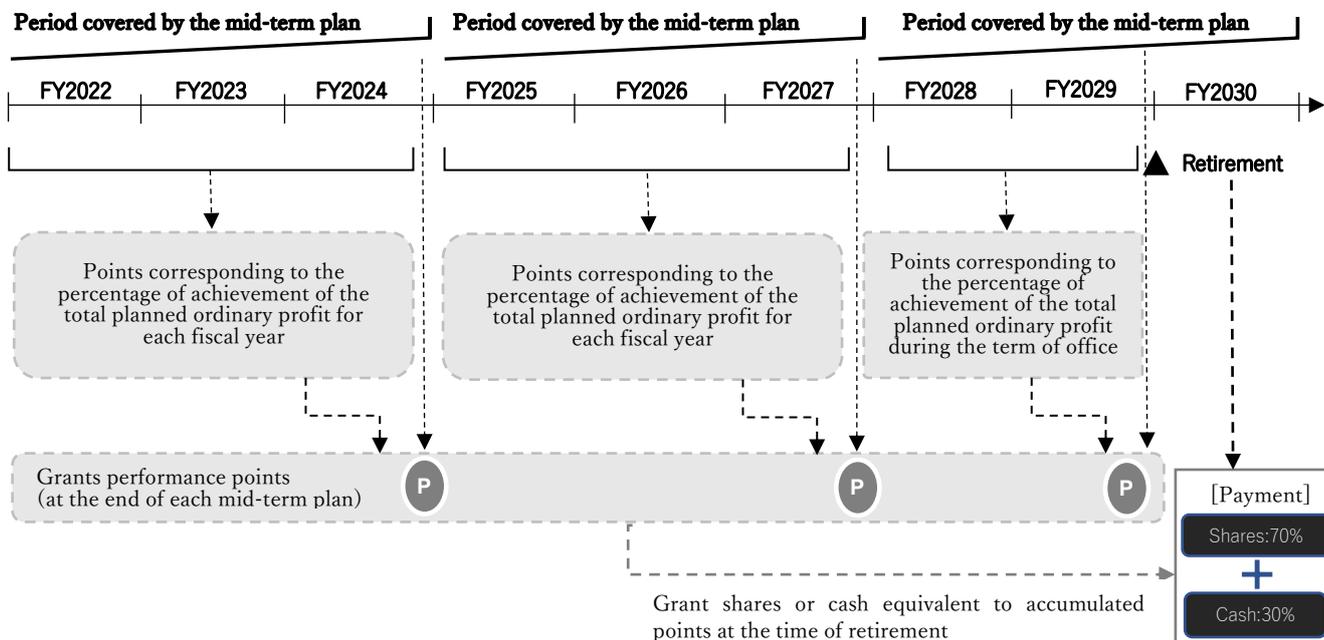
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|-------------------------------|--|
| i) Trust name: | Board Benefit Trust (BBT) |
| ii) Settlor: | The Company |
| iii) Trustee: | Mizuho Trust & Banking Co., Ltd.
(re-trust: Custody Bank of Japan, Ltd.) |
| iv) Beneficiaries: | Retired Directors, etc. who satisfy the requirements stipulated in the Executive Stock Benefit Regulations |
| v) Trust administrator | To be selected from third parties who have no interest with the Company |
| vi) Trust type: | Trust of money other than money trust (Third-party-benefit Trust) |
| vii) Trust contract date: | August 2022 (Planned) |
| viii) Date of trusting money: | August 2022 (Planned) |
| ix) Trust period: | From August 2022 (Planned) to the termination of the Trust
(There is no specific termination date, and the trust will continue as long as the System continues) |

<Reference: Structure of the System >

The following is an illustration of how points will be granted and shares and other benefits will be provided under the System.

- i) For each Subject Period covering the period of the medium-term management plan ("mid-term plan"), the Company will grant performance points by multiplying the position points corresponding to the position held during the period by a performance-linked coefficient.

- ii) The performance-linked coefficient shall be determined based on the percentage of achievement regarding the total planned ordinary profit for each fiscal year during the subject mid-term plan period.
- iii) At the time of retirement of a Director, etc., the number of shares and cash corresponding to the accumulated number of performance points granted shall be delivered or paid.



(v) Consolidated supplementary schedules

<Schedule of bonds payable>

Company name	Issue	Issue date	Balance on April 1, 2021 (Millions of yen)	Balance on March 31, 2022 (Millions of yen)	Interest rate (%)	Collateral	Maturity date
Zensho Holdings, Co., Ltd.	21st Series Unsecured Corporate Bond	Mar. 31, 2017	1,600 (1,600)	— (—)	0.19	None	Mar. 31, 2022
Zensho Holdings, Co., Ltd.	22nd Series Unsecured Corporate Bond	Mar. 6, 2017	4,000 (4,000)	— (—)	0.05	None	Feb. 28, 2022
Zensho Holdings, Co., Ltd.	23rd Series Unsecured Corporate Bond	Feb. 28, 2018	5,000 (—)	5,000 (5,000)	0.05	None	Feb. 28, 2023
Zensho Holdings, Co., Ltd.	(Public issue) 2nd Series Unsecured Corporate Bond	Dec. 14, 2018	15,000 (15,000)	— (—)	0.43	None	Dec. 14, 2021
Zensho Holdings, Co., Ltd.	(Public issue) 3rd Series Unsecured Corporate Bond	Dec. 13 2021	— (—)	10,000 (—)	0.34	None	Dec. 13, 2024
Zensho Holdings, Co., Ltd.	(Public issue) 4th Series Unsecured Corporate Bond	Dec. 13 2021	— (—)	5,000 (—)	0.44	None	Dec. 13, 2026
TOTAL	—	—	25,600 (20,600)	20,000 (5,000)	—	—	—

Note: 1. Amounts in parentheses under “Balance on April 1, 2021” and “Balance on March 31, 2022” are amounts scheduled for repayment within one year.

2. Annual redemption schedule over a period of 5 years from the fiscal year-end are as follows.

(Millions of yen)

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
5,000	—	10,000	—	5,000

<Schedule of borrowings>

Category	Balance at April 1, 2021 (Millions of yen)	Balance at March 31, 2022 (Millions of yen)	Average interest rate (%)	Repayment dates
Short-term borrowings	1,149	459	0.30	—
Current portion of long-term borrowings	35,735	24,380	0.29	—
Current portion of lease Liabilities	8,439	9,264	2.38	—
Long-term borrowings (Excluding current portion)	132,641	151,659	1.24	Apr. 2023–Feb. 2056
Lease Liabilities (Excluding current portion)	24,804	24,294	3.03	Apr. 2023–Mar. 2042
Total	202,769	210,058	—	—

- Note:
1. Average interest rates are calculated as the weight average interest rate at the fiscal year-end.
 2. Components of long-term borrowings (excluding current portion) and lease liabilities (excluding current portion) with repayments scheduled within five years after the fiscal year-end are detailed in the table below.

(Millions of yen)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term borrowings	14,920	17,667	18,296	9,555
Lease liabilities	5,968	4,493	3,367	2,055

<Schedule of asset retirement obligations>

The information is omitted since it is provided in the “Notes on Consolidated Financial Statements” pursuant to Article 15-23 of the Regulations for Consolidated Financial Statements.

(2) Other

Quarterly financial information for the current fiscal year

(Millions of yen)

(Cumulative period)	First Quarter	Second Quarter	Third Quarter	Current fiscal year
Net sales	152,607	316,964	493,171	658,503
Profit before income taxes	2,973	11,668	23,059	26,280
Profit attributable to owners of parent	1,232	6,432	13,528	13,869
Earnings per share (yen)	8.10	42.29	88.93	91.17

(Fiscal period)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Earnings per share (yen)	8.10	34.18	46.64	2.24

2. Non-Consolidated Financial Statements, etc.

(1) Non-Consolidated Financial Statements

(i) Non-Consolidated Balance sheets

(Million yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	13,400	12,107
Accounts receivable - trade	19,465	20,946
Merchandise and finished goods	1,702	1,483
Raw materials and supplies	96	167
Advance payments to suppliers	—	125
Prepaid expenses	3,502	3,618
Prepaid rent	1,106	1,572
Accounts receivable - other	10,891	15,279
Short-term loans receivable	111,150	121,201
Current portion of long-term loans receivable	19,906	473
Other	673	1,619
Allowance for doubtful accounts	(13,140)	(9,859)
Total current assets	168,756	168,734
Non-current assets		
Property, plant and equipment		
Buildings	7,342	7,967
Structures	104	103
Machinery and equipment	226	435
Vehicles	0	0
Tools, furniture and fixtures	695	744
Land	7,020	8,732
Leased assets	8,011	8,179
Construction in progress	168	105
Total property, plant and equipment	23,571	26,268
Intangible assets		
Trademark right	5	3
Leasehold interests in land	91	91
Telephone subscription right	82	82
Software	2,593	2,856
Other	270	308
Total intangible assets	3,042	3,342

(Million yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Investments and other assets		
Investment securities	1	—
Shares of subsidiaries and associates	100,710	101,687
Investments in capital of subsidiaries and associates	10,438	10,438
Long-term loans receivable from subsidiaries and associates	16,075	27,192
Long-term loans receivable	18	18
Long-term prepaid expenses	673	427
Long-term prepaid rent	14,366	13,305
Deferred tax assets	1,193	933
Guarantee deposits	21,572	22,259
Other	125	124
Allowance for doubtful accounts	—	(1,432)
Allowance for investment loss	—	(71)
Total investments and other assets	165,176	174,885
Total non-current assets	191,790	204,496
Deferred assets		
Share issuance cost	19	8
Bond issuance cost	36	53
Total deferred assets	55	62
Total assets	360,602	373,293
Liabilities		
Current liabilities		
Accounts payable - trade	18,416	20,816
Short-term borrowings	16,158	18,740
Current portions of bonds	20,600	5,000
Current portion of long-term borrowings	35,415	23,862
Lease liabilities	664	725
Accounts payable - other	6,442	3,819
Accrued expenses	778	913
Income taxes payable	189	4,470
Advances received	3,007	—
Contract liabilities	—	3,011
Deposits received	165	171
Provision for bonuses	686	1,120
Other	1,393	1,080
Total current liabilities	103,918	83,730
Non-current liabilities		
Bonds payable	5,000	15,000
Long-term borrowings	129,749	148,887
Lease obligations	9,321	9,427
Provision for loss on guarantees	—	1,390
Guarantee deposits received	36,127	30,011
Asset retirement obligations	156	101
Other	445	6,648
Total non-current liabilities	180,799	211,466
Total liabilities	284,717	295,197

(Million yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Net assets		
Shareholders' equity		
Share capital	26,996	26,996
Capital surplus		
Legal capital surplus	26,918	26,918
Other capital surplus	9,229	9,230
Total capital surplus	36,148	36,149
Retained earnings		
Legal retained earnings	80	80
Other retained earnings		
General reserve	3,000	3,000
Retained earnings brought forward	15,488	17,709
Total retained earnings	18,569	20,789
Treasury shares	(5,827)	(5,839)
Total shareholders' equity	75,886	78,095
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	—
Deferred gains or losses on hedges	(2)	—
Total valuation and translation adjustments	(1)	—
Total net assets	75,884	78,095
Total liabilities and net assets	360,602	373,293

(ii) Non-Consolidated Statements of Income

(Million yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net sales	238,248	216,433
Cost of sales	221,370	206,878
Gross profit	16,877	9,555
Selling, general and administrative expenses	*1 12,101	*1 13,228
Operating profit	4,776	(3,672)
Non-operating Income		
Interest income	1,679	1,784
Dividend income	2,806	8,503
Foreign exchange gains	142	820
Other	163	2,046
Total non-operating income	4,790	13,154
Non-operating expenses		
Interest expenses	1,652	1,900
Interest on bonds	94	88
Provision of allowance for doubtful accounts	2,430	—
Provision for loss on guarantees	—	1,390
Other	690	531
Total non-operating expenses	4,867	3,910
Ordinary profit	4,699	5,571
Extraordinary income		
Gain on sale of non-current assets	—	6
Gain on sale of shares of subsidiaries and associates	0	—
Other	—	3
Total extraordinary income	0	9
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	112	—
Impairment losses	—	37
Loss on valuation of shares of subsidiaries and associates	428	600
Provision of allowance for investment loss	—	71
Loss on releasing credits	—	239
Other	18	276
Total extraordinary losses	559	1,224
Profit before income taxes	4,140	4,356
Income taxes - current	1,268	(1,318)
Income taxes - deferred	248	258
Total income taxes	1,517	(1,059)
Profit	2,622	5,415

(iii) Non-Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Beginning balance	26,996	26,918	9,229	36,148	80	3,000	15,927	19,007
Changes during period								
Issuance of new shares							(3,061)	(3,061)
Dividends of surplus							2,622	2,622
Profit								
Purchase of treasury shares								
Disposal of treasury shares			0	0				
Net changes in items other than shareholders' equity								
Total changes during period	—	—	0	0	—	—	(438)	(438)
Ending balance	26,996	26,918	9,229	36,148	80	3,000	15,488	18,569

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury share	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Beginning balance	(2,255)	79,896	0	(4)	(4)	79,891
Changes during period						
Dividends of surplus		(3,061)				(3,061)
Profit		2,622				2,622
Purchase of treasury shares	(3,575)	(3,575)				(3,575)
Disposal of treasury shares	3	4				4
Net changes in items other than shareholders' equity			0	2	3	3
Total changes during period	(3,572)	(4,010)	0	2	3	(4,007)
Ending balance	(5,827)	75,886	0	(2)	(1)	75,884

Current fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Beginning balance	26,996	26,918	9,229	36,148	80	3,000	15,488	18,569
Changes during period								
Issuance of new shares							(3,914)	(3,194)
Dividends of surplus							5,415	5,415
Profit								
Purchase of treasury shares								
Disposal of treasury shares			0	0				
Net changes in items other than shareholders' equity								
Total changes during period	–	–	0	0	–	–	2,220	2,220
Ending balance	26,996	26,918	9,230	36,149	80	3,000	17,709	20,789

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury share	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Beginning balance	(5,827)	75,886	0	(2)	(1)	75,884
Changes during period						
Dividends of surplus		(3,194)				(3,194)
Profit		5,415				5,415
Purchase of treasury shares	(13)	(13)				(13)
Disposal of treasury shares	2	2				2
Net changes in items other than shareholders' equity			(0)	2	1	1
Total changes during period	(11)	2,209	(0)	2	1	2,211
Ending balance	(5,839)	78,095	–	–	–	78,095

Notes on Non-Consolidated Financial Statements

(Significant accounting policies)

1. Valuation standards and valuation methods of securities

(1) Shares of subsidiaries

Stated at cost determined by the moving-average method

(2) Available-for-sale securities

Securities other than shares with no market prices, etc.

Stated at fair market value based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method).

Shares with no market prices, etc.

Stated at cost determined by the moving-average method

Contributions to investment limited partnerships are stated at the Company's share of net asset value based on the most recent financial statements available according to the financial reporting date specified in the respective partnership agreement.

2. Valuation standards and valuation methods of derivatives and other financial instruments

Derivatives are stated at fair value.

3. Valuation standards and valuation methods of inventories

(1) Merchandise, finished goods, and raw materials

Primarily stated at cost by the FIFO method (the amount on the balance sheet is calculated by devaluation of the book value based on a decline in profitability).

(2) Supplies

Stated at cost using the last purchase price method (the amount on the balance sheet is calculated by devaluation of the book value based on a decline in profitability).

4. Depreciation and amortization methods of non-current assets

(1) Property, plant and equipment (excluding lease assets)

Straight-line method

Useful lives and residual values of the assets are estimated using the same standard stipulated in the Corporation Tax Law.

(2) Intangible assets

Straight-line method

Software for internal use is amortized using the straight-line method over the useful life of 5 years.

(3) Lease assets

Lease assets pertaining to finance leases that do not transfer ownership are depreciated using the straight-line method with estimated useful lives equal to lease terms, and residual values as zero or the guaranteed residual value.

However, finance leases that do not transfer ownership whose lease inceptions predate March 31, 2008 are accounted for by a method similar to the method applicable to ordinary operating leases.

5. Treatment method of deferred assets

Share issuance costs

Amortized using the straight-line method over 3 years.

Bond issuance costs

Amortized using the straight-line method over the period up to redemption.

6. Basis for recognizing allowance and provisions

(1) Allowance for doubtful accounts

To prepare for bad debt losses on loans, etc., the allowance for doubtful accounts is provided. Estimates of uncollectible amounts are determined on an individual basis by considering the collectability for certain receivables including doubtful receivables.

(2) Provision for bonuses

Provision for bonuses is provided for payment prospect of bonuses to employees.

(3) Provision for loss on guarantees

To prepare for losses arising from fulfilling guarantee obligations of subsidiaries and associates, the provision for loss on guarantees is provided. Estimates of the loss is based on consideration of the financial status, etc. of the subsidiaries and associates.

(4) Allowance for investment loss

For loss caused by investment in subsidiaries and associates, the amount deemed necessary is provided in consideration of the financial status, etc. of the subsidiaries and associates

7. Recognition standard for significant revenue and expenses

The Company mainly sells food and beverages, provides subsidiaries with management supports, guidance for store management, and real estate leasing, etc.

For revenue from the sale of food and beverages, since the performance obligation is satisfied when the food and beverages are delivered to the customer, revenue is recorded at such time.

The management support fees from subsidiaries are measured based on the sales, etc. of the subsidiaries and the revenue is recognized in consideration of the time when it is generated.

Revenue from real estate leasing to subsidiaries, etc. is recorded as a contract liability based on the real estate lease contract and is recognized as revenue over a certain period of time according to the satisfaction of performance obligations.

No material financial factors are included in the contracts as the payment term applied in the major transactions of the Group usually has due within a short period of time.

8. Methods of hedge accounting

(1) Methods of hedge accounting

The Company applies the deferral accounting method.

The special accounting method is applied for interest-rate swap agreements in cases where the specific requirements for this treatment are fulfilled.

(2) Hedging instruments and hedged items

(Hedging instruments)	(Hedged items)
Interest rate swap agreements	interest of borrowings

(3) Hedging policy

The Company hedges the exchange-rate fluctuation risks and interest-rate fluctuation risks on debt obligations.

(4) Method for evaluating hedging effectiveness

Hedge transactions are deployed in accordance with the risk management policies. Complete correlation is confirmed between hedging instruments and hedged items as to the risks resulting from interest rate fluctuations.

9. Other significant information for preparation of financial information

Application of consolidated taxation system

The consolidated taxation system is applied, with the Company as the taxable parent company.

Application of the tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

For transition to the group tax sharing system established by the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8 of 2020) and items for which revisions to the non-consolidated taxation system were made in line with the transition to the group tax sharing system, the stipulations of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) have not been applied in accordance with Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020), and the amount of deferred tax assets and deferred tax liabilities of the Company and certain domestic consolidated subsidiaries are presented based on the provisions of the tax laws prior to the revision.

From the beginning of the fiscal year ending March 31, 2024, “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021), which

stipulates accounting treatment and disclosure of corporate tax, local corporate tax, and tax effect accounting under the group tax sharing system, will be applied.

(Significant accounting estimates)

Evaluation of investments in capital of subsidiaries and associates (investments in intermediary holding companies)

The Company has recorded investments of 104,377 million yen and 106,458 million yen in the intermediary holding company as the shares of subsidiaries and associates and investments in capital of subsidiaries and associates in the balance sheet as of March 31, 2021 and March 31, 2022, respectively.

Regarding the evaluation of investment in subsidiaries and associates, when the actual value declines significantly (about 50%) due to deterioration of the financial condition of the subsidiaries and associates, unless the recoverability is supported by sufficient evidence, an equivalent reduction in value is implemented and the valuation difference is treated as a loss for the current fiscal year.

The actual value is calculated based on the net assets of the subsidiaries and associates, but in the case of intermediary holding companies, it is calculated by taking into account the valuation difference and others based on the market value of assets, etc.

Sufficient evidence to support the recoverability is the mid-term business plan of the subsidiaries and associates, and in the case of intermediary holding companies, it is the mid-term business plan of the entire holding company group including its operating subsidiaries.

In the previous and current fiscal year, there was one intermediary holding company (Nihon Restaurant Holdings Co., Ltd.) which was determined that a considerable reduction in value is not necessary, as a result of calculation considering the valuation difference, etc. based on the market value of the assets of the intermediary holding company although the fair value of certain operating subsidiaries under the company has declined significantly. The book value as of March 31, 2021 and March 31, 2022 were 25,629 million yen and 25,624 million yen, respectively.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

(1) Contents and reasons of the changes in accounting policies

The “Accounting Standards for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of the current fiscal year. In accordance with this accounting standard, the Company recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. Regarding real estate rental revenue, the Company has shifted to the method by which it recognizes revenue at the net amount of consideration, considering the Company’s role (principal or agent) in providing the goods or services.

The Accounting Standard for Revenue Recognition has been applied since the beginning of the fiscal year pursuant to the transitional treatment stipulated in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition. However, the new accounting policy was not retrospectively applied to contracts whose almost entire revenue was recognized during the periods prior to the beginning of the fiscal year were recognized according to the previous treatment, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition.

For the contracts modified prior to the beginning of the current fiscal year, the accounting processing was carried out based on the contractual terms after all contract modifications were reflected, by applying the method set forth in item (1) of the supplementary provisions of Paragraph 86 of the Accounting Standard for Revenue Recognition.

Following a new presentation method, “Advances received” under “Current liabilities” has been presented in “Contract liabilities” under “Current liabilities” of the non-consolidated balance sheet as of the end of the current fiscal year. However, figures for the previous fiscal year have not been reclassified using the new presentation method, in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition.

(2) Impacts on major items in non-consolidated financial statements

Compared with the previous accounting method, “Advances received” under “Current liabilities” decreased by 3,011 million yen and “Contract liabilities” under “Current liabilities” increased by the same amount.

For the non-consolidated income statement for the current fiscal year, net sales decreased by 42,209 million yen, and the cost of sales decreased by the same amount, while selling, general, and administrative expenses, operating profit, ordinary profit, and profit before income taxes have no impact. In addition, there is no expected cumulative impact on the current fiscal year results had the new accounting standard been applied retrospectively from before the beginning of the current fiscal year.

There is no impact on per share information.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes related to “Revenue Recognition” for the previous fiscal year is not stated.

(Notes to non-consolidated balance sheet)

1. Monetary receivables from, and monetary payables to subsidiaries and associates (excluding those disclosed separately)

	(Millions of yen)	
	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Short-term monetary receivables	159,138	155,636
Long-term monetary receivables	16,078	27,195
Short-term monetary payables	33,728	35,853
Long-term monetary payables	34,750	34,348

2. Contingent liabilities

The Company provides debt guarantees for borrowings from financial institution and other obligations to the following subsidiaries and associates.

(Millions of yen)			
Previous fiscal year (As of March 31, 2021)		Current fiscal year (As of March 31, 2022)	
United Veggies Co., Ltd. (accounts payable-trade)	45	United Veggies Co., Ltd. (accounts payable-trade)	38
JOY MART CO., LTD. (accounts payable - trade)	133	JOY MART CO., LTD. (accounts payable - trade)	114
JOY MART CO., LTD. (accounts payable - other)	0	JOY MART CO., LTD. (accounts payable - other)	0
Zenshoen Co., Ltd. (borrowings)	423	Zenshoen Co., Ltd. (borrowings)	423
Mizushita Farm Co., Ltd. (borrowings)	1,378	Mizushita Farm Co., Ltd. (borrowings)	1,378
Zensho Farm Kitakanto Co., Ltd. (borrowings)	68	Zensho Farm Kitakanto Co., Ltd. (borrowings)	-
Total	2,049		1,954

3. Current account overdraft and commitment line agreements

Previous fiscal year (As of March 31, 2021)

The Company has executed an overdraft agreement with 12 correspondent banks for the purpose of efficient procurement of operating capital.

The balance of unused loans under these agreements at the previous fiscal year was as follows.

Total overdraft commitments	22,000 million yen
Outstanding balance of borrowings	-
Difference	22,000 million yen

Current fiscal year (As of March 31, 2022)

The Company has executed an overdraft agreement with 12 correspondent banks for the purpose of efficient procurement of operating capital.

The balance of unused loans under these agreements at the current fiscal year was as follows.

Total overdraft commitments	22,000 million yen
Outstanding balance of borrowings	-
Difference	22,000 million yen

(Notes to non-consolidated income statements)

- *1. The approximate percentage of expenses that belong to selling expenses is 0.8% in the previous fiscal year and 0.4% in the current fiscal year. The approximate percentage of expenses that belong to general and administrative expenses is 99.2% in the previous fiscal year and 99.6% in the current fiscal year.

The main items and amounts of selling, general and administrative expenses are as follows.

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Payroll and allowances	3,189	3,267
Provision for bonuses	503	839
Commission expenses	2,157	2,578
Depreciation	462	547

2. Amounts of transactions with subsidiaries and associates

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net sales	234,023	254,657
Purchase of goods	97,103	114,568
Other operational transactions	833	957
Transactions other than ordinary operating transactions	7,518	10,362

(Securities)

Previous fiscal year (As of March 31, 2021)

The fair values of the shares of subsidiaries and associates (including investments in capital of subsidiaries) are not presented because it is extremely difficult to determine the fair value as their market price is not readily available.

The following are the book value of the shares of subsidiaries and associates (including investments in capital of subsidiaries) recorded in the balance sheets.

(Millions of yen)

Category	
Shares of subsidiaries (including investments in capital of subsidiaries)	111,149
Shares of associates	—
Total	111,149

Current fiscal year (As of March 31, 2022)

The fair values of the shares of subsidiaries and associates (including investments in capital of subsidiaries) are not presented because their market price is not readily available.

The following are the book value of the shares of subsidiaries and associates (including investments in capital of subsidiaries) recorded in the balance sheets.

(Millions of yen)

Category	
Shares of subsidiaries (including investments in capital of subsidiaries)	112,055
Shares of associates	—
Total	112,055

(Tax effect accounting)

1. Main factors for recognizing deferred tax assets and deferred tax liabilities

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Deferred tax assets		
Allowance for doubtful accounts	4,011	3,457
Provision for loss on guarantees	—	425
Provision for bonuses	246	343
Impairment losses	65	53
Accrued enterprise tax	62	43
Excess over depreciation limit	16	11
Loss on valuation of shares of subsidiaries and associates	445	520
Deferred hedge losses	205	—
Long-term accounts payable - other	102	100
Operating loss carryforwards	1,516	1,230
Others	168	225
Subtotal deferred tax assets	6,841	6,412
Valuation allowances for operating loss carryforwards	(607)	(568)
Valuation allowances for the sum of deductible temporary difference, etc.	(4,522)	(4,600)
Subtotal valuation allowances	(5,129)	(5,169)
Total deferred tax assets	1,711	1,242
Deferred tax liabilities		
Gain on sale of shares of subsidiaries and associates	(266)	(266)
Valuation difference on available-for-sale securities	(0)	—
Others	(251)	(42)
Total deferred tax liabilities	(518)	(308)
Net deferred tax assets	1,193	933

2. Reconciliations between the statutory effective tax rate and actual effective tax rate after application of tax effect accounting

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Statutory effective tax rate	30.6%	30.6%
(Reconciliations)		
Expenses not deductible permanently such as entertainment expenses	5.9%	6.2%
Income not taxable permanently such as dividend income	(20.6)%	(59.4)%
Inhabitant tax on per capita basis	0.3%	0.3%
Change in valuation allowance	10.1%	0.7%
Tax credit	(0.3)%	(0.4)%
Difference in final tax returns for the previous period	9.3%	(1.3)%
Others	1.0%	(0.9)%
Actual effective tax rate after application of tax effect accounting	36.3%	(24.3)%

(Revenue recognition)

Information for the basis of understanding revenues from contracts with customers is omitted since the same information is provided in “Non-Consolidated Financial statements, Notes on Non-Consolidated Financial Statements, (Significant accounting policies), 7. Recognition standard for significant revenue and expenses”.

(Material subsequent events)

This information is omitted since the same information is provided in “Notes on consolidated financial statements, (Material subsequent events)”.

(iv) Supplementary Schedule

Schedule of property, plant and equipment, etc.

(Millions of yen)

Assets	Balance as of April 1, 2021	Increase during the current fiscal year	Decrease during the current fiscal year	Balance as of March 31, 2022	Accumulated depreciation and amortization as of March 31, 2022	Depreciation and amortization for the current fiscal year	Net balance as of March 31, 2022
Property, plant and equipment							
Building	15,546	1,655	257	16,944	8,976	892	7,967
Structures	218	18	—	236	133	19	103
Machinery and equipment	481	290	72	699	264	45	435
Vehicles	10	—	—	10	9	0	0
Tools, furniture and fixtures	3,301	362	216	3,447	2,702	301	744
Land	7,020	1,804	92 (37)	8,732	—	—	8,732
Lease assets	11,466	811	202	12,075	3,895	634	8,179
Construction in progress	168	105	168	105	—	—	105
Total property, plant and equipment	38,213	5,047	1,009 (37)	42,251	15,982	1,894	26,268
Intangible assets							
Trademark right	16	—	—	16	13	1	3
Leasehold interests in land	91	—	—	91	—	—	91
Telephone subscription right	82	—	—	82	—	—	82
Software	4,604	1,095	474	5,225	2,369	830	2,856
Others	301	169	120	350	42	11	308
Total intangible assets	5,096	1,265	594	5,767	2,424	844	3,342

- Note:
1. Balance as of April 1, 2021 and balance as of March 31, 2022 are the acquisition values.
 2. The figure in parentheses in the Decrease during the current fiscal year column shows the amount of impairment loss recorded during the current fiscal year included in the total.
 3. Major increases in property, plant and equipment are as follows.

Buildings	acquisition of factories of subsidiaries and training center	1,655 million yen
Land	acquisition of stores of subsidiaries and training center	1,804 million yen
Software	system renewal expenses	1,095 million yen

Schedule of provisions

(Millions of yen)

Item	Balance as of April 1, 2021	Increase during the current fiscal year	Decrease during the current fiscal year	Balance as of March 31, 2022
Allowance for doubtful accounts	13,140	3,512	5,361	11,291
Provision for bonuses	686	1,120	686	1,120
Provision for loss on guarantees	—	1,390	—	1,390
Allowance for investment loss	—	71	—	71

(2) Details of major assets and liabilities

Statement is omitted since the Company prepares the consolidated financial statements.

(3) Others

None.

VI: STOCK-RELATED ADMINISTRATION FOR THE COMPANY

Fiscal year	From April 1 to March 31																														
Ordinary general meeting of shareholders	June																														
Record date	March 31																														
Record date of dividends	September 30 March 31																														
Number of shares constituting one unit	100 shares																														
Purchase and sales of less-than-one unit shares																															
Handling office	(Special account) Stock Transfer Agent Department, Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo JAPAN																														
Custodian of shareholder register	(Special account) Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo JAPAN																														
Handling locations	-																														
Purchase and sales fee	Amount separately determined as equivalent to the commission related to the brokerage of stock trading.																														
Method of public notice	Public notice of the Company shall be given by electronic means; provided, however, that in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be given in the Nihon Keizai Shimbun newspaper. The electronic public notice is presented on the Company's Web site at http://www.zensho.co.jp																														
Special benefit program for shareholders	Standards of distribution Shareholders recorded in the registry of shareholders as of March 31 and September 30 are entitled to receive "complimentary meal discount ticket for a shareholder", which can be used at the participating Zensho group stores. <ul style="list-style-type: none"> ● Shareholders with 100 – 299 shares 1,000 yen worth of discount ticket (a booklet of two 500 yen meal discount tickets) will be sent twice a year. ● Shareholders with 300 – 499 shares 3,000 yen worth of ticket (a booklet of six 500 yen meal discount tickets) will be sent twice a year. Alternatives can be selected. ● Shareholders with 500 – 999 shares 6,000 yen worth of ticket (two booklets of six 500 yen meal discount tickets) will be sent twice a year. Alternatives can be selected. ● Shareholders with 1,000 – 4,999 shares 12,000 yen worth of ticket (four booklets of six 500 yen meal discount tickets) will be sent twice a year. Alternatives can be selected. ● 5,000 shares and over 30,000 yen worth of ticket (ten booklets of six 500 yen meal discount tickets) will be sent twice a year. Alternatives can be selected. Alternatives: By sending back the unused latest meal discount tickets within a predetermined period, shareholders can get one set of products such as "Sukiya Gyudon-no-gu" for every 3,000 yen worth of tickets. For more information, please see https://www.zonsho.co.jp/jp/ir/investor/complimentary.html . Participating stores (Limited to Japan) <table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Gyudon chain</td> <td>Sukiya</td> </tr> <tr> <td>Rice bowl and Kyoto style udon noodles</td> <td>Nakau</td> </tr> <tr> <td>Tonkatsu chain</td> <td>Katsuan</td> </tr> <tr> <td>Family restaurant</td> <td>Coco's</td> </tr> <tr> <td>Hamburger steak and steak restaurant</td> <td>Big Boy</td> </tr> <tr> <td>Hamburger steak and steak restaurant</td> <td>Victoria Station</td> </tr> <tr> <td>Pasta specialty restaurant</td> <td>Jolly Pasta</td> </tr> <tr> <td>Italian dining</td> <td>OIIVENOOKA</td> </tr> <tr> <td>Japanese restaurant</td> <td>Hanaya Yohei</td> </tr> <tr> <td>Mexican restaurant</td> <td>El Torito</td> </tr> <tr> <td>100-yen sushi restaurant</td> <td>Hamazushi</td> </tr> <tr> <td>Udon/Tempura/Shabushabu</td> <td>Kyubeiya</td> </tr> <tr> <td>Barbeque restaurant</td> <td>Gyuan</td> </tr> <tr> <td>Barbeque restaurant</td> <td>Jukusei Yakiniku Ichiban</td> </tr> <tr> <td>Barbeque restaurant</td> <td>Takarajima</td> </tr> </table> <p>* Some stores do not accept complimentary discount tickets.</p>	Gyudon chain	Sukiya	Rice bowl and Kyoto style udon noodles	Nakau	Tonkatsu chain	Katsuan	Family restaurant	Coco's	Hamburger steak and steak restaurant	Big Boy	Hamburger steak and steak restaurant	Victoria Station	Pasta specialty restaurant	Jolly Pasta	Italian dining	OIIVENOOKA	Japanese restaurant	Hanaya Yohei	Mexican restaurant	El Torito	100-yen sushi restaurant	Hamazushi	Udon/Tempura/Shabushabu	Kyubeiya	Barbeque restaurant	Gyuan	Barbeque restaurant	Jukusei Yakiniku Ichiban	Barbeque restaurant	Takarajima
Gyudon chain	Sukiya																														
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Barbeque restaurant	Gyuan																														
Barbeque restaurant	Jukusei Yakiniku Ichiban																														
Barbeque restaurant	Takarajima																														

According to the Company's Articles of Incorporation, shareholders with less-than-one unit shares do not have any rights except for those listed in Article 189, Paragraph 2 of the Companies Act, the right of claim, the right to be allotted the shares and/or subscription rights to shares offered according to the number of shares held and the right to ask for sale of less-than-one unit shares as stipulated in Article 166, Paragraph 1 of the Companies Act.

VII. CORPORATE REFERENCE DATA

1. Information on the Parent Company, etc.

The Company does not have the parent company, etc. prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

From the beginning of the current fiscal year until the filing date of this Annual Securities Report, the Company has filed the following documents.

- (1) Annual Securities Report, the Attachments and Confirmation Letter
Fiscal year (39th) (From April 1, 2020 to March 31, 2021)
Filed with Director General of the Kanto Local Finance Bureau on June 28, 2021
- (2) Internal Control Report and the Attachments
Filed with Director General of the Kanto Local Finance Bureau on June 28, 2021
- (3) Quarterly Report and Confirmation Letter
(40th First Quarter) (From April 1, 2021 to June 30, 2021)
Filed with Director General of the Kanto Local Finance Bureau on August 13, 2021
(40th Second Quarter) (From July 1, 2021 to September 30, 2021)
Filed with Director General of the Kanto Local Finance Bureau on November 12, 2021
(40th Third Quarter) (From October 1, 2021 to December 31, 2021)
Filed with Director General of the Kanto Local Finance Bureau on February 8, 2022
- (4) Extraordinary Report
Filed with Director General of the Kanto Local Finance Bureau on June 29, 2021
Filed pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.
Filed with Director General of the Kanto Local Finance Bureau on August 13, 2021
Filed pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, item 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.
Filed with Director General of the Kanto Local Finance Bureau on November 12, 2021
Filed pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, item 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.
Filed with Director General of the Kanto Local Finance Bureau on February 8, 2022
Filed pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, item 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.
Filed with Director General of the Kanto Local Finance Bureau on May 13, 2022
Filed pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, item 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.
- (5) Shelf Registration (shares, bonds, etc.) statement and the Attachments
Filed with Director General of the Kanto Local Finance Bureau on July 30, 2021
- (6) Shelf Registration (shares, bonds, etc.) supplements and the Attachments
Filed with Director General of the Kanto Local Finance Bureau on December 7, 2021
Filed with Director General of the Kanto Local Finance Bureau on June 7, 2022
- (7) Amendment to Shelf Registration Statement
Filed with Director General of the Kanto Local Finance Bureau on August 16, 2021
Filed with Director General of the Kanto Local Finance Bureau on November 12, 2021
Filed with Director General of the Kanto Local Finance Bureau on February 8, 2022
Filed with Director General of the Kanto Local Finance Bureau on May 11, 2022
Filed with Director General of the Kanto Local Finance Bureau on May 13, 2022

PART II: INFORMATION ON CORPORATE GUARANTORS, ETC., FOR THE COMPANY

Not applicable.



Independent Auditor's Report

To the Board of Directors of Zensho Holdings Co., Ltd.

Opinion

We have audited the consolidated financial statements of Zensho Holdings Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Determination of Recognition of Impairment Loss on Store Assets 【Notes】 (Significant Accounting Estimates) 1. Tests for impairment loss recognition related to store assets in the Restaurant business	
Key audit matter description	How our audit addressed the key audit matter
<p>The Group recorded store assets of 80,645 million JPY related to the restaurant business on its consolidated balance sheets as of March 31, 2022. For the year ended March 31, 2022, the Group recorded an impairment loss of 2,273 million JPY on the buildings and others of their directly managed stores.</p> <p>In the restaurant business operated by the Group, despite the continuous effects of COVID-19 and global supply constraints, there were some signs of recovery towards the end of 2021. However, the Japanese economy is becoming more uncertain due to the rapid spread of the Omicron variant and deteriorating situation in Ukraine. Against this backdrop, the Group classified its store assets mainly at a store-by-store level, and determined that there were indications of impairment in store assets when the stores' cash flow from operating activities used for management accounting is continuously negative. For stores for which indications were identified, the Group assessed whether it was necessary to recognize an impairment loss, and if so, measured and recorded it accordingly.</p> <p>In determining whether recognition of an impairment loss is necessary, the total amount of undiscounted future cash flows of a store is compared with the book value of store assets. Of the stores that had indications of impairment, the number and the book value of the stores for which it was not determined necessary to recognize impairment losses were as follows: 10 restaurants of Sukiya Co., Ltd. with book value of 21 million JPY; 24 restaurants of Nakau Co., Ltd. with book value of 263 million JPY; 8 restaurants of Coco's Japan Co., Ltd. with book value of 162 million JPY; 16 restaurants of Big Boy Japan Inc. with book value of 155 million JPY; and 19 restaurants of Hanaya Yohei Co., Ltd. with book value of 203 million JPY.</p> <p>The future plans used in estimating undiscounted future cash flows of the stores included assumptions which reflected uncertain estimates and involved subjective judgments by management. Therefore, we concluded that such matter was a key audit matter.</p>	<p>In determining the recognition of impairment losses on store assets, we obtained the undiscounted future cash flows of the stores and others for which there was an indication of impairment and primarily performed the following audit procedures:</p> <ul style="list-style-type: none"> • We inquired with the Group Finance and Accounting Division Manager about the business performance of the restaurant business by business category. • We evaluated the design and operating effectiveness of internal controls related to determination of recognition of impairment losses on store assets. • We obtained cash flows of stores and examined cash flow forecasts by stores and existence of store closing plans. • We examined whether there was evidence of stores recording continuing negative cash flows from operating activities recovered and recorded positive cash flows. • In order to evaluate the accuracy and effectiveness of management's process to estimate undiscounted future cash flows, or identify existence of management's bias, we compared prior year forecasts by stores with results for the current period. • To evaluate management's process to estimate undiscounted future cash flows, we developed our own independent estimates of cash flows based on historical data and evaluated any material differences from management's estimates.



Valuation of Goodwill 【Notes】 (Significant Accounting Estimates) 2. Tests for impairment loss recognition related to goodwill	
Key audit matter description	How our audit addressed the key audit matter
<p>The Group recorded goodwill of 13,106 million JPY on its consolidated balance sheets as of March 31, 2022.</p> <p>The Group recorded an impairment loss on goodwill of 696 million JPY for the year ended March 31, 2022.</p> <p>In the restaurant business operated by the Group, despite the continuous effects of COVID-19 and global supply constraints, there were some signs of recovery towards the end of 2021. However, the Japanese economy is becoming more uncertain due to the rapid spread of the Omicron variant and deteriorating situation in Ukraine. The Group classifies its assets into units by allocating goodwill to groups of multiple assets related to the business under which the goodwill arose. For businesses whose operating profit/loss (after considering goodwill amortization) was continuously negative, the Group determined that there were indications of impairment, assessed whether it was necessary to recognize an impairment loss, and if so, measured and recorded it accordingly.</p> <p>In determining whether recognition of an impairment loss is necessary, the total amount of undiscounted future cash flows of a business to which goodwill is allocated was compared with the book value of its asset group including goodwill. Estimated periods of undiscounted future cash flows used in the assessment reflect the remaining useful lives of goodwill. No growth rate was applied for cash flows that extended beyond the period covered by the mid-term business plan.</p> <p>Of those goodwill balances that had indications of impairment, for the fiscal year ended March 31, 2022, the number of businesses where it was determined unnecessary to recognize impairment of goodwill was two, i.e., Restaurant business of Coco's Japan Co., Ltd. and Restaurant business of Nakau Co., Ltd., whose book values were 194 million JPY and 784 million JPY, respectively.</p> <p>The medium-term plans used in the estimate of undiscounted future cash flows included assumptions which involved subjective judgments by the management. Goodwill was a significant account balance in the consolidated financial</p>	<p>To validate the goodwill assessment performed by the Company, we primarily performed the following audit procedures:</p> <ul style="list-style-type: none"> • We inquired with the Group Finance and Accounting Division Manager about the performance of the operations to which goodwill belongs. • We evaluated the design and operating effectiveness of internal controls related to determination of whether there was an indication of impairment to goodwill. • We inspected the Board of Directors meeting minutes and other documents to determine whether there was evidence of plans for modification to the extent or method of use of the asset group, including goodwill. • We examined the reasonableness of assumptions used to calculate the total undiscounted future cash flows of asset groups determined to have indications of impairment by comparing them to past results and operation improvement measures in the medium-term plan. • To evaluate management's process to estimate undiscounted future cash flows, we made our own independent estimates of cash flows based on historical data and evaluated any material differences from management's estimates.



statements and the assessment of impairment loss therefore has significant impact on the consolidated financial statements as a whole. Therefore, we determined that evaluation of goodwill impairment was a key audit matter.	
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Other Information

The other information comprises the information included in the annual securities report, but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group’s reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Shigeru Takahama

Designated Engagement Partner
Certified Public Accountant

Kentaro Shimizu

Designated Engagement Partner
Certified Public Accountant

August 9, 2022



Independent Auditor's Report

To the Board of Directors of Zensho Holdings Co., Ltd.

Opinion

We have audited the non-consolidated financial statements of Zensho Holdings Co., Ltd. (the Company) which comprise the non-consolidated balance sheets as at March 31, 2022, and the non-consolidated statements of income, and non-consolidated statement of changes in shareholders' equity for the year then ended, and notes on the non-consolidated financial statements.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of Intermediate Holding Company Investments 【Notes】 (Significant Accounting Estimates)	
Key audit matter description	How our audit addressed the key audit matter
<p>The Company recorded shares and investments in affiliates of 112,126 million JPY on its balance sheets as of March 31, 2022. Of that amount, the value of investments in the intermediate holding company totalled 106,458 million JPY. The book value of Nihon Restaurant Holdings Co., Ltd. (“Nihon Restaurant Holdings”), which was established in January 2019 as an intermediate holding company to further enhance the restaurant business, was 25,624 million JPY. In the restaurant business operated by the Group, despite the continuous effects of COVID-19 and global supply constraints, there were some signs of recovery towards the end of 2021. However, the Japanese economy is becoming more uncertain due to the rapid spread of the Omicron variant and deteriorating situation in Ukraine, and the fair value of certain operating subsidiaries declined significantly. Under these circumstances, the Company calculated valuation differences and others based on fair value of assets, etc, in the calculation of the net asset value of Nihon Restaurant Holdings. As the result of the calculation, the Company determined that an impairment was unnecessary.</p> <p>Due to judgments made by management in calculating the net assets value of the company, including accounting for valuation differences and others based on fair value of the assets, we determined that such matter was a key audit matter.</p>	<p>With respect to the evaluation of the intermediate holding company investments, we primarily performed the following audit procedures:</p> <ul style="list-style-type: none"> • We evaluated the design and operating effectiveness of internal controls related to the evaluation of the intermediate holding company investments. • We examined whether the net asset value of the intermediate holding company declined significantly by inspecting the financial information as of the end of the current fiscal year. • We evaluated the reasonableness of the net asset value of shares of Nihon Restaurant Holdings which was calculated by taking into account valuation differences based on the fair value of assets, etc.



Other Information

The other information comprises the information included in the annual securities report, but does not include the non-consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Company's reporting process of the other information.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk



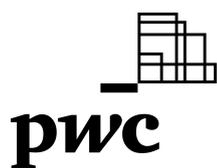
of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Shigeru Takahama

Designated Engagement Partner
Certified Public Accountant

Kentaro Shimizu

Designated Engagement Partner
Certified Public Accountant

August 9, 2022

[Cover page]

[Document title]	Internal Control Report
[Clause of stipulation]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General, Kanto Local Finance Bureau
[Filing date]	June 27, 2022
[Company name]	Kabushiki Kaisha Zensho Holdings
[Company name in English]	Zensho Holdings Co., Ltd.
[Title and name of representative]	Kentaro Ogawa, Chairman of the Board, President and CEO
[Title and name of chief financial officer]	Kiyohiko Niwa, Executive Officer, Senior General Manager of Group Finance and Accounting Division
[Address of head office]	18-1, Konan 2-chome, Minato-ku, Tokyo, Japan
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

1. Basic Framework for Internal Control over Financial Reporting

Mr. Kentaro Ogawa, Representative Director and Chairman of the Board, President & CEO, and Mr. Kiyohiko Niwa, Executive Officer, Senior General Manager of Group Finance and Accounting Division, are responsible for establishing and maintaining internal control over financial reporting of Zensho Holdings Co., Ltd. (the “Company”) and have established and maintained internal control over financial reporting in accordance with the basic framework for internal control set forth in the “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)”.

To ensure reliability to the information that may have a significant impact on financial reporting, internal control over financial reporting is a process designed and built in the operation and conducted by all the individuals in the organization, and includes policies and processes through which reasonably ensures proper preparation of financial statements in accordance with Japanese generally accepted accounting principles.

However, internal control has its own limitations where it does not function effectively as results where misjudgment, carelessness or collusion takes place, where it does not suite unexpected changes in the environment inside and outside the organization or extraordinary transactions, etc., and where maintenance and operation become insufficient due to the need for a comparative balance between costs and benefits. Accordingly, it does not absolutely guarantee the purpose of internal control, but aims to achieve it in a reasonable range. For this reason, internal control over financial reporting may not completely prevent or detect false statements in financial reporting.

2. Scope of Assessment, Reference Dat and Assessment Procedures

The Company performed assessment of internal control over financial reporting with the reference day of March 31, 2022, the end of 40th fiscal year, in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In this assessment, the Company first assessed internal control (company-wide control) which would have a material impact on the overall financial reporting on consolidated basis, and considering such result, then selected the business processes to be assessed. In making these business processes assessment, the Company analyzed these selected business processes, and then evaluated the efficiency of internal controls by identifying key controls that may have a material impact on the reliability of internal control over financial reporting and by assessing the design and operation of these key controls.

As to the scope for evaluation of internal control over financial reporting, the Company determined necessary scope in view of the materiality of impacts on the reliability of financial reporting of the Company and its consolidated subsidiaries. The Company determined the materiality that may affect the reliability of its financial reporting considering the materiality of monetary and qualitative impacts, and further evaluated the company-wide control assessment and the company-level control assessment regarding the closing and financial reporting operations each targeting the Company and its 38 consolidated subsidiaries. In addition, assessment of certain business processes which were separately selected was conducted. The scope of company-level controls does not include consolidated subsidiaries which have little importance both monetary and qualitative aspects.

Regarding the assessment scope of internal control over business processes, the Company selected the

Company and additional 11 business units as significant business units whose net sales (after eliminating inter-company transactions) for the previous fiscal year reaches approximately two-thirds of consolidated net sales. At the selected significant business units, the Company included, in the assessment scope, those business processes leading to net sales, raw material purchase included in the cost of goods, and inventories as accounts closely relating to business objectives of the Company.

Furthermore, regardless whether it is the significant business units, the Company included, the scope of assessment as business processes with material impact of financial reporting, certain business processes related to important accounts that are likely to cause significant false statements in financial reporting and involve estimates and forecasts, and business processes on businesses or operations in which transactions involving significant risks are conducted.

Regarding the development and operational status of internal control, the Company carried out evaluation procedure for major points based on practice standards of assessment on internal control over financial reporting, as a result of which the effectiveness was evaluated and the record was preserved.

3. Results of the Assessment

As a result of the assessment above, the Company concluded that internal control over financial reporting of Zensho Holdings Co., Ltd. was effective as of March 31, 2022, the end of 40th fiscal year.

4. Additional notes

Not applicable.

5. Special notes

Not applicable.

[Cover page]

[Document title]	Confirmation Letter
[Clause of stipulation]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General, Kanto Local Finance Bureau
[Filing date]	June 27, 2022
[Company name]	Kabushiki Kaisha Zensho Holdings
[Company name in English]	Zensho Holdings Co., Ltd.
[Title and name of representative]	Kentaro Ogawa, Chairman of the Board, President and CEO
[Title and name of chief financial officer]	Kiyohiko Niwa, Executive Officer, Senior General Manager of Group Finance and Accounting Division
[Address of head office]	18-1, Konan 2-chome, Minato-ku, Tokyo, Japan
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

1. Adequacy of Statements Contained in the Annual Securities Report

Mr. Kentaro Ogawa, Representative Director and Chairman of the Board, President & CEO, and Mr. Kiyohiko Niwa, Executive Officer, Senior General Manager of Group Finance and Accounting Division, have confirmed that the content of the Annual Securities Report of Zensho Holdings Co., Ltd. for the 40th fiscal year (from April 1, 2021 to March 31, 2022) is properly described in compliance with the laws relating to the Financial Instruments and Exchanges Act.

2. Special Notes

Not applicable.