



DISCOVERING  
NEW TASTINESS



SHARING  
MOMENTS OF JOY



PRIDE OF  
BEING PROFESSIONAL



DIVERSITY



# SUSTAINABILITY REPORT 2023



APPRECIATION TO ALL



CHALLENGING SPIRIT

# Corporate Philosophy

Goal for the Future

## VISION

Discovering new tastiness,  
Sharing moments of joy.



## VISION

## PROMISE

## PRINCIPLES

Value Proposition for Customers

## PROMISE

We aim to exceed our customers' expectations for *UMAI!* (what's delicious).

Our goal is to bring excitement beyond imagination, to everyday lives.

We will relentlessly pursue providing more value.



Action Guidelines

## PRINCIPLES

1. Challenging spirit that may even deviate from the norm.
2. Dedicated/Single-minded sincerity.
3. Appreciation to all, from the bottom of our hearts.
4. Pride of being professional.
5. Diversity and respect for individuality.



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# Bringing the delicious tastes of sushi to the world and become a global food service company

## Message from the President & CEO

Koichi Mizutome  
President & CEO

### F&LC aspires to bring the tastes and delights of Japan to the world

Since becoming the President & CEO of FOOD & LIFE COMPANIES LTD. (F&LC or the Group) in 2015, I have managed our business operations with an eye toward spreading the great tastes of sushi and Japanese food culture so that people around the world can enjoy them. Customer choice is the fundamental concept behind sushi restaurants. The ability to eat whatever you want at that moment in time and order the highest quality seafood for a particular season represents the best of a sushi restaurant. The great thing about *kaiten* (revolving) sushi is that customers can choose what they want and enjoy the experience. Kaiten sushi serves up not only sushi but also other favorites such as noodles and desserts, providing a dream-like setting enjoyable for all ages, from children to adults. F&LC provides these delightful spaces and times to as many people around the world as possible using various restaurant formats.

Japan's food service industry has the ability to compete in

international markets based on quality and cost performance. By conveying the value of Japanese food culture and realizing a world where Japanese food service brands are ubiquitous and can be enjoyed by anyone around the world, we will contribute to society as a new core industry of Japan.

### Providing the same restaurant formats as in Japan—a strength to compete globally

Overseas, the Group is committed to bringing the Japanese food culture and experience of “sushi” in the same formats as Japan in terms of restaurant design, products, and customer service. Even in our overseas restaurants, the pursuit of great taste remains the same. Some staff members in overseas have never eaten sushi, so it is important to educate them about the importance of properly completing the time-consuming preparation process, as well as to explain the reasons why this process is necessary.

I believe that seeing customers enjoy the experience of

dining out represents a common joy for everyone in the restaurant industry. This experience leads to a virtuous cycle of providing better services. This is expressed in the Action Guidelines in our corporate philosophy. These guidelines have been translated into a number of languages so that everyone in the Group can share it. Whenever I visit our local operations overseas, I try to interact directly with the employees as much as possible.

The further evolution of our overseas expansion requires that we refine our domestic business, which has high demands in terms of both price and quality. In order to meet our customer's wide range of needs, we have enhanced our lineup of carefully selected sushi ingredients and other “specialty” products. Providing products that balance price and quality with customer satisfaction will lead to growth. Through this accumulation of efforts, we are refining our “lean” corporate structure to translate into success in overseas markets.

## Human resource strategy for sustaining growth and fostering a workplace where every employee can take on new challenges

The growth of a company requires the growth of its people. In the food service industry, where there are concerns about labor shortages, creating an environment where employees can work with peace of mind is viewed as a sustainable initiative. For example, we have the same starting salary for both high school graduates and university graduates. From 2023, we began permitting second jobs. On the other hand, we need to focus more on women's active participation, and we will work to create an environment where diverse employees can play an active role.

One of the unique aspects of the Group is our work environment in which anyone can take on new challenges. Sushiro's overseas subsidiaries are headed by people who have served as general managers at Sushiro in Japan. In other words,

regardless of whether an employee has overseas experience or not, they will be assigned more and more challenging work. We believe that it is because of this approach that young employees are able to work hard with goals in mind, and able to take on the challenges posed by a global operating environment in the same way. I expect that such examples will spread to local staff working overseas in the future. It is important to create opportunities for people to grow, and we use our internal recruitment system to encourage the career development of our employees.

## Shifting to a circular model for creating marine resources—sustainable procurement initiatives

A restaurant business like ours is made possible by the lives of fish and other animals. It is important to ensure that not only fish but also meat, rice, vegetables, and other ingredients are used in a healthy way in the future, and that we shift to a circular procurement model in which we create and utilize our own ingredients in a sustainable manner.

Although the amount of fish caught in Japan is declining due to the effects of climate change and other factors, the catch amount globally is actually increasing due to improvements in aquaculture technology. The problem is that global demand for seafood continues to grow more than the supply. In anticipation of this, and in order to ensure a stable supply of high-quality ingredients, the Group will expand its procurement of farmed fish and increase the ratio of farmed fish to natural fish to 50:50.

In 2022, we established a joint venture with an aquaculture company that engages in integrated production from seedlings to fish, with the aim of addressing frontline issues and improving aquaculture technology. In addition, we are investing in bio-ventures developing genome editing technology and promoting joint research to explore new fisheries. We will connect these next-generation aquaculture initiatives to a future in which diverse marine fishery resources are sustainable, build a circular model, and transform into a business in symbiosis with nature.

In addition to fishery resources, supply chain processes must also be healthy. We have begun communicating with our business partners by informing them of the Group's approach and guidance, and asking them to cooperate with us in surveys.

## Aiming to maximize corporate value by sharing tastiness with people around the world using the power of F&LC

As a listed company, we must always aim to increase earnings power. In order to fulfill our responsibilities to shareholders, we place importance on return on equity (ROE) as a management indicator and believe that it is important to maintain an ROE of at least double digits. We also focus on scale of sales, striving to maintain growth of 10% or more compared to the same period of the previous year, with the ultimate goal to reach net sales of one trillion yen.

With the aim of pursuing further growth potential and maximizing corporate value, we have identified seven material issues. We have been able to visualize once again which businesses have been impacted by each of these material issues and what should be prioritized. Going forward, we will set numerical targets and monitor them regularly through the Sustainability Promotion Committee and the Board of Directors to ensure forward progress is made.

In terms of governance, all seven of the company's directors, except for myself, are outside directors\*. We believe that it is important to establish a system that allows us to make decisions that benefit the company, and each director was appointed taking into account not only their expertise and achievements, but also diversity such as generation and gender. The percentage of female directors is 37.5%. The role of the Board of Directors is to manage and supervise business execution.

On the other hand, we deeply regret the inconvenience caused to our customers by inappropriate campaign announcements in Japan. In addition, online harassment carried out by a small number of consumers on social media also had many impacts. To prevent this from happening again, we will strengthen governance, rebuild the system so that everyone can visit our restaurants with peace of mind, and strive to comply with these new approaches. Both management and employees are working to solve these problems. While placing greater emphasis than ever on collaboration with our business partners, we will bring together the capabilities of our "Companies" to realize the dreams of various ages and nationalities and to connect "tastiness" to the future.

Based in Japan, the Group offers a high potential for growth overseas. While protecting diverse fishery resources, we will take advantage of the uniqueness of our business to become a "global food service company."

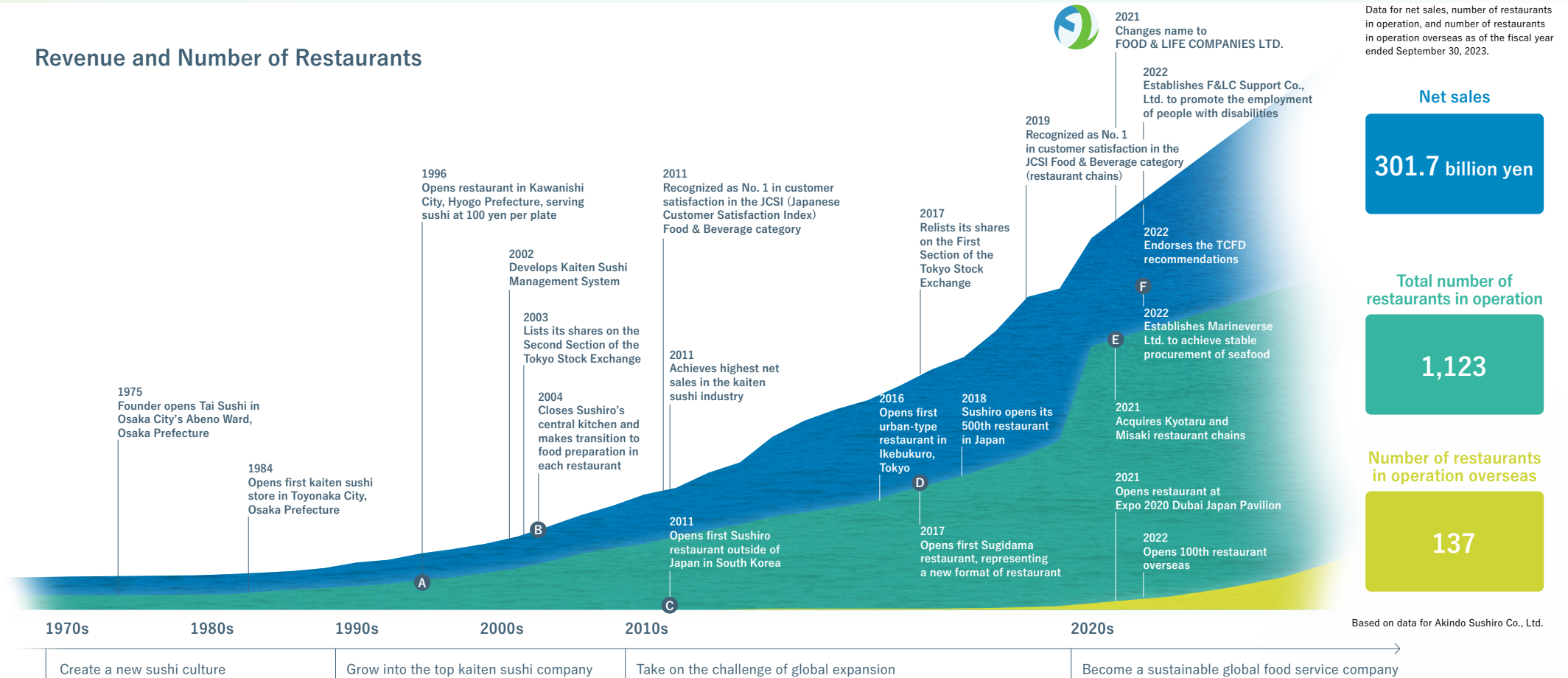
\* At the General Meeting of Shareholders in December 2023, Mr. Hiroshi Ogawa was appointed as Director and Senior Executive Corporate Officer, bringing the total number of internal directors to two.



# F&LC's History and Foundation for Value Creation

F&LC, which traces its roots as a sushi restaurant in Osaka, currently operates more than 1,100 restaurants under the Sushiro, Kyotaru, and Sugidama brands, mainly in Japan and Asia. While promoting sustainability initiatives, we continue to take on the challenge of enriching the lives of customers around the world through food.

## Revenue and Number of Restaurants



### TOPICS

**A 1996**  
Opens restaurant in Kawanishi City, Hyogo Prefecture, serving sushi at 100 yen per plate

**B 2004**  
Closes Sushiro's central kitchen and makes a transition to food preparation in each restaurant

**C 2011**  
Opens first Sushiro restaurant outside of Japan in South Korea

**D 2017**  
Opens first Sugidama restaurant, representing a new format of restaurant

**E 2021**  
Acquires Kyotaru and Misaki restaurant chains

**F 2022**  
Establishes Marineverse Ltd. to achieve stable procurement of seafood

# Value Creation Process

In order to achieve our Vision of “Discovering new tastiness, sharing moments of joy,” we are working to enhance our corporate value together with our stakeholders by utilizing various forms of capital. Going forward, we will create new value through our business activities, while adapting to the constantly changing external operating environment.

## INPUT

### Management capital essential to the sustainable growth of our business

#### Natural capital

- Sustainable and diverse marine resources and agricultural produce
- Initiatives for sustainable procurement and collaboration with upstream partners

#### Social and relationship capital

- Producer of seafood and agricultural produce for sustainable procurement
- Stable supply chain
- Customer traffic: approx. 150 million customers served annually
- Partnerships with business partners engaged in the aquaculture business and startup companies and various manufacturers with cutting edge technologies

#### Manufacturing capital

- Superior restaurant and kitchen facilities
- Demand forecasting using AI
- Restaurants: 1,123 (986 in Japan and 137 in six countries and regions)
- Central kitchen for Kyotaru: 1 location

#### Human capital

- Diverse workforce
- Number of employees: Permanent employees 7,134 Part-time employees 20,779\*
- Work environment conducive to taking on new challenges (working overseas, internal recruitment system, etc.)

#### Intellectual capital

- Brand power exclusive to sushi
- Unique food business developed in Japan
- Auto Waiter in kitchens
- Contactless services, from app-based reservations to self-checkout and automated souvenir lockers

#### Financial capital

- Ability to generate cash for business operations and cash flow
- Total assets: 350.6 billion yen

External environment

### Medium- to long-term opportunities

- Changing needs regarding diet (healthy choices and ethical consumption)
- Emergence of new food ingredients (food substitutes and certified sustainable food ingredients)
- Japan's outstanding food culture (sushi culture)
- Serious food challenges around the world (poverty, hunger, inequality, etc.)
- Evolution of ICT and DX

## BUSINESS MODEL



## OUTPUT

Bringing sustainable Japanese food culture to Asia and the world



SUSHIRO

京樽



錦糸町 木村 王

## OUTCOME

### Economic value

#### 2024 to 2026

Net sales	: 520.0 billion yen
EBITDA	: 57.0 billion yen
Operating profit	: 35.0 billion yen
Operating margin	: 6.7%
Ratio of overseas sales	: at least 40% of total sales

### Collaborative value with stakeholders

- Upstream value: Achieve a 50:50 ratio of natural and aquaculture in marine resources
- Midstream value: Thoroughly reduce food loss and waste
- Downstream value: Expand globally to more than 400 restaurants in 8 countries and regions; Evolve and deepen tastes
- Value with employees: Encourage employees to proactively advance their career internationally
- Value for our planet: Reduce our CO<sub>2</sub> emissions 50% by 2030 (compared to fiscal 2013)

## VISION

Increase our companies to become a top restaurant brand globally



FOOD & LIFE COMPANIES

Discovering new tastiness, Sharing moments of joy.

\* The number of part-time employees represents the average annual number of employees converted to eight hours per day

# Approach to Sustainability Management and Promotion Framework

We have defined our basic approach to sustainability management in order to realize a sustainable society. We are now implementing initiatives based on this approach, with our executive management team monitoring the situation. We have also put into place a promotion framework for continuous improvement of our business operations.

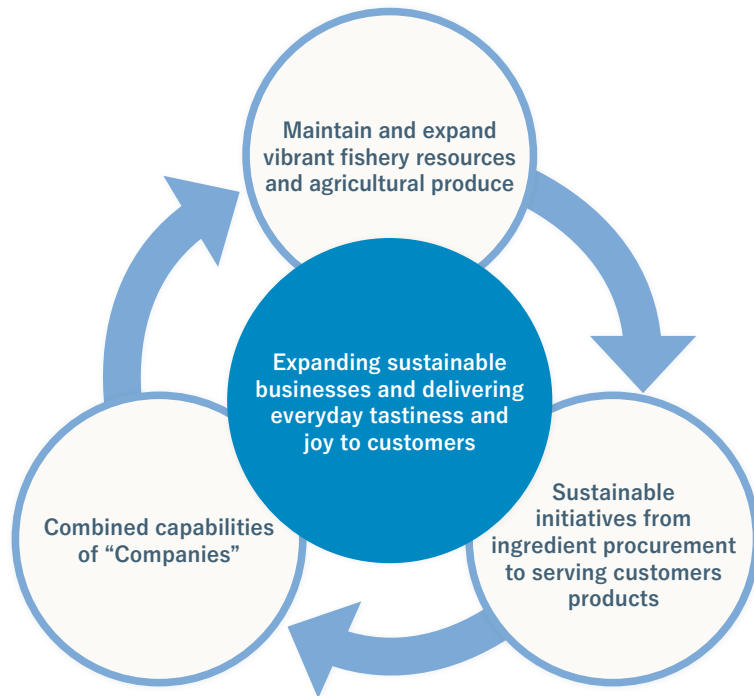
## Basic approach

The Group's Vision is "Discovering new tastiness, Sharing moments of joy." In order to continue to deliver safe and delicious food to our customers, we must carry out forward-looking sustainable initiatives in our business activities.

In particular, as natural marine fishery resources are declining in recent years, we believe that the sustainable procurement of fisheries and job creation and diversity in

the communities where we operate are important initiatives.

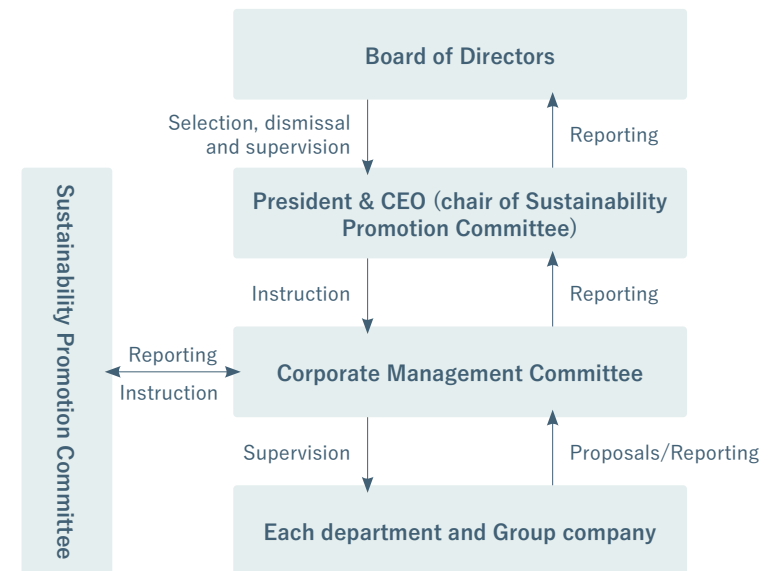
As our company name FOOD & LIFE COMPANIES indicates, we will deepen our sustainable initiatives, increase the number of companies (subsidiaries) who aspire to work together around the world, spread the joy of tastiness to every corner of the world, and enrich people's lives and living.



## Promotion framework

The Board of Directors recognizes that sustainability initiatives, including climate change issues, are one of the important issues confronting management, and supervises them. Specifically, the Board of Directors deliberates on risks and opportunities related to sustainability, such as climate change issues, when formulating management strategies and plans, and receives reports from each Group company and division as necessary to provide oversight. Having clearly positioned sustainability

as a management issue for the entire Group, we established the Sustainability Promotion Committee, chaired by the President & CEO, to promote sustainability initiatives. The Sustainability Promotion Committee reports as appropriate to the Corporate Management Committee on the status of sustainability, including climate change responses and, in turn, receives instructions and advice. In addition, the President & CEO submits timely reports on the status of such matters to the Board of Directors.



# Materiality Identification Process

The cross-functional Sustainability Promotion Committee held a series of discussions with management and identified seven material issues. The importance of these material issues was evaluated using a medium- to long-term time horizon with an emphasis on the perspectives of not only the company but also stakeholders. The opinions of external experts were also incorporated into this assessment process.

1

## Analysis of current situation and identification of materiality candidates

We examined the Group's business activities throughout the supply chain and analyzed their impact on global social issues. We also conducted analyses from the perspectives of ESG and ISO 26000, added new social issues that need to be addressed, linked them to the 169 targets of the SDGs, and identified candidates for materiality.

2

## Assessment of the importance of material issues and discussion with external experts

The Sustainability Promotion Committee evaluated the impact and importance of the materiality candidates from both management and stakeholder perspectives, and mapped them out using a materiality map. In order to strengthen objectivity and validity, we discussed our materiality with Mr. Hidemitsu Sasaya, a professor at Chiba University of Commerce and an ESG/SDGs consultant serving as an external expert.

3

## Narrowing to seven material issues and appointment of officers in charge

We discussed the appropriateness of the materiality map with management and narrowed it down to seven material issues. We clarified the social issues to be addressed by each material issue, appointed an officer in charge, and formulated a roadmap for specific measures based on the 169 SDGs linked to them.

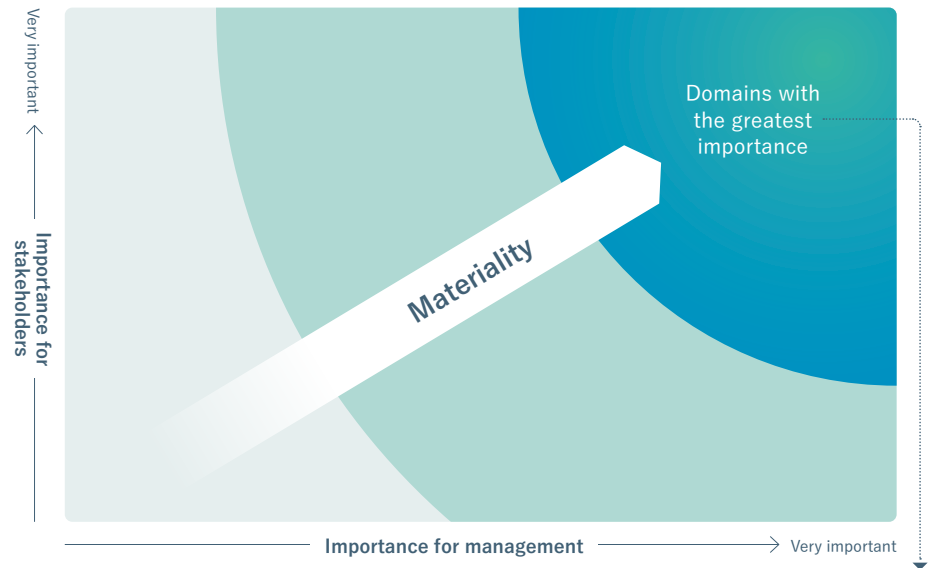
4

## Approval by the Corporate Management Committee and Board of Directors

The seven material issues in the ESG/SDGs matrix were examined through the Sustainability Promotion Committee, and finally through discussions at the Corporate Management Committee followed by approval by the Board of Directors. Going forward, the appointed officer in charge will play a central role in implementing initiatives for these material issues.

## Materiality map

From a medium- to long-term perspective, we mapped and narrowed down the importance of material issues by using the horizontal axis as a management perspective and the vertical axis as a stakeholder perspective, and identified the seven most important material issues. We treat the importance of the seven material issues equivalently.



Identification of seven material issues	Achieve sustainable procurement using fair business practices
	Increase customer experience value using DX and other means
	Reduce food loss and waste and effectively utilize marine life resources
	Food safety and security
	Achieve carbon neutrality
	Enhance human capital management
	Strengthening corporate governance and compliance





# Achieving Sustainability with Our Procurement Base

In our aim to provide safe and secure food to customers around the world, we recognize that the social issue of the sustainability of marine resources is unavoidable. In order to ensure the stable production and utilization of these resources, we are working to strengthen our procurement base and optimize the entire supply chain, from upstream to downstream.

## MATERIALITY

Reduce food loss and waste and effectively utilize marine life resources  
 Achieve sustainable procurement using fair business practices



For details about our Procurement Policy, please refer to our corporate website.

## Working to Transform Supply Chains to Achieve Sustainable Procurement

The Group defines the procurement of ingredients as “upstream,” the processing and transportation of ingredients as “midstream,” and the sales and points of contact with customers as “downstream.” Since our business requires the procurement of a large number of ingredients, one of the important issues is to secure a stable supply of the limited marine resources that are available.

In line with this, we are strengthening our upstream and midstream initiatives, such as establishing a competitive advantage not only in the downstream business but also in terms of procurement, including aquaculture, and extensively cutting food loss and wastes along with costs for procured resources by utilizing DX. Capitalizing on our strengths downstream, with a dominant customer base, we will work to ensure the stable use of fishery resources throughout the supply chain in cooperation with external partners.

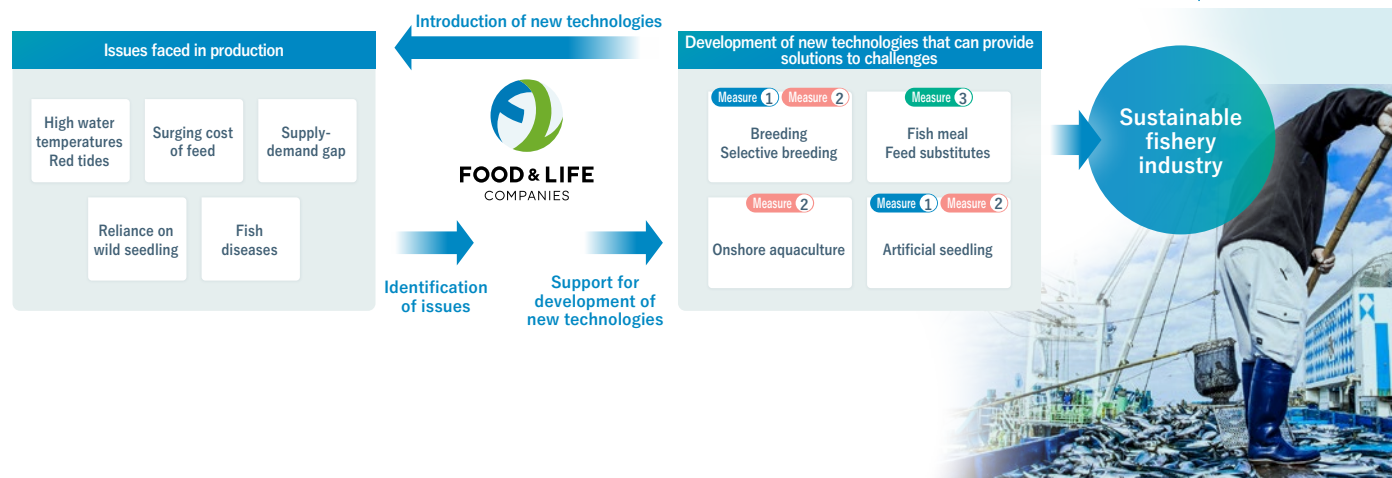
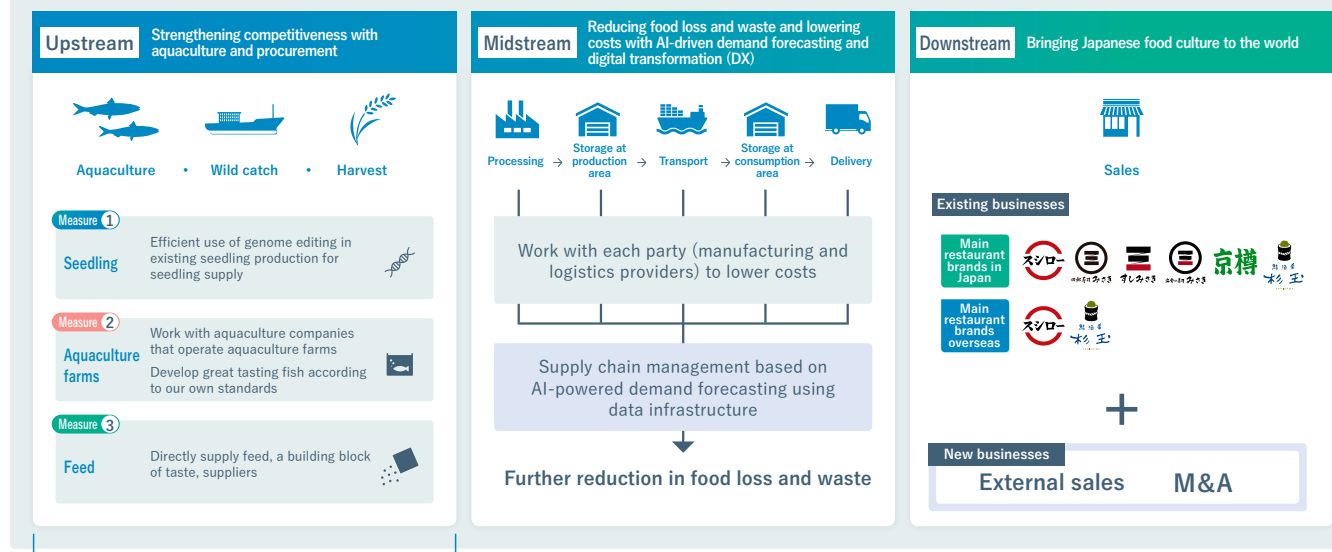
## Procurement Policy

In 2023, we established a Procurement Policy that includes ethics, compliance, quality and safety, respect for human rights and labor, effective utilization of resources, reduction of food loss, consideration for biodiversity, and prevention of corruption in procurement. We also commenced a number of initiatives with suppliers aimed at achieving sustainable procurement.

## Building Out an Upstream Procurement Base

Amid concerns about major environmental changes in the future caused by climate change, there are also worries about a decline in wild fish stocks. In addition, soaring feed costs are also an issue, and the importance of procuring fishery resources that do not depend on wild-caught fishing is increasing. As a countermeasure, we are working on the development of new technologies, such as seedling development as well as feed improvement and substitutes, through investment in external companies and cutting-edge technologies and business alliances. By strengthening our upstream procurement base, we aim to ensure stable quality and production volume.

## Aiming for sustainable procurement, from upstream to downstream



# Stable Production and Utilization of Limited Fishery and Agricultural Resources

Medium- to long-term partnerships with producers are essential to ensure a stable supply of high-quality ingredients throughout the year. In addition to building relationships of trust with producers, the Group is also working on the development and research of aquaculture technologies in collaboration with external partners with the aim of securing sustainable fisheries and agricultural resources for the future.



## Sustainable Procurement Linking Efforts with Producers

In order to achieve both the realization of a sustainable society and the growth of the company, the cooperation of business partners who are suppliers of food ingredients is essential. Therefore, we share our Procurement Policy with business partners. We ask for their understanding after informing them of items such as quality, safety, sustainability, and respect for human rights, and request cooperation, including self-checks. In addition, we aim to make new business partners understand our Procurement Policy, open our doors equally, and work together to achieve coexistence and co-prosperity between our corporate activities and the environment and society.

## F&LC Began Formulating its Own Fishery Product Standards to Benefit Long-term Stable Procurement

In addition to establishing our Procurement Policy, we have also begun to formulate our own standards for fishery products in an effort to work on long-term stable procurement. In addition to the taste, safety, and security of the past, we will strive to procure raw materials in consideration of human rights, the environment, biodiversity, and the maintenance of ecosystems.

## Established Joint Venture with Company to Increase Aquaculture Sourcing Rate to 50%

As of 2021, the Group's fishery resources procurement ratio was 65% wild and 35% farmed. With the aim of further stable production and utilization of fishery resources, we have set a target to increase the procurement rate of farmed fish to 50%. As a specific initiative, we have established Marineverse Ltd. in cooperation with an aquaculture company, TAKUJO Co., Ltd. We are promoting support for the aquaculture industry through the supply of seedling and feed.

## Tackling the Challenge of Next-Generation Aquaculture using Innovation and R&D

As the environment in the aquaculture industry changes drastically, we are investing in and conducting joint research with university-based start-up companies that possess genome editing and cutting-edge genome analysis technologies, which are attracting attention as next-generation technologies. Through this business, we are working to realize a sustainable aquaculture industry by increasing productivity through selective breeding and seedling development in response to the changing environment.



## Developing Next-Generation Feed and Aquaculture Facilities

We intend to step up R&D for next-generation feed ingredients and recycling of feed ingredients, aim to break away from dependence on wild fishmeal ingredients, and promote the standardization of feed. In addition to maintaining and managing costs and quality, we will fulfill our social responsibilities for raw materials, such as traceability, and strive to ensure the sustainability of feed ingredients.

Due to declining populations and soaring production costs, there is a need to improve productivity and control production costs through labor-saving solutions at aquaculture facilities. We aim to procure sustainable fishery resources by collaborating with aquaculture equipment manufacturers to support the development of next-generation aquaculture equipment.

## Pursuing Stable Supply and Quality through Collaboration with Partners

### Supporting Aquaculture Companies for Access to Stable Supplies

OWASEBUSSAN Co., Ltd., our supplier of more than 20 years focusing on the farmed Japanese amberjack, also known as yellowtail, is one of the companies in which we maintain an equity stake. In collaboration with OWASEBUSSAN, we aim to expand the number of farmed fish and ensure access to a stable supply.



### Contributing to Producers with Exclusive Rice for Sushiro

With the full cooperation of ZEN-NOH PEARL RICE Co., Ltd., we have contracted with producers who grow exclusive rice for Sushiro that is suitable for sushi rice, and are working to ensure a stable supply of rice and improve its quality.



# Further Reducing Food Loss and Waste with DX

Reducing food loss and waste not only contributes to the global environment, but also represents an essential initiative for the food service industry when considering the sustainability of its business activities. The Group is working to reduce food loss and waste by controlling the entire supply chain through the use of DX, from forecasting demand to coordinating with and instructing each business partner.

### MATERIALITY

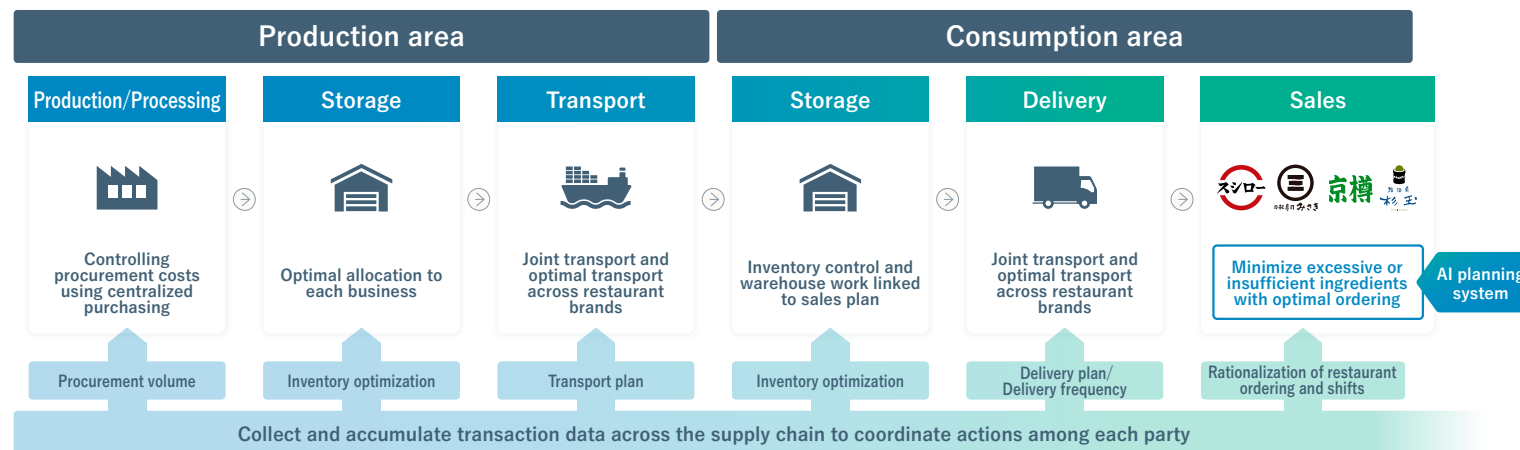
Reduce food loss and waste and effectively utilize marine life resources



For details about our food loss and waste reduction measures, please refer to our corporate website.

## Aiming for Cross-functional Logistics Management with DX

In order to realize lean food procurement, the Group has created an AI-driven demand forecasting system. We aim to manage the supply chain cross-functionally through data linkage with logistics companies, production and processing companies, and to collect and accumulate transaction data with a unified ID. We will also aim to optimize procurement volumes and realize joint transportation across our restaurant brands.



## Fully Utilizing Valuable Fishery Resources

In general, only about 40% of a fish's body, including belly, can be used for sushi. The Group, which purchases entire fish, finds ways to use the rest of the fish in its products. We find value in the head and bones of a fish after filleting, and we are establishing a scheme that uses up ingredients across the restaurant brands within the Group. For example, the part of the tuna suitable for nigiri is used by Sushiro, and the head is boiled by master chefs at Misaki. There is also the example of serving *nakaochi* (left-over flesh on the spine of a fish), which can only be removed by hand, as a side dish paired with sake at Sugidama.

At the core is the idea that the value of the "back and belly" parts used in sushi and the highly flavorful head and bones have equal standing. Since our founding, we have passed down the concept of Japanese cuisine of "use the entire fish without exception," and continue to develop menus that utilize parts not suited to nigiri, such as using fish head and boney parts to flavor the ramen soup served at Sushiro.

## Reducing Food Loss and Waste with DX and AI

In order to continue to deliver high-quality, delicious products at affordable prices, it is important to reduce the amount of discarded food wherever possible. Since 2002, Sushiro has been incorporating IT into its restaurant operations in an effort to reduce food loss and waste. By understanding the needs of customers in numbers, it is possible to purchase products with high demand to ensure that they do not run out of stock, while at the same time increasing the motivation of the management side to reduce the amount of food that is wasted, making it easier for our restaurant to implement specific actions and measures.

In the future, in order to further improve the accuracy of our demand forecasts, we will work to evolve our operations using AI and expand its use to purchasing and inventory management to further reduce food loss and waste.



# Sharing Japanese Food Culture with the World

Our goal is to bring delicious food to everyday meals and provide enriching experiences to our customers. With this in mind, we are focusing on the quality of our products as well as on how to make our customers happy and improve the value of their restaurant experience. In addition, we are expanding these efforts not only in Japan but also around the world through overseas restaurant openings.

## MATERIALITY

Increase customer experience value using DX and other means



## Aspiring to Increase Customer Experience Value

We provide not only great tasting foods, but also enrich customers' time and lives through food. In addition to our reservation booking process, we continue to work to improve the value of the customer experience, such as using a DX system at restaurants that allows customers to complete everything from seating to payment without waiting. Considering food loss and waste, we have also started to develop a service that digitally reproduces the conveyor belt sushi experience.



### Streamlining the Process from Reservation Booking to Payment using DX

A variety of digital technologies have been introduced at Sushiro restaurants, such as app-based reservations, seating and ticketing machines and automated instruction systems when entering the store, touch panels for ordering once seated, and automated lockers for self-checkout and takeout. The use of DX will not only enable efficient restaurant operations, but will also improve customer experience value, i.e., reducing waiting times and providing easy ordering.



### New Model for Kaiten Sushi

In September 2023, we introduced Digital Sushiro Vision, nicknamed Digiro, which combines a large-scale digital screen and a conveyor belt line, on a trial basis at three restaurants in Japan. Using Digiro, sushi moves on a virtual conveyor belt line on a digital screen, allowing customers to enjoy an unprecedented dining experience, including menu search and games. In addition to the role of a touch panel, such as searching and ordering menu items, the screen also offers functions that enliven the dining experience, such as information about the sushi available and a quiz.

## Expanding Japanese Kaiten Sushi Culture around the Globe

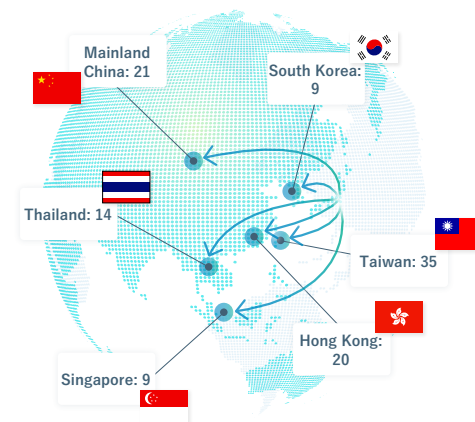
Since the opening of its first restaurant in South Korea in 2011, Sushiro has been actively opening restaurants overseas, mainly in Asia, including South Korea, Taiwan, Hong Kong, Thailand, Singapore, and mainland China. When opening a restaurant overseas, we focus not on localization to suit local palates, but rather to provide the authentic and exacting taste of Japanese sushi. Through sushi, we aim to share Japanese food culture globally and provide customers around the world with an exciting experience.



### Spreading the Great Taste of Sushi to Indonesia and the United States

Overseas, Sushiro reached 100 restaurants in December 2022, up from 12 in 2018, and the brand is now promoting greater expansion globally. In particular, from 2021, we accelerated the opening of restaurants in mainland China, expanding to 34 as of the end of September 2023. Overseas business is an important part of the Group's growth, and we aim to increase the ratio of overseas sales to 40% by 2026, with an eye on Muslim-friendly demand and restaurant openings in the United States.

In order to maintain and improve quality, we are focusing on human resource development and recruitment, while also promoting labor-saving solutions at overseas restaurants, introducing our know-how in Japan for sales promotion, and promoting efficient operations. Going forward, we will continue to invest in focused growth and share the great taste of sushi with the world as a global restaurant brand originating in Japan.



### Revitalization of Local Industries and Job Creation

We believe that creating jobs in areas where we do business overseas is an initiative that benefits local communities. The Group employs foreign nationals in a variety of positions not only in Japan but also overseas. They are active in supporting our overseas restaurant operations by making use of their native-level proficiency in the local language.



Expo 2025 Osaka, Kansai, Japan

Embracing the theme of "thinking about life through eating," F&LC will sponsor Expo 2025 Osaka, Kansai Signature Pavilion "EARTH MART."



Courtesy of: Japan Association for the 2025 World Exposition

TOPICS

# Safe Ingredients and Food Hygiene Management

In order for customers to enjoy their dining experience, it is essential that the processes related to food ingredient management and cooking are safe and secure. In addition to hygiene management of people, places, tools, and ingredients, we are taking steps to prevent food poisoning while correctly identifying potential risks at all stages, from raw materials to serving prepared dishes to customers.

## MATERIALITY

Food safety and security



For details about our food safety practices, please refer to our corporate website.

## Approach to Food Safety and Security

One of our action guidelines to realize our Vision of “Discovering new tastiness, Sharing moments of joy.” states “Dedicated/Single-minded sincerity. Our priority is the safety and well-being of people and the environment.” Based on this, we promise to continue to address the safety and security of our customers and the global environment throughout the entire supply chain, from raw materials to serving the final products to our customers.



## Quality Assurance System Grounded in HACCP Concepts

Hazard Analysis and Critical Control Point (HACCP) is a system that analyzes where and what kind of risks exist from raw materials to delivery of final products to customers, plans how to manage and avoid these risks at which stages, and continuously checks and visualizes implementation. The basic idea is to carry out improvement activities in the event of a problem and to review the plan as necessary. We manage our entire supply chain based closely on this approach.

### Overview of F&LC's supply chain



## Carefully Managing the Quality and Hygiene Controls of Suppliers

As of September 30, 2023, the Group purchases products from approximately 170 suppliers. When starting a new business relationship, food safety is a particularly important issue. We ensure that a supplier's processing plant has obtained GFSI certification, which is an international standard for food safety management, or if it does not, members of our specialized department go directly to the processing plant to check the operations in detail in accordance with the requirements of the Group, and to confirm that it meets the acceptance criteria before doing business with them. Even after the start of transactions, we continue to conduct inspections and visits of processing plants on an irregular basis to ensure safety and security.

## Rigorous Hygiene Control at Our Restaurants

In addition to complying with the laws and regulations related to food safety in the countries and regions in which we operate, our restaurants also carry out hygiene management based on the concept of HACCP, an international hygiene management method.

The Group's main menu item is sushi, and since we handle a large amount of raw food, hygiene management of employees engaged in food preparation is particularly important. At Sushiro, our core restaurant brand, we check the health and grooming of each employee before they begin work. In addition, we have introduced a system for “third-party handwashing confirmation” so that all employees wash their hands according to the correct way at important intervals, such as washing their hands when entering the restaurant and after using the restroom. In order to ensure that this system is functioning correctly and that all employees are washing their hands in the correct way, we have installed cameras at handwashing sinks and monitor behavior at the head office.

We have formulated a HACCP hygiene management plan to visualize hygiene management initiatives, and we are disseminating this through employee training. We also conduct hygiene inspections twice a year by an external health inspection agency at all restaurants to evaluate whether hygiene management is being carried out in accordance with this plan. For restaurants that receive low ratings, members of our specialized department visit stores to confirm improvements and provide instructions, so that all our restaurants can maintain a certain level of food safety.

# Response to the TCFD Recommendations

Since it uses a wide variety of marine fishery, agriculture, and forestry resources as ingredients, the Group has positioned climate change as one of its most important management risks and discloses information related to climate change based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

## MATERIALITY

Achieve carbon neutrality



For details, please refer to our corporate website.

## Governance and Risk Management

The Board of Directors deliberates on the formulation of management strategies and plans, taking into account the risks and opportunities related to climate change issues, and supervises operations based on the reports it receives from each Group company and division as necessary. Additionally, to promote sustainability initiatives, we have established the Sustainability Promotion Committee, chaired by the President & CEO. The Sustainability Promotion Committee reports to the Corporate Management Committee on the status of sustainability, including climate change responses, as appropriate, and, in return, receives instructions and advice. In addition, the President & CEO reports on the status of such matters to the Board of Directors as appropriate.

For a diagram on our corporate governance framework, please see page 17.

## Strategy

Based on the framework recommended in the TCFD recommendations, we identify the risks and opportunities posed by climate change to the Group and conduct analyses using different climate-related scenarios. Looking ahead, we will further deepen our analysis of risks and opportunities to minimize risks and maximize opportunities toward the realization of a decarbonized society.

In this scenario analysis, we identified risks related to climate change and conducted a scenario analysis for those that were expected to have a particularly high degree of impact. In particular, we conduct detailed analyses of the impact of climate change on the procurement of raw materials, assumed to be the most important for business continuity, starting with fish species and production regions.

## Financial Impacts and Response

Risk	Details	Financial impacts		Response and opportunities
		4℃	2℃	
Transition risks	Policies and Laws	Small	Small	In addition to promoting the introduction of renewable energy and the transition to clean energy such as low-carbon raw materials and fuels, we plan to increase the efficiency of production through the introduction of energy efficient equipment.
	Technology	Small	Medium	For low-carbon and decarbonized ingredients, we will strengthen collaboration with external research institutes such as universities. By conducting research toward commercialization, we aim to contribute to earnings.
	Reputation	Medium	Large	We will develop products and provide services in line with changes in customer preferences, which will lead to an increase in earnings.
Physical risks	Acute	Small	Small	We aim to procure from multiple companies and production areas, mitigating procurement risks. In addition, we will consider formulating a business continuity plan in advance to address shortfalls in procurement volume.

## Impacts of Climate Change on Raw Materials Procurement

We investigated and analyzed the impact of climate change on raw materials that are considered to materially affect the Group based on reports and academic papers from various research institutes. For items that are used in large quantities as sushi ingredients, we evaluate the procurement environment and the outlook for resource volume.

Main ingredients	Main production area	Wild/Farmed	Outlook for procurement environment and resource volume (up to 2050)	Direction of response measures
Tuna	Japan/Overseas	Wild	<ul style="list-style-type: none"> <li>Stability of resource volume</li> <li>Affinity with warming climate</li> </ul>	<ul style="list-style-type: none"> <li>Review of collaboration with producers</li> <li>Review of aquaculture (fish farming) overseas</li> <li>Assistance for development of new aquaculture technologies</li> </ul>
	Japan	Farmed	<ul style="list-style-type: none"> <li>Steady growth in scale of aquaculture</li> <li>Progress and spread of advanced technologies such as complete aquaculture</li> </ul>	<ul style="list-style-type: none"> <li>Assistance for development of new aquaculture technologies</li> <li>Review of aquaculture production overseas</li> </ul>
Japanese amberjack and red seabream	Japan	Farmed	<ul style="list-style-type: none"> <li>Stable supply even under recent temperatures</li> <li>Affinity with warming climate</li> </ul>	<ul style="list-style-type: none"> <li>Assistance for development of new aquaculture technologies</li> <li>Review of aquaculture production overseas</li> </ul>
Salmon	Overseas	Farmed	<ul style="list-style-type: none"> <li>Massive scale of aquaculture</li> <li>Resistance to warming seas around aquaculture farms</li> <li>Diversity and advancements in aquaculture technologies</li> </ul>	<ul style="list-style-type: none"> <li>Assistance for development of new aquaculture technologies</li> </ul>

## Metrics and Targets

In order to place top priority on reducing CO<sub>2</sub> emissions at our core business of restaurant operations in Japan, Akindo Sushiro Co., Ltd. has set the following CO<sub>2</sub> emission targets.

Fiscal 2030: Reduce Scope 1 and 2 CO<sub>2</sub> emissions by at least 50% of intensity compared to fiscal 2013

Fiscal 2050: Carbon neutrality

## Specific Initiatives to Address Climate Change Risks

We are promoting the installation of solar power generation systems at our restaurants that utilize solar PPAs for roadside locations. As of August 2023, we have already installed these systems at more than 80 restaurants, and we will continue to install them one after another. In addition, we are considering the introduction of additional systems at existing stores and the installation of new ones at the time of new restaurant openings.



# Promoting Diversity and Inclusion to Unlock Greater Growth

The word “companies” in our company name “Food & Life Companies” means that we are colleagues looking to realize our dreams together. We believe that each employee with their diverse backgrounds can create new value by working in an organization while remaining true to his or her own self. Toward this end, we have established the D&I Promotion Committee and various systems to support career development.

## MATERIALITY

Enhance human capital management



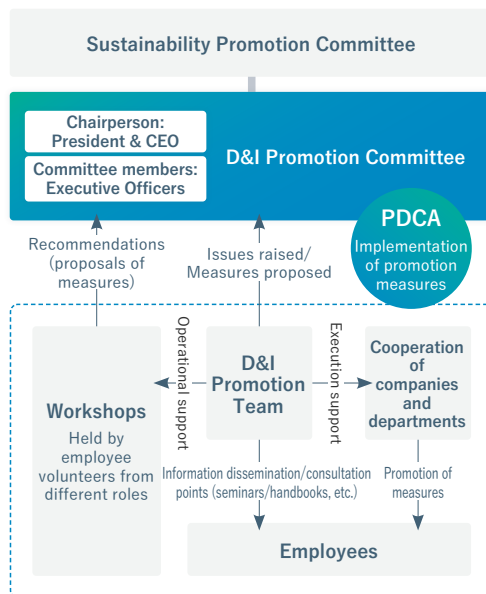
For details about our efforts to promote diversity and inclusion, please refer to our corporate website.

## Approach to Diversity and Inclusion

We include “Diversity” as one of the Action Guidelines in our corporate philosophy. Behind this is the belief that in order for the company to continue to provide value to all stakeholders, it is essential that we embrace diversity and encourage each individual to make the most of their individuality. We believe that the activities of each and every one of our diverse colleagues, regardless of gender, age, nationality, race, ethnicity, or disability represents the driving force behind the growth of the Group, and we are promoting the development of our environment and systems toward this end.

## Promotion Framework

The D&I Promotion Committee is part of the Sustainability Promotion Committee, which was established with the aim of achieving sustainable development for the Group and society. As a supporter of the smooth promotion of diversity and inclusion related initiatives, the D&I Promotion Committee confirms, advises, and provides assistance for recommendations and issues raised in workshops composed of volunteer employees or by the secretariat.



## Specific Initiatives for Diversity and Inclusion

We investigate and examine initiatives to promote diversity and inclusion through volunteer workshops comprised of diverse human resources representing many different genders, ages, nationalities, disabilities, company affiliations, and positions. In addition, we provide opportunities to deepen understanding of the purpose of diversity and inclusion and our initiatives through the dissemination of information using in-house newsletters and handbooks from the D&I Promotion Team, as well as through awareness-raising events such as restaurant managers' meetings in which each company and department collaborates.

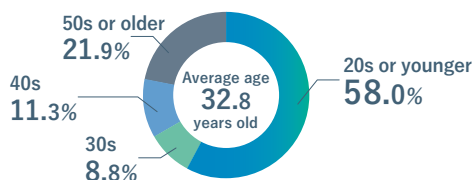
## Human Resource Development

Within the Group, which operates a wide range of businesses, each employee is building their own diverse career, including food artisans who handle ingredients from scratch in our restaurants, leaders who train part-time workers, and restaurant managers who manage sales. In order to provide opportunities for placement and development according to the abilities and aptitudes of each individual, we support the growth of employees through various training programs and provide assistance for acquiring qualifications. In addition, we have introduced an internal recruitment system that allows employees to take on the challenge of developing their own careers. This includes advancing one's career to a managerial position or taking on the challenge of living and working overseas.

<h3>Promotion Exams</h3> <p>We have qualification exams for restaurant manager qualification exam and managerial staff. Promotions are determined after confirming an employee has acquired the knowledge necessary to perform their work.</p>	<h3>Regular Training by Year of Service</h3> <p>In addition to new employee training, we provide classroom training and on-the-job training at our restaurants. Training serves as an opportunity for employees assigned to each region to gather and communicate regularly.</p>	<h3>On-the-job Training by Area</h3> <p>We conduct training on particular themes that we want to strengthen in each area, i.e., customer service or cooking.</p>
<h3>Support for Acquiring Qualifications</h3> <p>We support (through learning and financial assistance) employees in the acquisition of the qualifications necessary for restaurant managers and chef licenses.</p>	<h3>Internal Recruitment System</h3> <p>This system allows employees who meet the requirements to apply for in-house jobs. In this way, employees can build their own career by making use of past experience and taking on challenges in a new department.</p>	<h3>Career Declaration System</h3> <p>We have a system in place for employees to regularly communicate their desires regarding one's current job and future career. In accordance with employee declaration, we consider assignments and the allocation of job duties.</p>

## Data on Diversity and Inclusion

### Age Groups



### Data on Foreign National Employees



### Ratio of Female Employees



\* As of September 30, 2023



# Management Oversight and Clarification of Responsibilities and Authorities for Business Execution

From the General Meeting of Shareholders for FY2021, we shifted to a monitoring-type management system in which the President & CEO complements the seven outside directors with advanced expertise and management experience. We are now focusing on medium- to long-term strategic issues and achieving corporate growth while receiving appropriate involvement and advice.

## MATERIALITY

Strengthen corporate governance and compliance



For details, please refer to our corporate website and securities report.

## Basic Approach to Corporate Governance

Our basic approach to corporate governance is that management can check the status of compliance with laws, regulations, and the Articles of Incorporation, and that the management system is maintained to preserve this approach. In order to achieve our corporate philosophy and management goals, we believe that establishing a management system that can direct the awareness and business activities of all officers and employees will lead to fairer and more transparent management, which will serve the interests of all stakeholders.

## Overview of Corporate Governance

We have adopted the system of corporate governance that adopts an Audit and Supervisory Committee. We believe that this system can enhance the transparency and objectivity of the Board of Directors as well as further strengthen corporate governance by developing a system for auditing and supervision by the Audit and Supervisory Committee and increasing the composition and diversity of outside directors serving on the Board of Directors. We also believe that this system (monitoring model) will speed up decision-making related to business execution by promoting separation between business execution and supervision and by delegating authority to executive officers supervised by the President & CEO.

### Board of Directors, Audit and Supervisory Committee, and Nomination and Remuneration Committee

The Board of Directors (eight directors, seven of which are outside directors) supervises (monitors) the execution of duties based on decisions on basic management policies and other important matters of the Group and reports on business execution, based on the belief that it is a forum to discuss basic management policies and medium- to long-term strategic issues. Additionally, the three Audit and Supervisory Committee members, who are outside directors, constitute the Audit and Supervisory Committee, which confirms the execution of duties by directors by attending meetings of the Board of Directors and conducting audits as needed in the course of daily operations. We have also established the Nomination and Remuneration Committee, the majority of whose members are independent outside directors.

### Corporate Management Committee

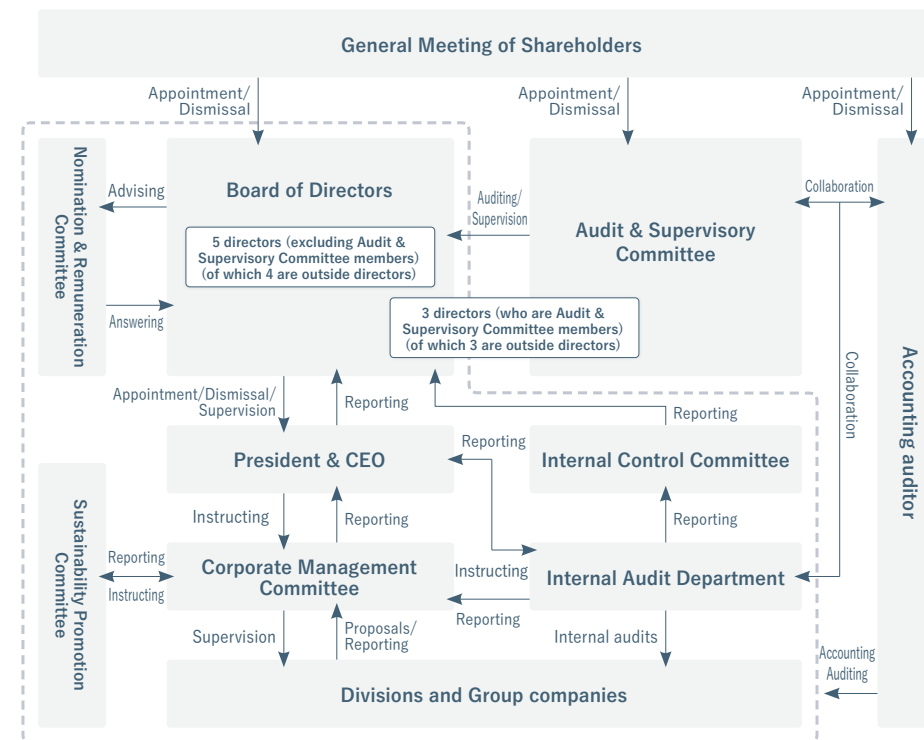
The Corporate Management Committee, which is comprised of executive directors and executive officers, supports the decision-making of the President & CEO, discusses matters to be resolved by the Board of Directors, and examines other important management matters delegated by the Board of Directors.

## Compliance Framework

In accordance with the Compliance Policy, we have established an Internal Control Committee chaired by the President & CEO and composed of external experts, and others, for the purpose of establishing a compliance framework and preventing violations of laws and regulations. Through regular meetings of the committee, necessary improvement measures and company-wide awareness measures are taken across Group companies, with the status reported to the Board of Directors as appropriate. To conduct audits of the compliance practices and internal control system of each division, we have established the Internal Audit Department under the direct control of the President & CEO. This occupies a position independent of the business execution divisions. We have put into place a system to report the results of audits to the Audit and Supervisory Committee and the Internal Control Committee as appropriate.

We have established a hotline for reporting and consultation on compliance violations and other matters to quickly identify information related to violations and resolve the situation.

## Corporate Governance Diagram



## Risk Management System

We established the Risk Management Regulations and the Internal Control Committee with the purpose of identifying all risks that threaten the continuous development of the company and to establish a risk management system. Using risk maps and formulating improvement measures, the Internal Control Committee has established a system for appropriate risk management, such as identifying, analyzing, and evaluating risks that are important to the Group's management. We established the Internal Audit Department under the direct control of the President & CEO to conduct periodic operational audits, request improvements and provide guidance to audited departments, and report the results of audits to the President in a timely manner.

In addition, the Internal Audit Department, Audit and Supervisory Committee members, and the accounting auditors work closely with one another by exchanging information as necessary to eliminate risks, and the Internal Audit Department regularly reports to the Internal Control Committee on risks.

# Contributing to Prosperous Local Communities through Business Activities

With the aim of creating a prosperous society for the next generation, we are promoting educational support activities such as initiatives on the theme of food education and a scholarship program. We are also focusing on giving back to local communities through sports support activities for people with disabilities and tasting events at our restaurants.

## MATERIALITY

Increase customer experience value using DX and other means



## Food Education Activities Connecting Producers and Consumers



Sushiro holds the Go! Go! Kids Project as an initiative to promote food education. As part of these activities, we provide “sushi education” that teaches about the importance of “food” through rice planting and harvesting experiences and tours of aquaculture facilities where Japanese amberjack (or yellowtail) are raised.

We have hosted rice planting and harvesting tours since 2015, providing consumers with direct insight into the farming work that goes into rice fields where “Sushiro’s exclusive rice” is grown. Many children see the rice husks and threshing for the first time before they become white rice, as these tours fill up with many families every year. The tours also provide an opportunity to develop a sense of gratitude toward the producers.

At our aquaculture facilities, visitors can experience the importance of fishery resources by observing the process of raising, catching, and processing ingredients for sushi.

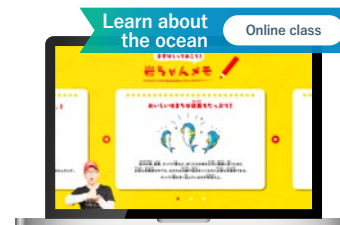
In 2021, we held our first online class, “Sushiro’s Online Kids Class: Part of Your Community,” teaching about the ecology of the local community provided by Sushiro and the ingenuity behind our feed.



Learn about the land Rice planting tour



Learn about the ocean Visits to aquaculture farms



Learn about the ocean Online class

In the rice paddies where “Sushiro’s exclusive rice” is grown, we host tours where parents and children can experience agricultural work such as rice planting. We also organize tours of our aquaculture farms. During the COVID-19 pandemic, we provided opportunities to deepen understanding of “food” by holding our classes online.

## Grant-based Scholarship Program

In October 2021, we launched the Food & Life Companies Scholarship Program. To avoid situations where students are forced to give up on university or advancing to a higher level due to financial reasons, we provide financial assistance through grant-based scholarships that do not need to be repaid.



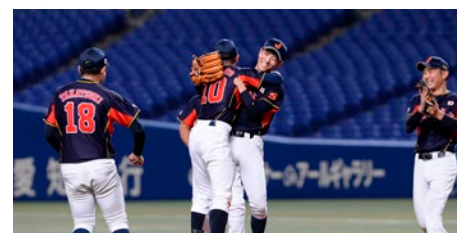
## Children’s Sushiro Manpuku Project

To realize our corporate philosophy of “Discovering new tastiness, sharing moments of joy,” we gift digital meal tickets that can be redeemed at Sushiro brand restaurants to single parents and other families raising children through an NPO with the hope of providing children with the opportunity to discover the delicious taste of sushi.



## Supporting People with Disabilities

With the aim of realizing an inclusive society, we continue to sponsor the Japan Dream Baseball League, an NPO. As part of our efforts to create a restaurant that will be appreciated by the community, whenever we open a Sushiro brand restaurant, we hold tasting events for people from nearby facilities for people with disabilities.



## Education Support Activities

Under themes such as the SDGs and other issues, we are working with primary industry operators, local communities, and companies to create opportunities for children to learn and cooperate with school learning.



# Sustainability Data

## Environmental (scope: Akindo Sushiro Co., Ltd./period: April 2022 to March 2023)

	Scope	Unit	2022
CO <sub>2</sub> emissions	Scope 1	t-CO <sub>2</sub>	0
	Scope 2	t-CO <sub>2</sub>	78,574
	Total Scope 1 and 2 emissions	t-CO <sub>2</sub>	78,574
Energy usage	Amount used	Crude oil equivalent kl	42,865
	Amount used	Thousand kwh	115,341
Electricity use	Amount of renewable energy used	Thousand kwh	238
	Ratio of renewable energy	%	0.2
Wastewater	Total wastewater	t	2,254,904
Waste (total)	Amount generated	t	31,523.84
	Total waste volume	t	30,802.84
Product waste	Amount generated	t	19,447.10
	Amount recycled	t	721
	Recycling rate	%	3.7
	Waste volume	t	18,726.10
Non-product waste	Amount generated	t	12,076.74
	Waste volume	t	12,076.74

## Social (scope: F&L Group excluding overseas subsidiaries/period: October 2022 to September 2023)

	Scope	Unit	2023
Breakdown of workforce by age	Up to 20s	%	58.0
	30s	%	8.8
	40s	%	11.3
	50s or older	%	21.9
	Average age	Age in years	32.8
Permanent employees	Ratio of women	%	15.3
	Ratio of men	%	84.7
	Total number of employees	Persons	2,659
Part-time employees	Ratio of women	%	58.5
	Ratio of men	%	38.8
Employment of foreign nationals	Number of nationalities	Country/Region	66
	Number of foreign employees	Persons	4,812
Employment of people with disabilities	Employment rate	%	2.34
Average years of service	Average years of service	Years	9*1
Women in management positions	Ratio of female managers	%	6.7
Gender wage gap	Permanent employees	%	82.3
	Part-time employees	%	100.0
	Total workforce	%	78.7
Ratio of paid leave taken	Total	%	68.9*1
Ratio of childcare leave taken	Women	%	100.0
	Men	%	65.3
	Total	%	68.3
Directors (as of September 30, 2023)	Number of women	Persons	3
	Ratio of women	%	37.5
	Number of men	Persons	5
	Total number	Persons	8

\*1 Permanent employees only

## Governance (scope: F&L Group/period: October 2022 to September 2023)

	Scope	Unit	2023
Composition of Board of Directors	Female outside directors	Persons	3
	Male outside directors	Persons	4
	Female inside directors	Persons	0
	Male inside directors	Persons	1
	Ratio of outside directors	%	87.5
	Ratio of female directors	%	37.5
	Total number of persons	Persons	8
	Number of meetings held	Board of Directors	Times
Audit & Supervisory Committee		Times	19
Sustainability Promotion Committee		Times	3
Internal Control Committee		Times	4

Title	Name	Meeting attendance record in fiscal 2023	
		Board of Directors	Audit & Supervisory Committee
President & CEO	Koichi Mizutome	16/16 times (100%)	
External Director	Akira Kondoh	16/16 times (100%)	
External Director	Kozo Takaoka	4/4 times (100%)*2	
External Director	Minesaburo Miyake	15/16 times (94%)	
External Director	Reiko Kanise	16/16 times (100%)	
External Director	Koki Sato	16/16 times (100%)	
External Director (Audit & Supervisory Committee Member)	Yoshihiro Noutsuka	16/16 times (100%)	19/19 times (100%)
External Director (Audit & Supervisory Committee Member)	Mami Taira	16/16 times (100%)	19/19 times (100%)
External Director (Audit & Supervisory Committee Member)	Emi Omura	12/12 times (100%)*3	15/15 times (100%)*3

\*2 Retired effective January 14, 2023

\*3 Number of times meetings were held after appointment

# Company Information

## Company Profile (as of September 30, 2023)

Company name	FOOD & LIFE COMPANIES LTD. (F&LC)
Address	1-22-2 Esaka-cho, Suita-shi, Osaka, Japan
Established	March 2015
Capital	100 million yen
Representative	Koichi Mizutome, President & CEO
Business description	All aspects of the food service business and other peripheral businesses
End of fiscal year	September 30
Net sales (consolidated)	301.7 billion yen
Employees (consolidated)	Permanent employees: 7,134 Part-time employees: 20,779 * Number of part-time employees represents the average annual number calculated using an eight-hour day.
Number of restaurants in operation	Total for the Group: 1,123 Sushiro brand: Japan 653, Overseas 132 Sugidama brand: Japan 79, Overseas 3 Kyotaru brand: Japan 113 Misaki/Misakimaru brands: Japan 95 Multiple brands: Overseas 25

## Editorial Policy

This Report covers the approaches and initiatives for sustainability undertaken by FOOD & LIFE COMPANIES LTD. for the realization of a sustainable society. The purpose of this Report is to share this information and foster communication with as many stakeholders as possible.

**Reporting boundary** This Report covers FOOD & LIFE COMPANIES LTD. and its consolidated subsidiaries. Some information covers a specific scope; in such cases, that scope is defined.

**Reporting period** October 1, 2022 to September 30, 2023

## Stock Information (as of September 30, 2023)

Listed stock exchange	Prime Market of the Tokyo Stock Exchange	
Securities code	3563	
Number of shares and shareholders	Total number of authorized shares	436,000,000
	Total number of issued shares	116,069,184
	Number of shareholders	98,497

## Major Shareholders (Top 5)

Name of corporate entity	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,965,600	14.67
MSIP CLIENT SECURITIES	6,754,944	5.84
Custody Bank of Japan, Ltd. (Trust Account)	5,449,800	4.71
National Federation of Agricultural Cooperative Associations	3,744,400	3.24
MSCO CUSTOMER SECURITIES	2,418,178	2.09

\* Shareholding ratio calculated excluding treasury stock (382,884 shares).

## Breakdown of Shareholders

