Corporate Governance Report

Last Update: June 27, 2024
Zensho Holdings Co., Ltd.
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The corporate governance of Zensho Holdings Co., Ltd. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Company's mission is "providing safe and delicious food at affordable prices to people throughout the world." To this end, we operate an excellent global Mass Merchandising System (MMD) developed in-house, in which we plan and design the entire process involving food to take full responsibility for our food safety and quality with a consumer-first mindset. Company members who share this mission make up and maintain our organic and effective organization.
On the business administration front, four out of nine Directors (excluding Directors who are Members of the Audit & Supervisory Committee), as well as all four Directors who are Members of the Audit & Supervisory Committee, are Outside Directors, with a view to establishing a fair governance structure. Furthermore, in line with its basic policy on establishment of internal control systems, the Company has developed systems for ensuring legal compliance and managing risks, and is making use of internal checks by the internal audit division and accounting audits by the Accounting Auditor to further enhance its corporate governance.
Moreover, the Company endeavors to increase transparency of business management through results briefings, investor relations (IR) activities, disclosures through the corporate website and other means, and direct engagement with shareholders at General Meetings of Shareholders.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

[Supplementary Principle 4.1.3 Roles and responsibilities of the Board of Directors (1)]

- Successors for the CEO and other top executives will be selected from among candidates who are deemed the most suited in consideration of factors including their character, knowledge, track record, and understanding of the Company's business philosophy, upon providing frequent job rotations and trainings for development. The Board of Directors will supervise the development and selection process.

[Disclosure Based on the Principles of the Corporate Governance Code] **Updated**

[Principle 1.4 Cross-shareholdings]

- The Company currently does not hold cross-shareholdings. When holding cross-shareholdings, the Company assesses whether to do so on an individual basis by deliberating from the perspective of ensuring the holding purpose is in line with the Company's business strategies and medium- to long-term economic rationale. Moreover, the Company will endeavor to disclose its policies on reduction of cross-shareholdings and standards on exercise of voting rights.

[Principle 1.7 Related party transactions]

- When the Group intends to engage in a transaction with a related party, such as its officer or major shareholder, the Group submits a proposal on the transaction to the Board of Directors in advance and obtains its approval pursuant to the Board of Directors Regulations, in order to ensure such transactions do not hinder interests of the Group or common interests of shareholders. The Group also verifies the results of these transactions to confirm they were carried out under terms equivalent to general transactions in light of fair values and market prices.

[Supplementary Principle 2.4.1 Ensuring diversity, including active participation of women]

- The Company has long envisioned to be "an energetic organization that values diversity, initiative, and creativity, in which each and every individual can work with vigor," as stipulated in the "Zensho Group Charter," which prescribes code of conduct for its employees. Having developed human resource and organizations to achieve this vision, the Company promotes employees to managerial positions while considering diversity in gender, nationality, professional background, etc. In addition, the Company strives to create an internal environment that facilitates active participation of diverse human resource, by setting up childcare facilities at its offices, creating childcare and family care leave and other systems, and providing internal training on diversity.
  At Zensho Holdings Co., Ltd., female employees accounted for 25.2% of all employees as of March 31, 2024, with 15.0% of employees in managerial positions being women and one female Director in office. Foreign nationals and mid-career hires comprise 1.8% and 50.1% of employees in managerial positions, respectively. The Company will strive to further improve the environment with the goal of increasing the ratio of female employees in managerial positions to 30% by the end of March 2029.

[Principle 2.6 Roles of corporate pension funds as asset owners]

- The Company employs a defined contribution plan, and therefore does not manage corporate pension funds on its own or outsource the management to external institutions.

[Principle 3.1 Full disclosure]

(1) Management vision, business strategies, management plans

- The Group, under the business philosophy "to eradicate hunger and poverty from the world," endeavors to fulfill its mission of "providing safe and delicious food at affordable prices to people throughout the world." On the sustainability front, the Company strives to curb CO_2 emissions by installing solar power generation equipment, creating stores with smaller environmental footprint, and reducing energy consumption with facility upgrades. It also helps developing countries promote agriculture and provides support for producers by facilitating fair trade.
- The Company prepares and discloses medium-term management plans.

(2) Basic policy on corporate governance

- The Company has established its "Basic Policy on Corporate Governance," which is disclosed on its website (https://www.zensho.co.jp/jp/company/governance/).

(3) Compensation for Directors

- The Company has established its Policy for Determining Content of Individual Compensation, etc., for Directors, determined by the Board of Directors based on reports from the Nomination and Compensation Committee. This policy is disclosed in the Annual Securities Reports and Notices of Ordinary General Meeting of Shareholders.

(4) Appointment, dismissal, and nomination

- The Company has set up a Nomination and Compensation Committee as an advisory body to the Board of Directors, with a view to enhancing transparency and objectivity of the nomination process for Director candidates and candidates for Directors who are Members of the Audit & Supervisory Committee. Based on recommendations of the Nomination and Compensation Committee, the Board of

Directors holds discussions and selects candidates (Executive Officers are determined by the Board of Directors).

- In case of grounds for dismissal of a member of the senior management, such as causing significant damage to the Company or executing their duties inappropriately, the Board of Directors will hold discussions and take measures in accordance with internal procedures.

(5) Explanation on individual appointment, dismissal, and nomination

- Based on reports of the Nomination and Compensation Committee, a Director in charge provides explanations on individual appointment, dismissal, and nomination.

[Supplementary Principle 3.1.3 Sustainability initiatives]

<Sustainability initiatives>

- The Company operates its business under the management vision to "eradicate hunger and poverty from the world," a longstanding commitment since its establishment. As such, it regards medium- to long-term sustainability as a key management priority and has been working on it in turn. The Company will further evolve its business philosophy and commit itself to sustainability with a view to "taking responsibility for the stability and development of human society through food." As its specific sustainability initiatives, the Company has provided agriculture-related technical assistance to developing countries, helped with building educational institutions, waterworks and sewage systems, and medical facilities, and offered support for female producers through fair trade in coffee, tea, and other products since 2007. The Company now conducts fair trade programs in 20 countries. The Group also engages in environmental conservation such as by installing solar power generation equipment at Hama-Sushi stores and factories, curbing CO_2 emissions through energy consumption cuts with development of stores with smaller environmental footprint and facility upgrades, reducing food loss through the introduction of straight-line conveyor belts at Hama-Sushi stores, and conserving eel (aquaculture resource) through the Eel Foundation. For information on sustainability initiatives, "the Zensho Group's Approach to Sustainability," "Materiality," etc., please visit the Company's website (https://www.zensho.co.jp/jp/sustainability).

<Investment in human capital, intellectual property, etc.>

- In accordance with the concept that human resources are "human assets," that is, capital that generate added value, the Company works to secure sufficient budget for training and maintain a competitive level of compensation, based on the basic policy to develop competent human resource such as by operating training and qualification systems for each professional field, strategically reassigning employees, and facilitating self-improvements. The Company has also established the Zensho Research Institute, an internal think tank, as well as the Japan Cultural Training Center, a training facility for managers, to enrich the general knowledge of employees and raise their level of knowledge and culture. As for investment in intellectual property, the Company has set up an in-house research division such as the Central Institute for Science and Technology, to advance technological development and basic research based on medium- to long-term business strategies.

<Disclosure based on the TCFD recommendations or an equivalent framework>

- Disclosure of governance structure related to sustainability, impact of risks and revenue opportunities related to climate change on the Group's business activities and profit, and other information is provided in Annual Securities Reports.

[Supplementary Principle 4.1.1 Roles and responsibilities of the Board of Directors (1)]

- The Company requires resolution by the Board of Directors for the following matters:
  (1) Matters provided for in the Companies Act and other laws and regulations
  (2) Matters provided for in the Articles of Incorporation
  (3) Matters provided for in the Board of Directors Regulations

  The following matters require reporting to the Board of Directors:
  (1) State of business execution and other matters provided for in the Companies Act and other laws and regulations
  (2) Other matters deemed necessary by the Board of Directors

  Accordingly, matters other than the above have been delegated to management.

[Principle 4.9 Independence standards and qualification for independent Directors]

- The Company's standards for independent officers are as follows:
  (1) Those who meet the independence criteria stipulated by the Tokyo Stock Exchange
  (2) Those who have excellent integrity, insight, and capabilities, as well as wide-ranging knowledge

and experience and strong track record in a specialized field, with a view to incorporating diverse perspectives into the Company's Board of Directors

(3) Those who can fully understand the Group's business philosophy

[Supplementary Principle 4.10.1 Use of optional approach]

- The Company transitioned into a company with audit and supervisory committee in June 2019, and has established a Nomination and Compensation Committee, a majority of whose members are independent Outside Directors. Furthermore, the Nomination and Compensation Committee holds its meetings and deliberates on matters independent of the Board of Directors. When considering nomination and compensation of Directors, the committee considers diversity and skills of candidates by referencing the skill matrix for incumbent Directors, and reports its findings to the Board of Directors. Independence of committee member selection and roles of the committee are as disclosed in this report.

[Supplementary Principle 4.11.1 Preconditions for effectiveness of the Board of Directors]

- The Company stipulates in its Articles of Incorporation to have no more than 15 Directors (excluding Directors who are Members of the Audit & Supervisory Committee) and no more than five Directors who are Members of the Audit & Supervisory Committee. Having disclosed knowledge, experience, and skills of each Director in a skill matrix, the Company ensures they have expertise in current and future business domains of the Group, and endeavors to maintain diversity of its members so that discussions at meetings of the Board of Directors reflect various perspectives. When selecting Directors, the Board of Directors appropriately deliberates and makes decisions at meetings involving Outside Directors based on reports of the Nomination and Compensation Committee, in light of corporate earnings, evaluations of divisions in charge, and other factors.

[Supplementary Principle 4.11.2 Preconditions for effectiveness of the Board of Directors]

- Directors and Directors who are Members of the Audit & Supervisory Committee of the Company are required to make the necessary time to understand the Company's businesses and operations, and prepare for and attend meetings of the Board of Directors. Accordingly, if they concurrently serve as officers at other listed companies, the Company will disclose in Notices of General Meeting of Shareholders their attendance at meetings of the Board of Directors and meetings of the Audit & Supervisory Committee, as well as names of companies at which they concurrently hold positions, to determine if the number of companies concurrently serving at is appropriate.

[Supplementary Principle 4.11.3 Preconditions for effectiveness of the Board of Directors]

- With a view to enhancing the effectiveness of the Board of Directors as a whole, the Company analyzes and evaluates the effectiveness by conducting questionnaires with all members of the Board of Directors every year. The Company believes its Board of Directors is functioning effectively, given that discussions at its meetings are always lively with suggestions from diverse perspectives, and that these opinions and suggestions are often reflected in actual programs and policies.

[Supplementary Principle 4.14.2 Director training]

- The Company provides opportunities for newly appointed Directors and Directors who are Members of the Audit & Supervisory Committee to obtain required knowledge on the Company's business, finance, organization, etc. at the time of appointment. The Company has designated certain divisions to provide the training based on a standard format. Furthermore, the Company offers additional training opportunities as needed on matters required for Directors and Directors who are Members of the Audit & Supervisory Committee to appropriately carry out their delegated duties and supervise management.

[Principle 5.1 Policy for constructive dialogue with shareholders]

- The Company makes a reasonable effort to accommodate requests for dialogue from shareholders, so that such dialogue contributes to the Company's sustained growth and improvement of its corporate value over the medium to long term. To this end, the Group Finance Department, Public Relations Office, and General Affairs Department respectively take charge of communication with institutional investors, general media, and individual investors. These three divisions work together to improve external communication.
- In addition, the Company holds results briefings for interested institutional investors, and opinions given at briefings are relayed to executives as needed.

[Principle 5.2 Formulation and disclosure of management strategies and plans]
<Response to achieve management conscious of capital costs and stock prices> [English disclosure available]

- When disclosing its medium-term management plans and budgets, the Company presents target revenue amounts, capital efficiency such as ROE, as well as key focus items in its business portfolio, and plans for capital investments and new store openings. It will continue to strive to explain its strategies and plans in a clear and understandable manner.

2. Capital Structure

Foreign Shareholding Ratio **Updated**	10% or more but less than 20%

[Status of Major Shareholders] **Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
Nihon Create LLC	52,307,500	33.33
The Master Trust Bank of Japan, Ltd. (Trust account)	12,517,900	7.98
Custody Bank of Japan, Ltd. (Trust account)	4,855,800	3.09
Kentaro Ogawa	3,170,408	2.02
Kazumasa Ogawa	3,160,800	2.01
Yohei Ogawa	3,160,800	2.01
Zensho Group Employee Stock Ownership Association	2,786,622	1.78
STATE STREET BANK WEST CLIENT - TREATY 505234	1,890,700	1.20
JP MORGAN CHASE BANK 385781	1,221,269	0.78
SSBTC CLIENT OMNIBUS ACCOUNT	884,674	0.56

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation **Updated**

On May 24, 2024, Kentaro Ogawa, Kazumasa Ogawa, and Yohei Ogawa each transferred 2,670,408 shares, 2,660,800 shares, and 2,660,800 shares, respectively, of the Company's common stock to Nihon Create LLC.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Retail Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From 100 billion yen to less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with audit and supervisory committee

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	13
Election of Outside Directors	Elected
Number of Outside Directors	8
Number of Independent Directors	8

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Chiaki Ito	From another company											
Takaharu Ando	Other											
Shoei Yamana	From another company											
Reiko Nagatsuma	From another company											
Hideo Watanabe	From another company											
Yukio Miyajima	From another company											
Kenichi Kaneko	From another company											
Hisashi Maruyama	From another company											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside officers are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2) **Updated**

Name	Membership of Audit & Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Chiaki Ito		○	Outside Director, OBIC Business Consultants Co., Ltd.	The Company expects him to provide advice on its business activities based on his wealth of technological knowledge and experience in the information telecommunications technology sector, as well as wide insight as a corporate manager over many years. Mr. Ito is neither an executive of a fellow subsidiary company of the Company, an executive of a major client or supplier of the Company, or an attorney, accountant, or consultant who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer, nor a close relative of any of them. He does not fall under any of the cases provided for in stock exchange regulations as requiring explanation on independence, and he maintains independence such as not being a major shareholder of the Company. Accordingly, the Company has designated Mr. Ito as an independent officer.

Name	Membership of Audit & Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Takaharu Ando		○	Director (External), Amuse Inc. Outside Director, Tobu Railway Co., Ltd. Outside Director (Member of the Audit & Supervisory Committee), Nisshin Seifun Group Inc. Outside Director, Rakuten Group, Inc.	The Company expects him to provide advice on its business activities based on his wealth of experience and wide insight from having served in important positions such as Commissioner General of the National Police Agency. Mr. Ando is neither an executive of a fellow subsidiary company of the Company, an executive of a major client or supplier of the Company, or an attorney, accountant, or consultant who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer, nor a close relative of any of them. He does not fall under any of the cases provided for in stock exchange regulations as requiring explanation on independence, and he maintains independence such as not being a major shareholder of the Company. Accordingly, the Company has designated Mr. Ando as an independent officer.
Shoei Yamana		○	Outside Director, TDK Corporation Outside Director, JAPAN POST INSURANCE Co., Ltd. Outside Director, SCSK Corporation	The Company expects him to provide advice and suggestions in order to oversee the Company's management in general and ensure the legality and appropriateness of decision-making by the Board of Directors based on his wealth of experience and wide insight from having served as a corporate manager for many years at a company that has expanded its business globally. Mr. Yamana is neither an executive of a fellow subsidiary company of the Company, an executive of a major client or supplier of the Company, or an attorney, accountant, or consultant who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer, nor a close relative of any of them. He does not fall under any of the cases provided for in stock exchange regulations as requiring explanation on independence, and he maintains independence such as

Name	Membership of Audit & Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
				not being a major shareholder of the Company. Accordingly, the Company has designated Mr. Yamana as an independent officer.
Reiko Nagatsuma		○	External Director, MEDLEY, INC.	The Company expects her to provide useful advice on its business transformation and expansion of business areas for the Group companies based on her advanced insight into the fields of IT and DX from having served at global IT corporations for many years, as well as her experience as a corporate manager. Ms. Nagatsuma is neither an executive of a fellow subsidiary company of the Company, an executive of a major client or supplier of the Company, or an attorney, accountant, or consultant who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer, nor a close relative of any of them. She does not fall under any of the cases provided for in stock exchange regulations as requiring explanation on independence, and she maintains independence such as not being a major shareholder of the Company. Accordingly, the Company has designated Ms. Nagatsuma as an independent officer.
Hideo Watanabe	○	○	—	The Company expects him to provide audit and supervisory functions based on his wealth of experience and wide insight as a corporate manager over many years. Mr. Watanabe is neither an executive of a fellow subsidiary company of the Company, an executive of a major client or supplier of the Company, or an attorney, accountant, or consultant who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer, nor a close relative of any of them. He does not fall under any of the cases provided for in stock exchange regulations as requiring explanation

Name	Membership of Audit & Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
				on independence, and he maintains independence such as not being a major shareholder of the Company. Accordingly, the Company has designated Mr. Watanabe as an independent officer.
Yukio Miyajima	○	○	—	The Company expects him to provide audit and supervisory functions based on his wealth of experience as a corporate manager over many years as well as experience and wide insight into a diverse range of operations including business administration. Mr. Miyajima is neither an executive of a fellow subsidiary company of the Company, an executive of a major client or supplier of the Company, or an attorney, accountant, or consultant who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer, nor a close relative of any of them. He does not fall under any of the cases provided for in stock exchange regulations as requiring explanation on independence, and he maintains independence such as not being a major shareholder of the Company. Accordingly, the Company has designated Mr. Miyajima as an independent officer.
Kenichi Kaneko	○	○	—	The Company expects him to provide supervision and oversight of the Company's management based on his wealth of experience having served at financial institutions for many years, as well as advanced insight as a corporate manager. Mr. Kaneko is neither an executive of a fellow subsidiary company of the Company, an executive of a major client or supplier of the Company, or an attorney, accountant, or consultant who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer, nor a close relative of any of them. He does not fall under any of the cases provided for in stock exchange regulations as requiring explanation

Name	Membership of Audit & Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
				on independence, and he maintains independence such as not being a major shareholder of the Company. Accordingly, the Company has designated Mr. Kaneko as an independent officer.
Hisashi Maruyama	○	○	Outside Director, Yokogawa Electric Corporation	The Company expects him to provide supervision and oversight of the Company's management based on his wealth of experience as a corporate manager and wide insight gained through his varied experience in business for the improvement of corporate value over the medium to long term. Mr. Maruyama is neither an executive of a fellow subsidiary company of the Company, an executive of a major client or supplier of the Company, or an attorney, accountant, or consultant who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer, nor a close relative of any of them. He does not fall under any of the cases provided for in stock exchange regulations as requiring explanation on independence, and he maintains independence such as not being a major shareholder of the Company. Accordingly, the Company has designated Mr. Maruyama as an independent officer.

[Audit & Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit & Supervisory Committee	4	1	0	4	Outside Director

Appointment of Directors and/or Staff to Support the Audit & Supervisory Committee	Appointed

Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Company has set up an Audit & Supervisory Committee Office so that the Audit & Supervisory Committee and each Member of the Audit & Supervisory Committee can appropriately execute their duties, and has appointed dedicated staff to assist in their duties.

Our view on their independence is as follows:

1. With a view to ensuring the effectiveness of audits by the Audit & Supervisory Committee, the Company appoints required personnel as support staff to enhance the relevant organization.
2. The support staff executes their duties under the command of the Audit & Supervisory Committee in order to ensure independence.
3. Personnel reassignments, evaluations, and disciplinary actions on the support staff require prior consent of the Audit & Supervisory Committee.

Cooperation among Audit & Supervisory Committee, Accounting Auditors and Internal Audit Departments

Each Director who is a Member of the Audit & Supervisory Committee, audits execution of duties by Directors by exchanging opinions with the Representative Director and actively sharing information with the internal audit division in addition to attending meetings of the Board of Directors. They also endeavor to work closely with the Accounting Auditor by actively sharing information with them.

[Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	3	3
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

Supplementary Explanation

The Company has established a Nomination and Compensation Committee with a view to enhancing transparency and objectivity of the nomination process for Director candidates and candidates for Directors who are Members of the Audit & Supervisory Committee, as well as the decision-making process on Director compensation. The committee is an advisory body to the Board of Directors.

[Independent Directors]

Number of Independent Directors	8

Matters relating to Independent Directors

The Company designates all Outside Directors who meet all of the criteria for independent officers stipulated by stock exchanges as independent officers.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration

Supplementary Explanation

In addition to annual performance-linked bonuses provided to Directors (excluding Outside Directors and Directors who are Members of the Audit & Supervisory Committee) as short-term incentives, the Company has introduced a performance-linked stock compensation plan linked to medium- to long-term business performance, upon resolution for approval at the Ordinary General Meeting of Shareholders held on June 24, 2022.

Recipients of Stock Options	

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation

In Annual Securities Reports, the Company discloses the number of recipients and amounts of compensation for each category of Directors, Directors who are Members of the Audit & Supervisory Committee, and Outside Directors. Individual disclosure is provided in Annual Securities Reports for Directors who received total compensation of 100 million yen or more on a consolidated basis.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

[Policy for Determining Content of Individual Compensation, etc., for Directors]

1. Basic Approach
   Compensation for Directors shall be set at a level that motivates them to manage the Company with the aim of increasing corporate value not only in the short term but also in the medium to long term, and at the same time allows the Company to secure a diverse and talented workforce. The level of compensation shall be competitive in comparison with other companies in the same industry and other companies of the same size in other industries.

2. Specific Policies
   (1) Breakdown of compensation
   Compensation for Directors (excluding Outside Directors and Directors who are Members of the Audit & Supervisory Committee) shall consist of basic monthly compensation as fixed compensation, an annual performance-linked compensation (both are monetary compensation), and stock-based compensation to be granted upon retirement based on points awarded for each period covered by the medium-term management plan. Outside Directors and Directors who are Members of the Audit & Supervisory Committee shall receive only basic monthly compensation, which is fixed compensation.
   (2) Limit on the total amount of monetary compensation and maximum number of shares for stock-based compensation
   The total amount of compensation for basic monthly compensation and annual performance-linked compensation for Directors shall be determined within the limit of compensation approved by the General Meeting of Shareholders, and the total number of shares of stock-based compensation shall be determined within the maximum number of shares of stock-based compensation approved by the General Meeting of Shareholders, respectively. Any change in the limit of the total amount of compensation or the maximum number of shares shall be approved by the Board of Directors and the General Meeting of Shareholders.

(3) Determination of compensation for each Director

i. Determination of fixed compensation

(a) The amount of fixed compensation for each Director (excluding Directors who are Members of the Audit & Supervisory Committee) shall be determined by the Representative Director based on the fixed basic executive compensation table (by position) within the limit of the total amount of compensation, taking into consideration the responsibilities and evaluation of each Director (excluding Directors who are Members of the Audit & Supervisory Committee).

(b) The fixed basic executive compensation table (by position) shall be determined each year by the Representative Director after consulting the Nomination and Compensation Committee.

(c) The amount of fixed compensation for Directors who are Members of the Audit & Supervisory Committee shall be determined by deliberation among the Members of the Audit & Supervisory Committee within the limit of the total amount of compensation, taking into consideration whether the Director serves full-time or part-time, the duties assigned to him/her, and other factors.

ii. Determination of performance-linked compensation

(a) The amount of performance-linked compensation for each Director (excluding Outside Directors and Directors who are Members of the Audit & Supervisory Committee) shall be determined by the Representative Director based on the performance-linked executive compensation table (by position), within the limit of the total amount of compensation, taking into consideration the Company's performance and Directors' responsibilities and evaluation.

(b) The performance-linked executive compensation table (by position) shall be determined each year by the Representative Director after consultation with the Nomination and Compensation Committee.

(c) Performance-linked compensation shall be paid once a year in the month following the month in which the Ordinary General Meeting of Shareholders is held.

(d) The consolidated ordinary profit margin shall be used as an indicator of the Company's performance. The performance-linked executive compensation table (by position) shall set absolute amounts for the ordinary profit margin of 2.0% or more but less than 10.0% in 1% increments, and in 2% increments for the ordinary profit margin of 10.0% or more.

iii. Ratio of amount of fixed compensation to amount of performance-linked compensation

With regard to the ratio of the fixed compensation (annual basic compensation) amount to the performance-linked compensation amount, assuming that the amount of the fixed compensation is 1, the performance-linked compensation amount shall be between 0 and 3.5, depending on the consolidated ordinary profit margin.

iv. Determination of stock-based compensation

With respect to stock-based compensation, based on the Executive Stock Benefit Regulations, points to each Director (excluding Outside Directors and Directors who are Members of the Audit & Supervisory Committee) shall be granted in accordance with his/her position and the degree of achievement of performance indicators based on the pre-determined medium-term three-year plan, and then the number of the Company's shares (a certain portion of which shall be cash equivalent to the amount obtained by converting the Company's shares at fair value) corresponding to the number of such points shall be granted to each Director at the time of his/her retirement from office.

v. Percentage of compensation amount by type

The percentage of the amount of each type of compensation within the total amount of compensation will vary depending on the business performance and stock price, but shall generally be as follows:

Monetary compensation (fixed compensation and performance-linked compensation): 75%
Stock-based Compensation: 25%

vi. Delegation for determination of compensation for individual Directors

(a) Person to be delegated: Kentaro Ogawa, Representative Director, Chairman, President & CEO

(b) Content of authority to be delegated: Determination of specific amounts of fixed compensation and performance-linked compensation
(This does not include matters related to stock-based compensation.)

(c) Measures to ensure that the delegated authority is properly exercised: The fixed basic executive compensation table and the performance-linked executive compensation table,

which will form the basis for calculating the amount of compensation, shall be submitted to the Nomination and Compensation Committee for consultation, and the specific amount shall be determined in accordance with the basic policy on compensation for Directors determined by the Board of Directors.

[Supporting System for Outside Directors]

Inside Directors and others share information with part-time Outside Directors on an ongoing basis, and agenda and documents for meetings of the Board of Directors are sent to Outside Directors in advance. In addition, the Audit & Supervisory Committee Office has been established to develop a structure for assisting Outside Directors who are Members of the Audit & Supervisory Committee in their audit duties.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

1. Board of Directors
   As of June 27, 2024, the Board of Directors of the Company is comprised of nine Directors (excluding Directors who are Members of the Audit & Supervisory Committee) and four Directors who are Members of the Audit & Supervisory Committee for a total of 13 members, including eight Outside Directors. The chairperson of the Board is Kentaro Ogawa, Representative Director, Chairman, President & CEO. Meetings of the Board of Directors are generally held once a month to deliberate and decide on matters provided for in laws and regulations, the Articles of Incorporation, the Board of Directors Regulations, and other relevant regulations, as well as to monitor and supervise the state of execution of duties by Directors.

2. Audit & Supervisory Committee
   As of June 27, 2024, the Audit & Supervisory Committee of the Company is comprised of four Directors who are Members of the Audit & Supervisory Committee, all of whom are Outside Directors. The chairperson of the Committee is Hideo Watanabe, Outside Director (full-time Member of the Audit & Supervisory Committee).
   The Audit & Supervisory Committee, as a body independent from the Board of Directors, conducts audits on execution of duties by Directors, development and operation of the Group's internal control systems, and other matters from the perspective of legality and properness. Furthermore, the committee provides a supervisory function on the decision-making process of the Board of Directors and state of business execution by Directors through attendance at meetings of the Board of Directors and other important meetings, as well as reviews of important documents such as approval documents.

3. Accounting Auditor
   The Company has executed an audit contract with PricewaterhouseCoopers Japan LLC, the Accounting Auditor, which conducts accounting audits. Shigeru Takahama and Kentaro Shimizu are the two certified public accountants who engaged in the accounting audit, and they both belong to PricewaterhouseCoopers Japan LLC. Assistants for the accounting audit duties comprise four CPAs and 21 others.

4. Nomination and Compensation Committee
   The Company has established a Nomination and Compensation Committee as an advisory body to the Board of Directors, with a view to enhancing transparency and objectivity of the nomination process for Director candidates and candidates for Directors who are Members of the Audit & Supervisory Committee, as well as the decision-making process on Director compensation. The Nomination and Compensation Committee is comprised of three members, namely Shinya Nonoshita, Managing Executive Director (chairperson), Takaharu Ando, Outside Director, and Yukio Miyajima, Outside Director (Member of the Audit & Supervisory Committee).

5. Investment Advisory Committee
The Company has established an Investment Advisory Committee as an advisory body to the Board of Directors, for the purpose of deliberating on investment projects such as M&As and share offerings. The Investment Advisory Committee is comprised of eight members, including Kiyohiko Niwa, Executive Officer, Senior General Manager of Group Finance and Accounting Division (chairperson), Yohei Ogawa, Managing Executive Director, Kazumasa Ogawa, Director, and others.

6. Committee of Total Risk Management and Compliance
The Company has established a Committee of Total Risk Management and Compliance as an advisory body to the Board of Directors to oversee risk management and legal compliance initiatives of the Company and the Group across organizations. The Committee of Total Risk Management and Compliance generally meets every two months to check and monitor the state of risk management and legal compliance of the Company and the Group, and to provide instructions for improvements. The state of its activities is periodically reported to the Board of Directors and the Audit & Supervisory Committee. The Committee of Total Risk Management and Compliance is comprised of six members, including Shinya Nonoshita, Managing Executive Director (chairperson), Makoto Hirano, Director, and Executive Officers in charge of relevant divisions.

7. Sustainability Committee
The Company has established a Sustainability Committee as an advisory body to the Board of Directors to promote sustainability management based on its management vision and the "Zensho Group's Approach to Sustainability." The Sustainability Committee is comprised of nine members, including Yohei Ogawa, Managing Executive Director (chairperson), Makoto Hirano, Director, and Executive Officers in charge of relevant divisions.

8. Outline of liability limitation agreements
Based on Article 427, Paragraph 1 of the Companies Act, the Company has concluded agreements to limit liabilities for damages of Article 423, Paragraph 1 of the same Act with Outside Directors (excluding full-time Directors). The limit of liabilities for damages under said agreements are 10 million yen or the amount stipulated by laws and regulations, whichever is greater, for Outside Directors (excluding Directors who are Members of the Audit & Supervisory Committee) and 5 million yen or the amount stipulated by laws and regulations, whichever is greater, for Outside Directors who are Members of the Audit & Supervisory Committee.

3. Reasons for Adoption of Current Corporate Governance System

In order to carry out appropriate corporate governance, participation by multiple outside officers with a variety of expertise is essential. The Company believes the current organizational structure is appropriate for ensuring full understanding and realization of the Company's mission of "providing safe and delicious food at affordable prices to people throughout the world."

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company generally sends notices 21 days prior to the day of the meeting, and submits them to the Tokyo Stock Exchange via TDnet and discloses them on its website at least 28 days before the meeting.
Scheduling AGMs Avoiding the Peak Day	The Company strives to schedule General Meetings of Shareholders avoiding peak days so that shareholders can more easily attend meetings.
Allowing Electronic Exercise of Voting Rights	Shareholders who are unable to attend a General Meeting of Shareholders can exercise their voting rights by mail or via the Internet.
Participation in Electronic Voting Platform	The Company participates in an electronic voting platform.
Providing Convocation Notice in English	The Company provides disclosure on its website and TDnet.
Other	President himself gives explanations on important managerial matters.

2. IR Activities

	Supplementary Explanations	Explanation by the Representative
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds briefings for analysts and institutional investors upon full-year earnings release and second quarter earnings release.	None
Posting of IR Materials on Website	The Company publishes materials including CEO's Message, Financial Results, Business Reports, and timely disclosure documents stipulated by the Tokyo Stock Exchange.	
Establishment of Department and/or Manager in Charge of IR	The Company has set up a department in charge of IR and assigned employees within the Group Finance and Accounting Division.	

3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company stipulates its regulations on relationships with its stakeholders in the "Basic Policy on Corporate Governance," which is disclosed on the Company's website.
Implementation of Environmental Activities, CSR Activities etc.	The Company endeavors to make social contribution through fair trade programs, disaster relief activities in Japan and overseas, and other initiatives.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

1. Systems to ensure that the execution of duties by Directors and employees complies with laws, regulations, and the Articles of Incorporation
   (1) The "Zensho Group Charter" shall be established to ensure that all officers and employees comply with laws, regulations, the Articles of Incorporation, and internal rules.
   (2) Each Director and Executive Officer in charge of business operations shall analyze compliance risks in the business unit he/she is in charge of and implement countermeasures against such risks.
   (3) The "Committee of Total Risk Management and Compliance" shall oversee the Group's compliance initiatives across the Group and report the results of its deliberations to the Board of Directors and the Audit & Supervisory Committee. The "Zensho Group Hotline" shall be established for employees to provide information on compliance issues of the Group.
   (4) In order to grasp the status of business operations in business activities in general and to ensure the legality and soundness of such activities, audits by the internal audit division shall be conducted continuously.

2. Regulations and other systems for managing the risk of loss
   (1) The Company shall establish the "Group Risk Management Regulations," comprehensively and appropriately recognize various risks within the Group, select risks to be managed, appoint a division in charge of management, and develop and enhance the risk management system. In addition, fully recognizing that unexpected risks may occur, the Board of Directors or the Representative Director shall promptly select a division in charge of management and respond promptly and appropriately to any new significant risk.
   (2) The "Committee of Total Risk Management and Compliance" shall be established to comprehensively manage various risks within the Group in accordance with the regulations, and its effectiveness shall be ensured by inspecting the implementation status of risk countermeasures by the division in charge of management.
   (3) For risks related to "food safety and security," "compliance," and "information security," and other selected risks, the division in charge of management shall formulate corresponding countermeasures. In the event that risk materializes, the division in charge of management shall take prompt and appropriate action, report the results to the "Committee of Total Risk Management and Compliance," and report to the Board of Directors as appropriate for risks that may have a significant impact on management, and receive necessary instructions.

3. System for storing and managing information related to the execution of duties by Directors
   (1) The Company shall store and manage information related to the execution of duties by Directors appropriately in accordance with the "Board of Directors Regulations" and "Document Management Regulations."
   (2) Directors shall confirm that the system for storage, management, and preservation of such information is properly maintained.

4. System to ensure the efficient execution of duties by Directors
   (1) The Company shall formulate a medium-term management plan and an annual management plan in order to clarify goals to be achieved by the Company, and shall thoroughly manage daily, monthly and quarterly operations to clarify the progress of the goals so that prompt judgment and decision can be made.
   (2) In addition to simplifying the decision-making process to speed up the decision-making, the Company shall make executive decisions on matters to be decided by the President that may have a significant impact on the management of the Company and the Group based on discussions with the Director in charge and Executive Officers, and report these decisions to the Board of Directors as appropriate.

5. System to ensure the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries
   (1) The "Zensho Group Charter" shall be the code of conduct for all officers and employees of the Company and its subsidiaries to act in compliance with laws and regulations and the Articles of Incorporation.
   (2) The Company, as a holding company, shall develop a system to ensure the appropriateness of business operations from the perspective of the entire Zensho Group, and shall manage Group companies according to their conditions based on the "Group Company Management Regulations." In addition, the Company's group company administration division shall serve as the contact point and receive reports on the status of the system from subsidiaries on a regular or as-needed basis.
   (3) The Company shall dispatch officers and employees to the subsidiaries, grasp the status of the subsidiaries' business execution, and confirm the effectiveness of their business activities.
   (4) The internal audit division shall audit the Group companies on a regular or as-needed basis and report the status of the audit to the Representative Director of the Company in a timely manner.

6. System to ensure the reliability of financial reporting
   (1) Recognizing that ensuring the reliability of financial reporting is essential for maintaining and improving the credibility of the Group's activities, the importance of internal control activities related to financial reporting shall be thoroughly understood throughout the Zensho Group.
   (2) The "Assessment Plan for Internal Control over Financial Reporting" shall be prepared for each fiscal year, and the entire Group shall work together to improve internal control over financial reporting on a consolidated basis.
   (3) With regard to the maintenance and operation status of internal control over financial reporting, the division in charge of internal control evaluation shall verify the appropriateness of business operations to ensure the reliability of financial reporting of the entire Group.

7. Matters concerning Directors and employees who are to assist the Audit & Supervisory Committee in its duties (hereinafter the "Assistant Employees, etc.") and matters concerning the independence of the Assistant Employees, etc., from other Directors and the securing of the effectiveness of instructions
   (1) From the viewpoint of ensuring the effectiveness of audits by the Audit & Supervisory Committee, the Company shall appoint the necessary personnel as the Assistant Employees, etc., and enhance the system.
   (2) From the viewpoint of ensuring independence, the Assistant Employees, etc., shall perform their duties under the direction of the Audit & Supervisory Committee.
   (3) The prior consent of the Audit & Supervisory Committee is required for the transfer of, evaluation of, and disciplinary action against the Assistant Employees, etc.

8. System for Directors (excluding Directors who are Members of the Audit & Supervisory Committee) and employees to report to the Audit & Supervisory Committee and other systems related to reporting to the Audit & Supervisory Committee
   (1) Directors (excluding Directors who are Members of the Audit & Supervisory Committee) shall promptly report to the Audit & Supervisory Committee on matters that have a material impact on the Company and the Group, the status of internal audits, the status of reporting to the "Zensho Group Hotline," etc.
   (2) Any officer or employee of the Company or its subsidiaries who discovers any matter that may materially affect the Company or the Group may report directly to the Audit & Supervisory Committee, and such reports shall be handled in accordance with the "Group Internal Report Regulations." The Company shall ensure that no person who makes such report shall be subjected to any disadvantageous treatment because of such report.
   (3) The Audit & Supervisory Committee shall share information and improve efficiency through mutual disclosure of audit plans, audit results, etc., with the internal audit division.

9. Other systems to ensure that audits by the Audit & Supervisory Committee are conducted effectively
   (1) The Representative Director shall meet regularly with the Audit & Supervisory Committee to exchange opinions on issues to be addressed by the Company, the state of the environment for the audits of the Audit & Supervisory Committee, and important auditing issues.
   (2) If the Audit & Supervisory Committee independently receives advice from professional attorneys, accountants, or other experts on the performance of its duties, the Audit & Supervisory Committee may charge the Company for expenses incurred thereby.
   (3) The Audit & Supervisory Committee may, when it deems necessary, request reports from Directors (excluding Directors who are Members of the Audit & Supervisory Committee) and employees, attend important meetings, and inspect documents.

2. Basic Views on Eliminating Anti-Social Forces

1. Basic policy on elimination of antisocial forces
   The Company shall have no relationship with antisocial forces. The Company shall take a resolute attitude toward any unreasonable demands from antisocial forces, and shall not provide any monetary or other economic benefits. Furthermore, the Company will ensure that all Group companies are fully aware of this policy.

2. Status of maintenance for elimination of antisocial forces
   (1) The Company has established the “Zensho Group Charter” to promote corporate ethics, and has also established the “Group Compliance Regulations” and “Compliance Action Guidelines” to realize compliance, thereby providing specific guidelines for the “elimination of antisocial forces.”
   (2) The Company shall make the “Zensho Group Charter,” “Group Compliance Regulations,” and “Compliance Action Guidelines” known and thoroughly understood by all employees through training at the time of hiring or periodic training.
   (3) In addition, to deal with antisocial forces, the “Committee of Total Risk Management and Compliance” has been organized to ensure that no individual or department is left alone, and a system has been established to deal with such forces in cooperation with the police, attorneys, and other external specialized agencies.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

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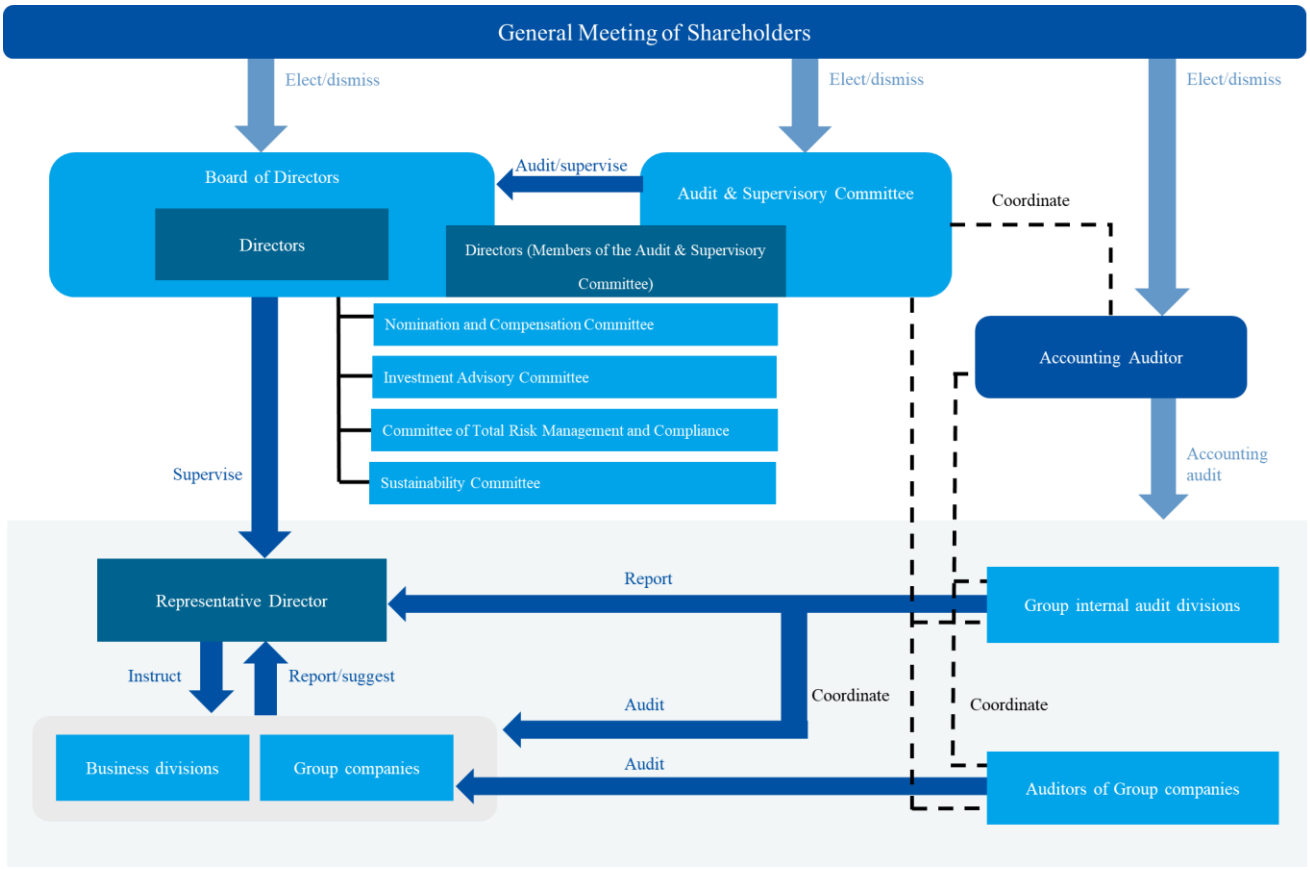
2. Other Matters Concerning to Corporate Governance System

<Internal system for timely disclosure of corporate information>

1. At the Company, the Group Finance and Accounting Division discloses corporate information (decisions, facts occurred, and earnings information) in a timely manner to the Tokyo Stock Exchange through TDnet, upon reviews by relevant departments and the Representative Director.

2. Decisions and facts occurred at the Company and its Group companies are reported to an entity responsible for handling of information (Executive Officer and Senior General Manager of the Group General Affairs Division) by a person in charge of the relevant department or person responsible for information administration of a Group company. Upon receiving such a report, the entity responsible for handling of information discusses legality, accuracy, and officiality with the Group Finance and Accounting Division, the Public Relations Office, and other relevant departments in light of the rules of stock exchanges on which the Company stock is listed, the Financial Instruments and Exchange Act, the Companies Act, other applicable laws and regulations, rules, guidelines, etc., and then instructs the Group Finance and Accounting Division to provide a timely disclosure.

3. Earnings information is prepared by the Group Finance and Accounting Division and reported to the Representative Director. Timely disclosure is provided upon approval of the Board of Directors.


General Meeting of Shareholders
Elect/dismiss
Elect/dismiss
Elect/dismiss
Board of Directors
Directors
Audit/supervise
Audit & Supervisory Committee
Directors (Members of the Audit & Supervisory Committee)
Coordinate
Nomination and Compensation Committee
Investment Advisory Committee
Committee of Total Risk Management and Compliance
Sustainability Committee
Accounting Auditor
Accounting audit
Supervise
Representative Director
Report
Group internal audit divisions
Instruct
Report/suggest
Audit
Coordinate
Coordinate
Business divisions
Group companies
Audit
Auditors of Group companies