Value Creation Process

Group Business Philosophy: For the People

Our Six Core Values

1. Tasty, affordable, fast
2. Greater number of customers
3. Originality
4. Integrity
5. Importance of human resources
6. Challenges and innovation

Awareness of social issues surrounding the food service industry

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

Principal capital of Yoshinoya Holdings

Financial capital

- Consolidated net sales 187,472 million yen
- Net assets 60,849 million yen

Human capital

- Number of employees 3,016
- Number of part-time workers 13,393
- Total 16,409
  (Full-time and temporary employees)

Manufacturing capital

- Number of Group factories 7
- Amount of capital investment 11,431 million yen

Intellectual capital

- Over 50 years of expertise in chain store operations
- Number of co-created technologies 35
- Co-creation with health-related organizations 9
- Co-creation with SDGs-related organizations 5

Social capital

- 2,766 outlets in Japan and overseas with 300 million customers annually
- Inquiries to the customer service center 41,851

Business and financial strategies

Group Medium-term Management Plan FY2022–FY2024

Evolve and regenerate

In FY2024, we will make one of the largest investments ever to push evolution forward

P25-26/P33-40

Human resources strategy

Human capital management

Developing human resources to pioneer the current and future Yoshinoya Group

Promoting grand design aiming for developing the human resources necessary for the Yoshinoya Group of tomorrow

P31-32

Sustainability Strategy

Efforts to address material issues

Bolstering the promotion system and setting KPIs for 2030

P27-28/P41-64

Output

Yoshinoya

Hanamaru

Overseas

Other

Outcomes

Social value : Targets for FY2030

Percentage of female employees 30.0%	Percentage of female managers 30.0%
Percentage of paid leave taken 80.0%	Improvement in employee engagement*1 2.5 points
Regular health checkup attendance rate 100%	Annual sales of Tokugyu and nursing-care beef products*2 100,000 meals
Provision of products that contribute to healthy eating habits —	Expanding community contribution activities by outlets (providing food at children's cafeterias, etc.) Construction of a network encompassing all prefectures
Supplier audits (building a supply chain with an awareness of the environment and human rights) 100%	The recycling rate of waste generated by domestic factories*3 57%
Reduction of specified plastics (50% compared with 2020) 24.15 kg/100 million yen	Continued designation as eco-friendly restaurant*4 Continued certification

*1 Corporate environment is assessed by an external institution. The target score of 2.5 points indicates a psychological state of proactivity, in which half of the employees feel less burdened by the organization and their work.

*2 Tokugyu is a food for specified health uses that is sold following an inspection by the government. Nursing-care beef products are for people with decreased chewing and swallowing ability.

*3 The recycling rate of Yoshinoya Holdings Group's seven domestic factories.

*4 In 2017, Yoshinoya acquired Eco Mark certification from the Japan Environment Association certifying environmentally friendly restaurants, earning designation as an eco-friendly restaurant.

Economic value : Targets for FY2024

Consolidated net sales 180.0 billion yen	Consolidated operating income 7.0 billion yen
Operating income margin 3.9%	ROIC 5.0%
D/E ratio 0.6	

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

Group Medium-term Management Plan FY2022–FY2024

With the themes of evolution and regeneration, we aim for post-pandemic expansion for the Group.

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.

Medium-term Plan FY2022 - FY2024 Themes **Evolve and regenerate**

Basic policy: Improve invested capital efficiency

Heighten	Extend	Increase
Evolve existing businesses	Strengthen growth businesses	Seek M&A opportunities

Deepen group management

Human resource development, capacity building, and diversity

Sustainability initiatives

Progress during the second year and outlook for the final year

- **Net sales:** Rose 11.5% year on year as sales at existing outlets steadily recovered on the recovery of foot traffic, flexible pricing, and seasonal product measures.
- **Number of outlets:** Increased by 40 year on year, although we do not anticipate achieving the final year target due to a review of the outlet opening strategy, mainly due to the COVID-19 environment overseas.
- **Operating income:** Increased by 132.1% year on year owing to the effect of increased earnings and proper variable cost management.
- **ROIC and D/E ratio:** ROIC rose 4.1% year on year and D/E ratio declined to 0.3 thanks to improvements in operating income margin and capital turnover and lower interest-bearing debt.

		FY2022	FY2023		Evaluation and initiatives	FY2024 outlook	Medium-term Management Plan targets for FY2024
Net sales	(Billions of yen)	168.0	**187.4**	○	・Pursuing flexible pricing policies ・Effect of converting to C&C outlets ・Expanding openings of outlets specializing in takeout	203.0	180.0
Number of outlets	(Outlets)	2,726	**2,766**	△	・Closing unprofitable Hanamaru outlets ・Reviewing the overseas outlet opening strategy	2,976	3,120
Operating income (margin)	(Billions of yen)	3.4	**7.9**	○	・Higher gross profit through product strategy ・Appropriate cost management	7.0	7.0
	(%)	2.0	**4.3**			3.4	3.9
ROIC	(%)	2.9	**7.0**	○	・Improving operating income margin ・Selling idle real estate ・Improving the invested capital turnover ratio	5.5	5.0
Debt-to-equity ratio		0.4	**0.3**	○	・Accumulating net assets ・Optimizing our capital structure	0.3	0.6

Management policy for FY2024

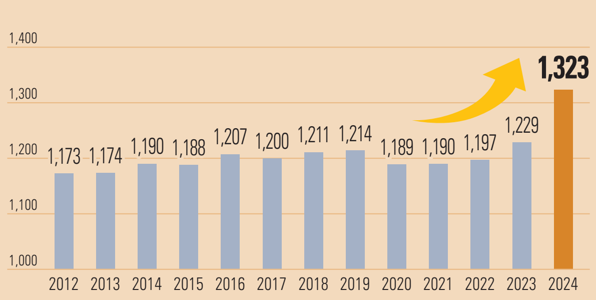
Quantitative expansion through aggressive outlet openings

Although we achieved our performance goals a year sooner than planned, we will make one of the largest investments in growth to date in FY2024 to take the business to new heights, based on one of the three pillars of our Medium-term Management Plan, "Heighten: Evolve existing businesses." We will promote the aggressive opening and remodeling of new Yoshinoya and other outlets with unprecedented speed.

Yoshinoya

First time in 15 years to open 100 new outlets and perform 100 C&C renovations

Number of outlets at fiscal year-end



1 Expand takeout/delivery specialty stores

Following a two-year verification test period, the company will expand the area for opening takeout/delivery specialty stores, which are advantageous in that the required investment is low and they attract more female customers.

2 Promoting conversion to C&C outlets

We will promote the renovation of existing outlets to the C&C model to improve profitability. We plan to have over 500 outlets under the new service model by the end of FY2024.

3 Promotion of Group brand outlet openings

Beginning in FY2024, we will enter into a group partner agreement under which Yoshinoya will manage the Group's various brands as franchises.

Hanamaru

Net increase in the number of outlets since FY2019

FY2023	FY2024
418 outlets	428 outlets

1 Establishment of training center

In preparation for expanding outlet openings, we have established a new training center to secure and cultivate talented human resources.

2 Verification testing for new concept outlet, Beyond Hanamaru

We opened a new concept outlet at the end of April 2024 with keywords including functional noodles, variety, salad bar, vibrant color, and health and beauty in mind.

Overseas

Quantitative expansion in the U.S., China, and the ASEAN region

- In the U.S., we plan to open four new outlets and renovate 21 outlets.
- We will promote area expansion, product strategy, and conversion of outlets to the new model in Shanghai and Singapore.

Ramen

Expanding operations overseas centered on Bariuma

We will promote overseas development with a focus on With Link's Bariuma brand. In FY2024, as the Group's first foray into Europe, we plan to open an outlet in Edinburgh, Scotland.

Special Feature 1

Setting Materiality KPIs

We have established "For the People" as our business philosophy.
We aim to fulfill the needs of society and contribute to people's happiness.
In 2022, we identified material issues to contribute to the realization of sustainable corporate growth and a sustainable society. In 2023, to further accelerate initiatives, we reinforced our sustainability promotion system and worked to establish KPIs for 2030, the time target of the SDGs.

Materiality	Our course of action to address issues (basic policy)	Yoshinoya Holdings Group's key initiatives	KPI settings	FY2030 targets	FY2023 results	FY2022 results	Contribution to SDGs
Realizing diversity and inclusion to enable people to grow and thrive	• Practice diversity and inclusion • Promote a good work-life balance • Develop human resources and support career development	• Respect and promote diversified work styles • Improve work environment • Review personnel evaluation systems	Percentage of female employees	30.0%	22.0%	20.5%	5 Gender Equality 8 Decent Work and Economic Growth 10 Reduced Inequalities
			Percentage of women in management positions	30.0%	10.3%	9.6%	
			Percentage of paid leave taken	80.0%	62.0%	59.3%	
			Improvement of employee engagement*1	2.5 points	3.0 points	3.0 points	
Providing the joy of food and health to more customers, enabling them to have fulfilling lifestyles	• Contribute to customers' health • Contribute to the health of employees who provide food • Respond to aging society • Application of new technologies and new ingredients	• Sell foods for specified health uses • Expand sales of foods for nursing care receivers and develop products	Ratio of employees receiving medical checkups	100%	91%	89%	1 No Poverty 2 Zero Hunger 3 Good Health and Well-Being
			Annual sales of Tokugyu and Care Beef products*2	100,000 packages	70,000 packages	80,000 packages	
			Provision of products that contribute to healthy dietary habits	—	—	—	
Contributing to the development of local communities by developing our global business	• Enhance the Group's function as a "food" infrastructure • Interaction with local communities	• Provide meal support for children's cafeterias • Develop and provide emergency food using Yoshinoya canned meals technology • Support disaster-stricken areas using Orange Dream trucks	Expansion of "local community contribution activities by outlets" (Provision of food at children's cafeterias, etc.)	Build a network throughout prefectures	27/47 prefectures (47,281 packages)	23/47 prefectures (44,813 packages)	2 Zero Hunger 8 Decent Work and Economic Growth 17 Partnerships for the Goals
Building a sustainable supply chain through co-creation with suppliers	• Ensure food safety • Ensure supply chain integrity	• Establish a system for auditing suppliers' plants • Purchase materials with environmental impact taken into account	Auditing of suppliers (Build a supply chain with consideration given to the environment and human rights)	100%	86%	81%	12 Responsible Consumption and Production 15 Life on Land
Responding to climate change through environment-friendly business activities	• Reduce food material loss at outlets and in production processes at plants and reuse food materials • Reduce environmental impact of packaging materials	• Reduce loss at outlets and plants and promote reuse • Reuse industrial waste (waste oil, waste materials) • Reuse equipment and instruments	Recycling of waste discharged from plants in Japan*3	57%	53%	52%	7 Affordable and Clean Energy 13 Climate Action 17 Partnerships for the Goals
			Reduction of specified plastics (50% compared to 2020 level)	24.15 kg/100 million yen	25.00 kg/100 million yen	32.50 kg/100 million yen	
			Remain certified as an ECOMARK CERTIFIED RESTAURANT*4	Continue to be certified	Certified in 2017	Certified in 2017	

*1 At the request of the company, an external institution measures the openness of the company. The target 2.5 points indicates that half of the employees are in a state of mind in which they have a low level of stress in the organization and at work and are involved in their work proactively.
*2 Tokugyu was screened by the nation and is sold as a food for specified health uses (FOSHU). Care Beef is a nursing care food for people with reduced chewing and swallowing function.
*3 This is the recycling rate at the Yoshinoya Holdings Group's seven plants in Japan.
*4 In 2017, Yoshinoya was granted Eco Mark certification, which is given to an environmentally friendly restaurant, from Japan Environment Association and was certified as an "eco-restaurant."

Material issue promotion structure

● Establishment of the Sustainability Promotion Committee

As the Yoshinoya Holdings Group operates on a global scale, addressing ESG issues is a high-priority management theme. To this end, in March 2024, we established the Sustainability Promotion Committee for the company-wide study and promotion of sustainability initiatives.

The Committee is chaired by the Representative Director and President and comprises directors, executive officers, and department heads in charge. We regularly report to the Board of Directors on sustainability promotion status and KPI progress for the entire Group through the formulation of company-wide sustainability-related policies and targets and the monitoring of progress on material issues.

Process of setting materiality KPIs

April 2022 Identified material issues

April 2023 Disclosed human capital strategy

May 2023– **Began formulation of KPIs**

May–August 2023 **Step 1: Established subcommittees centered on departments related to each material issue and created a framework**

1 Consider targets
2 Identify opportunities and risks
3 Determine initiatives
4 Create draft KPIs

We established subcommittees centered on the Group Planning Department and each department related to material issues, and 1) established value to be created and targets, 2) set long-term, foreseeable opportunities and risks, and 3) based on these opportunities and risks, established specific initiatives from short- and medium-term as well as long-term perspectives. We then prepared a tentative draft of KPIs to be achieved in 2030.

September 2023 **Step 2: Discussed draft KPIs with directors and executive officers**

At the Group Strategy Council meetings (executive camps) attended by directors and executive officers, members shared the KPI formulation process and a tentative draft of KPIs with the board members for discussion and group work. We elicited opinions for each material issue.

October–December 2023 **Step 3: Narrowed down KPIs for finalization, and incorporated them into each operating company**

Based on the opinions extracted during Step 2, each department undertook a further review of the KPIs. The revised draft was shared with the board members of Yoshinoya Holdings at a management liaison meeting and was also rolled out to all Group operating company executive officers. The final sharing of findings took place at a subsequent board meeting.

January 2024 **Step 4: Final decision by the Board of Directors**

Special Feature 2

Yoshinoya Group Activities for the Future

We are promoting various activities for the future. They include developing new business formats to satisfy emerging dining needs, expanding takeout service, reducing in-store operational burden through format conversion, using digital technology to improve customer convenience and enhance their store experience, and conducting online interviews to optimize the process of hiring part-time workers and realize the best match between outlets and applicants. By making a difference through bold innovation, the Group will continue to envision and realize the future.

Number of takeout/delivery specialty stores	Number of outlets with takeout tablets	Number of part-time job applications	Number of meals served at Karubi no Toriko
FY2023 cumulative total	FY2023 cumulative total	FY2023	FY2023
37	313	90,615	205,438

Value provided to customers

● Developed Karubi no Toriko, as a fast-casual restaurant model

To meet diversifying customer needs, Yoshinoya developed Karubi no Toriko as a fast-casual restaurant model and added it to its existing fast-food business format, Yoshinoya. It launched operations in Satte, Saitama Prefecture on February 23, 2023. It has been a decade since Yoshinoya undertook a new business format. We applied the knowledge acquired through Yoshinoya and our unique foundation to the fullest in developing and operating Karubi no Toriko.

● Takeout/delivery specialty stores with pre-payment and ordering via tablet to reduce waiting times

With takeout demand remaining constant even after the relaxation of infectious disease-related regulations, we plan to expand the number of takeout/delivery specialty stores. Since seats are not required and the cost of opening a new store is half that of a standard outlet, we will use this as the axis for new outlet openings and aim for quantitative growth by opening new outlets in uncharted areas.

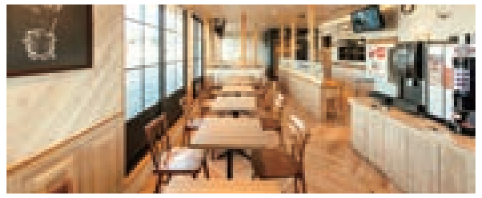
Value provided to employees and job seekers

● Introduction of online interviews to boost part-time employment efficiency

In traditional part-time hiring, information on applicants is transmitted to the head office through a job information website. It is then passed to each outlet, where the store manager schedules an appointment with the applicant and conducts an in-person interview at the outlet. The biggest issue in this process is contacting applicants and scheduling appointments. In many cases, the time that the applicant is available for contact does not coincide with that of the manager. Even when contact is finally established, it can be difficult to schedule the interview. The process through to the interview itself often does not proceed smoothly. In addition to serving as an obstacle to smooth store operations, it constitutes a major opportunity loss for the company as a whole. Looking at the restaurant industry overall, from data indicating that there has been an exodus of workers to other industries in recent years, we believe that the whole industry has the same issue.

Given these circumstances, we began to develop and put into practice a system in which interviewers perform interviews online on behalf of store managers. In concrete terms, the process still begins at a job interview website, but a URL for the application only is incorporated in the site, and once the applicant registers as a friend on the LINE app, they are immediately directed to a screen where they can input their preferred online interview schedule and related information. Based on the dates input on the app, the schedule is finalized, and the interviewer leads the online interview.

● C&C outlet deployment also reduces operational burden



Since 2016, we have been deploying Cooking & Comfort (C&C) outlets that offer a service style focused on providing freshly prepared products in a comfortable dining space. At a C&C outlet, the customer first places their order at the register. Then, after having completed payment, the customer picks up the food themselves and brings it to their seat. The C&C outlet features an open, spacious seating area allowing customers to relax and enjoy their meals. Moreover, the change in layout from the conventional outlet has resulted in improved employee flow and fewer steps being required. As employees do not have to walk as many steps, it takes only a little extra effort to offer products only available when dining out.

Toward a better future

Forum 2040 is charting the Group's future prospects

In 2022, we began selecting members through an internal recruitment process to forecast 2040 from a variety of perspectives. Based on this forecast, we asked our employees in their 30s and 40s in 2023—those who will be responsible for the next phase of management—to deliberate on strategies concerning how to compete for 2030 and to make presentations to the Group's board members and executive officers. Guided by the efforts of the past two years, we plan to devise our new long-term vision this fiscal year and announce it in the spring of 2025.

Special Feature 3

Special Feature 3

Human Resources Strategy

The aim of the Group Human Resources Strategy Department is to optimize the performance of people and the organization and to foster the team of personnel necessary for the future of Yoshinoya Holdings. Since the Nomination Advisory Committee, Remuneration Advisory Committee, and Human Resources Council were established in FY2021, we have steadily put into practice function-specific measures based on our human resource strategy roadmap and generated results that contribute to the achievement of KPIs in quantitative human capital data. Going forward, along with the Group Management Division, we will create a grand design for our employees' career development.

Human resources strategy roadmap

Four functions and main purposes	Through 2021	2022	2023 Measures	2023 Results	2024	From 2025
Human resource development • External orientation • Leadership • Improving skills	• Cross-industry exchange • Industry-academia collaboration • Study abroad	• Holding forum meetings • Business school	• Cross-industry exchange • Industry-academia collaboration • Yoshinoya private school	Began organizing job requirements for store and area managers to be unified within the Group • Dispatched nine cross-industry exchange workers • Dispatched 18 workers for industry-academia collaboration • Conducted Yoshinoya private school three times	• Secondments • Reassigning candidates for next-generation management teams	• Reassigning candidates for next-generation management teams
Organizational development • Understanding yourself and others • Team building • Organizational analysis	• Real-team training • Box seminars • Interview programs	• Improving outlet staff retention • Interview programs • Organizational assessment	• Improving outlet staff retention • Interview programs • Philosophy training	Conducted coaching skill training for managers to facilitate communication and boost retention • Improved outlet staff retention in three areas and one head office area • Conducted interview program (including area managers): 210 workers • Conducted the philosophy training three times	• Organizational assessment • Age-specific training	• Family training for each department
System development • Work style reform • Diversity and inclusion	• Fixed-term system • Evaluation systems • Quota system	• Regulations governing executive remuneration • G6/G7 wage regulations	• AMSV training for new employees • Education and training systems (standard and selective)	Planned and developed the new manager training for all promoted employees and conducted a pre-implementation training • Pre-implementation training: 25 participants	• Consider the quota system for 2025 and onwards • Fixed-term system (development by each department)	• Extension of retirement age • Retirement age system by positions
Assigning the right person to the right job • Managing human resources information • Information sharing	• Launch of the Human Resources Council • Human resources profiling • Introducing Kaonavi talent management system	• Departmental hearings • Visualizing strategic talent	• Human resources profiling • Strengthening Kaonavi operation • Scrutinizing the talent pool	Implemented profiling of approx. 200 people, compiled data on approx. 300 people including previous participants	• Reconfirming job size measurements	• Organizing requirements by department

Interview with General Manager, Group Human Resources Strategy Department

Education investment measures to cultivate leaders in the field

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

The Group Human Resources Strategy Department is promoting efforts to identify and cultivate the next generation of management and executives who will be responsible for the future of the Group, with two departmental policies for upper-level employees of Yoshinoya Holdings and domestic operating companies.

One of the policies is to produce front runners. These personnel are future management candidates, including some management-level personnel, mainly the general managers of Yoshinoya Holdings and executive officers and general managers at operating companies. The requirements for and types of front runners are shared through the Nomination Advisory Committee, and we provide development opportunities through job rotation and external training for exceptional personnel at and above the managerial level.

The second of the two policies is to encourage managerial-level staff who form the population for front runners to boost the quality of their work. The managerial-level staff which is comprised mainly of area managers and supervisors will have their first opportunity to manage subordinates on a full-time basis and learn business principles and tenets. To deepen this experience and accelerate the learning cycle, we will implement measures to raise awareness of what is required of the Group's core personnel and to raise the level of knowledge.

While standardized training programs for the store manager-level staff, who are candidates for the population, are currently provided at each operating company, we plan to include them in the target for educational investments by the Group Human Resources Strategy Department to improve the quality of candidate personnel practices.

Human resources strategy overview

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.

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.

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 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 Six Core Values

1. Tasty, affordable, fast
2. Greater number of customers
3. Originality
4. Integrity
5. Importance of human resources
6. Challenges and innovation

FY2023 quantitative human capital data

			FY2022	FY2023
Practice diversity and inclusion	Percentage of female employees	Group (consolidated)*1	29.6%	30.3%
		Japan operations*2	20.5%	22.0%
	Percentage of female managers	Group (consolidated)*1	26.1%	25.3%
		Japan operations*2	9.6%	10.3%
	Percentage of childcare leave taken*2		Male 33.3% Female 100.0%	Male 52.0% Female 100.0%
	Number of employees using shortened working hour system upon returning to work after maternity leave*2		2	2
	Percentage of employees with disabilities (friend employees)*3		5.06% *Statutory employment rate: 2.30%	4.87% *Statutory employment rate: 2.30%
	Number of employees aged 65 years or over covered by social insurance*2		292	330
	Average wage gap between men and women*2 (ratio of women's wages to men's wages) and average years of service*2	Department heads	85.1%	88.1%
			Male 25.0 years Female 21.9 years	Male 24.0 years Female 22.2 years
		Management positions (area managers, etc.)	94.3%	97.8%
			Male 20.2 years Female 15.9 years	Male 18.0 years Female13.6 years
		Non-management positions (store managers, etc.)	92.9%	91.8%
			Male 12.9 years Female 8.2 years	Male 12.8 years Female 6.6 years
Promote a good work-life balance	Percentage of paid leave taken*2	Employees	59.3%	62.0%
		Part-time workers	76.5%	69.4%
	Number of scholarship recipients (total)*4		23	27
	Regular health checkup attendance rate (including part-time workers)*2		89.1%	91.5%
	Ratio of employees undergoing stress checks*5		58.5%	72.5%
	Percentage of employees recording high-stress levels in stress checks*5		20.2%	22.6%
	Employee turnover rate (within three years of joining the company)*2		43.6%	34.4%
Develop human resources and support career development	Number of employees (including part-time workers)*1		Total 15,429	Total 16,409
			Male 7,637 Female 7,792	Male 8,020 Female 8,389
	Number of foreign employees*2		Employees 53	Employees 59
			Part-time workers 1,666	Part-time workers 1,963
	Number of nationalities*2		31 countries worldwide	32 countries worldwide
	Percentage of employees with part-time work experience*2		79.9%	75.6%
	Percentage of employees in important positions (officers and department heads) with part-time work experience*2		45.6%	41.8%
	Percentage of managers aged 35 and under*2		4.0%	3.2%
	Number of hours of education or training per employee*2		28.7 hours/year	30.3 hours/year
	Educational investment per employee*2		51,697 yen/year	57,058 yen/year
	Number of training sessions conducted*2	Training for officers and department heads	20 sessions	20 sessions
		Selective training and external training	30 sessions	44 sessions
		Training for store managers	144 sessions	167 sessions

*1 Consolidated results for the Group (including overseas businesses)
*2 Results across three companies: Yoshinoya Holdings, Yoshinoya, and Hanamaru
*3 Results across four companies: Yoshinoya Holdings, Yoshinoya, Hanamaru, and Sankosha Laundry Center
*4 Results for Yoshinoya
*5 Results across two companies: Yoshinoya Holdings and Yoshinoya

Please also refer to p.49 for more information on our human resources initiatives.

Strategy by Business: Yoshinoya

Yoshinoya

Reignition of the growth trajectory by accelerating outlet openings to take the business to new heights

We will overcome hurdles by having everyone take on the challenge and drive the evolution of the Group as a whole.

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 outlets

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

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

Under the current Medium-term Management Plan, which is based on the themes of evolution and regeneration, Yoshinoya focuses on initiatives centered on evolution. These include the conversion of outlet format, the expansion of openings of takeout/delivery specialty stores, and the strengthening of *karaage* products. And, as the Group's core business, we are responsible for boosting the top-line performance and securing profits for the entire Group, thereby supporting growth investment.

Compared with FY2021, the number of Yoshinoya outlets at the end of the fiscal year increased by 39 during the two-year period to 1,229. Of these, the number of new service model outlets more than doubled from 203 to 412 due to format conversion (renovation and new openings) to C&C outlets and outlets with zig-zagged counters.

Based on the favorable performance that drove the achievement of management plan targets one year ahead of schedule and the steady progress we have made in business development aimed at evolution, we plan to accelerate growth investment in FY2024, opening 100 new outlets to increase the total at the end of the fiscal year to 1,323. We will execute format conversion through renovation and new outlet openings on the scale of 100 outlets, bringing the number of new service model outlets to more than 500 at the end of the fiscal year. We will raise capital investment in FY2024 from 7.4 billion yen in FY2023 to 10.6 billion yen.

Over the year, we will make solid progress in our initiatives toward further evolution and continue to improve invested capital efficiency going forward.

Review of FY2023

Top-line expansion and enhanced profits amidst recovering foot traffic

In FY2023, when we launched the themes of focusing on customer numbers and accelerating growth investment, we capitalized on the recovery in foot traffic through product and campaign measures oriented toward expanding in-store food and beverage sales and renovations to C&C outlets and outlets with zig-zagged counters. This resulted in a 4.7% year-on-year increase in the number of customers at existing outlets. To cope with rising costs, we implemented price revisions for major products such as Gyudon Namimori (regular-size beef bowl) in October 2023. Since then, however, there has not been a year-on-year decline in the number of customers at existing outlets, and we believe that this price revision, along with improved product and service value, has been well received by customers. With regard to product measures, we aimed to boost sales of *karaage* and cultivate it into the second pillar of our product lineup after the beef bowl.

In fiscal 2023, the direct sales business, which handles products such as frozen beef bowl topping, also performed well as sales increased.

As a result, Yoshinoya's business performance improved in terms of profit and top-line growth. We recorded net sales of 126.4 billion yen (up 11.2% compared to FY2022) and operating income of 8.0 billion yen (up 29.2% compared to FY2022). The lowering of the break-even point, which we pursued as a structural change to overcome the spread of COVID-19, has resulted in enhanced profits.

Store development, which we stepped up in line with the theme of accelerating growth investment, resulted in the opening of 60 new outlets and the closing of 28, leaving the total at 1,229 (up 32 compared to FY2022) as of the end of the fiscal year. Of these, 31 are newly opened takeout/delivery specialty stores. Meanwhile, the number of C&C outlets increased to 412 at the end of the fiscal year (up 115 compared to FY2022)—comprising 33.5% of the total number of outlets—as a result of renovations and new outlet openings.

Future direction and issues

First aggressive new outlet opening campaign in two decades pushes the total number of outlets past 1,300 stores in Japan for the first time ever

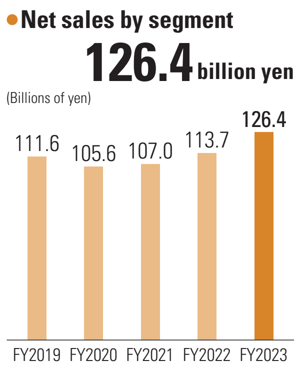
In FY2024, under the slogan "Reignition—Challenge for All," we will aggressively open new outlets at a level not seen in 20 years to expand the scale of our business and take it to new heights. The number of Yoshinoya outlets at the end of the fiscal year is expected to reach 1,323—a net increase of 94 outlets —pushing the total number of outlets in Japan beyond 1,300 for the first time.

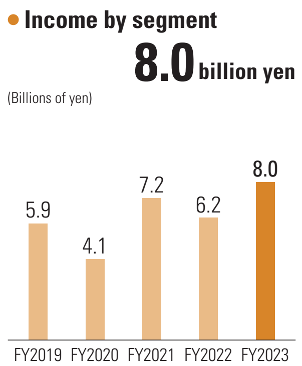
Among these, we plan to accelerate the opening of takeout/delivery specialty stores, which we launched in FY2023, expanding the number of such outlets to 117. Moreover, for takeout/delivery specialty stores, Yoshinoya intends to recruit new franchisees for the first time in 30 years with the aim of securing prime properties.

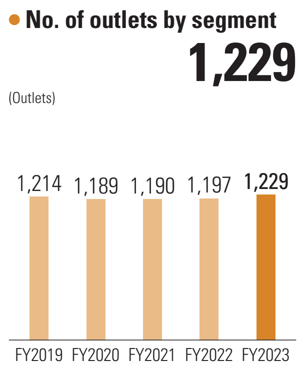
At the same time, we intend to undertake large-scale renovations of 100 outlets and expand the number of new service model outlets to 532 by the end of FY2024. Our aim is to evolve from the standard model that we have been converting to a next-generation model that further refines the value of individual space.

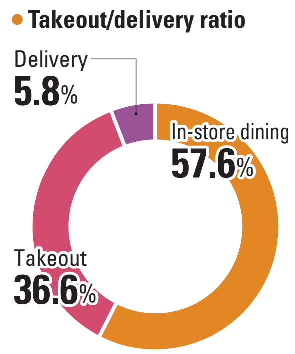
In addition to these initiatives, we plan to increase existing store sales by 4.9% year on year in FY2024, keeping us on track to continue revenue growth. Meanwhile, we expect that increased growth investment will result in a temporary drop in operating income.

Although we brought the quantitative targets of the Medium-term Management Plan to fruition one year ahead of schedule, all employees will take on the formidable task of achieving greater growth than ever as we conclude the final year of the plan.









Strategy by Business: Hanamaru

Hanamaru

Establish new value through a brand strategy that extends beyond "Hanamaru" and return to a growth track

Underpinned by improved profitability, we will achieve steady growth by increasing the number of customers.

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

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

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

Hanamaru, which was significantly impacted by the pandemic, has positioned its current Medium-term Management Plan as a three-year regeneration period to get back on a growth trajectory over the next few years. We are endeavoring to recover customer numbers and sales while reorganizing unprofitable outlets. In FY2023, the plan's second year, the success of a host of measures including large-scale sales promotions as we entered the post-COVID era resulted in increased sales at existing outlets. The closure of unprofitable outlets and price revisions also contributed to improved profitability. This contributed to the company returning to profitability—an ongoing issue—and to the overall increase in profits for the Group.

With this progress, Hanamaru considers itself to have transitioned out of its regeneration phase. In FY2024, the plan's final year, we will augment the opening of new outlets as a foothold as we return to a growth trajectory. Furthermore, we will bolster outlet renovation to raise the value of the in-store experience and launch a strategy for rebranding that will establish the value of our offerings as an alternative to low prices. These efforts will lead to the expansion of customer numbers, and by further manifesting the effect of profit improvement heightened over the past two years, we will secure a sound financial position.

We will boost capital investment in FY2024 from 900 million yen in FY2023 to 1.9 billion yen to facilitate our return to growth.

Review of FY2023

Secure financial soundness by achieving the crucial objective of returning to profitability

Hanamaru, which for the third straight fiscal year was forced to post an operating loss attributable to the prolonged pandemic, worked on refining its human resources, products, and stores with the aim of increasing sales at existing outlets while pressing forward with the reorganization of unprofitable outlets with a view to returning to profitability. As a result, in FY2023, we were able to secure net sales of 29.2 billion yen (up 15.4% from FY2022) and operating income of 1.7 billion yen.

During the past year, the frontline mindset changed for the better in response to the recovery of foot traffic. Refinement efforts to renovate and intensively clean outlets, expand takeout and delivery services, augment education at the new training center, and improve the quality of udon and tempura generated positive results. Outlet renovation, in particular, has broadened the customer base by introducing booth seating for easy family access and installing dedicated takeout registers. It has also effectively improved the outlet environment by reducing the workload in the kitchen.

Meanwhile, we implemented price revisions in March 2023 and January 2024 to cope with soaring raw material and labor costs. While the resulting increase in the spend per customer has lifted sales, it has also negatively affected the number of customers. Net sales at existing outlets and the number of customers were at 110% and 90%, respectively, compared with pre-pandemic FY2019.

It is becoming increasingly difficult to use low prices to attract customers. Our challenge for the future is to enhance the value offered in place of lower prices and to increase customer numbers. Once Hanamaru has completed its reorganization of unprofitable outlets and made progress in boosting profitability through price revisions, it can expect more reliable earnings growth by increasing customer numbers than by expanding outlet openings.

Future direction and issues

Rebranding strategy to enhance the value provided and increase customer numbers

For FY2024, we have adopted the slogan, "Be better than I was yesterday." We plan to open 20 new outlets to boost customer numbers and increase the frequency of visits to outlets, with the aim of enhancing sales and profits.

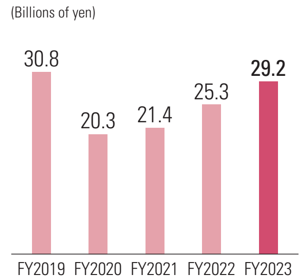
And in response to the challenge of increasing the number of customers, we will launch a rebranding strategy, "Beyond Hanamaru." The primary target demographic will be female customers in their 20s to 40s, and the company will establish a value proposition that surpasses price by promoting the image of affordable and accessible healthy food that it has cultivated over time. In April 2024, we renovated and opened our first rebranded outlet with a fresh interior design based on a new concept. It features a salad bar and a selection of side dishes that are not fried so as to resonate with customers who are conscious of health and beauty.

At existing outlets, we will not only maintain our existing quality, service, and cleanliness (QSC) model, but also strive to improve quality, hospitality, and atmosphere (QHA) with the goal of enhancing the value of the in-store experience.

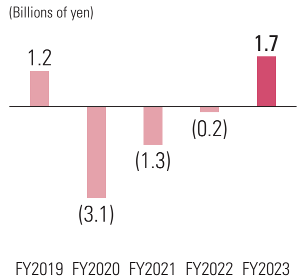
In parallel with this business development, we will redouble our internal efforts to foster a comfortable work environment, centered on the Life Work Balance (LWB) Project. The aims will be to bolster employee engagement and put into practice human capital management that contributes to corporate value. We will also continue our activities toward resolving environmental and social issues, including endeavors to reduce food waste and the provision of support for children's cafeterias.

As we commemorate our 24th year in operation, please watch this space as Hanamaru aims for further evolution as a company providing Japanese-style fast food.

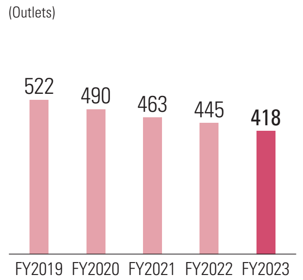
● Net sales by segment
29.2 billion yen



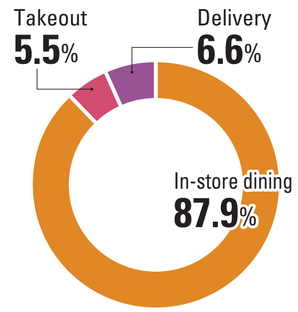
● Income by segment
1.7 billion yen



● No. of outlets by segment
418



● Takeout/delivery ratio



Strategy by Business: Overseas

Overseas

Leverage global brand value to achieve medium- to long-term growth

We will optimize the operational structure, reform the store model, and raise efficiency and productivity.

Tetsuya Naruse (Left)
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.

Jon Gilliam (Right)
CEO, YOSHINOYA AMERICA, INC.

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

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

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

Risks
- Impact of geopolitical factors and national regulations on business
- Suspension of operations and decrease in the number of customers due to the 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)

Regarding the Medium-term Management Plan themes of evolution and regeneration, our U.S. operation—where performance remained strong even during the pandemic—will be responsible for the evolution side, while China and the ASEAN region, which were severely impacted by COVID-19, are working on regeneration efforts in numerous areas. During the past two years, the number of outlets in the U.S. remained at 100 at the end of the fiscal year. Meanwhile, the number of outlets in China and the ASEAN region at the end of the fiscal year increased by 31 to 894 in FY2023, after having dropped from 871 in FY2021 (prior to the implementation of the plan) to 863 in FY2022.

In China, where a recovery in performance is underway, we augmented store openings mainly in Shanghai, Qingdao, Beijing, Liaoning, and Hong Kong. In the ASEAN region, we aggressively opened outlets in Indonesia. As a result, the scale of overall overseas operations has expanded to nearly 1,000 outlets.

In FY2024, we plan to open 125 new outlets and close 60 outlets, which will bring the total number of outlets in our overseas operations to 1,059 at the fiscal year's end. We are opening new outlets primarily in China and Indonesia, but we also plan to open four new outlets in the U.S. and renovate 21 outlets. We will increase capital investment from 2.2 billion yen in FY2023 to 2.8 billion yen to speed up quantitative expansion as the Medium-term Management Plan draws near completion.

Review of FY2023

China and the ASEAN region — Severe conditions remain due to the effects of the real estate recession and rising costs

In China, although the market environment recovered on the country's zero-COVID policy shift, the market was impacted from the second half of the fiscal year by a decrease in consumer confidence amidst the real estate recession. In this context, with regard to directly managed areas, we aggressively opened new outlets, expanding the number of outlets in Shanghai from 12 at the end of the previous fiscal year to 21. At the same time, we integrated the operating companies in Fujian, Wuhan, and Jiangxi and consolidated their functions with the aim of returning them to profitability.

In the ASEAN region, Singapore, where there are 12 directly managed outlets, performed well. In terms of franchise development, sales rose primarily in Indonesia, where the number of outlets grew from 136 at the end of the previous fiscal year to 151. In the Philippines, however, where we are pursuing a joint venture with a major local restaurant operator, performance did not meet expectations.

The situation common to the entire Asian region is that demand for delivery during the pandemic has slowed. And, while rising labor costs and soaring costs are putting pressure on profits, the current environment is not conducive to the implementation of price revisions, making a redesign of the obsolete store model and improving efficiency and productivity imperative.

U.S. Business — Secured record sales and EBITDA despite continued high inflation

Consumers in the U.S. have been sensitive to price hikes amidst high inflation in that market over the past year. Amidst these conditions, Yoshinoya America focused on measures such as using an app to promote outlet visits. Moreover, the introduction of Japanese-style *karaage* fried chicken, renovations to kitchens to heighten operational efficiency, and renovations to outlets also generated positive results.

As a result, in FY2023, we were able to surpass the previous year's sales and EBITDA figures, reaching new records in the process.

Future direction and issues

China and the ASEAN region — Expand C&C outlet conversion to China and the ASEAN region to promote growth

In China, we will focus on opening directly managed outlets based on the low-investment model with which we experienced success in Shanghai to address the issue of a prolonged investment recovery period. In FY2024, we plan to open our first outlet in Zhejiang Province and set up a manufacturing plant in Suzhou to reinforce the supply of food ingredients to the surrounding area. Meanwhile, looking at business development with franchisees, we will establish a joint venture company in Guangdong Province to expand outlet openings. By introducing the know-how of Cooking & Comfort (C&C) outlets—with which we have had success in Japan—we plan to extend kitchen support and efficiency across the breadth of our China operations to make possible the same menu development as in Japan.

In China, we will also endeavor to grow our frozen beef bowl topping business. Through a joint venture with a local company, we will set up a manufacturing plant in Tianjin. Under the Group's brand development and quality control, we will begin with sales via outlets.

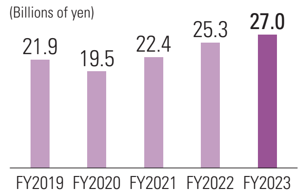
In the ASEAN region, as in China, the key to the future will be the revamping of the store model and C&C conversion to boost efficiency and productivity. In FY2024, we will promote conversion at directly managed outlets in Singapore and leverage this as a C&C model showcase to encourage its introduction in Indonesia and other franchise areas.

With regard to developing and utilizing global human resources, we have launched a career initiative in which we assign employees recruited from Japan to China, Taiwan, Singapore, and the Philippines. We will continue focusing on this initiative with a view to the growth and expansion of our Asian business over the medium to long term.

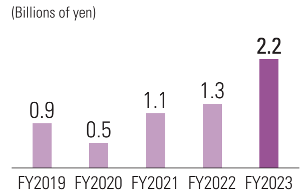
U.S. Business — Implement price revisions and AI technology in response to rising labor costs

In FY2024, the concern exists that increasing labor costs will exert pressure on profits. In parallel with price revisions, we plan to address this issue by introducing an AI ordering system to reduce workload and human hours. Moreover, we will continue our brand strategy under the themes of "Win with Our Food," "Modernize the Experience," and "Make It Easy" to further boost our growth potential.

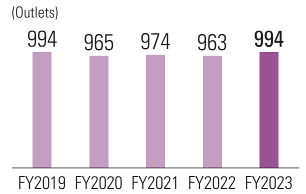
● Net sales by segment
27.0 billion yen



● Income by segment
2.2 billion yen



● No. of outlets by segment
994



Strategy by Business: Other

Other

Accelerate franchise development in Japan and abroad, transform into the next 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 pillar of Group growth.

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

The ramen noodle business, which plays a central role among our other businesses, will be positioned as the next growth pillar for the Group, and we are currently making advance investments toward this objective. We will attempt to expand franchise development in Japan and internationally as a collective of medium-sized businesses with multiple brands. As a group, we will aim to make this the world's top ramen chain.

Under the current Medium-term Management Plan, while being on the lookout for M&A opportunities to acquire new brands, we will continue to refine our business model and boost profitability and efficiency.

Review of FY2023 and Future Outlook

Sales rose at all operating companies
Toward further strengthening of brand power

In FY2023, With Link continued its robust performance from the previous fiscal year, recording increased sales and profits. Meanwhile, a recovery in performance at Setagaya and StartingOver led to an increase in operating income and an improvement in operating income and loss.

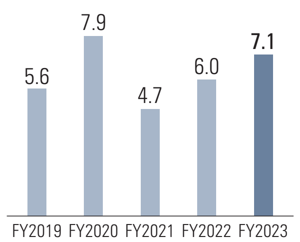
With Link has been successful in improving its ability to attract customers through measures such as outlet renovations. This led to increased sales at domestic outlets, as well as outlets overseas, particularly in Indonesia. Measures to enhance the value of the Setagaya brand under the slogan "Strengthen Our Defense" were effective, and the new brand, Special Miso Ramen Wada Shoten got off to a good start.

StartingOver worked to increase customer numbers while proceeding with a partial format conversion and linked price revisions to increased earnings. Despite this, the company failed to reach its target and did not return to profitability in terms of operating income and loss.

In FY2024, With Link will accelerate the opening of new outlets in Japan and abroad with the goal being further profit growth. Setagaya will aim to maintain the trend of increased sales and profit based on the theme of coexistence of quality and profit. Meanwhile, StartingOver will continue research into business formats while looking to achieve growth through the opening of more Cha-o outlets.

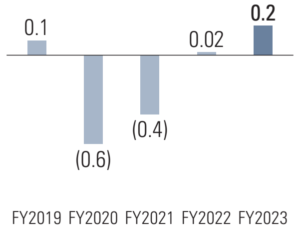
● Net sales by segment **7.1** billion yen

(Billions of yen)



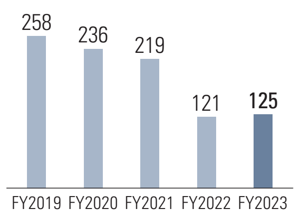
● Income by segment **0.2** billion yen

(Billions of yen)



● No. of outlets by segment **125**

(Outlets)



With Link

Transition to an aggressive stance, refine business model to become the world's top ramen noodle chain

We will demonstrate mobility within the Group to contribute as an advance team to new growth areas.

With Link Co. Ltd.
Representative Director and President
Daisuke Akizuki

Review of FY2023

Continued robust growth and noteworthy increase in sales at overseas chains

With Link, which directly manages and franchises its ramen noodle business with the Bariuma brand as its centerpiece, turned its performance around in FY2022—when the pandemic began to subside—and continued strong growth in FY2023. The company opened three new outlets and closed three in Japan, and opened three and closed five overseas. This resulted in a net decrease of two outlets from the end of the previous fiscal year to 70, with 42 in Japan and 28 overseas, as of the end of FY2023. However, the success of existing outlets in attracting more customers and enhanced profitability led to increased sales and profits, although they fell short of pre-pandemic levels.

Domestic chain store sales grew 11.3% year on year. One measure that was particularly effective was the renovation of outlets to augment their ability to attract customers. The renovation of all 12 of our directly managed outlets in Japan over the past three years was highly effective. We conveyed this information to franchise owners to encourage them to invest in the company, and we also expanded renovations at franchise outlets.

As a new initiative, in November 2023, we opened the first Korean Ramen Bariuma outlet in Kure City, Hiroshima Prefecture. We hope to establish a format as a new business model that delivers an unprecedented ramen dining experience and develop it into a driver to expand franchise development.

Overseas franchisees operating in Southeast Asia—primarily in Indonesia—achieved a significant 29.6% year-on-year growth in chain store sales, accomplishing the goal of higher sales and profits for overseas franchise owners it established for FY2023. The implementation of interviews with franchise owners amid the recovery of foot traffic and consumption in each region, close collaboration and information sharing in management, and a strong relationship of trust in order to grow the business, were the keys to our successful results.

Future direction and issues

Accelerate opening of franchise outlets toward becoming the world's top ramen chain

To achieve the Group's ambition of becoming the world's top ramen chain, we must continue the refinement of our business model to expand our franchise network by opening outlets overseas from Southeast Asia to Europe, and onward to North and South America and the Islamic world.

In FY2024, we aim to achieve 70% year-on-year growth in operating income, restoring the profit level that temporarily declined due to the pandemic and fulfilling the contribution expected of our company within the Group. The acceleration of outlet openings to realize this profit growth is a major theme for the year. We expect to have a total of 92 outlets by the end of FY2024, a net increase of 22.

Domestically, we will augment the number of personnel in the development departments to promote franchisees and appeal the excellent performance of our business model. Looking abroad, the company plans to adopt an aggressive stance by opening its first store in Edinburgh, Scotland, as the inaugural step in its European expansion, while also focusing on growing its low-priced brand Buchiton in Southeast Asia.