

YOSHINOYA HOLDINGS

INTEGRATED REPORT 2023

For the People





For the People



Yoshinoya Holdings capital resources management

Our Group business is centered around our “For the People” philosophy. The “people” we are referring to here include all stakeholders who help the Group provide value and expand the reach of the pleasure, enjoyment, and happiness we can offer. This includes our customers, business partners, shareholders and investors, local communities, and employees.

Our employees are the front of our value provision capabilities. As such, we respect the diversity of our workforce and personal characteristics of every individual and we encourage active participation and growth by creating workplaces that nurture enthusiasm. We strive to maximize the level of customer satisfaction through quality products, services and contribute to the society through our business, and ensure our own sustainable growth. This philosophy forms the basis of our human capital management.

No matter how advanced technology becomes, there will always be a certain warmth and comfort that only people can provide. We welcome our customers with a sincere smile and see them off with a cheerful goodbye. The customer-centric skill and consideration we show make our customers happy. They always reply with a joyful thank you for the meal or for our attentive service. We believe that working in the restaurant industry should be viewed as a labor of love that makes people happy and joyful through human interaction.

The further we progress this idea, the more people will appreciate and seek out the value we offer, not only in terms of our food, but also the restaurant space and eating atmosphere we create. Our people are key when it comes to increasing the value of that space. The Yoshinoya Group will pursue human capital management to continue providing value that makes customers want to come to our restaurants because of our staff.



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Editorial Policy

The Yoshinoya Holdings Group issues Integrated Reports that communicate its medium- to long-term growth strategy by providing both financial information, such as the status of its business performance and assets, and non-financial information concerning the Group's efforts on sustainability and its corporate social responsibility. The Report has been prepared for our shareholders, investors, and other stakeholders as its target readers and edited with an awareness of accurate, detailed, and comprehensible corporate communication, to convey who we are and our vision and core values, as well as our value creation process and business strategy based thereon.

In this year's Report, we have reviewed the first fiscal year of our Medium-term Management Plan and clearly presented the progress and future development of our Medium- to Long-term Strategy. In addition, reaffirming the Group's business philosophy "For the People" and considering a trend of emphasizing the importance of human capital in corporate management in recent years, we have strived to focus on enhancing the disclosure concerning our human capital management centered on the Group human resources strategy, including our initiatives for human resource development to promote the employees' growth and success.

The International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and ISO 26000 (Guidance on Social Responsibility) were used as references in editing the report for better comparability of information.

<Scope of coverage>

The business overview provided in this report focuses mainly on information that has a relatively high impact on YOSHINOYA HOLDINGS CO., LTD. and some of its consolidated subsidiaries. With respect to environmental, social, and governance (ESG) factors, information on the Group's core activities are presented.

<Period covered>

This report includes information on corporate activities during FY2022 (March 1, 2022, through February 28, 2023). However, a part of its contents include information on the past and for March 1, 2023, and beyond.

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Message from the President

Embrace market recovery and accelerate evolution and regeneration Establish a foundation for sustainable growth

Yasutaka Kawamura

President
YOSHINOYA HOLDINGS CO., LTD.



Responded to a deteriorating cost environment in the third year of the COVID-19 pandemic. Achieved planned targets as we started to reap benefits of remodeling to C&C outlets

In FY2022, while restrictions on activity were lifted over the long May holiday and we saw a greater recovery in social and economic activities than in the previous year, the situation remained unpredictable as we witnessed a seventh wave of infections in July. The market environment remained extremely tough, with a lackluster return of customers to the restaurant market in Japan, and the continued strict zero-Covid policy in China through December in particular dampening overseas business.

We also experienced an unprecedented rise in costs, with a significant rise in utility costs coupled with a sharp rise in raw materials prices, labor costs, and distribution costs.

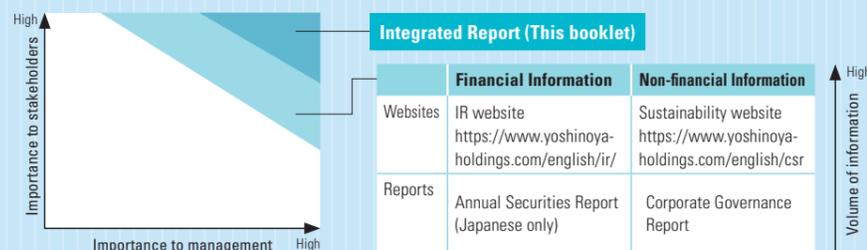
When COVID-19 infections began to spread in FY2020, the Group pursued structural change and lowered its break-even point to ensure we could maintain previous profit levels even if sales contracted to 90% of

FY2019 levels. These efforts contributed greatly to the recovery in profits in FY2021, but most benefits of the structural change were offset out by the rise in costs in FY2022. Over the past year, management has been concerned about frontline burnout led by our outlets' struggle for cost control. We have continued to convey positive messages to employees and taken some concrete measures, such as revising our product prices.

Against that backdrop, our main Yoshinoya business achieved a 6.3% increase in sales in FY2022 year on year and, while profit declined year on year, the profit margin came in close to pre-pandemic levels. That strong performance was buoyed by the emerging benefits of our efforts to convert Yoshinoya outlets to a new Cooking & Comfort (C&C) model as a priority measure, and also by our customers' acceptance of price revisions and a robust contribution from our direct sales business.

<Disclaimer>

The performance forecasts, future outlook, strategies, goals, and other statements contained in this report, excluding those relating to past or present facts, are forward-looking statements about the future. They are based on plans, expectations, and judgments in accordance with the information currently available to the company and certain assumptions judged to be reasonable. Please be advised, therefore, that actual results may differ from the disclosed forecasts and other statements due to various uncertainties and variable factors such as economic conditions.



For further detailed information:

<https://www.yoshinoya-holdings.com/english/>

This booklet provides information on selected core activities of the Group. For more detailed and comprehensive information, please visit our website.



Message from the President

As a result, the consolidated results for FY2022 came in roughly in line with plan, with both sales and profits rising year on year. Sales reached 168.0 billion yen (up 9.4% year on year) and operating income totaled 3.4 billion yen (up 45.2%). Other measures of profit declined, with ordinary income totaling 8.7 billion yen (down 44.1%) and net income attributable to owners of the parent totaling 7.2 billion yen (down 10.9%). However, performance still came in above plan thanks to a higher-than-expected increase in the cooperation subsidy for preventing the spread of COVID-19.

I am pleased to say that, despite the deterioration in our cost environment, we cleared our initial planned target for operating income, which indicates the profitability of our core business, in the third year of the COVID-19 pandemic. However, I do not think that the FY2022 results were satisfactory in terms of growth potential and profitability. Delays in growth investments continued from the previous year. While the model change to C&C stores proceeded almost to plan at Yoshinoya, we did not see significant progress in the introduction of new model outlets or the implementation of new M&A projects at Hanamaru.

Maintained customer numbers at existing stores by improving the value of our outlet experience despite having to revise prices in the face of rising costs.

We revised the price of our signature beef bowl and other main products at Yoshinoya in October 2022. We believe this was a necessary measure for maintaining quality and ensuring the continued stable provision of our products in the face of rising costs. We had already revised the prices of some products in October 2021 in response to the soaring price of imported beef, so the latest price revision represented two consecutive years of price increase. Enabling customers to enjoy delicious, high-quality meals quickly served at affordable prices is a fundamental feature of the Yoshinoya brand, which upholds its commitment to “tasty, affordable, and fast” meals, and is a value that we have championed ever since our founding as a leader in the provision of everyday food. We had to raise prices due to the external environment, but it is always an extremely difficult decision for us.

Having said that, customer visits to existing stores remained fairly steady year on year in FY2022, which is important because we view this measure as a key barometer of support from customers. In addition, the average spend per customer at Yoshinoya is currently hovering around 660 yen, more than 200 yen higher than it was ten years ago. Operating income at Yoshinoya has grown by approximately 30 billion yen over the past ten years. Over 20 billion yen of that total is due to an increase in the average spend per customer.

We don't simply pass on higher costs in an inflationary phase, but strive to create an in-store dining experience that offers a level of value that far exceeds the price of the meal by improving our hospitality so that our customers feel satisfied with the level of service. I believe that these efforts will help us maintain customer numbers even after raising prices, and to improve the average spend per customer.



Yoshinoya sales rise but Hanamaru is unable to turn profitable. Expect a recovery in FY2023 as COVID-19 pandemic subsides

I would now like to describe the current status of each of our business segments.

Our Yoshinoya business performed steadily in FY2022, as I mentioned earlier, thanks to the rise in average spend per customer generated by price revisions, the progressive conversion to C&C outlets through opening of new outlets and the renovation of existing outlets, and higher sales at our direct sales business generated by increased in-house production of frozen beef bowl topping. Increase in sales can be attributed to not only the recovering trend in in-store dining and but also higher takeout and delivery orders. However, on the profit side, we were unable to completely offset the severe impact of rising costs despite price raise, and profits declined as a result.

In FY2023, we plan to accelerate our C&C conversion by introducing low-investment models, so we can reap even greater benefits from that shift. We have reduced the preparation and serving time for our *karaage* fried chicken, which has been positioned as the new pillar of our menu offering, and started introducing in all outlets from May. We expect the market to display an earnest recovery in the current fiscal year as the COVID-19 pandemic subsides and this recovery to expand customer numbers.

Regarding the Hanamaru business, we sought to improve our profit structure by closing 22 unprofitable outlets in FY2022 and responded to cost increases by revising prices as did the Yoshinoya business. However, while sales at existing stores exhibited signs of a recovery in the first half, the business was hit by a seventh wave of COVID-19 infections in its traditionally busiest months of July and August. As a result, Hanamaru was unable to turn profitable in FY2022. The business struggled for a number of reasons. Roughly 60% of Hanamaru outlets are tenant outlets in food courts and other large commercial facilities. As such, the business was impacted when the prolonged pandemic prevented people from returning to those facilities, the withdrawal of apparel tenants reduced the appeal of the facilities, and we had to widen the spacing between customer seating and fulfill other infection-prevention measures determined by the commercial facilities.

Going forward, we expect the flow of inbound tourists, to pick up and the environment for opening new outlets to improve, so we will strive to increase customer numbers by refining our human resources, products, and outlets. In terms of outlet development, we plan to apply the successes of our experimental Relief & Easy-to-use (R&E) model to existing outlets.

Regarding our overseas businesses, we witnessed considerable differences in performance in different markets, but the U.S. market (with our outlets in California) proved to be the most solid. The U.S. operation generated higher sales and profit in FY2022 as COVID-19 was brought under control in the local market. In addition, our U.S. operation has always received a large number of drive-through takeout orders and the introduction of dual-line kitchens to separate those orders from in-store dining orders has proved successful. We laid the groundwork for future growth and outlet expansion by utilizing software to remind employees to confirm the speed of food serving time and to be more aware of what constitutes good service. We also developed effective new store designs, with a Japanese touch, that emphasize the appeal of our Japanese roots.

In sharp contrast, FY2022 proved an elusive year for our business in China, where repeated lockdowns in multiple areas resulting from the nation's zero-Covid policy rendered the initially expected full-scale recovery a distant prospect. We expect the Chinese market will finally recover in FY2023 as restrictions are eased following the country's abandonment of the zero-Covid policy. With many restaurants having been closed, it should be possible for surviving companies to seize growth opportunities. Against that backdrop, the Group plans to review its local management and business operation frameworks.

FY2022 was also a fairly sluggish year in ASEAN countries, with the COVID-19 pandemic continuing to impact activity in Indonesia and Thailand. However, the rebranding we conducted in the Philippines through our joint venture with the country's largest local restaurant operator Jollibee Foods Corporation proved effective. We intend to make the Philippines our driver of growth in ASEAN countries by working together with Jollibee and leveraging the company's strong product quality and comprehensive capabilities.

Finally, let me discuss our other businesses, which consist primarily of our ramen noodle businesses. With Link, which operates suburban ramen noodle outlets, did see its Japanese network start to recover, but our Setagaya outlets, which operate in busy airports or railway station hubs, struggled. I will talk about this in more detail later, but we intend to promote growth investment, including M&A, in order to develop the ramen noodle business into a fourth pillar alongside Yoshinoya, Hanamaru, and our overseas business.

Regeneration delays in the first year of the Medium-term Management plan. Operating income target within reach through evolution-based measures

The Group is committed to creating new markets and delivering value that will redefine the restaurant industry based on our long-term vision

NEW BEGINNINGS 2025 (NB2025), which covers the period from FY2016 to FY2025. Also, in FY2022, we launched our three-year Medium-term

Message from the President

Management Plan centered around the two themes of evolution and regeneration, and are currently implementing business strategies designed to achieve sustainable growth. The medium-term plan declared consolidated targets for net sales of 180.0 billion yen, operating income of 7.0 billion yen (operating income margin of 3.9%), ROIC of 5.0% or more, and a debt-to-equity ratio of no more than 0.6 times in the third year of FY2024, and we are working to improve investment capital efficiency and profit levels by deepening Group management and pursuing our business strategies.

In the first year of the medium-term plan, we focused on the conversion of Yoshinoya outlets to C&C formats as part of our evolution strategy, and we successfully converted 83 outlets compared to the annual target of 110 outlets (including renovations and new outlets). Many outlets have experienced an increase in revenue since the conversion. We also established a way to convert into C&C outlets using a low investment model and organized systems to help accelerate the format conversion. Improving product value by strengthening sales of *karaage* fried chicken and using digitally driven innovations such as smartphone apps and ordering by tablet all come under the category of successful evolution initiatives.

Our regeneration efforts have focused on bringing our Hanamaru and ramen noodle businesses back to our pre-pandemic performance levels, but these two businesses remained sluggish in the first year of the medium-term plan. We are pressing ahead with improvement measures as we wait for the COVID-19 pandemic to completely subside. We recognize that we now have to spread our sails wider in each business if we are to catch the tailwinds when business environments do improve.

We plan to inject growth investment of 40.0 billion yen over the three years of the Medium-term Management Plan, with 30.0 billion yen being used for capital investment primarily into existing businesses and 10.0

billion yen earmarked for M&A. The majority of the investment in existing businesses will be channeled into the C&C outlet conversion, which is already proving increasingly successful, and into strengthening our overseas businesses, etc. We had initially planned to convert 500-600 outlets to the C&C format, but, thanks to the introduction of our new low-investment model, we now think it is possible to expand that total to 800 outlets, including any conversions that extend beyond FY2025.

The main target of M&A investment will be in the ramen noodle business, which we are aiming to develop into our fourth pillar business. Our basic conditions for M&A projects are to find partners that exhibit a similar investment cost for the opening of new outlets and a similar average spend per customer as Yoshinoya and Hanamaru and whose stores are well supported by local customers. We are not fixated on developing business in the Tokyo region or on securing a 100% stake. While we talk about developing a ramen noodle business, we are not looking to become a large-scale brand that operates multiple stores, but to develop a medium-scale business that consists of several different brands. We want to create partnership synergies between With Link and potential chain-style M&A candidates and between Setagaya and individual ramen-noodle outlet M&A candidates.

Having said that, the numerical targets for the final year of the Medium-term Management Plan do not incorporate any contribution from M&A because we aim to achieve them through organic growth. We expect to reliably achieve our sales target of 180.0 billion yen on the back of a post-Covid recovery and we also expect to amply achieve our operating income target of 7.0 billion yen if the cost environment does not deteriorate further. Regenerating our Hanamaru business will be key but, even if this is further delayed, I think we can cover any shortfall by evolving the Yoshinoya business.

Currently formulating next long-term vision after openly recruiting members. Consider what we want to do going forward based on future predictions

One year has passed since we launched Forum 2040 with members who were openly recruited and selected from Group companies in Japan and overseas to formulate our next long-term vision. In FY2022, the 56 members divided into eight teams to determine themes, develop future predictions, and create future scenarios. They also explored potential future changes in society and the environment in which the Group operates. From FY2023, the Forum will enter its second season and use these predictions and prospects to consider what kinds of action we want to take going forward.

One year ago, we were determined to focus on the future and think about what we wanted to achieve together as we started formulating the new long-term vision, without being dragged down by ongoing uncertain conditions caused by the prolonged COVID-19 pandemic. Since then, Forum members have played an evangelical role by conveying bright and positive thoughts within the company and encouraging greater expectations and hope for the future.

We will continue the policy formulation process in the upcoming season 2 in order to clarify our ideal direction and future image, and we plan to announce the next long-term vision in FY2025 once the current NB2025 long-term vision will have run its course.

Compared to the three-year Medium-term Management Plan commitment that we made to all stakeholders, envisaging the future over a period that extends way beyond three years is a difficult task. However, for a Group like ours that is seeking to transform its business model, predicting the future and picturing what kind of Group we want to become, as well as identifying the issues that need to be tackled over time in order to achieve those goals, is an extremely important process. We are determined to move forward into the future by focusing on both materializing our long-term vision and achieving our medium-term goals.



Advance our human capital management by genuinely utilizing our human resources. Maintain and improve our corporate culture that provides all people with the opportunity to grow

With the disclosure of human capital information in annual securities reports having become mandatory from the fiscal year ended March 2023, all companies have been reviewing their management from the perspective of human resources utilization and seeking to visualize and quantify their human capital.

Given our declared "For the People" Group business philosophy, we considered people to be the most important assets we possess in terms of creating value well before this trend emerged. We have always centered our business activities around the question of what we can do for our customers, business partners, shareholders and investors, local communities, and employees. We are a company that seeks to create opportunities for all people and we will continue to raise our corporate value by encouraging the active participation and growth of our employees, while also pursuing and offering value that only people can provide, and implementing various initiatives to contribute to our society. That is the way we manage, and have always managed, human capital.

In the past, we pursued people-focused initiatives within the Group as a matter of course without strongly communicating it to the outside world, but I feel we now need to convey our strategies more proactively given the recent emphasis on human capital management.

For example, the genuine performance-based approach advocated by the Group gives all people the chance to play an active role and grow as individuals, without reference to educational or professional background, or restrictions related to gender, nationality, or age. Our temporary or part-time workers can become full-time employees at any time, and the door is open for full-time employees to progress to management positions from the moment they join the company. The members of Forum

2040, which is formulating our next long-term vision, are also selected solely based on the report submitted with their application and an interview, regardless of their job title or business performance.

We are not only involved in nurturing and utilizing human resources, but also in valuing our employees as people. That's why we implement initiatives that can be considered true workstyle reforms. To give you an example, we grant paid leave to temporary and part-time workers as well as permanent employees and give them the opportunity to use it. This is not a measure introduced recently. In fact, I myself have taken all of my paid leave over the 35 years since I started working part-time at a Yoshinoya outlet.

We intend to generate sustainable growth for the Group by building a base that will enable us to maintain this human capital management as part of our corporate culture, and inviting further possibilities.

We have also started a workshop-style activity that allows me to convey my own management-related knowledge to area managers and supervisors in order to further promote the development of next-generation managers.

We have experienced many rapid and harsh changes in our environment since I was appointed president and, at this stage, I still can't say with complete honesty that the situation has calmed down. However, I do expect nascent tailwinds to emerge as we recover from the COVID-19 pandemic and I think you can look forward to renewed growth for the Group. So, let me take this opportunity to ask all our stakeholders for their continued understanding and long-term support for our business activities.

Dialogue between Outside Director and Auditor



Outside Director

Daisaku Fujikawa

Osamu Ohashi

Outside Corporate Auditor

View management from a shareholder perspective, contribute to corporate value

Evaluating corporate culture and ensuring compliance

Fujikawa One year has passed since I was appointed as an outside director and I have been reminded of the fact that this Group both respects and leverages its long tradition, while spurring future growth. I feel that the steps that the company has taken so far and the difficult challenges it has overcome in the past has positively impacted its corporate culture. Management displays a strong determination to share its sense of crisis within the company before aiming for the next step, in order to create employee awareness. I think the challenge going forward will lie in deciding what proposals to make to address this sense of crisis and how well those proposals will be implemented. The COVID-19 pandemic struck when the Group was about to accelerate its move to the next step in the company's long-term vision, so it is important to inspire a sense of speed and regain lost ground.

Ohashi I became an outside corporate auditor in 2011 just when the company was overcoming the BSE-related crisis of the early 2000s and pursuing its regrowth strategy. It was the year the Great East Japan earthquake occurred. The earthquake triggered a review of the company's business continuity plans in the event of a natural disaster. However, we have faced an even more unprecedented crisis in the form

of the COVID-19 pandemic over the past three years. As Mr. Fujikawa said, experiencing and overcoming various crises has added depth to the corporate culture and created a foundation for future growth.

Fujikawa At the same time, the company also experienced some issues last year relating to social trust. That spurred the immediate implementation of compliance training throughout the company, including senior management, to instill thorough compliance awareness. The contents of the training were even deeper than the strict compliance programs that I experienced in foreign-affiliated companies.

Ohashi I would like to commend the company for the swift action it took to implement company-wide training and its additional efforts to deepen compliance awareness within the company. The Group has over 2,700 outlets in Japan and overseas, and many employees. Many different events occur on a daily basis, which does generate risks. I feel the important thing is to ensure that the management team has an accurate grasp of these risks and to have swift-functioning response mechanisms in place.

Situation in FY2022 and progress of Medium-term Management Plan

Fujikawa In FY2022, we sought to accelerate regrowth using our selective and concentrated business portfolio. However, the prolonged COVID-19 pandemic delayed the recovery in customer numbers and increases in raw materials and other costs also dampened profits. Providing delicious meals at affordable prices is the bedrock of the Group's business, but we had no choice but to revise prices in FY2022.

Ohashi We are extremely particular about the price of the Yoshinoya beef bowl, but we decided that we could not maintain the quality of our products and services at the original prices given the rising cost environment, and that is why we revised prices. We will no doubt continue to monitor changes in the external environment and implement pricing policies accordingly.

Fujikawa The Group has also been looking at expanding its business portfolio through M&A in order to meet the increasingly diverse range of customers and eating-out needs, but it was unable to do that during FY2022. You can't rush M&A because it involves relationship-building, but you have to be prepared to act swiftly when an opportunity arises if you want to create new business pillars.

Ohashi Having said that, the FY2024 targets of the three-year Medium-term Management Plan of net sales of 180.0 billion yen, operating income of 7.0 billion yen (operating income margin of 3.8%), ROIC of 5.0 or more, and debt-to-equity ratio of 0.6 times or less are based on organic growth that does not include M&A, and I think that the progress made in the first year of the plan has been good.

Fujikawa The Board of Directors and the Management Committee have had multiple discussions about the priority investments laid out in the Medium-term Management Plan, which mainly center around Yoshinoya's conversion to C&C outlets. As outside directors, our job is to represent the interests of shareholders, so it is important to discern the balance of continued investment in establishing C&C stores, which does not necessarily generate short-term returns.

Ohashi That's right. Management has committed to achieving the goals of the Medium-term Management Plan for the benefit of shareholders and other stakeholders and, of course, it needs to work towards that target. However, at the same time, I believe management also has a responsibility to check and debate its management decisions from a long-term perspective with an eye to the future.

Points to discuss in FY2023 Board meetings

Ohashi In FY2023, the second year of the Medium-term Management Plan, while we will likely be subject to certain restrictions in the face of rising costs, we expect the impact of COVID-19 to abate and customers to return. Assuming that to be the case, we will play close attention to management decisions on how hard the accelerator is pressed to speed up potential growth. As Mr. Fujikawa pointed out, the company will need to discuss expanding its business portfolio through M&A and how to best structure the Group.

Fujikawa To optimize management decisions, we must always view issues from a shareholder perspective and consider what measures would increase corporate value. From a human capital management perspective, seeking to raise employee engagement and utilizing human capital in ways that boost corporate value will become increasingly important going forward, and I intend to make meaningful proposals in that area.

Ohashi In addition to pursuing our current Medium-term Management plan, we have also launched the Forum 2040 that is tasked with formulating our next long-term vision. Forum members selected from among our employees through an open recruitment process are developing our future vision in anticipation of what lies ahead. I expect that we members of the Board will join in this process from the second half of FY2023 and exchange opinions at executive camps and other venues.

Fujikawa Last year's executive camp generated some strongly future-oriented discussion on the desired direction of the Group. I believe the themes that were discussed will be reflected in the next long-term vision and I am looking forward to it.

The role of outside officers in improving effective governance

Ohashi The appointment of Mr. Fujikawa brought the number of outside directors to three out of six directors. If to include the corporate auditors, the Board of Directors has a total of five outside members out of ten. The three outside directors ask questions and express opinions that stem from their respective specialist knowledge and experience, and I feel this deepening of the debate within the Board of Directors is very meaningful. (Structure of officers in FY2022)

Fujikawa All five Corporate Governance Code principles warrant their position at the heart of corporate management, but I place particular importance on ensuring appropriate information disclosure and transparency and also on dialogue with shareholders. I strive to earn a solid reputation as an outside director by making proposals that uphold

these principles. Over 70% of our shareholders are individual investors. In other words, we have the ability to collect a wide range of diverse opinions from individual shareholders who are also customers and fans of our outlets, so I think we should take in those views and incorporate them into our management.

Ohashi Our outlets welcome customers on a daily basis, so they serve as key points of contact in a changing business environment. We need to listen to our individual shareholders and our outlet employees and determine ways for management to respond to changing environments. At the same time, as an outside corporate auditor, I recognize the importance of my role in thoroughly checking the company's response to any changes in accounting systems each year.

Our message to all stakeholders

Ohashi The world of corporate management involves a multitude of different opportunities and risks, and sometimes, we are faced with unprecedented and unimaginable events, such as the COVID-19 pandemic. However, if you let fear get the better of you, you will never be able to grow and develop your business. You are expected to manage risks and create opportunities by swiftly grasping any changes and developing accurate responses. We, as outside officers, will support this prudent and resolute challenge with an external perspective and respond to the mandate bestowed by stakeholders to contribute to the Group's future.

Fujikawa The Board of Directors will flexibly apply the accelerator or the brakes through its management decisions in order to simultaneously materialize the Group's For the People business philosophy, expand corporate value, and secure shareholder returns. As an outside director, I will support management decisions by extending effective opinions and proposals and help encourage transparent and sound management. I also want to actively engage with all our stakeholders and receive more of their opinions, so I can help anticipate what is expected of the Group and convey those anticipations to management.

Our Core Values and Value Creation Story

Evolving and Ever-Expanding Values

Our six core values rooted in our Group business philosophy and vision have supported our business development.

Group Business Philosophy

For the People

Our Six Core Values

Tasty, affordable, fast

Tasty means high quality, affordable signifies relative value and efficiency, and fast refers to promptness and delivery time. We will continue to adhere to these values and enhance these elements even further.

Greater number of customers

The number of customers is a scale for measuring customer satisfaction. We will continue to strive to provide satisfaction to as many customers as possible through efforts to increase the frequency of visits and to establish new outlets and businesses to ensure that our products and services are used by a greater number of customers.

Originality

We will maintain our focus on being a distinguished presence with regard to products, services, outlet development, employees, corporate culture, and other aspects, and provide customers a level of satisfaction that only we can provide.

Integrity

We will cultivate a highly transparent, free, and open corporate culture through straightforward discussions based on principles. In addition, we will never permit acts that violate social ethics and compliance, and will continue to maintain integrity.

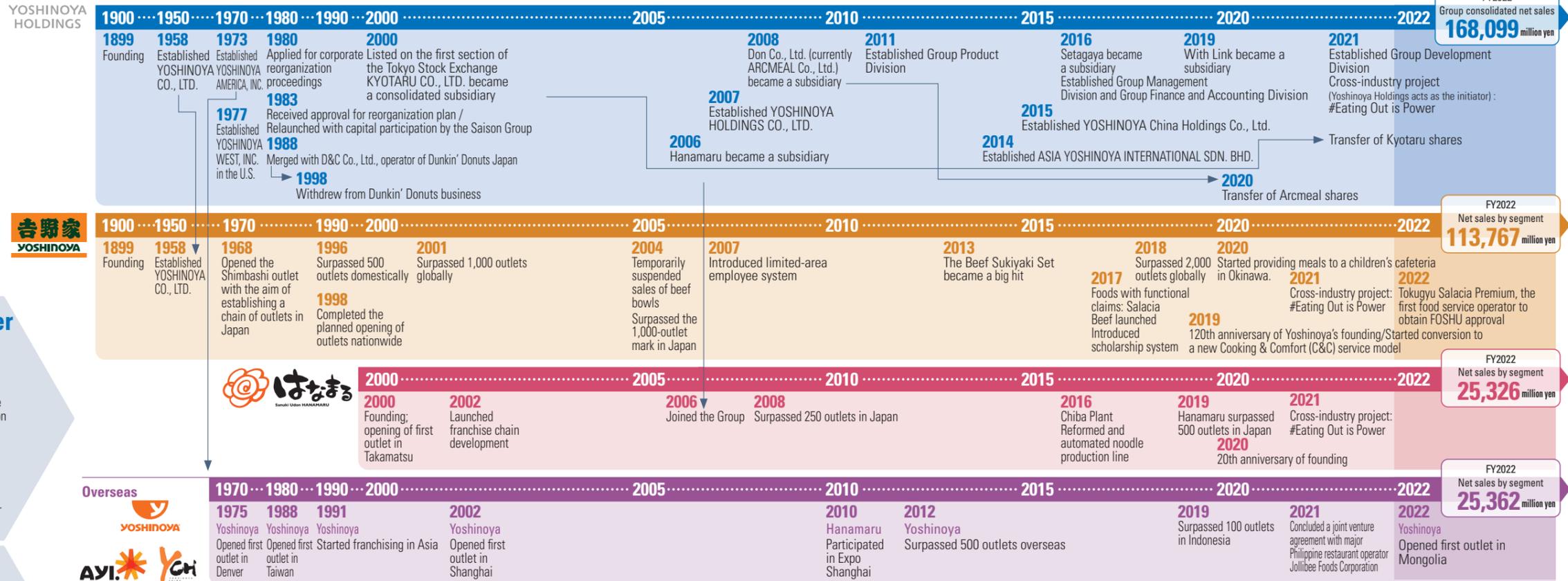
Importance of human resources

Human resources are the most important assets of any company. We will continue to strive to be a group of individuals who are appreciated by society through maintaining aspirations, continuing to learn, and improving our personalities and capabilities.

Challenges and innovation

We will continue to be a group that is never satisfied with the status quo, always attentive to market changes, bold in taking on new challenges, and capable of producing innovations.

Our value creation story and business portfolio transformation



Examples of Value Creation through Business

Yoshinoya 2013

Enjoy a relaxing meal over an open flame

New value in Beef Sukiyaki Set as a hit menu item

Beef Sukiyaki Set is a delicious, hot meal served in a hot pot over a small personal burner. Since its launch in December 2013, it has become a huge hit product with over 90 million sold cumulatively. In addition to the values of tasty, affordable, and fast, which were delivered through our beef bowls, the impact of an open flame and the enjoyment of a relaxing meal have made this a leading product loved by many customers.



Hanamaru 2022

Moving to a renewed growth trajectory while retaining our core philosophy

Delicious Sanuki-style udon enhances brand value

Hanamaru's founding was based on providing delicious Sanuki-style udon noodles along with high quality service. In FY2022, the recovery of customer traffic was delayed due to the prolongation of COVID-19, and Hanamaru set a "return to our roots" as the primary basic policy. We further developed seasonal udon noodles to match summer and winter seasons. We have been improving our dashi based on quality dried sardines, enhancing the quality of our tempura, as well as increasing Hanamaru's brand value.



Overseas 2021

Success in rebranding with large local food service operator

Bringing Yoshinoya quality to the Philippines market

In the overseas business, the joint venture with Jollibee Foods Corporation, the Philippines' largest food service operator, went into full swing, and the rebranding of seven new outlets and renovated outlets generated results in FY2022. We succeeded in providing new value by blending the company's business know-how based on thorough understanding in local markets and Japanese-level products and services developed by the Yoshinoya brand. This is what will drive growth in Asia going forward.



Yoshinoya Holdings' Value Creation Process



Awareness of social issues surrounding the food service industry

- Lack of attention to health
- Decrease in labor force due to population decline
- Concerns about food safety and security
- Short-term perspective on procurement of food ingredients
- Climate change
- COVID-19

Principal capital of Yoshinoya Holdings

Financial capital

- Consolidated net sales: 168,099 million yen
- Net assets: 55,603 million yen

Human capital

- No. of Employees: 2,851
- No. of part-time workers: 12,578
- Group total: 15,429 (Full-time and temporary employees)

Manufacturing capital

- No. of Group factories: 7
- Amount of capital investment: 8,108 million yen

Intellectual capital

- Over 50 years of expertise in chain store operations
- No. of co-created technologies: 26
- Co-creation with health-related organizations: 7
- Co-creation with SDGs-related organizations: 4

Social capital

- 2,726 outlets in Japan and abroad, with 300 million customers annually
- Customer service inquiries: 21,133

Business and financial strategies
Group Medium-term Management Plan FY2022–FY2024
Evolve and regenerate
P19-22/P31-38

Human Resources Strategy
Human capital management
Developing human resources to pioneer the current and future Yoshinoya Group
P23-28

Sustainability strategy
Efforts to address material issues
P29-30/P39-52

Business and financial strategies
We put our three-year Medium-term Management Plan into action to build a foundation for sustainable growth. During the market recovery, with an eye toward "evolution" and "regeneration," we have worked to gain customers while responding to changes in the cost environment. At the same time, we have been striving to improve profitability and capital efficiency while remaining aware of financial soundness and optimal capital structure.

Human Resources Strategy
We promote each employee's growth and success by respecting the diversity and individuality of our personnel to maximize the value provided by the people who make our food service business work. We have been strengthening our training of the next generation of human resources while increasing employee engagement by creating an environment, corporate culture, and organization rooted in our business philosophy of "For the People."

Sustainability strategy
We established five material issues and have been pursuing initiatives that contribute to the materialization of a sustainable society in our value chain, from procurement of raw materials to commercialization, cooking/ services and disposal/ recycling. We have been using technology to come up with solutions to each material issue.

Output	Outcomes
<p>Yoshinoya</p> 	<p>Social value</p> <ul style="list-style-type: none"> Contribute to the development of a society in which a diverse range of people can play active roles Contribute to fulfilling lifestyles by developing value-added products and providing healthy meals Enhance the growth of local communities through global business development Build a sustainable supply chain Address climate change by reducing food loss and co-creating with partners <p>Economic value FY2024 targets</p> <ul style="list-style-type: none"> Consolidated net sales: 180.0 billion yen Consolidated operating income: 7.0 billion yen Operating income margin: 3.9% ROIC: 5.0% or more Debt-to-equity ratio: 0.6 times or less
<p>Hanamamaru</p> 	
<p>Overseas</p> 	
<p>Other</p> 	

An irreplaceable part of the lives of the world's inhabitants

Sustainable growth of Yoshinoya Holdings

Shaping the future of the food service industry

Contribution to SDGs



Corporate Governance

Yoshinoya Holdings' Current Status – Financial and Non-financial Highlights

Financial Highlights



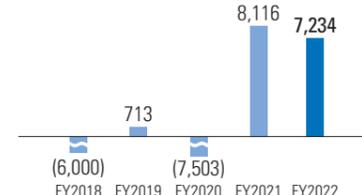
Net sales increased due to gradual recovery in sales of existing outlets after the lifting of restrictions on activities. Net sales increased to 109.4% compared to the previous fiscal year, as we captured the demand for takeout and home delivery service and expanded our channel of frozen beef bowl business.



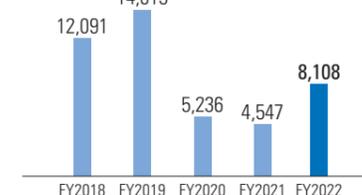
Despite the impact of surge in the prices of raw materials and utility hikes, operating income increased due to the lowered SG&A ratio resulting from the increase in net sales.



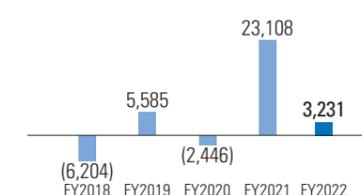
Despite the increase in operating income, ordinary income decreased due to a decrease in the cooperation subsidy for the prevention of COVID-19 from various local governments (13,125 million yen recorded in the previous fiscal year).



Net income attributable to owners of the parent decreased due to the decrease in the cooperation subsidy for the prevention of COVID-19 from various local governments (13,125 million yen recorded in the previous fiscal year).



We are advancing renovation and conversion to a C&C model at Yoshinoya outlets in Japan. We are also proceeding with rebranding outlets overseas, including in the Philippines, the U.S. and China.



Operating cash flow decreased from the previous fiscal year due to the decrease in the cooperation subsidy for the prevention of COVID-19 and an increase in corporate income taxes. In addition, capital expenditure increased due to resumed investing activities.



The repayment of loans payable has helped to improve the financial soundness of the company. The equity ratio reached 50.9%. We will strive to further strengthen the resilience.



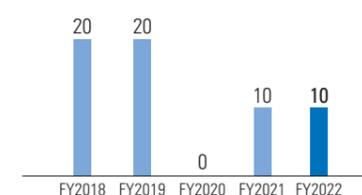
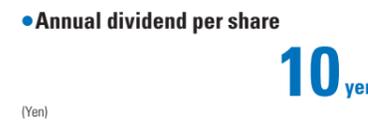
The net debt-to-equity ratio was 0.0 times due to the repayment of loans payable and accumulation of net assets resulting from the improvement in operating income margin.



Although operating income increased due to the growth in net sales and the appropriate expense control, ROE resulted in 14.0% due to the decrease in the cooperation subsidy for the prevention of COVID-19.



In addition to the recovery in profitability, a decrease in interest-bearing debt, the ongoing review of the business portfolio, and the recording of non-recurring revenue from the cooperation subsidy for the prevention of COVID-19 led to improved asset efficiency, resulting in a 7.9% ROA.

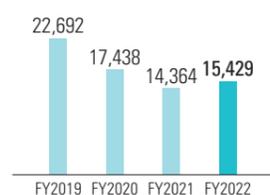


The future outlook continues to be uncertain due to factors such as surge in the prices of raw materials and utility expenses. We will strive to increase operating income through growth investments.

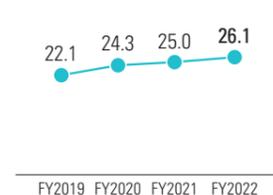


We implemented an approach toward recovering sales of existing outlets both in Japan and overseas. The number of outlets totaled 1,763 in the domestic segment (including other businesses) and 963 in the overseas segment, resulting in a group total of 2,726 outlets.

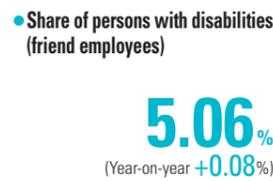
Non-financial Highlights



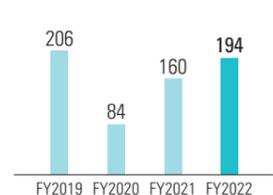
The number of employees and part-time workers increased by 1,065 compared with the previous fiscal year due to reinforced recruitment activities and promotion of activities for preventing the employee turnover. We will further step up recruitment activities to expand new outlet openings.



We strive to create a work environment where female employees can feel secure and work with a sense of pride, and have introduced a quota system at Yoshinoya. We will work aggressively toward the numerical target of a 30% share of women in management positions by the end of FY2025, as stipulated in the implementation plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace.



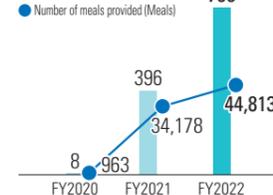
Amid the accelerating trend toward AI and mechanization, Yoshinoya Holdings considers people to be the source of value. The Group opens its doors to all people and provides opportunities for them to live as they wish, making the most of their individuality and diversity.



A variety of rank-based education and training programs are offered, including training for store managers and executives. We conducted the compliance training program targeting all employees including officers and department heads in the Group. Training programs were resumed in Hanamaru as well. We will continue to expand growth opportunities for our employees.



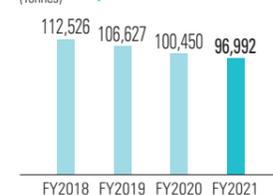
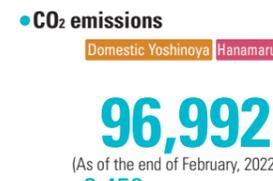
The health checkup attendance rate among employees and part-time workers of the Group's domestic operating companies has remained high at 89.1%. As part of our Wellness Management policy to ensure the mental and physical well-being of our employees, in 2022, we subsidized the expense of cancer screening tests for employees. As such, we are striving to improve employee health literacy.



We believe that child poverty is a critical social issue that must be resolved. Yoshinoya and Hanamaru continue to provide meals to children's cafeterias in order to offer children hot meals and the chance to enjoy eating.



Yoshinoya will work on achieving a target of reducing the use of specified petroleum-based plastic products by half (in weight per unit sales) by the end of FY2030.

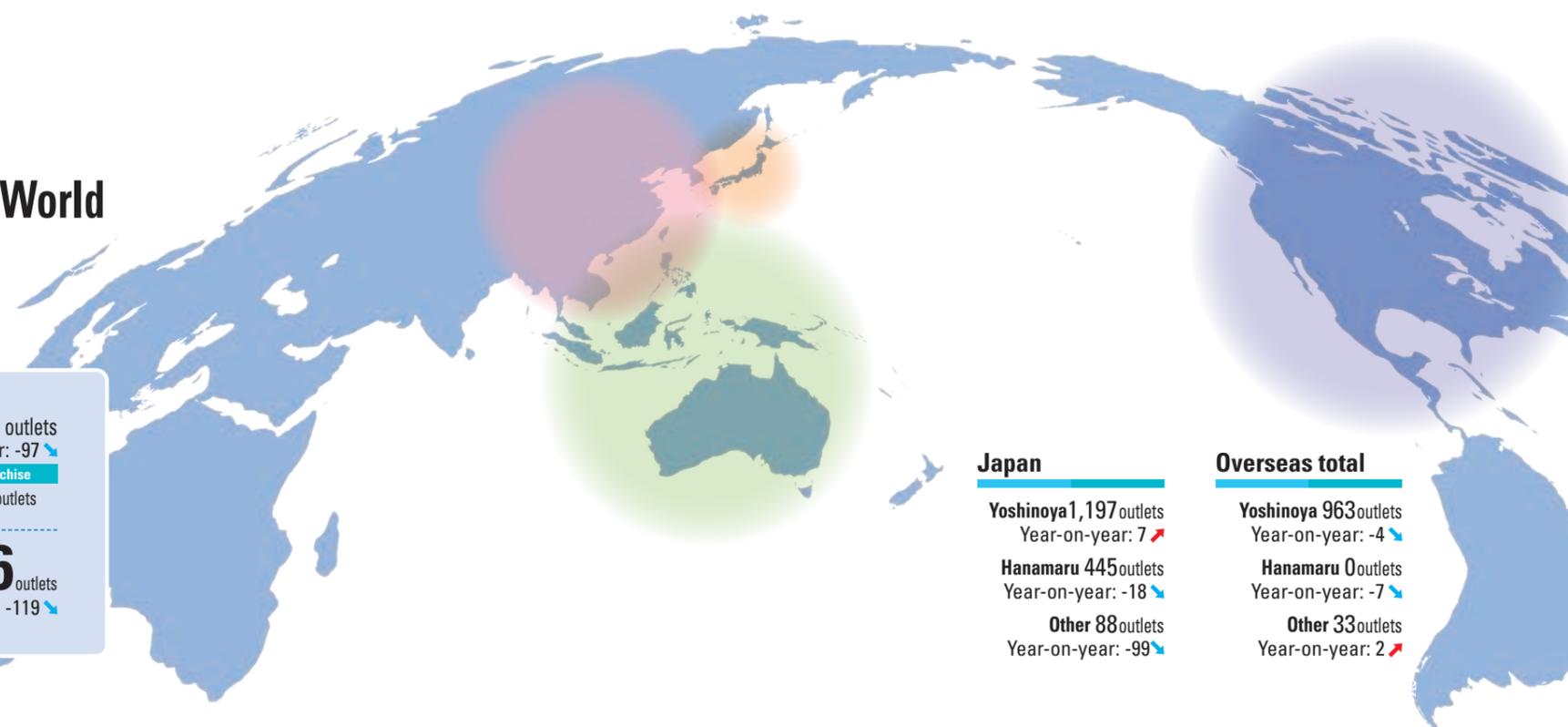


We are promoting measures in line with the environmental impact reduction targets of each country. In our domestic operations (including Yoshinoya, Hanamaru, and factories), we are striving to reduce energy consumption in accordance with the guidelines set by the government.

Yoshinoya Holdings' Current Status - Global Expansion

Delivering the Value of Deliciousness from Japan to the World

Through market strategies that satisfy the needs of each country and region, the Group's outlets are visited by 300 million customers annually. Our pursuit of taste and service will continue to expand beyond national borders.



Number of outlets by brand (global total)	Yoshinoya 2,160 outlets Year-on-year: 3 ↑		Hanamaru 445 outlets Year-on-year: -25 ↓		Other 121 outlets Year-on-year: -97 ↓	
	Directly operated	Franchise	Directly operated	Franchise	Directly operated	Franchise
	1,411 outlets	749 outlets	365 outlets	80 outlets	56 outlets	65 outlets
Total (all brands)	Directly operated 1,832 outlets	Franchise 894 outlets	Total 2,726 outlets		Year-on-year: -119 ↓	

Japan	Overseas total
Yoshinoya 1,197 outlets Year-on-year: 7 ↑	Yoshinoya 963 outlets Year-on-year: -4 ↓
Hanamaru 445 outlets Year-on-year: -18 ↓	Hanamaru 0 outlets Year-on-year: -7 ↓
Other 88 outlets Year-on-year: -99 ↓	Other 33 outlets Year-on-year: 2 ↑

Japan

Total number of Group outlets: **1,730**

Brands: Yoshinoya, Hanamaru, Setagaya, Bariuma, Tori-Sen, Senkichi, etc.

FY2022
Net sales of area chain **149.8 billion yen**

The Group is expanding outlets, primarily Yoshinoya, which has been in business for 124 years delivering its renowned beef bowls and Hanamaru, a Sanuki-style udon restaurant. To attract new customers, Yoshinoya is undertaking renovation to a C&C model. For global expansion, we are developing ramen brands such as Setagaya and Bariuma.



U.S.

Total number of Group outlets: **103**

Brands: Yoshinoya, Setagaya

FY2022
Net sales of area chain **19.6 billion yen**



The Company's first expansion into the U.S. was in 1975, when it opened its first outlet in Denver. We operate outlets mainly on the West Coast, and have expanded from the conventional outlet model to Japanese-kitchen-style outlets offering made-to-order dishes, gaining the support of new customers.

Countries in ASEAN / Australia

Total number of Group outlets: **201**
(199 in ASEAN and 2 in Australia)

Brands: Yoshinoya, Bariuma

FY2022
Net sales of area chain **8.8 billion yen**

We consider the Philippines, where we expand business with Jollibee Foods Corporation, as one of the areas where we can expect the highest growth resulting from the demographic bonus. With Link is also expanding its ramen restaurant business, and we are promoting the expansion of franchise outlets.



China / Taiwan / Mongolia

Total number of Group outlets: **692**

Brands: Yoshinoya, Bariuma

FY2022
Net sales of area chain **46.9 billion yen**



Broad-based development of directly operated outlets and franchise outlets is pursued under the management of YOSHINOYA China Holdings Co., Ltd. and Taiwan Yoshinoya Co., Ltd. Focusing on training local personnel, we have integrated ourselves into local communities with menus tailored to each area while maintaining our commitment to Japanese-quality taste and service. We have also advanced into Mongolia.

Group Medium-term Management Plan

Group Medium-term Management Plan FY2022–FY2024

We are currently progressing our Group Medium-term Management Plan FY2022-FY2024, which is designed to expand the Group's operations in the post-Covid world by pursuing the themes of evolution and regeneration.

Basic policy for the Medium-term Management Plan

- Promoting structural change during the COVID-19 pandemic and seeking to **evolve** and **regenerate** our business.
- Improving the efficiency of invested capital by evolving existing businesses and strengthening growth businesses.

FY2022 - FY2024 Medium-term Plan Themes

Evolve and regenerate

Basic policy: Improve invested capital efficiency

Heighten
Evolve existing businesses

Extend
Strengthen growth businesses

Increase
Seek M&A opportunities

Deepen group management

Human resource development, capacity building, and diversity

Sustainability initiatives

Progress during first year and outlook for second year

- **Net sales:** Rose 9.4% year on year as sales at existing outlets in Japan steadily recovered following the lifting of priority measures to prevent the spread of COVID-19. Sales measures proved successful and conversion of Yoshinoya outlets to C&C format also helped drive sales.
- **Number of outlets:** Decreased by 119 year on year due to the reorganization of unprofitable Hanamaru outlets and a review and stagnation of overseas outlet openings in the wake of COVID-19.
- **Operating income:** Increased by 45.2% year on year even in the face of soaring raw materials prices and utility costs thanks to thorough cost management and effective pricing policies.
- **ROIC and debt-to-equity ratio:** ROIC increased 1.0% and the debt-to-equity ratio declined to 0.4 times thanks to higher operating income and lower interest-bearing debt.

		FY2021	FY2022	Evaluation and initiatives	FY2023 plan	FY2024: Final year of Medium-term Plan
Net sales	(Billions of yen)	153.6	168.0	<ul style="list-style-type: none"> • Strengthening sales promotions, expanding sales channels • Converting to C&C outlets • Pursuing flexible pricing policies 	176.0	180.0
Number of outlets		2,845	2,726	<ul style="list-style-type: none"> • Closing unprofitable stores • Reviewing opening of overseas outlets 	2,819	3,120
Operating income (margin)	(Billions of yen) (%)	2.3 1.5	3.4 2.0	<ul style="list-style-type: none"> • Higher gross profit • Appropriate cost controls 	4.6 2.6	7.0 3.9
ROIC	(%)	1.9	2.9	<ul style="list-style-type: none"> • Improving operating income margin • Optimizing investment efficiency • Selling idle real estate 	4.0	5.0
Debt-to-equity ratio	(times)	0.7	0.4	<ul style="list-style-type: none"> • Accumulating net assets • Optimizing our capital structure 	0.4	0.6

Management policy for FY2023

In FY2023 (the year ending February 2024), the whole Group will seek to turn things around and start full scale measures to attract more customers. The Group views the number of customer visits as a barometer

of support from customers and the average purchase price as an evaluation of customer experience. We will seek to maximize sales by developing measures to attract more customers.

Focus on number of customer visits
Attracting customers is paramount

Barometer of support from customers

Evaluation of customer experience

$$\text{Net sales} = \text{customer visits} \times \text{average purchase price}$$

Attracting more customers by improving customer experience

Improving customer frequency

- Excite and satisfy customers by shifting from a quality, service, cleanliness (QSC) model to a quality, hospitality, atmosphere (QHA) model
- Use attractive TV, anime, or other characters for marketing through intellectual property licensing
- Pursue promotions that heighten lifetime value

Strategy for securing new customers

- Convert to C&C outlets at Yoshinoya
- Develop attractive new products and seasonal products

Yoshinoya
Scorched green onion yakitori bowl launched in April 2023



Hanamaru
Develop hot or cold noodles to suit the season



- Develop campaigns to attract women, families, and young people
- Approach young people by conveying information on our app and social media
- Make our *karaage* fried chicken the second pillar product at Yoshinoya after the beef bowl
 - Reduce cooking time through recipe and operational alterations
 - Increase number of outlets selling *karaage* fried chicken items from the current 62%.



Utilizing digital technology

- **Yoshinoya:** Expand introduction of tablets for takeout and in-store orders
- **Hanamaru:** Introduce takeout systems in 100 outlets.
- Establish the Group Digital Technology Promotion Division

P29-30

See our digital transformation (DX) strategy

Overseas strategy

- **U.S.:** Planning two new outlets and 15 renovations
 - Shift branding to emphasize the Japanese touch
 - Product strategy that evokes an image of Japan
 - Introduce dual-line kitchens that enable the simultaneous cooking of products for drive-through takeout customers and products for in-store diners



Drive-through
Shorten waiting time and improve productivity
Dual-line kitchens



Product strategy that evokes an image of Japan

- **China:** Expand new models in Shanghai
- **The Philippines:** Open seven new model outlets
- **Ramen business category:** Planning the first outlet for the Group in Europe
 - Approached overseas partners, signed contract with franchise owners in UK

Expanding users of shared restaurants

- Since the service was launched in 2020, 553 users opened a restaurant business in roughly three years → Turned a profit in FY2022
- Actively attracting new users through dynamic pricing and additional scouting functions

Developing new business formats

- Seek M&A opportunities
- Opened first "Karubi no Toriko" Yoshinoya sister outlet in February 2023 → Plan to open a second outlet
- Develop more new businesses in-house

The "Karubi no Toriko" fast casual restaurant serves Korean-style Kalbi rib bowls and spicy tofu stew



Financial and Capital Strategy

Improve profitability and capital efficiency by employing financial strategies that are driven by the power of people



Norihiro Ozawa

Managing Director
YOSHINOYA HOLDINGS CO., LTD.

Financial soundness and optimal capital structure

Expand financing methods to promote leverage-driven growth

We are pursuing a medium-term financial strategy for the post-covid world based on our four policies of sustainable profit growth, maintenance of financial soundness, improvement of invested capital efficiency, and continuation of shareholder return measures.

In terms of financial soundness, we had already noted some weakness prior to the pandemic. However, we experienced sharper, more sudden fluctuations in our financial position from FY2020 onwards due to the spread of infections. As a result, we spent the following two years pursuing defensive financial activities to regain financial soundness. Then, in FY2022, the third year of the pandemic, we implemented capital policies that balanced an offensive growth investment stance with defensive financial discipline, and shifted our focus from regaining to maintaining financial soundness.

Yoshinoya Holdings management is strongly aware of the cost of capital and always pursues the optimal capital structure. The improved operating income margin has helped accumulate net assets and optimize borrowings. As a result, the equity ratio increased from 30.0% in FY2020 to 42.9% in FY2021 and then to 50.9% in FY2022 and the debt-to-equity ratio came at 0.44 times in FY2022, which was lower than the maximum 0.6 times stipulated in the Medium-term Management Plan.

Given our current level of financial soundness, we want to expand our financing options to include bank borrowing, corporate bond issuance, and equity financing so we can focus more strongly on leveraged growth investments. In terms of specific developments, we secured a rating in FY2022 and are now ready to issue corporate bonds.

Our approach for improving capital efficiency

Promote ways as the finance department to increase our invested capital turnover rate

We seek to improve capital efficiency through financial measures based on return on invested capital (ROIC). Our Medium-term Management Plan stipulates a FY2024 consolidated target for ROIC of 5% or higher. In FY2022, we achieved ROIC of 2.9%, up from 1.9% in FY2021, thanks to higher operating income and lower levels of interest-bearing debt.

Given that ROIC is the product of the operating income margin (after tax) and the invested capital turnover rate, the most effective and feasible way for the finance department to improve ROIC is to concentrate on

increasing the investment capital turnover rate. With that in mind, in FY2022, we liquidated idle real estate assets and other non-business assets to help optimize our balance sheet. We also sold stakes in overseas investments in line with our business portfolio review, and shortened cash conversion cycles to reduce working capital requirements.

In terms of asset management, in order to ensure the efficient use of fixed assets acquired through the opening or renovation of outlets, the Group has been using cash flow return on investment (CFROI) as a

common metric for the Group since FY2022 and requiring a certain level of cash to be held against invested capital in order to evaluate the profitability of individual outlets. This has helped greatly increase the success rate of outlet openings and renovation.

On the other hand, measures taken to improve ROIC from the business side would be to improve profitability, but this did not prove sufficiently successful due to the deterioration in the cost environment in FY2022. We expect a wider improvement in profit growth and an improvement in the operating income margin in FY2023 when the COVID-19 pandemic is expected to subside.

Growth investment: Current situation and future outlook

Accelerate investment in existing businesses, scrutinize terms of M&A deals

Regarding our pursuit of sustainable growth, we have declared a total target EBITDA of 35.0 billion yen over the three years of the Medium-term Management Plan as a measure of the Plan's success, and we plan to channel 40.0 billion yen into growth investment, which is even higher than the EBITDA figure. That 40.0 billion yen figure consists of 30.0 billion for growth investment in existing businesses, such as the conversion of Yoshinoya outlets to the C&C model, and 10.0 billion yen for inorganic growth investments, such as M&A.

We generated EBITDA of 9.8 billion yen in FY2022, the first year of the Medium-term Plan. While this is higher than the previous year's figure of 8.9 billion yen, we need to increase it even further over the remaining two years.

We invested 8.1 billion yen in existing businesses in FY2022, primarily in the opening and renovating of C&C outlets. In the first half of FY2022, things did not always proceed as planned due to issues with procuring materials and equipment and securing renovation contractors. However, things started to run more smoothly from the second half of FY2022, and we intend to invest over 10.0 billion yen in FY2023.

M&A does not always proceed as planned due to the fact that we have to build relationships with the other party and the timing has to be right.

However, various things are percolating in the background. Previously, we tended to consider M&A deals that were already present in the market, but now, we are also actively approaching potential M&A partners if they match our strategic aims. When pursuing M&A, we focus on three factors: appropriate economic conditions, the creation of synergies, and growth areas, with the aim of developing our ramen noodle business format as a new business pillar and diversifying our business portfolio. We seek M&A candidates that exhibit similar average spending per customer and new outlet investment costs to our own existing businesses.

Regarding growth investments in overseas markets, we introduced a model outlet in the U.S. based on the new concept of dual-line kitchens that seek to shorten serving times for drive-through customers as well as restaurant diners and takeout orders and to increase sales during peak hours. We also developed a joint venture with Jollibee Foods Corporation in the Philippines. We renovated one outlet based on the new concept model in the U.S. in FY2022. Having confirmed that the model is highly effective, we now plan to introduce the model into 15 outlets in FY2023. We renovated three outlets and opened four new outlets through the Jollibee joint venture in FY2022 and conducted a successful rebranding. We plan to open seven outlets in FY2023.

Achieving overall optimization and profit improvement

Financial strategy clearly propelled by the power of people during the pandemic

Recently, we applied group financing to our domestic operating companies to encourage a more efficient procurement and management of funds, and we worked to visualize and improve efficiency of our cash management operations by using a Group cash management system (CMS). Conversely, for our overseas operating companies, we optimized funding efficiency within the Group by implement financial controls, while also seeking to share funds and centralize financing activities in each area. Going forward, we intend to expand the application of group financing to overseas operating companies and to further optimize the overall resource allocation by concentrating surplus funds to the holdings company and appropriately allocating them.

If we look back over the with-Covid environment of the past three years, we responded to the emergency measures induced by the rapid

spread of infections in FY2020. Then, in FY2021, we sought to overcome the crisis and build resilience, with all operating companies working together to reduce break-even points and secure profits. In FY2022, we dealt with the rapid deterioration in our cost environment due to the prolonged pandemic. We worked to improve elements that could not be covered by raising prices and managed to generate higher earnings. This was all due to the hard work of our sales staff, including staff and employees working in our outlets, area managers, and supervisors. This made me realize that financial strategy is indeed propelled by the power of people.

We will continue to strive to enhance corporate value by formulating and implementing effective financial strategies.

Human Resources Strategy

Developing human resources to pioneer the current and future Yoshinoya Group

The Yoshinoya Group's human resources strategy is inspired by our "For the People" business philosophy. As part of our commitment to ensuring our doors remain open to many different people, we view all employees as potential executive candidates. We also pursue a unique human capital management approach that offers equal training opportunities and strives to create a rewarding working environment, culture, and organization and realize sustainable growth.

Human resources development The Yoshinoya Group considers all employees as potential executive candidates and provides everyone with fair and equal training opportunities. We provide our staff with challenging opportunities and specialist training and actively reassign employees to support personal growth. We also invest the necessary funds and create the necessary environments for promoting growth and learning.

Improving internal environments The Group promotes diversity and inclusion, encourages a good work-life balance, and pursues wellness management to ensure all employees can enjoy strong physical and mental health and work in a safe environment.



We seek to build strong human resources by actively investing in talent development and career building that focuses on helping individual employees demonstrate their full capabilities and promoting long-term growth.

Encourage the transfer from part-time to full-time employees

- Conduct monthly tests for change of employment status

Enhance our training programs and educational tools

- Help employees develop their own career paths by providing training opportunities tailored to their individual career stages
- Frameworks for supporting self-study and the acquisition of specialist knowledge and skills
- Discover and deliberately reassign executive candidates to set them on an executive career path, move employees from restaurant outlets to head office departments
- Assign the right person for the right job within the Group, encourage active personnel exchanges, and nurture next-generation leaders by creating a database for human resources information

Improve cooking, customer service, and operational skills

- Video-based training tools for cooking and work processes
- Hold technical competitions for employees working in our restaurant outlets

Education and training for attracting talented foreign personnel and acquiring skills required for management candidates

- Train and nurture talented foreign personnel in Japan
- Dispatch managers of Japanese outlets to study language overseas

Identify and train next-generation management teams

- Offer in-house interview program and "real-team training"
- Expand knowledge through external activities such as cross-industry exchange research, industry-academia collaboration programs, and dispatch to business schools.

Realizing diversity and inclusion to enable people to grow and thrive

Material issues

Group Business Philosophy

For the People

Promote a good work-life balance

Practice diversity and inclusion

We have introduced and implemented employee leave systems to enrich our employees' private lives as well as communication measures to improve employee interaction and relationships. We also pursue wellness management after having positioned the mental and physical health of our employees as one of our key management pillars.

Work styles that facilitate self-fulfillment

- Encourage part-time workers to take paid leave
- Offer scholarships for part-time workers
- Offer long-term service awards based on years of service

Improve internal communication

- Hold store managers' meetings (employee assemblies) twice a year
- Hold roundtable discussions between the president and store managers
- Offer summer workplace visits for outlet managers with children of elementary school age or younger

Wellness management

- Conduct regular health checks for employees including part-time workers
- Offer dietary and lifestyle guidance apps

We respect the diversity and personal characteristics of our people and strive to maximize each person's individual strengths. As part of that commitment, we seek to develop as a company that enables all employees to demonstrate their full potential and play an active role while also fostering mutual trust. We will continue to use the diversity of knowledge that different individuals bring to the table to develop a more resilient response to change, create innovative new value, and solve issues for our customers and society at large.

Our five guiding principles for encouraging diversity and inclusion

1. To understand and respect individuals
2. To promote universal success
3. To uphold fair and equal support practices
4. To build trust
5. To emphasize independent and challenging spirit

The advancement of women in the workplace

- 2025 targets: Female full-time employees: 30%, women in management positions: 30%
- Support different work styles by offering childcare leave, shortened working hour system, and help with returning to work after maternity leave

Nurturing talented young managers

- Pursue quota system to ensure at least 30% of executive candidates (managers) are 35 years of age or under

Employ personnel with disabilities, who we call "friend employees," and promote the active participation of seniors aged 60 or over

- Manage employment of friend employees by the Employment Promotion Committee

Human Resources Strategy



Maximize the performance of our people and our organization, by creating an environment, culture, and organization that enables employees and the company to grow in tandem

Kazuhiro Mizojiri

General Manager, Group Human Resources Strategy Department
YOSHINOYA HOLDINGS CO., LTD.

The role and function of the Group Human Resources Strategy Department

I became a member of the Group Human Resources Strategy Department in 2019 and was appointed General Manager in December, 2022. I am involved in setting the human resources strategy for Yoshinoya Holdings and its domestic operating companies. The Department's mission is to maximize the performance of our people and our organization, and to form a group of talented personnel who can lead the future and current Yoshinoya Holdings. We aim to achieve sustainable corporate growth and give back to the broader society by creating an environment, culture, and organizational framework that enables our employees and our organizations to grow together. We also seek to provide fair growth opportunities that give all employees the chance

to become a next-generation leader who can anticipate future change, and we encourage all our employees to play an active role in a wide range of fields by doing everything we can to ensure they remain in good health and are satisfied and enthused by the jobs they are doing.

I work with the Group's senior managers to determine the priority of the Group Human Resources Strategy Department's four key functions, namely human resource development, organizational development, system development, and appointing the right person for the right job. I propose measures and manage the overall systems together with the Group Management Division and individual Group companies.

Nurturing talent according to our For the People business philosophy

Our ultimate aim is to create a sustainable pool of human resources who can manage the future of the Yoshinoya Group based on our For the People business philosophy. That means considering diversity and inclusion from the hiring stage, supporting diverse employee career-building, and building an environment that enables all personnel to acquire the skills they need and to fully demonstrate their capabilities.

The Yoshinoya Group views all employees as potential executive candidates and provides them with equal training opportunities. We invest

in necessary growth and learning activities and build the appropriate environments by offering employees with the opportunity to take on challenges and further enhance their personal growth, providing the necessary training for highly specialized positions, and actively reassigning employees to maximize their potential. Our company is unique in terms of its determination to keep its doors open to everyone.

Our strategic human resources concept and relevant initiatives

In FY2021, we established the Human Resources Council with Yoshinoya Holdings' management from the executive officer level upwards serving as members. In order to identify and train next-generation management teams, the Council recommends and deliberately reassigns candidates to set them on an executive career path and actively promotes younger employees. Council members share information about the human resources in their respective departments, discuss development priorities within the Group, and consider and decide the appointment of the right person to the right job.

The Council also confirms the operation of quota systems and fixed-term appointment systems at operating companies and departments and discusses how systems should be operated based on our strategic human resources concept.

The Group Human Resources Strategy Department profiles all Group employees and strives to achieve a high degree of accuracy when proposing the right person for the right job based on their professional experience.

What we expect from our Group employees

The skills and expertise that our employees acquire through our Group business, such as the operation and management of outlets or area management, can be applied to a wide range of positions in the restaurant industry, so our employees boast a high market value in terms of human resources. I hope that everyone who works in the Yoshinoya Group understands that fact and strives to develop as Yoshinoya Group-trained

personnel who are capable of looking beyond the boundaries of their own company and playing an active role in the world.

I believe that enhancing and utilizing the value of our human resources in this way will help implement our For the People business philosophy. I also believe that the role of the Group Human Resources Strategy Department is to create a corporate culture that helps our employees understand and apply that philosophy in their everyday work.

Human resources strategy roadmap

By function	Main purposes	Through 2021	2022	2023	2024	From 2025
Human resource development	<ul style="list-style-type: none"> External orientation Leadership Improving skills 	<ul style="list-style-type: none"> Cross-industry exchanges Industry-academia collaboration Study abroad 	<ul style="list-style-type: none"> Holding forum meetings Business school 	<ul style="list-style-type: none"> Cross-industry exchange Industry-academia collaboration Yoshinoya private school 	<ul style="list-style-type: none"> Secondments Reassigning candidates for next-generation management teams 	<ul style="list-style-type: none"> Reassigning candidates for next-generation management teams
Organizational development	<ul style="list-style-type: none"> Understanding yourself and others Team building Organizational analysis 	<ul style="list-style-type: none"> Real-team training Box seminars Interview programs 	<ul style="list-style-type: none"> Improving outlet staff retention Interview programs Organizational diagnosis 	<ul style="list-style-type: none"> Improving outlet staff retention Interview programs Business philosophy 	<ul style="list-style-type: none"> Histological diagnosis Age-specific training 	<ul style="list-style-type: none"> Family training for each department
System development	<ul style="list-style-type: none"> Work style reform Diversity and inclusion 	<ul style="list-style-type: none"> Term of office Evaluation systems Quota systems 	<ul style="list-style-type: none"> Regulations governing executive remuneration G6/G7 wage regulations 	<ul style="list-style-type: none"> AMSV training for new employees Education and training systems (standard and selective) 	<ul style="list-style-type: none"> Consider quota system for 2025 and onwards Fixed term systems (develop for each department) 	<ul style="list-style-type: none"> Extending the age of retirement Retiring from specific positions
Assigning the right person to the right job	<ul style="list-style-type: none"> Managing human resources information Information sharing 	<ul style="list-style-type: none"> Launch of the Human Resources Council Human resources profiling Introducing Kaonavi talent management system 	<ul style="list-style-type: none"> Departmental hearings Visualizing strategic talent 	<ul style="list-style-type: none"> Human resources profiling Strengthening Kaonavi operation Scrutinizing the talent pool 	<ul style="list-style-type: none"> Reconfirming job size measurements 	<ul style="list-style-type: none"> Organizing requirements by department

FY2022 quantitative human capital data

Practice diversity and inclusion	Percentage of female employees	Group (consolidated) ¹	29.6%
		Japan operations ²	20.5%
	Percentage of women in management positions	Group (consolidated) ¹	26.1%
		Japan operations ²	9.6%
	Percentage of childcare leave taken ²	Men	33.3%
		Women	100.0%
	Number of employees using shortened working hour system upon returning to work after maternity leave ²		2
	Percentage of employees with disabilities (friend employees) ³		5.06%
			*Statutory employment rate: 2.30%
	Number of employees aged 65 years or over covered by social insurance ²		292
Promote a good work-life balance	Male-female average wage differential ² (ratio of female wage to male wage) and average length of service ²	Department heads	85.1%
		Men	25.0 years
		Women	21.9 years
		Management positions (area managers, etc.)	94.3%
		Men	20.2 years
		Women	15.9 years
Human resource training and career-building	Percentage of paid leave taken ²	Employees	59.3%
		Part-time workers	76.5%
	Number of scholarship recipients (total) ⁴		23
	Ratio of employees receiving regular medical checkups (including part-time workers) ²		89.1%
	Ratio of employees undergoing stress checks ⁵		58.5%
	Percentage of employees recording high stress levels in stress tests ⁵		20.2%
	Employee turnover rate (within three years of joining the company) ²		43.6%
	Number of employees (including part-time workers) ¹	Total	15,429
		Men	7,637
		Women	7,792
Number of foreign employees ²	Employees	53	
	Part-time workers	1,666	
Number of nationalities ²		31 countries worldwide	
Percentage of employees with part-time work experience ²		79.9%	
Percentage of employees with part-time work experience in important positions (officers and department heads) ²		45.6%	
Percentage of managers aged 35 and under ²		4.0%	
Number of hours of education or training per employee ²		28.7 hours/year	
Educational investment per employee ²		51,697 yen/year	
Number of training sessions conducted ²	Training for officers and department heads		20 times
	Selective training and external training		30 times
	Training for store managers		144 times

*1 Consolidated results for the Group (including overseas businesses)

*2 Results across three companies: Yoshinoya Holdings Co., Ltd., Yoshinoya Co., Ltd., and Hanamaru Inc.

*3 Results across four companies: Yoshinoya Holdings Co., Ltd., Yoshinoya Co., Ltd., Hanamaru, Inc., and Sankosha Laundry Center, Inc.

*4 Results for Yoshinoya Co., Ltd.

*5 Results across two companies: Yoshinoya Holdings Co., Ltd. and Yoshinoya Co., Ltd.

Human Resources Strategy: HR Management Debate



General Manager, Human Resources
Department, Group Management Division
YOSHINOYA HOLDINGS CO., LTD.

Nozomi Oikawa

Ryugo Kamimoto

Executive Officer, Hanamaru, Inc.,
Director, Joy and Happiness Research Institute
General Manager, Hanamaru Management
Department, Group Management Division
YOSHINOYA HOLDINGS CO., LTD.

We will enhance synergies and pursue strong human capital management through our Group human resources strategies.

Human capital at the Yoshinoya Group: Features and issues

Oikawa The Yoshinoya Group human resources strategy is centered around two main themes: ensuring the quality and quantity of human capital required, and promoting diversity and inclusion. These goals are of the utmost importance to us in the restaurant industry. How we acquire diverse human resources and help them fully demonstrate their talents is key to our future human resources strategy.

Kamimoto Recruitment is important for solving issues with securing sufficient high-quality human resources. Yoshinoya has a very distinctive recruitment policy, doesn't it?

Oikawa Roughly 80% of Yoshinoya staff start off as outlet workers and then move up to become full-time employees, which I feel helps foster a high retention rate and strong company spirit. Both our company chairman, Shuji Abe, and our company president, Yasutaka Kawamura, started out as outlet staff, then became outlet managers and finally moved on to senior management, so that could be a big factor.

Kamimoto With staff with restaurant experience who then become full-time employees, we don't have to start with outlet training as we do with new hires and mid-career hires. Instead, we can spend more time educating them on the knowledge, approach and the problem-solving ability required for people-driven businesses, which, in some senses, can be preferable. At Hanamaru, half our staff has experience in outlet operations and half don't. Employee retention is high among those who moved from outlet staff to full-time employees, but it can be hard to secure part-time or temporary workers as outlet staff in the first place.

Oikawa That is a common issue for the restaurant industry. We have to focus on how to increase our engagement with outlet staff to improve retention of existing outlet staff. Promoting face-to-face communication and verbal evaluations are important ways of encouraging outlet staff because comfortable communication in the

workplace encourages long-term employment. We do not leave these tasks entirely to our outlet managers. Instead, we discuss them with our sales department and implement detailed measures to inspire greater engagement. Regarding our overall human resources training, we provide educational training and education tools that are tailored to the appropriate stage for each individual staff member to help build an environment in which every employee can fully demonstrate their capabilities.

Kamimoto Naturally, we focus on human resources development at Hanamaru too, but we also focus on internal communication at our factories and outlets to increase engagement and encourage people to stay with us. We too need to reduce the burden on outlet managers regarding the securing and nurturing of outlet staff. Outlet managers conduct interviews as part of the hiring process, but we support them by producing videos outlining the main points and required expertise and by generally sharing information to make the process more efficient.

Oikawa Regarding the other important theme, namely diversity and inclusion, we followed Hanamaru's lead, which was ahead of the curve in terms of encouraging female advancement in the workplace, and began developing measures and exchanging information with observers to promote diversity in 2016. FY2022, the third year of the pandemic, has proved a year for strengthening KPIs and systems for encouraging the advancement of women. So, from FY2023, let's strengthen cooperation between Yoshinoya and Hanamaru to further empower women and enhance synergies.

Kamimoto That is a great idea. Regarding one other point, Hanamaru became increasingly aware of the ratio of female executives while working on the disclosure of quantified human capital data. The ratio of

female outlet staff is higher than Yoshinoya and the ratio of female full-time employees is close to 30%, but the proportion of female executives is less than 10%. We need to investigate what is preventing the promotion of female employees to executive positions and how to eliminate those barriers. We intend to clarify these issues as we promote a better work-life balance going forward.

Oikawa Even if a company does promote the appointment of female executives and has many highly talented female employees, as long as

women are getting pregnant, having children, or experiencing other specific female life events, there will always be cases where it proves difficult for women to continue working or to advance their careers. We need to create a variety of work styles that enable people to demonstrate their abilities regardless of their age or gender. We will continue to strive to achieve a high level of employee satisfaction by, for instance, creating role models that employees can aspire to, and to develop as a company where all participants can play an active role.

Issues discovered after diagnosing our organizational culture and the importance of our For the People business philosophy

Oikawa I am in charge of human resource development at Yoshinoya Holdings and Yoshinoya Co., Ltd. We assess organizational culture once every two years, with the most recent assessment having been conducted in October to November 2022. This assessment was the first to be conducted during the pandemic, but we did not see any significant change in employee expectations of the company, which remained high overall. However, I did hear that the changes we made to our internal communications during COVID-19 left some people feeling somewhat burdened.

Kamimoto We last assessed our organizational culture at Hanamaru in February 2022. The impact of the pandemic was still severe at that time and we noted differences between the sales department and head office departments in terms of engagement figures. The fact that the figures for the sales department were lower than those for the head office would suggest that the sales people felt distressed and uneasy about the future because they directly felt the uncertainty of when the pandemic would be brought under control. Our general meeting of employees, which provides the sales department with an opportunity to hear directly from the company president and our executives, was held remotely during the pandemic. However, we did hold our first in-person meeting in three years in February 2023. The COVID-19 pandemic is now finally showing signs of abating. Going forward, we will seek to improve engagement across all departments by further strengthening internal communication through in-person and remote channels.

Oikawa Following the assessment, Yoshinoya set up a new Corporate Culture Improvement Committee to revitalize internal communication that had altered during the pandemic. We also launched a care initiative for employees who were feeling burdened that involved getting managers from other departments to serve as mentors. We have promoted greater efficiency by conducting a considerable amount of head office functions remotely and reducing our floor area, so those systems are likely to remain in place even after all activity restrictions are lifted. However, face-to-face communication is very important for our sales department. I feel that we need to adapt our internal communication to suit the times and current social development.

Kamimoto In addition to improving internal communication, we also sought to restore loyalty and trust among sales staff by offering opportunities to learn about our business philosophy that goes right back to the starting point. As of January 2023, we had held a total of 24

such training sessions together with Hanamaru president Yoshihiro Maeda to help encourage a greater understanding of our business philosophy, which forms the bedrock of all that we do, among all our employees, regardless of their department. It took quite a long time to formulate and then implement the training program, but it was a great opportunity to align all the company vectors and increase company loyalty by helping people gain a deeper understanding of the company's business philosophy.

Oikawa Recently, we interviewed some Yoshinoya outlet managers to ascertain how aware they were of the Group's For the People business philosophy. We found that many managers consider the meaning of the For the People phrase and how they can use it to increase motivation and purpose in their work. They also see it as a starting point to return to when a problem arises. We give sales staff who join our outlets and factories the opportunity to deepen their understanding of our business philosophy during their three-month training period directly after joining the company. We believe this has inspired many outlet managers to base their work on For the People principles, so we decided to offer similar training opportunities to staff joining head office departments to instill a deeper understanding of our business philosophy. The ideal scenario would be to ensure employees understand that our For the People philosophy dovetails with the philosophies of each operating company and to spread a deeper understanding of our united philosophy across the whole Group.

Kamimoto Yes, that's right. Hanamaru will first work to align the vectors relating back to our own business philosophy and then foster an awareness among employees as members of the Yoshinoya Holdings Group. Looking ahead, I think that the Hanamaru management team will need to deepen its understanding of the For the People philosophy in order to create Group synergies.

Oikawa Our employees' values are also changing. They tend to prize their own values over concerns about lifetime employment, salary levels, or prestigious company names. I think we need to evolve into a company that can empathize with those values and build relationships of trust. What I want most of all is for our employees to keenly realize that they are among the "People" in the For the People business philosophy, and for them to feel confident and grow together with the company.

Digital Transformation (DX) Strategy

The Nature of Value Creation is Undergoing Change by Digital Technology

Digital technology has become a vital tool for responding to changes in social and market environments, grasping customer needs, and improving operational efficiency. The Group is updating its business model by promoting its digital transformation (DX) strategy, which will then lead to further growth.



We will use digital technology to support workplaces in the restaurant industry and increase both customer satisfaction and productivity.

Hideki Hasegawa

General Manager, Group Information Systems
Group Finance and Accounting Division
YOSHINOYA HOLDINGS CO., LTD.

Yoshinoya Holdings' DX strategy

The COVID-19 pandemic spurred the introduction of remote working environments and the digitalization of various business processes in many fields. As a result, the use of new digital tools has become essential for ensuring efficiency and a swift response. The restaurant industry is no different, and we too have to change the way we used to think things should be done as a matter of common sense.

The Group is using web-based application development and automation tools, such as Google AppSheet and Zapier, to build low-cost systems with advanced functionality in a short period of time. You could

characterize our DX strategy as a quest to maximize the value of people by effectively introducing and utilizing these kinds of digital technologies to update various systems.

Up until now, the Information Systems Department in the Group Finance and Accounting Division has been in charge of digital technology at our Japanese operating companies, but the newly established Group Digital Technology Promotion Division will be fully operational and ready to accelerate our digital efforts from FY2023.

Where best to introduce and utilize digital technology

The Group is promoting the introduction and utilization of digital technology to help solve management issues in four main areas: customer contact points; internal processes; dealing with an ageing society and responding to security concerns; and encouraging Group synergies.

Examples of customer contact points include making outlet operations more efficient by centralizing and automatically processing delivery orders, improving smartphone apps to promote the use of outlets, and analyzing user traffic on operating company websites. Regarding internal processes, we seek to optimize our processes without relying on existing

packages, such as building an inter-company ordering system in-house for our direct sales business. To encourage Group synergies, we introduced a human resources management system that uses facial recognition to identify individual employees and centralize personnel-related information for the entire Group. Cloud-based business intelligence (BI) tools that enable management to verify sales data at individual operating companies in a timely manner and gain a good grasp of the latest business status are also helping generate Group synergies.

Democratizing IT will accelerate digital transformation

In recent years, application development tools and automation tools have become much easier to use, so frontline employees can develop their own systems and applications without an advanced level of technical knowledge. This democratization of IT will be the key to accelerating transformations through digitalization. With that in mind, I believe the role of the Information Systems Department going forward will be to teach frontline staff how to use digital tools, to encourage the use of those tools across the company, and to provide data management and operational support.

Restaurant chains with a large number of outlets can arguably benefit greatly from digitalization in terms of minimizing the cost of establishing new outlets, collecting and analyzing marketing data, and improving operational efficiency through sensors and images. In future, the restaurant business will likely use technology to help create delicious tastes.

I am determined to continue my mission of providing digital support in the workplace that enables us to increase customer satisfaction by offering more delicious meals, ensure employees can work comfortably, and rationally improve productivity, all at the same time.

Specific Initiatives

Theme 1

Using digital to strengthen human capital

In FY2021, Yoshinoya, Hanamaru, and Yoshinoya Holdings introduced the Kaonavi talent management system, which uses facial recognition to identify individual employees and have centralized the management of human resources information. In FY2022, we added employee data from With Link and StartingOver and expanded coverage to all companies in Japan.

The system enables us to boost the efficiency of our HR operations and pursue consistent human resources evaluations and development. It also supports the nurturing of strategic personnel by optimizing the selection and appointment of employees. The Group uses Kaonavi at HR meetings held to identify and foster future management teams. We use it to create pools of potential candidates based on information sorted according to different attributes, such as job grade, gender, and age.



Theme 2

Using smartphone apps to create better user experiences

Digitalization relating to the value we provide to customers is the most important initiative in our growth strategy and we have to respond quickly to changes in user needs.

As part of that drive, the Group is focusing on building better user experiences (UX) using our Yoshinoya and Hanamaru apps to promote the use of our outlets. We believe it is important to use digitalization to broaden the choice of consumer options, for instance, by storing prepaid cards in the apps or issuing coupons and making it more convenient to order takeout meals. We will continue to expand the range of potential functions.



Theme 3

Developing our cybersecurity response

Digital transformation is accelerating in many companies thanks to the advancement of internet-driven information and communication technologies, and potential applications are expanding all the time. Having said that, the development and broad use of new technologies increase security risks caused by cyberattacks or the leakage of information, and companies need to strengthen their response.

Our Group assumes the availability of internet connectivity for the development of cloud-based applications and systems, such as spreadsheets and BI, so introducing or using digital technology always comes with cybersecurity concerns. We base our security on a zero trust security model, where we introduce and guarantee mechanisms designed to protect our servers, terminals, and other endpoints from cyber threats rather than developing a response at the network boundary.

Theme 4

Established the Group Digital Technology Promotion Division

Our Group believes that the value created by people is the source of our competitiveness, so we plan to further strengthen the use of digital technology going forward to ensure we can continue to consistently update that value.

As part of our efforts to develop internal systems based on that premise, we established the Group Digital Technology Promotion Division on March 1, 2023. This new organization will take over the task of promoting digital transformation that was previously managed primarily by the Information Systems Department of the Group Finance and Accounting Division, and seek to further expand and develop our digital reach.

The Group Digital Technology Promotion Division, which includes the Systems Administration Department and the Digital Planning Department, will be responsible for driving the Group's DX strategy going forward and also securing and nurturing IT human resources.



Strategy by Business: Yoshinoya



Yoshinoya

Proactive growth investment to play a role in evolving the entire Group

We will firmly capture market tailwinds to help generate higher growth potential and improve profitability.

Yasutaka Kawamura President
YOSHINOYA CO., LTD.

Social issues and needs

As a food service brand that delivers everyday food enjoyed by many people to customers across Japan with the same delicious taste, Yoshinoya is constantly striving to maintain and improve the quality of its beef bowl flavor and service. As change becomes increasingly rapid, we believe that providing the same abundance of food at an affordable price is the value that society expects us to deliver.

Business strengths

- Unparalleled recognition as a food service brand
- Economies of scale through multiple-store procurement and other measures
- Direct understanding of customer trends through stores

Business weaknesses

- Cost fluctuations due to the soaring prices of raw materials and utility costs and difficulty passing on costs to selling prices
- Highly labor-intensive outlet operations
- Difficulty in securing human resources due to a declining working population workforce

Growth opportunities

- Expand customer base by changing outlet model
- Capture demand by developing sales channels
- Stimulate demand through collaboration projects and other external partnerships
- Enhance brand image through services that meet needs, such as healthy menus and environment-oriented operation

Risks

- Decline in demand for eating out due to transition to a post-pandemic era
- Deterioration in profitability and investment efficiency due to cost-related factors
- Decline in quality and service levels caused by labor shortages

Policies and priority measures in the Medium-term Management Plan (FY2022–FY2024)

Yoshinoya focused on structural change during the COVID-19 pandemic, while also looking ahead to post-Covid growth. As such, we are channeling our efforts into the evolution goal announced in our Medium-term Management Plan alongside the second goal of regeneration. As the main pillar business, we continue to boost the Group's top line performance and secure profits, while also converting our business formats by introducing C&C outlets and stores with new zig-zagged counters, so as to secure the Group's ability to reinvest and create new business.

Over the remaining two years of the medium-term plan, we plan to accelerate this format conversion, while also promoting the use of

digital tools to boost customer numbers, our most important KPI, by, for instance, developing attractive products and advertising campaigns, conveying information on our own apps and through social media, and expanding the number of stores using tablets for takeout and in-store orders.

Yoshinoya has also positioned *karaage* fried chicken as its second pillar after beef bowls and will expand the number of stores offering *karaage* fried chicken items during this medium-term plan. The time it took to cook and serve freshly *karaage* fried chicken was an issue, but we overcame that by adapting our recipes and operations and we are now ready to strengthen sales even further from FY2023.

Review of FY2022

Deteriorating cost environment dampened profits despite growth in sales

Despite the prolonged COVID-19 pandemic with a seventh wave of infections in July, restaurant dining gradually recovered in FY2022 and we started to reap benefits from our generally favorable conversion to C&C outlets. Higher sales primarily of frozen beef bowl topping at our direct sales business also contributed to the overall increase in sales. However, the cost environment deteriorated sharply on the back of soaring raw materials costs and higher utilities, labor, and logistics costs. While we increased prices in October to reflect the new environment, profits remained subdued.

As a result, net sales for the Yoshinoya business outstripped our initial plan by increasing to 113.7 billion yen (up 6.3% compared to FY2021), but operating income declined to 6.2 billion yen (down 14.6% compared to FY2021).

Over the year, we opened 23 new outlets and closed 16 outlets, bringing the total number of outlets at the end of FY2022 to 1,197 (an increase of seven stores compared to FY2021). Regarding our key strategy to convert our network to C&C outlets, we renovated 75 outlets and opened eight new outlets over the fiscal year, bringing the total number of C&C outlets to 248 (an increase of 83 outlets) and raising the ratio of C&C outlets to 20.7% of the total network.

In terms of the impact that the conversion to C&C outlets has had on sales, sales per refurbished outlet increased by an average 6.4% and the outlets are attracting a markedly higher number of young customers and female customers.

Future direction and issues

Expand top line by focusing on customer numbers, accelerate growth investment

The challenge in FY2023, when the COVID-19 pandemic is expected to have well and truly subsided, will be to ride the tailwinds of the market in order to improve potential growth and profitability. We have decided to focus on customer numbers and accelerating growth investment as our themes for achieving those goals.

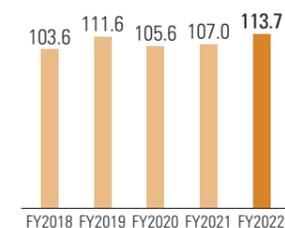
We view customer numbers at existing stores as our key barometer of support from customers and we intend to increase the value of our restaurant experience through our product strategy and service quality in order to maintain customer numbers. While our motivation was purely to respond to increased costs, our decision to revise prices in FY2022 did push up the average spend per customer. In FY2023, we will focus once again on customer numbers and seek to improve top line performance.

Regarding our product strategy, we changed the recipes for our new pillar *karaage* fried chicken menu and significantly reduced meal prepara-

tion times. We also plan to introduce seasonal products that can also be included on our takeout menu. In terms of service quality, we will strive to improve quality, hospitality, and atmosphere (QHA) and shorten the time required to prepare and serve meals.

Regarding growth investment, in addition to further renovations linked to the conversion to C&C outlets, we are also planning to expand the number of takeout and delivery stores, expand the number of outlets using tablets, and develop new business formats. The introduction of low-investment models will increase the pace of C&C conversion in particular. We intend to renovate 101 outlets and open 24 new outlets over the fiscal year, bringing the total number of C&C outlets to 424 out of a total 1,261, or roughly one third of the total network. We also plan to open more takeout and delivery stores that only require small amounts of invested capital.

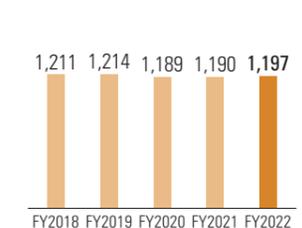
• Net sales by segment
113.7 billion yen
(Billions of yen)



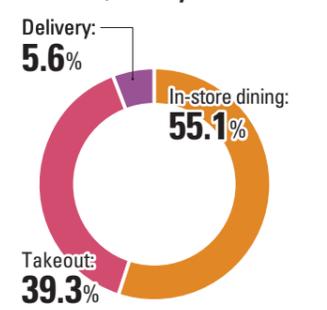
• Income by segment
6.2 billion yen
(Billions of yen)



• No. of outlets by segment
1,197
(Outlets)



• Takeout/delivery ratio



Strategy by Business: Hanamaru



Hanamaru

Meet customer expectations and improve business performance through conversions that will earn us a “hanamaru”, a Japanese sign of enthusiastic approval

We aim to regrow the business by refining the value we provide and improving profitability.

Yoshihiro Maeda President Hanamaru, Inc.

Social issues and needs

As lifestyles continue to diversify, the presence of food service chains that provide delicious food in a way that is close to people’s daily lives enriches our lifestyles and brings vitality to society. As a business that offers the unchanging appeal of Sanuki-style udon noodles at an affordable price, Hanamaru will meet the needs of people who seek joy and happiness through food by opening outlets throughout Japan where they can easily visit at any time.

Business strengths

- Affordable price range built around Kake udon (signature broth)
- Quality maintenance and low-cost structure through factory production of noodles
- Brand value supported by a broad range of customers, including women

Business weaknesses

- The magnitude of the impact of the external environment on store opening strategies
- Profit pressure imposed by raw material prices and other cost-related factors
- Difficulty in securing human resources

Growth opportunities

- Capture demand by developing store models and sales channels
- Room for expansion of market share in the overall udon market
- Create synergies through collaboration with Group companies

Risks

- Decline in demand for eating out due to transition to the post-pandemic era
- Deterioration in profitability and investment efficiency due to cost-related factors
- Decline in quality and service levels caused by labor shortages

Policies and priority measures in the Medium-term Management Plan (FY2022–FY2024)

Hanamaru aims to regain a solid growth trajectory over the next five to six years by developing outlets that offer greater investment efficiency and carving new markets. Over the three years of the Medium-term Management Plan, we will focus on achieving the plan’s regeneration goal as the foundation of our growth quest. During the first year of the medium-term plan, we proceeded to reorganize unprofitable outlets and reduced losses by over 1 billion yen, but the deteriorating cost environment prevented us from turning profitable. We will work to boost customer visits and sales, while also focusing on securing profits.

We are pursuing a basic regeneration policy that involves creating product value by going right back to the beginning, improving our

udon noodles and dashi broth, and encouraging broader awareness within the company. We are offering delicious seasonal tastes with our new summer and winter noodle menus to help entice customers to visit our restaurants even more frequently, and we are selling takeout Hanamaru Udon Bento to try and capture new demand. In FY2023, we plan to introduce digital-driven takeout systems in 100 stores.

Over the remaining two years of the medium-term plan, we will use these priority measures to help acquire new customers, boost the frequency of customer visits and to capture recovering demand in the post-Covid era. We will continue to reorganize unprofitable outlets, but we also plan to start renovating large outlets again.

Review of FY2022

Fell short of plan due to 7th wave of infections and deteriorating cost environment

In FY2022, our business performed well from March through June, but customer traffic cooled off sharply with the seventh wave of COVID-19 infections, and we have still not been able to recover fully from the downturn. As a result, in FY2022, the number of customers at existing stores increased by 20% compared to FY2021 and revenue rose to 25.3 billion yen (up 18.2% compared to FY2021), but both these figures were lower than planned. On the cost side, our business was impacted by the rising cost of raw materials, utilities, and other factors. Despite our decision to revise the prices of our main products in October, we were not able to offset the increased cost pressure and secure positive operating income.

Over the past year, we pursued our basic policy of going right back to the beginning, decluttering our business, and working hard. We worked hard to improve our products and services and provide delicious Sanuki-style udon noodles, and we reviewed the measures taken over the last few years. We placed particular emphasis on returning to our roots and

expanding internal awareness of the corporate ideal of Hanamaru by providing business philosophy training for all our employees. Customer numbers barely declined even after we revised prices, which suggests our customers appreciate the improved value we provide through these various initiatives.

Before the COVID-19 pandemic, we pursued an outlet expansion strategy designed to achieve a network of 1,000 stores over the medium to long term. Now, we have shifted our policy and are focusing on improving quality and reviewing profitability at each store. We opened four new outlets and closed 22 outlets in FY2022, bringing the total network to 445 outlets (down 18 stores compared to FY2021). We have renovated four outlets so far in the style of our new Relief & Easy-to-use (R&E) outlet model developed for roadside locations, which has helped generate an average increase in sales of 10% or more. We will utilize this successful experience in future store renovations.

Future direction and issues

Refine our human resources, products, and outlets to boost sales and return to profitability

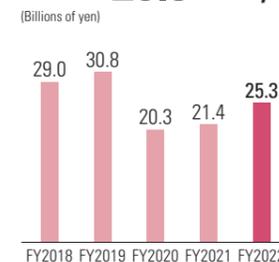
Going forward, we will seek to strengthen the profitability of our outlets by reviewing our outlet opening and closing criteria to help regain a stronger level of financial soundness and restricting growth investment to a level that doesn’t involve borrowing. Our in-house production of udon is one of Hanamaru’s key strengths, so we will increase the composition of Kake udon and other representative dishes in order to increase profitability and appeal the value that we offer in terms of taste and quality. We believe that sharing internal awareness by tracing back to our roots as I mentioned before will have a big impact when promoting these initiatives across the company.

In FY2023, we will continue to close outlets that were generating low profits before the pandemic and we will resume renovations of large

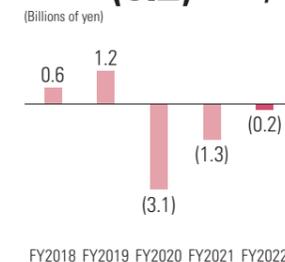
stores to improve our profit structure. We also plan to improve the quality of our products by refining our ingredients and strengthening our limited-period, fair menus, which we will promote through TV ads and other marketing channels. In terms of human resources measures, we will continue our business philosophy training, while also focusing on improving employee engagement by enhancing the training programs provided by our newly established training center and resuming our efforts to promote a good work-life balance.

We expect to attract more customers once the pandemic is over, so we will make sure these various refinements generate concrete results and we will achieve higher sales and a return to profitability.

• Net sales by segment
25.3 billion yen



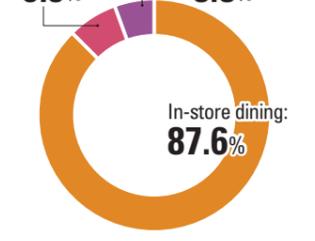
• Income by segment
(0.2) billion yen



• No. of outlets by segment
445



• Takeout/delivery ratio
Takeout: **6.9%**
Delivery: **5.5%**



Strategy by Business: Overseas

Overseas

Social issues and needs

A rich food culture brings the common value of great flavor and enjoyment to people everywhere. The challenge for the food service industry is to offer value in all countries and regions and maintain it amidst constant social change. The Group will support the global development of food culture by delivering the quality of taste and service that we have cultivated in Japan to people around the world.

Business strengths

- Established brand and expertise in Japan
- Development of local markets through collaboration with regional partners
- Group synergies in global expansion

Growth opportunities

- Increase in demand for eating out in regions experiencing demographic dividend
- Market expansion through delivery service and other new channels
- Growing respect for Japan's food culture

Business weaknesses

- Increased risk management burden due to business expansion
- Insufficient speed in opening new outlets in a competitive environment
- Trend toward longer investment recovery periods

Risks

- Impact of geopolitical factors and national regulations on business
- Suspension of operations and decrease in number of customers due to resurgence of COVID-19
- Deterioration in profitability driven by higher raw material and labor costs

Policies and priority measures in the Medium-term Management Plan (FY2022–FY2024)

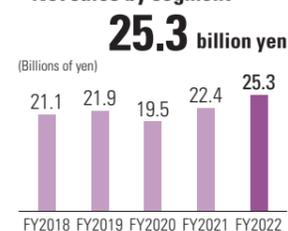
Our overseas business is showing vastly different traits, with the high ratio of takeout meals enabling our business in the U.S. to continue to perform well throughout the COVID-19 environment, while China, Taiwan, and ASEAN nations were severely impacted by lockdowns and other Covid-induced policies. Regarding the Medium-term Management Plan's themes of evolution and regeneration, our U.S. operation will be responsible for the evolution side, while many regions in Asia will focus on regeneration efforts. In the Philippines, our joint venture with Jollibee Foods Corporation has been progressing well and generating favorable results.

As part of our U.S. branding strategy, we plan to introduce more dual-line kitchens in the United States from FY2023 onwards because

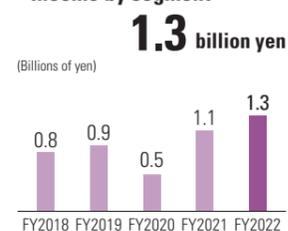
these kitchens have helped achieve more efficient operations and greatly improved profitability by separating orders for drive-through takeout meals and in-store dining.

In China, we will expand the number of new model outlets that we started opening in December 2022 and pursue rebranding strategies in Shanghai and other areas where we have directly managed businesses. We will also continue with our joint venture in the Philippines and expand the number of new model outlets.

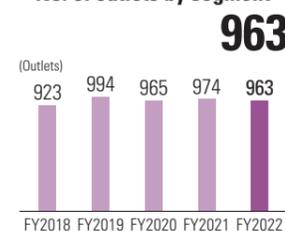
• Net sales by segment



• Income by segment



• No. of outlets by segment



China, Taiwan, ASEAN countries

Transform and regrow our business through careful selection and concentration

We will optimize our operating frameworks and restructure our merchandising according to each region.

Director, YOSHINOYA HOLDINGS CO., LTD.
General Manager, Asia Headquarters
CEO, ASIA YOSHINOYA INTERNATIONAL SDN. BHD.
Chairman, YOSHINOYA China Holdings Co., Ltd.
Chairman, Taiwan Yoshinoya Co., Ltd.

Tetsuya Naruse



Review of FY2022

All regions in a tough position due to prolonged pandemic

We had initially expected business development in China, Taiwan, and ASEAN countries to recover from the pandemic in FY2022, but the situation proved more severe than we had anticipated in each region, including the persistent lockdowns in China. In FY2022, overall revenue was approximately 70% of the pre-pandemic levels achieved in FY2019, delaying a potential recovery.

We had 614 franchise and directly managed outlets in China as of the end of December 2022. Our sales activities were greatly hindered by the large-scale lockdowns in Shanghai from late March to the end of May 2022 and the subsequent imposition of strict measures to control the spread of infections in various locations. As a result, overall business performance came in significantly below plan. We also had to freeze our concentrated investments in Shenzhen, Sichuan, Wuhan, and Jiangxi, which were positioned as priority areas.

We directly manage 58 outlets in Taiwan, but this market experienced a particularly significant decline due to the spread of infections in June. While business recovered in the second half of the fiscal year once restrictions were eased, overall sales for the year declined 7.3% year on year.

In ASEAN markets, our operation in Singapore, where we directly manage 11 outlets, recovered beyond pre-pandemic levels and achieved profitability (an EBITBA profit) which was a pending issue for some time. The rebranding of our seven outlets (including four new outlets) in the Philippines through a joint venture with the nation's largest local restaurant company Jollibee Foods Corporation also proved successful. However, conditions remained sluggish due to COVID-19 in Indonesia and Thailand, where we have developed franchises. As a result, sales for the ASEAN region as a whole declined by 3.0% year on year.

Future direction and issues

Generate future growth, develop global human resources by dispatching staff from Japan

We expect the business environment to improve in China in FY2023 following the shift away from a zero-Covid policy and an easing of restrictions. Against that background, the Group plans to conduct concentrated investments in Shanghai and other directly managed areas. We will also begin reviewing our local management and operational structure across China and simultaneously restructure our merchandising, including the supply of food ingredients.

In Taiwan, we plan to open five new outlets and aim to move onto a rising sales and profit track by pursuing a specific post-Covid growth strategy in that market.

In the Philippines, the driver of the Group's ASEAN growth, we plan to open seven new outlets in FY2023 to further accelerate the development of our joint venture with Jollibee and to swiftly establish the Yoshinoya brand in the region. We view Singapore as an experimental area for trying out future outlet formats, so we will develop a new business model that can be expanded by franchises as well in that market.

Our Singapore subsidiary has appointed a female employee with experience in the Planning Department and Legal Affairs Office as managing director. We also intend to focus on developing global human resources from FY2024 onwards by dispatching managers of Japanese outlets to other regions and pursuing other measures.

Strategy by Business

U.S. Business

Boosting sales and improving profits through our brand strategy

We will promote Yoshinoya in the U.S. market as a restaurant brand with a long history in Japan.

Jon Gilliam CEO, YOSHINOYA AMERICA, INC.



Review of FY2022

Successful product value update helped fuel record high results

Yoshinoya America, which boasts 100 outlets in the Los Angeles area of California, is promoting a three-pronged brand strategy designed to generate medium- to long-term growth: Win with our Food, Modernize the Experience, and Make It Easy.

Over the past year, we spent a lot of time updating our product value, and we focused on creating menus that emphasize the appeal of Yoshinoya as a restaurant brand with a long history in Japan. Our Win with our Food initiatives have won the support of many customers in the fiercely competitive Los Angeles market and are generating clear results. One of our Modernize the Experience measures has focused on renovating one outlet based on our "Heritage" concept design. The move evoked a solid response, so we will look at expanding that going forward.

Inflation remained high in FY2022 in the U.S. and rising costs dampened corporate profits. Competition in the restaurant industry has grown increasingly severe, but Yoshinoya America managed to achieve

record high net sales of 120 million dollars (up 8.0% year on year) and EBITDA of 7.33 million dollars (up 4.5% year on year) by successfully providing new product value as mentioned above. The dual-line kitchens that we have been introducing in recent years have made operations more efficient by separating drive-through takeout orders and in-store dining offers, and this Make it Easy measure contributed considerably to the higher profit figures.

Future direction and issues

Definite potential for Yoshinoya brand in the US market

The outlook remains uncertain in FY2023 due partly to concerns over a potential move from an inflationary to a recessionary environment. According to a recent survey, roughly 90% of restaurant companies are considering price revisions, so the environment will likely become even more competitive. We will continue to pursue our three brand strategies to ensure our survival in this environment, and to win the support of customers by further improving and strengthening our products, services, and outlets.

We plan to renovate 15 outlets to Heritage design by the end of the business year. We intend to increase sales and further improve profits by not only developing menus that emphasize the product value that stems

from our Japanese roots, but also by strengthening our services and pursuing greater efficiencies through our dual-line kitchens. We expect these measures will enable us to achieve new record high results for FY2023, with net sales forecast to reach 127 million dollars (up 5.8% from FY2022) and EBITDA to reach 8.5 million dollars (up 16.0% compared to FY2022).

Beyond that, we will continue to focus on our business in Southern California through FY2024 and then, once we have demonstrated the potential of the Yoshinoya brand in the local market, we will look to expand into other regions from FY2025.

Strategy by Business: Other



Other

Responding to change, looking to the future, and establishing a new growth pillar

The ramen noodle business operated by Setagaya and With Link in Japan and overseas, and the new business group operated by StartingOver will become the next new pillar of Group growth.

Policies and priority measures in the Medium-term Management Plan (FY2022–FY2024)

Regarding the ramen noodle business, which is positioned to become the next pillar of growth for the Group, we are overcoming the impact of COVID-19 and responding to changes in the business environment by strengthening takeout and delivery services, while also pursuing rebranding and verifying roadside store models in order to improve profitability.

We have declared co-creation with external partners as our growth theme and, as part of that theme, we are taking an active approach by participating in overseas franchise shows. We have already secured a contract with a franchise owner in the UK and we plan to open our first outlet in Europe in FY2023.

Review of FY2022

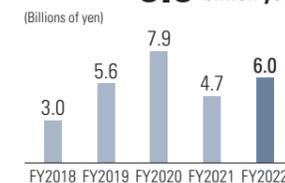
Slow recovery despite increased revenue from each business Focused on improving profitability

In FY2022, Setagaya, With Link, and StartingOver all generated significant year-on-year increases in sales at existing stores due to a revival of in-store dining following the lifting of restrictions on activity and thanks to our efforts to strengthen takeout and delivery services. Having said that, none of the businesses managed to regain pre-Covid levels, and recoveries are proving slow to emerge. On the profit side, StartingOver reduced losses thanks to the positive impact of store renovations. For our two ramen noodle companies, With Link reported a higher-than-expected increase in profits while Setagaya continued to struggle and failed to turn profitable. The two companies experience different customer traffic due to the different locations of their outlets, with With Link developing suburban outlets and Setagaya opening outlets in communal facilities, airports, and train stations.

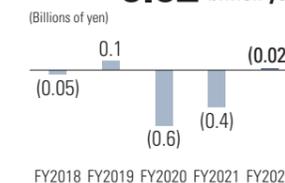
With Link is looking to improve profitability by rebranding its domestic operations. The company is also developing its brand and a new franchisee approach to help promote overseas expansion, and it plans to pursue these measures further in FY2023. Meanwhile, Setagaya intends to verify its roadside outlet model under a new brand and improve profitability at existing stores. We intend to develop the ramen noodle business into a new pillar of growth for the Group and we are also looking to promote inorganic expansion through M&A.

StartingOver will focus on improving the profitability of its Tori-Sen brand and promoting growth through the opening of new outlets.

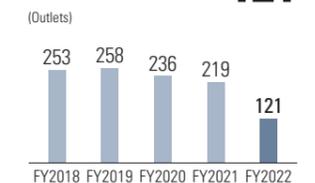
Net sales by segment 6.0 billion yen



Income by segment 0.02 billion yen



No. of outlets by segment 121



Managing Sustainability

Our approach to sustainability

The business philosophy of the Yoshinoya Holdings Group, "For the People," holds that companies exist to serve the needs of society and to contribute to the greater happiness of mankind. To ensure that we put this into practice, we emphasize environmental (E), social (S), and governance (G) perspectives throughout our business activities.

Various issues have emerged in recent years concerning the environment and society. Addressing these issues has become an important management theme for the Group, particularly given that our operations extend around the world. By promoting ESG management, the Group strives to address environmental and social issues, working with our stakeholders to realize a sustainable society.

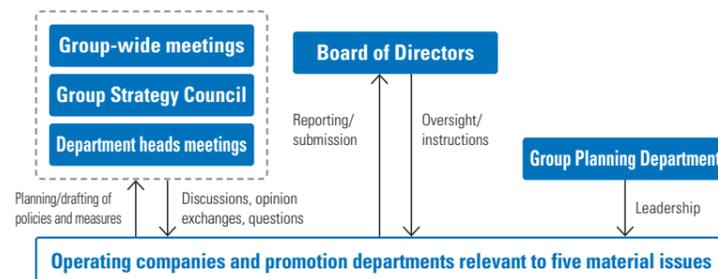
Under our long-term vision NEW BEGINNINGS 2025, the Group is committed to creating new markets and delivering value that will redefine the restaurant industry. Redefining the restaurant industry means replacing our existing business model. We must create a new model that we can operate over the long term to drive robust and sustainable growth. The continuity of our business depends on this shift.

Our long-term vision positions this redefining of the restaurant industry as its basic policy. It includes many themes that also relate to the achievement of the Sustainable Development Goals (SDGs). We will focus the efforts of the entire Group on executing this vision.

Sustainability promotion system

A system led by the Group Planning Department is in place for group-wide promotion of sustainability. Through this system, promotion departments relevant to our five material issues plan and draft policies and measures, which are then discussed with all executive members and department heads of the Group at group-wide meetings, Group Strategy Council meetings, and department heads meetings. The results are reported and submitted to the Board of Directors. Discussions and exchanges of opinions were held on our Basic Sustainability Policy and five material issues in FY2021 and on human capital management in FY2022 at meetings attended by not only the Board members but also the all the executives and department heads of the Group. By having executives and department heads participate in discussions, we ensure that the entire organization, rather than only the promotion

departments, takes charge of efforts toward sustainability. This sustainability promotion system is woven into our organizational culture and business processes, helping us realizing the corporate mission of fulfilling our social responsibility. We will maintain a positive and continuous commitment to a sustainable business to make society better.

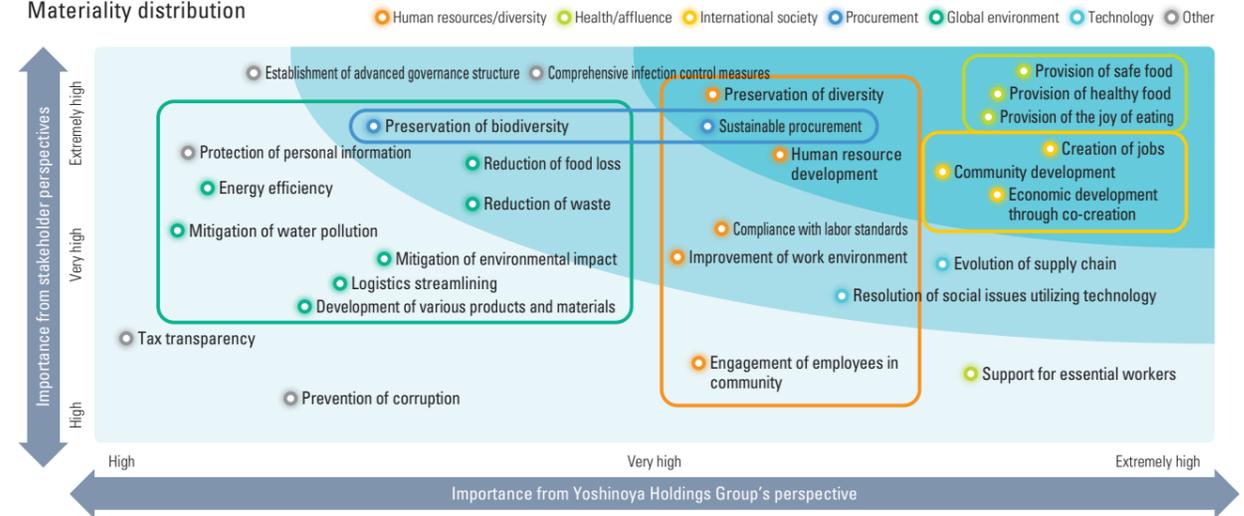


Materiality Process

Based on Yoshinoya Holdings' approach to sustainability, we aim to further enhance our corporate value in light of recent changes in the social environment and demands from society. We have therefore clarified the relationship between our business activities and social issues from an ESG perspective, and have identified material issues that contribute to the achievement of continued corporate growth and a sustainable society.

- STEP 1** Created a list of 128 items of important issues that society expects companies to address, with reference to international ESG guidelines such as GRI and requirements of FTSE, an ESG assessment organization.
- STEP 2** Narrowed the list of 128 down to 50 items by evaluating them in terms of long-term perspective, objectivity, the significance that our involvement would have, and relevance to our business.
- STEP 3** Comprehensively evaluated and prioritized the extracted items based on the two axes of "importance from Yoshinoya Holdings Group's perspective" and "importance from stakeholder perspectives."
- STEP 4** Material issues finalized by the Board of Directors following discussion of the prioritized items at the Group Strategy Council and by the Management Committee.

Materiality distribution



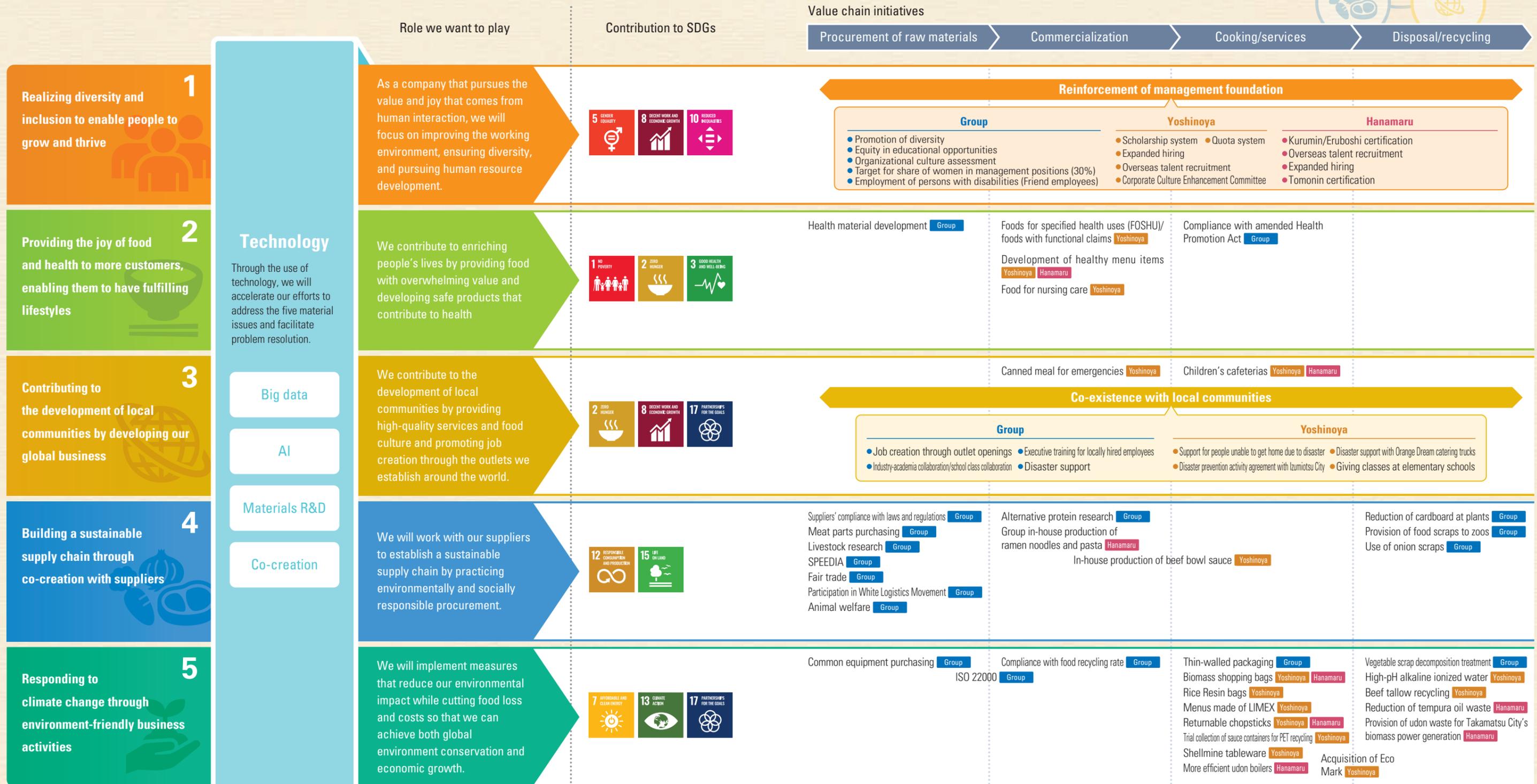
FY2022 activities and FY2023 policies

	FY2022 activities	FY2023 policies
Realizing diversity and inclusion to enable people to grow and thrive	After reviewing the results of organizational culture assessments, Yoshinoya formed a Corporate Culture Enhancement Committee to boost internal communication, which has changed during the COVID-19 pandemic. This has led to the launch of a new program that helps employees build mentoring relationships with managers in other departments to reduce their workplace stress.	<ul style="list-style-type: none"> • Make progress in diversity and inclusion • Promote work-life balance • Develop human resources and support career development
Providing the joy of food and health to more customers, enabling them to have fulfilling lifestyles	The Group launched "Tokugyu Salacia Premium," a frozen beef bowl topping approved as a food for specified health uses (FOSHU), becoming the first food service chain to obtain FOSHU approval.	<ul style="list-style-type: none"> • Provide health value based on scientific evidence and data through joint study with academia • Conduct research to introduce alternative protein (protein food ingredients) • Obtain Smart Meal certification
Contributing to the development of local communities by developing our global business	The Group made a line of nursing-care beef products available in retort pouches stored at room temperature to sell at hospitals and started selling Soft Beef Bowl Toppings as a food for nursing care at Tokushimaru mobile supermarkets.	<ul style="list-style-type: none"> • Create local jobs through Group outlet openings • Continue meal support for children's cafeterias • Expand the sales channels for nursing-care beef products, canned meals, etc.
Building a sustainable supply chain through co-creation with suppliers	The Group continued procurement that was stable enough in both quality and quantity to maintain outlet operations in each business. This was achieved by securing a preferential supply of food materials based on long-term close relationships with suppliers, while hedging risks by purchasing from multiple sources through trading companies and wholesalers.	<ul style="list-style-type: none"> • Reduce procurement costs and increase operational efficiency • Maintain stable procurement and ensure quality and safety of food materials • Improve logistics by participating in the White Logistics Movement • Prevent illegal labor and violations of human rights
Responding to climate change through environment-friendly business activities	The Group started a pilot project for voluntary collection and recycling of waste PET resin in the Kansai region, where it operates an in-house distribution center. The aim is to reduce waste disposal costs by recycling waste plastic containers from outlets, including used containers of beef bowl sauce, soy sauce, and other seasonings, as well as empty drink bottles.	<ul style="list-style-type: none"> • Reduce food loss and recycle food • Comply with environmental laws and regulations • Consider introducing renewable energy

Five Material Issues

To Build a Future in Collaboration with Ever More People

In our new value creation activities, the Group will contribute to society as indicated by the five material issues and build a future in collaboration with the many people involved in our value chain.



Material Issues

Realizing Diversity and Inclusion to Enable People to Grow and Thrive

As a company that pursues the value and joy that comes from human interaction, we will focus on improving the working environment, ensuring diversity, and pursuing human resource development.



Social issues and needs

In Japan, the adoption of automation and labor-saving technologies is spreading to the food service industry as the declining birthrate and aging population have led to labor shortages. However, the source of a good meal is value that only people can provide. Respecting the diversity of people and providing them with opportunities to play important roles is not only a corporate social responsibility, but also a condition for the Group to adapt our value offerings to meet the diversifying needs of its customers.

Opportunities

- Attracting the best talent globally through respect for diversity
- Increasing the value of human resources while reaping the benefits of automation and labor-saving innovations
- Heightening employee motivation and competitiveness in recruiting by investing in employee training

Risks

- Difficulty in securing human resources due to the decrease in the working population
- Delays in responding to diversifying customer needs causing stagnation in the development of products and creation of businesses
- Achievement of diversity essential in maintaining employee engagement and retention

Short- and medium-term measures

- Increase proportion of female employees
- Increase the proportion of executive candidates under 35 years of age by sending them to business schools to educate them as management candidates, and by promoting industry-academia collaborative activities aimed at training mid-level leaders
- Establish connections with high schools and strengthen relationships with schools from which employees have been hired
- Reduce share of employees with health issues found during annual checkups to under 80%
- Reduce total number of hours worked through increased productivity
- Promote RPA
- Improve group synergy
- Expand welfare benefits
- Operate New Long-term Forum to identify talent
- Various training programs to enhance human resource capacity: G4/G5 internal selection training, "real-team training" for organizational development, interactive training to improve outlet staff retention (improve relationships between area managers, store managers, and outlet staff), an interview program to hone supervisor skills (acquire and practice coaching skills)

Co-creation with employees

Coaching training and internal mentor program

The Supervisor Skills Improvement Program is annual coaching training for directors, corporate auditors, and supervisors (area managers and above) belonging to the Group and has been conducted since FY2020. The program is aimed at honing the evaluation, coaching, and communication skills of managers who are responsible for conducting performance appraisal interviews with subordinates and nurturing human resources. The participants receive both face-to-face and online sessions over six months and finally take a certification exam that consists of a written exam and a practical skills test.

The goal is to create a corporate culture that would foster an encouraging team to drive development and growth of employees. The empowerment communication skills developed through this training have

been harnessed in an internal mentor program that Yoshinoya launched in FY2022. Through this initiative intended to reduce workplace stress, employees interact with managers in other departments while being free from hierarchical relationships.



Practicing active listening skills during coaching training

Valuing employee care in the U.S.

At YOSHINOYA AMERICA, we value creating a company that brings joy to its employees and a workplace where employees can enjoy working. We are striving to establish such environments as part of our corporate culture. The idea behind this is that we can contribute to local communities not only by delivering value to customers through our outstanding products and services but also by delivering value that brings more satisfaction to employees working at our outlets.

General managers (store managers), who lead outlet operations, are invited to the head office once in every quarter to receive commendations for their sales performance and be thanked for their services. Executives are eager to visit outlets at every opportunity, where they directly listen

to what employees have to say and find ways to improve the work environment.

One of such improvements is the introduction of the daily pay system, which allows employees to be paid on a daily basis. The system will be implemented by the end of FY 2023 as part of our efforts to update the payroll system.



YOSHINOYA AMERICA employees

Internal competitions for operational quality

Yoshinoya and Hanamaru host annual internal competitions in which employees working at their outlets compete in terms of operational skills and service quality.

Yoshinoya-hosted events include the Team Service Contest, Beef Bowl Preparation Skills Grand Championship, and Backroom Championship. In each event, teams or staff members who have won through preliminary rounds gather from all around Japan to compete in the final. After all contestants show off their highly refined skills and techniques, the champion is determined. Likewise, Hanamaru hosts operation competitions in which the most outstanding person is selected in the final round in the categories of Manager and Staff respectively.

These internal events have helped strengthen teamwork in outlets, boost internal communication, and make the workplace more cheerful and pleasant, while leading to higher quality of products and services—the value that we deliver to customers.



Yoshinoya Beef Bowl Preparation Skills Grand Championship

Being supportive to foreign staff members living in Japan and providing a workplace where they can comfortably work

Yao Qiankun,

Area Manager, Minami-Tokyo Sales Department, Kanto Sales Division 2, YOSHINOYA CO., LTD.



I was born in Fujian Province, China, came to Japan in 2008 as a student majoring in Japanese, and studied business administration at graduate school. During that period, I experienced many part-time jobs at food service chains and izakaya pubs until 2012, when I began to work at Yoshinoya as an outlet staff member.

Japanese food values umami, and that gives Japanese dishes simple yet deep flavors—a kind of deliciousness that makes me realize how food is connected to happiness. I was particularly attracted to Yoshinoya's beef bowl for its deliciousness, so much so that I wished I could keep eating it all the time. As I worked at Yoshinoya's outlet, I learned the spirit of hospitality through which I could provide customers with the same joy that I had found in the beef bowl. At the same time, I felt motivated and excited to work together in a team to run busy and sometimes demanding operations.

In 2017, I switched to a full-time employee from an outlet staff member. This was because, knowing that Yoshinoya Group operates in China as well, I wanted to move forward to my future goal of becoming successful in the Chinese food service market by capitalizing on what I have learned in Yoshinoya in Japan. The Group is committed to supporting career development of global talent and thus values diversity and inclusion as key to expansion into overseas markets.

In my store manager job, I strived to improve the work environment for the outlet staff, while giving top priority to offering products and services that give emotional satisfaction to customers. It is essential to create a workplace that provides steady income and that is comfortable to work in, especially for outlets with many foreign staff members, such as foreign students studying in Japan. I built relationships of trust with such staff members by always being supportive and understanding to them, listening to their concerns and problems in their lives in Japan, as well as at work, and giving advice to resolve them.

I was promoted to area manager in December 2022. With a wider scope of responsibility, I now manage full-time employees instead of outlet staff. In such a position, you should be even more accountable for what you do and say. My next challenge is to recreate in China the same emotional satisfaction that I experienced with the taste of Yoshinoya's beef bowl and accompanying services. I would like to play a role in further expanding the possibilities of the Group.

Material Issues

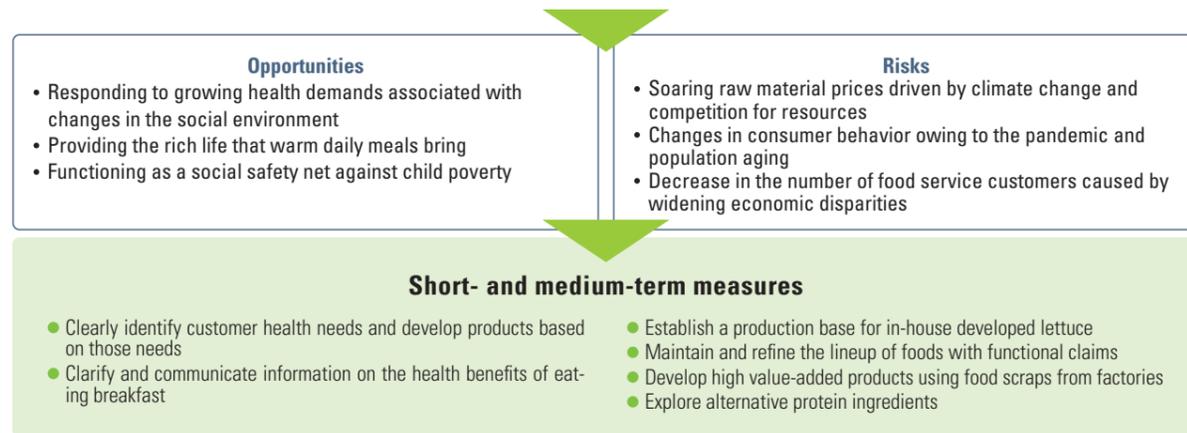
Providing the Joy of Food and Health to More Customers, Enabling Them to Have Fulfilling Lifestyles

We contribute to enriching people's lives by providing food with overwhelming value and developing safe products that contribute to health



Social issues and needs

Widening economic disparities have contributed to the child poverty rate in Japan remaining high, and dietary habits are deteriorating, with problems such as malnutrition and solitary eating. An abundant supply of healthy food is the most important social value that the Group should offer, and our mission as a provider of everyday food is to deliver this value to everyone. We will continue our efforts to protect people's health, overcoming soaring raw material prices and other aspects of a very challenging environment surrounding food.



Co-creation with customers and suppliers

Survey on the relationship between breakfast and happiness

In October 2022, Yoshinoya, Tohoku University Knowledge Cast Co., Ltd., and NeU Corporation jointly conducted a survey on the relationship between the habit of taking breakfast and happiness/lifestyle through an online questionnaire to 1,000 working individuals in their 20s to 60s. Tohoku University Knowledge Cast is a consulting company wholly owned by Tohoku University, and NeU is a brain science company jointly established by Tohoku University and Hitachi High-Tech Corporation. The survey results have indicated that the habit taking breakfast has a clear correlation to happiness and satisfaction with life. For example, people who take breakfast more often are more likely to feel happier and

be mentally positive. On the other hand, the survey found changes in people's lifestyle due to factors such as the COVID-19 pandemic and using smartphones for long hours. The breakfast menus offered by Yoshinoya are Japanese-style morning meals that consist of a bowl of rice and various dishes of the customer's choice, providing customers with an ideal way of taking protein. Based on the survey results, we intend to roll out promotional campaigns focusing on such health benefits of breakfast and develop new offerings, such as takeout breakfast meals.

Toward introducing alternative protein

The main food material used by Yoshinoya is beef. Beef constantly faces concern over price hikes due to tight supply and demand. The environmental impact of beef is also an issue, given that cattle raising is a major source of methane gas emission and is low in feed efficiency. Recognizing these as long-term challenges for us, we have been studying ways to introduce protein food ingredients that will allow us to serve

alternative menu items to beef protein meals. Although no commercial products have been developed yet, we will continue our attempts and studies through an extensive search for alternative ingredients, while considering their health benefits as food. The goal is to offer tasty experiences unique to Yoshinoya.

Working to obtain Smart Meal certification

We have applied to obtain a Smart Meal certification from the Healthy Meal and Food Environment Consortium. For the application, we selected meals that meet the certification standards from among the existing menus offered by the Group's businesses.

A smart meal is defined as a nutritionally balanced meal containing ingredients that contribute to health. Our application is for the certification of the Beef and Steamed Vegetables Combo Bowl menu,

which is available at Yoshinoya's C&C outlets. If successful, we will become one of a few nationwide food service chains that are certified.



Beef and Steamed Vegetables Bowl available at C&C outlets



One-on-one talk on the development of Tokugyu



Tomoko Tsuji,
Executive Officer;
Deputy General Manager,
Materials Development
Department, Group
Product Division,
YOSHINOYA HOLDINGS CO., LTD.



Nobuko Kajiwara,
Materials Development
Department

As the first to obtain FOSHU approval in the restaurant chain industry, we will further expand our health value offerings.

Kajiwara: The Materials Development Department has been working to commercialize foods with functional claims, such as Salacia Beef, a beef bowl topping containing salacia, to deliver health value based on scientific evidence and data. The culmination of these efforts is the Tokugyu Salacia Premium, a frozen beef bowl topping. It is the first product to acquire the food for specified health uses (FOSHU) designation in the food service industry.

Tsuji: When I joined the Group in 2015, President Kawamura gave me some missions. One of them is to develop a FOSHU product as a symbol of our commitment to contribution to health. After explaining him that it was a time-consuming and costly challenge, we began by focusing on the development and commercialization of Salacia Beef and having it approved as a food with functional claims. In the course of this, we gathered evidence data that would be required for the future acquisition of FOSHU and associated marketing.

Kajiwara: I also joined the Group in 2015, and the fact that the Group was working on FOSHU had led me to that decision. I knew that acquiring FOSHU certification was so difficult that some companies were giving up. Despite that, the Group had taken on the challenge and was working hard under the strong leadership of the top management, and such a challenge really impressed me.

Tsuji: At the time, there was already an ongoing project to develop a product containing indigestible dextrin as a functional material. However, I decided to switch our focus to salacia extract, which has a clearer mechanism to suppress sugar absorption and slow the rise of postprandial blood glucose levels. The key to success of the new development project was whether we could prove that salacia would show these effects when taken in as a beef bowl. After the launch of Salacia Beef in March 2017, we filed an application for FOSHU in June 2018. The application was approved three years later, in September 2021, and the FOSHU product named Tokugyu Salacia Premium, hit the market in July 2022. It was a long way to go.

Kajiwara: As salacia, a plant containing salacinol, was a new ingredient for FOSHU, safety evaluation was required. The dosage form—inclusion in a beef bowl—was also new, necessitating a longer period of evaluation to confirm the effectiveness claimed in the application. Meanwhile, we have found that salacia is a good match for beef bowls. As only a trace amount is enough to be effective, salacia barely changes the taste of the dish, but adds adequate color and richness to the beef topping cooked with less sodium and thus has diluted color and flavor of soy sauce.

Tsuji: Salacia has long been known for its health effects by tradition, but in fact, the plants of the genus Salacia are diverse and recognized to have several active ingredients. To clearly distinguish the raw material of the salacia used in Tokugyu from those of the salacia used by other companies, we had to present precise analytical data obtained by using reference materials. I realized that this process was also important to establish the scientific reliability of our achievement. After all, we would not have been able to overcome this hurdle without the help of universities as well as companies with experts in natural products chemistry and analytical chemistry. I am truly grateful to them. I believe that Tokugyu was only achievable with the work of many "Yoshinoya supporters."

Kajiwara: Although it may take some time before Tokugyu can penetrate the market, it is drawing interest from those seeing it as a symbol of the Group's health-related initiatives. Tokugyu was taken up in a college class and there was a new hire who noted Tokugyu as the reason for application for the job.

Tsuji: In FY2023, the Materials Development Department will establish a new joint research course with a university. This will allow us to build a close relationship with the university through consultations and research. In this program, we also seek to develop collaboration among the Yoshinoya Group, the university, and a functional materials manufacturer to deliver health value based on scientific evidence and data.

Material Issues

Contributing to the Development of Local Communities by Developing Our Global Business

We contribute to the development of local communities by providing high-quality services and food culture and promoting job creation through the outlets we establish around the world.



Social issues and needs

The geographic expansion of a company's business activities must be accompanied by an expansion of the scope of its responsibility to society. As a global business leader, the Group will contribute to the resolution of social issues such as global economic disparity, inequality, and disparities in children's education, which are themes of the SDGs. We must also satisfy the needs not only in Japan but also in other countries that seek attractive food services originating from Japan, and ensure a sustainable future for generations to come.

Opportunities

- Expanding employment and revitalizing local economies through outlet openings
- Capitalizing on overseas demand for high-quality, safe Japanese food
- Evolving into a community-based company by providing education and disaster relief support through food, and developing emergency food and nursing care food

Risks

- Damage to the brand and customer churn due to loss of regional credibility
- Stagnant growth caused by sluggish global expansion

Short- and medium-term measures

- Develop locally oriented products and outlets
- Provide meal support for children's cafeterias
- Increase overseas areas where we have opened outlets and expand employment through new outlet openings
- Support disaster-stricken areas using Yoshinoya's Orange Dream trucks
- Develop and provide emergency food using Yoshinoya canned meals
- Develop and sell foods for nursing care receivers and the elderly

Co-creation with society

Offering canned meals in local disaster prevention and awareness activities

Yoshinoya sells a line of canned meals for emergencies that are ready to eat at room temperature. Customers find them useful for stockpiling to prepare for disasters.

In October 2021, we concluded a partnership agreement on disaster prevention and awareness activities with Izumiotsu City, Osaka Prefecture. Under the agreement, we have made various contributions, including offering canned meals for sampling at an event intended to raise awareness of disaster preparedness in households.

The idea behind the development of the canned meals was that people need tasty and nutritious meals all the more when they are in an emergency. We will get this message across to more people.



Left: Canned meal of beef bowl
Right: Canned meal of pork bowl

Left: Canned meal of yakitori bowl
Right: Canned meal of grilled mackerel bowl

Selling nursing care foods in areas with poor access to supermarkets

As supermarkets become larger and move to the suburbs, more and more people, especially older ones, are losing easy access to daily shopping

needs after closure of their nearby stores. TOKUSHIMARU inc. operates a chain of mobile supermarkets called Tokushimaru in the 47 prefectures of

Japan. Small trucks loaded with daily necessities drive to areas with no supermarkets one by one to meet the needs of elderly customers.

Yoshinoya tied up with the company and began selling Soft Beef Bowl Toppings, a food for people in nursing care, at Tokushimaru in February 2022. To increase the recognition of the product, we gave away free samples in a promotional campaign in the sales areas.

As an attractive choice for elderly customers, the Soft Beef Bowl Topping is receiving positive feedback in many areas. It is easy to chew and swallow yet gives the satisfaction of eating tasty beef.



A sales representative giving away samples while talking with each customer



Reminding care receivers of the joy and happiness of eating out is the type of care that only Yoshinoya can offer.

Munechika Sakuma, Manager, Care Food Service and Sales Section, External Sales Business Division, YOSHINOYA CO., LTD.



Yoshinoya's direct sales business has recently boosted the sales of frozen beef bowl toppings mainly through such channels as consumers' co-operatives (co-ops), supermarkets, drugstores, and online stores. Sales reached approximately 40 million packages in FY2021, and an estimated 37 million packages were sold in FY2022. As a unit of this direct sales business, my team is working on the sales of foods directed at nursing care receivers and the elderly. These products are selling well, especially to day-service and nursing care facilities as well as medical facilities.

Our flagship frozen food line for nursing care receivers and the elderly, called Yoshinoya Gentle Meals, has sold over 1 million packages since its launch in 2017. In October 2020, we developed Yoshinoya Gentle Meals in retort pouches that can be stored at room temperature. These products provide the satisfaction of eating tasty beef, while maintaining the features as a nursing care food, such as being easy to chew and swallow and low in sodium. They are available under the names of "Soft Beef Bowl Topping" and "Minced Beef Bowl Topping" and have sold 100,000 packages to date. With these "Care Beef" series of products, we seek to deliver value that is "caring" and supportive not only to people receiving nursing care but also to their caregivers, including their family members and facility staff.

The mission of the care food section is to enable nursing care receivers and the elderly to enjoy a more fulfilling eating experience by applying the way we deliver joy and happiness at our outlets. This means that we are expected to develop as many varieties of foods to choose from as available on the menu of our outlets. Rather than focusing only on nursing care foods, we also sell ordinary foods to customers who prefer them, and even encourage healthier seniors to eat at our outlets. These are only some of the many forms of care that only Yoshinoya can offer.

Day-service and nursing care facilities are the primary target for the care food section. There are about 3,000 such sites across Japan that have purchased our products, suggesting the increased recognition of the Yoshinoya brand in nursing care foods. Our representatives visit these facilities one by one to let their users and operators experience our products firsthand through sampling and other events. Feedback, opinions, and requests from these people are reviewed to upgrade our products, helping us cultivate new customers. To expand sales, we have also teamed up with Kono Iro (<https://conoiro.jp>), an e-commerce site for foods and box lunches operated by Mitsui & Co. Group.

In the marketing targeting hospitals, our sales partner is NISSIN HEALTHCARE FOOD SERVICE CO., LTD., Japan's largest catering company for hospitals. In a collaborative event with the company, called "Everyone's Sunday," we served special lunch menus designed to make patients feel like eating out. A total of 50,000 people enjoyed the meals in a month. Our other initiatives include developing new sales channels to reach those who have difficulty eating ordinary food, in cooperation with dysphagia patient groups and local dental associations. I believe that the Care Beef products have become much easier to sell at hospitals and use for in-home nursing care since they have been made available in retort pouches stored at room temperature.

To attract more end users, we will strive to improve the store coverage of Care Beef in supermarkets and drugstores, while strengthening our approach to the healthcare industry. We are also working to introduce the product to Asian markets in response to proposals by some trading companies.

Material Issues

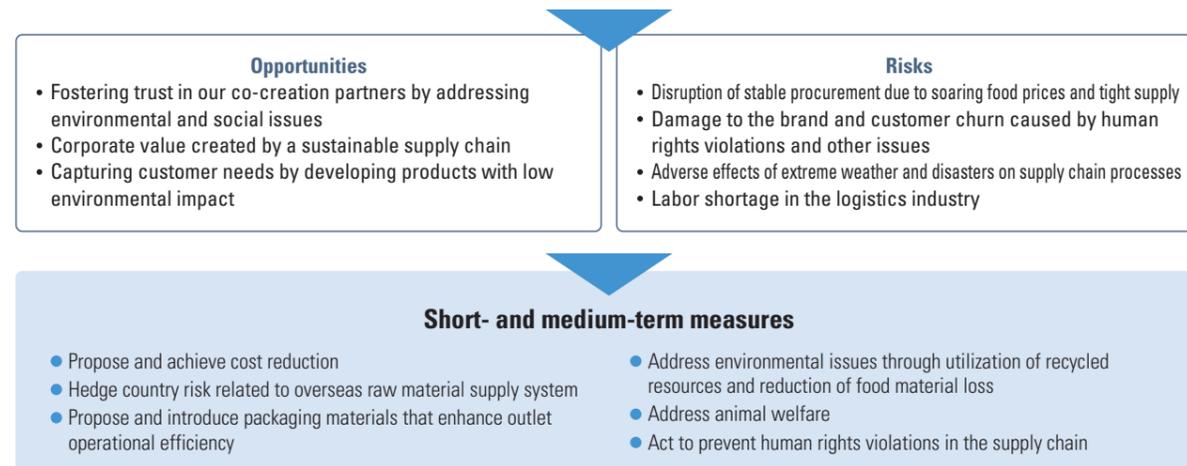
Building a Sustainable Supply Chain through Co-creation with Suppliers

We will work with our suppliers to establish a sustainable supply chain by practicing environmentally and socially responsible procurement.



Social issues and needs

The food supply chain, which starts with agricultural production, has been greatly affected in recent years by climate change, conflicts between countries, infectious disease, and other factors, raising the question of how to ensure a stable supply. Moreover, the entire supply chain must share a commitment to reducing environmental impact and addressing social issues such as illegal labor and violations of human rights. Together with its suppliers, the Group addresses these requirements and supports the stable supply of food.



Co-creation with suppliers

Basic policy on food material procurement

Procurement of food materials for Yoshinoya, Hanamaru, and other domestic businesses of the Group is handled by the Product Department within the Group Product Division, which is responsible for all functions related to procurement. This allows the Group to reduce procurement costs and improve operational efficiency, while maintaining stable procurement and ensuring food quality and safety.

Procurement policy

To build a sustainable supply chain, we will conduct safe procurement in accordance with the following policy, while encouraging our suppliers and employees to understand and adhere to this policy.

- Procure safe food materials in compliance with our quality control standards
- Build good relationships with suppliers that enable both suppliers and ourselves to earn reasonable profits
- Improve quality and safety through communication by Group employees with producers

Participation in White Logistics Movement

The logistics industry faces an increasingly serious shortage of truck drivers, who are essential to delivery. Behind this problem is the drivers' long working hours and excessive workload. The Group participates in the White Logistics Movement, an initiative aimed at resolving these challenges, and is taking actions such as making proposals and cooperation to improve the logistics system, leveling out orders, and paying more attention to regulatory compliance.

To improve the logistics system, we have contributed to reducing truck drivers' workload and enhancing their operational efficiency by urging logistics companies to coordinate their efforts and using internal truck drivers for irregular deliveries. We also help logistics companies recruit truck drivers.

Addressing animal welfare

Animal welfare refers to an approach to livestock farming that is aimed at respecting livestock as living things. It fosters the healthy growth of livestock in a farming environment that is less stressful to animals and that satisfies their behavioral requirements. It is essential for the Group to sustainably procure food materials in the supply chain, be considerate to animals, and secure food quality and safety. As part of quality control, the Group Product Division sends its buyers to production sites for inspection, confirming that no undesirable environments are observed in livestock farming.

Going forward, we will closely work with our suppliers to ensure that animals raised for our services enjoy high levels of welfare and undergo a proper livestock farming process. To that end, we endorse and promote the Five Freedoms for animal welfare, which are internationally accepted standards.

The Five Freedoms

- | | |
|--|--|
| 1. Freedom from hunger and thirst | 4. Freedom from pain, injury, or disease |
| 2. Freedom from fear and distress | 5. Freedom to express normal behavior |
| 3. Freedom from discomfort due to physical environment | |

Preventing illegal labor and violations of human rights

Any illegal labor or human rights violation in the supply chain would have a major negative impact on the Group's business in the form of damage to its brand and social credibility and resulting customer churn.

In the supplier selection process, the Group Product Division asks candidates about how they deal with such personnel and labor issues, and communicates the Group's policy and stance on human rights. Once

they are selected as our suppliers, the Group Product Division performs an on-site inspection based on a check sheet. Although it is impossible to completely monitor the suppliers' activities, we continue to upgrade our initiatives to prevent illegal labor and human rights violations.

Capitalizing on business relationships of trust and maintaining procurement through information gathering and adequate responses

Akihiro Katsuta, General Manager, Group Product Division, YOSHINOYA HOLDINGS CO., LTD.



Food material procurement is undergoing unprecedented adversity due to the effects of climate change on agricultural products, along with soaring raw material and energy prices and disrupted supply chains associated with the prolonged COVID-19 pandemic and geopolitical risks. The Group and its suppliers are struggling to navigate through unexpected situations. The latest challenge is the difficulty of securing sufficient amounts of eggs as a result of the outbreak of bird flu.

To cope with the situation, the Group Product Division is making its utmost efforts to suppress or reduce procurement costs, through the procurement function of its Product Department, to maintain stable supply and quality. We continue to maintain procurement that is stable enough in both quality and quantity to keep our outlets running in each business. This has been achieved by securing a preferential supply of food materials based on long-term close relationships with suppliers, while hedging risks by purchasing from multiple sources through trading companies and wholesalers. I believe that these all owe to trust from suppliers that the buyers in the Product Department have built, as well as to their effective information gathering and adequate responses.

One of the biggest challenges for the Group Product Division for now is how to develop procurement talent. Through experience, buyers must gain skills to determine supply and demand trends from the overall view of the supply chain, as well as expert knowledge of

individual food materials. We also need a system by which their advanced expertise in these domains, along with the skills to build solid relationships with suppliers, is passed on to next generations. Establishing such a system will be key to enhancing the Group's procurement function.

In the Group's overseas business, the procurement and quality control of food materials have been under the charge of local operating companies. We plan to have the Group Product Division take part in this process as we will reconstruct our merchandising in global operations. A possible first step is involvement in the supervision of the basic elements, such as beef and sauce, with relevant information exchanged and shared with each operating company along the way. Meanwhile, we may also consider expanding procurement channels in coordination with overseas operations, while balancing such effort with domestic procurement.

Since becoming the General Manager of the Group Product Division in September 2022, I have been more aware of the importance of the relationship of trust with the stakeholders in the Division's operations. Possessing adequate knowledge is not enough to maintain a strong supply chain. It is indispensable to pay attention to wide-ranging aspects and have a good sense of balance. Our business is somewhat old-fashioned, requiring thoughtful interactions with others. Keeping that in mind, I will focus on developing human resources and teamwork to strengthen the Division's functions.

Material Issues

Responding to Climate Change through Environment-Friendly Business Activities

We will implement measures that reduce our environmental impact while cutting food loss and costs so that we can achieve both global environment conservation and economic growth.



Social issues and needs

The increase in greenhouse gases emitted into the atmosphere is now contributing to climate change and rise in frequency of extreme weather events on our planet. Crop production has also been affected and there is growing concern about the stable supply of food. Under these circumstances, the global society has become more aware of environmental conservation and food loss, leading to about changes in behavior. As a corporate group engaged in the food business, we will respond to the demands of society to address climate change and implement countermeasures while also working to support economic growth.

Opportunities

- Differentiating ourselves and enhancing our brand image through environmental measures
- Complying with environmental regulations to facilitate smooth business development

Risks

- Adverse impact on the supply chain through more frequent and severe weather events
- Legal restrictions on business activities due to delays in environmental regulation compliance
- Damage to brand image caused by insufficient environmental awareness
- Increase in procurement and energy costs resulting from resource depletion

Short- and medium-term measures

- Optimize energy use and energy conservation
- Reduce food loss and carry out recycling in plants and outlets
- Mitigate environmental impact
- Reduce waste, including cardboard boxes for deliveries to outlets
- Incorporate environmental consideration in new outlet openings and renovations, such as by acquiring Eco Mark certification
- Establish conditions and management system for TCFD disclosure

Co-creation with the global environment

Pilot project for PET recycling

Waste polyethylene terephthalate (PET) resin generated at our outlets includes used containers of sauces, soy sauce, and other seasonings, as well as empty drink bottles. We have launched a pilot project to voluntarily collect and recycle waste PET resin from outlets in the Kansai region, where we operate an in-house distribution center. The aim is to reduce waste disposal costs.

Just after the start in July 2022, there were two collection routes covering about 20 Yoshinoya and Hanamaru outlets, and the collected

wastes were stored at the distribution center until a recycling company disposes of them. We reviewed the operation cycle in October 2022 and increased the number of routes to four.

In areas without our own distribution centers, the challenge is the need to partner with external contractors to collect and store the waste. Despite these difficulties in expanding PET recycling, we are working to implement this initiative in all of our outlets in Japan.

Food loss reduction and food recycling

Processing onion scraps into dry powder

At the Tokyo factory, onions are processed for Yoshinoya's use by removing the non-standard parts (i.e., the core). Approximately 10 tons of onions

are processed per day, and unneeded onion scraps account for about 5% of the total weight. These onion scraps are dried and processed into edible powder. This food upcycling project began in February 2023.

The superheated steamdryer "JOSEN," developed by ASTRA FOOD PLAN Co. Ltd., is designed to instantly sterilize, dry, and powder food while limiting flavor degradation, oxidation, and loss of nutritional value. We ship refrigerated onion scraps from our Tokyo factory in batches of 200 kg to the company, where they are powdered and supplied to a bread manufacturer.

Biomass tableware made from eggshells

The Group's outlets use eggs for cooking various dishes and waste large amounts of eggshells every day. We have been working on the recycling of waste eggshells to produce biomass plates and bowls since some employees proposed the idea. Calcium carbonate, the main component of eggshells, releases CO₂ when burnt. Being 55% made from eggshells and containing solidified CO₂, the tableware will contribute to both waste reduction and global warming mitigation.

Our next plan is to determine ways to collect eggshells from outlets and put into practice a cycle through which they are returned to outlets in the form of biomass tableware.



Reducing food loss by powdering onion scraps for reuse

Demonstrating group-wide commitment to environmental conservation activities as a responsible player in the food service industry

Tsutomu Sekiguchi, General Affairs, Group Management Division, YOSHINOYA HOLDINGS CO., LTD.



To promote environmental conservation activities at our operating companies in Japan, the Group Management Division has established an environmental management structure for Yoshinoya, Hanamaru, Setagaya, With Link, and StartingOver. Each of the five companies has appointed a person in charge of environmental information who gathers and provides relevant information and reviews the progress of activities. This platform is also used to support the environmental actions led by the Group Product Division, coordinating the overall activities. Going forward, we will summarize information and develop future strategies under the platform in line with the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations and work toward disclosure in the four categories of governance, strategy, risk management, and metrics and targets.

The priorities in our environmental conservation activities are complying with environmental laws and regulations, optimizing utility costs, and reducing waste disposal costs. Specific targets are set and pursued in each category every year.

Among Japan's environmental laws and regulations, the Act on Rationalizing Energy Use and the Food Recycling Act are relevant to Yoshinoya and Hanamaru, which are business operators with reporting duties under the laws. Yoshinoya is also subject to the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging and the Plastic Resource Circulation Act. For example, under the Food Recycling Act, a 50% food recycling rate is the target for businesses in the food service industry. As a result of our

activities in FY2022, the Yoshinoya outlets exceeded the target and reached 83.7%, while the Hanamaru outlets fell short, at 33.2%. The low rate for Hanamaru is because udon must be consumed in a short time, once boiled, making it unavoidable to generate some waste. We are developing udon noodles that can solve this problem. Regarding the Plastic Resource Circulation Act, which came into effect in April 2022, we have set the goal of halving the per-unit consumption of specified petroleum-based plastic products by the end of FY2030.

Our approach to utility costs is to maintain the consumption of water, light, and fuel at 100% or less of the previous year's levels. The Group Management Division keeps track of usage, checks for abnormal consumption, and renews electricity/gas contracts at appropriate rates. Moreover, we are considering introducing renewable energy derived from solar power and biogas to the Tokyo factory.

To manage waste disposal costs, the amount of waste generated per employee has been maintained at no more than 100% of the FY2019 level.

As a responsible player in the food service industry, the Group is committed to conserving the environment and will contribute to the creation of a sustainable society. Importantly, this also means that we will aim for the highest performance with the minimum consumption of resources. We are striving to instill this mindset in employees and step up environmental conservation activities.

Corporate Governance Management Members (February 28, 2023)

Reason for appointment of directors

Director candidates are selected based on the number of directors stipulated in the company's Articles of Incorporation following a comprehensive evaluation and judgment of their experience, insight, expertise, and other relevant factors, and determined by the Board of Directors. The procedure is as follows: the representative director nominates candidates who he or she believes share the company's business philosophy and judges to have the necessary knowledge, experience, and abilities based on the company's management plan and business strategy. Following deliberation by the Nomination Advisory Committee, the Committee submits its recommendation to the Board of Directors, which passes a resolution.

As for the candidates for corporate auditors, in addition to those with knowledge of finance and accounting, candidates who have extensive experience and abundant knowledge of management and related matters, and who can sufficiently fulfill the role of a corporate auditor of the company from a professional standpoint are nominated.

In addition, determinations regarding the election and dismissal of the company's senior management (executive officers and general managers) are made by the Board of Directors in accordance with internal regulations. The reasons for the appointment of candidates for directors and corporate auditors—whether internal or external—are disclosed in the Notice of Convocation of the General Meeting of Shareholders.

Skills and experience of our directors and corporate auditors

The Board of Directors of the company, which governs and supervises the Group as a holding company, consists of members with diverse perspectives, profound experience, and advanced skills that facilitate the development of sound, highly transparent corporate governance and internal controls, enabling the Board to govern the Group appropriately. The company believes that the Board of Directors as a whole is equipped with the necessary skills.

We have created the following skills matrix with a ♦ marking the particular skills and experience of each director and corporate auditor based on their individual knowledge, experience, and capabilities. This list is not an exclusive representation of each person's knowledge, experience, and capabilities.

Skill	Definition
Corporate management/management strategies	People with experience working in listed or comparable companies or knowledge, experience, and capabilities in corporate management and strategy
Sales/marketing	Sales experience and marketing knowledge, experience, and capabilities
M&A/finance/accounting	Knowledge, experience, and capabilities in financial strategy, capital markets, accounting and finance in financial institutions, financial accounting or investment departments, professional positions
Global expansion	Knowledge, experience, and capabilities in the conducting of international transactions and overseas business at international companies.
Diversity/personnel development	Knowledge, experience, and capabilities relating to the promotion of the Group's diversity and human resources development
Legal affairs/compliance	Specialist knowledge and experience as a lawyer, etc. or specialized knowledge relating to corporate legal affairs, laws and regulations, etc.

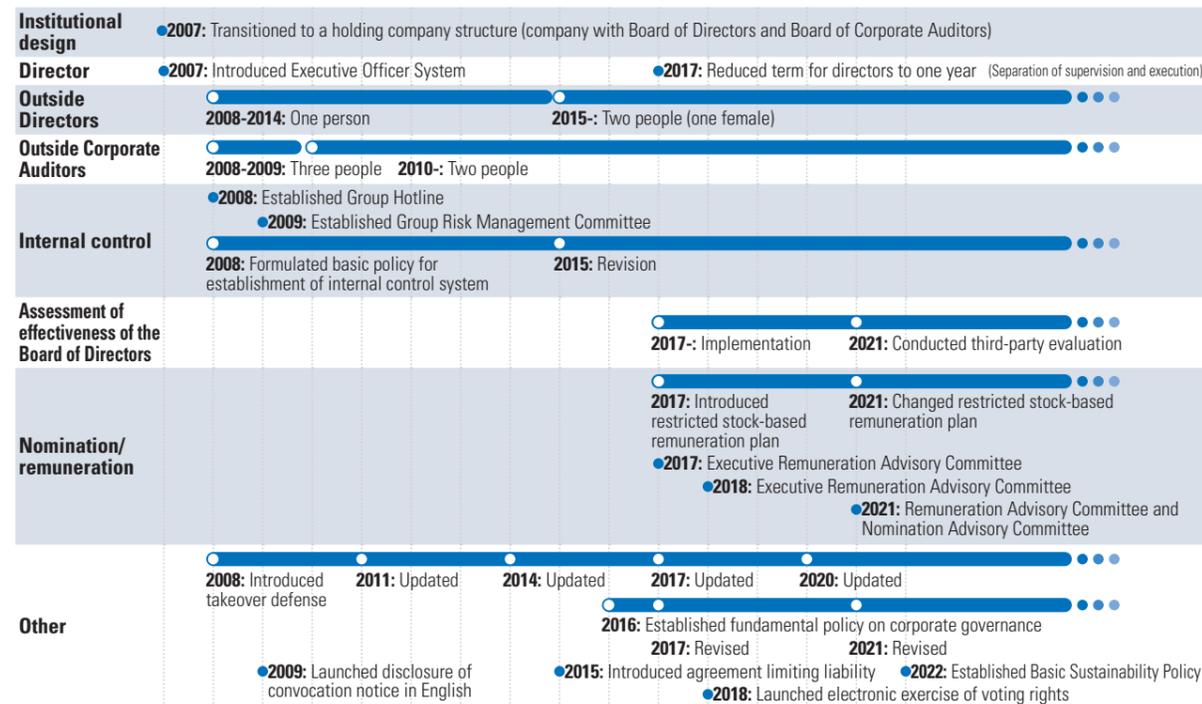
Name	Position	Classification		Career highlights	Start date	Attendance		Skills and experience						
		Internal	Outside			Board of Directors	Board of Corporate Auditors	Corporate management/management strategies	Sales/marketing	M&A/finance/accounting	Global expansion	Diversity/personnel development	Legal affairs/compliance	
 Yasutaka Kawamura	President	♦		Yasutaka Kawamura joined the company in 1993. He assumed his current position in 2012 after having served as representative director and president of Hanamaru, Inc. He serves concurrently as representative director and president of YOSHINOYA CO., LTD.	September 2012	17/17 (100%)		♦	♦				♦	
 Norihiro Ozawa	Managing Director	♦		Norihiro Ozawa has extensive experience working in the U.S., including in the food service industry. He joined the company in 2019 after serving as chief executive officer of Seiyu Food-Compass Group Inc. (currently Compass Group Japan Inc.) He assumed his current position in 2020.	May 2020	17/17 (100%)		♦		♦	♦			
 Tetsuya Naruse	Director	♦		Tetsuya Naruse joined the company in 1988. He assumed his current position in 2014 after having served as representative director and president of Hanamaru, Inc. Following a posting in Malaysia, he has been in charge of overseas business since 2020, overseeing subsidiaries in Asia.	May 2014	17/17 (100%)			♦		♦	♦		
 Eizou Uchikura	Outside Director		♦	After working as a securities analyst and investment banker at Goldman Sachs Japan Co., Ltd., Eizou Uchikura was appointed representative director of YUME Capital Co., Ltd in 2008. He has served as an outside director of the company since 2011.	May 2011	17/17 (100%)				♦				
 Nobuko Akashi	Outside Director		♦	Nobuko Akashi was appointed as an outside director of the company in 2019. She also serves as board chairperson, NPO Japan Manners & Protocol Association. Other positions include Management Committee member, Japan Broadcasting Corporation.	May 2019	16/17 (94%)							♦	
 Daisaku Fujikawa	Outside Director		♦	Joined the Industrial Bank of Japan, Limited in 1984. After working at UBS Securities Japan Co., Ltd., he moved to Citigroup Global Markets Japan Inc. in 2006. He was appointed vice president of Citigroup Global Markets Japan Inc. in February 2019. He was appointed as an outside director of the company in 2022.	May 2022	14/14 (100%)		♦		♦				
 Akihiro Yasui	Corporate Auditor	♦		Akihiro Yasui joined the company in 1985. After serving as representative director and president of Peterpan Comoco Co., Ltd. and chairman of YOSHINOYA China Holdings Co., Ltd., he assumed his current position in 2021.	May 2021	17/17 (100%)	14/14 (100%)				♦			
 Kaoru Tomiya	Corporate Auditor	♦		Kaoru Tomiya joined the company in 1993. After serving as executive officer and general manager of the Group Legal Affairs Department and representative director and president of With Link Co., Ltd., he was appointed to his current position in 2022.	May 2022	14/14 (100%)	11/11 (100%)		♦					♦
 Kensuke Masuoka	Outside Corporate Auditor		♦	Kensuke Masuoka was admitted to the bar in 1989. He is the head of Masuoka Sogo Horitsu Jimusho. He is a member of the Tokyo Bar Association, and was named vice president of the Association in 2003. He was appointed as an outside corporate auditor of the company in 1994.	May 1994	16/17 (94%)	13/14 (92%)							♦
 Osamu Ohashi	Outside Corporate Auditor		♦	Osamu Ohashi established Ohashi Certified Public Accountants in 1999. He has served as representative partner of ReEx Accounting Firm, a tax accounting firm, since 2004. He was appointed as an outside corporate auditor of the company in 2011.	May 2011	17/17 (100%)	14/14 (100%)			♦				

Corporate Governance Approach and Structure

Basic approach to corporate governance

We have adopted “For the People” as our business philosophy and declared that all our business activities are conducted for the benefit of people. This is rooted in our recognition that a company is a public institution that exists to satisfy the needs of society and to contribute to people’s happiness. “We will think for the benefit of people, give top priority to people, and be a company that is needed by people.” We believe that enhancing management efficiency, soundness, and transparency is a key management issue. Achieving this will enable us to put our six core values to practice—“tasty, affordable, and fast,” “greater number of customers,” “originality,” “integrity,” “importance of human resources” and “challenges and innovation”—and continuously improve the corporate value of the Group, as well as to earn the trust of society as a company that recognizes the importance of compliance with laws and regulations and corporate ethics. To this end, we will strive to maintain and develop positive relationships with our various stakeholders, including shareholders, customers, employees, suppliers, and local communities, while increasing management transparency through timely and proactive information disclosure to shareholders and investors. This will be accomplished through financial results briefings, IR activities in Japan and overseas, information disclosure on our website, and other means.

Efforts to date to strengthen governance

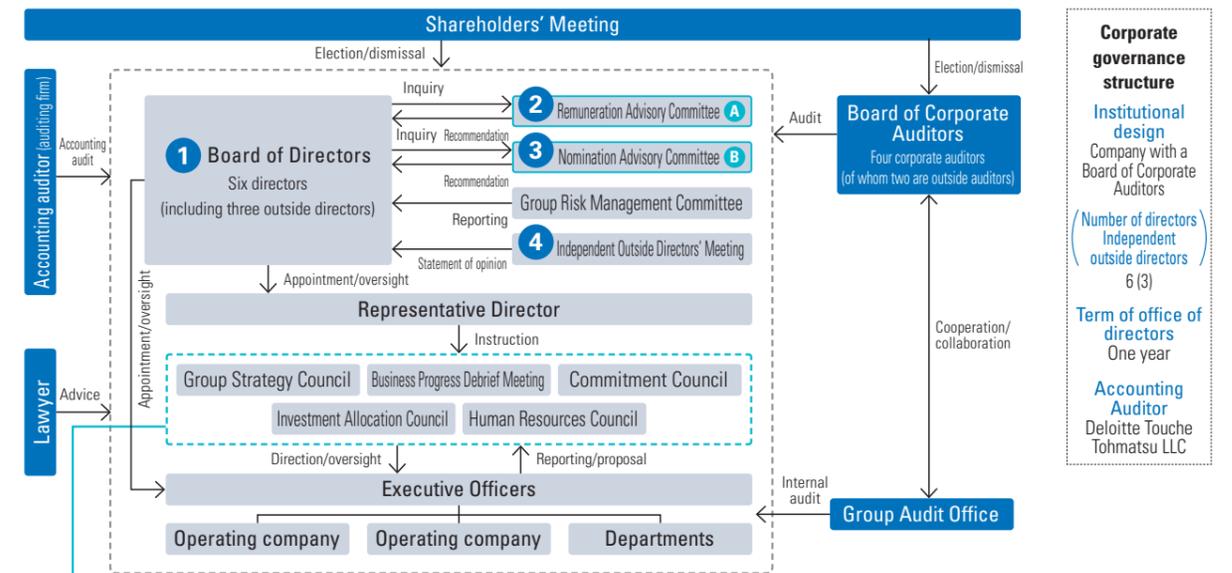


Background and characteristics of governance structure

Our Board of Directors is composed of individuals with expertise and considerable experience in the Group’s industry. This includes general management, sales, financial accounting, marketing, and other specialties, giving maximum consideration to the perspective of diversity and ensuring that the Board suits the unique business characteristics of the company. The Board of Corporate Auditors consists of people with knowledge of finance, accounting, and legal matters, including those with management experience, certified public accountants, and attorneys.

In addition, we have introduced an executive officer system, which separates management and execution, thereby accelerating decision-making at each of the Group’s operating companies. Important matters are intensively discussed and examined by our directors and executive officers at Group Strategy Council meetings, Business Progress Debrief Meetings, Commitment Council meetings, and on other occasions. The institutional design of each Group company is based on the premise of not having a Board of Directors, and flexible decision-making is carried out by the director or the executive officer in charge.

Corporate governance structure <February 28, 2023>



Group Strategy Council

Based on the basic group management policy determined by the Board of Directors, deliberates and reviews important group-wide matters such as overall group management implementation policies and plans.

Business Progress Debrief Meeting

Reports and shares the business progress of each subsidiary to the directors and executive officers twice per year to improve the status of business of the subsidiary and promptly adjust strategic issues as necessary.

Commitment Council

Reports on the annual status of business, presents the management plan for the next fiscal year to the directors and executive officers, and commits to the president the numerical targets to be achieved by the subsidiaries or the general managers of each department and division.

A Remuneration Advisory Committee

The role of the Remuneration Advisory Committee is to deliberate on the determination of remuneration and related matters for directors and executive officers, as well as on the details specific to each individual, and report to the Board of Directors. Specific responsibilities include activities to ensure objectivity in the deliberation of individual details of remuneration for directors and executive officers by viewing them from a neutral perspective based on key management indicators. The Committee also confirms the suitability of each executive officer’s rating and the appropriateness of their work load for their respective areas of work.

B Nomination Advisory Committee

The Committee’s role is to report to the Board of Directors on the director candidates selected by the Committee and the desired profile of directors.

Operation of the Board of Directors and committees

	FY2022 activities/major agenda items
1 Board of Directors Chairperson: Yasutaka Kawamura Related information → P57 Number of members and composition Six directors (Internal directors: 3 Outside directors: 3) Key roles Actively discusses and exchanges opinions at monthly meetings on regular items for resolution, and by such means as convening committees and projects as needed No. of meetings/ average attendance rate 98.8% (Directors: 99%, corporate auditors 98.8%)	In FY2022, 17 meetings were held and the attendance rate of directors was 99.0%. Regarding human capital, the Board discussed human resources and, more specifically, the importance of human resources and human resources strategies that are linked to the company’s management strategy because that would facilitate the achievement of management strategy based on the company’s business philosophy. Moreover, following repeated discussions, it made determinations on the formulation of medium- and long-term management policies. This includes group financing, investment allocation, and optimization of the business portfolio. The Board also endeavored to make prompt, prudent management decisions in response to current issues such as coping with the spread of COVID-19.
2 Remuneration Advisory Committee Chairperson: Eizou Uchikura Number of members and composition Four members (Representative director and president: 1 Outside directors: 3) Key roles Offers advice to strengthen the independence, objectivity, and accountability of the Board of Directors’ functions with respect to Directors’ remuneration and related matters No. of meetings/ average attendance rate 100%	In FY2022, the Committee met four times, with 100% attendance by Committee members. From the viewpoint of objectivity and transparency where executive compensation is concerned, it discussed and reviewed the evaluation criteria and compensation table for executive officers with the aim of achieving a balanced remuneration level in accordance with each officer’s area of business, social conditions, and market trends.
3 Nomination Advisory Committee Chairperson: Yasutaka Kawamura Number of members and composition Six members (Representative director and president: 1 Outside directors: 3 Outside corporate auditors: 2) Key roles Strengthens the independence, objectivity, and accountability of the Board of Directors’ functions related to the nomination of representative directors and directors No. of meetings/ average attendance rate 100%	In FY2022, the Committee met twice, with 100% attendance by Committee members. The Committee discussed expanding the scope for selecting the next generation of management executives and shared revisions and additions to the desired profile of next generation candidates. It further discussed the provision of growth opportunities through personnel reassignment of the candidates.
4 Independent Outside Directors’ Meeting Chairperson: Eizou Uchikura Number of members and composition Five members (Outside directors: 3 Outside corporate auditors: 2) Key roles Conducts free discussions on matters related to the company’s business and corporate governance, with independent outside directors and outside corporate auditors engaging in the necessary exchange of information and opinions and sharing of their awareness. No. of meetings/ average attendance rate 100%	In FY2022, the Committee met four times, with 100% attendance by Committee members. In addition to primarily discussing the review of the Corporate Governance Code Basic Policy in accordance with the amended Corporate Governance Code, opinions were exchanged on the basic policy on shareholder returns including the shareholder benefit program and the amendment to the Articles of Incorporation submitted to the 66th Ordinary General Meeting of Shareholders held on May 23, 2023.

Corporate Governance - Functional Effectiveness

Assessment of effectiveness of the Board of Directors

Yoshinoya Holdings established a basic approach to corporate government as part of its efforts to achieve sustainable growth and enhance the corporate value of the company and the Group. As part of that approach, in 2017, we started analyzing and evaluating the Board of Directors once a year at the end of the business period to ensure the effectiveness of the Board.

Going forward, we will improve the quality of the various deliberations at Board of Directors' meetings to strengthen corporate governance and to consistently enhance corporate value.

1. Evaluation method and process

Method of implementation	Self-evaluation based on questionnaires created by the company (responses include scoring and free comment)
Time of implementation	Fiscal year end
Period of coverage	Board of Directors' meetings for each fiscal year
Scope of coverage	Directors (including outside directors), corporate auditors (including outside corporate auditors)
Question items	(1) The composition and operation of the Board of Directors (2) Management strategy and business strategy (3) Corporate ethics and risk management (4) The monitoring of corporate performance, the evaluation and remuneration of the senior management team (5) Dialogue with shareholders and other stakeholders

2. Responding to issues relating to Board effectiveness in the previous period

The previous year's survey raised issues regarding the content and volume of materials for Board of Directors' meetings and the timing of the advance distribution and explanation of those materials. It also suggested the need to provide new directors with opportunities to quickly deepen their understanding of the Group's management strategy and business operations.

Based on these evaluation results, we sent additional announcements to directors when we distributed advance materials for Board meetings and conducted individual advance explanations. We also held study sessions and discussions conducted by external lecturers for newly appointed and current directors and corporate auditors.

Remuneration, etc. of directors and corporate auditors

Remuneration, etc. for directors and corporate auditors consists of and is paid in the form of fixed, performance-linked, and stock-based remuneration, based on the following points to ensure a sound system design conducive to sustainable growth.

- The system must promote sustainable, medium- and long-term improvements in corporate value.**
- The system must reflect short-term performance and strongly motivate achievement.**
- The system and amount of money paid must be sufficient to attract and retain talented personnel.**
- The system must be transparent, fair, and reasonable to stakeholders, and it must be established through appropriate processes to ensure this.**

The level of remuneration for directors and corporate auditors, as well as fixed, performance-linked, and stock-based remuneration, will be determined with reference to the level of remuneration for directors and corporate auditors at listed companies of similar size as the company in terms of market capitalization and sales and profit levels of the previous fiscal year, etc., while considering the various fundamentals of the company's business and management environment. The basic timing for revision of fixed, performance-linked, and stock-based remuneration is May, but remuneration is not necessarily revised every year.

Generally, the composition of executive officers' remuneration is as follows.

Composition	Fixed remuneration	Performance-linked remuneration	Stock-based remuneration
Senior directors	60-70%	15-20%	15-20%
Directors	80%	10%	10%

The company's stock-based remuneration plan provides for the issuance of stock as remuneration to directors, excluding outside directors, with transfer restricted until retirement from their positions. Our objective with the introduction of this system is to encourage our directors to further share value with our shareholders, reinforce their medium- to long-term commitment, and increase their intention to contribute to enhancing corporate value. For eligible directors, all monetary claims paid by the company in accordance with this system will be transferred as property contributed in kind, and common shares of company stock will be issued or disposed of. The total amount of monetary claims to be paid to directors will be no more than 30 million yen per year (excluding the portion of employee salary for directors who serve concurrently as employees), and the timing and allocation of the payment will be determined by the Board of Directors.

Individual remuneration for directors is determined by the Remuneration Advisory Committee—consisting mainly of outside directors—based on the individual director's position, responsibilities, and performance during the applicable fiscal year. The Committee then submits its recommendations to the Board of Directors, which makes decisions on them.

Individual remuneration for corporate auditors is determined through discussions among the corporate auditors.

Succession plan concept

To perpetuate the Group's brand—with a history of more than 120 years—management must have a deep understanding of the company's philosophy and must put it into practice. We believe that the training of the next generation of management is the most significant responsibility of the current management team. As such, in March 2021, we established a new Nomination Advisory Committee, chaired by the president with outside directors and outside corporate auditors as members.

With the objective of shaping governance in accordance with our company's unique value creation story toward sustainable future growth, we endeavor to clearly define requirements for management personnel, ensure transparency in the selection process, and share information on

candidates and their skills and development issues through the Committee's operation.

This has strengthened the function of the Board of Directors in nominating representative directors and directors, while ensuring their independence, objectivity, and accountability.

With regard to development of candidates for next-generation management brought to our attention by the Nomination Advisory Committee, we will provide growth opportunities through personnel reassignment, training, etc., and systematically promote their development. Moreover, we are revising our personnel and evaluation systems to expand the pool of talented young management candidates.

Internal control system

We are striving to strengthen and enhance the internal control system throughout the Group from the perspective of ensuring management transparency and efficiency, legal and regulatory compliance in our corporate activities, and appropriate risk management.

As a system to ensure that the execution of duties by directors and employees of the Group is in compliance with applicable laws, regulations, and the Articles of Incorporation, our business philosophy and action guidelines are shared and practiced at each Group company. Furthermore, internal training is conducted to ensure compliance with laws, regulations, and the Articles of Incorporation and to ensure thorough adherence to corporate ethics. Concerning financial reporting, the company has established internal accounting rules to properly prepare financial reports in accordance with laws and regulations. And based on those rules, the maintenance and operation status is evaluated and improved in accordance with annual plans. The Group Risk Management Committee is responsible for evaluating the status of compliance and risk management in the Group, and reports to the Board of Directors.

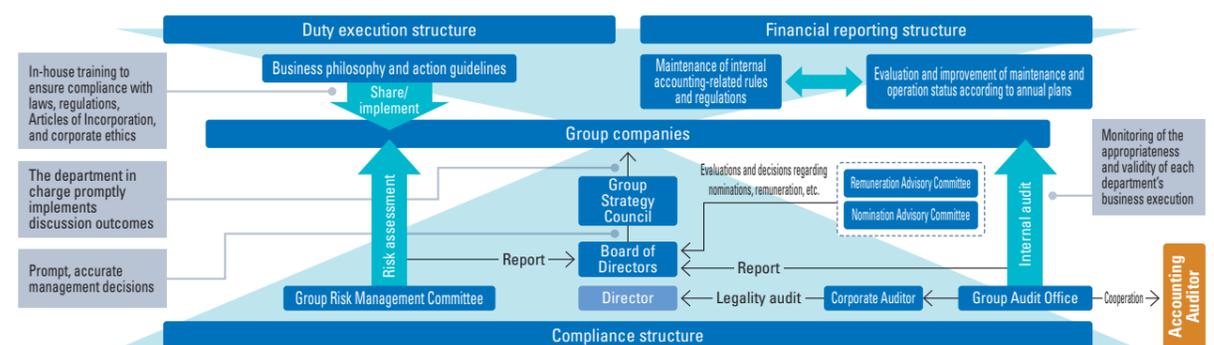
In addition to monthly meetings, the Board of Directors meets as necessary, and meetings including those of the Group Strategy Council are also held with the purpose of supplementing prompt and accurate management decisions. The departments in charge then promptly implement the decisions resulting from discussions at these meetings. The Group Audit Office subsequently conducts internal audits of the

company or each Group company based on the audit plan approved by the Board of Directors. The results of audits conducted by the Group Audit Office are reported to the president, the executive director in charge of the relevant division, and the corporate auditors at the Audit Report Meeting. Moreover, our directors and executive officers concurrently serve as directors and corporate auditors of each Group company. Through this and other means they keep abreast of the decision-making and business operations of the subsidiaries, thereby ensuring appropriate supervision.

Corporate auditors audit the legality of operational execution by directors in accordance with the audit plan formulated by the Board of Corporate Auditors. In addition, corporate auditors attend meetings of the Board of Directors and other important meetings to receive reports on important matters. In conducting audits, corporate auditors exchange opinions and cooperate with the Group Audit Office and the accounting auditor.

Moreover, the company has a Remuneration Advisory Committee and a Nomination Advisory Committee as voluntarily established advisory bodies to the Board of Directors. The supervisory function has been strengthened by further clarifying and objectifying the evaluation and decision-making process regarding the nomination, remuneration, and other matters concerning directors, leading to further improvement of the internal control system as well.

Internal control system of Yoshinoya Holdings



Compliance

Basic approach to compliance

As seen in the spirit of the Group's business philosophy "For the People" and as a company that can contribute to people around the world through business activities, we have positioned compliance as a top priority. We will also comply with corporate ethics and practice risk management based on the spirit of the Group Charter of Corporate Behavior. The management of each Group company will take the initiative in implementing the above, and will ensure that all employees possess a full awareness of the Charter to ensure that they strictly comply with corporate ethics.

In the event of violation of the Group Charter of Corporate Behavior, the management of each Group company will investigate the cause and strive to prevent recurrence, promptly and accurately disclose information to fulfill our accountability, and take strict disciplinary action against violators including ourselves if applicable.

Yoshinoya Holdings
Group Charter of
Corporate Behavior

<https://www.yoshinoya-holdings.com/english/csr/compliance/>



Promotion system and structure

A meeting of the Risk Management Office personnel is conducted on a monthly basis, consisting mainly of persons in charge of compliance in each Group company.

Tasks performed at the meeting include exchanging information on risk management, compliance activities, and the operation of the whistleblowing system. These tasks help identify important issues that should be given priority and examine basic policies and concrete measures for dealing with these issues. On-site improvements are sought by feeding back such information to the relevant division of each company, thereby promoting the compliance system within the Group in an integrated manner.

In addition to a point of contact for whistleblowing established at each company, we have the Group Hotline in place, serving as a common point of contact for all Group employees. Yoshinoya Holdings' self-cleansing function within its organization is boosted by operating such points of contact in an appropriate manner while making the objectives and method of using the internal reporting system understood and widely known among employees through the Group Compliance Guide, posters, internal newsletters, and other means.

Compliance education

We promote on-site knowledge education and actual activities by distributing our Group Compliance Guide to all employees at Group outlets and at headquarters, including directors and corporate auditors, as a tool for compliance education. By doing so, we are striving to spread compliance across the entire workplace. The Group Compliance Guide is revised every three years in response to the enactment, amendment, or repeal of laws, regulations, and other rules, as well as changes in social conditions and the environment.

Moreover, we regularly conduct compliance training targeting different employee groups, such as directors and corporate auditors, managers, new Group employees, and store managers to raise awareness of compliance among all employees as well as directors and corporate auditors. For outlet staff members, we are working to deepen their

understanding of the importance of compliance through compliance videos, internal newsletters, and notices. We are also focused on raising awareness of compliance practices in their daily operations with regard to such issues as food safety and security, human rights, harassment, and the use of social media platforms, all of which have also been of great social concern. In particular, we recognize that food safety and security is the most important issue in light of the characteristics of the Group's business, and are working to ensure that all Group employees thoroughly comply with standards, manuals, and guides to deliver appropriate products and services.

Furthermore, the topic of compliance is included in the coverage of our internal qualification examination as a means of confirming that employees have acquired compliance-related knowledge.

FY2022 activities

May 2022	Training for directors and corporate auditors
June 2022	Training for department heads We invited outside speakers to conduct compliance training for directors and corporate auditors and department heads of the Company and its subsidiaries on how the management should address changing social norms.

August 2022	Training for persons in charge and managers Compliance video for store managers and staff members We produced and distributed six videos on human rights and gender, allergies and expiry management, safety and sanitation, harassment, personal use of company property and unauthorized resale, and posting on social media. This is to raise awareness of compliance among store managers and staff members who work at the Company and its subsidiaries.
September, October 2022	Study group for Yoshinoya store managers We held a study group for Yoshinoya store managers in multiple locations on compliance matters concerning labor management and harassment.
November 2022	Training for employees of the head office and plants We conducted compliance training for persons in charge and managers of the Company and its subsidiaries, and employees of the head office and plants to think about human rights and gender related issues which have been the subject of growing social awareness recently.
December 2022	Training for directors and corporate auditors We invited outside speakers to conduct compliance training for directors and corporate auditors of the Company and its subsidiaries on how the management should address changing social norms, as well as review the training held in June 2022. Moreover, a compliance test was given on the same day for the purpose of knowledge checking.



Study group for Yoshinoya store managers

Internal reporting system

A Group Hotline has been established within the company as a contact point for internal reporting. In the event of a whistleblower report, the Group's Legal Affairs Office either instructs the relevant department of each company to investigate and respond to the report, or investigates and responds to the report itself. The office then reports back to the whistleblower on how the matter has been dealt with, and confirms whether corrective action has been taken. The contents of these reports are reported to the Board of Directors on a quarterly basis through the

Group Risk Management Committee as part of updates on the status of system operation. Moreover, each Group company has its own whistleblower hotline.

To ensure that whistleblowers and those who cooperate in investigations are not disadvantaged, the company and each Group company have established whistleblower regulations in accordance with Japan's Whistleblower Protection Act, and manage them appropriately.

Risk Management

Basic approach to risk management

To put sustainable growth to practice, Yoshinoya Holdings is striving to develop and enhance its risk management system as a means of detecting early on and responding appropriately to various risks that may impede the achievement of business objectives, as well as to promptly and appropriately act when risks do materialize. These efforts are guided by the basic principle of compliance with laws, regulations, the Articles of Incorporation, the Group Charter of Corporate Behavior, and the various rules and regulations of the company. Under the oversight of the Group Risk Management Committee, we accurately identify risks based on trends in the legal system and social environment, and take appropriate preventive measures. If a significant risk materializes, we will act appropriately to minimize the damage and to consider and implement effective measures to prevent recurrence.

Risk management system and structure

The risk management system is overseen by the Group Risk Management Office, which formulates policies and issues instructions to be followed regarding important risks that may affect the entire Group. The Committee is chaired by the representative director and president of the company.

The system is designed to ensure that the leaders of each department identify, classify, evaluate, and effectively manage our potential risks. In subsidiaries and other entities, this is carried out by the corresponding risk management organization or the person responsible.

Each department manager, subsidiaries, and other entities report quarterly on the status of risk management and events that occur to the

Group Risk Management Committee, which then reports to the Board of Directors.

If a significant risk materializes, it is promptly reported to the chairperson of the Committee, who in turn convenes a meeting of the Group Risk Management Committee and gives instructions to the secretariat. Information management in a "Level 2 (Warning)" or higher situation—which requires an emergency response—will be carefully reviewed in coordination with regulatory authorities, related organizations, and each department for necessary, and appropriate measures to be taken.

Risk identification and response criteria

We have identified a total of 24 risks: 12 external environmental risks and 12 operational risks that may affect the performance, financial condition, stock price, and other aspects of the company and its subsidiaries and other entities. In FY2021-2022, we further identified COVID-19-related risk as one that could affect our group's operating results, financial condition, and stock price.

Five of these risks—reputational risk; natural disaster risk; legal, regulatory, and business practice risk; food safety risk; and accident risk—are positioned as particularly important matters that require urgent

risk communication and information gathering. If and when these risks materialize, we will take prompt and appropriate action as instructed by the Group Risk Management Committee.

The response criteria are classified into three levels: Level 1 (caution), which calls for a standard response; Level 2 (warning), which requires an emergency response; and Level 3 (critical), which mandates a company-wide response. However, these criteria are not absolute and we will always respond with the principle of stakeholder protection as the number one priority.

Level	Response	Standard response
Level 1	Caution	<ul style="list-style-type: none"> Losses relatively minor and limited in scope
Level 2	Warning	Emergency response <ul style="list-style-type: none"> Single occurrence with significant impact Expanded scope of loss due to multiple occurrences Potential media coverage
Level 3	Critical	Company-wide response <ul style="list-style-type: none"> Particular need for risk communication Significant social impact resulting from media coverage

External environment risk		Operational risk	
Raw material procurement	Natural disasters	Decision-making information	Accidents
Capital procurement	Brand	Food safety	Disputes
Market	Laws, regulations, business practices	Financial reporting	Suppliers
Competitors	Environment	Impairment	Compliance
Customers	Country	Information system	Personnel
Reputation	Climate change	Products/services	Shareholders

Urgent and critical risks

Five Promises to Stakeholders

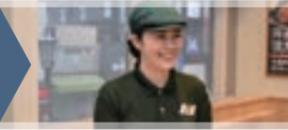
We have established a set of promises to share the value attained through co-creation and to grow together with all stakeholders involved in the Group's corporate activities.

Customers



Promise Continue provision of originality-rich products and services to satisfy as many customers as possible.

Employees



Promise Respect employee individuality and independence, impartially create opportunities, and share a sense of achievement in work and a sense of fulfillment in life. By continuously improving the work environment and elevating the social status of the company, we will become a company in which employees and their families can be proud of.

Suppliers



Promise Maintain good relationships with suppliers and continue offering opportunities to acquire appropriate profits.

Shareholders



Promise Continue to enhance corporate value through sound business practices and appropriately return profits to shareholders.

Society



Promise Fulfill our social responsibility by practicing business activities for protection of the global environment and resources and by participating in beneficial social projects.

Engagement with investors

One of our basic corporate governance policies is to engage in active dialogue with investors.

Dialogue with institutional investors is led by members of the IR staff of the Group Planning Department, and is conducted through financial results briefings and approximately 100 individual meetings per year. In FY2022, the General Meeting of Shareholders and financial results briefings were streamed online in real time as a measure to prevent the spread of infection.

In individual meetings, we engaged in a vigorous exchange of views with institutional investors on: the status of the contribution to earnings from the structural change initiatives implemented in the previous fiscal

year, the impact of activity restrictions on performance, and management strategies for the post-pandemic era. The details of these meetings are documented and reported to the Board of Directors to regularly share with management. In FY2022, we also proactively worked to engage with investors. For example, our president participated in dialogues with sell-side analysts, and we exchanged constructive opinions on the new Medium-term Management Plan.

We will continue to engage with investors to incorporate market feedback into our management, which should contribute to achieving sustainable growth.

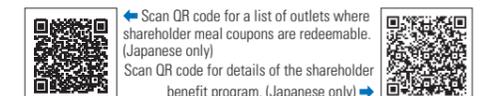
Shareholder benefit program

We have a shareholder benefit program in place with the purpose of encouraging our shareholders to use the Group's products, to deepen their understanding of our business, and to further support us as fans of the Group. Under this program, shareholder meal coupons are issued to eligible shareholders at the end of February and August of each year according to how many shares they own, allowing them to enjoy meals at the Group's outlets in Japan. (Check the Company's corporate website to see where shareholder meal coupons are redeemable.)



*Example of our set of assorted products

In addition, shareholders who hold 200 or more shares can also exchange their shareholder meal coupons for a set of assorted Group products instead of using the coupons at an outlet by applying before the exchange deadline.



Scan QR code for a list of outlets where shareholder meal coupons are redeemable. (Japanese only)
Scan QR code for details of the shareholder benefit program. (Japanese only)

Financial Data for Last 11 Years

Fiscal year (Millions of yen)	FY2012	FY2013	FY2014	FY2015
Net sales	164,599	173,418	180,032	185,738
Operating income	1,877	2,179	3,515	1,613
Ordinary income	2,460	3,270	3,993	2,345
Net income (loss) attributable to owners of the parent	(364)	698	941	837
Depreciation and amortization	5,834	5,399	5,088	5,433
Capital expenditure	8,092	6,028	8,453	12,879
Cash flows from operating activities	6,212	7,570	11,833	433
Cash flows from investing activities	(6,937)	(4,258)	(9,201)	(12,365)
Cash flows from financing activities	(2,473)	481	5,595	3,843
Cash and cash equivalents at end of year	14,003	17,964	26,858	18,498
End of fiscal year (Millions of yen)				
Total assets	91,338	95,524	108,658	111,292
Net assets	43,390	43,412	58,938	57,733
Other data				
Net assets per share (yen)*	83,112	831.78	921.01	891.04
Basic earnings (loss) per share (yen)*	(710)	13.59	16.24	13.10
Dividend per share (yen)*	2,000	20	20	20
Equity ratio (%)	46.8	44.8	53.7	51.7
Return on equity (ROE) (%)	(0.8)	1.6	1.9	1.4

* On September 1, 2013, the company conducted a 100-for-1 stock split of its common stock. Accordingly, net assets per share, basic earnings (loss) per share, and dividend per share are calculated on the assumption that the stock split was conducted at the beginning of FY2013.

FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
188,623	198,503	202,385	216,201	170,348	153,601	168,099
1,865	4,019	104	3,926	(5,335)	2,365	3,434
2,750	4,604	349	3,369	(1,964)	15,642	8,741
1,248	1,491	(6,000)	713	(7,503)	8,116	7,234
5,915	6,286	6,700	7,715	7,191	6,292	6,138
11,373	10,749	12,091	14,613	5,236	4,547	8,108
10,104	9,374	2,830	14,038	2,722	23,442	7,245
(6,526)	(8,379)	(9,034)	(8,453)	(5,168)	(333)	(4,014)
1,085	(4,200)	2,461	288	17,810	(26,042)	(14,196)
22,941	19,573	15,660	21,500	36,796	34,211	23,396
114,947	115,613	112,685	126,167	131,921	112,214	108,230
57,209	57,807	50,025	48,385	40,142	48,741	55,603
879.46	887.13	765.73	739.76	612.5	743.85	852.07
19.35	23.11	(92.94)	11.04	(116.09)	125.54	111.86
20	20	20	20	—	10	10
49.4	49.5	43.9	37.9	30.0	42.9	50.9
2.2	2.6	(11.2)	1.5	(17.2)	18.5	14.0

Analysis and explanation of operating results

Sales and profit

Net sales in the domestic business saw a moderate recovery after the lifting of the priority measures to prevent the spread of novel coronavirus (COVID-19) infection and during the long holiday in May, when there were no activity restrictions, sales at existing stores returned to the pre-pandemic levels. Although the resurgence of the COVID-19 pandemic hit our business temporarily during the "7th wave" from the second half of July and the "8th wave" around New Year, the return of foot traffic resulted from normalized social and economic activities, such as government travel assistance measures and the relaxation of border controls on inbound visitors, has led to recent recovery of net sales at existing stores. Net sales in the overseas business were greatly impacted by strict measures for infection prevention in China, including the Shanghai lockdown and frequent activity restrictions in other cities. On the other hand, in the ASEAN countries, where the pandemic situation has settled down, business is recovering with the return of foot traffic; meanwhile and sales in the U.S. remain strong despite continued

inflation.

Although the Group continues to work on reducing food waste and strengthening cost controls, costs were impacted by a surge in the prices of various raw materials and utility hikes. The future outlook also continues to be uncertain due to circumstances such as geopolitical risks and fluctuations in exchange rates. The Group recorded subsidy income of 4,881 million yen as non-operating income, including the cooperation subsidy for the prevention of COVID-19 received in return for the shortened business hours requested by local municipalities.

Total assets, liabilities, and net assets

Total assets at the end of the fiscal year under review decreased by 3,984 million yen compared with the end of the previous fiscal year to 108,230 million yen. This was mainly attributable to a 10,945 million yen decrease in cash and deposits as a result of capital expenditures and the repayment of loans payable and also to the sales of real estate held for investment outside the Group's main business. This was offset by an

increase of 3,337 million yen in right-of-use assets, primarily due to changes in lease accounting standards in the U.S.

Liabilities decreased by 10,846 million yen compared with the end of the previous fiscal year to 52,626 million yen. This was mainly attributable to 10,408 million yen in repayments of long-term loans payable and the current portion of long-term loans payable, offsetting an increase of 3,646 million yen in lease obligations, primarily due to changes in lease accounting standards in the U.S.

Net assets increased by 6,861 million yen compared with the end of the previous fiscal year to 55,603 million yen, and the equity ratio increased by 8.0% compared with the end of the previous fiscal year to 50.9%.

Cash flows

Cash and cash equivalents at the end of the fiscal year under review decreased by 10,815 million yen compared with the end of the previous fiscal year to 23,396 million yen, after taking into account the effect of exchange rate change.

Net cash provided by operating activities was 7,245 million yen (compared with 23,442 million yen provided in the previous fiscal year).

The main factors included 8,975 million yen in income before income taxes, 6,138 million yen in depreciation and amortization, and 1,259 million yen in impairment loss, offset by 5,334 million yen in income taxes paid and a 1,374 million yen increase in inventories.

Net cash used in investing activities was 4,014 million yen (compared with 333 million yen used in the previous fiscal year). The main factors included 6,072 million yen in purchase of property, plant and equipment as capital expenditures, offset by 1,425 million yen in proceeds from sales of investment property.

Net cash used in financing activities was 14,196 million yen (compared with 26,042 million yen used in the previous fiscal year). The main factors included 10,408 million yen in repayment of long-term loans payable, 2,351 million yen in repayment of finance lease obligations, and 650 million yen in cash dividends paid.

Company Profile/Stock Information (as of February 28, 2023)

Company Profile

Company Name	YOSHINOYA HOLDINGS CO., LTD.
Established	December 27, 1958
Paid-in Capital	10,265 million yen
Head Office	18F Daiwa Rivergate, 36-2 Nihonbashihakozakicho, Chuo-ku, Tokyo, 103-0015, Japan
President	Yasutaka Kawamura
Stock Listing	Tokyo Stock Exchange Prime Market
Securities Code	9861
Number of Employees	15,429 (on a consolidated basis)

Major Consolidated Subsidiaries

YOSHINOYA CO., LTD.
Hanamaru, Inc.
YOSHINOYA AMERICA, INC.
YOSHINOYA China Holdings Co., Ltd.
ASIA YOSHINOYA INTERNATIONAL SDN. BHD.

Directors and Corporate Auditors

President	Yasutaka Kawamura	Corporate Auditor	Akihiro Yasui
Managing Director	Norihiro Ozawa	Corporate Auditor	Kaoru Tomiya
Director	Tetsuya Naruse	Corporate Auditor	Kensuke Masuoka*
Director	Eizou Uchikura*	Corporate Auditor	Osamu Ohashi*
Director	Nobuko Akashi*	* Outside Directors/Outside Corporate Auditors	
Director	Daisaku Fujikawa*		

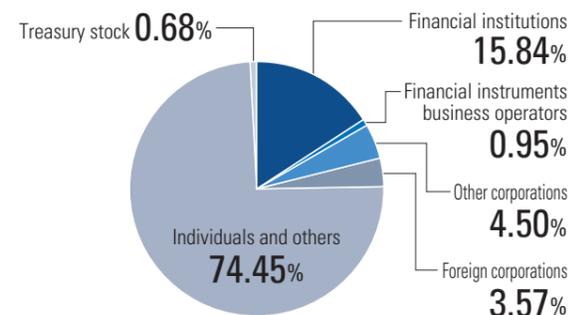
Number of Employees

Yoshinoya	9,135	[Male: 4,696, Female: 4,439]
Hanamaru	2,544	[Male: 957, Female: 1,587]
Overseas	2,604	[Male: 1,299, Female: 1,305]
Other	601	[Male: 363, Female: 238]
Corporate	545	[Male: 322, Female: 223]
Group total	15,429	[Male: 7,637, Female: 7,792] * including part-time workers

Stock Overview

Total number of shares authorized to be issued:	160,000,000
Total number of shares issued and outstanding:	65,129,558
Number of shareholders:	312,396

Composition of Shareholders by Type

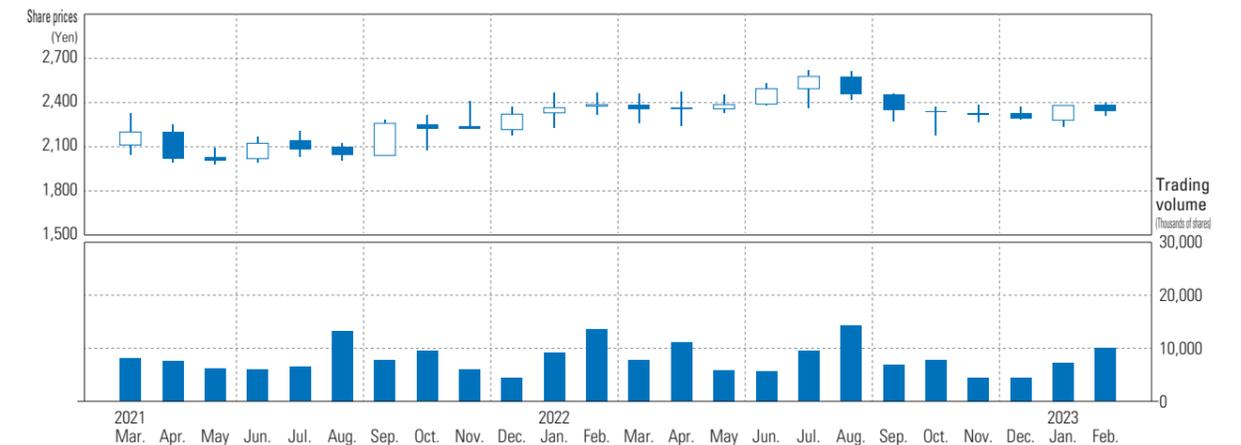


Major Shareholders (10 largest shareholders)

Shareholders name	Number of shares owned	Proportion of shares owned (%)
The Master Trust Bank of Japan, Ltd.	7,396,500	11.43
Custody Bank of Japan, Ltd.	1,756,300	2.72
Kisshokai	849,400	1.31
Taiju Life Insurance Co., Ltd.	557,800	0.86
STATE STREET BANK WEST CLIENT—TREATY 505234	388,600	0.60
HANEWOODS INC.	326,800	0.51
BofA Securities Japan Co., Ltd.	285,228	0.44
Suntory Spirits Ltd.	278,000	0.43
Kewpie Corporation	270,000	0.42
Yamatane Corporation	253,000	0.39

* The company holds 445,891 shares of treasury stock but is excluded from the above list of major shareholders.

Trends in Share Prices and Trading Volume



On the publication of the Integrated Report 2023

The purpose of this report is to comprehensively and clearly convey the Yoshinoya Holdings Group's value creation story for our stakeholders. It presents the current status and future direction of the Group's initiatives toward sustainable growth from both financial and non-financial perspectives. From the perspective of providing information on our efforts toward ESG management and the SDGs, one of the main purposes of this report is to explain our co-creation of value with stakeholders based on our Basic Sustainability Policy and material issues.

Considering the trend for corporate management to emphasize human capital in recent years, the report focuses on the Group's human resources strategy. The creation of value through people can be considered the foundation of business activities for the Group, which regards the food service industry as a people business. It includes information to raise awareness of our industry-leading human capital initiatives.

As indicated in the Editorial Policy (page 3), this report was prepared through cooperation across the entire Group, with reference to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and ISO 26000 (Guidance on Social Responsibility). We hereby state that the report has been prepared in good faith with transparency and that its contents are appropriate and just.

Norihiro Ozawa, Managing Director, YOSHINOYA HOLDINGS CO., LTD.



YOSHINOYA HOLDINGS

<https://www.yoshinoya-holdings.com/english/>

