
Annual Securities Report

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

The 41st Fiscal Year
(April 1, 2022 to March 31, 2023)

Zensho Holdings Co., Ltd.

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Contents

Annual Securities Report (41st Fiscal Year)

[Cover page]	3
PART I: COMPANY INFORMATION	4
I. OVERVIEW OF COMPANY	4
1. Summary of Business Results	4
2. History	6
3. Description of Business	9
4. Subsidiaries and Associates	11
5. Employees	14
II. BUSINESS OVERVIEW	16
1. Management Policy, Business Environment and Issues to Be Addressed, etc.	16
2. Philosophy and Initiatives for Sustainability	19
3. Business Risks, etc.	24
4. Management's Analysis on the Company's Financial Condition, Results of Operations and Cash Flow Conditions	27
5. Material Contracts	33
6. Research and Development	33
III. STATUS OF EQUIPMENT	34
1. Overview of Capital Investments, etc.	34
2. Principal Facilities	34
3. Plans for New Additions or Disposals, etc. of Facilities	37
IV. INFORMATION ON THE COMPANY	38
1. Information on the Company's Share, etc.	38
2. Acquisitions of Treasury Shares	42
3. Dividend Policy	43
4. Corporate Governance, etc.	44
V. FINANCIAL INFORMATION	73
1. Consolidated Financial Statements, etc.	74
2. Non-Consolidated Financial Statements, etc.	124
VI. STOCK-RELATED ADMINISTRATION FOR THE COMPANY	137
VII. CORPORATE REFERENCE DATA	138
1. Information on the Parent Company, etc.	138
2. Other Reference Information	138
PART II: INFORMATION ON CORPORATE GUARANTORS, ETC., FOR THE COMPANY	139

[Cover page]

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PART I: COMPANY INFORMATION

I. OVERVIEW OF COMPANY

1. Summary of Business Results

(1) Business results of group

(Million yen, unless otherwise stated)

Term	37th	38th	39th	40th	41st
Fiscal year ended	March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	607,679	630,435	595,048	658,503	779,964
Ordinary profit	18,211	19,903	12,215	23,117	28,081
Profit attributable to owners of parent	9,924	11,978	2,259	13,869	13,265
Comprehensive income	9,739	8,594	5,324	22,080	18,180
Net assets	87,083	86,793	85,430	104,486	115,837
Total assets	377,779	365,853	396,023	427,172	469,563
Net assets per share (yen)	496.34	563.30	560.87	679.19	761.63
Basic earnings per share (yen)	67.93	80.31	14.82	91.17	87.30
Diluted earnings per share (yen)	—	—	—	—	—
Shareholders' equity ratio (%)	19.1	23.7	21.5	24.2	24.6
Return on equity (%)	14.2	15.1	2.6	14.7	12.1
Price-earnings ratio (times)	37.7	25.7	191.1	31.4	45.0
Cash flows from operating activities	33,129	33,575	29,686	45,430	53,078
Cash flows from investing activities	(52,143)	(35,188)	(23,519)	(31,550)	(35,200)
Cash flows from financing activities	50,300	(25,753)	1,753	(11,986)	1,844
Ending balance of cash and cash equivalents	57,240	28,928	37,643	42,414	64,690
Number of employees [average number of part-time employees] (persons)	12,521 [52,682]	14,402 [50,148]	16,253 [51,125]	15,929 [51,118]	17,324 [56,313]

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.

3. The Company introduced Board Benefit Trust (BBT) in the 41st term. In the calculation of net assets per share, the Company shares held by Japan Custody Bank, Ltd. (Trust Account E) as trust assets for the BBT are included in the number of treasury shares deducted from the number of issued shares at the fiscal year-end, while in the calculation of basic earnings per share, those are included in the number of treasury shares deducted from the average number of shares outstanding during the period.

(2) Business results of reporting company

(Million yen, unless otherwise stated)

Term	37th	38th	39th	40th	41st
Fiscal year ended	March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	254,448	254,937	238,248	216,433	256,344
Ordinary profit	7,222	10,276	4,699	5,571	13,436
Profit	6,297	7,159	2,622	5,415	11,961
Share capital	23,470	26,996	26,996	26,996	26,996
Total number of issued shares (shares)	149,640,445	154,862,825	154,862,825	154,862,825	154,862,825
Net assets	55,342	79,891	75,884	78,095	86,248
Total assets	342,687	350,250	360,602	373,293	400,507
Net assets per share (yen)	380.65	519.58	498.83	513.38	568.08
Dividends per share (yen) [Interim dividend per share]	18.00 (9.00)	20.00 (10.00)	20.00 (10.00)	22.00 (11.00)	24.00 (12.00)
Basic earnings per share (yen)	43.11	48.00	17.20	35.60	78.72
Diluted earnings per share (yen)	—	—	—	—	—
Shareholders' equity ratio (%)	16.1	22.8	21.0	20.9	21.5
Return on equity (%)	11.6	10.6	3.4	7.0	14.6
Price-earnings ratio (times)	59.5	42.9	164.6	80.4	49.9
Payout ratio (%)	41.8	41.7	116.3	61.8	30.5
Number of employees [average number of part-time employees] (persons)	622 [158]	600 [129]	627 [146]	655 [144]	684 [109]
Total shareholder return (%) [Benchmark: TOPIX Net Total Return Index]	106.6 (95.0)	86.7 (85.9)	119.3 (122.1)	121.4 (124.6)	166.4 (131.8)
Highest share price (yen)	2,934	2,608	3,125	3,005	4,150
Lowest share price (yen)	2,023	1,677	1,731	2,556	2,855

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 before April 3, 2022 and of the Prime Market of the Tokyo Stock Exchange after April 4, 2022.

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.

4. The Company introduced Board Benefit Trust (BBT) in the 41st term. In the calculation of net assets per share, the Company shares held by Japan Custody Bank, Ltd. (Trust Account E) as trust assets for the BBT are included in the number of treasury shares deducted from the number of issued shares at the fiscal year-end, while in the calculation of basic earnings per share, those are included in the number of treasury shares deducted from the average number of shares outstanding during the period.

2. History

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

Date	Event
Dec. 2011	Established ZENSHO FOOD DE MEXICO S.A. DE C.V.
Mar. 2012	Established GFF CO., LTD. to expand manufacturing function.
Apr. 2012	Established ZENSHO FOODS MALAYSIA SDN. BHD.
Apr. 2012	Established Zensho Business Service Co., Ltd. to promote employment of challenged persons and to support their self-reliance.
Oct. 2012	Established Zensho Clean Energy Co., Ltd. to conduct power generation business using natural energy sources and to supply and sell the electricity.
Nov. 2012	Acquired Maruya Co., Ltd. (currently JOY MART CO., LTD.) to expand retail business.
Apr. 2013	Established Zensho Taiwan Co., Ltd.
May. 2013	Established PT. ZENSHO INDONESIA.
May. 2013	Acquired Pocino Foods Company in the U.S. to expand business and manufacturing function.
Oct. 2013	Acquired Maruei Co., Ltd. (currently JOY MART CO., LTD.).
Nov. 2013	Maruya Co., Ltd. (currently JOY MART CO., LTD.) acquired retail business from Yamaguchi Honten Co., Ltd.
Dec. 2013	Established Nihon Retail Holdings, Co., Ltd. to further enhance the efficiency of retail business.
Jan. 2014	Acquired Kaigo Service Kagayaki Co., Ltd. (currently Kagayaki Co., Ltd.) to expand business domain.
Mar. 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.
Jun. 2014	Conducted a public offering of 26.7 billion yen as fund for opening and refurbishment of stores. 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.
Aug. 2014	Nihon Retail Holdings, Co., Ltd. acquired Owariya Co., Ltd. (currently JOY MART CO., LTD.).
Oct. 2014	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. Zensho Co., Ltd. changed its corporate name to Sukiya Honbu Co., Ltd. (currently Sukiya Co., Ltd.).
Jan. 2015	Established Zensho USA Corporation which oversees the Americas operation.
Feb. 2015	Established Zensho Factory Holdings Co., Ltd. to strengthen production department.
Apr. 2015	Established ZENSHO CooCa Co., Ltd. aiming to introduce original e-money.
May. 2015	Established Kagayaki Nursery Facilities Co., Ltd. to operate in-house nursery facilities.
Jun. 2015	Acquired Mizushita Farm Co., Ltd. to enhance livestock business.
Jul. 2015	TAG-1 Co., Ltd. acquired by absorption-type split yakiniku business from A Dining Co., Ltd.
	A Dining Co., Ltd. transferred café business to Zensho Café Co., Ltd.
	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.
Jan. 2016	Established ZENSHO VIETNAM CO., LTD.
Apr. 2016	ZENSHO ICHIBAN MALAYSIA SDN. BHD. took over ramen business and Korean cuisine business.
Jul. 2016	Established Katsuan Co., Ltd.
Aug. 2016	Established Japan Dining Holdings Co., Ltd. (currently QSR holdings Co., Ltd.) to further strengthen the fast food service business.
Sep. 2016	Kyubeiya Co., Ltd. and Setoudon Co., Ltd. succeeded by absorption-type split Udon business from A Dining Co., Ltd.
Nov. 2016	Acquired Royalhouse Ishioka Co., Ltd. and Senior Support Co., Ltd., which operate nursing care services businesses.
	Established Zensho China Holdings Co., Ltd., which oversees the China operation.
	Nihon Retail Holdings, Co., Ltd. acquired Fujita Cooperation Co., Ltd. (currently JOY MART CO., LTD.).
Apr. 2017	Established Zensho Insurance Service Co., Ltd. to operate non-life insurance agency services.
	Part of the Sukiya business transferred from Tokyo Sukiya Co., Ltd. to Kanagawa Sukiya Co., Ltd. in an absorption-type split.
May. 2017	Established Olive Hill Co., Ltd, an authentic Italian restaurant.
Jun. 2017	Established Nihon Kaigo Holdings Co., Ltd. to further enhance the nursing care business.
Jul. 2017	Part of the Sukiya business transferred from Chubu Sukiya Co., Ltd. to Chukyo Sukiya Co., Ltd. in an absorption-type split.
	Nihon Kaigo Holdings Co., Ltd. acquired NYEREG Co., Ltd.
Dec. 2017	Atack Co., Ltd. (currently JOY MART CO., LTD.) succeeded by absorption-type split part of Sukiya business from Yamadaya Atack Co., Ltd.

Date	Event
May. 2018	Established ZENSHO JAPANESE RESTAURANT COMPANY PTE. LTD.
Aug. 2018	Established ZENSHO (PHILIPPINES), INC.
Oct. 2018	Established ZENSHO HONG KONG CO., LTD.
Nov. 2018	Acquired Advanced Fresh Concepts Corp. Nihon Kaigo Holdings Co., Ltd. acquired IMedicare Co., Ltd.
Jan. 2019	Established Nihon Restaurant Holdings Co., Ltd. to further enhance the restaurant business.
Feb. 2019	Established ZENSHO SOUTH EAST ASIA HOLDINGS PTE. LTD., which oversees the operations in Southeast Asia region.
Mar. 2019	Established ZENSHO HOLDINGS MALAYSIA SDN. BHD., which oversees the operations in Malaysia.
Mar. 2019	Established ZENSHO FOOD INDIA PTE. LTD.
May. 2019	ZENSHO HOLDINGS MALAYSIA SDN. BHD. acquired TCRS Restaurants Sdn. Bhd.
Jun. 2019	Established JinZai Co., Ltd. aiming to realize a society where people can co-exist with various international human resources.
Aug. 2019	Converted Jolly-Pasta Co., Ltd. into a wholly owned subsidiary by the share exchange.
Sep. 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.
Dec. 2019	Established Zensho Europe Holdings B.V. and acquired Worldfood To Go, S.L.
Feb. 2020	Converted Coco's Japan Co., Ltd. into a wholly owned subsidiary by the share exchange through Nihon Restaurant Holdings Co., Ltd.
Mar. 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.
Apr. 2020	Established Zensho Store Support Co., Ltd., aiming to enhance employment of the challenged persons and to support their self-reliance.
Aug. 2020	Acquired Seiun Sake Brewery Co., Ltd.
Mar. 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.
Jun. 2021	Established Global MD Holdings Co., Ltd. aiming to strengthen domestic and international procurement.
Jul. 2021	Global MD Holdings Co., Ltd. acquired Marix Co., Ltd.
Sep. 2021	Established Zensho Fast Holdings Co., Ltd. to further enhance Japanese specialty restaurant business.
Oct. 2021	Zensho Rice Co., Ltd. acquired Saito Shoten Co., Ltd.
Nov. 2021	Zensho Fast Holdings Co., Ltd., succeeded to the shares of Sukiya Co., Ltd. and Nakau Co., Ltd. by absorption-type split.
Mar. 2022	Global MD Holdings Co., Ltd. acquired Igarashi Suisan Co., Ltd.
Apr. 2022	Established Shinagawa Design Co., Ltd. aiming to improve UX design quality for all Zensho Group business categories. Moved from the First Section to the Prime Market due to the revision of the market classification of the Tokyo Stock Exchange.

3. Description of Business

The Group consists of 134 companies, the Company and 133 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: 90.0%)

(i) Gyudon category (share of the Group sales: 33.6%)

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) Family Dining category (share of the Group sales: 15.0%)

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. mainly 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, mainly in Kanto and Kansai regions.

TAG-1 Co., Ltd. directly operates “Jukusei Yakiniku Ichiban,” “Takarajima,” and “Gyuan” barbeque restaurants, etc. mainly in Kanto and Kansai regions.

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

Olive Hill Co., Ltd. directly operates “OLIVENOOKA,” specialty Italian restaurant chain in Kanto region.

(iii) Fast Food Service category (share of the Group sales: 24.7%)

Hamazushi Co., Ltd. directly operates “Hamazushi,” 100-yen sushi restaurants chain, across Japan.

A Dining Co., Ltd. directly operates ramen specialty restaurants “Denmaru,” etc. mainly in Kanto and Kansai regions.

Kyubeiya Co., Ltd. directly operates “Kyubeiya” restaurants, which offer Musashino 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,” etc. Sanuki udon noodle specialty self-service restaurants mainly in Kanto region.

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

T CRS Restaurants Sdn. Bhd. directly operates “The Chicken Rice Shop,” etc. 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: 16.6%)

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

Tolona Japan Co., Ltd. is mainly engaged in the sale of frozen foods for home use, etc.

Sanbishi Co., Ltd. is mainly engaged in the production and sale of soy sauce and other seasonings.

Techno Construction Co., Ltd. is mainly engaged in the construction of store facilities and maintenance.

Zensho Tradings Co., Ltd. is mainly engaged in the procurement and sale of food materials.

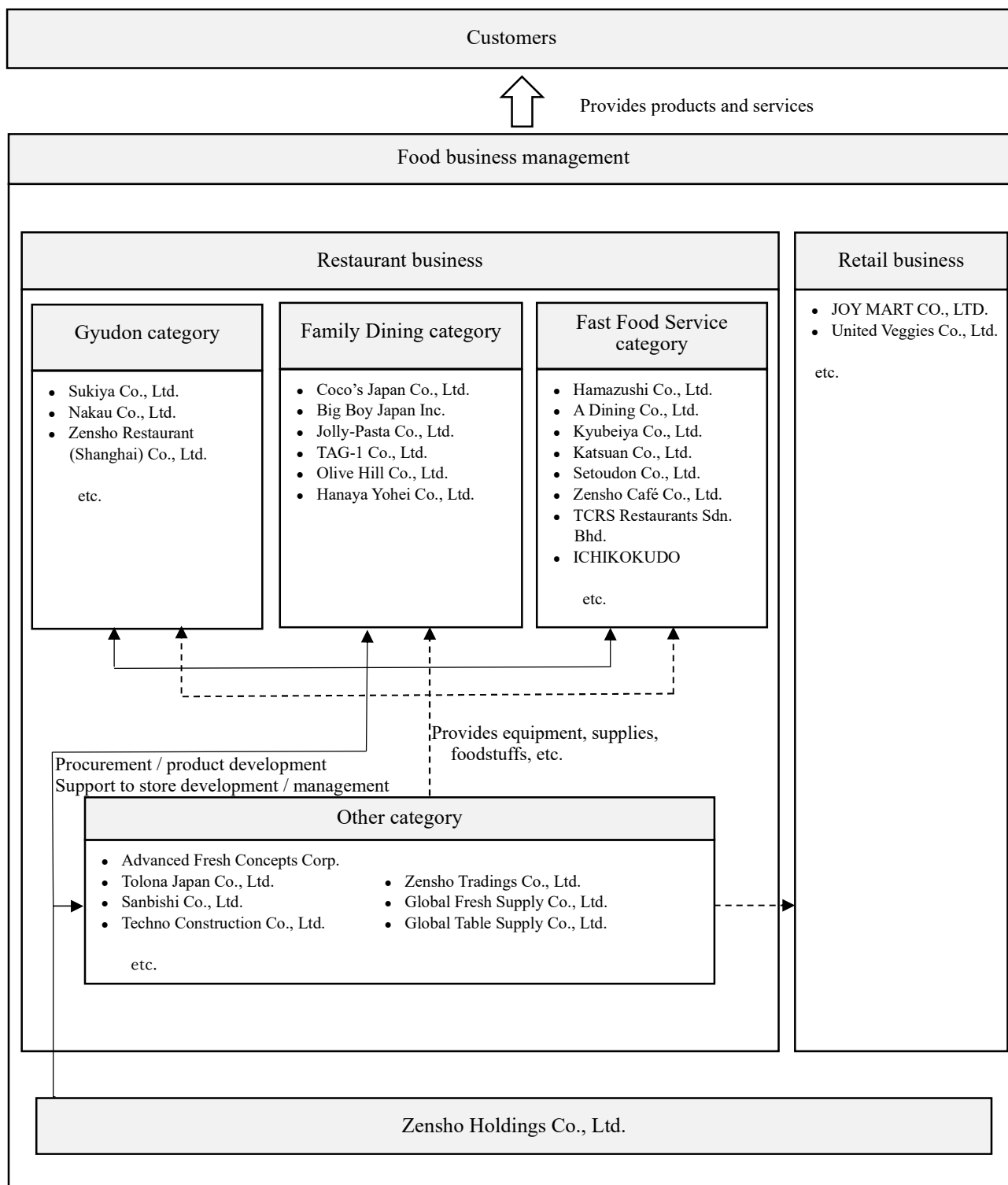
Global Fresh Supply Co., Ltd. is mainly engaged in the nationwide distribution of food materials.

Global Table Supply Co., Ltd. is mainly engaged in the sale of equipment and uniforms.

(2) Retail business (share of the Group sales: 10.0%)

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 (Million yen)	Main business	Ratio of voting rights holding/held (%)	Details of relationship
Consolidated subsidiaries					
Zensho Fast Holdings Co., Ltd. (Note 2)	Minato-ku, Tokyo	10	Management of food service business	(holding) 100.00 (22.40)	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, etc., a café chain which offers fair-trade coffee	(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 Financial support etc.
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.
TAG-1 Co., Ltd. (Note 2)	Minato-ku, Tokyo	10	Management of barbeque restaurants including Jukusei Yakiniku Ichiban and Takarajima ,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	(holding) 100.00 (100.00)	Business transaction
Olive Hill Co., Ltd. (Note 2)	Minato-ku, Tokyo	10	Management of Italian restaurant chain OLIVENOOKA	(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 Musashino 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.

Name	Location	Share capital /investments (Million yen)	Main business	Ratio of voting rights holding/held (%)	Details of relationship
JOY MART CO., LTD. (Note 2)	Kasukabe, Saitama	10	Management of supermarket chain, Joy Foods, etc.	(holding) 100.00 (100.00)	Interlocking directorship Business transaction Financial support etc.
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. (Note 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	Production 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	Procurement and sale of food materials	(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 Thousand USD	Management of Americas operation	(holding) 100.00	Interlocking directorship Business transaction etc.
Advanced Fresh Concepts Corp. (Notes 1 and 2)	California, USA	100 Thousand USD	Management of take-out sushi stores (directly-managed and franchise)	(holding) 100.00 (100.00)	Interlocking directorship
Pocino Foods Company (Notes 1 and 2)	California, USA	28,904 Thousand USD	Processing and sales of meat products	(holding) 100.00 (100.00)	—
ZENSHO DO BRASIL COMMERCIO DE ALIMENTOS LTDA. (Notes 1 and 2)	San Paulo, Brazil	179,374 Thousand BRL	Management of Gyudon chain, Sukiya	(holding) 100.00 (100.00)	—
Zensho China Holdings Co., Ltd. (Note 1)	Shanghai, China	650,049 Thousand CNY	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 Thousand CNY	Management of Gyudon chain, Sukiya	(holding) 100.00 (100.00)	—
Zensho Taiwan Co., Ltd.	Taipei, Taiwan	552,400 Thousand TWD	Management of Gyudon chain, Sukiya	(holding) 100.00	Interlocking directorship Business transaction Financial support etc.
ZENSHO SOUTH EAST ASIA HOLDINGS PTE. LTD. (Note 1)	Singapore	144,424 Thousand SGD	Management of ASEAN operation	(holding) 100.00	Interlocking directorship

Name	Location	Share capital /investments (Million yen)	Main business	Ratio of voting rights holding/held (%)	Details of relationship
ZENSHO JAPANESE RESTAURANT COMPANY PTE.LTD. (Note 2)	Singapore	12,760 Thousand 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	309,065 Thousand MYR	Management of Malaysia operation	(holding) 100.00 (100.00)	—
TCRS Restaurants Sdn.Bhd. (Note 2)	Kuala Lumpur, Malaysia	17,180 Thousand MYR	Management of chicken rice specialty restaurants, etc.	(holding) 100.00 (100.00)	—
78 other companies					
Associates accounted for by the equity method					
MARUI Wasabi, Inc. (Note 2)	California, USA	2,383 Thousand USD	Production of powdered Wasabi	(holding) 50.00 (50.00)	Interlocking directorship

Notes 1. Classified as specified subsidiaries.

2. The figure in parentheses in the “Ratio of voting rights holding/held” column shows the indirect ownership ratio included in the total.

3. Net sales (excluding inter-company sales between consolidated companies) of Sukiya Co., Ltd. is over 10% of consolidated net sales.

Primary profit (loss) information, etc.		(Million yen)
(1)	Net sales:	189,753
(2)	Ordinary profit:	13,934
(3)	Profit:	9,072
(4)	Net assets:	16,667
(5)	Total assets:	51,523

4. Net sales (excluding inter-company sales between consolidated companies) of Hamazushi Co., Ltd. is over 10% of consolidated net sales.

Primary profit (loss) information, etc.		(Million yen)
(1)	Net sales:	163,413
(2)	Ordinary profit:	8,649
(3)	Profit:	5,426
(4)	Net assets:	19,957
(5)	Total assets:	58,650

5. Employees

(1) Consolidated basis

(As of March 31, 2023)

Reporting Segment	Number of employees (Persons)	
Restaurant business	16,615	(53,713)
Retail business	709	(2,600)
Total	17,324	(56,313)

Notes: 1. The number of employees represents the number of active employees.

2. The number in parentheses refers to part-time employees (employees working a maximum of 176 hours per person per month), which is excluded from the number of employees.

(2) Non-consolidated basis

(As of March 31, 2023)

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousand yen)
684 (109)	39.3	8.5	6,444

Notes: 1. The number of employees include personnel employees seconded from other companies to the Company (32 employees) but exclude seconded personnel from the Company to other companies (857 employees).

2. The number in parentheses refers to part-time employees (employees working a maximum of 176 hours per person per month) as of March 2023, which is excluded from 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, 2023, the number of ZEAN members is 52,869, and the number of ZWF members is 116,393. The relationships between the Company, subsidiaries, associates and these labor unions are quite cooperative and stable.

(4) Percentage of female workers in management positions, percentage of male workers taking childcare leave, and differences in wages between male and female workers

(i) The company

		Current fiscal year			Supplementary Explanations
Percentage of female workers in management positions (%) (Notes 1 and 3)	Percentage of male workers taking childcare leave (%) (Notes 2 and 4)	Differences in wages between male and female workers (%) (Note 1)			
		All workers	Full-time workers	Part-time and fixed-term workers	
14.2	25.7	60.3	67.3	103.0	Part-time and fixed-term workers are calculated based on the number of full-time equivalents. Wages include bonuses and exclude commuting allowances.

Notes: 1. Calculated in accordance with the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of September 4, 2015).

2. Based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Member" (Act No. 76 of May 15, 1991), the percentage of child care leave, etc. taken is calculated as per Article 71-4-1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of October 15, 1991).

3. Calculated at the company where the employee works (seconded personnel are included in the destination companies).

4. Calculated at the employing company (seconded personnel are included in the source companies).

(ii) Consolidated subsidiaries

Current fiscal year						Supplementary Explanations
Company name	Percentage of female workers in management positions (%) (Notes 1 and 4)	Percentage of male workers taking childcare leave (%) (Notes 2 and 5)	Differences in wages between male and female workers (%) (Notes 1 and 5)			
		All workers	All workers	Full-time workers	Part-time and fixed-term workers (Note 3)	
Sukiya Co., Ltd.	6.9	32.5	98.1	89.7	99.2	
Nakau Co., Ltd.	12.5	50.0	100.3	71.6	111.5	
Katsuan Co., Ltd.	—	—	98.9	—	98.7	
Coco's Japan Co., Ltd.	2.6	—	82.0	76.4	136.4	
Big Boy Japan Inc.	—	—	82.9	76.9	116.1	
Jolly-Pasta Co., Ltd.	7.8	20.0	64.9	71.4	116.4	
TAG-1 Co., Ltd.	7.4	—	86.5	82.9	101.7	
Hanaya Yohei Co., Ltd.	—	No eligible person	64.4	84.7	126.1	
Olive Hill Co., Ltd.	16.7	—	99.4	—	98.8	
Hamazushi Co., Ltd.	8.1	13.0	91.5	81.2	99.3	
A Dining Co., Ltd.	—	Not subject to publication	98.1	—	98.9	1,000 or less workers employed on a regular basis
Kyubeiya Co., Ltd.	8.3	Not subject to publication	98.9	94.5	102.2	1,000 or less workers employed on a regular basis
JOY MART CO., LTD.	7.7	20.0	63.9	83.8	96.0	
GFF CO., LTD.	10.6	80.0	91.3	93.5	96.3	
Kagayaki Co., Ltd.	62.5	Not subject to publication	93.0	99.3	103.5	1,000 or less workers employed on a regular basis

Notes:1. Calculated in accordance with the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of September 4, 2015).

2. Based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Member" (Act No. 76 of May 15, 1991), the percentage of child care leave, etc. taken is calculated as per Article 71-4-1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of October 15, 1991).

3. Part-time and fixed-term workers are calculated based on the number of full-time equivalents.

4. Calculated at the company where the employee works (seconded personnel are included in the destination companies).

5. Calculated at the employing company (seconded personnel are included in the source companies).

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 current fiscal year-end.

(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 “To provide safe, delicious food at affordable prices to people around 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

The business environment in Japan remained harsh mainly due to the impact of COVID-19 infection and high prices on consumption, soaring raw material and energy prices due to the prolonged situation in Ukraine and the weak yen, changes in the environment for stable procurement of food materials, and tight labor supply and demand. However, as COVID-19 is coming to an end, there were some positive signs, such as a pickup in personal consumption.

Looking at overseas, despite of the lingering effects of the lockdown in China, the economy continued to pick up throughout the world post-COVID.

In light of the changing consumer behavior and values of customers in the restaurant business before and after the COVID-19, the group has been operating to deliver safe and delicious food to customers sustainably as a “food infrastructure” by strengthening raw material procurement, product development and supply systems, and improving productivity through streamlining store operations utilizing digital technology.

(3) Business and financial issues to 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 to be addressed with priority are as follows:

(Business and financial issues to be addressed)

(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. In addition to strengthening its overseas procurement network in consideration to accelerate overseas store openings, the Group will continue to pursue food safety, improve product quality, and improve costs.

(ii) Pursuit of 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 Assurance Division, responsible for food safety group-wide, the Group has implemented thorough food safety and hygiene management at its restaurants, factories and vendors.

The Group guarantees the safety of foodstuffs and raw materials by the traceability of foodstuffs at its food procurement division, and by the analysis and inspection of hazards (health-inhibiting factors) at the Central Analysis Center and the Laboratory.

The Group will pursue food safety through compliance with our own standards, set based on CODEX standards and by implementing food safety education for all employees.

(iii) Brand progress

The Group will enhance its own brands in all aspects to meet the daily evolving needs of its customers and their diverse lifestyles, and to provide products, services, and customer experiences beyond their expectations.

(iv) 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.

(v) Recruiting and development of human resources

Based on thinking of personnel as human capital to create add-value, the Group will hire capable personnel who can share the Group's vision, and develop them to support the sustainable growth of the Group.

Additionally, the Group will actively promote initiatives to enhance diverse working styles including promotion of women's empowerment, strengthening recruitment of mid-career personnel, and employment and development of talented global personnel.

(vi) Improvement of working environment

In order to improve the working environment, the Group has implemented various measures such as 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), enhancing communication, reviewing evaluation systems, salary systems, 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 they are rewarded and growing.

(vii) System Development which contributes to improvement of customers' convenience and prompt management decision making

The Group is developing systems to improve convenience of customers. Additionally, the Group is also developing a management system which gathers information on sales, inventory, etc. As the Group expands its sales bases 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 making.

(viii) Intensive actions to DX (Digital transformation)

Currently, the use of Artificial Intelligence (AI), Internet of Things (IoT), Robotic Process Automation (RPA), cloud computing is accelerating in the rapid digitalization progress called the Fourth Industrial Revolution. At restaurants, labor-saving initiatives are advancing as a result of technology innovation in self-ordering/cashing systems and as a result of the use of data application, not only in routine work but also in non-routine work. The Group will actively promote DX in each business process in restaurants, factories, logistics, and headquarters to increase efficiencies and automation of operations.

(ix) 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.

(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 sets the net sales of 1,183.5 billion yen, operating profit of 96.5 billion yen (operating profit to net sales ratio of 8.2%), ordinary profit of 93.2 billion yen (ordinary profit to net sales ratio of 7.9%), profit attributable to owners of parent of 61.4 billion yen (profit to net sales ratio of 5.2%), and ROE of 10.0% in the fiscal

year ending March 31, 2026.

(The figures of the medium-term business plans are stated in “4. 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 as of the filing date of this Annual Securities Report and the achievement of such figures is not guaranteed in any way.

2. Philosophy and Initiatives for Sustainability

Since its establishment in 1982, the Group has been committed to its management philosophy of "Eradicating hunger and poverty from the world" and has made it its mission "To provide safe, delicious food at affordable prices to people around the world" to achieve this goal. The "Zensho Group Charter," which is the guideline for the behavior of the Group members, begins with "The Zensho Group's Declaration," which states that through the development of our business, "We will realize a society in which all people are truly equal and which is capable of developing in a sustainable and harmonious way."

The Group has further evolved its corporate philosophy and is committed to "taking responsibility for the stability and development of human society through food".

To embody this philosophy, the Group is working to create a system that can stably supply "food" to all people as "food infrastructure" by developing a mass merchandising system (MMD) worldwide, in which all processes from procurement of raw materials to manufacturing, processing, distribution, and store sales are consistently planned, designed, and operated by the Group itself.

In addition to business development as "food infrastructure," the Group has been engaged in its own direct fair trade since 2007. Currently, the Group is trading coffee and tea with 19 countries in Asia and Africa, and using the "social development funds" generated from fair trade, and the Group is engaged in social development support activities such as school construction, water supply facility improvement, and women's support. Through these activities, the Group will correct the imbalance in development brought by the negative aspects of capitalism and contribute to the realization of a sustainable world.

The Group takes responsibility for the impact of its business activities on the global environment. The Group will act to ensure the sustainability of our business areas and the global environment itself through initiatives to issues closely related to our business areas, such as conservation of natural resources and utilization of food residues, in addition to such as the use of natural energy.

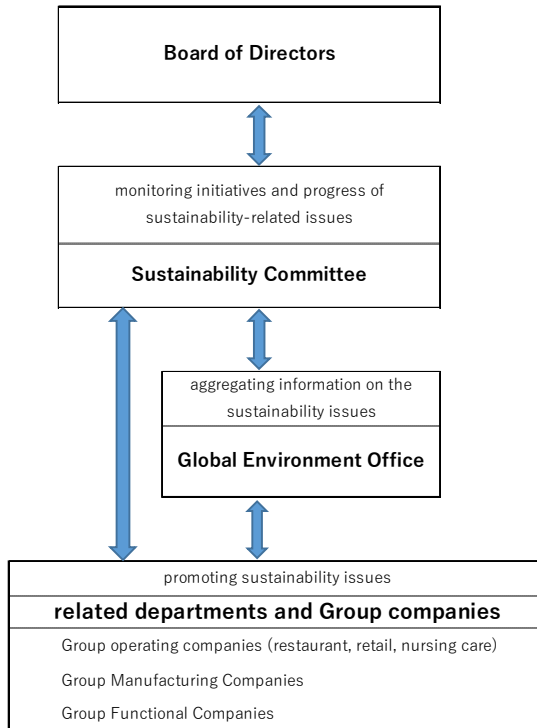
Furthermore, based on the concept that human resources are "human capital," that generates added value, the Group is committed to human resource development and the creation of a workplace environment in which diverse human resources are active. As a global company originating from Japan, the Group established the "Zensho Japanese Culture Center" in Kyoto City in July 2021 to deepen understanding of our own culture to realize a society where multicultural people can live together in harmony. The Group will continue to make further efforts toward multicultural conviviality in the future.

(1) Governance

The Board of Directors makes decisions on important matters such as sustainability policy and identification of materiality, evaluates medium- and long-term business risks and opportunities, and reflects them in management strategies based on an awareness of their impact on the business.

In March 2023, the Company established the "Sustainability Committee" chaired by the director in charge of sustainability with the aim of further strengthening our sustainability management. The Sustainability Committee monitors initiatives and progress of sustainability-related issues focused on the materiality determined by the Board of Directors, and regularly reports the status of these activities to the Board of Directors. The "Global Environment Office," which directly reports to the director in charge of sustainability, serves as the secretariat of the Sustainability Committee and works with related departments and Group companies to aggregate information on the Group sustainability-related issues. The materiality is described in "(2) Strategy" below.

(System chart)



(2) Strategy

(a) Materiality

- Stable supply of safe food to the world
- Contribution to the regional community
- Creation of a rewarding and worthwhile organization
- Growth and prosperity with our partners
- Environmental initiatives

(b) Risks and opportunities

The Group has considered the risks and opportunities that our group faces as a result of climate change. The risks and opportunities of climate change include those arising from the "transition" to a low-carbon economy and society, such as tightening laws and regulations concerning GHG emissions, and those arising from "physical" changes, such as more severe weather disasters. The Group has extracted and identified "Transition Risks," "Physical Risks," and "Opportunities" to be addressed in our business areas as follows.

Category	Risk Category (broad category)	Impact	Risk Category (subcategory)	Contents
Transition Risks	Market Risk	Middle	Changes in consumer preferences and behavior	• Decrease in sales of existing business categories due to changing customer preferences
	Technology Risk	Middle	Adapting to technological innovation	• Rising costs due to delayed adaption to DX and other technological innovations
	Policy and Legal Risks	Large	Rising costs due to introduction of carbon tax	• Increase in raw material procurement and logistics costs due to the introduction of a carbon tax
			Rising energy costs	• Increase in energy costs due to higher fossil fuel and electricity prices
			Tightening plastics regulations	• Increased costs due to changeover to alternative plastics
	Reputation Risk	Middle	Changes in consumer reputation	• Increased public awareness of climate change response and progressive selection based on customer evaluations
			Changes in investor reputation	• Progressive selection of investment destinations by ESG investors
Physical Risks	Acute Risk	Large	Intensifying natural and weather disasters	• Damage to stores, factories, and distribution facilities caused by natural disasters (e.g., earthquakes) or weather disasters (e.g., typhoons)
			Impact of water stress	• Risk of water procurement due to heat waves, droughts, etc. caused by extreme weather conditions
	Chronic Risk	Large	Increasing average temperature	• Deterioration of raw material quality and yield due to higher average temperatures • Impact of rising temperatures on livestock growth • Impact of higher feed prices
			Changes in precipitation and weather patterns	• Price increases due to adverse impact on raw material production areas caused by changes in precipitation and weather patterns
Opportunities	Market	Middle	Changes in consumer preferences and behavior	• Increase sales by developing new businesses and business categories in line with changes in customer preferences and behavior
	Technology	Middle	Adapting to technological innovation	• Improve productivity by promoting DX, robotization, etc.
			Development of renewable energy	• Reduce carbon tax burden through renewable energy initiatives, etc.
	Policy and Legal	Small	Addressing energy costs	• Decrease in raw material procurement costs by streamlining business processes and facilities throughout the supply chain, including suppliers • Decrease in logistics costs by improving logistics efficiency
	Reputation	Small	Improving investor reputation	• Improvement of procurement capability through Sustainability Bonds, etc. by enhancing the evaluation of ESG initiatives
	Climate Change (Acute)	Middle	Intensifying natural and weather disasters	• Maintain customers by developing a supply system and infrastructure that can adapt to extreme weather conditions

• The identified "risks" and "opportunities" will be reflected in the Group's strategies and measures and the Group will work toward the realization of a sustainable society.

(c) Policies and strategies for human resource development and internal environment development

With regard to investment in human capital, the Group strives to secure sufficient budgets for education and competitive compensation levels under our basic policy of developing competitive human resources through the education systems and qualification examination systems for each specialized field, proactive reassignment, and encouragement of self-development. The Group also believes that mutual understanding of multicultural conviviality is necessary for humankind to overcome conflicts arising from differences in race, religion, and ethnicity in times of uncertainty. As an organization for this purpose, the Company established the "Zensho Japanese Culture Center" in July 2021 to lay the foundation for future global expansion. Specifically, the Group is developing a training program based at an educational facility in Kyoto City to expose employees to Japanese culture and improve their education from April 2022.

Policies regarding the development of human resources, including ensuring diversity of human resources, and policies regarding the development of the internal environment are as follows.

(i) Developing and securing human resources

The Company have long described human resources as "human assets," and in the "Zensho Group Charter" that defines the code of conduct for employees, the Company have set "a vital organization that values diversity, independence and originality, in which everyone can work vibrantly" as one of the organizational images to aim for in developing human assets and creating an organization. In the promotion of employees to management positions, the Company is creating an environment that allows equal opportunity in the evaluation of abilities while taking into consideration diversity in terms of gender, nationality, work experience, and other factors. Specifically, the Company have introduced a job rotation system, which allows employees to develop their abilities while gaining experience in a variety of positions. The Company also provides training by department and job level, selective training to discover next-generation leaders, and training to experience Japanese culture. As part of its support for self-development, the Company provides TOEIC examinations for English learning support and opportunities for multilingual learning, as well as selective language training for some employees. In addition, in discussions between management and the labor union, the Company have committed to "10 consecutive years of salary increases" in 2021, and this is the first year of a three-year plan to significantly raise employee salary levels, with an increase in starting salaries for college graduates and a 9.5% salary increase for full-time unionized employees. As competition for human resources becomes more and more intense, the Company will continue our efforts to find human resources who can lead the organization, and to improve the number of recruits and retention rate.

(ii) Promotion of females' activities and support for balancing work and childcare

The following initiatives are underway with the aim of creating an organization in which female employees and employees raising children can play an active role by leveraging their strengths, as well as a system to support them.

- Establish a consultation service for female employees to support their work before maternity leave, their return to work, and their work during childcare.
- Establish a consultation service for male employees taking childcare leave.
- Establish a system of shortened working hours for employees raising children up to elementary school age, and introduce a staggered working hour system.
- Expansion and structuring of the types of work and positions that can be performed by employees with shortened working hours.
- Introduction of a leave system that can be used for nursing care of family members, infertility treatment, childcare, and participation in childcare events.
- Posting of a booklet for pregnant and child-caring employees on the intranet.

(iii) Internal environmental improvement

The company is promoting the following initiatives to make the company where everyone can work comfortably.

- Stabilization of store operations and improvement of services through community-based management
- Preventing the occurrence of long working hours through the Time Management Committee
- Ensure a safe and secure working environment by establishing a system of multiple late-night shifts (strengthening the

security system)

- Expansion of open store operations by holding nationwide crew meetings
- Maintain and improve the living standards of all employees and raise the level of service in stores by improving the compensation of crew members
- Reduce the workload associated with the establishment of take-out and self-ordering systems
- Review of operations manuals to improve productivity and reduce crew workload at stores through the use of DX.

(iv) Safety and health of employees

To ensure the safety and health of employees, the Company have the Health Support Office at the Shinagawa Head Office, staffed by qualified and experienced nurses and public health nurses, to promote mental and physical health. An industrial physician visits the office several times a month to provide health-related consultations. Furthermore, the Company are a partner company in the Action for Companies Promoting Cancer Control, and are working to improve the cancer screening uptake rate. The Company provide subsidies for influenza vaccinations.

As a system to support female in childbirth and childcare, the Company allow female to take leave for 6 weeks before and 8 weeks after childbirth, and both men and female can take childcare leave (until the child is up to 3 years old) and work shorter hours for childcare (until the child enters junior high school).

(3) Risk management

The Sustainability Committee confirms and evaluates the progress of initiatives in line with the "Materiality" identified by the Board of Directors and the "Risks" and initiatives to "Opportunities" for sustaining the business, and reports to the Board of Directors as appropriate. When changes to the Sustainability Policy or Materiality are required in environmental or social conditions changes, the Sustainability Committee will review the changes and submit them to the Board of Directors for final approval.

(4) Indicators and Targets

The Company is addressing specifically based on policies of human resource development, including ensuring diversity of human resources and policies of the development of the internal environment described in the above "(2) Strategies", and also manages data of indicators related to them, but not all companies in the consolidated group implement such policies. For this reason, it is difficult to describe indicators for the Group, therefore the targets and results for the following indicators are those of the Company.

Indicator	Target	Result (the current fiscal year)
Percentage of female workers in management positions	30% by March 2029	14.2%
Percentage of male workers taking childcare leave	50% by March 2026	25.7%

3. 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 at the current fiscal year-end.

(1) Control of safety of food products

The Group is thoroughly committed to ensuring food safety by setting up the Group Food Safety Assurance Division, appointing a director in charge, and setting up a food safety and quality assurance department in each Group company, so that safe and delicious products could be offered to its customers.

In the unlikely event of a food safety issue such as mass food poisoning, the Group has established a system through which such information will be reported to the headquarters within one hour to minimize the damage. However, the loss of corporate image may adversely affect the business results and financial position of the Group.

(2) Natural disasters and pandemics

The Group has created a BCP plan and a BCP manual in preparation for natural disasters such as large-scale earthquake, flood, and typhoon and for a pandemic caused by infection, which occur in the regions including its restaurants, stores, factories and distribution center. In the event of a disaster, etc., necessary measures are quickly considered and implemented under the direction of the Emergency Response Headquarters, but 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 Group.

(3) Store establishment strategies and restaurant operation

The Group reduces the risk of unprofitable stores by having its specialized department evaluate and select the opening area after forecasting sales in candidate sites based on the trade area population, traffic volume, and the status of competing stores, and considering conditions such as lease and investment amounts.

The number of candidate sites is not significantly decreasing at this time, but 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 Group.

(4) Country risks in overseas expansion

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

(5) Securing of human resources

It is important for the Group to secure human resources, in order to keep operating stores that can satisfy customers. Therefore, the Group strives to create a comfortable working environment for employees. Specifically, the Group enhances initiatives such as those 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 Group.

- (i) To operate stores in an open and free atmosphere, Sukiya and the labor union jointly organize "Crew Meeting" nationwide, where crews conduct mutual discussions. Based on the opinions expressed at the "Crew Meeting," the Group actively works to respond to matters raised, which have included the opening of the "Kagayaki Nursery School" in Tsukuba City, Ibaraki Prefecture. This initiative is now expanded to other businesses and continuously conducted.
- (ii) To create a comfortable working environment for female employees, the Group has established a support desk to provide support for working during pregnancy, prenatal and postnatal leave, childcare leave, returning to work, and working after returning to the work. In addition, the Group is striving to create a working environment in which female employees can play

an even more active role while raising children by expanding the types of jobs and duties that allow shorter working hours.

(6) Security of personal information

The Group holds a substantial volume of personal information related to customers, employees, and shareholders at each store and at its headquarters. To oversee the protection and management of personal information, the Company has established the Personal Information Protection Management Committee, have formulated specific rules regarding the handling of personal information of the Group, and promote understanding and penetration of the rules within the Group. Furthermore, the Group appoints a person responsible for the protection of personal information at each department of each company and provide guidance and education regarding handling of personal information by clarifying the responsibility for handling personal information related to the business of its own department. As stated above, the Group is strictly controlling information and striving 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 Group.

(7) Dependence on information systems

The Group relies on information systems for its main operations such as store operation, purchasing of food ingredients, and delivery. The Group IT Division is working to reduce risks by implementing appropriate preventive measures against malicious attacks such as computer viruses and cyber-attacks. No such risk has materialized 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 Group.

(8) Procurement of food materials and fluctuation in prices

Since the food ingredients used by the Group are diverse, the Group MD Headquarters of the Company are conducting risk hedging activities such as developing raw material production areas and diversification of procurement. When procurement instability or soaring prices of raw materials occurs due to geopolitical risks, changes in economic activities, outbreaks of epidemics such as BSE, bird flu, and pig cholera, natural disasters such as large-scale floods and typhoons, and fluctuations in exchange rates, it may affect the business performance and financial position of the Group.

(9) Laws and regulations

In addition to the generally applicable laws and regulations such as the Companies Act and the Corporation Tax Act, the Group is 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 Group is 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 affect the business performance and financial position of the Group.

(10) M&A

The Group continues to expand its business and achieve sustainable growth through pursuing mergers and acquisitions (M&A) in addition to opening new restaurants.

When conducting M&A, the Company's specialized departments and outside experts conduct detailed due diligence and investigate and analyze the target company from multiple perspectives to avoid as much risk as possible, but after M&A are executed, it is possible that the initially expected benefits or effects may not be achieved due to the emergence of contingent or unrecognized liabilities, the discovery of compliance issues, or changes in the market or competitive environment. In this case, it may affect the business performance and financial position of the Group.

(11) Rising interest rates

The Group has raised funds used for capital investments in restaurants, factory, etc. and for M&A activities by borrowing from financial institutions and corporate bond issuance. The majority of these funds are long-term and fixed-rate financing, ensuring a certain degree of resistance to rapid increases in interest rates. But increased cost burden in the long-term from a period of rising interest rate may affect the business performance and financial position of the Group.

(12) Asset-impairment accounting

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

(13) Reputation risk

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 affect the business performance and financial position of the Group.

(14) Litigations

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 an 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 affect the business performance and financial position of the Group.

(15) Compliance

The Group aims to be a corporate group with transparency and sincerity, and is continuously working to thoroughly enhance and establish compliance awareness.

In "Group Risk Management Rules" and "Group Compliance Rules," the Group recognizes various risks of the Group comprehensively and appropriately, determines risks to be managed and the department in charge, and works 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 sets 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 problems such as violations of laws, regulations or company rules by individual Directors and employees, and inappropriate behavior in terms of socially accepted norms by them, it may affect the business performance and financial position of the Group.

4. 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 for the current fiscal year were as follows.

(i) Details of consolidated financial position and financial results

In the current fiscal year (from April 1, 2022 to March 31, 2023), the business performance showed sales of 779,964 million yen (up 18.4% year-on-year), operating profit of 21,734 million yen (up 135.4% year-on-year), ordinary profit of 28,081 million yen (up 21.5% year-on-year), and profit attributable to owners of parent of 13,265 million yen (down 4.4% year-on-year).

The business environment in Japan remained harsh mainly due to the impact of COVID-19 infection and high prices on consumption, soaring raw material and energy prices due to the prolonged situation in Ukraine and the weak yen, changes in the environment for stable procurement of food materials, and tight labor supply and demand. However, as COVID-19 is coming to an end, there were some positive signs, such as a pickup in personal consumption.

Looking at overseas, despite of the lingering effects of the lockdown in China, the economy continued to pick up throughout the world post-COVID.

In light of the changing consumer behavior and values of customers in the restaurant business before and after the COVID-19, the Group has been operating to deliver safe and delicious food to customers sustainably as a "food infrastructure" by strengthening raw material procurement, product development and supply systems, and improving productivity through streamlining store operations utilizing digital technology.

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 109.5%, 131.0%, and 120.9% year-on-year, respectively.

At the current fiscal year-end, the number of stores was 10,283 (including 4,588 franchised stores), resulting from 444 store openings and 248 closures.

An overview of conditions by business segment is provided below.

(a) Restaurant business

Sales of the Restaurant business in the current fiscal year were 701,731 million yen (up 21.2% year-on-year), and the operating profit was 24,028 million yen (up 157.6% year-on-year).

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 262,184 million yen (up 12.8% year-on-year).

Sukiya, a Gyudon chain, launched new products such as "Shredded Leek Gyudon" (regular size: 580 yen), "Gyudon with Chili Garlic Sprout" (regular size: 550 yen), "Sukiyaki Style Gyudon" (regular size: 580 yen), and "Beef Stock & Pork Curry Rice w/ Char-Grilled Tender Chicken Leg" (regular size: 690 yen).

In addition, amid various cost increases, Sukiya implemented price revisions for some products on February 22, 2023, but kept the price of Gyudon (regular size), its main product, unchanged through corporate efforts.

Nakau, a rice bowl dishes and Kyoto-style udon noodle chain, has made active efforts including improvement of existing products to strengthen the product appeal.

The number of restaurants in the Gyudon category at the current fiscal year-end was 3,100 (including 7 franchised restaurants), as a result of 90 restaurant openings and 68 closures.

(Family Dining category)

Sales in the Family Dining category in the current fiscal year were 117,224 million yen (up 30.7% year-on-year).

Coco's, a standard restaurant chain, has made efforts to improve its business performance by enhancing the products' competitiveness through active introduction of fair menus, pursuing the authentic taste rivaling specialty restaurants, and improving the standard of services to enable customers enjoy the meal with satisfaction.

Jolly-Pasta, a pasta specialty restaurant chain, has worked to introduce new pasta products using tasty seasonal ingredients, as well as expand non-pasta products such as hand-made pizza, salad, appetizers, etc., as a "pasta specialty restaurant that pursues deliciousness and fun."

In addition to the above, Family Dining category includes Big Boy, a chain of hamburger steak and steak restaurants, Jukusei Yakiniku Ichiban, a barbecue chain that offers carefully selected beef, Hanaya Yohei, a Japanese cuisine chain, and OLIVE HILL, an Italian cuisine specialty restaurant chain.

The number of restaurants in the Family Dining category at the current fiscal year-end was 1,204 (including 78 franchised restaurants), as a result of 16 restaurant openings and 37 closures.

(Fast Food Service category)

Sales in the Fast Food Service category in the current fiscal year were 192,614 million yen (up 27.8% year-on-year).

Hamazushi, a 100-yen sushi chain, has endeavored to actively introduce fair menus, enhance quality of products, and improve the productivity.

In addition to the above, the Fast Food Service category includes Kyubeiya, which offers Musashino udon noodle and tempura, and The Chicken Rice Shop, a chicken rice specialty chain with halal certificate which operates mainly in Malaysia.

The number of restaurants in the Fast Food Service category at the current fiscal year-end was 1,012, as a result of 51 restaurant openings and 13 closures.

(Other category)

Sales in the Other category in the current fiscal year were 129,707 million yen (up 22.3% year-on-year).

Advanced Fresh Concepts Corp. operates takeout sushi stores in the U.S., Canada, and Australia. Other main businesses in the Other category are Tolona Japan Co., Ltd. which sells frozen foods for home use, etc., Global Fresh Supply Co., Ltd. which handles logistics functions for the Zensho Group, and Global Table Supply Co., Ltd. which procures uniforms, equipment, etc.

The number of stores in the Other category at the current fiscal year-end was 4,835 (including 4,503 franchised stores), as a result of 286 store openings and 130 closures.

(b) Retail Business

Sales in the Retail business in the current fiscal year were 78,232 million yen (down 1.7% year-on-year), and the operating loss was 2,294 million yen (loss of 93 million yen in the previous year).

The retail business includes JOY MART CO., LTD. which operates supermarket business and United Veggies Co., Ltd. which operates fruit and vegetables stores.

The number of stores in the Retail business category at the current fiscal year-end stood at 132 as a result of 1 store opening.

Total assets amounted to 469,563 million yen at the current fiscal year-end, an increase of 42,390 million yen compared with the previous fiscal year-end. This increase was mainly due to increases in cash and deposits, merchandise and finished goods, and property, plant and equipment.

Liabilities amounted to 353,726 million yen at the current fiscal year-end, an increase of 31,039 million yen compared with the previous fiscal year-end. This increase was mainly due to increases in interest-bearing liabilities and consumption taxes payable.

Net Assets came at 115,837 million yen at the current fiscal year-end, an increase of 11,350 million yen compared with the previous fiscal year-end. This increase was mainly due to increases in retained earnings and foreign currency translation adjustment.

(ii) Cash flow conditions

	Amount (Million yen)
Beginning balance of cash and cash equivalents	42,414
Cash flow from operating activities	53,078
Cash flow from investing activities	(35,200)
Cash flow from financing activities	1,844
Ending balance of cash and cash equivalents	64,690
(reference) Free cash flow	17,877

In the current fiscal year, cash and cash equivalents (hereinafter referred to as “net cash”) amounted to 64,690 million yen, up 22,275 million yen from the beginning of the fiscal year. This was mainly due to an increase in profit.

Cash flow from operating activities resulted in an increase in net cash of 53,078 million yen. This was mainly due to an increase in profit.

Cash flow from investing activities resulted in a decrease in net cash of 35,200 million yen. This was mainly due to acquisition of property, plant and equipment in association with store openings.

Cash flow from financing activities resulted in an increase in net cash of 1,844 million yen. This was mainly due to an increase in interest-bearing liabilities.

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

$$\text{Free cash flow} = \text{Cash flow from operating activities} + \text{Cash flow from investing activities}$$

(iii) Production, orders received and sales

(a) Production

Production during the current fiscal year is as follows.

Reporting Segment	Current fiscal year (From April 1, 2022 to March 31, 2023)	
	Production amount (Million yen)	Year-on-year comparison (%)
Restaurant business	100,971	121.5

(b) Orders received

Not applicable.

(c) Sales

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

Reporting Segment	Current fiscal year (From April 1, 2022 to March 31, 2023)	
	Production amount (Million yen)	Year-on-year comparison (%)
Restaurant business	701,731	121.2
Retail business	78,232	98.3
Total	779,964	118.4

(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.

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

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

In the conditions surrounding the restaurant industry in the current fiscal year, the business environment in Japan remained harsh mainly due to the impact of COVID-19 infection and high prices on consumption, soaring raw material and energy prices due to the prolonged situation in Ukraine and the weak yen, changes in the environment for stable procurement of food materials, and tight labor supply and demand. However, as COVID-19 is coming to an end, there were some positive signs, such as a pickup in personal consumption.

Looking at overseas, despite of the lingering effects of the lockdown in China, the economy continued to pick up throughout the world post-COVID.

In light of the changing consumer behavior and values of customers in the restaurant business before and after the COVID-19, Zensho group has been operating to deliver safe and delicious food to customers sustainably as a "food infrastructure" by strengthening raw material procurement, product development and supply systems, and improving productivity through streamlining store operations utilizing digital technology.

Under these circumstances, the business performance in the current fiscal year showed sales of 779,964 million yen (up 18.4% year-on-year), operating profit of 21,734 million yen (up 135.4% year-on-year), ordinary profit of 28,081 million yen (up 21.5% year-on-year), profit attributable to owners of parent of 13,265 million yen (down 4.4% year-on-year) and ROE of 12.1%.

Sales of the Restaurant business in the current fiscal year were 701,731 million yen (up 21.2% year-on-year), the operating profit was 24,028 million yen (up 157.6% year-on-year), sales in the Retail business in the current fiscal year were 78,232 million yen (down 1.7% year-on-year), and the operating loss was 2,294 million yen (loss of 93 million yen in the previous year).

Total assets amounted to 469,563 million yen at the current fiscal year-end, an increase of 42,390 million yen compared with the previous fiscal year-end. This increase was mainly due to increases in cash and deposits, merchandise and finished goods, and property, plant and equipment.

Liabilities amounted to 353,726 million yen at the current fiscal year-end, an increase of 31,039 million yen compared with the previous fiscal year-end. This increase was mainly due to increases in interest-bearing liabilities and consumption taxes payable.

Net Assets came at 115,837 million yen at the current fiscal year-end, an increase of 11,350 million yen compared with the previous fiscal year-end. 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, 3. Business risks, etc.".

As for the future outlook, the business environment remains uncertain due to the prolonged situation in Ukraine, anticipated fluctuations in energy and raw material costs associated with the recovery of economic activities in various countries, and concerns about the stable supply of food ingredients. On the other hand, in the domestic restaurant business, there are expectations of a recovery in consumer activity due to the easing of restrictions on behavior regarding COVID-19 infections and wage increases by companies.

In this environment, the Group is working to provide our customers with safe and delicious food in a sustainable manner as a "food infrastructure" and to offer products and services based on the changing consumer behavior and values of our customers. The Group will contribute to global stability and development by further strengthening our mass merchandising system (MMD) which provides integrated design and operation from food procurement to manufacturing, logistics, and store sales.

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

A medium-term business plan for three years including the fiscal year ending March 2024 is formulated as follows.

(Figures rounded down to the nearest hundred million yen)

	Fiscal year ending Mar. 31, 2023	Fiscal year ending Mar. 31, 2024		Fiscal year ending Mar. 31, 2025		Fiscal year ending Mar. 31, 2026	
	Actual	Plan	YoY	Plan	YoY	Plan	YoY
Net Sales (Growth rate)	7,799	8,984	+1,185 (+15.2%)	10,237	+1,252 (+13.9%)	11,835	+1,597 (+15.6%)
Operating profit (% of sales, growth rate)	217 (2.8%)	400 (4.5%)	+183 (+84.5%)	665 (6.5%)	+264 (+66.0%)	965 (8.2%)	+300 (+45.1%)
Ordinary profit (% of sales, growth rate)	280 (3.6%)	373 (4.2%)	+93 (+33.2%)	635 (6.2%)	+261 (+69.9%)	932 (7.9%)	+297 (+46.8%)
Profit attributable to owners of parent (% of sales, growth rate)	132 (1.7%)	230 (2.6%)	+97 (+73.4%)	409 (4.0%)	+179 (+78.1%)	614 (5.2%)	+204 (+50.0%)

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

- (iii) Analysis and consideration 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 53,078 million yen mainly due to an increase in profit, cash flows from investing activities resulted in a decrease in net cash of 35,200 million yen mainly due to acquisition of property, plant and equipment in association with store openings, and cash flow from financing activities resulted in an increase in net cash of 1,844 million yen mainly due to increase of interest-bearing liabilities.

As a result of the above, at the current fiscal year-end, cash and cash equivalents amounted to 64,690 million yen, up 22,275 million yen from the previous fiscal year-end.

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, the Group uses 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 viewpoint of tax planning, and sufficiency of taxable temporary differences. For non-collectible portion, the Company recognizes the valuation allowance and reduce the carrying amount of deferred tax assets accordingly.

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, (Matters related to tax effect accounting)", the Company and certain consolidated subsidiaries apply the group tax sharing system, and the portion related to corporate tax is estimated by the tax sharing 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.

(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 fiscal year-end, 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.

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), *4. Impairment losses,” the Group recorded an impairment loss on its directly-managed restaurants, etc. (1,503 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 remaining 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.

5. Material Contracts

Zensho Fast Holdings, Co., Ltd., a wholly owned subsidiary of the Company, concluded a share transfer agreement to acquire all the shares of Lotteria Co., Ltd with Lotte Holdings Co., Ltd. at the Board of Directors meeting held on February 16, 2023.

In addition, based on the resolution of the Board of Directors meeting held on May 19, 2023, the Company entered into a share transfer agreement to acquire all shares of SnowFox Topco Limited through the Company's newly established subsidiary with Mayfair Equity Partners Nominees Limited and others on June 13, 2023.

Details are stated in “V. FINANCIAL INFORMATION, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, (Material Subsequent events)”.

6. Research and Development

Not applicable.

III. STATUS OF EQUIPMENT

1. Overview of Capital Investments, etc.

The Group made capital investments of 45,838 million yen to accommodate the diverse needs of customers.

The breakdown of major investments consists of 12,951 million yen in Gyudon category, 7,104 million yen in Family Dining category, 14,732 million yen in Fast Food Service category, and 12,043 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) The Company

(As of March 31, 2023)

Site name (location)	Reporting Segment /category	Facility type	Book value (Million 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.	6,358	61	9,651 (78,847)	8,069	822	24,962	739
Factories (6 sites)	Restaurant business Other category	Production facility	2,679	348	788 (62,765)	376	30	4,223	54

Notes: 1. The book values are the carrying amounts 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 841 million yen.

3. In addition to the above, lease contracts are concluded for head-office and production facilities. The annual lease expense is 255 million yen.

4. Numbers of employees are inclusive of part-time employees (employees working a maximum of 176 hours per person per month).

(2) Domestic subsidiaries

(As of March 31, 2023)

Company name	Site name (location)	Reporting segment /category	Facility type	Book value (Million 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. (1,941 Restaurants)	Restaurant business Gyudon category	Sales facilities, etc.	64,300	1	— (—)	1,340	2,675	68,317	18,282
Nakau Co., Ltd.	Restaurants, etc. (461 Restaurants)	Restaurant business Gyudon category	Sales facilities, etc.	3,812	—	— (—)	1,542	423	5,778	3,554
Coco's Japan Co., Ltd.	Restaurants, etc. (518 Restaurants)	Restaurant business Family Dining category	Sales facilities, etc.	5,909	1,835	836 (9,059)	8	1,538	10,127	5,300
Jolly-Pasta Co., Ltd.	Restaurants, etc. (307 Restaurants)	Restaurant business Family Dining category	Sales facilities, etc.	2,686	0	2,466 (22,955)	958	511	6,623	2,547
Big Boy Japan Inc.	Restaurants, etc. (190 Restaurants)	Restaurant business Family Dining category	Sales facilities, etc.	1,613	—	325 (2,177)	27	549	2,515	1,989
TAG-1 Co., Ltd.	Restaurants, etc. (103 Restaurants)	Restaurant business Family Dining category	Sales facilities, etc.	3,258	4	— (—)	58	1,140	4,463	1,370
Olive Hill Co., Ltd.	Restaurants, etc. (51 Restaurants)	Restaurant business Family Dining category	Sales facilities, etc.	3,068	3	525 (89)	1,143	155	4,896	750
Hamazushi Co., Ltd.	Restaurants, etc. (576 Restaurants)	Restaurant business Fast Food Service category	Sales facilities, etc.	16,498	0	— (—)	6,527	12,215	35,241	17,521
GFF Co., Ltd.	Factory (17 factories)	Restaurant business Other category	Production facilities, etc.	3,364	2,704	235 (13,787)	1	89	6,395	1,557
JOY MART CO., LTD.	Stores, etc. (102 Stores)	Retail business	Sales facilities, etc.	7,291	44	6,544 (118,801)	26	1,865	15,771	2,965

Notes: 1. The book values are the carrying amounts and do not include construction in progress.

2. The amounts include land rented to parties other than consolidated companies of 2,065 million yen (31,594 m²) and buildings and structures rented to parties other than consolidated companies of 345 million yen.

3. In addition to the above, real estate lease contracts are concluded for lands and buildings. The annual lease expense is 44,035 million yen.

4. In addition to the above, lease contracts are concluded for sales facilities, etc. The annual lease expense is 828 million yen.

5. Numbers of employees are inclusive of part-time employees (employees working a maximum of 176 hours per person per month).

(3) Overseas subsidiaries

(As of March 31, 2023)

Company name	Site name (location)	Reporting segment /category	Facility type	Book value (Million yen)					Number of employees (Persons)	
				Buildings and structures	Number of employees (Persons)	Land (Thousand m ²)	Leased assets	Other		Total
Zensho Restaurant (Shanghai) Co., Ltd.	China/ Restaurants, etc. (471 Restaurants)	Restaurant business Gyudon category	Sales facilities, etc.	54,176	0	— (—)	7,990	914	63,081	3,618
Zensho Taiwan Co., Ltd.	Taiwan/ Restaurants, etc. (70 Restaurants)	Restaurant business Gyudon category	Sales facilities, etc.	2,310	252	— (—)	—	494	3,057	758
TCRS Restaurants Sdn.Bhd. etc.	Malaysia/ Restaurants, etc. (175 Restaurants)	Restaurant business Fast food service category	Sales facilities, etc.	1,308	3	— (—)	1,049	655	3,016	2,453
Advanced Fresh Concepts Corp. etc.	U.S. etc./ Stores, etc. (4,668 Stores)	Restaurant business Other category	Sales facilities, etc.	1,823	163	1,976 (17,277)	15	358	4,338	667

- Notes: 1. The book values are the carrying amounts 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 49,170 million yen.
3. In addition to the above, lease contracts are concluded for sales facilities. The annual lease expense is 772 million yen.
4. Numbers of employees are inclusive of part-time employees (employees working a maximum of 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 subsidiary, and the Company mainly makes adjustments to those plans. Major plans for facilities at the current fiscal year-end are as follows.

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

Company name	Site name	Reporting segment /category	Facility type	Planned investment amount		Sources of funding	Scheduled commencement / completion		Increased capacity after completion (restaurants/stores)
				Total amount (Million yen)	Amount paid (Million yen)		Commencement	Completion	
Sukiya Co., Ltd.	Restaurants	Restaurant business Gyudon category	Sales facilities	7,955	—	Own fund and borrowings	April, 2023	March, 2024	43
Nakau Co., Ltd.	Restaurants	Restaurant business Gyudon category	Sales facilities	1,674	—	Own fund and borrowings	April, 2023	March, 2024	—
Zensho Restaurant (Shanghai) Co., Ltd.	Restaurants	Restaurant business Gyudon category	Sales facilities	4,193	—	Own fund and borrowings	April, 2023	March, 2024	86
Coco's Japan Co., Ltd.	Restaurants	Restaurant business Family Dining category	Sales facilities	3,835	—	Own fund and borrowings	April, 2023	March, 2024	1
Jolly-Pasta Co., Ltd.	Restaurants	Restaurant business Family Dining category	Sales facilities	2,751	—	Own fund and borrowings	April, 2023	March, 2024	10
Big Boy Japan Inc.	Restaurants	Restaurant business Family Dining category	Sales facilities	2,746	—	Own fund and borrowings	April, 2023	March, 2024	—
Olive Hill Co., Ltd.	Restaurants	Restaurant business Family Dining category	Sales facilities	1,710	—	Own fund and borrowings	April, 2023	March, 2024	18
Hamazushi Co., Ltd.	Restaurants	Restaurant business Fast food service category	Sales facilities	15,071	—	Own fund and borrowings	April, 2023	March, 2024	43
JOY MART CO., LTD.	Stores	Retail business	Sales facilities	1,373	—	Own fund and borrowings	April, 2023	March, 2024	2

(2) Plans for restaurant and store openings

Plans for restaurant and store openings at the current fiscal year-end are as follows.

Reporting segment / category	Total (restaurants/ stores)
Restaurant business, Gyudon category	183
Restaurant business, Family Dining category	31
Restaurant business, Fast Food Service category	113
Restaurant business, Other category	395
Retail business	4
Total	726

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

Note: The Articles of Incorporation were partially amended at the Ordinary General Meeting of Shareholders held on June 23, 2023, adding Class A preferred stock as a new class of stock effective the same date and increasing the total number of authorized class shares to 1,000 shares. The total number of authorized shares of common stock remains unchanged.

(ii) Issued shares

Class of shares	Issued shares as of March 31, 2023	Issued shares as of filing date (June 26, 2023)	Name of listed financial instruments exchange	Description
Common stock	154,862,825 shares	154,862,825 shares	Prime market of Tokyo Stock Exchange	The standard shares without limitations on the shareholders' rights Share unit 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 issued shares and in capital

(Million yen)

Date	Changes in the total number of issued shares	Total number of issued shares	Changes in paid-in capital	Balance of paid-in capital	Changes in legal capital surplus	Balance of legal capital surplus
August 1, 2019 (Note 1)	2,349,958 Shares	151,990,403 Shares	—	23,470	—	23,392
February 20, 2020 (Note 2)	2,872,422 Shares	154,862,825 Shares	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 issued shares increased by 2,872,422 and became 154,862,825.

(5) Status by shareholder category

(As of March 31, 2023)

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	—	31	25	654	213	118	133,916	134,957	—
Number of shares held (units)	—	202,954	10,768	560,205	107,715	540	658,456	1,540,638	799,025
Shareholding ratio (%)	—	13.2	0.7	36.4	7.0	0.0	42.7	100.0	—

Notes: 1. “Individuals and other” and “Shares less than one unit” include 27,465 units and 18 shares of treasury shares, respectively (Total 2,746,518 shares). This treasury shares balance does not include 292,500 treasury shares held by Custody Bank of Japan, Ltd. (Trust E Account) as trust assets in Board Benefit Trust (BBT).

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, 2023)

Name	Address	Number of shares held (Thousand 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	11,829	7.78
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	3,305	2.17
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	2,858	1.88
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)	1,173	0.77
Shinji Shimizu	Chiyoda-ku, Tokyo, Japan	1,027	0.68
SSBTC Client omnibus account (Standing proxy: The Hongkong and Shanghai Banking corporation Limited Tokyo Branch Custody Operations Division)	One Lincoln Street, Boston, MA 02111 U.S.A. 3-11-1, Nihonbashi, Chuo-ku, Tokyo, Japan	768	0.51
Total	—	82,752	54.40

Notes: 1. Nihon Create LLC is a company whose voting rights are 100% held by Mr. Kentaro Ogawa, Representative Director, Chairman, President & 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, 2023)

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 2,746 thousand shares of treasury share. This treasury shares balance does not include 292 thousand treasury shares held by Custody Bank of Japan, Ltd. (Trust E Account) as trust assets in Board Benefit Trust (BBT).

(7) Voting rights

(i) Issued shares

(As of March 31, 2023)

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 2,746,500	—	The standard shares without limitations on the shareholders' rights Share unit = 100 shares
Shares with full voting rights (others)	Common shares 151,317,300	1,513,173	Same as above
shares less than one unit	Common shares 799,025	—	Same as above
Total number of issued shares	154,862,825	—	—
Voting rights of all shareholders	—	1,513,173	—

Notes: 1. "Shares with full voting rights (others)" includes 3,000 shares (30 voting rights) registered in the name of Japan Securities Depository Center, Incorporated.

2. Common shares of "Shares with full voting rights (others)" include 292,500 treasury shares (Number of voting rights 2,925) held by Custody Bank of Japan, Ltd. (Trust E Account) as trust assets in Board Benefit Trust (BBT). This voting rights of 2,925 are not exercised.

(ii) Treasury shares, etc.

(As of March 31, 2023)

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 issued shares (%)
(Treasury shares) Zensho Holdings, Co., Ltd.	2-18-1 Konan, Minato-ku, Tokyo	2,746,500	—	2,746,500	1.77
Total	—	2,746,500	—	2,746,500	1.77

Note: The above treasury shares ,etc. do not include 292,500 treasury shares held by Custody Bank of Japan, Ltd. (Trust E Account) as trust assets in Board Benefit Trust (BBT).

(8) Detail of Director/Employee Ownership Plan

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

The Company introduced a performance-linked stock compensation system (BBT, or Board Benefit Trust) based on a resolution at the 40th Ordinary General Meeting of Shareholders held on June 24, 2022 for Directors and Executive Officers (excluding Outside Directors or members of the Audit & Supervisory Committee, hereinafter, “Directors, etc.”). The Company intends to raise awareness among Directors, etc. 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, etc. and the Company’s business performance and stock value, and 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 are acquired through a 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 are 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., is after their retirement from office.

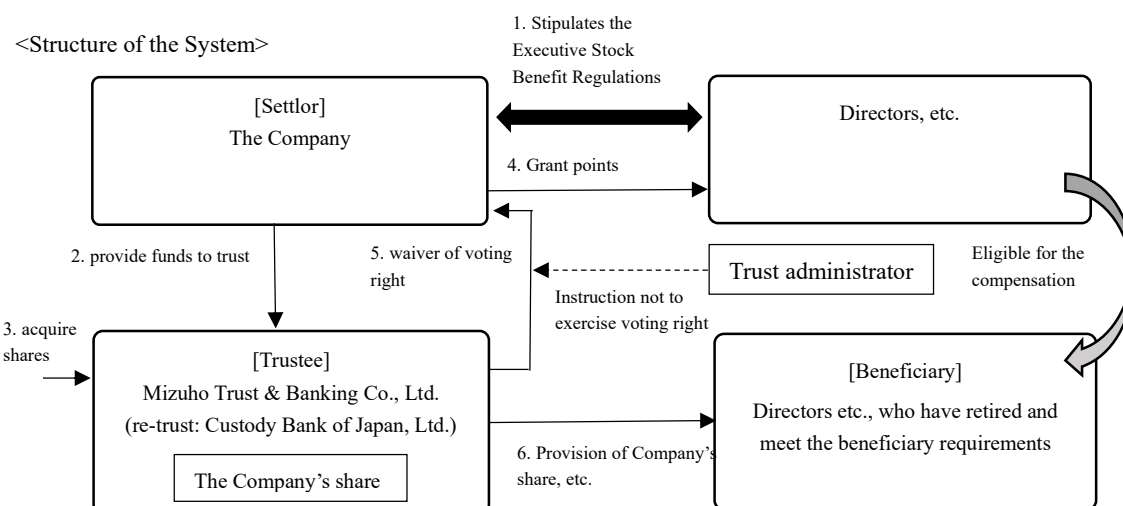
(ii) Number of shares to be paid to Directors

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 are 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.

The number of the Company’s shares held by Custody Bank of Japan, Ltd. (Trust E Account) are 292,500 shares as of March 31, 2023.

(iii) Scope of beneficiary and other eligible persons

“Directors, etc.” who has retired and satisfied the requirements set out in the Executive Stock Benefit Regulations (hereinafter, the “Beneficiary”).



1. The Company stipulates the Executive Stock Benefit Regulations within the scope of the approval of the Shareholders’ Meeting.
2. 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.
3. The Company grants points to Directors, etc. based on the Executive Stock Benefit Regulations.
4. The Trust does not exercise the voting rights of the shares held under the trust account following the instruction of an independent trust administrator.
5. Depending on the number of points granted, the Trust allocates a number of shares to the Beneficiary. If Directors, etc. satisfy the requirements stipulated in the Executive Stock Benefit Regulations, a 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 of the Companies Act of Japan.

(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	6,066	20,707,153
Treasury shares acquired during the period	1,177	5,304,520

Note: Treasury shares acquired during the period does not include shares less than one unit purchased during the period from June 1, 2023 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)	260	834,489	33	141,570
Number of treasury shares held	2,746,518	—	2,747,662	—

Notes: 1. Treasury shares disposed during the period does not include shares of less than one unit purchased during the period from June 1, 2023 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, 2023 to the filing date of this Annual Securities Report.

3. “During current fiscal year” and “During the period” columns do not include 292,500 treasury shares held by Custody Bank of Japan, Ltd. (Trust E Account) as trust assets in Board Benefit Trust (BBT).

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 24 yen per share: an interim dividend of 12 yen per share and a year-end dividend of 12 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. In addition, at the Ordinary General Meeting of Shareholders held on June 23, 2023, the Company resolved to amend its Articles of Incorporation to allow the Company to distribute dividends from surplus by a resolution of the Board of Directors pursuant to Article 459 of the Companies Act of Japan.

Total amount of dividends for the current fiscal year are as follows:

Resolution	Total amount of dividends (Million yen)	Dividends per share (yen)
The Board of Directors on November 11, 2022	1,825	12
The General Meeting of Shareholders on June 23, 2023	1,825	12

Notes: 1. "Total amount of dividends" of "The Board of Directors' Meeting held on November 11, 2022" includes the dividends of 3 million yen for the shares held by Custody Bank of Japan, Ltd. (Trust E Account) as trust assets in Board Benefit Trust (BBT).

2. "The General Meeting of Shareholders on June 23, 2023" includes the dividends of 3 million yen for the shares held by Custody Bank of Japan, Ltd. (Trust E Account) as trust assets in Board Benefit Trust (BBT).

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, delicious food at affordable prices to people around the world." To achieve this goal, the Company looks at everything from the consumer's perspective, takes full responsibility for all aspects of safety and quality, plans and designs all processes related to production and delivery of food, and develops and operates a superior global MMD system (mass merchandising system). 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 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 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 be managed, 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 the Representative Director 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 the 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 execution 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

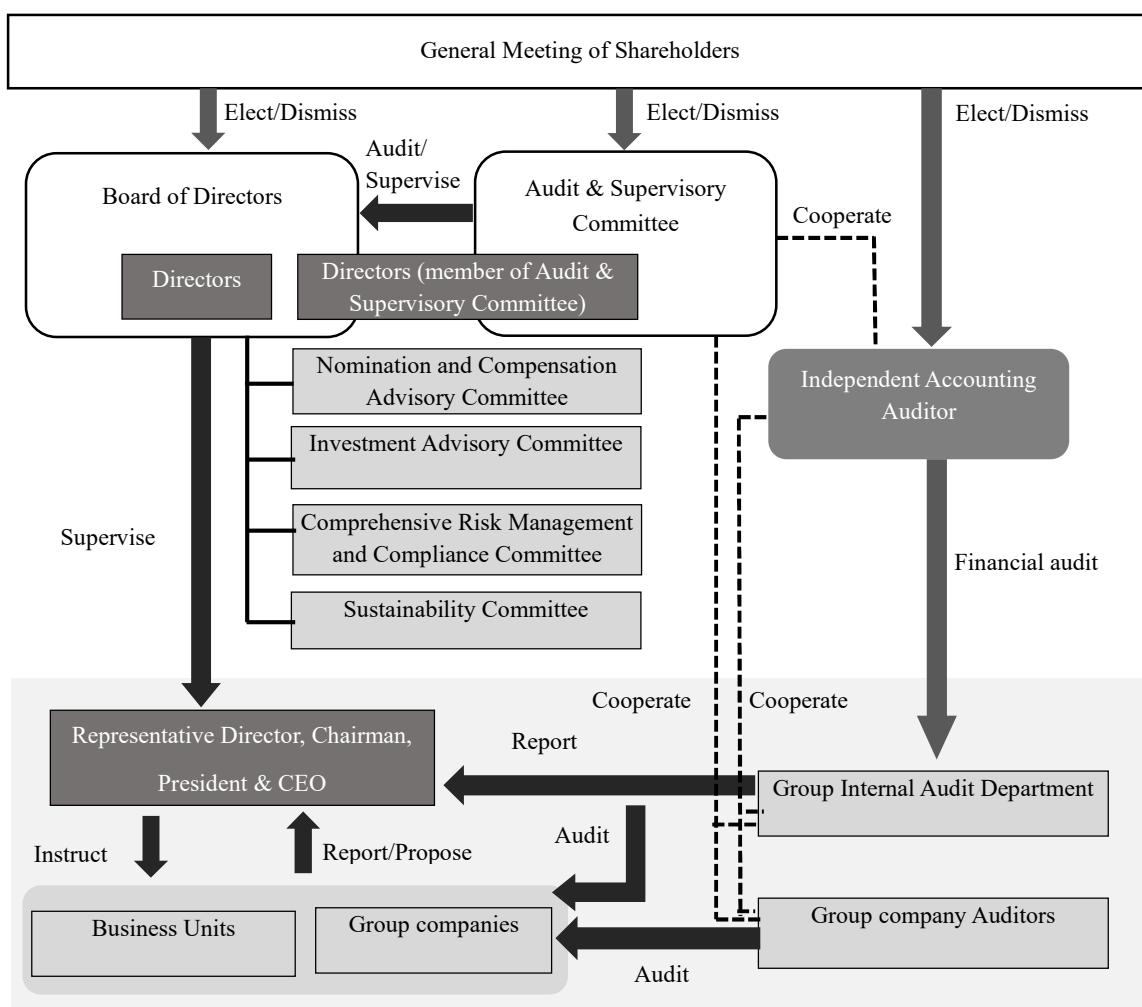
- a. The Company establishes annual business plan and medium-term business plan to clarify the objectives to be achieved by the Company, while promoting thorough daily, monthly, and quarterly performance review, clarifying the progress toward the target, to enable quick decision and judgement.

- b. The Company aims to speed up the decision-making by simplifying the decision-making process. Regarding matters to be approved by the Representative Director 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 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 a 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 Representative Director.
 - 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 the 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 the Audit & Supervisory Committee.
 - viii) Systems for reporting to the Audit & Supervisory Committee by Directors (excluding Members of the Audit & Supervisory Committee) and employees, and other systems related to reports to the Audit & Supervisory Committee
 - a. Directors (excluding Members of the Audit & Supervisory Committee) shall report to the 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 the 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. The Audit & Supervisory Committee shall enhance information sharing and efficiency through mutual disclosure of audit plans and results with the Internal Audit Department.

- ix) Other systems to ensure the audits by the Audit & Supervisory Committee are conducted effectively
 - a. The Representative Director shall hold regular meetings with the 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 the 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. The Audit & Supervisory Committee shall request reporting from Directors (excluding Members of the 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 the 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 below.



(a) The Board of Directors

As of June 26, 2023, the Board of Directors consists of 13 persons, i.e., 9 Directors (excluding members of the Audit & Supervisory Committee) and 4 Directors who are members of the Audit & Supervisory Committee, of which 8 are Outside Directors. Names of the members are listed in “(2) The Board of Directors and members of the Audit & Supervisory Committee, (i) List of the Board of Directors and Members of the Audit & Supervisory Committee”. The chairman is Kentaro Ogawa, Representative Director, Chairman, 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 the Board of Directors Rules, as well as monitors and supervises status of the execution of business by Directors.

(b) The Audit & Supervisory Committee

As of June 26, 2023, the Company's Audit & Supervisory Committee consists of 4 members of Outside Directors. Names of the members are listed in "(2) The Board of Directors and members of the Audit & Supervisory Committee, (i) List of the Board of Directors and Members of the Audit & Supervisory Committee". The chairman is Hideo Watanabe, who is an Outside Director (full-time Audit & Supervisory Committee Member) of the Company.

Being an independent committee from the Board of Directors, the 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. The Audit & Supervisory Committee monitors decision-making process of the Board of Directors and the performance of duties by each Director by attending the 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 Aarata 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 Aarata LLC. The auditing team includes 4 certified public accountants and 23 others.

(d) Nomination and Compensation Advisory Committee

The Company established the 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 Audit & Supervisory Committee members, and compensation setting. As of June 26, 2023, the Nomination and Compensation Advisory Committee consists of 3 persons, Shinya Nonoshita, Managing Executive Director (Chairman), Takaharu Ando, Outside Director, and Yukio Miyajima, Outside Director and Audit & Supervisory Committee Member.

(e) Investment Advisory Committee

The Company established the Investment Advisory Committee as an advisory body to the Board of Directors to deliberate on investment issues related to M&A, capital increase, incorporating a company, etc. As of June 26, 2023, the Investment Advisory Committee consists of 8 persons including Kiyohiko Niwa, Executive Officer, Senior General Manager of Group Finance and Accounting Division (Chairman), Yohei Ogawa, Managing Executive Director, Kazumasa Ogawa, Director, and others.

(f) Comprehensive Risk Management and Compliance Committee

The Company established the 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. The Comprehensive Risk Management and Compliance Committee, in principle, meets every two months 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 the Audit & Supervisory Committee. As of June 26, 2023, Comprehensive Risk Management and Compliance Committee consists of 6 persons including Shinya Nonoshita, Managing Executive Director (Chairman), Makoto Hirano, Director, and Executive Officer in charge of related departments, etc.

(g) Sustainability Committee

The Company has established the Sustainability Committee as an advisory body to the Board of Directors to promote sustainability management based on the "Zensho Group's Approach to Sustainability". Sustainability Committee consists of 9

persons including Yohei Ogawa, Managing Executive Director (Chairman), Makoto Hirano, Director, and 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 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 the 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 the Audit & Supervisory Committee.

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

In accordance with Article 430, Paragraph 3-1 of the Companies Act of Japan, the Company has entered into a directors and officers liability insurance agreement with an insurance company, under which the insured are Directors and Executive Officers of the Company, as well as Directors, Auditors, and Executive Officers of the subsidiaries (herein after, the “Directors, etc.”).

The agreement covers losses incurred by the insured directors and officers as a result of being held liable for the performance of their duties or being subject to claims related to such liability. However, certain damages, for example, any damage that arises from the intentional violation of laws and regulations, are exempt from such insurance agreement.

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 the Audit & Supervisory Committee) and no more than 5 members of the 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) The General Meeting of Shareholders resolutions that can be delegated to the Board of Directors

(a) Acquisition of treasury shares

In accordance with Article 165, Paragraph 2 or Article 459, Paragraph 1 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 to enable a flexible execution of management measures such as capital policy in light of changes in economic situation.

(b) Interim dividends

To pursue a flexible capital and dividend policy, the Company stipulates in its Articles of Incorporation that it may distribute dividends from surplus by a resolution of the Board of Directors, in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act of Japan.

In addition, the Company stipulates in its Articles of Incorporation that it may distribute dividends from surplus with stipulating a year-end record date for March 31 of each year, an interim record date for September 30 of each year and other record dates for the appropriate dates.

(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 that a special resolution at the General Meeting of Shareholders, provided for in Article 309, Paragraph 2 of the Companies Act of Japan, shall be adopted by two-third or more vote of attending shareholders holding one-third or more of exercisable voting rights in its Articles of Incorporation.

The purpose of relaxing the quorum for special resolutions at the General Meeting of Shareholders is to ensure that the meeting proceeds smoothly.

(iv) Activities of the Board of Directors

The Company held 13 meetings of the Board of Directors during the current fiscal year and the attendance of individual directors is as follows.

Position	Name	Attendance during the current fiscal year	
		Number of held	Number of Attendances
Representative Director	Kentaro Ogawa	13	11 (84%)
Director	Kazumasa Ogawa	13	13 (100%)
Director	Masashi Imamura	3	3 (100%)
Director	Yohei Ogawa	13	12 (92%)
Director	Shinya Nonoshita	13	13 (100%)
Director	Koichi Takei	13	13 (100%)
Director	Makoto Hirano	13	13 (100%)
Outside Director	Toshitaka Hagiwara	13	13 (100%)
Outside Director	Chiaki Ito	13	13 (100%)
Outside Director	Takaharu Ando	13	12 (92%)
Outside Director	Yoshiko Hayama	13	13 (100%)
Outside Director Full-time Audit & Supervisory Committee Member	Hideo Watanabe	13	13 (100%)
Director Full-time Audit & Supervisory Committee Member	Takashi Manaki	13	13 (100%)
Outside Director Audit & Supervisory Committee Member	Koji Takeuchi	13	12 (92%)
Outside Director Audit & Supervisory Committee Member	Yukio Miyajima	13	13 (100%)

*Masashi Imamura resigned at the Annual General Meeting of Shareholders held on June 24, 2022 due to the expiration of his term of office.

The Company's Board of Directors during the current fiscal year consisted of 11 directors, then 10 directors including 4 independent outside directors due to the retirement of one director at the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2022 (excluding members of the Audit & Supervisory Committee), and 4 directors who are members of the Audit & Supervisory Committee (including 3 independent outside directors), for a total of 15 directors (14 directors in total at the conclusion of the same Ordinary General Meeting of Shareholders), The ratio of outside directors was 50%.

Each of the seven independent outside directors has a wealth of experience and broad knowledge, as well as excellent character and insight, which enables them to contribute to strengthening the supervisory function of the executive directors and to provide advice from a broad managerial perspective.

In principle, the Board of Directors holds a regular meeting once a month and extraordinary meetings as necessary to make decisions on basic matters concerning group management, matters stipulated by laws and regulations, and other important management matters, as well as to supervise the execution of duties by directors by receiving regular reports on the status of execution of duties from executive directors.

Specific consideration by the Board of Directors includes the formulation of a medium-term business plan, introduction of a performance-linked stock compensation system for directors and others, formulation of a sustainability finance framework and issuance of sustainability bonds, financing through subordinated loans, and acquisition of shares in domestic and overseas food

business companies.

(v) Activities of the Nomination and Compensation Advisory Committee

During the current fiscal year, the Company held meetings of the Nomination and Compensation Advisory Committee as necessary from time to time.

Attendance at the meetings of the Nomination and Compensation Advisory Committee was as follows.

Position	Name	Attendance during the current fiscal year	
		Number of held	Number of Attendances
Chairman	Yohei Ogawa	3	3 (100%)
Member	Takaharu Ando	3	3 (100%)
Member	Yukio Miyajima	3	3 (100%)

The Nomination and Compensation Advisory Committee deliberates and reports to the Board of Directors on specific matters, including the selection of candidates for directors and directors with management positions, the basic policy for director compensation, and the introduction of performance-linked stock compensation system for directors and others.

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

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

12 men and 1 woman (Ratio of female officers: 7.7%)

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership
Representative Director, Chairman, President & CEO	Kentarō Ogawa	Jul. 29, 1948	Jun. 1982	Established the Company, Representative Director and President	Note 2	3,170 Thousand shares
			Dec. 1988	Established Nihon Create Co., Ltd (currently Nihon Create LLC) Representative partner of Nihon Create LLC(current)		
			Sep. 2000	Director and Chairman, Coco's Japan Co., Ltd.		
			Jun. 2007	Director and Chairman, Sunday Sun Co., Ltd. (currently Jolly Pasta Co., Ltd.)		
			Jun. 2009	Representative Director, Chairman, President & CEO, the Company(current)		
			Oct. 2011	Representative director and president of Zensho Co., Ltd. (currently Sukiya Co., Ltd.)		
			Dec. 2012	Director and Chairman of Maruya Co., Ltd. (currently JOY MART CO., LTD.)		
			Dec. 2013	Representative director and president of Nihon Retail Holdings, Co., Ltd.		
			Apr. 2014	Representative Director and Chairman of Zensho Co., Ltd. (currently Sukiya Co., Ltd.)		
			Nov. 2014	Director and Chairman of Sukiya Honbu Co., Ltd. (currently Sukiya Co., Ltd.)		
			Jan. 2017	Chairman of Kokumin Seikatsu Sangyo Shohisha Dantai Rengo (current)		
			May. 2019	Representative Director and President of Nihon Restaurant Holdings Co., Ltd (currently Zensho Restaurant Holdings Co., Ltd.)		
			Jun. 2021	Representative Director and President of Global MD Holdings Co., Ltd. (current)		
Oct. 2022	Representative Director and President of Nihon Retail Holdings, Co., Ltd.(current)					

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

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership
Director and Senior General Manager, Group Food Safety Assurance Div.	Makoto Hirano	Dec. 2, 1958	Apr. 1982	Joined Nestlé Japan Ltd.	Note 2	18 Thousand shares
			Apr. 2001	Representative Director and President of Nestlé Purina PetCare Ltd.		
			Apr. 2004	Joined the Company		
			Jun. 2004	Director		
			Nov. 2005	Director and General Manager of Food Safety Pursuing Dept.		
			May. 2006	Auditor of Coco's Japan Co., Ltd.		
			Oct. 2006	Director and officer in charge of Food Safety Pursuing Div.		
			Oct. 2010	Director and Senior General Manager of Group CC Dept.		
			Sep. 2012	Director and Senior General Manager of Group CC Dept. and Food Safety Pursuing Div., and officer in charge of Fair Trade Dept.		
			Jul. 2013	Director and Senior General Manager of Food Safety Pursuing Div. and officer in charge of Fair Trade Dept.		
			Apr. 2014	Representative Director and President of GFF Co., Ltd.		
			Jul. 2015	Director, officer in charge of Group Food Safety Pursuing Div., and Fair Trade Dept.		
			Nov. 2016	Director, officer in charge of Fair Trade Dept.		
			Apr. 2018	Director		
Feb. 2019	Director					
	Representative Director and President of Zensho Factory Holdings Co., Ltd.					
	Director and Senior General Manager, Group Food Safety Assurance Div.					
	(current)					

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership
Director and President of Zensho Japanese Culture Center	Kazumasa Ogawa	Apr. 17, 1977	Apr. 2001	Joined Nissho Electronics Corporation	Note 2	3,160 Thousand shares
			Jun. 2003	Managing Partner of Nihon Create Co., Ltd. (currently Nihon Create LLC) (current)		
			May.2006	Joined the Company Manager of Subsidiary Administration Office		
			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		
			Nov.2011	Director of Zensho Co., Ltd. (currently Sukiya Co., Ltd.)		
			Jan. 2013	Director and Senior General Manager of Global Operations Div.		
			Feb. 2014	Director, Senior General Manager of Global Operations Div., and officer in charge of Group MD Dept.		
			Jun. 2014	Managing Executive Director, Senior General Manager of Global Operations Div., and officer in charge of Group MD Dept.		
			Jan. 2015	Managing Executive Director, Senior General Manager of Global Operations Div., and Group BB Dept.		
			Mar. 2016	Managing Executive Director, Senior General Manager of Global Operations Div.		
			Jul. 2018	Managing Executive Director and Senior General Manager of Group Merchandising Div. Representative Director and President of Nihon Dining Holdings, Co., Ltd.		
			May.2019	Managing Executive Director Representative Director and President of Sukiya Honbu Co., Ltd. (currently Sukiya Co., Ltd.)		
			Oct. 2019	Managing Executive Director and CDO (Chief Design Officer)		
			Dec. 2019	Managing Executive Director, CDO, and officer in charge of Global HR		
			Mar. 2020	Managing Executive Director, CDO, and officer in charge of Global HR and Group CC Dept.		
			Apr. 2020	Managing Executive Director, CDO, and officer in charge of Global HR, Group CC Dept., and Global Sushi Business Dept.		
			Jun. 2020	Deputy President, CDO, and officer in charge of Global HR, Group CC Dept., Global Sushi Business Dept., and Group Design Dept.		
			Apr. 2021	Deputy President Representative Director and President of Nihon Retail Holdings, Co., Ltd. Representative Director and President of Nihon SS Co., Ltd. Representative Director and President of JOY MART CO., LTD.		
Oct. 2022	Deputy President, and Representative of Zensho Japanese Culture Center					
Jun. 2023	Director and President of Zensho Japanese Culture Center (current)					

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership
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 Div. of Fujitsu Corporate Officer and General Manager of Personal Business Div. of Fujitsu Managing Executive Corporate Officer and General Manager of Platform Business Planning Dept. of Fujitsu Senior Managing Director in charge of Product Dept. of Fujitsu Representative Director and Deputy President of Fujitsu Director and Deputy Chairman of Fujitsu Representative Director and 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 Jun. 2022 Mar. 2023	Joined National Police Agency General Manager, Public Security Bureau of Tokyo Metropolitan Police Department Commissioner of General's Secretariat of National Police Agency Commissioner General of National Police Agency Retired from National Police Agency Outside Director of Nitori Holdings Co., Ltd. Director (External) of AMUSE INC. (current) Director of the Company (current) Outside Director of TOBU RAILWAY CO., LTD. (current) Outside Director of Nitori Holdings Co., Ltd. (Audit & Supervisory Committee Member) Outside Director of NISSHIN SEIFUN GROUP INC. (Audit & Supervisory Committee Member) (current) Outside Director of Rakuten Group, Inc. (current)	Note 2	—

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership
Director	Shoei Yamana	Nov. 18, 1954	Apr. 1977	Joined Minolta Camera Co., Ltd. (currently Konica Minolta, Inc.)	Note 2	—
			Jul. 2002	Executive Officer and General Manager of Management Planning Department, Planning Division of Minolta Co., Ltd. (currently Konica Minolta, Inc.)		
			Aug. 2003	Senior Executive Officer of Konica Minolta Holdings, Inc. (currently Konica Minolta, Inc.)		
			Jun. 2006	Director and Senior Executive Officer of Konica Minolta Holdings, Inc.		
			Apr. 2013	Director and Senior Managing Executive Officer of Konica Minolta, Inc.		
			Apr. 2014	Director, President and CEO, and Representative Executive Officer of Konica Minolta, Inc.		
			Apr. 2022	Director, Executive Chairman and Executive Officer of Konica Minolta, Inc. (scheduled to retire in June 2023)		
			Jun. 2022	Outside Director of TDK Corporation (current)		
			Jun. 2023	Director of the Company (current)		
Director	Reiko Nagatsuma	Oct. 16, 1974	Apr. 1998	Joined Kokusai Denshin Denwa Co., Ltd. (currently KDDI Corporation)	Note 2	—
			Apr. 2001	Joined Tokyo FM Broadcasting Co., Ltd.		
			Jul. 2003	Joined Microsoft Japan Company, Limited		
			Apr. 2009	Joined Amazon Japan G.K.		
			Mar. 2018	Director of Seller Service Business Division of Amazon Japan G.K.		
			Nov. 2021	Managing Director of Twitter Japan		
			Mar. 2023	External Director of MEDLEY, INC. (current)		
			Jun. 2023	Director of the Company (current)		

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership
Director Full-time Audit & Supervisory Committee Member	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”) Executive Officer of Daiwa Securities SB Capital Markets Co., Ltd. Managing Executive Officer of Daiwa Securities SB Capital Markets Co. Ltd. and Representative Director and CEO of Daiwa Securities SMBC Principal Investments Co. Ltd. Senior Managing Director of Daiwa Securities SB Capital Markets Co. Ltd. and Representative Director and President of Daiwa Securities SMBC Principal Investments Co. Ltd. Representative Director and Deputy President of Daiwa Institute of Research Holdings Ltd., Representative Director and Deputy President of Daiwa Institute of Research Ltd., and Representative Director and Deputy President of Daiwa Institute of Research Business Innovation Ltd. Full-time Auditor of the Company Director (Full-time Audit & Supervisory Committee Member) (current)	Note 3	—
Director Audit & Supervisory Committee Member	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. Representative Director and President of Sojitz Insurance Agency Corporation Auditor of Taichi Holdings Limited Director and 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 (Audit & Supervisory Committee Member) (current)	Note 3	—
Director Audit & Supervisory Committee Member	Kenichi Kaneko	Sep. 7, 1957	Apr. 1981 Apr. 2010 Apr. 2012 Nov.2012 Jun. 2014 Jun. 2017 Jun. 2023	Joined The Dai-Ichi Kangyo Bank, Limited (currently Mizuho Bank, Ltd.) Executive Officer of Mizuho Bank, Ltd. Advisor of NIPPON TOCHI- TATEMONO CO., LTD. Managing Executive Officer of Japan Land Building Co., Ltd. Corporate Auditor of TOKYO AD AGENCY CO., LTD. President of TOKYO AD AGENCY CO., LTD. (current) Director of the Company (current)	Note 3	—

Title & Position	Name	Date of birth	Career summary		Term of office	Share ownership
Director Audit & Supervisory Committee Member	Hisashi Maruyama	Mar. 8, 1961	Apr. 1983	Joined Hitachi Chemical Company, Ltd. (currently Resonac Corporation)	Note 3	—
			Apr. 2016	Representative Executive Officer and President of Hitachi Chemical Co., Ltd. (currently Resonac Corporation)		
			Jun. 2020	Representative Director, President and CEO of Hitachi Chemical Co., Ltd. (currently Resonac Corporation)		
			Mar. 2021	Director of Showa Denko K.K. (currently Resonac Holdings Corporation)		
			Jan. 2022	Representative Director, President and CEO of Showa Denko Materials Co., Ltd. (currently Resonac Corporation)		
			Jan. 2023	Director of Showa Denko K.K. (currently Resonac Holdings Corporation)		
			Jun. 2023	Representative Director and Chairman of Showa Denko Materials Co., Ltd. (currently Resonac Corporation)		
Total						9,528

Notes: 1 Directors Chiaki Ito, Takaharu Ando, Shoei Yamana, Reiko Nagatsuma, Hideo Watanabe, Yukio Miyajima, Kenichi Kaneko and Hisashi Maruyama 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 23, 2023.

3 The term of office shall be two years beginning the conclusion of the Ordinary General Meeting of Shareholders held on June 23, 2023.

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

(ii) Outside Directors

The Company has 8 Outside Directors.

Outside Directors Chiaki Ito and Shoei Yamana 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 holding important posts including Commissioner General of the National Police Agency. Despite his no direct involvement in corporate management except 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 Directors Reiko Nagatsuma has a high level of insight in the IT / DX field, and rich experience and broad insights gained through their experience in corporate management. She 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.

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 in 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 through experience working in various fields including business control.

Kenichi Kaneko has been elected as an outside director who is a member of the Audit & Supervisory Committee because he has many years of experience in financial institutions and a high level of insight as a management executive.

Hisashi Maruyama has been elected as an outside director who is a member of the Audit & Supervisory Committee because he has rich experience as a management executive and broad knowledge through experience working in various fields.

The Company has registered 8 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 a wide range of areas in order to enable supervision from an 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 their 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 Director is stated in “the Board of Directors and members of the 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. Independent Outside Directors shall meet the criteria for determining independence stipulated by Tokyo Stock Exchange.
- 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 record of accomplishment 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 the Audit & Supervisory Committee, and accounting audits, and relationship with internal control departments

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

the Audit & Supervisory Committee monitors the independence and appropriateness of the accounting auditor’s audits. Receiving audit and quarterly review plans as well as the results of those audits, the Audit & Supervisory Committee work closely with accounting auditors by exchanging opinions and information, etc. To improve effectiveness and efficiency of audits, the Internal Audit Department and the Internal Control Department work in close cooperation, in such ways as exchanging information and opinions regularly and when necessary. The 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 the Audit & Supervisory Committee

(a) The Audit & Supervisory Committee of the Company consists of 4 Audit Committee members and audits the execution of duties by Directors in cooperation with the Internal Audit Department and auditor of each group company in accordance with the audit plan established by the Audit & Supervisory Committee, which stipulates audit policies, priority audit items, assignment of duties, and other relevant matters.

Audit & Supervisory Committee members attend meetings of the Board of Directors and other important meetings to audit the appropriateness of management decision-making processes and results, and 2 full-time Audit & Supervisory Committee members are appointed to collect and share information widely. To ensure the effectiveness of audit and supervisory functions, the Audit & Supervisory Committee works closely with the Internal Audit Department.

The status of each Audit & Supervisory Committee member is as follows.

Position	Name	Career, etc.
Full-time Audit & Supervisory Committee Member (Outside Director)	Hideo Watanabe	He has extensive experience and high-level insight as a director, mainly at financial institutions, and has specialized knowledge and experience in personnel and labor affairs, finance and accounting.
Full-time Audit & Supervisory Committee Member	Takayuki Manaki	He has been involved in the management of 7 of our group companies as representative director, director, and auditor, and has abundant experience and deep insight into the management and risk management of our group companies.
Audit & Supervisory Committee Member (Outside Director)	Koji Takeuchi	He possesses professional knowledge as an attorney and a wealth of experience and high-level insight in corporate legal affairs.
Audit & Supervisory Committee Member (Outside Director)	Yukio Miyajima	He has a wide range of knowledge and expertise in finance and accounting through his many years of extensive experience as a director and diverse business experience, including business administration.

To support the execution of duties of the Audit & Supervisory Committee, the Company established the Audit & Supervisory Committee Department and one full-time and experienced staff has been assigned. Personnel transfers, personnel evaluation and others shall be carried out with the consent of the Audit & Supervisory Committee to secure effectiveness of the instructions of the Audit & Supervisory Committee.

(b) Operation of the Audit & Supervisory Committee

During the current fiscal year, the Company held 20 meetings of the Audit & Supervisory Committee, with the average time required per meeting being approximately 1 hour and 20 minutes. the Audit & Supervisory Committee for the current fiscal year was also held in conjunction with remote meetings to prevent COVID-19 infection.

Attendance of each Audit & Supervisory Committee member at the Audit & Supervisory Committee meetings and the Board of Directors meetings is as follows.

Position	Name	Meeting attendance during the current fiscal year	
		The Audit & Supervisory Committee	The Board of Directors meetings
Full-time Audit & Supervisory Committee Member (Outside Director)	Hideo Watanabe	20/20 (100%)	13/13 (100%)
Full-time Audit & Supervisory Committee Member	Takayuki Manaki	20/20 (100%)	13/13 (100%)
Audit & Supervisory Committee Member (Outside Director)	Koji Takeuchi	20/20 (100%)	12/13 (92%)
Audit & Supervisory Committee Member (Outside Director)	Yukio Miyajima	20/20 (100%)	13/13 (100%)

(ii) Activities of the Audit & Supervisory Committee and the Audit & Supervisory Committee Members

(a) Priority audit items

The Audit & Supervisory Committee for the current fiscal year has established an audit plan based on the basic audit policy of contributing to the establishment of a high-quality corporate governance system that will earn the trust of society, with the aim of achieving sound and sustainable growth and improving corporate value over the medium to long term in the Company and its group companies. In the current fiscal year, the Audit & Supervisory Committee mainly worked on the following key audit items: (a) evaluation of status and effectiveness of development and operation of the internal control system, (b) monitoring and verification of matters related to the pursuit of food safety in the corporate group, and (c) monitoring and verification of matters related to the improvement and development of the working environment in the corporate group.

(b) Activities of the Audit & Supervisory Committee

The Audit & Supervisory Committee made the following resolutions, deliberations, discussions, and reports during the year.

Agenda	Number of items	Matters for consideration
Resolutions	12	<ul style="list-style-type: none">• Deciding whether or not to express an opinion at the General Meeting of Shareholders regarding the election of directors and compensation proposals• Deciding on the Audit & Supervisory Committee's audit report regarding the audit under the Companies Act of Japan• Reappointing the Accounting Auditor• Appointing Audit & Supervisory Committee Chairman, full-time Audit & Supervisory Committee members and the selected Audit & Supervisory Committee members• Approving compensation for Audit & Supervisory Committee members, audit policies and plans, and audit expense budgets• Agreeing on the Accounting Auditor compensation• Revising the audit standards and rules, etc. of the Audit & Supervisory Committee
Deliberations	1	<ul style="list-style-type: none">• Consideration of KAM (Key Audit Matters)<ul style="list-style-type: none">- Tests for impairment loss recognition related to store assets and goodwill- Evaluation of investments in intermediary holding companies
Discussions	3	<ul style="list-style-type: none">• Review of proposed KAM description• Method of reviewing and approving non-assurance engagements of the Accounting Auditor• Confirmation of the contents of the agenda for the General Meeting of Shareholders and other items to be reported, etc.
Reports	32	<ul style="list-style-type: none">• Summary of discussions with the Accounting Auditor<ul style="list-style-type: none">- governance, legal compliance, audit policy, etc.• Agenda for discussion with the Representative Director• Audit reports from the Accounting Auditor (quarterly and year-end)• Summary of discussions with Directors (inside and outside)• Annual activities related to the audit of the Audit & Supervisory Committee Audits• Overview of the audit of competitive transactions, conflict of interest transactions, etc.• Summary of meetings for exchange of opinions with the Internal Audit Department and other relevant departments• Summary of exchange of opinions with the Accounting Auditor on issues (status of audits of overseas business, KAM, etc.)• Reporting the results of onsite inspections, etc.

In principle, the meeting is held on a regular monthly basis starting in August. The meeting is held separately from time to time, as needed.

(c) Activities of the Audit & Supervisory Committee Members

i) Activities of the Audit & Supervisory Committee and its Members

The Audit & Supervisory Committee members attended the Board of Directors meetings (held 13 times in total during the current fiscal year) to audit the status of the execution of duties by directors, as well as auditing the legality and appropriateness of the process and results of deliberations on agenda items and asking questions and expressing opinions if necessary.

The Audit & Supervisory Committee met with the Representative Director to exchange opinions and information on management issues and auditing issues, and interviewed four executive directors individually to hear their recognition of issues related to business execution and their policies on initiatives, and expressed our opinions, as necessary. In addition, the Audit & Supervisory Committee established opportunities to exchange opinions and communicate with the three outside directors regarding management policies and the status of the execution of duties by Directors.

Full-time Audit & Supervisory Committee Members attended important internal meetings (e.g., Information Sharing Meeting attended by company-wide executives, Comprehensive Risk Management and Compliance Committee, etc.), inspected approved documents and other important documents, and received reports as appropriate from the persons in charge of each department, thereby they established a system that enables daily monitoring of matters necessary for internal control, (governance, compliance, risk management, status of food safety, improvement and maintenance of working environment and so on), and deepened operational auditing.

With regard to subsidiaries, the Company exchanged opinions with directors and persons in charge of each department, communicated and exchanged information with auditors of subsidiaries, and conducted on-site inspections as necessary to understand the status of governance and compliance of subsidiaries within the group and to investigate and confirm the status of operation of internal control in the corporate group.

The full-time Audit & Supervisory Committee members shared information obtained through their audit activities with the part-time Audit & Supervisory Committee members as appropriate, and when necessary, made recommendations and proposals to the Company after repeated discussions at the Audit Committee meetings.

ii) Status of Cooperation with the Internal Audit Department

The Internal Audit Department conducts internal audits of the Company and its subsidiaries under the direction of the Representative Director. The full-time Audit & Supervisory Committee Member meets regularly with the Internal Audit Department to receive shared reports on the results of internal audits and their progress as appropriate, and to exchange opinions and information as necessary, in order to maintain close cooperation and to improve the audit environment.

Details of cooperation between full-time Audit Committee members and the Internal Audit Department are as follows.

Name of meeting, etc.	period	summary
Internal Audit Report Meeting	appropriately	The Audit & Supervisory Committee received explanations of the internal audit plan, internal audit results, etc., and exchanged opinions on the status of audit implementation, etc.
Regular Meeting	In principle, once a month	Information was mainly exchanged between the Internal Audit Department and the full-time Audit Committee members, and issues were mutually confirmed.
Domestic and overseas subsidiaries Sharing of progress charts of past audits	In principle, once a month	The status of domestic and overseas internal audits was shared, and progress was shared on issues identified, and detailed reports were received as necessary.

iii) Status of Cooperation with the Accounting Auditor

The Audit & Supervisory Committee received quarterly reports from the Accounting Auditor on the procedures and results of the accounting and internal control audits, and exchanged opinions with them. In addition, the Company received reports on the status of examination of items and contents of KAM (Key Audit Matters) to be included in the accounting audit report, shared issues and exchanged information as necessary, and worked in close cooperation to exchange opinions for the effective and efficient execution of accounting and internal control audits.

Details of cooperation between the Audit & Supervisory Committee and the Accounting Auditor are as follows.

Name of meeting, etc.	period	summary
Quarterly Review Report	August, November, February	The Audit & Supervisory Committee received reports from the Accounting Auditor on the results of each quarterly review and exchanged opinions.
Year-end audit report	May	The Audit & Supervisory Committee received reports on the results of the year-end audit, matters related to the performance of duties by the Accounting Auditor, and the results of inspections by external organizations, etc., and exchanged opinions.

Explanation of audit plan, etc.	August, November	The Audit & Supervisory Committee received an overview of the audit plan for the current fiscal year and explanations regarding audit and non-audit fees, and exchanged opinions.
KAM (Key Audit Matters)	June	The Audit & Supervisory Committee Discussed Tests for impairment loss recognition related to store assets and goodwill, and evaluation of investments in intermediary holding companies.
Reporting on the status of internal control audits, etc.	April, July, November, December	Internal control audits were reported and opinions were exchanged on governance and fraud risks.
Japanese Institute of Certified Public Accountants Compliance with Revised Ethics Rules	December~ March	Confirmation of the conceptual framework for non-assurance engagements and of impediments to independence of accounting auditors, etc.

iv) Internal Reporting System

The Company has established the "Zensho Group Hotline" (internal reporting desk). 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 the Audit & Supervisory Committee directly.

v) Others

The Company shared information with relevant divisions and discussed responses to confirm the progress of the Mid-term Management Plan in response to global political and economic conditions, and to discuss the progress of SDGs, ESG, and DX initiatives as a prime market listed company.

(iii) Status of Internal Audit

Internal audits are conducted by the Group Internal Audit Department (9 members including manager of the department). The 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 in accordance with internal audit regulations and audit plans. The Group Internal Audit Department reports result of audits and progress in improvement to the Representative Director in a timely manner, and to the Audit & Supervisory Committee to enhance mutual cooperation. In addition, The Group Internal Audit Department strives to reinforce the development and operation of internal control by cooperating with the Accounting Auditor as well.

(iv) Status of Audits by the Accounting Auditor

(a) Name of the Accounting Auditor

PricewaterhouseCoopers Aarata LLC

(b) Consecutive auditing period

12 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 (4 consecutive auditing years)

Designated Engagement Partner Certified public accountant Kentaro Shimizu (4 consecutive auditing years)

(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 23 others.

(e) Policy and reasons for the selection of the accounting audit firm

The Audit & Supervisory Committee has established the “criteria for evaluation and selection of the Accounting Auditor” 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 audit and quality control system, whether audit days, audit period, specific audit guidelines and audit fees are reasonable and appropriate, and its past activities. In addition, the Company confirmed its ethic and independence according to “Amended Ethics Regulations (July 25, 2022)” 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 actively expanding its overseas business.

In the event that the Audit & Supervisory Committee determines that the execution of duties by the Accounting Auditor is disrupted, or it is necessary, the 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. The Board of Directors submits such a proposal to the General Meeting of Shareholders based on this decision.

Furthermore, in the event that the circumstances set forth in any of the items of Article 340, Paragraph 1 of the Companies Act of Japan apply to the Accounting Auditor, the Audit & Supervisory Committee will discharge the Accounting Auditor with a unanimous resolution of Audit & Supervisory Committee members. In such case, an Audit & Supervisory Committee Member designated by the Audit & Supervisory Committee reports 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 Accounting Auditor.” the Audit & Supervisory Committee has 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, the Audit & Supervisory Committee has evaluated the audit firm comprehensively in accordance with the “Practical guidelines for corporate auditors regarding the evaluation of accounting auditors and the formulation of selection criteria” released by the Japan Audit & Supervisory Board Members Association and has resolved regarding the reappointment of it.

(v) Audit fees, etc.

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

(Million yen)

Category	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
The Company	89	2	88	1
Consolidated subsidiaries	37	—	37	—
Total	126	2	126	1

Non-audit services of the Company during the previous year and 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)

(Million yen)

Category	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
The Company	—	—	—	—
Consolidated subsidiaries	34	31	47	15
Total	34	31	47	15

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 fees for audit and attestation services 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.

(d) Policy for determining audit fees

Audit fees are determined with the consent of the Audit & Supervisory Committee, in light of the factors including the audit plan, detail of estimated audit fees, audit 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 the 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, the 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. for Directors

(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 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 competitive 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 the Audit & Supervisory Committee) consists of a fixed amount monthly basic compensation and annual performance-linked compensation (both monetary compensation), and stock compensation paid after their retirement based on points awarded in each medium-term business plan.

Compensation for Outside Directors and members of the Audit & Supervisory Committee is only a fixed amount monthly basic compensation.

(b) Limits of monetary compensation amount and upper limit number of shares of stock compensation

Total amount of monthly basic compensation and annual performance-linked compensation for Directors shall be decided within the limits approved by the General Meeting of Shareholders, and the number of awarded shares of stock compensation shall be decided within the limits number of shares approved by the General Meeting of Shareholders. Resolutions of the Board of Directors and the 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 the Audit & Supervisory Committee) and members of the Audit & Supervisory Committee were set at 600 million yen (60 million of which is for Outside Directors, and salary for employees is 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 the Audit & Supervisory Committee) is decided by the Representative Director 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 the Representative Director each year, after examined by the Nomination and Compensation Advisory Committee.

c) Amount of fixed-amount monthly basic compensation for each Audit & Supervisory Committee Member 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 the Audit & Supervisory Committee) is decided by the Representative Director based on a performance-linked compensation table for Directors (by each position) and the 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 the Representative Director each year, after examined by the Nomination and Compensation Advisory Committee.
- c) The performance-linked compensation shall be paid once a month, in the month following the month in which the Ordinary General Meeting of Shareholders is held.
- * Information on the 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

Basic compensation (Annual amount)	Consolidated ordinary profit to net sales ratio	Performance-linked compensation (Index) <Average of eligible Directors>
100 <Index>	Less than 2%	0
	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, Representative Director, Chairman, President & CEO of the Company, based on the authority delegated by the resolution of the Board of Directors. The resolution of authority delegation of delegated by the Board of Directors is the decision on that to determine specific amounts of fixed-amount compensation and performance-linked compensation of individual Director (excluding members of the Audit & Supervisory Committee). The reason for the delegation is that the Representative Director 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 advice from the Nomination and Compensation Advisory Committee.

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

4) Activities of the 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 the Board of Directors held on June 24, 2022, the Representative Director was given the power to decide at his sole discretion, the allocation of basic monthly compensation and performance-linked compensation for Directors.

At the meeting of the Audit & Supervisory Committee held on June 24, 2022, compensation for Directors who are members of the Audit & Supervisory Committee was decided by mutual consultation among members of the Audit & Supervisory Committee.

5) Calculation method for performance-linked stock compensation

Apart from the limit on total compensation (600 million yen or less per year) for Directors stated in “2) Specific policy, (b) Limited amount of monetary compensation and upper limit number of shares of stock compensation”, the Company introduced a performance-linked stock compensation system based on a resolution at the 40th Ordinary General Meeting of Shareholders held on June 24, 2022 for Directors and Executive Officers (excluding Outside Directors or members of the Audit & Supervisory Committee, hereinafter, “Directors, etc.”). The Company intends to raise awareness among Directors, etc. 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, etc. and the Company’s business performance and stock value, and by sharing with shareholders not only the benefits of an increase in stock price but also the risk of a decline in stock price.

Total number of shares to be awarded 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. According to the number of points, certain number of shares of the Company is paid after his or her retirement. (Certain portion is paid by money in cash 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, etc.

(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, “Company’s Share, etc.”)

(c) Calculation method for performance-linked stock compensation

i) Method to determine the performance points to be awarded

a. 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 tenure. In addition, when Directors, etc. retires during the period of execution 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.

b. 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.

Notes: 1.Consolidated ordinary profit is the amount shown on the annual securities report.

2.The amount disclosed publicly at the time of formulation is used for planed consolidated ordinary profit for each fiscal year, regardless of any revisions. Total amount of consolidated ordinary profit for the First MBP period is 116.8 billion yen.

c. Performance points to be awarded

a) The number of points to be awarded 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
Representative Director	60,000
Deputy President	36,000
Senior Managing Executive Director	24,000
Managing Executive 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 monetary amounts 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 less than one unit will be discarded)

b) Monetary amounts

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 monetary amounts 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) Monetary amounts

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.

(Formula)

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

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
Representative Director	90,000
Deputy President	54,000
Senior Managing Executive Director	36,000
Managing Executive 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%

Stock compensation: 25%

f. Delegations regarding the determination of individual compensation for Directors

Matters related to the 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 (Million yen)	Total amounts by category of compensation (Million yen)			Number of eligible Directors (persons)
		Fixed compensation	Performance-linked compensation		
			Monetary compensation	Stock compensation	
Directors (excluding Outside Directors and members of the Audit & Supervisory Committee)	520	370	22	127	7
Members of the Audit & Supervisory Committee (excluding Outside Directors)	11	11	—	—	1
Outside Directors	70	70	—	—	7

Note: At the current fiscal year-end, there are 10 Directors (excluding members of the Audit & Supervisory Committee), out of which 4 are Outside Directors, and 4 members of the 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 (Million yen)			Total amounts of compensation (Million yen)
			Fixed compensation	Performance-linked compensation		
				Monetary compensation	Stock compensation	
Kentaro Ogawa	Representative Director, Chairman, President & CEO	The Company	197	10	53	260

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

At the current fiscal year-end, 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 purposes other than pure investment

(Million yen)

Category	Previous fiscal year		Current fiscal year	
	Number of issues	Total balance sheet amount	Number of issues	Total balance sheet amount
Unlisted shares	—	—	1 issue	5
Other shares	—	—	—	—

(Million yen)

Category	Current fiscal year		
	Total amount of dividend income	Total amount of gain or loss on sale of shares	Total amount of gain or loss on valuation of shares
Unlisted shares	—	—	—
Other shares	—	—	—

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, 2022 to March 31, 2023 and the non-consolidated financial statements for the fiscal year from April 1, 2022 to March 31, 2023 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, 2022)	Current fiscal year (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	42,414	64,690
Accounts receivable - trade	※ 1 24,460	※ 1 28,747
Merchandise and finished goods	27,528	29,635
Work in process	998	1,269
Raw materials and supplies	10,340	11,924
Other	26,865	21,892
Allowance for doubtful accounts	(168)	(166)
Total current assets	132,439	157,993
Non-current assets		
Property, plant and equipment		
Buildings and structures	※ 2 211,709	※ 2 221,844
Accumulated depreciation	(126,051)	(131,704)
Buildings and structures, net	85,658	90,140
Machinery, equipment and vehicles	16,078	18,645
Accumulated depreciation	(9,686)	(10,843)
Machinery, equipment and vehicles, net	6,392	7,802
Tools, furniture and fixtures	78,432	86,515
Accumulated depreciation	(55,331)	(60,271)
Tools, furniture and fixtures, net	23,100	26,244
Land	※ 2 22,852	※ 2 24,987
Leased assets	52,321	59,338
Accumulated depreciation	(22,235)	(27,305)
Leased assets, net	30,086	32,033
Construction in progress	573	604
Total property, plant and equipment	168,663	181,811
Intangible assets		
Trade mark right	45,569	49,359
Goodwill	13,106	11,652
Other	4,209	4,435
Total intangible assets	62,885	65,446
Investments and other assets		
Investment securities	※ 3 1,883	※ 3 2,168
Guarantee deposits	※ 4 32,880	※ 4 33,845
Long-term loans receivable	76	71
Long-term prepaid rent	15,625	13,900
Deferred tax assets	7,932	8,360
Other	4,738	5,948
Allowance for doubtful accounts	(14)	(51)
Total investments and other assets	63,121	64,244
Total non-current assets	294,671	311,502
Deferred assets		
Share issuance cost	8	—
Bond issuance cost	53	67
Total deferred assets	62	67
Total assets	427,172	469,563

(Million yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	26,986	29,319
Short-term borrowings	459	7,600
Current portion of bonds payable	5,000	—
Current portion of long-term borrowings	※ 2 24,380	※ 2 16,163
Lease liabilities	9,264	9,542
Income taxes payable	8,785	3,970
Contract liabilities	643	732
Provision for bonuses	2,951	3,014
Other	31,277	40,450
Total current liabilities	109,749	110,792
Non-current liabilities		
Bonds payable	15,000	25,000
Long-term borrowings	※ 2 151,659	※ 2 168,433
Lease liabilities	24,294	26,137
Provision for share awards	—	157
Retirement benefit liability	707	681
Asset retirement obligations	4,286	4,411
Deferred tax liabilities	12,505	13,609
Other	4,483	4,502
Total non-current liabilities	212,937	242,933
Total liabilities	322,686	353,726
Net assets		
Shareholders' equity		
Share capital	26,996	26,996
Capital surplus	24,823	23,809
Retained earnings	51,080	60,576
Treasury shares	(5,839)	(6,915)
Total shareholders' equity	97,060	104,466
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(72)	(58)
Deferred gains or losses on hedges	684	(1,081)
Remeasurements of defined benefit plans	18	58
Foreign currency translation adjustment	5,629	12,248
Total accumulated other comprehensive income	6,259	11,167
Non-controlling interests	1,165	203
Total net assets	104,486	115,837
Total liabilities and net assets	427,172	469,563

(ii) Consolidated Statements of Income and Comprehensive Income

<Consolidated Statements of Income>

(Million yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net Sales	※ 1 658,503	※ 1 779,964
Cost of Sales	310,879	365,093
Gross Profit	347,624	414,871
Selling, General and Administrative Expenses	※ 2 338,391	※ 2 393,137
Operating Profit	9,232	21,734
Non-operating income		
Interest income	519	477
Dividend income	5	4
Share of profit of entities accounted for using equity method	5	7
Foreign exchange gains	908	1,756
Subsidy income	15,053	6,779
Other	1,224	1,194
Total non-operating income	17,717	10,219
Non-operating expenses		
Interest expenses	2,677	2,849
Other	1,154	1,022
Total non-operating expenses	3,832	3,872
Ordinary profit	23,117	28,081
Extraordinary income		
Compensation income	424	443
Subsidy for cooperation income	※ 5 24,593	—
Other	359	326
Total extraordinary income	25,377	770
Extraordinary losses		
Loss on retirement of non-current assets	※ 3 3,139	※ 3 2,702
Impairment losses	※ 4 5,545	※ 4 1,503
Loss on COVID-19 infection control measures	※ 6 11,141	—
Other	2,387	1,156
Total extraordinary losses	22,215	5,363
Net Profit before income taxes	26,280	23,488
Income taxes - current	12,371	9,589
Income taxes - deferred	15	620
Total income taxes	12,387	10,209
Profit	13,893	13,278
Profit (loss) attributable to non-controlling interests	23	12
Profit attributable to owners of parent	13,869	13,265

<Consolidated Statement of Comprehensive Income>

(Million yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net Profit	13,893	13,278
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	14
Deferred gains or losses on hedges	253	(1,766)
Remeasurements of defined benefit plans	29	39
Foreign currency translation adjustment	7,879	6,587
Share of other comprehensive income of entities accounted for using equity method	28	27
Total other comprehensive income	※ 1 8,187	※ 1 4,902
Comprehensive income	22,080	18,180
(Breakdown)		
Comprehensive income attributable to owners of parent	22,022	18,146
Comprehensive income attributable to non-controlling interests	58	34

(iii) Consolidated Statements of Changes in Shareholders' Equity
 Previous 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

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury share	Total Shareholders' Equity
Beginning balance	26,996	24,823	51,080	(5,839)	97,060
Changes during period					
Dividends of surplus			(3,495)		(3,495)
Profit attributable to owners of parent			13,265		13,265
Purchase of treasury shares				(1,077)	(1,077)
Disposal of treasury shares		0		0	0
Change in scope of consolidation			(273)		(273)
Purchase of shares of consolidated subsidiaries		(1,014)			(1,014)
Net changes in items other than shareholders' equity					
Total changes during period	—	(1,014)	9,496	(1,076)	7,405
Ending balance	26,996	23,809	60,576	(6,915)	104,466

	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	(72)	684	18	5,629	6,259	1,165	104,486
Changes during period							
Dividends of surplus							(3,495)
Profit attributable to owners of parent							13,265
Purchase of treasury shares							(1,077)
Disposal of treasury shares							0
Change in scope of consolidation							(273)
Purchase of shares of consolidated subsidiaries							(1,014)
Net changes in items other than shareholders' equity	14	(1,766)	39	6,619	4,907	(962)	3,944
Total changes during period	14	(1,766)	39	6,619	4,907	(962)	11,350
Ending balance	(58)	(1,081)	58	12,248	11,167	203	115,837

(iv) Consolidated Statements of Cash Flows

(Million yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	26,280	23,488
Depreciation	28,337	30,436
Impairment losses	5,545	1,504
Amortization of goodwill	1,546	1,583
Increase (decrease) in provision for bonuses	706	57
Increase (decrease) in provision for share awards	—	157
Interest and dividends income	(525)	(482)
Interest expenses	2,677	2,849
Loss on retirement of property, plant and equipment	2,577	2,290
Decrease (increase) in trade receivables	(706)	(3,472)
Decrease (increase) in inventories	(12,723)	(3,280)
Increase (decrease) in trade payables	1,163	1,689
Subsidy for cooperation income	(24,593)	—
Increase (decrease) in accrued consumption taxes	(6,236)	6,355
Decrease (increase) in other current assets	(4,898)	4,302
Decrease (increase) in other non-current assets	2,591	2,302
Increase (decrease) in other current liabilities	(27)	3,524
Increase (decrease) in other non-current liabilities	1,107	(205)
Other, net	(508)	(122)
Subtotal	22,315	72,978
Interest and dividends received	301	268
Interest paid	(2,653)	(2,841)
Income taxes paid	(4,780)	(18,498)
Subsidy for cooperation received	30,247	1,171
Net cash provided by (used in) operating activities	45,430	53,078
Cash flows from investing activities		
Purchase of property, plant and equipment	(27,513)	(30,983)
Proceeds from sales of property, plant and equipment	855	17
Purchase of intangible assets	(1,263)	(1,517)
Purchase of long-term prepaid expenses	(387)	(421)
Purchase of long-term investment securities	(1,092)	(522)
Loan advances	(1,129)	(0)
Payments of guarantee deposits	(1,021)	(2,008)
Proceeds from refund of guarantee deposits	1,488	1,052
Purchase of long term prepaid rents	(1,089)	(597)
Other, net	(395)	(218)
Net cash provided by (used in) investing activities	(31,550)	(35,200)

(Million yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(922)	7,187
Proceeds from long-term borrowings	43,264	32,219
Repayments of long-term borrowings	(36,250)	(24,590)
Repayments of lease liabilities	(9,603)	(11,296)
Purchase of treasury shares	(13)	(1,077)
Proceeds from sale of treasury shares	2	0
Proceeds from issuance of bonds	14,945	9,960
Redemption of bonds	(20,600)	(5,000)
Proceeds from share issuance to non-controlling shareholders	385	43
Dividends paid	(3,193)	(3,483)
Dividends paid to non-controlling interests	(0)	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(2,106)
Other, net	—	(10)
Net cash provided by (used in) financing activities	(11,986)	1,844
Effect of exchange rate change on cash and cash equivalents	2,415	2,191
Net increase (decrease) in cash and cash equivalents	4,308	21,913
Beginning balance of cash and cash equivalents	37,643	42,414
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	461	362
Ending balance of cash and cash equivalents	※ 1 42,414	※ 1 64,690

Notes on Consolidated Financial Statements

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

The Company and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

1. Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries: 121

Names of major consolidated subsidiaries:

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

Three companies including ZENSHO PHILIPPINES, INC. which were non-consolidated subsidiaries until the previous fiscal year, are included in the scope of consolidation due to their increased materiality.

Two companies including Shinagawa Design Co., Ltd. were established in the current fiscal year and are included in the scope of consolidation.

Nihon SS Co., Ltd. was merged with JOY MART CO., LTD. in the current fiscal year and excluded in the scope of consolidation.

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

Major non-consolidated subsidiaries: 11 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) have 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 11 non-consolidated subsidiaries including ZENSHO FOOD INDIA PRIVATE LIMITED, whose respective figures have no significant impact on the consolidated financial statements and are immaterial in the aggregate.

3. Matters related to the accounting periods of consolidated subsidiaries

For the 19 consolidated subsidiaries whose closing dates differ from the consolidated closing date, provisional financial statements prepared for consolidation as of the consolidated closing date are used in preparing the consolidated financial statements.

4. Matters related to accounting policies

(1) Valuation standards and valuation methods of significant assets

(i) Securities

Available-for-sale securities

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

Mark-to-market method (Valuation difference is booked directly in 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

(ii) Derivatives

Mark-to-market method

(iii) Inventories

Merchandise:

Principally last purchase price method (The inventories stated in the balance sheet have been written down of book values so that book values reflect decline in profitability.)

Finished goods, raw materials and work in progress:

Principally the first-in first-out method (The inventories stated in the balance sheet have been written down of book values so that book values reflect decline in profitability.)

Supplies:

Principally last purchase price method (The inventories stated in the balance sheet have been written down of book values so that book values reflect decline in profitability.)

(2) Depreciation and amortization method of significant assets

(i) Property, plant and equipment (excluding leased assets)

Principally straight-line method.

Useful lives and residual values are based on the same standard as the Corporation Tax Act of Japan.

(ii) Intangible assets

Straight-line method

Software for internal use is amortized over the estimated internal useful life of the asset (five years).

Trade mark rights whose useful life cannot be determined are not amortized.

(iii) Leased assets

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

However, finance leases transactions that do not transfer ownership whose lease inceptions predate March 31, 2008 are accounted for by a method similar to ordinary lease transactions.

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 those assets are depreciated using the straight-line method.

(3) Deferred assets

Stock issuance cost: Amortized using the straight-line method over 3 years.

Bond issuance cost: Amortized using the straight-line method over the period up to the redemption.

(4) Standards for recognizing significant allowance and provision

(i) Allowance for doubtful accounts

To prepare for possible losses caused by bad debt on loans and other receivables, an estimated uncollectible amount is recorded in consideration of their collectability as to potential bad debt or other certain receivables.

(ii) Provision for bonuses

To prepare for the payment of bonuses to employees, provision for bonus is recorded based on the estimated amount of bonus payments.

(iii) Provision for share awards

To prepare for the payment of the Company's shares to Directors, etc. in accordance with Share Distribution Rules for Directors, etc., provision for share awards is recorded based on the estimated amount of obligation for share benefits.

(5) Accounting method of retirement benefits

The Company and certain consolidated subsidiaries provide defined contribution pension plans. Certain consolidated subsidiaries provide defined benefit pension plan using the 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 apply the principle method, actuarial differences are expensed using a straight-line method from the following fiscal year over a fixed number of years reflecting the average remaining service period of employees (4 years) at the time of occurrence in each fiscal year.

(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.

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 fulfillment 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 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 assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rates at the consolidated balance sheet date and the translation differences are presented as gains or losses.

Assets and liabilities of consolidated overseas subsidiaries, etc. 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 the Foreign currency translation adjustment and Non-controlling interests under the net assets.

(8) Significant hedge accounting method

(i) Hedge accounting method

Deferral hedge accounting is applied.

Designation accounting is applied to the derivative transactions that meet the requirements for that treatment, and exceptional accounting is applied to the interest-rate swap agreements that meet the requirements for that treatment. For net investments in foreign subsidiaries, foreign currency translation differences arising from hedging instruments are included in the Foreign currency translation adjustment.

(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
Forward exchange contracts	Net investments in foreign subsidiaries
Interest rate swap agreements	Interest of loans

(iii) Hedging policy

The Company hedges the interest-rate fluctuation risks and the exchange-rate fluctuation risks on borrowings, monetary assets and liabilities in foreign currencies, and net investments in foreign subsidiaries.

(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 interest rate and exchange rates 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.

(Significant accounting estimates)

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

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 has recorded store assets of 90,364 million yen (property, plant and equipment: 90,205 million yen, intangible assets: 14 million yen, investment and other assets: 144 million yen) related to the restaurant business on its consolidated balance sheet as of March 31, 2023.

The Group classifies its store assets mainly at a store-by-store level, and determines that there are indications of impairment in store assets when the stores' cash flow from operating activities used for management accounting was 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.

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, 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)
Nakau Co., Ltd.	24	263	44	358
Coco's Japan Co., Ltd.	8	162	10	113
Big Boy Japan Inc.	16	155	107	2,450

2. Tests for impairment loss recognition related to goodwill

The Group has recorded goodwill of 13,106 million yen and 11,652 million yen on its consolidated balance sheets as of March 31, 2022 and as of March 31, 2023, respectively.

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 determines that there were indications of impairment, assessed whether it was necessary to recognize an impairment loss, and if so, measured and recorded it accordingly.

In determining whether recognition of an impairment loss is necessary, the total amount of undiscounted future cash flows of the 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.

Of those goodwill balances that had indications of impairment, the number of businesses whose goodwill was judged to be unnecessary to recognize the impairment loss in the previous fiscal year 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. For the current fiscal year, the number of businesses where it was determined unnecessary to recognize impairment of goodwill was the restaurant business of Nakau Co., Ltd., and Processing and sales of meat products business of Pocino Foods Company whose book values were 621 million yen and 996 million yen, respectively.

(Accounting standards not yet adopted, etc.)

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022.)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022.)
- "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, October 28, 2022.)

(1) Outline

These accounting standards establish the classification of income taxes in the case of taxable on other comprehensive income and the treatment of tax effects for sales of subsidiary shares in the group tax sharing system.

(2) Effective date

The new standards will be applied from the beginning of the fiscal year ending March 31, 2024.

(3) Impacts of adoption of the accounting standards

Impacts of the adoption of these accounting standards in consolidated financial statements are currently being evaluated.

(Changes in presentation)

(Matters related to consolidated Statements of Income)

"Insurance claim income" (14 million yen in the previous fiscal year) under "Extraordinary income", presented independently in the previous fiscal year, is included in "other" under "Extraordinary income" in the current fiscal year due to the decrease of financial significance.

(Additional Information)

(Board Benefit Trust (BBT))

The Company introduced a performance-linked stock compensation system (BBT, or Board Benefit Trust) based on a resolution at the 40th Ordinary General Meeting of Shareholders held on June 24, 2022 for Directors and Executive Officers (excluding Outside Directors, hereinafter, "Directors, etc.").

(1) Overview of the system

The System is a performance-linked stock compensation system under which the Company's shares are acquired through a trust with cash contributed by the Company as the source of funds, and the Company's shares and monetary equivalent to the amount obtained by converting the Company's shares at fair value are 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., is after their retirement from office.

(2) Treasury shares remaining in the trust

Treasury shares remaining in the trust are recorded as treasury shares as part of the net assets of the trust at carrying amount (excluding incidental expenses). Carrying amount and number of shares of such treasury shares are 1,056 million yen and 292 thousand shares, respectively, as at the fiscal year-end.

(3) Carrying amount of borrowings recorded using gross method

Not applicable.

(Revision of the retirement benefit plan)

The Board of Directors resolved at a meeting held on March 15, 2023 that certain consolidated subsidiaries will shift from a defined benefit pension plan to a defined contribution pension plan effective April 1, 2023. Regarding the accounting treatment of this transition, the Company plans to apply the "Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1, December 16, 2016) and "Practical Solution on Accounting for Transfers between Retirement Benefit Plans" (ASBJ PITF No. 2, February 7, 2007).

The impact of this transition on the financial position and operating results are currently being evaluated, and it is expected to result in record of extraordinary income of 186 million yen in the following fiscal year as a result of the transition.

(Matters related to consolidated Balance Sheets)

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

	(Million yen)	
	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
Accounts receivable - trade	24,460	28,747

*2. Collateral assets and mortgaged liabilities

Collateral assets are as follows.

	(Million yen)	
	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
Buildings and structures	199	229
Land	1,126	1,126
Total	1,325	1,355

Mortgaged liabilities are as follows.

	(Million yen)	
	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
Long-term borrowings (including current portion of long-term borrowings)	318	262

*3. Investments in unconsolidated subsidiaries and affiliates are as follows.

	(Million yen)	
	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
Investment securities (stocks)	1,674	1,932
(Investment amount in jointly controlled entities)	(300)	(334)

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

	(Million yen)	
	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
Guarantee deposits	114	50

5. Current account overdraft agreement and commitment line agreement

Previous 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 as of March 31, 2022 is as follows.

	(Million yen)
Total loan limits	23,223
Amount executed as loans	—
Difference	23,223

Current Fiscal Year (As of March 31, 2023)

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 as of March 31, 2023 is as follows.

	(Million yen)
Total loan limits	26,335
Amount executed as loans	5,000
Difference	21,335

(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), 1. Breakdown of revenue from contracts with customers”.

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

	(Million yen)	
	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Payroll and allowances	32,656	35,598
Other salaries	108,167	129,263
Provision for bonuses	4,372	3,014
Retirement benefit expenses	543	588
Rent expenses on land and buildings	49,075	53,170

*3. Losses on retirement of non-current assets are as follows.

	(Million yen)	
	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Buildings and structures	1,498	1,365
Machinery, equipment and vehicles	117	242
Other	405	536
Removal cost	1,119	558
計	3,139	2,702

*4. Impairment losses

The Group recognized impairment loss on the following asset groups.

Previous Fiscal Year (From April 1, 2021 to March 31, 2022)

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

The Group has classified its assets primarily by directly-managed store and rental property. 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).

The higher of the value in use and the net realizable value is used as the recoverable amount. The net realizable value is primarily measured based on reasonably adjusted valuation amount for real estate tax purposes. The value in use is determined to be 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 using a rate of 4.6%.

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

(Million yen)

Use	Type of assets	Location	Amount
Directly-managed stores, etc.	Buildings, etc.	Japan (Tokyo, etc.)	1,122
		Overseas (Shanghai, etc.)	381
Total			1,503

The Group has classified its assets primarily by directly-managed store and rental property. 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 1,503 million yen (948 million yen for buildings and 555 million yen for other assets).

The value in use is mainly used as the recoverable amount, but the value in use is determined to be as zero since the future cash flows cannot be expected.

*5. Subsidy for cooperation income

Previous 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 COVID-19, the Group conducted shortening of operating hours.

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

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

Not applicable.

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

Previous 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 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.

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

Not applicable.

(Matters related to consolidated statements of comprehensive income)

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

	(Million yen)	
	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities:		
Gain (Loss) in the current period	(5)	21
Reclassification adjustment	0	—
Before tax effect adjustment	(5)	21
Tax effect	1	(7)
Valuation difference on available-for-sale securities	(3)	14
Deferred gains or losses on hedges:		
Gain (Loss) in the current period	1,048	(1,665)
Reclassification adjustment	(663)	(1,033)
Before tax effect adjustment	384	(2,699)
Tax effect	(131)	933
Deferred gains or losses on hedges	253	(1,766)
Remeasurements of defined benefit plans:		
Gain (Loss) in the current period	28	49
Reclassification adjustment	16	11
Before tax effect adjustment	45	60
Tax effect	(15)	(21)
Remeasurements of defined benefit plans	29	39
Foreign currency translation adjustment:		
Gain (Loss) in the current period	7,879	6,587
Reclassification adjustment	—	—
Before tax effect adjustment	7,879	6,587
Tax effect	—	—
Foreign currency translation adjustment	7,879	6,587
Share of other comprehensive income of entities accounted for using equity method:		
Gain (Loss) in the current period	28	27
Total other comprehensive income	8,187	4,902

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

Previous Fiscal Year (From April 1, 2021 to March 31, 2022)

1. Class and number of issued shares and treasury shares

(Thousand 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
Issued shares				
Common stock	154,862	—	—	154,862
Total	154,862	—	—	154,862
Treasury shares				
Common stock (Notes 1 and 2)	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 shares less than one unit.

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 shares less than one unit.

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 (Million yen)	Dividends per share (Yen)	Record date	Effective date
The Ordinary General Meeting of Shareholders held on June 25, 2021	Common stock	1,521	10.0	March 31, 2021	June 28, 2021
The Board of Directors' Meeting held on November 12, 2021	Common stock	1,673	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 next fiscal year are as follows.

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

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

1. Class and number of issued shares and treasury shares

(Thousand 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
Issued shares				
Common stock	154,862	—	—	154,862
Total	154,862	—	—	154,862
Treasury shares				
Common stock (Notes 1,2 and 3)	2,740	298	0	3,039
Total	2,740	298	0	3,039

Notes: 1. The increase of 298 thousand shares in treasury common stock represents as a result of the purchase of 6 thousand shares less than one unit, and the purchase of 292 thousand shares for Board Benefit Trust (BBT) by Custody Bank of Japan, Ltd. (Trust E Account).

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 shares less than one unit.

3. "Number of shares at the end of the fiscal year" includes 292 thousand shares held by Custody Bank of Japan, Ltd.

(Trust E Account) as trust assets in Board Benefit Trust (BBT).

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 (Million yen)	Dividends per share (Yen)	Record date	Effective date
The Ordinary General Meeting of Shareholders held on June 24, 2022	Common stock	1,673	11.0	March 31, 2022	June 27, 2022
The Board of Directors' Meeting held on November 11, 2022	Common stock	1,825	12.0	September 30, 2022	December 6, 2022

Note: "Total amount of dividends" of "The Board of Directors' Meeting held on November 11, 2022" includes the dividends of 3 million yen for the shares held by Custody Bank of Japan, Ltd. (Trust E Account) as trust assets in Board Benefit Trust (BBT).

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

Resolution	Class of share	Total amount of dividends (Million yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
The Ordinary General Meeting of Shareholders held on June 23, 2023	Common stock	1,825	Retained earnings	12.0	March 31, 2023	June 26, 2023

Note: "Total amount of dividends" includes the dividends of 3 million yen for the shares held by Custody Bank of Japan, Ltd. (Trust E Account) as trust assets in Board Benefit Trust (BBT).

(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.

	(Million yen)	
	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Cash and deposits	42,414	64,690
Cash and cash equivalents	42,414	64,690

2. Details of significant non-monetary transactions

The amount of assets and liabilities for finance lease transactions

	(Million yen)	
	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Amount of assets and liabilities for finance lease transactions	9,954	11,884

(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 described in “Notes on Consolidated Financial Statements, (Significant matters that form the basis for preparation of consolidated financial statements), 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 started prior to March 31, 2008, an accounting method applied to ordinary lease transactions has 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

(Million yen)

	Previous Fiscal Year (As of March 31, 2022)			
	Acquisition cost equivalents	Accumulated depreciation equivalents	Accumulated impairment losses equivalents	Ending balance equivalents
Buildings and structures	1,499	1,197	—	301
Tools, furniture and fixtures	9	7	—	1
Total	1,508	1,205	—	303

(Million yen)

	Current Fiscal Year (As of March 31, 2023)			
	Acquisition cost equivalents	Accumulated depreciation equivalents	Accumulated impairment losses equivalents	Ending balance equivalents
Buildings and structures	1,430	1,201	—	229
Tools, furniture and fixtures	8	7	—	1
Total	1,439	1,208	—	230

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

(Million yen)

	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
Future lease payment equivalents at the end of the period		
Within one year	92	98
Over one year	334	236
Total	427	334
Accumulated impairment of leased assets	—	—

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

(Million yen)

	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Lease payments	128	118
Reversal from accumulated impairment of leased assets	—	—
Depreciation equivalents	79	72
Interest portion	32	25
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 portion

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

(Million yen)

	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
Future lease payments		
Within one year	428	198
Over one year	5	232
Total	433	430

(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 engage in 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.

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.

Net investments in foreign subsidiaries are exposed to exchange rate fluctuation risks, and some of them are hedged by forward exchange contracts.

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. In addition, guarantee deposits 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. Those denominated in foreign currencies are exposed to exchange rate fluctuation risks, and are hedged by 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 35 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 "Notes on Consolidated Financial Statements, (Significant matters that form the basis for preparation of consolidated financial statements), 4. Matters related to accounting policies, (8) Significant hedge accounting method".

(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 monitors the situation of the business partner and aims to reduce the risk by identifying any deterioration of the financial situation at an early stage.

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

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

For the net investments in foreign subsidiaries and the foreign currency-denominated operating liabilities and receivables, the Company regularly monitors to identify risks in foreign exchange rate fluctuation for each currency, and hedges them by using forward exchange contracts in principle.

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

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

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.

(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, 2022)

(Million 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 Cash is omitted 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 with no market prices, etc. (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.

Current Fiscal Year (As of March 31, 2023)

(Million yen)

	Consolidated balance sheet amounts	Fair value	Difference
(1) Accounts receivable - trade	28,747	28,747	—
(2) Investment securities (*2)	65	65	—
(3) Guarantee Deposits	33,845	33,182	(663)
(4) Prepaid rent and long-term prepaid rent	16,021	15,604	(416)
Total assets	78,679	77,599	(1,079)
(1) Accounts payable – trade	29,319	29,319	—
(2) Short-term borrowings	7,600	7,600	—
(3) Bonds payable (including current portion)	25,000	24,814	(185)
(4) Long-term borrowings (including current portion)	184,597	182,656	(1,941)
(5) Lease liabilities (including current portion)	35,680	35,472	(207)
Total liabilities	282,196	279,863	(2,333)
Derivative transactions (*3)	(1,653)	(1,653)	—

*1 Cash is omitted 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 with no market prices, etc. (consolidated balance sheet amount: 2,103 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, 2022)

(Million 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

Current Fiscal Year (As of March 31, 2023)

(Million 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	64,690	—	—	—
Accounts receivable - trade	28,747	—	—	—
Guarantee deposits	3,346	13,776	6,568	10,153
Prepaid rent and long-term prepaid rent	2,120	6,273	4,753	2,873
Total	98,904	20,050	11,322	13,027

Note2. Repayment schedule for bonds, long-term borrowings and lease liabilities after the consolidated closing date

Previous Fiscal Year (As of March 31, 2022)

(Million 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

Current Fiscal Year (As of March 31, 2023)

(Million 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	—	10,000	—	5,000	10,000	—
Long-term borrowings	16,163	18,073	18,842	9,983	20,437	101,097
Lease liabilities	9,542	7,088	5,387	3,330	1,690	8,640
Total	25,705	35,162	24,230	18,313	32,127	109,737

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

Previous Fiscal Year (As of March 31, 2022)

(Million 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	—	—	—	—

Current Fiscal Year (As of March 31, 2023)

(Million yen)

	Fair values			
	Level 1	Level 2	Level 3	Total
(1) Investment securities				
Available for sale securities				
Shares	65	—	—	65
(2) Derivative transactions				
Related to currencies	—	—	—	—
Related to interest rates	—	—	—	—
Total Assets	65	—	—	65
(1) Derivative transactions				
Related to currencies	—	1,653	—	1,653
Related to interest rates	—	0	—	0
Total Liabilities	—	1,653	—	1,653

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

Previous Fiscal Year (As of March 31, 2022)

(Million 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

Current Fiscal Year (As of March 31, 2023)

(Million yen)

	Fair values			
	Level 1	Level 2	Level 3	Total
(1) Accounts receivable - trade	—	28,747	—	28,747
(2) Guarantee deposits	—	33,182	—	33,182
(3) Prepaid rent and long-term prepaid rent	—	15,604	—	15,604
Total Assets	—	77,534	—	77,534
(1) Accounts payable - trade	—	29,319	—	29,319
(2) Short-term borrowings	—	7,600	—	7,600
(3) Bonds payable	—	24,814	—	24,814
(4) Long-term borrowings	—	182,656	—	182,656
(5) Lease liabilities	—	35,472	—	35,472
Total Liabilities	—	279,863	—	279,863

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 fiscal year-end, 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 fiscal year-end, and is classified in Level 2 fair value.

Liabilities

(1) 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, 2022)

(Million yen)

	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Securities whose book value is exceeding acquisition cost	Shares	—	—	—
Securities whose book value is 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.

Current Fiscal Year (As of March 31, 2023)

(Million yen)

	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Securities whose book value is exceeding acquisition cost	Shares	0	0	0
Securities whose book value is not exceeding acquisition cost	Shares	64	123	(58)
Total		65	123	(58)

Note: Shares that do not have market price, etc. (consolidated balance sheet amount: 170 million yen) are not included in the table above.

2. Available-for-sale securities sold

Previous Fiscal Year (As of March 31, 2022)

(Million yen)

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

Current Fiscal Year (As of March 31, 2023)

Not applicable.

3. Securities for which impairment losses are recorded

Previous Fiscal Year (As of March 31, 2022)

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

Current Fiscal Year (As of March 31, 2023)

Not applicable.

(Matters related to derivative transactions)

1. Derivative transactions for which hedge accounting is not adopted

Previous Fiscal Year (From April 1, 2021 to March 31, 2022)

Not applicable.

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

Not applicable.

2. Derivative transactions for which hedge accounting is adopted

(1) Currency related

Previous Fiscal Year (As of March 31, 2022)

(Million 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
	New Zealand dollar	Accounts payable -trade	—	—	—
	Sell:				
	U.S. dollar	Accounts receivable -trade	614	—	(13)
Euro	Accounts receivable -trade	0	—	(0)	
Total			97,400	—	1,042

Current Fiscal Year (As of March 31, 2023)

(Million 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	6,914	—	(1,667)
	Chinese yuan	Accounts payable -trade	173	—	1
	Euro	Accounts payable -trade	554	—	13
	Thai baht	Accounts payable -trade	1,071	—	(0)
	New Zealand dollar	Accounts payable -trade	91	—	0
	Sell:				
	U.S. dollar	Accounts receivable -trade	331	—	(0)
Euro	Accounts receivable -trade	14	—	(0)	
Total			9,151	—	(1,653)

(2) Interest rate related

Previous Fiscal Year (As of March 31, 2022)

(Million 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

Current Fiscal Year (As of March 31, 2023)

(Million 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	698	375	0

(Matters related to retirement benefits)

1. Outline of retirement benefit plans

The Company and certain consolidated subsidiaries mainly adopt defined contribution pension plans to provide for employee retirement benefits, and certain consolidated subsidiaries adopt a defined benefit pension plan and lump-sum retirement allowance plan.

The Company will pay the retirement allowance corresponding to the working period until the termination of a qualified retirement pension plan and a lump-sum retirement allowance plan (Mar. 2007), at the time of future retirement based on the old regulations.

Certain consolidated subsidiaries shifted from a defined benefit pension plan to a defined contribution pension plan effective April 1, 2023.

2. Defined retirement benefit plans

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

	(Million yen)	
	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Retirement benefit obligation at the beginning of fiscal year	(644)	(642)
Service cost	(40)	(38)
Interest expense	—	(4)
Actuarial difference incurred during the fiscal year	25	60
Payment of retirement benefits	17	3
Other	—	0
Retirement benefit obligation at the end of fiscal year	(642)	(619)

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

	(Million yen)	
	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Retirement pension assets at the beginning of fiscal year	317	336
Expected return on plan assets	4	5
Actuarial difference incurred during the fiscal year	3	(11)
Employer contribution	22	21
Payment of retirement benefits	(10)	(2)
Retirement pension assets at the end of fiscal year	336	349

(3) Adjustment of balance of retirement benefit liability of the plans adopted the simplified method at the beginning and the end of the fiscal year

	(Million yen)	
	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Retirement benefit liability at the beginning of fiscal year	(379)	(401)
Retirement benefit expenses	(41)	(39)
Payment of retirement benefits	20	29
Retirement benefit liability at the end of fiscal year	(401)	(411)

- (4) Adjustment of balance of retirement benefit obligation and pension assets at the end of the fiscal year, retirement benefit liability and asset recorded on the consolidated balance sheet

	(Million yen)	
	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
Retirement benefit obligation for funded plans	(642)	(619)
Pension assets	336	349
	(305)	(269)
Retirement benefit obligation for unfunded plans	(401)	(411)
Retirement benefit liability and asset recorded on consolidated balance sheet, net	(707)	(681)
Retirement benefit liability	(707)	(681)
Retirement benefit liability and asset recorded on consolidated balance sheet, net	(707)	(681)

Note: Including the plans adopted the simplified method.

- (5) Retirement benefit expenses and detailed breakdown

	(Million yen)	
	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Service cost	40	38
Interest expense	—	4
Expected return on plan assets	(4)	(5)
Amortization of actuarial differences for the fiscal year	16	11
Retirement benefit liability calculated by the simplified method	41	39
Retirement benefit expenses related to defined benefit plan	94	88

- (6) Remeasurements of defined benefit plans

A breakdown of items (before tax effect deduction) recorded as remeasurements of defined benefit plans is as follows.

	(Million yen)	
	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Actuarial difference	45	60
Total	45	60

- (7) Accumulated remeasurements of defined benefit plans

A breakdown of items (before tax effect deduction) recorded as accumulated remeasurements of defined benefit plans is as follows.

	(Million yen)	
	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
Unrecognized actuarial difference	40	101
Total	40	101

- (8) Pension assets

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

	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
Regular accounts of life insurance	26%	27%
Securities	40	31
Bonds	16	34
Other	18	8
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 expected rates of return for the diverse assets which comprise pension assets are considered.

(10) Basic items for calculating actuarial differences

Basics for calculating principal actuarial differences (presented as weighted average rates)

	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
Discount rate	0.7%	0.7%
Long-term expected rate of return on pension assets	1.5	1.5

3. Defined contribution pension plan

Required paid amount for the defined contribution pension plans of the Company and certain consolidated subsidiaries are 347 million yen for previous fiscal year, and 339 million yen for the current fiscal year.

(Matters related to tax effect accounting)

1. Major breakdown for cause of occurrence of deferred tax assets and deferred tax liabilities

	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
(Million yen)		
Deferred tax assets:		
Provision for bonuses	952	968
Retirement benefit liability	307	288
Accrued enterprise tax	782	447
Denial of undetermined liabilities	279	319
Excess over depreciation limit	2,765	2,625
Impairment loss	257	312
Asset retirement obligations	1,345	1,367
Tax loss carryforwards (Note 2)	11,709	13,363
Deferred losses on hedges	—	579
Goodwill	29	—
Other	3,164	2,941
Subtotal	21,595	23,213
Valuation allowance for tax loss carryforwards (Note 2)	(9,088)	(10,830)
Valuation allowance for the sum of deductible temporary difference, etc. (Note 2)	(2,456)	(2,438)
Total Valuation allowance (Note 1)	(11,545)	(13,269)
Total deferred tax assets	10,050	9,944
Deferred tax liabilities		
Trademark right	(11,730)	(12,721)
Expenses corresponding to asset retirement obligations	(385)	(362)
Valuation difference on non-current assets	(723)	(759)
Deferred gains on hedges	(360)	(5)
Other	(1,423)	(1,344)
Total deferred tax liabilities	(14,624)	(15,192)
Deferred tax liabilities, net	(4,573)	(5,248)

Notes:1. Valuation allowance increased by 1,724 million yen. This increase is mainly resulted from the additional recognition of the valuation allowance for tax loss carryforwards of domestic consolidated subsidiaries, etc. (1,399 million yen).

2. Breakdown of tax loss carryforwards and deferred tax assets by carry-over period is as follows.

Previous Fiscal Year (As of March 31, 2022)

	(Million 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
Tax 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 tax loss carryforward is the loss amount multiplied by the statutory effective tax rate.

(b) For the tax 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 recognizes the valuation allowance such that the deferred tax asset amount is carried at the amount the Company believes can be recovered based on the prospect of future taxable income.

Current Fiscal Year (As of March 31, 2023)

(Million 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
Tax loss carryforwards (a)	480	1,203	649	837	585	9,607	13,363
Valuation allowance	(457)	(959)	(567)	(671)	(462)	(7,711)	(10,830)
Deferred tax assets	23	243	81	166	122	1,895	(b)2,532

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

(b) In respect of the tax loss carryforward of 13,363 million yen (the amount multiplied by the statutory effective tax rate), deferred tax assets of 2,532 million yen are recorded. The Company recognizes the valuation allowance such that the deferred tax asset amount is carried at the amount the Company believes can be recovered based on the prospect of future taxable income.

2. Reconciliations between the statutory effective tax rate and the actual effective tax rate after application of tax effect accounting, when there is a significant difference between them

	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
Statutory effective tax rate (Reconciliations)	30.6%	30.6%
Expenses not deductible permanently such as entertainment expenses	1.1	1.3
Corporate inhabitant tax on per capita basis	0.8	0.9
Amortization and impairment of goodwill	2.5	1.9
Expired tax loss carryforward	0.6	2.1
Effect of reorganization	0.5	—
Changes in valuation allowance	7.0	6.9
Difference in tax rates of consolidated subsidiaries	3.6	2.8
Tax credit	—	(3.4)
Other	0.4	0.4
Actual effective tax rate after application of tax effect accounting	47.1	43.5

3. Accounting treatment of corporate tax, local corporate tax and tax effect accounting for these

The Company and certain domestic consolidated subsidiaries have adopted group tax sharing system. The Company and certain domestic consolidated subsidiaries account and disclose corporate tax, local corporate tax, and tax effect accounting for these subject to “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021).

(Matters related to business combination, etc.)

Not applicable.

(Matters related to asset retirement obligations)

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 previous fiscal year, it became 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 was calculated and discounted using a rate of 0.7%. As a result, 582 million yen was added to the balance of asset retirement obligations before the change.

	(Million yen)	
	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Beginning balance	3,456	4,286
Increase due to acquisition of property, plant and equipment	247	90
Adjustments due to passage of time	62	57
Decrease due to fulfillment of obligation	(74)	(45)
Increase due to changes in estimates	582	—
Other increase (decrease)	12	21
Ending balance	4,286	4,411

(Matters related to revenue recognition)

1. Breakdown of revenue from contracts with customers

Previous Fiscal Year (From April 1, 2021 to March 31, 2022)

(Million 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 a point in 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

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

(Million 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 a point in time	262,173	117,049	192,614	69,197	641,035	77,133	718,168
Goods and services transferred over a period of time	11	175	—	60,509	60,695	1,099	61,795
Revenue from contracts with customers	262,184	117,224	192,614	129,707	701,731	78,232	779,964
Other revenue	—	—	—	—	—	—	—
Sales to external customers	262,184	117,224	192,614	129,707	701,731	78,232	779,964

2. Basic information for understanding revenue from contracts with customers

This information is stated in “Notes on Consolidated Financial Statements, (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 fulfillment of performance obligations under a contract with customers and cash flows arising from the contract, and information on amount and timing of revenue expected to be recognized from the contract with customers, which is existing at the current fiscal year-end, in or after the following fiscal year.

(1) Balance of contract liabilities, etc.

	(Million yen)	
	Previous Fiscal Year	Current Fiscal Year
Revenue from contracts with customers (beginning balance)	22,400	24,460
Revenue from contracts with customers (ending balance)	24,460	28,747
Contract liabilities (beginning balance)	523	643
Contract liabilities (ending balance)	643	732

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 previous fiscal year, the amount recognized from the opening contract liability balance was 523 million yen. In the previous fiscal year, there was no revenue from satisfied or partially satisfied performance obligations in the past period recognized due to changes in transaction prices, etc.

Of the revenue recognized in the current fiscal year, the amount recognized from the opening contract liability balance is 643 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. There are no significant amounts of consideration arising from contracts with customers that are not included in the transaction price. Transaction price allocated to remaining performance obligations and the period in which the revenue is expected to be recognized is as follows.

	(Million yen)	
	Previous Fiscal Year	Current Fiscal Year
Within one year	643	732

(Segment Information, etc.)

<Segment information>

1. Overview of reporting segments

For the Group's reporting segments, these are, of the constituent units in the Group, those for which separate financial information is available and those that are subject of regular examination by the Board of directors to make decisions on management resource allocation and assessment of performance.

The Group operates food businesses in various fields, categorizes "restaurant business" and "retail business" as the main reporting segments, and designs and determines group strategies at the level of these segments.

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, liabilities, and other items

The accounting method for the reporting segments is generally the same as in "Notes on Consolidated Financial Statements, (Significant matters that form the basis for preparation of consolidated financial statements)". The profit in each segment is based on operating profit.

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

3. Information on net sales, profit or loss, and other items by reporting segment

Previous Fiscal Year (From April 1, 2021 to March 31, 2022)

	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 (Loss)	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

Notes: 1. Adjustment amounts are mainly elimination of intersegment transactions.

2. The total amount of segment profit or loss is adjusted with the operating profit in the consolidated statement 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.

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

	Reporting segments		Total	Adjustment (Note1)	Amount on consolidated balance sheet (Note2)
	Restaurant business	Retail business			
Net Sales					
Sales to External Customers	701,731	78,232	779,964	—	779,964
Intersegment Sales or Transfers	3,671	473	4,145	(4,145)	—
Total	705,403	78,706	784,110	(4,145)	779,964
Segment Profit (Loss)	24,028	(2,294)	21,733	0	21,734
Other Items					
Depreciation	29,120	1,316	30,436	—	30,436
Amortization of goodwill	1,138	445	1,583	—	1,583

Notes: 1. Adjustment amounts are mainly elimination of intersegment transactions.

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

3. Unamortized balance of goodwill is 11,652 million yen.

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

<Related information>

Previous 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

(Million yen)

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

(2) Plant, property, and equipment

(Million 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.

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

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

(Million yen)

Japan	Americas	China	ASEAN	Other	Total
622,045	96,838	23,282	20,523	17,273	779,964

(2) Plant, property, and equipment

(Million yen)

Japan	Americas	China	ASEAN	Other	Total
149,429	7,195	14,945	6,632	3,609	181,811

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 reporting segment >

Previous Fiscal Year (From April 1, 2021 to March 31, 2022)

(Million yen)

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

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

(Million yen)

	Reporting segment		Total
	Restaurant business	Retail business	
Impairment loss	1,476	27	1,503

<Amortization of goodwill and unamortized balance by reporting segment>

Previous Fiscal Year (From April 1, 2021 to March 31, 2022)

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

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

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

<Gain on negative goodwill by reporting segment>

Previous Fiscal Year (From April 1, 2021 to March 31, 2022)

Not applicable.

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

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, 2021 to March 31, 2022)

Type	Name of company	Location	Capital (Million yen)	Business	Voting rights (held) (%)	Relationship	Transaction	Amount (Million yen)	Account	Balance (Million 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	—	Subscription of shares (Note 2)	380	—	—

Notes:1. Nihon Create LLC is a company whose voting right is 100 % owned by Kentaro Ogawa, Representative Director, 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.

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

Type	Name of company	Location	Capital (Million yen)	Business	Voting rights (held) (%)	Relationship	Transaction	Amount (Million yen)	Account	Balance (Million 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 34.39	—	Acquisition of shares (Note 2)	369	—	—

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

2. Nihon Create LLC acquired shares of Global MD Holdings Co., Ltd., a consolidated subsidiary of the Company. Transaction amount 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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share (yen)	679.19	761.63
Basic earnings per share (yen)	91.17	87.30

Notes 1. Diluted earnings per share are not stated, as there are no potential shares with dilutive effects.

2. In the calculation of net assets per share, the Company shares held by Japan Custody Bank, Ltd. (Trust Account E) as trust assets for the “Board Benefit Trust (BBT)” are included in the number of treasury shares deducted from the number of issued shares at the fiscal year-end, while in the calculation of basic earnings per share, those are included in the number of treasury shares deducted from the average number of shares outstanding during the period. The number of such treasury shares at the fiscal year-end deducted in the calculation of net assets per share is 292,500 shares for the current fiscal year, and the average number of such treasury shares during the period deducted in the calculation of basic earnings per share is 171,182 shares for the current fiscal year.

3. Basic earnings per share is calculated on the following bases:

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net profit attributable to owners of parent (Million yen)	13,869	13,265
Amount not attributable to ordinary shareholders (Million yen)	—	—
Net profit attributable to owners of parent relating to common stocks (Million yen)	13,869	13,265
Average number of shares during the period (Shares)	152,124,031	151,947,613

(Material Subsequent events)

<Business combination through acquisition (Lotteria Co., Ltd.)>

Zensho Fast Holdings, Co., Ltd., a wholly owned subsidiary of the Company concluded a share transfer agreement with Lotte Holdings Co., Ltd. at the Board of Directors meeting held on February 16, 2023 to acquire all the shares of Lotteria Co., Ltd., and acquired all shares on April 1, 2023.

1. Details of the Business combination

(1) Name and main business of the acquired company

Name of the acquired company	Main business
Lotteria Co., Ltd.	Manufacture and sale of food products, operation of restaurants and grocery stores, and food service business through franchise system

(2) Main reason for the business combination

Based on the corporate philosophy of “Eradicating hunger and poverty from the world,” Zensho group has developed a wide range of food businesses in Japan and overseas while building a mass merchandising system.

Lotteria Co., Ltd. is one of Japanese leading fast food chain stores with 358 stores nationwide (as of January 1, 2023), offering high quality products and services, and the decision to acquire the shares was made based on the judgment that the synergy effects with the group’s food procurement, logistics, store operation and other functions will contribute to the future business expansion and development of Lotteria Co., Ltd.

(3) Date of the business combination

April 1, 2023

(4) Legal form of the business combination

Acquisition of shares with cash consideration

(5) The acquired company’s name after the business combination

Not changed

(6) Percentage of voting rights acquired

Percentage of voting rights held immediately prior to the business combination : - %

Percentage of voting rights acquired on the date of business combination : 100.0%

Percentage of voting rights after acquisition : 100.0%

(7) Main basis for determining the acquiring company

Cash acquisition of shares of the Company

2. Acquisition cost of acquired business and breakdown by type of consideration

This information is not disclosed due to mutual agreement of the parties.

3. Details and amounts of main acquisition-related costs

Remuneration, commissions and other fees for advisors: 82 million yen

4. Amount, reason for recognition, and method and period of amortization of goodwill

Not determined at this time.

5. Amounts and major breakdowns of assets received and liabilities assumed on the date of the business combination

Not determined at this time.

<Business combination through acquisition (SnowFox Topco Limited)>

Based on the resolution of the Board of Directors meeting held on May 19, 2023, the Company entered into a share transfer agreement with Mayfair Equity Partners Nominees Limited and others on June 13, 2023 to acquire all shares of SnowFox Topco Limited through the Company's newly established subsidiary.

1. Details of the Business combination

(1) Name and main business of the acquired company

Name of the acquired company	Main business
SnowFox Topco Limited	Holding company of operating companies engaged in sushi take-out restaurants and sushi manufacturing and wholesaling, mainly in North America and the U.K.

* SnowFox Topco Limited is a holding company and has "Taiko Foods Limited," "Bento Inc.," "Bento Sushi Franchise Ltd.," "YO! Sushi UK Limited," "JFE Franchising Inc.," "JK 959 Global, Inc.," "Bento Nouveau Inc.," "Bento Sushi Franchise Inc.," and others under its umbrella.

(2) Main reason for the business combination

With a corporate philosophy of taking responsibility for the stability and development of human society and eradicating hunger and poverty from the world, our group is developing a wide range of food businesses globally with a mission to provide safe, delicious food at affordable prices to people around the world.

SnowFox Topco Limited, through its subsidiaries, operates approximately 3,000 sushi take-out restaurants, etc. in North America and the United Kingdom, and is also a sushi manufacturer and wholesaler. The Company determined that further business expansion could be expected by incorporating SnowFox Topco Limited's network into the Group and by creating synergy effects with the Group in the areas of menu development, food procurement, logistics, store operation, store location development, etc., and decided this acquisition.

(3) Date of the business combination

The Company plan to execute the plan promptly after obtaining the necessary permits and approvals, including approval from the U.S. regulatory authorities.

(4) Legal form of the business combination

Acquisition of shares with cash consideration

(5) The acquired company's name after the business combination

Not changed

(6) Percentage of voting rights acquired

Percentage of voting rights held immediately prior to the business combination	:	- %
Percentage of voting rights acquired on the date of business combination	:	100.0%
Percentage of voting rights after acquisition	:	100.0%

(7) Main basis for determining the acquiring company

Cash acquisition of shares of the Company

2. Acquisition cost of acquired business and breakdown by type of consideration

(Million yen)

Consideration of acquisition	Cash	87,450
Acquisition cost		87,450

The used exchange rate is as of the end of May 2023.

The actual acquisition price will be determined by price adjustments, etc., as stipulated in the share transfer agreement.

3. Details and amounts of main acquisition-related costs

Remuneration, commissions and other fees for advisors : (Approximate) 2,240 million yen

4. Amount, reason for recognition, and method and period of amortization of goodwill

Not determined at this time.

5. Amounts and major breakdowns of assets received and liabilities assumed on the date of the business combination
Not determined at this time.

(v) Consolidated supplementary schedules

<Schedule of bonds payable>

Company name	Issue	Issue date	Beginning Balance (Million yen)	Ending Balance (Million yen)	Interest rate (%)	Collateral	Maturity date
Zensho Holdings, Co., Ltd.	23rd Series Unsecured Corporate Bond	Feb. 28, 2018	5,000 (5,000)	— (—)	0.05	None	Feb. 28, 2023
Zensho Holdings, Co., Ltd.	(Public issue) 3rd Series Unsecured Corporate Bond	Dec. 13, 2021	10,000 (—)	10,000 (—)	0.34	None	Dec. 13, 2024
Zensho Holdings, Co., Ltd.	(Public issue) 4th Series Unsecured Corporate Bond	Dec. 13, 2021	5,000 (—)	5,000 (—)	0.44	None	Dec. 13, 2026
Zensho Holdings, Co., Ltd.	(Public issue) 5th Series Unsecured Corporate Bond	Jun. 13, 2022	— (—)	10,000 (—)	0.71	None	Jun. 11, 2027
Total	—	—	20,000 (5,000)	25,000 (—)	—	—	—

Notes: 1. Amounts in parentheses under “Beginning Balance” and “Ending Balance” are amounts scheduled for repayment within one year.

2. Redemption schedule over a period of five years from the fiscal year-end are as follows.

(Million 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
—	10,000	—	5,000	10,000

<Schedule of borrowings>

Category	Beginning Balance (Million yen)	Ending Balance (Million yen)	Average interest rate (%)	Repayment dates
Short-term borrowings	459	7,600	0.33	—
Current portion of long-term borrowings	24,380	16,163	0.31	—
Current portion of lease Liabilities	9,264	9,542	2.64	—
Long-term borrowings (Excluding current portion)	151,659	168,433	1.43	Apr. 2024 - Sep. 2057
Lease liabilities (Excluding current portion)	24,294	26,137	3.22	Apr. 2024 - Feb. 2043
Total	210,058	227,877	—	—

Notes: 1. Average interest rates are calculated as the weight average interest rate at the fiscal year-end.

2. Repayments schedule of long-term borrowings (excluding current portion) and lease liabilities (excluding current portion) over a period of five years from the fiscal year-end are as follows.

(Million 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	18,073	18,842	9,983	20,437
Lease liabilities	7,088	5,387	3,330	1,690

<Schedule of asset retirement obligations>

The information is omitted since it is stated 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

(Cumulative period)	First Quarter	Second Quarter	Third Quarter	Current fiscal year
Net sales (Million yen)	178,398	375,724	579,239	779,964
Profit before income taxes (Million yen)	7,073	12,218	18,642	23,488
Profit attributable to owners of parent (Million yen)	4,428	7,358	11,132	13,265
Basic earnings per share (yen)	29.11	48.39	73.25	87.30

(Fiscal period)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Basic earnings per share (yen)	29.11	19.28	24.86	14.05

Note: The Company introduced Board Benefit Trust (BBT) in the second quarter. The shares of the Company held by BBT are recognized as treasury shares in Shareholders' equity and they are included in the treasury shares which are deducted in the calculation of the average number of shares during the period when calculating basic earnings per share.

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, 2022)	Current fiscal year (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	12,107	28,506
Accounts receivable - trade	20,946	26,177
Merchandise and finished goods	1,483	2,423
Raw materials and supplies	167	269
Advance payments to suppliers	125	10
Prepaid expenses	3,618	3,943
Prepaid rent	1,572	1,821
Accounts receivable - other	15,279	8,992
Short-term loans receivable	121,201	118,795
Current portion of long-term loans receivable	473	513
Other	1,619	1,701
Allowance for doubtful accounts	(9,859)	(11,454)
Total current assets	168,734	181,701
Non-current assets		
Property, plant and equipment		
Buildings	7,967	7,881
Structures	103	119
Machinery and equipment	435	409
Vehicles	0	0
Tools, furniture and fixtures	744	858
Land	8,732	10,440
Leased assets	8,179	8,445
Construction in progress	105	17
Total property, plant and equipment	26,268	28,173
Intangible assets		
Trade mark right	3	1
Leasehold interests in land	91	91
Telephone subscription right	82	—
Software	2,856	3,214
Other	308	339
Total intangible assets	3,342	3,647

(Million yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Investments and other assets		
Investment securities	—	5
Shares of subsidiaries and associates	101,687	105,786
Investments in capital of subsidiaries and associates	10,438	10,438
Long-term loans receivable from subsidiaries and associates	27,192	32,853
Long-term loans receivable	18	19
Long-term prepaid expenses	427	1,284
Long-term prepaid rent	13,305	11,919
Deferred tax assets	933	839
Guarantee deposits	22,259	23,576
Other	124	246
Allowance for doubtful accounts	(1,432)	—
Allowance for investment loss	(71)	(52)
Total investments and other assets	174,885	186,917
Total non-current assets	204,496	218,738
Deferred assets		
Share issuance cost	8	—
Bond issuance cost	53	67
Total deferred assets	62	67
Total assets	373,293	400,507
Liabilities		
Current liabilities		
Accounts payable, trade	20,816	25,286
Short-term borrowings	18,740	23,364
Current portions of bonds	5,000	—
Current portion of long-term borrowings	23,862	15,437
Lease liabilities	725	794
Accounts payable - other	3,819	4,296
Accrued expenses	913	868
Income taxes payable	4,470	428
Contract liabilities	3,011	3,077
Deposits received	171	188
Provision for bonuses	1,120	997
Other	1,080	2,023
Total current liabilities	83,730	76,762
Non-current liabilities		
Bonds payable	15,000	25,000
Long-term borrowings	148,887	165,425
Lease obligations	9,427	9,755
Provision for share awards	—	157
Provision for loss on guarantees	1,390	1,104
Guarantee deposits received	35,744	35,112
Asset retirement obligations	101	103
Other	915	838
Total non-current liabilities	211,466	237,495
Total liabilities	295,197	314,258

(Million yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Net assets		
Shareholders' equity		
Share capital	26,996	26,996
Capital surplus		
Legal capital surplus	26,918	26,918
Other capital surplus	9,230	9,230
Total capital surplus	36,149	36,149
Retained earnings		
Legal retained earnings	80	80
Other retained earnings		
General reserve	3,000	3,000
Retained earnings brought forward	17,709	26,175
Total retained earnings	20,789	29,255
Treasury shares	(5,839)	(6,915)
Total shareholders' equity	78,095	85,485
Valuation and translation adjustments		
Deferred gains or losses on hedges	—	763
Total valuation and translation adjustments	—	763
Total net assets	78,095	86,248
Total liabilities and net assets	373,293	400,507

(ii) Non-Consolidated Statements of Income

(Million yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net sales	216,433	256,344
Cost of sales	206,878	240,838
Gross profit	9,555	15,505
Selling, general and administrative expenses	※ 1 13,228	※ 1 14,556
Operating profit (loss)	(3,672)	949
Non-operating Income		
Interest income	1,784	1,699
Dividend income	8,503	11,263
Foreign exchange gains	820	2,036
Other	2,046	248
Total non-operating income	13,154	15,248
Non-operating expenses		
Interest expenses	1,900	2,006
Interest on bonds	88	126
Amortization of long-term prepaid expenses	290	310
Other	1,631	318
Total non-operating expenses	3,910	2,760
Ordinary profit	5,571	13,436
Extraordinary income		
Gain on sale of non-current assets	6	2
Other	3	36
Total extraordinary income	9	39
Extraordinary losses		
Loss on sale of non-current assets	47	78
Loss on retirement of non-current assets	111	43
Impairment losses	37	82
Loss on valuation of shares of subsidiaries and associates	600	53
Loss on releasing credits	239	—
Other	188	119
Total extraordinary losses	1,224	377
Profit before income taxes	4,356	13,098
Income taxes - current	(1,318)	1,043
Income taxes - deferred	258	94
Total income taxes	(1,059)	1,137
Profit	5,415	11,961

(iii) Consolidated Statement of Changes in Shareholders' Equity
 Previous Fiscal Year (From April 1, 2021 to March 31, 2022)

(Million 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								
Dividends of surplus							(3,194)	(3,194)
Profit							5,415	5,415
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

Current Fiscal Year (From April 1, 2022 to March 31, 2023)

(Million yen)

	Shareholders' equity							
	Share capital	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	Total retained earnings
Beginning balance	26,996	26,918	9,230	36,149	80	3,000	17,709	20,789
Changes during period								
Dividends of surplus							(3,495)	(3,495)
Profit							11,961	11,961
Purchase of treasury shares								
Disposal of treasury shares			0	0				
Net changes in items other than shareholders' equity								
Total changes during period	—	—	0	0	—	—	8,465	8,465
Ending balance	26,996	26,918	9,230	36,149	80	3,000	26,175	29,255

	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	(5,839)	78,095	—	—	—	78,095
Changes during period						
Dividends of surplus		(3,495)				(3,495)
Profit		11,961				11,961
Purchase of treasury shares	(1,077)	(1,077)				(1,077)
Disposal of treasury shares	0	0				0
Net changes in items other than shareholders' equity			—	763	763	763
Total changes during period	(1,076)	7,389	—	763	763	8,152
Ending balance	(6,915)	85,485	—	763	763	86,248

Notes on Non-Consolidated Financial Statements (Significant accounting policies)

The Company maintains its accounts and records in accordance with the provisions set forth in the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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

Shares other than shares with no market prices, etc.

Mark-to-market method based on the quoted market price at the fiscal year-end (Valuation difference is booked directly in 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

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

Mark-to-market method

3. Valuation standards and valuation methods of inventories

(1) Merchandise, finished goods and raw materials:

Principally the first-in first-out method (The inventories stated in the balance sheet have been written down of book values so that book values reflect decline in profitability.)

(2) Supplies:

Principally last purchase price method (The inventories stated in the balance sheet have been written down of book values so that book values reflect 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 are based on the same standard as the Corporation Tax Act of Japan.

(2) Intangible assets

Straight-line method

Software for internal use is amortized over the estimated internal useful life of the asset (five years).

(3) Lease assets

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

However, finance leases transactions that do not transfer ownership whose lease inception predate March 31, 2008 are accounted for by a method similar to ordinary lease transactions.

5. Accounting 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. Standards for recognizing allowance and provisions

(1) Allowance for doubtful accounts

To prepare for possible losses caused by bad debt on loans and other receivables, an estimated uncollectible amount is recorded in consideration of their collectability as to potential bad debt or other certain receivables.

(2) Provision for bonuses

To prepare for the payment of bonuses to employees, provision for bonus is recorded based on the estimated amount of bonus payments.

(3) Provision for share awards

To prepare for the payment of the Company's shares to Directors, etc. in accordance with Share Distribution Rules for Directors, etc., provision for share awards is recorded based on the estimated amount of obligation for share benefits.

(4) Provision for loss on guarantees

To prepare for losses arising from fulfilling debt guarantee of subsidiaries and associates, estimated amount of loss is recorded in consideration of their financial status and others.

(5) Allowance for investment loss

To prepare for losses caused by investment in subsidiaries and associates, the amount considered necessary is recorded in consideration of their financial status and others.

7. Recognition standard for significant revenue and expenses

The Company mainly sells food and beverages, provides subsidiaries with management supports, and guidance for store management, 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.

No material financial factors are included in the contracts as the payment term applied in the major transactions of the Company usually has due within a short period of time.

8. Hedge accounting method

(1) Hedge accounting method

Deferral hedge accounting is applied.

Exceptional accounting is applied to the interest-rate swap agreements that meet the requirements for that treatment.

(2) Hedging instruments and hedged items

(Hedging instruments)	(Hedged items)
Forward exchange contracts	Net investments in foreign subsidiaries
Interest rate swap agreements	Interest of borrowings

(3) Hedging policy

The Company hedges interest-rate fluctuation risks and the exchange-rate fluctuation risks on borrowings and net investments in foreign subsidiaries.

(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 and exchange rates fluctuations.

(Significant accounting estimates)

<Evaluation of investments in capital of subsidiaries and associates (investments in intermediary holding companies)>

The Company has recorded investments of 106,458 million yen and 109,408 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, 2022 and March 31, 2023, 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 differences based on the fair value.

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.

Among the investments in the intermediary holding companies whose actual value declines significantly, the number of them whose investment was judged to be unnecessary to implement an equivalent reduction in value as a result of taking into account the valuation difference and others based on the market value of assets was one (Nihon Restaurant Holdings Co., Ltd.) and its book value was 25,624 million yen in the previous fiscal year, and the number of them is one (Zensho China Holdings Co., Ltd.) and its book value is 10,423 million yen in the current fiscal year.

(Changes in presentation)

(Matters related to Non-Consolidated Statements of Income)

“Amortization of long-term prepaid expenses” (290 million yen in the previous fiscal year), included in “other” under “Non-operating expenses” in the previous fiscal year, is presented separately under “Non-operating expenses” in the current fiscal year due to the increase of financial significance.

“Provision for loss on guarantees” (1,390 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.

“Loss on sale of non-current assets” (47 million yen in the previous fiscal year), included in “other” under “Extraordinary losses” in the previous fiscal year, is presented separately under “Extraordinary losses” in the current fiscal year due to the increase of financial significance.

“Loss on retirement of non-current assets” (111 million yen in the previous fiscal year), included in “other” under “Extraordinary losses” in the previous fiscal year, is presented separately under “Extraordinary losses” in the current fiscal year due to the increase of financial significance.

(Additional Information)

(Board Benefit Trust (BBT))

This information is omitted since the same information is stated in “Notes on consolidated financial statements, (Additional Information).”

(Matters related to non-consolidated balance sheet)

1. Receivables from, and liabilities payable to subsidiaries and associates (excluding those indicated separately)

	(Million yen)	
	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Short-term receivables	155,636	153,727
Long-term receivables	27,195	32,856
Short-term liabilities	35,853	34,395
Long-term liabilities	34,348	33,682

2. Guarantee liabilities

The Company provides debt guarantees for borrowings from financial institution and other obligations to the following subsidiaries and associates.

	(Million yen)	
	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
United Veggies Co., Ltd. (accounts payable-trade)	38	39
Joy Mart Co., Ltd. (accounts payable - trade)	114	115
Joy Mart Co., Ltd. (accounts payable - other)	0	—
Zenshoen Co., Ltd. (borrowings)	423	423
Mizushita Farm Co., Ltd. (borrowings)	1,378	1,308
Total	1,954	1,886

3. Current account overdraft and commitment line agreements

Previous 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 as of March 31, 2022 was as follows.

	(Million yen)
Total overdraft commitments	22,000
Outstanding balance of borrowings	—
Difference	22,000

Current Fiscal Year (As of March 31, 2023)

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 as of March 31, 2023 was as follows.

	(Million yen)
Total overdraft commitments	25,000
Outstanding balance of borrowings	5,000
Difference	20,000

(Matters related to non-consolidated income statements)

*1. The approximate percentage of expenses that belong to selling expenses is 0.4% in the previous fiscal year and 0.7% in the current fiscal year. The approximate percentage of expenses that belong to general and administrative expenses is 99.6% in the previous fiscal year and 99.3% in the current fiscal year.

The main items and amounts of selling, general and administrative expenses are as follows.

	(Million yen)	
	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Payroll and allowances	3,267	3,258
Provision for bonuses	839	629
Commission expenses	2,578	3,167
Depreciation	547	610

2. Amounts of transactions with subsidiaries and associates

	(Million yen)	
	Previous Fiscal Year (From April 1, 2021 to March 31, 2022)	Current Fiscal Year (From April 1, 2022 to March 31, 2023)
Net sales	214,908	255,001
Purchase of goods	74,819	86,757
Other operating transactions	957	1,385
Transactions other than ordinary operating transactions	10,362	12,917

(Matters related to securities)

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 values of the shares of subsidiaries and associates (including investments in capital of subsidiaries) recorded in the non-consolidated balance sheets.

	(Million yen)	
Category	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Shares of subsidiaries (including investments in capital of subsidiaries)	112,055	116,172
Shares of associates	—	—
Total	112,055	116,172

(Matters related to tax effect accounting)

1. Major breakdown for cause of occurrence of deferred tax assets and deferred tax liabilities

	(Million yen)	
	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Deferred tax assets		
Allowance for doubtful accounts	3,457	3,507
Provision for loss on guarantees	425	338
Provision for bonuses	343	305
Impairment losses	53	72
Accrued enterprise tax	43	98
Excess over depreciation limit	11	24
Shares of subsidiaries and associates	520	530
Long-term accounts payable - other	100	148
Tax loss carryforwards	1,230	1,076
Others	225	252
Subtotal deferred tax assets	6,412	6,354
Valuation allowances for tax loss carryforwards	(568)	(557)
Valuation allowances for the sum of deductible temporary difference, etc.	(4,600)	(4,669)
Subtotal valuation allowances	(5,169)	(5,227)
Total deferred tax assets	1,242	1,127
Deferred tax liabilities		
Shares of subsidiaries and associates	(266)	(266)
Others	(42)	(20)
Total deferred tax liabilities	(308)	(287)
Net deferred tax assets	933	839

2. Reconciliations between the statutory effective tax rate and the actual effective tax rate after application of tax effect accounting, when there is a significant difference between them

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Statutory effective tax rate (Reconciliations)	30.6%	30.6%
Expenses not deductible permanently such as entertainment expenses	6.2	2.1
Income not taxable permanently such as dividend income	(59.4)	(26.3)
Corporate inhabitant tax on per capita basis	0.3	0.1
Changes in valuation allowance	0.7	0.4
Tax credit	(0.4)	(0.6)
Others	(2.2)	2.4
Actual effective tax rate after application of tax effect accounting	(24.3)	8.7

3. Accounting treatment of corporate tax, local corporate tax, and tax effect accounting for these

The Company has adopted group tax sharing system. The Company accounts for and discloses corporate tax, local corporate tax, and tax effect accounting for these subject to “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021).

(Matters related to 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.>

(Million yen)

Assets	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization	Depreciation and amortization	Net balance
Property, plant and equipment							
Building	16,944	714	173	17,486	9,604	790	7,881
Structures	236	43	6	274	154	23	119
Machinery and equipment	699	31	—	730	320	56	409
Vehicles	10	—	—	10	9	0	0
Tools, furniture and fixtures	3,447	445	109	3,782	2,924	321	858
Land	8,732	1,807	100	10,440	—	—	10,440
Lease assets	12,075	942	62	12,955	4,509	750	8,445
Construction in progress	105	17	105	17	—	—	17
Total property, plant and equipment	42,251	4,002	556	45,697	17,523	1,943	28,173
Intangible assets							
Trademark right	16	—	—	16	14	1	1
Leasehold interests in land	91	—	—	91	—	—	91
Telephone subscription right	82	—	82	—	—	—	—
Software	5,225	1,331	382	6,174	2,959	973	3,214
Others	350	160	118	393	53	11	339
Total intangible assets	5,767	1,492	583 (82)	6,675	3,028	986	3,647

Notes: 1. Beginning balance and Ending balance are the acquisition values.

2. The figure in parentheses in the Decrease 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.

Land	acquisition of stores of subsidiaries and office building	1,807 million yen
Software	system renewal expenses	1,331 million yen

<Schedule of provisions>

(Million yen)

Item	Beginning balance	Increase	Decrease	Ending balance
Allowance for doubtful accounts	11,291	3,696	3,533	11,454
Provision for bonuses	1,120	997	1,120	997
Provision for share awards	—	157	—	157
Provision for loss on guarantees	1,390	—	286	1,104
Allowance for investment loss	71	6	25	52

(2) Details of major assets and liabilities

Statement is omitted since the Company prepares the consolidated financial statements.

(3) Others

Not applicable.

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 shares less than one unit 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: 50%;">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>OLIVENOOKA</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, Ichiban</td> </tr> <tr> <td>Barbeque restaurant</td> <td>Takarajima</td> </tr> <tr> <td>Hamburger chain</td> <td>Lotteria</td> </tr> </table> <p>* Some stores do not accept complimentary meal discount ticket for a shareholder.</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	OLIVENOOKA	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, Ichiban	Barbeque restaurant	Takarajima	Hamburger chain	Lotteria
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Barbeque restaurant	Takarajima																																
Hamburger chain	Lotteria																																

- Notes 1. According to the Company's Articles of Incorporation, shareholders with shares less than one unit do not have any rights except for those listed in Article 189, Paragraph 2 of the Companies Act of Japan, 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 shares less than one unit as stipulated in Article 166, Paragraph 1 of the Companies Act of Japan.
2. In the resolution of the Ordinary General Meeting of Shareholders held on June 23, 2023, the Articles of Incorporation were amended to allow the Company to distribute dividends from surplus by setting a record date, in addition to the record date for dividends from surplus as stated above.

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 of Japan.

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

Business term (40th) (From April 1, 2021 to March 31, 2022)

Filed with Director General of the Kanto Local Finance Bureau on June 27, 2022

(2) Internal Control Report and the Attachments

Filed with Director General of the Kanto Local Finance Bureau on June 27, 2022

(3) Quarterly Report and Confirmation Letter

(41st First Quarter) (From April 1, 2022 to June 30, 2022)

Filed with Director General of the Kanto Local Finance Bureau on August 10, 2022

(41st Second Quarter) (From July 1, 2022 to September 30, 2022)

Filed with Director General of the Kanto Local Finance Bureau on November 11, 2022

(41st Third Quarter) (From October 1, 2022 to December 31, 2022)

Filed with Director General of the Kanto Local Finance Bureau on February 10, 2023

(4) Extraordinary Report

Filed with Director General of the Kanto Local Finance Bureau on June 28, 2022

Filed pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act of Japan 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 10, 2022

Filed pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act of Japan 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 9, 2022

Filed pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act of Japan and Article 19, Paragraph 2, item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.

Filed with Director General of the Kanto Local Finance Bureau on June 13, 2023

Filed pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act of Japan and Article 19, Paragraph 2, item 16 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.

(5) Shelf Registration (shares, bonds, etc.) supplements and the Attachments

Filed with Director General of the Kanto Local Finance Bureau on June 7, 2022

(6) Amendment to Shelf Registration Statement

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

Filed with Director General of the Kanto Local Finance Bureau on July 6, 2022

Filed with Director General of the Kanto Local Finance Bureau on August 15, 2022

Filed with Director General of the Kanto Local Finance Bureau on November 9, 2022

Filed with Director General of the Kanto Local Finance Bureau on June 13, 2023

PART II: INFORMATION ON CORPORATE GUARANTORS, ETC., FOR THE COMPANY

Not applicable.

[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 26, 2023
[Company name]	Kabushiki Kaisha Zensho Holdings
[Company name in English]	Zensho Holdings Co., Ltd.
[Title and name of representative]	Kentaro Ogawa, Representative Director, Chairman, President & 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, Chairman, 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, 2023, the end of 41st 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 44 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, 2023, the end of 41st 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 26, 2023
[Company name]	Kabushiki Kaisha Zensho Holdings
[Company name in English]	Zensho Holdings Co., Ltd.
[Title and name of representative]	Kentaro Ogawa, Representative Director, Chairman, President & 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, Chairman, 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 41st fiscal year (from April 1, 2022 to March 31, 2023) is properly described in compliance with the laws relating to the Financial Instruments and Exchanges Act of Japan.

2. Special notes

Not applicable.